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Analyst and Investor Day

Company Participants

- Unidentified Speaker

Other Participants

- Analyst
- Unidentified Participant

Presentation

Operator

Hi, good morning to those in the US and good afternoon to those listening in from Europe. Thank you all for joining us today. Even if it is only virtually, I know we are missing together and we have put together a great analyst day for everyone.We have Bracken give you an update on our strategy and outlook, followed by presentations from several of our senior leaders. You've heard Prakash before in our past analyst days and he will discuss the truly amazing things he has done across the organization scale up and meet the unprecedented level of demand this past year.

At the same time. He will also tell you what his team has been doing around sustainability and how Logitech is marching toward carbon neutrality. Then we'll have our two sales lead us Quinn and Erica describe what we have done to transform and build out our global retail and e-tail organization and our global enterprise sales team. We'll take a short break afterwards before (inaudible) will come on and talk about the investments that we're making in marketing and in building out our brand equity and awareness.

I'm sure some of you are wondering where all our OpEx dollars are going. And for those of you who have not seen a recent Super Bowl ad will show you that clip as well. And finally, as I'm sure every investor is waiting for and they will close out our presentation with our fiscal year 2022 guidance and provide an update on our long-term model. This will be followed by Q&A with Bracken and, Nate.

Now let me read through the forward-looking statements. The press release as well as a live webcast of our presentation, is available online at ir.logitech.com during the course of these presentations, we may make forward-looking statements under the Safe Harbor of the Private Securities Litigation Reform Act of 1995. Including with respect to future operating results.

Our actual results could differ materially including due to factors that are set forth in Logitech's Quarterly Report on Form 10-Q for the quarter ended December 31, 2020 and

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subsequent filings. The company undertakes no obligation to update or revise any forward-looking statements as a result of new developments or otherwise. Today's presentation will include non-GAAP financial results.

Non-GAAP financial results should not be considered in isolation from or as a substitute for or superior to GAAP results. Non-GAAP measures have inherent limitations and should be used only in conjunction with Logitech's consolidated financial statements prepared in accordance with GAAP. Our earnings press release include the non-GAAP measures and reconciliation to GAAP measures.

This information is also posted on our Investor Relations website, we encourage you to review these items, unless noted otherwise comparisons between periods are year-over-year and in constant currency and sales or net sales. These presentations are being recorded and will be available for replay on the Investor Relations page of the Logitech website.

And with that, let me introduce our Chairperson, (inaudible) Becker who wanted to say a little help from the UK.

Unidentified Speaker

Hey, thanks, Ben. Hi, everyone.

Welcome, the [ph]avenue group see and, [ph]Wendy and I am Logitech's Chairperson, I want to thank you all for joining us today for our Annual Analyst and Investor Day. Normally we would be doing this in person but like so many companies this year we are hosting our Analyst Day virtually and over video.

I am with you today from Oxford, England via my Logitech Brio webcam. As you will have seen Logitech keeps going from strength to strength, reminding us all of the power of our global multi-regional, multi category, multi-brand direction.

So actually a global Virtual Analyst Investor Day feels sign kind of appropriate. Today Bracken in the team will give you an update on what we've done so far and what we're planning to deliver over the years ahead. I know I speak for the Board, when I say that we couldn't be more excited about the many growth opportunities. Facing Logitech we believe strongly in the direction of the company for our shareholders as well as the impact, we will have on the environment and the societies in which we operate.

Thank you so much for joining us. I hope you enjoy listening to our presentation. I hope we can see you in person again soon and I hope in [ph]telone you too are enjoying a Logitech Brio webcam and with that I'd like to hand it over to Bracken.

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Thank you, Wendy. Thanks so much for joining us from Oxford and of course we do have more Brio webcams available now, for those who need them. If you haven't seen our advertising, you might be wondering what's behind this idea defying the large over the past, and why is the title of our Annual Investor Day.

While [ph]Heidi Arkansas, our CMO will show you a little bit later the advertising this relates to, but we thought it captures a bit of what we're trying to do with Logitech in general. Opportunity often sits at the nexus of the past in the future a past has what approach and a future that requires a new one at Logitech, we've often define the old way to enable long-term growth let me start by telling you how we begun to think about we really do for users.

We enable people to pursue their passions, to create, achieve and enjoy more and connect people to each other. If that's what we do, Where do we do it, in which categories but we actually don't start with categories we start by looking at long-term trends that are affecting the world those trends that might give new opportunities for how people pursue their patients or connect others.

Our where to play choices those categories in which we compete, have been unfolding for 9 years and they relate directly to long-term

Unidentified Speaker

Secular trends affecting all of us. I learned a long time ago that the best way to grow long-term is to harness long-term trends secular trends operate like tailwinds we started with the office we watched as laptops cannibalised desktops, iPads cannibalised laptops and desktops. As Starbucks became populated with workers and students. We decided we needed to be part of the movement out of the office into other places to work not that we felt the offices would close and everyone to move out. But to the office would become one of many places people would work and work would happen all over.

So, our first secular trend was office to anywhere. Our second trend, when belief was video calls with simply replace almost all your calls. This was beginning to seem obvious now but it wasn't six or seven years ago. Our third trend was really a stretch a few years ago we believed and still believe the gaming would move from your basement or your child's better to become the biggest collection of sports in the world. That looks like a good call to me, so far. And the last major secular trend we focused on was that people would look beyond companies like Disney and Netflix and the BBC and find their entertainment content created by regular people like you and me and our kids.

This was the so-called democratisation of content creation in each case, we believed these trends would drive growth in categories we're already in or that we can jump into. Those secular trends have been are tailwind for the past eight years. And here are the results that follow our sales grew at or near double digits. Our profits grew much faster and our stock price followed. In fact, the value of Logitech has doubled, every 2.5 years since April 1, 2013 and that was pre-pandemic during the pandemic, we've grown even faster.

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In fact, we've more than doubled in one year instead of the 2.5-year rate. Our top line growth will be up over 60% this year. Our profit up over 180% and the pandemic didn't slow us down in new products or our quest to be more environmentally responsible we launched 40 new products this year. This year we will remove 64,000 tons of carbon there would have been put into the year, if not for our carbon reduction programs so the big question on people's minds now, when they think about us is this. Is this pandemic year a one-time lift that will,

Grow up subside and fall back to normal. This is a big wave like a title ways. So we'll just go down. No this year of exceptional growth just raises the long-term water level like a permanent tied. Let me get into each category briefly. As I said, either earlier, each of our business sits a tailwind created by secular trend. Let's examine where each category was pre-COVID and what COVID has done for that category long-term let's start with CMP.

Our creativity and productivity business think mouse and keyboard mainly was mainly a refresh business. There were 1.4 billion PCs out there, some percentage and some percentage the users of those PCs decided they needed a new keyboard. Our new mouse every year.

It was a small percentage, but we offered great reasons to upgrade and when you came into the store we sold a lot of you but are you went online to buy, but most people never knew about the MX MASTER 2 for the Ergo trackball or our new high-end curved keyboard they are amazing but we didn't have the scale to justify the advertising to really drive that awareness.

Well, hi, is this whole picture changed post pandemic first we've moved from PCs to workspaces and there are a lot more workspaces that even PCs now. You have one permanently in your home now, maybe more. And in fact, you also, we'll probably have one in the office post pandemic. So there is a larger scale that will able us to have more places to sell upgrades into and more volume to be able to deliver the scale to communicate off.

Maybe we'll be able to make you aware of the superior ergonomic mouse or keyboard or flow which is software program the Ruche their MX products or just a more beautiful product because now. These products are part of your home decor. Let's go a little bit deeper. Hybrid Work world, the cost of this expanded workspace we're headed into it right now, and we believe there could double in numbers from between pre-pandemic and post-pandemic.

For example, in the US, less than a quarter of people worked really worked both at home and in the office and by our surveys that number will go to at least two- thirds. That means companies will need to be sure you have a great mouse and a great keyboard in both places. For the additional workspaces are only part of the story. While the increase in workspaces is inevitable. two other factors are also really interesting one is the rate of refreshment for upgrade you could

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Now we have more scale and could afford to sell more people about our best-in-class products. There are more reasons to upgrade then people know about today and believe me, we're providing more and more compelling offerings and as usual, we can grow market share when I arrived a logistic I was told that we already have for example 42% share in most for the US so we would need to find other places to grow but I knew the best positioned to gain market share from is a leadership position more innovation more awareness more distribution so we've gained share up over 55% today, and I see no reason why we can't continue so we have three ways to grow a growing number of workspaces a potential accelerated upgrade cycle and continued share gains.

Now let's talk about Video Collaboration pre-COVID when it came to conference cameras customers wanted more because they wanted more video rooms post pandemic they don't what more, they need more, more rooms a lot more rooms maybe every room we're also used to video now when we go back to work in the office there will be people in the office and people at home. How can we not be video enabled in both places pre pandemic the webcam was a niche it was a niche for remote workers they had to have one because they work to learn in their homes and needed to connect people they were a niche and I'd bet very few of you did video calls pre-COVID on your PC or Mac.

But post pandemic the webcam is essential we are all about remote workers and office workers and we're now hooked on video and we need better video now that we're looking at this mirror five times a minute instead of five times a day. And here two confirming leading indicators of that both Zoom and teams have at least tripled in fiscal year 2021 in one way or the other, which can be viewed as a signal of what's coming for our business on some level and gaming we already felt gaming was headed toward the biggest collection of sports in the world.

During the pandemic, the League of Legends final was watched live by more people than the Super Bowl I repeat during the pandemic, the League of Legends final was live by more people in the Super Bowl over 1 billion people watch the entire legal legands tournament as it unfolded to get to that final Travis Scott performed live in a video game is a virtual character gaming has moved into the popular culture a K pop band made up of virtual characters had 20 million views yes, it does not exist in the real world and fashion brands and I mean big name fashion brands

Have begun collaborations with gaming teams and gaming leagues gaming is like all the big sports did before it becoming a mainstream part of our culture. Finally streaming, streaming pre-COVID was growing very fast. You know it and I know it if you've got kids, you know they're preoccupied with it. On Facebook on LinkedIn, and more so what will it be post-COVID just a lot bigger. There are 64% more users during the pandemic, and the network effect of seeing more people creating more content will simply beget more in a more drives more phenomenon.

What is exciting is our categories are and they are super exciting our capabilities are more exciting at least to me why because these capabilities, we are building are the fuel for each category investors turn to viewers as a company made of categories. But we see ourselves as more than that we see ourselves as a company, made of capabilities that can be deployed into those categories. Capabilities that will allow us to scale into more and

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more categories while we pick the right places, it's the capabilities that enable us to win and the coolest thing about them is that by building our capabilities to win and gain more advantage in existing businesses.

We create the key ingredients to enter and win new ones. So we can enter into new categories like keyboards 22 years ago. like gaming eight years ago like Video Collaboration five or six years ago. Like streaming a couple of years ago. And with our long-term secular trend approach these long-term categories keep growing. Yeah, they help us build more capabilities for us to enter new categories. It's a virtuous circle.

C&P gave birth to webcams webcams to conference cams C&P to gaming C&P and gaming to Streamlabs and microphones and more and more so what are those capabilities. Therefore, we talked about most but we have more operations design engineering go to market and marketing we'll save the others for another day. But let me briefly explain these and will then go deeper on a few just after I finish Prakash our Incundrum will walk you through the operations and sustainability. Part of our business, it's a core value of Logitech and the capability, he will tell you our remarkable story of flexibility and cost of capability and time to market of cost savings and responsiveness of innovation and innovation. He will not

Tell you what I'll tell you now this has been our secret weapon for years. Giving us better cost better innovation and a remarkable ability to it. And you probably won't say that in my opinion. We have an unmatched capability here versus other companies another strong capability is our design we've won so many awards now including being named one of the top 9 most innovative companies and Design along with Nike this is a strength, a clear strength now and we're moving ahead from design 1.0 to 2.0 to 3.0 and you don't need to know what that means what it generally means though as we are improving the.

Our design of experience to include designed for cost to include design for sustainability and it moves we're going to take that design and we're going to turn it around put it into the insight and redesign our own processes over time making our employees more engaged or creative more productive and our internal processes more efficient design has a lot of legs to it.

Hardware engineering has been a long-term strength for Logitech our ability to create compelling new hardware has been a key engine of growth for as long as the companies exist and it's, the reason why so many people find us super high quality and innovative but we're also building out a software capability this year alone.

Our number of software engineers, continue to grow very rapidly as we deployed software across all of our different businesses. We'll see the topic in our budding service business for another day. You'll hear from Quinn Lu and Eric glad today they run 2 different go-to-market capabilities for Logitech, both of which are growing quickly.

Eric, who runs our global operation for Video Collaboration and the one that interface the most with our B2B in enterprise customers. This organization runs a classic enterprise sales motion and marketing and its super exciting Quinn runs our global business for the

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rest of our portfolio, which is mostly consumer products we've globalize this team from China to Asia-Pacific to Asia-Pacific and Europe, Middle East and Africa and now the whole world, just within during the pandemic period this brings everything together so that we can share best practices faster align processes around the world and be better and faster and execution the combination of these 2 strong sales capabilities.

Is a force that will give us the potential to have breakthrough growth in the years ahead. Heidi, our CMO, I mentioned earlier, we'll take you through our market we've been ramping up this capability for years and we're starting to hit our stride this investment is all about creating higher gross margin more loyalty and more growth. Make no mistake, more

I mean, typical style. It's got to be authentic and it's got to be honest. The most valuable aspect of our business lines in our capabilities and in our people. we can apply these capabilities to our existing businesses and to new ones we choose to enter. And as we strengthen the they strengthen every one of our categories and our potential to win new categories. Even though many our competitive strengths, we have so much upside to improve in each one of these capabilities. I want to close on two values, the most important two values in our company. Those values are the environment and the quality.

Environmental sustainability is not a new thing for us. Our first sustainability report came out before I wrote almost nine years ago. We've been working on running our business on a renewable sources of energy for years across all of our sites. For example for the last two years we've really accelerated our efforts.In 2019, we joined the Paris accord, in 2020 we announced carbon labeling all of our products over the next several years showing the end to end carbon impact from the component to the manufacturing, to the transportation, to the product, and use with users to the end of life.

We announced a big move in 2020 in the recycled plastics and we have a lot more announcements ahead of us. Our goal is to become a leading company in this space. And we're beginning to be regard to this such.We will relentlessly go out to this because every member of our leadership team and most of people throughout our company hold this is a personal core value and it is a company core value.From a quality standpoint, we look at our impact on employees and the community at large as well across under represented groups.

We want to build an inclusive culture of belonging for all employees inside Logitech, but also expected of our suppliers in our partner base and even the communities in which we live. As a company-specific to addressing racism and bias, we are committed to driving action and expected to be held accountable, this year, we made a diversity pledge laying out seven commitments to diversity action for our products, to our employees, to our procurement practices and even our customer base.

We have so much more to do, we have very strong moment. The environment, and the quality, our top values for us we're moving fast and we are totally committed. The exciting reality is that both of these values not only the right thing to do, but they are the right

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things to do for our business. I am completely convinced they will enable growth in our business as we

Strategically through every element of our company.

And with that, let me hand the stage over to Prakash to talk about operations and sustainability.

Unidentified Participant

Thank you. Hello, good morning I'm Prakash Arunkundrum ahead up Global Operations and sustainability, I plan to share a bit about both operations and sustainability today. As you know our operations is diverse, global and very resilient. We have a track record over the number of years, delivering sustainable profitable growth and we do that by managing a brand our portfolio of brands the various categories and many of that comes from making high quality products that go into design awards, but more importantly delight our consumers.

But really at the core of this is our operations and starting with our suppliers, we have several thousands of component key suppliers globally. Many of them are global and our manufacturing is global. We have a large volume capability making almost five products every second both in our own factory, but also outside.

Our global distribution reaches over 80 countries and we just shipped last year 200,000 cubic feet volume through many complex modes of logistics and shipping it to many countries and through all those we millions of consumers millions of consumers through diverse channels direct distribution B2B and.com.

But most of all, we operate a highly leveraged operation that is both cost optimized design for cost and enables growth now let me talk to you a little bit about what we've done last few years. We managed through many challenging headwinds. As you know about the market trends. Recently, there is a rapid shift to e-tail we have more and more enterprise customers is going to talk more about this.

Our products are rapid launch of the products are faster and faster and the de-globalization of trade especially in China, but also Brexit and a lot more all these were headwinds for our operations. In addition, we've had some disruptions specifically which are down factories in March-April last year, but then we also encountered rolling retail shutdowns, port closures, logistics and lot more global factory shutdowns. Meanwhile, you probably heard of all the semiconductor shortages in the press, causing disruptions to supply and we had freight capacity issues more importantly free capacity went to PPE and vaccines.

That actually they policies lowered the industry capacity. But it has impacted us and over the last couple of years, I think you will also know that we've had tariffs, which is in our base now we've been doing a lot of things with respect to actually managing the US China tariffs and all the world

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And there are some seminal [ph]trends the Bracken talked about earlier that hit us last year and with major demand surge that actually we were able to try to keep up with. And these are some of the headwinds and so the question is how did we do against these headwinds?So, we delivered incredible results despite covered almost 80% in growth in net sales in Q3 ramping from a full shut down in March. We shut nearly twice our peak volume during our busiest holiday quarter. Our warehouse teams performed miracles every day. We increased our modes of transport. We increased air, rail, fast Board, sea modes, and various traditional modes by almost two times as well as what we have done in the last 2.5 quarters.

And in addition to this, we added a lot of direct to consumer capabilities direct to customer capabilities or.com capabilities were improved to handle the volume of orders we experienced during the last few quarters and we are now able to actually customers even better.

We have new e-comm centers, we've added warehousing, we're using cross-docking at our ports and being able to ship factory to customer three times the volume that we did before. All those while adding new freight partners, freight lanes, and while covid is still raging.

Our team is actually stood up and performed as our factory teams did the same they increased manufacturing capacity almost 400% increase in some cases of production lines that we had and that's not to be confused with revenue, it's just the number of production lines that we added.

And we did a lot of that through 30% of that being automated. So our team, especially our robotics team has kept the speed on while we kept up hiring factory labor. Now, on top of all of this with travel restrictions and corporate protocols, we still invaded.

Our process and we have shipped nearly 40 new products on top of our existing demand. So what is our advantage?

You're probably thinking how are we really different. We have three key advantages in our operational capabilitiess

Our speed and analytics horsepower, our manufacturing know-how, and flexibility our supply chain DNA. First, we have actually starting with supply chain analytics and horsepower. We have perfected the speed at which we analyze complex disruptions super quickly in ours driving decisions.

We know how to read our supply due to our long-standing sort of sourcing relationships we have with many of our suppliers and this helps drive strategic alignment with our suppliers.

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We've developed a covid playbook that us and helps us react very, very quickly to shut down risk, bringing back capacity, dual sourcing, mitigating risk quickly, and most importantly next our manufacturing know-how coupled with this. You know that we have an

Manufacturing factory our own factory that allows us to perfect the know-how of our products but also control the various aspects of our engineering and operations. Our in-house factory operations team actually is built automation expertise and this is allowed us to flex up without adding labor at a fraction of the cost and we've done this with a lot of production scaling expertise over the years. As you know we exited OEM business.

And then we managed to manage some of the decline in categories and growing categories, we know how to move things in and out of the factories. And we've done this, even as recently at the status where, be more things in and out of China, so we have the ability, through our manufacturing know how to scale up and scale down quickly,

So. Lastly, let me talk about our supply chain DNA we manage a complex portfolio. As I said earlier, our team is truly global and our team is diverse. And this actually helped us bring our diverse perspectives and make sure that we're making the right positions and perhaps most important of all we have flat in the diabetic teams.

This is part of our culture. This is our secret sauce. Our people and our mindset. This really allows us to make faster decisions as a management team, due to our flat structure we sweat the details we also empower our people, so that we are able to make these quake positions really to sort of sum it up, our operations capabilities are competitive differentiator for us.

Help us deliver despite market conditions. So with this I want to transition and talk about something that is core to us something the Bracken introduced in the top of the meeting here today we care about sustainability it's something that we care about personally the same focus we put on operations we are incredibly focused on sustainability, I talked to you last time about our focus here, how we are driving in a pervasive manner.

We are on the sustainability journey. And let me talk to you a little bit of partners our climate actions. Just to recap our 3 reduce renew and ReSTOR. So we plan to achieve net zero carbon in line with the Paris accord in 2019. We are using the design for sustainability principles to reduce carbon to support this 1.5 degrees centigrade world and this is supported by the Science Based Target initiative we're also going to achieve 100% renewable electricity toward our operations by 2030 and what we are not able to reduce immediately,

We will invest in for us climate impacted areas through offset to neutralize the carbon in the atmosphere all these actions will align to key United Nations goals and you see them listed here so how have we been doing, we've actually made quite a bit of progress. On our climate blades our pledge is to reduce net carbon emissions to 0 by 2050 you can see here, the black

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With shows declining footprint all the way down to net zero by 2050 and that net emissions is the net of the growth that we're going to see induced by carbon emissions. And we're going to do this through design for sustainability efforts we're fundamentally redesigning all our products to reduce carbon from one generation to the other we're not stopping there. We're reducing carbon in our operations. Every day and what we are unable to reduce. We're going to ultimately focus on offsetting them.

As a design company, this is our core focus by 2030 we need to be halfway there and also put in place 100% renewable electricity. So what's our progress so far. We have removed to date in FY 21 64,000 tonnes of carbon. So that 6% of our 2019 carbon footprint. Just to put this an equal in terms. That's the same as 156 miles driven in an automobile our taking about 12,000 gasoline cars off roads.

In 2019. We also committed to RE 100 using renewable electricity in our operations. We're already at 88%. We're going to get 100% much sooner. But we are not stopping there. We are advocating our partners to use renewable electricity. So let me talk to you now a little bit about our efforts on design for sustainability. Designed for sustainability DFS and chart as part of all what we do designing products from the ground of.

So, two years ago we invested in designing our products using recycled plastics we worked with e waste electronics waste created a new class of recycled residents that we started engineering into our new products and also existing products. This major innovation breakthrough has actually made us use this as a standard across all our products. And today we are. I'm happy to report that 50 million devices will use PCR by 2021 and 50% of mice and keyboard portfolio, our largest portfolio will have PCR and then 7,000 tons of virgin plastic that we intend to remove as a result of this and almost 11,000 tons of carbon removed.

We're just getting started on establishing sort of circular supply chains. We're working on more our PCR recycled plastic progress is a good example of where we've taken waste and turn it into raw material and really driving that circular supply chain. Acknowledgments are pouring in as a result of all of this, we have been nominated by sustained analytics as number two of 145 tech companies which is at the 96% time. We were also listed on the top 2000 most influential companies to shape sustainability for our future.

And recently we were named to the Dow Jones Sustainability Index for Europe, one of two companies and all of Europe. And many

Morgan Stanley FTSE4Good so the acknowledgment are coming in. Let me talk to you about something that I'm super passionate about that we've actually talked about externally and we announced this last year. So I want to talk to you about carbon transparency, we have spent years developing lifecycle analysis capability to estimate carbon impact across the lifecycle of a product from material sourcing manufacturing distribution consumer use all the way to end of life of the phase of the product

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To support the integrity of these calculations we collaborated with IFU Hamburg and independent across Verifier to validate these numbers we voluntarily disclosing the product footprint of our of our products and provide sort of access to the methodology under protocols surprise as it says here if we're the first consumer electronics company to do so.

And the reason we are really doing this as you walk into any grocery store pick a package board retail store and you flip it to the back and you know what the calories are you make a decision for yourselves. What you're consuming, we believe, carbon is the new calorie and with that in mind we've designed a new carbon impact logo, which is shown here.

Each local labor will be marked and displayed on our packaging with the carbon number and we used the letter see with the downward arrow really visualizing our intent to reduce the carbon impact across the full lifecycle of each product the icon is really not that important. It's the transparency of the carbon impact number and can past by the that is important so what you see here, 7.84 carbon dioxide equivalent that you see on pro wireless gaming is the equivalent of 1 gallon of gas when you drive 1 gallon worth of gas in a gasoline car

In doing this by being carbon transparent we intend to empower and collaborate with consumers informing the purchasing choices, they make we invite other companies to join us in driving this positive change by providing full transparency on their products it will take an industry wide effort to make this truly different and so we are here to lend them our expertise and our really happy to share our learnings and know how

So lastly, I want to talk to you about why does this matter to you as financial folks in this room, why does it matter to you why the sustainability matter to you consumers used to want to buy a sustainable products now they demanded every consumer survey we have Ron has confirm that consumers want more sustainable products and are willing to make that a point of purchase decision secondly, (inaudible) investments generate better returns take any sustainable company compared to your favorite growth Index they simply provide better return

So climate risk is coming, just in the recent past you saw the risk of IC cold climate events in the United States on various operations, climate risk is fundamentally just investment risk. Lastly, I want to say brands that embrace sustainability will thrive in the long term, even more than we can imagine today. This is why sustainability is a focus to us and I hope you ask -- every one of your portfolio companies to pay attention to focus on sustainability, reduce carbon and most of all ask them to embrace carbon labeling, you can make a difference. And thank you and with that I want to hand off to Quinn.

Thank you Prakash. Hello everybody. This is Quin, I'm calling from China, from our Shanghai office and I think there is one of the office, where you can actually work in the office now along the few places. I've been working now for the past 10 years before joining Logitech used to work for PepsiCo for 16 years, of that 12 years I was a General Manager for some of the Pepsi's bottler operations in China. I joined Logitech, as head of China 10 years ago and then my role got expanded into Asia-Pacific seven years ago and

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then my role was extended into EMEA three few years ago and last January, I was given the opportunity to lead our global team. So it's been a year into our journey.

Last January we basically combined the three sales region together into one global multi-functional commercial team and we have 4 very simple strategies going forward. One is really to move from push to pull that means we're going to reduce the levels of our pricing promotions, reduce gross to net. So we can shift more resources into consumer marketing, where we can build a lot more brand awareness for each of our categories.

And the second one is really by separating (inaudible) with more dedication with a dedicated team, we're able to focus a lot more to grow in CMP in gaming and in streaming. Also from a channel perspective, we have various degrees of performances, our execution capability around the world just as an example, in China, where we are very strong in e-tail in Europe and in the US, we're very strong in retail. Now we have the opportunity to elevate our channel execution around the world to the same standard. So to

Well in multiple channels for our categories. And also we have a big opportunity to continue A to grow in the mature markets, but also we have tremendous opportunity in the emerging markets and China, which I'll show you later one year into the journey. I think we really seeing the benefits of one global organization through a lot of strategies and also elevated execution around the world and also we've been really seeing the benefits of our global initiatives and programs where we can really drive the skill and really elevate our performances around the world.

There's still a lot to do, but so far we are pretty happy with this one-year journey where we are today. One of our big objective as one Commercial organization is really make sure that we continue to grow in a sustainable way in each of our core categories as Bryan mentioned earlier, we're really seeing that the secular trends in our category continue to go in the right direction for sure and we believe as organization. Some of the consumer trends like work from home learning from home video everywhere and esports are here to stay and we are in the right position to capture this growth as a commercial organization around the world. And also, as a leader for most of our categories. We have a very big opportunity and actually we've been proving we can do it is really to reinvent our mid and high-end portfolio where we can really drive the SP and really grow the market as well as gaining market share and also over the past two to three years, we've been really focusing on bringing more new consumers whilst the consumer choosing Logitech as a lifestyle choices and I'll give you a few example of that later in my presentation.

And thirdly is we also have gained a lot of experiences over the past two three years in terms of segmenting our consumer segments. Even more granular. For example in gaming it's not really just our generic gamers we're targeting anymore, we're really looking at pro gamers core gamers and social gamers. And we have different marketing campaigns or programs targeting as those different consumers. It's the same thing we saw C&P portfolio. So we have I will also give you a couple of examples on that later. And also we have tremendous opportunity here around the world, because for our categories, some of the channels, we have not been fully

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And the penetrated and there's a lot of market, some of our categories and also have not been really established because of our presence in those markets. So as an organization we really believe in our category, multi category strategy as we move forward.

And one of our key strategy and good example of how we are able to spend more marketing to drive growth is in the gaming area over the past 5 years, especially in Asia Pacific and EMEA. We have really invested consistently behind our esports platform we have build extensive and network of partners with our gaming titles we use our professional teams with professional leagues and also global and local influencers we're able to develop a lot of campaign with our partners and we take those campaigns and executed with our retail and e-tail customers around the world. And as a result, we've been able to really increase our market share. As you can see here, we in PC gaming we have a number one share in Asia Pacific and also EMEA and number 2 in AMI and 2020 was a very big year for Logitech esports.

As you can see on the right side. First, we were for the first time ever a large was recognized as esports commercial of the year and globally and also on the bottom chart you can see from our East for brand reach perspective Logitech ranked number 1 among. I mean some big consumer brands in the world and were very proud of that and is a big achievement for the organization and it's not something you can build in a year by investing behind our esports platform over the past 5 years, we have really being able to drive growth with our partners around the world.

Another. I mean as I mentioned earlier a large tech have a very strong high-end and portfolio we continue to innovate our high innovation and as a result, we have put marketing integrated marketing behind our high-end portfolio two of the good examples I can show you here. One is the MX line for RCMP and the other one is the Wireless mix for our PC gaming category over the past 3 years, especially in Asia Pacific and EMEA. Again, we've been investing and concern

Behind us to a high-end categories and for CMP for MX line we are, we're able to double, almost double our mix, we do not category and for wireless. We have taken and the mix of wireless in our PC gaming to more than 40% thus after a 3 or 4 years of consistently investing in marketing behind those 2 initiatives and we've seen tremendous result because of it. We're really driving higher ASP faster refresh cycles.

And also we are really driving the market growth for for the category. We will continue to do this, this is something that we replicated from Asia into EMEA and we're now taking that globally over the past year, we've seen a lot of strong returns around the world. One another good example. I want to show you is our focus around the lifestyle consumers again this journey. We started in Asia Pacific where we partner with a lot of the big name consumer brands in the world and for example, if you can see some of the good example here, we have partnered with Disney Marvel in South Asia we are partner with Kakao in Korea we partner with our legal of alleging CDA in China.

We also partner with land friends in China. As a result, we've seen a lot more new younger consumer a female consumer come into our category,

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There has been a tremendous success for us in Asia and in EMEA, and now I think we will be pushing and driving a initiative even harder on a global basis. And we said, I wanted to show you video of what we have done recently in Europe

And of course I mean the best marketing campaign in the world will be very effective. If we cannot a lend them with our customers around the world. And with that, I think I'm very happy to report that we have very strong capability around the world with our channels,

Especially, detailed front and we started our journey building our detailed capability in China and Asia-Pacific, we replicated that in Europe and also now in Americas and we haven't built a very strong strategic relationship with our e-tail partners like Amazon, JD.com and Ali Baba's of the world and we have taken that capability now to Retail.com and last year,

Especially due to COVID and really helping our retailers are transitioning into their online business and also we are taking that capability to our direct to consumer business.

We have Bill extensive capability our on the e-tail front and with a lot of innovation and we being recognized as one of the best partners really working with our tell us around the world to grow the category to really build a very sustainable growth with upon us around the world.

As you can see even before COVID we have been driving a big increase in the mix of our online sales now in reaching more than 40% globally by FY19 it was around 30% and of course and last year during pull that the speed has really picked it up and we believe that trend.

I mean is still continue and it's not really going to be evolution is going to be a revolution in terms of how big this online business is because of our competitive advantage in this channel we really believe we will continue to drive and lead the growth for all of our categories on YouTube.

And of course retail is still a very big part of Logitech's of business and we, this is in our traditional springs for many of our markets, especially in Europe in the US we have done really well with our retail partners are on the world but over the past two to three years,

We have been able to even to elevate our partnership we sell retail customers. We have brought a lot of very strong strategic initiatives a to build category growth and drive

Our ASP in those channel I mean some of the key program we brought into the retail channel, including category management we really helping our retailer to up ASP as a category driving category growth and also we broadening significant point of sale innovation, we bringing traffic to our retailers we use a strong retail payment program and especially last year as I mentioned earlier.

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During the call that we really supported our retailers in the effort to go online towards omni channel and that has been very successful. I mean with the kind of lockdown we seen last year during COVID for the physical stores we still was able to drive more than 20% growth in the retail channel and we have confidence call that with post COVID store reopening we will continue to drive growth in this very critical channel for us globally.

I want to share the last key strategic opportunity for us is really on the our global footprint. If you look at the right side, you can see more than almost 80% of Logitech business coming from the mature market today. Out average our consumers in the mature market is spend about $3.8 for Logitech product per-car basis. And I still we see with best practices, we're seeing around the world we see still see a huge opportunity in the mature markets.

But however, we also have the benefits of looking at our footprint in the emerging market where the consumers are only spending $0.16 per cap and that's all the emerging market and China with more than two-third of the world population. And looking at our presence and looking at the income level and looking at how the COVID-19 pandemic have increased the PC penetration in the emerging markets, we believe we have a huge opportunity in the emerging market as well.

So as far as our key strategy we are continuing to invest behind our metro markets and also we're going to invest behind China and emerging market in a much more aggressive way. This is a huge opportunity for Logitech, as we're moving to the next three to five years.

So in summary, a one-year into our journey we as a organization, we feel pretty good. Obviously, that's still a lot to do, but we feel we are well positioned to really drive growth a sustained growth for Logitech, for sure, especially, we feel we can grow CNP gaming and streaming much more aggressive

And we will be able to elevate our sales and marketing capability around the world. Even faster, and I'm sure we will and we already in doing a lot of the best practice around the world. But I think more will be built and more will be shared and more success will be share around the world as well. And of course as just mentioned, we will be able to drive much more aggressive global expansion. So in summary. Thank you very much for this opportunity to share with you our strategy as a commercial amortization and also some of the good example of what we achieved over the past year. Now I'm going to hand it over to Erica is going to talk about that's exciting opportunities we have for BC. Thank you very much.

Thank you, Quinn. Hi. My name is Eric (inaudible) and I'm responsible for the go-to-market enterprise business specifically focused on Video Collaboration. I spent time with customers and partners every day. The challenges, they are facing from the effects of COVID-19 are critically important to their companies. Their resilience determination optimism and innovation in the face of these challenges is inspiring. These businesses institutions and organizations plan to provide business continuity while dealing with some

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of the most significant changes to operating models and business and video has become an essential service that enables them all.

The go-to-market enterprise group at Logitech is inspired and ready to assist companies to define there. What's next. We are ready to partner with them for technology solutions that can help meet their business needs. As Bracken shared earlier the changes in working models created by COVID-19 are not temporary we believe the Hybrid Work models that have been evolving since the early 1970s and at warp speed this year will be the new normal, and we can help.

We recently conducted a study with customers across multiple industries and customer segments in both the global and local settings to better understand our customers' worries. And what I'm about to tell you is non-controversial from the larger employee businesses to the local proprietors, it was clear their top priorities. We're maintaining business continuity employee engagement and well-being, the student experience and productivity.

Technical decisions included some form of cloud and hardware solutions focused on Video. 58% of those surveyed now have remote Asset Management solutions included in their plans. Because they believe it is an essential component of their business strategy.

From my office. I've been able to meet our customers and partners in their time zones and experience their needs as we help them to meet their requirements and support their employees needs

It is expected that most places will have a phased return to office approach that will result in a hybrid work schedule depending on your location in the world. The hybrid concept of your office is going to be the new normal but one thing is definite the environment has changed, businesses and schools will use their spaces differently and video is critical to ensure a seamless approach

Companies are now considering collaborative spaces and hot desks to accommodate the hybrid working model for workers when they're ending office and when their home Logitech's technology addresses these challenges whether it's video collaboration solutions in the office personal collaboration solutions in the home or both.

We can help our customers be productive engaged and connected with our solutions to meet the needs of our customers and deliver solutions we have developed a lifecycle model you've likely heard it said about Logitech, that the mouse built this house, while it's true for us in the enterprise organization to our business is built out of Logitech, strong heritage of customer first innovation and service delivery and it all starts with a strong foundation of services that ensurers every time a customer chooses Logitech, they have the best in class support they expect its job one for us.

Once they enter the House of Logitech, we're focused on delivering the best possible experience for them customers express interest as a result of our lead generation efforts or because they have come to rely on the Logitech brand. They give us insights into the

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secular trends that are driving growth for them and shaping their strategies for us customer first is really about understanding and putting the insights of our customers forefront in our approach our customer engagement model is designed to assure customer solutions, leveraging the services they've chosen for their environments.

We are committed to every customer experience being one that positively impacts their business together with our partner ecosystem. We believe we have the correct route to market model to address their interests priorities and ideas to grow their businesses and so we've organized ourselves in the land and expand sales motion to provide a consistent experience.

We want our teams to be in a position to dedicate focus and attention on our existing customers as well as our new customers we are convinced this focus positions us as a trusted advisor so customers can explore the best collaboration solutions for their businesses, their institutions or their organizations.

Briefly spoke about our routes to market but let's talk about how we scale and meet market demands in partnership with our channel our partner ecosystem is one of the most important ways we go to market with a cloud providers, distributors, service providers, solution integrators, direct market resellers or

You added resellers these partners make a difference in the customer experience. Their expertise assists our customers with deployment of solutions that meet their needs. M&A needs of their employees unless, then it's not a secret. This market is accelerating and growing how we address the total addressable market with our customers is also important so we're looking at segmenting our markets to inform where we invest develop and grow I'm going to start with our foundational customers our foundational customer segment includes businesses with more than 500 full-time employees,

Our customer segmentation continues with our corporate customers or companies and institutions with more than 5,000 full-time employees. We also see the opportunity to lead with our global customers, those companies or organizations with more than 10,000 full-time employees and with Logitechs rich heritage satisfying the needs of consumers and companies.

We will continue to make our products available through Logitech,.com and web scale partners alike. This market has changed in the past. Video is reserved for just the corner office in fact Logitech, looked at the market as just this corner office here with conference room peripherals and cameras. But when we think about the needs of customers whether foundational corporate or global. The offices anywhere where they're working in the office building.

Your favorite coffee shops. The sky and even the home office. It's clear we can help our customers and their employees with video solutions that make their work experience seamless regardless of where in the world there offices so where we previously looked at the market as just offices with meeting rooms.

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We are clear this market has been redefined and Logitech, video and personal collaboration solutions help to meet the market demand. How do we know customers and partners are telling us customers all over the world, and all of the market segments, we've identified have chosen Logitech solutions to meet their needs.

Pembina Pipeline Company in Calgary, Alberta, Canada, said the Logitech rally system was exactly what we're looking for. They're seeing value and consistency of the meeting room solutions across their company. Japan Radio and Indonesia port Corporation in Japan and Indonesia respectively are using Logitech, video and personal collaboration solutions to ensure their employees can work flexibly anywhere in the world and every day.

Ricoh, one of our valued partners has given us feedback of the highest regard highlighting our pace of innovation and the importance of putting the experience the customer first and our innovation process. In France. Veolia and seasonally are both integrating Logitech, video and personal collaboration

Operator

Solutions to create efficiencies in their businesses, be it cost savings or employee productivity for teams working remotely and in the office. And with the recent launch of our latest portfolio of products, starting with our appliance-based solution rally bar service now credited the product performance as an ideal solution for their meeting rooms.

Unidentified Speaker

For us we're convinced the hybrid experience Springs office to where the work is being done and Logitech, is proud to be the partner that institutions and enterprises and organizations choose to enable how they work, how they teach and how they innovate.Our Bracken here whether you're video and with your mom on the next block or you're rover on Mars Logitech connects you to the world and beyond.We're going to take a short break here and you'll be hearing from highly next thank you.

Operator

There will now be a 10 minute break during the break, we will play a recent fireside chat between Bracken Darrell and Eric you want Founder and CEO of Zoom.

Unidentified Speaker

You've been such an amazing partner for Logitech, and you just such a great job and I haven't seen you personally and physically since December 2019. But we had lunch together, but. Welcome to our fireside chat.

Thank you. Thank you.

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Right now, we're really completely added to our line up was rally bar many and then roommate can turn any of our products into a an appliance. So we've really tried to jump into the appliance game in a big way. What's your view of innovation in general in the video industry and where do you think the gaps are and what's really work.

Yes. The broken that's a greater question, first of all, I would see where the industry is not something like a brand new industry, everywhere as it Boomi overall I think that you experience its number 1 I'm put sort of next marketing year almost everywhere I think time any device one fleet, we would see video, it's going to be and what do you, what do you think is still missing in the video industry, what's the innovation is still lacking I think there were things mixed sure all those new use cases. So we can support well in a nobody is about that and we can have what you know wedding ceremony. All of those kind of our online cooking classes right to truly embrace new, the new use cases that all something very important.

Unidentified Participant

So I agree with you, I think these explosion of use cases for video is one of the most exciting things that's really started to expand during the pandemic, and we could name any number of them, what do you think the future of work itself is going to be like after we get through this.

Unidentified Speaker

I think there is first of all, I think there are

All and certainties as of today. But when seeing for new is that we are not going to go back to the traditional we to drive the office everyone has to get together. I do not (inaudible) that will be the (inaudible) in the future. So very live delayed to be hybrid, you know, meaning employees they decide to stay at home a winter good office, our employee kind of Exide maybe this week that we all go back into office next week we [ph]also data home.I think is that, well, I think as Hybrid mode for the future workplace.

Unidentified Participant

So the hybrid is going to be the future, yeah, we --you and I've talked about this and we absolutely share that view that it will be a hybrid world, I think --what are the things, one of the comments that some people have raised --about the video culture, the video work culture is what impact it might be having on sustainability. Do you have a view on that.

Unidentified Speaker

Yeah, yes, so right, I think today, I think like a this fireside chat yields used to be, I need to be there, why I need to drive that maybe when now why all maybe tomorrow have a cost of the meeting, [ph]I need the slide, I really do not think that a sustainable how many like the time and requirement of change.

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I think on Video complete, a very big plus more and more in innovations and you may make the communication better than fiscal face meeting by the next 5 of the year.

Unidentified Participant

[ph]Scott, when you first came into the company. I remember is first presentation you said he said, I don't want video meetings to be as good as physical meetings, I believe they can be better --and I told him last night, actually that is stuck with me now, ever since and I kept thinking you know he's right so many things you can get so many things in the context of a Video Meeting in augmented reality structure that you can have an physical meeting.

You told me something several times [ph]we've, another thing I can never forget you said, --I only really travel twice a year and can you tell that storage and I think it's so interest.

Unidentified Speaker

Yeah. I remember that we had a launch it together I think around Christmas time 2018. Yes, I think first, why I was 3 case and the plus we are working so far to meet video a better on the well, if I sell we're often for sure something wrong, Right. Maybe our solution done a work.

Also, I feel like it's not a productive, I can only reach the 1 customers are realized if I cover their history new thought I realize why, if I use of blue I can a steel book customers all of the this within one day I feel like my productivity is much better not a commission agenda. So that's the reason why since several years ago.

I decided if I applies a year. I mean for business travelers we. Why. I think you know the feedback was very positive and so far and what's the world so

Unidentified Participant

So Eric, if I could just ask you know we're launching these three new products two appliance products and one that turns anything we have into an appliance product, what are you most excited about those.

Unidentified Speaker

I think first of all I wouldn't see a new kind of the Logitech iaddition is I'm so impressed not only the new lines with one product, two product,three product and it seemed plus people largely product. We're already working again you know already through the certification test. We know it works so well not like you launched some seeing cost then of the needed wait for another several months or quarters. The product is ready and bus it's open platform about mid-teens for other calls as well.

I think from end user perspective, I'm pretty sure and the customer, we would like it.

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Unidentified Participant

So, Eric, how do you think your customers will react to our launch of rally bar many and room mate.

Unidentified Speaker

I think the, first of all, I think we being a customer for a long time. Very happy and missing our customers very likely, we have the same reaction. The reason why CNO look at it this work. While we are thinking about going back to the office, a lot of up hiring was the future workplace look like was the (inaudible)look like, what's the future working from home look like let's why your device is the three to two appliances also the room meet. I think I'm pretty well. Well, those in a new requests but underway is perfect plus your expertise on hardware design audio to video quality is sulfur and with other sulfur I think the customer. We really like it.

Unidentified Participant

So what's next for you guys. Eric you're, you continue to bring Zoom from what could have been conventional video conferencing into the next world of video conferencing, where do you go next and how might Logitech fit into that.

Unidentified Speaker

I think first of all, our, when we started the vision is to build a killer app video conferencing I think that we are, we, the chapter. two of our innovation joint, which is to become a platform and a portion of the foundations video and as a mission early, we got to embrace all hands of use cases not for enterprise not for business, but also for consumers and all the use cases for sure we I really NSN is software and the cloud and you guys. And on the hardware on SoBRA out of integration, I think that together and we can make a video everywhere I discreetly quality where is that we use in all kinds of a new used cases fundamentally we believe some of, in the future I anywhere. Just

(inaudible), it's like this better than this meeting, no likely. We do not see tied up. I want to give a big. You will see my intimacy. I don't think so might be in the bit worry about into your Logitech, hardware, right. I think it's something we are shooting for. Thank you so much, Eric. It's been really an honor and a pleasure to have you on this fireside chat great luck in the future and look forward to working together no Bracken (inaudible) mean your leadership and the Logitech

In the were early on when Zoom was a very small side of a company we already became a grid of partner and fully appreciate your I actually believe it together. We can even with the faster we can more the bring the best solutions and it's worth for the world.

Unidentified Participant

Thank you.

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Unidentified Speaker

Hello. My name is. Heidi console and I'm the Chief Marketing Officer Logitech, and as my title would suggest. I'm here today to talk about marketing. it was 4 years ago at the same presentation that I spoke about developing marketing as a core capability to support Logitech and over the past 4 years, that's what we've been working to build as we move from a push to pull approach we've built a capability with 3 core pillars that supports all of our brands and the breadth of products categories and audiences first is the team capabilities the marketing skills, the creative production digital expertise and supporting technology infrastructure.

Two is the campaigns and content developed by those teams utilizing data and insights and Third is the in-market execution with an integrated approach across paid owned and earned media and in conjunction with channel partners having internal teams allows them to be engaged from the early design phases and gain and depth of understanding that they can really bring to the work that's developed in support of product experiences this capability has enabled us to significantly up level and expand the content created with campaigns designed to talk to specific target audiences we've also been working to develop digital tools to make buying our products easier and support people through their buying journey the Workspace configurator on www.logitech.com is an example of this and an approach that we're working to expand across categories and brands.

Global campaigns really come to life at the country level they leveraged across multiple channels.

And in activations run in conjunction with channel partners both online and in store. We're also working to drive greater engagement at the brand level. In May last year, we launched what we call the make it work campaign in the US, which was a response to be inspired by people who are continuing to work, create, learn and collaborate in challenging times. And how Logitech was playing a role in helping them do that.

We saw in our brand tracking that the campaign positively impacted people's emotional connection to the brand. And so we're building on that with the recently launched campaign that we call the file launching. In the past 12 months, we've seen our products move from peripheral as the category name suggests to necessary, and now we want the brand to become an essential part of people's lives, providing them with tools that enable them to pursue their passions, their purpose and the work they do.

But this is a campaign that's more than just about people surviving. Its showcasing people doing inspirational work enabled by Logitech. We're showcasing people doing extraordinary things, things that may not have been possible just a few years ago. They define industries [ph]genres and what's gone before, whether it's launching a broadcast from their bedroom or starting movements that advanced societal causes they are creators. makers and doers, who are challenging the status quo and Logitech, is helping them in the work they do.

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The campaign has three key objectives. The first is driving that stronger emotional connection with the brand making Logitech essential in people's lives. Secondly, it's about showing Logitech as a brand that's aligned to our purpose, one that enables people to create achieve and enjoy more. And thirdly, it's about bringing new people to the brand reaching new audiences and appealing, particularly the younger people who are not as familiar with Logitech, by partnering with talent that's aligned with our focus areas and the values that they share.

We recently launched this campaign with an Anthem spot in the Super Bowl anchored by a little (inaudible) as someone who got his start on social media, he was the perfect creative innovator to carry the spot and we were able to use his yet to be released new song to amplify the bonds. Let's take a look.

(Video Presentation) EOF

(Video Presentation) As an advertising event. The Super Bowl is unparalleled with the commercials as much a part of the entertainment as the game. So it provided a significant exposure for the brand, the media coverage of the commercials begin several days in advance solve and continues after the game, which increases the total impact of the Super Bowl by and provided significant impressions and reach.

And we saw it drive very positive sentiment for the brand. But our partnership with little NASDAQ's doesn't end there. It's a broader relationship that (inaudible) with Logitech as champions of empowering the ever-growing create a community. He will also appear in a new add for the brand that will debut on the Grammy Awards on March 14. But we're just getting started with this campaign. It will launch in other markets in the coming months.

And we'll build on it as a platform through which we tell stories of people enabled by Logitech across audiences products and categories to compel people to the brand and ensure its long-term relevance Health & Vitality.Thank you.

Unidentified Participant

Okay, Thanks, Heidi. And congratulations to you and your team for the great work this past year. Very well done. By now, you've heard about the consistency and strength of our strategy and execution, and the strong financial results. They have delivered. The agenda for my presentation is similar to years past. As I'll give an update on the current year highlight some of our opportunities and investment priorities provide an outlook for next year and give an update to our long-term model.

Let's jump in I'll start with an update to the current fiscal year, we are increasing our outlook for FY ' 21 by raising both top line and bottom line outlook to reflect the continued broad-based demand strength across our portfolio. We are increasing our full-year revenue outlook to approximately 63% growth in constant currency, up from our prior outlook of 57 to 60%. This implies year-over-year constant currency growth in Q4 will be about 60%.

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In addition, we are increasing our non-GAAP operating profit estimate to approximately $1.1 billion, up about $50 million from our prior outlook. Now clearly, you know that FY21 has been an exceptionally strong year for Logitech. And there are many metrics we could look at that would support this point. Here's just one such data point that really puts this year and perspective.

Looking back, and starting with FY 16 is the base we grew our operating profit on average more than 20% per year and we doubled our profits over the past four years. Now, through the first three quarters of this year, we've more than doubled profits again. So in just three quarters, we've done what took us full year.

Unidentified Speaker

As before pretty remarkable. And while we are experiencing a very healthy push from stronger demand, our results are also driven by a very strong product lineup and crisp operational performance across the company. But when you really peel back our performance this year and over the past several years, you can see the same building blocks driving our financial results. While this is not an exhaustive list of our performance drivers these elements are the foundation of what we believe will be strong sustained revenue and profit growth into the future.

Let me give just a few comments on each of them. When it comes to market growth as Bracken mentioned we try to pick categories with good strategic characteristics and where we have or can develop the required capabilities to gain a leadership position. Market share gains are the outcome of good strategies and execution and financially being a leader number one or number two is important for our profitability.

Adjacent markets refer to our ability to find new growth opportunities organically or inorganically that leverage our capabilities in design manufacturing marketing and go to market. A good organic example of this is video collaboration. A number of years ago, our strong web camera business began evolving through investment and innovation into the video collaboration category that is growing so nicely today.

Another important part of our story are the consistent margin improvements that we've delivered despite headwinds from various factors such as tariffs or increased competition. Precaution [ph]highly talked about investments we've made into automation and building our brand equity.

And these are two good examples of how we work to drive up the gross margins of our categories through lower production costs and greater customer preference for our products.

The last item on this list, our investments into the business. Of course, growth doesn't come for free and we as a company consistently invest for the long run. Sustainable growth requires sustainable investment and you've heard today from several of our leaders about areas where we are investing to expand our capabilities to create value over the long term.

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Now, aside from choosing good categories and we have good secular growth categories today some additional growth catalysts include those listed here. It's a combination of innovation from product management and engineering and expansion of our capabilities in sales and marketing. Bracken and the other presenters have touched on many of these already. So, I'll not go through them. But these are all areas of focus and increased investment over the past six months, because we believe they are key to our future growth. As such, we plan to continue and even expand these investments in FY 22. So, you've heard a lot about where we are investing and how our growth and margin expansion has created room for us to move faster on executing our strategic priorities.But while we invest more aggressively, we will remain true to our belief that managing risk is essential to long

Long-term success and the consistency of our performance on the right hand side of this slide you can see a few examples of actions we take that help us manage risk for example, we've built a diversified portfolio and we actively manage our product lifecycles to align resources with the more attractive categories and markets. We're doing exactly that today by funding investments in areas like streaming and gaming with profits generated from slower-growing categories like Bluetooth speakers.

Managing risk is often considered synonymous with being conservative or counter to grow there is some truth to that, but in reality, by managing your risk you actually increase your likelihood of success for long-term growth I've been diversified and avoiding significant losses you can sustain investments while less diversified competitors have to pull back during periods of market softness.

So a good risk management actually leads to more capacity to consistently invest in growth and stronger long-term competitive positions moving now to capital allocation our priorities are unchanged from prior years. We actively look for opportunities to strengthen our business through acquisitions and we have shown a balanced strategy of returning cash to shareholders through a growing dividend and share repurchases.

Our additional cash gives us the ability to quickly invest in manufacturing capacity and inventory for potential demand upside as well as funding additional variable expenses like marketing and while our M&A strategy hasn't changed. We continued to look at targets that are small, medium and large our higher cash balances Today, give us more flexibility on how we finance deals

So when you put it all together. Here is our outlook for FY22 revenue and operating profit we expect sales to be up 5% to down 5% in constant currency off of our increased FY21 outlay so roughly flat sales at the midpoint of our guidance we expect our operating profit to be between $750 million $800 million, down about 30% at the mid point versus this year.

Profits would be down as we expect gross margins to be lower next year with when more normalized levels of promotional spend and retail store marketing investments. In addition, we continued to invest in higher levels of sales coverage, marketing, R&D

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innovation and some areas of G&A these investments will be both fixed and variable in nature and are expected to fuel strong long-term profitable growth for our company.

By category we see creativity and productivity being down a little bit next year after growing about 50% this year, we expect video Collaboration momentum to continue and grow nicely off of a much higher base. Gaming could be flat after growing approximately 60% in FY

2021, but we believe gaming has strong growth prospects, long-term.

The combined music categories are expected to be down about 5% to 15% as our largest music business bluetooth speakers continues to decline at levels similar to this year. Blue Microphones and retail headsets, however, should offset some of this decline in mobile speakers, but are still expected to slow significantly from their high growth in FY21.

Now this next slide gives you some additional color on some of the factors positive and negative, that we are considering in our FY22 outlook. I think each of these tailwinds and each of these headwinds are likely to occur to some degree. For example, the first headwind a shift of consumer spending toward other categories. It seems likely as hopefully in person activities and travel will become more common.

On the other hand, the shift towards hybrid work and growth in Video looks likely to continue as well. One reason we give a range in our guidance is that the magnitude and timing of these competing forces are frankly hard to predict, especially as we get into the summer and back half of the year.

I am certain however that we will be busy and determined as we are every year to a definitely navigate the positive and negative forces and we are looking forward to the coming year.

Moving from FY '22 our longer-term financial model here you can see the significant improvements we are projecting to our P&L structure. First on the top line, we are increasing from high single-digit growth rates to 8% to 10% growth in constant currency. This new long-term model suggests we can grow even faster than before on a revenue base that is 60% larger. And the combination of our greater scale and growth rate creates a powerful compounding effect to drive our earnings potential.

Given our improved business mix and reduced promotional spend in some areas, we are raising our gross margin targets materially there may be quarters where we are outside these ranges negatively or positively. But we think we've structurally and significantly improved our margin profile over the longer term.

And operating margin ranges have also increased nicely from our prior model. This is of course driven by the combination of our increased sales volume and gross margin rates and incorporates our view that we will reinvest at higher levels as appropriate into the business for more attractive long-term growth.

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In summary, the overall message from our financial outlook is that FY '22 will be a year of reinvestment. But we think the revenue gains we've made this year are sustainable and our improved long-term outlook reflects our belief that we are now a larger faster growing and significantly more profitable company.

Okay. So with that I'll hand things back over to Bracken for his closing remarks.

Unidentified Participant

Thank you so much. Nate, I couldn't be more excited about where we are

Unidentified Speaker

April 9. I'll be celebrating my 9th year here. On October 2 will celebrate logistics 40th year. I feel like my team is just at the beginning growing Logitech, to what it could be. We've been on a nearly decade-long road to reinvent Logitech, and I believe we've done that. But as we continue to improve our strong capabilities and add more as we apply those strategically to our existing categories and a growing number of new ones.

We have so much potential to reinvent what large that can be again and again. Logitech's role is to enable people around the world to pursue their passions and connect to others. To create achieve and enjoy life more as we often say it and to enable all people in this amazingly diverse world we live it to be able to have the kinds of opportunities that were limited before. To do that responsibly for the plant I'm so excited about the road ahead. Thank you so much for attending today Nate and I are now very ready for your questions.

Questions And Answers

Operator

Thank you. And now, we'll take our first question from Alex Duval Goldman Sachs.

Q - Unidentified Participant

Yes, hi there. Many thanks for the question.

A - Unidentified Speaker

Hey, Alex. Hey, Alex. How are you doing.

Q - Unidentified Participant

Hi there could see you. Many thanks. Just one question if I may, given today. You've given the higher long-term gross margin with assumption and based on that higher fiscal 22 revenue base than people thought and given also you've upgraded your mid-term growth, is it fair to assume that your mid-term EBIT margin assumption is rather conservative given the current EBIT margins you're at. I'm just wondering why you wouldn't be at a significantly greater margin level over time on an EBIT basis, should we

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be just viewing this in the context of the fact that your historic guidance is ultimately turned out to be quite conservative. Just wanted to understand that, given, it would seem to imply a bigger uplift in areas like R&D and marketing. I'll let you take that.

A - Unidentified Speaker

Sure. Yeah. Hey, Alex. So I think. I think your final comment there is the right way to think about it and then quipped the outlook reflects is that we're going to be invest in at a faster rate relative to revenue and FY22 and going forward than what you saw in FY21 I mean FY21 was has been an exceptional year we've updated our FY21 revenue growth outlook, to about 63% in constant currency and it's, we have great opportunities. We think over the longer term and we need to be investing for those long-term opportunities in the areas like you mentioned R&D and innovation, marketing go to market across both consumer and more business oriented channels. So it's really as you said, at the end there. I think we've taken up the operating margin outlook for the long-term model pretty significantly from 11% to 14% to 14% to 17%

And when you combine that with the higher revenue base and the faster growth rate that's also in that model. I think its pretty powerful earnings formula

Q - Unidentified Participant

Great many thanks.

A - Unidentified Speaker

Thank you. Thank you.

Operator

Thanks Asiya Merchant from Citigroup. Your line is now open.

A - Unidentified Speaker

Hi. (inaudible). Okay, congratulations let's say been disabled my video that and sell you heard or no. Okay so if I can just feel a little bit on the gross margin upside.

Q - Unidentified Participant

Yes so let it go into it, but then also talked a little bit about mid to high-end portfolio expansion certain markets and categories that haven't been penetrated. If you could just kind of help with and then of course is software mix getting a higher portion of your portfolio like what's, if you can kind of talk about in rank order what's driving the gross margin side, is it the mix shift that's going towards more enterprise in gaming that typically carry higher margins versus creativity or if there is something else that's that's underpinning that and then also market share gains, your outlook for fiscal 22 and then the mid-term outlook was kind of factored in from a market share perspective versus the rising tide that's lifting all boats in the categories you are in. Thank you.

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A - Unidentified Speaker

Yes, sure. Okay. So on the gross margin side. I'd say the two largest factors on the, to the positive would be continued mix shift. So the areas of our business that are growing faster, generally have higher margins, gross margins, not always the case, but some of the categories that are growing fast is to have better margin profiles and the other one would be, that we believe we can hold onto some favorability on reduced levels of promotion that we, that we've seen this year we don't think we can hold on to all of that, but we think we can hold on to some of that and then we will be reinvesting back into marketing as we continue to drive our push to pull strategy where we build the brand equity drive up that awareness drive up the affinity for our products and our brand, which we think has a long-term margin benefit as well.

So those would probably be the two most sustainable we believe long-term margin tailwinds your other question around market share it was, and I think there's still a lot of opportunity for us to gain market share, even in categories where we've got 50% share I'd like to say that's still says that one out of every two customers is choosing somebody else.

So I think there's a lot of opportunity there for us and I think you get those share gains when you deliver great innovation and differentiation relative to your competition ad that's why, and that is really a long-term investment that requires that it's a long-term investment in new product innovation and it's also a long-term investment in marketing and brand Bracken anything you want to add yeah, no, I would just I echo everything is that I would say you how much is how much market share gains in the model we really leave market share

Q - Unidentified Participant

Sort of as one of the floaters between what we're really happen to the growth in the category. And how much are we gaining market share. So I'd say it's assumed some level of market share gain, but if the categories little stronger is probably relatively flat. So I don't think market share will be a big swing item for you yeah.

A - Unidentified Speaker

Great and software driving some of that is there, Mike. More to hear from you guys on the software and services. Becoming a new category for you guys.

Q - Unidentified Participant

Well, I wouldn't necessarily say it's going to be a new category. We've got software and service plans kind of built into everything we're doing. We have software leaders now in every one of our major categories and we're hiring, software engineering on a very fast clip. But we don't really have anything explicitly that we're ready to talk about today, we'll do that probably the next Analyst Investor Day, we'll be ready to talk more about it.

A - Unidentified Speaker

Yeah, I would think. I would think about software in particular. Right now, it's just something that's a product differentiator longer term, we may have more opportunities

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there to really create new categories and businesses. But if you just think about again product differentiation, things that we can do to make our products work better together whether that's device configurability and management.

I think those are important things that can drive up the willingness to pay, if you will for products and help sustain higher margins. Great, thank you.

Q - Unidentified Participant

Thank you. Thanks Asiya

Operator

And then the Bureau from Loop Capital, your line is now open.

A - Unidentified Speaker

And and under. Hey guys, thanks. Turning to video on here. Cool. I appreciate it.

Hey, there we go. Hey, guys. Great, great context today and content. Really appreciate it. And, but the average I'd not. I mean, just the average size you guys started the Super Bowl. The commercial are homerun like really, really phenomenal stuff. So, yeah had a great looking for actually texted bad like 10 seconds after the commercial started

Yeah, I mean more of that to come. Looking forward to it. 2 if I could just on the. The updated long-term revenue growth which looks great. Given given the structural tailwind to your key category leadership position why, why wouldn't the growth be greater than 10% and the updated model just love to understand the push pulls there and then do you think at some point in time, you could grow into a greater than 10% normalized normalized growth profile and then adds a quick follow-up I'll take that one.

Q - Unidentified Participant

Nate, the other day our long-term model is already an increase versus where we were. So we went from upper single digits to 8% to 10%, could we, could we, at some point in the future be 10% plus of course as possible. Make no mistake that if we put an 8% to 10% were going after 10% now going after and delivering are 2 different things. And when we guide to a long-term model, we tried to give you something we're confident we can deliver. Why wouldn't it be higher. It's the further you go in the future of the less predictable, everything is right. So

A - Unidentified Speaker

At the end of the day we're building on what we think is the most likely case that we are confident we can deliver and we'll see over time I'm super excited about this business. I didn't come for the long term, long, long-term to deliver anything short of a very strong growth business. So that's reflected in the model and we'll keep.updating.

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Q - Unidentified Participant

Apricated and then just a quick follow up is with regards to the content creation business that you guys are looking to cultivate. Can you give us, I guess, any context would be helpful you know, sort of, what aspects of the ecosystem might be exciting to you might be eligible without giving us, you want to give away the whole thing here, but I think it would be helpful for us to be able to get a sense of how you guys are thinking about it.

A - Unidentified Speaker

And then you know because you've been we've known each other for a while how conservative I'm about letting the cat out of the bag sort of speak too early. What I can say is when you think about, and if you have somebody in your home or your streaming content are creating content. You know there is a series of peripherals that go into that and then their services like Streamlabs that go over the top of that. And so all of those are fair game. And I am super super excited about this category. I think you know what gaming is to kind of your child's bedroom or your basement content creation is to everywhere I mean contact creations become like the biggest thing that's happening. If you're under 30. I mean almost everyone is a content creator and we see more and more people are gaming we say more and more people are gaming we know it's true.

And a lot of people are now gaming much, much more than we've ever done it. We talk about content creation. It's hard to find who aren't. So we think there is a lot of opportunity there. It's a long-term opportunity. I don't want to go immediately assume that we're going to be suddenly a $1 billion business overnight, but this has a very, very big potential long-term.

Q - Unidentified Participant

Could it become one of your sort of above median categories. When you think about the portfolio of the company.

A - Unidentified Speaker

Yes, absolutely, I mean I wouldn't guarantee anything but that's, we wouldn't have called it out the way we have, if we didn't think it could be.

Hey, you know what, another on that category. One thing that's really attractive to it from my standpoint as well. It's kind of like gaming and that there is people want to look at they want to sound good, they're doing this for fun, but some people are also doing it to earn money and to earn a living and so they have a real they care a lot about the performance of the product, they care about its features and the technology. And I think that plays into our strengths, because we are an innovative design-oriented company so, like in the gaming space where people are competing even if they're competing for fun. I think, creativity and productivity and creating that content is something, it has some of those characteristics as well so it's an attractive category in that sense.

Q - Unidentified Participant

I think it's huge, I mean I think what's not yeah.

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A - Unidentified Speaker

Fully appreciated, and then I'll cede The floor is the degree to which business development and cultivation and generation is actually moved online over the last 12 months you know and maybe not so much in our community, but anything the small medium business aren't ProNeura there has been a tremendous move over there. If you go and take a look at what those communities are actually doing

Q - Unidentified Participant

I couldn't agree more with you and I was playing with the product, last night that we may launch that it just made me think there's so many tools that we should be using in our inside of our own company and people are starting too on the very edge of this and it's coming. So there is going to be more and more of that inside businesses we already see it in our children's lives and many of your lives and so it's just going to be huge and they're already is huge, I mean we showed 66% growth this year in this whole streaming number and I don't think that's going to be anything close to the peak of this. I mean the peak is way ahead of us.

A - Unidentified Speaker

Excellent, thanks guys. Thank you.

Operator

Toston from Kepler Several. Your line is now open.

A - Unidentified Speaker

Hi, How are you. Yeah, hi everybody Hello, Hello...

Q - Unidentified Participant

Iit's nice see people today this is great, we are in a Video world thanks Ben for letting them come on Video

A - Unidentified Speaker

And look, who it is Alright now you talk you sound amazing by the way.

Q - Unidentified Participant

Okay. thanks though. I have a couple of questions. But maybe I should start with a few questions on branding and the pool strategy. Okay. Maybe can you give us. Yeah. Can you give us a feel for the strengths of the brand equity that you have right now across the various brands and also within consumer tech. I mean how do you compare to these other brands that in terms of brand awareness brand equity and so on and how cool how fresh how even female are the various brands and whether you need to upgrade.

A - Unidentified Speaker

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Okay. So it's a wonderful question for an Analyst and Investor Day. So first of all, the, if I go through the various brands, what are they today the Logitech brand is it's trustworthy it's high quality on average, if you go to the older audience it's innovative, it's kind of cutting edge and it's mail okay. If you go to the younger audience. It's reliable, it's a good product. But it's not necessarily the most innovative, So what's our mission, our mission is to move from being kind of what we are for the older audience to what we are for the younger audience and that's where we're headed.

So you look at our advertising, you'll see that reflected. We are innovative, we, our products really are in the front edge of the are very trustworthy and a great value. But there are a lot more than that. So I would say Logitech, is the brand. We're going to need to move over the next several years and we will, and they and we're going to move it from being predominantly male

To very balanced. If you go to Logitech G. It's a different story Logitech G is is considered very innovative among our target audience of younger gamers very innovative pretty cool. And then that when we really want to keep moving it so it stays there but also becomes more and more balanced in terms of male female split the gaming business has been to male dominated. And we're going to move it shifted over to cover more and more on the women's women to I'll probably stop there and say, those are the two that I'd really focused on, we could talk about ASTRO and Stream labs and others, but the bottom line is we're going to move to a much more modern and innovative brand over time as we invest and that's great for the future because this is all about growing the business long-term by investing in building the brands, innovation and usefulness.

We're going to be fueling the bottom of the brand. Over time, and I'm excited about.

Q - Unidentified Participant

Very clear. Can I ask another question.

A - Unidentified Speaker

Of course, you can.

Q - Unidentified Participant

Thank you. On the guidance, is it correctly understood that this shortage of chipsets and components is explicitly reflected in the guidance. I'm asking since it's not mentioned on your slide with the headwinds nate. Yeah. And if so, could you tell us what the outlook could be without such headwinds.

A - Unidentified Speaker

Well, yeah, you're right. I didn't included on my sort of headwinds and tailwinds slide Prakash mentioned it a little bit in the one I'm going to his slides as something that he and his organization has been working working to combat. So yeah, I would say it's included in our guidance, but obviously there could be improvements or worsening of the situation. As the year progresses. But like every year I think we have to battle those types

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of things and fight ways through it, but so I can't really give you an alternate scenario I guess if you will, but I think we've included all the information we have today and that outlook.

I think what you could say we don't expect a big dampening effect in the business today on chipset supply know the chipset supply is really crushed a few categories in the world like at some of the car industry and things we've had challenges a chipset suppliers, but nowhere near that. So we're not, we're not planning for a big chipset shortage that would be big damper on our business. And I don't think we'll get.

Q - Unidentified Participant

Thank you.

A - Unidentified Speaker

Thanks. Thank you.

Operator

Erik Woodring from Morgan Stanley, your line is now open.

A - Unidentified Speaker

Eric, Eric.

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Q - Unidentified Participant

Hey, good morning, good afternoon guys. Thank you very much for everything in for taking us few questions here. The first question I just wanted to touch on was again your guidance on the Op-Ex side I completely understand the narrative and loves some of the branding initiatives that you've rolled out. I just want to understand, maybe from your guys perspective what are these incremental reinvestments our variable versus fixed, how would you go about kind of

A - Unidentified Speaker

Flexing that spend based upon how you're looking at your end markets. Yeah, maybe I'll start with that and I'll ask the follow-up. Thanks.

Q - Unidentified Participant

Sure. Yeah, I mean I did mentioned. So these are fixed and variable. Same thing I mentioned in the Q3 earnings call as well. Yeah, I don't think I want to provide an exact split of that I would just say it's pretty balanced. I mean some of these things even even things that are fixed. Obviously, we can, we can back up on if we need to, but were replaced and beds for the long term in the structural growth categories.

And that's true across the board. It's, it's true in gaming history and streaming creativity and productivity and Video Collaboration on the variable side marketing is one thing that

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tends to be more variable than fixed. But we intend to continue to invest in those things over the long term. But if we need to flex that something we can do.

I have I think one thing, Eric. That helps me is we have a culture here of being very adaptive very nimble adjusting to changes in demand, up and down that's true and operations. It's also true in our operating expenses. So I feel like we have a good handle on that. And if we need to. I feel like we certainly can react and take steps, if necessary, but given the long-term optimism that I have, I'm. I'm certainly looking at FY21 and FY22 is investment years to go capture those those growth opportunities.

Bracken anything you'd add?

A - Unidentified Speaker

No, I just. I'll repeat kind of what, if you didn't capture. If you think totally get this theme and in what we presented today. I'll try to be really clear about now we're bigger and we're predicting will grow faster. There aren't too many situations where you see that, but we're really believe in that. We know the opportunities there. It's up to us to execute well and investing in marketing is a key piece of that, some of it's variable and some of its fixed.

Now on the other hand, on the other side of that as they said we are super good at flexing up and down as we have demonstrated this year in our ability to flex up on manufacturing. We're kind of the same way across the business. So we'll adapt as we need to, but make no mistake, we're in here for long-term growth.

Q - Unidentified Participant

Awesome. There is, that's super helpful. And then I guess, maybe if we could touch on one of the points that Quinn made earlier. Yeah. He showed that chart of spending in developed markets versus emerging markets clearly there is an opportunity for you guys there long term. But what do you have to do differently to take emerging markets on the path to develop markets or what do you have to do differently going forward now that you're kind of pointing out this differential and then kind of implying that there is a runway to grow that spend and in some of those developed market developing markets.

A - Unidentified Speaker

I think a couple of things, you know, I think one of them is that the cool thing about where the world has gone is it's made it a little easier for us because in the past you had to have a lot of feet on the street to deliver against this very, very labor intensive retail business as things have gone online as

By China about five or six years ago is that things have go online a much more efficient. So, the most important thing we need to be super-efficient at creating and marketing a digital business in a digital world that sells mostly hardware into a place that is under-developed so far.

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So our ability to market digitally is the key and one of the reasons why we went to this global structure that Queen talked about in Queens in charge of is that we are going to be able to move best practice were seeing in places like Latin America or in the Middle East into place like Indonesia, India and there is just going to be, there is a lot of opportunity there and we because we have been structured before we love the entrepreneurial nature of our business where we had three different regions and different countries within it.

But one of the things we traded off was the ability to really move fast and we saw one thing really working well in one part of the world and moving it to another and Queen is a huge advocate of this so is Erica and I'm really optimistic that with this new structure as we get more and more mature.

We're going to be able to move those prospects pretty quickly. So, one of them will be the ability to market better digitally we are becoming I would say superb in China at this and we're moving that now around the world. China moved first when the what's called the IT malls really collapsed in China, which you will still see in India.

A lot of the business moved from conventional retail online and now 65%-70% online maybe more and I think that same thing is going to happen in the different and is already starting to happen in the different emerging markets around the world.

Q - Unidentified Participant

Eric, I had a little bit more to that. If you think about the trends that Bracken has talked a lot about or we have talked about they aren't exclusive to more developed economies.

So things like to marketization of content is strong in emerging markets, maybe stronger than it is even in developed economies gaming with the shift towards cloud gaming it's reducing the upfront costs for gamers and bringing more people into that market and so there is some nice structural things I think that are also occurring in these in these trends that we are following and chasing that lead to new opportunities in emerging geographies they aren't just exclusive opportunities to the more advanced economies.

A - Unidentified Speaker

I had one other thing I think one of the other cool things, things like like take Video Collaboration while the absolute price points for us are really high the absolute price points for a business in Indonesia are still really low. When you think about relative to jumping on a plane and going somewhere,

You can pay off for install in a medium sized room with a single-trip avoided. So we've got opportunities across the board I think making sure we have a portfolio of products that really appeals to the people in that market. And hits value price points that is another key piece.

Q - Unidentified Participant

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Awesome. Thank you, guys.

A - Unidentified Speaker

Thank you.

Operator

An effort[ph] from UBS. Your line is now open.

A - Unidentified Speaker

Hi(inaudible).

Q - Unidentified Participant

Hi Bracken and hi Mate and thanks for taking my questions.

A - Unidentified Speaker

We have no choice but we could have it everywhere. that's not true.

Q - Unidentified Participant

But no, if I look, I mean, I think you highlighted plenty of opportunities you have in the future, but also making speaking a little about risks that somebody can be disruptive to you a bit this model here and I should remind that may be an video collaboration and I'm very happy and looking forward to hear your view 2005 high if we had a very strong webcam business and I would -- I'm sure you would highlight we have huge penetration to go and then webcams were in terms of revenues from 400 to 300, 200, 50 million run rate because we technology changes also happening.

Is notebooks coming in with webcams and included don't to see the same risk year for the new collaboration that over the medium term behave TVs notebooks as much for the camera systems. We don't need a third party external conferencing system and the same also for gaming to ask here for example virtual keyboards and something we see already an early stage that some start-ups. Isn't this a disrupt as risk for you and how do you adjust us then afterwards. But the financial questions please, if I may.

A - Unidentified Speaker

Let me take them in reverse order. In terms of gaming, where we've been since I've been here, we've been looking very carefully and everything that can disrupt the keyboard and mouse et cetera. We kind of live on the edge, that all the time. I don't see anything right now that it looks like it's a big disruptor to the conventional keyboard. But if there is something I can guarantee you that we're already working on it or looking at it inside.

We deliver on the edge in the Video Collaboration business where it's such a, it's really difficult to compare this with webcam business back in 2004, 2005, where at such an infancy of video enablement in all these rooms. It's really an amazing period and I think if

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you think about it, maybe the best time for you to look at is like 1997 and webcams or something, because we're still under-penetrated in offices compared to what we should be and will be once people get into this hybrid work model that there is an extremely large growth frame ahead of us.

And there will be certainly will be alternative formats for structures of cameras and you can bet that if those formats look like they're taking hold will be there. You know us, we move fast and we are not going to sit, a lot of market develop ahead of us. But right now I I'm super excited about portfolio we have and what we have coming. I think we're really good spot.

Q - Unidentified Participant

Yeah, I'd just add to that, if you want an argument for the investments that we keep talking about this is really one of them is that we have to continue to innovate and we have to leverage our even greater scale now to continue to push forward and provide more value to customers and so I think that's, that's been true historically, I think it's even more true now, in some cases as you say, and so that is the strategy. It's comes down to doing the basics really well to.

I think, Ericka, I talked about a beautifully providing a very simple buying experience with customers a support experience with customers products that are easy to set up and operate

A - Unidentified Speaker

These are all things that I think Logitech does very, very well with kind of the consumer mindset that is so quarter our company, but we can take that into the business and we can take that in the enterprise and provide a really differentiated experience so, we look to leverage those strengths and those capabilities in these in these growing markets as well.

You had a follow up. Right.

Q - Unidentified Participant

Many thanks for this yeah. Yes, please. On the financials and just to better understand your medium-term model 8% to 10% sales growth. Has the growth dynamics and the details in terms of growth rates you assuming for the different categories changed for the medium term? So what do you expects gaming, video collaboration, creativity, and productivity?Yeah, we didn't provide really a longer-term view in the long-term model what our assumptions were around this categories needless to say, I think all four of those are going to have growth opportunities streaming and creating is probably the smallest one and some of the other ones in fact now you've seen gaming, it looks like it's going to be more than $1 billion this year. C&P probably more than $2 billion. Video Collaboration getting very close.

A - Unidentified Speaker

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So those other categories are much larger, but I think those will certainly be strong contributors to the growth, in the longer term. And then as Bracken said, we're always looking for new categories adjacencies things that we can do inorganically as well, small, medium and large. So, we've got several levers there.

Yeah, I would add your. We're not just looking, we're doing and we've actually things in development in this season. It's. And we'll see you never know what we're going to come up with, but stated I will.

Q - Unidentified Participant

Many Thanks.

A - Unidentified Speaker

Thank you.

Operator

Hi, Juergen Wagner from Stifel. Your line is now open.

A - Unidentified Speaker

Hi, Juergen. Hi, Juergen.

Q - Unidentified Participant

Hi, thank you.

A - Unidentified Speaker

It so cool to (inaudible) now

Q - Unidentified Participant

Yes, indeed and, yeah, you mentioned several times today that 21, 22 will be investment. Yes. For you and how is your visibility on what year you should regrow again at your target rate and second one would be on M&A.

A - Unidentified Speaker

Sorry, what was the last question? the last part of your question?

Q - Unidentified Participant

(inaudible) and on M&A I mean, now as you have become much larger how will your M&A strategy change?

A - Unidentified Speaker

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Okay, got it. Yeah, let me take the last one first, on the M&A strategy, really no change in the M&A strategy. We're still look at things that are small, medium, and large and we look across the company, including new businesses and new categories, but I think as Bracken has mentioned or I've mentioned, it's really about how do we take the capabilities we have today and if you look for sources of synergy, if you will on M&A. It's taking today's capabilities and being able to apply them to any company that we're acquiring or if we believe we have good opportunities to build new capabilities or bring in new capabilities through the acquisition, that's also something

Interest, but really no change in the strategy. We do have more cash on hand now, and so I think financing, we have more options and flexibility than what we had a year ago. But otherwise, no change at all and how and how we run our M&A processes

Q - Unidentified Participant

Yeah, I'll just jump on the other question I guess, when do we do. We expect to hit that long-term model it it make no mistake. We're where it's not going to be this year. We wouldn't guide where we did and will it be next year, don't know yet next year. Is it really, I mean you're after tax of fiscal year 23, it's a hard year to call right now because there's so much volatility and where we're sitting right now in Windows this pandemic end and all that stuff.

What we know what we feel very confident is that we've got a collection of categories tailwinds and growth potential to deliver that long-term model as it going to be 2 years from now is going to be 3 years from now. We'll see what you'll know certainly know by the time we get to March of next year, but were off that we're very optimistic we'll get there and I'm super excited about the growth potential

A - Unidentified Speaker

Okay, thank you. And maybe it's one. So you're not on, so lot about product lifecycle today and how you manage those and how have those developed and I mean I was difference between enterprise and consumer not be read a lot about longer product here ive especially in the context of this space.

Q - Unidentified Participant

Well I'm stretching into a place that we don't have enough proof to to really that I can say, here's the data but here's what I think I think on the, on the B2B side the product life cycles are shorter because people there tends to be a budget available, people want to keep up with the latest technology generally.

So our VC business, our Video Collaboration business has a relatively short product lifecycles from what we can see now, and I don't think that's changing. I think that's going to, they're going to be a lot of innovation there and I think people to keep upgrading rapidly on the consumer side.

I'm stretch a little bit here. But, and I tried to suggested earlier when I was presenting this, I think there is a chance that the, that we can accelerate the product lifecycles there a little

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bit because, first of all the relevance of the categories has gone up, how many people have talked about their workplace set up in the last year it's suddenly become top of mind again literally top of mind like one of the top things you think about and that, and yet when we look at our mix and what people have bought they really haven't bought with they need it. Just to be the truth as they just not enough people have bought the high end of our range,

Whether it was are really highly function products or the ergonomic products the just beautiful products that we have. So we think we have a real upgrade opportunity there and that's part of what our marketing needs to help us do so we'll see, but I hope that I hope that accelerated the product life cycle and that we can accelerated further over the next couple of years, but we'll see

A - Unidentified Speaker

Okay, good. Thank you.

Q - Unidentified Participant

Thank you. Thanks.

Operator

Hi Paul Chung from JP Morgan.

Your line is now open.

A - Unidentified Speaker

Hi Paul.

(Multiple Speakers). There is Paul.

All right,

Good nice see you guys.

You too.

Q - Unidentified Participant

So a couple of questions just on your increasing e-tail presence. Can you kind of quantify the margin benefit relative to brick and mortar from e-commerce partners as well as your direct to consumer also on that shift to e-tail similar visibility continues to increase whether it be from Inventory management, Shipping or anything expand on that. Yeah, Paul.

A - Unidentified Speaker

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I would say it's hard to really make a general statement about e-tail versus retail and profitability. In some cases e-tail more profitable in some cases, it's not. And then if there is a hard shift away from retail you have maybe some more fixed cost that can get stranded in retail that you've got to manage which can put some offsetting pressure on margins there. So I haven't put anything explicitly in my outlook around headwinds or benefits from the the shift.

I would say on the working capital side. Generally, I see it as being favorable. The shift towards e-tail you get some more central distribution and so it's maybe a little bit favorable from an inventory management standpoint. But frankly, I don't really think it's super material for your modeling. But directionally I think, generally it's been helpful.

Bracken anything I would add anything.

I think you covered every one.

Q - Unidentified Participant

Okay paul.

And then just on the shape of revenues for 22.You know given the unusual shape for 21 should we expect kind of normal seasonality or is there some still some nice momentum. Have extending for next couple of quarters and then separately, the spread on your guidance is quite wide relative to previous years and makes sense Union pandemic and record 21 but what kind of scenarios.

Could you hit the high end and on the flip side of the low end of that guidance, if you could just expand on that.

Thanks.

A - Unidentified Speaker

Sure. Yeah, I mean I think I'm in terms of typical seasonality. I think it's still probably not. I don't think we're back to typical seasonality.we haven't seen it in FY21. I think the best. I could probably give you for FY22 is we've got more visibility to the first half and the compares are a little bit easier in the first half.

So the first half growth probably looks better than the second half it could be the first-half grows in the second half declines but in terms of typical seasonality, other than I think the holiday quarter. Our Q3 will probably continue to still be our strongest but that will be one of the things that we'll learn more about as we go forward.

Some of our businesses, we have more visibility right Video Collaboration category we get some more visibility on the consumer side though it's still we can't see too far out pass the

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Q - Unidentified Participant

The next quarter. But, so we'll see at some point we'll get back I believe to typical seasonality. I'm just not sure that FY22 will be the year.

A - Unidentified Speaker

Yeah, in terms of what would drive us towards the upside. What would drive toward the downside, you know, it's a, it's a wide range because we had such a high growth rate this year it's 63% topline growth, it kind of changes the way you think about materiality in general and then how much range is around anything I would say if you said what could drive us to the high side. I think obviously we could have stronger Video Collaboration business if that happens, if we see people move into the hybrid model quickly if we see people video-enabling rooms are at a really fast an even faster rate than we're planning that could really be a driver of the webcam business, if we see webcam starting to make their way into the, into offices in a as they are homes you know people are probably going to be somewhat business in an office will we see more of that. Well, we, and I think the effectiveness of our marketing if our marketing is as effective as it could be, maybe that will help us drive towards the upside, but I would say the most important question is what will be underlying dynamics, the pandemic, what will happen,, how will it start to slow down etern pver And then how much finally turnover and then how much more people spend on things other than these categories, you know and I think they will and when will that happen. Our goal is to invest in marketing and really trying to build our brands and to continue to innovate. So if there is something compelling to go out there and improve your life with over time as we go through the end of the pandemic and into next year.

So we don't put any range out without going for the upper end of it. So that's what we're after but we leave that range, so that we're ready for about any scenario you want to add anything.

I think we've talked on some of our other discussions to just the growth rates we have and the increases in the units, we've been selling a very interesting to us. But when you compare those unit increases to kind of the overall magnitude of the shift to hybrid work. It's definitely looks to me like there is quite a bit of room left but as Bracken said. I think this could be a year of some transition in the economies globally. It's, hopefully things open back up and there could be some shifts other forms of entertainment or travel and things like that, I believe those would be perhaps temporary. And then on the long term will get back up into seen these categories really grow well but our outlook sort of reflects and you can see the wider ranges by category. I gave as well that outlook really reflects that there is some more uncertainty especially in the back half of the year. But longer term, feel very good about the growth.

Q - Unidentified Participant

Thank you.

Operator

Unrealized Mueller from ZKB. Your line is now open.

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Q - Unidentified Participant

A low, Andreas. Hello Thanks for taking my questions. I've got two or three year. Perfect. Once you take one at a time, so we don't have to mean were all 3 level.

I'm just referring for question to third presentation Quinn's. He said some channels and markets that you wanted to

Penetrate more than today or still untapped or not really penetrated. I mean can you talk about these, where are you under penetrated and also in China for example. I mean is there a scenario where you go into more retail. So, the share of the electronic channel is coming down there.

A - Unidentified Speaker

Well, so let me first say I don't think we'll give you too much more detail for competitive reasons. But we do think there are opportunities from a channel end market standpoint. In China, I think China is just continues to change so fast, and there is without being more specific than this I will say we think we still have a lot of growth potential in China. China has been so exciting for us over the last few years, its now our number two market in the world, it's still growing very fast. And that's post pandemic.

And I think we have -- we think we have a lot of opportunity in China here, the underlying GDP is going to keep growing nicely and our categories should keep growing. So I probably won't be more specific than that Andreas but I understand why you're asking. It's a fair question, just from a competitive standpoint, I'm not comfortable going too much more detail.

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Q - Unidentified Participant

Okay, fair enough. Then, with regards to the sustainability. (inaudible) In the end relatively neutral on profitability throughout time or do we see right now, kind of a fair approach, maybe the next two or three years, which might impact profitability. How do you see that also?

A - Unidentified Speaker

I'm going to -- I'll put myself out there here, Andreas. I think they're not neutral. I think they are positive. I think long term, whether it's profitability or growth and probably point more growth, long-term companies that really get deeply into sustainability will be rewarded with higher growth, there'll be more attractive for customers will be more -- whether they are consumers or businesses and I think the same thing is true diversity equity and inclusion, those two values we talked about, I think the day of thinking those is big trade offs, is probably coming and maybe it's not coming to an end. But I think you're going to be rewarded for getting in the game and being ahead of the curve.

Now obviously, the things we could do that would hurt our profitability dramatically if we wanted to -- if we tried to do them right away, but you know us, we're going to figure out how to do this in a measured way where we have the right kind of impact on the world

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but we also manage that -- so that we're sustainable. Because a successful business that's in the game on the environment and on equality, for everybody that grows extremely strongly and has a great profile from profitability standpoint is the best thing you can do to demonstrate to the world that everybody should be doing it. And that's really what we're trying to do, because we're totally into these two values

Okay. But I fully agree with that with the (inaudible) point. I think it's kind of really a false trade off false paradox. I think you can do both and I think you have to do both and you have to be sustainable and I think you have to grow profitably as well. I don't think that there inconsistent with each other.

Q - Unidentified Participant

Okay. And then maybe a last question on Andreas, if I could interrupt for a second i'll make a point here, I have a favor to ask all of you. We started, we're starting to put down the path of carbon labeling as many of you know, we mentioned, it's a couple of times in the presentation.

Carbon labeling is like calorie labeling, we're at the very 1978 or something and putting carbon on packed is like calories we would love for every company to do that. I think, whether you're a service or our physical product if everybody's carbon labeling sooner or later there will be competition will compete with each other to get the carbon.

Some of the consumers will really by based on that. If you as analyst and investors got in the game here and said, you know what, why isn't everybody carbon labeling why we always, but why did we earlier shame on us not everybody else we all should a bit and we should be.

Well, the reason we did was, because it's hard, so. So it is hard. So, now there's a way to do it though and we, and we have gone through the work so (inaudible) Albert's of Unilever probably other companies are looking at. We know they are because we talked to them, I would say if you keep encouraging people to go down the path of carbon labeling you'll help all of us, and I don't mean us Logitech, from an investment standpoint, our performance there.

But I mean us those are the we'd have at the planet Earth we need are going to begin in the game and lowering level of carbon and carbon labeling is a great path to help you there

A - Unidentified Speaker

I agree. Last question on the long-term growth. If there are any specific (inaudible) assumption behind it. For example, inflation also which has changed

Q - Unidentified Participant

Will take that. Nate, I'm happy to no, not really, I mean I think we assume kind of the same general feeling about inflation is not going to get run away, it's also not going to be

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deflation. So we expect kind of a modest level of inflation around the world and I think that's a probably a fair as good or better than anybody can make right now. Yeah okay I think for macro assumptions. I tend to just take what, what's, what it looks like today. All the information about the future. As far as I'm concerned is baked into the market rates today on things like that.

A - Unidentified Speaker

Okay, cool, thanks a lot. Thank you, Andreas.

Q - Unidentified Participant

Thanks.

Operator

So it's (inaudible) from Credit Suisse. Your line is now open.

Q - Unidentified Participant

Hello But, no I'm on mute that's great okay hi everybody was great really, really great to see all that happy people working for Logitech, so congrats (inaudible)you have, you have a new team. But still, I have a questions to you concerning them we see fiscal 22 probably work from home going now back to

A - Unidentified Speaker

Multiple --back going to nomadic working. So this means for me from Brio to rally [ph]camera's. So you should see a big demand more than in the enterprise business and you mentioned that you see market doubling or even threefold. But your guidance for this year for fiscal years only but it's plus 10% to 15%, 25%.

When you say market is doubling, tripling but you grow 10% to 25% it is not cautious or what do I missed here.

Q - Unidentified Participant

I think what you're seeing is, how long does it take what's the timeframe where you can expect that to happen and I don't think we know for sure. I think as we come to the pandemic, we'll find out. I do think the opportunities there to do that and more over time as companies allocate their budgets towards video-enabling offices and and really get in the game, but you know companies I hate to say as a company a general move kind of slowly, it's more slowly than I'd like and I think they're probably not going to snap their fingers and suddenly have been enabled every room in the office over night.

Not all of them anyway and maybe not even a lot of them, but over time they will, because we will --we workers will demand we need it because somebody working at home and so they work in the office. So I think it's going to come. I think our current outlook is probably about right. But we'll see, our job is to try to make it wrong and do better than that.

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A - Unidentified Speaker

If you just put some numbers on that, for example, video collaboration is going to be close to $1 billion this year. So if you took the high end of that category range next year, you'd be talking at 25% growth you'd be talking about $250 million of incremental revenue, --it's an interesting contribution and helps us get towards that overall company (inaudible) that will be given.

We're going to capacitized to be able to do more than that, but we need to see kind of what market trends look like and I'm sure we'll see with all of Erika's work and the investment that she making we think --that's a really great category for us. But like Bracken said the timing is a little bit hard to predict.

Q - Unidentified Participant

Okay, got it. Thank you. But how much to invest currently in the direct sales are you increasing the staff, can you give us an indication here it's doubling, tripling or and it's just on the fixed cost is this related to the fixed cost, you mentioned that they will over-proportional increase.

A - Unidentified Speaker

Yes, we're increasing it. Yes, it's increasing significantly, yes, its increasing our fixed cost except the fortunate has paid is variable, which is a bonus structure quota structure and no, I'm not going to give you specific numbers, but we are increasing it and we think that's really critical. We certainly do want to be, so-called skin to skin with the largest customers in the world.

Okay, then let's go to the gross profit margin, as this is the only category, which is expected to grow as the other ones are declining or flattish and I understood that, gross profit margin in video coverage is the highest in your company. So is it fair to assume that the gross profit

Q - Analyst

Margin can keep the levels we have seen this year.

A - Unidentified Speaker

So short answer to your, to the final part of your question is no. We are not assuming the gross margins are at the same levels this year. I expect they will come down next year you're correct Video Collaboration has a nice margin and it will be growing, but we have offsetting forces to that primarily the increase in promotion that we expect and investments into retail marketing which with retail being shut down, we didn't have as much of that in FY 2021 is I expect we'll have in FY2022 assuming that things will continue to open up further. So our guidance does reflect our belief that gross margins will be lower in FY22 then in FY21 and there will be headwinds and tailwinds throughout the year, but that's what the expectation is the other thing is, we gave a long-term our model, obviously it was significantly higher on the gross margin 39% to 44% and what we have

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talked about previously. At 36% to 40% just to call out there will be a quarter is probably where we are above or below that sort of a target margin range.

That's not unusual will discuss it in our earnings calls with some of the drivers are. But really think about that long-term model as a long-term and not every single quarter necessarily,

Q - Analyst

Still, is that at least the last one. As a follow-up questions, you mentioned that you want to go for more high-end products. So Amex is a keyword or buzzword then more wire less and gaming is the buzzword should these success not mitigate part of this extra cost. Which you intend to spend and probably you will not, but probably you kind, give us some shares or how big these high-end products are today and what's the goal to the achievement of these high-end products.

A - Unidentified Speaker

Well, with that being without giving a real specifics, I would say the high-end is lower than it could be in every category we're in. So we do have a high-end opportunity across the board. On the other hand, our promotion, it does require some promotion to deliver that. So we're planning to put some of that back. As Nate said a couple of times today and I will repeat that we're going to be really hungry for growth and we're already going to deliver a really strong gross margin improvement and I think that's the right profile for us there is we have so much growth potential long-term that we would be irresponsible as a leadership team.

If we didn't go for growth and not trying to maximize our profitability. We're going to have a great profitability profile. But we're going to have a great growth profile too.

Q - Analyst

Okay, got it. So

A - Unidentified Speaker

Thank you

Q - Analyst

.(inaudible)

A - Unidentified Speaker

Its Lighting. Thank you.

Operator

Michael Foeth from Vontobel. Your line is now open.

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A - Unidentified Speaker

Hey, Michael.

Q - Analyst

Hi guys.Good to see you.

A - Unidentified Speaker

You too good to see you.

Q - Analyst

(inaudible) two questions from my side. I'll start with you talk to your go-to-market section about consumer and enterprise. Now, my question is, how do you see the mix

Q - Unidentified Participant

Consumer versus enterprise developing and if we talk about sort of total addressable market size and how much have you been able to already leverage your presence in in enterprise to sell more C&P products for example. So just to understand where we're going in terms of the next and 3 to 5 years, how you see the opportunity between the 2 developing.

A - Unidentified Speaker

Yeah, yeah.

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Q - Unidentified Participant

I will now ask the second one up

A - Unidentified Speaker

Okay. Yeah, I would say, we haven't leveraged our growing strength in the enterprise through the BC business very much. And really selling our E&P business. I do think there's an opportunity now make no mistake, we're already in the enterprise, so UP many of you might go back to the office, and have a Logitech mouse or keyboard on your to ask a webcam so so already in there is not like completely whitespace. But I do think we have an opportunity to grow it in there and we certainly so we'll see in terms of the total addressable market size. It's a tricky question to answer, it might not seem like it should be. But the reason that's harder is because a lot of what we sell consumer channels actually end up going to B2B. So it's hard for us to even answer exactly how big the 2 different markets are what I would say is that if you look at and a hybrid world in the future.

That means in many of our categories. The consumer side, meaning it's going to wind up in my home is going to be very significant. But we also think there's just a very large opportunity for us in the office especially Video Collaboration but in all of our categories. So it's tough one to say how much is in each one. We used to say in the non-Video

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Collaboration business that the total addressable market was probably kind of 20 consumer I don't think that's a bad number going forward in the VC business obviously that's almost all in the office. So you can kind of do the math on that. I mean it's a big opportunity in both places really big

Q - Unidentified Participant

Thank you. The second question would be on your design roadmap you or journey, let's say, yes. I guess couple of years ago, you were speaking about initiatives. I think it was the longest School of Arts

A - Unidentified Speaker

Yeah

Q - Unidentified Participant

Or else but if (Multiple Speakers) and I was wondering if you could sort of give us an update where you stand in your journey, what sort of initiatives are going on, what has come from these initiatives in the past, and where you heading

A - Unidentified Speaker

Yeah, so you know, I was saying now for many years that we're going to become a design company and that the road to being a design company is an exciting when it was still on it and I would say there is, there is no company that really is a design company that I can think of under my definition maybe there is a company called IDO. It's a private consulting firm and design, but we're. So what

We on this path. I talked about design 1.0 2.0 and 3.0. 1.0 is a decorate products at the end of the process we kind of used to be that a long time ago and we're past that there are a lot of companies are still there. Second is we design experiences around users for the various categories it in and then we bring that to market, and you can do that kind of an okay level, you can do at a good level you can do a great level.

I think we're doing a very good level right now where we're already listed as I mentioned this earlier, today we're already. This is one of the top 9 design companies by Fast Company along with Nike and others that we'd love to be mentioned with were humble, but that's a nice to be mentioned in that group.

We were in a lot of design awards. I think that's evidence of that. So we're going to keep improving that we're going to keep improve the design. And as we improve that capability we're going to bring it to more and more categories and keep bringing it into existing categories and cool thing about design is, the better you get to design, the better you can perform and create experiences for users. So we're getting better and better and better and we're not letting up or doubling out.

The third area of though there is really interesting and worth just at the very, very early stages of this. And I don't know anybody that's is doing this well is turning design

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backwards into the company and we believe that by bringing design into the company will be able to create a more engaging place to work more productive, more efficient, more effective, more creative, they're going to be a lot of benefits here, it's the earliest days more diverse by the way, more environmentally sustainable.

So this is the next big breakthrough out there, but it's out there. This one will take time. In the meantime, I'd say that second stage of design we continue to aggressively move down it and we've got great things that had great products and experiences ahead to bring the market.

Q - Unidentified Participant

Thank you. Well done guys.

A - Unidentified Speaker

Thank you.

Q - Unidentified Participant

Thanks, Mike.

Operator

And that concludes our Q&A session. Thank you for joining. A replay will be available on our website shortly.

A - Unidentified Speaker

Thank you so much everybody.

Q - Unidentified Participant

Thank you very much.

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