logitech

Q2 Fiscal Year 2018 Financial Results

Lausanne, October 24, 2017

FORWARD-LOOKING STATEMENTS

This presentation includes **forward-looking statements** within the meaning of the U.S. federal securities laws, including, without limitation, statements regarding: our preliminary financial results for the three and six months ended September 30, 2017, performance and areas of improvement, strategy, investments, expansion into new product categories, building a multi-category, multi-brand design company, market and product category opportunities, growth opportunities, innovation, product portfolio, consumer reaction to our products, new products and their progress, product features and benefits, distribution, opportunities resulting from the acquisition of ASTRO, annual sales run-rate, sales growth, product portfolio growth, product category growth and trends, target range for gross margin, seasonality, G&A-to-sales ratio, sales leverage, cash flows and cash flow seasonality, capital allocation strategy, priorities for use of cash, and outlook for Fiscal Year 2018 cash flow, sales growth, operating income and related assumptions. These statements are subject to risks and uncertainties that may cause actual results and events to differ materially, including without limitation: if our product offerings, marketing activities and investment prioritization decisions do not result in the sales, profitability or profitability growth we expect, or when we expect it; if we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories; if we do not successfully execute on our growth opportunities or our growth opportunities are more limited than we expect; the effect of pricing, product, marketing and other initiatives by our competitors, and our reaction to them, on our sales, gross margins and profitability; if our products and marketing strategies fail to separate our products from competitors' products; if we are not able to maintain and enhance our brands; if we do not successfully execute on strategic acquisitions and investments; if we do not fully realize our goals to lower our costs and improve our operating leverage; if there is a deterioration of business and economic conditions in one or more of our sales regions or product categories, or significant fluctuations in exchange rates; the effect of changes to our effective income tax rates. These and other risks and uncertainties are detailed in Logitech's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended March 31, 2017 and its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017, available at www.sec.gov, under the caption Risk Factors and elsewhere. Logitech does not undertake any obligation to update any forward-looking statements to reflect new information or events or circumstances occurring after the date of this presentation.

To facilitate comparisons to Logitech's historical results, we have included **non-GAAP adjusted measures** in this presentation, which exclude primarily share-based compensation expense, amortization of intangible assets, purchase accounting effect on inventory, acquisition-related costs, change in fair value of contingent consideration for business acquisition, restructuring charges (credits), gain (loss) on investments in privately held companies, investigation and related expenses, non-GAAP income tax adjustment, and other items detailed under "Supplemental Financial Information" in our quarterly earnings press release and posted to our website at http://ir.logitech.com. Historical GAAP and corresponding non-GAAP measures are provided with our earnings releases and presentations in the Investors section of our website. We also present percentage sales growth in constant currency ("CC") to show performance unaffected by fluctuations in currency exchange rates. Percentage sales growth in constant currency is calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency and comparing that to current period sales. Logitech believes this information will help investors to evaluate its current period performance, outlook and trends in its business. For historical financials provided in this presentation, reconciliation between non-GAAP amounts and GAAP amounts is provided on the Investors page of our website, together with this presentation and with our earnings releases. With respect to financial outlook, most of the excluded amounts pertain to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. Therefore, no reconciliation to GAAP amounts has been provided for non-GAAP outlook.

KEY MESSAGES – Q2 FY2018

Consistent growth continues, with **sales up 11% (CC) to $634M**

Video Collaboration and Gaming sales increased 59% (CC) and 42% (CC), respectively

Gross margins remained very healthy at 36.6% and reflected our go-to-market investments to support numerous product introductions into the holiday season

Operating profits increased 12% to $72M, positioning us on track for our Fiscal Year 2018 target

Cash flow from operations was $68M and in line with our outlook for full-year cash flows to approximate 1x non-GAAP operating income

Note: Results are non-GAAP. Comparisons are YoY unless otherwise specified. Sales are net sales.

WHAT’S NEW FROM LOGITECH

MOBILE SPEAKERS

ULTIMATE EARS MEGABLAST and **BLAST** expand our product line-up with portable speakers integrated with Alexa voice control

Comes with Wi-Fi, Bluetooth, and far-field mics so you can listen at home or on the go

Waterproof, dustproof and with long-lasting battery life

ULTIMATE EARS POWER UP is a companion sleek charging dock

JAYBIRD

JAYBIRD RUN is a truly wireless earbud designed for athletes

Delivers a secure, run-specific comfort-fit that is sweat-proof and water resistant

Offers four hours of battery life on a single charge, while the pocket-sized charging case provides an additional eight hours

A quick, five-minute charge gives you one hour of play time

KEYBOARDS & COMBOS

LOGITECH CRAFT is our flagship advanced keyboard with a creative input dial, called the Crown

The Crown offers context and app-specific functions with just a touch, tap or turn of the dial

Features smart illumination with backlighting that automatically detects your hands and room conditions

An **Easy-Switch** button allows you to easily switch between – and type on – any three connected devices

POINTING DEVICES

LOGITECH MX ERGO is our newest, innovative trackball

Offers personalized comfort with a unique adjustable hinge (from 0 to 20°, improving wrist posture and pronation)

Reduces muscle strain by 20% compared to using a standard mouse

Enabled with **Easy-Switch** and **Flow**, allowing you to connect to multiple devices

PC SPEAKERS

LOGITECH MX SOUND is a premium Bluetooth desktop speaker with superior sound in a stylish design

Features motion-activated backlit controls to easily adjust volume and simple Bluetooth device pairing

Built with 24-watt peak power, high-end drivers, and rear-facing port tubes that delivers high-quality audio and bass

Designed with silver accent rings and a premium fabric cover

GAMING

LOGITECH G613 is our first wireless, high-performance gaming keyboard

Features our most advanced **LIGHTSPEED** wireless technology to deliver professional-grade wireless performance and reliability

Up to 18 months of gaming on two AA batteries

Includes six programmable macro keys and our exclusive **Romer-G** mechanical key switches

GAMING

ASTRO A20 broadens our line-up of console gaming headsets

Compatible with PlayStation 4, Xbox One family, Windows 10 PCs, and Mac iOS

Engineered for extended gaming sessions, featuring comfortable and lightweight cloth ear cushions

Includes a uni-directional mic with Flip-to-Mute functionality

Low-latency 5.8GHz wireless technology that offers 15 hours of battery life

FINANCIAL RESULTS

Q2 FY2018 RESULTS DEMONSTRATE SUSTAINABILITY

	Q2'18	Q2'17	YoY chg
Net sales	**$634**	**$564**	**12%**
YoY % chg	*12%*	*9%*	
YoY % chg (CC)	*11%*	*9%*	
Gross profit	232	209	11%
% margin	*36.6%*	*37.0%*	*(40bp)*
Operating expense	159	144	11%
% of sales	*25.1%*	*25.5%*	*(40bp)*
Operating income	**$72**	**$65**	**12%**
% margin	*11.4%*	*11.5%*	*(10bp)*
Net income	67	58	16%
% margin	*10.6%*	*10.3%*	*30bp*
Earnings per share	**$0.40**	**$0.35**	**14%**
Diluted shares	169.1	165.5	

Net sales **+11%** (CC) to $634M, driven by steady growth in all regions and almost all product categories

Gross margin of 36.6% remains at the high end of our range, enabling us to re-invest for growth

Opex +11% to support numerous product ramps into the holiday season

Operating profits +12% to $72M, demonstrating continued leverage

Note: Numbers in $ millions except EPS and percentages. Diluted share count in millions. Results are non-GAAP. Comparisons are YoY unless otherwise specified

CONSISTENT GROWTH TRENDS CONTINUE …

	Q2'18	Q2'17	YoY	YoY (CC)
Pointing Devices	124	123	1%	**0%**
Keyboards & Combos	119	117	3%	**1%**
PC Webcams	28	24	13%	**12%**
Tablet & Accessories	31	21	49%	**50%**
Video Collaboration	46	29	61%	**59%**
Mobile Speakers	91	97	(7%)	**(8%)**
Audio PC & Wearables	63	62	2%	**0%**
Gaming	114	79	44%	**42%**
Smart Home	18	12	56%	**54%**
Net sales	**$634**	**$564**	**12%**	**11%**

PC Peripherals +1% (CC), sustaining stable trends in the business

Video Collaboration +59% (CC) to a historical quarterly high of $46M

Mobile Speakers -8% (CC) as we transition to our newest portable speakers MEGABLAST and BLAST

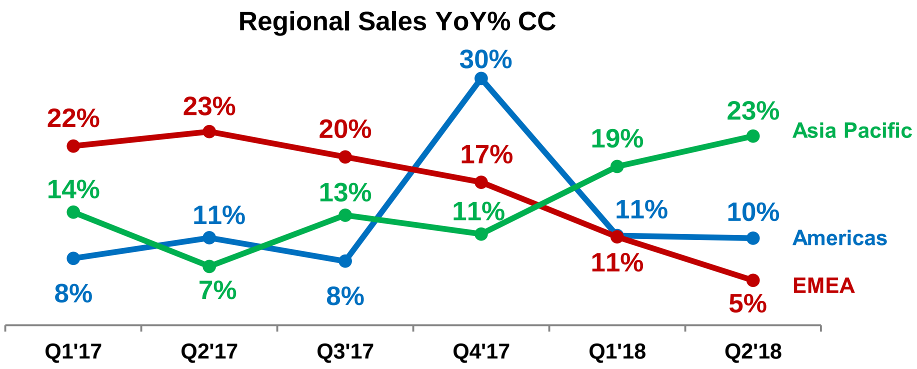
Gaming had its 9th consecutive quarter of double-digit sales growth

Closed ASTRO Gaming acquisition, which was immaterial to results due to timing of integration

Note: Net sales in $ millions. Results are non-GAAP. Comparisons are YoY unless otherwise specified

… SUPPORTED BY STEADY REGIONAL PERFORMANCE

	Q2'18	Q2'17	YoY chg	YoY chg (CC)	Sell-though
Americas	264	240	10%	10%	3%
EMEA	218	201	9%	5%	18%
Asia Pacific	152	124	23%	23%	29%
Net sales	**$634**	**$564**	**13%**	**11%**	**13%**



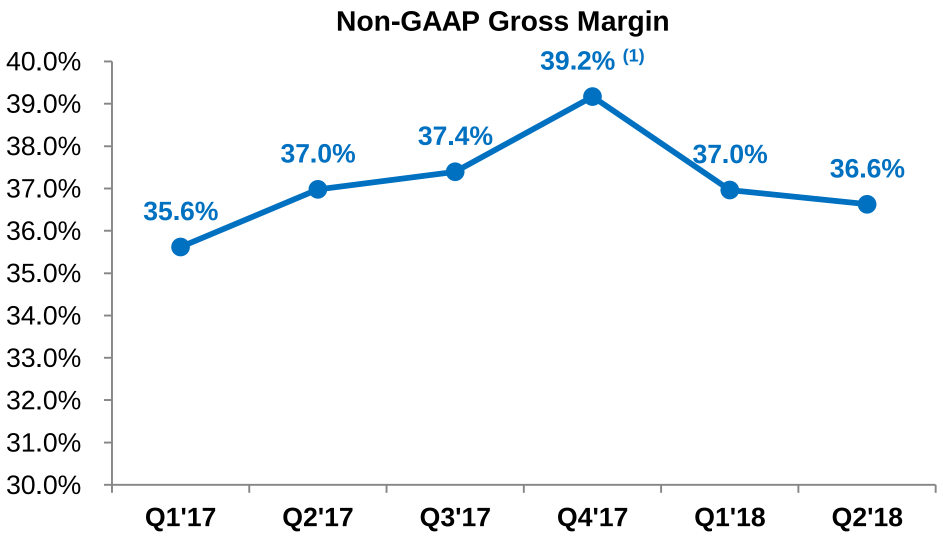
Americas delivered double-digit growth, with sales +10% (CC) and Video Collaboration particularly strong

EMEA sales +5% (CC), as strong growth in Video Collaboration and Gaming offset product transitions in Mobile Speakers and a modest decline in PC Peripherals

Asia Pacific growth accelerated in Q2, with sales +23% (CC) and all regions posting double-digit growth

Note: Net sales in $ millions. Results are non-GAAP. Comparisons are YoY unless otherwise specified. See Appendix for sell-through data

GROSS MARGINS REMAIN AT HIGH END OF RANGE



Gross margin of 36.6% remained very stable against our target of 35-37%

Product cost savings offset by promotions and other costs associated with new product ramps

Balancing margins within our range and re-investing excess profit dollars to support both near- and long-term growth

Note: Results are non-GAAP

(1) Q4'17 non-GAAP gross margins include the first-time implementation of a breakage model for EMEA, which benefited sales and profits by $14.4M

OPEX INVESTMENTS TO SUPPORT GROWTH

	Q2'18	Q2'17	YoY chg
Sales & marketing	103	91	14%
% of sales	*16.2%*	*16.0%*	*20bp*
Research & development	35	32	10%
% of sales	*5.5%*	*5.6%*	*(10bp)*
General & administrative	21	22	(1%)
% of sales	*3.4%*	*3.8%*	*(40bp)*
Operating expenses	**$159**	**$144**	**11%**
% of sales	*25.1%*	*25.5%*	*(40bp)*

Operating expenses +11% and remained at targeted range of 25% of sales

Continuing to drive G&A-to-sales ratio lower through higher sales leverage

Increased S&M (+14%) and R&D (+10%) spending to support numerous new product ramps in the second half

Note: Numbers in $ millions except percentages. Results are non-GAAP. Comparisons are YoY unless otherwise specified

WORKING CAPITAL IN LINE WITH SEASONALITY

	Q2'18	Q2'17	YoY chg
Cash from operations [1]	68	75	(6)
Ending cash balance [2]	406	395	10
Inventory	330	268	62
Inventory turns	*4.9*	*5.3*	*(0.4 turns)*
DSI	*73*	*68*	*5 days*
Accounts receivable	280	241	39
DSO	*40*	*38*	*2 days*
Accounts payable	387	334	53
DPO	*86*	*84*	*2 days*
Cash conversion cycle	**27**	**22**	**5 days**

Cash flow from operations of $68M, in line with seasonal trends and tracking to full-year target of 1x non-GAAP operating income

More than half of the increase in inventory is from new product introductions and acquisition

Paid $104M in dividends and repurchased $10M of stock in Q2

Closed ASTRO Gaming acquisition for $85M in the quarter

Note: Numbers in $ millions except turns and days figures. Comparisons are YoY unless otherwise specified.
(1) Q2’17 cash from operations has been recast to reflect the implementation of ASU 2016-09
(2) Ending cash balance reflects cash, cash equivalents, and short-term investments

FISCAL YEAR 2018 OUTLOOK

FY2018 OUTLOOK	
Sales CC growth	**Up 10-12%**
Non-GAAP operating income	**$260 - 270M**

ASSUMPTIONS	
Currency	Approximately FY17 average rates
Non-GAAP effective tax rate	~8-9%
Cash from operations	~1x non-GAAP operating income
Capex	~$50M

Appendix

GAAP TO NON-GAAP RECONCILIATIONS

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION (A)(B)	**Three Months Ended September 30,**		**Six Months Ended September 30,**	
SUPPLEMENTAL FINANCIAL INFORMATION	**2017**	**2016**	**2017**	**2016**
Gross profit - GAAP	$ 228,732	$ 206,873	$ 422,400	$ 375,499
Share-based compensation expense	1,091	638	1,802	1,313
Amortization of intangible assets and purchase accounting effect on inventory	2,011	1,163	3,515	2,776
Gross profit - Non-GAAP	$ 231,834	$ 208,674	$ 427,717	$ 379,588
Gross margin - GAAP	36.1%	36.7%	36.3%	36.0%
Gross margin - Non-GAAP	36.6%	37.0%	36.7%	36.4%
Operating expenses - GAAP	$ 168,799	$ 153,462	$ 331,042	$ 296,233
Less: Share-based compensation expense	9,887	7,812	19,881	15,654
Less: Amortization of intangible assets and acquisition-related costs	2,491	1,748	3,881	3,041
Less: Change in fair value of contingent consideration for business acquisition	(2,930)	—	(4,908)	—
Less: Restructuring credits, net	(61)	74	(116)	(11)
Less: Investigation and related expenses	—	—	—	612
Operating expenses - Non-GAAP	$ 159,412	$ 143,828	$ 312,304	$ 276,937
% of net sales - GAAP	26.6%	27.2%	28.4%	28.4%
% of net sales - Non - GAAP	25.1%	25.5%	26.8%	26.5%

GAAP TO NON-GAAP RECONCILIATIONS

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION [(A)(B)]	**Three Months Ended September 30,**		**Six Months Ended September 30,**	
SUPPLEMENTAL FINANCIAL INFORMATION	**2017**	**2016**	**2017**	**2016**
Operating income - GAAP	$ 59,933	$ 53,411	$ 91,358	$ 79,266
Share-based compensation expense	10,978	8,450	21,683	16,967
Amortization of intangible assets	3,645	2,159	6,238	3,867
Purchase accounting effect on inventory	114	—	114	703
Acquisition-related costs	741	752	1,042	1,247
Change in fair value of contingent consideration for business acquisition	(2,930)	—	(4,908)	—
Restructuring credits, net	(61)	74	(116)	(11)
Investigation and related expenses	—	—	—	612
Operating income - Non - GAAP	$ 72,420	$ 64,846	$ 115,411	$ 102,651
% of net sales - GAAP	9.4%	9.5%	7.8%	7.6%
% of net sales - Non - GAAP	11.4%	11.5%	9.9%	9.8%
Net income - GAAP	$ 57,353	$ 47,045	$ 94,360	$ 68,986
Share-based compensation expense	10,978	8,450	21,683	16,967
Amortization of intangible assets	3,645	2,159	6,238	3,867
Purchase accounting effect on inventory	114	—	114	703
Acquisition-related costs	741	752	1,042	1,247
Change in fair value of contingent consideration for business acquisition	(2,930)	—	(4,908)	—
Restructuring credits, net	(61)	74	(116)	(11)
Investigation and related expenses	—	—	—	612
Gain on investments in privately held companies	(695)	(171)	(436)	(172)
Non-GAAP income tax adjustment	(1,890)	(379)	(10,982)	(1,054)
Net income - Non - GAAP	$ 67,255	$ 57,930	$ 106,995	$ 91,145
Net income per share:				
Diluted - GAAP	$ 0.34	$ 0.28	$ 0.56	$ 0.42
Diluted - Non - GAAP	$ 0.40	$ 0.35	$ 0.63	$ 0.55

GAAP TO NON-GAAP RECONCILIATION NOTES

* Note: These preliminary results for the three and six months ended September 30, 2017 are subject to adjustments, including potential adjustments, which we currently estimate not to be material, as we continue to verify information provided by a new third-party North American logistics service provider and distribution center added during the latter half of the second quarter of Fiscal Year 2018 and subsequent events (as required pursuant to applicable accounting rules) that may occur through the date of filing our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 with the SEC (the "10-Q"). Upon completion of our additional work to verify such information, the completed financial information for the three and six months ended September 30, 2017 will need to be reviewed by our independent registered public accounting firm prior to filing the 10-Q with the SEC and our semi-annual report with the SIX Swiss Exchange. We are working to complete and file all periodic reports within the applicable filing deadlines of the SEC and the SIX Swiss Exchange.

(A) Preliminary Valuation From the Business Acquisition

The preliminary fair value of assets acquired and liabilities assumed from the business acquisition during the current period is included in the tables. The fair value of identifiable intangible assets acquired was based on estimates and assumptions made by us at the time of the acquisition. As additional information becomes available, such as finalization of purchase price adjustment and the finalization of the estimated fair value of the assets acquired and liabilities assumed, we may revise our preliminary or interim estimated fair value of the assets acquired and liabilities assumed during the remainder of the measurement periods (which will not exceed 12 months from the acquisition dates). Any such revisions or changes may be material, and may have a material impact over our financial condition and results of operations.

GAAP TO NON-GAAP RECONCILIATION NOTES

(B) Non-GAAP Financial Measures

To supplement our condensed consolidated financial results prepared in accordance with GAAP, we use a number of financial measures, both GAAP and non-GAAP, in analyzing and assessing our overall business performance, for making operating decisions and for forecasting and planning future periods. We consider the use of non-GAAP financial measures helpful in assessing our current financial performance, ongoing operations and prospects for the future as well as understanding financial and business trends relating to our financial condition and results of operations. For full GAAP to non-GAAP reconciliation information and cautionary information regarding the use of non-GAAP measures, please refer to “Supplemental Financial Information” in our earnings press release or “Financial Statements only” posted to our website under “Quarterly Results” at http://ir.logitech.com.

SELL-THROUGH DATA

- Measures sales of our products by retailer customers to consumers and by our distributor customers to their customers
- Compiled by Logitech from data supplied by our customers
- Customers supplying sell-through data vary by geographic region and from period to period, but typically represent a majority of our retail sales

- Data is subject to limitations and possible error sources and may not be an entirely accurate indicator of actual consumer demand for our products. Limitations and possible error sources include the following:
  - Data supplied by our customers may not be indicative of sell-through experienced by our customers as a whole
  - Reliability of the data depends on accuracy and timeliness of information supplied to us by our customers, and the processes by which they collect their sell-through data are largely outside our control
  - In the U.S., Canada, and to a lesser extent Asia Pacific, and a still lesser extent, EMEA, sell-through data is based on Point of Sale electronic data. Where POS data is not available, the data is collected largely through manual processes, including the exchange of spreadsheets or other non-automated methods of data transmission, which are subject to typical human errors, including errors in data entry, transmission and interpretation