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 Q2 Fiscal Year 2023. 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

Q2 net sales decreased 7% to $1.15B. We had growth in Video Collaboration and Pointing Devices. Gaming was resilient in Q2, led by continued growth in Simulation and strong demand in Asia Pacific. Despite continued declines in Business and Consumer Webcams, we outperformed the market and gained share. Q2 non-GAAP gross margins decreased versus last quarter, as expected, to 38.6%. Versus the prior year, product cost and freight rate increases were unfavorable 3 points and currency was unfavorable 2 points. We partially offset these headwinds with our pricing actions as well as using less air freight. Non-GAAP operating profit in Q2 was $156M (down 26% year-over-year), and non-GAAP earnings per share was $0.84, down 20% versus
Q2 last year. The decline in profits reflects reduced volumes, higher costs due to inflation and continued investment in our product development capabilities, partially offset by reduced operating expenses. While the Company reduced operating expenses during the quarter, it continued to invest in product development.

**GAMING**

Gaming decreased 4% in Q2. Growth in our simulation products were strong, offset by declines in PC and Console Gaming, the latter reflecting weaker demand for headsets. Asia Pacific continued to grow, up 25% in the quarter, while the Americas and Europe remained pressured. In advance of the holiday selling season, we announced a number of product launches, including G CLOUD, a device uniquely designed for cloud gaming; PRO racing and wheels, to enhance our line-up of simulation products; a number of innovative keyboards, mice and headsets.

**VIDEO COLLABORATION**

For the second consecutive quarter, Video Collaboration sales increased 7% driven by conference room cameras, peripherals and headsets. Video conference room cameras and peripherals grew approximately 30%. This growth was offset by a decline in webcams. Our business oriented webcams were down more than 30%.

**CREATIVITY & PRODUCTIVITY**

**KEYBOARDS & COMBOS**

Our Keyboards & Combos sales were down 10% for Q2 as share gains and growth in our higher end products only partially offset weaker market conditions in China and
Europe. Sell-through was essentially flat year-over-year. As with Gaming, we had a series of product launch announcements in the quarter, highlighted by our entirely new lineup of keyboards and mice that are designed especially for Mac users.

POINTING DEVICES

Pointing Devices were up 3% driven by our new Lift ergonomic mouse and our high end MX Master 3S.

PC WEBCAMS

As with our business webcams, consumer webcams were pressured and down 33% from pandemic highs. Despite a declining market, we grew share during the quarter.

TABLET & OTHER ACCESSORIES

Sales in our Tablet and Other Accessories category declined 29% in Q2. While the tablet keyboard market declined, Logitech increased market share during the quarter.

MUSIC

MOBILE SPEAKERS

Our Mobile Speaker sales grew 6% in Q2. And while we are focusing resources on other, more strategic areas of the business, we did launch the Wonderboom 3 and Hyperboom portable bluetooth speakers in Q2, a lineup that includes fresh new colors.
AUDIO & WEARABLES

Our Audio & Wearables sales decreased 22% in Q2. As noted previously, we are primarily focused on faster growing market opportunities.

NET RETAIL SALES BY REGION

For Q2, Asia Pacific grew 4% in Q2’23, while the Americas and EMEA declined 9% and 16%, respectively.

- **Americas.** While sales in our American region were down 9%, we did see double digit growth in conference room cameras, mobile speakers, and VC headsets, along with single digit growth in Pointing Devices and Gaming Simulation.

- **Asia Pacific.** Sales in our Asia Pacific region increased 4% in Q2. We had strong double digit growth in Gaming, Pointing Devices, conference room cameras and mobile speakers.

- **EMEA.** Sales in our EMEA region decreased by 16% in Q2. Strong double digit growth from Video Collaboration helped partially offset declines in Music, Gaming, PC Webcams, Keyboards & Combos and elsewhere.
GROSS MARGIN

Q2 non-GAAP gross margin of 38.6% was down sequentially, as anticipated. Pressures due to inflation and unfavorable currency movements were partially offset by price increases and using less air freight.

OPERATING EXPENSES

In Q2, non-GAAP operating expenses decreased 15% to $287M. Our focus on reducing variable cost continued, with sales and marketing expense down 21%; however, we also continued to invest in our product development priorities, with R&D up 3% for the quarter. G&A increased 3% versus prior year, and was down 9% versus prior quarter.

PROFITABILITY

Non-GAAP operating income for Q2 was $156M, down 26% year-over-year, reflecting reduced volumes and higher input costs, partially offset by strong cost management. Operating margin for the quarter was 13.6%, vs. 16.2% last year, down 2.6 points. Our Q2 non-GAAP net income was $138M and EPS was $0.84. Our non-GAAP tax rate for Q2 was 12.6%, in-line with our expectations.

BALANCE SHEET AND CASH FLOWS

At the end of September 2022, our cash and cash equivalents were $869M, down $269M from September 2021. Cash flow from operations was $73M in Q2, and cash flow is up $215M YTD vs last year.

At the end of September 2022, our inventory was $880M, up $52M from last year and
down $37M sequentially, while our Q2 inventory turns were 3.2.

Accounts receivable were $773M and accounts payable were $547M at the end of September 2022, up $45M and down $114M versus last year, respectively.

Our DSO for Q2 was 61 days (versus 50 days in Q2 last year), DOI was 112 days (versus 97 days in Q2 last year) and our DPO was 69 days (versus 78 days in Q2 last year). Our cash conversion cycle in Q2 was 104 days versus 69 days in Q2 last year, reflecting slower inventory turns this year.

SHARE COUNT & REPURCHASES

Our weighted average diluted share count in Q2 was 164M shares versus 171M shares in the previous fiscal year. During Q2, we returned a total of $276M to shareholders through our previously announced share repurchase program ($117M) and the payment of our annual dividend ($159M).

FISCAL YEAR 2023 OUTLOOK

We are reaffirming our Fiscal Year 2023 outlook, which includes expectations for sales growth in constant currency to be between negative 8 percent and negative 4 percent, and non-GAAP operating income to be between $650 million and $750 million.

FORWARD-LOOKING STATEMENTS

These remarks 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, 2022, secular trends and opportunities, operational performance, product innovation, product
launches, our near term plans, our long-term strategy, future growth and efficiencies, restructuring and reduction in expenses and their timing, and Fiscal Year 2023 outlook for sales growth and non-GAAP operating income, and related assumptions.

The forward-looking statements in these remarks are subject to risks and uncertainties that could cause actual results and events to differ materially, including without limitation: macroeconomic and geopolitical conditions and other factors and their impact, including the COVID-19 pandemic, the war in Ukraine, changes in inflation levels and monetary policies; 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, supply shortages, and other supply chain challenges; 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; if we do not efficiently manage our spending; our expectations regarding our restructuring efforts, including the timing thereof; 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; if we do not successfully execute on strategic acquisitions and investments; 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, 2022, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, 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, 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, loss on investments, non-GAAP income tax adjustment, and other items detailed under “Supplemental Financial Information” in our earnings press release and posted to our website at http://ir.logitech.com. 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.

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.