

Q3 Fiscal Year 2021 Financial Results

January 18, 2021

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 December 31, 2020, PCR commitments and their impact, momentum, growth opportunities, growth support, investments plans and opportunities, gross margin, gross margin target range, hybrid work and its expected impact on us, hybrid work culture transition, workspace upgrades and reconfiguration, video calling growth, long-term trend in gaming, streaming and creating, democratization of digital content, our future in streaming and creating products, product demand, product supply, alignment of supply with demand and installed base, demand in our Education tablet keyboard, stickiness of gaming, investment priorities, management philosophy, new products roadmap for FY 2022 and FY 2023, long-term growth and marketing capabilities, enhancement of marketing capabilities, brand awareness and selling capacity, risk management, financial discipline, commitment to delivering sustainable long-term growth, future plans, 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 September 30, 2020, 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, 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 – Q3 FY 2021

Q3'21 sales surged 80% (CC) to \$1.67B, continuing the strong momentum from the prior quarter with double- and triple-digit demand growth across most of our product categories

Gross margin increased to 45.2% due to strong sales volume, lower promotional spending, favorable product mix and a benefit from currency exchange rates

Operating profits increased more than threefold to \$476M as robust sales growth combined with higher gross margins offset significant OPEX reinvestments back into the business, and generated impressive operating leverage

Cash flow from operations was \$530M, up from \$181M last year, driven by strong operating profits and efficient working capital management

WHAT'S NEW FROM LOGITECH



ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

Committed to incorporating **post-consumer recycled plastic (PCR)** into our products at scale in an effort to reduce our carbon impact and increase circularity of consumer products

By the end of 2021, more than 50% of PC mice and keyboards produced will be made with PCR plastic – eliminating an estimated 7,100 tons of virgin plastic and 11,000 tons of carbon per year

Each product's PCR content will be validated and shared on Logitech's website



GAMING

Logitech G PRO X SUPERLIGHT is our lightest wireless esports gaming mouse, weighing less than 63 grams and is nearly 25% lighter than the standard PRO Wireless mouse

Also features a faster and more responsive 2.4GHz **LIGHTSPEED** wireless for untethered play and up to 70 hours of battery life and our **HERO 25K sensor** at 25,600 DPI, the industry's first sub-micron mouse sensor

Certified carbon neutral

ZERO OPPOSITION

PRO X SUPERLIGHT.
THE NEW WEAPON OF CHOICE.



VIDEO COLLABORATION

Logitech Rally and Logitech Rally Bar Mini are premier, all-in-one video conferencing appliances that natively support various VC services, such as Microsoft Teams and Zoom

Features 4K video and up to 5X optical zoom, crisp and adaptive audio, and a second camera dedicated to computer vision

Logitech RoomMate is a computing appliance that allows customers to run video conferencing services on Logitech conference cams without a PC or Mac



CREATIVITY & PRODUCTIVITY

ERGO M575 Wireless Trackball is an elegant wireless trackball with easy thumb control designed to maximize comfort and save space

Features a smooth and responsive control and an angled scroll wheel that keeps fingers in a more natural position for all-day comfort

Was designed for sustainability with plastic parts made from post-consumer recycled (PCR) plastic and paper packaging sourced from FSC-certified forests



FINANCIAL RESULTS



Q3'21 RESULTS SHOWED CONTINUED MOMENTUM ...

	Q3'21	Q3'20	Y/Y
Net sales	\$1,667	\$903	85%
Y/Y % chg	85%	4%	
Y/Y % chg (CC)	80%	5%	
Gross profit	754	340	122%
% margin	45.2%	37.6%	760 bps
Operating expense	278	188	48%
% of sales	16.7%	20.8%	(410 bps)
Operating income	\$476	\$152	214%
% margin	28.6%	16.8%	1180 bps
Net income	423	143	195%
% margin	25.4%	15.9%	950 bps
Earnings per share	\$2.45	\$0.84	192%
Diluted shares	173	170	

Net sales +80% (CC) to \$1.67B, as our key secular growth drivers continued to generate strong demand for many of our product categories

Gross margin increased 760 basis points to 45.2% due to higher sales volume, low promotions, continued favorable product mix, and a benefit from currency exchange rates

OPEX growth (+48%) accelerated to support investments in marketing, VC sales force, and product innovations

Operating profits more than tripled to \$476M 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.

... DRIVEN BY LARGE SECULAR TRENDS

	Q3'21	Q3'20	Y/Y	Y/Y (CC)
Pointing Devices	214	155	38%	35%
Keyboards & Combos	218	156	40%	36%
PC Webcams	132	32	309%	302%
Tablet & Accessories	138	31	342%	334%
Video Collaboration	293	92	218%	211%
Gaming	436	246	78%	73%
Mobile Speakers	73	93	(22%)	(24%)
Audio & Wearables	153	82	87%	83%
Smart Home	11	16	(33%)	(34%)
Net sales	\$1,667	\$903	85%	80%

Our four large secular trends of video everywhere, hybrid work/learn, gaming, and content creation continued to drive our near-term results and offer attractive long-term growth opportunities

Video Collaboration +211% (CC), with robust demand in both traditional and home offices

PC Webcams +302% (CC) as video is an integral part of communications in our lives

Tablet & Accessories +334% (CC), led primarily by strong Education orders

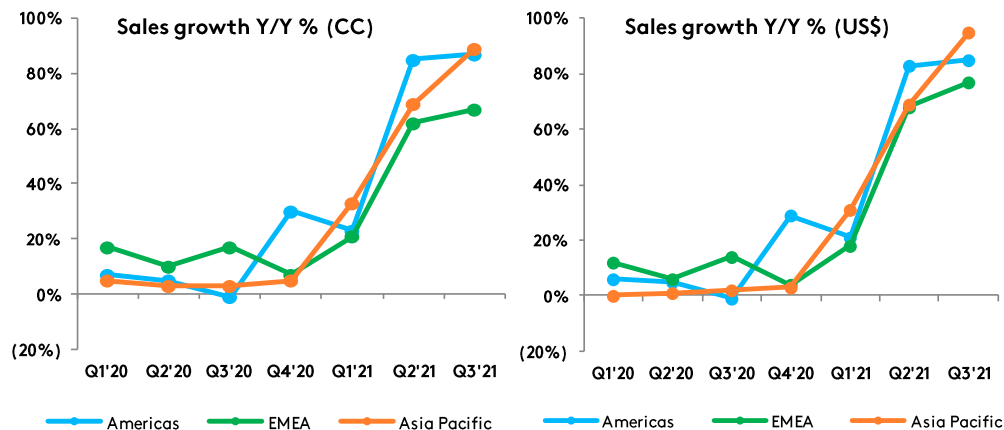
Gaming +73% (CC) with strong user engagement and participation

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

BROAD-BASED GROWTH ACROSS ALL REGIONS

	Q3'21	Q3'20	Y/Y (CC)	Y/Y (US\$)	Sell-through (US\$)
Americas	705	380	87%	85%	58%
EMEA	547	309	67%	77%	56%
Asia Pacific	416	213	89%	95%	81%
Net sales	\$1,667	\$903	80%	85%	62%

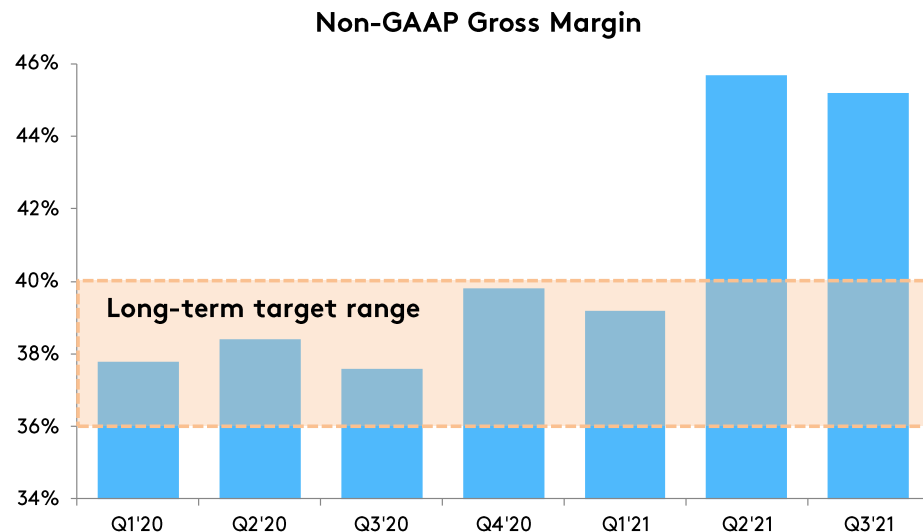
Despite varying shelter-in-place mandates and return-to-work trends around the world, our growth was very broad based across all three regions (as well as countries), demonstrating the durability of our large secular trends



Sell-through was +62% as the very strong sales volume caused supply to remain constrained during the quarter and as we continued to strategically restock our channel inventory to support March quarter demand

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

CONTINUED STRONG GROSS MARGIN



Q3'21 gross margin increased 760 basis points to 45.2% versus Q3'20

The improved margin was driven by the seasonal surge in sales, reduced promotions, favorable product mix, and tailwinds from currency exchange rates

We maintain our target gross margin range as we will reinvest our profit dollars to support future growth (ie, retail store marketing activations, seasonal promos, and shelf space redesigns)

STRATEGICALLY ACCELERATING OPEX INVESTMENTS

	Q3'21	Q3'20	Y/Y
Sales & marketing	196	129	52%
% of sales	11.8%	14.3%	(250 bps)
Research & development	50	41	23%
% of sales	3.0%	4.5%	(150 bps)
General & administrative	31	18	73%
% of sales	1.9%	2.0%	(10 bps)
Operating expenses	\$278	\$188	48%
% of sales	16.7%	20.8%	(410 bps)

Operating expenses +48% as we strategically invest in various capabilities to support and drive expanded growth opportunities

S&M expenses +52% as we significantly increased spending in branding and marketing campaigns as well as in bolstering our go-to-market sales coverage

R&D +23% focused on innovations in both hardware and software

G&A +73% as we increased our variable and fixed IT and customer care infrastructure to support the higher sales volume

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

RECORD CASH FROM OPERATIONS

	Q3'21	Q3'20	Y/Y	Q/Q
Cash from operations	530	181	349	250
Ending cash balance	1,389	656	733	472
Inventory	477	307	169	82
<i>Inventory turns</i>	<i>7.7</i>	<i>7.4</i>	<i>0.3 turns</i>	<i>0.7 turns</i>
<i>DOI</i>	<i>47</i>	<i>49</i>	<i>(2 days)</i>	<i>(5 days)</i>
Accounts receivable	895	531	364	144
<i>DSO</i>	<i>48</i>	<i>53</i>	<i>(5 days)</i>	<i>(6 days)</i>
Accounts payable	812	439	373	149
<i>DPO</i>	<i>80</i>	<i>70</i>	<i>10 days</i>	<i>(7 days)</i>
Cash conversion cycle	15 days	32 days	(17 days)	(4 days)

Cash balance reached \$1.39B due to robust profits and efficient working capital management

Cash flow from operations reached a record \$530M and cash conversion cycle reached a record low of 15 days

Inventory turns of 7.7x driven by higher sales velocity and normal seasonality

In Q3, we spent \$50M in share repurchases

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)	57 – 60%	35 – 40%
Non-GAAP operating income	Approximately \$1.05B	\$700 – 725M

ADDITIONAL ASSUMPTIONS	
Currency exchange rates	FY'21 nine months actual and Q4'21 projection ¹
Non-GAAP effective tax rate	11 – 12%
Cash from operations	~1x non-GAAP operating income
Capex	\$75 - 80M

Note: Sales growth is in constant currency unless otherwise specified.
(1) Q4'21 projection is based on average Q3'21 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 December 31,		Nine Months Ended December 31,	
GAAP TO NON-GAAP RECONCILIATION ^(A)	2020	2019	2020	2019
Gross profit - GAAP	\$749,010	\$334,453	\$1,624,466	\$845,505
Share-based compensation expense	1,747	1,210	4,919	3,552
Amortization of intangible assets	3,441	3,951	9,800	10,493
Gross profit - Non-GAAP	\$754,198	\$339,614	\$1,639,185	\$859,550
<i>Gross margin - GAAP</i>	44.9 %	37.1 %	43.7 %	37.3 %
<i>Gross margin - Non-GAAP</i>	45.2 %	37.6 %	44.1 %	37.9 %
Operating expenses - GAAP	\$300,947	\$205,625	\$ 771,423	\$601,155
Less: Share-based compensation expense	18,067	12,621	59,795	36,749
Less: Amortization of intangible assets and acquisition-related costs	4,946	5,084	13,886	12,898
Less: Change in fair value of contingent consideration for business acquisition	—	—	5,716	—
Less: Restructuring charges (credits), net	—	(45)	(54)	69
Operating expenses - Non-GAAP	\$277,934	\$187,965	\$ 692,080	\$551,439
<i>% of net sales - GAAP</i>	18.0 %	22.8 %	20.8 %	26.5 %
<i>% of net sales - Non - GAAP</i>	16.7 %	20.8 %	18.6 %	24.3 %

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

SUPPLEMENTAL FINANCIAL INFORMATION

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
GAAP TO NON-GAAP RECONCILIATION ^(A)				
Operating income - GAAP	\$448,063	\$128,828	\$ 853,043	\$244,350
Share-based compensation expense	19,814	13,831	64,714	40,301
Amortization of intangible assets and acquisition-related costs	8,387	9,035	23,686	23,391
Change in fair value of contingent consideration for business acquisition	—	—	5,716	—
Restructuring charges (credits), net	—	(45)	(54)	69
Operating income - Non - GAAP	<u>\$476,264</u>	<u>\$151,649</u>	<u>\$ 947,105</u>	<u>\$ 308,111</u>
% of net sales - GAAP	26.9 %	14.3 %	23.0 %	10.8 %
% of net sales - Non - GAAP	28.6 %	16.8 %	25.5 %	13.6 %
Net income - GAAP	\$382,523	\$117,525	\$ 721,510	\$235,803
Share-based compensation expense	19,814	13,831	64,714	40,301
Amortization of intangible assets and acquisition related costs	8,387	9,035	23,686	23,391
Change in fair value of contingent consideration for business acquisition	—	—	5,716	—
Restructuring charges (credits), net	—	(45)	(54)	69
Loss on investments	2,173	709	4,692	772
Non-GAAP income tax adjustment	10,165	2,123	31,564	(6,476)
Net income - Non - GAAP	<u>\$423,062</u>	<u>\$143,178</u>	<u>\$ 851,828</u>	<u>\$293,860</u>
Net income per share:				
Diluted - GAAP	\$ 2.22	\$ 0.69	\$ 4.21	\$ 1.39
Diluted - Non - GAAP	\$ 2.45	\$ 0.84	\$ 4.97	\$ 1.74
Shares used to compute net income per share:				
Diluted - GAAP and Non - GAAP	172,587	169,685	171,378	169,173

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the three months ended December 31, 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 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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