

## **Transcript - Q1 FY'26 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 First Quarter of our Fiscal Year 2026. 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.

The first quarter of Fiscal Year 2026 was an encouraging start to the year for Logitech. Amidst plenty of uncertainty, our team delivered good topline growth and improved profitability, demonstrating Logitech's resilience in a challenging environment. During the quarter, we continued to focus on our long term strategies, and overlaid three principles.

#### **First, we played offense.**

We continued to invest in research and development, which represented 6% of sales this quarter. This investment underscores our long-term commitment to superior products and innovation.

We also continued to focus on driving growth. Net sales grew 5%, and we grew net sales in all key categories. Demand also grew mid single digits, closely mirroring net sales and ensuring a healthy channel inventory position.

**Second, we exercised disciplined cost controls.**

We reduced operating expenses by 2% year over year, including an 8% reduction in General and Administrative expenses. As a result, the quarter's OPEX as a percent of sales was down 200 basis points vs. last year.

And despite tariffs, we delivered a solid gross margin of 42.1% in the quarter, driven by our ability to mitigate the tariff impact through product cost reductions, manufacturing diversification and pricing.

As we move forward, rigorous cost discipline will remain a cornerstone of our plans.

**Third: Agility.**

We are moving fast. As we previously shared, we expect to reduce the share of U.S. products originating from China from 40% in April to just 10% by the end of this calendar year. We are on track to do so.

These three guiding principles: playing offense, cost discipline, and agility - drove our success in Q1. But just as importantly, so did our long-term strategic priorities.

**Superior products and innovation** are always at the heart of our strategy. This quarter, we launched 9 new products. We introduced the G522 Wireless Gaming Headset, a sleek, comfortable gaming headset designed for full immersion in the game. We launched the Flip Folio for iPad, a stylish magnetic keyboard case for on-the-go users. We introduced the Slim Wired Combo for Business with customizable AI Launch Keys. And we announced the Logitech Muse for the Apple Vision Pro, a groundbreaking digital pencil designed to support collaboration in virtual reality.

In recognition of all of our team's innovative design and engineering work, Logitech was named one of Fortune's most innovative European companies for 2025 this quarter.

**Doubling down on B2B** is another important strategic pillar. Logitech for Business demand outpaced our consumer business' demand this quarter, led by double-digit net sales growth in Video Conferencing.

Logitech for Business' progress reflects the strength of our portfolio of 'simpler, smarter, and more sustainable' enterprise solutions; and the opportunities in Services and new Verticals.

**Finally, we drove strong execution around the world.** In Q1, APAC results particularly stood out. We are seeing meaningful progress from our China 4 China investments. Our China team achieved a significant milestone in May when they returned to growing share in the very fast growing Chinese Gaming market.

As we look ahead to the second quarter and beyond, we expect continued uncertainty when it comes to tariff policy, inflation and customer sentiment. But Logitech has proven - time and again - that we are uniquely built to thrive in times like these.

Our business is globally balanced, with about two-thirds of our sales generated outside the U.S. Our diversified manufacturing footprint spans six countries and gives us flexibility and resilience. Our strong brand provides loyalty and pricing power. Our pristine balance sheet offers financial flexibility. And most importantly, our experienced team continues to execute at the highest level.

In Q2:

- We will continue to play offense to drive growth and market share gains
- We will maintain rigorous cost discipline
- And we will act with agility to respond to evolving market conditions.

The fundamentals of our business are strong, and our strategy positions us well to navigate uncertainty and deliver attractive results.

Matteo, I'll turn it over to you.

## **Matteo | CFO**

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

I want to extend my gratitude to our teams around the globe for the strong execution during the quarter. Our teams demonstrated they can operate under challenging market conditions, operating with agility while making solid progress towards our overall goals.

As you have seen from the financials we published earlier today, we began FY26 with strong execution and focus.

Net sales were up 5% year over year in constant currency, supported by continued robust demand across both consumer and B2B. Despite significant external headwinds, we increased our profitability and generated strong operating cash flow.

As expected, this fiscal year started with sell-in in line with sell-through and we delivered strong year-over-year growth across all our key product categories.

Some key highlights to mention:

Video Collaboration delivered 13% year over year, driven by strong North American demand;

Personal Workspace grew 6% year over year, fueled by double-digit growth in webcams and tablet accessories. This marks the fifth consecutive quarter of growth in tablet accessories.

**On a regional level:**

**Asia Pacific:** Grew 15% year over year, led by sustained double-digit growth in China.

**EMEA:** Grew 9% driven by strong demand across all categories, while **North America** declined 4%, primarily the result of a pause in some product shipments during price negotiations which are now largely complete.

Non-GAAP Gross margin rate for the quarter was 42.1%. This reflects a 120 basis point decline from Q1 last year, due to negative impacts from tariffs, higher promotional spend and a release in inventory reserves recorded in the prior year. These were partially offset by price increases in the U.S. and continued momentum from cost reductions.

Operating expenses declined 2% year over year and were 24.5% of net sales, down from 26.5% in the first quarter of last year. This decrease was driven by operating leverage and a reduction in G&A, as a result of the measures we implemented to mitigate the impact of tariffs.

**Cash flow was also strong.** We generated \$125 million in cash from operations and ended the quarter with a cash balance of \$1.5 billion. We returned \$122 million to shareholders through share repurchases, consistent with our capital allocation priorities.

Overall, this quarter brought continued macroeconomic and operational challenges, notably an approximately 100Bps negative impact from U.S. tariffs. In response, we diligently followed the strategy we outlined in the last earnings call which allowed us to increase profitability of the company by 80Bps in non-GAAP operating income.

**More specifically:**

We implemented price increases in North America. The execution of this price increase is now largely complete and we expect the full benefit to be recorded in 2Q;

We executed cost savings actions, mostly in G&A around controllable expenses;

We continued to leverage the strength of our balance sheet and accelerated the acquisition of inventory in advance of tariffs going into effect.

**Looking ahead to the second quarter,** we are expecting net sales to grow 1% to 5% year over year in constant currency, A Gross margin rate between 41 and 42%, and non-GAAP operating income between \$180 million and \$200 million.

We are expecting the negative impact of the current tariffs in the second quarter, to be between (200-300)Bps, which will be partially offset by 200Bps of positive price as a result of the price increase executed in the first quarter.

In summary, we delivered solid results in the first quarter. I want to thank our teams for their dedication and flexibility. With that, let's open the call for your questions.

**David Connell | Moderator**

Thank you, Matteo. We will now begin the question-and-answer session. Please be sure to unmute and turn your video on before asking your question. With that, our first question comes from Didier with Bank of America. Didier.

**Didier Scemama | Bank of America**

Yes, thank you for taking my question. I just wondered if you could share your thoughts on the consumer reaction to your price actions. Clearly, this had had a positive impact. You might have given the number for the current quarter—if you could just remind us what the pricing benefit in the quarter was versus volumes and what's your view on the consumer reaction. Were you positively surprised by the volumes in response to the price hikes? If you've done that, is that encouraging you to raise prices further in order to compensate for the tariff impact?

**Logitech**

Yeah, thanks Didier, good to see you. So the positive impact of price in the first quarter was 50 basis points because, of course, we only announced the price increase mid-April, and then, as usual, it takes about 4 to 8 weeks to get it fully implemented across the trade.

It's really too early to say much about the impact on the consumer because, again, we only completed the implementation towards the very end of the quarter. So you didn't really see the new prices on shelves across the U.S. trade until the end of the quarter. So that's hard to tell.

What we do know—and this is expected—is that the negotiations with our customers took us 4 to 8 weeks to get this fully implemented, and during that time, we did see an impact on in-stock levels and on-shelf availability, which again is expected during a price negotiation and it temporarily affected the net sales which you see in our Americas net sales number.

However, that implementation is now essentially complete; in-stock levels have recovered, and this positions us really well for back-to-school and for the holidays.

**Didier Scemama | Bank of America**

Super, and a quick follow-up would be on the video collaboration business, which is showing further strength. Is that—can you elaborate a little bit on that? And how confident are you that this trend is sustainable in the later part of this year?

**Logitech**

Yeah, so we're obviously very pleased with 13% growth in Video Collaboration.

Overall, that business is strong. It's a very strong demand in North America. Actually, there may have been a little bit of pull-in in North America in advance of the tariffs, so that wouldn't repeat.

And the EU was a little low on inventory at the end of Q4, so they had to bring in a little more in the first quarter. But at the end, the weeks on hand are still in a very healthy, normal operating range, so it might have been slightly inflated—but still, a double-digit growth number is a really good number for Video Collaboration, showing the underlying strength of that business.

### **David | Moderator**

Our next question comes from Tim Long with Barclays. Tim.

### **Tim Long | Barclays**

Thank you. I've got two questions, if I could. It sounded like, first, B2B was pretty strong in the quarter. Can you walk us through what's driving that? It sounds like Video Collaboration, but any other moving parts there? Also, remind us of the economic financial impact of growing B2B as part of the mix.

Second, on the gaming side—which was really strong in the quarter—can you talk about the sustainability of the strength you're seeing in the gaming vertical? Thank you.

### **Logitech**

Yeah, I'll let Matteo comment on Logitech for Business and the economic impact. But it definitely was another strong quarter for Logitech for Business; demand in that space outpaced consumer demand. That's really true across our full Logitech for Business portfolio, which, as you know, consists of Personal Workspace, Video Collaboration, and Headsets—all that despite the 10% price increase, which applied across both B2B and B2C. So that's really good to see.

We continue to strengthen our capabilities in B2B. We now have a global partner program in 135 countries—that's one place we needed to improve. We're also continuing to grow in new verticals. Education had another quarter of double-digit growth, so all of that is good to see. Matteo, do you want to just comment on Tim's question about video conferencing?

Video conferencing is actually positive for us in terms of mix—it's accretive to the average margin of the company, so it's good for profitability.

And then on gaming—yeah, we're also very excited about the strength of both the gaming market and our gaming business. We saw solid share growth in gaming in North America in the quarter. China was really outstanding, and the market continues to grow very, very fast in China.

We also had strong growth—Asia-Pacific grew 15% overall. We don't break out China separately, but APAC grew 15%, and China was significantly ahead of that. So that's great to see.

A big milestone for us is returning to share growth in gaming in May, particularly in China—first time in a while, which is really encouraging. Across the world, we're seeing strong growth in our premium segments, like Pro and Simulation, which are priorities for us. We also extended our partnership with McLaren this quarter and launched a great new headset, the G522. Lots of exciting things in gaming—this remains a long-term strategic priority for us.

### **David | Moderator**

Our next question will come from Martin with BNP Paribas. Martin, please go ahead.

### **Martin Jungfleisch | BNP Paribas**

Hey, hi, guys! Good evening. Just a couple of questions if I may. The first is about demand patterns in Q1. Was there anything different compared to a typical Q1 due to tariffs? I mean, have you seen demand increase a lot following tariff announcements, followed by a tapering off toward the end of the quarter in the U.S.?

The second question is more about market share and competition. You've said you wanted to play offense in this environment—how do you generally see yourself positioned compared to peers with regard to current production setup and pricing? Could you gain market share and raise prices further, leveraging a better production footprint?

### **Logitech**

Okay, I'll take the first part. We're very pleased with the demand in Q1. Overall, it was high single digits for the company—and broadly based across both B2B and consumer. B2B actually outpaced consumer slightly, but both segments posted solid growth.

From a product category perspective, demand was strong across the board. Tablet accessories grew double digits, and all other product lines were in the high-single-digit range. Geographically, APAC and Europe performed particularly well. APAC grew 15%, led by China, while Europe achieved strong growth. In contrast, North America was relatively flattish.

Regarding the question of pulling forward demand, I'd highlight that, on the consumer side, we did not observe significant pull-forward behavior. On the B2B side, we saw a bit of pull-in early in the quarter as businesses tried to bring in products ahead of tariffs, but on balance, this effect was minimal over the entire quarter. Demand overall was very broad-based and healthy.

Now to address your second question on market share, you're absolutely correct—we aim to play offense in this environment. Globally, we gained share in several categories. I was

particularly encouraged by share growth across all our key categories in the U.S. over the past three months—Personal Workspace, Gaming, and Video Collaboration.

Regarding pricing's impact on our share, it's too early to assess. The most recent share data we have is through May, a timeframe when the new prices were not yet fully reflected on shelves. Generally, we do expect some short-term softness in market share after a price increase, which is typical. However, we remain confident this will stabilize with time.

#### **David | Moderator**

Okay, our next question comes from Michael with Vontobel. Michael.

#### **Michael Foeth | Vontobel**

Hi, well done on the results! I have two questions. First, could you discuss your inventory strategy for the current quarter? How are you managing inventory, and what impact will it have on working capital and cash flow?

Second, regarding your tablet accessory business—this is a core growth driver, particularly heading into the back-to-school season. What's your outlook for tablets in the current quarter?

#### **Logitech**

Thanks, Michael. I'll start with tablets, and Matteo can address inventory.

Tablet accessories are a strategic part of our portfolio, and we're very pleased with the 15% growth in Q1. This growth reflects two things. First, tablets are designed for a fast-growing segment of consumers—those who work on the go. Second, they serve key verticals like education. Products like the Combo Touch allow us to establish a connection with young users, creating lifelong loyalty to Logitech.

Since launching the Combo Touch a little over a year ago, we've not only met demand from this growing segment but also significantly improved margins in the category. This makes tablet accessories a much more attractive business for us now.

Looking ahead, we expect another strong quarter for tablets fueled by the back-to-school season. Demand from students in Asia, the U.S., and Europe should drive growth in Q2.

Regarding inventory, Michael, let me provide some context. As we've mentioned in prior calls, we've been leveraging our strong balance sheet to mitigate the impact of tariffs. In practice, that means accelerating inventory purchases ahead of tariff deadlines—and the team executed exceptionally well on this in Q1. As a result, our inventory balance ended slightly higher year-over-year, but this proactive strategy also helped us come in at the high end of our gross margin guidance.



For Q2, we will maintain the same strategy. If we can pull additional inventory forward to protect the business and our customers, we will continue to do so. Even with higher inventory levels, we generated 125m operating cash flow and maintained a 1.5 billion cash balance in Q1. Our cash conversion cycle remains healthy, closing at around 40 days.

Overall, our approach gives us flexibility in managing tariffs while leveraging our strong financial position.

**Michael Foeth | Vontobel**

Thank you. Just one quick follow-up: Any chance you'll accelerate your share buyback given your balance sheet position? It seems repurchase activity wasn't too aggressive in Q1.

**Logitech**

We've been very consistent with our repurchase strategy over the last few quarters, buying back approximately \$120–130 million worth of shares per quarter. The only exception was during Q3 of last fiscal year, when there was a dislocation in our stock price, and we opportunistically increased buybacks.

As we stated during Investor Day, our capital allocation priorities remain clear—we're targeting approximately \$2 billion in buybacks over three years. That strategy remains unchanged, and we'll continue executing accordingly.

**David | Moderator**

Our next question comes from Asiya Merchant with Citi. Asiya.

**Asiya Merchant | Citi**

Hey, great! Hopefully, you guys can hear me. Thank you for taking my question. Just to dive a bit deeper into the gross margin guidance—could you break it down a little bit? I think I heard there was some benefit from inventory reserves that impacted gross margins this quarter. How should we think about that going forward?

Also, regarding the tariffs, I believe earlier you anticipated a much greater tariff impact. That doesn't seem to align with what we're seeing now. How should we think about your guidance in light of this?

**Logitech**

Sure, Asiya. Let me lay out the gross margin dynamics from Q1 first and then shift to Q2 and the rest of the year.

For Q1, we are pleased that we came in at the higher end of the gross margin guidance, as we were able to mitigate external challenges through cost reductions and proactive inventory management. To break down the 120 basis points year-over-year decline:

100 basis points of the pressure came from tariff impacts.

Pricing added a positive 50 basis points.

We also saw a 50-basis-point headwind from inventory reserves released in Q1 last year, which didn't recur this year.

So, the net effect of tariffs in Q1 landed at about -50 basis points, slightly better than expected thanks to diversification and tactical cost management.

Looking at Q2, the second quarter last year had a gross margin of 44%, but it benefited from a one-time inventory reserve release adding 100 basis points. Without that, the comparable baseline is around 43%. For Q2 FY'26:

Tariffs are expected to subtract 200–300 basis points.

Price increases are expected to add 200 basis points.

Year-over-year, we also anticipate ~100 basis points of pressure from slightly higher promotional intensity and foreign exchange.

That brings us to the 41–42% gross margin guidance range for Q2.

### **Asiya Merchant | Citi**

Alright, great. Thanks for breaking that down. As we look at the rest of the fiscal year, should we expect similar patterns in gross margin? In the past, your back half has faced some margin dilution from promotions. What's the trajectory looking like?

### **Logitech**

That's a fair observation. However, it's still too early to offer specific guidance for the back half. The macroeconomic environment remains volatile, and as Hanneke mentioned earlier, factors like price elasticity and consumer sentiment are still evolving.

What we do know is that our disciplined approach to pricing and supply chain diversification will continue. But for now, we'll update you with more insights as we move through the second quarter and assess the environment.

### **David | Moderator**

Our next question comes from Samik Chatterjee with JP Morgan. Samik.

**Samik Chatterjee | JP Morgan**

Hi, thanks for taking my questions. First, in Q1, you had mid-single-digit revenue growth, and sell-through was in line. For Q2, you're guiding to 1–5% revenue growth. How much of that is being driven by pricing? And how are you accounting for potential impacts to share as a result of these changes?

Also, you mentioned earlier that pricing negotiations in the Americas caused some disruption. How do you see that playing out in Q2? Are you expecting inventory replenishment in the region?

**Logitech**

Great question, Samik. Let me start with the overall revenue guidance.

For Q2, the 1–5% constant currency net sales growth range reflects different scenarios. The high end assumes the market remains resilient and the impact of U.S. price increases is modest—this includes both consumer and B2B demand holding steady.

Conversely, the low end assumes more deterioration in consumer sentiment, with higher sensitivity toward the price increases on U.S. consumers.

Now, addressing the Americas inventory disruption, we do expect recovery in Q2. Pricing negotiations have been completed, and in-stock levels have been replenished across key channels. We've already observed healthy momentum during the Amazon Prime event earlier in July, which is encouraging.

**Samik Chatterjee | JP Morgan**

Thanks. Just to follow up—on tariffs, as you head into Q3, should we expect pricing to fully offset tariffs, making the net impact neutral on gross margins?

**Logitech**

It's a good question, but it's too early to call Q3 dynamics definitively. For Q2, as guided, the net impact of tariffs—after accounting for manufacturing diversification and pricing—is expected to be between 0 and -100 basis points.

If the tariff environment remains unchanged, this would be a reasonable range to consider for the rest of the fiscal year as well. However, there are still many moving parts here, including potential legislative updates, product classification exemptions, and the pace of our diversification efforts.

**David | Moderator**

Our next question comes from Ananda Baruah with Loop Capital.

**Ananda Baruah | Loop Capital**

Hi, guys, thanks for taking my questions. Just one around portfolio management—earlier you mentioned harmonizing product portfolios across geographies. Can you share an update on that? Are there future areas where further alignment could happen, and what's been the impact so far?

**Logitech**

Thanks, Ananda. We're in a very good place now with our globally harmonized portfolio. This effort was implemented to simplify and optimize our product lines while reducing costs, and I'm happy to report that we've achieved much of what we set out to do.

That said, our "China-for-China" program has introduced a few unique SKUs for the Chinese market, but these are deliberate and focused on local innovation. In the long run, these innovations could potentially scale globally, providing even broader benefits.

**Ananda Baruah | Loop Capital**

Understood. On pricing—you mentioned inventory got thin during negotiations, which probably impacted sales. You also noted that price increases could have a temporary share impact. Are these two distinct share pressures, or do they overlap?

**Logitech**

Good question, and you're right—they are separate dynamics. We've moved past the first phase, where inventory levels dropped during the negotiations. In-stock levels have since recovered, and we're already seeing momentum in key markets.

The second dynamic—consumer price elasticity—remains to be seen. It's too early to assess how the higher price points will affect sales and share in the coming months. Historically, we tend to see some temporary softness in these areas after a price hike, but that usually stabilizes over time.

**David | Moderator**

Our next question comes from Joern Iffert with UBS. Joern.

**Joern Iffert | UBS**

Thank you. Hello, everybody. Thanks for taking my questions. I have two to three, if I may. First, just to double-check—during your ASP negotiations in North America, were there instances where this resulted in shelves going empty? And if so, did it impact your sell-through performance?

**Logitech**

Thanks, Joern. I wouldn't say the shelves went empty, but there were certain key SKUs that went out of stock both in physical stores and online. It wasn't an across-the-board issue, but specific product lines were affected during the pricing negotiations.

**Joern Iffert | UBS**

Do you think that created a meaningful impact on your business in North America during the quarter?

**Logitech**

It likely caused some short-term disruption, particularly in the last month of the quarter, when negotiations were still ongoing. However, through May, our shares in North America remained very strong, and in early July, we saw recovery as in-stock levels normalized. That said, we're closely monitoring how the overall price changes play out in consumer demand in the months ahead.

**Joern Iffert | UBS**

Got it. My second question is on gaming. As I recall, last quarter sell-through in gaming was growing in the low single digits, and it seems that this quarter it's doing similarly. Gaming is supposed to be a core structural growth driver for you—are there cyclical factors or product-specific issues impacting gaming? How do you see growth in this category for the remainder of the year?

**Logitech**

Great question. Gaming demand was up 6% in the quarter, which is solid, but you're correct that the share dynamics were more nuanced. Gaming was one of the categories most impacted by the inventory disruption during the U.S. pricing negotiations, as it's an extremely competitive category for us in this region.

Now that those issues are resolved, we anticipate a stronger recovery in gaming in the upcoming quarters. Additionally, we're seeing very strong growth in China, where the market is expanding rapidly. Globally, premium segments like Pro and Simulation-related products are

performing especially well, and partnerships like the one we have with McLaren continue to help us drive momentum.

**Joern Iffert | UBS**

Okay, thanks. My last question is on tariffs. When you say the gross tariff impact for Q2 is expected to be 200–300 basis points, my back-of-the-envelope math shows your average tariff rate is around 15%. Is that correct? And if tariffs on some products rise to 55%, or if certain regions like Taiwan or Malaysia face higher rates, does that mean the gross impact could increase in the back half of the year?

**Logitech**

Your estimate of a ~15% average tariff rate is approximately correct based on current conditions, though we benefited in Q1 from pulling inventory into the U.S. ahead of the tariff deadlines. For Q2 and beyond, the projected gross impact of tariffs, after accounting for price increases and manufacturing diversification, is aligned with our guidance of 200–300 basis points.

However, you're right that the complexities of the tariff environment—ranging from geopolitical developments to specific exemptions—remain a moving target. We've planned for the current environment, and our diversification strategy positions us to respond quickly, but we'll continue reevaluating as needed.

**David | Moderator**

Our next question comes from Maya Neuman with Morgan Stanley. Maya.

**Maya Neuman | Morgan Stanley**

Hi, thank you so much. Hanneke, maybe you can help us better understand the timing to achieve your 7–10% top-line growth target, which you disclosed in March. You mentioned some TAM expansionary initiatives that I assume will take time, but at the same time, education seems to already be showing solid progress. How long do you think it will take to consistently hit that target?

**Logitech**

Great question, Maya. As you know, we already achieved 7% growth last fiscal year, so we're not far off from that range. However, macroeconomic uncertainty—especially in the consumer markets—could create some variability this year. That said, we're continuing to invest in both our core categories and newer initiatives.

On the TAM expansion side, you're absolutely right—education has been a key focus for some time, and we're seeing strong momentum there, including another quarter of double-digit growth in this vertical. Our other focus areas, such as healthcare and government, are still in the very early stages. These will require more time to ramp up, but we believe they're important long-term growth drivers.

Even outside of TAM expansion, though, our core categories alone show the potential for high-single-digit growth, as demonstrated last year. So, while it's difficult to put a precise timeline on achieving consistent 7–10% growth, we're confident in the foundation we've laid.

**Maya Neuman | Morgan Stanley**

Understood. As a quick follow-up—regarding the midpoint of your Q2 guidance, how much of the expected growth comes from U.S. price increases?

**Logitech**

We expect the benefit of U.S. price increases to add approximately 200 basis points to gross margin in the current quarter. In Q1, the majority of our 5% net sales growth was volume-driven, with only minimal contribution from price due to the timing of implementation. As we move through Q2, we expect pricing to play a larger role, though we'll be closely monitoring the impact on consumer demand. It's still early days, and actual outcomes will depend on market dynamics over the coming months.

**David | Moderator**

At this time, there are no further questions.

**Hanneke Faber | CEO**

Thanks, David. And thanks, everyone, for joining us today. Let me wrap up by saying that Logitech had a strong start to FY'26, thanks to the incredible execution by our teams around the world.

Looking ahead, I'm very optimistic about our opportunities. We'll continue playing offense to drive market share gains, rigorously managing costs, and staying agile in responding to a dynamic environment. We look forward to updating you on our progress next quarter. Take care, everyone.