



Logitech

Q1 Fiscal Year 2015 Preliminary and Unreviewed Results

July 23, 2014

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding: the Company's growth engines, additional growth businesses, sales growth, product offerings and portfolio expansion, innovation, investments in innovation and growth, pace of innovation, investment capacity, operating expenses, spending, profitability, profitability improvements, our capital allocation strategy, the impact of the Company's new product programs, market adoption of video collaboration solutions, and Fiscal Year 2015 sales, gross margin and operating income. 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: the results of the Audit Committee's investigation and the completion of the additional work related to the Company's Fiscal Year 2014 Annual Report on Form 10-K and the Fiscal Year 2015 First Quarter Quarterly Report on Form 10-Q; any adjustments resulting from the review of the preliminary financial results for the first quarter of Fiscal Year 2015 by the Company's independent registered public accounting firm or from the review of subsequent events, including reserves and estimates, through the date of filing the Fiscal Year 2015 First Quarter Quarterly Report on Form 10-Q; 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; 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, 2013 and our Amended Annual Report on Form 10-K/A for the fiscal year ended March 31, 2013, 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.

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 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 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 GAAP amounts has been provided for Fiscal Year 2015.

Update on Audit Committee Investigation

As previously disclosed, Logitech's Audit Committee, with the assistance of independent advisors, is conducting an independent investigation of certain accounting matters related to the Company's previously issued financial statements. Related to the Audit Committee's investigation, the Company is performing additional work associated with its Fiscal Year 2014 Annual Report on Form 10-K, which might result in adjustments to the financial statements. The Audit Committee has not reached any conclusion because the investigation is ongoing. In addition, preliminary financial information for the first quarter of Fiscal Year 2015 was compiled by the Company and has not yet been reviewed by the Company's independent registered public accounting firm. The financial information for the first quarter of Fiscal Year 2015 may be subject to adjustment depending on the outcome of the Audit Committee's investigation and changes in reserves and estimates resulting from subsequent events and other information available through the filing date of the Company's Quarterly Report on Form 10-Q for the first quarter of Fiscal Year 2015. Accordingly, the preliminary results for the first quarter of Fiscal Year 2015 and the results for the corresponding period of Fiscal Year 2014 contained in this presentation may be subject to potentially material adjustment.

Complete financial information for the first quarter of Fiscal Year 2015, including balance sheet and statement of cash flows, will be provided when the Company files its Quarterly Report on Form 10-Q. The Company expects that filing will also be delayed.

Financial Summary

Q1 results deliver strong start to FY15

- Total sales up 1% and total retail sales up 3%, with sales in Growth category (PC Gaming, Tablet & Other Accessories, Mobile Speakers) up 17%
- Q1 non-GAAP gross margin performance of 38.3%, up by 240 basis points
 - Key driver of improvement is product cost reductions in Profit Maximization categories, combined with slight improvement in Growth category as some products begin to scale
 - About one percentage point of this improvement is due to our books still being open for Q4 of FY14, which has resulted in changes that impact Q1 FY15 results
- Continued savings in non-GAAP operating expenses
- Significantly improved profitability with Q1 non-GAAP operating income of \$44M vs. \$12M and non-GAAP EPS of \$0.23 vs \$0.07
- Generated ~\$28M in cash flow from operations in Q1 through strong working capital management; trailing twelve months (TTM) cash flow from operations was ~\$230M

Increased FY15 profitability outlook

- Based on strength of Q1 performance, increasing FY15 outlook for non-GAAP operating income from \$145M to approximately \$170M

⁴ The preliminary results for Q1 FY15 and the results for the corresponding period of FY14 may be subject to potentially material adjustment

Non-GAAP Income Statements

(\$ in millions, except per share amounts)

	Q1 FY15 Non-GAAP	Q1 FY14 Non-GAAP	YOY
Net sales	\$484	\$478	1%
<i>Retail</i>	425	413	3%
<i>OEM</i>	33	35	-6%
<i>Lifesize</i>	26	30	-15%
Gross profit	\$185	\$172	8%
<i>% of net sales</i>	38.3%	35.9%	+240bp
Operating expenses	\$141	\$160	-12%
<i>% of net sales</i>	29.2%	33.4%	-420bp
Operating income	\$44	\$12	265%
<i>% of net sales</i>	9.1%	2.5%	+660bp
Interest and other, net	\$0	\$1	--
Effective tax rate	12.9%	15.3%	-240bp
Net income	\$38	\$11	259%
<i>% of net sales</i>	7.9%	2.2%	+570bp
EPS	\$0.23	\$0.07	247%
Diluted shares outstanding	165.8	160.3	3%

⁵ The preliminary results for Q1 FY15 and the results for the corresponding period of FY14 may be subject to potentially material adjustment

Retail Sales by Region

	Q1 FY15 YOY	
	Sales into Channel	Sell-Through
Asia	-3%	2%
Americas	9%	9%
EMEA*	-5%	-2%
Total Retail	3%	6%

*For comparison purposes. EMEA sales into channel and sell-through provided in EURO

- Q1 total retail sales into channel up 3%
 - Growth category (PC Gaming, Tablet & Other Accessories, Mobile Speakers) sales up 17%
 - Overall Q1 retail average selling price (ASP) down 1%

⁶ The preliminary results for Q1 FY15 and the results for the corresponding period of FY14 may be subject to potentially material adjustment

Notes: Comparison is YOY unless noted otherwise
See Appendix for more about sell-through data.

Retail Sales & Units YOY % Change*

	Q1 FY15 YOY	
	Net Sales	Net Quantity
PC Gaming	17%	26%
Tablet & Other Accessories	-15%	12%
Mobile Speakers	109%	105%
Total Growth category	17%	29%
Pointing Devices	-1%	4%
PC Keyboards & Desktops	8%	7%
Audio – PC & Wearables	-11%	-7%
Video	10%	-17%
Remotes	-15%	11%
Total Profit Maximization category	1%	2%
Retail – Other (Non-strategic category)	-81%	-63%
Total Retail Products	3%	4%

⁷ The preliminary results for Q1 FY15 and the results for the corresponding period of FY14 may be subject to potentially material adjustment

* See Appendices for further details on retail sales in both current and former reporting formats

Q1 Growth Category Commentary

- PC Gaming sales +17%
 - Growth in gaming mice, steering wheels, headsets and gamepads
 - Reflects benefit of updated portfolio and new products
- Tablet & Other Accessories sales -15%
 - Sales decline reflects 26% drop in sales of tablet keyboards reflecting:
 - Weak market for iPad shipments
 - Inventory reductions taken across supply chain to better align with slowdown in iPad market
 - Tablet cases, first introduced in Q1 of prior year, more than tripled from a relatively small base
- Mobile Speakers sales +109%
 - Success driven primarily by our flagship product - UE BOOM, our best selling product across all categories in Q1
 - Fifth consecutive quarter of sales more than doubling
 - Significant sales increases across our three regions due to strong demand and expanded distribution

Q1 Profit Maximization Category Commentary

- Profit Maximization category sales increased by 1%, with units up by 2%
 - Growth driven by PC Keyboards & Desktops and Video
- PC Keyboards & Desktop sales +8%
 - Double-digit sales growth in our Americas and EMEA regions
 - Continued strong demand for our living room keyboard offerings
- Video sales +10%
 - Consumer webcam sales down 23%, reflecting expected structural decline in market
 - Growth of our video collaboration offerings targeted at small and midsize conference rooms more than offsets Webcam sales decline

Non-GAAP Operating Expenses

- Q1 non-GAAP operating expenses of \$141M declined by 11% or \$18M YOY
 - Non-GAAP operating expenses were 29.2% of sales, down 420 basis points YOY
 - Includes savings from ongoing rationalization of infrastructure and indirect procurement activities
 - Q1 FY15 Non-GAAP excludes \$8.7M in G&A costs related to the ongoing Audit Committee investigation

	Non-GAAP Operating Expenses	
	Q1 FY15	YOY
	(\$ in millions)	
S&M	\$86	-11%
<i>% of net sales</i>	<i>17.9%</i>	<i>-230bp</i>
R&D	\$30	-13%
<i>% of net sales</i>	<i>6.2%</i>	<i>-100bp</i>
G&A	\$25	-12%
<i>% of net sales</i>	<i>5.1%</i>	<i>-80bp</i>
TOTAL	\$141	-11%
<i>% of net sales</i>	<i>29.2%</i>	<i>-420bp</i>

¹⁰ The preliminary results for Q1 FY15 and the results for the corresponding period of FY14 may be subject to potentially material adjustment

Key Balance Sheet Metrics

- Total cash balance ~\$485M, up approximately 52%, or \$166M, YOY
- Q1 cash flow from operations of ~\$28M was most for a Q1 in last five years
- TTM cash flow from operations was ~\$230M, up ~89%
- Cash conversion cycle of ~27 days, the lowest ever for a Q1, with improvement driven by inventory efficiency initiatives

Complete financial information for the first quarter of Fiscal Year 2015, including balance sheet and statement of cash flows, will be provided when the Company files its Quarterly Report on Form 10-Q. The Company expects that filing will also be delayed.

The preliminary results for Q1 FY15 and the results for the corresponding period of FY14 may be subject to potentially material adjustment

Note: Comparison is YOY unless noted otherwise

Increasing FY15 Profitability Outlook

	Current FY15 Outlook
Sales	\$2.16B
Non-GAAP Operating Income	~\$170M*

*We have increased our outlook for non-GAAP operating income by 17% from \$145M to approximately \$170M

¹² The preliminary results for Q1 FY15 and the results for the corresponding period of FY14 may be subject to potentially material adjustment

Raised FY15 Profitability Outlook Following Strong Q1 Results

- Strong Q1 financial results led to raised full-year outlook for non-GAAP operating income
 - Four out of five quarters of retail sales growth, with continued double-digit YOY improvement in Growth category sales
 - Record high non-GAAP gross margin
 - Significant improvement to profitability
 - Best Q1 cash flow from operations in five years
- Profit maximization strategies yielding improved profitability in PC-related categories
- Working to create more growth engines

Focused on delivering FY15 outlook with sales growth and improved profitability

Appendices

GAAP to Non-GAAP Reconciliation

The following financial statements and supplemental information may be subject to potentially material adjustment. Please see notes below the tables.

(In thousands, except per share amounts) - Unaudited

SUPPLEMENTAL FINANCIAL INFORMATION	Three Months Ended	
	June 30,	
	2014 ⁽¹⁾ ⁽²⁾	2013 ⁽¹⁾
Gross profit - GAAP	\$ 184,157	\$ 168,355
Share-based compensation expense	538	577
Amortization of other intangible assets	550	2,578
Gross profit - Non-GAAP	\$ 185,245	\$ 171,510
<i>Gross margin - GAAP</i>	38.1%	35.2%
<i>Gross margin - Non-GAAP</i>	38.3%	35.9%
Operating expenses - GAAP	\$ 158,690	\$ 168,308
Less: Share-based compensation expense	6,400	3,813
Amortization of other intangible assets	2,232	2,686
Restructuring charges, net	-	2,334
One time special charge	8,700	-
Operating expenses - Non-GAAP	\$ 141,358	\$ 159,475
<i>% of net sales - GAAP</i>	32.8%	35.2%
<i>% of net sales - Non - GAAP</i>	29.2%	33.4%
Operating income - GAAP	\$ 25,467	\$ 47
Share-based compensation expense	6,938	4,390
Amortization of other intangible assets	2,782	5,264
Restructuring charges, net	-	2,334
One time special charge	8,700	-
Operating income - Non - GAAP	\$ 43,887	\$ 12,035
<i>% of net sales - GAAP</i>	5.3%	0.0%
<i>% of net sales - Non - GAAP</i>	9.1%	2.5%

GAAP to Non-GAAP Reconciliation continued

(In thousands, except per share amounts) - Unaudited

SUPPLEMENTAL FINANCIAL INFORMATION	Three Months Ended	
	June 30,	
	2014 ^{(1) (2)}	2013 ⁽¹⁾
Net income - GAAP	\$ 22,032	\$ 1,043
Share-based compensation expense	6,938	4,390
Amortization of other intangible assets	2,782	5,264
Restructuring charges, net	-	2,334
One time special charge	8,700	-
Investment impairment, net	-	370
Benefit from (provision for) income taxes	(2,204)	(2,730)
Net income - Non - GAAP	38,248	10,671
Net income per share:		
Diluted - GAAP	\$ 0.13	\$ 0.01
Diluted - Non - GAAP	\$ 0.23	\$ 0.07
Shares used to compute net income per share:		
Diluted - GAAP	165,833	160,281
Diluted - Non-GAAP	165,833	160,281

(1) NOTE: Based on the Audit Committee's investigation and related additional work associated with the Company's Fiscal Year 2014 Annual Report on Form 10-K, the preliminary results for the first quarter of Fiscal Year 2015 and the results for the corresponding period of Fiscal Year 2014 contained in these prepared remarks may be subject to potentially material adjustment.

(2) NOTE: The financial information for the first quarter of Fiscal Year 2015 is preliminary, was compiled by the Company and has not yet been reviewed by the Company's independent registered public accounting firm. The financial information for the first quarter of Fiscal Year 2015 may be subject to potentially material adjustment depending on the outcome of the Audit Committee's investigation as well as changes in reserves and estimates resulting from subsequent events and other information available through the filing date of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.

Non-GAAP Exclusions by Category

Non-GAAP Exclusions by Category	Q1'14 Actual	Q2'14 Actual	Q3'14 Actual	Q4'14 Actual	FY'14 Actual	Q1'15 Actual
Total GAAP OpInc	\$0	\$17	\$53	\$4	\$74	\$26
Stock Based Compensation	\$4	\$4	\$9	\$8	\$26	\$7
Restructuring	\$2	\$11	\$1	\$5	\$19	(\$0)
Amortization of Intangibles	\$5	\$5	\$4	\$3	\$18	\$3
Goodwill Impairment	\$0	\$0	\$0	\$0	\$0	\$0
Special One-Time	\$0	\$0	\$0	\$0	\$0	\$9
Total Adjustments	\$12	\$20	\$14	\$16	\$62	\$18
Total Non-GAAP OpInc	\$12	\$37	\$67	\$20	\$136	\$44

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

