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 videoconference. 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 Q1 Fiscal Year 2022. The growth percentages 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

Q1 sales increased 58% to $1.31B, with continued strong double-digit growth across all our major categories and all three regions. Non-GAAP gross margin in Q1 reached 43.8%, up 460 basis points versus last Q1 last year and at the high-end of our target gross margin range of 39-44%. Non-GAAP operating income in Q1 doubled to $235M, and non-GAAP earnings per share was $1.22, up 91%.
CREATIVITY & PRODUCTIVITY

POINTING DEVICES

Our Pointing Devices category delivered strong sales growth of 45% in Q1, the strongest annual growth over the past decade. The growth was broad based, with contribution across both our high-end MX family and our mainstream mice portfolio.

KEYBOARDS & COMBOS

Our Keyboards & Combos sales were up 44% in Q1, in line with growth rates in the prior three quarters. This consistency demonstrates the strength and diversity of our product portfolio and the increased demand for tools that enhance productivity, both at home and as we return to work. Innovation across the product line-up and new market offerings such as our ergonomic K860 keyboard appealed to consumers as they looked for improved comfort and performance from their workspace peripherals.

PC WEBCAMS

Our PC Webcams sales increased 73% in Q1 against a quarter last year that more than doubled. Marketing investments to drive greater awareness of the need for better video quality and experiences through the use of an external webcam as well as the secular adoption of video communications helped drive robust growth despite a difficult comparison versus last year. Our webcam market share also improved through the quarter as our supply generally returned to more normalized levels. As some parts of the world begin to recover from the pandemic, hybrid work and employee flexibility are becoming increasingly commonplace across various companies and industries, which
should help sustain continued demand for PC Webcams.

TABLET & OTHER ACCESSORIES

Sales in our Tablet and Other Accessories category rose 66% in Q1. Our retail Tablet Keyboards delivered strong growth that was consistent with growth rates in the prior three quarters. As expected, Tablet Keyboards for the education channel had a large sequential sales decline due to the completion of a large Japan education sale at the end of March 2021. Due to this difficult year-over-year comparison, we expect Tablet Keyboards for the education channel to represent a strong headwind for our overall Tablet and Other Accessories category in Fiscal Year 2022.

GAMING

Our Gaming category achieved record sales for a Q1 and sales growth of 76%, led by strong performance in PC Gaming, Simulation, and Console Gaming as well as double-digit growth across all three regions. Even as consumer spending begins to shift to other discretionary and recreational categories, our robust and diverse Gaming product portfolio has demonstrated the stickiness of gaming across consumers’ digital and social life. Streamlabs continued to deliver strong growth, with its flagship Prime subscription reaching another record high in the quarter.
VIDEO COLLABORATION

Our Video Collaboration sales grew 72% in Q1, and sell-through nearly doubled, with strong growth in the Americas and Asia Pacific regions offsetting slower sales in EMEA. On a sequential basis, sales in the Americas and Asia Pacific remained flat compared to an extremely strong Q4 while sales in EMEA declined double digits sequentially against a record Q4.

MUSIC

MOBILE SPEAKERS

Our Mobile Speaker sales declined 5% in Q1, as expected. As we continue to redeploy our investments to other growth market opportunities, we expect Mobile Speaker sales to remain weak in Fiscal Year 2022.

AUDIO & WEARABLES

Our Audio & Wearables sales increased 57% in Q1, with robust double-digit growth in all categories. Blue Microphones and Retail Headset sales growth remained strong while Jaybird delivered double-digit growth due to the introduction of Jaybird’s latest true wireless earbud, Vista 2, in the quarter.

SMART HOME

Our Smart Home sales fell 12% in Q1, as expected. As we discontinue production of our Harmony remotes, we expect sales from our Smart Home category to decline again.
in Fiscal Year 2022.

**NET RETAIL SALES BY REGION**

Our sales in all three regions continued to grow significantly in Q1. As we had improved our supply across most of our product categories, our overall sell-through in Q1 was more in line with our sell-in.

- **Americas.** Sales in our Americas region were up 70% in Q1, with robust growth in all focus categories. Video Collaboration and Gaming sales more than doubled in the quarter while Pointing Devices and Keyboards and Combo sales maintained similar strong momentum as prior quarters.

- **EMEA.** In Q1, our EMEA region delivered sales growth of 56%. Gaming sales nearly doubled in the quarter and Creativity & Productivity sales performance remained very strong. As noted earlier, Video Collaboration EMEA sales were only modestly up in Q1 due to lower opening backlog and high prior quarter sell-in demand. EMEA sell-through growth remained strong, up approximately 70% versus the prior year.

- **Asia Pacific.** Q1 growth in our Asia Pacific region was 43%, with sales growth from our major categories all up between 40-60%. All our top countries in the Asia Pacific region posted strong double-digit growth in both sell-in and sell-through in Q1.
GROSS MARGIN

Q1 non-GAAP gross margin of 43.8% was up 460 basis points versus last year and at the high-end of our target gross margin range of 39-44%. In line with our expectations, gross margin was down 280 basis points versus an unsustainably high level in Q4. Promotion spending started to return to more normalized levels as we had articulated in our last earnings call and we had a less favorable revenue mix sequentially, with both factors contributing to Q1 gross margin returning to our target range.

As noted in prior earnings calls, we continue to expect our Fiscal Year 2022 non-GAAP gross margin to be within our target range as we expect more balanced supply and demand and an increase in sales promotions and retail point-of-sales marketing activities.

OPERATING EXPENSES

In Q1, non-GAAP operating expenses increased 76% to $340M. Similar to the prior quarter, Sales & Marketing spending nearly doubled in Q1 as we continued our journey in transforming Logitech into a more marketing-led business (versus a more promotion-led company). We expanded our brand equity marketing campaigns into other countries to drive sustained brand awareness and long-term growth for the company. R&D spending was up 38% as we reinvested our gross profit dollars to support our near-term and mid-term product roadmap across both hardware and software. G&A spending was up 43% but remained operationally flattish sequentially at $32M. Our Q4’21 G&A expense included a $30M investment into a charitable
Donor-Advised Fund to support our long-term social giving strategy in support of equality and sustainability focused causes. Operating expense as a percent of sales was 25.9%, up 150 basis points versus last year and in line with our target range.

**PROFITABILITY**

Non-GAAP operating income doubled to $235M and operating margin rose 310 basis points to 17.9%, above our target range of 14-17%. Strong sales and gross profit dollar growth combined with disciplined OPEX reinvestments led to the strong operating leverage in the quarter. However, given the exceptional growth attained in Fiscal Year 2021 and increased Fiscal Year 2022 investments to build our capabilities to drive future performance, we do not expect year-over-year operating leverage to continue through the remainder of Fiscal Year 2022. As we operate our business for the long-term, you should expect our operating margin to revert to the long-term target range.

Our Q1 non-GAAP net income and EPS increased 93% and 91% to $210M and $1.22, respectively. Our non-GAAP tax rates for Q1 was 13.4%, as our higher levels of profits resulted in a higher non-GAAP corporate tax rate than our prior outlook. For Fiscal Year 2022, we maintain our non-GAAP tax rate of 11-12% due to the lower levels of projected non-GAAP profits vs the prior year.
BALANCE SHEET AND CASH FLOWS

At the end of June 2021, our cash and cash equivalents were $1.5B, up over $0.7B versus June 2020. Our Q1 cash flow from operations was a negative $115M due to tactical inventory investments and a $120M annual Swiss tax payment. Normally, this payment would have been paid in quarterly installments but due to administrative changes related to the Swiss tax reform, we paid our full Fiscal Year 2021 cash tax in Q1’22. We expect to resume quarterly payments in Fiscal Year 2022.

At the end of June 2021, our inventory was $779M, up $507M from last year, while our Q1 inventory turns were 3.8 (versus 7.2 times in Q1 last year). The slowing of our inventory turns was related to manufacturing slowdowns a year ago due to the COVID outbreak in China which reduced our Q4’20 ending inventory levels and led to extremely fast turns a year ago, the linearity of our sales, and our recent efforts to increase buffer stock and distribution center inventory to meet future demand. We expect our inventory turns to remain slower in Fiscal Year 2022 relative to prior year levels as we tactically leverage our strong balance sheet to invest in components and our owned inventory to provide better product availability amidst a tightened near-term global supply chain and logistics outlook. Accounts receivable were $546M and accounts payable were $710M at the end of June 2021, up $46M and $280M, respectively driven by higher sales volumes and the linearity of our purchases in the quarter.

Our DSO for Q1 was 37 days (versus 57 days in Q1 last year) and our DPO was 86 days (versus 80 days in Q1 last year). The 20-day improvement in DSO was due to a less back-end loaded quarter compared to Q1 last year. Our cash conversion cycle in Q1 was 45 days (versus 27 days in Q1 last year and 50 days in Q1’20). As we noted earlier, our inventory investments in the near-term will likely result in a cash conversion
cycle in Fiscal Year 2022 that is higher than prior year levels.

**SHARE COUNT & REPURCHASES**

Our weighted average diluted share count in Q1 was 172M shares versus 170M shares last year. During the quarter, we repurchased over 0.5M shares for $55M under the current three-year $1.0B authorization. Our share count will be driven by any future share repurchases, share issuances, as well as our stock price.

**FISCAL YEAR 2022 OUTLOOK**

We are confirming our Fiscal Year 2022 outlook of flat sales growth in constant currency, plus or minus five percent and maintaining our Fiscal Year 2022 non-GAAP operating income outlook of $800-850M.
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 ended June 30, 2021, trends and outlook for Fiscal Year 2022, including in our product categories, target range for non-GAAP gross margin, non-GAAP gross margin, non-GAAP operating expense ratio, operating leverage and operating margin, sales growth, non-GAAP corporate tax rate, cash flow, timing of tax payments, inventory turns, inventory investments, cash conversion cycle, share count drivers, including share repurchases and share issuances, and Fiscal Year 2022 outlook for sales growth, growth rate, 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 demand variability and supply shortages; 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; the COVID-19 pandemic and its potential impact; if we do not successfully execute on strategic acquisitions and investments; if we do not efficiently manage our spending; 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; 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, 2021 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 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 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 the Fiscal Year 2022 outlook.

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.