

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

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 posted to our website under "Quarterly Results" at <http://ir.logitech.com>. The live webcast or replay of the question and answer session will also be available on our website.

COMPANY COMMENTARY

Following is a summary of the company's comments on key areas impacting Q3 Fiscal Year 2021. The growth statistics that follow are in comparison to the same period of the prior year, except as otherwise specified. In addition, sales are net sales and the sales growth percentages are for net sales and in constant currency, except as otherwise specified.

OVERVIEW

Q3 sales increased 80% to a record \$1.67B and also rose 33% sequentially, better than normal seasonality. The continued strong growth momentum after delivering 73% growth last quarter was driven by all our major categories across all regions. We continue to accelerate our investments and innovations in our go-to-market and marketing capabilities across the four big secular trends driving our business - 1) working and learning from anywhere; 2) video everywhere and replacing audio calls; 3) esports driving gaming engagement and participation; and 4) democratization of digital

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

content creation.

Non-GAAP gross margin increased 760 percentage points versus the prior year to 45.2% due to strong sales volume, favorable product mix, continued low promotional spending, and tailwinds from currency exchange rates, which more than offset elevated logistics costs as we expedited shipments to meet strong demand. Non-GAAP operating income more than tripled to \$476M, and non-GAAP earnings per share increased 192% to \$2.45. Cash flow from operations was \$530M, up from \$181M in Q3 last year.

CREATIVITY & PRODUCTIVITY

POINTING DEVICES

In Q3, Pointing Device sales increased 35%, as both existing and new customer workspaces were outfitted with our Mice and Trackball products, more than offsetting continued weakness in Presenters. Demand was balanced across our portfolio, from our mainstream M185 wireless mouse at \$24.99 to our flagship MX Master 3 at \$99.99. Our recently launched MX Anywhere 3 is also gaining very strong momentum since its launch in September 2020 and its sales are significantly ahead of its predecessor (MX Anywhere 2) at the same point post-launch.

KEYBOARDS & COMBOS

Our Keyboards & Combos products delivered sales growth of 36% in the quarter, with all three regions contributing to the strong double-digit growth. Similar to Pointing

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

Devices, demand was strong in all markets as users added or upgraded peripherals across the large PC installed base and as hybrid work and remote learning continued to expand our addressable market opportunities.

PC WEBCAMS

Q3 sales of PC Webcams more than quadrupled to \$132M, driven by greater adoption of video communication for both remote work and distance learning. While sales growth has accelerated in the past few quarters, channel inventory and supply remains constrained. We are working to further improve our PC Webcam supply over the coming quarters to support the higher demand for webcams.

TABLET & OTHER ACCESSORIES

Our Tablet and Other Accessories sales also increased more than fourfold in Q3 to \$138M, the first time sales reached over \$100M in a single quarter. We achieved strong double-digit growth in our Retail Tablet products and a significant surge in our Education iPad Keyboard sales as schools increasingly adopt enhanced technology solutions to better address the needs of hybrid on-site/remote learning environments. Some of our Education iPad Keyboard sales in the quarter were related to large one-time orders from various school districts. While we still expect very strong Education Tablet sales through the rest of this Fiscal Year, we do not expect this level of quarterly sales volume to be sustainable.

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

GAMING

Our Gaming sales grew 73% in Q3, with balanced growth across PC Gaming, Console Gaming, and Simulation. We improved our supply availability in the quarter, which resulted in record-high market share for PC Gaming. Our new G733 PC Gaming Headset - available in multiple different colors - was recently launched alongside our new G-Series Color Collection and has quickly become one of our best-selling PC Gaming Headsets. Our premium G915 TKL keyboard has received great reviews for its features and size, and despite being introduced less than a year ago, it has already become one of our top-selling Gaming Keyboards. Streamlabs continued to benefit from strong industry gaming viewership and streaming, with Prime subscription achieving higher levels of users and sales.

VIDEO COLLABORATION

In Q3, our Video Collaboration sales more than tripled to a record \$293M of quarterly sales. Triple-digit growth was achieved across all three regions. Sales of our conference room products more than doubled, which was an acceleration in growth from the prior quarter. The strongest growth came from our enterprise-grade webcams (such as the Brio 4K Pro) as video communications are critical to a more location-flexible workforce. We are also very excited about our new Video Collaboration All-In-One appliances - Logitech Rally Bar and Rally Bar Mini - that we just announced. Feedback from customers who have piloted these devices has been very positive.

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

MUSIC

MOBILE SPEAKERS

Similar to the prior quarter, Q3 Mobile Speaker sales declined 24%. As expected, we continue to anticipate the mobile speaker market to remain challenged due to limited outdoor activities and social gatherings and therefore we will focus our investment priorities in other faster-growing categories.

AUDIO & WEARABLES

In Q3, Audio & Wearables sales increased 83%, led by a more than tripling in Blue Microphone sales and almost a threefold gain in Retail Headset sales. PC Speaker sales were up double digits while Jaybird sales declined as expected and at a pace similar to recent quarterly trends.

SMART HOME

As anticipated, our Smart Home sales in Q3 declined 34% and we continued to reallocate our resources to other market opportunities.

NET SALES BY REGION

All three regions contributed to the exceptional performance in the quarter, with the

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

Americas sales increasing 87%, EMEA up 67%, and Asia Pacific growing 89%.

- **Americas.** Our Americas sales growth sustained its strong momentum with Q3 sales up 87% (vs up 85% in Q2). Several products such as Pointing Devices, Keyboards & Combos, and Gaming maintained robust growth while other categories like PC Webcams, Tablet Keyboards, Blue Microphones, and Video Collaboration delivered accelerated growth.
- **EMEA.** Our EMEA region also maintained a strong growth trajectory, with sales up 67% (vs up 62% in Q2). Category growth drivers were consistent with the Americas, demonstrating that our focus and innovations around our four key secular trends are broad based across regions and countries. In Q3, net sales also benefited from favorable currency exchange rates, where net sales growth on a US dollar basis was up 77% versus constant currency growth of 67%.
- **Asia Pacific.** Q3 sales growth in our Asia Pacific region rose 89%, a further acceleration from the 69% growth in the prior quarter. Growth was consistent with Q2 trends in various products like Pointing Devices and Keyboards & Combos, while growth rates increased for categories such as Video Collaboration and Gaming. Tablet sales for the Education channel were particularly strong in Asia Pacific as we benefited from large education orders in Japan that are expected to run through the end of our fiscal year. Similar to EMEA, Asia Pacific sales also benefited from favorable currency exchange rates, where net sales on a US dollar basis increased 95% versus constant currency growth of 89%.

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

GROSS MARGIN

Our Q3 non-GAAP gross margin expanded 760 basis points to 45.2%, driven by higher sales volume, favorable product mix, continued focus on maintaining low promotional spending, and currency exchange rate tailwinds. While gross margin has been above our target range of 36-40%, we continue to expect to see increased promotional spend as supply stabilizes and we are actively exploring opportunities to reinvest our gross margin rate upside into economically attractive online and retail initiatives. As a result, we do not expect this level of gross margin to sustain.

OPERATING EXPENSES

In Q3, non-GAAP operating expenses increased 48% to \$278M as we strategically accelerated and increased investments in various initiatives to build out longer-term capabilities that will help us capture expanded growth opportunities. Increased investment areas include marketing, retail, direct-to-consumer (DTC), and software/services. We also continued to invest in brand awareness, increased enterprise sales coverage and go-to-market partnerships, and future technology roadmaps in both hardware and software.

Sales & Marketing spending rose 52% while R&D spending grew 23%. G&A expense also increased 73% as we greatly expanded our IT and customer care infrastructure to support the significantly higher sales volume. Our total Q3 non-GAAP operating expense ratio declined to a record low of 16.7%, down 410 basis points versus last year. As is our typical March quarter seasonality, we expect our operating expense ratio

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

in Q4'21 to rise versus Q3'21 as we increase our operating expenses sequentially while net sales are expected to decrease sequentially.

PROFITABILITY

Non-GAAP operating income more than tripled to \$476M in Q3. Non-GAAP net income and EPS increased 195% and 192% to \$423M and \$2.45, respectively. Our non-GAAP tax rate for Q3 was 12.8%, up from 7.9% in Q3 last year and up from 10.6% in Q2. The increase in our non-GAAP tax rate was driven by Swiss tax reform effective January 1, 2020 as well as the higher level of profits in the quarter. For Fiscal Year 2021, we are raising our non-GAAP tax rate guidance to 11-12% from our previous guidance of 10-11% due to the upward revision in our non-GAAP operating income for the year.

BALANCE SHEET AND CASH FLOWS

At the end of Q3, our cash and cash equivalents were \$1.39B. Our Q3 cash flow from operations was \$530M in Q3, up versus \$181M in Q3 last year. Our cash conversion cycle in Q3 was another record low of 15 days, a significant improvement against 32 days in Q3 last year due to efficient working capital management.

At the end of Q3, our inventory was \$477M, up \$169M from Q3 last year, while our inventory turns improved to a record 7.7 times (versus 7.4 times in Q3 last year). We will continue to leverage our strong balance sheet to invest in our supply and capacity to support potential future sales growth. Accounts receivable were \$895M and accounts

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

payable were \$812M at the end of Q3, up \$364M and \$373M from Q3 last year, respectively, driven by higher business volumes. Our DSO for Q3 were 48 days (versus 53 days in Q3 last year) and our DPO were 80 days (versus 70 days in Q3 last year).

SHARE COUNT

Our weighted average diluted share count in Q3 was 172.6M shares, versus 169.7M shares in Q3 last year. Our share count will be affected by our continued share repurchases and share issuances, as well as our stock price. During the quarter, we spent \$50M in share repurchases.

FISCAL YEAR 2021 OUTLOOK

We are raising our Fiscal Year 2021 outlook for sales growth in constant currency to 57 to 60% and for non-GAAP operating income of approximately \$1.05B. This implies that our Q4'21 sales growth in constant currency will be approximately 40 to 50%. Our previous outlook for Fiscal Year 2021 was for 35 to 40% sales growth in constant currency and for non-GAAP operating income of \$700M to 725M.

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

FORWARD-LOOKING STATEMENTS

These remarks contain forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding our preliminary financial results for the three months ending December 31, 2020, market and growth opportunities, secular and long-term trends, the momentum and sustainability of trends, trends and outlook in our products and product categories, hybrid work and remote learning environments, market demand, sales demand, sales growth, product supply, effects of the COVID-19 pandemic, new product launches, investments in product categories and growth, investments in supply capacity, investment priorities, supply and demand dynamics, gross margin, gross margin target range, marketing and promotional spending, gross margin-related opportunities, gross margin outlook, operating expense ratio, tax rate guidance and evolution, share repurchases, share issuances, and Fiscal Year 2021 outlook for sales growth and non-GAAP operating income, and related assumptions. 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; 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

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

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; the risk associated with acquisitions; 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, 2020 and our Quarterly Report on Form 10-Q for the fiscal quarter ended September 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 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, 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 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

Logitech Q3 Fiscal Year 2021 Financial Results Management's Prepared Remarks (January 18, 2021)

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 2021.

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.