Transcript - Q4 FY'25 Earnings Call

Nate | Head of Investor Relations

Good afternoon and good evening. Welcome to Logitech's video call to discuss our Financial Results for the Fourth Quarter and our Fiscal Year 2025. Joining us today are Hanneke Faber, our CEO; and Matteo Anversa, our CFO.

During this call, we will make forward-looking statements, including with respect to future operating results under the safe harbor of the Private Securities Litigation Reform Act of 1995. We're making these statements based on our views only as of today. Our actual results could differ materially. We undertake no obligation to update or revise any of these statements. We will also discuss non-GAAP financial results. You can find a reconciliation between GAAP and non-GAAP results and information about our use of non-GAAP measures and factors that could impact our financial results and forward-looking statements in our press release and in our filings with the SEC. These materials as well as the shareholder letter and a webcast of this call are all available at the Investor Relations page of our website. We encourage you to review these materials carefully. Unless noted otherwise, references to net sales growth are in constant currency and comparisons between periods are year-over-year. This call is being recorded and will be available for a replay on our website.

I'll now turn the call over to Hanneke.

Hanneke | CEO

Thank you Nate, and welcome everyone to our third quarter earnings call.

Fiscal Year 2025 was a year of outstanding results for Logitech. We delivered strong, profitable growth driven by progress against our strategic priorities.

Specifically, for the year:

We delivered 7% constant currency net sales growth. Growth was broad-based across geographies, product categories, and customers. We expanded market share in key product categories and remain the number 1 or number 2 player in 11 of the 13 categories in which we compete.

We expanded Non-GAAP gross margins by 170 basis points and non-GAAP operating margins by 70 basis points, growing Operating Income to $775M.

And we continued to generate a very healthy amount of cash. We generated approximately $840M of cash from operations in FY25, more than 1x operating income; and returned approximately $800M to shareholders in the form of dividends and share repurchases.

Our success in FY25 can be attributed to four strategic drivers:

First, **Superior Products and Innovation**.
Innovation is at the heart of Logitech's strategy and integral to our DNA. In FY25, we launched 39 new products. Globally, bestsellers included the Combo Touch Keyboard Case for iPad, the Pro X Superlight Wireless Gaming Mouse, and the A50 Gaming Headset family. In China, the Alto Keys Mechanical Customizable Keyboard became the country's best-selling personal workspace mechanical keyboard. These launches, and the many design awards we received for our innovation, illustrate our ability to deliver design-led, software-enabled hardware innovation that delights users around the world.

Second, **Doubling down on B2B**.
Logitech for Business played an important role in Logitech's success this year. We saw healthy end customer demand growth of about 7% in USD. Investments in smarter products and go-to-market capabilities fueled growth across Video Collaboration, Headsets, and Personal Workspace products sold to business customers. We are seeing expansion in our Education vertical, with double-digit, year-over-year, demand growth. We are also seeing double digit growth in Services.

Third, **Excellent execution across geographies**.
We rapidly reapplied best practices and proven strategies from market to market to strengthen our global performance across the board.

And finally, **Operational Excellence**.
Our foundational strength as an operations powerhouse delivered record product cost reductions, driving the second-highest annual non-GAAP gross margins in the last decade.

Our fourth quarter reflected these same factors, as well as disciplined execution by our teams. I want to extend my appreciation to all of our employees for delivering an excellent fiscal year 2025.

As we enter Fiscal Year 2026, we are faced with a wide range of potential outcomes when it comes to tariffs, consumer & customer confidence and geopolitics.

While acknowledging the uncertainty, we are confident heading into our fiscal year.

Logitech is built to compete in good times and through uncertainty. That's because of a number of unique strengths built over the years:

We have a balanced global customer base. We generate about two-thirds of our global sales outside the US, which positions us well to manage market-specific risks.

We invested in a broad, diversified manufacturing footprint across six countries. Today, only about 40% of our products (value!) sold in the US originate from China, with the rest coming from five other countries. We have more room for diversification and are able to rapidly shift production to optimize costs and mitigate tariff impacts. By the end of this calendar year, we are planning for only about 10% of US products to be sourced from China. We invested in a strong, globally recognized brand and superior products, which we believe provides brand loyalty and pricing power.

We have a pristine balance sheet, offering financial flexibility.

And we have invested in people. We have a very experienced operational and commercial team, who built expertise through the tariffs of the two previous administrations, as well as through Covid-19. Their expertise, frankly, is unmatched in our industry.

With this advantaged start point, our approach for the year ahead will be based on three core principles:

One - **we will play offense**. We aim to decisively expand market share at this time. We exited FY25 with strong momentum, and we believe continued investments in R&D, marketing and sales will help us drive lasting competitive advantage.

Two - **Cost discipline will be critical -** both when it comes to product cost and OPEX, especially G&A.

And Three - **Agility**. We are moving rapidly to leverage our broad manufacturing footprint and take the necessary commercial actions. We know things are fluid, and we are acting fast.

So, as we look at the first quarter of FY26, we expect a number of dynamics to shape performance, not all of them certain at this point.

What we know….

…is that the current set of tariffs and exemptions represent about a 200 bps hit to global Gross Margins in the first quarter. This impact is mitigated in Q1 by the fact we are still selling through inventory we proactively pulled into the US before April. Matteo will provide more detail.

We also know that we have announced a set of targeted price increases to customers in the US, which are being implemented from mid April. We don't necessarily like to raise prices, but the current context requires it. Our increases are intentionally tailored to select products, rather than a one-size-fits-all approach. We took into account the role of each product; strategic price points, and how to best optimize value for our consumers and B2B customers. Some prices have remained unchanged, others have seen double-digit percentage increases, and some fall in between, reflecting a thoughtful, targeted approach if needed, we believe we have more room for pricing later in the year.

That’s what we know. But there is also much that we cannot yet know. Even in the current quarter, our final outcomes will depend on:

Any changes that may be made to **trade policy**, including the scope of tariffs, the countries and products affected, timings and exemptions.

The outcomes will also depend on macro-economics, and **consumer, as well as B2B customer sentiment and behavior**.

And finally, there may be **geopolitical factors** that will shape demand globally.

Despite this uncertainty, we are providing a financial outlook for the first quarter of our 2026 fiscal year. Matteo will provide the details in a minute, but at the mid-point, the outlook calls for continued topline growth supported by healthy gross and operating income margins.

The bookends of the outlook essentially contemplate what we believe are possible outcomes based on the “known unknowns” I just outlined: trade policy, consumer and enterprise sentiment, and geopolitical factors.

All that said, what matters beyond the headlines is that the fundamentals of our business are strong, and that we operate from an advantaged starting point.

Across FY26, we will play offense, while we exercise strong cost discipline and act with agility. Logitech was built to compete at times like these, and that’s what we plan to do in the year ahead.

Matteo, over to you.

Matteo | CFO

Thank you Hanneke, and thank you all for joining us on the call today.

The team delivered another good quarter with solid demand and high gross margins of 43.5%.

The detailed financial results can be found in the press release and shareholder letter, but let me briefly share with you the key financial highlights.

The fourth quarter represented the fifth consecutive quarter of year-over-year net sales growth.

For the quarter, sell-through outpaced sell-in by approximately 2 points, as we aligned our channel inventory with demand following the holiday season.

Channel inventory ended within our operating targets, while owned inventory ended the quarter up $20M QoQ as we proactively built our inventories in advance of tariffs taking effect.

Within our product categories:
Keyboards & Combos and Pointing Devices performed very well, as the high-end of our product lines - MX and Ergo - had record quarters for net sales;
Webcams delivered mid-single-digit net sales growth.
And end user demand remained strong across our Gaming portfolio.

For the full 2025 Fiscal Year, total net sales increased by 7%, in line with the outlook we provided at our Q3 earnings call and during investor day in March.

Our topline growth year-over-year was broad-based across all regions and across our key product lines, with the exception of Webcams. However, Webcams finished the year with strong momentum and we remain the market leader in this key category.

Our growth continues to be extremely profitable with the non-GAAP gross margin rate for FY25 at 43.5%.

For Fiscal Year 2025, non-GAAP gross margin rate increased by 170 basis points compared to the prior year thanks to a reduction in our product costs, partially offset by higher promotions and the negative impact of foreign exchange.

Operating expenses were approximately $1.2B for FY25, corresponding to 26.5% of net sales.

This amount includes approximately $23M of bad debt reserve recorded in sales & marketing expense due to the inability of our e-commerce payment provider, Digital River, to pay us. Of this amount, $14M was recorded in the third quarter, and the balance was recorded in the fourth quarter. If we exclude the impact of this charge, our operating expenses as a percentage of net sales would have been 26%.

For FY25, Non GAAP Operating Income was $775M, 17% of net sales, up 70 basis points compared to the prior year as a result of the gross margin expansion I mentioned earlier.

Our cash generation continued to be strong. We generated approximately $840M of cash from operations, more than 1x operating income, of which approximately $800M was returned to shareholders in the form of dividends and share repurchases. Our cash balance at the end of FY25 was $1.5B.

I would like to congratulate the entire Logitech team for an outstanding fiscal year 2025. We returned to high-single digit profitable growth, generated strong cash flow and, in the absence of M&A we returned the cash we generated back to our shareholders.

Now, looking ahead to FY 2026, we are not immune to the tariff uncertainty and overall volatility in the current macroeconomic environment. Our ability to provide a long term outlook is predicated upon a modicum of stability within the broader economy; without this stability, it's virtually impossible to provide an outlook that looks beyond the next quarter. Hence, why we withdrew our outlook for the Fiscal Year ahead.

So today, we are providing a financial outlook for the first quarter of our 2026 Fiscal Year.

Net sales in the quarter are expected to be between flat to +5% in constant currency compared to the prior year. Gross margins will be between 41 and 42%. Non-GAAP operating income between $155 and $185 million.

In the first quarter, the negative impact of the current tariffs on our global gross margin rates will be approximately 200 basis points. This impact is mitigated in Q1 by the fact we are still selling through inventory that entered the US before April. Otherwise, we estimate, the impact would be approximately 500 basis points at the company level.

The range of our outlook incorporates different outcomes on the variables that are currently unknown, such as the consumer and enterprise sentiment and the timing of price realization in the quarter.

So, yes, the environment is challenging. But as Hanneke pointed out, Logitech is built for this.

With that, let's head to Q&A

David Connell | Zoom Event Services

Thank you so much, Matteo. We will now move to the Q&A session. If you have a question, please use the raise hand icon located on your Zoom toolbar. When we call your name, please turn on your video and unmute your line. Our first question comes from Asiya Merchant with Citi.

Asiya Merchant | Citi

Oh, great! Thank you, everyone. Just to dive a bit deeper into gross margins, how should we think about that? You're mentioning some impacts here, and with respect to the pricing that's been implemented, is that reflected in your June quarter guidance for the top line as well? If you could break down the impact of the price increases on the top line, and also clarify how we should consider gross margins given the tariff impacts you just highlighted. Thank you.

Logitech

Sure. Thank you for your question. The way I would describe the gross margin rate is that we are going from about 43.5% roughly in the first quarter of last year to about 41.5%, as I mentioned in the prepared remarks. About 200 basis points of negative impact comes from the tariffs, and this reflects the fact that we are still consuming inventory that came in before the tariffs took effect. We also have about another 100 basis points of impact coming from the fact that in the first quarter of last year, if you recall, we were still releasing some previously recorded inventory reserves as the inventory was coming down. We are not expecting this to happen again in the current quarter.

So, the negative impact of about 300 basis points when you combine both factors is partially offset by about 100 basis points of positive income coming from pricing. As Hanneke mentioned, we don't generally like to raise prices, but we had to. This was really focused on the U.S., and we took a very meticulous approach—looking at SKU by SKU. For some products, the price didn't change, others increased by double digits, and there is a range of products in between. When you normalize and factor all of this in, it's about a 10% price increase on our U.S. products. Keep in mind that it helps being a Swiss and global company today, as only about a third of our revenue comes from the United States. That's how you unpack the numbers.

Asiya Merchant | Citi

Thank you. Any early indications on how customers are reacting to these price increases? I guess they went into effect in April, so I'm not sure if you have any early feedback on that.

Logitech

Yeah, it's really too early to say. We started the implementation in mid-April, and it always takes a little time for these prices to be reflected on shelves across the country and online. So it's still too early to draw any conclusions. However, based on previous price increases around the world, we believe that our strong brand and superior products will protect us to a large extent. Sometimes there can be a bit of an impact in the short term, but we'll see.

David Connell | Event Services

Our next question comes from Erik Woodring with Morgan Stanley. Erik.

Erik Woordring | Morgan Stanley

Hey, guys. Good afternoon. Thank you for taking my questions. I have two, if I may. First, I completely understand where you're coming from with your comments on global production during this unprecedented period. You mentioned that 40% of global or U.S. production currently comes from China, and the goal is to get it down to 10% by the end of calendar 2025. I'm wondering what that means for your Suzhou facility. Does this imply that most of Suzhou's production is being shifted to international markets, or are you downsizing that facility?

The question arises because historically, this facility has been an area of strength for Logitech, providing IP production and flexibility to respond to demand. I'm curious about what this transition means for Suzhou and how we should think about where U.S. products will come from if not China. I also have a quick follow-up, please. Thanks.

Logitech

Yeah, sure. Thanks, Erik. Great to see you. I'm not worried about Suzhou. If you do the math, 70% of our sales are not for the United States, and only 40% of what does go to the United States is currently from China. Reducing that to 10% represents a relatively small portion, and Suzhou will continue to play a very significant role in production for the rest of the world. Suzhou is well-utilized, and the fact that we just had such a great year with 7% top-line growth also helps keep Suzhou full. So no concerns there.

As for where that U.S. volume will go, we're in the fortunate position of having a highly diversified manufacturing footprint. We have operations in China plus five other countries. While I won't say it's easy to shift volume, our team is doing an excellent job of moving production quickly to mitigate tariff impacts.

Erik Woodring | Morgan Stanley

Okay, I appreciate that. Thank you. Thank you, Hanneke. I realize this question might have been asked about how customers have responded to price increases, but I'll phrase it a bit differently. How is spending linearity quarter-to-date, whether compared to past June quarters, past Aprils, or even relative to the month of March? I'm really trying to understand pull-forward versus push-out of demand. How are customers responding to general tariff and policy volatility with their spending habits? Whether it's enterprise, SMB, or consumer, how have customers been reacting over the past month of chaos relative to either past years or the last quarter? Thanks so much.

Logitech

Let me have a stab at that. So on the consumer side of our business, I'd say the consumer remains very resilient for our products. So in the last quarter, so in the March quarter you know, there was low single digit market growth in the Americas and in Europe, in our categories and high double digits in APAC, and consumer demand was also strong, as you see in our numbers. We also grew share across regions. So in the March quarter things were looking really good. And on the consumer side again in North America, in the last 4 weeks. We're kind of seeing a range of behaviors. There's certainly, you know. You see it on Tiktok. This kind of no buy movement. So there's some people who are really starting to be frugal. There is also a, you know, a significant amount of consumers who are pulling purchases forward. and then there's also a segment, I would call it. You know, Yolo, you only live once. I'm going to spend it all right now, and I'm going to spend it on expensive stuff. So the truth is probably somewhere in the middle. But again, I would say that some of that is that the consumer for our brand, and our products remains pretty good around the world. On the B2B side. In the last quarter we did see a bit more caution, especially in Europe. Driven by the uncertainty in the market. And I think you know, most companies are just a little more hesitant to pull the trigger on big purchases, big capex investments that said global demand even on Logitech for Business, was still comfortably positive mid single digit up. So we're optimistic. And of course, video conferencing in and of itself is kind of a natural hedge, you know, as companies say, I want to reduce T&E want to reduce travel. You need great video conferencing to offset that.

David Connell | Event Services

Our next question comes from Samik Chatterjee with JP Morgan.

Samik Chatterjee | JP Morgan

Hi, thanks for taking my question, and I hope you can hear me clearly. Maybe just following up on Erik's question about the demand side from another angle—you mentioned sell-in tracking better than sell-through in the quarter by 200 basis points. From what I recall, the expectation for fiscal 2025 was that there would be an inventory build in the first half, followed by some moderation in the second half. Did what happened this quarter run counter to those expectations, especially in relation to the price increases? Did you notice the channel pulling forward demand into the quarter?

What are your expectations as you progress through the first quarter or, more specifically, the June quarter? I'll follow up afterwards. Thank you.

Logitech

So Samik, actually, sell-through outpaced sell-in during the fourth quarter. It's the other way around, which aligns with what we were expecting and is pretty typical coming out of the holiday quarter. To Hanneke's earlier point, we're very pleased with where the channel ended the year. Our own inventory was slightly higher due to proactive steps we took to bring in products ahead of the tariffs. However, we don't anticipate the same dynamic that occurred at the start of fiscal year 2025, where the channel inventory was too low, causing sell-in to outpace sell-through during the first few months.

Our plan moving forward is to have sell-in match sell-through in the upcoming quarters, thanks to the team's effort in ensuring the channel is healthy. To emphasize, what we've consistently said since last year is that sell-in would exceed sell-out in the first half, while sell-out would exceed sell-in in the second half. That's exactly what played out. As a result, for the fiscal year overall, net sales and sell-out are largely aligned. While sell-out data isn't perfect, it's close enough for decision-making.

Samik Chatterjee | JP Morgan

Got it. Thank you, and I appreciate the clarification. Moving back to the discussion on tariffs and the first quarter of the fiscal year you're planning, you have the benefit of price, but you're also dealing with the tariff headwind. What's the end goal here? By the time you've moved most of the capacity addressing U.S. demand, do gross margins return to the 43% range? Would that happen because pricing continues to ramp up and most of the tariff impact is offset? Or how should we think about the residual impact at that point? What's your view on that?

Logitech

It's really too early for us to speculate on this. There are too many moving pieces at this point, which is why we're only providing an outlook for the first quarter. However, let me give you more perspective on some of the variables that could change and why we can't definitively predict the outcome yet.

Let's start with a positive factor—two-thirds of our sales are outside of the U.S., so they're unaffected by tariffs. That's a strong baseline. For the remaining third that's U.S.-specific, that portfolio of products is impacted in multiple ways. Currently, the tariffs vary depending on exemptions, country of origin, product classification, and how we're relocating production. To give you an idea, part of our U.S. volume faces zero tariffs due to exemptions, some is taxed at 10%, some at 20%, and a small portion faces rates of 145% or more.

That said, it's a dynamic situation. The impact is constantly changing, day by day, due to factors like trade policy updates, product classifications, and our active management of production flow. Because of this "moving feast," rather than diving into fine details, we're focusing on outcomes we can predict—for example, the first quarter expectation of a 200-basis-point tariff impact on global gross margins. We will continue to provide updates as the year progresses, but for now, it's too early to forecast what will happen beyond that point.

I'd also like to emphasize what we can control and the proactive measures we're taking. On pricing, as Hanneke mentioned earlier, we've adjusted meticulously to mitigate the tariff impact. In addition, we've taken cost-control actions. For product costs, we've built an excellent track record. In fiscal 2025, almost 300 basis points of margin expansion came from the team's efforts, and that work is ongoing. On the operating expense side, we've implemented measures similar to what many companies are doing globally, such as curbing controllable spending, cutting travel, delaying most hiring, and streamlining G&A costs.

Finally, we're accelerating manufacturing diversification efforts to reduce U.S.-dependent production from 60% to 10%, as discussed earlier. These are steps you can count on us to take. Beyond that, there are factors beyond our control, and that adds to the uncertainty.

David Connell | Event Services

Our next question comes from Austin Baker with Loop Capital, Austin.

Austin Baker | LOOP

Thanks for the time. I hope everyone can hear me. I'd like to dive a bit deeper into this uncertain macro environment. What do you feel are the products or categories that are most resilient to demand fluctuations? Secondly, from a strategic perspective, you've mentioned going on offense. In this kind of weak or uncertain macro environment, where would you prioritize focus and resources? Which categories do you see as the most critical in driving growth or stability?

Logitech

Great question. Thank you. As we progress through the year, we're focusing on three guiding principles: playing offense to gain market share, maintaining cost discipline, and adopting agility in manufacturing along with targeted commercial actions. These strategies are designed to ensure we emerge stronger.

In terms of resilience across our portfolio, let me start with gaming. Over the past few years, we've gained valuable insights from the Chinese market, where the economy has been soft for some time, but the gaming market continues to grow at more than 20%. About a year ago, we launched a "China for China" program, and I'm very pleased with the results. This has shown us that even in a weaker economic environment, we can win. There's also a bit of the "lipstick effect" with consumers—when budgets for eating out, vacations, or going to the movies shrink, people tend to spend more time gaming and invest in the right gear to enhance their experience. This dynamic has been clear in China. Gaming also had strong momentum for us this past fiscal year, with 10% double-digit growth, so we're extremely upbeat about this category.

On the work side, people still need to work, and the trend of working from multiple places—home, office, or even hotels—creates a natural tailwind for our portfolio. If you're working across these locations, you might need multiple devices: one keyboard, one mouse, or even video conferencing gear for each setting. And as companies impose stricter travel policies, video conferencing becomes even more critical. We feel our portfolio is well-positioned to support these shifts and meet the demands of this future.

David Connell | Event Services

Our next question comes from Michael with Vontobel, Michael.

Michael Foeth | Vontobel

Yes, hi! Good evening, everyone. I have two questions. First, regarding the shift in your production footprint for U.S. products, could you comment on the challenges you're encountering? How is this transition phased throughout the year, and are there certain products that are more difficult to relocate than others?

Second, on the logistics environment, what trends are you observing? Are you seeing any noticeable spikes in freight rates, bottlenecks, or disruptions in trade flows at the moment? Thank you.

Logitech

I'll let Matteo address the logistics question in just a moment, but regarding the shift in our manufacturing footprint, we've been investing in this effort for six or seven years now to create a much more resilient production ecosystem. Today, we operate a "China plus five" model, with production spread across five other countries alongside China. This diversification makes it easier—though never entirely simple—for us to move quickly compared to companies starting from scratch. Establishing manufacturing in a new country requires developing a supplier ecosystem, securing adequate labor, and creating infrastructure, which is challenging. However, we've already done this work, and the systems are in place.

Our team is doing extraordinary work, and the fact that we're not starting from zero gives us confidence that we can achieve our goal of reducing U.S. products originating from China from 40% to about 10% by the end of the year. This transition is fully achievable across most of our portfolio. Additionally, we consistently evaluate individual SKUs for opportunities to simplify the portfolio, and we'll make adjustments where possible. That said, I'm not concerned about any specific parts of the portfolio that cannot be relocated.

Michael, regarding freight and logistics, we're not currently seeing any major changes in pricing so far this quarter. If I look at the lanes, there's been a slight decrease in rates for shipments from Asia to Europe. However, for the Asia-to-U.S. lane, prices remain slightly elevated year-over-year when comparing the first quarter of fiscal 2026 to the first quarter of fiscal 2025. It's reasonable to expect rates may decline based on industry trends and reports in the news, but up to this point, we haven't seen those reductions materialize.

David Connell | Event Services

Our next question comes from Didier, from Bank of America.

Didier Scemama | Bank of America

Good afternoon, and thank you for taking my question. First, I want to express my gratitude for all the details and data you've shared on the impact of tariffs. I understand this must be an incredibly challenging time to navigate such an uncertain environment, and I truly appreciate the transparency.

My first question is regarding the September quarter. You've mentioned that the June quarter gross margin benefits from inventory shipped into the channel prior to the tariffs. Can we expect any lingering positive effects from that in the September quarter? Additionally, as we look further ahead to the December quarter, how should we think about the impact of tariffs, particularly in light of your efforts to move production out of China? Do gross margins face a significant drop in the September and possibly the December quarters before starting to recover? How should we think about the phasing of these impacts going forward?

Logitech

Let me start with your first question regarding the September quarter. Overall, I think it's too early to speculate at this point, but I'll let Matteo elaborate. The positive impact from pre-tariff inventory will have been depleted by then, which is why we specifically highlighted it as a benefit for the first quarter. Beyond that, the September quarter won't see this particular tailwind, so it's fair to say that benefit will no longer carry forward.

As for the second part of your question, quite frankly, as Hanneke mentioned earlier, it's a bit premature for us to provide commentary on how things might evolve beyond the June quarter. We'll continue to monitor closely and share updates when appropriate.

Didier Scemama | Bank of America

Thank you so much for that. I just want to double-check something. As far as we understand, the 90-day pause that's been reported in the headlines regarding smartphones and PCs does include PC peripherals. I believe the answer is yes, but I just want to make sure.

Logitech

Yes, all the numbers we've provided for Q1 already factor in tariffs as they stand today, including the 90-day pause. To clarify, as I mentioned earlier, part of the U.S. portfolio is currently at 0%, another part is at 10%, some at 20%, and a small portion at over 145%. So, yes, the answer is accurate.

David | Event Services

Our next question comes from George with Barclays.

George Wang | Barclays

Hey, guys, thank you for taking my question. I have two quick ones. First, could you elaborate on the 500-basis-point impact on gross margin once the pre-tariff inventory is fully sold through? Should we assume, for your base case calculation, that there won't be any price hikes on existing products? To me, the impact seems a bit high, so I'm curious if you could share more details on the assumptions behind that figure.

Logitech

Sure, George, let me unpack the 500-basis-point impact for you. This figure includes the effects of tariffs as they stand today and the impact of the manufacturing diversification efforts currently in place. It does not factor in the effects of price adjustments. So, the assumptions behind this calculation exclude any potential benefit from the price increases we introduced in mid-April.

The eventual impact will depend on how both consumers and enterprise customers respond and our ability to fully realize the price increases we've communicated. To clarify further, as Matteo mentioned earlier, for the first quarter, we are anticipating a 200-basis-point negative impact from tariffs, partially offset by a 100-basis-point positive impact from pricing. While there may be additional room for further pricing adjustments, it's too early to speculate on what those might look like or when they might happen.

George Wang | Barclays

Okay, great. Just a quick follow-up regarding items you can control, specifically with operating expense management and G&A, which you've mentioned briefly. Could you elaborate on other levers you might be able to pull? Should we anticipate tighter control over operating expenses, and could these actions potentially create more flow-through to EPS? Would love to hear more on that.

Logitech

Sure, George. The focus doesn't just stop at operating expenses—it's really an overarching effort to control costs across the board. On the product side, we're continuing initiatives such as value engineering and supplier cost reductions, which were discussed at Investor Day. These efforts have already shown results, as seen in the numbers we published today, including the fourth quarter of fiscal 2025. We have a solid track record in this area.

Specifically, for operating expenses, we're adopting a laser-focused approach, particularly prioritizing G&A. While we'll continue to fund critical investments in product development and sales and marketing, aligning with the principles Hanneke outlined earlier in the call, we're working on a few strategic measures to tighten controllable spending. These include curbing contractors, outside services, and consulting expenses, cutting travel and entertainment (T&E)

costs, and delaying most hires. These are the primary actions we're taking to ensure disciplined cost management while still supporting key growth areas.

Joern Iffert | UBS

Sell-through in EMEA has slowed down materially. Can you provide more context on what's driving this?

Logitech

Happy to provide insights on Europe. First, it's important to highlight that fiscal year 2025 was very strong for the region, with 9% constant currency sales growth—a testament to the excellent execution by our team in Europe. This performance significantly outpaced the European market for the year.

That said, Q4 was slower, and there are a couple of reasons for this. One factor was inventory adjustments in Europe. We were particularly assertive in stocking up for a successful holiday season, which went very well. However, in the last quarter, we focused on responsibly bringing inventory levels back down.

Beyond that, the consumer in Europe remains resilient overall, but we've observed a bit of caution, particularly among B2B customers, which mirrors the global dynamic. This was further amplified by the German elections during the quarter, adding a layer of uncertainty. Despite these temporary pressures, we're confident that the region will return to growth moving forward.

Joern Iffert | UBS

What are the assumptions for price versus volume in Q1 FY26?

Logitech

Sure. We have approximately 100 basis points of gross margin improvement attributed to pricing. That's the assumption we're working with for the first quarter. I'll leave it to you to do the math based on that figure.

Joern | UBS

Thank you. And for our final question, how is it possible to reorganize the supply chain so quickly that only 10% of U.S. sales will originate from China by the end of the year? Could you elaborate on the steps and strategies enabling this rapid transition?

Logitech

Absolutely. This company was designed to compete in challenging times like these. I can't emphasize it enough - we have a highly diversified, broad global sales footprint, with only 30% of our total volume tied to the U.S. market. That said, the U.S. volume remains a crucial focus, and we've been preparing since 2019 to ensure resilience in this area.

Specifically, we've established a "China plus five" manufacturing strategy, with production already operating across five additional countries alongside China. These facilities are in place, fully functional, and producing for us today. This diversification is a significant competitive advantage, enabling us to move quickly and adapt far better than most.

David | Event Services

That was our final question. Thank you.

Hanneke Faber | CEO

Thanks everyone. We really appreciate you joining us. I just want to summarize to say that our teams had an outstanding 2025 fiscal year, so thank you to our teams.

Looking ahead, I am excited about the opportunity that's before us. We are going to play offense. We're going to assertively manage costs, and continue to be super super agile, and we look forward to speaking with you next quarter. Take care, everyone.