

Q2 Fiscal Year 2021 Financial Results

October 19, 2020

logitech®



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 ended September 30, 2020, product demand, product supply, alignment of supply and demand, alignment of sales and sell-through, new products and ideas, product features and capabilities, awareness and relevance of our products, market and product category trends, global lifestyle and work-life trends, hybrid work culture and learning environments, work locations, workspace expansion and upgrades, esports, broadening of content creation, market and growth opportunities, momentum, long-term growth and our ability to achieve it, growth potential, effects of the COVID-19 pandemic and the duration of its impact, revenue and product category sales growth, the pace of growth, gross margin, gross margin target range, marketing and promotional spending, marketing and demand business model, operating expenses, operating leverage, operating expense growth, investments in our business and growth, investment priorities, manufacturing capacity, capital expense outlook, seasonality, expected growth and financial results in the second half of fiscal year 2021, future, success, foundation for success, and fiscal year 2021 outlook 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; the COVID-19 pandemic and its potential impact; 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, 2020 and its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2020, 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, 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 2021

Q2'21 sales grew 73% (CC) to \$1.26B, the first time sales reached \$1B in a quarter, driven by strong demand for our products that help people work, game, engage, and connect with coworkers, friends, and family

Gross margin rose to 45.7% due to increased sales volume, lower promotional spending, and continued favorable product mix that more than offset elevated logistics costs required to support the strong sales growth

Operating profits increased nearly 300% to \$354M on much stronger-than-expected sales and gross profits that led to significant operating leverage. Given our improved performance and sales outlook, we will significantly increase investments in H2'21 in our brand, sales coverage, and product roadmaps to support our long-term business growth

Cash flow from operations was \$280M, up \$173M versus last year, due to robust operating profit growth and a record low cash conversion cycle

WHAT'S NEW FROM LOGITECH



GAMING

Logitech G923 Racing Wheel and Pedals is a high-performance racing wheel that revolutionizes the simulation racing experience

Features **TRUEFORCE**, a new high-definition feedback system that dials into a game's physics and audio engine to deliver an ultra-realistic sensation

Has been modernized with a brushed metal steering wheel, polished pedals and a leather wheel cover

Compatible with PC, Xbox One and Xbox Series X and Playstation 4 and 5 consoles



GAMING

Logitech G-Series Color Collection brings a new series of gaming gear that celebrates self expression and fun

The **G733 LIGHTSPEED Wireless Headset** comes in four vibrant colors and features new colorful and reversible suspension headbands

Rounding out the Color Collection are black or white versions of the G915 TKL wireless mechanical keyboard and black, white, blue, and lilac versions of the G203 mice and the G305 wireless mice



CREATIVITY & PRODUCTIVITY

Logitech MX Anywhere 3 is the latest addition to the premium MX line of products

Featuring a compact, low-profile design for advanced creators, developers and anyone who seeks performance, portability, and comfort anywhere they need to work

Enhanced with the next-generation MagSpeed wheel that auto-shifts between ratchet and hyperfast mode



CREATIVITY & PRODUCTIVITY

Logitech Folio Touch is the newest flexible keyboard case with integrated trackpad for the new iPad Air

Features a versatile laptop-like keyboard that connects to the iPad Air via the Smart Connector for instant pairing and power

Work in apps like Pages, Numbers and Keynote with the integrated trackpad

In addition to the versatile keyboard, the Folio Touch also provides protection to the iPad Air



FINANCIAL RESULTS



Q2'21 DELIVERED RECORD SALES AND PROFITS

	Q2'21	Q2'20	Y/Y
Net sales	\$1,257	\$720	75%
Y/Y % chg	75%	4%	
Y/Y % chg (CC)	73%	6%	
Gross profit	574	277	108%
% margin	45.7%	38.4%	730 bps
Operating expense	221	187	18%
% of sales	17.6%	26.0%	(840 bps)
Operating income	\$354	\$89	295%
% margin	28.1%	12.4%	1570 bps
Net income	320	85	276%
% margin	25.4%	11.8%	1360 bps
Earnings per share	\$1.87	\$0.50	274%
Diluted shares	171	169	

Net sales +73% (CC) to \$1.26B, significantly expanding upon the momentum from the prior quarter

Gross margin rose to a record 45.7%, driven by higher sales volume, reduced promotions, and better product mix

The pace of OPEX growth (+18%) increased versus the prior quarter and should further increase in H2'21 to sustain long-term business growth

Operating profits nearly quadrupled to \$354M on strong sales and margin expansion

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.

LARGE SECULAR TRENDS CONTINUED TO ACCELERATE

	Q2'21	Q2'20	Y/Y	Y/Y (CC)
Pointing Devices	169	133	27%	26%
Keyboards & Combos	202	139	45%	44%
PC Webcams	102	29	256%	258%
Tablet & Accessories	83	34	145%	144%
Video Collaboration	237	90	164%	161%
Gaming	298	161	85%	84%
Mobile Speakers	44	57	(24%)	(25%)
Audio & Wearables	114	68	68%	67%
Smart Home	9	9	(9%)	(10%)
Net sales	\$1,257	\$720	75%	73%

Our four large secular trends of video everywhere, remote work/learn, gaming, and content creation continued to accelerate in recent months

Video Collaboration +161% (CC), driven by increasing demand for video everywhere – in the office and at home

PC Peripherals +57% (CC), due to increased demand for personal workspace products and content creation/streaming solutions

Gaming +84% (CC), as games increasingly become a platform not just to entertain but also to socialize with friends and fans

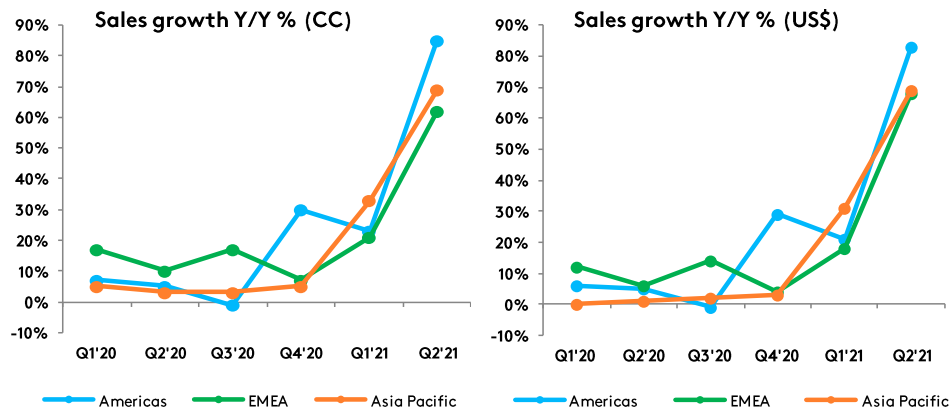
Note: Net sales in \$ millions. Comparisons are Y/Y and in US\$ unless otherwise specified.
PC Peripherals include Pointing Devices, Keyboards & Combos, and PC Webcams.

RECORD DEMAND CONTINUED ACROSS ALL REGIONS

	Q2'21	Q2'20	Y/Y (CC)	Y/Y (US\$)	Sell-through (US\$)
Americas	542	297	85%	83%	50%
EMEA	390	232	62%	68%	44%
Asia Pacific	325	191	69%	70%	60%
Net sales	\$1,257	\$720	73%	75%	50%

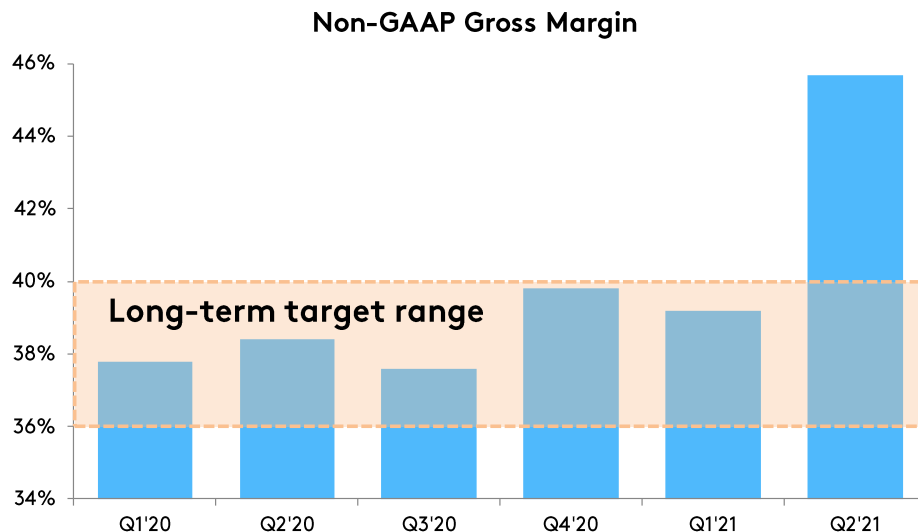
All three regions benefited from our fast-growing large secular trends, with double-digit and triple-digit growth in several product categories

Sell-through was +50% and was very strong in all regions. Net sales grew even faster as we strategically restocked channel inventory in the quarter to improve product availability for our customers



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

GROSS MARGIN REACHED AN ALL-TIME HIGH



Q2'21 gross margin increased 730 basis points to a record 45.7% as a result of significantly stronger sales volume, reduced promotional spending, and favorable product mix that more than offset continued elevated logistics costs required to support higher sales volume

We expect second half FY'21 gross margin to return to the high-end of our target range as we see our typical uptick in promotional spending and in-store marketing investments during the holiday quarter

OPEX INVESTMENTS TO ACCELERATE IN H2'21

	Q2'21	Q2'20	Y/Y
Sales & marketing	148	127	17%
% of sales	11.8%	17.7%	(590 bps)
Research & development	50	40	25%
% of sales	3.9%	5.5%	(160 bps)
General & administrative	23	20	13%
% of sales	1.8%	2.8%	(100 bps)
Operating expenses	\$221	\$187	18%
% of sales	17.6%	26.0%	(840 bps)

Operating expenses +18% driven by increased investments across our strategic priorities in product development, sales coverage and brand development

H2'21 operating expense growth could be significantly higher as we invest to capture the expanded market opportunities

Greater OPEX investments will be focused not only on product innovations but also on go-to-market initiatives, enhanced brand marketing and infrastructure to support our more scaled business

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

STRONG BALANCE SHEET AND WORKING CAPITAL MGMT

	Q2'21	Q2'20	Y/Y	Q/Q
Cash from operations	280	107	173	161
Ending cash balance	917	574	343	108
Inventory	395	338	56	124
<i>Inventory turns</i>	<i>7.0</i>	<i>5.3</i>	<i>1.7 turns</i>	<i>(0.2 turns)</i>
<i>DOI</i>	<i>52</i>	<i>68</i>	<i>(16 days)</i>	<i>2 days</i>
Accounts receivable	751	466	285	250
<i>DSO</i>	<i>54</i>	<i>58</i>	<i>(4 days)</i>	<i>(3 days)</i>
Accounts payable	663	411	252	233
<i>DPO</i>	<i>87</i>	<i>83</i>	<i>4 days</i>	<i>7 days</i>
Cash conversion cycle	19 days	43 days	(24 days)	(8 days)

Cash balance reached a record high of \$917M, net of \$169M returned to shareholders in the quarter

In Q2, we paid \$147M in dividends and repurchased \$22M of stock

Cash flow was strong at \$280M and cash conversion cycle improved 24 days versus the prior year period

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

RAISING FISCAL YEAR 2021 OUTLOOK

FY 2021 OUTLOOK	NEW	OLD
Sales growth (CC)	35 – 40%	10 – 13%
Non-GAAP operating income	\$700 – 725M	\$410 – 425M

ADDITIONAL ASSUMPTIONS	
Currency exchange rates	H1'21 actuals and H2'21 projections ¹
Non-GAAP effective tax rate	10 - 11%
Cash from operations	~1x non-GAAP operating income
Capex	\$75 - 80M

Note: Sales growth is in constant currency unless otherwise specified.
(1) H2'21 projections are based on average H1'21 currency exchange rates.

APPENDIX



GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION ^(A)	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
SUPPLEMENTAL FINANCIAL INFORMATION	2020	2019	2020	2019
Gross profit - GAAP	\$ 569,723	\$ 272,076	\$ 875,456	\$ 511,052
Share-based compensation expense	1,772	1,184	3,172	2,342
Amortization of intangible assets and purchase accounting effect on inventory	2,836	3,271	6,359	6,542
Gross profit - Non-GAAP	\$ 574,331	\$ 276,531	\$ 884,987	\$ 519,936
Gross margin - GAAP	45.3%	37.8%	42.7%	37.5%
Gross margin - Non-GAAP	45.7%	38.4%	43.2%	38.1%
Operating expenses - GAAP	\$ 248,170	\$ 204,021	\$ 470,476	\$ 395,530
Less: Share-based compensation expense	23,013	13,068	41,728	24,128
Less: Amortization of intangible assets and acquisition-related costs	4,331	4,218	8,940	7,814
Less: Change in fair value of contingent consideration for business acquisition	—	—	5,716	—
Less: Restructuring charges (credits), net	(1)	(364)	(54)	114
Operating expenses - Non-GAAP	\$ 220,827	\$ 187,099	\$ 414,146	\$ 363,474
% of net sales - GAAP	19.7%	28.3%	23.0%	29.0%
% of net sales - Non - GAAP	17.6%	26.0%	20.2%	26.6%

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION ^(A)	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
SUPPLEMENTAL FINANCIAL INFORMATION				
Operating income - GAAP	\$ 321,553	\$ 68,055	\$ 404,980	\$ 115,522
Share-based compensation expense	24,785	14,252	44,900	26,470
Amortization of intangible assets	7,107	6,868	15,239	13,735
Acquisition-related costs	60	621	60	621
Change in fair value of contingent consideration for business acquisition	—	—	5,716	—
Restructuring charges (credits), net	(1)	(364)	(54)	114
Operating income - Non - GAAP	\$ 353,504	\$ 89,432	\$ 470,841	\$ 156,462
% of net sales - GAAP	25.6%	9.5%	19.8%	8.5%
% of net sales - Non - GAAP	28.1%	12.4%	23.0%	11.5%
Net income - GAAP	\$ 266,914	\$ 72,933	\$ 338,987	\$ 118,278
Share-based compensation expense	24,785	14,252	44,900	26,470
Amortization of intangible assets	7,107	6,868	15,239	13,735
Acquisition-related costs	60	621	60	621
Change in fair value of contingent consideration for business acquisition	—	—	5,716	—
Restructuring charges (credits), net	(1)	(364)	(54)	114
Loss on investments	2,693	274	2,519	63
Non-GAAP income tax adjustment	18,351	(9,506)	21,399	(8,599)
Net income - Non - GAAP	\$ 319,909	\$ 85,078	\$ 428,766	\$ 150,682
Net income per share:				
Diluted - GAAP	\$ 1.56	\$ 0.43	\$ 1.99	\$ 0.70
Diluted - Non - GAAP	\$ 1.87	\$ 0.50	\$ 2.51	\$ 0.89
Shares used to compute net income per share:				
Diluted - GAAP and Non - GAAP	171,382	169,027	170,766	168,914

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the month ended September 30, 2020 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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