



Logitech

Q4 and Fiscal Year 2014 Results

April 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 turnaround of our business, profitability, being a faster and more nimble company, sales growth, operating leverage, opportunities for savings, restructuring charges, savings from restructuring actions, investment capacity and investments in our business, cash flow from operations, market growth for product categories and the effect on sales of our products, product development, new products, attach rates, market share, price points, margins, expansion of our Growth category and other product category changes, long-term growth, opportunities, priorities for Fiscal Year 2015, and Fiscal Year 2015 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 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.

Financial Summary

Q4 Results: Strong sales, profit and cash from operations

- Sales up 3%, with positive contributions from Retail, OEM and LifeSize
 - Sales in Growth category (PC Gaming, Tablet & Other Accessories, Mobile Speakers) up 48%
- Improved profitability with Q4 non-GAAP operating income of \$23 million versus breakeven a year ago, and non-GAAP EPS of \$0.14 vs \$0.01
- Solid cash generation with cash from operations of \$94M, up \$81M

FY14 Results: Puts us ahead of three year turnaround plan

- First full year sales growth since FY11
- Non-GAAP operating income more than doubled to \$140 million, with non-GAAP EPS of \$0.76 vs \$0.31
- Cash flow from operations on a trailing twelve-month (TTM) basis was \$202 million, up 72%

Note: Comparison is YOY unless noted otherwise

Non-GAAP Income Statements

(\$ in millions, except per share amounts)

	Q4 FY14 Non-GAAP	Q4 FY13 Non-GAAP	YOY	FY14 Non-GAAP	FY13 Non-GAAP	YOY
Net sales	\$485	\$469	3%	\$2,123	\$2,100	1%
<i>Retail</i>	420	408	3%	1,861	1,822	2%
<i>OEM</i>	35	32	8%	142	141	0%
<i>LifeSize</i>	30	29	4%	120	137	-13%
Gross profit	\$166	\$163	2%	\$746	\$730	2%
<i>% of net sales</i>	34.2%	34.8%	-60bp	35.1%	34.8%	+30bp
Operating expenses	\$143	\$163	-12%	\$606	\$664	-9%
<i>% of net sales</i>	29.5%	34.8%	-530bp	28.5%	31.6%	-310bp
Operating income	\$23	\$0	--	\$140	\$67	110%
<i>% of net sales</i>	4.7%	0%	+470bp	6.6%	3.2%	+340bp
Interest and other, net	\$1	\$2	--	\$2	\$2	--
Effective tax rate	6.0%	27.5%	--	13.2%	27.4%	--
Net income	\$23	\$2	1229%	\$123	\$50	146%
<i>% of net sales</i>	4.7%	0.4%	+430bp	5.8%	2.4%	+340bp
EPS	\$0.14	\$0.01	1179%	\$0.76	\$0.31	145%
Diluted shares outstanding	165.8	159.6	4%	162.5	159.4	2%

Retail Sales by Region

	Q4 FY14		FY14	
	Sales into Channel	Sell-Through	Sales into Channel	Sell-Through
Asia	0%	1%	2%	2%
Americas	4%	14%	8%	9%
EMEA*	1%	3%	-8%	-4%
Total Retail	3%	8%	2%	4%

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

- Q4 total retail sales into channel up 3%
 - Growth category (PC Gaming, Tablet & Other Accessories, Mobile Speakers) sales up 48%
 - Overall Q4 retail average selling price (ASP) up 4%, primarily reflecting a shift to higher price point products in lines such as PC Gaming and Mobile Speakers

Retail Sales & Units YOY % Change*

	Q4 FY14 YOY		FY14 YOY	
	Net Sales	Net Quantity	Net Sales	Net Quantity
PC Gaming	86%	62%	29%	24%
Tablet & Other Accessories	-26%	73%	44%	87%
Mobile Speakers	404%	220%	161%	88%
Total Growth category	48%	79%	50%	52%
Pointing Devices	-8%	-2%	-3%	-1%
PC Keyboards & Desktops	-3%	-5%	4%	-1%
Audio – PC & Wearables	-2%	-10%	-13%	-17%
Video	-15%	-19%	-11%	-26%
Remotes	15%	-6%	-6%	-21%
Total Profit Maximization category	-5%	-5%	-4%	-6%
Retail – Other (Non-strategic category)	37%	-37%	-58%	-64%
Total Retail Products	3%	-1%	2%	-3%

Q4 Growth Category Commentary

- PC Gaming sales +86%
 - Growth in **several** gaming products, with sales of gaming mice and gaming headsets more than doubling
 - Sales increased in all regions
- Tablet & Other Accessories sales -26%
 - Sales decline reflects price adjustments to our current Ultrathin Keyboard Covers as we manage the transition to our newest Ultrathin offerings (which begin shipping later this quarter)
 - Tablet keyboard sales down 29%, primarily from price adjustments impacting Ultrathin Tablet Keyboard Covers for iPad Air and iPad Mini
 - Growth in unit sales of 73% reflects continued strong tablet keyboard unit sales, up by 31%, and contribution from shipments of our protective cases for iPad (introduced earlier in FY14)
- Mobile Speakers sales +404%
 - Success driven primarily by our flagship product - UE BOOM, with strong contribution also from UE MINI BOOM
 - ASP up by 58%
 - Significant sales increases across our three regions, with strongest growth in the Americas

Note: Comparison is YOY unless noted otherwise

Non-GAAP Operating Expenses

- Q4 non-GAAP operating expenses of \$143M declined \$20M YOY
 - Non-GAAP operating expenses were 29.5% of sales, down 530 basis points YOY
 - Includes savings from restructuring actions and ongoing rationalization of infrastructure and marketing activities
- G&A declined Q4 YOY, but higher for full year due to variable compensation costs related to our strong operating performance in FY14

	Non-GAAP Operating Expenses			
	Q4 FY14	YOY	FY14	YOY
(\$ in millions)				
S&M	\$88	-14%	\$364	-12%
<i>% of net sales</i>	<i>18.1%</i>	<i>-370bp</i>	<i>17.1%</i>	<i>-260 bp</i>
R&D	\$30	-13%	\$133	-8%
<i>% of net sales</i>	<i>6.2%</i>	<i>-110bp</i>	<i>6.3%</i>	<i>-60bp</i>
G&A	\$25	-4%	\$110	4%
<i>% of net sales</i>	<i>5.3%</i>	<i>-40bp</i>	<i>5.2%</i>	<i>+10bp</i>
TOTAL	\$143	-12%	\$606	-9%
<i>% of net sales</i>	<i>29.5%</i>	<i>-530bp</i>	<i>28.5%</i>	<i>-310bp</i>

Key Balance Sheet Metrics

(\$ in millions)	March 31, 2014	March 31, 2013	YOY
Total cash balance	\$469	\$334	41%
Accounts receivable	\$178	\$180	-1%
DSO	33 days	34 days	-1 days
Inventory	\$230	\$261	-12%
Inventory turns	5.6	4.7	+0.9 turns
DSI	65 days	76 days	-11 days
Accounts payable	\$246	\$266	-8%
DPO	69 days	77 days	-8 days
Cash conversion cycle	29 days	33 days	-4 days

- Q4 cash from operations of \$94M, up \$81M and highest for a Q4 in last six years
- TTM cash flow from operations \$202M, up 72% and highest total since FY10
- Cash conversion cycle decrease due primarily to faster inventory turns which more than offset decline in accounts payable

FY15 Outlook

- Confirming our outlook for FY15 that was originally presented on March 6, 2014 at our Analyst & Investor Day

	Current FY15 Outlook
Sales	\$2.16B
Non-GAAP Operating Income	\$145M

FY14 Strong Finish Puts Us Ahead on Turnaround

- Exceeded FY14 sales and profitability outlook shared at start of fiscal year
 - Delivered improved total company sales, with Growth category up 50%
 - More than doubled non-GAAP operating income
- Achieved significant operating expense reductions
 - Four consecutive quarters of year-over-year reductions in operating expenses
 - Reduction in spending was key driver of increased profitability
- Delivered strong cash generation, with TTM cash from operations up 72%
- Ended the year with \$469M in cash, up by \$136M, and no debt
- Focused on delivering FY15 outlook and returning to consistent full-year sales growth as we become a faster and more profitable company

Appendices

GAAP to Non-GAAP Reconciliation

(In thousands, except per share amounts) - Unaudited

SUPPLEMENTAL FINANCIAL INFORMATION	Three Months Ended March 31,		Fiscal Years Ended March 31,	
	2014	2013	2014	2013
Operating income (loss) - GAAP	\$ 6,717	\$ (35,007)	\$ 77,227	\$ (249,864)
Share-based compensation expense	8,134	6,539	25,546	25,198
Amortization of other intangible assets	2,781	5,159	17,771	23,571
Goodwill Impairment	-	5,688	-	216,688
Restructuring charges, net	5,385	15,506	14,006	43,704
Restructuring-related charges	-	2,081	5,194	7,342
Operating income (loss) - Non - GAAP	\$ 23,017	\$ (34)	\$ 139,744	\$ 66,639
Share-based Compensation Expense				
Cost of goods sold	\$ 675	\$ 398	\$ 2,518	\$ 2,499
Research and development	706	1,514	4,546	7,532
Marketing and selling	2,318	2,448	8,298	7,825
General and administrative	4,435	2,179	10,184	7,342
Income tax benefit	(2,559)	(1,266)	(4,902)	(5,356)
Total share-based compensation expense after income taxes	\$ 5,575	\$ 5,273	\$ 20,644	\$ 19,842

Retail Sales Reporting Changes

As referenced at Analyst & Investor Day on March 6, 2014

Products	CHANGES	
	From	To
TV Cam	Profit Max (Video)	Non-Strategic
Earphones	Growth (Audio - Wireless & Wearables)	Profit Max (Audio - PC & Wearables)
Headphones	Growth (Audio - Wireless & Wearables)	Non-Strategic
Remotes	Non-Strategic	Profit Max

Q4 and FY14 Retail Sales – Current Reporting Format

(\$ in thousands)	Q4 FY14	Q4 FY13	YOY%	FY14	FY13	YOY%
PC Gaming	\$ 44,796	\$ 24,096	86%	\$ 186,441	\$ 144,512	29%
Tablet & Other Accessories	22,692	30,766	-26%	172,955	119,856	44%
Mobile Speakers	19,154	3,799	404%	87,186	33,408	161%
Growth:	86,642	58,661	48%	446,582	297,776	50%
Pointing Devices	118,586	128,809	-8%	505,650	521,083	-3%
PC Keyboards & Desktops	102,230	105,176	-3%	414,185	399,144	4%
Audio – PC & Wearables	59,849	61,064	-2%	254,931	292,245	-13%
Video	30,857	36,225	-15%	136,597	153,060	-11%
Remotes	13,124	11,382	15%	67,075	71,641	-6%
Profit Maximization:	324,646	342,656	-5%	1,378,438	1,437,173	-4%
Other	8,725	6,372	37%	36,473	86,708	-58%
Non-strategic:	8,725	6,372	37%	36,473	86,708	-58%
TOTAL NET RETAIL SALES	\$ 420,013	\$ 407,689	3%	\$ 1,861,493	\$ 1,821,657	2%

Q4 and FY14 Retail Sales – Former Reporting Format

(\$ in thousands)	Q4 FY14	Q4 FY13	YOY%	FY14	FY13	YOY%
PC Gaming	\$ 44,528	\$ 23,618	89%	\$ 181,852	\$ 142,184	28%
Tablet & Other Accessories	22,753	30,783	-26%	173,033	119,804	44%
Audio – Wearables & Wireless	23,690	8,542	177%	110,567	65,826	68%
Growth:	90,971	62,943	45%	465,452	327,814	42%
Pointing Devices	118,586	128,809	-8%	505,650	521,083	-3%
PC Keyboards & Desktops	102,464	105,596	-3%	413,988	407,895	1%
Audio – PC	56,436	57,039	-1%	242,194	271,197	-11%
Video	30,857	36,225	-15%	136,597	153,060	-11%
Remotes	13,124	11,382	15%	67,075	71,641	-6%
Profit Maximization:	321,467	339,051	-5%	1,365,504	1,424,877	-4%
Other	7,574	5,696	33%	30,536	68,965	-56%
Non-strategic:	7,574	5,696	33%	30,536	68,965	-56%
TOTAL NET RETAIL SALES	\$ 420,013	\$ 407,690	3%	\$ 1,861,492	\$ 1,821,657	2%

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

