



logitech®

Q2 Fiscal Year 2020 Financial Results

October 21, 2019

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, 2019, long-term trends, our ability to be recession resistant and to deliver to our targets despite the macroeconomic environment, growth and outlook in our product categories, trends and market opportunities in our product categories, sales and sales potential in our product categories, product portfolio, product features and capabilities, new product introductions, product distribution expansion, acquisitions and their effect on operating results, regional trends, tariffs, tariff impact mitigation, long-term gross margin target range, sales and marketing model, seasonality, operating expenses, investments in our business, currency exchange rates, and outlook for Fiscal Year 2020 results, sales growth, operating income, effective tax rate, cash from operations, capital expenditures 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 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 are not able to maintain and enhance our brands; 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; changes in trade policies and agreements and the imposition of tariffs that affect our products or operations and our ability to mitigate; risks associated with acquisitions; the effect of changes to our effective income tax rates. These and other risks and uncertainties are detailed in Logitech's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended March 31, 2019 and its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019, available at www.logitech.com, 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, purchase accounting effect on inventory, 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 quarterly earnings press release and posted to our website at <http://ir.logitech.com>. Historical GAAP and corresponding non-GAAP measures are provided with our earnings releases and presentations in the Investors section of our website. 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.

KEY MESSAGES – Q2 FY 2020

Delivered another consistent performance with **Q2'20 sales up 6% (CC) to \$720M**

Solid top-line results, led by double-digit sales growth in Video Collaboration and stable growth in PC Peripherals, offsetting declines in Tablets & Accessories and Mobile Speakers

Gross margin expanded 80 bps to 38.4% as we executed on cost savings and tariff mitigation plans, and benefited from favorable product mix

Balanced focus on growth and reinvestment led to an **operating profit increase of 6% to \$89M**

Cash flow from operations was \$107M, up from \$85M in the same period last year

Confirming FY 2020 guidance for mid to high single-digit sales growth (CC) and non-GAAP operating income of \$375-385M

WHAT'S NEW FROM LOGITECH



POINTING DEVICES

The **MX Master 3** is Logitech's flagship premium mouse, now redesigned to be even more productive

Our MagSpeed Scroll Wheel is the fastest, quietest, and most advanced scrolling wheel to date

Features Logitech MX signature Darkfield 4,000 DPI High Precision sensor that tracks on all surfaces including glass

Profiles for popular software applications are ready out-of-the-box, in addition to customization options offered via Logitech Options



KEYBOARDS & COMBOS

The **MX Keys** is our advanced wireless illuminated keyboard that delivers a premium typing experience with fluid keystrokes and accurate, tactile responses

Equipped with smart illumination, the backlighting detects your hands and adjusts keyboard lighting automatically

Stays powered for up to 10 days on a full charge—or up to 5 months with backlighting turned off



GAMING

By combining Logitech G's advanced LIGHTSPEED wireless technology with our new high-performance low-profile GL Switches, the **G915 LIGHTSPEED** and **G815 LIGHTSYNC RGB** were designed to be our most advanced gaming keyboards

For the first time in the gaming industry, Logitech G is offering next-generation RGB lighting on a wireless keyboard – G915

Features our low-profile GL mechanical key switches that are half the height of standard mechanical key switches for 25% faster actuation



PLAY ADVANCED



GAMING

The **G604 LIGHTSPEED** wireless gaming mouse was designed to offer gamers a versatile tool that can be used for a variety of tasks

Features Logitech G's exclusive LIGHTSPEED wireless technology for lag-free connectivity, as well as best-in-class HERO 16K Sensor

Has 15 programmable controls, a dual-mode hyper-fast scroll wheel, and a six-pack of thumb buttons

Offers 240 hours of wireless gaming when using LIGHTSPEED or up to 5.5 months using Bluetooth, all on one AA battery



BLUE MICROPHONE

The **Yeti X** is Blue's latest microphone for gaming, streaming, and podcasting

Embedded with our new Blue VO!CE technology that enables content creators to dial up professional vocal effects and custom presets at the push of a button

Features an 11-segment LED meter so streamers can check and adjust their vocal levels at a glance and an illuminated multi-function smart knob for precise control over mic gain, mute, and headphone volume



STREAMLABS

Logitech announced on Sept 26 that it has agreed to acquire **Streamlabs**, a leader in software and tools for live streaming

Streamlabs OBS software offers customization tools that allows game streamers to better engage with viewers, grow their personal brands and channels, and monetize their broadcasts across platforms like Twitch, YouTube, Mixer, and Facebook

The acquisition is not expected to materially impact Logitech's FY2020 annual net sales or non-GAAP operating profitability



Mini Feed

- 12m ellendaviscc has subscribed
- 15m hildery8292 donated \$2.00 "Great stream - love what you are doing with the channel!"
- 21m bb2xboxprogaming donated \$250.00 "Love these all-night streams. Keep it up!"

Scenes

- Overwatch
- Resident Evil 7 Biohazard
- Clash Royale
- DOTA 2
- Tom Clancy's Rainbow Six: Siege
- Astroneer**
- League of Legends
- FIFA 17
- NBA 2K17
- Clash Royale
- Gems Frontier

Sources

- Video
 - Game Capture
 - Video Capture
 - Webcam
 - Event List
 - Frame
- Background
 - Image
- Text
 - Welcome
- Alert Box

Mixer

- Mic/Aux 0.0 dB
- Desktop Audio 52.0 dB
- Game Audio 82.0 dB
- Mic/Aux 2 76.5 dB



FINANCIAL RESULTS

Q2'20 RESULTS DEMONSTRATE STRONG EXECUTION

	Q2'20	Q2'19	YoY
Net sales	\$720	\$691	4%
YoY % chg	4%	9%	
YoY % chg (CC)	6%	10%	
Gross profit	277	260	6%
% margin	38.4%	37.6%	80 bps
Operating expense	187	175	7%
% of sales	26.0%	25.4%	60 bps
Operating income	\$89	\$85	6%
% margin	12.4%	12.2%	20 bps
Net income	85	83	2%
% margin	11.8%	12.0%	(20 bps)
Earnings per share	\$0.50	\$0.49	2%
Diluted shares	169	169	

Net sales +6% (CC) to \$720M, with growth from all regions and particular strength from Video Collaboration

Strong gross margin of 38.4%, the highest level over the past 10 quarters

Opex spending +7%, as we continued to invest to support long-term growth opportunities

Operating profit +6% to \$89M and margins +20 bps, demonstrating continued operating leverage

Note: Numbers in \$ millions except EPS and percentages. Diluted share count in millions. Results are non-GAAP. Sales comparisons are YoY and in US\$ unless otherwise specified.

BALANCED PERFORMANCE ACROSS CATEGORIES

Net sales	Q2'20	Q2'19	YoY	YoY (CC)
Pointing Devices	133	128	3%	5%
Keyboards & Combos	139	132	5%	7%
PC Webcams	29	28	2%	3%
Tablet & Accessories	34	37	(8%)	(6%)
Video Collaboration	90	57	57%	60%
Mobile Speakers	57	77	(26%)	(24%)
Audio & Wearables	68	62	10%	12%
Gaming	161	161	0%	2%
Smart Home	9	9	2%	3%
Total	\$720	\$691	4%	6%

Video Collaboration +60% (CC) to another record sales high

PC Peripherals +6% (CC) with innovations driving continued demand

Gaming +2% (CC) on difficult comparison from Fortnite; excluding Headsets, sales up double-digits

Audio & Wearables +12% (CC) led by growth in Blue and Jaybird

As expected, Mobile Speakers -24% (CC) against a tougher product launch comparison

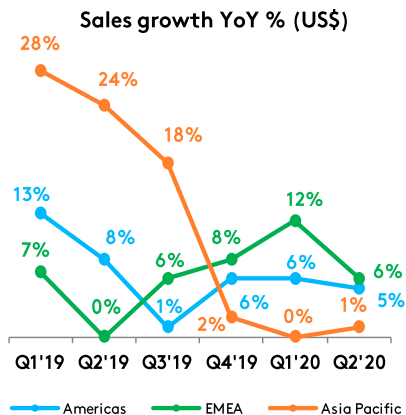
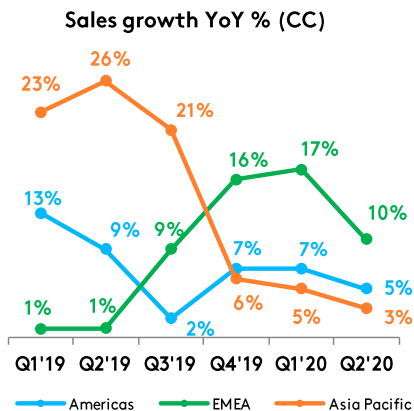
CONSISTENT TRENDS FROM ALL THREE REGIONS

Net sales	Q2'20	Q2'19	YoY (CC)	YoY (US\$)	Sell-through (US\$)
Americas	297	284	5%	5%	2%
EMEA	232	218	10%	6%	8%
Asia Pacific	191	189	3%	1%	5%
Total	\$720	\$691	6%	4%	5%

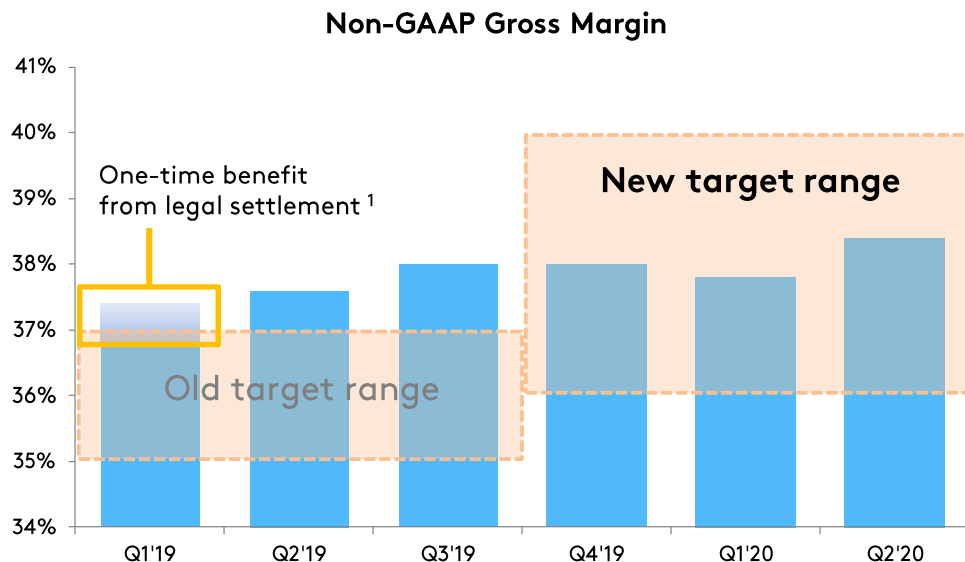
Americas sales +5% (CC) with very strong growth in Video Collaboration offsetting a difficult Gaming comparison against last year

EMEA sales +10% (CC) representing the third consecutive quarter of double-digit growth

Asia Pacific sales +3% (CC) in line with Q1'20 trends and with China macro environment remaining soft



GROSS MARGINS WITHIN TARGET RANGE



Q2'20 gross margin increased 80 basis points to 38.4% despite continued unfavorable currency exchange rates and China tariff headwinds

Strong operational execution across cost savings and tariff mitigation efforts, and favorable product mix drove the gross margin expansion

Continuing to manage our business within our long-term gross margin target range of 36-40%

Note: Figures are for illustrative purposes only.

(1) Q1'19 non-GAAP gross margin includes a one-time benefit of ~60 basis points from a legal settlement with our previous distribution center supplier in the Americas.

REINVESTMENTS FOR LONG-TERM GROWTH

Operating expenses	Q2'20	Q2'19	YoY
Sales & marketing	127	117	9%
% of sales	17.7%	16.9%	80 bps
Research & development	40	38	6%
% of sales	5.5%	5.4%	10 bps
General & administrative	20	21	(3%)
% of sales	2.8%	3.0%	(20 bps)
Total	\$187	\$175	7%
% of sales	26.0%	25.4%	60 bps

Operating expenses +7% as we reinvested gross profit dollars to support long-term growth opportunities and maintained spending in G&A flattish on a dollar basis

Sales & marketing +9% as we continued to pivot toward a more marketing-led and pull-driven model and expand our Video Collaboration sales efforts

Operating expenses as a % of sales remained in line with annual model

Note: Numbers in \$ millions except percentages and basis points (bps). Results are non-GAAP. Comparisons are YoY unless otherwise specified.

WORKING CAPITAL METRICS REMAINED HEALTHY

	Q2'20	Q2'19	YoY	QoQ
Cash from operations	107	85	22	70
Ending cash balance ¹	575	426	149	(23)
Inventory	338	359	(20)	41
<i>Inventory turns</i>	5.3	4.9	0.4 turn	(0.2 turn)
<i>DSI</i>	68	74	(6 days)	2 days
Accounts receivable	466	460	6	47
<i>DSO</i>	58	60	(2 days)	(1 day)
Accounts payable	411	441	(30)	72
<i>DPO</i>	83	91	(8 days)	8 days
Cash conversion cycle	43 days	43 days	0 day	(7 days)

Cash flow from operations was \$107M versus \$85M in the same period last year

Improved inventory turns and DSO offset a timing-related decline in DPO

Cash conversion cycle was 43 days, stable year over year

Paid out \$124M in dividends versus \$114M in the same period last year

Did not repurchase any stock in Q2'20 due to the Streamlabs acquisition

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

(1) Ending cash balance reflects cash, cash equivalents, and short-term investments.

FISCAL YEAR 2020 OUTLOOK

FY'20 OUTLOOK

Sales (CC) growth	Mid to high single-digit
Non-GAAP operating income	\$375 – 385M

ADDITIONAL ASSUMPTIONS

Currency exchange rates	FY20 1H actuals and 2H projections ¹
Non-GAAP effective tax rate	7 - 8%
Cash from operations	~1x non-GAAP operating income
Capex	\$40 - 50M

Note: Sales comparisons are YoY unless otherwise specified. Sales are net sales.

(1) 2H FY20 projections are based on average Q2'20 currency exchange rates.

APPENDIX



GAAP TO NON-GAAP RECONCILIATIONS

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION ^(C)

SUPPLEMENTAL FINANCIAL INFORMATION	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Gross profit - GAAP	\$ 272,076	\$ 256,117	\$ 511,052	\$480,054
Share-based compensation expense	1,184	791	2,342	1,921
Amortization of intangible assets and purchase accounting effect on inventory	3,271	2,966	6,542	5,338
Gross profit - Non-GAAP	\$ 276,531	\$ 259,874	\$ 519,936	\$487,313
Gross margin - GAAP	37.8%	37.1%	37.5%	36.9%
Gross margin - Non-GAAP	38.4%	37.6%	38.1%	37.5%
Operating expenses - GAAP	\$ 204,021	\$ 190,985	\$ 395,530	\$382,471
Less: Share-based compensation expense	13,068	11,258	24,128	23,387
Less: Amortization of intangible assets and acquisition-related costs	4,218	4,317	7,814	6,838
Less: Restructuring charges (credits), net	(364)	119	114	10,040
Operating expenses - Non-GAAP	\$ 187,099	\$ 175,291	\$ 363,474	\$342,206
% of net sales - GAAP	28.3%	27.6%	29.0%	29.4%
% of net sales - Non - GAAP	26.0%	25.4%	26.6%	26.3%

GAAP TO NON-GAAP RECONCILIATIONS

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION ^(C)

SUPPLEMENTAL FINANCIAL INFORMATION	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Operating income - GAAP	\$ 68,055	\$ 65,132	\$ 115,522	\$ 97,583
Share-based compensation expense	14,252	12,049	26,470	25,308
Amortization of intangible assets	6,868	5,448	13,735	10,341
Purchase accounting effect on inventory	—	379	—	379
Acquisition-related costs	621	1,456	621	1,456
Restructuring charges (credits), net	(364)	119	114	10,040
Operating income - Non - GAAP	\$ 89,432	\$ 84,583	\$ 156,462	\$145,107
% of net sales - GAAP	9.5%	9.4%	8.5%	7.5%
% of net sales - Non - GAAP	12.4%	12.2%	11.5%	11.2%
Net income - GAAP	\$ 72,933	\$ 64,176	\$ 118,278	\$102,642
Share-based compensation expense	14,252	12,049	26,470	25,308
Amortization of intangible assets	6,868	5,448	13,735	10,341
Purchase accounting effect on inventory	—	379	—	379
Acquisition-related costs	621	1,456	621	1,456
Restructuring charges (credits), net	(364)	119	114	10,040
Loss (gain) on investments	274	(395)	63	(382)
Non-GAAP income tax adjustment	(9,506)	(116)	(8,599)	(9,225)
Net income - Non - GAAP	\$ 85,078	\$ 83,116	\$ 150,682	\$140,559
Net income per share:				
Diluted - GAAP	\$ 0.43	\$ 0.38	\$ 0.70	\$ 0.61
Diluted - Non - GAAP	\$ 0.50	\$ 0.49	\$ 0.89	\$ 0.83
Shares used to compute net income per share:				
Diluted - GAAP and Non - GAAP	169,027	169,234	168,914	168,996

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the month ended September 30, 2019 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 or “Financial Statements only” 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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