

Transcript¹ – Q4 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 Fourth Quarter and Fiscal Year end 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 those statements. We will also discuss non-GAAP financial results and 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 Faber | Chief Executive Officer

Thank you, Nate, and welcome everyone. It's great to be in Lausanne!

As I reflect on my second full year as Logitech's CEO, I am grateful for the progress we have made and energized by the opportunities ahead.

Fiscal Year 26 proved what our model is capable of in any environment: successful innovation, best-in-class execution and real earnings expansion.

Before we look ahead, let's review our Fiscal Year 26 and our Q4 performance. As we do so, it is worth returning to the operating principles we declared last April.

At the start of our fiscal year, we faced a rapidly shifting global landscape. At the time, we set out to lean into opportunities with an offensive mindset; to apply rigorous cost discipline; and to leverage our global manufacturing footprint for real time agility.

¹ The transcript has been edited and condensed for clarity. The full replay of the earnings call is available on Logitech's Investor Relations website at <http://ir.logitech.com>.

I am pleased to share that we delivered on all three of those objectives last year.

First and foremost, we played offense.

As a result, we captured significant new market share in key segments and geographies; and we delivered 6% net sales growth in U.S. dollars and 4% in constant currency, through a balanced mix of volume and price.

Simultaneously, we kept a very firm hand on costs and operating expenses, and we strategically diversified our global manufacturing base.

As a result, we delivered exceptional profitability with non-GAAP gross margins of 43.6% and an operating margin of 18.8%, ahead of our long-term model and a record high outside of the COVID years. Operating income grew 18%, to \$911m.

We translated this structural profitability into outstanding cash generation. Cash flow from operations exceeded \$1 billion for the fiscal year, well above 100% of operating income.

And we were able to return \$768 million of cash back to shareholders in the form of share repurchases and dividends.

Looking back at the fourth quarter, we closed out the Fiscal Year strong. In Q4, we drove significant global market share growth - with a 140 bps increase in Personal Work Space a highlight. We returned the Americas to solid growth, led by the US. We accelerated global Gaming to high-single-digit growth. And we delivered superb margins and a 25% increase in Non-GAAP Operating Income vs last year.

I am proud of our teams for balancing bold action with deep operational rigor in FY26.

Now, as we transition to Fiscal Year 27, we are amplifying our focus on future growth.

We can do so, because we are starting the year from a position of outstanding financial strength.

And we should do so, because the rapid advancements in AI will make the next 12-18 months a unique period for a technology company like ours to innovate and invest for a future in which both Work and Play will look very different.

Thus, in the year ahead, we will:

- 'Up the tempo' on the offense. With structurally strong gross margins and a pristine balance sheet, we will invest in the business to accelerate future growth.
- At the same time, we will continue to apply our signature cost discipline and agility, with a focus on maintaining operating margins at the high end of our long-term targets and driving healthy operating cash flow.

Our investments will be focused on three strategic areas for growth:

First, R&D and Product Innovation. We will leverage AI as a catalyst for innovation. We will do so by enhancing superiority in existing categories. Our new Rally AI Video Conferencing cameras, which will ship this summer, are a great example. We will also innovate into new spaces, with products designed to help people be more productive and perform better with AI, across Work and Play. And we'll leverage AI for speed. AI is already helping us deliver our annual suite of new products faster than ever. The PRO X2 SUPERSTRIKE gaming mouse, which shipped in February and went from prototype to a hugely successful launch in under a year, is a great example.

Second, we'll invest in Logitech for Business: We are deepening our presence in B2B markets by building Enterprise-grade commercial capabilities and penetrating new verticals—prioritizing Education, Government and Healthcare. We are in the early innings of this plan - but the investments are working. In Fiscal Year 26, B2B demand outpaced B2C demand, and Video Collaboration Net Sales were up 10% in U.S. dollars and 8% in constant currency. We believe Logitech for Business still holds significant untapped potential.

And third, we'll invest in Building an Iconic Brand: We will use proven, high ROAS marketing to generate more trial and awareness of Logitech, especially of our premium offerings. The high end MX Master 4, which was supported by strong global marketing campaigns in FY26, is a great example. At a \$120 price tag, it generated nearly \$100 million in net sales within its first six months, making it one of the fastest adopted products in Logitech's history.

All in all, these targeted investments are designed to capture market share, expand addressable markets, and support organic topline growth.

I'm excited about the plans for the year ahead. We believe FY27 will keep us tracking towards our long term model of mid-to-high-single-digit organic topline growth, while maintaining operating margins at the high end of that model.

I Let me close by extending my sincere gratitude to the Logitech team for their dedication and fantastic work throughout Fiscal Year 26.

With that, over to Matteo to cover the financials in more detail.

Matteo Anversa | Chief Financial Officer

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

The team delivered a very strong close to the year, characterized by solid demand, exceptional profitability, and cash generation. 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.

For the fourth quarter, net sales were \$1.086 billion, an increase of 7% in US dollars and 3% in constant currency. It is important to note that the impact of the war in the Middle East in the fourth quarter was approximately \$5 million, or 50 basis points.

Overall, we saw excellent demand across both our B2B and B2C channels, and across all regions.

Looking at our net sales performance in constant currency, we grew across most of our key product categories:

- Gaming net sales increased by 7%, with year-over-year growth in all 3 regions, including double-digit growth in EMEA and Asia Pacific.
- Video Collaboration net sales increased by 8%, driven by continued strong growth in EMEA and AMR.
- Personal Workspace net sales increased by 1%, with double-digit growth in tablet accessories and mid-single-digit growth in pointing devices.

Moving to our regional performance:

In the Americas, net sales increased 3%. This represents the second consecutive quarter of year-over-year growth, following the price increase we implemented last April. Growth was broad-based across all our product categories, most notably video collaboration which grew double-digits.

In Asia Pacific, net sales increased 8%, marking our ninth consecutive quarter of solid year-over-year growth, driven by double-digit growth in Gaming and Personal Workspace.

Net sales declined 1% in EMEA, primarily due to the impact of the Middle East conflict; excluding this impact, net sales would have been slightly positive. It is important to note that EMEA still delivered solid growth for the full fiscal year despite an uneven economic backdrop, underscoring the strong, resilient execution of our EMEA teams.

Turning to profitability, our non-GAAP gross margin rate was exceptionally strong at 44.8%, up 130 basis points year-over-year. The positive impact of the U.S. price actions and favorable foreign exchange more than offset the impact of tariffs and higher promotions.

Total non-GAAP operating expenses for Q4 were \$320 million, corresponding to 29.5% of net sales, down 80 basis-point year over year. We invested in Sales & Marketing and R&D, while reducing G&A by more than 10% year-over-year.

This gross margin resilience, combined with our disciplined cost management, drove outstanding operating leverage. As a result, fourth-quarter non-GAAP operating income reached \$167 million, up 25% year-over-year, with our non-GAAP operating margin rate expanding 210 basis points to 15.3%.

Briefly touching on the full Fiscal Year 2026, we delivered \$4.8 billion in net sales, an increase of 6% year over year or 4% in constant currency.

Non-GAAP gross margin rate closed at 43.6%, slightly higher year-over-year, as the impact of our manufacturing diversification actions combined with the price increase in the U.S. more than offset the negative impact of tariffs.

Total non-GAAP operating expenses as a percentage of revenue were 24.8% down 170Bps compared to the prior year, primarily driven by disciplined spending underscored by a 10% reduction in G&A.

This resulted in an 18% year-over-year increase in our full-year non-GAAP operating income to \$911 million and an increase in non-GAAP Operating Income rate of 180 basis-points to 18.8%. This is the highest level of profitability in the history of the company, outside of the COVID peak year. The profitability level achieved is also well ahead of the top end of our long term margin target range of 15-18%.

Our structural profitability continues to translate into strong cash generation, coming in above 100% of operating income. Cash flow from operations exceeded \$1B in fiscal year 2026, and we ended the

year with a cash balance of approximately \$1.7 billion, while returning over \$765M of cash back to shareholders in the form of share repurchases and dividends.

Looking ahead to the first quarter of Fiscal Year 2027, we have provided our financial outlook in today's shareholder letter, which calls for continued top-line growth and strong operating income.

We are expecting net sales to grow 2-4% in constant currency. This amount includes ~150 basis points of negative impact from the Middle East conflict.

Non GAAP Operating income is expected to be between \$195M and \$215M.

Our recent results confirm that we are a company for all seasons. We successfully navigated a dynamic environment last year to deliver high-quality earnings and cash flow. We enter next year with the foundational strength to do it again.

I would like to thank once again our teams for an exceptional FY2026.

With that, let's head to Q&A.

Alicia Reese | Wedbush

Thank you for taking my question, and congrats on the results today. I'm wondering if you could dig into gaming a little bit. The results from China have been strong for some time now, and I assume that that's a positive margin profile relative to the other regions. As that strength shifts back to the U.S. domestically over the coming year, how do you expect that to impact gross margin over the coming year?

Hanneke Faber | CEO

I think the impact on the gross margin will actually be quite minimal, because the difference in the Chinese versus the U.S. margins are not material. What's been driving gaming is a real acceleration to 7% up in Q4 (compared to plus 2% in Q3). The real driver was the SUPERSTRIKE, our latest new mouse at \$180, featuring a unique technology called HITS (Haptic Induction Trigger System). Almost immediately after we started shipping in February, it started being adopted in pro tournaments, which led to enormous demand from non-pro gamers as well. Honestly, we couldn't make enough of it.

Separately, premium gaming in general has really been outperforming, with both the Pro range and the SIM racing range up very comfortably in double digits globally.

Matteo Anversa | CFO

I agree with the margin comment.

Alicia Reese | Wedbush

And what products do you expect to lean into as you head into the new season with GTA this coming year?

Hanneke Faber | CEO

Whenever that comes. Yes, certainly. We've got great momentum in gaming across the entire Pro line, including keyboards and headsets, as well as SIM racing. We also have great innovation coming in the new year on our 3 and 5 series, which are more affordable, ensuring we serve every piece of the gaming market.

Joern Iffert | UBS

You are targeting mid-to-high-single-digit organic growth for fiscal year '27, but what does it mean for margins? Are they coming down 50 or 100 basis points? Secondly, where exactly do you want to place your AI investments in R&D and marketing?

Matteo Anversa | CFO

In terms of outlook for FY27, making statements right now beyond the first quarter due to visibility in current world conditions is a bit premature. In terms of profitability, we will invest a bit more in sales and marketing and R&D, but overall OpEx will remain within the framework of 24% to 26%. We still feel very comfortable that we will be on the high end of the margin range percentage that we provided at Investor Day.

Hanneke Faber | CEO

On AI in products: We are well beyond proofs of concept and are shipping them globally at scale. Examples include the Sight video conferencing camera, Zone 2 wireless headsets, the Spot sensor, and shipping this summer, the Rally AI camera. We are also implementing software upgrades weekly or monthly, bringing things like AI noise suppression and smart framing that weren't possible six months ago. On AI in marketing: Our China team has built an AI-enabled marketing ops model to manage and optimize thousands of content creators across search and social (like TikTok and Instagram). We just held a Digital Marketing Summit in Shanghai last week to take those learnings from China and implement them back into the rest of the world.

Asiya Merchant | CITI

What is your view on the risk of demand pull-forward? And structurally, how should we think about the various factors that drive gross margins progressing through fiscal '27?

Hanneke Faber | CEO

We certainly didn't see any pull-forward in our businesses in Q4. The total market was pretty resilient with low-single-digit growth. Enterprise customers are performing and investing in technology, and we are gaining share. On the consumer side, they are resilient but choiceful, looking for quality and recognizing great innovation.

Matteo Anversa | CFO

Structurally, we are a 43% to 44% gross margin rate company with current FX rates. In Q4, we achieved 44.8%, driven by 150 basis points of price and 150 basis points of positive FX tailwinds, which offset 70 basis points of negative tariff impacts and 100 basis points of higher promo. Longer-term tailwinds include our focus on B2B video collaboration (which is margin-accretive) and the premiumization of our portfolio (MX, ERGO, Pro, Simulation) growing double digits. On the negative side, promotional pressure generally runs at about 50 to 100 basis points year-over-year depending on the region and the competitive landscape.

Maya Neuman | Morgan Stanley

Could you give us an update on channel inventory levels, and looking forward, is there any degree of tariff refunds embedded?

Matteo Anversa | CFO

In the fourth quarter and the Q1 outlook, we have factored in zero collections of tariff rebates because the timing of reimbursement remains too uncertain. On channel inventory, weeks on hand globally is exactly where we want it to be and pretty much in line with last year. Following the holiday season, we took channel inventory down a little bit, particularly in Europe, but overall the channel is very healthy entering the new fiscal year.

Michael Foeth | Vontobel

Can you give more color on the drivers behind the strong cash flow, and where do we stand regarding Middle East logistics disruptions?

Hanneke Faber | CEO

In Q4, we saw a negative top-line impact from the Middle East war. Demand was there, but we faced challenges getting products out perfectly from our Dubai distribution center to partners in the Middle East and Africa. We expect this to continue, which is why our Q1 guide includes a 150 basis points top-line negative impact from this conflict.

Matteo Anversa | CFO

Operating cash flow was about \$280 million in the quarter. The two key drivers were: Collections: Past-dues are at a record low, lowering our DSO. Inventory Management: Sree and the team improved inventory turns by almost 0.5 points during the year, despite pulling in some product early to get ahead of new tariffs. Going forward, don't model operating cash flow above 100% of operating income every single quarter in FY27. We are intentionally buying up and securing as much memory component inventory as possible to protect our video conference portfolio, which may impact inventory turns.

Didier Scemama | Bank of America

I wanted to ask about the investments in AI—how will that come through and what is the payback time?

Hanneke Faber | CEO

The cost sits squarely in R&D. Don't think of this as just incremental spend; we are augmenting humans with AI agents that do work faster. Token usage is increasing every month, but unlike others, we leverage our own in-house built Logi-Q platform. This is an enterprise agent orchestrator that works across systems using our own data, making it significantly more cost-effective than SaaS alternatives. Even if token usage doubles or triples, it comfortably fits into our planned R&D pocket.

Joseph Cardoso | JP Morgan

Can you touch on the sustainability of Video Collaboration given potential component memory exposure? And on gaming, how much of your growth is driven by underlying market recovery vs. market share gains?

Hanneke Faber | CEO

Video Collaboration was up 8% in net sales constant currency for both the year and the quarter. We are gaining share in a market growing at 3% to 5%. Regarding memory shortages, we feel we are secure with availability through the end of the calendar year. Memory costs are up, but we are offsetting that via a global price increase on video conferencing that went into effect on May 1. We are also growing our services attach rate, which is a super high gross margin part of the business.

On gaming dynamics: Data from December through February showed China gaming was up quite a bit, while the U.S. and Europe were down slightly. However, in February, the U.S. market turned positive for the first time in a long time. Growing 7% in Q4 means we are heavily outperforming the underlying market through market share gains.

Hanneke Faber | Chief Executive Officer

Great. Excited to see you in the follow ups and thank you for being here today. Have a good week.