



Logitech

Q3 Fiscal Year 2015 Financial Results

January 21, 2015

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 profitability, capacity to invest and drive growth, innovation, product portfolio and offerings, new products, new product design and characteristics, product launches, market opportunities, sales growth, momentum, engines for new growth, ability to be a growth company, market share, spend management, margins, capital allocation strategy, acquisitions, dividends, share buybacks, Fiscal Year 2015 sales and operating income, and impacts of foreign currency fluctuations. 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 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, and our reaction to them, on our sales, gross margins and profitability; 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2014, 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, one-time special charges 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 also presents percentage sales growth in constant currency, a non-GAAP measure, to show performance unaffected by fluctuations in foreign currency exchange rates. Percentage sales growth in constant currency is calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency and comparing that to current period sales.

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 the GAAP amounts has been provided for Fiscal Year 2015.

Financial Summary

Increasing Profitability Outlook for FY 2015 Following Better-Than-Expected Q3 Results

- Net sales up 1% to \$634M, with sales in constant currency (CC) up by 4%
 - Total retail sales up 2% , up 5% in CC and up 7% in CC excluding products in Other/Non-strategic (Discontinued) category
 - Sales in Growth category (PC Gaming/Mobile Speakers/Tablet & Other Acc.) up 11% and up 15% in CC
- Q3 non-GAAP gross margin of 36.6%, up by 210 basis points
 - Primarily reflects combination of significant improvement in both our Profit Maximization category and Mobile Speakers, driven largely by product cost reductions and the benefit to Mobile Speakers from economies of scale, as well as mix benefit of exiting the products included in Other/Non-Strategic category
- As planned, non-GAAP operating expenses up 4% to \$156M with investments to drive short- and long-term growth in sales partially offset by continued infrastructure savings
- Non-GAAP operating income \$76M (12% of sales) and non-GAAP EPS of \$0.41 up 17% YOY
- Generated \$76M in cash flow from operations in Q3 (~ 1x Non-GAAP operating income), and trailing twelve months (TTM) cash flow from operations up 86% to \$232M

FY15 outlook

- Despite significant currency headwinds, increasing outlook for non-GAAP operating income for Fiscal 2015 by \$15M to ~\$185M and adjusting sales outlook to ~\$2.11B to reflect USD appreciation versus various currencies

³ See Appendix for constant currency definition.

Non-GAAP Income Statement

(\$ in millions, except per share amounts)

	Q3 FY15 Non-GAAP	Q3 FY14 Non-GAAP	YOY	YOY in Constant Currency
Net sales	\$634	\$629	1%	4%
<i>Retail</i>	574	564	2%	5%
<i>OEM</i>	30	35	-12%	-12%
<i>Lifesize</i>	30	30	0%	0%
Gross profit	\$232	\$217	7%	
<i>% of net sales</i>	36.6%	34.5%	+210bp	
Operating expenses	\$156	\$150	4%	
<i>% of net sales</i>	24.6%	23.9%	70bp	
Operating income	\$76	\$67	14%	
<i>% of net sales</i>	12.0%	10.6%	+140bp	
Interest and other, net	(\$1)	\$0	--	
Effective tax rate	9.9%	14.4%	-450bp	
Net income	\$68	\$57	19%	
<i>% of net sales</i>	10.8%	9.1%	+170bp	
EPS	\$0.41	\$0.35	17%	
Diluted shares outstanding	166.3	163.4	2%	

Q3 FY15 Retail Sales

	Q3 FY15 YOY % Change		Sales into Channel in Constant Currency (CC)
	Sales into Channel in USD	Sell-Through in USD	
Americas	10%	5%	11%
EMEA	-7%	-9%	-2%
Asia	3%	7%	7%
Total Retail	2%	0%	5%

- Q3 total retail sales into channel up 2%, up 4% in CC and up 7% in CC excluding Other/Non-strategic (Discontinued)
- Seven consecutive quarters of sales growth in retail excluding Other/Non-strategic (Discontinued)

Retail Sales & Units YOY % Change

	Q3 FY15 YOY		
	Net Sales in USD	Net Sales in Constant Currency	Net Quantity
PC Gaming	21%	25%	24%
Tablet & Other Accessories	-28%	-26%	-18%
Mobile Speakers	82%	88%	86%
Total Growth	11%	15%	11%
Pointing Devices	0%	3%	6%
PC Keyboards & Desktops	5%	9%	12%
Audio – PC & Wearables	-15%	-11%	-15%
Video	22%	26%	-2%
Remotes	-4%	-1%	11%
Total Profit Maximization	1%	4%	4%
Total Growth + Profit Maximization	4%	7%	5%
Other/Non-strategic (Discontinued)	-99%	-99%	-83%
Total Retail Products	2%	5%	4%

Q3 FY15 Growth Category Commentary

Sales up 11% and up 15% in constant currency

- PC Gaming sales +21%
 - Double-digit gains in gaming headset, mice and keyboards, with growth constrained by decline in sales of legacy steering wheels for console and PC platforms
 - Strong sales in Americas and Europe reflect improved product portfolio
- Mobile Speakers sales +82%
 - Success driven primarily by our flagship product - UE BOOM, our best selling product across all categories again in Q3
 - Significant sales increases across our three regions due to great products and expanded distribution
- Tablet & Other Accessories sales -28%
 - Sales decline reflects:
 - Declining market for iPad platform
 - Phase-in of our new products for newest iPad

Q3 FY15 Profit Maximization Category Commentary

Sales up by 1% and up by 4% in constant currency

- Pointing Devices sales were flat
 - Sales and units were up in mid-range and low-end of category
- PC Keyboards & Desktops sales +5%
 - Growth driven by sales of keyboard & mouse combos and cordless keyboards, with strong contribution from new Bluetooth Multi-Device Keyboard K480
- Video sales +22%
 - Despite ongoing structural decline of consumer webcam market, sales of webcams were up slightly
 - Majority of growth driven by sales of Video Collaboration offerings targeted at small and midsize conference rooms, which more than doubled

Non-GAAP Operating Expenses

- Q3 FY15 non-GAAP operating expenses of \$156M up as planned by 4% or \$6M YOY
 - Reflects investments made in sales, marketing and in product marketing to drive short and long-term sales growth primarily in Mobile Speakers, PC Gaming and Lifesize Cloud
 - Investments were partially offset by infrastructure savings

	Non-GAAP Operating Expenses	
	Q3FY15	YOY
	(\$ in millions)	
S&M <i>% of net sales</i>	\$99 <i>15.6%</i>	11% <i>+140bp</i>
R&D <i>% of net sales</i>	\$32 <i>5.1%</i>	0% <i>0bp</i>
G&A <i>% of net sales</i>	\$25 <i>3.9%</i>	-14% <i>-70bp</i>
TOTAL <i>% of net sales</i>	\$156 <i>24.6%</i>	4% <i>+70bp</i>

Key Balance Sheet Metrics

(\$ in millions)	December 31, 2014	December 31, 2013	YOY
Cash	\$517	\$380	+36%
Accounts receivable	\$307	\$313	-2%
DSO	44 days	45 days	-1 day
Inventory	\$246	\$259	-5%
Inventory turns	6.6	6.4	+0.2 turns
Accounts payable	\$350	\$326	+8%
DPO	78 days	71 days	+7days
Cash conversion cycle	20 days	30 days	-10days
Cash flow from ops TTM	\$232M	\$125M	+86%

- Q3 cash from operations of \$76M (~ 1x non-GAAP operating income)
- Inventory turns reached highest level for a Q3 in last five years
- Cash conversion cycle at 20 days is second lowest level in company history

Increased FY15 Profitability Outlook

	Previous FY15 Outlook	Current FY15 Outlook
Sales	~\$2.16B	~\$2.11B
Non-GAAP Operating Income	~\$170M	~\$185M

- Second increase of FY15 profitability outlook this fiscal year driven by disciplined cost management
- Adjusting sales outlook to reflect USD appreciation versus various currencies

Good Momentum for Delivering FY15 Objectives

- 7th consecutive quarter of sales growth in Total Retail excluding Other/Non-strategic (Discontinued)
 - Multiple 2015 CES Innovation awards for new products across categories
 - Well positioned for continued growth in Growth category
- 7th consecutive quarter of operating income growth
- Solid cash generation with TTM cash flow from operations of \$232M up 86%
 - Second lowest cash conversion cycle at 20 days
- Increasing FY15 profitability outlook for 2nd time this year, despite headwinds from significant appreciation of USD versus various currencies

Appendices

Other/Non-strategic Retail Products

Other/Non-strategic includes:
DVS video security products
Console Gaming
Speaker docks, headphones, streaming audio products
Misc. PC Peripherals (lapdesks, bags, etc.)

GAAP to Non-GAAP Reconciliation

(In thousands, except per share amounts) - Unaudited	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Gross profit - GAAP	\$ 231,283	\$ 214,301	\$617,813	\$ 566,525
Share-based compensation expense	560	672	1,724	1,843
Amortization of other intangible assets	532	2,190	1,626	7,361
Restructuring-related charges	—	—	—	5,194
Gross profit - Non-GAAP	\$ 232,375	\$ 217,163	\$621,163	\$ 580,923
<i>Gross margin - GAAP</i>	36.5 %	34.1 %	37.5 %	34.6 %
<i>Gross margin - Non-GAAP</i>	36.6 %	34.5 %	37.7 %	35.5 %
Operating expenses - GAAP	\$ 166,585	\$ 161,670	\$488,283	\$ 496,274
Less: Share-based compensation expense	6,487	8,241	18,322	15,569
Less: Amortization of other intangible assets	1,734	2,282	5,998	7,629
Less: Restructuring charges (credits), net	(146)	822	(146)	8,621
Less: One time special charge	2,520	—	19,520	—
Operating expenses - Non-GAAP	\$ 155,990	\$ 150,325	\$444,589	\$ 464,455
<i>% of net sales - GAAP</i>	26.3 %	25.7 %	29.7 %	30.3 %
<i>% of net sales - Non - GAAP</i>	24.6 %	23.9 %	27.0 %	28.3 %

GAAP to Non-GAAP Reconciliation continued

(In thousands, except per share amounts) - Unaudited	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Operating income - GAAP	\$ 64,698	\$ 52,631	\$129,530	\$ 70,251
Share-based compensation expense	7,047	8,913	20,046	17,412
Amortization of other intangible assets	2,266	4,472	7,624	14,990
Restructuring charges (credits), net	(146)	822	(146)	8,621
Restructuring related charges	—	—	—	5,194
One time special charge	2,520	—	19,520	—
Operating income - Non - GAAP	<u>\$ 76,385</u>	<u>\$ 66,838</u>	<u>\$176,574</u>	<u>\$ 116,468</u>
<i>% of net sales - GAAP</i>	10.2 %	8.4 %	7.9 %	4.3 %
<i>% of net sales - Non - GAAP</i>	12.0 %	10.6 %	10.7 %	7.1 %
Net income - GAAP	\$ 62,784	\$ 47,884	\$118,550	\$ 63,686
Share-based compensation expense	7,047	8,913	20,046	17,412
Amortization of other intangible assets	2,266	4,472	7,624	14,990
Restructuring related charges	—	—	—	5,194
Restructuring charges (credits), net	(146)	822	(146)	8,621
One time special charge	2,520	—	19,520	—
Investment impairment, net	2,154	38	2,259	568
Benefit from (provision for) income taxes	(8,350)	(4,803)	(12,257)	(10,171)
Net income - Non - GAAP	<u>68,275</u>	<u>57,326</u>	<u>155,596</u>	<u>100,300</u>
Net income per share:				
Diluted - GAAP	\$ 0.38	\$ 0.29	\$ 0.71	\$ 0.39
Diluted - Non - GAAP	\$ 0.41	\$ 0.35	\$ 0.94	\$ 0.62
Shares used to compute net income per share:				
Diluted - GAAP and Non GAAP	166,321	163,388	166,076	161,509

GAAP to Non-GAAP Reconciliation Note

(1) As disclosed in the Company's Annual Report on Form 10-K for the year ended March 31, 2014 and in the audited consolidated financial statements contained therein, the Company has restated and revised its financial statements for the fiscal years ended March 31, 2012 and 2013, respectively. The impact of the adjustments also immaterially impact the financial statements for the first three quarters of the fiscal year ended March 31, 2014 as previously included in the Company's quarterly reports on Form 10-Q for Fiscal 2014. Accordingly, the financial statements for the three and nine months ended December 31, 2013 included in this earning release have been revised.

Non-GAAP Exclusions by Category

(\$M)	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15
Total GAAP Op Inc	\$ 0.2	\$ 17.4	\$ 52.6	\$ 5.7	\$ 22.7	\$ 42.1	\$ 64.7
Stock Based Comp	\$ 4.4	\$ 4.1	\$ 8.9	\$ 8.1	\$ 6.9	\$ 6.1	\$ 7.0
Amortization of Intangibles	\$ 5.3	\$ 5.3	\$ 4.5	\$ 2.8	\$ 2.8	\$ 2.6	\$ 2.3
Restructuring	\$ 2.3	\$ 10.7	\$ 0.8	\$ 5.2	\$ (0.0)	\$ 0.0	\$ (0.1)
Goodwill Impairment	\$ 0.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special One-Time	\$ -	\$ -	\$ -	\$ -	\$ 9.0	\$ 8.0	\$ 2.5
Total Adjustments	\$ 12.0	\$ 20.0	\$ 14.2	\$ 16.1	\$ 18.7	\$ 16.7	\$ 11.7
Total Non-GAAP Op Inc	\$ 12.2	\$ 37.4	\$ 66.8	\$ 21.8	\$ 41.4	\$ 58.8	\$ 76.4

Constant Currency

Logitech presents percentage sales growth in constant currency, a non-GAAP measure, to show performance unaffected by fluctuations in foreign currency exchange rates. Percentage sales growth in constant currency is calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency and comparing that to current period sales.

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

