logitech

Q4 Fiscal Year 2019 Financial Results

Newark, April 29, 2019

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 months and fiscal year ended March 31, 2019, growth, growth drivers, trends, growth and outlook in our product categories, growth opportunities and investments, growth and investment in our direct sales force, innovation, product portfolio, product features and capabilities, addressable market, new product introductions, product investments, product mix, our focus on driving top-line growth and delivering operating leverage, balancing operating expenses and investments with top-line growth, gross margin expansion and profitability, long-term operating margin, operating expense ratio and gross margin targets and ranges, cost structure improvements, business model, branding and marketing activities and capabilities, infrastructure spend, cash flow from operations as a percentage of operating income, business position, executive leadership, and outlook for Fiscal Year 2020 results, 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; changes in trade policies and agreements and the imposition of tariffs that affect our products or operations and our ability to mitigate; risks associated with acquisitions; 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, 2018 and its Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2018, 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), loss (gain) on investments in privately held companies, 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 – Q4 FY 2019

Achieved another solid March quarter, with **Q4’19 net sales up 9% (CC) to $624M**

Drove double-digit growth from Video Collaboration, Gaming, Mobile Speakers, and Audio & Wearables

Delivered strong **gross margin of 38.0%**, up 160 bps as we reduced product costs and remained disciplined with our promotional spending

Operating profits rose 16% to $64M, continuing to deliver robust operating leverage while investing for long-term sustainable growth

Cash flow from operations was $32M, down due to strategic pull-in of inventory ahead of tariffs and a more back-end loaded Q4

Note: Results are non-GAAP, except for cash flow from operations. Comparisons are YoY and in constant currency unless otherwise specified. Sales are net sales.

KEY MESSAGES – FISCAL YEAR 2019

Sixth consecutive year of growth, with **net sales up 10% (CC)** to a record $2.8B

Balanced growth across all regions, with strong contribution from Video Collaboration, Gaming, and PC Peripherals

Delivered healthy **gross margin of 37.8%**, driven by favorable product mix and reduced logistics costs, and within our recently revised long-term range of 36-40%

Operating profits increased a better-than-expected 23% to $352M

Cash flow from operations was down to $305M, due to efforts to mitigate China tariffs and timing of linearity at the end of the fiscal year

Confirms FY'20 guidance for non-GAAP operating profits of $375-385M and sales growth of mid- to high-single digits (CC)

Note: Results are non-GAAP, except for cash flow from operations. Comparisons are YoY and in constant currency unless otherwise specified. Sales are net sales.

WHAT'S NEW FROM LOGITECH

VIDEO COLLABORATION

Logitech Tap is our first touch control display that makes collaboration rooms easy to deploy and use

Pre-configured with room solutions for major collaboration platform providers such as Google Hangouts Meet Hardware, Microsoft Teams Rooms and Zoom Rooms

Built on open standards, enabling a broader set of integrations (e.g., with interactive whiteboards, room control functions, and more)

LOGITECH ZONE WIRELESS

Zone Wireless Plus headset was designed for people working in an open office environment

Offers Active Noise Cancellation (ANC) to eliminate background noise, as well as a noise cancelling microphone for greater call clarity

Has up to a 30m/100ft range, and 15 hours of available talk time and music

Works with Qi wireless charging, providing convenient charging at the user's desk

SLIM FOLIO PRO

Logitech Slim Folio Pro, an all-in-one backlit keyboard case for the new 11-inch and 12.9-inch iPad Pro (3rd Gen)

Provides a comfortable, laptop-like typing experience on the iPad Pro with reliable Bluetooth LE pairing in a protective case for wherever you work

GAMING

Logitech G935 Wireless and G635 bring 7.1 LIGHTSYNC technology for superior audio and RGB lighting to the gamer

Crafted from hybrid mesh material, our Pro-G 50mm Audio driver delivers deep bass and a round sound profile for highly cinematic audio

Features DTS Headphone: X® 2.0 surround sound, a technology that simulates the 3D environment of the audio's original mixing stage

GAMING

The G432 7.1 Surround Sound Gaming Headset features 50mm drivers and DTS Headphone: X® 2.0 surround sound for an immersive sound experience

Includes rotating leatherette ear cups, a large 6mm flip-to-mute mic and convenient multi-platform compatibility

Offers the same great comfort and quality as all of the headsets in the lineup and is a great option for those looking for their first gaming headset

MOBILE SPEAKERS

The myBoom studio enables the consumer to create their very own custom BOOM 3 in just minutes

myBoom studio offers thousands of possibilities of trendy fabrics, colors and patterns for different parts of the speaker such as the caps, hang loop, and volume buttons

You can even add your name on the speaker to make it truly your own or include a personalized note for gifts

FINANCIAL RESULTS

DELIVERED ANOTHER GROWTH YEAR IN FY'19

	Q4'19	YoY	FY'19	YoY
Net sales	$624		$2,788	
YoY % chg (US$)		*5%*		*9%*
YoY % chg (CC)		*9%*		*10%*
Gross profit	237	10%	1,054	14%
% margin	*38.0%*	*160 bps*	*37.8%*	*190 bps*
Operating expense	173	8%	702	10%
% of sales	*27.7%*	*60 bps*	*25.2%*	*50 bps*
Operating income	$64	16%	$352	23%
% margin	*10.3%*	*100 bps*	*12.6%*	*140 bps*
Net income	65	18%	339	25%
% margin	*10.3%*	*110 bps*	*12.2%*	*160 bps*
Earnings per share	**$0.38**	**19%**	**$2.01**	**26%**
Diluted shares	169		169	

Net sales +10% (CC) to $2.8B, with double-digit growth in Gaming, Video Collaboration and Audio & Wearables

Strong gross margin of 37.8%, driven by favorable product mix and reduced logistics costs

Continued to balance opex spend (+10%) with top-line growth and gross profitability

Operating profits +23% to $352M, ahead of our outlook of $340-345M

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

LARGE MARKETS DRIVING TOP LINE GROWTH

	Q4'19	YoY	YoY CC	FY'19	YoY	YoY CC
Pointing Devices	132	1%	5%	537	4%	5%
Keyboards & Combos	132	(3%)	0%	537	8%	9%
PC Webcams	30	(4%)	(1%)	121	8%	9%
Tablet & Accessories	23	(14%)	(11%)	128	19%	20%
Video Collaboration	69	27%	32%	260	42%	44%
Mobile Speakers	23	62%	81%	230	(27%)	(26%)
Audio & Wearables	65	18%	22%	277	10%	11%
Gaming	138	9%	13%	648	32%	33%
Smart Home	12	(28%)	(25%)	49	(45%)	(44%)
Net sales	**624**	**5%**	**9%**	**2,788**	**9%**	**10%**

PC Peripherals +7% (CC), representing the 4^{th} year of consecutive growth

Gaming +33% (CC), with growth in PC Gaming and ASTRO offsetting an expected decline in Simulation

Video Collaboration +44% (CC), with growth from all three regions

Mobile Speakers -26% (CC) due to adjustments to our business to match a slower market outlook

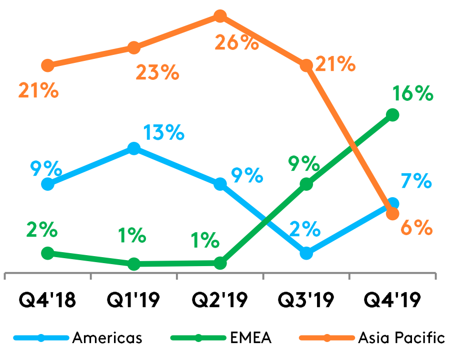
Audio & Wearables +11% (CC), with Blue Microphones contributing roughly 2 ppts to our overall sales growth

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

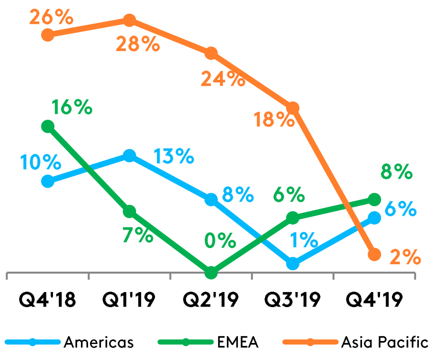
DIVERSIFICATION ACROSS REGIONS

	Q4'19	Q4'18	YoY (US$)	YoY (CC)	Sell-through (US$)
Americas	244	231	6%	7%	4%
EMEA	214	198	8%	16%	(1%)
Asia Pacific	167	164	2%	6%	13%
Net sales	**$624**	**$592**	**5%**	**9%**	**4%**

Sales growth YoY % (CC)



Sales growth YoY % (US$)



Americas sales +7% (CC), with continued growth in Gaming and Video Collaboration, and easier comparison in Mobile Speakers

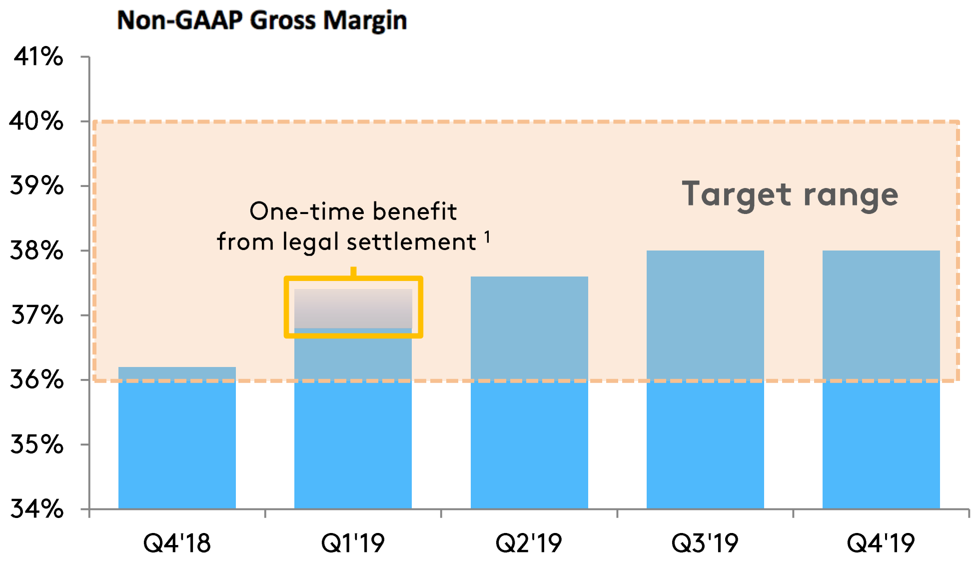
EMEA sales growth improved to +16% (CC) as we continued to improve our promotional spend discipline

Asia Pacific sales +6%, with growth in China offsetting a macro slowdown in Australia

Overall sell-through +4% vs sales +5%; EMEA sell-through -1% vs sales +8% as we balanced promos with driving end consumer demand

Note: Sales in $M and are net sales. Results are non-GAAP. Comparisons are YoY and in constant currency unless otherwise specified. See Appendix regarding sell-through data.

GROSS MARGIN WITHIN NEW LONG-TERM RANGE



Q4'19 gross margin +160 basis points to 38.0% despite unfavorable currency impact

Healthy gross margin was driven by more favorable product mix and lower product and logistics costs, more than offsetting the impact of China tariffs

Managing our business within our recently raised long-term gross margin target range of 36-40%

Note: Figures are for illustrative purposes only.
(1) Q1'19 non-GAAP gross margin includes a one-time benefit of ~60 basis points from a legal settlement with our previous distribution center supplier in the Americas.

OPEX INVESTMENTS TO CAPTURE MARKET GROWTH

	Q4'19	YoY	FY'19	YoY
Sales & marketing	114	9%	468	12%
% of sales	*18.3%*	*60 bps*	*16.8%*	*50 bps*
Research & development	40	11%	154	12%
% of sales	*6.4%*	*30 bps*	*5.5%*	*10 bps*
General & administrative	19	(3%)	80	0%
% of sales	*3.0%*	*(30 bps)*	*2.9%*	*(20 bps)*
Operating expenses	**$173**	**8%**	**$702**	**10%**
% of sales	*27.7%*	*60 bps*	*25.2%*	*50 bps*

Operating expenses +10% (or +8% excluding Blue), as we strategically re-invested for sustainable growth

Balanced investments in S&M (+12%) and R&D (+12%) with flat G&A spending reaching a record low % of sales

Our FY'19 operating expense ratio was in line with our long-term annual target of 25% or lower

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

WORKING CAPITAL IN LINE WITH SEASONALITY

	Q4'19	YoY	FY'19	YoY
Cash flow from operations	32	(65%) [1]	305	(12%)
Ending cash balance	605	(6%)	605	(6%)
Inventory	293	13%	293	13%
Inventory turns	*5.3*	*(0.5 turn)*	*5.5*	*(0.3 turn)*
DSI	*67*	*5 days*	*60*	*4 days*
Accounts receivable [2]	383	78%	383	78%
DSO [2]	*55*	*22 days*	*49*	*19 days*
Accounts payable	284	(3%)	284	(3%)
DPO	*65*	*(5 days)*	*58*	*(6 days)*
Cash conversion cycle [2]	**57**	**32 days**	**51**	**29 days**

Cash flow from operations was $305M, down $41M due to the strategic pull-in of inventory ahead of tariffs and a more back-end loaded Q4

Cash conversion cycle was 51 days, including an 18-day increase from ASC 606 revenue standard adoption [2]

Returned $146M to shareholders in FY'19, in the form of $114M of dividends and $32M of stock buyback

Note: Numbers in $ millions except turns, days, and percentage figures. Comparisons are YoY unless otherwise specified.
(1) Q4'19 cash flow from operations reflects the implementation of ASU 2016-09.
(2) Q4'19 includes the adoption of revenue standard ASC 606, which increased accounts receivable and DSO by $123M and 18 days, respectively.
Please refer to the 10-K to be filed for more details on this balance sheet re-classification.

FISCAL YEAR 2020 OUTLOOK

FY'20 OUTLOOK	
Sales CC growth	**Mid- to high-single digits**
Non-GAAP operating income	**$375 – 385M**

ASSUMPTIONS	
Currency	FY'19 average rates
Non-GAAP effective tax rate	7 - 8%
Cash from operations	~1x non-GAAP operating income
Capex	$40 - 50M

Note: Comparisons are YoY unless otherwise specified. Sales are net sales.

APPENDIX

GAAP TO NON-GAAP RECONCILIATIONS

PRELIMINARY RESULTS*

(In thousands, except per share amounts) - Unaudited

GAAP TO NON GAAP RECONCILIATION [(A)]	**Three Months Ended March 31,**		**Fiscal Years Ended March 31,**	
SUPPLEMENTAL FINANCIAL INFORMATION	**2019**	**2018**	**2019**	**2018**
Gross profit - GAAP	$ 232,975	$212,235	$1,037,011	$ 909,241
Share-based compensation expense	938	971	3,812	3,733
Amortization of intangible assets and purchase accounting effect on inventory	3,305	2,574	13,342	8,878
Gross profit - Non-GAAP	$ 237,218	$215,780	$1,054,165	$ 921,852
Gross margin - GAAP	37.3%	35.8%	37.2%	35.4%
Gross margin - Non-GAAP	38.0%	36.4%	37.8%	35.9%
Operating expenses - GAAP	$ 190,748	$173,128	$ 773,817	$ 679,508
Less: Share-based compensation expense	12,164	9,928	46,453	40,405
Less: Amortization of intangible assets and acquisition-related costs	3,913	2,553	14,290	8,930
Less: Change in fair value of contingent consideration for business acquisition	—	—	—	(4,908)
Less: Restructuring charges (credits), net	1,540	—	11,302	(116)
Operating expenses - Non-GAAP	$ 173,131	$160,647	$ 701,772	$ 635,197
% of net sales - GAAP	30.6%	29.2%	27.8%	26.5%
% of net sales - Non - GAAP	27.7%	27.1%	25.2%	24.7%

GAAP TO NON-GAAP RECONCILIATIONS

PRELIMINARY RESULTS*

(In thousands, except per share amounts) - Unaudited

GAAP TO NON GAAP RECONCILIATION [(A)]	**Three Months Ended March 31,**		**Fiscal Years Ended March 31,**	
SUPPLEMENTAL FINANCIAL INFORMATION	**2019**	**2018**	**2019**	**2018**
Operating income - GAAP	$ 42,227	$ 39,107	$ 263,194	$ 229,733
Share-based compensation expense	13,102	10,899	50,265	44,138
Amortization of intangible assets	6,944	4,954	24,180	15,607
Purchase accounting effect on inventory	34	173	1,756	789
Acquisition-related costs	240	—	1,696	1,412
Change in fair value of contingent consideration for business acquisition	—	—	—	(4,908)
Restructuring charges (credits), net	1,540	—	11,302	(116)
Operating income - Non - GAAP	$ 64,087	$ 55,133	$ 352,393	$ 286,655
% of net sales - GAAP	6.8%	6.6%	9.4%	8.9%
% of net sales - Non - GAAP	10.3%	9.3%	12.6%	11.2%
Net income - GAAP	$ 42,121	$ 34,404	$ 257,573	$ 208,542
Share-based compensation expense	13,102	10,899	50,265	44,138
Amortization of intangible assets	6,944	4,954	24,180	15,607
Purchase accounting effect on inventory	34	173	1,756	789
Acquisition-related costs	240	—	1,696	1,412
Change in fair value of contingent consideration for business acquisition	—	—	—	(4,908)
Restructuring charges (credits), net	1,540	—	11,302	(116)
Gain on investments	(227)	(119)	(816)	(669)
Non-GAAP income tax adjustment	830	4,249	(6,952)	6,282
Net income - Non - GAAP	$ 64,584	$ 54,560	$ 339,004	$ 271,077
Net income per share:				
Diluted - GAAP	$ 0.25	$ 0.20	$ 1.52	$ 1.23
Diluted - Non - GAAP	$ 0.38	$ 0.32	$ 2.01	$ 1.60
Shares used to compute net income per share:				
Diluted - GAAP and Non - GAAP	168,956	169,387	168,965	168,971

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the three and fiscal year ended March 31, 2019 are subject to adjustments, including subsequent events that may occur through the date of filing our Annual Report on Form 10-K.

(A) Preliminary Valuation from the Business Acquisition

The preliminary fair value of assets acquired and liabilities assumed from the business acquisition in the second quarter of fiscal year 2019 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 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.

(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