Logitech Q4 Fiscal Year 2015 Financial Results
Management's Prepared Remarks (April 22, 2015)

Logitech is posting a copy of these prepared remarks, its press release and accompanying slides to its investor website. These prepared remarks will not be read on the call. We refer both to GAAP and to non-GAAP financial measures herein. 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. The live webcast or replay of the question and answer session is also available on our website.

PRELIMINARY RESULTS

Please note that the preliminary results for the three months and full year ended March 31 of Fiscal Year 2015 contained in these prepared remarks are subject to material adjustments based on the completion of the company's evaluation of Lifesize goodwill, Lifesize asset impairment and other subsequent events that may occur through the date of filing the company's Annual Report on Form 10-K with the U.S. Securities and Exchange Commission.

COMPANY COMMENTARY

Following is a summary of the company's comments on key areas impacting Q4 and full Fiscal Year 2015 performance. The growth percentages that follow are in comparison to the same period of the prior year.

OVERVIEW

Q4 results demonstrated continued strong momentum. Total company sales in Q4 grew by 1% in constant currency to $467M and declined by 5% in USD. Retail Strategic sales – sales in our Growth and Profit Maximization categories combined, which represent roughly 90% of total company sales – grew by 7% in constant currency. Non-GAAP operating income was better than expected at $14M. Non-GAAP earnings per share was $0.10. Cash flow from operations was $42M, and we delivered our 2nd lowest cash conversion cycle ever for a Q4.

FY15 sales were $2.11B, up by 2% in constant currency and down by 1% in USD, with Retail Strategic sales growing by 6% in constant currency. FY15 non-GAAP operating income was $191M, up 38%, and representing 9.0% of sales, a 250 basis point improvement. Despite significant currency headwinds in the latter part of the year, we delivered our initial FY16 non-GAAP operating income target one year ahead of plan. Non-GAAP earnings per share increased by $0.29 to $1.04, the highest in the last seven years. Cash flow from operations for FY15 was $179M, and our full year cash conversion cycle reached an all-time low.

RETAIL STRATEGIC – GROWTH CATEGORY

Our Video Collaboration sales, which were previously reported within Video sales as part of our Profit Maximization category, are now being reported separately and are now included within our Growth category. The market opportunity to provide innovative, affordable, and easy to use video conferencing solutions to the millions of small and medium sized meeting rooms lacking video is substantial and we are well positioned to take advantage of it.

Our Growth category, which includes Gaming, Mobile Speakers, Video Collaboration and Tablet & Other Accessories, delivered 45% sales growth in Q4 in constant currency, with sales up by 37% in USD. FY15 sales grew by 28% in constant currency and by 25% in USD. Both Mobile Speakers and Video Collaboration delivered triple digit growth in constant currency.

GAMING

Q4 sales in our Gaming category increased by 12% in constant currency and by 5% in USD. Our overall growth in the category was constrained by a significant decline in sales of legacy steering wheels for console and PC platforms. Excluding wheels, our

Gaming sales grew by 24% in constant currency. It was a very strong quarter for sales of our Gaming Mice, with the growth driven by our G502 Proteus Core and G402 Hyperion Fury gaming mice. FY15 sales in the Gaming category grew by 17% in constant currency, 24% excluding wheels, and by 13% in USD.

MOBILE SPEAKERS

The strong performance through the first three quarters of the year continued into Q4, with sales in our Mobile Speakers category growing by 111% in constant currency and by 98% in USD. The performance in this category reflects the sustained success of UE BOOM and the successful launch of UE MEGABOOM. UE BOOM was once again our top selling product during the quarter, with UE MEGABOOM getting off to a strong start and becoming one of our top five products in the quarter. Mobile Speakers sales increased significantly across our three regions, with sales in Asia Pacific more than doubling. FY15 sales in the Mobile Speakers category grew by 109% in constant currency and by 104% in USD, delivering triple digit growth for the second consecutive year.

VIDEO COLLABORATION

Q4 Video Collaboration sales grew by 160% in constant currency and by 140% in USD. The growth was driven by the success of the Logitech ConferenceCam CC3000e. Building on our momentum in the category, late in the quarter we launched the Logitech ConferenceCam Connect, a portable all-in-one videoconference solution with a breakthrough design for small-and-medium sized rooms. FY15 sales in the Video Collaboration category more than doubled, delivering triple digit growth in three of the four quarters in FY15. We carry strong momentum into FY16 in a large and fast growing market.

TABLET & OTHER ACCESSORIES

In Q4, sales in our Tablet & Other Accessories category increased by 21% in constant currency and by 17% in USD, with growth in Europe and Asia Pacific. This growth reflects a favorable comparable, as we made numerous price adjustments to our iPad keyboard line-up in Q4 of the prior year. We have not seen meaningful improvements in the underlying market for iPad shipments. FY15 sales in the Tablet & Other Accessories category declined by 16% in constant currency and by 18% in USD.

RETAIL STRATEGIC - PROFIT MAXIMIZATION CATEGORY

Q4 sales in our Profit Maximization category decreased by 4% in constant currency and by 11% in USD. FY15 sales decreased by 2% in constant currency, and by 5% in USD, better than the PC market.

POINTING DEVICES

Q4 sales in our Pointing Devices category declined by 7% in constant currency and by 13% in USD, with sales down in all regions. At the end of the quarter we announced the launch of our new flagship mouse, the Logitech MX Master Wireless Mouse. The MX Master, our first new high-end mouse in several years, is the new paradigm for precise, fast, comfortable computer navigation. FY15 sales declined by 2% in constant currency and by 4% in USD.

KEYBOARDS & COMBOS

Q4 sales in our Keyboards & Combos category increased by 4% in constant currency and were down by 3% in USD. Sales in the Americas and Asia Pacific grew with the decline entirely in EMEA. We continued to see a strong contribution from our new Bluetooth Multi-Device Keyboard K480. FY15 sales in the Keyboards & Combos category grew by 5% in constant currency and by 3% in USD.

AUDIO – PC & WEARABLES

Q4 sales in our Audio category declined by 6% in constant currency and by 14% in USD. This primarily reflects lower sales of our PC speakers, a category that appears to be in structural decline as music consumption continues to migrate to mobile platforms, which benefits products such as our UE Bluetooth mobile speakers. FY15 sales in the

Audio – PC & Wearables category declined by 12% in constant currency and by 15% in USD.

PC WEBCAMS

Q4 sales in PC Webcams, which is composed entirely of consumer webcams now that we are reporting Video Collaboration separately, decreased by 21% in constant currency and by 25% in USD. The weak sales reflect the ongoing structural decline of the consumer webcam market, which continues to contract. FY15 sales in the PC Webcam category declined by 13% in constant currency and by 15% in USD.

HOME CONTROL

In Q4, our Home Control sales decreased by 7% in constant currency and by 12% in USD. Sales growth in our EMEA and Asia Pacific regions was more than offset by a decline in the Americas. The sell through in Q4 for our Remotes grew compared to the prior year. FY15 sales in the Home Control category grew by 3% in constant currency and by 1% in USD.

RETAIL - OTHER/NON-STRATEGIC

This category is made up of product categories that we have discontinued, and is subject to change as we continually assess the strategic fit of the products in our portfolio. As planned, sales declined to less than $0.5M in Q4, down by $8M.

RETAIL - SALES BY REGION

RETAIL SALES – AMERICAS REGION

Q4 sales in the Americas grew by 4% in constant currency and by 2% in USD. The increase in sales in Q4 was driven by the Growth category, with Mobile Speakers and Video Collaboration nearly doubling and Gaming up by over 10%. FY15 sales in the Americas grew by 9% in constant currency and by 8% in USD, the second straight year of high single-digit growth.

RETAIL SALES – EMEA REGION

Q4 sales in EMEA grew by 2% in constant currency but were down by 13% in USD. The constant currency growth was constrained by continued weak market conditions in Russia and Ukraine. Excluding those two countries, our Q4 sales increased by 11% in constant currency, accelerating from 3% last quarter. We achieved very strong sales growth in Western European countries in Mobile Speakers and Video Collaboration. FY15 sales in EMEA declined by 3% in constant currency and by 7% in USD.

RETAIL SALES – ASIA PACIFIC REGION

Sales in Q4 in Asia Pacific were up by 11% in constant currency and by 7% in USD. We achieved double-digit sales growth in all of our Growth Category lines as well as increased sales in both mature and emerging market countries. FY15 sales in Asia Pacific grew by 4% in constant currency and by 2% in USD, with momentum building as year-over-year performance improved sequentially in each of the last three quarters of the year.

OEM SALES

Our Q4 OEM sales decreased by 26%, primarily due to lower mice sales. While the OEM business has been an important part of Logitech's history, we see limited opportunities for profitable growth. Given our heightened focus on our growing Retail Strategic business, we plan to exit OEM in the coming months.

LIFESIZE

Lifesize sales declined by 19% in Q4. Lifesize is in the early stages of transitioning its product portfolio to Lifesize Cloud. While sales of this software-as-a-service offering are growing rapidly, they are not yet large enough to offset the combination of the short-term portfolio transition and soft market conditions for video conferencing infrastructure. We are reorganizing Lifesize to sharpen its focus on its new cloud-based offering which is gaining significant market traction. As a result of this reorganization, we are evaluating the $123M in goodwill resulting from the Lifesize acquisition, which may lead to an impairment charge in FY15 that will be booked before we file our 10-K at the end of May.

GROSS MARGIN

In spite of significant currency headwinds which had an unfavorable impact of roughly 150 basis points, net of hedging, our Q4 non-GAAP gross margin improved by 50 basis points to 33.7%. The increase primarily reflects improvements driven by our product cost reduction initiatives. Note that gross margin in Q4 of the prior year was negatively impacted by several factors, including price adjustments related to our tablet keyboard covers, which results in a favorable comparable. Our FY15 non-GAAP gross margin improved by 190 basis points to a record high of 36.8%.

OPERATING EXPENSES

Our Q4 non-GAAP operating expenses were $143M, up by $2M, or 2%. The increase was in R&D and primarily reflects investments we made to sustain our momentum in the Growth category. Those investments were partially offset by continued savings in our infrastructure. Non-GAAP operating expenses were 30.6% of sales, up by 190 basis points.

Our Q4 GAAP operating expenses include a restructuring benefit of $4.7M for the partial termination of a lease agreement. The liability associated with this agreement was reported as a restructuring charge in Q4 of the prior year related to the consolidation of our Silicon Valley campus from two buildings down to one.

Our FY15 non-GAAP operating expenses were $588M, down by 3% and the lowest in the last five years.

OPERATING INCOME

Our non-GAAP operating income in Q4 was better than expected at $14M. FY15 non-GAAP operating income was $191M, up by $53M or 38%. Our non-GAAP operating margin for FY15 was 9.0%, up by 250 basis points.

TAX RATE

Our FY15 GAAP tax rate was 3.2%, which primarily reflects the favorable impact of statute of limitations expirations. Our non-GAAP tax rate was 10.0% for FY15 and -4.9% in Q4. The negative rate in Q4 primarily reflects higher than expected profit before tax, as the tax rate in each quarter is significantly influenced by the profit outlook for the full year. We delivered more profit in FY15 than forecasted during the first three quarters of the year.

NET INCOME & EPS

Non-GAAP net income was $17M in Q4 with non-GAAP earnings per share at $0.10. FY15 non-GAAP net income was $173M, up by $51M, or 42%. FY15 Non-GAAP earnings per share increased by 39% to $1.04, the best since FY08.

BALANCE SHEET

We generated $42M in cash flow from operations in Q4. For the full Fiscal Year 2015, our cash flow from operations was $179M, largely in-line with our non-GAAP operating income. For FY15, our cash conversion cycle was the lowest ever at 23 days. Our quarter-ending cash position was $537M, up by $68M compared to March 2014. Our cash conversion cycle in Q4 was 26 days, down by 2 days and reaching our second lowest level ever for a Q4.

We ended Q4 with $270M in inventory, up by $48M compared to March 2014 and by $24M sequentially. Inventory turns declined from 5.9 to 4.6. The increased inventory reflects several factors, including the impact from the West coast port strike in the United States and the implementation of our strategy to reduce air freight expenses by building product early enough to allow for shipment via sea. We also chose to increase our inventory in the Mobile Speaker and Video Collaboration categories in support of our continued strong sales momentum.

Our Q4 accounts receivable was $180M, down slightly from the prior year. DSO increased by 2 days to 35 days.

Accounts payable was $300M, up by $57M with DPO increasing by 20 days to 87 days. The primary driver of the increase was the inventory purchases referenced above.

SHARE COUNT & REPURCHASES

Our diluted share count in Q4 was 166.4M shares. We repurchased 115K shares during the quarter for ~$1.7M, leaving us with ~$248M available for opportunistic usage under our current share repurchase plan.

FISCAL YEAR 2016 OUTLOOK

We are confirming the outlook for Fiscal Year 2016 that we shared at our Analyst and Investor Day last month of $150 million in non-GAAP operating income and 7% growth for Strategic Retail sales in constant currency.

In addition to streamlining our overall cost structure through product, overhead and infrastructure cost reductions, we are also implementing a targeted resource realignment. As a result, over the coming year we expect restructuring charges of approximately $15 million to $20 million. The savings from these actions will be used to offset currency headwinds and invest in future growth.

FORWARD-LOOKING STATEMENTS

These remarks contain forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding: market opportunities and Logitech's ability to take advantage of them, Logitech's momentum and market traction, exiting the OEM business, reorganizing Lifesize, streamlining overall cost structure, product and infrastructure cost reductions, restructuring, the expected cost and use of savings from restructuring, Logitech's ability to offset currency exchange rate fluctuations, investment in growth, and Fiscal Year 2016 operating income and sales growth. The forward-looking statements in these remarks involve risks and uncertainties that could cause Logitech's actual results and events to differ materially from those anticipated in these forward-looking statements, 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; the demand of our customers and our consumers for our products and our ability to accurately forecast 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 in our new product categories or our growth opportunities are more limited than we expect; if sales of PC peripherals are less 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 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 operating segments, or significant fluctuations in exchange rates; the effect of changes to our effective income tax rates. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in Logitech's periodic filings with the Securities and Exchange Commission, including our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2014 and our Annual

Report on Form 10-K for the fiscal year ended March 31, 2014, 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 these remarks.

USE OF NON-GAAP FINANCIAL INFORMATION

To facilitate comparisons to Logitech's historical results, Logitech has included non-GAAP adjusted measures, which exclude share-based compensation expense, amortization of other intangible assets, restructuring charges (credits), other restructuring-related charges, investment impairment (recovery), benefit from (provision for) income taxes, one-time special charges and other items detailed under "Supplemental Financial Information" in our earnings press release or "Financial Statements only" posted to our website under "Quarterly Results" at http://ir.logitech.com. Logitech also presents percentage sales growth in constant currency, a non-GAAP measure, 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, used together with the GAAP financial information, will help investors to evaluate its current period performance and trends in its business.

With respect to our outlook for non-GAAP operating income, most of these 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 the GAAP amounts has been provided for Fiscal Year 2016.

USE OF SELL-THROUGH DATA

Logitech relies on reports from third-parties for data on its product sell-through and inventory information. While Logitech believes this information provides meaningful perspectives on sell-through and inventory trends over time, this information is not subject to Logitech's internal control systems and Logitech cannot assure investors of its accuracy.