

Transcript – Q2 FY'26 Earnings Call

Nate Melihercik | Global Head of Investor Relations

Good afternoon and good evening. Welcome to Logitech's video call to discuss our Financial Results for the Second 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 discussions of our outlook, strategy and guidance. We are making these statements based on our views only as of today. Our actual results could differ materially as a result of many factors. Additional information concerning those factors is available in our most recent Annual report on Form 10-K and any subsequent reports on Forms 10-Q and 8-K, which you can find on the SEC's website and the Investor Relations section of our website. We undertake no obligation to update or revise any of these forward-looking statements except as required by law.

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. And 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 will now turn the call over to Hanneke.

Hanneke Faber | Chief Executive Officer

Thank you Nate, and welcome everyone.

We delivered a strong second quarter to close out the first half of Fiscal Year 2026. Our teams executed with excellence, delivering good top-line growth and outstanding profitability. We executed well across all regions, and delivered strong growth across both B2B and consumer channels. To achieve these results in the current environment underscores Logitech's discipline and resilience.

In Q2, we remained focused on our long-term strategic priorities - and they drove our results.

First, of course, **superior products and innovation** - which are so integral to our DNA. This quarter, we announced 16 new products. Some of the highlights included the much anticipated *MX Master 4*, a new generation of our flagship premium mouse. This new product is the first in the MX line to provide advanced users with tactile haptic feedback, and it is off to a record-breaking start.

We also unveiled a wide array of exciting new Gaming products, including the new *Pro X2 SUPERSTRIKE* mouse which blends inductive analog sensing and real-time haptic feedback for the most competitive gamers. We also launched the *McLaren Racing Collection*, a premium lineup of sim racing gear inspired by McLaren's iconic racing brand and technology.

And for those of us in the business world - on calls like this one - we introduced the new *Zone Wireless 2ES* and *Zone Wired 2* headsets with AI powered dual noise-canceling microphones and adaptive hybrid Active Noise Cancellation.

Many of these new products were announced at our Logitech-owned flagship events, Logi Work and Logi PLAY, in September. These coveted live events took place in more than 30 cities around the world, attracting thousands of media, influencers, content creators, partners and thought leaders. The Logi PLAY global livestream on the day drove more than 12 million views. And within a month the Logi PLAY social media and creator activations reached approximately 200 million people. This underscores the growing strength of **our global brand**.

We also continued to **double down on B2B**, with good momentum behind our investments in new products and capabilities. Logitech for business demand was strong across Video Collaboration, Personal Workspace Solutions and the Education vertical. *Time* magazine recognized our new office environmental sensor, the Logitech Spot, as one of the best inventions of 2025. This is the second year in a row we have received this prestigious recognition for a new product.

Logitech's global scale remains a key advantage - and in Q2, we **executed very well across geographies**. EMEA posted solid growth. Once again, Asia Pacific had an excellent quarter, supported by our "China for China" investments. Their strength helped offset a modest sales decline in the Americas as we proactively managed tariffs. Importantly, demand trends in the U.S. improved as the quarter progressed.

Finally, our Q2 performance underscores Logitech's capabilities as an **operational powerhouse**. Our cost discipline and manufacturing diversification were important factors in driving excellent gross margins and double-digit growth in non-GAAP operating income. We are on track to reduce our share of US products originating from China to 10% by the end of this calendar year. We are able to do this thanks to our long-established, diversified manufacturing capabilities in five other countries, while our Chinese manufacturing sites continue to serve China and the rest of the world.

Now, looking ahead to Q3, we believe we will see continued strong momentum in our business.

But we also see some *market* uncertainty.

- The North American consumer market - especially in Gaming - was softer in Q2. We are cautiously optimistic that this will improve for the holiday season, but that is, of course, yet to be confirmed.
- The macros also remain uncertain, with tariffs, export restrictions, persistent inflation, just some of the dynamics.

In this context, we believe our Q3 outlook reflects a pragmatic balance between the strong momentum of our business and the litany of uncertainties within the global economy.

Our approach to deliver the holiday quarter and beyond remains unchanged. We will focus on our long-term strategic priorities while being guided by the three principles of playing offense, cost discipline, and agility.

In terms of **playing offense**, we will continue to invest in R&D and demand generation to gain share, both in the short and the long term.

As for rigorous **cost discipline**, we will continue to focus on product cost optimization, tariff mitigation, and disciplined G&A spend.

And, of course, **we will continue to be agile and move fast.**

In closing, we enter a holiday quarter in a dynamic global environment, with a strong first half under our belt, and with a unique set of assets that underpin our resilience:

- Our extraordinary capacity for superior products and innovation
- Our global reach, with two-thirds of sales generated outside the US
- Our diversified manufacturing footprint, or: "China +5"
- Our strong and growing brand
- Our pristine balance sheet
- And our experienced, high performing team.

I believe these assets - combined with our clear strategic priorities - position us well to continue to deliver strong results.

And before I hand over to Matteo, let me say a big thank you to our teams around the world. Our people are driving this strong performance and a unique culture. And I was super proud that this was recognized by *Forbes* this quarter, when they ranked Logitech, out of 900 global companies, as number 25 on their list of the World's Best Employers.

Matteo, over to you.

Matteo Anversa | Chief Financial Officer

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

I would like to start by thanking our teams around the globe for the continuous strong execution in the second quarter. While the external environment remains challenging, our execution centered on:

1. Playing offense,
2. disciplined cost control and
3. agility

And this focus drove a non-GAAP operating income of \$230 million up 19% year over year. The strong profitability was achieved in a quarter where we delivered mid-single-digit net sales growth year over year.

So let me discuss some of the key aspects of our second quarter financials.

Net sales were up 4% year over year in constant currency, supported by continued robust demand across both consumer and B2B. And actually B2B demand outpaced consumer in the quarter.

Some key highlights to mention across our product categories:

- Personal Workspace grew year over year fueled by double-digit growth in Pointing Devices and Keyboards & Combos.
- Gaming delivered 5% year over year growth in constant currency, driven by double-digit growth in PC gaming.
- Video collaboration grew 3% in constant currency, driven by high growth in EMEA, while Americas was relatively flat due in part to the pull-forward of sales that we highlighted in the first quarter.

We executed well across our regions. And more specifically:

Asia Pacific grew 19% year over year in constant currency, led by sustained double-digit growth in China.

EMEA grew 3% in constant currency, driven by strong growth in Video Collaboration and Personal Workspace.

And conversely, Americas was down 4%, primarily due to the gaming market decline. And as Hanneke just noted, we also experienced lower demand early in the quarter as a result of the pricing actions that we took to offset tariffs, which improved in the latter half.

Moving to gross margin - **our non-GAAP gross margin rate for the quarter was 43.8%**, similar to the prior year. And it is important to note that the negative impact of tariffs was entirely

offset by our price and manufacturing diversification actions. Additionally, product cost reductions offset investment in strategic promotions.

We continue to be very disciplined in managing our costs, and, as a result, operating expenses declined 3% year over year and were 24.4% of net sales, down 240 basis points from 26.9% in the second quarter of last year. And similarly to last quarter, this decrease was primarily driven by a reduction in G&A, as a result of the measures that we implemented to mitigate the impact of tariffs.

As I mentioned earlier, this focus drove a **non-GAAP operating income of \$230 million, up 19% year over year and a non-GAAP operating income margin expansion of more than 200 basis points.**

Moving to Cash. Cash flow continues to be strong. We generated approximately \$230 million in cash from operations, 100% of operating income, and ended the quarter with a cash balance of \$1.4 billion. We returned \$340 million to shareholders in the quarter through dividends and share repurchases, and consistent with our capital allocation priorities.

Now looking ahead, as Hanneke pointed out, we are monitoring two pockets of uncertainty:

- The US consumer market, particularly in gaming;
- And the overall macro environment, particularly around tariffs, export restrictions, global trade dynamics and inflation.

Now nonetheless, we are expecting the overall topline trend to continue to be positive and roughly in line with the performance year-to-date. **Net sales** in the third quarter are expected to grow **1% to 4% year over year** in constant currency, with a gross **margin rate between 42% and 43%**. And **non-GAAP operating income** is expected to be between **\$270 million and \$290 million.**

This outlook contemplates tariff levels for the third quarter to be unchanged from the current structure. And we anticipate again that our pricing actions and continued diversification efforts will offset the negative impacts of these tariffs.

So, while there is a level of uncertainty in the US market, we will continue to manage the business with diligence, generating strong levels of operating income and cash from operations.

So, I want to thank once again our teams across the globe for their dedication and flexibility.

And now David, I think we can open the call for questions.

Q & A Section

David Connell | Moderator

Thank you, Matteo. And now our first question from Asiya Merchant from Citi.

Asiya Merchant | Citi

Great, great. I hope you can hear me. All right. Wonderful. Good results here, guys. Just if you can double down a little bit on the US consumer uncertainty that you are talking about - specifically gaming, what have you seen? Has that been a function of any of the price increases that you put through? And when you talk about Americas improving as the quarter progressed, was that a function? Is Gaming part of that? If you can just double click on that and then just given the fact that sell-through was so much better than sell-in, why should we have like more seasonal or maybe more like mid-teens, mid-to-high teens kind of guide that you guys are talking about. Thank you!

Hanneke Faber | Chief Executive Officer

Yeah, thanks Asiya. So, there's a couple of pieces in that question. Appreciate it. Maybe, first on the markets overall, we saw continued strong markets around the world on the work side of our business. So, Video Conferencing and Personal Workspace really. Markets were strong and growing everywhere. In Europe and in APAC, the gaming market also continued to grow. But in the Americas it was a little bit more mixed. Again, VC and PWS were really solid marketwise. But the gaming market in Q2 declined to mid-single digits. And the reasons for that decline can be debated. But I think what's more important is that we are cautiously optimistic that the gaming market will recover and be back to growth in the holiday quarter for a number of reasons. First of all, we saw the trends improve as the quarter progressed in Q2. There have been some game releases early in Q3, notably Battlefield 6, which is the type of game that really plays to our strength and is off to a really good start. And then we have an excellent innovation bundle and some targeted promotions where needed to continue to grow the business. So, I think, again globally markets are actually quite strong, North America gaming a little softer. And, by the way, in the global context, our competitive share performance in Q2 was also very strong. So, all in all good momentum and cautiously optimistic that that spot of North American gaming will be better during the holidays.

Asiya Merchant | Citi

Yeah, go ahead. No, no, go ahead please.

Matteo Anversa | Chief Financial Officer

Unpacking a bit the second portion of your question on the outlook. So, the way I think I would describe it is we think it's a reasonably fair balance between the underlining strong performance that the business continues to have as you've seen in the results that we posted earlier today, with some of the litany of uncertainties that Hanneke talked about in her prepared remarks. So when you look at it by region, basically we are expecting Asia Pacific to continue to perform extremely well with double digit growth. China keeps doing extremely well. We have 11-11 coming up here in November. So, we are expecting strong performance on gaming. So, Asia

Pacific will continue to perform in line with the last couple of quarters. Similar thing for EMEA, we are expecting a low to mid-single digit growth in constant currency in Europe as well. So, the bookends of our outlook is really around what's going to happen in North America with the US consumer to Hanneke's point earlier.

And here if you look at the low end of the outlook, it assumes a North America that continues to be slightly negative year over year in terms of net sales like we have seen in the first six months of the year. While the high-end of the outlook assumes a strong holiday season, strong consumer and North America actually turning, flat to slightly positive. So these are the bookends of the outlook that we provided today.

Asiya Merchant | Citi

And was any of that an impact of prices that you put through, price increases that you put through?

Hanneke Faber | Chief Executive Officer

Yeah, I think mostly, our brand and our product, both of which are, we believe, quite superior, protected us to a large extent from impacts of the pricing, I would say in general in higher priced and premium products as well as our B2B portfolio, we saw very little to no impact of the price increases. Where we did see some impact was on entry priced products and even there probably a little bit more so on entry priced in Gaming than in PWS. And we are actively managing that with targeted promotions.

Asiya Merchant | Citi

Okay, thank you.

Matteo Anversa | Chief Financial Officer

Thanks Asiya.

Moderator

Thank you. Our next question comes from Erik with Morgan Stanley. Erik.

Erik Woodring | Morgan Stanley

Great. Thank you, guys, for taking my question. Maybe just following up on Asiya's question there, just if you could maybe touch a little bit more on the consumer response to higher prices. And really what I'm trying to get at is - you talked a little bit about B2B pull forward in the June quarter. What type of behavior did you see kind of prior and then after pricing increases in the US that maybe informs you about the consumer and how you are or what are the assumptions that you're making into the December quarter as it relates to pricing and kind of the elasticity of pricing. And then a quick follow up please.

Hanneke Faber | Chief Executive Officer

Yeah. So again, on the B2B side, very little impact with the exception maybe of some timing impact where you know, again we saw a little bit of pull forward in our Q1, but demand wise, very little impact. Same thing on the premium end of the portfolio, very little impact. I think the

US consumer at the high end is in good shape. A little bit more impact on the lower end. That's not unexpected. And again, that got better during the quarter. So overall we're really pleased by the fact that we took pricing early and you see what that does to our gross margins where we were able to offset the entire impact of tariffs by pricing and cost reductions.

Erik Woodring | Morgan Stanley

Okay. And then quickly as my follow up, Hanneke, or maybe it's better for Matteo as well, or maybe both of you - can you talk about how Logitech is thinking about M&A today and if there's any difference from what you outlined at your analyst day back in March. I only ask - we haven't seen it. I don't think anything has necessarily materialized over the last, let's call it six or seven months. And so is that just a function of better uses of cash? Is it a function of valuations? Is it a function of the opportunity set? I would just love your feedback there. And that's it for me. Thank you so much guys!

Hanneke Faber | Chief Executive Officer

Yeah, thanks Erik. No change, I'm afraid versus AID. So, our top priority for capital allocation is investing organically in the business and that's definitely what we're doing. Second priority is making sure we get a dividend every year. Third priority is M&A, and we are actively out in the market and looking for the right targets, but they have to be strategic, and they have to make the boat go faster. And we're looking at lots of things, but I'm going to be very careful. I want things that make the boat go faster and those are not so easy to come by. And then our last priority when it comes to capital allocation is share buybacks because we also don't want a lazy balance sheet. And you saw us returning a lot of cash to shareholders in the quarter, mostly through the dividend in Q2, but also through some buybacks.

David Connell | Moderator

Okay. Thank you. Our next question comes from Alek Valero with Loop Capital. Alek.

Alek Valero | Loop Capital

Hi. Thank you for taking my question. This is Alek on for Ananda. So just back to gaming in the Americas. Can you speak about how and when do you think the Americas, I believe you said, entry level gaming can normalize the higher ASPs.

Hanneke Faber | Chief Executive Officer

Yeah, again we saw trends improving throughout the quarter and in America we haven't taken price increases in a long time, so we don't have a lot of history. But we have taken on price increases in other markets around the world over, last, in recent times and you tend to see a bit of an impact in the first quarter after. So that is no surprise. And again, we were pleased to see the impacted parts of the portfolio trends improving throughout the quarter.

And as Matteo outlined, exactly when that will normalize is a little hard to tell, which is why we have a range for Q3 and the bookends of those assume either it normalizes faster, or it takes a little bit longer. But overall, we're confident that it will normalize.

Alek Valero | Loop Capital

Awesome. Thank you for that. Just a quick follow up. I believe I recall you mentioning that the B2B, B2B is going to layer in over time. Can you speak to what the mix is today in terms of business to consumer and where does it go from here?

Hanneke Faber | Chief Executive Officer

Yeah, so Logitech for Business, which includes VC headsets and Personal Workspace sold into the enterprise channel is about 40% of the business. And that's creeping up but very slowly overtime as we doubled down on that, and we are pleased in Q2 it was again a strong quarter for Logitech for Business. You saw the VC sales were up with double-digit demand growth, and we like - there's a lot of things we like about Q2 and Logitech for Business - but I would say what I like particularly, we saw disproportionate growth in higher ASP, more premium solutions, including the exciting new *Rally Board 65* video conferencing mobile solution which is proving to be very popular. We continue to strengthen our go-to-market capabilities. We launched CPQ - Compare Price Quote in the quarter, which is really helping us quote faster and deliver better service to our customers. And the education vertical continues to do very well in the quarter. So, lots to like there, and we'll continue our focus on Logitech for Business.

Alek Valero | Loop Capital

Thank you very much. Very helpful. Congrats on the quarter.

Matteo Anversa | Chief Financial Officer

Thanks, Alek.

Moderator

Okay, our next question comes from Samik Chatterjee with JP Morgan. Samik.

Samik Chatterjee | JP Morgan

Hi. Let me check first. Can you hear me?

Matteo Anversa | Chief Financial Officer

We can hear you.

Samik Chatterjee | JP Morgan

Okay, great. Thank you. Maybe Hanneke and Matteo, what are you hearing from your distribution partners in terms of promotional activity that they want to really sort of ramp into the December quarter? I know you mentioned 11-11 as well in China, just in relation to previous years. What are you seeing in terms of intentions from retailers for promotional activity and maybe how does that influence the gross margin guide material that you outlined for the next quarter? Particularly when we compare it to the slight moderation we had seen last quarter when going from Q2 to Q3. So last year. I mean, sorry. And I have a follow up.

Hanneke Faber | Chief Executive Officer

Yeah, I'll let Matteo comment on the gross margin guide for the for the next quarter in terms of what we're hearing. I've been out in the market quite a bit here in the US and in Canada in the

last few weeks talking to customers, consumers, to some of our partners. I would say they're also optimistic on the holidays. They want to be sure that our premium offerings look really great. And if you go into a Best Buy or in Europe into a Media Markt, you'll see fabulous execution. I think of the *McLaren Collection* and the *MX Master 4*, which is a beast. They also want to be sure that we together offer great value on the low end of the portfolio. So, both in Europe and the US you've seen us in the past quarter do a little bit more promotion there. And I would say that kind of mix of great visibility of the high-end and targeted promo on the low-end will continue into Q4. And that's important. I meant Q3, sorry. That's continuing. That's important not just in the U.S. but also in Europe where we need to do a lot of blocking and tackling versus low-end Chinese competition, which for obvious reasons is more active in Europe now than last year.

Matteo Anversa | Chief Financial Officer

So, Samik, let me unpack to you the gross margin a bit. I think the best way to think about the third quarter is almost looking back at the second as the story is actually pretty similar. We've been now for quite some time pretty surgical on promotion. And really, to Hanneke's point, really spend the money very carefully where we think it is needed. And that's exactly what happened in the second quarter. And that's what you can expect us to do also in the third. So, if you look at the gross margin rate in the second, we're basically flattish year over year. As we said in our prepared remarks, our pricing actions completely offset the impact of tariffs. Then we had the team, the operating team did a marvelous job in continuing to work on product cost reduction while they were also concurrently working on the manufacturing diversification. And this gave us about 100 basis points of margin expansion year over year, which was offset by slightly higher promotion to Hanneke's point that she just described. And then last quarter, if you recall, last year we had the release of inventory reserves, which did not occur this year, that put about 100 basis points pressure year over year on the gross margin side. But this was offset by the positive effects due to the current exchange rate, primarily EUR to USD. So that's the breakdown of the second quarter.

So, if you look at the third quarter, actually the story is going to be, we are expecting, this to be very, very similar. So, we will continue to work on product cost reduction. So that should help us offset a little bit more of the promotional spend that you normally have in the third quarter being the holiday quarter. And then prices will continue to offset the impact of tariffs. So that's how we layered out the outlook of 42% to 43% that we described today.

Samik Chatterjee | JP Morgan

Okay, okay, got it. Thanks for that. Maybe just for my follow up, for the OpEx run rate that you're managing the business to fairly... looks fairly disciplined and you're managing it with a lower OpEx envelope year over year. I mean, obviously the business is still growing. So, what are the areas you're sort of making those trade-offs on and whatever are you finding those efficiencies to keep the OpEx envelope this tight at this point?

Matteo Anversa | Chief Financial Officer

Sure. So, starting at a high level with the numbers, right. We outlined even at the investor day that our objective is to have OpEx in the range of 24% to 26% of net revenue. Right. Last year you saw us maybe more on the higher end of this range. And this year so far we've been a bit on the lower end. And that's fundamentally driven by some of the measures that we took in light of tariffs to control some of the cost. And here we need to be very clear that, as we did also in the first quarter, most of these cost control actions were centered around G&A, so the typical blocking and tackling that you would expect a company to do on G&A. Control the contractor cost, pausing hires of people that are not related to R&D or Sales and Marketing, and travel control this kind of stuff. So that's really where the focus has been. So really trying to curtail the cost on G&A, but at the same time take these savings on the G&A side and then refund back into the growth of the business, which for us means R&D and then Sales and Marketing. And that's what you should expect, you should expect us to continue to do in the next couple of quarters.

Samik Chatterjee | JP Morgan

Great, thank you. Thanks for taking my questions.

Matteo Anversa | Chief Financial Officer

You bet.

David Connell | Moderator

And with that, our next question goes to Didier with Bank of America. Didier.

Didier Scemama | Bank of America

Yeah, thanks for taking my question. I've got a couple maybe first maybe for Matteo, Hanneke, whoever. I'm just wondering, I think you touched on it a little bit, but how should we think about the marketing spend in the holiday season? Because I can think like some, you've got some sort of tailwinds from FX. You've got also a sort of difficult consumer environment or slightly more difficult consumer environment in the US or you would want to use that FX tailwind maybe to invest in the US. At the same time you also have a channel that is very lean. So, I just wonder how you should think about that?

Hanneke Faber | Chief Executive Officer

Yeah, so we feel good about inventories ahead of the holidays, both in the channel and our own inventory level. So, they're healthy, we have enough, we don't have too much. It's, it's all good. The way, if I look at overall OpEx again, Matteo said it just now, we had a great quarter in terms of OpEx, 24.4%. That's I think 240 basis points down versus last year. So that's a really great discipline that was focused on G&A where we're super purposeful and just tight. R&D was virtually unchanged in Q2, and we're going to continue to invest there. That's our bread and butter. And then to your point, marketing was also in Q2 close to last year. I think what's important to note there is that the effectiveness of our marketing spend globally continues to improve. We're shifting money from non-working producing stuff to working, which is in general much better. And we're also strengthening our marketing capabilities. I've mentioned China before, but in China we are really rocking it in marketing.

And in fact, just last week at China's big marketing ROI festival, there were 2,400 entries for best marketing ROI, and we were one of only 11 gold award winners. So, it just shows the strength of our marketing team and how we've modernized marketing. We're getting more bang for the buck in marketing, and I expect that to continue in Q3. And we won't hesitate to lean into either R&D or Sales and Marketing spend if we think it can accelerate the top line.

Matteo Anversa | Chief Financial Officer

For modeling purposes, remember the third quarter OpEx as a percentage of net sales tends to be a little lower just because it's the biggest quarter of the year. So that would imply a sequential increase - to Hanneke's point - both overall in OpEx, and the increase will be primarily in R&D and Sales and Marketing. So that's what you can expect.

Didier Scemama | Bank of America

Perfect. Thank you. And the quick follow up is on the China for China strategy. I think in last quarter you sort of mentioned that there was a pivot in the competitive positioning of Logitech. You were starting to gain share after several quarters of a difficult, let's say competitive environment for the company. So maybe can you elaborate a little bit more on the products you've introduced, the price points you're hitting, and where you've encountered the greatest success?

Hanneke Faber | Chief Executive Officer

Yeah, happy to do that. So again, China had an — we don't break it out, but you've seen the APAC numbers, and China was ahead of those APAC numbers. We continue to hold the number one share actually in Q2 - PWS share now grew for the entire quarter, which we have. I haven't seen it since I've been at Logitech. So that was great to see. And Gaming share for the quarter was still slightly down, but the trends are improving. So that's good to see. That's driven by the marketing I just mentioned, where the team is doing a great job versus even a year ago, and by innovation. So, our global innovations are working well in China, but we've also invested in China for China innovation. Say the most exciting thing we launched in Q2 was a new gaming keyboard, the G316, just for China. Really cool and unique RGB lighting, retro vintage display, and of course all the cool performance stuff, 8KHz et cetera. That is doing very well. That's actually on the medium, I would say the lower medium end of the price range, which is an important part in China to really go big on. Still great margins. The team has done a great job designing and building that in China, and you'll see that type of innovation more and more of it going forward. But super excited about the momentum we now have in China in a fast-growing market as well.

Didier Scemama | Bank of America

Thank you.

David Connell | Moderator

Okay, our final question will come from Michael with Vontobel. Michael.

Michael Foeth | Vontobel

Yeah. Hi. Good to see you all. You actually answered just all my questions on China just now. But I have two small follow-ups. One is on the channel inventories. You said channel inventories are quite lean. You're happy with inventories. Is that the same dynamic across all regions or are there any differences across the regions? And can you tie that also maybe with the numbers you showed on sell-in and sell-through? And the second question would be just on Gaming. Could you give a bit more color to the different sub-segments in gaming simulation, console and PC gaming? I mean, you mentioned PC gaming being very strong, but what about the other categories? Thank you.

Hanneke Faber | Chief Executive Officer

Why don't I take the gaming and then you can comment on the inventory. So yeah, we talked a lot about gaming in the US, but maybe if we zoom out. Gaming globally again continues to be really strong with net sales up 5% and demand up double digits, driven by very strong, again double digit sales growth in our number one market, which is China. When we look at the different parts of the business, Michael, we're seeing continued strong demand at the top end. So, Pro was up more than 25%, SIM was up more than 10%. So that's really great. And again, we continue to block and tackle in the lower end of the portfolio, which is also important, which also saw solid growth. But the kind of disproportionate growth is coming from the top end of the gaming business. Again, excited for the short term on gaming with things like the Super Strike and the McLaren Collection. I'm very excited about the mid- and long-term prospectus in gaming.

Matteo Anversa | Chief Financial Officer

And Michael, on your question on the channel inventory, we feel the channel overall across all our regions is in a good spot. When we look at the weeks on hand, it's in the range where we wanted this to be. It's important not to confuse with, we had a little bit of a channel inventory dynamic in B2B in VC actually last quarter. That's why you saw in the first quarter the selling of VC outpaced the sell-through. And now the reverse happened in the second quarter. But that's a dynamic that has been fixed here in the last six months. So, overall we are pleased where the inventory is. And overall if you look at AMR, that's where you have the biggest discrepancy. The sell-out outpaced the sell-in a bit, which is a positive sign as we enter into the third quarter and the earlier season.

Michael Foeth | Vontobel

Perfect. Thank you.

Matteo Anversa | Chief Financial Officer

You bet.

Hanneke Faber | Chief Executive Officer

Thank you. Great to see you, Michael.

David Connell | Moderator

We do have. Oh sorry. We do have one more question from Martin with BNP. Martin.

Martin Jungfleisch | BNP Paribas

Two quick follow ups. My first one is really on the strength of keyboard and mice. Would you say that it is Windows 11 - a refresh driven or is it more a post-covid refresh? So, well, none of those, those two. That's the first question.

Hanneke Faber | Chief Executive Officer

Yeah. Oh, sorry, go ahead, go ahead for your second one.

Martin Jungfleisch | BNP Paribas

Oh yeah, the second one is more for Matteo, I would say, just on the tariff headwind I think. Was it the 200 to 300 basis points that you were expecting that you saw in the third quarter and then also going forward as you exit the - or slowly exit the China to US business, should we actually see that headwind ease over the next couple of quarters?

Hanneke Faber | Chief Executive Officer

Yeah, maybe. I'll take the PWS one first. And thanks for noticing that. Really great results in keyboards and combos and mice. Some people think those things can't grow, but as you can see, they can grow. What were the drivers? I'd say the first driver was again the premium end of our portfolio. So, MX and Ergo are doing extremely well, both with double digit growth in the quarter and again that MX Master 4. A lot of pent up demand for it, entire subreddits dedicated to it before launch. Just a lot of excitement on that launch. Then we're seeing continued excellent execution in store and online on our core keyboard and mice business. And to your question, is this linked to the Windows 11 refresh. We've always said it. I don't think our growth, we know our growth is not directly tied to any PC sales trends. And historically peripherals have always grown a couple of hundred basis points ahead of PC sales. But it can't hurt. And we're always very focused on attached programs in store and online.

When you buy a new PC, we also hope you will attach one of our peripherals. And of course, with some of the excitement about the Windows 11 refresh and the AI PCs that gives us more attach opportunities. So, I would say that's a mild tailwind, but the real growth comes from our premium portfolio.

Matteo Anversa | Chief Financial Officer

So, Michael, let me - Martin, sorry, let me talk about the other question. So, the - so if I rewind the tape a little bit. Right. So, in the last earnings call we said that we were expecting the tariff impact to be about 200 to 300 basis points offset by 200 basis points of price. So, we were expecting the net impact all in, including the diversification action and price to be between 0 and 100 basis points negative for the gross margin for the quarter. What in reality happened is as we mentioned in the prepared remarks, we were able through and were able to offset the entire impact of tariffs. It's about 150 basis points each. So, the impact of tariff net of diversification was 150 basis points pressure to the gross margin and price was a lift of 150 basis points. So net we were able to offset entirely. And really that's driven by three key things. Number one, the continued work that our supply chain team is doing on manufacturing diversification, which is now trending in line with plan. The price actions that we took in April and then supply chain

management - really they're doing a fantastic job in managing inventory and they were able, as we said in prior calls, to pull in some of the inventory, some of the purchases ahead of new tariffs being placed. So, we were able to mitigate some of the impact of the tariffs. So, this 150 basis points dynamic, that's what I would expect also to happen in the third quarter. So, 150 basis points impact on tariffs offset by price, assuming obviously the tariff structure stays as it is currently.

Martin Jungfleisch | BNP Paribas

Great, thank you very much.

David Connell | Moderator

And now we have no further questions.

Hanneke Faber | Chief Executive Officer

Great. Well thank you all. It was great to see you all. Looking forward to seeing you in the follow ups and thanks for being with us today. Have a good week.