logitech

Q3 Fiscal Year 2020 Financial Results

Newark, January 20, 2020



FORWARD-LOOKING STATEMENTS

This presentation includes **forward-looking statements** within the meaning of the U.S. federal securities laws, including, without limitation, statements regarding: our preliminary financial results for the three and nine months ended December 31, 2019, macroeconomic trends, secular trends, our growth, our execution, our product portfolio, growth categories, growth opportunities, investments in our business, regional growth trends, sustainability leadership, goals and disclosure, product category sales, trends and momentum, our business-to-business capability, period-over-period comparisons, innovation, ergonomic products, product distribution, diversification, ability to deliver results and targets in spite of challenges, focus, long-term potential of categories, long-term gross margin target range, cost reductions and efficiencies, operating expenses, fiscal year 2020 fourth quarter gross margin and cash flow, fiscal year 2020 cash flow, tariffs and the timing of their implementation, seasonality, fiscal year 2021 outlook, strategies, and outlook for fiscal year 2020 results, sales growth, operating income, effective tax rate, cash from operations, capital expenditures and related assumptions. These statements are subject to risks and uncertainties that may cause actual results and events to differ materially, including without limitation: if our product offerings, marketing activities and investment prioritization decisions do not result in the sales, profitability or profitability growth we expect, or when we expect it; if we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories; if we do not successfully execute on our growth opportunities or our growth opportunities are more limited than we expect; the effect of pricing, product, marketing and other initiatives by our competitors, and our reaction to them, on our sales, gross margins and profitability; if our products and marketing strategies fail to separate our products from competitors' products; if we are not able to maintain and enhance our brands; if we do not fully realize our goals to lower our costs and improve our operating leverage; if there is a deterioration of business and economic conditions in one or more of our sales regions or product categories, or significant fluctuations in exchange rates; changes in trade policies and agreements and the imposition of tariffs that affect our products or operations and our ability to mitigate; risks associated with acquisitions; the effect of changes to our effective income tax rates. These and other risks and uncertainties are detailed in Logitech's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended March 31, 2019 and its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2019, available at www.sec.gov, under the caption Risk Factors and elsewhere. Logitech does not undertake any obligation to update any forward-looking statements to reflect new information or events or circumstances occurring after the date of this presentation.

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

KEY MESSAGES – Q3 FY 2020

Q3'20 sales up 5% (CC) to a record $903M, led by continued strong gains in Video Collaboration and a return to double-digit growth in Gaming

Despite incremental China tariff headwinds, **gross margin was a better-than-expected 37.6%**, driven by operational execution, continued tariff mitigation efforts, and favorable product mix

Operating profits rose 6% to an all-time high of $152M, due to a disciplined approach toward operating expense management

Cash flow from operations was $181M, up from $176M in the same period last year as we significantly improved our inventory turns

Confirming FY 2020 guidance for mid to high single-digit sales growth (CC) and non-GAAP operating income of $375-385M

Note: Results are non-GAAP, except for cash flow from operations. Comparisons are YoY and in constant currency unless otherwise specified.

WHAT'S NEW FROM LOGITECH



KEYBOARDS & COMBOS

The Logitech ERGO K860 is a science-driven certified ergonomic keyboard that delivers a more natural typing experience to help you work and feel better at your desk

A split, curved keyframe improves typing posture and reduces muscle strain on your wrists and forearms

The pillowed and curved cushioning provides 54% more wrist support and reduces wrist bending by 25%, with three layers of comfort foam and easy-clean coated fabric



GAMING

Compatible with the Xbox Adaptive Controller (XAC), the **Logitech G Adaptive Gaming Kit** is designed for gamers with accessibility needs

Features a large assortment of buttons and triggers with gaming-grade components for performance and durability

Developed in collaboration with the Microsoft Inclusive Tech Lab and leading accessibility groups to try to ensure it meets the needs of the community





Environmental, Social, Governance (ESG)

FY19 Highlights

GIVING BACK

37

Give back events with 600+ volunteers in 15 cities and 10 countries

EMPLOYEE DEVELOPMENT

1,660+

employees participated in development programs worldwide

SUPPLY CHAIN AUDITS

RBA Code of Conduct

100%

of our major suppliers audited in FY19

GLOBAL RECYCLING

tons financed since CY10

27,386

electrical devices

2,385

batteries

15,100

packaging

ENERGY & GREENHOUSE GASES (GHGS)

- 2018 GHG reduction targets achieved
- Manufacturing facility certified CarbonNeutral®
- 75% of total electricity worldwide, sourced from renewable energy

TARGETED SUBSTANCE REDUCTION

71%

reduction by weight since CY10

CONFLICT MINERALS

94%

of smelters certified conflict-free

Ta 73 | Sn 50 | W 74 | Au 79

100%

- Direct suppliers engaged
- Conflict-free tantalum
- Conflict-free tungsten

ECODESIGN AND INNOVATION

Four examples:

R500 VS R400

-11%

weight reduction

-17%

PCB area reduction

GPRO VS G903

1mm

thin wall molding GPRO

-19%

less plastic

POST-CONSUMER RECYCLED (PCR) PLASTIC:

- 3 new resins developed
- 2 products launched

RESPONSIBLE PACKAGING:

Launch of our first product with FSC-certified packaging



FINANCIAL RESULTS

Q3'20 RESULTS SET RECORD HIGHS

	Q3'20	Q3'19	YoY
Net sales	**$903**	**$864**	**4%**
YoY % chg	*4%*	*6%*	
YoY % chg (CC)	*5%*	*8%*	
Gross profit	340	330	3%
% margin	*37.6%*	*38.1%*	*(50 bps)*
Operating expense	188	186	1%
% of sales	*20.8%*	*21.6%*	*(80 bps)*
Operating income	**$152**	**$143**	**6%**
% margin	*16.8%*	*16.6%*	*20 bps*
Net income	143	134	7%
% margin	*15.9%*	*15.5%*	*40 bps*
Earnings per share	**$0.84**	**$0.79**	**6%**
Diluted shares	170	169	

Net sales +5% (CC) to $903M, reaching an all-time holiday sales quarter record

Streamlabs acquisition adds new software and services capabilities

Gross margin of 37.6% came in better than expected in spite of incremental China tariffs

Prudently managed opex spending (+1%) while continuing to invest in key strategic areas

Operating profit +6% to a record $152M

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

BALANCED PORTFOLIO DRIVES CONSISTENT GROWTH

	Q3'20	Q3'19	YoY	YoY (CC)
Pointing Devices	155	149	4%	**5%**
Keyboards & Combos	156	144	8%	**10%**
PC Webcams	32	33	(3%)	**(1%)**
Tablet & Accessories	31	36	(13%)	**(12%)**
Video Collaboration	92	74	24%	**25%**
Mobile Speakers	93	96	(3%)	**(2%)**
Audio & Wearables	82	99	(17%)	**(16%)**
Gaming	246	214	15%	**16%**
Smart Home	16	20	(19%)	**(18%)**
Net sales	**$903**	**$864**	**4%**	**5%**

Video Collaboration +25% (CC), with double-digit growth from all 3 regions

Gaming +16% (CC) due to easing Fortnite comparison, strong contribution from Simulation and expanded ASTRO C40 distribution

PC Peripherals +6% (CC), driven by both new and existing products

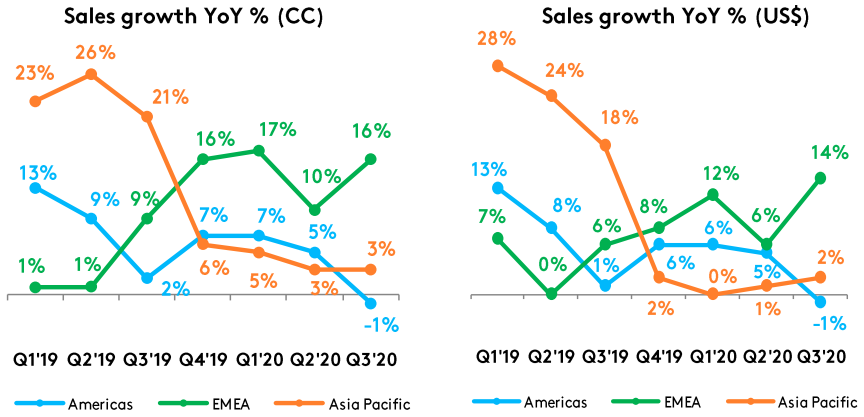
Audio & Wearables -16% (CC), owing to declines in Blue and Jaybird

Mobile Speakers -2% (CC), in line with a soft overall market

Note: Net sales in $ millions. Comparisons are YoY and in US$ unless otherwise specified.

STRONG EMEA OFFSETS SOFTER AMERICAS AND ASIA

	Q3'20	Q3'19	YoY (CC)	YoY (US$)	Sell-through (US$)
Americas	380	386	(1%)	(1%)	0%
EMEA	309	269	16%	14%	9%
Asia Pacific	213	210	3%	2%	7%
Net sales	**$903**	**$864**	**5%**	**4%**	**5%**



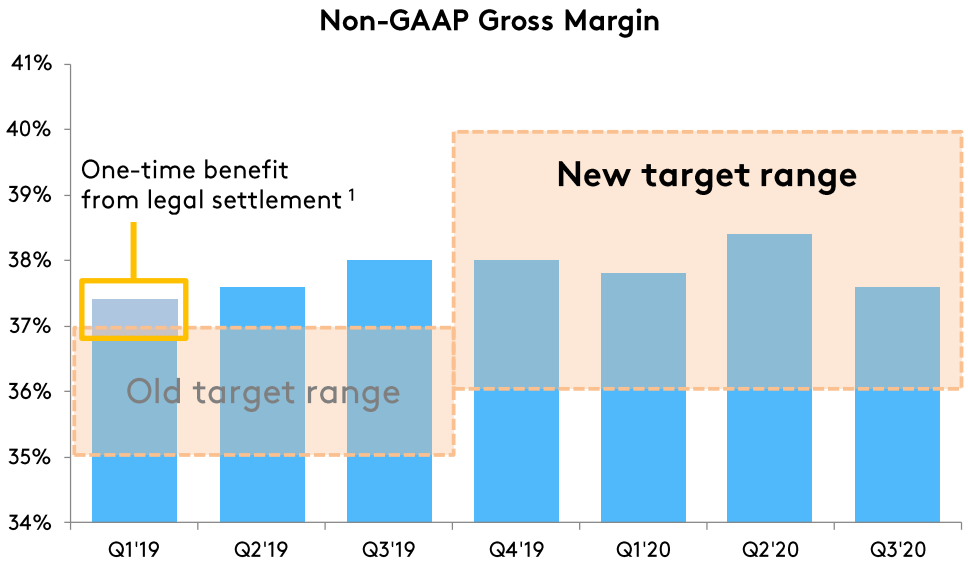
Americas sales -1% (CC), largely due to a decline in Mobile Speakers and Audio & Wearables, offset in part by growth in other major categories

EMEA sales growth accelerated to +16% (CC) with positive contribution from all key markets

Asia Pacific sales +3% (CC), stable with prior quarter levels

Note: Sales in $M and are net sales. Comparisons are YoY unless otherwise specified. See Appendix regarding sell-through data.

STRONG MARGIN PERFORMANCE DESPITE HEADWINDS



Q3'20 gross margin declined 50 basis points to 37.6% despite incremental List 4A China tariffs and continued unfavorable currency exchange rates

Drove better-than-expected gross margin through a deep focus on cost management, tariff mitigation efforts, and efficiency gains, as well as an improved product mix

Continued to manage our business within our long-term gross margin target range of 36-40%

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

CONTINUED INVESTMENTS FOR LONG-TERM GROWTH

	Q3'20	Q3'19	YoY
Sales & marketing	129	128	1%
% of sales	*14.3%*	*14.8%*	*(50 bps)*
Research & development	41	39	6%
% of sales	*4.5%*	*4.5%*	*0 bps*
General & administrative	18	20	(9%)
% of sales	*2.0%*	*2.3%*	*(30 bps)*
Operating expenses	**$188**	**$186**	**1%**
% of sales	*20.8%*	*21.6%*	*(80 bps)*

Operating expenses +1%, as we balanced near-term cost containment with continued investments for long-term growth

R&D spending increased (+6%) to drive our innovation engine to support new product introductions and capabilities

Operating expenses as a % of sales remained in line with annual model

Note: Numbers in $ millions except percentages and basis points (bps). Results are non-GAAP. Comparisons are YoY unless otherwise specified.

IMPROVED TURNS LED TO STRONG CASH FLOWS

	Q3'20	Q3'19	YoY	QoQ
Cash from operations	181	176	5	75
Ending cash balance [1]	656	586	70	81
Inventory	307	342	(35)	(31)
Inventory turns	*7.4*	*6.3*	*1.1 turn*	*2.1 turns*
DSI	*49*	*57*	*(8 days)*	*(19 days)*
Accounts receivable	531	484	47	65
DSO	*53*	*50*	*3 days*	*(5 days)*
Accounts payable	439	436	3	28
DPO	*70*	*73*	*(3 days)*	*(13 days)*
Cash conversion cycle	**32 days**	**34 days**	**(2 days)**	**(11 days)**

Cash flow from operations was $181M, versus $176M in the same period last year

Reduced inventory by $35M and reached near-record inventory turns; excluding tariffs, inventory turns matched prior highs

Cash conversion cycle was 32 days, an improvement YoY and QoQ due to strong inventory management

Note: Numbers in $ millions except turns and days figures. Comparisons are YoY unless otherwise specified.
(1) Ending cash balance reflects cash, cash equivalents, and short-term investments.

FISCAL YEAR 2020 OUTLOOK

FY'20 OUTLOOK	
Sales CC growth	**Mid to high single-digits**
Non-GAAP operating income	**$375 – 385M**

ADDITIONAL ASSUMPTIONS	
Currency	FY'20 9 months actual and Q4'20 projection [1]
Non-GAAP effective tax rate	7 - 8%
Cash from operations	~1x non-GAAP operating income
Capex	$40 - 50M

Note: Comparisons are YoY unless otherwise specified. Sales are net sales
(1) Q4'20 projection based on average Q3'20 currency exchange rates.

APPENDIX



GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION [(A)(D)] ***SUPPLEMENTAL FINANCIAL INFORMATION***	**Three Months Ended December 31,** **2019**	 **2018**
Gross profit - GAAP	$ 334,453	$ 323,982
Share-based compensation expense	1,210	953
Amortization of intangible assets and purchase accounting effect on inventory	3,951	4,699
Gross profit - Non-GAAP	$ 339,614	$ 329,634
Gross margin - GAAP	37.1%	37.5%
Gross margin - Non-GAAP	37.6%	38.1%
Operating expenses - GAAP	$ 205,625	$ 200,598
Less: Share-based compensation expense	12,621	10,902
Less: Amortization of intangible assets and acquisition-related costs	5,084	3,539
Less: Restructuring charges (credits), net	(45)	(278)
Operating expenses - Non-GAAP	$ 187,965	$ 186,435
% of net sales - GAAP	22.8%	23.2%
% of net sales - Non - GAAP	20.8%	21.6%

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION [A][D]	Three Months Ended December 31,	
SUPPLEMENTAL FINANCIAL INFORMATION	**2019**	**2018**
Operating income - GAAP	$ 128,828	$ 123,384
Share-based compensation expense	13,831	11,855
Amortization of intangible assets	8,223	6,895
Purchase accounting effect on inventory	—	1,343
Acquisition-related costs	812	—
Restructuring charges (credits), net	(45)	(278)
Operating income - Non - GAAP	$ 151,649	$ 143,199
% of net sales - GAAP	14.3%	14.3%
% of net sales - Non - GAAP	16.8%	16.6%
Net income - GAAP	$ 117,525	$ 112,810
Share-based compensation expense	13,831	11,855
Amortization of intangible assets	8,223	6,895
Purchase accounting effect on inventory	—	1,343
Acquisition-related costs	812	—
Restructuring charges (credits), net	(45)	(278)
Loss (gain) on investments	709	(207)
Non-GAAP income tax adjustment	2,123	1,443
Net income - Non - GAAP	$ 143,178	$ 133,861
Net income per share:		
Diluted - GAAP	$ 0.69	$ 0.67
Diluted - Non - GAAP	$ 0.84	$ 0.79
Shares used to compute net income per share:		
Diluted - GAAP and Non - GAAP	169,685	168,907

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the month ended December 31, 2019 are subject to adjustments, including subsequent events that may occur through the date of filing our Quarterly Report on Form 10-Q.

(A) Preliminary Valuation from the Business Acquisition

The preliminary fair value of assets acquired and liabilities assumed from the business acquisition in the third quarter of Fiscal Year 2020 is included in the tables. The fair value of identifiable intangible assets acquired was based on estimates and assumptions made by us at the time of the acquisition. As additional information becomes available, such as the finalization of the estimated fair value of the assets acquired and liabilities assumed, we may revise our preliminary or interim estimated fair value of the assets acquired and liabilities assumed during the remainder of the measurement period (which will not exceed 12 months from the acquisition date). Any such revisions or changes may be material, and may have a material impact over our financial conditions and results of operations.

(D) Non-GAAP Financial Measures

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

SELL-THROUGH DATA

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

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

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