

logitech®

Q3 Fiscal Year 2018 Financial Results

Lausanne, January 23, 2018



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 nine months ended December 31, 2017, resolution of our distribution center issues, product, product category and other opportunities, product category and sales growth, annual sales run-rate, innovation, product portfolio, market positioning and share, regional product expansion, product adoption, investments, target ranges for gross margin and cash conversion cycle, execution, and outlook for Fiscal Year 2018 strength, 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 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 September 30, 2017, available at www.logitech.com, 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 – Q3 FY2018

Strongest quarterly top-line ever, with **sales up 18% (CC) to \$812M**

Gaming and Mobile Speaker sales increased 57% (CC) and 34% (CC), respectively

First full quarter of ASTRO Gaming, which was better than expected and represented roughly 4% of Q3 sales

Gross margin of 34.4% impacted by approximately 150 basis points from operating two distribution centers (DC). Excluding this temporary DC headwind, Q3 gross margin would have been in line with normal seasonality and expectations

Operating profits rose 18% to \$117M, owing to disciplined opex management

Cash flow from operations was a record \$189M as working capital metrics improved, as expected, to one of our best levels ever

WHAT'S NEW FROM LOGITECH



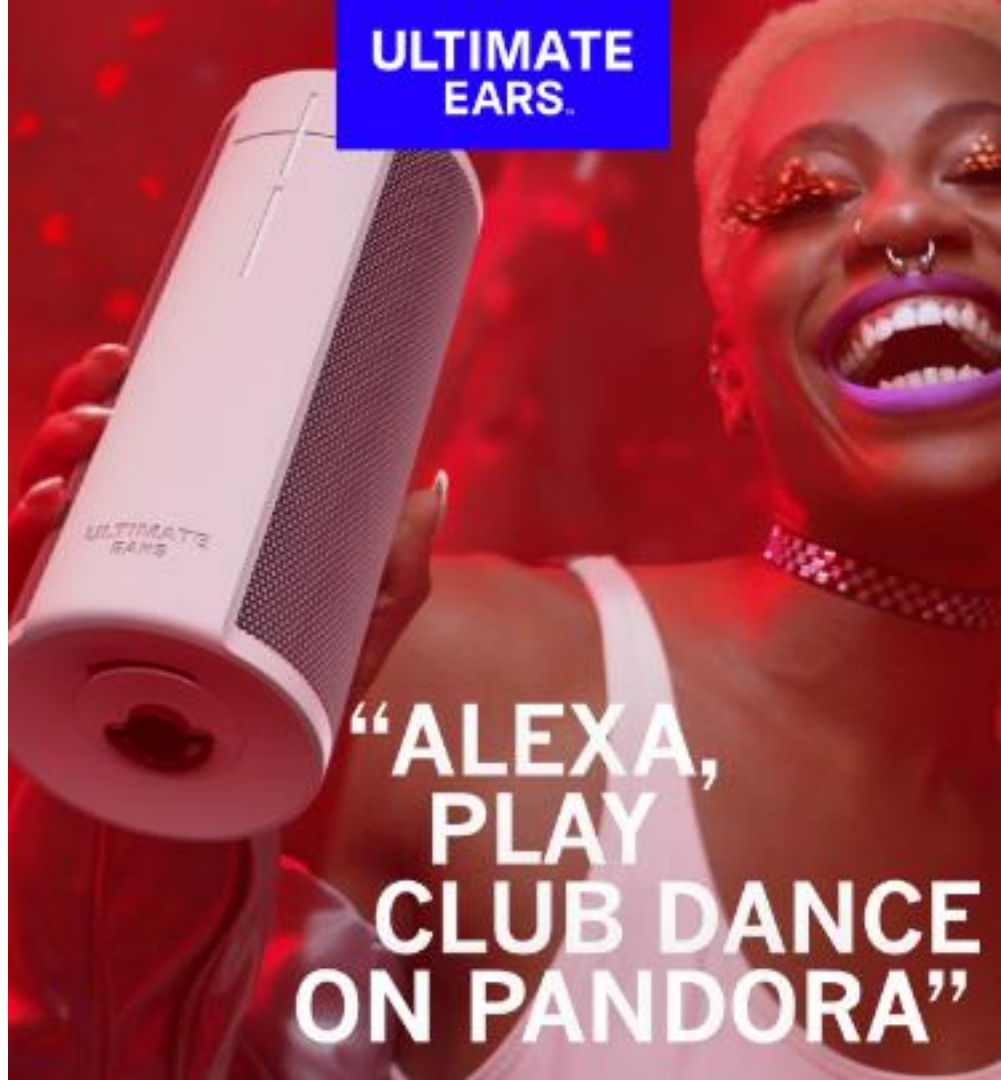
MOBILE SPEAKERS

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



GAMING

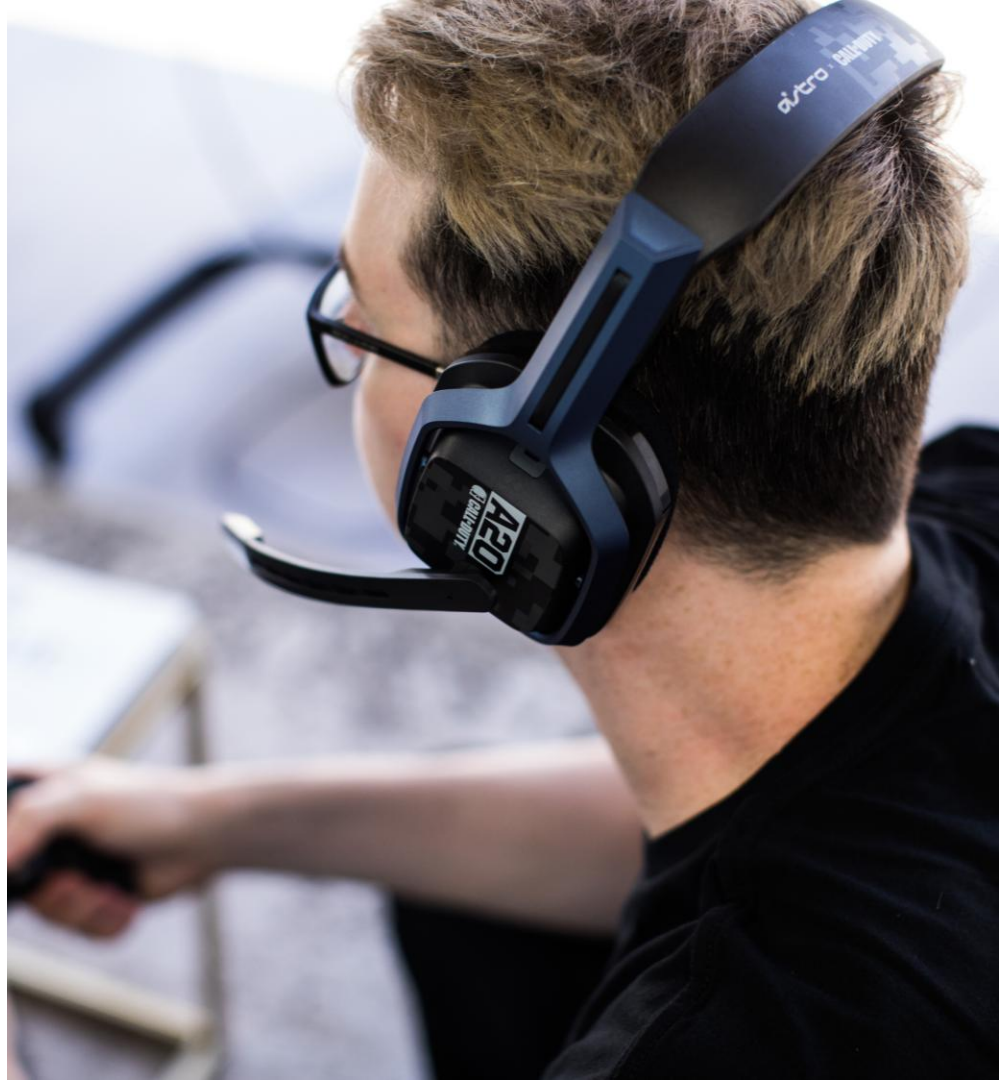
ASTRO A20 broadens our line-up of console gaming headsets

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



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



FINANCIAL RESULTS



Q3 FY2018 DELIVERS RECORD HIGH SALES

	Q3'18	Q3'17	YoY
Net sales	\$812	\$667	22%
YoY % chg	22%	7%	
YoY % chg (CC)	18%	8%	
Gross profit	279	249	12%
% margin	34.4%	37.4%	(300bp)
Operating expense	162	150	8%
% of sales	20.0%	22.5%	(250bp)
Operating income	\$117	\$99	18%
% margin	14.4%	14.9%	(50bp)
Net income	111	92	20%
% margin	13.6%	13.9%	(30bp)
Earnings per share	\$0.65	\$0.56	16%
Diluted shares	169.1	165.9	

Net sales +18% (CC) to \$812M, reaching our highest quarterly sales level ever

Gross margin of 34.4% was negatively impacted by one-time third-party distribution center costs of ~150 bps

Disciplined opex spending (+8%) drives leverage to offset lower gross margins

Operating profits +18% to \$117M, in line with top-line growth

ROBUST GROWTH FROM SEVERAL KEY CATEGORIES

	Q3'18	Q3'17	YoY	YoY (CC)
Pointing Devices	141	142	(1%)	(4%)
Keyboards & Combos	126	125	1%	(2%)
PC Webcams	27	31	(11%)	(13%)
Tablet & Accessories	27	25	7%	5%
Video Collaboration	46	36	29%	25%
Mobile Speakers	147	107	38%	34%
Audio PC & Wearables	84	67	26%	21%
Gaming	174	107	62%	57%
Smart Home	39	27	44%	41%
Net sales	\$812	\$667	22%	18%

PC Peripherals -4% (CC), with sell-through remaining very stable

Video Collaboration +25% (CC) to an annual run-rate approaching \$200M

Mobile Speakers +34% (CC) as all regions contributed to the growth

Jaybird delivered strong gains in the quarter

Gaming had its 10th consecutive quarter of double-digit sales growth

UNDERLYING SELL-THROUGH REMAINS STRONG

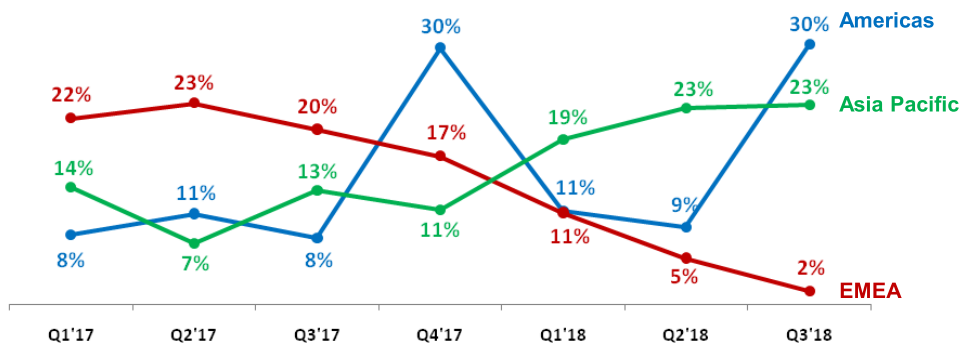
	Q3'18	Q3'17	YoY (US\$)	YoY (CC)	Sell-through (US\$)
Americas	380	291	31%	30%	24%
EMEA	254	233	9%	2%	23%
Asia Pacific	178	143	25%	23%	29%
Net sales	\$812	\$667	22%	18%	24%

Americas sales +30% (CC), driven by stable PC peripheral sales and double-digit growth in all other categories

EMEA sales +2% (CC), but sell-through remained healthy across all major product categories

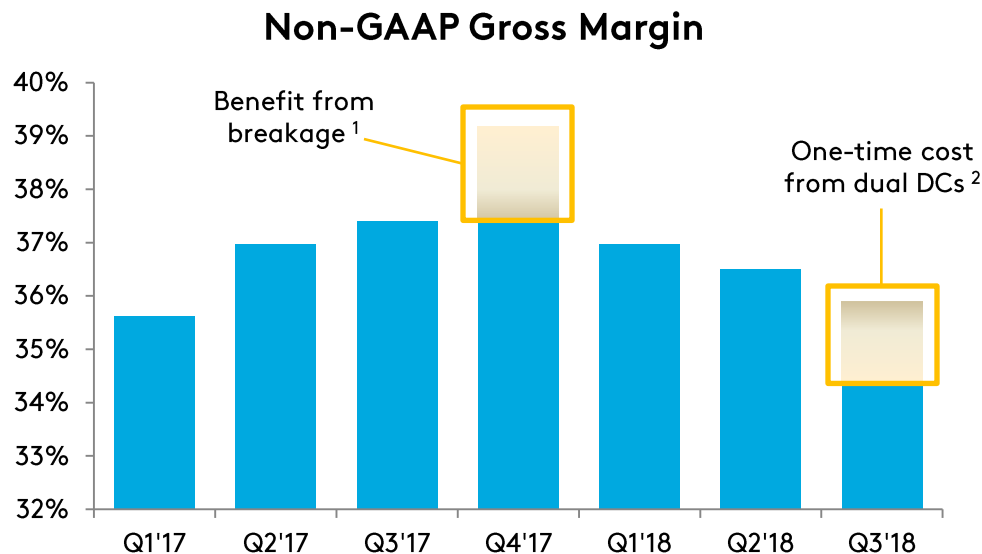
Asia Pacific posted its 5th consecutive quarter of double-digit growth, with sales +23% (CC)

Regional Sales YoY% CC



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

GROSS MARGIN EX-DC COSTS TRACKS SEASONALITY



Gross margin of 34.4% was negatively impacted by temporary costs from operating two distribution centers

Such one-time costs include freight, warehousing, and other delivery fees

Excluding such costs, Q3 gross margin would have been in line with normal seasonality and our expectations

Remain committed to managing business within our target gross margin range of 35-37%

Note: Figures are for illustrative purposes only.

(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.

(2) Q3'18 non-GAAP gross margins include ~150 basis points of cost headwinds from operating two distribution centers in the Americas.

DISCIPLINED OPEX INVESTMENTS TO DRIVE LEVERAGE

	Q3'18	Q3'17	YoY
Sales & marketing	112	98	14%
% of sales	13.7%	14.7%	(100bp)
Research & development	33	31	5%
% of sales	4.0%	4.7%	(70bp)
General & administrative	18	21	(15%)
% of sales	2.2%	3.2%	(100bp)
Operating expenses	\$162	\$150	8%
% of sales	20.0%	22.5%	(250bp)

Operating expenses +8% as we balanced our seasonal investments with lower gross margins

Increased S&M spending (+14%) to support seasonal promotions while R&D expenses (+5%) focused on future growth

G&A-to-sales ratio of 2.2% is our record low

MAINTAINING STRONG WORKING CAPITAL METRICS

	Q3'18	Q3'17	YoY
Cash from operations ⁽¹⁾	189	149	40
Ending cash balance ⁽²⁾	565	514	51
Inventory	279	250	29
<i>Inventory turns</i>	<i>7.7</i>	<i>6.7</i>	<i>1.0 turns</i>
<i>DSI</i>	<i>47</i>	<i>54</i>	<i>(7 days)</i>
Accounts receivable	352	278	74
<i>DSO</i>	<i>39</i>	<i>37</i>	<i>2 days</i>
Accounts payable	429	358	71
<i>DPO</i>	<i>72</i>	<i>77</i>	<i>(5 days)</i>
Cash conversion cycle	14	14	0 days

Cash flow from operations of \$189M reached our quarterly record

Cash conversion cycle was stable at 14 days

Executing on promise to achieve improved working capital metrics in the second half of Fiscal Year 2018

Repurchased \$10M of stock in Q3

Note: Numbers in \$ millions except turns and days figures. Comparisons are YoY unless otherwise specified.

(1) Q3'17 cash from operations has been recast to reflect the implementation of ASU 2016-09.

(2) Ending cash balance reflects cash and cash equivalents.

FISCAL YEAR 2018 OUTLOOK

FY2018 OUTLOOK	NEW	OLD
Sales CC growth	Up 12-14%	Up 10-12%
Non-GAAP operating income	\$270 - 280M	\$260 - 270M

Note: Comparisons are YoY unless otherwise specified.

Appendix



GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION ^{(A)(B)}

SUPPLEMENTAL FINANCIAL INFORMATION	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
Gross profit - GAAP	\$ 275,601	\$ 246,763	\$ 697,006	\$ 622,262
Share-based compensation expense	960	617	2,762	1,930
Amortization of intangible assets and purchase accounting effect on inventory	2,789	1,929	6,304	4,705
Gross profit - Non-GAAP	<u>\$ 279,350</u>	<u>\$ 249,309</u>	<u>\$ 706,072</u>	<u>\$ 628,897</u>
<i>Gross margin - GAAP</i>	33.9%	37.0%	35.3%	36.4%
<i>Gross margin - Non-GAAP</i>	34.4%	37.4%	35.8%	36.8%
Operating expenses - GAAP	\$ 175,338	\$ 150,487	\$ 506,380	\$ 446,720
Less: Share-based compensation expense	10,596	8,770	30,477	24,424
Less: Amortization of intangible assets and acquisition-related costs	2,496	1,494	6,377	4,535
Less: Change in fair value of contingent consideration for business acquisition	—	(9,925)	(4,908)	(9,925)
Less: Restructuring credits, net	—	(33)	(116)	(44)
Less: Investigation and related expenses	—	—	—	612
Operating expenses - Non-GAAP	<u>\$ 162,246</u>	<u>\$ 150,181</u>	<u>\$ 474,550</u>	<u>\$ 427,118</u>
<i>% of net sales - GAAP</i>	21.6%	22.6%	25.6%	26.1%
<i>% of net sales - Non - GAAP</i>	20.0%	22.5%	24.0%	25.0%

GAAP TO NON-GAAP RECONCILIATIONS

LOGITECH INTERNATIONAL S.A.

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION ^{(A)(B)}	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	2016	2017	2016
SUPPLEMENTAL FINANCIAL INFORMATION				
Operating income - GAAP	\$ 100,263	\$ 96,276	\$ 190,626	\$ 175,542
Share-based compensation expense	11,556	9,387	33,239	26,354
Amortization of intangible assets	4,415	2,751	10,653	6,618
Purchase accounting effect on inventory	500	457	614	1,160
Acquisition-related costs	370	215	1,412	1,462
Change in fair value of contingent consideration for business acquisition	—	(9,925)	(4,908)	(9,925)
Restructuring credits, net	—	(33)	(116)	(44)
Investigation and related expenses	—	—	—	612
Operating income - Non - GAAP	\$ 117,104	\$ 99,128	\$ 231,520	\$ 201,779
% of net sales - GAAP	12.3%	14.4%	9.7%	10.3%
% of net sales - Non - GAAP	14.4%	14.9%	11.7%	11.8%
Net income - GAAP	\$ 80,773	\$ 97,465	\$ 174,138	\$ 166,451
Share-based compensation expense	11,556	9,387	33,239	26,354
Amortization of intangible assets	4,415	2,751	10,653	6,618
Purchase accounting effect on inventory	500	457	614	1,160
Acquisition-related costs	370	215	1,412	1,462
Change in fair value of contingent consideration for business acquisition	—	(9,925)	(4,908)	(9,925)
Restructuring credits, net	—	(33)	(116)	(44)
Investigation and related expenses	—	—	—	612
Gain on investments in privately held companies	(114)	(375)	(550)	(547)
Non-GAAP income tax adjustment	13,015	(7,595)	2,033	(8,649)
Net income - Non - GAAP	\$ 110,515	\$ 92,347	\$ 216,515	\$ 183,492
Net income per share:				
Diluted - GAAP	\$ 0.48	\$ 0.59	\$ 1.03	\$ 1.01
Diluted - Non - GAAP	\$ 0.65	\$ 0.56	\$ 1.28	\$ 1.11

GAAP TO NON-GAAP RECONCILIATION NOTES

* Note: These preliminary results for the three and nine months ended December 31, 2017 are subject to adjustments, including subsequent events that may occur through the date of filing our Quarterly Report on Form 10-Q.

(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).

(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

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