logitech

Q4 and Full Fiscal Year 2020 Financial Results

May 11, 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 months and fiscal year ended March 31, 2020, the importance and relevancy of our products, the ability of consumers to be more productive, our production levels, long-term secular trends, the pace and sustainability of growth and secular trends, our growth and growth potential, our brand equity, macroeconomic challenges, our focus, operational execution and financial discipline, cost savings, efficiency improvements, our business model, new product introductions and innovations, product features and capabilities, cash flow, seasonality, COVID-19 and its effects, global recession and unemployment, consumer and corporate purchasing behavior, our ability to be recession resistant, risk management, gross and operating margins for the first quarter of fiscal year 2021, long-term gross margin and operating expenses target ranges, investments in our business, our ability to improve, opportunities, category leadership, entering new product categories, and outlook for fiscal year 2021 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; the COVID-19 pandemic at its potential impact; 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 December 31, 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 – Q4 FY 2020

Q4'20 sales grew 15% (CC) to $709M, with strong momentum early in the quarter that further accelerated in March due to work-from-home and shelter-in-place mandates

Gross margin reached a record 39.8%, driven by better product mix and cost reductions

Operating profits increased 23% to $79M, even with continued OPEX investments to support further growth and long-term brand equity

Cash flow from operations more than tripled to $101M, as profit growth was combined with record inventory turns

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

KEY MESSAGES – FISCAL YEAR 2020

Fifth year at or near double-digit growth, **with sales up 9% to a record $2.98B**

Delivered another year of mid single-digit sales growth in PC Peripherals and double-digit growth in Video Collaboration and Gaming (in 2H'20)

Overcame 2 ppts of China tariff and currency headwinds to achieve record full-year **gross margin of 38.4%**, due to a focus on continued operational execution, favorable mix, and cost reductions

Operating profits grew 10% to $387M, ahead of both our recently revised ($365-375M) and our original ($375-385M) outlook

Cash flow from operations reached an all-time high of $425M, up from $305M in the same period last year as we significantly improved our cash conversion cycle, while growing earnings

Confirming FY 2021 guidance for mid single-digit sales growth (CC) and non-GAAP operating income of $380-400M in spite of macro uncertainties and higher air freight costs

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



PC WEBCAMS

Logitech StreamCam is a new webcam designed specifically for streamers and digital content creators

Features 1080p/60 fps video, USB-C connectivity, and flexible mounting options

Also includes facial recognition smart focus and exposure and AI-enabled smart framing

Comes with stereo and dual-mono audio setting for recording

Can be used with Logitech Capture software for further digital enhancements



GAMING

Logitech G203 LIGHTSYNC Gaming Mouse offers gaming-grade performance, versatility and a classic design at a great value

Features 6 customizable buttons and a high-precision sensor with adjustable DPI up to 8000 DPI

LIGHTSYNC RGB lighting includes a palette of up to 16.8M colors and different brightness levels

Response time is up to eight times faster than standard mice



TABLETS & ACCESSORIES

Logitech Combo Touch is our first keyboard case with integrated trackpad for the iPad, iPad Air, and iPad Pro

The new trackpad gives users an on-screen cursor to edit documents and to navigate with familiar gestures

A full row of shortcut keys provides one-tap access to a variety of functions

Combo Touch is compatible with Smart Connector, providing instant pairing and iPad power without the need to charge the Combo Touch





FINANCIAL RESULTS

EXITED FY'20 ON A STRONG NOTE

	Q4'20	YoY	FY'20	YoY
Net sales	**$709**		**$2,976**	
YoY % chg (US$)		*14%*		*7%*
YoY % chg (CC)		*15%*		*9%*
Gross profit	282	19%	1,142	8%
% margin	*39.8%*	*180 bps*	*38.4%*	*60 bps*
Operating expense	203	18%	755	8%
% of sales	*28.7%*	*100 bps*	*25.4%*	*20 bps*
Operating income	**$79**	**23%**	**$387**	**10%**
% margin	*11.1%*	*80 bps*	*13.0%*	*40 bps*
Net income	71	10%	365	8%
% margin	*10.0%*	*(30) bps*	*12.3%*	*10 bps*
Earnings per share	**$0.42**	**11%**	**$2.15**	**7%**
Diluted shares	170		169	

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.

Net sales +9% (CC) to $3.0B, with consistent growth in PC Peripherals and strong double-digit growth in Video Collaboration and Gaming (ex-Headsets)

Record gross margin of 38.4%, driven by favorable product mix and reduced products costs

Focused OPEX investments (+8%) to drive long-term growth momentum and to build brand equity

Operating profits +10% to $387M, ahead of both our recent and initial outlook

LOGITECH PRODUCTS EVEN MORE RELEVANT TODAY

	Q4'20	YoY	YoY CC	FY'20	YoY	YoY CC
Pointing Devices	$135	3%	4%	$545	1%	3%
Keyboards & Combos	148	12%	13%	572	7%	8%
PC Webcams	40	32%	34%	129	7%	8%
Tablet & Accessories	32	36%	37%	135	5%	7%
Video Collaboration	111	60%	62%	366	41%	43%
Mobile Speakers	21	(7%)	(5%)	222	(4%)	(2%)
Audio & Wearables	65	0%	1%	274	(1%)	0%
Gaming	149	8%	10%	690	6%	8%
Smart Home	8	(28%)	(27%)	43	(12%)	(11%)
Net sales	**$709**	**14%**	**15%**	**$2,976**	**7%**	**9%**

PC Peripherals +6% (CC), representing the 5th year of consecutive growth

Gaming +8% (CC), with strong double-digit sell-through exiting FY'20

Video Collaboration +43% (CC), with growth from all three regions

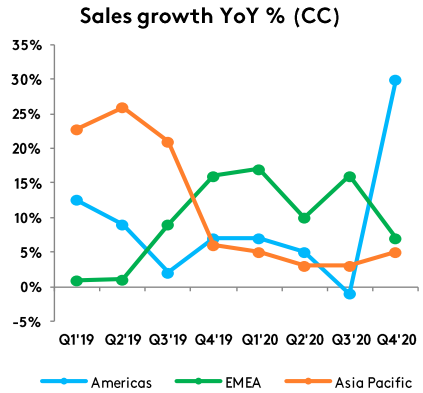
Mobile Speakers -2% (CC), in line with expectations as we reallocated resources to other growth categories

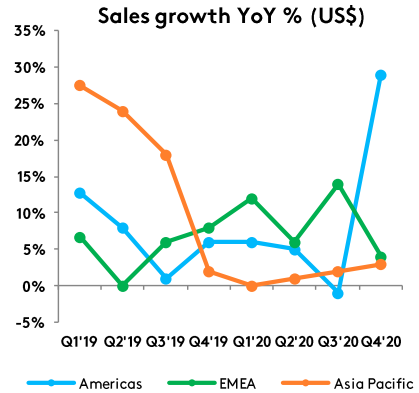
Audio & Wearables flat (CC), with growth in Blue Microphones and Headsets offsetting declines in Jaybird and PC Speakers

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

AMERICAS GROWTH ACCELERATED IN Q4'20

	Q4'20	Q4'19	YoY (CC)	YoY (US$)	Sell-through (US$)
Americas	$316	$244	30%	29%	24%
EMEA	221	214	7%	4%	19%
Asia Pacific	172	167	5%	3%	12%
Net sales	**$709**	**$624**	**15%**	**14%**	**19%**





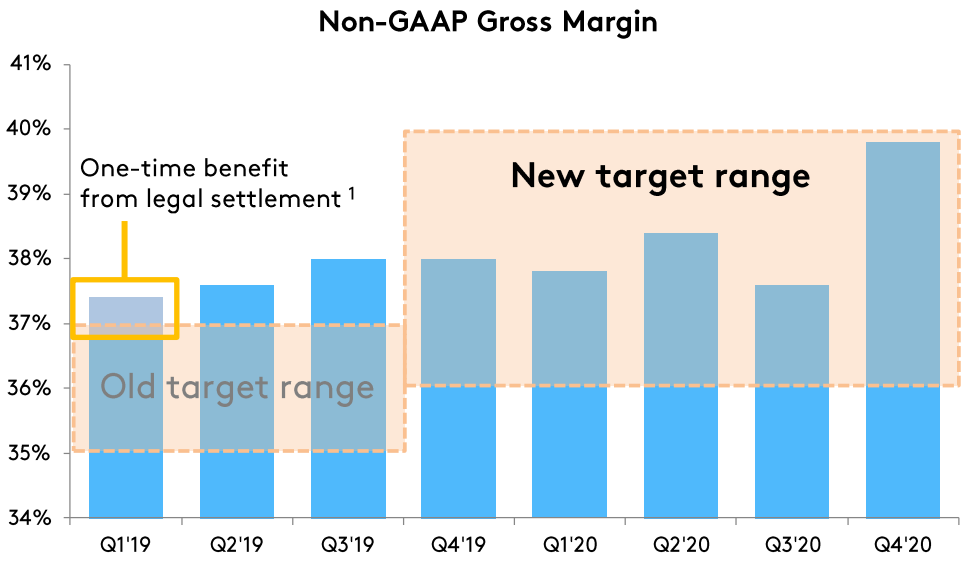
Americas sales +30% (CC) as work from home and shelter-in-place mandates drove an acceleration in several key categories

EMEA sales growth moderated to +7% (CC), although sell-through was significantly stronger

Asia Pacific sales +5% (CC), with China momentum improving exiting Q4'20

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

RECORD GROSS MARGIN DESPITE HEADWINDS



Q4'20 gross margin expanded 180 basis points to a record 39.8% due to improved product mix and continued cost reductions

FY'20 gross margin increased 60 basis points to 38.4% despite 2 ppts of headwinds from China tariffs and unfavorable currency exchange rates

Q1'21 gross margin could be at the lower end of our long-term target range of 36-40% due to COVID-19-related air freight costs

Note: Figures for Q1'19 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.

OPEX INVESTMENTS TO CAPTURE MARKET GROWTH

	Q4'20	YoY	FY'20	YoY
Sales & marketing	$134	18%	$506	8%
% of sales	*18.9%*	*60 bps*	*17.0%*	*20 bps*
Research & development	47	19%	168	9%
% of sales	*6.7%*	*30 bps*	*5.7%*	*20 bps*
General & administrative	22	15%	80	0%
% of sales	*3.1%*	*10 bps*	*2.7%*	*(20 bps)*
Operating expenses	**$203**	**18%**	**$755**	**8%**
% of sales	*28.7%*	*100 bps*	*25.4%*	*20 bps*

Operating expenses +8% (or +7% excluding Streamlabs), as we reinvested in product innovations (both hardware and software), brand-led marketing, and our Video Collaboration sales force

Balanced investments in S&M (+8%) and R&D (+9%) with flat G&A spending

Our FY'20 operating expense ratio was in line with our long-term business model

Note: Numbers in $ millions except percentages. Results are non-GAAP. Comparisons are YoY unless otherwise specified.

ALL-TIME HIGHS IN CASHFLOWS AND CASH BALANCE

	Q4'20	YoY	FY'20	YoY
Cash flow from operations	$101	218%	$425	39%
Ending cash balance	*$716*	*18%*	*$716*	*18%*
Inventory	$229	(22%)	$229	(22%)
Inventory turns	*7.5*	*2.2 turns*	*6.4*	*0.9 turn*
DSI (days)	*48*	*(19 days)*	*45*	*(15 days)*
Accounts receivable	$395	3%	$395	3%
DSO (days)	*50*	*(5 days)*	*48*	*(1 day)*
Accounts payable	$259	(9%)	$259	(9%)
DPO (days)	*54*	*(11 days)*	*50*	*(8 days)*
Cash conversion cycle (days)	**44**	**(13 days)**	**43**	**(8 days)**

Both cash flow from operations and cash balance reached a record high of $425M and $716M, respectively

Cash conversion cycle improved to 44 days in Q4, as inventory turns reached an all-time best

Returned $175M to shareholders in FY'20, in the form of $124M of dividends and $50M of stock buybacks

Note: Numbers in $ millions except turns and days figures. Comparisons are YoY unless otherwise specified.

FISCAL YEAR 2021 OUTLOOK

FY 2021 OUTLOOK	
Sales growth	**Mid single-digit**
Non-GAAP operating income	**$380 – 400M**

ADDITIONAL ASSUMPTIONS	
US/China tariffs	No change to current tariff rates
Currency exchange rates	FY 2020 average rates
Non-GAAP effective tax rate	8 - 9%
Cash from operations	~1x non-GAAP operating income
Capex	$40 - 50M

Note: Sales growth is in constant currency unless otherwise specified.

APPENDIX



GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS*

(In thousands, except per share amounts) - Unaudited

GAAP TO NON GAAP RECONCILIATION [E]	Three Months Ended March 31,		Fiscal Years Ended March 31,	
SUPPLEMENTAL FINANCIAL INFORMATION	**2020**	**2019**	**2020**	**2019**
Gross profit - GAAP	$ 276,876	$ 232,975	$1,122,381	$1,037,011
Share-based compensation expense	1,300	938	4,852	3,812
Amortization of intangible assets and purchase accounting effect on inventory	4,292	3,305	14,785	13,342
Gross profit - Non-GAAP	$ 282,468	$ 237,218	$1,142,018	$1,054,165
Gross margin - GAAP	39.0%	37.3%	37.7%	37.2%
Gross margin - Non-GAAP	39.8%	38.0%	38.4%	37.8%
Operating expenses - GAAP	$ 244,732	$ 190,748	$ 845,886	$ 773,817
Less: Share-based compensation expense	13,269	12,164	50,018	46,453
Less: Amortization of intangible assets and acquisition-related costs	4,665	3,913	17,563	14,290
Less: Change in fair value of contingent consideration for business acquisition [C]	23,247	—	23,247	—
Less: Restructuring charges, net	75	1,540	144	11,302
Operating expenses - Non-GAAP	$ 203,476	$ 173,131	$ 754,914	$ 701,772
% of net sales - GAAP	34.5%	30.6%	28.4%	27.8%
% of net sales - Non - GAAP	28.7%	27.7%	25.4%	25.2%

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS*

(In thousands, except per share amounts) - Unaudited

GAAP TO NON GAAP RECONCILIATION [E]	Three Months Ended March 31,		Fiscal Years Ended March 31,	
SUPPLEMENTAL FINANCIAL INFORMATION	**2020**	**2019**	**2020**	**2019**
Operating income - GAAP	$ 32,144	$ 42,227	$ 276,495	$ 263,194
Share-based compensation expense	14,569	13,102	54,870	50,265
Amortization of intangible assets	8,900	6,944	30,858	24,180
Purchase accounting effect on inventory	—	34	—	1,756
Acquisition-related costs	57	240	1,490	1,696
Change in fair value of contingent consideration for business acquisition [C]	23,247	—	23,247	—
Restructuring charges, net	75	1,540	144	11,302
Operating income - Non - GAAP	$ 78,992	$ 64,087	$ 387,104	$ 352,393
% of net sales - GAAP	4.5%	6.8%	9.3%	9.4%
% of net sales - Non - GAAP	11.1%	10.3%	13.0%	12.6%
Net income - GAAP	$ 213,920	$ 42,121	$ 449,723	$ 257,573
Share-based compensation expense	14,569	13,102	54,870	50,265
Amortization of intangible assets	8,900	6,944	30,858	24,180
Purchase accounting effect on inventory	—	34	—	1,756
Acquisition-related costs	57	240	1,490	1,696
Change in fair value of contingent consideration for business acquisition [C]	23,247	—	23,247	—
Restructuring charges, net	75	1,540	144	11,302
Gain on investments [D]	(39,783)	(227)	(39,011)	(816)
Non-GAAP income tax adjustment [A]	(150,048)	830	(156,524)	(6,952)
Net income - Non - GAAP	$ 70,937	$ 64,584	$ 364,797	$ 339,004
Net income per share:				
Diluted - GAAP	$ 1.26	$ 0.25	$ 2.66	$ 1.52
Diluted - Non - GAAP	$ 0.42	$ 0.38	$ 2.15	$ 2.01
Shares used to compute net income per share:				
Diluted - GAAP and Non - GAAP	169,981	168,956	169,381	168,965

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the three months and fiscal year ended March 31, 2020 are subject to adjustments, including subsequent events that may occur through the date of filing our Annual Report on Form 10-K.

(A) Swiss Federal Tax Reform

The change in the effective income tax rate between fiscal years 2020 and 2019 was primarily due to the mix of income and losses in the various tax jurisdictions in which we operate and the income tax accounting impact from the enactment of the Federal Act on Tax Reform and AHV Financing ("TRAF") in the canton of Vaud in Switzerland on March 10, 2020 to take effect as of January 1, 2020. We have benefited from a longstanding tax ruling from the canton of Vaud through December 31, 2019. We reached an agreement with the Vaud Tax Administration that waiving the benefits of the tax ruling would allow for a tax step-up to be amortized over ten years beginning on January 1, 2020. TRAF generally permits a tax-free step-up of intangible assets, including goodwill created under a privileged tax regime or when assets are being transferred into Switzerland. We recorded an income tax benefit of $151.7 million, net of unrecognized tax benefits to account for the book and tax basis difference of the step-up upon enactment. The deferred income tax benefit from other temporary differences resulting from the Swiss tax reform, net of three-month amortization of the tax step-up amounted to $1.5 million. The aggregate deferred income tax impact in fiscal year 2020 as a result of the enactment of TRAF was $153.2 million.

(C) Change in Fair Value of Contingent Consideration

We recorded a $23.2 million change in fair value of contingent consideration due to Streamlabs performance, which we acquired on October 31, 2019.

(D) We recorded a one-time gain of $39.8 million related to the sale of our investment in Lifesize, Inc. in exchange for cash plus an equity interest and subordinated note in another privately held company group as a result of its acquisition of Lifesize, Inc.

(E) 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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