Logitech Q4 Fiscal Year 2017 Financial Results
Management's Prepared Remarks (April 26, 2017)

Logitech is posting a copy of these prepared remarks, our press release, and accompanying slides to our investor website. These prepared remarks will not be read on the call. We refer to non-GAAP financial measures herein. For full GAAP to non-GAAP reconciliation information and cautionary information regarding the use of non-GAAP measures, please refer to "Supplemental Financial Information" in our earnings press release or "Financial Statements only" posted to our website under "Quarterly Results" at http://ir.logitech.com. The live webcast or replay of the question and answer session is also available on our website.

COMPANY COMMENTARY

Following is a summary of the company's comments on Q4 and full year Fiscal Year 2017. The comments are primarily focused on non-GAAP results. The sales growth percentages that follow are in comparison to the same period of the prior year and are in constant currency, except as otherwise specified.

OVERVIEW

Q4 retail sales grew 17% to $496M, driven by growth across almost all categories as well as about three points of growth contribution from Jaybird. Gross margin expansion combined with continued opex discipline led to non-GAAP operating income growth of

61%, reaching $36M in Q4. Non-GAAP earnings per share was $0.21, up 50%.

For the full Fiscal Year 2017, retail sales increased 14% to $2.21B and exceeded the high-end of sales guidance of 12-13% retail sales growth in constant currency. Four key product categories – Video Collaboration, Mobile Speakers, Gaming, and Home Control – delivered double-digit growth in Fiscal Year 2017, while PC Peripherals sales steadily grew. Non-GAAP operating income grew 33% to a better-than-expected $238M. Non-GAAP earnings per share reached $1.32, up 35%. Cash flow from operations was very robust at $279M, the highest level in the past seven years.

NET RETAIL SALES BY PRODUCT CATEGORY

CREATIVITY & PRODUCTIVITY

KEYBOARDS & COMBOS

Our Keyboards & Combos category delivered its 12th consecutive quarter of growth, with sales up 14% in Q4. Americas and EMEA regions saw healthy double-digit growth in the quarter as we continue to drive greater innovations around how consumers interact with their keyboards. For Fiscal Year 2017, sales rose 12% (compared with 6%

growth last year).

POINTING DEVICES

Pointing Devices sales increased 6% in Q4 and 2% in Fiscal Year 2017. We continue to see stable demand for our mice products as well as positive contribution in the quarter from our newly introduced Spotlight presentation remote.

PC WEBCAMS

PC Webcams sales increased 13% in Q4, representing the 5th consecutive quarter of growth, and also rose 9% in Fiscal Year 2017, marking the second consecutive year of growth. This turnaround in growth in the past two years has been led by an expansion of streaming video use cases, such as Twitch and video blogging.

TABLET & OTHER ACCESSORIES

Sales in our Tablet and Other Accessories category fell 43% against a difficult comparison where Q4 sales last year rose 21%. Fiscal Year 2017 sales declined 26%, in line with broader tablet market performance.

GAMING

Gaming sales grew 25% in Q4, led by strong growth from all three regions. Fiscal Year 2017 sales rose 28%, representing the fourth consecutive year of double-digit growth. Our strong performance in Gaming demonstrates not only the robustness of the overall PC gaming market, but also our leadership position and industry-leading product portfolio. We saw positive contributions from both the high-end segment (such as the G900 wireless gaming mouse) and the more casual segment (including our Logitech G Prodigy family of gaming gear).

VIDEO COLLABORATION

In Q4, Video Collaboration posted 73% sales growth, driven by double-digit growth across all three regions. Fiscal Year 2017 sales increased 42%, in line with expectations. There continues to be strong momentum in this nascent but high-growth market. We are investing in our core capabilities and leveraging our leadership position to capture the growth opportunities.

MUSIC

MOBILE SPEAKERS

Our Q4 Mobile Speaker sales increased 61% against a weak Q4 of last year, with particular upside coming from our Americas region. For Fiscal Year 2017, Mobile Speaker sales grew 30% driven by strong execution across multiple capabilities. We will continue to drive for growth in this category, as we invest in new products (such as our recently introduced Ultimate Ears WONDERBOOM) and in new channels and regions.

AUDIO PC & WEARABLES

Audio PC & Wearables category sales rose 29% in Q4 and 26% in Fiscal Year 2017, driven by the acquisition of Jaybird. Jaybird contributed about three points of the Company's sales growth to both Q4 and Fiscal Year 2017. We exited Q4 with Jaybird being in supply/demand balance.

HOME CONTROL

In Q4, our Home Control category delivered sales growth of 45%, with all regions showing strong double-digit growth, albeit against low comparison points in Q4 of Fiscal

Year 2016. In Fiscal Year 2017, our Home Control sales increased 10%. Our continued integration of voice assistants (such as Alexa and Google Assistant) into our Harmony Hub has helped drive a resurgence of consumer interest and demand in our smart home products.

NET RETAIL SALES BY REGION

Sales in all three regions – Americas, EMEA, and Asia-Pacific – grew in the quarter. In fact, all three regions saw double-digit growth in Fiscal Year 2017. A diverse product portfolio, strong operational execution, and disciplined investments have contributed to the strong momentum we saw across our geographies.

- **Americas.** Our Q4 sales in Americas grew 30%, against a weak Q4 of last year (when Americas sales fell 8%) and owing to the contribution from our Jaybird acquisition. Almost all of our products achieved double-digit growth in the quarter. In Fiscal Year 2017, Americas sales rose 13%.

- **EMEA.** Our EMEA region delivered sales growth of 7% in Q4, compared against 19% growth in the region in Q4 of last year. Video Collaboration was particularly strong in the quarter and sales set another record high in the region. Fiscal Year

2017 EMEA sales increased 18%.

- **Asia Pacific.** In Q4, Asia Pacific sales continued its double-digit momentum, with sales up 11% and strong contribution from Mobile Speakers, Gaming, and Video Collaboration. Our Fiscal Year 2017 Asia Pacific sales grew 11%, with China and several other countries reaching all-time record sales in the year.

GROSS MARGIN

Our non-GAAP gross margin rose 430 basis points year over year to 37.4% in Q4, maintaining the strong levels we have seen in recent quarters. Our Fiscal Year non-GAAP gross margin reached a record 36.9%, at the upper end of our 35-37% margin target. We will continue to improve our cost structure and efficiencies, while at the same time, prudently re-invest our profits to deliver sustainable top-line growth.

OPERATING EXPENSES

In Q4, non-GAAP operating expenses increased 24% to $149M, with Jaybird contributing 6 points of that increase. For Fiscal Year 2017, non-GAAP operating expenses rose 14% (or 10% excluding Jaybird) as we are making prudent investments to support our sustainable financial model. Our Fiscal Year 2017 operating expense ratio was 26.1% of sales, in line with expectations and on track toward our long-term annual operating expense ratio target of 25%.

OPERATING INCOME

Non-GAAP operating income grew 61% to $36M in Q4 and increased 33% to $238M in Fiscal Year 2017, ahead of our outlook of $225-230M. Fiscal Year 2017 non-GAAP operating margin of 10.8% is up 190 basis points and demonstrates that we are making solid progress toward our long-term margin target of 10-12%.

NET INCOME & EPS

Our Q4 non-GAAP net income and EPS increased 52% and 50% to $35M and $0.21, respectively. Our Fiscal Year 2017 non-GAAP net income and EPS rose 35% to $218M and $1.32, respectively. Our non-GAAP tax rate for Q4 and Fiscal Year 2017 were 8.0% and 9.1%, respectively.

BALANCE SHEET AND CASH FLOWS

At the end of March 2017, our cash and cash equivalents were $548M. Our Fiscal Year 2017 cash flow from operations was $279M, up 52% versus last year. We expect Fiscal Year 2018 cash flow to approximate our non-GAAP operating income, with the first half seasonally lower than the second half due to timing of bonus payments, capacity and tooling additions, and working capital investments.

In Fiscal Year 2017, we returned $177M to shareholders in the form of $93M of dividends and $84M of stock repurchases. In Fiscal Year 2017, our cash conversion cycle was 23 days, stable versus last year and within our target range of 20-25 days.

At the end of March 2017, our inventory was $253M, up $25M from last year. Our inventory turns reached 5.5 times in Fiscal Year 2017, an improvement from 5.0 times last year.

Accounts receivable were $175M and accounts payable were $275M at the end of March 2017, up $32M and $34M from last year, respectively. Our DSO for Fiscal Year 2017 was 29 days (versus 25 days last year) and our DPO was 71 days (versus 65 days last year).

SHARE COUNT & REPURCHASES

Our weighted average diluted share count in Fiscal Year 2017 was 166M shares, flat versus last year. In Fiscal Year 2017, we repurchased approximately 4.0M shares for $84M. Our share count will be driven by our continued stock repurchases as well as our stock price.

FISCAL YEAR 2018 OUTLOOK

We are confirming our Fiscal Year 2018 outlook for high-single digit retail sales growth in constant currency and $250-260M in non-GAAP operating income.

FORWARD-LOOKING STATEMENTS

These remarks contain forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding our innovation, capabilities, investments, growth opportunities, growth in product categories, new products, cost structure and efficiencies, re-investment of profits, sustainable sales growth, long-term targets for operating expense ratio, operating margin and cash conversion cycle, capacity and tooling additions, working capital investments, and Fiscal Year 2018 outlook for cash flow, operating income and sales growth. The forward-looking statements in these remarks involve risks and uncertainties that could cause Logitech’s actual results and events to differ materially from those anticipated in these forward-looking statements, including, without limitation: if our product offerings, marketing activities and investment prioritization decisions do not result in the sales, profitability or profitability growth we expect, or when we expect it; the demand of our customers and our consumers for our products and our ability to accurately forecast it; if we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories; if we do not successfully execute on our growth opportunities or our growth opportunities are more limited than we expect; if sales of PC peripherals are less than we expect; the effect of pricing, product, marketing and other initiatives by our competitors, and our reaction to them, on our sales, gross margins and profitability; if our products and marketing strategies fail to separate our products from competitors’ products; if we do not fully realize our goals to lower our costs and improve our operating leverage; if there is a deterioration of business and economic conditions in one or more of our sales regions or product categories, or significant fluctuations in exchange rates; the effect of changes to our effective income tax rates. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in Logitech’s periodic filings with the Securities and Exchange

Commission, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2016 and our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2016, available at www.sec.gov, under the caption Risk Factors and elsewhere. Logitech does not undertake any obligation to update any forward-looking statements to reflect new information or events or circumstances occurring after the date of these remarks.

USE OF NON-GAAP FINANCIAL INFORMATION

To facilitate comparisons to Logitech's historical results, Logitech has included non-GAAP adjusted measures, which exclude share-based compensation expense, amortization of intangible assets, purchase accounting effect on inventory, acquisition-related costs, change in fair value of contingent consideration for business acquisition, restructuring charges (credits), gain (loss) on equity-method investment, investigation and related expenses, non-GAAP income tax adjustment, and other items detailed under "Supplemental Financial Information" in our earnings press release or "Financial Statements only" posted to our website under "Quarterly Results" at http://ir.logitech.com. Logitech also presents percentage sales growth in constant currency, a non-GAAP measure, to show performance unaffected by fluctuations in currency exchange rates. Percentage sales growth in constant currency is calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency and comparing that to current period sales. Logitech believes this information, used together with the GAAP financial information, will help investors to evaluate its current period performance and trends in its business. With respect to our outlook for non-GAAP operating income, most of these excluded amounts pertain to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. Therefore, no reconciliation to the GAAP amounts has been provided for Fiscal Year 2018 or other outlook.

USE OF SELL-THROUGH DATA

Logitech relies on reports from third-parties for data on its product sell-through and inventory information. While Logitech believes this information provides meaningful perspectives on sell-through and inventory trends over time, this information is not subject to Logitech’s internal control systems and Logitech cannot assure investors of its accuracy.