

Logitech

Q3 Fiscal Year 2014 Results

January 22, 2014

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding: the turnaround of our business, profitability, profitability improvements, the pace at which we respond to platform innovation and refresh our product portfolio, new products, the timing of new product launches, shifts in our product portfolio and product price points, average selling prices, sales growth and execution in our EMEA region, our efforts to streamline our operations and business, cost improvements, operating leverage, investment in growth categories, operating profit and its effect on our cash flow, market conditions, and Fiscal Year 2014 revenue (sales) 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: 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 September 30, 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) 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.

Q3 Summary

Q3 Results

- Third consecutive quarter of better-than-expected sales
 - Q3 total sales of \$628M, up 2% YOY
 - Q3 retail sales up 4% YOY
 - Retail growth categories (Tablet & Other Accessories, PC Gaming and Audio-Wearables & Wireless) up 62%, combined
- Third consecutive quarter of increased operating leverage
 - Q3 non-GAAP operating profit +63% YOY to \$67M (10.7% of sales)
 - Q3 non-GAAP EPS +84% to \$0.35
 - LifeSize returns to profitability earlier than expected

Raised FY14 Outlook

- Sales of just under \$2.1B compared to previously expected ~\$2.0B
- Non-GAAP operating income in range of \$120M-\$125M, compared to previously expected ~\$100M

Q3 and YTD FY14 Financial Results

(\$ in millions, except per share amounts)

	Q3 FY14		YTD FY14	
	Non-GAAP	YOY	Non-GAAP	YOY
Net sales	\$628	2%	\$1,638	0%
<i>Retail</i>	563	4%	1,441	2%
<i>OEM</i>	35	-2%	107	-2%
<i>LifeSize</i>	30	-19%	90	-17%
Gross profit	\$216	1%	\$580	2%
<i>% of net sales</i>	<i>34.4%</i>	<i>-40bp</i>	<i>35.4%</i>	<i>60bp</i>
Operating expenses	\$149	-14%	\$463	-8%
<i>% of net sales</i>	<i>23.7%</i>	<i>-440bp</i>	<i>28.3%</i>	<i>-240bp</i>
Operating income	\$67	63%	\$117	75%
<i>% of net sales</i>	<i>10.7%</i>	<i>400bp</i>	<i>7.1%</i>	<i>300bp</i>
Interest and other, net	\$0	--	\$1	--
Effective tax rate	14.2%	--	14.7%	--
Net income	\$58	93%	\$100	107%
EPS	\$0.35	84%	\$0.62	107%
Diluted shares outstanding	163.4	3%	161.5	2%

Q3 Retail Sales by Region

	Q3 FY14		YTD FY14	
	Sales into Channel	Sell-Through	Sales into Channel	Sell-Through
Asia	9%	3%	3%	2%
Americas	8%	11%	9%	6%
EMEA*	-6%	-2%	-8%	-7%
Total Retail	4%	6%	2%	2%

*EMEA sales into channel and sell-through provided in local currency

- Q3 total retail sales into channel up 4%
 - Overall Q3 retail average selling price (ASP) up 5% in Q3 and up 6% year-to-date
 - ASP continues to benefit from strong growth in two relatively high ASP categories, Tablet & Other Accessories and Audio-Wearables and Wireless

Q3 Retail Sales by Product Category

	Q3 FY14 YOY		YTD FY14	
	Net Sales	Net Quantity	Net Sales	Net Quantity
Tablet & Other Accessories	95%	129%	69%	97%
Audio–Wearables & Wireless	79%	27%	52%	-8%
PC Gaming	25%	27%	16%	14%
<i>Total Growth categories</i>	62%	60%	41%	31%
Pointing Devices	-8%	-5%	-1%	0%
PC Keyboards/Desktops	-2%	-6%	3%	-3%
Video	-9%	-20%	-9%	-28%
Audio – PC	-12%	-8%	-13%	-16%
Remotes	-13%	10%	-10%	-24%
<i>Total Profit Maximization categories</i>	-8%	-6%	-4%	-6%
Retail – Other	-68%	-56%	-64%	-64%
Total Retail Products	4%	-1%	2%	-4%

Q3 Comments on Key Retail Categories

- Tablet & Other Accessories sales +95%
 - Strong sales growth across all three retail regions
 - Tablet keyboard covers +67%, led by Ultrathin Keyboard Cover and Ultrathin Keyboard Folio for iPad Air
 - Growth also benefitted from sales of protective cases for iPad
- Audio-Wearables & Wireless sales +79%
 - Sales of mobile speakers +131%, driven by strong demand for UE BOOM which was our best-selling product in Q3 across all our product categories
- PC Gaming sales +25%
 - Sales increased in all regions, led by Asia Pacific
 - Strong growth in gaming headsets and gaming mice, as well as benefit from sales of G27 Racing wheel

Note: Comparison is YOY unless noted otherwise

Q3 Operating Expenses

- Q3 non-GAAP operating expenses of \$149M declined \$24M YOY

- Non-GAAP operating expenses were 23.7% of sales, down 440 basis points YOY, reflecting improved operating leverage
- Reflects savings from restructuring actions and ongoing rationalization of infrastructure and marketing activities

- Driver of increase in Q3 G&A expense was variable compensation costs related to our YTD better than expected performance

	Non-GAAP Operating Expenses			
	Q3 FY14	YOY	YTD FY14	YOY
	(\$ in millions)			
S&M	\$89	-19%	\$276	-11%
<i>% of net sales</i>	<i>14.1%</i>		<i>16.8%</i>	
R&D	\$32	-15%	\$103	-7%
<i>% of net sales</i>	<i>5.1%</i>		<i>6.3%</i>	
G&A	\$28	12%	\$84	7%
<i>% of net sales</i>	<i>4.5%</i>		<i>5.1%</i>	
Tot. operating expenses	\$149	-14%	\$463	-8%
<i>% of net sales</i>	<i>23.7%</i>	<i>-440bp</i>	<i>28.3%</i>	<i>-440bp</i>

Key Balance Sheet Metrics

(\$ in millions)	December 31, 2013	December 31, 2012	YOY
Cash	\$380	\$322	18%
Accounts receivable	\$313	\$265	18%
DSO	45 days	39 days	+6 days
Inventory	\$258	\$277	-7%
Inventory turns	6.4	5.8	+0.6 turns
Accounts payable	\$329	\$339	-3%
DPO	71 days	75 days	-4 days
Cash conversion cycle	29 days	25 days	+4 days
Cash flow from ops YTD	\$108M	\$104M	3%

- Q3 cash from operations of \$94M
- Accounts Receivable increased due to sales growth, sales linearity within the quarter and selective reductions in early payment discounts
- Cash conversion cycle increased due to increase in accounts receivable and decline in accounts payable, which were partially offset by faster inventory turns

Note: Comparison is YOY unless noted otherwise

Raising FY14 Outlook

- Raising full-year outlook for Fiscal Year 2014 based on Q3 performance

	Previous FY14 Outlook	FY14 Outlook as of Jan. 22, 2014
Sales	~\$2B	Just under \$2.1B
Non-GAAP operating income	~\$100M	\$120M-\$125M

Turnaround is on Track

- Delivered better-than-expected Q3 sales and increased operating income
- Unlocked operating leverage as we continued to invest in growth categories
 - Significantly increased Q3 FY14 profitability YOY with single-digit sales growth in same period
 - Sales up 18% sequentially with non-GAAP operating expenses down 4%
- Focused on building a faster and more profitable Logitech
 - Achieved faster times to market with key new product launches (ex: new iPad Air accessories on shelf within days of new tablet launch)
 - Reduced and continuing to optimize operating expenses
 - Returned LifeSize to profitability in Q3 and continuing to drive profitability improvements across the organization

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 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

