

logitech[®]

Q3 Fiscal Year 2016 Financial Results
January 20, 2016

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding: Logitech's future business and growth, momentum, ability to sustain momentum, achieve long-term success and deliver on committed actions, product portfolio, strategies for growth, sales and retail sales growth, regional growth, growth in certain product categories, ability to deliver growth in a variety of market conditions and scenarios, market share, transition to becoming a design-centric company and a growth company, addition of new growth engines and new product categories, currency exchange rates, long-term business model, restructuring charges, inventory, research and development spending, growth investments, strategy, levers, capital allocation strategy, acquisitions, long-term gross margin target and operating expenses, growth in the cloud-based video conferencing market and our ability to take advantage of it, PC shipments, market growth and decline in Logitech's product categories, future accounting for Lifesize, and Logitech's Fiscal Year 2016 outlook for operating income, sales growth and gross margins. The forward-looking statements in this presentation 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 product categories, 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2015 and our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2015, 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.

Continuing Operations

Logitech separated its Lifesize division from the Company on Dec. 28, 2015. The Company's third quarter of Fiscal Year 2016 ended on Dec. 25, 2015, even though, for purposes of presentation, the Company has indicated its third quarter periods as ending on Dec. 31. Except as otherwise noted, all of the results reported in this press release for both the third quarter of Fiscal Year 2016 and the third quarter of Fiscal Year 2015, as well as comparisons between periods, are focused on results from continuing operations and do not address the performance of Lifesize, which is now reported in the Company's financial statements under discontinued operations or total Logitech including discontinued operations. For more information on the impact of the Lifesize separation on Logitech's historical results, please refer to the Financial Reporting section of Logitech's Financial History, available on the Logitech corporate website at <http://ir.logitech.com>.

USE OF NON-GAAP FINANCIAL INFO

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), 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>. Historical GAAP and corresponding non-GAAP measures are provided under Financial History in the Investors section of our website. Logitech provides non-GAAP financial information for its Retail (excluding OEM and Lifesize) and OEM categories that includes approximations for cost and profitability estimates. Logitech also presents percentage sales growth in constant currency, a non-GAAP measure, to show performance unaffected by fluctuations in foreign 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.

Q3 FY16 HIGHLIGHTS

Better-than-expected results lead to improved FY16 outlook

- Milestone quarter puts “new Logitech” into focus
 - Completed exit of OEM business
 - Lifesize now a separate, independent company
- Broad-based retail sales performance generates growth of 9% in constant currency (CC) and 4% in USD
 - CC growth across all regions: Americas up 7%, EMEA up 10%, Asia up 15%
 - Growth categories up 17% in CC (up 34% in CC excluding Tablet & Other Accessories)
- Non-GAAP gross margin of 33.6% with negative currency impact partially offset by pricing actions and supply chain efficiencies
- Non-GAAP operating expenses flat with infrastructure savings funding investments in growth, with R&D up 7% and G&A down 6%
- Better-than-expected non-GAAP operating income of \$74M and non-GAAP EPS of \$0.41
- Cash from operations* up 10% YTD to \$151M
- Raising FY16 outlook to constant currency retail sales growth of 7-9% and non-GAAP operating income of \$170M

NON-GAAP* INCOME STATEMENTS

(\$ in millions, except per share amounts)

	Q3 FY16	Q3 FY15	YOY	YOY in CC	YTD FY16	YTD FY15	YOY	YOY in CC
Net sales	\$621	\$604	+3%	+8%	\$1587	\$1563	+2%	+8%
Retail	595	574	+4%	+9%	1516	1471	+3%	+10%
OEM	27	30	-12%	-12%	71	91	-22%	-22%
Gross profit	\$209	\$213	-2%		\$541	\$566	-4%	
% of net sales	33.6%	35.3%	-170bp		34.1%	36.2%	-210bp	
Operating expenses	\$135	\$135	0%		\$384	\$386	-0%	
% of net sales	21.7%	22.3%	-60bp		24.2%	24.7%	-50bp	
Operating income	\$74	\$79	-6%		\$157	\$180	-13%	
% of net sales	11.9%	13.0%	-110bp		9.9%	11.5%	-160bp	
Interest and other, net	\$1	-\$1	--		-\$1	\$0	--	
Effective tax rate	10.9%	8.6%	+200bp		10.9%	8.6%	+220bp	
Net income	\$67	\$72	-6%		\$139	\$164	-15%	
% of net sales	10.8%	11.8%	-100bp		8.8%	10.5%	-170pb	
EPS	\$0.41	\$0.43	-6%		\$0.84	\$0.99	-15%	
Diluted shares	165.2	166.3	-1%		166.0	166.1	0%	

RETAIL SALES: GROWTH CATEGORIES

	Q3 FY16 YOY			YTD FY16 YOY		
	Net Sales in USD	Net Sales in CC	Net Quantity	Net Sales in USD	Net Sales in CC	Net Quantity
Mobile Speakers	37%	44%	34%	48%	58%	38%
Video Collaboration	55%	62%	64%	47%	57%	51%
Gaming	11%	19%	16%	15%	24%	14%
Tablet & Other Accessories	-35%	-31%	-38%	-36%	-33%	-27%
Total Growth category	10%	17%	3%	15%	23%	7%

- Mobile Speakers sales reached all-time high for a quarter with strong double-digit growth in all regions driven by newest speakers
- Video Collaboration sales had triple-digit growth in Asia and strong double-digit growth in Americas and EMEA
- Gaming sales reached record high for a quarter with strong growth driven by new Gaming keyboards and headsets
- Tablet & Other Accessories performance reflected very weak market conditions

RETAIL SALES: PROFIT MAX CATEGORIES

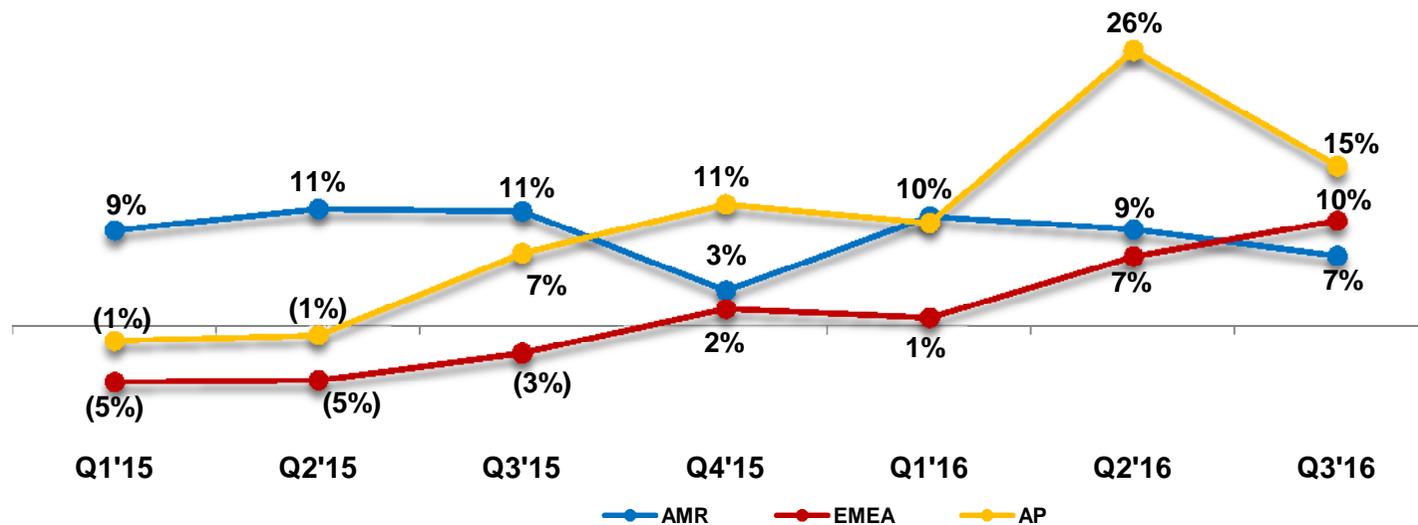
	Q3 FY16 YOY			YTD FY16 YOY		
	Net Sales in USD	Net Sales in CC	Net Quantity	Net Sales in USD	Net Sales in CC	Net Quantity
Pointing Devices	-1%	3%	0%	0%	5%	-1%
Keyboards & Combos	2%	8%	4%	0%	6%	3%
PC Webcams	-6%	-2%	-1%	-4%	2%	-5%
Audio – PC & Wearables	1%	9%	-7%	-8%	0%	-9%
Home Control	2%	8%	0%	-14%	-9%	-5%
Total Profit Maximization category	0%	5%	0%	-3%	3%	-1%

- Pointing Devices CC growth primarily driven by two newest, high-end wireless mice
- Keyboards & Combos delivered sales growth in all regions, led by Americas
- Home Control sales growth in CC in all regions driven primarily by new flagship product, Harmony Elite

RETAIL SALES BY REGION

- CC retail sales grew 9%
 - Americas sales into channel grew 7% in CC
 - EMEA sales into channel grew 10% in CC
 - Asia sales into channel grew 15% in CC

	Q3 FY16 YOY % Change		YTD FY16 YOY % Change	
	Net Sales into Channel in USD	Sell-Through in USD	Net Sales into Channel in USD	Sell-Through in USD
Americas	5%	5%	7%	9%
EMEA	-1%	5%	-6%	-5%
Asia	9%	9%	11%	8%
Total Retail	4%	6%	3%	4%



Note: Comparison is YOY unless noted otherwise
See Appendix for more about Sell-Through data

NON-GAAP* OPERATING EXPENSES

Investments to drive future growth offset by infrastructure savings

- Total opex, Q3 and YTD, unchanged from prior year due to disciplined spend management
- Continued to reduce infrastructure and G&A costs to fund investments in growth
- Increased R&D spend by 7% driven by seeds investments

	(\$ in millions)			
	Q3 FY16	YOY	YTD FY16	YOY
S&M <i>% of net sales</i>	\$85 13.7%	0% -40bp	\$235 14.8%	-2% -50bp
R&D <i>% of net sales</i>	\$28 4.6%	7% 20bp	\$84 5.3%	8% 30bp
G&A <i>% of net sales</i>	\$22 3.5%	-6% -30bp	\$65 4.1%	-5% -30bp
TOTAL <i>% of net sales</i>	\$135 21.7%	0% -60bp	\$384 24.2%	0% -50bp

KEY BALANCE SHEET METRICS*

(\$ in millions)	Dec 31, 2015	Dec 31, 2014	YOY
Total cash balance	\$505	\$508	-1%
Accounts receivable	\$284	\$291	-1%
<i>DSO</i>	<i>41 days</i>	<i>43 days</i>	<i>-2 days</i>
Inventory	\$240	\$233	3%
<i>Inventory turns</i>	<i>6.9</i>	<i>6.7</i>	<i>+0.2 turns</i>
<i>DSI</i>	<i>52 days</i>	<i>54 days</i>	<i>-2 days</i>
Accounts payable	\$364	\$344	6%
<i>DPO</i>	<i>79 days</i>	<i>79 days</i>	<i>0 days</i>
Cash conversion cycle (CCC)	14 days	18 days	-4 days

- Q3 FY16-ending cash position down by just \$3M despite \$86M in dividends and \$49M in share repurchases LTM
- Lowest quarterly CCC ever at 14 days
- Generated \$166M in cash from operations* in Q3 FY16
- Cash from operations* up 10% YTD to \$151M

RAISING FY16 OUTLOOK

	FY16 Outlook
Retail Sales Growth in CC	7-9%
Non-GAAP Op Inc	~\$170M

- Increased outlook for retail sales growth in CC from 7% to a range of 7-9%
- Increased outlook for Non-GAAP Op Inc from \$150M, which included Lifesize, to approximately \$170M

APPENDICES

GAAP TO NON-GAAP RECONCILIATIONS

(In thousands, except per share amounts) - Unaudited				
GAAP TO NON GAAP RECONCILIATION ^(A)	Three Months Ended		Nine Months Ended	
	December 31		December 31	
	2015	2014	2015	2014
SUPPLEMENTAL FINANCIAL INFORMATION				
Gross profit - GAAP	\$ 208,497	\$ 212,607	\$538,947	\$ 563,783
Share-based compensation expense	464	560	1,648	1,725
Gross profit - Non-GAAP	<u>\$ 208,961</u>	<u>\$ 213,167</u>	<u>\$540,595</u>	<u>\$ 565,508</u>
<i>Gross margin - GAAP</i>	33.6 %	35.2 %	34.0 %	36.1 %
<i>Gross margin - Non-GAAP</i>	33.6 %	35.3 %	34.1 %	36.2 %
Operating expenses - GAAP	\$ 139,982	\$ 143,055	\$420,244	\$ 422,839
Less: Share-based compensation expense	5,998	5,837	17,636	17,004
Less: Amortization of other intangible assets	112	166	447	597
Less: Restructuring charges (credits), net	(666)	—	14,018	(35)
Less: One time special charge	(249)	2,528	4,121	19,524
Operating expenses - Non-GAAP	<u>\$ 134,787</u>	<u>\$ 134,524</u>	<u>\$384,022</u>	<u>\$ 385,749</u>
<i>% of net sales - GAAP</i>	22.5 %	23.7 %	26.5 %	27.1 %
<i>% of net sales - Non - GAAP</i>	21.7 %	22.3 %	24.2 %	24.7 %
Operating income - GAAP	\$ 68,515	\$ 69,552	\$118,703	\$ 140,944
Share-based compensation expense	6,462	6,397	19,284	18,729
Amortization of other intangible assets	112	166	447	597
Restructuring charges (credits), net	(666)	—	14,018	(35)
One time special charge	(249)	2,528	4,121	19,524
Operating income - Non - GAAP	<u>\$ 74,174</u>	<u>\$ 78,643</u>	<u>\$156,573</u>	<u>\$ 179,759</u>
<i>% of net sales - GAAP</i>	11.0 %	11.5 %	7.5 %	9.0 %
<i>% of net sales - Non - GAAP</i>	11.9 %	13.0 %	9.9 %	11.5 %

GAAP TO NON-GAAP RECONCILIATIONS CONT.

(In thousands, except per share amounts) - Unaudited				
<i>GAAP TO NON GAAP RECONCILIATION</i> ^(A)	Three Months Ended		Nine Months Ended	
	December 31		December 31	
SUPPLEMENTAL FINANCIAL INFORMATION	2015	2014	2015	2014
Net income from continuing operations	68,040	66,418	111,352	129,611
Share-based compensation expense	6,462	6,397	19,284	18,729
Amortization of other intangible assets	112	166	447	597
Restructuring charges (credits), net	(666)	—	14,018	(35)
One time special charge	(249)	2,528	4,121	19,524
Investment impairment (recovery)	(4)	2,154	176	2,259
Provision for income taxes	(6,709)	(6,063)	(9,961)	(6,934)
Net income from continuing operations - Non - GAAP	\$ 66,986	\$ 71,600	\$ 139,437	\$ 163,751
Net income from continuing operations per share:				
Diluted - GAAP	\$ 0.41	\$ 0.40	\$ 0.67	\$ 0.78
Diluted - Non - GAAP	\$ 0.41	\$ 0.43	\$ 0.84	\$ 0.99
Shares used to compute net income per share:				
Diluted - GAAP and Non - GAAP	165,168	166,321	165,951	166,076

GAAP TO NON-GAAP RECONCILIATION NOTE

(A) 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.

While we use non-GAAP financial measures as a tool to enhance our understanding of certain aspects of our financial performance and to provide incremental insight into the underlying factors and trends affecting both our performance and our cash-generating potential, we do not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides useful supplemental data that, while not a substitute for GAAP financial measures, can offer insight in the review of our financial and operational performance and enables investors to more fully understand trends in our current and future performance. In assessing our business during the quarter ended December 31, 2015, we excluded items in the following general categories, each of which are described below:

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

CHANNEL INVENTORY DATA

- Estimates the inventory levels of our products held by or in-transit to our retailer and distributor customers
- Includes data compiled by Logitech from data supplied by our customers, and our estimates of inventory in transit to our customers
- Customers supplying data vary by geographic region and from period to period, but typically represent a majority of our retail sales
- Data and our estimates are subject to limitations and possible error sources and may not be an entirely accurate indicator of actual customer channel inventory
- Limitations and possible error sources include the following:
 - Data supplied by our customers may not be indicative of inventory held 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 data are largely outside our control
 - In the U.S., Canada, and to a lesser extent Asia Pacific, and a still lesser extent, EMEA, 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
 - Our interpretation of the data, and our estimates of in-transit inventory, may be subject to errors in assumptions, calculations or other errors