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Analyst & Investor Day

Company Participants

- Bracken P. Darrell, President and Chief Executive Officer
- Delphine Donne-Crock, General Manager Business Group Creativity & Productivity
- Nate Melihercik, Head of Global Investor Relations
- Nate Olmstead, Chief Financial Officer
- Prakash Arunkundrum, Head of Global Operations
- Scott Wharton, General Manager of Video Collaboration Group
- Ujesh Desai, Vice President and General Manager Gaming
- Vincent Borel, Vice President and General Manager for Creators

Other Participants

- Alexander Duval, Analyst
- Ananda Baruah, Analyst
- Asiya Merchant, Analyst
- Erik Woodring, Analyst
- Joern Iffert, Analyst
- Paul Chung, Analyst
- Rob Sanders, Analyst
- Serge Rotzer, Analyst

Presentation

Nate Melihercik {BIO 20814398 <GO>}

Hello, and good morning to those watching in the US, and good afternoon to those listening in from Europe. Thank you for attending our Fiscal Year 2022 Analyst and Investor Day. The team is excited to share our plans for the upcoming year. We've put together an agenda that spans the product categories and capabilities of Logitech, as each of our leaders will share their insights on the amazing products and solutions we're bringing to market. So, let's jump in. Bracken will start today with a view that looks ahead to the future of Logitech and we'll share the playbook we've used and we'll continue to use to drive long-term growth. You'll then hear from a select set of our senior leaders representing categories that will help us drive top line and bottom line growth. Scott will update you on our plans for video collaboration, where the move to hybrid work is just one example of the trends driving the enterprise market for video. Delphine will walk you through our largest category creativity and productivity and highlight the tremendous design and innovation that's being put into the workspaces of all people. The incredible rise in gaming and Esports has transformed the experience and product requirements for

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today's gamers. Ujesh will share the teams' approach to take advantage of this opportunity.

And then Vincent will follow up with a brief discussion on the incredibly dynamic and vibrant area of streamers and creators. If you've attended our Investor Days for the last few years, you are familiar with Prakash, who heads up our Operations and Sustainability efforts. Managing through a highly unpredictable environment that includes supply chain shortages and inflation has been no easy task, but Prakash will highlight some of the sourcing and manufacturing changes his team has implemented to support the high growth categories in which we operate.

And of course, underpinning everything we do is a staunch commitment to sustainability that helps our planet and also drives business results. To wrap things up Nate will lay out what all this means for our forward-looking financial performance. He will cover guidance for fiscal year 2022 and 2023 capital allocation priorities and a view on our long-term model. From there we will head to our question-and-answer session, which will include all of today's speakers.

And I must point out that today's presentation includes forward-looking statements, including with respect to future operating results and business outlook under the Safe Harbor of the Private Securities Litigation Reform Act of 1995. We're making these statements based on our views only as of today. Our actual results could differ materially including due to factors that are set forth in our quarterly report on Form 10-Q for the quarter ended December 31, 2021 and subsequent filings. We undertake no obligation to update or revise any forward-looking statements as a result of new developments or otherwise. We will also refer to non-GAAP measures. You will find a reconciliation between non-GAAP to GAAP results and information about our use of non-GAAP measures in our materials and SEC filings.

Today's presentation is being recorded and will be available on Logitech's Investor Relations website along with our press release, GAAP to non-GAAP reconciliation and transcript.

And with that, let me introduce Bracken, our President and Chief Executive Officer. Bracken?

Bracken P. Darrell {BIO 3403495 <GO>}

Thank you, Nate, and welcome to Logitech. While Nate is relatively new, I'm hitting my 10th year anniversary here at Logitech. It almost surprises me how excited I am. So much has changed since I started here. Our little mouse company was valued at about $1 billion and we were only in about 10 categories back then. We had listen to the experts say that our core was destined to decline. We had misstepped expanding our portfolio and we lost touch with our capabilities, but we had a rich history of innovation and engineering and so 10 years ago what I saw was potential.

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Since then, we built out our capabilities and expanded our portfolio. Over the past decade, our value has grown 12 fold. Our sales have tripled. Our profits were up more than 13 times and we're in almost 30 categories today and behind a strong innovation engine those core categories that many dismissed as destined to decline have grown for nine straight years with no-end in sight, yet I more excited about our potential today than at any point in my entire decade here. Our opportunity now makes anything we've done before look small by comparison. I came for a decade but the real excitement is just beginning, and I'm not going anywhere.

Today, we'll try to help you understand why Logitech's future is so bright. But before I go further, let's establish what each of us is here today, you and me. Allow me to start with speculation and why you're here. Most of you certainly want to know what our guidance is for the next year. And what comprises our long-term model. You will certainly get that. I imagine you're hopeful that you'll learn more about what makes Logitech long-term growth happen, or maybe you're hoping for more clarity around where we're going to place our bets. You'll get both of those today. But I bet a few of you will use this meeting to try to look beyond the data and the slides and the strategies to try to assess what we those of was presenting including me really believe about what the company's future is going to be. Why we're here. Let me remove any mystery about why I'm here. I'm here to fulfill a purpose for myself and for Logitech.

As a young man I wanted to have a positive impact on the world. Over the years I've come to realize the greatest impact you can have in life is to unleash the potential of others, your kids, your friends, your community, your team and yes, you will see an Logitech's case your employees and your customers and that is actually why Logitech exist too, to help all people fulfill their dreams and pursue their passions.

Our purpose is to enable all people to pursue their passions in a way that is good for the planet. That's our purpose statement. Three words here matter most. The first is passion. Why passion? We have to do so many things that were not passionate about in life. Our passions reflect who we really are or who we really aspire to be. Passion motivates us when it gets hard and makes us want to reach new heights. The passion to build, to create, to play, to teach, to learn, is in many ways the ultimate fulfillment of who we are as humans.

The second important word here is all. The world has grown and grown in prosperity and human opportunity but it's never been equal. In fact it's been terribly unfair and that's cost all of us, in growth, creativity and our own humanity.

Underrepresented groups have lived too long confined to the shadow. Products weren't made for them. They weren't in the advertising. They weren't in the movies or the leadership teams, the corner offices or the coaching staffs. By failing to be fair, we heard not just the underrepresented, we've heard everyone. We heard ourselves. So serving all people with a focus on the underrepresented is both the right thing for society and also the best thing to drive growth at Logitech. You'll see that in these presentations and in the years ahead.

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The third critical word here is Planet. For too long companies like Logitech built a positive impact with a negative byproduct. We helped our users but in the process, we hurt our planet and risked humanity's future. It's time to stop now. We will help all people pursue their passions in the way that is not less bad for the planet but in a way that actually improves the planet. Yes, is good for it. That means if we believe it, and we do we need to be carbon neutral as fast as possible. We took gaming carbon neutral in fiscal year 2021. We took the entire company carbon neutral last calendar year. We will stop at neutrality. We will be climate positive. We'll be taking more carbon out of the year than we're putting it within a decade. And we can't create plastic that winds up in the ocean or in landfills. We need to get it back and re-use it.

You'll see what we're doing to make this a reality one day. Well, let me frame how we think about our strategy. We've already talked about the purpose of Logitech or is it's called here or why. Next, we'll talk about where we play and how we win choices. Where we play is ultimately how we decide which categories we're in. How we win are the set of capabilities that comprise our advantages and our strengths that enables us to grow market share and win.

It also includes our plans, which are group of our leaders will take you through next. We've built our entire business on being growing categories. It's the single most important driver of our growth. Since my earliest days we focused on innovating for growth in existing categories because we believe they can grow and they have been. By improving our innovation engine we've grown our core every year for eight straight years. All of our key categories are growing today, it's 85% of our business. Any other categories were either milking for contribution margin or exiting, which I'll discuss later.

We love to be a big fish in small ponds and while the size of our ponds is growing the big fish small pond analogy still works very well. Our categories are generally pretty small compared to what's attracted to the big tech companies. If we're in a category we will always strive to be the leader and we usually are. In fact we're the leader in two-thirds of our categories. It's an old maths, most of the profit and therefore, most of the reinvestment money for growth is available to the leader in the category. So we either are or we aspire to be the leader in every category, we're part of.

Our global reach and we are global as any company can be, helps us build scale once for the leader which enables us to have lower costs and better innovation. The second block tells you about the next part of our growth strategy. But we're already in great markets. We're hungry for more. We believe we can deliver our long-term model without entering new categories, but we will never, never stop seeking new categories to go into any way. We are on the hunt for new markets we can grow into. We've quietly entered so many categories. We're in 30 categories now. So we never stopped pursuing the so-called seeds that could become the core growth categories in the future.

We've entered many this past couple of years. Lights, microphones, cabling, whiteboard cameras, services for rooms, docks, streaming services like you go on and you better believe we have teams working on more and more right now. Do they always work? Of course not. Many are stop before they ever go to market. Others go to market on a small

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scale, once you rarely see and stall out. And a few go broad. This creation of new categories, not only drives new growth but it's exciting and inspiring for our people.

It's a source of M&A ideas as we augment or replace seeds, but something we found that makes our internal new category effort better or simply further along, and we also exit or deemphasize categories. We give up on seeds or even total existing categories. We're not afraid to exit anything, if we no longer think it has the kind of growth potential we want. When do we stop seeds? Usually when the last passionate advocate for the seeds says, okay, let's stop, and that's usually me.

Then we give the team a bonus and we move them on to new jobs. That way working on a seed is not a career risk, it's another opportunity to learn. We also stop or scale down entire existing categories. We don't give up easily. But sometimes I reminded by the voice of my head, a voice of a boss you said when you are in a hole Bracken stop digging. When we stop digging through the years with life size, with home security with OEM and others the latest we deemphasized was Jaybird. These are thoughtfully debated but in the end weeding to de-emphasizing categories is as much a part of our model as adding new ones.

If a big part of growth is getting yourself into growing markets, the biggest part of growth is winning in them. Now let's talk about how we win. We focused strongly on capabilities, design and engineering for innovation is where our customers intersect with our technology.

Great design focus is our engineering capability against what matters, or as I told our engineering team nine years ago when we began to build this capability great design unlocks the power of our capabilities, all of our capabilities, including engineering. Great design and product management create the blueprint for great engineering to work. So design and innovation are a vital capability. Our go-to-market engine has gained power as we found new models improve them and begun to globalize them. We leaned into online sales and marketing many years ago in China when a key channel of distribution collapse suddenly. We are forced to learn how to win online. Lucky for us that happened because that online keep really is exactly what we've needed over the past five years.

Now we've expanded this globally and continue to grow that capability and as a result are leaders in online sales. So our go-to-market engine for the consumer businesses including e-tail is exceptional and we've spent the last four years building our go-to-market engine for the enterprise that is enable us to become of the leader in video collaboration in conference room equipment.

But we aren't nearly optimized for this yet as we continue to improve its capability. On top of that we have hardly started to use it for our non-video collaboration businesses to the enterprise, yet our homes are now becoming permanent secondary offices. Imagine what a huge opportunity this is for us. Our operational excellence has been extraordinary. You'll hear from Prakash Arunkundrum later, what we're doing and how, and he makes it sound easy. It isn't. It's an accumulation of 40 years of supply chain, sourcing, manufacturing and general operational experience embedded into everything we do.

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It's enabled us to avoid or minimize supply chain challenges, others have been crippled by and we are building new capabilities here all the time as well including the ability to be good for the planet as we make 200 million-plus things a year. We have a record of financial discipline that's enabled us to grow our business 3X times from where we started the decade ago, expand our gross margins and expand our operating margins dramatically.

Nate will walk you through our financial plans to drive that further growth in the years ahead. None of these is ever done. In design and innovation we keep changing our formula to drive innovation and market leadership. Adding new capabilities like software engineering, services and more in operations, we're transforming moving manufacturing throughout, Southeast Asia and beyond and in go to market we have already built a formidable direct sales force around the world for large companies, and we're not stopping. We're going to keep growing our capability of the enterprise.

All of these are still works in process. They will always be working on continuously finding new ways to grow them further, but taken together they are enormous forces and they unlock new growth opportunities, new where to play choices that we've never considered before. They give us a certainty in our ability to outperform others which explains why we gained so much market share through the years against big players and small focused ones in all of our key categories.

We are building new to always we never let up. Marketing is happening right now. Sustainability is on the rise and already we're a leader, and we're building other new capabilities to I'm not even going to talk about today. It's too early to credit any of those capabilities with our results over the past 10 years. But it's that too early for me to promise you. They will play a major role in our future growth. And beyond the lookout for one more surprise capability one day ahead.

Finally, we never stop working on one market -- that's not a surprise, our culture, our small company mindset giving people more freedom to run then they expect is part of the small company origin that we carefully protect. We know we aren't perfect. We know we have so many things to improve. We never stop learning. We are humble. We know we can do better. These are deep-seated aspects of who we are at Logitech.

In many ways these capabilities, all taken together are much more important than those product categories. Because with capabilities like these, we can build new positions in new categories and win in the existing ones.

Taken altogether our growing advantaged capabilities combined with our where to play choices of categories through the years has created a remarkable combination of opportunities. This unique to the world combination of capabilities and categories has enabled us to create unusually strong and consistent performance. It's been almost like alchemy the ability to turn iron into gold to turn average categories into great ones, to create new categories from scratch, and to create a tenfold plus value increase in a billion dollar mouse company. We are so different from what we were 10 years ago when I

started, actually we are so different from what we were three years ago. We are very dynamic.

But maybe some of you share my view. The best companies are changing rapidly now. Logitech, is a dynamic growth company and we're going to keep changing. It's taken us a decade they become both big and fast, that's because being a large agile company requires a history of smart bets. We spent multiple years working on both gaming and video collaboration before the world noticed. We've been working in virtual and augmented reality for over five years, and we won't let up because we know the metaverse will be significant one day and when our moment arrives it will appear as if we moved fast. That's why I'm so confident we'll have a wonderful business in the metaverse.

But most of that for another Investor Day. Now, let me briefly introduce our where-to-play choices together. They roll up into four incredibly exciting areas. The leaders of each of them, we'll talk about them later. As I said these four areas, make up almost 85% of our business and are frankly a dream for a long-term growth for a company in 2022. Inside each of these areas we lead in almost all the categories we play in. That's extraordinary too.

Speaking of market share or leadership, you know what the top criteria the number one criteria I look for and whether we can gain market share in the category, or we already the leader, because if you're already a leader you can subdivide your own market. You can drive your own step up. You can trade up your own users. You can innovate and obsolete your older model, being the leader in the market is a magical advantage and that's why we seek leadership all the time and we usually are.

Let's talk a minute about each one of these areas now. Everything is moving to video. We all know it. How can rooms not have video over the next five years as employees come into the office for occasional connection, yet work at home for quality of like most of the time. Most meetings will be mixed, almost all offices were required lots of video meeting rooms. Each of us is in this world already right now and we know it, only one in 10 room today is video-enabled and we video enabled more rooms than anyone.

The gaming market is unstoppable. The gaming phenomenon started when I was a kid, when I played Pacman and Paw and it grew up with me. It was inevitable that the games created at the dawn of the information age would one day be bigger than the games than been it before it.

It's happening, online gaming will keep growing and growing and growing its past baseball, basketball, American Football it's bigger than all of them for spectators and participants and it will pass the biggest of the them all one day football or soccer as Americans call it one day ahead of us.

In this incredible market with its remarkable future we are the leader in the tools players use like Nike use to those other sports. And the metaverse, gaming is driving the emerging metaverse right now and will drive our gaming category too. Ujesh will talk about that later.

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Creativity and productivity. The name we've given mostly to mice and keyboards has been growing steadily for eight years always in mid-single digits or around mid-single digits until now, it's growing even faster, and it's never been as attractive as it is right now as our offices moving into our homes and our work life rest across today in the weekend that little keyboard and mouse became more and more central to our lives. It's part of our home decor, it's always out it's always on. It's always there functionality, ergonomics, appearance they all matter now. Your home office is now your primary office in so many cases and the cost to improve your work life is so small. But the impact is so meaningful, virtually everyone watching this everyone needs an upgrade and we will eventually improve your life with better functionality, better ergonomics, better aesthetics, better appearance and we'll never ever stop trying to improve those and we will.

Streaming and creating this might well be the biggest opportunity, all one-day. Hundreds of millions of people are doing it now. Our kids would rather be digital creators streaming and creating than any other profession. Adults are doing it too in bigger and bigger numbers. I'll bet your kids are using TikTok, Instagram, Snap or probably all of the above.

Most of the world is destined to be part of the world of digital content creation, and then want to do it better and better. Because they want to turn it into a career part of minimum they want to keep improving themselves. They need cameras. They need microphones. They need tools. They need online services. They need more. This is juggernaut. You've not seen as much from us yet. Like our equipment in gaming, we provide the tools. You change the world. We provide the tools. That's our tagline. We provide the tools. You change the world. Stay tuned on this.

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I didn't bring Alastair, our Head of Design today, which is unusual because almost every other Analyst and Investor Day, I made him stand up here and present because we pack this agenda with the leaders of those incredible opportunity category areas and with our Head of Operations to sustainability.

I couldn't let this day go by without mentioning a little bit about this incredibly important capability. We work design schools like the Royal College of Art, the number one design go in the world for eight consecutive years. Also, Alastair Curtis, our heads (inaudible) and we never ever stop changing our structure and our focus. The design organization inside Logitech is true to its name in almost a perpetual state of the redesign.

We've won over 200 design awards just in the past few years. We're mentioned by McKinsey and Fast company and others for our design leadership, and yet to avoid getting too comfortable with ourselves and our internal processes we aggressively pursue outside influencers, challengers and designers to make sure we're always on the leading edge. Right now we're turning design inside to reinvent Logitech one small area at a time, so that we are a design company full of change and vibrancy, and transformation. I brought Prakash, who runs our overall operations to sustainability to give you an update on our relentless focus on operational excellence and our deep commitment to sustainability. I only want to make a few comments.

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First, thanks to Prakash and his team, we've been able to grow our business nearly 80% in two years. Deal with Unprecedented component challenges, manage inflation and outperform our competition in most of our key markets. This team is seasoned, it's deep and it loves the challenge and that's not all, they've been doing. They brought us to carbon-neutral in scopes 1, 2 and 3 all scopes reduced over 60,000 tons of carbon from our products to redesign, began to carbon label all of our products and if that weren't all enabled us to commit publicly to being climate positive by the end of the decade.

And on top of that, we've recycled plastic in two-thirds of our mice and keyboards and it will be 100% over time. These all lead the tech industry and we are just getting started. Let me close by saying what a thrill it is to be the CEO of Logitech, as we look out on the opportunity ahead of us in the next decade. We have built a Logitech behind a strong sense of purpose. Our remarkable set of capabilities into breathtaking markets. We've consistently proven the ability to execute with operational rigor and financial discipline. We have an innovation engine that we've built over a decade, the stronger now than it's ever been.

And we're building on our capabilities, including operational excellence, not only to win in these categories but to win in the new ones as we enter them in the future sustainably. Now you're going to hear from some of the leaders of our businesses, and we're going to start with Scott Wharton, who runs the video category. He joined us over six years ago now, straight from his last entrepreneurial venture and he has built a juggernaut in video collaboration. Scott?

Scott Wharton {BIO 21535553 <GO>}

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Thanks, Bracken. It's really great to be back to talk about Logitech's video collaboration category for the first time since the pandemic started. I'm going to cover three areas today. Our view of market trends driving video collaboration. Our view of our progress over the past few years and why we believe we are well-positioned to thrive moving forward.

First, let's start with the key market trends. We are tracking four big trends in the video collaboration space. Video moving into the mainstream. Video moving to the cloud, hybrid work and the opportunities it creates and lastly a shift from individual products to more of a systems approach. Let's walk through each of these. First, video becoming the norm and moving into the mainstream. It's no secret that the pandemic created this huge and it's an experiment of people working from home. Many were skeptical at first that it would work, but our experience has largely shown that it does work and we can maintain our productivity with people working nearly anywhere for the first time in history.

Industry estimates show that there are more than 1 billion knowledge workers around the world and about half of them plus or minus of these workers are working from home at some point in their workday driving an inevitable move to hybrid work.

The implications of this are obvious. Video is now the de facto norm for meetings and we will need more of it and improvements in it over time. And the pandemic expanded the

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use of video not just in traditional private sector verticals like finance and tech, but also an explosion and use in verticals such as government, healthcare and education prior to the pandemic video, we seldom them used in these verticals.

One implication of this is that the total addressable market for video has greatly expanded. According to Frost & Sullivan, they estimate there are now approximately 100 million spaces around the world that could potentially use video. The pandemic is creating a need for more small collaboration spaces, also known as huddle rooms and the need for video in classrooms is expected to grow substantially from nearly zero to millions of video enabled rooms. Even with all the market growth during the pandemic, we are still at the tip of the iceberg with an estimate that less than 10% of all these spaces have video, and then you will need to get it or have existing spaces upgraded as technology innovation speeds up.

We are far from done yet and there is much more growth ahead of us. From a dollars perspective, our industry estimates that the overall market for video collaboration gear which includes conference rooms and desktop systems like webcams and headsets et cetera were around $5.8 billion in 2021. We believe based on these industry forecast and some of our own internal assessments that this market will expand by nearly double to something like $10 billion per year, sometime in the middle of the decade.

A second major trend is that cloud-based video collaboration is now the dominant approach. Prior to pandemic things are already moving in this direction away from legacy and premises-based solutions. But the pandemic really turbocharged this trend. In most of the world, Microsoft Zoom and Google are now the three largest video cloud players. In China, they have a completely different ecosystem with Tencent, Ali Baba and ByteDance as the three market leaders. These charts show, what I think we intuitively know. Microsoft and Zoom had explosive growth during the pandemic, with hundreds of millions of daily users on these platforms as their primary way of doing business.

This sets the stage for strong growth ahead as all of these video users make the value of the network, even higher and drives further adoption. The third trend is about how hybrid work creates additional market opportunities. We intuitively know from our own experiences that hybrid work is booming. The data backs that up. According to a study by Global Workplace Analytics, they estimate that workers working from home more than a few days a week will increase more than 5 times to over 25% and this might even be understated. In some cases hybrid work conditions actually make some things more difficult due to the combination of people at home and in the office. With more people working remotely but also many back in the office, it's sometimes can be difficult to see what's happening in a conference room, especially with someone sharing content the people in the room can look small.

This creates an opportunity to improve the experience with multiple cameras and smart AI based software to go where the action is. Think about the experience of watching your favorite sporting event and apply that to what could happen with your next video call. The work from home experience also has challenges. Many people are still like this guy, working in informal setting like a kitchen or living room with a sub-optimal setup and perhaps sub-standard equipment, and if something goes wrong IT is oftentimes at a loss

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to figure out how to fix the challenges of remote workers with limited visibility for troubleshooting.

Many remote workers are still largely winging it, and they yet to upgrade their set up to get to a level they once had when they in the office. This creates a huge opportunity for those now settled in at home to upgrade their setup to move from today's hacks to tomorrow's productivity. And with the idea of a hybrid work that some people go into the office, two, three days a week this also presents a number of new challenges. Like, what does the setup look like for people who share their desks in large numbers? How do you even book a desk? And even if you can reserve a desk, how do you know that the colleagues you want to see they actually going to be there in person.

Today many of these solutions either don't exist or permit of using tools like spreadsheets and email to get the job done. We are going to need to do a lot better. This presents another huge opportunity for companies that figure out how to solve the hard desking challenge that nearly every organization around the world faces.

The fourth major trend is a shift from point products to full solutions and systems. As conference room requirements are increasing they're adding more elements into the room, but also adding more complexity. It is more than just a single camera in the room to contain with. There are video and audio devices, touch controllers, meeting schedulers, specialized camera to capture a non-digital content like a Whiteboard and other accessories and cables that all need to work in harmony.

While many of these device categories can now work together via standards they don't always work together in a way that limits IT complexity, and as these systems get more sophisticated, the problems get exacerbated. IT leaders are demanding their suppliers to provide systems of software and hardware that work seamlessly together to lower their total cost of ownership and reduce the complexity across the board.

Similarly, there are complexity issues at the desktop with more devices and the explosion of people working from home, IT managers increasingly visibility into how these remote devices are working and how to troubleshoot them, but they also want them to work together seamlessly and lower complexity and solutions and support costs. This challenge extends from rooms and desks to really the entire enterprise with collaboration space is coming in many different shapes and sizes, IT leaders need to fix these issues, not just in individual spaces, but across the entire organization.

So what are the implications of these broad trends? With video becoming the norm more video and upgraded video will be needed and purchased, the total addressable market has increased substantially with new vertical use cases on the rise because video is now firmly move to the cloud it allows companies adopt solutions much faster and speed up the level of innovation for the entire industry.

Equipment refresh cycles are way faster now. With hybrid work here to stay it will both increase the amount of video needed but also makes some things harder, but people disbursed at home and the office. These challenges will also create huge opportunities to

improve the meeting room experience, upgrade home workers and reinvent the (inaudible) players that help solve them and the shift from products for systems is driving increased complexity. IT leaders are demanding more streamline and system approaches to combat this complexity.

Now I'm going to turn to what we've done during the past few years to address these market trends. The pandemic created an up swell of demand for video collaboration. But this was not a temporary phenomenon. Video is growing, but the pandemic accelerated things by many years and thought all of us that video is not only useful but indispensable for work. We said in a prior AID that we thought it was possible for our video collaboration category, it's a $1 billion someday in the future. Well it happen just a single year during FY21 and it's not a pandemic fueled fab, while our sales were up nearly tripled year-over-year last year, we are maintaining a similar scale of business even as the pandemic recedes to a new watermark.

We report video collaboration as the $1 billion per year category. But we also report in categories of retail PC webcams and retail PC headsets in our audio category. Most of these sales are also for collaboration use cases but sold via retail and e-tail channels versus traditional enterprise and AV channels. When you add these categories together our total collaboration category is actually around $1.6 billion, the largest in the industry. At this scale, we are poised along with C&P to become a $2 billion a year product category.

Two years ago I showed this chart, demonstrating our progress to get to number two. In total VC equipment revenue, which includes legacy systems this was a dramatic progress from years earlier. Over the past six years we've evolved from being a very small player in the overall video collaboration space to a major one. We've grown steadily from 4% to 31% nearly one-third of the market. Well, two years later, we have not only caught up with the number one in the market, but we are now essentially tied for the leading revenue share. We've doubled our overall revenue market share from 15% to 31% and we believe it's possible that we will become number one in the near future.

In fact, when you look at overall units we're already number one in the market. Nearly one out of every two video conference rooms being sold worldwide is now using Logitech, I bet you didn't know that. No direct competitors even close. And when you exclude the legacy system still being sold and you just focus on the newer so-called USP or cloud devices, we even grew our share during the pandemic from about 60% to more than 60% last year according to Synergy Research.

One of the primary reasons we've increased market shares is because we continue to innovate, across the board. Let me show you a few examples. Last year we launched our appliance products Rally Bar and Rally Bar Mini. These devices are called appliances because they have their computing function built-in and don't require standalone PC to run. Both products have been very well received by the market. In fact, Rally Bar is not only the fastest-selling product in our VC group, but it's also one of the fastest-selling products in Logitech's history.

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One of the biggest challenges with video meetings is seeing the Whiteboard. We launched Logitech Scribe to solve this very problem. It's a specialized camera designed to work with whiteboards and capture non-digital content.

Scribe has also been well received, because it's easy to use just one click of a button to get started and it works with just a regular marker or posters and Scribe integrates tightly in with our cloud video partners like Microsoft, Zoom and Google. Logi Dock is a product of the pandemic, and I'm really excited about this one. It solves a number of problems around the home desktop including greatly simplifying all those of rats nest of cables on a desk. I'm guessing many of you right now have a number of cables all over your desk that you're looking at and you really need this product.

It's also designed from the ground up for the hybrid world to easily plugin and unplug many of your devices all with the single USB C cable and it's more than just the dock, it's also a speakerphone, a hub and a collaboration controller allowing you to mute your audio and your video it also gives you general reminders that your next meeting is starting.

How many of you have been late to your meetings recently because you lost track of time, and it also includes our trademark one-touch to join button regardless of what video platform you're using. No more searching around clumsily for the dial-in numbers and passcodes. We also launched RightSight 2 a few weeks ago. RightSight 2 is the next version of our AI-powered camera function that always puts the camera and the action and the people. RightSight 2 is a software-based and free upgrade to our appliance products. Building on the first generation we can now show both the full room view, but also the active speaker. This is a huge leap forward in fixing the remote worker experience of seeing better conference room and doing it seamlessly and automatically. Let me show you a short video now of how it works in action.

(Video Presentation) Two years ago we proudly reported our growing traction in Sync, our enterprise cloud management platform with 1200 enterprise customers using it worldwide, now two years later, our installed base is 20 times larger with more than 25,000 enterprise customers using Sync. The 25,000 enterprise customers is a lot and it's important because it gives us a direct relationship and valuable data and understanding what's happening with our largest customers.

We've continue to innovate with Sync. A few weeks ago, we extended our conference room service to desktop and personal devices. Now IT managers around the world can gain insights and visibility to their large, remote working staff then in many ways, was not an option for them previously. And our innovation is not limited to hardware and software. We're making great progress with Logitech Select our first major VC service with recurring revenue. It's just launched last year but it's already getting great interest and traction by leveraging our hallmarks of being simple and understand and buy with excellent value and at a reasonable price.

So you can see we've made great strides over the past two years, but we are far from sitting still as our founder Daniel Borel is often quoted inside the company success is

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never final. We are not taking our initial success for granted. Also, as you can see we've been actively innovating across hardware, software and services. The market requirements are shifting from point products and simple hardware to relatively sophisticated software and systems.

Those players who rely on outsource hardware and are not very strong in software and cloud services they're going to find themselves struggling in this new world. As the market moves through more software based one and as our customers demand more of a systems approach to solving their problems we believe the investments we are making in these areas are what the -- our customers need and that this will raise the bar on what it takes to win their business.

This next slide is one I used in 2018 and 2020 at AID. Our thesis is that the optimal balance for go-to-market is a global, but focused team of collaboration specialists. Startups have focus but they often lack scale and the large tech conglomerates they've got scale and tons of people but they're generalist as they lack focus. We have now built a steam out and we believe are in the sweet spot between scale and focus. And to be clear we're still in the journey of building out our enterprise focus field team, but we've come a long way and are forced to be reckoned with the go-to-market coverage globally in addition to our world-class product portfolio.

So to sum things up. We believe that we are in a great position to continue to grow and achieve success in this market. Video is here to stay and we will continue to grow. Hybrid work is creating some unique challenges, but also opportunities to solve these problems. New market requirements have increased solution complexity and are driving the market to adopt a more sophisticated software and systems approach.

And we're adapting and positioning ourselves to address and leverage these requirements. We've tripled our category in the past two years and despite all the new and robust competition continue to gain market share. We now have the largest market share and installed base with nearly one out of every two video conferencing system sold using Logitech. And with all of our continued innovation and investments in specialized and dedicated go to market capabilities, we believe we are in an excellent position to harvest all of this investment and continue to grow.

In short, we believe, and I believe that the best is really yet to come. So, thank you. And now let me hand it over to Delphine.

Delphine Donne-Crock

Hello, a warm welcome to you all. I'm Delphine Donne-Crock, and I lead Logitech Creativity and Productivity product category. It includes mice, presenters, keyboards, and combo. First you will see so much more. So let's go down to business. Let me remind you of our purpose in Creativity and Productivity. We design product expenses that help people and create, communicate, learn, and work in the digital world. All people this small word is key to who we are and what we do. It captures the enormous diversity of our audiences and inclusivity with which we innovate for them.

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It's also key to our growth. So let's take a closer look. We grew consistently through FY19 and between FY17 and FY19 we had a compound annual growth rate of 5% and we did is off the back of a growing market that was estimated to be $2.7 billion in FY19 and we grew our share of a three fiscal years by 2 points, growing sales in a growing market where we are growing share.

But then we changed our approach. We are incredibly proud of the innovations that help deliver early growth. Logitech MX Anywhere to Logitech K780 multi device wireless keyboard and Logitech MX (inaudible), but it's always healthy to be open to reinvention and that's precisely what we took a product category based around innovation of mice, keyboard and combo and we design our operations around the specific audience putting people at the center of our model. And we didn't do this for just one audience segment. We did it for many audience segmentation in our universe. C&P was no longer in single category with mice and keyboard at the center we've build multipoint opportunities around different audience segments.

Advance creators or advance users for high performance MX lineup. Lifestyle experience for those who enjoy expressing a sense of play and personalities through their technology. Anyone requires well-being while they work, communicate, create and land can reach for portfolio, and B2B audiences can benefit from Logitech wireless and reliability in the workplace wherever that is. An affordable and easy solution for the knowledge workers. It was no small feat to be on the team and operation around this new way of looking at C&P. It was worth it.

This audience specific approach unleashed accelerated growth. It started to deliver results before the pandemic. In the second half of FY20 sell through grew double digit as it took effect. And then the pandemic hit accelerating the impact of the changes we had made. We grew sales at a compound annual growth rate of 27%, in a growing market, the market has grown in value by over $0.5 billion in the past 3 years to approximately $3.5 billion where we continue to grow share plus four points in three years.

So looking beyond FY22 the future is full of opportunity. We put in the necessary changes to adjust our approach in FY19 and by FY20 the rest all spoke for themselves. The pandemic accelerated the effect and there is more to come. There more than a 1 billion knowledge workers in the world. Add to that the fact that the majority of milestone worldwide each year are entry level and you get a bigger opportunity. This base of knowledge workers without mouse or using a $20 mouse is an opportunity. Add to that the 150 million or so advanced digital workers are expected to come in the market by 2025 of which the majority have yet to join. We can estimate an addressable market of $4 billion where we can expect to take our share.

This trend is underlined by IDC's estimate that another 150 million PCs or more will be shipped between now and 2025 we had touched our products to the species. Add to that the hybrid work dynamic of people requiring more space to work from whether it be in the office, at home or elsewhere and we have an expectation of fulfilling this diverse needs. People need flexibility and we are best positioned to fulfill that. A few mistake to one space some offices may reduce their space, but we anticipate more workspaces when it all shakes out as hybrid work settles in.

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Lastly, we see further opportunities on the horizon. I have the details in my back pocket but I won't share them today. Enough to say they relate to new digital activities that different underserved for growing audience segments are pursuing and we also have trends like the metaverse on the horizon. Logitech customers rely on us for the tools that help them pursue their passions in the real world, and we already fulfilling those needs in virtual spaces.

As you know, there is a number of macro growth trends driving Logitech business. We positioned ourselves to benefit from this before the pandemic. They were accelerated by the pandemic and the continuing to the long-term. For C&P in particular the trend for working and learning from anywhere in business, a form of hybrid work continue to strive.

C&P offers a working learning, communication and creation experience for all people. Your workspace is your workplace wherever it is and we've established that will be more people using more workspaces in more places than ever before. The volume of new knowledge workers and digital creators entering the workplace cannot be ignored. 150 million by 2025 those are valuable to Logitech, and our experiences home great value for them because they understand and use the most precision premium tools in our range. Another important demographic is the exceptional opportunity and market size of China and other emerging markets.

China has a big audience of early adopters. The market grew 17% in China last year as well as being significant market opportunities for us. These regions represent a great place to learn and be creative, as I'll show you. And last but not least is the well-being opportunity. No one would run a marathon in sandals and our spend out work space for many requires AgroSolutions[ph] for long distance days. Similarly, there is a number of growth drivers linked to our own internal capabilities. With companies around the world rethinking their real estate footprints and office design, there is an evident opportunity for helping them with their refit. No matter what the workspace, accretive or social space in the office hard desk or dedicated space, home office, hotel, lobby, or cafe, there is a need for reliable wireless solutions personal to each workers that also meets the need of IT. As you know, Logitech has allow transparent and active commitment towards the environment. And C&P is working hard to do its part in driving down our carbon impact enabling a more secular world.

We manage Logitech largest portfolio and one key priority has been to increase the volume of post-consumer recycled plastic into our products. This is not an easy task. When combined with the aesthetic and performance demand of our consumers. But last month, we were still able to announce that 65% of mouse and keyboard units used PCR plastic up from our original target of 50% made in 2020.

So, yes, significantly up. And last, remember all these new audiences we added multiple new segments to innovate for and they're growing. I think you've got the point. We have some big opportunities. Micro trends are driving our growth. Our own capabilities are supporting our growth and we also gain share within growing markets.

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These cumulative growth is important and let's be clear Logitech is in the driver's seat for a lot of it. So, what's the recipe? We have five ways of taking advantage of the opportunity. First, our categories built around our audience segments and we've shared a few of them, MX, Lifestyle, Ergo and (inaudible). And we understand each of them because one size does not fit all.

What works for me at 5 foot 2 is not adapted for Nate who is a foot taller than me. Once you've understood with them you can innovate expenses on their behalf. That's people centered design and innovation. Third, each of these people at each workspace around the world recognizes Logitech, as a brand of choice for creating, working and learning.

We are creating brand love through our marketing with each audience. This combined with intelligent product innovation across the portfolio will also help us cross sell and keep that flywheel spinning from a $20 mouse to a premium $1,000 workspace. Fourth, there is a lot of run rate for Logitech and our consumer brand in the growing spaces of China and B2B. And I will share examples of this in a minute. And finally with sustainability we come back to people once again. Innovation for people, all people in all their diversity, and for the planet, we all inhabit. Aside from reducing carbon impact and increasing circularity which is the right thing to do, sustainability is also an increasingly significant issue for at point of purchase.

By making our work on sustainability transparent, we are giving consumers and customers an additional choice to make. What does it do for me? How much does it cost? Is it better for the planet?

And this approach, I'm describing is not a theory. We are already doing it. Let me give you a few examples. First, the world of B2B where the workplace is evolving every day. Today's work happens anywhere and everywhere, wherever there is a workspace there is a workplace. And that means, a meeting of mind between the IT Departments sinking reliability, security and business continuity, and individual seeking their own setup for their own personal level of productivity, collaboration and creativity.

How? Well it should be clear that our broad portfolio brings options that run the range of ergonomics, performance, design and value. These cater for individuals and business needs for flexibility and reliability. But we also innovate at an invisible level through software and solution like Logi Bolt helping people collaborate wirelessly in a work environment while keeping IT's mind at rest with high-end security.

Logi Bolt for business is the next-generation wireless technology for the workplace. It offers a secure, reliable, and robust connection. That's great for IT in a busy environment but also gives employees the flexibility to connect the way how they want. Next, the Logitech Signature M650 wireless mouse one name, two sizes, three colors and even the left handed option. An affordable mouse inclusive for all people giving the individual a personal level of form and comfort plus wireless technology and silent touch technology reducing click noise in the office space.

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It's even inclusive of all operating systems and has customizable buttons with our option plus software. Have a guess how much it cost? Just $40 and cost even less for the environment designed to use a significant portion of PCR plastic. It's a classic Logitech mouse in all respect welcoming old comers including newcomers to the brand. There is also the example of MAX lineup to understand this you have to understand who these 150 million new advanced digital workers are. There are many different types of creators graphic designers, video editors, architect, photographers, software developers, engineers that's why we developed the MX range representative of own that's cutting edge for innovation, integrating software and hardware experiences seamlessly, not because we are showing off what we can design and engineer, but because the creator audience segment who value the finest eye for detail in design and execution rely on our mice and keyboard to make them the best of what they do.

You can see it pays off. For the first time we are sharing details of growth inside this audience segment and we've more than triple the sales since in FY18. Lastly, there is pop mouse and pop keyboard a fine example of innovation for unique and growing markets that leads a spark in China before the fire spread globally in other markets. It's another example of how we are able to gain insight an audience segment and design for them with a personalized solution.

There are eight squabble emoji keys in the keyboards box and accretive software to type easily with Emojis, and you have the choice of three colors to choose for the mouse and the keyboard. The home package integrates the software and hardware experience across Mac and PC. If you want to dive in the consumer world as well as brand Logitech, now its the chance. (Video Presentation) These few examples on what we do every day thanks to the Logitech blueprint. By now you should have got the idea. Creativity, design and integration of hardware, software sustainability, diversity and inclusion all apply when innovating on behalf of a specific audience. There is a solution for own people for all their workspaces including you and yours. And whenever you discover us we have a habit of developing the relationship even those who discover Logitech, they have $20 mouse find that the relationship develops over time, even as far as a $1,000 advance creator workspace.

So time to wrap up. If you walk away with just three things from our time together today, I would emphasize this. One we are growth category driven by many big trends, some of which we can drive ourselves. Two at the center of C&P our people all people through an inclusive human centered approach, we are able to deliver solution for everyone that we are better for the planet. And three, we deliver constantly, you don't get to meet my team, which is a shame, because they are amazing talent, purpose and creativity distinguish them as does the excellence with which they operate. We have big opportunities ahead. Thank you.

Ujesh Desai {BIO 16528672 <GO>}

Hello, everyone. My name is Ujesh, and I'm the General Manager of our gaming category at Logitech, And today, I'm going to talk to you about how the gaming space will continue to drive growth for Logitech. But first start by talking about some of the macro trends that are driving growth in the gaming space and how Logitech plans to address these. We see

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four major trends and opportunities in the gaming space. First gaming is a mass, entertainment and social activity. Gaming is part of people's lives and it's something we inherently do. It's a way to socialize, connect and have fun. Second Esports continues to grow, both from a participation and a viewership standpoint, and just like you would invest in sports equipment to play sports gamers are buying high quality gears, so they can compete. Third, the advent of cloud gaming will expand the market. The ability to game anywhere anytime or expand the market to new entrants and these consumers will need gear to connect and play.

Lastly, gaming is driving the metaverse. The lines between the virtual worlds and the real world continue to blur, and gaming is at the forefront of this and driving this new metaverse. Let's dive deeper into each of these areas. First, if you look at gaming, it's no longer a fringe hobby enjoyed by just a small group of consumers. There are now 3.1 billion gamers worldwide. In today's digital age kids start playing games on their iPads, their iPhones and then they transition to other gaming devices, things like gaming PCs and consoles. And over the past decade games have become an experience encompassing playing, viewing and social engagement.

And in order to do this effectively you need high-quality gear our mice, our keyboards, our controllers and our headsets. In fact gaming is increasingly becoming the leading form of entertainment, especially with the younger generation. In a recent study GenZ said they prefer gaming over social networks, streaming movies and listening to music. And game live streaming reached over 34 billion hours in 2021.

The old days of kids saying they want to be a firemen or a police officer at Career Day that's just changed and now young kids want to be YouTubers and Streamers. For Logitech as gaming has become more mainstream, we've expanded our product line to appeal to a broader range of consumers, creating experiences that span from hardcore gamers that put gaming at the center of their universe to some enthusiast that purchase dedicated rigs. So they can immerse themselves in their favorite driving game, to streamers that want to create and share their experiences online and pro is that compete at the highest level, all the way down to new entrants and consumers that play to socialize and have fun.

This has been one of the major ways we've continued to drive consistent growth year after year. And while gaming is burst into a central form of entertainment around the world Esports has grown into a full industry in its own right. From a revenue perspective, the Esports market is projected to generate $1.6 billion in revenue by the end of 2024. It's quickly getting bigger than some traditional sports but it's built on some of the same principles of selling sponsorships, media rights, merchandising, streaming et cetera. And because it's a digital platform, it's easier to participate than traditional sports. You and I don't have to be in the same zip code to play or watch. As a result, the global Esports audience is massive. They were 474 million total viewers in 2021 and 234 million of these were enthusiasts.

And these enthusiasts want high quality gear to perform at their best. The analogy I like to use is golf or tennis where participants want the gear they see the athletes using all in the pursuit of improving their performance. For Logitech, our partnerships with top Esports

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athletes and organizations has enabled us to design gear that helps perform at their best. Our products are designed to the exacting specifications of pro athletes and it's one of the reasons we're one of the top brands used by the pros.

We then leverage these designs and learnings into products that we sell in the broader market thereby driving even more growth. The latest example of this is our new Pro X Super light wireless gaming mouse that's doing extremely well. Now cloud gaming will expand the market even further. It's being driven by large companies like Microsoft, Nvidia and Google enabling users to stream high-end games across PCs, tablets and even their mobile phone.

It will give gamers instantaneous access to deep game libraries and enable them to play AAA games on lower cost devices. If we look at where cloud gaming lies, it's this middle sweet spot between casual mobile gaming and deep immersive gaming experiences. It's the notion of having these grazing experiences where you can play wirelessly in your home, but not be tethered to a specific device.

And this new paradigm will open up the market for Logitech, as these players will in turn need better peripherals in order to play these games and interact with others in these virtual worlds. Now our investments in design and technology specifically areas like wireless innovation have given us a competitive advantage. Our Lightspeed wireless technology, which started on the PC with gaming mice is now available on our keyboards and our headsets.

Lightspeed provides gamers with high-performance, low latency wireless gaming gear with amazing battery life. And this will become even more important as gamers access the cloud to play across a variety of platforms and they want their wireless gear that they can move around easily, because gaming has become a way for people to connect and socialize and have fun. Game publishers and content creators, are leading the way in the creation of the metaverse. Here's a quote from a recent news to report on the metaverse saying that if web developers where the architects of the Internet where Web 2.0 then game developers will be the architects of the metaverse and Web 3.0. And the metaverse will in turn accelerate the number of new entrants in the gaming space as more folks want to get together in virtual worlds and socialize. Also, the integration of non-gaming experiences within these virtual game worlds will foster even more social experiences, things like in-game concerts, fashion shows, product placement and IP partnerships.

In fact, more than 33 million people attended a Little Nas X concert in the online game platform, Roblox. Now the same new study showed that interest in the metaverse increases intend to start playing games and that 77% of non-gamers indicate they will play games in the future, and 70% of our consumers said participation in the metaverse would increase their gameplay.

As I mentioned game developers, artists and creators are at the forefront of creating the experiences that gamers enjoy in the metaverse today, and while companies like Microsoft, Epic Games, Roblox and even Meta Facebook, maybe building the metaverse

for the future, Logitech and our products are the link between the physical world and the metaverse.

We will continue to own the relationship with the individuals in those spaces via the tools and peripherals, they use our mice, our keyboards, our headsets, our microphones, cameras, lights, stream labs software and more. Our gear will be the key to access interact and create in those spaces. And, Vincent will talk more about this in his presentation.

Now today, our mice and headsets allow you to click around communicate effectively and transport you and your actions into the digital world. In the future imagine our gear might also detect when you're in the zone where you need to take a short break. Effectively our hardware will protect and enhance you in the metaverse and keep you grounded as you live more and more online.

And as gaming and the metaverse evolve and merge listening and speaking become an even more critical part of the experience. And Logitech is uniquely positioned for this with our dynamic range of audio and voice technologies that create comfortable solutions for every head and voice across all platforms and devices. Now more than ever gaming continues to be a strong growth category from being at the core of entertainment and social interactions to creating new ways to compete in sports, to driving the future of digital worlds and the metaverse and finally using the cloud as a way to expand even further. And Logitech is well-positioned to capitalize on this growth through our leadership in design and technology, our portfolio expansion and our physical connection between the real you and your virtual self. Thank you. And I'm going to hand it over to Vincent.

Vincent Borel

Thanks, Ujesh. I'm really excited to talk to you today about Logitech for Creators. The world is changing. Individual creators have extraordinary power over culture and business. Today I want to share with you the trends that are shaping this emerging creator economy how Logitech is uniquely positioned to make the tools creators need, so they can change the world. GenZ are the first generation born in a world where everyone creates content. Creators are the new rockstars with the difference that everyone has a shot.

Take Khaby Lame an ex-factory worker in Northern Italy. He blew up on TikTok after he got laid off due to COVID. He now has more than 100 million followers. He has become a millionaire and perhaps more importantly, an inspiration to so many creators out there. By the way Khaby Lame is not affiliated with Logitech.

In this new world we aspire to help all creators pursue their passions by unlocking their extraordinary potential. Creators are really the most influential people of the next decade. We're moving from Media Corporation producing hundreds of millions of TV shows consumed by billions to millions of independent creators creating millions of shows daily catering to billions of people.

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Over the last decade creators have been making money almost exclusively via ad rev share and brand sponsorships. In fact influencer marketing revenue grew more than eight times in the last five years to reach nearly $14 billion in 2021. The reduced effectiveness of traditional ads in the stricter privacy laws will further drive the growth of influencer marketing. It is estimated to quadruple over the next five years. But brands are no longer the only ones reaching consumers. Creators are building direct authentic connections with consumers and building loyal fan bases.

A recent survey by UTA revealed that 40% of consumers in the US have already paid creators directly. They're paying them to support them to get access to exclusive content and shout-outs for virtual meet and greets much and more. The momentum of the creator economy has also caught the attention of venture capitalists. Investments totaled $5 billion in 2021. This capital infusion is enabling the creation of a new set of services and platforms we're creators have more ownership. The big platforms like Facebook, YouTube, TikTok can feel the tide is shifting. They're actively looking for ways to keep creators producing content on their platforms. To that end, the major platforms created $1 billion funds for creators in the past year alone. The platforms have also started to introduce more direct ways for creators to monetize their audiences as they see a fast-growing number of creators centric platforms gaining traction.

Instagram announced creator shops. Twitter launched their Super Follow. TikTok rollout Creator Next. (Inaudible) introduced monthly membership and so on. These are the trends driving this opportunity.

First, the creator economy is booming. There is already a 190 million creators globally today. Creators influence on the world is undeniable and Creator first companies are flourishing. Second, creators need help. Less than 5% of creators earn enough money to make a living but that's rapidly changing.

Third, there is a diversification of creator monetization. Although ad rev share has been the main source of income for most creators, Web 3 and cultural shifts are giving rise to new direct monetization models. Last, there is a shift from products to solutions. There is a growing recognition that these new creators need simpler, smarter, more holistic solutions. So that they can focus on sharing their passion.

As a result of these trends we're seeing the emergence of creators as businesses of one. Business that need tools and services to create content to grow and own their audiences, to monetize their audiences online or offline and ways to efficiently manage their business.

The potential of this burgeoning creator market remains largely untapped. It's a fragmented market with surprisingly few solutions for creators, much of what exists are individual products designed to serve a very different creator landscape, legacies from professional photography, recording, broadcasting or film studios.

As a result, creators have been left to figure out which products are right for them and device their own hacks to make them work together. It's not a surprise, the new creators

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are eager for turnkey solutions. That is why we're moving from making some of the most popular products and services, like our Yeti Mic or Streamlabs Streaming Services to offering plug and play studio solutions that ladder up to creator studios whether you create in a dedicated space or anywhere.

Our studios will cover the creative process from ideation to creation to promotion and monetization. Let's look at our dedicated studio. It provides software microphone, camera, and light solutions that are simple, affordable and just work. Take Litra Glow our new monitor amounted light designed for all day streaming. It pairs perfectly with our stream cam to help creators get to look they want, no matter their room set up both the Litra Glow and the stream cam can be configured in our single software application and creators can easily use G keys to control lights, activate voice effects on their Yeti Mic and more. Our anywhere studio is for those creating away from their desk. Now recording and streaming your story from anywhere used to be incredibly expensive and technically complicated. The cameras and equipment you needed would easily fill several cases.

Our new wireless new boy[ph] ecosystem revolutionizes this with cameras that can fit in your back pocket and multi-camera directing that's controlled from your existing smartphone with just a few taps on the Mevo Multicam app creators are on their way streaming or recording compelling stories with the set up that's portable, affordable, beginner-friendly.

The backdrop for our creator studio is a unified brand signifying our long-term competitive advantage of bringing together Logitech, Blu, Mevo and Streamlabs into Logitech for Creators representing a unified experience where the different parts come together to seamlessly amplify each other. One unified brand will more efficiently build brand equity and established Logitech for creators the brand that makes solutions for and with creators.

In short we make the tools. You change the world. Thank you. And now I'd like to turn it over to Prakash to talk about operations and sustainability.

Prakash Arunkundrum {BIO 21771980 <GO>}

Thank you, Vincent. It's great to be back to talk to you about operations and sustainability. First, let me start with an operations update. Supply chains have been in the news since the pandemic started. Many of your questions to Bracken and Nate were on this very topic, so how are we doing? We're having another solid year of operational execution.

This fiscal year will mark another record for the units we shipped from our factories to customers and we scaled on top of a huge growth year last year. Despite the COVID restrictions our design, engineering and operations teams our delivering 40 new products are simply put, we're continuing to innovate. We have diversified our manufacturing footprint in China and outside China adding new partners, more capacity and a lot more new sites.

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We now have more automation in our factories and just in our own factory up 50% from 30% last year. Ultimately, all of this has enabled us to create more availability of products, and we've grabbed more market share gains. Underlying these achievements, our quality excellence continues to deliver high quality products to customers. Just a quick reminder first, our operations are diverse and global. We've been delivering profitable growth over the years. We manage a diverse portfolio of brands and categories, high quality products that went on to win design awards, Bracken talked about this earlier allowing us to run a highly cost optimized operation.

But really at the core of this is our operations. We source several thousand components from 100s of key suppliers globally, and over the last year we've been adding dual source components and alternate suppliers. On manufacturing, we have a unique blend of in-house and outsource manufacturing capability.

We're now able to manufacture a diverse range of product, everything from a $4000 Rally Bar all the way to $10 mouse. This unique capability enables us to scale faster and we are making more than 200 million products a year. Our global distribution reaches 80 countries through retail, e-tail, distribution, and direct customer models. We have shipped over 200,000 cubic meter volume through many modes of logistics last year.

Through all of this we are currently reaching millions of end users through many diverse channels. Look, the past two years has been challenging. The macro environments the most challenging, I have seen. Perhaps the most accelerated trade volatility, the world has seen since the World Wars.

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The semiconductor component markets much tougher, port congestions, higher inflations, they've have been in the news kind of regularly and this is certainly affected us. We have also more variability in our category markets that make us modeled a range of possible scenarios, challenging really how we forecast. And we're still not done with COVID related disruptions and taken all of these things together some will call this a new normal while it may be the new normal the implications are still challenging to navigate for any operations including ours.

So how are we doing, and what's our operational excellence focus. We have several key capabilities that have enabled us to be resilient and continue to execute successfully through this uncertain landscape. First up cost focus. Our own factory gives us insight into costs, our longstanding relationships with strategic component suppliers enable better supply. Our practical value engineering experience helps us to make rapid second source qualifications happen. Second, our footprint, our manufacturing footprint. We've continued to build a flexible operating model to diversify our footprint in and outside China, and this is given us the flexibility to move production in response to COVID and any geopolitical issues.

Third, quality. Our product quality actually extends beyond production. We really use a customer lens to identify potential issues before they happen, and despite nearly doubling our sales since FY19, we've maintained and improved our quality as measured by returns, but also our average star rating.

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Our supply chain is actually customer-centric and we manage over 5,000 SKUs shipping all over the world. But the disruptions last past year and past two years we've really upped our game. We're planning much faster. We've built analytics horsepower. We made targeted strategic inventory bets. We built strategic logistics capacity, and put in place much closer customer collaboration.

As I mentioned last year our speed is our key advantage, and the secret to that speed is our people. We have a flat organization with people empowered to make decisions quickly. Our diverse global talent actually gives us the advantage of multiple perspectives and new ideas.

And look, we know we can always do better and this mindset makes all the difference when faced with accelerated volatility. So to sum it up, our capabilities have enabled us to be resilient and continue to grow in spite of market conditions. Now I'm going to switch gears and talk about sustainability. Why does sustainability matter to you?

In addition to helping the planet, it's also a great business position and an opportunity for Logitech. You already know this. Your institutions cover this very closely. Consumers used to want to buy sustainably, now they demanded, every consumer survey we have seen confirms this.

Just to name two 82% of consumers say that sustainability is more top of mind now than it was before COVID-19. 83% of US millennials consider extremely important that companies implement programs to improve the environment. Sustainable brands also grow faster. You just have a look at the growth rate of the Dow Jones Sustainability Index companies versus others.

Climate risk is also being used to evaluate risk, B2B type property or a global public company. This is why I believe that brands that embrace sustainability will thrive even more than we can imagine today. Let me now talk to you about what we are doing at Logitech. Look, this is our mission statement. Bracken talked to this in the beginning and we're building sustainability right into the purpose of the company, not to be less bad for the planet but to be good. Impossible for a company that makes 200 million units we don't think so. Actually, we've been working on the sustainability for years. Last year, we've actually published our 13th Sustainability Report and in 2019 we announced formal support of 1.5 degree climate pledge and then in 2020 we pledged to provide uncommon carbon transparency in other words, carbon labeling all our products.

And look, we know through the revised IPCC estimates last year that reversing climate change concrete so we decided to accelerate our climate strategy last year and became carbon-neutral on our entire lifecycle carbon and not only that, we pledge to become climate positive by 2030. In other words, taking out more carbon than we create by 2030. We're unique here in the tech sector, very few companies are carbon-neutral not just carbon-neutral on our footprint, but the entire footprint. And even fewer are on the path to climate positive. I'll credit Microsoft for being the only other company to talk about the climate positive approach.

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So how we're going to do this? Let me talk you through what our strategy is to achieve these ambitious goals. Our climate positive strategy has three key pillars. First and mainly reducing our footprint using design for sustainability principles really to achieve footprint reduction not just in our operations, but also the extended value chain by rethinking product design and rethinking our operations. I'll talk about this more next.

Second, driving ambitious uptake of renewable energy. As part of our renewable energy 100 pledge we will get to 100% renewable energy for our operations but we're not stopping there, we're driving the renewable energy across our value chain.

Third, we adopted a climate positive approach which also means we're investing in carbon removal, while we work to reduce and renew. Last year, we invested in a carbon removal project in Hainan, China where more than 40 million trees were planted taking out about 450,000 tons of carbon dioxide. Lastly, and most importantly we're rethinking our business invoking circularity principles in really looking at our raw materials and how we manage with, and I'll talk more about it in a bit. Our goal ultimately is to fundamentally impact our carbon footprint across sourcing manufacturing, our offices, transportation to consumers, energy use when you're using our products, all the way to end of life. We're seeking to remove more than -- more carbon than we create in entire footprint.

And so how are we doing? So far the biggest number on this page here, is our carbon intensity. Our carbon generated per dollar of revenue. It's down 20% since 2019. We did this while continuing to grow. That's a net reduction of 140,000 tonnes over the last two years.

We established a multi-year program to rescue plastics that were bound for landfill really enabling a circular supply chain to be used directly in our products. Last year we shipped 62 million devices with recycled plastics more than 8,000 tonnes of virgin plastics removed, one-third of our portfolio has recycled plastics and 65% of the creativity and productivity mice and keyboards now use recycled plastics.

I talked about renew, clean energy is a big focus for us. It central to our new pillar in our climate positive strategy. We're already at 92% renewable energy in our operations and we're working with our suppliers to convert their factories to renewable energy use. And we're making many more materials, more and more sustainable a few are listed here. And last but not least, as of 2021, our entire footprint is carbon-neutral.

As I mentioned earlier, we're using design for sustainability principles to achieve carbon footprint reduction and doing that without sacrificing good design. And you could see here just three products that we have as an example where we've reduced their carbon footprint while delivering new and better experiences.

MX Key mini's 10% less carbon, pop mouse 18% less carbon and G435 headset 40% less carbon. Doing this all while delivering amazing consumer experiences. And we continue to innovate on packaging. We have reduced the volume and also are using more sustainable materials.

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Our goal here is very simple. No single-use plastics using forward stewardship council paper, no PVC smaller better packaging. And you can see how we eliminated millions of plastic bags and plastic clamshells just last year more coming.

So last year, I talked to you about our carbon labels. Look, the idea is very simple when you're at the supermarket, and you pick up a bag of chips you flip to the back you see it right there, the amount of calories, you would consume 200 calories in the case of potato chips that you might buy. And we believe carbon is the new calorie. You, as a consumer, should know what carton you're consuming. And we are the first consumer electronics company to commit to provide life cycle carbon information openly and transparently. And we're doing this so we can be held accountable, but you as consumers can actually make informed purchasing decisions. And we know we can't change the entire ecosystem alone. So we've opened up our entire carbon impact methodology, measurement process, all for others to use and to label their products so we can influence this together.

So meet here, our carbon label products as promised. Some are already in stores. Others are hitting shelves soon. And you can also check out our website where you have the details of the carbon footprint of each of these products. And you see a lot of different numbers here, many with the number eight. And in case you're wondering, 8 kilograms of carbon dioxide is equal to about 1 gallon of gas.

Now I want to switch gears and talk beyond carbon labels and design for sustainability. We're also proud members of the climate pledge. Next time you're shopping on Amazon, on a page like this, you can see us listed as one of the few peripheral brands when you select the climate pledge friendly filter on the top right. We're influencing consumer purchasing on sustainability where it matters when they look for products in their shopping experience.

And I just want to say, with all these efforts, the awards and the acknowledgments are pouring in. We're listed on major climate-oriented indices. This is a snapshot of some of the key recognitions we received last year. And look, the experts, the world is starting to notice us, but I think we're just getting started.

To summarize, we're focused on maintaining resilient operations with a focus on high-quality while making cost-optimized products, all moving through customer-centric supply chain. And taken together, these have already resulted in sustainable profitable growth and operating leverage, and we've delivered amazing experiences to our consumers and built our market leadership. Underpinning every one of these things is this mindset of pervasive sustainability that I talked about, which helps us build to a path of a climate-positive world.

So thank you for letting me share our achievements with you. And with that, I'll hand off to Nate.

Nate Olmstead {BIO 21036514 <GO>}

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Thank you, Prakash, and well done on managing our operations in quite the turbulent environment. As you've heard today, we are very excited about the road ahead for Logitech. Bracken opened by talking about our capabilities and categories. Let me break this down to the simplest possible terms. Our ability to deliver strong long-term growth is primarily based on three factors. We compete in large growing markets, we gain market share because of our innovation and design capabilities and we turn this into profitable growth through operational excellence. And as you've heard from our business leadership, these factors apply across our portfolio of categories.

Today, I'll walk you through how these strategic and operational drivers translate into financial performance. My presentation agenda and format will look familiar to you. I will start with a view on how FY '22 is closing out and then walk you through how we think about investing in a very dynamic macro-environment. We will close out this portion of the day by taking a look at our capital allocation strategy, providing our initial view on FY '23 and share our perspective on our long-term model. So let's start with wrapping up fiscal year '22.

We are maintaining our recently increased outlook, which calls for net sales growth of 2% to 5% in constant currency versus our exceptionally strong prior fiscal year, and non-GAAP operating profit of $850 million to $900 million, which is $100 million higher than our initial outlook at last year's AID. Looking ahead, we're investing in key areas of the business, always cognizant of the fact that these investment decisions should be highly targeted, efficient and require trade-offs.

I've listed here a few investment opportunities that we are pursuing. While not exhaustive, it's indicative of how we think about investing in the business to drive growth. Our markets have gotten bigger, and we are winning in higher ASP categories across the portfolio. We see opportunities to sell innovative products to these larger, more attractive markets. Our investments here are focused on R&D with the intended result being a robust, consistent slate of differentiated product launches across the business.

Second, we can grow faster by selling to new users and better selling our entire portfolio. Our strong product reviews tell us we're delivering value to our customers, but we need to increase awareness to connect more users with our products. We expect our increased investments in brand and performance marketing to enable this growth.

Our third opportunity is in the enterprise space. We have less market share in enterprise than consumer. So we continue to invest in B2B sales coverage and tools to take advantage of this market opportunity. These investments are expected to not only benefit our video collaboration category, but also drive increased sales and market share for C&P products like mice and keyboards.

And finally, as you've heard from Bracken and others today, we see nice growth opportunities to expand into new categories. We're doing this across the portfolio. And Ujesh and Vincent, in particular, described emerging growth areas like the metaverse and serving the evolving needs of content creators. We continue to navigate dynamic market conditions on multiple fronts.

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I'd like to specifically address the recent and unprecedented situation in Ukraine. I'll touch on a few areas where we are currently evaluating potential impacts. However, it is impossible to fully anticipate or quantify future implications depending on how the crisis unfolds. As a result, we have not factored this into our guidance for FY '23.

Based on the information we have and the fact that Russia and Ukraine made up approximately 2% of our total sales year-to-date, we believe the impact to Q4 '22 will be immaterial. Looking beyond the situation in the Ukraine, we are clear-eyed when we think about potential headwinds, which may persist in fiscal year '23 and the actions we need to take to manage through them.

As you heard from Prakash, his team has built flexibility and redundancy into key elements of our operations, and we're adapting and adjusting on a regular basis to changes in the macro-environment. For example, a return to more normal inflation rates is likely several quarters away or even longer, especially in the event of rising oil prices or other impacts related to the Ukraine crisis. We need to tightly manage discounting and use our pricing execution experience to help offset these cost increases. And we are similarly cautious in our view regarding the near-term alleviation of supply chain challenges, which also includes potential impacts from the situation in the Ukraine and Russia. We will continue to leverage our balance sheet and sourcing relationships to seek a competitive advantage in the market and find alternate transit routes as necessary.

And finally, there are always unknowns when it comes to marketing and promotional effectiveness. We are monitoring these investments closely and remain focused on those that drive results. It will be another dynamic year. But once again, I expect our diversification across categories, customers and geographies to be key in softening the impacts of headwinds.

So now let's shift gears and talk about our capital allocation strategy. Our plans with respect to capital allocation remain unchanged. Above all, capital allocation will focus on investing in the business. We have great opportunities across the portfolio, and we utilize our strong balance sheet to ensure supply and make purchases of long lead time components as needed. We look to keep these bets narrowly focused on our highest volume products and where we feel we have our strongest market positions. This helps to capture upside and reduce risk from unforecasted demand shifts.

Next, we actively review potential M&A opportunities. We remain prepared to acquire when we identify a target that can accelerate our entry into a new category or strengthen our position in an existing one. In addition to organic and inorganic investments, we've used our stronger cash generation to increase capital returns to shareholders. We've returned more than $1 billion over the last three years. And we plan to continue our share repurchase program and payment of an annual dividend.

Now let's talk about our outlook for FY '23. I'll start by saying I'm pleased that fiscal year '22 has shown the sustainability of the greater demand we experienced in fiscal year '21. For fiscal year '23, we once again project to grow the business, although at a rate below our long-term model given the macro uncertainties that I spoke of earlier. As such, we are

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projecting sales growth of mid-single digits in constant currency and operating profits of $900 million to $950 million, which implies that at the midpoint of the outlook operating profit will grow faster than our projected revenue.

In terms of category growth, we're excited about the sustainability of demand in VC, creativity and productivity and gaming and have conviction that the overall trends in these categories are durable and long term. For next year, we think C&P and gaming will be flat to up 10%, while video collaboration should grow a little faster, up 5% to 15%. Our combined music categories are expected to be down 5% to 15%, similar to last year driven by declines in mobile speakers and Jaybird.

Given the dynamic macro conditions, we are keeping our growth ranges for the categories pretty wide, while our growth range for the overall company is much tighter. If every category grew at the top of its range, we'd be well above our overall company guidance. Similarly, if each category only grew at the low end of its range, we'd be below. While either of these scenarios are, of course, possible, we don't think they are particularly likely this year.

Looking out to a slightly longer time horizon, we are confirming our long-term model projections for sales growth, gross margin and operating margin. For the reasons we've discussed this morning, we believe that long-term annual sales growth of 8% to 10% is achievable. And while our fiscal year '23 guide for revenue growth is mid-single digits, we think the combination of strong velocity heading into fiscal year '24, helped by a return of a more normal predictable supply chain and inflationary environments, should provide the foundation that allows us to optimize our business and reach our long-term model growth expectations. As for profitability, both our gross margin and operating margin expectations for FY '23 are within the long-term model ranges.

So what does our long-term model imply about the future size and profitability of our business? Let me walk you through one example. If we take our FY '23 guidance plus four additional years where we meet our long-term model expectations, it implies FY '27 with annual sales of $7.7 billion to $8.4 billion, along with an annual operating profit of $1.1 billion to $1.4 billion.

There are a number of scenarios that would result in these ranges of sales and operating profit. Let's look at one possibility of five-year category growth. If we assume that C&P grows at 8%, VC 14% and gaming at 9% while music declines at 10%, we would meet the growth in our long-term model. Some of you may doubt that this is possible or associate this growth with us only during the first year of the pandemic. However, for the five years prior to the pandemic, we grew at rates consistent with or above the 8% to 10% annual sales growth reflected in our long-term model. So really what our long-term model represents is a return to pre-pandemic growth but off of a larger base.

Given our strategies, operational execution and people, the goals of the long-term model are achievable. And for these reasons, we are so excited about the future of Logitech.

Okay. And with that, let me turn it back to Bracken.

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Bracken P. Darrell {BIO 3403495 <GO>}

Thank you so much, Nate, and thank you, everyone, for these impressive presentations. You can imagine, I am really proud of this team. We have an all-star team throughout the Company, and this is a great representation of the kind of talent we have.

In a moment, we'll take questions, but I just want to close by saying it's an incredibly exciting time. We have amazing capabilities, and we just keep doubling down and building more and building the ones we have even better. We have incredible market opportunities in businesses that are really established now and have so much growth potential. I know you could see that in the presentations. This is an exciting time for Logitech. I can't wait to take your questions. Give us just a minute to get to the same room, and we'll start.

Welcome back. I hope you got a refill in your coffee cup if you're here in North America or something stronger maybe if you're over in Europe. We are ready to take your questions. As you can see, all the presenters are here with me. So Nate, let's start to queue them up.

Questions And Answers

A - Nate Olmstead {BIO 21036514 <GO>}

Great. Thanks, Bracken. Our first question is from Asiya Merchant from Citi. Asiya?

A - Bracken P. Darrell {BIO 3403495 <GO>}

Hey, Asiya?

Q - Asiya Merchant {BIO 20247269 <GO>}

Hey, good morning everyone. Hope you guys are doing well. So just a couple of questions. I know Bracken, Nate and the rest of the team shared a lot about ASP premiumization across your portfolio. And that's one of the things that we often hear from the bears and skeptics that unit volumes perhaps may not be as strong as they were during the pandemic for several macro reasons as well.

But if you look at your ASP premiumization strategy, is that what's underlying kind of the growth rates that you guys are talking about more near term and then, of course, longer term as well? So if you could break down just as you think about unit mix versus ASPs perhaps within your VC portfolio or your gaming portfolio or even your creativity and peripherals portfolio, that would be great.

And then if I think about these higher-end ASP products, theoretically, they should lead to higher gross margins, excluding the near-term effect of the supply chain cost whether that's 2% or 3% here with the elevated componentry and elevated air freight associated costs. So if you could help investors answer those two. That's what I hear a lot about. Thank you.

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A - Bracken P. Darrell {BIO 3403495 <GO>}

Okay. Thanks. I'll jump in first, then Nate will jump in. We may (Multiple Speakers) as we go. First of all, we think they're both volume and ASP opportunities, and we haven't broken it out here, so it's a little hard to see. But you saw from all the presentations that we're a premium product company. We are absolutely driving mix. And if you looked over mix both cross-category, for example, in PC products, every time we -- if that grows faster than the rest of the business, we're obviously going to get an ASP improvement and within category. And if you looked at our average ASPs over the last five years or 10 years or three years, you're going to see a nice improvement all the way, and we're going to continue to do that.

But we're also totally fixated on making sure we're serving all customers as Delphine said very well. And we are not ever going to let up on making sure we're hitting the middle of the market and the opening price points, too. Do you want to add anything to that, Nate?

A - Nate Olmstead {BIO 21036514 <GO>}

Right. It's a great question because it really applies across the categories, too Asiya. I mean, in Scott's case, I think he mentioned, we don't normally talk a lot about ASPs, but I can tell you that in VC, the ASPs have grown double digits over the last year as he's been coming out with a lot more innovation, all-in-one products, and he could talk much more about those. In Ujesh's case as well, the market trends are really in our favor in that respect, moving towards wireless and a lot of the products that his organization is leading in. In Delphine's case, the MX portfolio, super strong.

But then I'd come back to what Bracken said, too. It's really about serving the needs of all users. And in fact, from a gross margin standpoint, we see very healthy gross margins across the portfolio at each ASP level. So the dollars per unit may be higher in some of these higher ASP offerings, but we still earn a very healthy margin even at the lower price points as well.

I don't know if any of the other folks would like to jump in and talk. Maybe, Ujesh, something in the gaming space.

A - Ujesh Desai {BIO 16528672 <GO>}

Sure. I think Bracken and Nate said it well. On gaming, we're growing both units and ASP, as on the unit side, as new entrants are coming into gaming, we're seeing more and more consumers buy those entry-level products. And that's why we have everything from entry-level gaming mice and headsets. Our new G435 is an amazing entry-level wireless headset at the price of $59, right?

So we're offering entry-level price points to drive greater unit volume as well. But also, that move to wireless, we have some of our high-end wireless mice that are $149 wireless mouse, like our PRO SUPERLIGHT Wireless Gaming mice, so that's driving higher-end ASPs as well. So it's kind of a mix across both units and ASP growth.

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A - Bracken P. Darrell {BIO 3403495 <GO>}

And I'd say, one more person, I'd like to get into is Delphine. Maybe you can talk a little bit about the high end of our C&P lineup because it's the fastest-growing part of our lineup, I think.

A - Delphine Donne-Crock

Yes. Well, for us, it's been really important to [ph] emphasize the quality of the product and the improved performance, but also to get the right setup and having also an increase in units with the cross-sell. So you have a mouse, you have a great mouse experience, but you also have the keyboard. So that drives also our unit growth, even in the high end.

A - Nate Olmstead {BIO 21036514 <GO>}

And if I could add just one more thing actually that because I think Delphine is a little bit modest about how strong some of our products are. At the high end, the MX products, if you go out and look at the reviews, you'll see 4.7 star reviews on MX mice, MX keyboards. Over 80% of reviews are at 5 stars.

But then you actually go down to a product that's on more of an entry price point, something like the K380. It's actually got a 4.8 star review, I think, 87% 5 stars. So at both the high end and the low end, I think Delphine's organization has done a great job coming out with products as well as the others, of course, coming out with products that really are meeting the needs of the customers at those different price points.

A - Bracken P. Darrell {BIO 3403495 <GO>}

And to go after your second question or second comment, we are absolutely always fixated on margins. We always say our margin rate -- gross margin rate is the most important number in our income statement. And that's true across every one of these businesses. And so our gross margin rate is good, up and down our portfolio. So we don't -- we generally don't have big trade-offs in gross margin rates, as you go down in price point.

A - Scott Wharton {BIO 21535553 <GO>}

Maybe I'll add something on the VC side. So I've been at Logitech almost seven years now. And when I started, the best-selling products in VC and the Conferencecams were about $200 to $500. Over the last four years, we really started innovating more around the $1,000 product line. If you look at some of the products I talked about now, Rally Bar, Rally Bar Mini, they're $3,000 and $4,000.

So you can see that the ASPs for our products are going up substantially, and the mix is moving there. We're also innovating more around an entire room and a system, like I talked about in the presentation. So we're increasingly selling the entire room and upgrading things.

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And I would add to that, that I think that our -- even though while we have a strong market share, our ASPs are still below the average for the industry. So I think, given the innovation and also where we're going, compared to the industry, we have a lot of room to grow on the ASP side.

A - Bracken P. Darrell {BIO 3403495 <GO>}

It's impossible for me not to make a last point on that because it's a cherry [ph] point. I'll never forget, we're in one of our -- what we call growth meetings. And I remember, Scott showed this chart and said, here's what the average cost of a room for the customer is for us today. Here's what it will be in three years.

And the delta, which I don't want to mention because then you'll start to track it and ask us every quarter what it is. But I mean it was multiples higher. And it is so exciting to see it happening. So let's stop there. I hope we got your question.

A - Scott Wharton {BIO 21535553 <GO>}

Thanks, Asiya.

Q - Asiya Merchant {BIO 20247269 <GO>}

Great. Thank you.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Thank you.

A - Nate Olmstead {BIO 21036514 <GO>}

Our next question is from Paul Chung at JP Morgan. Paul?

A - Bracken P. Darrell {BIO 3403495 <GO>}

Hello, Paul.

Q - Paul Chung {BIO 20654199 <GO>}

Hey, guys. Thanks for taking my questions. So on VC, the Logitech Select, kind of, caught my eye. How does this option work? How big can it grow? What verticals are you targeting? Can this part of the business become, kind of, a larger part of the portfolio and increase your visibility over time?

And then, any other parts of the business you're thinking about that can potentially maybe leverage a more subscription-type model or more recurring-type model?

A - Bracken P. Darrell {BIO 3403495 <GO>}

I'll let Scott jump into that first, and then I'll probably follow on.

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A - Scott Wharton {BIO 21535553 <GO>}

Yeah. I would say so. Logitech Select is something that we really built based on listening to our customers. They said, we love your products, but we'd love to get some enhanced service around it.

One of the things that we wanted to do with Select is, we didn't want to follow the traditional model of having it be extremely expensive and almost like fleecing the customers. We wanted to follow the model that, I think, all of us had, which is very high quality, great value at a reasonable price and really, kind of, disrupt the industry of what they think about traditional services.

And in some ways, it's more like an Amazon Prime model, where you get a lot of value at a reasonable price. And I would say, the reaction from customers is great. And while it's pretty early, I think the nice thing about Select is that really isn't attached to our existing business. So as our current business grows, our goal is to get increasing attached to that. So it's early, but I think the results are pretty encouraging so far.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Yeah. Let me add to that, and then Nate, you may want to jump in, too. First of all, I think, as Scott said, it is early. So it's really way too early to really talk about any significant numbers today. But I don't know why anybody would want -- wouldn't want Select. I mean, we're trying to engineer this offering, so that it's just super compelling, like Amazon Prime is. Why wouldn't you want that? Most people do. So that's our real game plan.

And then your question about, is this an opportunity to take across all of our businesses? We're not in here talking about services, maybe that will be next year and the year after that and forever after that. But we are absolutely working on services across the Company and the platform we've created there is certainly applicable to other parts of our business.

A - Nate Olmstead {BIO 21036514 <GO>}

And just in terms of sizing it for you, I think, as Bracken has said or Scott has said, it is early. But as you know, all of this would be new for us. So you can think about it as all incremental. And of course, you know the size of our company, $25 million of revenue would be about 0.5 point of growth for the Company, $50 million would be a point. So I'm always looking for things that could maybe fit into those types of things, and we can stack them up over time and just add a little bit of incremental, and it should come at nice margins. But it's early days, but a good opportunity for us.

A - Bracken P. Darrell {BIO 3403495 <GO>}

And I'm always thinking of multiples of that, as you know.

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah.

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Q - Paul Chung {BIO 20654199 <GO>}

And a follow-up. So on free cash flow, it kind of reverts back to the 1 times (inaudible) operating profit. So talk about the puts and takes, some of the logistics and supply chain headwinds here in the first half. And then, your free cash flow is now double, kind of, your fiscal year '20 levels. Talk about the pace of free cash flow growth, kind of, moving forward and it's driving efficiencies there. Your CapEx levels are up around 50 basis points percentage of sales, is this the kind of new step we should try to think about? Thanks.

A - Nate Olmstead {BIO 21036514 <GO>}

All right. Let me hit on a few of those. Let me start with the CapEx one real quickly. So we are not becoming really a more capital-intensive company. What you see in the outlook for next year is just some investment that we're making in -- mostly in facilities, not in our manufacturing facility per se, but mostly just in employee-facilities offices. For the last couple of years, we've been shut down. So as we bring people back into the office and we adapt to a hybrid style of work, we're making some capital improvements in some of the facilities. And so that's what you see reflected for next year.

We are, of course, a larger company. We have larger markets that we're addressing. So we're cautious making investments in tooling and things in the factory, but the most of the increase you see is around office facilities.

In terms of free cash flow, yeah, we've -- I believe, this next year, we should start to see cash flow, again, closer to non-GAAP operating profit, as it has been in the past. This has been a year of a lot of investment in working capital. And so the cash flow has been lower than operating profit this year.

But I think next year, we should see that rebound in -- it really depends on how the second half of the year. I think, the first half of the year looks like it's probably going to be very similar to the first -- to what we have right now, in terms of logistics and needing to invest a little bit more in working capital. Back half of the year, we may see some release on that, and that could see some improvement in cash flow in the second half.

A - Bracken P. Darrell {BIO 3403495 <GO>}

All right. Thank you, Paul. I mean, Nate's going to continue to be tough on us working on capital investment. He makes me bring in my own decorations, and I don't expect that to change. Okay. Next question.

A - Nate Olmstead {BIO 21036514 <GO>}

Thanks.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Thanks, Paul.

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A - Nate Melihercik {BIO 20814398 <GO>}

All right. Our next question is from Ananda at Loop Capital. Ananda?

A - Bracken P. Darrell {BIO 3403495 <GO>}

Hi, Ananda.

Q - Ananda Baruah {BIO 15320341 <GO>}

Hey. Thanks, Nate. Hey, guys.

A - Nate Olmstead {BIO 21036514 <GO>}

There he is.

Q - Ananda Baruah {BIO 15320341 <GO>}

How is it going? Yeah. Hey, congrats on putting -- you got -- yourselves in a position to be able to give an initial very solid fiscal year '23 outlook. It's really good to see that.

And I guess, two, if I could, I'm sure a meaningful part of that is, kind of, back to office, sort of, office video collaboration dynamics and implementations. We'd love to get, sort of, context around how you guys are thinking about that coming together this year and maybe some of the deeper context in the engagements that you're seeing? And then I have a quick follow-up as well.

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A - Bracken P. Darrell {BIO 3403495 <GO>}

Okay. Yeah. I'll start. And then I think there's several people here, who can jump in. The -- it's pretty exciting for us because really, Scott keeps reminding me that on the coasts of the US, you tend to think everybody is still sitting in their homes, working away. And yet, in most of the US, much of the US, people are already back in their offices.

And I think what we're starting to see is, the office -- let's start outside of the office. The office, kind of, has now reached into your home and also, Delphine is very focused on -- boy, we've got real offerings that a company should want. And we've really not even scratched the surface, and we're starting to really organize for that to the companies, who want to buy your workspace products their homes, especially the larger ones. On the other hand, the -- it's hard to imagine, and we talk about this all the time, and I've talked about it several times here.

It's just hard to imagine in a world that's now completely video, that we're going to come back to an office like the one we're in today. And you're going to suddenly not have video enablement in these rooms. It's just really hard to imagine, and we're starting to see -- that's kind of the vision, I think, most people have. Scott, do you want to add anything to that?

A - Scott Wharton {BIO 21535553 <GO>}

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Yeah. I actually thought it was interesting with Nate talking about our CapEx. I didn't know that we were spending money on improving. Obviously, I knew we were doing it, but I didn't realize that, that was the direction. I think it makes sense. And our experience is probably not that much different from businesses around the world, who are thinking about, all right, when you go back, we can't just go back to the way we were pre-pandemic. But we have to go back to thinking about how do you address the new ways of working, and that's going to require people spending money.

I think we're seeing the early indicators of that, but I think, we all know inherently that, that probably will pick up, as we start receding from the pandemic, hopefully. And I think what we're also seeing is, even if people are not in the office, they're starting to do the prep work just like we are and making those investments to figure out, how do I organize my office in the way of working? And those things should help all of us here.

A - Delphine Donne-Crock

And if I may, so I think there are some great examples. So if you look at China, they've been pretty much back to the office for the past 18 months, and they are growing in the market, it's growing at 17% in mice and keyboard category. So very solid post-pandemic performance.

And then if you look at Logi Bolt, the technology we've launched on wireless technology that is fully secured and cross-OS, it's also really key components of equipping the new hybrid workspace. I mean, you don't want cables everywhere, when you start like moving at home, in the office shared desk and dedicated desk. So for us, leading the wireless technology is also a great opportunity for our growth ahead.

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Q - Ananda Baruah {BIO 15320341 <GO>}

That's really interesting context. Thanks for that. And then a quick follow-up is, I thought I heard it mentioned that content creation could become the largest category at some point. Did I hear that accurately? Was it tongue in cheek? And if it was serious, just your thoughts there.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Yeah, I'll start, and then I'll pull our friend, Vincent in here. I think we started down the path with Ujesh in gaming almost, actually, 10 years ago now, has kind of come true, where I was at -- I remember being at the second or third analyst meeting saying, gaming is going to be the biggest collection of sports in the world. At the time, it was not at all. It was way behind everything. Now, it's past -- for participants and spectators, it's past baseball, American football, NBA or basketball, it still got soccer, and it sites up ahead, and we're not there yet, but it will get there.

So I'd say, what we predicted back then was true. I think, you can say the same thing about streaming and creating. We created this business group, this collection of categories that Vincent runs, a few years ago, and it shows up in various places in our P&L or in our category groupings. But I think you heard me say in the beginning, I'm super excited about this. I think, with the billions of people that are going to be doing it, it's

hard to imagine enabling them with the equipment they need to become the content creators that we're all becoming, is going to be a massive, massive opportunity, over what time frame, I don't know.

You want to add to that, Vincent, because I thought your presentation was fantastic on this -- exactly this point, though.

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A - Vincent Borel

Yeah. I think it's an interesting topic, and we're just seeing the emergence. If you're in it, you seem to see it everywhere. As you start looking for it, then you'll start picking it up. But I think the general genesis for it is, the pandemic accelerated all of this, right? We've all been consuming content away from our main big screen in the house, right, from our phones to -- and cutting the cord and watching video on YouTube and Instagram, and this has been talked about.

Now, where is this content coming from? Because it's not the big media corps that are producing it, it's individuals, right? And it used to be a small group of people like you have it, and we've talked about gaming, and gamers used to do it. They were on the fringe, and it became mainstream. And now, it's becoming even bigger, right? Everyone gains. And you heard Ujesh talk about how broad this has become. And I think, in a world where we're all distributed, where we're all connecting in real life, but also digitally, this notion of content creation is going to become everywhere. It's going to become a thing, right?

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And if you have kids, you'll know that they interact with their friends just as much over the content they produce than they do in real life. And that's just the general trend that we're seeing, which means you're going to have a small group today that are tapping into pulling together tools to create this content. You have a lot of people looking at their content, aspiring to be like them, trying to figure out how they do it and solutions starting to come to market that make this easier and easier.

Obviously, you have your phone that today you can use, but as you're creating content on this phone, you start realizing, hey, I want to be hands-free. And then you start to elevate the type of content you're producing. So -- and work, play, create, they're all merging. If you look at your home, this is all happening in the same place. So that's why we're seeing it across categories.

A - Scott Wharton {BIO 21535553 <GO>}

I mean, If I could add one thing. I remember when I was working on my presentation for Analyst Day, you're trying to find stats that you find. And when I found that one stat that in 2021, there were 34 billion hours of game streaming. I mean, I'm in gaming, and I was blown away by that stat. And then I took a step back and like, well, it kind of makes sense. Half of that is in my house from my daughter.

But anyway, it's kind of crazy, when you think about that stat. And as Vincent said, those are the content creators of the future. right? And the cool thing is, it's so democratized

now. You can buy all of our gear. Our keyboards, our mice, our microphones. We even have the software, Streamlabs. And now, I can produce my own show, which is incredible. And more and more of the younger generation are doing that, so they can express themselves, and I think that's super cool.

Q - Ananda Baruah {BIO 15320341 <GO>}
I appreciate the context.

A - Scott Wharton {BIO 21535553 <GO>}
Thanks, Anand.

Q - Ananda Baruah {BIO 15320341 <GO>}
Thanks, guys.

A - Bracken P. Darrell {BIO 3403495 <GO>}
Thank you.

A - Nate Melihercik {BIO 20814398 <GO>}
Our next question is from Joern Iffert at UBS.

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

A - Bracken P. Darrell {BIO 3403495 <GO>}
Hello, Joern.

Q - Joern Iffert {BIO 15374623 <GO>}
Hi, good morning everybody and thanks for taking my questions. And I would have three, please. And if it's okay for you, I would take it one by one. And starting with the B2B opportunity, let's assume your end markets are just flattish in total. But we observed, your products are showing up more and more also at the blue-chip companies in the B2B channel. What are the market share volumes you are thinking about for the next two to three years? Are we speaking about $50 million or the $200 million, which you are craving to do your accelerating B2B strategy?

A - Bracken P. Darrell {BIO 3403495 <GO>}
That's a little hard for us to parse out. We don't really look at it the way you just described. What I can say is that I think we have opportunities across our -- both these incredibly-large businesses. Scott's business, which is the video collaboration side, and Delphine's business, which is the workspace side. I think they were very articulate about that.

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And there's no doubt that we have market share opportunities, especially around Delphine's business, where we're underdeveloped, very underdeveloped in that market. We -- it's kind of weird to say and maybe embarrassing for me to say that we've really never focused on it, from a workspace standpoint. Obviously, our products made it into companies. We really never had a deliberate focus that we said, okay, now we're going to go after B2B. Now, we do. And so I think that's a significant opportunity, regardless what happens to the market.

But it's also hard to imagine the market. You started with, what if the market doesn't grow? It's hard to imagine the categories we're in not growing over the next three to five years, where you've got so many rooms, one out of 10 rooms is video-enabled right now, in a world where it's hard to imagine we're not in every meeting, doesn't have somebody somewhere else.

And then secondly, it's really hard to imagine that everybody is not going to upgrade their workspace. We -- before we started this and I'm going to ask Delphine to give you an example here in a minute. Before we started this Analyst/Investor Day, we had a game plan that we talked about, which is we'll have -- we'll ask all of you to send in your workspace. We want a picture.

And the first one we got was Ananda's, and I'm going to embarrass Ananda. It was so dramatic to show how much we could grow and improve his experience with a collection of our products that we decided, it doesn't even look realistic, nobody will believe it. So we're going to drop this idea.

Delphine, do you want to give an example of kind of the upgrade opportunities that are out there?

A - Delphine Donne-Crock

Yeah. We have a few, actually. So the first one is definitely -- the largest one is helping people to have at least the first proper setup, so you can create, focus and film better at the end of the day and not have the pain that you would have. So bringing people in the category is already very important, especially in B2B environment.

The second aspect is, we see also people using very own quoted products. You try to make it track. It doesn't work very well. Once you use any of our wireless products and the M650, for example, which is very affordable for any...

A - Bracken P. Darrell {BIO 3403495 <GO>}

And highly secure.

A - Delphine Donne-Crock

And highly secure is really -- it's a game-changer. You never go back to a normal product, to non-Logitech, Logi Bolt wireless product.

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But also, what we see is, you have opportunities around, first, having not just the mouse but the mouse, the keyboard, the webcam, the full setup, a real, great better-together experience, which is a massive opportunity for us. But also, by department, you see there are specific needs. So the MX lineup, for example, and is absolutely the ideal workspace for software developers, designers. I mean, it's amazing the amount of macros and different software configuration they do with their products. And we have to remember that our products are not only the best wireless, secure and amazing experience, but they also help you create certain profiles that help you stay focused all day and be at your best.

So you have a choice, from a B2B point of view, for an IT manager, you have the peace of mind, and at the same time, you can equip your different department with solution that fits them. And we always have this debate with Nate because he has the full-size setup like the perfect six-foot-two type of setup. For me, I have everything small because I just -- otherwise, I have pain at the end -- I would have -- if I did have the right setup, I know I would have pain at the end of the day, and it makes a huge difference in the way you can spend your day, come to your space.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Perfect. And no matter what size you are, you still need the same number of products. So even if you're not -- okay, Joren, you...

A - Nate Olmstead {BIO 21036514 <GO>}

What's your second question, Joren?

A - Bracken P. Darrell {BIO 3403495 <GO>}

Yeah.

Q - Joern Iffert {BIO 15374623 <GO>}

Yes. And then also my last question, the second question, please. In VC, as you pointed out, ASPs were growing more than 10%. This is implying that in fiscal year '22, volumes are actually maybe mildly down. Why is this the case? Why is penetration not strong on units? And what is also baked in your fiscal year '23 guidance? Is it, again, ASP the driver? Or is it volumes for VC?

A - Nate Olmstead {BIO 21036514 <GO>}

Let me start on that and then Scott, I think you can talk about the innovation. The primary place where we're seeing the decrease in volumes in VC is actually on web cameras, Jorn. So conference rooms actually are growing both units and ASPs. In most parts of the world, there are some exceptions to that. But if you look at what Scott has been coming out with, and you can take a look on our website, I mean, and he mentioned it in his presentation, too, to shift towards more functionality, more innovation, room systems and how those things connect.

And I think, Scott, you should probably go back through kind of what you described earlier about the move towards systems rather than point products.

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A - Scott Wharton {BIO 21535553 <GO>}

Yeah. I think -- a couple of thoughts, one is that even if people have video conferencing pre-pandemic, a lot of it was very legacy-oriented, didn't have all the software and auto framing. So if you think about the problems that we have today with way more people at home, you kind of almost -- even if you have video before, you need to upgrade it, so we're seeing an upgrade cycle for people looking to go from the older products to new ones.

I'd also say that what we've seen during the pandemic is, of course, that there was probably some pause, where people had offices closing, and that would have some effect on volumes. I think what we're expecting -- although nobody has a crystal ball that what will happen with the pandemic, is that as people go back to the offices, they will start upgrading and move to the newer products. So in theory, you could see an upgrade in both the ASP but also in the volumes that remains to be seen. But I think we're certainly optimistic of -- and seeing the trends that people are moving to the newer products with more functionality, and more software, and we'll see what happens on the volume. I think, that will partly be determined by macro events and the pandemic.

A - Nate Olmstead {BIO 21036514 <GO>}

Yeah. And one thing, too, Joren, because I did get a chance to take a look at your model on the VC space. And I think one thing that we consider is, as the installed base grows, and the pace of innovation is quite high in this space, the refresh rate looks attractive. And some of that's legacy systems. But even things that aren't that old, I mean, the innovation is pretty substantial just over the last couple of years.

But as that installed base grows, the number of units that refresh each year, I think, should grow as well. I think it would be a very conservative assumption to assume that there's a fixed number of refresh units every year in the industry. As the installed base grows in hardware, you're going to see an increase in the number of units that refresh each year as well as new units that come into it. So I think that's something that we have specific product strategies around, around how do you create the right value proposition for someone who maybe already has video and then also marketing, go-to-market strategies around going back to that installed base and refreshing it as well.

A - Scott Wharton {BIO 21535553 <GO>}

And if I could just add to that, I think the market has dramatically shifted from legacy premises-based video to cloud-based video, and that really makes it much easier for businesses to upgrade. You used to have to upgrade and kind of forklift the entire infrastructure.

Now, with the cloud-based infrastructure, swapping things out in rooms is a lot easier. So we're definitely seeing an acceleration of the trend. It looks, in a way, more like the mobile phone industry, where people have upgrades and refresh than it did the traditional phone system or old video system before.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Great point.

A - Nate Olmstead {BIO 21036514 <GO>}

Thanks, Joren.

Q - Joern Iffert {BIO 15374623 <GO>}

Thanks a lot for this. I'm sorry, Nate. Just one second answer. The gross profit margin assumption for fiscal year '23, where is it, around 42%?

A - Nate Olmstead {BIO 21036514 <GO>}

It's oing to depend on a lot of factors, Joren. I think we're going to see some pressure on gross margins, certainly in Q1 and probably in the first half, from a lot of the drivers that we've been talking about, I think logistics continue to be a headwind. Certainly, we see cost pressures from the inflationary environment. I do expect the second half of the year to probably see some relief of those things. But we'll see where it lands. We'll manage OpEx in line with movements in gross margin and I gave the bottom line number. So that's how I expect it to net out.

Q - Joern Iffert {BIO 15374623 <GO>}

Very clear. Thanks a lot.

A - Nate Olmstead {BIO 21036514 <GO>}

Okay.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Next question.

Operator

All right. Our next question is from Alexander Duval at Goldman Sachs.

A - Nate Olmstead {BIO 21036514 <GO>}

Hey, Alex.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Hi, Alex.

Q - Alexander Duval {BIO 16682293 <GO>}

Hi, everyone. Many thanks for the question. I got a couple, if I may. Just wanted to clarify, you mentioned a 2 percentage point drag related to the situation in Eastern Europe. Does that mean you would be guiding to high single-digit growth for this fiscal year without that impact? And also to clarify, you talked about the exit rate in fiscal '23 giving a good

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basis for fiscal '24, as pertains to the 8% to 10%. Just wondering, does that mean you're saying you'll hit that rate in fiscal '24?

And then just secondly, there have been some investor questions about the inventory situation in the channel. Could you talk a bit about what you're seeing there and perhaps touch on what the situation is, in that regard, for different product categories? Thank you very much.

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A - Nate Olmstead {BIO 21036514 <GO>}

Okay. So on your first question, okay, now I'm trying to remember all the way back, Alex. The first part of your first question was?

A - Bracken P. Darrell {BIO 3403495 <GO>}

You want to repeat your first...

Q - Alexander Duval {BIO 16682293 <GO>}

It was on the 2 percentage points.

A - Nate Olmstead {BIO 21036514 <GO>}

2%. Thank you. Yeah. On Russia-Ukraine. So the guidance that I gave specifically, did not make any real assumptions around the Russia-Ukraine situation moving too fast, too difficult to quantify the many possible outcomes there. So no, you should not assume that our guidance would be high single digits, excluding that.

What I did say, though, was approximately 2% of our net sales comes from those two countries, predominantly from Russia. And so that actually -- depending on what happens, the number of directions that this could go, we could have a modest impact or not, but it was not included in our guidance.

In terms of the exit -- your question about the exit rate. Yes. So my comments there really is, if we had a good exit rate coming out of this year and we saw some relief on some of the supply disruptions and a more normal inflation environment, that would provide a really good foundation, I think, for us to see those types of growth numbers like we had in the long-term model, which, again, I'd point out, is really the rate that we were growing pre-pandemic.

In the five years prior to pandemic, we grew 9%, 15%, 13%, 10% and 9% as a company, and the category growth rates within those totals were actually similar to the sort of scenario that I mentioned in my prepared remarks, actually, we were growing faster by category in the years prior to pandemic.

So I think it's a very reasonable assumption, but we do need to see some alleviation, I think, of some of the macro challenges that we have right now. And that's really what I was

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referring to. If some of those things are resolved, then I think it really would provide a good foundation for us to see some acceleration of growth.

And then on channel inventory, thanks for asking. Yeah, I think our channel inventory, as I mentioned on the last earnings call, I think, is in a very healthy position. It's growing from a dollar standpoint kind of proportional to the growth of our net sales. So our sales are up. If I compare Q3 '22 to Q3 '20, sort of pre-pandemic, our sales are up about 87%. Our channel inventories have grown in dollars, kind of, proportional to that, actually not quite as fast because our net sales have been growing faster than sell-through, as you know, because our promotion levels have come down.

But I would just say, the channel inventory is in good shape, and it's kind of grown proportionately with the scale and size of our business. We actually also provide some information in our filings. Actually, it's in Note 5 for those who want to dig a little bit deeper. Note 5 in our filings, there's some information that we provide around channel inventory -- excuse me, around promotion liabilities and reserves that we take.

Again, it's not going to get you to the precise number, but it's certainly directional and helpful for those that want to take a closer look at it. And I can just tell you that the liabilities there have grown about 40% since pre-pandemic. So again, helping people get a sense of what the, maybe, magnitude of channel inventory growth has been. It's been significantly lower than what I saw in some of the analyst reports.

Q - Alexander Duval {BIO 16682293 <GO>}
Thanks very much.

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

A - Bracken P. Darrell {BIO 3403495 <GO>}
As you can see, Nate is not only our CFO, but he's also a walking index to our filings. I should give you real confidence about our ability to have discipline.

A - Nate Olmstead {BIO 21036514 <GO>}
Well, it depends on if you're talking about the K or the Q, yeah.

A - Bracken P. Darrell {BIO 3403495 <GO>}
Thank you so much. Let's go to the next question. Thank you.

A - Nate Melihercik {BIO 20814398 <GO>}
All right. Our next question is from Serge Rotzer at Credit Suisse.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Hello, Serge.

Q - Serge Rotzer {BIO 4734915 <GO>}

Yes. Good morning, everybody, also from my side from Zurich.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Great to see you.

Q - Serge Rotzer {BIO 4734915 <GO>}

Yes. First question, also about video conferencing. A year ago, you have been guiding 10% to 25% growth. Now, you will reach about 0% growth this year, and you're guiding 5% to 15%, also telling us that you will benefit from higher ASP, as you explained also before to Joren.

So I'm wondering, what's wrong? What has changed, compared to a year ago, when you have given this guidance? Is it the products, delay of the products because I think Logitech Console is still in delay, still in release? Or is it more competition? Or is the demand lower from the customers? Or -- yeah, please help me to understand why such a cautious guidance for video conferencing?

A - Bracken P. Darrell {BIO 3403495 <GO>}

It's an excellent question, and I'm going to let Scott answer it. I want to make a point, though, that you set up, which is, look at that, we didn't deliver -- we delivered below, we thought, beginning of the year, in Video Collaboration. Yet we believe we're going to deliver on the upper end of our guidance for the year.

It shows the power of this portfolio. We have a portfolio that's diverse, some things are going to over-deliver, some things might under-deliver, sometimes everything might deliver and more. But it just shows you how powerful this portfolio really is.

And Scott, do you want to answer the specific Video Collaboration question?

A - Scott Wharton {BIO 21535553 <GO>}

Yeah. I mean, I think the main dynamic that we all know that happened is, we expected, last summer, that people were going to go back to normal, and that just didn't happen. So I think you saw a cooling down of the expectations, yeah, Omicron, across the entire world.

And I think, if you look at the market share results that I presented, we actually gained share. So not only do we have a lot of new and respectable and robust competition, but we gained share. So I'd say, relative to the entire industry, we're doing better. But of course, we can't control what's been happening in the macro environment. So hopefully, as we return to more of a new normal, we expect that, that could be a tailwind but remains to be seen where we'll be for this year.

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Q - Serge Rotzer {BIO 4734915 <GO>}

But you mentioned before that people are back in office now, isn't it? Or did I got you wrong?

A - Scott Wharton {BIO 21535553 <GO>}

Well, I think people are going back to office, and we are seeing that lift up. I think the question is more, what is the trend and how fast will that go? And one thing that you know about enterprise sales versus consumer sales, in the consumer sales, you can have a big burst for the holidays. But for the enterprise, you have to plan and do installs. So it does take time, even if people have a decision that they want to do it. They may have a plan to do it over a couple of years. So you're not going to see a big burst that happens in a quarter.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Yeah. Let me add to that. If I look at us, and we started to give our own example, where are we looking at? Everything about our office structure. How large are they? How much is meeting rooms? How much is workspace? How many do we need? Where are they? I mean, we're literally -- now you can't affect many of those immediately. You can't just flip a switch and great, the pandemic's fading, let's go. So you've got to have a plan. And I think that's the way most companies are, right now.

Q - Serge Rotzer {BIO 4734915 <GO>}

Okay. I have another two questions if I may. So then the follow-up question here is, currently, you're changing your ecosystem. You mentioned before that you're good in supply, production, also manufacturing and then distribution. And now, you also mentioned for video conferencing, it's not about the product, it's about the system. To sell the system, you're in B2B. In the B2B you rely on system integrators. Do you -- how would you assess the risk in this changing process? Or how much risk have you discounted in your guidance also on the operating level dividend?

A - Bracken P. Darrell {BIO 3403495 <GO>}

I don't necessarily -- Serge, I don't necessarily think of that as a risk. I think that's an upside. We built this entire business selling -- kind of, evolving from being a consumer business towards the enterprise.

So all the way up, we were mainly focused on the way we did our conventional business selling, using a lot of those distributors and Tier-2 players. And now, we're adding to it this idea. Gosh, if we unlock the power of system integrators and other players, what could we do? And if our products not only delivered point for point, one by one, what if they were more valuable, additive as a solution? So I don't see it as a big risk. I see it as a big opportunity. Do you want to add anything to that, Scott?

A - Scott Wharton {BIO 21535553 <GO>}

Yeah. I would add to it. I think the dynamics are more on the customer side, as they move from having, let's say, a single camera at the front of the room to multiple devices. They

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are experiencing real pain and complexity with all of these devices working together. So I think the opportunity for us and for others, is to look at how do you take all these devices and how do you put them together in a way that is not so painful and is not so complicated.

And I think, to the extent that we do that, you could see that a lot of our efforts are around that opportunity, then we can not only create more value for customers by making it easier to deploy but also allow them to buy more things and upgrade. So I don't -- and also, I think there is a balance between different channels. So we do sell through systems integrators. We sell through DMRs like CDW and others. And I think what we're trying to do is get into the sweet spot, where you want to make sure that things are robust but not too complicated that people can deploy it and do easy. And that's very hard to do. I think what -- part of what I try to point out is, taking all these systems together and work together through software, not only is that really hard, but I think the traditional approach and the idea of, oh, I just go to some manufacturer in Asia and I make some hardware device. Those days are gone. And the winners are going to be the people who create a system of things that work together seamlessly.

I think it changes the rules of the game. And I think the type of competitors that will be successful are going to have a very different profile than the ones that we had pre-pandemic. And I think -- as Bracken said, I think that's a great opportunity and upside for us.

Q - Serge Rotzer {BIO 4734915 <GO>}

Okay. Thank you very much. This is very helpful. So the last question is, compared to pre-pandemic, your sales is plus 50%. So this is two years ago, more or less. And I believe that the replacement cycle of all more portable products should kick in now this year. So speaking about headsets, portable mice, portable keyboards, whatever. Is this true? Do you see now that the replacement cycle for these products is kicking into current sales numbers? And if, how much would you say is now giving from replacement cycle and less from new, fresh demand?

A - Bracken P. Darrell {BIO 3403495 <GO>}

Let me set the tone for that, and then I'm going to let -- Delphine will jump in and correct what I'm about to say if she disagrees.

I wouldn't necessarily think that you're going to suddenly flip a switch, as we cross over the line in the next fiscal year and our replacement cycles are going to shrink. What I would say is, we've now got a big installed base increase in the number of workspaces out there. I mean, how many of you had a dedicated -- real dedicated setup at home, pre-pandemic? And then, how many of you, and I'll repeat myself, really have what you really need? We don't think very many, based on all the research we've done. So there is a big opportunity for an upgrade cycle here.

And it's going to happen, but it won't happen to me. It's going to happen over time, which is one of the reasons why we're a great, predictable growth company. If you looked

at that chart that Nate put up earlier, he showed the consistency, pre-pandemic, of our -- at or near double-digit growth, certainly in our 8% to 10% range.

Now, we're just bigger. And then we just scaled up. There's more installed base. There's more of everything. And now, we're -- our game plan is to get back to that. And so we're not -- we haven't committed to that for this fiscal year, we're committing on digits. But certainly, into the future, I think we're going to see that steadily over time.

Do you want to add anything?

A - Delphine Donne-Crock

Yeah. So I think, above and beyond the refresh cycle for us, what is really important is to bring people in the category that don't have the right setup. And our strategy is focusing on very specific audiences has really created an acceleration of that purchase and engagement with us. So if you look at -- for example, we talked about advanced content creators such as designers, software developers, photo editors. I mean, having the right setup is really key to their work. So bringing them in the category is fundamental.

And we're looking at 150 million people in the next three years that will enter that profession, and we have the tools for them to interact in the digital world. But we're also looking at audiences that are very underserved today, for which the technology is not quite adaptive to their needs, and we will provide the solutions to help them interact. So this notion of bringing people in the category is really, really key. And then as we discussed previously, the wireless upgrades, that's definitely important.

The cross-sell, you have a mouse, you're going to buy a keyboard and a webcam. And then the whole B2B shared desk, dedicated desk, work from home. So the amount of opportunities for us to grow the market is key, on top of, obviously, growing share. So really, we are more interested in reaching out to the audiences than a refresh cycle.

A - Nate Olmstead {BIO 21036514 <GO>}

Serge, let me jump in real quick. I think your question was maybe focused on the enterprise or business customers, but there are some interesting trends in gaming here as well, and Ujesh can comment on it.

But if you just look at the market data, what you saw last year was a lot of growth in kind of the lower price points, especially on headsets.

And actually, this year, I think what we've seen is slowdown in those lower price points but still very, very strong growth in the higher price points, which is one of the reasons why we've been gaining a lot of share this year. We are stronger in the premium categories, but Ujesh can talk a little bit more, maybe, about trends that he sees in the gaming industry.

A - Ujesh Desai {BIO 16528672 <GO>}

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Yeah. I mean, absolutely. I think, Bracken, you said it right as well. I mean if you look at how we did in gaming pre-pandemic, we had really nice growth rates because as I mentioned and you're going to see my -- I don't know if my goatee shows up here in the light, but I'm an old dude, right? And I'm an old gamer. I'm one of the original gamers playing on your Atari at home, playing Pitfall Harry, right?

But nowadays, everyone is a gamer. In fact, you don't even use the term gamer anymore. I say that with my kids and they're like, yeah, we play games, dad, what's the big deal, just like you watch TV, you don't call yourself a TV-er, right? So gaming is just something people do. And we saw that growth pre-pandemic. When the pandemic hit, with everyone being locked in at home, a lot more people came into that space.

And as Nate mentioned, we sold a lot of entry-level products. A lot of people sold a lot of entry-level products. We've always done well in the entry-level, but really well in the mid to premium segment. So we're starting to see that now. And to your question, we do expect to see an upgrade cycle, where people will move from maybe those corded, wired entry-level products up to wireless, where we do have a competitive advantage. So I think, that's what we'll start to see.

A - Bracken P. Darrell {BIO 3403495 <GO>}

If I could jump in and add one more thing. You could listen to this whole story. And if you're an environmentalist, you might be very concerned because you would say, wow, there's all this talk about incremental this, incremental that, upgrade that, means to replace something that's already there. That's a lot of bad news, if you're -- if you care about the planet.

And I just want Prakash to come back and summarize a couple of things he said in his presentation because they're so critical to our purpose, which is, we are not going to be bad for the planet. Okay, do you want to just...

A - Prakash Arunkundrum {BIO 21771980 <GO>}

Yeah. Thanks, Bracken. I think we're really looking at being in a path to climate positive, as we talked about in my section. And what that really is, is to take out more carbon than we create by 2030. And the way we're really going to do it, is starting with our products, like really thinking about how we design from a sustainability perspective.

Just last year in Delphine's portfolio of C&P, mice and keyboards, we introduced recycled plastics, which, if you think about, is actually the first definition of circular supply chain because we took what would have otherwise gone to landfill, gave it second life and put recycled plastics back in mice and keyboards. So the mice and keyboard that you probably have today and you're going to go out and buy in the refresh cycle that we're talking about, we'll actually use recycled plastics that was made before. And we're going to really build on that. And that's just one of the programs we're working on, as we turn on more clean energy in our factories and the energy that you use to actually consume whatever content you created, content from Vincent, gaming, you're plugged in, you are

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wearing a headset, you're plugged in. Even that energy, we are looking at influencing how much of that energy we can reduce.

And as we've talked about in our, sort of, idea of sustainability, is to actually reap that into every product. So all my business unit counterparts, who are sitting here, have a program where they look at every new product with that lens. What we're asking the question, is it the right cost? Is it driving the right margin? Is it driving amazing experiences? And is it good for the planet? And so that's really woven into the fabric of how we are thinking about products.

So yeah, I mean, this is actually one of the things that we're really proud of, and we're already starting to see some real traction from a consumer perspective as they think about it, and we didn't quite touch on that very much here. But we're starting to see early interest in this, already, right? And this is kind of where the direction is going, especially as we talk about millennials, Gen Z and even others. They start caring about this more and more, and it's actually good for business as well from my perspective.

A - Bracken P. Darrell {BIO 3403495 <GO>}

And just wait till you see how corporations react this over time and their need to make sure they're sustainable. They, like us, will want to do business with people who are climate positive. Sorry, let me keep going because I want to make sure we get the rest of your questions in there.

Q - Serge Rotzer {BIO 4734915 <GO>}

Thank you for this long, long, long answer, very helpful. Bon voyage. I think I will hand over to my colleague (Multiple Speakers).

A - Bracken P. Darrell {BIO 3403495 <GO>}

Next question.

A - Nate Melihercik {BIO 20814398 <GO>}

All right. Next up, we've got Erik Woodring from Morgan Stanley. Erik?

A - Nate Olmstead {BIO 21036514 <GO>}

Hey, Erik.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Hello, Erik.

Q - Erik Woodring {BIO 19492555 <GO>}

Hey, guys. Good morning. Thanks for doing this for all of us. Maybe a question I have, I think I've heard a ton of positive feedback on the marketing campaigns that you guys have had, and I agree it's well deserving. And maybe can you just talk about the success

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you've had with these high-profile campaigns, in terms of reaching new users or driving upgrades, whether you expect that to continue?

And then maybe, Nate, how that translates to a financial impact, meaning should we expect sales and marketing to continue to grow? Just maybe some color on that, and I'll come back with a few -- with a follow-up. Thanks.

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A - Bracken P. Darrell {BIO 3403495 <GO>}

Yeah. Yeah, I'll start by saying that I think, yes, we do. So for example, when we do any of our major advertising you see, we measure its effect before it goes out, and then we measure it after it goes out. And we really look at the impact on the changing opinions, changing mindset, increases in purchase intention. We also look, though, at what really happens. You can see from our market shares, across all of our key categories, we grew share. And I think, that's -- at least some part of that is attributable to the fact that we're doing more and more performance marketing as well as those big campaigns.

But the -- I think the other measure I would look hard at is the amount of promotion we're doing. One of our core strategies is, we want to pull back on promotions, keep it out as much as we can and replace that with pull advertising, with advertising that creates an internal desire to build -- to buy our business, just like you have with Apple or other, Nike, other great brands. And that takes time.

But if we get to that point, and I think we will, you're going to have a permanent built-in gross margin advantage, and we can choose to invest that in further marketing. We can choose to live with our scale as it is and just leverage that into more profitability of units. It will give us more flexibility over the next several years.

Now, I will say, and then I'll hand this over to Nate because I think the measurement question, you're heading into, is an important one. We're also critical. We're not going to sit on our hands here. We're going to keep monitoring exactly what we think we're getting out of this. And we're going to moderate if we need to or increase more if we -- looks like it's delivering really high ROI. And that's going to take time, but I really believe that that's the same financial discipline you see from us in every other part of our business, we'll be applying to marketing.

Do you want to add anything?

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A - Nate Olmstead {BIO 21036514 <GO>}

I mean, I think, in total for OpEx, Erik, I know you asked specifically from marketing in total, you probably should expect OpEx will grow kind of in line with revenue. It will kind of depend on what sort of cost environment we have and what gross margins look like. But I think, then, within marketing specifically, it's really about making sure that we're, as Bracken said, looking at it critically, making sure that we're investing and putting those funds into the most attractive areas.

That may be in B2B, like Delphine was talking about, where we have, I think, some gaps in awareness around how great some of our products are and things that we can do. It may be in the VC space, again, with the increased portfolio that Scott's coming out with or in gaming, where I think we've been really successful with a lot of the marketing campaigns over the last year, and it's shown up in share.

So we may not have -- we certainly won't have a large increase in marketing like in -- this next year like we did in FY '22. We'll be optimizing that. And in some cases -- in some parts of the company, it's going to increase and in other places, it may decrease a little bit, as we optimize.

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Q - Erik Woodring {BIO 19492555 <GO>}

That's really helpful. I'm sorry, go ahead.

A - Delphine Donne-Crock

Sorry, I just wanted to add also on the marketing activities. What is really important for us, as we engaged with specific audiences? If we look at POP mouse and POP keyboard, for example, as a campaign, it was really important for us to reach out to a younger and more diverse audience. And if we look at the performance, that's also a really important criteria for us to look at reaching out as many women as many in our engagement. So it's been also part of, really, a lot of the success we've had with our marketing campaign.

A - Nate Olmstead {BIO 21036514 <GO>}

And we shouldn't leave Vincent out either, actually, too. I mean, I think it's another category, as you've heard, I think, a long-term growth driver with streamers and creators, establishing the brand, establishing the awareness.

One thing that certainly has happened over the last couple of years is the Logitech brand has become stronger. Just greater awareness, in general, for our products. Our products are more essential in people's daily lives. And so that's something that we should leverage, and that will be, again, a long-term benefit. It's -- I think about it, really, Erik, is kind of a new synergy for the Company, as we do things organically and inorganically. It's a new area of synergy for us.

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Q - Erik Woodring {BIO 19492555 <GO>}

And maybe I'll build off that question because you are the market leader in a lot of your categories. And you increasingly hear more people trying to come after your market share, especially as these markets have become bigger and more attractive over time. So maybe you can just talk about the competitive pressures, maybe where they're most intense by segment, and what you're doing, obviously, other than innovating, of course, to try to offset that competition and maintain your market share? And that's it for me. Thanks, guys.

A - Bracken P. Darrell {BIO 3403495 <GO>}

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Yeah. And I'll take that one, and then if anybody wants to jump in, they can. I think the way I think about that, the whole area of competition is, it's -- if you're in a growth market, you're going to have competition. And the better the growth market, the more and better the competition is going to be. So we always expect competition, and we like it. I mean, honestly, even when we close the doors and we're just talking about us, we really like the competition because it really drives you to be better. We're a better company because of the people we compete with. And I think -- and that might sound like Pollyanna stuff, but it's really real.

The second thing is, I always thought the best area to gain market share -- you often hear, we're only a 3% market share by some company. And therefore, gosh, imagine we can get to 4% or 5%, and that sounds very alluring. But the best place to gain market share from is being the leader. When you're the leader, you have scale advantages, you have distribution advantages. You have cost advantages. You have marketing advantages. You have brand-awareness advantages. And if you invest further behind those, like we're talking about, in marketing or any of these areas, you gain more advantage. And that's why -- I've been here 10 years, we've gained share across almost all our categories, consistently, even though we're the leader. When I first got here, people would say, you're already a 33% share in mice in North America. I guess you can't grow much share from there.

We're 50% today. I mean, when you just got here, I think we were -- I don't remember what our share was, but we were very -- much lower share than we are today. I think we were getting 8 or 10 points. So I love where we are, from a market share standpoint. And I respect, big time, our competition across every segment of our business from Video Collaboration to the Streamers and Creators businesses, from the very large companies to the very small ones, but I love our position for that.

Q - Erik Woodring {BIO 19492555 <GO>}
Thank you, Bracken.

A - Nate Olmstead {BIO 21036514 <GO>}
Thanks, Erik.

A - Bracken P. Darrell {BIO 3403495 <GO>}
Thanks, Erik.

A - Nate Melihercik {BIO 20814398 <GO>}
All right. Bracken. I think we have time for one more question today, and that'll come from Rob Sanders at Deutsche Bank.

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

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Q - Rob Sanders {BIO 19087450 <GO>}

Hey there, everyone. Yeah. I just had one question around the metaverse. You stated that, that is a huge opportunity. But clearly, a lot of investors associate that with AR/VR, which tends to be dominated by the tech giants.

So what is Logitech's best play in this domain? Is it to develop from your existing categories and continue to be neutral? Or would you even consider working closely with one of the giants and potentially even doing some NRA?

A - Bracken P. Darrell {BIO 3403495 <GO>}

First of all, it's a great way to phrase that question because I'll compare it to the rest of our business. The tech giants are the big players in all of our business, all of them. We've built our business by trying to leverage the cloud platforms these companies have created, whether it's Microsoft or Apple or Google or anyone, trying to leverage those cloud platforms and create a great experience. We're the -- usually, we're the last central thing you experienced before you enter the virtual world. And it will be the same in the metaverse for us. It's already happening. We're -- and we've been working in VR and AR, as you described, which is exactly how I think about it. If you really get down to the technology, that's what it is.

We've been working with VR and AR now for five years. And so far, I, personally, haven't found a better experience, and I don't think we have for much of what you do than the mouse and the keyboard. It just is the fact, and headsets, too.

Now, that said, there are new categories, and we've worked on new categories in the meantime. We really tried to explore the edges of it. There will be new things that are created. They'll be additive, not replacements, I think. And so we're working on those. And as time goes on, our whole goal is to improve the experience or make the experience delightful that these big platform creators are creating. And whether we're working side by side with them, or from afar, admiring what they're doing and really trying to be in touch with the user, as they're experiencing those platforms. That's the business Logitech's in.

A - Ujesh Desai {BIO 16528672 <GO>}

And Bracken, if I can add to that as well. I love the term metaverse. And I also love the term because it's so loose, and everyone is figuring out how they define it. And I know there's a certain segment that want to define the metaverse as VR/AR, and we're all going to walk around with headsets for the rest of our lives.

And I think that is a subset of the market. And it's going to be a great subset of the market. And we're working with those companies, already, to support, as Bracken said, we're partnering with the big platform holders.

But a larger part of the metaverse is already happening today, and that's video games. And when I think of the metaverse, the real idea of the metaverse is these collisions of these different genres that are coming together. So when you see Ariana Grande hosting

a rock concert in Fortnite, that is the definition of the metaverse, right? When you see Gucci and all these brands saying, how do we do virtual fashion shows? That is the definition of the metaverse. And guess what? To enter that metaverse, you need our keyboard, our mouse, our headsets, you can communicate with all the other people that are in that metaverse, that are having fun and watching that same virtual concert.

And I said in my presentation, 33 million gamers came together and watched Lil Nas X in Roblox. That is the definition of the metaverse. And yes, there's going to be a subset of that, that is VR and want to enjoy it in VR. But I think the metaverse is also 3D games as we know and love them today, and we are a vital part of that. And we're the keys.

And I think there's an opportunity for us to keep you grounded in the metaverse because I think that's super important, making sure we don't have people get lost in that digital world and lose their humanity, quite frankly. And we are the person that keeps you grounded between that digital world and the physical world. And I think, that's going to be really important. So stay tuned.

A - Scott Wharton {BIO 21535553 <GO>}

Thank you, Ujesh. Just maybe one other thing that I want to add on this point, which is what's been holding the metaverse back, in terms of -- and you're hearing more about it today, is content, is the lack of content for people to consume. And what you're starting to see, and you see it on Twitch and other channels, the channels that have the most engagement, are actually the ones that are the most immersive, right?

So today, I only see your shoulders and your head, but the moment I can see you walk around and be in a free space, that content becomes way more immersive, way more engaging. And so you're seeing more and more content creators starting to push the fringe of what it means to create content from your home. And actually, you don't need to be sitting in your living room, you could push yourself into any universe you want. And so I think you're going to also see that element come to play. So there is the consumption portion and then there's the creation portion.

A - Nate Olmstead {BIO 21036514 <GO>}

I think, that's a really key point right there, Rob, Think about of both sides, the consumption and the creation. And I think there's a lot of focus on the consumption. But Logitech has some great opportunities on the creation end of that as well.

Q - Rob Sanders {BIO 19087450 <GO>}

Thanks everyone.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Thank you so much. Nate, I guess, that was our last question or we have one more?

A - Nate Melihercik {BIO 20814398 <GO>}

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That was our last question, Bracken. We can wrap up the Q&A.

A - Bracken P. Darrell {BIO 3403495 <GO>}

Okay. Well, first of all, I want to thank this group and Nicole and Elizabeth and many other people, you may or may not know, who have put in a lot of work for this. We always invest a lot of time into these sessions. And -- but actually, they're surprisingly easy because it feels -- for me, it always feels like, I guess, this is what we're already doing.

And so you're getting a good look inside of our four walls -- four virtual walls. And I couldn't be any more proud of this team and the whole team at Logitech. I think it's an incredibly exciting time for us, and I am so excited about the growth ahead.

I would be -- I couldn't possibly close without talking about what's happening in Ukraine right now, and it is really tough to watch, and it's very sad, and it's really a humanitarian crisis in the making. And our employees across our company, and I hope across all of yours, are trying to do anything they can to contribute to support all the people in this equation. There's many sides to it. And we're going to keep doing that.

In the meantime, as Nate said in the beginning, we've weathered so many storms in the last decade that I've been here, whether it was currency storms, tariffs. This is -- and now we have a war. Logitech's a safe place to go, when things are tough. And we're going to keep our heads down and make sure we're operating well. We're making sure we're really taking care of our people in every one of these areas and doing the best we can for the world to contribute to that as well. So thanks so much for all your time today. It's really been impressive for me to watch my team, and I hope it has been for you.

A - Nate Olmstead {BIO 21036514 <GO>}

Thank you.

A - Delphine Donne-Crock

Thank you.

A - Scott Wharton {BIO 21535553 <GO>}

Thank you.

A - Ujesh Desai {BIO 16528672 <GO>}

Thank you.

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