logitech

Q2 Fiscal Year 2022 Financial Results

October 25, 2021

FORWARD-LOOKING STATEMENTS

This presentation includes forward-looking statements within the meaning of the U.S. federal securities laws, including, without limitation, statements regarding: our preliminary financial results for the three and six months ended September 30, 2021, fiscal year 2022 outlook, gross margin, gross margin target range, growth and growth opportunities, industry-wide supply chain challenges, including component and freight cost increases, and their future impact on us, growth of consumer our awareness and consideration, product innovation, market share, market trends, hybrid work, growing workspaces, trends in our product categories, our sustainability commitments and carbon footprint, cash flow, cash from operations, potential fluctuations in demand, future plans and opportunities, and related assumptions.

These statements are subject to risks and uncertainties that may cause actual results and events to differ materially, including without limitation: if our product offerings, marketing activities and investment prioritization decisions do not result in the sales, profitability or profitability growth we expect, or when we expect it; if we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories; if we do not successfully execute on our growth opportunities or our growth opportunities are more limited than we expect; the effect of demand variability, supply shortages, and other supply chain challenges; 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 we are not able to maintain and enhance our brands; if our products and marketing strategies fail to separate our products from competitors' products; the COVID-19 pandemic and its potential impact; if we do not efficiently manage our spending; if there is a deterioration of business and economic conditions in one or more of our sales regions or product categories, or significant fluctuations in exchange rates; changes in trade regulations, policies and agreements and the imposition of tariffs that affect our products or operations and our ability to mitigate; risks associated with acquisitions; and 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 (SEC), including our Annual Report on Form 10-K for the fiscal year ended March 31, 2021, our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2021, and our subsequent reports filed with the SEC, available at www.sec.gov, under the caption Risk Factors and elsewhere. Logitech does not undertake any obligation to update any forward-looking statements to reflect new information or events or circumstances occurring after the date of this presentation.

To facilitate comparisons to Logitech's historical results, we have included **non-GAAP adjusted measures** in this presentation, which exclude primarily share-based compensation expense, amortization of intangible assets, acquisition-related costs, change in fair value of contingent consideration for business acquisition, restructuring charges (credits), loss (gain) on investments, non-GAAP income tax adjustment, and other items detailed under "Supplemental Financial Information" in our earnings press release and posted to our website at http://ir.logitech.com. We also present percentage sales growth in constant currency ("CC") to show performance unaffected by fluctuations in currency exchange rates. Percentage sales growth in constant currency is calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency and comparing that to current period sales. Logitech believes this information will help investors to evaluate its current period performance, outlook and trends in its business. For historical financials provided in this presentation, reconciliation between non-GAAP amounts and GAAP amounts is provided on the Investors page of our website, together with this presentation and with our earnings releases. With respect to financial outlook, most of the excluded amounts pertain to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. Therefore, no reconciliation to GAAP amounts has been provided for non-GAAP outlook.

WHAT’S NEW FROM LOGITECH

SUSTAINABILITY

Logitech is adopting a climate positive approach, addressing its carbon footprint across the entire value chain (Scope 1, 2, and 3) to achieve carbon neutrality this year and setting the company on a path to net zero by 2030, and beyond that, climate positive

Logitech is accelerating its previous commitments in support of the Paris Agreement and RE100 and is committing to remove more carbon than the company creates, shifting to renewable energy sources and investing in restoration programs

CREATIVITY & PRODUCTIVITY

MX Keys Mini and MX Keys Mini for Mac, offers the best features of the standard-sized MX Keys in a minimalist wireless keyboard designed for any space you work

Offering USB-C quick-charging, MX Keys Mini easily connects up to three wireless devices with *Bluetooth*® Low Energy

A portion of MX Keys Mini's plastic parts are made from post-consumer recycled (PCR) plastic

GAMING

Logitech G435, the company's lightest, most affordable, sustainable wireless gaming headset yet

Weighing in at only 5.8 oz (165 grams), G435 is ultra lightweight and comfortable enough to wear all day

G435 is certified CarbonNeutral®, which means that we finance high-quality certified carbon offsets to reduce the carbon impact of the product to zero

FINANCIAL RESULTS

FINANCIAL KEY MESSAGES – Q2 FY 2022

Q2’22 net sales increased 2% (CC) to $1.31B, a record for Q2, with double digit sell-through growth in all regions, strong share gains in most categories, and we confirmed our full year outlook despite global supply chain challenges

Gross margin was 42%, within our long-term gross margin range of 39% - 44%

Operating profit was $211M, as we invest to support our greater scale and drive future growth. We continued to strategically increase investments in marketing and engineering to strengthen our business for the long-term

Cash flow from operations was a negative $63M, and we returned $279M of cash to shareholders through a $159M annual dividend and $120M of share repurchases in the quarter

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

SALES GROWTH AND INVESTMENT FOR THE FUTURE

	Q2'22	Q2'21	Y/Y
Net sales	**$1,306**	**$1,257**	**49**
Y/Y % chg	*4%*	*75%*	
Y/Y % chg (CC)	*2%*	*73%*	
Gross profit	548	574	(26)
% margin	*42.0%*	*45.7%*	*(370 bps)*
Operating expense	337	221	116
% of sales	*25.8%*	*17.6%*	*820 bps*
Operating income	**211**	**354**	**(142)**
% margin	*16.2%*	*28.1%*	*(1190 bps)*
Net income	180	320	(140)
% margin	*13.8%*	*25.4%*	*(1160 bps)*
Earnings per share	**$1.05**	**$1.87**	**(44%)**
Diluted shares	171	171	0

Net sales +2% (CC) to $1.31B, with market share growth in the majority of the categories

Gross margin was 42% and decreased as expected due to increased promotional spend, higher logistics rates, inventory reserves, and higher product costs

Continued to strategically invest in OPEX to support sustainable, long-term growth

Note: Numbers in $ millions except EPS and percentages. Diluted share count in millions. Results are non-GAAP. Comparisons are Y/Y and in US$ unless otherwise specified.

… AS SECULAR GROWTH TRENDS CONTINUED

	Q2'22	Q2'21	Y/Y	Y/Y (CC)
Pointing Devices	189	169	12%	10%
Keyboards & Combos	236	202	17%	15%
PC Webcams	94	102	(8%)	(9%)
Tablet & Accessories	81	83	(3%)	(3%)
Video Collaboration	232	237	(2%)	(4%)
Gaming	331	298	11%	9%
Mobile Speakers	39	44	(9%)	(11%)
Audio & Wearables	98	114	(14%)	(15%)
Smart Home	6	9	(34%)	(35%)
Net sales	**$1,306**	**$1,257**	**4%**	**2%**

Our large secular market trends sustained last year's overall sales levels

Pointing Devices +10% (CC) and Keyboards +15% (CC) delivered another double-digit growth quarter

Gaming +9% (CC), driven by a strong share gains in PC Gaming, Simulation and Console headsets and double digit sell-through growth

Video Collaboration sales -4% (CC), but sell-through grew double digits in all regions

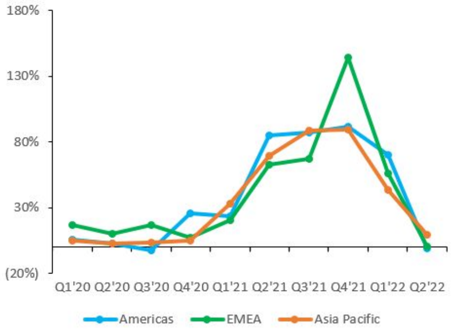
PC Webcams -9% (CC) after tripling last year

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

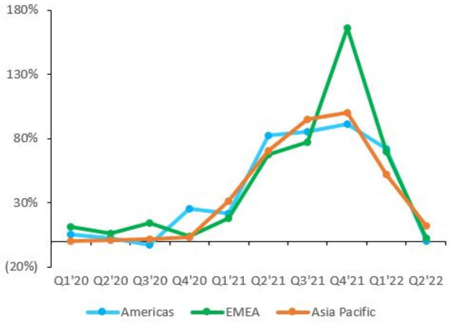
DOUBLE DIGIT SELL-THROUGH GROWTH IN ALL REGIONS

	Q2'22	Q2'21	Y/Y (CC)	Y/Y (US$)	Sell-through (US$)
Americas	542	542	(1%)	(0%)	13%
EMEA	399	390	0%	3%	16%
Asia Pacific	365	325	9%	12%	18%
Net sales	**$1,306**	**$1,257**	**2%**	**4%**	**15%**

Sales growth Y/Y % (CC)



Sales growth Y/Y % (US$)



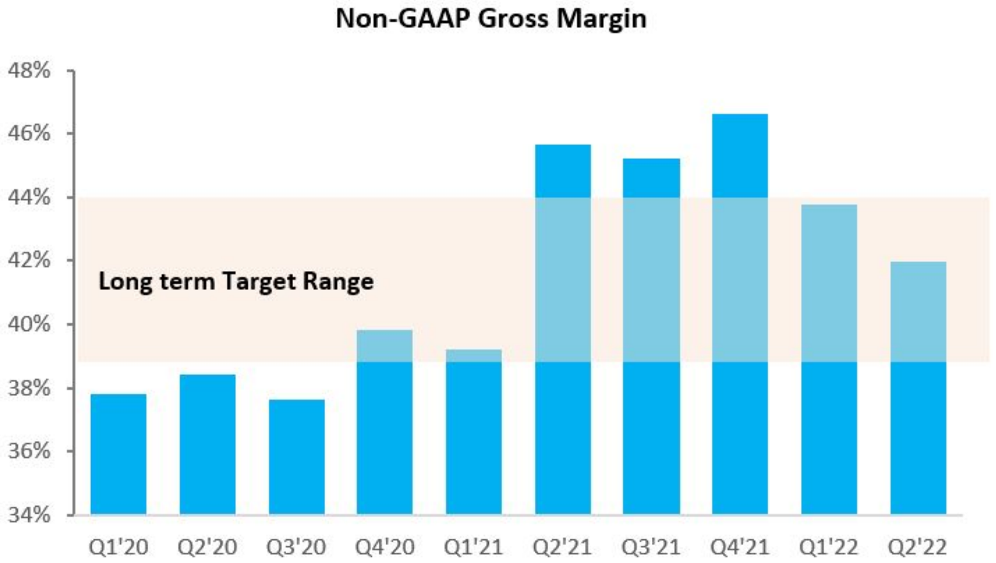
Sell-through growth was balanced and double digit across all three regions

Net sales grew 4% after growing 73% last year

The difference between our net sales and sell-through growth rates was due to higher levels of promotional spend and retail point of sale marketing, compared to the historically low levels last year, and lower channel inventory replenishment versus the prior year

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

GROSS MARGIN WITHIN TARGET RANGE



Gross margin decreased 370 basis points to 42.0% versus Q2’21 and increased 360 basis points vs Q2’20

Results were as expected, despite higher freight and component costs, and we continue to expect our gross margins to be within our target range of 39-44% over the long-term

INVESTING FOR LONG-TERM BUSINESS GROWTH

	Q2’22	Q2’21	Y/Y
Sales & marketing	247	148	66%
% of sales	*18.9%*	*11.8%*	*710 bps*
Research & development	64	50	29%
% of sales	*4.9%*	*3.9%*	*100 bps*
General & administrative	26	23	13%
% of sales	*2.0%*	*1.8%*	*20 bps*
Operating expenses	**$337**	**$221**	**52%**
% of sales	*25.8%*	*17.6%*	*820 bps*

Strategically investing in the business as we shift our model to be more marketing and innovation-led versus promotion-led

S&M expenses up 66% as our investments in brand equity are expected to help drive enhanced consumer awareness and consideration over the long-term

R&D increased 29%, with focus on innovations in both hardware and software

G&A up 13% as we scaled our variable and fixed IT and customer care capacity to support higher sales volume

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

STRATEGIC INVESTMENTS IN WORKING CAPITAL

	Q2'22	Q2'21	Y/Y	Q/Q
Cash from operations	(63)	280	(343)	52
Ending cash balance	1,137	917	220	(360)
Inventory	828	395	110%	6%
Inventory turns	*3.7*	*7.0*	*(3.3)*	*(0.1)*
DOI	*97*	*52*	*45*	*3*
Accounts receivable	728	751	(3%)	33%
DSO	*50*	*54*	*(4)*	*13*
Accounts payable	661	663	(0%)	(7%)
DPO	*78*	*87*	*(9)*	*(8)*
Cash conversion cycle	**69 days**	**19 days**	**50 days**	**24 days**

Cash balance at $1.1B, up $0.2B Y/Y

In Q2, cash flow from operations was a negative $63M

Made an annual dividend payment of $159M and spent $120M on share repurchases

Continued strategic use of the balance sheet to secure long lead time components for key product categories

Cash conversion cycle increased due to shipping delays and longer lead times for certain components

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

REAFFIRMING FISCAL YEAR 2022 OUTLOOK

FY 2022 OUTLOOK	
Sales growth (CC)	**-5% to +5%**
Non-GAAP operating income	**$800M - $850M**

ADDITIONAL ASSUMPTIONS	
Currency exchange rates	YTD FY’22 actuals and Q3-Q4’22 projections [1]
Non-GAAP effective tax rate	12% – 13%
Cash from operations	~0.5x non-GAAP operating income
Capex	$80M - $90M

Note: Sales growth is Y/Y and in constant currency unless otherwise specified.
(1) Q3-Q4’22 projections are based on average Q2’22 currency exchange rates.

APPENDIX

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS*

(In thousands, except per share amounts) - unaudited

SUPPLEMENTAL FINANCIAL INFORMATION	**Three Months Ended September 30,**		**Six Months Ended September 30,**	
***GAAP TO NON GAAP RECONCILIATION* (A)**	**2021**	**2020**	**2021**	**2020**
Gross profit - GAAP	$ 542,163	$ 569,723	$ 1,111,089	$ 875,456
Share-based compensation expense	2,102	1,772	3,471	3,172
Amortization of intangible assets	3,836	2,836	7,902	6,359
Gross profit - Non-GAAP	$ 548,101	$ 574,331	$1,122,462	$ 884,987
Gross margin - GAAP	41.5 %	45.3 %	42.4 %	42.7 %
Gross margin - Non-GAAP	42.0 %	45.7 %	42.9 %	43.2 %
Operating expenses - GAAP	$ 362,752	$ 248,170	$ 728,597	$ 470,476
Less: Share-based compensation expense	21,920	23,013	44,202	41,728
Less: Amortization of intangible assets and acquisition-related costs	5,107	4,331	10,324	8,940
Less: Change in fair value of contingent consideration for business acquisition	(925)	—	(2,399)	5,716
Less: Restructuring charges (credits), net	11	(1)	11	(54)
Operating expenses - Non-GAAP	$ 336,639	$ 220,827	$ 676,459	$ 414,146
% of net sales - GAAP	27.8 %	19.7 %	27.8 %	23.0 %
% of net sales - Non - GAAP	25.8 %	17.6 %	25.8 %	20.2 %

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS*

(In thousands, except per share amounts) - unaudited

SUPPLEMENTAL FINANCIAL INFORMATION	**Three Months Ended September 30,**		**Six Months Ended September 30,**	
GAAP TO NON GAAP RECONCILIATION [(A)]	**2021**	**2020**	**2021**	**2020**
Operating income - GAAP	$ 179,411	$ 321,553	$ 382,492	$ 404,980
Share-based compensation expense	24,022	24,785	47,673	44,900
Amortization of intangible assets and acquisition-related costs	8,943	7,167	18,226	15,299
Change in fair value of contingent consideration for business acquisition	(925)	—	(2,399)	5,716
Restructuring charges (credits), net	11	(1)	11	(54)
Operating income - Non - GAAP	$ 211,462	$ 353,504	$ 446,003	$ 470,841
% of net sales - GAAP	13.7 %	25.6 %	14.6 %	19.8 %
% of net sales - Non - GAAP	16.2 %	28.1 %	17.0 %	23.0 %
Net income - GAAP	$ 139,456	$ 266,914	$ 326,297	$ 338,987
Share-based compensation expense	24,022	24,785	47,673	44,900
Amortization of intangible assets and acquisition-related costs	8,943	7,167	18,226	15,299
Change in fair value of contingent consideration for business acquisition	(925)	—	(2,399)	5,716
Restructuring charges (credits), net	11	(1)	11	(54)
Loss on investments	2,032	2,693	961	2,519
Non-GAAP income tax adjustment	6,825	18,351	(591)	21,399
Net income - Non - GAAP	$ 180,364	$ 319,909	$ 390,178	$ 428,766
Net income per share:				
Diluted - GAAP	$ 0.81	$ 1.56	$ 1.90	$ 1.99
Diluted - Non - GAAP	$ 1.05	$ 1.87	$ 2.27	$ 2.51
Shares used to compute net income per share:				
Diluted - GAAP and Non - GAAP	171,343	171,382	171,682	170,766

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the three and six months ended September 30, 2021 are subject to adjustments, including subsequent events that may occur through the date of filing our Quarterly Report on Form 10-Q.

(A) Non-GAAP Financial Measures

To supplement our condensed consolidated financial results prepared in accordance with GAAP, we use a number of financial measures, both GAAP and non-GAAP, in analyzing and assessing our overall business performance, for making operating decisions and for forecasting and planning future periods. We consider the use of non-GAAP financial measures helpful in assessing our current financial performance, ongoing operations and prospects for the future as well as understanding financial and business trends relating to our financial condition and results of operations. For full GAAP to non-GAAP reconciliation information and cautionary information regarding the use of non-GAAP measures, please refer to “Supplemental Financial Information” in our earnings press release posted to our website under “Quarterly Results” at http://ir.logitech.com.

SELL-THROUGH DATA

- Measures sales of our products by retailer customers to consumers and by our distributor customers to their customers
- Compiled by Logitech from data supplied by our customers
- Customers supplying sell-through data vary by geographic region and from period to period, but typically represent a majority of our retail sales

- Data is subject to limitations and possible error sources and may not be an entirely accurate indicator of actual consumer demand for our products. Limitations and possible error sources include the following:

- Data supplied by our customers may not be indicative of sell-through experienced by our customers as a whole
- Reliability of the data depends on accuracy and timeliness of information supplied to us by our customers, and the processes by which they collect their sell-through data are largely outside our control
- In the U.S., Canada, and to a lesser extent Asia Pacific, and a still lesser extent, EMEA, sell-through data is based on Point of Sale electronic data. Where POS data is not available, the data is collected largely through manual processes, including the exchange of spreadsheets or other non-automated methods of data transmission, which are subject to typical human errors, including errors in data entry, transmission and interpretation

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