logitech

Q4 and Fiscal Year 2023 Financial Results

May 2, 2023

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 months and fiscal year ended March 31, 2023, and first half of fiscal year 2024 outlook for sales and non-GAAP operating income; trends in our business; our strategy; our plans regarding our expenses, product development, and global go-to-market capabilities; our expectations regarding future growth drivers; gross margin improvement factors; and related assumptions.

These statements are subject to risks and uncertainties that may cause actual results and events to differ materially, including without limitation: macroeconomic and geopolitical conditions and other factors and their impact, for example changes in inflation levels and monetary policies, and the COVID-19 pandemic; our expectations regarding our expense reduction efforts, including the timing thereof; changes in secular trends that impact our business; 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; if we do not efficiently manage our spending; our expectations regarding our restructuring efforts, including the timing thereof; 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; if we do not successfully execute on strategic acquisitions and investments; 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, 2022, our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2022, 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.

NON-GAAP FINANCIAL MEASURES

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, impairment of intangible assets, change in fair value of contingent consideration for business acquisition, restructuring charges, loss on investments, pension curtailment gains, non-GAAP income tax adjustment, and other items detailed under "Supplemental Financial Information" in our earnings press release posted to our website under "Quarterly Results" at http://ir.logitech.com.

We also present percentage sales growth in constant currency ("CC"), 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 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 the first half of Fiscal Year 2024 non-GAAP operating income outlook.

What’s New From Logitech?

PERSONAL WORKSPACE

Brio 300 Series Webcams

Logitech unveiled its Brio 300 series, a line of compact, plug-and-play webcams with Full-HD 1080p resolution, auto light correction and a noise-reducing mic, for more natural and productive video call experiences at an attractive price.

The unconventional cone shape design adds personality to every workspace. Made with recycled plastic parts* in off-white (48%), graphite (62%) and rose (48%) colors, the webcams pair harmoniously with Logitech mice and keyboards for a stylish and coordinated setup.

*Excludes electronic components, cables, and packaging

EDUCATION

Zone Learn

Logitech announced the launch of Zone Learn, wired headsets designed for K-12 learners.

Logitech worked hand-in-hand with educators and students — from concept to final prototype — to build an education-first product.

Zone Learn features comfort optimized for younger learners with smaller heads, durable architecture and replaceable ear pads and cables. These new headsets, designed with a scalable fit, were built for a deeper, more sustained focus and long-term use to keep students in their learning zones.

SUSTAINABILITY

Logitech has been recognized as a Supplier Engagement Leader by CDP.

CDP is a global nonprofit that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

CDP's Supplier Engagement Leaderboard and annual assessment is based on how well individual companies proactively work with suppliers to ensure climate change mitigation throughout their value chain.

CDP ranked Logitech among the top 8% of all companies assessed for supplier engagement on climate change.

FINANCIAL RESULTS

KEY MESSAGES – Q4’23

Q4’23 net sales declined 20% (CC) to $960M, as the industry continued to navigate a challenging macro environment with low visibility, resulting in broad based, aggressive cost reductions and delayed project investments.

Operating expenses were down 22% in the quarter, in line with the year-over-year reduction in revenue, reflecting a disciplined approach to managing the P&L.

Gross margin was 36.3%, down versus Q4’22. Pressures due to unfavorable currency movements, inflation, and unfavorable mix were partially offset by less reliance on expedited shipping and favorable logistics rates, and pricing actions.

Operating income was $82M, down 47% year-over-year, reflecting lower demand and gross margin pressure partially offset by reductions in operating expense.

Cash flow from operations was $217M, ending cash balance was $1,149M and we returned $91M to shareholders through 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.

KEY MESSAGES – FISCAL YEAR 2023

FY'23 net sales declined 13% (CC) to $4.5B. A challenging macroeconomic environment, geopolitical conflict and soft demand from both consumers and enterprises, pressured results throughout our portfolio.

In response to a challenging year for net sales, we focused on reducing inventory (down 27% year-over-year) and exercised discipline with expense management (operating expense down 17% year-over-year).

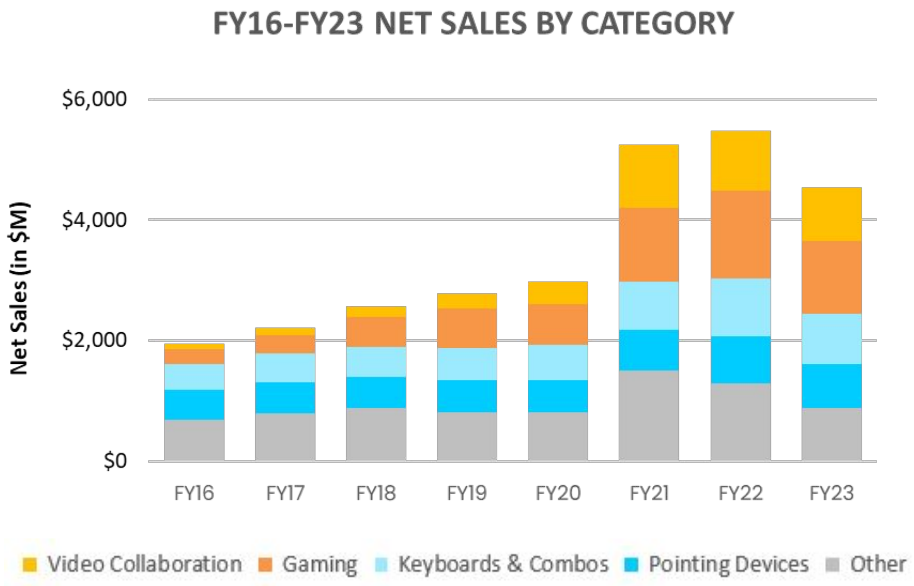
Gross margin was 38.3%, down year-over-year as anticipated, driven primarily by inflation and foreign currency headwinds, partially offset by less reliance on expedited shipping.

Operating income was $589M, down $316M year-over-year. In line with the decline, we reduced operating expenses throughout the year, while continuing to support investment in our product innovation initiatives.

Cash flow from operations was $534M, and we returned a total of $577M to shareholders in FY'23 through our share repurchase program ($418M) and dividend payment ($159M). This was the second consecutive year of record cash returns to shareholders.

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

ANNUAL NET SALES BY CATEGORY



FY’21 net sales grew nearly 75% year-over-year due to unprecedented demand driven by the pandemic

Challenging FY’23, driven by macroeconomic uncertainty, low overall visibility into markets, and weakened consumer and enterprise demand

Categories in which we are primarily focused are significantly larger than in FY’20 - including Video Collaboration (~+140%) and Gaming (~+75%) - and continue to be driven by long-term secular trends

Q4 AND FY'23 RESULTS

	Q4'23	vs. Q4'22	FY'23	vs. FY'22
Net sales	**960**	**(270)**	**4,539**	**(942)**
Y/Y % chg		(22%)		(17%)
Y/Y % chg (CC)		(20%)		(13%)
Gross profit	349	(150)	1,738	(546)
% margin	*36.3%*	*(419) bps*	*38.3%*	*(337) bps*
Operating expense	266	(76)	1,149	(230)
% of sales	*27.8%*	*(6) bps*	*25.3%*	*16 bps*
Operating income	**82**	**(74)**	**589**	**(316)**
% margin	*8.6%*	*(412) bps*	*13.0%*	*(353) bps*
Net income	81	(55)	527	(262)
% margin	*8.4%*	*(264) bps*	*11.6%*	*(279) bps*
Earnings per share	$0.50	(38%)	$3.22	(30%)
Diluted shares	162	(7)	164	(7)

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.

Q4 net sales down 20% (CC) year-over-year to $960M, and down 13% for FY'23, driven by soft demand from both consumers and enterprises

Q4 gross margin was 36.3%, and FY'23 gross margin was 38.3%, both down year-over-year

Operating expenses were down 22% in Q4, and down 17% for FY'23, as we continue to align our business with lower revenues

Q4 operating income of $82M is down 47% year-over-year, and down 35% for FY'23, reflecting lower demand and gross margin pressure

REVENUE BY PRODUCT CATEGORY

	Q4'23	Y/Y	Y/Y (CC)	FY'23	Y/Y	Y/Y (CC)
Gaming[1]	239	(77)	(22%)	1,211	(240)	(12%)
Keyboards & Combos	188	(43)	(17%)	836	(131)	(10%)
Video Collaboration	179	(65)	(25%)	888	(110)	(7%)
Pointing Devices	161	(17)	(6%)	728	(53)	(2%)
Audio & Wearables	62	(20)	(23%)	274	(127)	(29%)
Tablets & Accessories	68	1	5%	254	(56)	(14%)
PC Webcams	50	(34)	(39%)	228	(176)	(41%)
Mobile Speakers	12	(13)	(52%)	112	(38)	(22%)
Other[2]	1	(1)	(38%)	7	(12)	(64%)
Net sales	**960**	**(270)**	**(20%)**	**4,539**	**(942)**	**(13%)**

[1] Gaming includes streaming services revenue generated by Streamlabs.
[2] Other includes Smart Home.
[3] Market share data through February 2023.
Note: Net sales in $ millions. Comparisons are Y/Y and in US$ unless otherwise specified.

While the Gaming market has softened, we grew market share in mice, headsets and wheels in the quarter[3]

Premium keyboards and pointing devices outperformed more price sensitive products in portfolio

Enterprise customers continued the trend from Q3, reducing IT budgets and delaying video collaboration projects

We believe long-term growth in our portfolio will be driven by the following industry trends:

- Video everywhere
- Hybrid work/learn
- Gaming
- Content creation

REVENUE AND SELL-THROUGH BY REGION

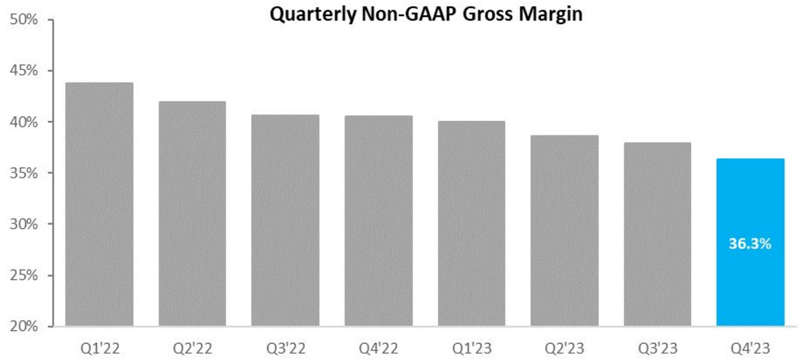
	FY'23 (CC)	Q4'23	Q4'22	Y/Y (CC)	Y/Y (US$)	Q4 Sell-through[2] (US$)
Americas	(17%)	423	489	(14%)	(14%)	(13%)
EMEA	(17%)	283	414	(28%)	(32%)	(21%)
Asia Pacific	(3%)	254	326	(18%)	(22%)	(18%)
Net sales[1]	**(13%)**	**960**	**1,230**	**(20%)**	**(22%)**	**(17%)**

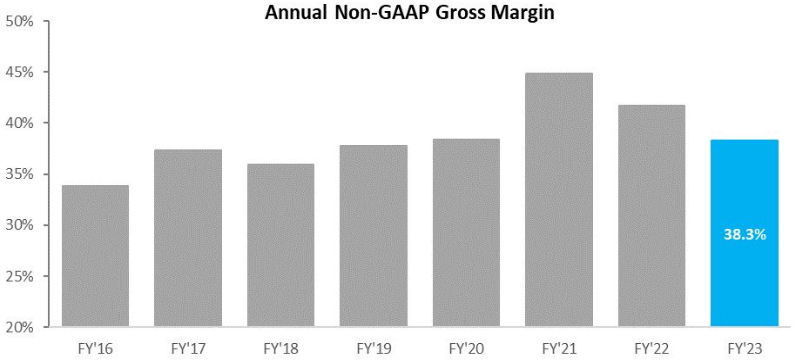
While demand softness has impacted all regions, our global, diversified customer base provides a hedge against regional economic or geopolitical disruptions

For Q4, sell-through results outpaced net sales, as we reduced channel inventory based on a lower revenue base; weeks on hand are within the operating model

[1] Net sales include promotions.
[2] Sell-through figures do not include promotions.
Note: Sales in $ millions and are net sales. Comparisons are Y/Y unless otherwise specified. See Appendix regarding sell-through data.

GROSS MARGIN





Q4 gross margin was 36.3%, down versus Q4’22. due to unfavorable currency movements, inflation, and unfavorable mix, partially offset by less reliance on expedited shipping and favorable logistics rates, and pricing actions

FY’23 gross margin was 38.3%, down versus FY’22, driven primarily by inflation and foreign currency headwinds, partially offset by less reliance on expedited shipping

Shipping rates and lead times are nearing pre-pandemic levels

As we transition to FY’24, we anticipate the weakening USD-EUR exchange rate and lower operating costs will contribute to improving gross margins

Note: Results are non-GAAP. Comparisons are Y/Y unless otherwise specified.

OPERATING EXPENSES

	Q4'23	Y/Y	FY'23	Y/Y
Sales & marketing	172	(28%)	774	(22%)
% of sales	*17.9%*	*(149) bps*	*17.1%*	*(96) bps*
Research & development	67	(10%)	266	(3%)
% of sales	*7.0%*	*92 bps*	*5.8%*	*86 bps*
General & administrative	28	(6%)	110	(7%)
% of sales	*2.9%*	*50 bps*	*2.4%*	*26 bps*
Operating expenses	**266**	**(22%)**	**1,149**	**(17%)**
% of sales	*27.8%*	*(6) bps*	*25.3%*	*16 bps*

We reduced operating expenses over the year to protect our operating margins, while continuing to invest in our product innovation initiatives and enterprise selling capabilities

In Q4, reduced operating expenses in line with declines in net sales, reflecting an aggressive approach to maintaining a healthy P&L

For FY'23, operating expense reductions were in line with lower net sales, both down 17%

For Q4 and FY'23, operating expense reduction was focused on Sales & Marketing, while strategically maintaining investment in Research & Development

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

CASH BALANCE, CASH FLOW AND INVENTORY

	Q4'23	Q4'22	Q/Q	Y/Y
Cash from operations	217	100	(63)	117
Ending cash balance	1,149	1,329	113	(180)
Inventory	683	933	(115)	(250)
Inventory turns	*3.6*	*3.2*	*(0.4)*	*0.4*
DOI	*100*	*114*	*9 days*	*(14) days*
Accounts receivable	630	676	(172)	(45)
DSO	*59*	*49*	*2 days*	*10 days*
Accounts payable	407	636	(85)	(229)
DPO	*59*	*78*	*3 days*	*(19) days*
Cash conversion cycle	**100**	**85**	**8 days**	**15 days**

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

Ending cash balance more than $1.1B, driven by strong cash from operations in Q4, up $117M

FY'23 cash flow from operations is up $236M, an increase of nearly 80%

Inventory was down $115M for the quarter, $250M for the year

Returned a total of $577M to shareholders in FY'23 through our share repurchase program ($418M) and dividend payment ($159M)

1H FY’24 OUTLOOK

1H FY’24 OUTLOOK	
Revenue	$1.8B - $1.9B
Revenue decline (USD, Y/Y)	22% - 18%
Non-GAAP operating income	$160M - $190M

ADDITIONAL ASSUMPTIONS	
Non-GAAP effective tax rate	Approximately 13%
Cash from operations	Approximately 1x non-GAAP operating income
Capex	Approximately $90M

Note: See the Forward-Looking Statements for factors that could cause the actual results to differ materially from the guidance presented.

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 March 31,		Fiscal Years Ended March 31,	
GAAP TO NON GAAP RECONCILIATION (A)	2023	2022	2023	2022
Gross profit - GAAP	$ 343,864	$ 493,907	$1,719,515	$2,263,006
Share-based compensation expense	1,407	1,442	5,635	6,695
Amortization of intangible assets	3,510	2,995	12,865	14,023
Gross profit - Non-GAAP	$ 348,781	$ 498,344	$1,738,015	$2,283,724
Gross margin - GAAP	35.8 %	40.2 %	37.9 %	41.3 %
Gross margin - Non-GAAP	36.3 %	40.5 %	38.3 %	41.7 %
Operating expenses - GAAP	$ 305,020	$ 365,138	$1,261,046	$1,488,994
Less: Share-based compensation expense	17,635	19,572	65,147	86,784
Less: Amortization of intangible assets and acquisition-related costs	2,791	2,961	11,843	16,947
Less: Impairment of intangible assets	—	—	—	7,000
Less: Change in fair value of contingent consideration for business acquisition	—	—	—	(3,509)
Less: Restructuring charges, net	18,102	395	34,573	2,165
Operating expenses - Non-GAAP	$ 266,492	$ 342,210	$1,149,483	$1,379,607
% of net sales - GAAP	31.8 %	29.7 %	27.8 %	27.2 %
% of net sales - Non - GAAP	27.8 %	27.8 %	25.3 %	25.2 %

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS*
(In thousands, except per share amounts) - unaudited

SUPPLEMENTAL FINANCIAL INFORMATION	Three Months Ended March 31,		Fiscal Years Ended March 31,	
GAAP TO NON GAAP RECONCILIATION [(A)]	2023	2022	2023	2022
Operating income - GAAP	$ 38,844	$ 128,769	$ 458,469	$ 774,012
Share-based compensation expense	19,042	21,014	70,782	93,479
Amortization of intangible assets and acquisition-related costs	6,301	5,956	24,708	30,970
Impairment of intangible assets	—	—	—	7,000
Change in fair value of contingent consideration for business acquisition	—	—	—	(3,509)
Restructuring charges, net	18,102	395	34,573	2,165
Operating income - Non - GAAP	$ 82,289	$ 156,134	$ 588,532	$ 904,117
% of net sales - GAAP	4.0 %	10.5 %	10.1 %	14.1 %
% of net sales - Non - GAAP	8.6 %	12.7 %	13.0 %	16.5 %
Net income - GAAP	$ 41,495	$ 108,205	$ 364,575	$ 644,513
Share-based compensation expense	19,042	21,014	70,782	93,479
Amortization of intangible assets and acquisition-related costs	6,301	5,956	24,708	30,970
Impairment of intangible assets	—	—	—	7,000
Change in fair value of contingent consideration for business acquisition	—	—	—	(3,509)
Restructuring charges, net	18,102	395	34,573	2,165
Loss on investments	1,008	262	14,073	1,683
Pension curtailment gains	(4,225)	—	(4,225)	—
Non-GAAP income tax adjustment	(1,167)	(99)	22,129	12,364
Net income - Non - GAAP	$ 80,556	$ 135,733	$ 526,615	$ 788,665
Net income per share:				
Diluted - GAAP	$ 0.26	$ 0.64	$ 2.23	$ 3.78
Diluted - Non - GAAP	$ 0.50	$ 0.81	$ 3.22	$ 4.63
Shares used to compute net income per share:				
Diluted - GAAP and Non - GAAP	161,524	168,546	163,704	170,414

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

(In thousands) - Unaudited

SUPPLEMENTAL FINANCIAL INFORMATION

GAAP TO NON-GAAP RECONCILIATION	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
Gross profit - GAAP	$ 681,047	$ 820,041	$ 909,241	$ 1,037,011	$ 1,122,381	$ 2,335,735	$ 2,263,006	$ 1,719,515
Share-based compensation expense	2,340	2,663	3,733	3,812	4,852	6,438	6,695	5,635
Amortization of intangible assets and purchase accounting effect on inventory	-	6,175	8,878	13,342	14,785	13,329	14,023	12,865
Gross profit - Non-GAAP	$ 683,387	$ 828,879	$ 921,852	$ 1,054,165	$ 1,142,018	$ 2,355,502	$ 2,283,724	$ 1,738,015
Gross margin - GAAP	33.7%	36.9%	35.4%	37.2%	37.7%	44.5%	41.3%	37.9%
Gross margin - Non-GAAP	33.9%	37.3%	35.9%	37.8%	38.4%	44.8%	41.7%	38.3%

GAAP TO NON-GAAP RECONCILIATION	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Gross profit - GAAP	$ 568,926	$ 542,163	$ 658,010	$ 493,907	$ 459,603	$ 438,780	$ 477,268	$ 343,864
Share-based compensation expense	1,369	2,102	1,782	1,442	1,461	1,443	1,324	1,407
Amortization of intangible assets	4,066	3,836	3,126	2,995	3,042	3,145	3,168	3,510
Gross profit - Non-GAAP	$ 574,361	$ 548,101	$ 662,918	$ 498,344	$ 464,106	$ 443,368	$ 481,760	$ 348,781
Gross margin - GAAP	43.4%	41.5%	40.3%	40.2%	39.6%	38.2%	37.6%	35.8%
Gross margin - Non-GAAP	43.8%	42.0%	40.6%	40.5%	40.0%	38.6%	37.9%	36.3%

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the three months and fiscal year ended March 31, 2023 are subject to adjustments, including subsequent events that may occur through the date of filing our Annual Report on Form 10-K.

(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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