



Logitech

Q3 Fiscal Year 2013

January 23, 2013

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding: demand for our products, expansion of our presence and growth in the tablet and smartphones accessories category, new product launches, our plans to divest or discontinue non-strategic products, our priorities and investments, market trends, and our ability to be faster and more profitable, to achieve sustained profitability, to sustain our leadership and maximize profitability in PC platform-related products, to achieve cost savings from our FY13 restructuring, and to further reduce costs. 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 and sales in emerging market geographies; if sales of PC peripherals in mature markets are less than we expect; the effect of pricing, product, marketing and other initiatives by our competitors; if our products and marketing strategies fail to separate our products from competitors' products; if the restructuring fails to produce the intended performance and cost savings results. 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 September 30, 2012, 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.

Overview

- Q3 FY13
 - Disappointing sales, primarily due to continued weakness in the global PC market, with sales in Europe even weaker than expected
 - Logitech Ultrathin Keyboard Cover was #1 selling product across all our categories
 - Results reflect impact of \$211M non-cash goodwill impairment related to videoconferencing reporting unit
- New CEO outlines priorities after completing strategic review, with goal of shaping a faster, more profitable Logitech
 - Drive growth in mobility-related products such as tablet accessories and wireless speakers
 - Sustain leadership in PC platform-related products, with focus on maximizing profitability while freeing up resources to invest selectively in PC-related growth opportunities
 - Divest remote controls and digital video security categories, and discontinue other non-strategic products
 - Eliminate associated costs and seek additional opportunities for cost reductions in FY14

Q3 FY13 Sales & Gross Margin

- Total sales -14%
 - No material impact from exchange rates
 - Retail sales -14%
 - OEM sales -22% primarily due to double-digit declines in mice sales, reflecting the very weak market conditions for sales of new desktop PCs
 - LifeSize sales -4% YOY and +7% sequentially
- Gross margin -200bp YOY and -160bp sequentially
 - YOY decline primarily driven by unfavorable change in retail product mix and a weaker EURO

Note: Comparison is Y/Y unless noted otherwise

Information in constant dollars is calculated by translating prior period local currency results at the current period's average exchange rate.

Retail Sales Region Summary

Q3 FY13



- Total retail sales -14% and units -15%
- Overall retail average selling price +2% YOY and +8% sequentially

Q3 FY13

	Sales Into Channel	Sell-Through
EMEA*	-18%	-10%
Asia	-11%	+2%
Americas	-8%	-6%

*EMEA sales into the channel and sell-through provided above are both in local currency.

Information in constant dollars is calculated by translating prior period local currency results at the current period's average exchange rate.

Note: Comparison is Y/Y unless noted otherwise

Retail Sales Region Commentary

Q3 FY13



EMEA

- Declines across all categories, except Tablet Accessories which nearly tripled
- Channel partners chose to carry less inventory of PC-related products, further exacerbating the decline in PC platform peripherals in EMEA

Americas

- Remote Controls -21%, while sales of Google TV-related products fell from \$7M to \$0 as we have exited that category
- Tablet Accessories sales nearly doubled

ASIA

- Sales declined, with particular weakness in Australia and Japan
- China sales +7% with strongest growth in Tablet Accessories and Audio Wearables & Wireless

Note: Comparison is Y/Y unless noted otherwise

Revised Retail Product Categories

In an effort to help investors more clearly track the progress of various product initiatives, Logitech is now utilizing revised retail product categories summarized below. Updated financial history is available in the Investors section of the company's website.

Revenue category:	Now includes:	Changes noted:
Pointing Devices	PC-related mice, trackpads, touchpads, presenters	Moved non-classified to Other
PC Keyboards & Desktops	Keyboards and keyboard/mice combos	No longer includes Tablet Keyboards
Tablet accessories	Form-fitting keyboards and other tablet accessories	Formerly reported as part of Keyboards & Desktops
Video	Webcams, digital video security systems, TV Cams	Added TV Cams (previously in Digital Home)
Audio - PC	PC speakers and PC headsets	Separated non-PC audio products into own group
Audio - Wearables & Wireless	Non-PC audio products including ear and headphones, wireless speakers	Formerly reported as part of Audio
PC Gaming	PC gaming mice, gamepads, headsets, joysticks, steering wheels	Formerly reported as part of Gaming; moved console gaming into Other
Remotes	Universal remote controls	Formerly reported as part of Digital Home
Other	Speaker docks, streaming media systems, console gaming, Logitech Revue for Google TV products; other	Includes non-strategic product categories formerly in Audio (speaker docks, streaming media systems), Gaming (console) and Digital Home (GTV-related products)

Note: There are no longer retail categories entitled Digital Home or Gaming.

Selected Q3 Retail Product Category Commentary

- **Tablet Accessories +119%**
 - Majority of growth driven by continued strong demand for Ultrathin Keyboard Cover
- **Audio-Wireless & Wearables sales +1%**
 - Sales of wireless speakers for smartphones and tablets +29%
 - Sales of earphones/headphones -26%
 - Previous year includes aggressive Black Friday promotion of UE earphones which was not repeated in Q3 FY13
- **PC Keyboards & Desktops sales -6%**
 - Decline was entirely in Desktop category
 - Sales of standalone keyboards +15%
 - Total KB&DT sales +8% in Americas, as sales declined in EMEA and Asia
- **Pointing Devices sales -10%**
 - Impact of continued weakness of global PC market was major factor in sales declines in all regions, with steepest declines in EMEA
 - Lower sales in mid-range and low-end, while sales and units nearly doubled at high-end

Note: Comparison is Y/Y unless noted otherwise

Selected Q3 Retail



Product Category Commentary (continued)

- Video sales -11%
 - Consumer webcams continue to decline due to market trends
 - Sales of Logitech TV Cam HD partially offset decline in webcams
 - Digital Video Security sales -6% to roughly \$5M (this product category no longer fits the future strategic direction of the company and is slated to be divested)
- PC Audio sales -19%
 - Double-digit declines in PC speakers and PC headsets
 - Declines largely influenced by weakness in global market for new PCs and relative weakness of our lineup in strong growth markets such as China and Russia
 - Achieved single-digit growth in the high-end of PC speakers category
- PC Gaming sales -20%
 - Declines across most products in category, with steepest decline in steering wheels
 - Most significant regional decline in EMEA, with modest sales growth in Americas
- Remote Controls -24%
 - Sales at high-end +4% only, despite launch of our first high-end remote in over four years (this product category no longer fits future strategic direction of the company and is slated to be divested)

Retail Product Category Summary

Q3 FY13

YoY Change

	Revenue	Units
Pointing Devices	-10%	-12%
PC Keyboards/Desktops	-6%	-10%
Tablet Accessories	119%	119%
Video	-11%	-29%
Audio - PC	-19%	-22%
Audio - Wearables & Wireless	1%	-15%
PC Gaming	-20%	-10%
Remotes	-24%	-55%
Other	-76%	-68%
Total Retail Products	-14%	-15%

Q3 FY13 Overview: Operating Expenses

Operating expense +107% due to impact of \$211M goodwill impairment

- S&M -3%
- R&D -4%
- G&A -14%

Excluding aforementioned goodwill impairment, non-GAAP operating expenses -5%

Company on track to achieve \$80M in cost savings (FY14 over FY12) as a result of the restructuring announced in April of 2012

Q3 FY13 Overview:

Operating Results, Other Exp, Tax & Net Results

- Operating loss \$180M includes non-cash goodwill impairment of \$211M
 - Excluding the goodwill impairment, non-GAAP operating income would have been \$31M
- Other expense totaled \$3.7M, compared to other income of \$6.7M in prior year
 - Q3 FY12 includes a gain of ~\$6M from the sale of CDOs
 - Q3 FY13 includes write down of an equity investment by ~\$4M
- Tax provision ~\$11M, despite loss, as goodwill impairment is not tax deductible
- Net loss \$195M includes aforementioned goodwill impairment
 - Excluding the goodwill impairment, non-GAAP net income would have been \$16M

Q3 FY13 Financial Results

Dollars (in millions, except per share data)

	Q3 FY13	Q3 FY12	% Δ
NET SALES	\$615	\$715	-14%
GROSS PROFIT	\$211	\$259	-19%
<i>% of net sales</i>	34.2%	36.2%	-200bp
S&M	\$113	\$116	-3%
<i>% of net sales</i>	18.3%	16.3%	
R&D	\$40	\$42	-4%
<i>% of net sales</i>	6.6%	5.9%	
G&A	\$26	\$31	-14%
<i>% of net sales</i>	4.3%	4.3%	
GOODWILL IMPAIRMENT	\$211	--	
OPERATING INCOME (LOSS)	\$(180)	\$70	
NET INCOME (LOSS)	\$(195)	\$55	
NET INCOME PER SHARE	\$(1.24)	\$0.32	
DILUTED SHARES OUTST.	158	174	

Balance Sheet

	December 31, 2012	December 31, 2011
Dollars (in millions)		
CASH	\$322	\$523
ACCOUNTS RECEIVABLE	\$265	\$319
<i>DSO</i>	39 Days	40 Days
INVENTORY	\$277	\$296
<i>Inventory turns</i>	5.8	6.2
ACCOUNTS PAYABLE	\$339	\$377
<i>DPO</i>	76 Days	74 Days
CASH CONVERSION CYCLE	25 Days	24 Days

Cash

- Ended the quarter with \$322M in cash (+\$85M compared to September and -\$201M compared to the prior year)
 - Payment of one-time dividend of \$133M in Q2
 - During last 12 months, repurchased \$173M worth of stock
- Q3 cash flow from operations was \$95M, down from \$153M in Q3 FY12, due primarily to YOY reduction in net income
- No share repurchases during Q3
 - Currently own ~8.7% of our own shares, after cancellation of 18.5M shares purchased in Q4 FY12 and Q1 FY13
 - \$4M remaining under our current \$250M repurchase program

Summary

- CEO's review yields immediate actions around strategic groupings which include:
 - PC Platform
 - Mobility
 - Non-strategic
 - LifeSize
- Top priority is to make Logitech a faster, more profitable company
 - Manage PC platform categories with goal of profit maximization, while freeing up resources to invest selectively in PC-related growth opportunities
 - Prioritize resources in support of high-growth potential Mobility products (ie: tablet accessories, wireless speakers)
 - Transition out of non-strategic categories (ie: speaker docks and console gaming) by end of calendar 2013 to improve profitability, remove unnecessary costs and eliminate distractions
 - Initiated process to divest remote controls and digital video security products

Appendices

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 is 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 is 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

Reconciliation of GAAP to Non-GAAP Measures

	Quarter Ended December 31,		Incr (Decr)
	2012	2011	
Operating expenses:			
Total operating expenses - GAAP	\$ 390,115	\$ 188,897	107%
Less: Goodwill impairment	211,000	-	100%
Total operating expenses excluding goodwill impairment - Non-GAAP	<u>\$ 179,115</u>	<u>\$ 188,897</u>	<u>-5%</u>
Operating income (loss):			
Operating loss - GAAP	(180,017)		
Less: Goodwill impairment	211,000		
Operating income before goodwill impairment - Non-GAAP	<u>\$ 30,983</u>		
Income (loss) before income taxes:			
Loss before income taxes - GAAP	(183,573)		
Less: Goodwill impairment	211,000		
Income before income taxes and goodwill impairment - Non-GAAP	<u>\$ 27,427</u>		
Net income (loss):			
Net loss - GAAP	(194,943)		
Less: Goodwill impairment	211,000		
Net income before goodwill impairment - Non-GAAP	<u>\$ 16,057</u>		

Constant dollar sales (sales excluding impact of exchange rate changes) and Non-GAAP operating and net income (excluding the Q3 FY 2013 impairment charge)

We refer to our net sales excluding the impact of foreign currency exchange rates as constant dollar sales. We also report non-GAAP operating and net income (loss) in this press release, excluding the Q3 FY 2013 non-cash impairment charge, and non-GAAP operating income (loss) before depreciation and amortization. Constant dollar sales and non-GAAP operating and net income (loss) are non-GAAP financial measures, which are information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. GAAP. Our management uses these non-GAAP measures in its financial and operational decision-making, and believes these non-GAAP measures, when considered in conjunction with the corresponding GAAP measures, facilitate a better understanding of changes in net sales, operating income (loss) and net income(loss). Constant dollar sales are calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency. Non-GAAP operating income (loss) and non-GAAP net income (loss) before goodwill impairment can be reconciled to GAAP operating income (loss) and GAAP net income (loss), respectively, by adding the amount of the impairment charge. Non-GAAP operating income (loss) before depreciation and amortization can be reconciled to GAAP operating income (loss) by adding the amounts of depreciation and amortization of other intangible assets.

