Company Name: Logitech
Company Ticker: LOGN SW
Date: 2019-03-06
Event Description: Analyst and Investor Day

Market Cap: 6,745.96
Current PX: 38.97
YTD Change($): +8.05
YTD Change(%): +26.035

Bloomberg Estimates - EPS
Current Quarter: 0.323
Current Year: 1.916
Bloomberg Estimates - Sales
Current Quarter: 632.333
Current Year: 2798.462

Analyst and Investor Day

Company Participants

- Ben Lu, 'Vice President Investor Relations'
- Bracken P Darrell, 'President and Chief Executive Officer'
- Alastair Curtis, 'Chief Design Officer'
- Scott Wharton, 'GM Video Collaboration'
- Unidentified Speaker, ''
- Ujesh Desai, 'GM Gaming'
- LONG, ''
- Delphine Donne-Crock, 'GM C&P'
- Vincent Pilette, 'Chief Financial Officer'

Other Participants

- Analyst
- Michael Foeth
- Alex Duval

Presentation

Ben Lu, 'Vice President Investor Relations'

Hello everybody. Thank you all for your attending. I'm Ben Lu, Head of Investor Relations here at Logitech and welcome to our Annual Analyst and Investor Day here in Zurich. I've been told it's a unseasonably warm day, so it's nice that it's actually quite warm here, and I promise to be really fast with our customary forward-looking statements.

Otherwise, my legal firm will get really upset at me for not reading this, and then I'll go through quickly so we can get on with the show. The press release as well as the live webcast of these presentations is available online at the Investor Relations page for our website, logitech.com. During the course of these presentations, we may make forward-looking statements including forward-looking statements with respect to future operating results that are being made under the Safe Harbor of the Securities Litigation Reform Act of 1995. The forward-looking statements involve risks and uncertainties that cause actual materials to differ materially from those anticipated in the statements.

Factors that could cause actual results to differ materially include those set forth in Logitech's quarterly report on Form 10-Q for the quarter ended December 31, 2018 and subsequent filings. The company undertakes no obligation to provide or revise any forward-looking statements as a result of new developments or otherwise. Please note that today's presentation will include results reported on both a GAAP and a non-GAAP basis. Non-GAAP reporting is provided to help you better understand our business.

However, non-GAAP financial results are not meant to be considered in isolation from or as a substitute for or superior to GAAP results. Non-GAAP measures have inherent limitations, and should only be used in conjunction with our consolidated financial statements prepared in accordance with GAAP Our earnings press release includes a table detailing the non-GAAP measures together with the corresponding GAAP numbers and reconciliations to GAAP This information is also provided on our Investor Relations website. We encourage listeners to review these items, unless you really want me to -- hear me repeat these again. Otherwise, noted otherwise comparisons between periods are year-over-year and in constant currency and all reported results and updated outlook are focused on continuing

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operations and do not include the performance of Lifesize, which is reported under discontinued operations.

These presentations are being recorded and will be available for replay on the Investor Relations page of the Logitech website. Today's agenda. Unfortunately, I forgot to bring my foot -- presenter right, me. If you move on two pages, you'll see the agenda.

We have Bracken, who's President and CEO, as you all know, start off the event. Then we have Alastair, our Chief Design Officer; Scott Wharton, Video Collaboration; Ujesh whom you guys also know, is in charge of Gaming. We'll take a short break afterwards and then Delphine will come on to talk to you about creativity and productivity. And then finally, as we always book in our Analyst Day, I'm sure you guys are all waiting for Vincent to talk about the financials.

And with that, let me hand it over to Bracken Darrell.

Bracken P Darrell, 'President and Chief Executive Officer'

Thanks a lot. Before we go past this page, I'm going to take a second and just introduce each of these characters briefly. Alastair Curtis is standing in the back here, and Alastair grew up as a designer.

He's been a designer practically since birth. He went through Royal College of Art, same place as Jonathan and I went, and he'll talk a little about that later. And he was the Head of Design for Nokia for many years and he and I have been working together since almost the beginning. Scott Wharton, he's a great example of a new breed of leader we have in the company, which is a former entrepreneur.

Scott is where -- where is Scott? Scott's standing right behind you. Scott runs our Video Collaboration business. He actually came out of a startup that he created and sold in video collaboration, again, many years ago. And now he's been running this business wonderfully for the last several years, and I think you'll love his story.

Ujesh Desai, where is Ujesh? Ujesh also has been deep in his business, which is gaming. What you won't tell from Ujesh because he's wearing a long sleeved shirt is he's got his tattoos of his favorite game characters from his wrist all the way up to his shoulder and he somehow talked me into a tattoo, which I think Vincent may mention later. And then Delphine is another completely different character. Delphine has been with the company for a very long time.

She's been with me as long as I've been here and before that, and Delphine runs our creativity and productivity business, which is the original core business. And Delphine has worked all over the world for us. She is French by birth, but she's really worked at -- she spent a lot of time in Asia. She's been deep in almost every one of our businesses.

She is doing an amazing job running this business. And then finally, I won't even try to introduce Vince, and everybody in here knows Vincent probably as well or better than you know me, but he's been my partner in crime since almost the beginning. So we've got one slice of a very seasoned team at Logitech now after -- this is my seventh time doing this, so almost seven years. We've got a team with very broad shareholders, and I would say maybe oversized for the size of company we are by design because we don't intend to be this size for very long.

Now I'm going to walk you through -- I'll try to be very brief in my section because most of you hear from me every quarter, and you know a lot about our strategy. I want to give you a quick evolution of the kinds of discussions about strategy that you've had if you came here year after year after year. And I'll give you a little glimpse at the way that at least I look at the business going forward. And then I want you to hear from the people who really are running the businesses and of course, from Vincent.

Before I start, though, I just want to start with one thought, which is this. At the end of the day, if I were an investor and I am, I would want to invest in two things, great capability and great trend lines. I don't mean business trend lines. I mean trend lines, secular trends in the world.

There are three secular trends in the world. I'm going to mention them now. I want you to look for them in the presentation and at the end feel free to ask me questions about them. Here are the three trends.

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The first trend is if you have kids under the age of 30 or someone in your life under the age of 30 or, God forbid, there's somebody in this room, and I know there is under the age of 30, you know that there are only two kinds of calls you make when you're under the age of 30. One is with your phones moving around, walking somewhere and the other one is on video. Now if you do -- if you're on a -- today when you go back to your offices, wherever you are, I would guess that almost no one in here, works in an office where every closed space is video enabled. I'll tell you right now, they will be.

It's coming. Every single closed space will be enabled that has -- that's used for meetings. We're at the very, very beginning of this, and we are the leader in that space right now. So Scott's going to talk about video collaboration, but that's the future.

That's one big secular trend. The second big secular trend is this one. You know more people watch people play video games online, watch people play video games. Didn't play them; watched the other people play them than watched any Formula one event or the Super Bowl.

You might not realize that. If that sounds a little surprising to you, it's because everybody under the age of 30 is thinking and playing video games, at least some of the time. And they're very interested in it and it's not a temporary trend. It's a long-term secular trend.

It's a new experience, a new pastime that is getting bigger and bigger and bigger. And as that group grows up, it's just going to keep growing. Their kids are going to do it, and kids are going to do it. So gaming is the second massive secular trend.

The third one is maybe the most surprising. So Ujesh will cover that more. It's always really the most surprising, which is this one. When most of us grew up -- when I grew up, my favorite TV shows were Gilligan's Island.

How many people know Gilligan's Island or Family Affair or the Flintstones? I'm trying to find one that everybody here has seen, and those were created by companies like Paramount or Disney or Columbia Pictures. And so the content that I watched growing up was created by very large companies that had the scale to produce really high quality programming and then to broadcast it through the very narrow and very selective pipes that were first overall broadcast and then became cable. So that was the way I got my content and most of you got your content. That is changing.

Today more people are watching content created by other people. It's as if everybody in this room was creating content for everybody. You still watch Disney movies, but most of the content you're watching is created by somebody else. It's created by a content creator in a bedroom, in a living room, somewhere.

Now those content creators -- those digital content creators. Remember that term. Those digital content creators are creating content everywhere. It's the democratization of the creation of content.

We're at the very early stages of that age, and if they're doing that, much of the time they're doing it at a desk, using a PC, sitting with a keyboard and a mouse and a webcam. And that's the reason why somehow our PC business continues to grow very nicely. And we've barely scratched the surface in customizing our products for those content creators, but we're going to do that. So three big trends driving our business.

Now let's go to the strategy. When I started, when Vincent and I really started and Alastair and others, we started -- we were a little shy about saying we were re going to be a design company one day. Now six or seven years ago, design wasn't talked about as much as it is today, but we had this hyper focus that we knew that we were going to be a design company. We did not mean Armani or Gucci, and I always say that because to many people design is that kind of design.

We meant really use -- putting the user at the start and building products around the user and making trade-offs between costs and benefits and bringing and unlocking, unleashing the technology that great engineering can have to bring new benefits, but always with the user at the start. Not with the technology at the start, or not even with the financials at the start. Always with the user in the being, the users benefit. If this sounds common to you now, hopefully it's becoming that way because that's what we've slowly become.

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We are becoming a design company, and Alastair will give you an update on what we're doing there. The second big change we started, and this took us about a year to get to, was that we -- this company was born a PC company from day one. Within a year of its birth, we found the mouse, and we became a peripherals company for that PC platform. The entire PC, everything you needed to do what you -- to be productive at a desk was all located right in front of you on top of that desk, the hardware, the software, everything.

And we are a peripheral, we personalize that experience by giving you products around that PC that you bought after the fact, but they made it yours and they made it a little bit better. That was always our goal. So we attached to the PC platform, we actually improved the PC platform. In the beginning, we said, well, gosh, we've got a -- when I first came, everybody -- I listened to everybody told me at some point everybody was saying, you need to do the same thing for mobile.

You need to be the mobile platform, you need to be the Logitech of mobility. Something about that seemed wrong and what was wrong about that, and we figured it out in about a year was that it wasn't mobile, it was the cloud. Mobile was just what the phone became, was just a way to carry another way to collect -- connect to the cloud around with you. So your phone is just another way to connect to the cloud.

A PC now is no longer -- you no longer have everything you need sitting in front of you resident on your PC You're actually -- that's just another collecting device for cloud services and cloud experiences. Even if you're using Excel or Outlook, you're actually interacting with the cloud. You're not interact -- you're really not interacting much with that PC in front of you. You're interacting with the cloud.

So we had this realization, we need to move not from being a PC peripheral player to a mobile peripheral player. We needed to move from being a PC peripheral player to a cloud peripheral player. Once we realize that, it unlocked a whole new world for us. We said, wow, all of our existing businesses are actually cloud peripherals business.

All the future businesses we could enter being a cloud peripherals player, there are so many for such a scale there and so much opportunity. This was a big change for us. How? If you don't move resources, you don't change your investment model. You rarely get a different result.

So very early on, we changed our investment model. Some of you will remember that we've talked about every year here probably, trees, plants, and seeds. The tree was our existing core business, very mature, very full. The plants were new businesses, we entered the market right away, like video collaboration, like gaming.

And the seeds were new business that we could create, that we could bring in, and turn into future plans that could grow fast. That model was dependent on one important thing. We removed or reduced the investment in our PC peripherals business by 75% in the first year and a half and moved it into these new things. Now you could say, ooh, and some people would say, that's a very risky move because you did it against the core business.

But the reality is our competitors did the same thing and we were much bigger than our competitors in scale in that business. And so we ended up still having a disproportionate share of investment into our innovation for PC peripherals relative to our competition. And as a result, we've gained share every year, every year during this period. In fact, we've grown our business every year in PC peripheral and we've created new businesses.

When I started, mice and keyboards was the majority of our business. Today they're less than half. They are 38 -- 37%, 38%. So this has been a very successful model for us.

Now let me just run through. 2013 to 2016, what happened? We invested in new product categories, the ones you're going to hear about later on today. We attached not just to -- we attached our peripherals to cloud platforms and we exited low margin businesses, and we really split the business into growth and profit max. One of the most important things we did was we restructured the business very early and we introduced, and Vincent needs to take lots of credit for this, but it's been true across the whole business.

We really improved our financial and cost discipline. We became a company that you could look at and rely on. If we said, we're going to deliver a certain cost position, we would do it. And we've reduced our operating expenses and now

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we modestly grow our operating expenses relative to our gross margins, which Vincent will show you later.

And finally, I won't spend much time on this except to say the change we've made by introducing design as the primary driver of the business has been dramatic. And the starting point for that was bringing all of our design in house. Now if you were here I think two years ago, we talked about this which we've been using for about four years. These are the five core capabilities that we used to drive our vision, which is to be this large multi-category, multi-brand company.

Those five things, operations, design, engineering, go-to-market and marketing, we invest in all the time and keep improving our ability to do them. Keep upgrading our talent, keep upgrading our process. But I'm going to suggest you look at them a little bit differently. When you look at this chart, I want you to see gross margin improvement.

If you're a numbers first, just look at this and see gross margin improvement, and I'll tell you why. Operations is about managing our cost position and our output and being able to do that efficiently. One of the reasons why we were not terrified about tariffs was that we have an operations group that are -- we are really masters at moving from one manufacturing site to another. And we've improved our ability to do that over time, and we'll keep doing it.

We've also with designed for costs, make the operations team partners with our designed teams and product teams to deliver lower and lower cost at the start of an initiative, which has enabled us to improve our margins within categories. And Vince will talk a little about that as we improve our mix. Margin improvement comes from that. Design, I won't spend much time to say except that the combination of design and engineering has enabled us to create products from the start that have higher gross margins because they're more attractive to the consumer.

That's the fundamental. And then the last one, which is a little harder for you to see so far is the relationship between go-to-market and marketing. Go-to-market is our global sales organization, and marketing is what it sounds like. What we're doing now is we're changing our structure behind the scenes, and that's enabling us to bring the best in the world processes from all of our regions to every single point of distribution we have, whether it's online or retail so that we can begin to systematically execute better in the marketplace, which again will enable us to invest more in marketing, less in discounting and raise our gross margins.

So when you see this chart, I see it for -- I don't normally describe it this way. I certainly don't describe it this way in the company. So when I -- so when you see this chart if you're interested in our financials, I would look at this chart say, well, that is a gross margin machine. This is a way to systematically improve gross margins, and that's what -- this is a core reason why Vincent later on will be able to explain to you why we've raised our long-term gross margin targets.

So where are we today? As we look forward over the next three years, we now have multiple ways to grow. You're going to see our three largest today, and those three alone, will deliver ample growth for us in the next three or four years that we don't really need to do anything else of any significance, but we will. We're going to keep expanding into new adjacencies. We're going to keep growing that enterprise expertise, which is critical to Scott's business in Video Collaboration, and we're going to keep investing in this core capability.

Our financial discipline, we've had three years of double-digit growth, three years of very strong profit growth. Our gross margin is now bumping up at the high end of our former range, and we're reinvesting profits in the new growth category. So this engine is going to keep going now as we've got the engine rolling and we're going to keep doing this year after year after year. But the ultimate mission, make no mistake, is not short term.

It's not about any single year. It's about creating, long-term, sustainable, growing, healthy, profitable, attractive businesses. That's the mission. You'll notice that every business you're going to hear today, we're the category leader.

And we intend to stay the category leader. We're going to keep investing. Every time we look at a new business to enter, the first question we ask ourselves is, can we lead that category? If the answer is no, we think very hard, can we be number two? If the answer is no to that, we don't go into it. So category leadership is fundamental to our model and so is consistent growth.

So we're going to become this leading cloud peripherals player that we said in the press release today. We move from a PC leader in the PC platform to really a leader in the cloud peripherals, and that gives us a very broad place to play.

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Now I'm going to finish my opening here by just saying one thing. A lot of people -- when I first came to Logitech, it was -- we were -- we had just restructured and then we were recruiting.

I was very enthusiastic about attracting talent. Luckily, we managed to attract most of the people in this room if they weren't already here. And at the end of the day, I think one of the things that I discovered along the way was something that Guerrino De Luca, our Chairman and the CEO for many years here, said to me before I joined. He said one of the things that makes Logitech so magical for people, who work there is that we have the power of this large company, but the feeling of a small company.

And our goal is to never lose that. That makes us incredibly attractive. In Silicon Valley, there are lots of large companies, and boy, they're impressive, but they don't feel like a small company. They can't feel like a small company, and it's true all over the world, everywhere we look to attract talent.

If you look at our glass door -- I encourage you to go in and look at glass door, which is a rating, an objective, anonymous rating from employees and former employees. Look at our ratings, look at what people say, and you'll find that we're a very attractive place to work. Not because of anything except this. We still feel like a small company and we have so much opportunity ahead of us.

Now with that, I'm going to hand this off next to Alastair who's somewhere around here. Great.

Alastair Curtis, 'Chief Design Officer'

Thank you. So I'd just like to spend some time, first of all, reflecting on where we are as a design team.

How we're evolving to increased our influence and impact and then just a little bit about how we're laying down the foundations for the future of Logitech designing. How we want to see design grow and Logitech grow as a design led company. So I joined actually a little bit less than 6 years ago, but give or take or 6 years old as a design organization. And when I joined there was no internal design in Logitech at all , it was all outsourced to agencies it's all around the world, good ones, bad ones, but it was a mixed pack of agencies we were working with.

When I joined for me it was important that we actually took that design spend and internalized it so, I could actually then along with the team that I started to build. We could actually control the quality of design and to actually start curating and providing the creative compass for where we want to take the brand and we want to take product. So six years later we're now a 120 plus designers globally in the US., in Europe, and in Asia they are designers from all walks of life, (inaudible) designers , colors materials, finish designers, user experience designers, consumer insights the list goes on.

And those designers come from some of the best agencies in the world, and some of the biggest corporate design teams in the world. And it's a testament to exact what Bracken was saying, the ambition of what we are, they feeling of what we are is what is attracting the talent. Probably the one thing that also attracts the talent is -- as a design team we're working across six brands. And so we're supporting as a design team all of the brands within Logitech and with that over the last six years, we've won 220 design awards, which I believe now is roughly 240 plus we want another 23 I think last night.

Now I know that, you might say what's the big deal about design awards, for me the design awards are a critical need to sort of measure of where we are as a design team, there are quick critical measure to the external design community. More importantly, they are a critical means of attracting talent into the design organization. It's a key part of why people come to Logitech. It's the -- you can go to a large company and you can maybe design a small detail, or a small widget, or a small element of the UX Comes to Logitech, and you own your product, your design in that product.

That's a huge opportunity in the whole -- a huge reason for why designers want to come to Logitech part of this organization. When Bracken talks about being a design company, fundamentally it's about bringing design thinking to the core of the company. Now when we first started as a design team we were as one and then we grew to 10, and then we grew to 20 and 30. So in the early days we didn't have the scale to actually embed ourselves the business group.

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We have the design team who work in across, as one team we work in across the hole of design organization. Now, in the last 12 months we've actually got the scale within the team to actually now break up the design organization. It's not literally broken up, it still falls within my responsibility. But we've actually taken the design team and embedded into each of the business groups, and we've embedded into the business groups to help drive design thinking at the core of each business.

But, also to help drive, let's say a high degree of creative confidence into each of the businesses. It helps drive co-creation, collaboration and hopefully also speeds up the development of products. But fundamentally, it's important because design thinking also is about people, and Bracken talked about it, it's about having the obsession with the consumer, and you could say it's the customer, you could say it's the consumer. But fundamentally it's about people.

It's about understanding the people that you're creating products for, and the innovation starts with people. And, if you don't truly understand who you're designing for. The motivation, the behaviors, the rituals of those people you're never going to get the product right and the experience right. Now this is one of the things we've been driving for the last six years.

And it's a constant thing. I don't think you ever can stop sort of putting the some of the accelerator down on the importance of understanding the consumer and really driving innovation around your consumer. The image here is an image you may have seen them out there, have some models. Where, we're understanding the issues of carpel tunnel and repetitive strain, and actually getting people in and actually understanding that problem and really dialing into what that problem is has helped us create the MX vertical.

So, when we talk about sort of innovation starting with people, I would argue that design excellence and product excellence starts with making sure the consumer loves your product. And the other way to do that is to constantly throughout the process, test, test, test and refine, refine, refine from all of those stages of testing with the consumer. This material again is the MX vertical where we were making different models. And you can see all the models here, literally it's like a 40 degree angle, 45 degree angle, 50 degree angle, 60 degree angle.

Just trying to make sure that this was exactly the right angle of the optimized angle, which made sure there was the minimum amount of strain in your wrist and arm. The magic number in case you didn't know it's 57 degrees, that's the optimal angle that came out of this. But it came from testing, and testing, and testing, and I can't stress how much that's become part of our culture. With testing products, but also all the way through for testing packaging.

Just making sure the copy on the packaging is optimized, the text on the website is optimized, to make sure that, the consumer is getting the best level of understanding of what this. So when they experience the product and they take the product out. The hope is that they love the product, they love the experience we've created for them. One of the things that we talked about and the design team is about positive disruption, how can you constantly bring positive disruption to the business, the category, and the portfolio.

And it's not a negative, it's a positive. And it's a way of saying, okay, how do you bring constantly fresh perspective, fresh thinking, and new mindsets into a business. If you've been living with the product and then the product category for several years, you become not naturally staged but you become sort of sometimes set in what you're thinking could be. There's a design team we're constantly looking to rotate designs in or rotate external design agencies in or even rotate new design leaders in.

So challenge the business group and to challenge the thinking behind the product. The image here is rally. So, what we've done here is an it may seem a small thing but it's all part and parcel of how Video Collaborations evolving is we brought in some of the thinking from Ultimate Ears is the use of fabric, and applied fabric into the video collaboration world. And that's not just because we're like fabric, it's just a recognition that video collaboration is going from being a pure B2B experience to actually now a more softer, more friendly, more home-based experience.

People are working remotely, people -- that the offices are becoming less corporatized and are becoming more humanized. So we have to recognize how that's going to evolve design language within the within the video collaboration business. Next generation so, when we talk about positive disruption. The positive disruption starts with ourselves of the design organization.

We have to be as a design organization looking at disrupting ourselves. How do we bring fresh perspective into the design organization. As Bracken said, I was at the Royal College but it was a long time ago. And what I learned to the Royal College and how I learned to be designer 20 plus years ago is very different to what students are learning today.

Students today are designing using AI and VR, students today are take in machine learning, AI and computational design, and then thinking in different ways of Designing. We need to tap into those students and bring the students into the design organization. So they positively disruptors. So what we've been doing, what we assigned last year was we signed a deal with the Royal College the four-year partnership, whereby we're taking students from the college and bring them in as interns and hopefully, develop them into full-time members of the team.

But also, we're running projects with the Royal College, where we effectively picking high-level opportunities and getting the students to think about it through where ideas and through their perspective. So next November, we're actually get the opportunity to take the whole college every student with a know the college and actually work on a Logitech project for two to three weeks, which is almost unheard of to get that level of talent that working on you, working on your projects. So, we've got the Royal College, the plan will be to start with the Royal College but my hope is that we will pick two to three other design colleges around the world, one in Europe, another one in Europe, one in the US and one in Asia and they will become part of our long-term partnership. Where we will work closely with those colleges but also then they become a vehicle to bring fresh talent into the design organization.

So I talked about six years ago, going from zero to a world class design organization. I'm amazingly proud of what we've done and how we've managed to achieve that. But, the goal really doesn't stop there, the goal now is how do we as a design organization up Logitech to become a world class design company, not just a great design company, but a world-class design company I think that's my ambition, is how we as a design team now can help by embedded into the business groups, obsess about the consumer more, innovate with the consumer and actually create even more amazing experiences. But, I think the element on top of that is how do we now obsess about the consumer not just to make great products, but to actually innovate around new businesses, new categories and new business models, that's where I think we're truly will be and a world-class design-led company.

Thank you. Scott?

Scott Wharton, 'GM Video Collaboration'

Okay, good morning everybody. Thank you. So, I'd like to talk about a few things, today.

One is a little continuation on the story from last year. The second thing, I'd like to talk to you about how we're expanding our portfolio. And then the third thing is what is the input, what are the implications from our financial point of view. So last year we've talked about the growth in video conferencing overall and as Bracken said, part of the opportunity for us is to attach the cloud services and the video collaboration space is no different.

So we picked here a couple of examples, one is Zoom where you can see the number of minutes, which they're using and you can see that clearly the growth rate is just onside and growing at an ex-financial growth rate. And then the second one is a product called Microsoft teams, which is the newer version for Microsoft or Skype business. Now Microsoft has said that this is the most successful and fastest growing application that they've ever had in the history of Microsoft. All around collaboration and these are two of our biggest partners and we attached to them.

So as they grow and they're successful, we're able to grow along with them. Another area since last year, we talked about a product called MeetUp as an example of great design and reimagining the huddle room. So just like Alastair said there are magic numbers 57 degree degrees for vertical mouse, but we've found the optimal field of view as a 120 degrees for huddle room. You want to be wide enough so you get people that you can see in the front, but not so wide that the number is ridiculous.

We've had incredible success since we launched MeetUp for the huddle rooms. In fact MeetUp has won a whole bunch of awards, Design Awards, Product of The Year Awards. And MeetUp is now not only in a very short period, it's the

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number one selling VC product, but it's also the number one selling product for huddle rooms around the world in a very short period of time. Okay, so I want to talk about beyond MeetUp what have we done to expand our portfolio.

So I said MeetUp is really targeted at huddle rooms or small rooms, which are continuing to grow and as Bracken said, as more people have open space continue to collaborate, you need more huddle rooms. But there are also a whole bunch of medium and large sized rooms out there. So we've now expanded with the product that Alistair talked about Rally. So now we can go after medium, and even the largest rooms of the board rooms, which we weren't able to reach before.

Let me tell you a little bit about Rally. The Rally is really an amazing video conferencing system in a bunch of ways. It has world class video. It has some of the best audio in the world.

And it does a lot of things for IT managers that you may not see, but being able to take all of the cabling that used to be a complex rat's nest of cable and put it over a single Ethernet cable. And we can do all of that for about $2000, which is an amazing breakthrough because it used to cost about 20 or 50, or even $100,000 to get. I would argue not even as good as quality of this. That really is truly revolutionizing the medium and larger I'm in a way that we've done it for the smaller rooms.

But so we can go after now medium-sized room, so showing you how it would fit into a room of this size, all the way up to large rooms and board rooms. So one of the innovations we did, when you talk about design thinking when you're doing a video call one of the strangest things with the older systems is that many of them will have a speaker phone in the middle. And I'm sure some of you have noticed, when you're on a video call. The person is talking at the screen, but you're looking down at the desk or the conference room which is a bit weird.

But what we decide to do is we question that, we said why are people building speaker phones, and the answer was there was no reason it was the way it was always been done. So we decided to reimagine how people did that, and we put the speakers at the front where the human being is talking so very human centric, it also had a great ability to make the audio better. So what we realized is that the problem with speakerphones, is the audio is going into the same place that it's coming out, which makes it hard to reduce echoes and so on. By splitting them up, we were able to make the world's best audio for a video conferencing -- for video conferencing system.

Now, this is important I think as you know, when you're doing a video call, the video you can have a few problems. But the audio needs to be rock solid and I'm proud to say that we have world-class audio now, all built in-house, all developed by us. Okay, I want to talk to you about another product, but instead of describing it we will let you see a video.

Unidentified Speaker, ''

Let's get this show on the road.

Does anyone know how to use this thing. Well here's IT, finally. (Audio-Video Presentation)

Scott Wharton, 'GM Video Collaboration'

So when you think about video collaboration, most people think about cameras, and speakers, audio equipment, but if you think about it from a design point of view and a user point of view, one of the most frustrating things about starting video meetings how do you start the damn meeting, usually there's some crazy remote control. It's got 30 buttons on it.

The vendor will tell you, it's intuitive. But nobody knows how to use it. So you have to get IT to come in and help you out. So what we realize this, we want to make the experience better for Video Collaboration.

We not only needed to improve the audio and the video, but also the experience of how you start it, that's Tap. And what we realized is that there were current solutions today but they really weren't adequate, you have these very high-end proprietary controllers. They're expensive they're hard to program. And then you have consumer tablets which

are really not designed for IT But I think what we did is we nailed the sweet spot right in the middle that's both friendly for end-users.

And friendly for IT, and just since Alastair is talking about numbers today, the magic number for the degrees. But not have it be interface, but have it high enough that you can see it is 14 degrees, who spend a lot of time obsessing over even the number of degrees that you should have for Tap. Thank you. So when we launched Tap we had a product before that had a touch screen that we worked with Microsoft called SmartDock.

This product is a universal touch controller. So we not only launched it with Microsoft but also at the same time with Zoom, and with Google. And in fact, we are at a show in Europe that we launched this product last month. And we had 23 partners.

There were already showing off Tab and using it as their standard for doing touch controlling for meetings. So, it very rapidly and in a very short period of time has become the factors standard for touch controllers, for meetings around the world. And if you think about what this does for us, it changes us from being just an audio and video, supplier to really providing everything that you need in the room for video, audio-video, the cabling, the touch controller a full systems provider, which puts us in a much different competitive position versus just providing a camera or just a speakerphone. So in addition to hardware, we've been spending a lot of time working on software, and we announced the software suite last June, we call it right sense.

And right sense is really about three things. The one is about, fixing the right lighting in a meeting. I'm sure many of you have been on a video call where either the light is coming in the afternoon and it's completely washed out. Or you're at home and you're doing a video call, and you look like you're in the witness protection program where all you have is a black silhouette on you.

We said we needed to fix this, and it can't be something that you have to manually adjusted need to be automatically adjusting without the end-user interfering. We also launched a right site, which I'll show you more in a minute. And then RightSound, it's the ability to automatically adjust the audio. So that you always get the right experience in audio.

So, show you one of the first features that we launched is -- is was one we call auto framing. So, it fixes one of the common problems that people either don't like picking up a remote control for video or they don't do it. So if I'm going to call with Vincent sometimes he sitting way in the back and I want to yell at him, hey Vincent zoom in. But I don't want to disrupt the meeting so I just let him sit in the back and I can barely see him.

But with this feature you don't have to do anything you start a meeting, yet automatically looks for the number of people on frames. And then this example, we have our designer who's walking into the meeting. And again it just will automatically look for the people and have the right framing and sharp [ph]. So, it's an example of not only not adding a feature, but actually taking one away, nobody wants to use a remote control.

Now, you don't have to anymore, because the system is doing all the work for you. So, again moving from audio and video to complete room solutions not just for one, but for small and medium and large. So very quickly going from one camera and one room in the huddle room to having systems, that can really serve any size room for any business. All right.

So you guys are all financial types, you probably seeing our great technology, but what does this really mean from a financial point of view to the business. So one is just to show you that we've had continued growth in the video business. I've been here about 3.5 years now at Logitech, and it's been really gratifying to go from a very small I guess you would call it a see it, to now we're pretty significant plant, in fact one of the top three businesses in the company and continuing to grow. The second thing is that, it should by adding in these new products, that should significantly add the amount of money that we can get from a customer program, where the average amount of money per room.

So, before we launched these products, we would typically get, I'm using the end-user price about $1000 per room for a meet-up work group. So today, if you take a MeetUp and a Tap for small room you could get $2000 per room, if you had a rally or bigger system we could go up to $5000 per room. So not only if the market growing overall, not only we adding more rooms but we're also have the ability to get more money per room , per customer, and also leverage the

same sales force that we have instead of selling in a certain amount of dollars per room at 1000, the same cell resource can now sell multiple of revenue using the same cells or resource. So from a total addressable market point of view it's exciting to is that, we were going after the huddle room.

And as I said having a lot of success for a market that has very low penetration and a high opportunity. But that market is still while growing very fast. It's still smaller than the traditional Video Conferencing market. With Rally, we now have the ability to go after all of the large rooms where there's still a couple of billion dollars of revenue that is still untapped I ask to be able to grow.

So now you have the huddle rooms, the large rooms, we can grow in the very exciting huddle space but we can also take share from the larger -- from the larger rooms. The something that's up, business is going well and we think that with the portfolio will be able to continue to show strong momentum in this business. If you pick up on what Bracken said earlier, this morning, when he talked about the secular trend and video. Where not everyone has or very few companies have video in their offices in everyone but they will.

I really believe that's going to happen and if you look at the penetration today it's still in the low single digits. That was asked the question this morning. Can you continue to grow for this business? I think if you look at our existing portfolio even without innovation and new things, there's a huge opportunity to go from that low single-digits to putting video in every room. I'm sure 70 years ago.

Some people were saying, should we really put a telephone in every room like what everyone want to use of course, sounds like a ridiculous point but video is the same way. Video will be everywhere, because it just cause the price of a chair. And I'm sure none of you have ever gone into a conference room and said how come there are four chairs in this room, when there's room for six. And then some of those well we couldn't do the ROI You'll just have to set on the floor.

It'll be the same way for cameras of course you'll have a camera in every room, you won't be an ROI you'll just put when in there. The second thing is we're going to continue to focused on providing new technology. I was asked the question also this morning. Scott is there more room to innovate in the space I mean you got a camera, you get some audio aren't you done.

My answer was I think I have enough ideas until I die my birthday was yesterday. I don't plan on dying anytime soon. There's -- if you think about an example for those of you who like sports, when you watch a sporting event on TV, there are lots of cameras and the director is switching back and for, and their statistics and information in some ways watching a sporting event can be almost better than being ROI [ph]. We'll take that same analogy to video, think about a room with multiple cameras, and AI moving everything around.

There is no shortage of technology ideas to make the experience better. So we're leveraging our success and huddle rooms, we're expanding to medium and large rooms and hopefully you can see that not only is the addressable market growing but our ability to sale onto each of those rooms just growing a lot too. So, more exciting than ever being in this space. And thanks a lot too.

Ujesh Desai, 'GM Gaming'

Good morning, everyone. So my name is Ujesh, and I run the Gaming business. So, I've been with Logitech, little over four years now. And during that time, we've seen our Gaming business grow nicely.

And what I want to talk about today is, within our Gaming business we're now seeing three distinct businesses that we focus on. And I thought it'd be important for everyone to understand, what are those three businesses and what are the certain differences between those three businesses. With that why don't we get started. So obviously the first business that we focus on is PC Gaming.

So PC Gaming this is the heart of our business. It's roughly a $3 billion opportunity. When you look across keyboards, mice, headsets, the market that we typically play in. Right? And what is driving growth in this market is obviously the

games themselves.

By show of hands here how many people have heard of Fortnite. Okay. How many people's kids are playing Fortnite and you want to till then. Right.

So Fortnite is one of those games that's just completely taken off and there's a reason for that. They've created a new business model. It's called this freemium model. Whereby you get to play the game for free.

The way they make money is in-app purchases. But the beauty of the premium model is it lowers the barrier of entry and you can have more and more gamers playing the game because they don't have to pay $60 for the game out front. In fact, how many people are playing Fortnight last I checked it was 200 million people playing Fortnight. Right? And that's not a flash in the pan.

Apex Legends just launched last month. Within one month they have 50 million people playing that game, once again it's this freemium game. So, these are the types of new business models that we're seeing on the PC that's really driving growth and getting more and more people to play. The other thing we're seeing on the PC, is the rise of Esports.

Esports if you remember I talked about this four years ago, and at the time I think a number of people last year at the event came up to me, and said really is this really a sport like are you sure, and I think what we're seeing is it truly is, it is the sport of a new generation. I look at my kids at home, they love playing all these games as Bracken said, even if they're not playing, they love watching these games. And if you look at the PC, Esports is where the PC or the PC is where Esports lists. All of the top leagues, Riot with League of Legends, it's on the PC, Overwatch from Blizzard, Counter-Strike, PUBG all of those games are on the PC and that's going to continue to drive growth for PC, that's the first market that we focus on.

The second market that we've focused on is the simulation space. This is roughly $300 million market. So, these are our steering wheels, our flight sticks. What we're seeing here is this market traditionally used to be driven by the simulation titles, like Gran Turismo, Forza.

We're not now starting to see a lot of new games coming here as well, Formula one is a new game that's doing extremely well NASCAR, but the bigger thing that we're seeing here is the rise of esports as well around E-racing. And I'll talk a little bit about that today. The interesting thing with simulation and E-racing is we're actually seeing a transition, where gamers start in the virtual world and they're able to transition those skills and take it into the real world. And I'll give you an example of that today.

Finally the last market is the console. So, this is roughly $2.5 billion market, around console headsets, as well as the game controllers. And just like the PC, it's primarily driven on new titles, however the console sometimes has different titles from the PC For example, Call of Duty is available on the PC, but it does really well on the console. There's other games that just lend themselves better to a console environment where you're sitting on the couch.

For example, fighting games, a lot of times you invite a friend over the two of you are playing the fighting game on your big screen TV Those typically do well on the console or better on the console than the PC Other games that do better on console than PC are some of the sports games. So FIFA, Madden NFL football, NBA 2K So these are some of the different goners that you see on console that maybe don't do as well on PC And that really drives growth. Speaking of console, our acquisition of ASTRO has proven to do really well for us. Because it immediately gave us a strong premium brand, a headset brand in the console space.

So it give us that overnight credibility and then with the launch of our brand new ASTRO C40 Controller that we just announced in December and we're going to start shipping this month. We will be able to now start taking share in the controller space as well. So, those are three of the main markets that we've focus on PC, simulation and console. So with that, I want to dive a little bit into esports and talk about why it's such a major trend, and some of the new things that we're seeing in esports.

I thought, I'd first talk start at the professional space and then work my way down. So, those of you that have been here at previous Analyst Days, you've heard me talk about how we work with some of the players in the team, for some of you that might be new I thought I'd go through it really quickly again. So we have a line of products that we call our

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Pro Series, it's specifically designed for esports players and fans and enthusiasts. In fact, we designed this product with the players themselves.

So you've heard Bracken talk about this, you've heard Alastair talk about this, Scott talked about it same thing for Gaming. So we sit down with the players and we give them early prototypes. They give us feedback on the design, they tell us what they like about the sensors we use, they tell us where the best places for button placement, they give us feedback on things like weight, because just like a formula one Race Car that you want to be super light. A lot of esports players prefer a lighter weight mouse.

So, these are some of the things that we do when we work with them. In fact, our brand new pro wireless mouse, that we just introduced last year, took us over two years to design this product. And we work with 50 different pros and we had 12 different design prototypes. So this is the level of design kind of methodology and input, we put into designing our products.

The other area that we focused, that's kind of the outside the physical manistation or manifestation of the mouse, but it really is important what's inside the product. Especially when you're talking about wireless. So this slide is extremely important, because it shows why we invest heavily in technology so we can continue to maintain our leading grow in the Gaming space. So let me quickly talk about what are the three areas that we've invested in wireless.

First, is what we call light speed. How many people have heard all of the rumors that all you don't want to use a wireless mouse for gaming because it lags and you'll just lose. That is a number one concern that gamers bring up. We knew, we had to solve that, otherwise we would never get gamers to use wireless mice.

If you talk to the pros they don't want to use a wired mouse. Because it feels like a leash and it's dragging them. They would love the freedom of a wireless mouse, but they worry about lag. That we knew, we had to solve that.

We challenged our engineering team we told them, okay, let's invent a protocol, so that our wireless mice are faster than the competition's wired. Just think about that for a second and we succeeded and we call that light speed. And that is one of the reason we're doing so well in the wireless space. We didn't just stop there though, we said okay we solved latency but now we need to solve battery life.

Well, how are you going to do that? Well, one way is you have to attack the part of your product that takes the most battery and that's the sensor. So, we decided to invent our own sensor. We call that the HERO sensor. Its exclusive to Logitech.

That sensor is the highest performing sensor on the market, but it has 10x the battery life of competing sensors on the market. So the result is super high-performance but amazing battery life. But we didn't stop there, we said okay, well let's just how do we solved battery life completely, and that's why we invented PowerPlay. The PowerPlay is our charging solution.

You take our mouse, you put it on our PowerPlay mat, whether it's at rest or whether you're using it, it's always charging. You never ever have to worry about battery life ever again. You get infinite battery life. What is the result of these three technologies, well Profit, who's one of the top players on the London Spitfire, which is a team that's part of the official Blizzard Overwatch League used our mouse.

In fact, we gave it to him, before we announced it. So the week before, we announced it, he used it at the finals. Not only did he help his team win, he was named the MVP of the Match. The following week, we unveiled that was the mouse that he was using.

You could imagine sales of those mouse's are just exploding. Right. Because the fans just like you think about someone wants to buy the cheats that Messi uses. Right.

The fans look at this player. They want to emulate this player and they want the gear that he uses. So that is the partnership and that's what we do with the players themselves. Speaking of the fans, you know Bracken mentioned some of these numbers, I'll just show on here again.

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E-sports is exploding bigger than traditional sports. So I'm an NBA fan, I'm a football fan, I know Bracken plays basketball. Game for the NBA Finals, our Warriors won last year from the Bay Area, 13 million people watched that game. This year's Super Bowl granted it wasn't very exciting, wasn't very great of a Super Bowl, but 103 million people watched the Super Bowl.

The League of Legends finals 200 million people watched the League of Legends finals. So, this is truly the sport of a new generation, and I can't stress that enough until all of us really understand that. It's a new sport, it's a new hobby, it's a new pastime, it's what people love to do. I think what's really important though and really interesting is when you dig deeper into these numbers.

So, this looks at the growth and the predicted growth of esports, if you look here in 2018, 395 million people, were watching esports. That's bigger than Formula One, and then Formula One viewership last year was roughly 390 million people, so it's bigger than Formula One. That's interesting, but I think what's really interesting is the chart, that's next to that. Look at the age demographic, 10 year to 25 year olds.

Super high awareness of esports, super high engagement on esports. That is the trend that we're really seeing, and that's going to continue because as Bracken said, these 10 year to 25 year olds as they get older and older and older, on balance they're going to continue to play games, they are going to teach their kids how to play games and the trend continues. In fact, in certain countries that's hard to see here so let me pull out my handy spotlight, but in China esports is already surpassing our coming close to Surpass Soccer. In Germany, if you look at esports, it's bigger than Motorsports, right.

It is a new sport. So, what is this in turn causing? Well, look at what some of these traditional sports teams are now doing. This is Paris Saint-Germain, Soccer team, guess what, they now own an esports team. This is Fernando Alonso guess what, he now owns his own esports team FA racing.

They realize this is the sport of a new generation if they want to tap into that new generation they need to have digital sports as well. In addition to traditional sports. You're going to see more and more of these investments. In fact in the US.

, every single almost every single basketball team also owns an esports franchise, and you're just going to see more and more of this. Speaking of these trends and youth esports, because of this, we're seeing a rise in Amateur esports. So, maybe by show of hands, how many people here grew up playing soccer, when they were a kid. So I played soccer, I played in elementary school, middle school, wasn't good enough to get a scholarship, but I played.

What we're starting to see now is more and more kids are playing video games after school. and after-school programs, that continues in the high school it goes into college. This is the University of California Irvine their esports lab, they are not alone. In fact the chart here on the left shows last year.

Colleges in the US offered upwards of $15 million for scholarships around esports. It is a new sport and when you think about it where are the esports starting well this is in the computer science department. Right? Highly smart, highly intelligent individuals and it's no different than a traditional sport because when these teams come together it's the same things you learn when you're on that Soccer team. It's about teamwork, it's about communication, it's about empathy.

But if you've ever watched the league of legends match, it's like watching a 5 versus 5 chess match. There's a lot of cognitive skills that go into that as well, which is why all of these are being driven out of the engineering and the computer science departments. So it's a really interesting trend. The kind of highlight this trend and show how it's even going to grow more.

I've invited and hand the CEO of a company called Super League Gaming. Before I have Anne come up though, let me tell you really quickly what is Super League Gaming. The Super League Gaming created an after-school program. The founders saw that their kids that were playing little league Baseball, had fun but when they would come home and they would play with their friends Minecraft, it was clear they were having a lot more fun.

And what one of the founders found out is you know my child is probably more into the Math and the Science side of things and maybe the physical side of things. And he started looking is there a little league or anything that even exist for my child, if they wanted to play after school and it turned out nothing existed. That's how super League was born, so they created after school programs around Minecraft, my daughter attended one of them. What was really cool is you go there you get split up amongst teams, you get to wear jerseys.

The boys and the girls play together. It's all co-ed [ph], here isn't this is the boys league, this is the girls league. They all play together. They go and they host these events in movie theaters.

So the kids get to see themselves playing on a big screen TV it's amazing. And guess what the parents go and they're cheering, just like it would be a Soccer match, we were there cheering for our kids to see who would won, and the kids are really proud of themselves. And if you interview and talking to parents it's just a pretty amazing opportunity. So, with that I'm going to invite and to come up and she can tell you a little bit more about what Super League does.

I'd first start by telling me, what made you get into Super League? What did you see? Because esports at the time when you guys formed was still growing. What did you see coming?

Unidentified Speaker, ''

Sure, sure. So just like some of those other secular trends that Bracken talked about the beginning, what we saw was really the mainstreaming of not just gaming but esports in general. So just a few statistics 30% of gamers these days are female, 50% are married.

The average gamer has a higher graduation rate from college and average household income than traditional sports fans. And what we also saw as an insight was that 46% of gamers were doing it with their families. It was a way to spend more time together. So is increasingly multi-generational.

And so you just talked about those professional players, well that's about 13,000 pros around the world that are paid full-time salary is no different than FIFA or NBA players they have coaches, nutritionist, physical therapist. But there's 2.3 billion gamers and we thought it was inevitable just like traditional sports that amateur systems would need to emerge the people would have an interest in participate in recreational leagues, and having that aspirational path to the pros?

Ujesh Desai, 'GM Gaming'

Yeah, I think it makes a ton of sense, especially when I look at just what I see what my two of my daughters at home and how they play, it's just all their friends something they do together. Speak to my kids at home, so both of my daughters played soccer and I know when I first went to the Soccer League, it's like okay, you get a list. These are the tweaks you have to buy, this is the ball you have to buy, these are the machine guards you have to buy.

Are you seeing, similar requests on Super League are like parents coming to you and say okay how? What you'll should might get buy if they're going to come and attend these different events.

LONG, ''

Absolutely, so we looked a little deeper at that 2.3 billion gamers and we asked the question who are these competitive amateurs and there were a few things that we noticed about them, they're playing at least eight hours of game play a week they're consuming an additional nine hours of someone else's game play. So that goes back to that digital content creator class that we spoke about earlier. So what that means is why are they doing that, well in some ways it's entertainment, but it's also it's the way you learn.

When I played tennis as a kid, my parents could give me Tennis lessons to help advanced my play and then, as I became more competitive I could joined a team, I could learn about teamwork and collaboration. Right now, that competitive amateur game were doesn't have those things. And another important trend we saw, that's very relevant here is that a 48% had already made at least one investment in a peripheral. Though there are thinking consciously about how to up their competitive play and then what we determine we could do with our cloud-based platform is actually provide the Tournament Book, some of the coaching and training, the league structure that importance of wrapping yourselves around the team structure to get that higher competitive experience and then the field space.

We needed to provide the court the actual field space for gaming so that you could have that in real life experience as well.

Ujesh Desai, 'GM Gaming'

That's awesome. I'd say, I guess, last question I have then is where do you see youth esports going five years from now, ten years from now?

Unidentified Speaker, ''

Yeah. I mean it's really the whole kind of purpose for why we exist.

So, we're at a place now, where because of our cloud-based system. We can transform fast-casual locations, movie theaters, we announced a deal with Top-golf [ph] recently, Buffalo Wild Wings we do a lot of work with. So we're really trying to think about what's that existing brick and mortar that scene out there, looking to turn those spaces into something, that feels much more interactive and immersive. And Scott mentioned earlier, the importance of when you're watching a professional sports experience, you get that experience of all those cameramen and that kind of stadium screen and you can see with the slide there that that's really the important kind of aspect of what we do with our technology as well as we want not just players to play differently than they play at home we want them to have that big stadium screen experience and see themselves on that field.

But we also want to engage the parents, the fans and really create something that feels like a high-quality entertainment experience. So that's awesome.

Unidentified Speaker, ''

Yeah, thank you.

Ujesh Desai, 'GM Gaming'

Thank you for your time.

Anne will be here during the break, if anyone has more questions. So the last trend I'm going to talk about, I mentioned simulation and how that's big into esports as well. But what we're seeing here is this is really unique, and I'm super excited about this area, because we're seeing a transition from the virtual world to the physical world. The image you see here is a racer and it's a simulation racer.

We start training and doing all of this simulation, actually on the PC Using one of our racing wheels. And if you think of our racing wheel, we've invested a lot and having super high-end force feedback technology, we've got, hand-stitched leather on the racing wheel itself. We think about the pedals themselves, we've got a built-in clutch, everything we do with that racing wheel, it's because we want the highest realism possible. The result is then we partner with game developers, and if you look at some of these new games that are coming out , the race tracks they have in their, exactly like the physical racetrack, you see in the real world.

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When you train on these using iRacing or Formula 1 where NASCAR, it's like you're racing on a real race track and you're building those same skills. In fact, to stimulate this, the other thing that's really important about this image that I'm showing here is we partnered with folks like McClaren to create worldwide e-racing competitions, to find these virtual racers that have always wanted to be a race car driver. But they couldn't afford the high cost of going to the racetrack every weekend. They couldn't afford the cost of buying their own race car, but they can afford the cost of one of our steering wheels maybe a PlayStation or an Xbox or a PC and a copy of iRacing in Formula 1 and that's how they train? So to encourage this what we've done is we've created these worldwide racing competitions.

We call this the Logitech G Challenge. And we host these events all around the world. Where these e-racing fans can come and compete in these virtual competitions. In fact one of the events we had was in Brazil.

This gentleman his name is Igor Fraga, we met him at Brazil, lifelong racing fan. He ended up winning the competition in Brazil. We were so impressed, we flew him to McLaren headquarters to compete in their grand finals. He ended up winning and now he has a full-time job and he's part of the McLaren motorsports family.

The talk about this kid's dream coming true, growing up in Brazil. They thought instead of me talking about it, the best thing would be to show a short video. So you can see the journey that Igor took. So, take a look at this quick video.

(Audio-Video Presentation). So I really love that story because when you think of where he came from and you can see the passion and the joy, and how excited he was. And the images there were from our Brazil game show. So that was before, he won the finals.

You can imagine how excited he was now that he won the finals. The other thing that's interesting is at that Brazil game show I attended myself personally, they were 450,000 gamers they're just on a Saturday, attending that event. So, hopefully you're kind of getting a sense of just how big this market is, and I use the word esports, but I think a better way to think of it as your hobby, your passion. Right? When I grew up I played video games, but also I grew up watching TV After school, you do your homework and you watch cartoons like The Flintstones, like Bracken said.

And the interesting thing is not once that I refer to myself as a TV, right. It was something you did. When my daughter's at home, they don't call themselves gamers. The only reason they use that term is because they've heard me say it.

But in their mind, when I talk to them and their friends, they kind of just shrug there like yeah what's the big deal, we play games, everyone does that's what you just do. So hopefully, the takeaway that you have here is, this is really a hobby of passion just like you would invest in tennis or basketball or something else. You know that's what these gamers are investing in. Kind of just to show how much there is and where this is going, the other reason I think Gaming is so big, because it's fun in playing.

Life is more fun when you play, right. So the last thing I'll share with you here is partners of our GIANTS Software, they've announced they're getting into esports as well, with their game farm simulator. I bet you don't know this not only do we make a racing wheel, we make a tractor wheel as well. And they've standardized on our tractor wheel and I can't wait for this to come out watching people virtually farm.

I think, he's going to be hilarious and it's going to make for some amazing funny YouTube videos. So, in conclusion, hopefully, you understand how big of an opportunity there is in gaming. There's three main markets we focus on PC gaming, simulation and console. The way we plan to lead is everything that Alastair and Bracken talked about, really understanding user, partnering with user to understand what their needs are.

So we're constantly innovating and delivering better experiences and better technology. With that, I want to thank everyone for coming, and I think now we go on a short break.

Ben Lu, 'Vice President Investor Relations'

Thanks Ujesh. We'll take a probably about 15-20 minute break.

(Audio-Video Presentation).

Delphine Donne-Crock, 'GM C&P'

All right, I hope you had a good break. So when 10 months ago Bracken asked me to lead Creativity & Productivity, I was very excited because first it's a large part of the business. It's a very important part of Logitech history, but I was actually really excited, because I could see all the opportunities, we have ahead of us.

So, today, I'll talk to you a little bit on where we are, and why we think there is a lot ahead of us. Generally, when people -- after like the excitement around video communication and gaming, when we talk about Creativity and Productivity that are mice, keyboard, presenters, webcams, we won't tend to associate our performance with the PC shipments. And actually, if you look at the past few years the PC shipments have been flat or declining. But if you look at the trend line of Logitech PC peripherals in the past few years, we've actually consistently grown and our business you probably know from our performance here today, Creativity and Productivity have done pretty well this year.

And, if we look at the past three years, we've grown consistently by about 5%. So now, we are looking at what record we are going to beat in the next few years. So last week we actually, had a very important milestone. Logitech has now shipped 2 billion mice, that's a pretty big number.

But what is more interesting in this number is that we shipped the first billion in 25 years, after 25 years. We've shipped the second billion in only ten years. So if you look at this trend line you can see how we can evolve. You will probably ask me, about why do we think, we are disconnected from the PC shipments, what do you think is creating this trend line.

On one side, we can say, okay. Well, Logitech is a very well organized operation machine. We distributing 100 countries, we have absolutely great manufacturing and supply capabilities that gives us great scalability and cost. We also able to develop product really fast.

I mean now we text us in between five to four months to develop a mouse and a keyboard from start to finish. And we are also continuously delivering very high quality for our product. So is that the only reason well the other reason, we can say there is a we have a very large portfolio we have a portfolio that actually cover a 100 countries. But we also able to deliver products for specific countries.

The Chinese millennials is not necessary having the same food -- the same amount of money that millennial in the US would have. So, at the end is very important for us to offer different products for different people and not one size fits all. And amount will not fit a child versus adult man and woman, there are different sizes that applies to keyboard as well. These two reasons makes us being the number one.

We are the number one in on this PC peripheral category, which is a pretty incredible achievement, but is that the only reason that makes us grow. And I think Bracken opened this saying that we are moving from being a PC peripheral to a cloud peripheral company. In the case of Creativity & Productivity what we focus on is to attached to digital content creation application and services. So you're probably familiar with a type of creation , we owned you on a regular basis with excel files and beautiful spreadsheet and we write emails, we write books digitally.

Own designers more and more create all their content online. But, you see also millennial's, for example, they are creating video content to post on YouTube, Twitch they all want to become famous and have followers, but you have to create that content, that content is own done digitally. I look at my son. He's four years old, doesn't watch TV today.

And the one thing he loves the most is to look at that video content creation some young kids that are like showing how to be on the track, a train track and that's what he loves. Its video content creation you create but you also communicate. And all these different application serves different hobbies, special profession, and gives us multiple opportunities to create new need [ph] for the mouse, the keyboard, the webcams, the presenters. They create multiple target audience we can reach to (inaudible) come back into the category, find a reason to buy the products again or to bring them in the category and help them create that content more easily.

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Our focus is to make it as easy as possible to create that content for consumers can focus in what they are doing. They don't have to worry about any pain, they don't have to worry about the learning curve, we are making it easy for them. And Alastair touched on the consumer obsession, the more and more we are looking at all these different target audience and the more we understand them the more we discover new opportunities and new innovation, and that's really what helps us, innovating every year on every category. Because we focus on these target audience, we focus on those different use case, and we constantly can innovate, disrupt ourselves and create new opportunities.

We innovate in the high-end. We innovate the affordable level, but we also innovate in software. And I'll show you today a couple of examples of innovation, we have done in the past six months. The first one, you heard about MX Vertical Mouse.

The goal of MX Vertical Mouse was to help people feel better, so they can work better. And more and more people have actually Carpal tunnel syndrome. I mean, more and more people have been using a computer for quite some time. You hear a lot about.

About 35% of consumers in the US Have some level of pain in their wrist or their arm, when they're working. So for us it was really important to find a way to help people continue engaging with their content but we moved that pain. And I'll show you a little video that shows how the process and what we focused on. (Audio-Video Presentation).

What is important to know is that we haven't had these new vertical, these vertical mice category in September. So, we were new in the category. In a very short period of time, we've taken major share within the segment still small today but we've taken major share and we've led the market growth by 200%. So when Logitech gets into the category we can literally disrupt the category texture and go to the market.

And that's for us a great opportunity as we look at these multiple use case and opportunities to create. Now give you another example of software innovation. We don't always have to launch a new product to stimulate the category. There is a lot we can do as well on software.

So, we -- I talked earlier about video content creation which are everybody has access to you don't need a very advance production company now to create contents. So today, you can do it with your mobile phone. But there are a lot of things you cannot do actually with your mobile phone. And if you want to do it at the desk, there are a lot of application you can use to do the capturing of your content.

But sometimes it's fairly complex, and if you think about young users or people who are just new to the category, and they just want to create the content, and engage with people. They want to engage with about their hobby and the things they are passionate about. We want to make it really easy for them to do it. Instead of me talking to you about this new software, we launched as a pre-released a beta version in November.

We launched the actual version of Logitech Capture Software in January. And after just three months, this is the most downloaded application that we have within Logitech Creativity & Productivity. The adoption and the feedback we got on this software has been incredible. And like an influencer she is -- so her name is Mrs.Mia, she's an influencer she's actually doing a lot of gaming, streaming and activities.

she has more than 200,000 followers on Facebook and I'll let her introduce a little bit what Logitech captured do, but if they captured us but do you cannot do without a mobile phone or just a regular video. (Audio-Video Presentation).

Delphine Donne-Crock, 'GM C&P'

So this is Mia and she really describes what you can do very easily, it's like several accessible tool. It's compatible with our webcam C920 and C922.

And it's literally creating a lot of simulation for the category. So, more than ever I'm confident that the digital creation evolution will lead to many new growth opportunities in the future and Logitech is extremely well positioned to capture these opportunities and this disrupt the market and grow the market, we have an obsession about consumers. We can

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constantly innovate as we target on this new use case and new opportunities that digital creation application gives us. And we have the scale and the breadth of the portfolio because not one person is equal and we can really go after every single opportunity.

So, I'm sure of Vincent will talk about our target. I mean not fully agree with all the target. You will talk about but more than ever. I'm confident about the future.

Thank you.

Vincent Pilette, 'Chief Financial Officer'

You know I have to tell you a quick and (inaudible) and I joined six years ago. The portfolio was going at about 2% and Delphine was basically the operational person in Asia. Driving discipline behind the growth agenda that AP was on.

The rest of the company wasn't there yet, and people were more conservative, prudence. And so I use Delphine's to work and Delphine's herself to really drive the growth agenda across the division and across the regions, and say hey you guys have to lean forward, you're going to fold behind, keys what they do in (inaudible) you guys should definitely look after that. And they were very disciplined, very data-driven. And then happens, what happened you fast-forward your six years later of Delphine is the head of the biggest business we have, and of course that the Logos business.

And every week Delphine stopped by best (inaudible) and you really have to look at this data, you're going to fall behind, you have to lean forward, you have to go for the growth. And I think, she's right. So, I told her if next year, she can deliver growth of 8% to 10% up when we start to call business a high course business. All right.

That's only one next year as we say. Let's start with confirming the fiscal year 2019. This will be the sixth fiscal year, that I'm closing with Logitech with the same most of the team Join was Bracken. Every year, we close the fiscal year on higher number than we've started the fiscal (inaudible) now.

Don't get used to it maybe next year is the right guidance I'll give you. But definitely we've had great momentum behind us and we're going to have that. This would be the third year of double-digit growth. If I use the midpoint of the guidance 9% to 11% constant currency for those who are modeling here.

I look at the model sometimes and remind you that in Q4, we have a currency delta, that's bigger than the other course. I just want to make sure you look at that. So, that's what the top line, bottom line $340 million to $345 million on track to that guidance, will use moving forward the midpoint of the guidance for the next few slides. But overall it will be a very good year 9% to 11% of brand[ph] and twice that growth rate for the bottom line pretty impressive once again.

You remember that chart we put up in 2017, 2016 after a successful turnaround, we turned from turn around agenda to a growth agenda, investing into our business, building up our capabilities, and fully leveraging those capabilities to capture the potential in the market. And then in March 2017, you say but it will not be gross at any cost. We're going to put a framework into place until we think we can double the earnings over a three-year period. To my surprise someone at the last earnings call in January, asked me, if I was still committed to that $2 EPS, for 2000 -- actually for 2020.

And I think I'll reply something like virtually have achieved this year like, within a 5% if that's my margin error. We are within the range, and when you look at guidance for next year we would be higher than that. And this was not our driving overall strength but it was a commitment to say, hey it will be within certain boundaries we're going to drive the course agenda. The biggest benefit would come from growth initially plan on the high single-digit.

We delivered double-digit growth through that period. Margin improvements that we had planned for there to we've over delivered and then reinvestments of some of that gross profit into our capabilities. And there to we invested more than we initially planned. So the way we've achieved that $2 also is a high quality achievement.

As I mentioned, double-digit over three years some businesses did better than others, other did worse than what we had planned and that's the life of our portfolio. Overall, the diversification helped us to drive the performance and we know

that over a life of a category some will be up, some will be down, some will be back up after a few years as we state very consistent to our approach of becoming the peripheral leader to cloud-based applications. We've improved the margin over 3 points 2016, 34% gross margin with there[ph] and then the operational level around 37%. And as a result despite the investment we've done in our capabilities.

We have improved our profit at twice the rate of revenue. More importantly, we've done it every year. Operating leverage is a very important concept in our consumer hardware. So every time someone comes through the planning cycle, or as we review the financials of our business and tells me they need to lose money first because they'll be profitable later, that's a big red flag.

Especially in consumer hardware, I can understand it in software, can understand in many other areas, but not in consumer hardware. I cannot promise you that every product line, average SKUs is always positive from a contribution perspective, but can promise you that we have the principal to always try to drive incremental profit as we send more. We understand the importance of market share and presence and brand it has to be a profitable way. Consistency is also very important so being able to count on the operating model that has that operating leverage capability wherever we go in new category, adjacent categories, we always look at leverage points.

There's nothing, that's totally new that requires to be everything from scratch. And therefore invest first, before we can get some return. When we started five years ago, we said hey you can count on us to not grow up X faster than revenue or align our investments to the revenue growth but we quickly change that into number one matrix inside the company and was about gross margin or gross profit. And making sure as Bracken mentioned, that every one of our capabilities transiting to our financial metrics into contributing to improvement on the gross profit, whether it's better brand or better innovations, whatever price premium it is or better operational or lower product costs, it's all about that gross profit.

And then we really are investing a portion of that incremental gross profit back into marketing, sales, product innovation as the three main categories. Two-third of that incremental gross profit floating into investment third to the bottom line seems about the right way show, considering where we are from a profitability perspective. So it's coming from the gross margin improvement. First one is designed focused.

Three years ago as Alastair matured his organizations, we added an element into design which was the cost element and floated many of us due to a design focused program if you want . But now really is more of a discipline than a specific program. You think about revenue generate in the years about 20%-25% from new products. Right? And we started two years ago, you would say already three quarter of your revenues run through that program.

But the probably is not always successful, maybe we have a 60% or 70% success. And so I would say about half of our revenue is run through, we still have another half potential. And then, it will continue the portfolio we'll evolve and it's like doing a diet, you may lose some weight and then if you compare the (inaudible) and you began a little bit and then you continue discipline to realign. A disciplined promotional environment, definitely moving more from a really promo driven demand environment to more of a brand demand.

We have align in our P&L that we don't report and therefore you don't see core contra [ph] revenue or gross to net is another example. And there is also 10 points there of sales and marketing expenses that are really driving the demand. Being more efficient in that environment aligning that spent to real performance sales out and consumer indexes is pretty important gaining more efficiency that we then reinvest not into the gross margin, but into our facts into brand building to have a brand driven demand is part of the discipline. Scale and mix is another contributor to our gross margin and improved logistic environments and Bracken mentioned little bit but we've definitely have diversified our supply chain, and made it more nimble which helped lower the cost, and then infrastructure costs that we've reduced by significant amount.

G&A is one example when we started five years ago with about 5% of revenue, for their we are 2.9%. And I think we will continue to go lower. So where did we invest? Obviously at the core, we are product company. Right? So more R&D, a new product building definitely key, building new capabilities within that product environment like the software capabilities is another one where we continue to invest.

Building up the capacity or capability to manage multiple brand to have a better branding environment with its infrastructure processes and also program those as being part of that thing. Building a direct sales force in the enterprise. Three years ago, we said we're going to start to hire a few direct sales force to support the distribution environment. And we've continued to grow that enterprise sales force to support the video collaboration business, which is part of the success that Scott have shared and we're going to do that.

And then new capabilities, I would argue with you that the capability of integrating companies, we've acquired, as we've done a few now as being part of building new capabilities we have not talked about, where we continue to invest in. So, when we started we about to break even company , we set a long-term target of 10% which at the time felt aggressive, after 2 years we had 10% operating profit. As we move to a growth agenda we found could have a potential of 10% to 12% operating profit margin that they were slightly above 12% and are using the high end of the range we set for the portfolio. Let's talk about next year financial outlook and I have to tell you, when I look at the market opportunities and the presentation from Scott or (inaudible) or even, Delphine, frankly.

I would want to say oh my god, they all can drive double-digit growth it's fantastic. But, the same time, we have to continue to be conservative, discipline making sure that we align our investment to something we can deliver and so and so we'll continue to do that. The opportunity the potential is there to over deliver, but the same time we have to consider the macro-level environment. If (inaudible) to give this guidance in October and November and we're listening to you guys the world was falling apart.

Now I still receive today some bank reports that say this year will be a recession year and it could be that's not what we see today. But who knows right and so considering this environment around currency, tariffs and other thing. We're going to widen the range a little bit going into FY20 and moved our growth rate from high single digit to meet to high single-digit in constant currency. On the top line though we've delivering with great drop through and 10% to 12% gross feeds appropriate today based on the mix we have and the plan that we put together for next year.

So, we guiding next year $375 million to $385 million, 10% to 12% growth. You can read the assumptions which are similar to prior year supporting this overall guidance. When you look at the growth rate by markets with the PC peripheral in this low single-digits. Delphine I definitely comment you to win for next year, but I think at this point in time, it feels prudent to be that.

Video Collaboration same opportunities, actually great momentum as you've seen Stolk talking exiting video here was a 45% growth. And we continue to invest both in the portfolio and in our direct sales force. Because the law of the big numbers and we still have five course before we deliver these numbers cause for 25% to 30%. Gaming 15% to 20% still supported by a market that has double-digit growth by lines was a simulation PC Gaming, or the council environment, may have different course with over that the mix we have.

The music is definitely the guidance impacted by the fact that the current mobile speaker market is in slight decline which is minus 5% to minus 10% in mobile speaker at this point. And we'll continue to work on our operations, try to gain share in a declining market. And I think calling for flatted slightly declining set of categories make sense and Smart Home at this point in time, too small to really matter in the overall guidance. So long-term model three years ago, we said hey, high single-digit is the potential of that current portfolio addressing the (inaudible) markets.

That we have a gross margin that was raised from 33, 34 to 35, 37 and then the operating profit margin 10 to 12. Now we've over delivered over the last three years, the mix has changed, we've improved profitability of our business structurally of all of the business lines and also the mix. And so as a result, we putting a new long-term target model and long-term could be five years for the conservative, three years for the aggressive people, and every two years for the ambitious one. I'm added to decide the time but when we look at the long-term model of three plus years of course recorded 3 to 5, we see the potential, we continue to deliver high single digit growth rate.

When you look at the market themselves, the market share opportunity, the adjacencies that we could penetrate. We feel pretty good about holding that. At the same time, we're widening the gross margin range and raising the long, the high-end to a 40% gross margin. The increased of that gross margin is three factors, one is a normal cost structure improvement, lowering the cost higher premium as we invest into design, into branding.

So, that's fact number one. Factors number two is, a mix and the positive mix moving more towards the Gaming, Creativity, and Productivity, the VC business which all have better margin that the music categories structurally. And the third one is about our desire to change the business model from promo driven demand to more branding or a better balance between promo and brand, which means that some of the cars that we're hitting, of gross to net, account to our revenue impact in gross margin. We will be spending marketing OpEx and so that's just a different geography on the P&L, and that's about one point.

So, that business model has to be coupled with two other comments, the first one is that we will focus on the long-term growth of the business over margin or profit margin expansion in the short-term. Right. So, if we have the opportunity to grow at the high-end a 9% or a 12% like we've done for the last few years CAGR, we may not be at 40% gross margin yet. So, we'll definitely favor the growth in dollars over the margin expansion.

And the second one is we will continue to relocate some dollars from the promo bucket into the brand building value in the different brands we have in our portfolio. On the capital allocation, no change. Our priority number one is M&A When you look at the past acquisitions and the return we've had so far with those acquisitions on a cumulative basis. We feel that's the best return for our capital investment.

The second one is to maintain our growing dividend policy, and then we have the share buyback program open. In fiscal year 2019, we will have invested a return over $300 million between the Blue acquisition, the dividend and the buyback. So, I mean the objective number one and that brings me to the next topic which is build versus buy after. After the rumor that we're looking at Plantronics, which we had confirmed and after the success of Blue a lot of people, many of you asking, hey, what's your organic growth? What's the inorganic growth? And of course, I can always answer.

But it's not exactly how we look at the business organic versus inorganic. Another question I got was how did you find that target, and I was surprised by the question whether it was Blue another, because it's not like suddenly we have a banker, and comes I have a brilliant idea how about this company, as results due respect to the bankers they never bring new ideas. They just get fee on ideas that you already have but that's a different comment. And we have a very broad strategic environment, we know what we want to be, we want you become the leader of the peripherals for cloud-based application.

And so we almost look at everything. There is very few companies, we have not looked at, there's many we have not engaged with but we look at everything. And when we find the market, that we think is attractive to us, we not waiting for a company to be acquired as we already put a seed investment in place or we start to invest our gains is that's a great idea, let's move on. And then sometimes the company comes in and for many reasons they would be ready to sell at a reasonable price, and we decide to engage at that point in time we say okay, should we continued building on our own or buy, right.

And one of you I won't name him, do not shame him but tell me that I don't understand because organic growth is so much more sexy in an acquisition. And I don't know what he meant by sexy but I can tell you acquisition is very sexy. So I'll explain that in a minute. The case I want to bring to illustrate this is the ASTRO gaming case and did Ujesh one day woke up and say a brilliant idea.

I made the ASTRO gaming should enter in the console gaming of course not, was looking at the console gaming market always say okay maybe in the past maybe it's to cyclical maybe. But as we show online gaming moving on, hey there's less and less differences between PC gaming, console gaming and you saw in Fortnite people can play on all platforms and so that's another interesting adjacency we should go into. And so we already was looking at it, and preparing, and some investigative dollars went into okay, what should we do in to the console gaming where should we start with the value of our brand. And then we looked at the competitive landscape, and ASTRO for many reasons became available, and say where should we do agree to build on our own or do the purchase of faster.

And then we look at all the criteria to see if we build, we'll take longer to get to market, right? As to already was at the high end of the pyramid for headset console Gaming and was already relevant in that market. We said, okay we take long time to profitability for users to first thing about invest buildings in relevant into the market versus being

immediately credits in the case of the P&L of ASTRO (inaudible) not well-known in a console market, to would have to spend some marketing dollars to make sure we build the brand in that come-to-environment, while ASTRO is very strong brand for console players of course organically no need for integration. We have a good (inaudible) and we have already some marking R&D dollars. On the other side, we had to integrate the business and we had to manage another brand.

Which brings another complexity, another value, but also another complexity. And of course, we had to purchase the business. So we did a simple analysis we made the decision to purchase ASTRO which at the time felt maybe on high end of a purchase price we're willing to pay. So for some of things that you paying too much for our creation, I was the one here saying, yes, I can get comfortable based on the high-end.

Looking back a year and a half after, that was really cheap, all right. So, that's also something to keep in mind. We want always get it right, but we look at the risk-reward at all the criteria that you have hear and then we make the decisions to go. And what happened in the ASTRO sales case, we immediately after we purchased the business, we launched the mid-range product that had set 8:10 and 8:20 trying to compete with still beach and capital market share in that environment.

We leverage our sales distribution environment and started to increase its internationally. And then as you've seen recently launched a controller to expand the portfolio. Basically, all of the dimensions of growth that we've been applying to all of the other businesses and you've seen here the results. Now of course the market itself grew faster than we thought and it goes back to if we had decided to go organically.

We would have missed maybe the four light effect or we would have come at the end of it. Right? And so in this case it was the perfect acquisition, are the perfect time in what was after the fact actually a very cheap price. Now when you ask me organic or inorganic growth, I don't know how to answer that, but defines inorganic they only brought to us this baseline. All of this is organically driven by you shares, the sales team and with the true finance support that I provide.

So, frankly what's really sexy in a business, it's not whether you require you grow organically, it's once you have something an asset, you really can develop and grow it. And that's really exciting with of the asset was acquired or already existing Logitech it's zero difference to me. But once you have it what can you do with it, where can you go? how do you invest? how do you prioritize? that's really what's exciting, how do you innovate? those are the exciting piece. So someone after I talked about Plantronics with looked at sales, that's I understand, that's you integrate M&A in your agenda, which we had set for three years right.

But that was a bigger a potential acquisition. So they were more question and say what are your criteria? And those have not changed well let me summarize them again. We look for particular (inaudible) and these quiet could apply to our organic selection of projects. Right? So, it's no different.

But looking at adjacent opportunities with secular growth, something that helps us continue to be or build upon our leadership for cloud-based peripheral or an acquisition that put enhance some of our capabilities. Was its operational, design, R&D, distributions, online distributions then always way to improve from where we are. Something that brings scales and we scale synergies. It's a fantastic suddenly platform to invest more accelerate double R&D And then, as we look at (inaudible) acquisition initially, it's by design because lack with the financial results.

We've felt we had to build credibility. That we could acquire assets, put capital at work, get the return and build the muscles. Initially, even started the first year where, we knew we're not going to do not acquisition. Bracken and I said, hey, everything that comes our way.

Let's put a term sheet non-binding in place. So we can really learn on how to look at an asset. All right? And so we did a lot of that and then we did a few acquisitions and Jaybird and ASTRO and Blue and now five is not anymore, the main factor. The primary factors are what you see above and then of course, you need to be able to finance it.

But otherwise, we look at almost everything that seems quite serious when they come available. So I was in Zurich, early February. Some of you were smart enough to understand that the $2 EPS would kind of be delivered. And so as the whole givens and what's next, in March, here going to say $4 [ph] What are you going to do? And I didn't want to

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answer that I didn't want to put a for EPS let say, that's interesting because, we look at the business slightly differently.

And we look at the business at least for the main businesses we have at their full potential. And someone asked me, hey, can you do a $3 or $4 EPS as a next step? And it's not even a question for me. So the way we look (inaudible), hey okay, the Creativity and Productivity. What's the full potential of that business? I said, they are at $1.2 billion if you look at markets opportunity market share gain adjacencies and I'm not even integrating content, creation or broadcasting.

We're just look at that business and could easily be in a midterm credit [ph[$1.5 billion. They operate at 40% plus gross margins and the investments leverage a lot of what we've already done the IP with accumulate and everything already have. And that's how we discuss with Delphine then we go into (inaudible) and little story you've heard when we started five years ago. So we're trying to lean forward on a growth agenda as we were coming out of the turn around and in one of our business meeting in evening all the gems out there and in and Bracken and many trying to mobilize the mindsets towards growth.

So someone like you (inaudible) makes a bet with walk in and say, hey if we double gaining and we drive it to at least $500 million business, you'll get a you've heard the story. Now, I didn't have a picture of his tattoo. But I can tell you with $600 million business that this. So I'm -- you can ask him where it is, that business is a gross margin of 36% to 40%.

As we grow double-digit, I could argue with you could be higher gross margin if we grow less, but for now I think there's a lot of growth potential in all three areas, the market, the market share, and the adjacency since so that's where we've been driving that business. Over $1 billion absolutely reasonable at 36% to 40% business. Cut business Video Collaboration, you've seeing him growing at 45%. If it grows at a very reasonable rate of 30% for three years it'll be already at the building and I'm not talking about adjacencies, potential acquisitions and then everything has you can do have not talked about.

So $1 billion absolutely not unreasonable, the gross margin in the enterprise world well above the high-end of our corporate gross margin range . If you do the math, sum up everything here. I'm already at $3. And so, we're not looking at the tool portfolio and a tool, but we really are developing those business at their full potential, and that's how we prioritize investment.

And then I'm already well above $3 I've not talked yet about all the other businesses, or business opportunities we have, existing businesses , (inaudible) investments, other applications we have never discussed and all in a context that we look of course at building. But also acquiring, right and that's in one of the model. So I don't have to give you a one number or one thing like we did to our EPS Because, it has a very good function is giving you the credibility that when we're going to embark on a gross agenda. It wouldn't be gross at all cost, that discipline is integrated and we'll continue.

Now we're really looking at building the full potential for three main businesses. While we've continue to explore many other opportunities and that's whether we again do it in-house all acquire and then do it in-house. So again we don't separate it fully on that spectrum. So with that, Bracken?

Bracken P Darrell, 'President and Chief Executive Officer'

So I'll just wrap this up real quickly, and then we'll take questions.

It's a good chart actually, and I wasn't playing to use it. But if you if you go -- before I do that let me just talk about Vincent. So, Vincent and I've been together for six years, I mean. And Vincent and I don't go out to dinner together.

Our families don't go on vacations together. We're not we're not best friends outside the company. We're partners, we're really partners it's true. We're really partners and we're and he is a great CFO But he's so much more than that.

He plays a much bigger role. And I really feel like in this business that I have a partner here. And I also feel like I have a partner in everybody else you've seen present today. Every single one of them feels like my partner.

And I'll go beyond that there a couple people Krista Todd, Brian few more members from my leadership team. I feel partnership there, and Guerrino De Luca, our Chairman, who's been with -- we've literally been with each other since before I started the company. So the reason, I'm using the word partners because I mean it. We -- I have a broad shoulder team of great partners, this is a partnership.

We have the capacity to do much more than we're doing, but nobody's taking the eye off the ball. Now the reason I'm setting that up is because if you go through these existing businesses one at a time. I talked -- I started today, and I hope you track right through it on the secular trends that are driving these businesses. The one that -- it is very difficult to communicate, I think Delphine did a really good job.

It's really difficult to communicate, what an opportunity actually the original Creativity and Productivity businesses. Surprising to everyone including me when I got here. But what's happening is as digital content creation, the democratization of putting things out for other people to see, which used to be the domain of Walt Disney and Paramount, it's now the domain of anyone who consider the desk or walk around and film themselves. This is driving this business today, and it's going to drive this business tomorrow, and for the next 5 years to 10 years.

If you are blown away by you Ujesh's presentation on Gaming, then you must have a house full of gamers. Because no matter how many times I go through this, I'm still a little odd by the numbers. Of people under the age of 30 or under the age of 25, how much they're watching and how much their playing. But this is not a trend -- this is not a fad, this is a long-term trend.

This business will grow for a very, very long time. And the last one, which -- this is just most undeniable at this point. I'm now getting the point where I spoke to an investor during the break, and he said, yeah, the Video Collaboration piece no longer surprised me. If you're not already experiencing a day full of video calls, you're not at the front of the curve.

It will come. It saves money on flights[ph] because you have a better video connection. And if you under the age of 35, you only make two kinds of calls. You're either on earphones or you're on video there is nothing else.

So, video is going to sweep through, every office everywhere in the world, every enclosed space. Those three things, are your safe bet. Those are the safe bet, if you're looking to invest in us and to play safe, that's a great bet. Now we're not going to stop there.

There's the reason why number four is out there is, because, we're not here, to only do the safe bet. We're going to go beyond that. We're not going to take unnecessary risk. One of the things we do extremely well that I rarely ever talk about but I'm the most proud of and it's absolutely not sexy to use your Vincent is risk management, if we take on something we risk manage extremely well.

If we take on something small trust me we're thinking risk management. If we're launching a new category we are thinking risk management. If we've look at something big believe me, we're thinking how do we risk manage this. The risk management is this is the formula underneath, our engine that you must rely on and we must always do well.

But close by saying and I'm super excited about the business, I'm super excited about the team, the number of opportunities and then the size of the opportunities we have is certainly unparalleled in Logitech's history but unparalleled for a lot of companies, I mean we're in a luxurious place. The pressures on us keep building this capability, to keep the ambition high, and to keep risk managing. So we'll stop here, we can open it up for questions. (inaudible) you want to conference in? Yeah, absolutely.

Absolutely. Probably. Yeah, I think so because I think we're broadcast. (Question And Answer)

Analyst

Hey, great presentation.

Thanks to everyone, just a very quick question. Bracken, as you think about diversification like how do you balance the enterprise and then the consumer side. I mean I get that question a lot from investors or kicking the tires or already invested in Logitech shares. There's enterprise the opportunities there and then there's the consumer side and the diversification is great.

But then the investment the go-to-market, maybe you can anecdotally talk about, how do you balance that? And then as a follow-up sort of where -- as if you look into 2020 and 2021 sort of where's the bulk of your R&D or go-to-market investments flowing into? Thank you.

Bracken P Darrell, 'President and Chief Executive Officer'

So if you think about the enterprise, we didn't -- actually, I'll go back even further in history, we're just following users . Every business we're looking at, we're following the users -- of the safest thing you can do in our business, it is follow the user where they're going and then, build a great experience for them. So we don't tell you who's where to go.

We don't dictate, we don't try to create trends. We've follow trends, we create an amazing experience. That's the goal, we're trying to create. Inside, years ago, when Apple started earn Blackberry, started showing up in businesses around the world.

It wait from [ph] it became an enterprise play. What we're doing -- what we've done with our original PC business, Delphine's business. Started to PC business, what happened next? People started using it for gaming. So what do we do, we followed them into the gaming experience.

We upgraded the kit the capability of our products. We took engineering way up as you just showed. And we created much higher performing gaming peripherals. And as a result, we're leading game peripheral.

Let's just go through all -- the other business. That we talked about today, if we could go through more. Scott's [ph] business, what did we do? Somebody took webcams, when I first got here, I'd see people, I'd go to small company, they have a Webcam on top of the TV They'd have their PC in front of them and they have a video call with me. And so what did we do? We said, we know we can do better than a Webcam for that call.

We can create a better field of view with better mice. We created a product for that. We followed them right in and a few years later, we had a bit -- we had a full-scale business now we can sell it in to interrupt -- anybody. So it starts with the enterprise, you ask the question, how do you balance the enterprise versus a consumer business? Is that too much diversification? We're just following what's happening.

The consumerization of enterprise experiences, is there with or without us. We're just taking advantage of it. In terms of the technology required to invest it. The same investments we're making for a Bluetooth speaker are as Scott said are now being or actually didn't mention it are now being used in our video collaboration equipment.

So it's actually leveraging our engineering capability. In terms of go-to-market you're right, we have to build a go-to-market, and we are aggressively doing that. So we've been investing now, month-after-month-after-month on building a new go-to-market to make sure we conserve the enterprise. But I think, that kind of in the past I think you could have said gosh is that too much diversification.

I feel very I hope you do I feel super comfortable that we can play across those two fields very well. Your second question was? Okay.

Analyst

Investments anecdotally if you could talk about where the bulk of your investments are going even near-term like specifically like what kind of projects. I know AR, and VR and gaming comes up quite a bit as well?

Bracken P Darrell, 'President and Chief Executive Officer'

Yeah, we're really, we're always investing in the engineering and technology capabilities of business.

So, we've got, we have a lot of investments in Scott's business, a lot of investments in huge issues [ph] business continue to invest in Delphine's business. So they're on the edges we're at we have a long term the only (inaudible) we talked about externally is a AR, BR we're not investing a ton in there but we're staying highly engaged in it because we believe that a few years from now as that as the especially mixed reality starts to form we don't make sure were there with a lot of the not only the knowhow but even helping drive some of the specification for what is relevant from a user interface experience in a VR mixed reality world. So that's their beyond that in terms of new products we don't usually talk about it publicly, but overall its investing a few more things usually between 5 and 10, yes Michael.

Michael Foeth

Thank you.

Mike Foeth, Bank Vontobel. Just one question on the software side in the past you talked about hardware being typically iceberg until, and more and more software content in your product. And my question would be how is this software content actually developed over the last, -- let's say three years. And how is that affecting your gross margin and to change in your gross margin guidance? That would be the first question.

And the second one, would be obviously, you've increased your gross margin corridor long-term and my question would be, do you think you could actually if you invested more of that money actually grow faster would that be an alternative for you? Because in the past you've always said that you would favor gross over--

Bracken P Darrell, 'President and Chief Executive Officer'

We go back and all is the personal living expenses Vincent second [ph]. So in the first one, so we're (inaudible) our software capability developed over the past three years. We've gone, -- when I joined when business I started we had I think 59 software engineers, which really firmware engineers. But the difference between software and firmware.

Firmware is a kind of software. It is firmware is embedded software. It's really embedded in the --in a physical piece of hardware. Today, we're about one out of every three of our engineers working our product lines, as a software engineer.

And we're hiring probably the rate of two to one software to hardware. So we are -- we continue to grow our software engineering capability. And on top of that we're using a lot of contract -- (inaudible) contract engineering down outside for software. The software has become a bigger and bigger part of our business.

Do I think it's affecting our gross margins in these targets. No, I think that's an upside. If we -- if as time develops if we develop capabilities to add services and other things the software could enable. I think there's potentially ability to do to add to gross margin.

But I don't know that's not really embedded in this assumption. But it is embedded in our outlook it over the long-term, I envision we will continue to have softer they can do a lot more than just enable hardware.

Vincent Pilette, 'Chief Financial Officer'

We are looking on the focus on growth and gross margin with 37 -- (inaudible) half of you were saying oh my god, you can deliver better gross margin, and then, over the last four quarters, of course, we're running at 37%. So everybody says I should be at least 40%.

And so we and so we go to our plan, we knew we were going to raise it at one point in time and you raise it and now people I think, oh does that mean there is no more growth opportunity that I think, it was watching and of course the

answer, I understand the question, but it's know when you look at a purely theoretical potential. And look at everything we can do on the whiteboard, we definitely can grow faster. How fast can you get to that full potential that blue sky scenario or that hypothetical case is maybe with very local really need to be able to execute and etcetera and so at this point I mean where we stand, we don't feel we have the confidence, although we have the potential but the confidence to raise a long-term growth rate for our portfolio to a double-digit growth. So that's the first answer.

If we deliver more than that that's different and we delivered the last two years a double-digit then who knows what it will deliver next year if it will be dodged it again or not for now I think it's very reasonable and prudent to guide that mid to high single digit. On the gross margin side, two points of the improvement is coming from one mix and when you look at the long-term potential of the VC business and you've seen over $1 billion of gaming, of C&P is a mixed flow through that will come in. We already operate at 37% today. We have more considering supporting in the about a point and will redirect the business model for more brand driven, right so some of that will be reinvested.

And then you look at all of our investment opportunity what can we really reasonably execute on, that's the discussions we have which Bracken with the management team and that's how we determine the bottom line target. As you've seen we raised the gross margin three points, two points for the bottom line normally. So we're going to increase investment at least one point. We continue to invest growing on high single-digits, and so it's not that we're not investing, but we're also realizing our capability to absorb that incremental flow through of gross profit.

Again I think, the corridor as you call it is why there's enough for us to entertain a lot of investment opportunities and favoring growth over margin expansion as we progress towards that long-term.

Alex Duval

Yes. Many thanks. Alex Duval from Goldman Sachs.

Couple of quick questions. Firstly, you talked about this exciting opportunity to go upscale in VC So I wondered if you could give a bit more color on what strategically you might need to do that and also in terms of any tweaks of in terms of channel. Second of all on the Gaming side, I saw on your target for 2020, you talk about 15% to 20% guidance for growth. But you obviously laid out some very interesting structural drivers.

So that seems potentially a little bit conservative particularly in the context of what you've achieved in the last year's. So maybe could you help us understand that as well. Thank you.

Bracken P Darrell, 'President and Chief Executive Officer'

Sure.

On the first one, yes, I think, it starts with products. And Scott spent time and to repeat the question, so the question is what do we need to do to really go up into the bigger rooms to be successful both from a price standpoint and from a go-to market standpoint. The products side does start with products. We feel like we've got really world class products now.

We have a lot more to do, by the way. There's a lot more opportunity there, that's Scott and team are working on. Obviously, beyond what talked to today from a product standpoint. From a go-to-market standpoint, we're building our go-to-market across the board, I would say we're still at a relatively immature level compared to what we will be in terms of go-to-market, and we're doing that across every part of our world.

We've had really incredibly strong performance despite that. So it's one of the key focus areas we've had in key investment areas for Scott's business. In terms of Gaming, you could look at the game you say the Gaming store and say, it's stronger as last year. You just gave such a great presentation why are you decelerating your growth rate.

Look call us conservative but the Fortnite effect hit this year. The fundamental secular trends are not changing. So they're right in line with where they were. We felt like okay, was that one time birth to Fortnite, as we look out we

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should probably make sure that we're not being too aggressive on its side.

On the other hand, there's something like as you just showed, and I'll bet there's not a person in this room who's played Apex, there are 50 million people who have in the first month. So who knows maybe there is another Fortnite effect but over time, I expect our growth rates to continue to be super strong in gaming.

Alex Duval

All right, many thanks.

Bracken P Darrell, 'President and Chief Executive Officer'

Thank you.

Analyst

You haven't talked a lot about music today. How strategic is this business to you and you compared M&A and seeds when should we expect another all new product category coming to your P&L by a seed see it all M&A?

Bracken P Darrell, 'President and Chief Executive Officer'

Okay, I'll take a first one dividing and conquering it. On music, the music -- we love the music business. We've been in music since what you doing on, when did we first by PC speaker 18 years ago.

So we've been in the music business for a long time, and when we got into Bluetooth speakers we really focused on great design, great innovation, great experience. And we have created first great product and then we've clear later on. You'll like many of our categories, some of our categories they grow for a long time, sometimes really slight slowdown go slow, even grow again, webcams as I said earlier had this period where it had incredible growth rate, slowed down declined sort of the grow again that's growing pretty strongly. And then it transforming into another business call Video Collaboration.

So I don't know exactly what will happen Bluetooth speakers because we take a conservative view of it, given the market trends around the world for next year for the next couple of years and I think that's smart to do, is a strategic, yes from a technology standpoint we're using, we're sharing some of the same technology for music in both our Earphone business and our Video Collaboration business. The business is still attractive its large we're a key player in it, and so yes it's strategic but we're being conservative on our growth rates. You want to take the acquisition, I know you're ready or not?

Analyst

Just not on the acquisition resource, timing of new categories right. So the last two news were console, gaming and microphone, we don't plan on talk about timing.

And frankly, we don't even internally planned timing of (inaudible) categories. We work on many projects, organic or inorganic. That are about categories that are not in our portfolio today, but we won't make the mistakes of relining on those new categories in our financial models. Because you could lead us to deliver may be supply innovation or try to rush to a target.

And so for five years we haven't done it and we want to do it today.

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Bracken P Darrell, 'President and Chief Executive Officer'

In fact I'll go back if you put that last slide up again. Those first three things, we've feel so strongly about give us such growth potential. That we would the number four there which would be new categories, that could be new categories inside the others.

But there could be the fourth one. We're always looking, we've got a small group people always talking about. Vincent and I had a meeting on Monday, where we're working on a new seed that certainly would sit in that space that were super excited about. But you got to manage your enthusiasm because new things sometimes come out sometimes they don't.

And we have three, five and ten new categories in development right now. I can't tell you if or when they will come out . So, we're always working on them, but this is the visible (inaudible).

Analyst

So those numbers are basically based on your current portfolio, right?

Bracken P Darrell, 'President and Chief Executive Officer'

Right.

Analyst

Those numbers are basically all are based on your current portfolio?

Vincent Pilette, 'Chief Financial Officer'

Somehow yes. Meaning these numbers are based on our C&P [ph] Gaming and Video Collaboration portfolio, I cannot tell you that under gaming there will not be another new adjacencies on the Video Collaboration there will not be another applications that today's got does not address.

Bracken P Darrell, 'President and Chief Executive Officer'

And there could be an acquisition inside one of those that was within an existing category, they gave us new technology, they gave us a new extension of play and geographically or something.

Analyst

Okay, understood, thank you.

Vincent Pilette, 'Chief Financial Officer'

And there is no time here, and there's no limit. Because it's over a 1 billion that I didn't say when I stopped right so. It's just to show you we've very confident about the potential of those three pillars that's what we work on, and if I used to do like the some of the parts that one company. I would do the some of the parts here again, I would argue that I can do a lot more than the value of today's total Logitech portfolio.

Analyst

Hi. It's Chris at Credit Suisse. I have two question. The first with respect to a Video Collaboration and all the players now.

You're like to know is hurting your [ph] on Video Collaboration I mean, in all -- Scott, in all kind of know indicated that they know he thinks the market is growing, 35%, new invested heavily in distribution and you're basically expanding to the upper end of the market. But yet to know your guidance is only 25% to 30%. Could you be discuss some of the headwinds? And the second question is actually the ASTRO Gaming C40, when is that available on the Xbox [ph] and I urgently need one another.

Vincent Pilette, 'Chief Financial Officer'

So let the record show that Alex call our Gaming 20% conservative, and then Chris goes our Video Collaboration at 30% conservative as well.

Look you will always and thanks god, because it wasn't get six years ago. You will always have our GM's are so much more excited about all of the opportunities. Right? And versus what Bracken and I are planning for the corporations, are committed to the board and to the investors side. You know our track record and you know our approach.

That's a healthy thing. Normally companies aligned, they meet the day before and it will get Scott, don't say more than 25% to 30%, because that's what I come to you. But, we've been very transparent. We give you full access.

Scott definitely it has a higher plane but he's in higher number. Delphine again every week, she's at my desk. Right? And she has a higher plan. Overall, can I really rely on all of that and put all of the investment behind over one year.

That would not be great risk management as we discussed. So we look at all the potentials, all of the headwinds, you can come up with 10 headwinds that you and I would discuss is China currency tariffs on and on, including we have great sales force. We have to run the sales force. We have to train the sales force.

We have to build infrastructure for sales force and you on the conceptual basis if it's 2 million of course, sales were up, that's great we takes 9 months to build, can we do it and you have all of those operational, macro level on operational. Risk, if you want let me ask to this comment. Again, we won't be shy to say that we got it '19 guidance, if we beat them, we beat them, that's great. But you can come on what we tell you that we're going to deliver when we risk manage to business.

Analyst

(inaudible) 1 billion in sales. Now, I mean, you need to grow fast.

Vincent Pilette, 'Chief Financial Officer'

I understand, no timing and over 1 billion, I said don't forget the over.

Analyst

Yeah.

Bracken P Darrell, 'President and Chief Executive Officer'

Okay, next question.

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Analyst

And the controller?

Bracken P Darrell, 'President and Chief Executive Officer'

Sorry?

Analyst

And the controller?

Vincent Pilette, 'Chief Financial Officer'

Yeah, we should take the controller

Bracken P Darrell, 'President and Chief Executive Officer'

When is it going to be available in Xbox?

Vincent Pilette, 'Chief Financial Officer'

Oh.

Bracken P Darrell, 'President and Chief Executive Officer'

Sorry about that, okay, great.

Analyst

Yes, hi.

One question on the gaming side, where I mean I see that the growth trend but where I'm a bit skeptical is that people who start gaming now the younger ones, will continue gaming ones they're 30, 40, 50 and if another they're not a risk that these guys are stop gaming. So, that the growth rates if you really look long term is not as big as you think.

Bracken P Darrell, 'President and Chief Executive Officer'

Yeah, I think 30 years from now there will be somebody standing up here, telling a different story, and it might be that one. But I have a (inaudible) that there will be somebody standing up here saying wow Gaming is bigger than Logitech and total back 25 or 30 years ago.

So, who could called who could say what's going to happen over that longer time frame. But I think Gaming here to stay. I really I think if you look at all the trends underneath it. You know, you just an interesting example he plays games with his kids and my kids were one generation back I don't play with my kids.

But my kids play with all their friends and they and when the my nephew's come in they're playing with the nephews. I think Gaming is here to stay and I think it will be here for a very long time different forms. Just today here's an interesting one. Sorry I'm taking your question on hijacking it to say something else.

Yesterday, if you look at the headline, there's a headline. If I don't know if it was today is in the last month or so, a guy who was a swim racer. But with swim racer means using our wheels, to learn how to race car drive (inaudible) our former NASCAR driver on a real track and then be to Formula 1 driver on a real track. So this just drives more height and the storyline is so exciting that, I think gaming is going to keep going.

Vincent Pilette, 'Chief Financial Officer'

I can add, who knows right you might be there or you might not be there I wouldn't be there again in 30 years, but I play less than is the when I was stand. 100 times less guess what I spend more on new t-shirt, a new Racket than when I was 10 years old. And so, in terms of the gears and the environment I'm sure my son 12 years old today well play hopefully less, but well play when he will be 30 or 40, that unfortunately I'm sure.

Analyst

One question more on I mean you mentioned the beginning you want to be number one, or number two in each category.

I mean you have certain category where you're I think at least you're not yet, one or two, how long of time do you give that these categories and when do you decide on when to pull out of certain categories because we haven't seen you pulling out or certain categories where I would think okay maybe smart home, I don't know, could decide to stop that one?

Bracken P Darrell, 'President and Chief Executive Officer'

Yeah. It's a wonderful question is, so first of all there are two kinds of number one, I would say there's number one where if you look at the category and total your number one period. Keyboards, mice, webcams, we're just outright number one no matter how you sliced it. Then in the other categories, we'd say category doesn't actually operate like that, it operates with segments that are very strong very differentiated based on use case like Earphones.

We'd say there's really a set of products that are used for running, there's another set of products that are used every day, AirPods you use to communicate. So those are very different. So I would say you're right, and when we will look at that (inaudible) of that's what we're trying to aspire for example in the Earphone space. How long do we give every situation is heterogeneous I heard, Jeff Bezos one time say, somebody asked him how long do you stick with his version of seats.

And he said I'll never forget it till the last passionate advocate folds. Folds means you're playing a game of cards and you finally said okay I'm out. So the last passionate advocate folds and it's usually me and so that's true with us. We will stay with something until the last passionate advocate folds and it's usually me sometimes it's Vincent or Alastair, but usually it's me.

it's too early to judge. What I can say is we've acquired great capabilities in an environment and a methodology and a playbook to drive the organic growth of offset we acquire. We've acquired a great discipline on analyzing everything up from is presenting again still conceptual business case to the board, when you decide capital allocations.

Analyst

Thank you.

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Bracken P Darrell, 'President and Chief Executive Officer'

Thank you. Hello (inaudible) back.

Unidentified Speaker, ''

Andreas Mueller, Zurcher Kantonalbank has got a question on the promos which you try to be emphasized. I mean in the past you use this promos also to clear the shelves to get new products into the shelves I mean how to you migrate from all to new products going forward given that promos shoot and more or less that's the first question? And then the other question on gross margin I mean the lower logistics costs to try to achieve.

And also the G&A efficiencies, I mean in the past you did a lot on that field it's hard to imagine how you can improve their, and can you give some insights in dimensions you try to get to these targets?

Bracken P Darrell, 'President and Chief Executive Officer'

(inaudible) I'll jump in presence so we won't go away from promos entirely. We've actually promote less with new products and we do with existing products that are already out there. With a new product you tend to get automatic, thanks to Krista Todd is corporate communications in which is (inaudible) marketing. We tend to get a lot of attention, we launch new products and our products had to be well differentiated versus whatever else is out there.

So we don't usually promote new products at all or not much. As they've been out there while they tend to need more promotion to get attention. And so shifting from promotion to marketing there is valuable. Because then you're spending something that is -- that drives sustained value as opposed to temporary value.

And we won't go away from that either completely, but will -- it will come down over time some. I think the bigger picture story here is, we certainly do want to build a marketing engine. The table to build our brands as we sell products and moving to a lower promotion environment the way to do that in particular.

Vincent Pilette, 'Chief Financial Officer'

And it's not like we're going to drop promo and we talking about like we did in the infrastructure or G&A Something about the efficiencies of that promotional environment.

And if you get four week into my world, there's a lot of different offers an approach to stimulating the sales at the point of sales and making that or the criteria as we use to prove some of those is where we can improve. Giving us the room also to walk away from promotions we feel are not addressing the efficiency we want is also part of our strategy. On the infrastructure side, we first started by reducing in dollars the infrastructure spend, right? Standardizing, globalizing, doing a lot of the good sense approach to our infrastructure is what we did. We now have an environment that flexible enough, we filled that has more capacity including the management's[ph] capacity to absorb the gross without increasing dollar[ph].

So it's much more keeping our infrastructure flat and continue to adjust the environment to absorb the goals versus growing (inaudible).

Analyst

Maybe an interpretation to that, for next year the gross margin. I mean what's what are the drivers, what are the gross margin?

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Vincent Pilette, 'Chief Financial Officer'

Yes, so we don't guide in our new business as both OpEx and gross margin. I'll let you simulate[ph], you want to model we have a bottom line number that we have and we'll give indication as we continue.

We will exit the US.[ph] around 37%. Right? And at this point, I don't see a major change to that.

Analyst

Yes, one more question, when I look on your new operating profit margin targets.

Your raised the upper end by two points and the lower end only by one, but you're already at 12%, the lower end is at 11%. So what is the thought process of that, and is there a risk that you could -- margins could decline at some point.

Vincent Pilette, 'Chief Financial Officer'

I don't like to call it a risk. We also said we would prioritize in growth over margin expansion.

I think at this point in time, we're going to be conservative that's the range we feel good about. If in the short term we see hey we moving more to brand and we build that capability faster. Because it returns better gross that's what we'll do. So it's giving us the flexibility if you want.

You've also seen that in our next year guidance when you put it into model we're guiding well above 12%.

Bracken P Darrell, 'President and Chief Executive Officer'

Any other questions? Well, let me just finish by saying thank you. You devoted a whole half morning, and I know how many company meetings there are right now. So I really appreciate it.

I hope you walk away -- if nothing else I hope you walk away with two things. One is wow they have big growth opportunities, in those three main business driven by big secular trends in great capability. And two, they have a really strong team, that can handle it. So thank you all very much.

Vincent Pilette, 'Chief Financial Officer'

Thank you.

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