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Q2 2021 Earnings Call

Company Participants

- Ben Lu, Vice President, Investor Relations
- Bracken Darrell, Chief Executive Officer
- Nate Olmstead, Chief Financial Officer

Other Participants

- Alex Duval, Analyst
- Ananda Baruah, Analyst
- Andreas Mueller, Analyst
- Asiya Merchant, Analyst
- Joern Iffert, Analyst
- Michael Foeth, Analyst
- Paul Chung, Analyst
- Tom Forte, Analyst

Presentation

Ben Lu {BIO 19785128 <GO>}

Welcome to Logitech video call to discuss our financial results for the Second Quarter of Fiscal Year 2021.

Joining us today are Bracken Darrell, our President and CEO; and Nate Olmstead, our CFO.

During this call, we may make forward-looking statements, including with respect to future operating results that are based on our views only as of today. Our actual results could differ materially and we undertake no obligation to update or revise any of these statements.

We will also discuss non-GAAP financial results. You can find a reconciliation between non-GAAP and GAAP measures, and information about our use of non-GAAP measures and factors that could impact our financial results in our press release and our filings with SEC including our most recent annual report and subsequent filings.

These materials as well as our prepared remarks and slides and a webcast of this call are all available at the Investor Relations page of our website. Unless noted otherwise,

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

I will now turn the call over to Bracken. Bracken, you're on mute.

Bracken Darrell {BIO 3403495 <GO>}

I couldn't see because I have my script open. I should be unmuted now, correct?

Ben Lu {BIO 19785128 <GO>}

Yes.

Bracken Darrell {BIO 3403495 <GO>}

All right. Okay. Before I start, every company's performance starts and ends with its people. Our people are working longer hours. Their work from home is overlapping with their personal life at home, and that's stretching work earlier in the morning and later at night. So, our team is not only working more hours in a day, with those hours are being stretched out longer in the day, some are working with a child nearby needing attention, while others are there where there is no one at all, and it's lonely. But we're all overcoming many challenges, including those, and Sam Harnett, for example, our General Counsel, started in June and have become one of my most trusted partners of advisors, and she has for many on our team. She is on this call today. Jason Mayden, who probably isn't on, is running our new and exciting influencer offence as we call it, and I am deeply aligned with his values, and I have discovered that even more deeply as after he started work. I've never seen Sam or Jason outside of this video screen. Somehow, this is working, and will work even better as we don't have to work within these constraints we're in over time.

In fact our team is just doing in an amazing job in spite of it all. New products are flowing, new ideas are sparking, our capacity is growing, our supply chain is harming. We're building capabilities and we're building new growth engines for the future. And our morale is strong. I couldn't be more proud of everyone at Logitech.

I joined a call on Friday with one of our teams with about 90 people. As I entered the call, I felt myself completely underdressed, or should I say inappropriately dressed. I discovered Rosie the Riveter, The Dude, the captain of a ship, and various Star Wars figures. There are 85 other Halloween costumes. Our team is finding ways to have fun, because Logitech is really a fun place to work, even when times aren't normal. This way of work -- working won't ever be perfect. But I just want to say publicly to analysts and investors what we say privately to our teams, we know this is a hard period emotionally and even physically, but thank you all of you at Logitech for your remarkable and collective persistence, energy and ingenuity. You're really making a difference.

It's hard to have a call like this without reflecting a little bit on what a weird year it's been for everybody. 2020 has been so challenging. The health impacts of COVID-19 have been

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horrible. The unemployment rates unprecedented, and for those not directly affected by the virus or by furloughs, this strange lifestyle stays feeling strange. Despite over six months that many of us have lived like this staying at home, it still doesn't feel routine. As we head into winter in the northern hemisphere, it seems likely we won't see a huge change in our lifestyles between now and the end of winter. But this really won't last forever. So I've been imagining what will be like next summer and fall. How does this play out as they say.

One thing is for sure, some changes are permanent. In my opinion, the biggest permanent changes we're going to have in anyway, the pandemic accelerated. In fact, we are really fortunate at Logitech, years ago we identified one by one, four major changes in global lifestyle and work life that we felt we built our business on it. They are video calls will grow and replace audio calls over time; work will increasingly spread outside of our offices, even though we continue to work in offices too; esports will become the biggest collection of sports in the world for spectators and participants. And most content we engage and will be created by hundreds of millions of people even billions, instead of the dozens of media companies as it was in the past. Those four trends didn't seem as obvious when we first call them out for ourselves as they do now. COVID-19 didn't initiate any of those trends. It accelerated all of them, and they will continue to grow.

Video is going to grow at the expense of audio calls. esports will continue to grow too and one day become bigger than conventional sports in viewership and participation. And more and more of us will share more and more creations with each other. That's great for Logitech.

What we'll likely moderate is the extent to which we're working at home. Our belief is that while offices will reopen and people will go to work in them again, not all companies will be the same. Some companies will go exactly back to the way it was before. Almost everyone in the office every day. I think this is going to be a small minority. Others will go completely the other way, and they're going to eliminate offices altogether. I think this too is going to be a really small minority, and that leads to Big Middle, a hybrid of work in the office and work at home. Most companies will allow people to work from home a few days a week and in the office a few days a week. This will make work spaces in both home and office important. It will increase the number of desk spaces that we could call the installed base of work spaces, and gives us expanded upgrade opportunities across all these new and important spaces.

Many of us see this in our own lives already. If you didn't have a computer at home before COVID, you probably limped along before with your -- before COVID with your phone or your tablet or you worked with a laptop on your couch or in the bed. Now most -- now most people are getting a PC and Mac or a Chromebook, often really hastily, either bringing it from the office or buying it wherever you can find it. And you might even feel like you have the need to equip a few more work space at home. One for you, one for your partner, one for each of your children, and even two for you, depending on what kind of spaces you have.

In other words, the market for many of our categories is correlated with the number of locations people work from. And we believe this market will grow more rapidly as people

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rethink the number and locations as spaces they need. After that hasty expansion to the home, there will be an opportunity to help people improve the experience, better functionality, instead of the first mouse I could find. Better ergonomics because I'm not up and moving like I was, and better esthetics because these work spaces look like they will be a permanent addition to the home decor. That suggests a potential for a large increase in the installed base and longer term upgrade opportunities at the same time over years to come.

And on top of that as the Big Middle as I call it earlier, hence back into the office parts of the time in this hybrid work culture, we will most likely see an expansion of what some people are calling satellite offices to serve those who work from home a lot, but don't always want to drive so far when they do go to work. That creates a potential for even more work spaces to equip, more work spaces to later upgrade. Virtually all meeting rooms will be video-enabled over the coming years as more companies adopt video more broadly, the network effect of Zoom, Teams and Meets is creating a growth wave that's unlikely to end anytime soon. And then these video rooms will need to be improved and upgraded.

And education will also be hybrid. Computing devices and the peripherals we built for them will have become mandatory as to have good cameras and computer for teachers. That reality will surely remain in place now in some way for good.

Outside of work and outside of school, esports has grown though traditional sports slowed or even temporarily stopped. And the number of people creating content to entertain, educate and connect with others appears to be spreading more and more rapidly. Everyday there's a new podcast stream and person join content for the first time in your video feeds. Content creation is growing and will not stop in our lifetime, but even accelerate as the network effect works as scaling magic. What's all this mean for Logitech? Growth, long-term growth, and we will be integrating for that growth.

Now, let me go over some of the highlights of this quarter. Our Q2 sales were up 73% and non-GAAP operating profits nearly quadrupled. Our quarterly sales surpassed $1 billion for the first time in history, and by a wide margin. Our creativity and productivity category posted double and triple-digit growth across almost all products. Our Mice and Keyboard sales grew 35% and 44% respectively as workers and students around the world set up those additional personal work spaces in order to stay productive and engaged.

In the future, we will work to upgrade that much bigger install base to even better performing products. PC webcam sales increased over 250%, doubling the growth rate we achieved last quarter. Despite improving our capacity throughout the quarter, we still couldn't make enough to meet all the demand for Logitech webcams. We're expanding our capacity even further as we qualify other component suppliers to meet this unprecedented demand for video devices. While we don't expect to maintain this level of triple-digit growth forever, we believe that the continued transformation of work or video as an integral part of collaboration and staying connected will provide a multi-year tailwind to this category.

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Tablet & Other Accessories sales grew over 140% with our education channel sales rising more than fourfold versus last year. We have seen significant demand from schools around the world for tools to better prepare students for a more digital and hybrid learning environment. And governments are getting it out too. Their allocating huge budgets to this for the future.

For instance, Japan's Education Ministry launched a program with over $3.5 billion of funding last year that's being used to improve school preparation for online classes, including distribution of iPad tablets and keyboards to many students. And Japan is just one of many countries transforming how educators are thinking about teaching our children.

Video Collaboration sales increased over 160% to another quarterly record high of $237 million. Sales of our conference room products like MeetUp and Rally nearly doubled and benefited from continued deployment of video in the office as some countries started to bring employees back to work or get ready to. And augmenting this growth inside conference rooms, was the 4x to 5x growth in our enterprise-grade webcams like Brio. In fact, we're not only seeing companies accelerate the deployment of video in offices, we're also starting to see purchasing of large bulk orders of PC webcams to equip workers with video capabilities from their home workspaces.

Gaming has not been left out. Gaming sales grew 84% in the quarter. Growth was across all three regions and across all our gaming product categories, including PC Gaming, Simulation, Console Gaming and Streamlabs. We introduced several new products in the quarter. At this time, I'll skip them in favor of talking about our brand.

Logitech G is just a part. In the League of Legends final just this past weekend in Shanghai with an expected 110 million people watching it live, that's about the same as the Super Bowl. And an estimated 1.5 billion watched some portion of the League of Legends championships. Get this, every team in the final four, and seven to the eight final teams representing China, Korea and Europe all use Logitech G products. It's not all about the best equipment, but it helps.

In addition to these three large categories, the C&P, Video Collaboration and Gaming, we had two other products that delivered impressive results. Blue Microphones and Retail Headset sales more than doubled this quarter with supply for Blue Mics remaining tight even as we exited Q2. The benefits of clean crisp audio that you get from using a Blue Yeti Mike have become a much more pronounced the streamers, musicians and video bloggers. We want their stories and songs broadcast to their fans in the best possible audio quality. Mobile Speakers remained weak this quarter as expected. We continue to reduce our investment in the category and reallocate our sources to other -- to the many other faster growing market opportunities as well as leverage, ultimately it was decades of audio engineering capabilities across other product groups.

Now I'm going to turn the call over to Nate to walk you through the rest of our key financial metrics in Q2. Nate?

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Nate Olmstead {BIO 21036514 <GO>}

Thanks, Bracken. I want to start by repeating Bracken's thank you to our people for delivering these strong results in such challenging times. We are on pace to grow our revenues by more than $1 billion this year and the operating profits we achieved in the single quarter were more than what we did in all of fiscal 2019. To accomplish these feats in a year which began with factory shutdown and employees abruptly working from home is a testament to our team's resilience and their talent.

One of the most impressive highlights of this quarter was the expansion of gross margin by over 7 percentage points to 45.7%. The strength in gross margin was largely due to three factors: significantly higher sales volume, considerably lower levels of sales promotions and favorable product mix. In the second half, we expect gross margins to return to the high end of our target range of 36% to 40%. As supply/demand conditions normalize, we increase investment in retail store marketing and we move into the more promotion heavy months of the year.

And as we noted last quarter, we anticipate that education iPad tablet keyboard sales will remain strong, given the demand for remote and hybrid learning solutions which Bracken mentioned. These products carry lower than corporate average gross margins and therefore a higher mix of these tablet keyboards will also put some downward pressure on gross margin.

Non-GAAP operating expenses increased 18% to $221 million and were 17.6% of sales, down from 26% in Q2 last year. While we ramped up the pace of investments in sales and marketing and R&D versus Q1, it was not nearly at the same level as the sales upside we delivered in the quarter. So with strong first half profits and confidence in the strengthening of our core markets, we plan to invest more aggressively in Q3 and Q4 to build out our video collaboration sales coverage, step up our brand marketing campaigns and increase spend to drive hardware and software innovation.

I want to emphasize that these are the same priorities we've discussed for many quarters, but we are moving faster on all fronts. It's also important to note that some of the increased spend this year will be structural and long lasting like end product development, while a significant portion of it will be more elastic or variable in nature, like marketing. So I want to emphasize again that we are managing the business consistent with our historical approach by moving aggressively to capture the opportunities before us, while being prudent and thoughtful to prepare for potential fluctuations in demand and market conditions.

Now let me move to our cash flow and balance sheet. We delivered another strong quarter of cash flow, reaching $280 million, up from $107 million in Q2 last year. We achieved a record low cash conversion cycle of 19 days, largely due to quick inventory turns, driven by our high sales velocity. We will continue to leverage our strong balance sheet to not only strategically invest in supply, but to also increase our manufacturing capacity as Bracken mentioned to support the heightened demand. As such and consistent with the growth in our business, we are raising our CapEx outlook for the year from $40 million to $50 million to $70 million to $80 million.

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And now, I will turn the call back to Bracken for guidance and his closing remarks.

Bracken Darrell {BIO 3403495 <GO>}

Thank you, Nate. It's not like I'm going to give like the personal guidance, I'm not going to give company guidance. This morning we announced an increase in our fiscal year '21 sales growth outlook to 35% to 40%, and our non-GAAP operating income outlook to $700 million to $725 million, an increase of more than 80% versus the prior year. This, of course, is up from our prior outlook of 10% to 13% and sales growth, and a range of $410 million to $425 million in non-GAAP operating income.

I'm certain many of you are wondering what will we do next year, next fiscal year. It's still way too early for us to commit to a target for the next fiscal year. We will provide that guidance as usual, next March in our Analyst and Investor Day. But I will say that underlying trends driving our business are not going away. Video calling will continue to expand. We'll continue to work from home and for most of us also in the office. Gaming will continue to expand its reach in our lives and in our culture, and more and more and more people will create content for us -- for all of us.

We have such an exciting future ahead of us. Today we're worth more than 13 times more than we were when I started eight years ago. And yet today, we have so many opportunities and so much more momentum. We have so many opportunities to unlock enormous growth in existing and in new areas. It's going to be an exciting -- really exciting next few years.

Thanks so much. And with that Nate and I are ready to take your questions.

Questions And Answers

A - Ben Lu {BIO 19785128 <GO>}

Thanks, Bracken. We'll take the first question from Joern from UBS. Joern?

Q - Joern Iffert {BIO 15374623 <GO>}

Yes, thank you. Hi, Bracken; hi, Nate; hi Ben, thanks for taking my questions. And the first one would be, please, is it fair to assume that pricing and mix is supporting the sales growth by roughly around a quarter in fiscal '21? And also what is the pricing strategy going forward?

Second question would be please on your R&D allocation. I mean, now working cash flows are much stronger versus your anticipated maybe three to six months ago. Are you willing to experimented it more on R&D trying to develop new categories also looking to healthcare, for example.

And the last question is, I mean, I understand that you are saying you will step up your SG&A investments in the second-half and you're guiding for non-GAAP EBIT in the

second-half only up 5% year-over-year despite your sales in the second-half should grow around 30% according to the guidance. I mean, what kind of SG&A investments are giving you the return of invested capital you need to really justify this investment as COVID-19 is quite nice marketing tool for you? Many thanks.

A - Bracken Darrell {BIO 3403495 <GO>}

Nate, I'll let you answer the first on prices and units, and then I'll jump into the -- maybe I'll try the next two.

A - Nate Olmstead {BIO 21036514 <GO>}

Okay. Thanks. Joern, let me just make sure I captured your first question. You asked, how much impact has pricing had on our revenue growth for the year. Was there a second factor, you mentioned?

Q - Joern Iffert {BIO 15374623 <GO>}

Correct. What you roughly expect is the benefit from price mix. Is it fair to assume that is around maybe 10% or so, 10 percentage points for fiscal '21? Is it a fair assumption?

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah, I think it's in that ballpark. I think, in the second quarter, we had some restocking in the channel, bringing some products we were pretty short on really across the portfolio at the end of the first quarter. So there were some products we were able to restock. But if you look over the first-half, growth being 50%, that sort of washes out. So yeah, we had some benefit in this quarter from both restocking the channel in some areas. We're still light in some areas like web cameras and then we also got some benefit from the reduced promotions as well.

A - Bracken Darrell {BIO 3403495 <GO>}

Okay. And -- sorry to interrupt.

A - Nate Olmstead {BIO 21036514 <GO>}

I'm going to say, Bracken, if you want to get started maybe on the SG&A or R&D or I can...

A - Bracken Darrell {BIO 3403495 <GO>}

Sure. I mean, they're really kind of the related questions on the R&D side, Joern asking if we would be, given where we are -- we were willing to experiment with new categories which one in particular. The answer is we've always experimenting with new categories, we're going to keep doing it. We keep about between 5 and 10 new categories as development at a time we got seeds and we're certainly going to keep doing that aggressively. And now many of them don't make it to market, but they're super interesting exciting and we're getting better and better this all thing. So, yeah, you can count on we're working on new categories and development both from an engineering standpoint and from a business model standpoint.

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On the SG&A side, not only are we going to keep investing in those kinds of things and probably increasing it certainly in the areas of video collaboration and others, but we're also looking into the back half and things been more on market. We are trying to move our business over time for main what's traditionally been kind of a push model in the vernacular marketing to a more of a pull model. And we're going to spend a significant amount of money in the back half really trying to drive that further. And we're also going to increase our spending in the infrastructure because this increase in demand obviously it's stretching some of the infrastructure (inaudible) consumer experience teams some of the other. So, yeah, we will be spending more on SG&A, and I think it's going to be a good investment.

Do you want to add anything to that Nate?

A - Nate Olmstead {BIO 21036514 <GO>}

Well, I think just a little bit more on the R&D side, I think you've seen us pretty strategically increase investments in R&D. The first half of the year, R&D is up $17 million on a non-GAAP basis. Year-over-year already was up $10 million this quarter or 25%. So I think as Bracken has said, I think about investments, maybe the same way a lot of -- you or the investors would is, we're investing in our portfolio. And as we see things that have great market potential like we see in gaming and creativity and streamers, we're investing aggressively in those areas and we have other areas where we've pruned back the investments a little bit and reallocate our resources. So, well, even while you see that $17 million increase in R&D for the first half, some areas are getting more than 100% of that and other areas are getting less. So we're pretty actively managing that investment portfolio.

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Q - Joern Iffert {BIO 15374623 <GO>}

All right. Many thanks.

A - Bracken Darrell {BIO 3403495 <GO>}

Joern, thank you.

Q - Joern Iffert {BIO 15374623 <GO>}

Thanks.

A - Bracken Darrell {BIO 3403495 <GO>}

Next question?

A - Ben Lu {BIO 19785128 <GO>}

Ananda, your line is now open. Please ask your question.

A - Bracken Darrell {BIO 3403495 <GO>}

Hi Ananda.

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Q - Ananda Baruah {BIO 15320341 <GO>}

Hey, guys. Appreciate it. Hey, so for both of you, Bracken and Nate, as we think about sort of what the model looks like longer term, and Bracken you made a couple of comments, and one was for all things video, you use the term multi-year cycle, you talked about some of the structural changes. I'm not asking for a forecast here, but clearly it sounds like all COVID catalysts aside, there has been a pull forward and a leveling up with some of these trends into sort of being more structural. What would be the reasons you could see that the long -- your long-term kind of growth funnel, which is kind of been that 5 to -- I don't know like, it's actually been more like risen like a 7% to a 12%. When structurally level up to something higher what would be the reasons that that wouldn't take place or shouldn't take place? And then I have just a quick follow-up as well.

A - Bracken Darrell {BIO 3403495 <GO>}

Well, first, I did not use the word cycle when I talked about any of our businesses. I don't really see us in a cycle. I see us in long-term secular trends. And as you said, I think there's two ways to look at those long-term secular trends in the context of COVID-19. One is to say oh gosh, you've got all this short-term business is going to take (inaudible) the rest of the longer term. The other way to look at this is actually we've increased the overall installed base and work spaces, for example, it's actually been accelerating our long-term. We're not...

Q - Ananda Baruah {BIO 15320341 <GO>}

That's the other thing.

A - Bracken Darrell {BIO 3403495 <GO>}

We're looking at our long-term guidance right now. We're not really talking about guidance for next year at all. But I'm super-optimistic about what's happened here. I mean, it's basically the level the entire world in terms of the device that we support and that is an incredibly exciting thing.

Q - Ananda Baruah {BIO 15320341 <GO>}

Yeah. And then the install base is the other thing. So, okay, totally got it. And then just a quick follow-up is, with regards to the investments that you're making in video collaboration on the sales side, can you just talk to us structurally, what do you see is needed to be done, not even from a spend perspective, but from an initiative perspective, so we can sort of help fill out our map about sort of like how much there is still too sow there and how you guys are thinking about that?

A - Bracken Darrell {BIO 3403495 <GO>}

Yeah, I don't want to be too specific there just for all the reasons you would imagine, but what I would say is we've increased the absolute number of salespeople and customers or people dramatically. We've added service around that, and we're going to keep doing that systematically over time. Not proportional to, not the same proportion that we've done before. We're going to keep adding, because we want to -- listen, a lot of what we're done with the sales force, we've separated our conventional sales force, it's really a

high touch business and especially for the larger customers. And so we're going to make sure that we have the right people on the ground face-to-face with the buyers and the decision-makers and this is supporting them once they bring in these big deals that we're increasingly seeing. So I think, without being too much more specific than that that's going to require continued investment and we're going to make it, but the margin certainly support that.

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A - Nate Olmstead {BIO 21036514 <GO>}

Ananda, if I add just little on the VC side, I think it's important to emphasize, but Bracken mentioned on the customer support side and the customer experience, things around how you do pricing and the supply chain and it's a little bit different motion and customer expectation than what you have on consumer. And so there are some areas, I think, as we continue to grow, we're going to want to invest in that and really be able to do something that's differentiated and really pleased with the customers.

Q - Ananda Baruah {BIO 15320341 <GO>}

And you guys -- just to wrap that real quick, you guys have been investing in that gets a market for a while now. So should we think of this as being just part and parcel, sort of, ongoing with what you've been doing, that set of initiatives? Or should we think of this as something that's been meaningfully incremental to what you've been doing from an initiative perspective?

A - Bracken Darrell {BIO 3403495 <GO>}

Yeah. No, this is absolutely a continuation of what we're already doing and we're really hitting our stride here. So we're -- this is just continued to double down on the growth we already have to drive further growth using the same methods which is expanded sales force and customer support it was made for that.

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A - Nate Olmstead {BIO 21036514 <GO>}

Yeah.

Q - Ananda Baruah {BIO 15320341 <GO>}

Got it. Great. Thank you, guys.

A - Bracken Darrell {BIO 3403495 <GO>}

Thank you. Thanks, Ananda.

A - Ben Lu {BIO 19785128 <GO>}

Thanks, Ananda. Paul, your line is now open.

A - Bracken Darrell {BIO 3403495 <GO>}

Hi, Paul.

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Q - Paul Chung {BIO 17875766 <GO>}

Hey, guy. How is it going? Thanks for taking my questions. So, congratulations on the quarter. So just first up on APAC, you saw really robust growth in that market, you know suggesting the hybrid work from home, kind of go to -- go to offices has some staying power, at least in the near term. Can you help us break down where you saw the best relative performance in Asia? And can this region kind of serve as a leading indicator for other regions in your view? And then I have follow-up.

A - Bracken Darrell {BIO 3403495 <GO>}

Yeah. I mean -- excuse me, we just had strong growth around the world. I mean it's really hard to find a country who didn't have strong growth, including China, you know, Greater China, which kind of went into the COVID -- COVID phenomenon in the earliest and came out -- came out the earliest or started to came out the earliest.

It's a little difficult to give any specifics on that. We don't normally give you details by country or growth, but China continues to grow very well. I mean that's reflected in our guidance, and we feel really good about the long-term growth potential of this business. And as long as we keep investing and then keep upping our game, that's what we talk about marketing and moving from push to pull. Well, as we keep investing in upping our game, really optimistic about the long-term growth of this business in every place including after COVID-19.

Q - Paul Chung {BIO 17875766 <GO>}

Okay. Thanks for that. And then just a follow-up on e-tail and direct-to-consumer. Can you kind of give us a sense for how much of that business in the quarter went through those channels? How you expect that mix to evolve kind of near-term? And then can you quantify any lift you get from DTC? And if this shift is accelerating, do you think you are in a position to kind of structurally raise your long-term gross margin targets in? Thank you.

A - Bracken Darrell {BIO 3403495 <GO>}

Well, I'll punt on that last question, because the answer to the first question make it quick. It's still relatively small part of our business. We're not where this company with 30% of our business going through DTC now. We look much, much more than that. So we're in the single digits, mid-single digits, even low-single digits, but we're growing very rapidly, and it is better margin for us. It wasn't better margin for us, but it's becoming better margins as we're getting better on it. And we're going to keep investing. We don't want to compete with the rest of our distribution. So we're making sure that what we offer is the opportunity for a customer to buy where they want including directly from us, and then where we can, we're offering something extra special. And so we're going to keep doing that. I suspect that DTC will grow faster than the rest of our businesses, but it's still relatively small. So I wouldn't expect it to have a really big margin mix impact on the Company.

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah, I would agree with that, Paul. And I think, just as we're diversified in other areas, I think that route-to-market etail, traditional retail D2C, I really like having a diversified

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approach across all those. And one of the things that's happened in the first half of the year as a lot of business has shifted to retail, some of that may stick, some of it will move back in traditional retail. We are increasing our investments in traditional retail marketing and point-of-sale displays in the second half of the year. And that is one of the reasons I called out for why I believe gross margins will come down sequentially, because we're going to reinvest into that channel, which has been a little bit slower in the first-half as stores have been shutdown. We will always want to keep a really nice balanced approach there.

A - Bracken Darrell {BIO 3403495 <GO>}

I'd add, the other good thing about that channel is that it just gives a chance to learn about how to deal with everybody, all the other channels we work through, because we're (inaudible) with the customer and that makes us better everywhere.

Q - Paul Chung {BIO 17875766 <GO>}

Thanks, guys.

A - Nate Olmstead {BIO 21036514 <GO>}

Thanks, Paul.

A - Bracken Darrell {BIO 3403495 <GO>}

Thanks, Paul.

A - Ben Lu {BIO 19785128 <GO>}

Thanks, Paul. Asiya, you are next.

A - Bracken Darrell {BIO 3403495 <GO>}

Hi, Asiya again.

Q - Asiya Merchant {BIO 20247269 <GO>}

Great. Hopefully, everybody can hear me here.

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah.

Q - Asiya Merchant {BIO 20247269 <GO>}

Can you guys talk a little bit about seasonality and how we should think about seasonality in the second-half. I know you guys were initially talking about March being negative year-on-year. Now, with this growth here that we've seen in fiscal 2Q, how we should think about the March quarter? Or -- and what are some of the maybe the indicators that you're seeing that would suggest that March could be very, very negative from a year-on-year growth perspective? If you guys can kind of talk a little bit about that.

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And then, on the gross margin side, I know you guys talked about heavy retail investments, which benefited you guys here in fiscal 2Q and you have some mix shift towards tablet accessories, I get that. But you also have the budget flush coming typically in the December quarter, and I don't know if enterprises and SMBs and even consumers, because we have nowhere else to go actually use the wallet to go out and buy some more peripherals, whether it's video conferencing blue all these categories that are offsets to just very heavy tablet accessories. And so again, if you could talk a little bit about gross margins from that perspective, that would be great.

And then lastly, Bracken, I know you talked about high-single digit -- your long-term CAGR going up because the installed base has gone up. One of the other questions is also what about replacement cycles. I mean, are you seeing, because of more content creation, et cetera, are replacement cycles for some of the peripherals shortening or are they kind of hovering around the same? Thank you.

A - Bracken Darrell {BIO 3403495 <GO>}

Let me answer that with first, I didn't actually -- I certainly have committed to increasing our long-term growth rates. I do think there is an exciting increase in our installed base, it's coming right now, which certainly bodes well for our long-term growth. And so, but it's too early for us to revisit the long-term growth rate. We'll talk about our entire business in this fall at the Analyst and Investor Day.

In terms of the, going through the back half year, if we gave you the impression we're super-pessimistic about March, you'd probably -- maybe we were in the beginning, not pessimistic about March. I think March is, if you look at the relative growth rate in March this year versus the rest of -- March of fiscal year 2020 relative to rest of the year, it wasn't that different. So I don't think you got something to really worry about there.

I think, when we look out the rest of the year, we don't guide one quarter, and we certainly don't guide one month, but we -- I think the -- the biggest uncertainty for -- that I have personally as we look out the rest of years, what's going to happen during holiday, and is it going to be a normal holiday. We just have a lot of people around the world, you have never been in a shelter-in-place environment like this and never gone for a holiday, really will they really give the same kind of gifts, will the same kind of thing happen, we just don't know. We do have a pretty big seasonal skew out of normal holiday period. We're a little, we're reticent to count on that this year. And so, we'll see. We'll see. We also have a Bluetooth speaker business that was super-seasonal, they've really pulled out of the mix, because we're intentionally dampening that business and bringing it down. So that certainly not going to have any holiday spike. So that's reflected in the way we look at the back half of year.

You want to add anything to that, Nate?

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah. I mean, I think, if you just look at what we guided last quarter for the full year and what we've guided this quarter, obviously, we delivered a lot of upside in Q2, but the

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back half of the year we took up significantly as well, right. We were guiding sort of -- we were really cautious, I think, about what the second-half might look like three months ago. We were guiding sort of flat to maybe up 5% revenue in the back-half. We've taken that up to 20% to 30% growth in the back-half.

And as Bracken said, it's pretty well balanced we think across the quarters. It -- we don't know if this holiday is going to -- we're going to see the normal spike that we see in Q3, whether you're going to see the type of volumes that Black Friday or some of the other big promotion days have. So it's hard to say that this is a normal year when it comes to seasonality for some of these things.

But certainly, if you look past to pass on the guidance, we took the revenue up significantly and we took up our investment significantly in the second-half, which is an indication of confidence, confidence this year and confidence in the long-term.

Q - Asiya Merchant {BIO 20247269 <GO>}

Okay. And then the margins, on the margins with tablets versus gaming and VCs, because there's going to be some kind of budget flush, I hope, I expect for enterprises and SMBs.

A - Bracken Darrell {BIO 3403495 <GO>}

Nate, I'll let you take that one on finance?

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah. I mean, normally in the enterprise, calendar Q4 is a strong quarter, as you said for sort of budget flush regions -- reasons. I think with video right now though, I think people are investing. I don't think it's -- we're going to wait till the end of the year. I think they're investing now to make their teams productive to get their offices ready for today and for the future. So I'm not sure that we'll see a spike as you mentioned, which is often common in enterprise type businesses. I think people are investing right now.

And then as far as tablets goes, yeah, I mean as Bracken said we had very strong demand for tablet keyboards this quarter, and they are lower than average gross margin. So I think while we have a lot of mixed things that are favorable to us that's one that is certainly a headwind, but it's a good business for us, headwind to us from a gross margin standpoint, but it's still a very nice business for us and we've got some new products that have come out both in retail on the tablet side and retail as well that have done well.

Q - Asiya Merchant {BIO 20247269 <GO>}

Great. And then in Gaming and VC, did you guys gain share you think relative to your peers?

A - Bracken Darrell {BIO 3403495 <GO>}

You know, it's really hard to say in areas where we are short of product have certainly been. You know, so we lost some share in some of the categories in gaming and we were

really trying (inaudible) trying to get back in the game. I think we're back in the game now, so we're ready to play competitively. VC, I don't know the answer to that. I mean there's so much growth there. There's certainly a lot of opportunities for everybody. We have a great market position and we still have a great market position, I don't think that's changed.

Do you want to add anything to that, Nate?

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A - Nate Olmstead {BIO 21036514 <GO>}

No, I think that's accurate. I think as supplies improved on the gaming side, we believe we've gained some share that we probably did lose early in the quarter at the end of last quarter.

Q - Asiya Merchant {BIO 20247269 <GO>}

Great. Thank you.

A - Bracken Darrell {BIO 3403495 <GO>}

Thank you, Asiya.

A - Nate Olmstead {BIO 21036514 <GO>}

Thanks.

A - Ben Lu {BIO 19785128 <GO>}

Hey, Alex, your call is -- you are next.

A - Bracken Darrell {BIO 3403495 <GO>}

Hi, Alex.

A - Nate Olmstead {BIO 21036514 <GO>}

Hi, Alex.

Q - Alex Duval {BIO 16682293 <GO>}

Hi there, everyone. Just a couple of quick questions if I may. Just firstly, following on from your earlier answers, you talked about obviously confidence this year and clearly your guidance raise implies 27% growth in the second half even on tough comps, if I'm not mistaken. So that would seem to suggest you see sustainability of growth in the next couple of quarters. I wondered if you could just give a bit more color to explain for the various business segments? Which are the ones that you're having more or less confidence on sustainable demand trends, obviously given concerns around pull forward and so forth?

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And then just my second question is on video conferencing. You've obviously talked about how you see a very long-term story there. But I wondered if you could just put numbers around where we were on penetration of connectable rooms with your VC solutions in the lower end before COVID and where we are now just so we can think about where that could go to in the next two to three years?

A - Bracken Darrell {BIO 3403495 <GO>}

Okay. Let me do that first, and maybe Nate, deal with the first one. I don't think there is a huge difference in the share of connected -- penetration of connected rooms here. We're still at the very, very early days in those. I think we're at -- I don't know what the exact number was, let's say, maybe it was 10% of the rooms available for and I don't think we've made a huge difference in that yet as an industry. So there are a lot of room left. And in fact I wouldn't be surprised there are even more connected rooms coming now, because that -- as I mentioned in the opening, I sort of view this is like a scaling impact. Now that everybody has gotten super helpful video like we are now, it's really hard to imagine going back into an office and not doing a video call. So I think you're going to have just more and more rooms (inaudible). So, it's super, it's very elastic that to me, I think, that's a very elastic market. It continues to grow the number of rooms available, so I don't think we've made a dent, a big dent in the rooms -- in the penetration.

In terms of giving a little bit of color as we go through the rest of the year on what category is it likely to grow. I think we expect all of them to continue to do well, they have been doing well. I think VC will continue to be strong for all the reasons we talked about. I think desktops will -- the desktop businesses will continue to be strong, streaming will be strong. So I think you're just -- we're in for the more of the same.

You want to add anything to that Nate?

A - Nate Olmstead {BIO 21036514 <GO>}

I think on the VC room penetration side, I would say, nothing has really changed there. I think it's still on the single digits. I mean we've had a couple of quarters here where the growth has accelerated a little bit, but it -- as Bracken said, it doesn't really make a dent in the total number. And a lot of...

A - Bracken Darrell {BIO 3403495 <GO>}

More people go back into the office broadly around the world.

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah. And then, as mentioned in Bracken's remarks earlier, we've seen really strong growth in business quality centric webcams, I would say. As people are -- especially companies are purchasing in bulk for their employees to make them productive at home. It's not just we need something at home. You've got to be fully productive. You're working from home, you're not just dropping in and doing a little bit of email, you're working from home. And so some of that growth that we've seen in Q2 has come from some of these nice wins that we've had with business customers buying a lot of equipment for their employees to be productive.

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Q - Alex Duval {BIO 16682293 <GO>}
Many thanks. That's super helpful. Maybe just to squeeze another very quick one.

A - Bracken Darrell {BIO 3403495 <GO>}
Sure, absolutely.

Q - Alex Duval {BIO 16682293 <GO>}
Just in terms of your sell-through, I noticed you had very strong sell-through from a regional perspective in China, it is actually the strongest area and actually improved and that's just interesting given they've probably come out of lock down sooner than other region. So I wondered if you could explain what's going on there. And does that mean potentially sell-through could actually improve in some of these other regions when lockdowns ease?

A - Bracken Darrell {BIO 3403495 <GO>}
I don't know about that. I don't know if I would say it's likely to improve as we come out of the lockdowns, but I think we expect to have -- we're super-optimistic, especially for the long-term on the growth potential of all the categories that we've talked about. China is both an example of the future and an anomaly at the same time. So I wouldn't over-conclude that from China, but also would say, yeah, we look at it as a bit of a bellwether for the rest of the world, but it's a little different. It's -- they're fast, and they're farther ahead in some areas and so we'll see. It's hard to use that as a direct predictor, but it certainly is good that they continue to have a good business there as they've gone through the worst in the COVID-19 period.

A - Nate Olmstead {BIO 21036514 <GO>}
Alex, maybe just to clarify though, the data that we have in the slide, which I think you're referring to is actually for Asia-Pacific overall, and not for China. And I think, as Bracken mentioned too, there really weren't significant differences and sort of the strength of the demand across countries. It was pretty strong everywhere. And I do think there are some important differences about how each country is really attacking these problems related to COVID, whether how much the governments involved in things like education or in different ways, they're trying to support their economies and culturally, the way that people are adapting to these changes. In general, all the big trends, obviously or consistently accelerating across all countries, but they're going to be small differences and nuances and so obviously we have operations in each of those locations and we try to learn from all of them, but China as Bracken said is certainly one that went into this early and has come out of it early, but they've attacked the problem differently than other countries out. So we can't use them as the basis for all of our decisions.

Q - Alex Duval {BIO 16682293 <GO>}
Very helpful. Thanks again.

A - Bracken Darrell {BIO 3403495 <GO>}

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Thank you.

A - Ben Lu {BIO 19785128 <GO>}

Okay. Tom, your line is now open.

A - Bracken Darrell {BIO 3403495 <GO>}

Hi, Tom.

Q - Tom Forte {BIO 6796619 <GO>}

Great. Thanks. So, first off, Bracken, Nate and Ben, congratulations on an amazing quarter. I had one question and one follow-up. So can you talk about the changes you're making that improve your ability to manage demand surges? I think, you're doing a really good job, but I'm curious to see the adjustments you're making that are positioning you to manage future demand surges.

A - Bracken Darrell {BIO 3403495 <GO>}

Yeah, that's a great question. So what we've -- what we did, we put in place as we went into COVID-19, I'll give you one example to just be reflective of what we've done, we've learned that we need to have a super-fast cycle on matching demand and supply, and then we also need to make sure that we're reaching into our systems and turning off the other bottom. And so, we learned that in the early days of COVID-19 when we made a supply bet that was well ahead of what our markets could see. And Nate and I sort of others of us made that bet knowing that we are going to take some inventory risk and we did it, and it paid off big time. Now, what we're well beyond where that was now, but I think learning to having a leadership team that has the experience and the wisdom to be able to reach in sometimes turn off the other part of it and not be afraid to, and we weren't and we aren't and I think that's one.

The second one is we've -- there is nothing like learning by doing and we've increased our capacity, our operations later has really stepped in for all of us and supply chain leaders, whilst have stepped in for all and systematically increased our capacity very aggressively working upon suppliers across the board. We have a great set of relationships upstream into our supply chain. There are very long -- many of them were very longstanding relationships and that's really helped us to and so we -- I probably, I think we come on -- I came out of this feeling, really appreciative of that and probably a little sensitive personally that we haven't recognized how valuable that is in the case where you do have demand surges. So we're going to take special care of those relationships in the future to make sure this wrong in the future.

And then on the other side of it is we are sometimes sole sourced. Sole source were hurt. We're going to try to avoid that in the future so that we have the flexibility to go up on certain components where you just -- the suppliers could lead them in.

Q - Tom Forte {BIO 6796619 <GO>}

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Great. And then for my second question, one of many things I thought was interesting on the new iPhone launch in 5G with the mobile gaming opportunity. So can you talk about what the mobile gaming opportunity means for Logitech?

A - Bracken Darrell {BIO 3403495 <GO>}

Yeah. Not too much, but what I will say is mobile gaming is bigger than desktop gaming, and we don't do much of it. So it's an opportunity out there for us to figure out how to get a newborn and get some business out of it and help create a better experience there. We have to figure that out yet. We tried several things over time, but we've never really knocked it, we've never really get it right. But most of you who've been following us for a long time know, we don't give up easily. So we're usually working on things and we're not going to give up on that one. We'll sooner or later figure this out.

Q - Tom Forte {BIO 6796619 <GO>}

Great. Thanks for taking my question.

A - Nate Olmstead {BIO 21036514 <GO>}

Tom, I'd like to come back real quick here in demand surge thing just to really emphasize or highlight one of the points Bracken made around how we made this bet on inventory. And we've really leveraged our balance sheet, which I think is a very strong balance sheet and our strong cash collection. We're really passionate about making sure that we have strong cash conversion cycle and whether exchanges that we make to our collections processes, where we manage payment terms, where we think about inventory management, all these things help us squeeze a little bit more cash out. And I think our strong balance sheet, I think is an important differentiator against some of our competitors who may not have the flexibility to make the types of bets that we made in the first half of this year.

So I think that has been a strength for us, and I think it will continue to be a strength for us. And I think it's important in these times, so that you're not held back by those types of financial constraints. So we're going to manage that really tightly and we're going to make sure that we're managing risk, but when we feel that we need to be aggressive, and we need to go support potential business growth, we have the ability to do that.

A - Bracken Darrell {BIO 3403495 <GO>}

I would add one last comment to that. That's a great point, Nate, and you're so right. And I'd say with a couple of categories, we probably should have been carrying (inaudible) and we (inaudible) we should be carrying more inventory for the -- as you call the demand surges, and we learned. So we've learned. We make mistakes everyday. We try to learn from all of it. And that's a mistake. So we've learned.

Q - Tom Forte {BIO 6796619 <GO>}

Excellent. Thank you.

A - Bracken Darrell {BIO 3403495 <GO>}

Thank you.

A - Ben Lu {BIO 19785128 <GO>}

Michael, you are now open.

A - Bracken Darrell {BIO 3403495 <GO>}

Hey, Michael.

A - Nate Olmstead {BIO 21036514 <GO>}

Hey, Michael.

Q - Michael Foeth {BIO 3783700 <GO>}

Hi, Bracken. Hi, Nate. Thank you. Two questions from my side. Starting with your guidance, you mentioned that you increased your guidance because you're more confident or you gained more confidence. My question is really what is your visibility into the second half? I mean how did you come up with the actual gross range that you're giving? Why is it not just below that or above that? How good is your visibility actually with all the uncertainties that are still out there in terms of economic development and the usual holiday season uncertainty?

And the second question would be regarding your pointing devices and keyboards. You mentioned -- in both you mentioned very good demand across the product range, so high-end and entry-level products. My question is, did you have the same availability of all products across the range as well or was the sort of demand driven by the fact that there were shortages at one end or the other?

A - Bracken Darrell {BIO 3403495 <GO>}

Yeah, I would say -- I'll answer that one first, and then (inaudible) started off today. I would say in the case of keywords and pointing devices or Mice, our supply was pretty evenly spread across our product portfolio. So I think that's pretty reflective in the market. We're very broad. Now, I will say, I think within the market, we really turned off our marketing because that now we are so strong, we are really trying to keep up with it. So, now with new market, we tend to try the market that put more premium mix. I think that's an upgrade opportunity for us as we go forward. We haven't really touched yet. So we got another round of upgrades, all those people who hate to live it out, bought whatever they could. Now, there's an upgrade in lot of those people, lot of you.

And then the second part of the visibility, I'll let Nate come in there, but I would say, you know, how much visibility we have? I would say we had a normal level of visibility in some ways and less in other ways, normal in that usually we can see based on their current trends what's going to happen in the next couple of quarters because of tradition, because of the long history we have here, we really have a lot of data on that.

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On the other hand, as you pointed out, there is unusual, really unusual dynamic of COVID. So that led us to think harder, for example, about the holiday period and we normally would have said, Gosh, holidays going to be like it really holiday, we're going to see a sort of increase over Q2, you can take them out, take the percentage add to it, you've got the number of we did this month. And so, I'd say that -- so our visibility probably a little lower and it's reflected in the fact that we've tried to intervene in the couple of places, normally we would had better visibility than we did and we tried to adjust based on good judgement.

You want to add anything to that, Nate?

A - Nate Olmstead {BIO 21036514 <GO>}

I think, you covered most of it. I mean, the only place where we might see a little more visibility sometimes is if we have a direct relationship with a large enterprise customer with a education buy or something like that, where they have a little bit more of a roadmap that they're building to, but that's still pretty small for us.

A - Bracken Darrell {BIO 3403495 <GO>}

Oh, that's improving. I would say that is getting better, visibility was getting better.

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah. And it's an area I think I forget who asked the question earlier when we talked about the sort of structural types of investments we have to make around processes and tools to build out those capabilities. So that's one of those things that we've been investing in this year, but we'll invest much more in the second-half.

A - Bracken Darrell {BIO 3403495 <GO>}

Our Head of the Video Conferencing and commercial organization is (inaudible) for getting better visibility. So she's amazingly focused on this. So I'm sure we will get better and better.

Q - Michael Foeth {BIO 3783700 <GO>}

Great. Thank you and congratulations.

A - Nate Olmstead {BIO 21036514 <GO>}

Thanks, Michael.

A - Bracken Darrell {BIO 3403495 <GO>}

Thank you.

A - Ben Lu {BIO 19785128 <GO>}

Hi, Serge. Your line is now open.

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A - Bracken Darrell {BIO 3403495 <GO>}
Hi, Serge.

A - Ben Lu {BIO 19785128 <GO>}
You're on mute.

A - Nate Olmstead {BIO 21036514 <GO>}
Hey, Serge. You're on mute, but it's a nice headset. No, still on mute.

A - Bracken Darrell {BIO 3403495 <GO>}
Peripherals. Should we go to somebody else and come back to Serge?

A - Nate Olmstead {BIO 21036514 <GO>}
Maybe you want to try to type it real quickly into the chat, while we go somewhere else maybe.

A - Bracken Darrell {BIO 3403495 <GO>}
You want to try to type it in? Why don't you type it in, Serge? Why don't you type it in through the chat?

A - Ben Lu {BIO 19785128 <GO>}
Andreas, maybe if your line is open.

A - Bracken Darrell {BIO 3403495 <GO>}
Hi, Andreas. Just share (inaudible) product opportunities there, you're going to get (inaudible).

A - Nate Olmstead {BIO 21036514 <GO>}
Yeah.

Q - Andreas Mueller {BIO 16350975 <GO>}
Hello. Hello, everybody. Thanks for taking my question.

A - Bracken Darrell {BIO 3403495 <GO>}
Hi, Andreas.

A - Nate Olmstead {BIO 21036514 <GO>}
Hey.

Q - Andreas Mueller {BIO 16350975 <GO>}

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Hi. Two questions if I may. One is actually what is currently your view about sell-through in the second half? I mean is that going to be close to the guidance implied sell-in of roughly 27% or do you see there some divergence in the sell-through?

A - Nate Olmstead {BIO 21036514 <GO>}

And then was there a second question?

Q - Andreas Mueller {BIO 16350975 <GO>}

Yes, the second one is the promotion activity. I mean how far do you need to go in the third quarter with promotion activity given demand has been so strong, also your -- to a certain degree supply constraint at least on two products, probably also in Q3, which is the largest quarter? And how -- is it different than the usual promotions as in the last couple of years or the same?

A - Nate Olmstead {BIO 21036514 <GO>}

Okay. I think on the first question you have, I would say we expect kind of a pretty balanced view of sell-in and sell-through in the second half. As you mentioned there is a few products where we're still catching up, and Bracken mentioned that we're increasing capacity, and we'll try to catch up in the second half there. But in general, I would think about a more balanced second half between sell-through and sell-in.

And then on the promo activity, I think while we're uncertain as to the magnitude of the holiday demand, it may not be as sharp of an increase just because people have been buying so steadily throughout the year. I think we do expect the promotion to be similar to prior years. I mean, you have the typical promotion days around the world and we're expecting to participate into those. And as supply and demand getting more balanced, we think that those promotion levels will move here in the second half to more typical levels. That's what we've assumed.

Q - Andreas Mueller {BIO 16350975 <GO>}

Okay. Thank you.

A - Bracken Darrell {BIO 3403495 <GO>}

Thank you, Andreas.

A - Nate Olmstead {BIO 21036514 <GO>}

Serge, do you want to try one more time, or catch up later. Okay.

A - Bracken Darrell {BIO 3403495 <GO>}

We said we will use it one-on-one with your answers.

A - Nate Olmstead {BIO 21036514 <GO>}

No, we can't hear you. Sorry for the technical problem, but we will...

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A - Bracken Darrell {BIO 3403495 <GO>}

Why don't you take it into the chat. Certainly, it might be the best thing to do. We're done. Okay, if you have somebody else, we can give it to there, Ben.

A - Ben Lu {BIO 19785128 <GO>}

No, I think that is the end of it, so.

A - Bracken Darrell {BIO 3403495 <GO>}

We're going to give Serge one more minute, see if he can type into the chat. Serge?

A - Nate Olmstead {BIO 21036514 <GO>}

He wants to wait. Okay, no problem.

A - Ben Lu {BIO 19785128 <GO>}

Okay.

A - Bracken Darrell {BIO 3403495 <GO>}

Well, I will close by saying that was obviously super strong quarter. We have tremendous momentum. It's an exciting place to be. And the most exciting thing about Logitech right now is our long-term -- long-term growth potential. We are really in the right places and we will keep moving more, and it's been so exciting so far and I feel like a new-coming. We have a long way to go. All right. Thanks so much. We'll see you guys next quarter.

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