



Logitech

Q4 Fiscal Year 2013

April 24, 2013

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding: positive indicators and expectations of profitability and other improvement in Fiscal Year 2014, the stabilization and turnaround of our business, momentum of our tablet accessories, product categories we plan to exit and the timing of those transitions, the potential of and our plans and focus with respect to certain businesses and product categories, new product development and launches, inventory levels, the effect of a charge to reduce the value of our owned inventory, growth opportunities, cost savings from our restructuring initiatives, our strategy and priorities, Fiscal Year 2014 sales, gross margin, operating income and tax rate, sales seasonality, and the timing related to progress of our Fiscal Year 2014 outlook. 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 our restructurings fail to produce the intended performance and cost savings results; 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. 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, 2012, available at www.sec.gov under the caption Risk Factors and elsewhere. Logitech does not undertake any obligation to update any forward-looking statement to reflect new information or events or circumstances occurring after the date on this presentation.

Overview

- Q4 FY13
 - Retail business has begun to stabilize, with exception of EMEA
 - European sales impacted by extreme weakness in PC market and continued macro-economic uncertainty in the region
 - Our retail sales of mice and keyboards in Americas and Asia +6% combined, much better than market for PCs which was -14%* globally
 - Tablet Accessories show strong sales momentum in every region
 - Results reflect impact of \$15.5 M in restructuring charges and \$5.7M in goodwill and other impairment charges

* Source: IDC Worldwide Quarterly PC Tracker 2013 Q1 - Preliminary Top 5

Note: Comparison is Y/Y unless noted otherwise

Q4 FY13 Sales & Gross Margin

- Total sales -12%
 - Excluding unfavorable impact of exchange rates, sales -11%
 - Retail sales -10%
 - OEM sales -21%, reflecting very weak market conditions for sales of new desktop PCs
 - LifeSize sales -19% YOY and -21% sequentially
- Gross margin -290bp YOY and -70bp sequentially
 - Biggest driver of declines was \$5M charge to revalue our inventory of several headphones and a large form-factor wireless speaker
 - Also negatively impacted by variety of costs related to project cancellations and product line streamlining

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

Q4 FY13



- Total retail sales -10% and units -10%
- Overall retail average selling price was flat YOY and -11% sequentially

Q4 FY13

	Sales Into Channel	Sell-Through
Asia	2%	4%
Americas	-2%	flat
EMEA *	-25%	-15%

*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

Q4 FY13



ASIA

- Solid sales in several PC peripheral categories, with growth in Pointing Devices, Keyboards & Desktops, and webcams
- China sales +3% with strongest growth in Tablet Accessories and Keyboards & Desktops

AMERICAS

- Tablet Accessories sales more than tripled
- Double-digit sales growth in PC Keyboards & Desktops
- Excluding the decline in sales in categories we plan to exit (reported under Retail–Other), Americas sales would have been up 2%

EMEA

- Declines across all categories, except Tablet Accessories which were 5x larger than prior year
- Channel partners further reduced inventory of PC-related products during Q4, exacerbating the decline in PC platform peripherals in EMEA

Note: Comparison is Y/Y unless noted otherwise

Selected Q4 Retail Product Category Commentary

- **Tablet Accessories sales +332%**
 - Majority of growth driven by continued strong demand for Logitech Ultrathin Keyboard Cover
 - Strong initial demand for Ultrathin Keyboard for iPad mini which began shipping in Q4
- **PC Keyboards & Desktops sales +4%**
 - Sales of wireless, stand alone keyboards +43%
 - Total KB&DT sales +10% in Americas and Asia
- **Pointing Devices sales -3%**
 - Cordless mice sales +2% with units +9%
 - Lower sales in high-end and low-end offerings, while sales and units up in mid-range of category
 - Decline in category was entirely in EMEA
- **Video sales -18%**
 - Overall decline in the category due to weak EMEA sales
 - Sales flat in Americas and +21% in Asia
 - Digital Video Security sales ~\$4M (we intend to transition out of this product category by the end of Fiscal 2014)

Note: Comparison is Y/Y unless noted otherwise

Selected Q4 Retail



Product Category Commentary (continued)

- **PC Audio sales -20%**
 - Decline primarily in PC speakers
 - Reflects weakness in overall market for new PCs and lack of product refresh in over one year
- **Remotes sales -33%**
 - Double-digit sales declines in both high-end and low-end (we intend to transition out of this product category by the end of Fiscal 2014)
- **Audio-Wireless & Wearables sales -39%**
 - Sales of mobile speakers and headphones declined steeply
 - Mobile speaker sales impacted by weak demand for Logitech UE Boombox due to lack of differentiation and too large form factor
 - Headphones sales suffered, despite exceptional product quality, due to relatively lower marketing spending in a category that requires sizable marketing investment to drive lifestyle brand appeal
- **PC Gaming sales -43%**
 - Decline primarily reflects aging lineup that we are now in process of addressing with new products
 - New products just now starting to appear in stores

Retail Product Category Summary

	Q4 FY13		FY13	
	YoY Change		YoY Change	
	Revenue	Units	Revenue	Units
Pointing Devices	-3%	-4%	-7%	-4%
PC Keyboards/Desktops	4%	-2%	1%	-1%
Tablet Accessories	332%	199%	174%	133%
Video	-18%	-35%	-17%	-26%
Audio - PC	-20%	-24%	-13%	-14%
Audio – Wearables & Wireless	-39%	-15%	24%	14%
PC Gaming	-43%	-38%	-17%	-7%
Remotes	-33%	-43%	-21%	-37%
Other	-96%	-74%	-68%	-53%
Total Retail Products	-11%	-10%	-8%	-7%

LifeSize Videoconferencing

- Completed assessment as planned in Q4 FY13
- Decided to continue to run LifeSize as a division of Logitech
- Implemented restructuring with goal of achieving operating profitability (excluding amortization) by end of Fiscal 2014

Q4 FY13 Overview: Operating Expenses

- Operating expense +14% primarily due both to:
 - \$15.5M in restructuring charges which includes realignment and restructuring at LifeSize
 - \$5.7M in goodwill impairment charges which includes \$3.5M true-up of \$211M LifeSize goodwill impairment charges booked in Q3 as well as additional asset impairments related to Digital Video Security business (which we are in the process of exiting)
- S&M +7% due to new product launch support costs
- R&D -11%
- G&A flat, but would have declined excluding non-recurring costs
- Excluding aforementioned restructuring and goodwill impairment charges, non-GAAP operating expenses +2%

Q4 FY13 Overview:

Operating Results, Other Exp & Net Results

- Operating loss \$37M includes restructuring and goodwill impairment charges
 - Excluding the charges mentioned above, non-GAAP operating loss would have been \$16M
- Other expense totaled \$2.1M, compared to other income of \$6.5M in prior year
 - Q4 FY12 includes a gain of ~\$4M from the sale of a building
- Net loss \$36M includes aforementioned restructuring and goodwill impairment charges
 - Excluding the charges mentioned above, non-GAAP net loss would have been \$15M

Q4 FY13 Financial Results

Dollars (in millions, except per share data)

	Q4 FY13	Q4 FY12	% Δ
NET SALES	\$469	\$532	-12%
GROSS PROFIT	\$157	\$194	-19%
<i>% of net sales</i>	33.5%	36.4%	-290bp
S&M	\$107	\$100	7%
<i>% of net sales</i>	22.9%	18.9%	
R&D	\$37	\$41	-11%
<i>% of net sales</i>	7.8%	7.7%	
G&A	\$29	\$29	0%
<i>% of net sales</i>	6.2%	5.4%	
IMPAIRMENT OF GOODWILL & OTHER ASSETS	\$6	--	
RESTRUCTURING CHARGES	\$16	--	
OPERATING INCOME (LOSS)	\$(37)	\$24	
NET INCOME (LOSS)	\$(36)	\$28	
NET INCOME PER SHARE	\$(0.23)	\$0.17	
DILUTED SHARES OUTST.	159	170	

Balance Sheet

March 31, 2013 March 31, 2012

Dollars (in millions)

	March 31, 2013	March 31, 2012
CASH	\$334	\$478
ACCOUNTS RECEIVABLE	\$180	\$223
<i>DSO</i>	34 Days	38 Days
INVENTORY	\$261	\$297
<i>Inventory turns</i>	4.8	4.6
ACCOUNTS PAYABLE	\$266	\$301
<i>DPO</i>	77 Days	80 Days
CASH CONVERSION CYCLE	33 Days	37 Days

Cash

- Ended the quarter with \$334M in cash (-\$145M YOY and +\$12M QoQ)
 - Payment of one-time dividend of \$133M in Q2 of FY 2013
 - FY 2013 stock repurchases totaled \$90M
- Q4 cash flow from operations was \$13M, down from \$42M in Q4 FY12, due primarily to YOY reduction in net income
- No share repurchases during Q4
 - Currently own ~8% of our own shares
 - \$4M remaining under our current \$250M repurchase program

FY 2014 Outlook

FY 2014 Outlook

Sales	~\$2B
Gross margin	~34%
Operating Income	~\$50M

NOTE:

- Assumes we have transitioned out of non-strategic product categories (includes Remotes, Digital Video Security products within Video and products reported in Retail-Other) by the end of Fiscal 2014
- Assumes normal seasonality in FY 2014 such that the progress in our turnaround will not become tangible until the second half of Fiscal 2014
- Targeting full fiscal year tax rate at ~20%

Summary

- Completed appropriate actions in FY13 to effect turnaround, including
 - Clarified priorities and narrowed strategic focus
 - Enabled cost savings through restructuring initiatives
- Top priority remains making Logitech faster, more profitable
 - Manage PC platform categories with goal of profit maximization, while freeing up resources to invest selectively to drive growth in areas like PC Gaming and Unified Communications
 - Prioritize resources in support of high-growth potential Mobility products (continued momentum in Tablet Accessories and potential with wireless speakers and earphones)
 - Focus LifeSize on growth opportunities and achieving operating profitability by end of Fiscal 2014
 - Transition out of non-strategic categories by end of Fiscal 2014 to improve profitability, remove unnecessary costs and eliminate distractions

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 March 31,	
	2013	2012
Total operating expenses - GAAP	\$ 194,238	\$ 170,146
Less: Impairment of goodwill and other assets	5,688	-
Less: Restructuring charges	15,506	-
<i>Total operating expenses before impairment of goodwill and other assets and restructuring charges – Non-GAAP</i>	<u>\$ 173,044</u>	<u>\$ 170,146</u>
Operating income (loss) - GAAP	\$ (37,280)	\$ 23,741
Less: Impairment of goodwill and other assets	5,688	-
Less: Restructuring charges	15,506	-
<i>Operating income (loss) before impairment of goodwill and other assets and restructuring charges – Non-GAAP</i>	<u>\$ (16,086)</u>	<u>\$ 23,741</u>
Income (Loss) before income taxes - GAAP	\$ (34,886)	\$ 30,688
Less: Impairment of goodwill and other assets	5,688	-
Less: Restructuring charges	15,506	-
<i>Income (loss) before income taxes and impairment of goodwill and other assets and restructuring charges – Non-GAAP</i>	<u>\$ (13,692)</u>	<u>\$ 30,688</u>
Net income (loss) - GAAP	\$ (35,914)	\$ 28,286
Less: Impairment of goodwill and other assets	5,688	-
Less: Restructuring charges	15,506	-
<i>Net income (loss) before impairment of goodwill and other assets and restructuring charges – Non-GAAP</i>	<u>\$ (14,720)</u>	<u>\$ 28,286</u>

Constant dollar sales (sales excluding impact of exchange rate changes) and Non-GAAP operating income (loss), income (loss) before income taxes and net income (loss) (excluding the FY 2013 impairment and restructuring charges)

We refer to our net sales excluding the impact of foreign currency exchange rates as constant dollar sales. We also report non-GAAP operating expenses, operating income (loss), income (loss) before income taxes and net income (loss) in this press release and related materials, excluding the FY 2013 impairment of goodwill and other assets and restructuring charges. Constant dollar sales and non-GAAP operating expenses, operating income (loss), income (loss) before income taxes 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 expenses, operating income (loss), income (loss) before income taxes 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 expenses, operating income (loss), income (loss) before income taxes and net income (loss) before impairment of goodwill and other assets and restructuring charges can be reconciled to GAAP operating expenses, operating income (loss), income (loss) before income taxes and net income (loss), respectively, by adding the amount of the impairment and restructuring charges.

