UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2020

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number: 0-29174

LOGITECH INTERNATIONAL S.A.
(Exact name of registrant as specified in its charter)

Canton of Vaud, Switzerland	**None**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Logitech International S.A.
EPFL - Quartier de l'Innovation
Daniel Borel Innovation Center
1015 Lausanne, Switzerland
c/o Logitech Inc.
7700 Gateway Boulevard
Newark, California 94560
(Address of principal executive offices and zip code)

510 795-8500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Registered Shares	LOGN	SIX Swiss Exchange
Registered Shares	LOGI	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Smaller reporting company	☐
Accelerated filer	☐	Emerging Growth Company	☐
Non-accelerated filer	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard s provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of January 6, 2021, there were 168,921,326 shares of the Registrant's share capital outstanding.

TABLE OF CONTENTS

In this document, unless otherwise indicated, references to the “Company”, “Logitech”, "we," "our," and "us" are to Logitech International S.A. and its consolidated subsidiaries. Unless otherwise specified, all references to U.S. Dollar, Dollar or $ are to the United States Dollar, the legal currency of the United States of America. All references to CHF are to the Swiss Franc, the legal currency of Switzerland.

Logitech, the Logitech logo, and the Logitech products referred to herein are either the trademarks or the registered trademarks of Logitech. All other trademarks are the property of their respective owners.

The Company’s fiscal year ends on March 31. Interim quarters are generally thirteen-week periods, each ending on a Friday of each quarter. The third quarter of fiscal year 2021 ended on December 25, 2020. The same quarter in the prior fiscal year ended on December 27, 2019. For purposes of presentation, the Company has indicated its quarterly periods end on the last day of the calendar quarter.

The term “sales” means net sales, except as otherwise specified.

Our Internet website and the information contained, incorporated or referenced therein do not constitute a part of and are not intended to be incorporated into this Quarterly Report on Form 10-Q.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Net sales	$ 1,667,302	$ 902,687	$ 3,716,354	$ 2,266,603
Cost of goods sold	914,851	564,283	2,082,088	1,410,605
Amortization of intangible assets	3,441	3,951	9,800	10,493
Gross profit	749,010	334,453	1,624,466	845,505
Operating expenses:				
Marketing and selling	204,485	134,950	496,520	392,138
Research and development	53,910	43,292	157,014	127,499
General and administrative	37,606	22,344	98,341	68,551
Amortization of intangible assets and acquisition-related costs	4,946	5,084	13,886	12,898
Change in fair value of contingent consideration for business acquisition	—	—	5,716	—
Restructuring charges (credits), net	—	(45)	(54)	69
Total operating expenses	300,947	205,625	771,423	601,155
Operating income	448,063	128,828	853,043	244,350
Interest income	311	2,063	1,444	7,006
Other income, net	6,483	1,101	9,661	2,852
Income before income taxes	454,857	131,992	864,148	254,208
Provision for income taxes	72,334	14,467	142,638	18,405
Net income	$ 382,523	$ 117,525	$ 721,510	$ 235,803
Net income per share:				
Basic	$ 2.26	$ 0.70	$ 4.28	$ 1.41
Diluted	$ 2.22	$ 0.69	$ 4.21	$ 1.39
Weighted average shares used to compute net income per share:				
Basic	169,050	167,063	168,448	166,678
Diluted	172,587	169,685	171,378	169,173

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Net income	$ 382,523	$ 117,525	$ 721,510	$ 235,803
Other comprehensive income (loss):				
Currency translation gain (loss), net of taxes	19,500	1,736	23,944	(2,639)
Reclassification of currency translation loss included in other income, net	—	—	(1,738)	—
Defined benefit plans:				
Net loss and prior service costs, net of taxes	(863)	(231)	(319)	(274)
Amortization included in other income, net	178	53	523	160
Hedging gain (loss):				
Deferred hedging gain (loss), net of taxes	(6,326)	(1,381)	(9,752)	56
Reclassification of hedging loss included in cost of goods sold	3,446	(739)	5,085	(1,097)
Total other comprehensive income (loss)	15,935	(562)	17,743	(3,794)
Total comprehensive income	$ 398,458	$ 116,963	$ 739,253	$ 232,009

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)
(unaudited)

	December 31, 2020	March 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 1,388,743	$ 715,566
Accounts receivable, net	894,937	394,743
Inventories	476,802	229,249
Other current assets	117,741	74,920
Total current assets	2,878,223	1,414,478
Non-current assets:		
Property, plant and equipment, net	96,683	76,119
Goodwill	400,993	400,917
Other intangible assets, net	103,314	126,941
Other assets	333,733	345,019
Total assets	$ 3,812,946	$ 2,363,474
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 811,786	$ 259,120
Accrued and other current liabilities	704,573	455,024
Total current liabilities	1,516,359	714,144
Non-current liabilities:		
Income taxes payable	60,799	40,788
Other non-current liabilities	134,021	119,274
Total liabilities	1,711,179	874,206
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Registered shares, CHF 0.25 par value:	30,148	30,148
Issued shares — 173,106 at December 31 and March 31, 2020		
Additional shares that may be issued out of conditional capitals — 50,000 at December 31 and March 31, 2020		
Additional shares that may be issued out of authorized capital — 17,311 at December 31 and 34,621 at March 31, 2020		
Additional paid-in capital	108,140	75,097
Shares in treasury, at cost — 4,243 at December 31, 2020 and 6,210 at March 31, 2020	(198,435)	(185,896)
Retained earnings	2,264,831	1,690,579
Accumulated other comprehensive loss	(102,917)	(120,660)
Total shareholders' equity	2,101,767	1,489,268
Total liabilities and shareholders' equity	$ 3,812,946	$ 2,363,474

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended December 31,	
	2020	**2019**
Cash flows from operating activities:		
Net income	$ 721,510	$ 235,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	36,010	32,154
Amortization of intangible assets	23,627	21,958
Loss on investments	4,692	772
Share-based compensation expense	64,714	40,301
Deferred income taxes	37,683	480
Change in fair value of contingent consideration for business acquisition	5,716	—
Other	(1,670)	(1,012)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(476,804)	(147,292)
Inventories	(239,378)	(15,170)
Other assets	(53,281)	2,866
Accounts payable	541,024	155,190
Accrued and other liabilities	264,576	(1,896)
Net cash provided by operating activities	928,419	324,154
Cash flows from investing activities:		
Purchases of property, plant and equipment	(46,163)	(28,667)
Investment in privately held companies	(3,525)	(310)
Acquisitions, net of cash acquired	(360)	(91,569)
Proceeds from the sale of property, plant and equipment	—	1,037
Proceeds from return of strategic investments	2,934	—
Purchases of trading investments	(10,672)	(3,071)
Proceeds from sales of trading investments	11,332	3,139
Net cash used in investing activities	(46,454)	(119,441)
Cash flows from financing activities:		
Payment of cash dividends	(146,705)	(124,180)
Purchases of registered shares	(72,725)	(15,127)
Proceeds from exercises of stock options and purchase rights	29,709	11,540
Tax withholdings related to net share settlements of restricted stock units	(29,475)	(23,096)
Net cash used in financing activities	(219,196)	(150,863)
Effect of exchange rate changes on cash and cash equivalents	10,408	(2,320)
Net increase in cash and cash equivalents	673,177	51,530
Cash and cash equivalents, beginning of the period	715,566	604,516
Cash and cash equivalents, end of the period	$ 1,388,743	$ 656,046
Supplementary Cash Flow Disclosures:		
Non-cash investing and financing activities:		
Property, plant and equipment purchased during the period and included in period end liability accounts	$ 14,663	$ 4,871
Non-cash contingent consideration for acquisition	$ 28,463	$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(unaudited)

Three Months Ended December 31, 2019

	Registered Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
September 30, 2019	173,106	$ 30,148	$ 50,913	6,203	$ (163,728)	$ 1,359,134	$ (108,930)	$ 1,167,537
Total comprehensive income	—	—	—	—	—	117,525	(562)	116,963
Sales of shares upon exercise of stock options and purchase rights	—	—	(1,551)	(213)	3,191	—	—	1,640
Issuance of shares upon vesting of restricted stock units	—	—	(3,535)	(89)	1,347	—	—	(2,188)
Share-based compensation	—	—	13,841	—	—	—	—	13,841
December 31, 2019	173,106	$ 30,148	$ 59,668	5,901	$ (159,190)	$ 1,476,659	$ (109,492)	$ 1,297,793

Nine Months Ended December 31, 2019

	Registered Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
March 31, 2019	173,106	$ 30,148	$ 56,655	7,244	$ (169,802)	$ 1,365,036	$ (105,698)	$ 1,176,339
Total comprehensive income	—	—	—	—	—	235,803	(3,794)	232,009
Purchases of registered shares	—	—	—	389	(15,127)	—	—	(15,127)
Sales of shares upon exercise of stock options and purchase rights	—	—	2,607	(604)	8,933	—	—	11,540
Issuance of shares upon vesting of restricted stock units	—	—	(39,902)	(1,128)	16,806	—	—	(23,096)
Share-based compensation	—	—	40,308	—	—	—	—	40,308
Cash dividends ($0.74 per share)	—	—	—	—	—	(124,180)	—	(124,180)
December 31, 2019	173,106	$ 30,148	$ 59,668	5,901	$ (159,190)	$ 1,476,659	$ (109,492)	$ 1,297,793

Three Months Ended December 31, 2020

	Registered Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
September 30, 2020	173,106	$ 30,148	$ 78,617	4,357	$ (166,258)	$ 1,882,308	$ (118,852)	$ 1,705,963
Total comprehensive income	—	—	—	—	—	382,523	15,935	398,458
Purchases of registered shares	—	—	—	603	(50,271)	—	—	(50,271)
Sales of shares upon exercise of stock options and purchase rights	—	—	(2,733)	(250)	6,376	—	—	3,643
Issuance of shares upon vesting of restricted stock units	—	—	(5,833)	(77)	2,102	—	—	(3,731)
Issuance of shares for contingent consideration	—	—	18,847	(390)	9,616	—	—	28,463
Share-based compensation	—	—	19,242	—	—	—	—	19,242
December 31, 2020	173,106	$ 30,148	$ 108,140	4,243	$ (198,435)	$ 2,264,831	$ (102,917)	$ 2,101,767

Nine Months Ended December 31, 2020

	Registered Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
March 31, 2020	173,106	$ 30,148	$ 75,097	6,210	$ (185,896)	$ 1,690,579	$ (120,660)	$ 1,489,268
Total comprehensive income	—	—	—	—	—	721,510	17,743	739,253
Cumulative effect of adoption of new accounting standard (Note 1)	—	—	—	—	—	(553)	—	(553)
Purchases of registered shares	—	—	—	915	(72,725)	—	—	(72,725)
Sales of shares upon exercise of stock options and purchase rights	—	—	(1,368)	(1,461)	31,077	—	—	29,709
Issuance of shares upon vesting of restricted stock units	—	—	(48,968)	(1,031)	19,493	—	—	(29,475)
Issuance of shares for contingent consideration	—	—	18,847	(390)	9,616	—	—	28,463
Share-based compensation	—	—	64,532	—	—	—	—	64,532
Cash dividends ($0.87 per share)	—	—	—	—	—	(146,705)	—	(146,705)
December 31, 2020	173,106	$ 30,148	$ 108,140	4,243	$ (198,435)	$ 2,264,831	$ (102,917)	$ 2,101,767

The accompanying notes are an integral part of these condensed consolidated financial statements.

LOGITECH INTERNATIONAL S.A.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 — The Company and Summary of Significant Accounting Policies and Estimates

The Company

Logitech International S.A, together with its consolidated subsidiaries, (Logitech or the Company) designs, manufactures and markets products that have an everyday place in people's lives, connecting them to the digital experiences they care about. Almost 40 years ago, Logitech created products to improve experiences around the personal PC platform, and today it is a multi-brand, multi-category company designing products that enable better experiences consuming, sharing and creating any digital content such as computing, gaming, video and music, whether it is on a computer, mobile device or in the cloud.

The Company sells its products to a broad network of domestic and international customers, including direct sales to retailers and e-tailers and indirect sales through distributors.

Logitech was founded in Switzerland in 1981 and Logitech International S.A. has been the parent holding company of Logitech since 1988. Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland and headquarters in Lausanne, Switzerland, which conducts its business through subsidiaries in the Americas, Europe, Middle East and Africa (EMEA) and Asia Pacific. Shares of Logitech International S.A. are listed on both the SIX Swiss Exchange under the trading symbol LOGN and the Nasdaq Global Select Market under the trading symbol LOGI.

Basis of Presentation

The condensed consolidated financial statements include the accounts of Logitech and its subsidiaries. All intercompany balances and transactions have been eliminated. The condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and therefore do not include all the information required by GAAP for complete financial statements. The condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended March 31, 2020, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on May 27, 2020.

In the opinion of management, these condensed consolidated financial statements include all adjustments, consisting of only normal and recurring adjustments, necessary and in all material aspects, for a fair statement of the results of operations, comprehensive income, financial position, cash flows and changes in shareholders' equity for the periods presented. Operating results for the three and nine months ended December 31, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2021, or any future periods.

Changes in Significant Accounting Policies

Other than the recent accounting pronouncements adopted and discussed below under *Recent Accounting Pronouncements Adopted*, there have been no material changes in the Company's significant accounting policies during the nine months ended December 31, 2020 compared with the significant accounting policies described in its Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Significant estimates and assumptions made by management involve fair value of goodwill and intangible assets acquired from business acquisitions, valuation of right-of-use assets, valuation of investment in privately held companies classified under Level 3 of the fair value hierarchy, pensions obligations, warranty liabilities, accruals for customer incentives, cooperative marketing, and pricing programs (Customer Programs) and related breakage when appropriate, accrued sales return liability, inventory valuation, share-based compensation expense, uncertain tax positions, and valuation allowances for deferred tax assets. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results could differ materially from these estimates.

Risks and Uncertainties

We are subject to risks and uncertainties as a result of the novel coronavirus (COVID-19). Capital markets and economies worldwide have been negatively impacted by COVID-19 and it is still unclear how lasting and deep the economic impacts will be. During the three and nine months ended December 31, 2020, the COVID-19 pandemic had mixed effects on the Company's results of operations, and it may continue to have mixed or adverse effects. While there was high demand for and consumption of certain of our products that led to increased sales and operating income during the three and nine months ended December 31, 2020, at the same time the Company experienced disruptions and higher costs in our manufacturing, supply chain and logistics operations and outsourced services. The ongoing and full extent of the impact of the COVID-19 pandemic on the Company's business and operational and financial performance and condition, including the sustainability of its effect on trends positive to the Company, is uncertain and will depend on many factors outside the Company's control, including but not limited to the timing, extent, duration and effects of the virus and any of its mutations, the availability of vaccines and their global deployment, the development of effective treatments, the imposition of effective public safety and other protective measures and the public's response to such measures, the impact of COVID-19 on the global economy and demand for the Company's products and services. Should the COVID-19 pandemic or global economic slowdown not improve or worsen, or if the Company's attempt to mitigate its impact on its operations and costs is not successful, the Company's business, results of operations, financial condition and prospects may be adversely affected.

Recent Accounting Pronouncements Adopted

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which was further updated and clarified by the FASB through issuance of additional related ASUs, replaces the incurred-loss impairment methodology and requires immediate recognition of estimated credit losses expected to occur for most financial assets, including trade receivables. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted this standard effective April 1, 2020, using a modified retrospective approach. Upon adoption, the Company updated its credit loss models to utilize a forward-looking current expected credit losses (CECL) model in place of the incurred loss methodology for financial instruments measured at amortized cost, including accounts receivable. The cumulative effect adjustment from adoption was not material to the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements" (ASU 2018-13), which eliminates, adds and modifies certain disclosure requirements for fair value measurements, including eliminating the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and requiring the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. Some of these disclosure changes must be applied prospectively while others retrospectively depending on requirement. The Company adopted this standard effective April 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefits Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans" (ASU 2018-14), which requires that the Company remove various disclosures that no longer are considered cost-beneficial, namely amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. Further, ASU 2018-14 requires disclosure or clarification of the reasons for significant gains or losses related to changes in the benefit obligation for the period. The Company adopted this standard effective April 1, 2020 using a retrospective approach and the updated disclosures will be included in the Company's Form 10-K for the fiscal year ending March 31, 2021. The adoption of ASU 2018-14 did not have an impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements To Be Adopted

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" (ASU 2019-12), which eliminates certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. This ASU also includes guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. ASU 2019-12 is effective for annual and interim periods in fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently assessing the impact of ASU 2019-12 on its consolidated financial statements and plans to adopt the standard effective April 1, 2021.

Note 2 — Net Income Per Share

The following table summarizes the computations of basic and diluted net income per share for the three and nine months ended December 31, 2020 and December 31, 2019 (in thousands, except per share amounts):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	**2019**	**2020**	**2019**
Net income	$ 382,523	$ 117,525	$ 721,510	$ 235,803
Shares used in net income per share computation:				
Weighted average shares outstanding - basic	169,050	167,063	168,448	166,678
Effect of potentially dilutive equivalent shares	3,537	2,622	2,930	2,495
Weighted average shares outstanding - diluted	172,587	169,685	171,378	169,173
Net income per share:				
Basic	$ 2.26	$ 0.70	$ 4.28	$ 1.41
Diluted	$ 2.22	$ 0.69	$ 4.21	$ 1.39

Share equivalents attributable to outstanding stock options, restricted stock units ("RSUs") and employee share purchase plan ("ESPP") rights totaling 0.3 million and 1.8 million for the three months ended December 31, 2020 and 2019, respectively, and 0.4 million and 1.8 million for the nine months ended December 31, 2020 and 2019, respectively, were excluded from the calculation of diluted net income per share because the combined exercise price and average unamortized grant date fair value upon exercise of these options and ESPP rights or vesting of RSUs were greater than the average market price of the Company's shares during the periods presented herein, and therefore their inclusion would have been anti-dilutive. A small number of performance-based awards were not included in the calculation because all necessary conditions had not been satisfied by the end of the respective period, and those shares were not issuable if the end of the reporting period were the end of the performance contingency period.

Note 3 — Employee Benefit Plans

Employee Share Purchase Plans and Stock Incentive Plans

As of December 31, 2020, the Company offers the 2006 Employee Share Purchase Plan, as amended and restated (Non-U.S.) (2006 ESPP), the 1996 Employee Share Purchase Plan (U.S.), as amended and restated (1996 ESPP), the 2006 Stock Incentive Plan, as amended and restated (2006 Plan), and the 2012 Stock Inducement Equity Plan (2012 Plan).

The following table summarizes the share-based compensation expense and total income tax benefit recognized for share-based awards for the three and nine months ended December 31, 2020 and 2019 (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Cost of goods sold	$ 1,747	$ 1,210	$ 4,919	$ 3,552
Marketing and selling	8,390	6,216	27,559	20,016
Research and development	3,482	2,242	10,348	6,644
General and administrative	6,195	4,163	21,888	10,089
Total share-based compensation expense	19,814	13,831	64,714	40,301
Income tax benefit	(3,471)	(3,135)	(15,540)	(12,658)
Total share-based compensation expense, net of income tax benefit	$ 16,343	$ 10,696	$ 49,174	$ 27,643

The income tax benefit in the respective period primarily consists of tax benefit related to the share-based compensation expense for the period and direct tax benefit realized, including net excess tax benefits recognized from share-based awards vested or exercised during the period.

As of December 31, 2020 and 2019, the balance of capitalized share-based compensation included in inventory was $1.0 million and $0.9 million, respectively.

Defined Benefit Plans

Certain of the Company’s subsidiaries sponsor defined benefit pension plans or non-retirement post-employment benefits covering substantially all of their employees. Benefits are provided based on employees’ years of service and earnings, or in accordance with applicable employee benefit regulations. The Company’s practice is to fund amounts sufficient to meet the requirements set forth in the applicable employee benefit and tax regulations. The costs recorded of $2.9 million and $2.3 million for the three months ended December 31, 2020 and 2019, respectively, and $8.3 million and $7.1 million for the nine months ended December 31, 2020 and 2019, respectively, were primarily related to service costs.

Note 4 — Income Taxes

The Company is incorporated in Switzerland but operates in various countries with differing tax laws and rates. Further, a portion of the Company’s income before taxes and the provision for (benefit from) income taxes are generated outside of Switzerland.

The canton of Vaud enacted the Federal Act on Tax Reform and AHV Financing ("TRAF"), a major reform to better align the Swiss tax system with international tax standards, on March 10, 2020 that took effect as of January 1, 2020. The longstanding tax ruling from the canton of Vaud was applicable through December 31, 2019.

The income tax provision for the three months ended December 31, 2020 was $72.3 million based on an effective income tax rate of 15.9% of pre-tax income, compared to an income tax provision of $14.5 million based on an effective income tax rate of 11.0% of pre-tax income for the three months ended December 31, 2019. The income tax provision for the nine months ended December 31, 2020 was $142.6 million based on an effective income tax rate of 16.5% of pre-tax income, compared to an income tax provision of $18.4 million based on an effective income tax rate of 7.2% of pre-tax income for the nine months ended December 31, 2019.

The change in the effective income tax rate for the three and nine months ended December 31, 2020, compared to the same periods ended December 31, 2019 was primarily due to the mix of income and losses in the various tax jurisdictions in which the Company operates. The Swiss income tax provision in the three and nine months ended December 31, 2020 represents the income tax provision at the full statutory income tax rate of 13.63%. In the same periods ended December 31, 2019 when TRAF was yet to be enacted at the federal and cantonal levels, the transition income tax provision reflects the application of the longstanding tax ruling through December 31, 2019. Furthermore, there was a discrete tax benefit of $1.7 million from adjusting deferred tax assets and liabilities in Switzerland in the nine months ended December 31, 2019. There were discrete tax benefits of $7.2 million and $2.9 million from the recognition of excess tax benefits in the United States and reversal of uncertain tax positions from the expiration of statutes of limitations, respectively, in the nine-month period ended December 31, 2020, compared with $6.0 million and $2.7 million, respectively, in the nine-month period ended December 31, 2019.

As of December 31, 2020 and March 31, 2020, the total amount of unrecognized tax benefits due to uncertain tax positions was $158.8 million and $140.8 million, respectively, all of which would affect the effective income tax rate if recognized.

As of December 31, 2020 and March 31, 2020, the Company had $60.8 million and $40.8 million, respectively, in non-current income taxes payable including interest and penalties, related to the Company's income tax liability for uncertain tax positions.

The Company recognizes interest and penalties related to unrecognized tax positions in the income tax provision. As of December 31, 2020 and March 31, 2020, the Company had $4.7 million and $4.5 million, respectively, of accrued interest and penalties related to uncertain tax positions in non-current income taxes payable.

Although the Company has adequately provided for uncertain tax positions, the provisions related to these positions may change as revised estimates are made or the underlying matters are settled or otherwise resolved. During fiscal year 2021, the Company continues to review its tax positions and provide for or reverse unrecognized tax benefits as they arise. During the next twelve months, it is reasonably possible that the amount of unrecognized tax benefits could increase or decrease significantly due to changes in tax law in various jurisdictions, new tax audits and changes in the U.S. dollar as compared to other currencies. Excluding these factors, uncertain tax positions may decrease by as much as $4.4 million from the lapse of the statutes of limitations in various jurisdictions during the next twelve months.

Note 5 — Balance Sheet Components

The following table presents the components of certain balance sheet asset amounts as of December 31 and March 31, 2020 (in thousands):

	December 31, 2020	March 31, 2020
Accounts receivable, net:		
Accounts receivable	$ 1,196,050	$ 597,939
Allowance for doubtful accounts	(1,328)	(1,894)
Allowance for sales returns	(14,665)	(6,599)
Allowance for cooperative marketing arrangements	(53,387)	(38,794)
Allowance for customer incentive programs	(91,863)	(55,741)
Allowance for pricing programs	(139,870)	(100,168)
	$ 894,937	$ 394,743
Inventories:		
Raw materials	$ 94,748	$ 56,052
Finished goods	382,054	173,197
	$ 476,802	$ 229,249
Other current assets:		
Value-added tax receivables	$ 60,746	$ 33,616
Prepaid expenses and other assets	56,995	41,304
	$ 117,741	$ 74,920
Property, plant and equipment, net:		
Property, plant and equipment at cost	$ 392,478	$ 346,506
Accumulated depreciation and amortization	(295,795)	(270,387)
	$ 96,683	$ 76,119
Other assets:		
Deferred tax assets	$ 219,145	$ 240,528
Right-of-use assets	31,532	25,557
Trading investments for deferred compensation plan	24,056	20,085
Investments in privately held companies	44,634	45,949
Other assets	14,366	12,900
	$ 333,733	$ 345,019

The following table presents the components of certain balance sheet liability amounts as of December 31 and March 31, 2020 (in thousands):

	December 31, 2020	March 31, 2020
Accrued and other current liabilities:		
Accrued personnel expenses	$ 138,735	$ 104,423
Accrued sales return liability	33,540	30,267
Accrued customer marketing, pricing and incentive programs	163,335	130,220
Operating lease liability	12,620	10,945
Accrued freight and duty	43,477	13,284
Warranty accrual	32,128	25,905
Income taxes payable	81,547	8,823
Contingent consideration	537	23,284
Other current liabilities	198,654	107,873
	$ 704,573	$ 455,024
Other non-current liabilities:		
Warranty accrual	$ 15,464	$ 14,134
Obligation for deferred compensation plan	24,056	20,085
Employee benefit plan obligations	66,420	61,303
Operating lease liability	22,537	19,536
Deferred tax liability	1,931	1,931
Other non-current liabilities	3,613	2,285
	$ 134,021	$ 119,274

Note 6 — Fair Value Measurements

Fair Value Measurements

The Company considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.

- Level 2 — Observable inputs other than quoted market prices included in Level 1, such as: quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table presents the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis, excluding assets related to the Company's defined benefit pension plans, classified by the level within the fair value hierarchy (in thousands):

	December 31, 2020			March 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Cash equivalents	$ 465,838	$ —	$ —	$ 564,952	$ —	$ —
Trading investments for deferred compensation plan included in other assets:						
Cash	$ 75	$ —	$ —	$ 846	$ —	$ —
Common stock	1,544	—	—	—	—	—
Money market funds	7,147	—	—	7,147	—	—
Mutual funds	15,290	—	—	12,092	—	—
Total of trading investments for deferred compensation plan	$ 24,056	$ —	$ —	$ 20,085	$ —	$ —
Currency exchange derivative assets included in other current assets	$ —	$ —	$ —	$ —	$ 129	$ —
Liabilities:						
Contingent consideration for business acquisition included in accrued and other current liabilities	$ —	$ —	$ —	$ —	$ —	$ 23,284
Currency exchange derivative liabilities included in accrued and other current liabilities	$ —	$ 4,523	$ —	$ —	$ 719	$ —

The following table summarizes the change in the fair value of the Company's contingent consideration balance during the nine months ended December 31, 2020 (in thousands):

	Nine Months Ended December 31, 2020
Beginning of the period	$ 23,284
Change in fair value of contingent consideration	5,716
Settlement of contingent consideration	(28,463)
End of the period (1)	$ 537

(1) As of June 30, 2020, the earn-out period was completed in connection with our acquisition of Streamlabs (defined below). The earn-out payment of $29.0 million is based on the actual net sales of Streamlabs services during the earn-out period and is no longer subject to fair value measurement and was accordingly transferred out of Level 3. During the third quarter of 2021, the fair value of $28.5 million of the contingent consideration was transferred from other current liabilities to equity upon settlement of the contingent consideration through the issuance of shares out of treasury stock. The remaining amount of $0.5 million is held back in escrow for claims made against the escrow and for the payment of taxes.

Investment Securities

The marketable securities for the Company's deferred compensation plan were recorded at a fair value of $24.1 million and $20.1 million, as of December 31, 2020 and March 31, 2020, respectively, based on quoted market prices. Quoted market prices are observable inputs that are classified as Level 1 within the fair value hierarchy. Unrealized gains (losses) related to trading securities for the three and nine months ended December 31, 2020 and 2019 were not material and are included in other income, net in the Company's condensed consolidated statements of operations.

Contingent Consideration for Business Acquisition

On October 31, 2019 (the "Streamlabs Acquisition Date"), the Company acquired all of the equity interests of General Workings, Inc. ("Streamlabs"). In connection with the acquisition of Streamlabs, the Company agreed to pay a total earn out payment of $29.0 million, payable in stock, only upon the achievement of certain net revenues for the period beginning on January 1, 2020 and ending on June 30, 2020.

The fair value of the earn-out as of the Streamlabs Acquisition Date was $0.04 million, and increased to $23.3 million as of March 31, 2020, which was determined by using a Black-Scholes-Merton valuation model to calculate the probability of the earn-out threshold being met and times the value of the earn-out payment, and discounted at the risk-free rate. The fair value was increased by $5.7 million to $29.0 million as of June 30, 2020, based on actual sales. The fair value of the contingent consideration no longer needs to be remeasured after June 30, 2020, as the earn-out period has been completed.

During the third quarter of fiscal 2021, Logitech issued 390,397 shares out of treasury shares to former security holders of Streamlabs, in satisfaction of payment of the contingent consideration that was earned during the earn-out period of January 1, 2020 through June 30, 2020. The issuances of such shares were deemed to be exempt from registration under the Securities Act of 1933 (the "Securities Act"), in reliance on Regulation D of the Securities Act as transactions by an issuer not involving a public offering.

Equity Method Investments

The Company has certain non-marketable investments included in other assets that are accounted for under the equity method of accounting, with a carrying value of $39.9 million and $42.1 million as of December 31, 2020 and March 31, 2020, respectively. Unrealized gains (losses) related to equity investments for the three and nine months ended December 31, 2020 and 2019 were not material and are included in other income, net in the Company's condensed consolidated statements of operations. There was no impairment of these assets during the three and nine months ended December 31, 2020 or 2019.

Other Assets Measured at Fair Value on a Nonrecurring Basis

Financial Assets. The Company has certain investments without readily determinable fair values due to the absence of quoted market prices, the inherent lack of liquidity, and the fact that inputs used to measure fair value are unobservable and require management's judgment. When certain events or circumstances indicate that impairment may exist, the Company revalues the investments using various assumptions, including the financial metrics and ratios of comparable public companies. The carrying value is also adjusted for observable price changes with a same or similar security from the same issuer. The amount of these investments included in other assets was immaterial as of December 31, 2020 and March 31, 2020. There was no impairment of these assets during the three and nine months ended December 31, 2020 or 2019.

Non-Financial Assets. Goodwill, intangible assets, and property, plant and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur (or tested at least annually for goodwill) such that a non-financial instrument is required to be evaluated for impairment and an impairment is recorded to reduce the non-financial instrument's carrying value to the fair value as a result of such triggering events, the non-financial assets and liabilities are measured at fair value for the period such triggering events occur. There was no impairment of these assets during the three and nine months ended December 31, 2020 or 2019.

Note 7 — Derivative Financial Instruments

Under certain agreements with the respective counterparties to the Company’s derivative contracts, subject to applicable requirements, the Company is allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, the Company presents its derivative assets and derivative liabilities on a gross basis on the condensed consolidated balance sheets as of December 31, 2020 and March 31, 2020.

The fair value of the Company’s derivative instruments was not material as of December 31, 2020 or March 31, 2020. The amount of gain (loss) recognized on derivatives not designated as hedging instruments was not material in all periods presented herein. The following table presents the amounts of gains (losses) on the Company’s derivative instruments designated as hedging instruments and their locations on its condensed consolidated statements of operations and condensed consolidated statements of comprehensive income for the three and nine months ended December 31, 2020 and 2019 (in thousands):

	Three Months Ended December 31,			
	Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss		Amount of Loss (Gain) Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold	
	2020	2019	2020	2019
Cash flow hedges	$ (6,326)	$ (1,381)	$ 3,446	$ (739)

	Nine Months Ended December 31,			
	Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss		Amount of Loss (Gain) Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold	
	2020	2019	2020	2019
Cash flow hedges	$ (9,752)	$ 56	$ 5,085	$ (1,097)

Cash Flow Hedges

The Company enters into cash flow hedge contracts to protect against exchange rate exposure of forecasted inventory purchases. These hedging contracts mature within four months. Gains and losses in the fair value of the effective portion of the hedges are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. Cash flows from such hedges are classified as operating activities in the condensed consolidated statements of cash flows. Hedging relationships are discontinued when hedging contract is no longer eligible for hedge accounting, or is sold, terminated or exercised, or when Company removes hedge designation for the contract. Gains and losses in the fair value of the effective portion of the discontinued hedges continue to be reported in accumulated other comprehensive loss until the hedged inventory purchases are sold, unless it is probable that the forecasted inventory purchases will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter. In all periods presented herein, there have been no forecasted inventory purchases that were probable to not occur by the end of the originally specified time period or within an additional two-month period of time thereafter. The notional amounts of foreign currency exchange forward contracts outstanding related to forecasted inventory purchases were $166.1 million as of December 31, 2020 and $48.0 million as of March 31, 2020. The Company had $4.9 million of net losses related to its cash flow hedges included in accumulated other comprehensive loss as of December 31, 2020, which will be reclassified into earnings within the next 12 months.

Other Derivatives

The Company also enters into foreign currency exchange forward and swap contracts to reduce the short-term effects of currency exchange rate fluctuations on certain receivables or payables denominated in currencies other than the functional currencies of its subsidiaries. These contracts generally mature within one month. The primary risk managed by using forward and swap contracts is the currency exchange rate risk. The gains or losses on these contracts are recognized in other income, net in the condensed consolidated statements of operations based on the changes in fair value. The notional amounts of these contracts outstanding as of December 31, 2020 and March 31, 2020 were $157.2 million and $64.7 million, respectively. Open forward and swap contracts outstanding as of December 31, 2020 and March 31, 2020 consisted of contracts in Mexican Pesos, Japanese Yen, Canadian Dollars, Taiwan New Dollars and Australian Dollars to be settled at future dates at pre-determined exchange rates.

The fair value of all foreign currency exchange forward and swap contracts is determined based on observable market transactions of spot currency rates and forward rates. Cash flows from these contracts are classified as operating activities in the condensed consolidated statements of cash flows.

Note 8 — Goodwill and Other Intangible Assets

The Company conducts its impairment analysis of goodwill annually at December 31 and as necessary, if changes in facts and circumstances indicate that it is more likely than not that the fair value of the Company’s reporting unit may be less than its carrying amount. The Company conducted its annual impairment analysis of goodwill as of December 31, 2020 by performing a qualitative assessment and concluded that it was more likely than not that the fair value of its reporting unit exceeds its carrying amount. In assessing the qualitative factors, the Company considered the impact of change in industry and competitive environment, growth in the Company's market capitalization and budgeted-to-actual revenue performance for the last twelve months.

The following table summarizes the activities in the Company’s goodwill balance during the nine months ended December 31, 2020 (in thousands):

As of March 31, 2020	$ 400,917
Currency translation	76
As of December 31, 2020	$ 400,993

The Company's acquired intangible assets subject to amortization were as follows (in thousands):

	December 31, 2020			March 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark and trade names	$ 45,570	$ (23,615)	$ 21,955	$ 45,570	$ (19,061)	$ 26,509
Developed technology	118,807	(86,922)	31,885	118,807	(77,126)	41,681
Customer contracts/relationships	90,610	(41,136)	49,474	90,610	(31,859)	58,751
Total	$ 254,987	$ (151,673)	$ 103,314	$ 254,987	$ (128,046)	$ 126,941

Note 9 — Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating $82.6 million as of December 31, 2020. There are no financial covenants under these lines of credit with which the Company must comply. As of December 31, 2020, the Company had outstanding bank guarantees of $37.8 million under these lines of credit. There was no borrowing outstanding under these lines of credit as of December 31, 2020 or March 31, 2020.

Note 10 — Commitments and Contingencies

Product Warranties

Changes in the Company’s warranty liability for the three and nine months ended December 31, 2020 and 2019 were as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Beginning of the period	$ 41,782	$ 37,222	$ 40,039	$ 34,229
Provision	13,692	9,608	28,575	26,652
Settlements	(8,371)	(6,840)	(22,073)	(20,544)
Currency translation	489	187	1,051	(160)
End of the period	$ 47,592	$ 40,177	$ 47,592	$ 40,177

Indemnifications

The Company indemnifies certain of its suppliers and customers for losses arising from matters such as intellectual property disputes and product safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances, includes indemnification for damages and expenses, including reasonable attorneys' fees. As of December 31, 2020, no amounts have been accrued for these indemnification provisions. The Company does not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under its indemnification arrangements.

The Company also indemnifies its current and former directors and certain of its current and former officers. Certain costs incurred for providing such indemnification may be recoverable under various insurance policies. The Company is unable to reasonably estimate the maximum amount that could be payable under these arrangements because these exposures are not limited, the obligations are conditional in nature and the facts and circumstances involved in any situation that might arise are variable.

Legal Proceedings

From time to time the Company is involved in claims and legal proceedings that arise in the ordinary course of its business. The Company is currently subject to several such claims and a small number of legal proceedings. The Company believes that these matters lack merit and intends to vigorously defend against them. Based on currently available information, the Company does not believe that resolution of pending matters will have a material adverse effect on its financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that the Company's defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on the Company's business, financial condition, cash flows or results of operations in a particular period. Any claims or proceedings against the Company, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors. Any failure to obtain a necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect the Company's business.

Note 11 — Shareholders' Equity

Share Repurchase Program

In March 2017, the Company's Board of Directors approved the 2017 share buyback program, which authorized the Company to use up to $250.0 million to purchase up to 17.3 million shares of Logitech shares. This share buyback program expired in April 2020. The Company did not repurchase any of its registered shares during April 2020.

In May 2020, the Company's Board of Directors approved the 2020 share buyback program, which authorized the Company to use up to $250.0 million to purchase up to 17.3 million of Logitech shares. The Company's share buyback program is expected to remain in effect for a period of three years. Shares may be repurchased from time to time on the open market, through block trades or otherwise. Purchases may be started or stopped at any time without prior notice depending on market conditions and other factors. As of December 31, 2020, $177.6 million is still available for repurchase under the 2020 buyback program.

Dividends

During the three and nine months ended December 31, 2020, the Company declared and paid cash dividends of CHF 0.79 (USD equivalent of $0.87) per share, totaling $146.7 million on the Company's outstanding shares. During the three and nine months ended December 31, 2019, the Company declared and paid cash dividends of CHF 0.73 (USD equivalent of $0.74) per share, totaling $124.2 million on the Company's outstanding shares.

Any future dividends will be subject to approval of the Company's shareholders.

Additional Authorized and Conditional Shares

The Company has reserved conditional capital of 25,000,000 shares for potential issuance on the exercise of rights granted under the Company's employee equity incentive plans and additional conditional capital for financing purposes, representing the issuance of up to 25,000,000 shares to cover any conversion rights under a future convertible bond issuance. At the 2018 Annual General Meeting, the shareholders of the Company authorized the Board of Directors to issue up to an additional 34,621,324 shares of the Company until September 5, 2020, which authority expired on that date. At the 2020 Annual General Meeting, the shareholders of the Company authorized the Board of Directors to issue up to an additional 17,310,662 shares of the Company until September 9, 2022.

Accumulated Other Comprehensive Income (Loss)

The accumulated other comprehensive income (loss) was as follows (in thousands):

	Accumulated Other Comprehensive Income (Loss)			
	Cumulative Translation Adjustment	Defined Benefit Plan	Deferred Hedging Losses	Total
March 31, 2020	$ (100,418)	$ (20,016)	$ (226)	$ (120,660)
Other comprehensive income (loss)	22,206	204	(4,667)	17,743
December 31, 2020	$ (78,212)	$ (19,812)	$ (4,893)	$ (102,917)

Note 12 — Segment Information

The Company has determined that it operates in a single operating segment that encompasses the design, manufacturing and marketing of peripherals for PCs, tablets and other digital platforms. Operating performance measures are provided directly to the Company's CEO, who is considered to be the Company's Chief Operating Decision Maker. The CEO periodically reviews information such as sales and adjusted operating income (loss) to make business decisions. These operating performance measures do not include restructuring charges (credits), net, share-based compensation expense, amortization of intangible assets, charges from the purchase accounting effect on inventory, acquisition-related costs or change in fair value of contingent consideration from business acquisition.

Sales by product categories and sales channels, excluding intercompany transactions, for the three and nine months ended December 31, 2020 and 2019 were as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Pointing Devices	$ 213,638	$ 154,540	$ 503,228	$ 409,293
Keyboards & Combos	218,269	156,333	565,246	424,061
PC Webcams	131,700	32,165	295,020	89,041
Tablet & Other Accessories	138,052	31,256	267,186	103,442
Gaming (1)	436,426	245,736	916,040	541,265
Video Collaboration	292,500	91,964	659,278	254,941
Mobile Speakers	72,566	92,969	145,156	200,617
Audio & Wearables	152,952	81,934	338,592	208,576
Smart Home	10,593	15,790	25,976	35,088
Other (2)	606	—	632	279
Total sales	$ 1,667,302	$ 902,687	$ 3,716,354	$ 2,266,603

(1) Gaming includes streaming services revenue generated by Streamlabs.

(2) Other includes products that the Company currently intends to phase out, or has already phased out, because they are no longer strategic to the Company's business.

Sales by geographic region (based on the customers' locations) for the three and nine months ended December 31, 2020 and 2019 were as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Americas	$ 704,718	$ 380,493	$ 1,603,221	$ 970,775
EMEA	547,044	308,907	1,147,393	719,994
Asia Pacific	415,540	213,287	965,740	575,834
Total sales	$ 1,667,302	$ 902,687	$ 3,716,354	$ 2,266,603

Sales are attributed to countries on the basis of the customers' locations.

The United States and Germany each represented 10% or more of the total consolidated sales for each of the periods presented herein. No other countries represented 10% or more of the Company's total consolidated sales for the periods presented herein.

Switzerland, the Company's home domicile, represented 3% of the Company's total consolidated sales for the three and nine months ended December 31, 2020, respectively, and represented 4% of the Company's total consolidated sales for the three and nine months ended December 31, 2019, respectively.

Two customers of the Company each represented 10% or more of the total consolidated sales for each of the periods presented herein.

Property, plant and equipment, net by geographic region were as follows (in thousands):

	December 31, 2020	March 31, 2020
Americas	$ 21,859	$ 26,636
EMEA	6,998	5,052
Asia Pacific	67,826	44,431
Total property, plant and equipment, net	$ 96,683	$ 76,119

Property, plant and equipment, net in the United States and China were $21.6 million and $59.6 million, respectively, as of December 31, 2020, and $26.5 million and $36.6 million, respectively, as of March 31, 2020. No other countries represented 10% or more of the Company's total consolidated property, plant and equipment, net as of December 31, 2020 or March 31, 2020. Property, plant and equipment, net in Switzerland, the Company's home domicile, were $4.6 million and $2.3 million as of December 31, 2020 and March 31, 2020, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the interim unaudited condensed consolidated financial statements and related notes.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include, among other things, statements regarding our strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position, our business strategy, the impact of investment prioritization decisions, product offerings, sales and marketing initiatives, strategic investments, addressing execution challenges, trends in consumer demand affecting our products and markets, trends in the composition of our customer base, our current or future revenue and revenue mix by product, among our lower- and higher-margin products and by geographic region, our new product introductions, our expectations regarding the potential growth opportunities for our products in mature and emerging markets and the enterprise market, our expectations regarding the impact of COVID-19 on our business and results of operations, our expectations regarding economic conditions in international markets, including China, Russia and Ukraine, our expectations regarding trends in global economic conditions and consumer demand for PCs and mobile devices, tablets, gaming, video collaboration, audio, pointing devices, wearables, remotes, microphones, streaming and other accessories and computer devices and related software and services, the interoperability of our products with third party platforms, our expectations regarding the convergence of markets for computing devices and consumer electronics, our expectations regarding the growth of cloud-based services, our dependence on new products, our competitive position and the effect of pricing, product, marketing and other initiatives by us and our competitors, the potential that our new products will overlap with our current products, our expectations regarding competition from well-established consumer electronics companies in existing and new markets, potential tariffs, their effects and our ability to mitigate their effects, our expectations regarding the recoverability of our goodwill, goodwill impairment charge estimates and the potential for future impairment charges, the impact of our current and proposed product divestitures, changes in our planned divestitures, restructuring of our organizational structure and the timing thereof, our expectations regarding the success of our strategic acquisitions, including integration of acquired operations, products, technology, internal controls, personnel and management teams, significant fluctuations in currency exchange rates and commodity prices, the impact of new product introductions and product innovation on future performance or anticipated costs and expenses and the timing thereof, cash flows, the sufficiency of our cash and cash equivalents, cash generated and available borrowings (including the availability of our uncommitted lines of credit) to fund future cash requirements, our expectations regarding future sales compared to actual sales, our expectations regarding share repurchases, dividend payments and share cancellations, our expectations regarding our future working capital requirements and our anticipated capital expenditures needed to support our product development and expanded operations, our expectations regarding our future tax benefits, tax settlements, the adequacy of our provisions for uncertain tax positions, our expectations regarding our potential indemnification obligations, and the outcome of pending or future legal proceedings and tax audits, our expectations regarding the impact of new accounting pronouncements on our operating results, and our ability to achieve and sustain renewed growth, profitability and future success. Forward-looking statements also include, among others, those statements including the words "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "project," "predict,", "seek", "should," "will," and similar language. These forward-looking statements involve risks and uncertainties that could cause our actual performance to differ materially from that anticipated in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed below and in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview of Our Company

Logitech is a world leader in designing, manufacturing and marketing products that help connect people to digital and cloud experiences. Almost 40 years ago, Logitech created products to improve experiences around the personal computer (PC) platform, and today it is a multi-brand, multi-category company designing products that enable better experiences when consuming, sharing and creating digital content such as computing, gaming, video and music, whether it is on a computer, mobile device or in the cloud. Logitech's brands include Logitech, Logitech G, ASTRO Gaming, Streamlabs, Ultimate Ears, Jaybird, and Blue Microphones. Our Company's website is www.logitech.com.

Our products participate in five large market opportunities: Creativity & Productivity, Gaming, Video Collaboration, Music and Smart Home. We sell our products to a broad network of domestic and international customers, including direct sales to retailers and e-tailers, and indirect sales through distributors. Our worldwide channel network includes consumer electronics distributors, retailers, mass merchandisers, specialty stores, computer and telecommunications stores, value-added resellers and online merchants.

From time to time, we may seek to partner with or acquire, when appropriate, companies that have products, personnel, and technologies that complement our strategic direction. We continually review our product offerings and our strategic direction in light of our profitability targets, competitive conditions, changing consumer trends and the evolving nature of the interface between the consumer and the digital world.

Impacts of COVID-19 to Our Business

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the world. The spread of COVID-19 has caused public health officials to recommend precautions to mitigate the spread of the virus and, in certain markets in which we operate, government authorities have from time to time issued orders that require the closure of or restrictions on non-essential businesses and people to be quarantined or to shelter-at-home. The COVID-19 pandemic has significantly curtailed global economic activity, caused significant volatility and disruption in global financial and commercial markets, and is likely to continue to lead to recessionary pressures for an indeterminate amount of time. We are conducting our business with substantial modifications, such as employee remote work in non-manufacturing facilities and travel limitations, among other changes. We are continuing to actively monitor the situation and may take further actions that could alter our business operations as may be required by federal, state or local authorities in the countries in which we operate, or that we determine are in the best interest of our employees, customers, partners, suppliers or shareholders. It is not clear what the potential effects of COVID-19 or any such modifications or alterations may have on our business, results of operations, financial operations, financial condition and stock price.

During February 2020, following the initial outbreak of COVID-19 in China, we experienced disruptions to our manufacturing, supply chain and logistics services, resulting in temporary inventory declines and an increase in logistics costs. We continued to see disruptions to our supply chain and logistics services, inventory constraints and increased logistics costs during the remainder of the fourth quarter of fiscal year 2020 and the first, second, and third quarters of fiscal year 2021 as we attempted to address the effects of COVID-19, including health-related issues, changing regulations, and increased demand for and depleted inventories of some of our products. At the same time, due to the ongoing shelter-at-home requirements or recommendations in many countries, there has been acceleration of the work-from-home, study-from-home, gaming, video collaboration and streaming trends and high demand and consumption of certain of our products that have led to increased sales and operating income. While it is not yet clear how long the positive demand dynamics will continue, we expect the increased logistics costs and other adverse effects on our gross margins from COVID-19 to continue through the remainder of fiscal year 2021. It is difficult to predict the progression, the duration and all of the effects of COVID-19, when business restrictions and shelter-at-home guidelines may be eased or lifted, and how consumer demand, inventory and logistical effects and costs may evolve over time, or the impact on our future sales and results of operations. Some of this impact will undoubtedly occur over multiple financial periods and may have a lag effect between periods, such as what we are able to manufacture in one period affecting sales, channel inventory or logistics costs in subsequent periods. The full extent of the impact of COVID-19 on our business and our operational and financial performance is currently uncertain and will depend on many factors outside our control. For additional information, see "*Liquidity and Capital resources*" below and "*Item IA: Risk Factors*", including under the caption "*The full effect of the COVID-19 pandemic is uncertain and cannot be predicted, and it could adversely affect the Company's business, results of operations and financial condition."*

Summary of Financial Results

Our total sales for the three and nine months ended December 31, 2020 increased 85% and 64%, respectively, compared to the three and nine months ended December 31, 2019, due to stronger sales across all regions and several of our product categories from increased remote work and distance learning trends, accelerated adoption of video communications, and greater gaming viewership, creation, and participation from home, as a result of COVID-19. The results of operations for Streamlabs have been included in our consolidated statement of operations from the acquisition date.

Our sales for the three months ended December 31, 2020 increased 85%, 77%, and 95% in the Americas, EMEA and Asia Pacific, respectively, compared to the same period of the prior fiscal year. Our sales for the nine months ended December 31, 2020 increased 65%, 59%, and 68% in the Americas, EMEA and Asia Pacific, respectively, compared to the same period of the prior fiscal year.

Our gross margin for the three months ended December 31, 2020 increased by 780 basis points to 44.9% from 37.1% for the three months ended December 31, 2019. Our gross margin for the nine months ended December 31, 2020 increased by 640 basis points to 43.7% from 37.3% for the nine months ended December 31, 2019. Our gross margin for both periods benefited from higher sales volume, continued restrained promotional spending, favorable product mix, and favorable exchange rates, which more than offset higher logistics operations costs.

Operating expenses for the three months ended December 31, 2020 were $300.9 million, or 18.0% of sales, compared to $205.6 million, or 22.8% of sales in the same period of the prior fiscal year.

Operating expenses for the nine months ended December 31, 2020 were $771.4 million, or 20.8% of sales, compared to $601.2 million, or 26.5% of sales in the same period of the prior fiscal year.

Net income for the three and nine months ended December 31, 2020 was $382.5 million and $721.5 million, respectively, compared to $117.5 million and $235.8 million for the three and nine months ended December 31, 2019, respectively.

Trends in Our Business

Our products participate in five large multi-category market opportunities, including Creativity & Productivity, Gaming, Video Collaboration, Music and Smart Home. We see opportunities to deliver growth with products in all these markets. The following discussion represents key trends specific to our market opportunities.

Trends Specific to Our Five Market Opportunities

Creativity & Productivity: New PC shipments have continued to be strong recently due to work-from-home and learn-from-home trends. We believe that innovative PC peripherals, such as our mice and keyboards, can renew the PC usage experience and help improve the productivity and engagement of remote work, distance learning, and telemedicine, thus providing growth opportunities. Increasing adoption of various cloud-based applications has led to multiple unique consumer use cases, which we are addressing with our innovative product portfolio and a deep understanding of our customer base. The increasing popularity of streaming and broadcasting, as well as the rising work-from-home trend, provides additional growth opportunities for our webcam products as well as other products in our portfolio. Smaller mobile computing devices, such as tablets, have created new markets and usage models for peripherals and accessories. We offer a number of products to enhance the use of mobile devices, including a combo backlit keyboard case for the iPad Pro and keyboard folios for other iPad models. Hybrid and distance learning environments have also created demand and growth opportunities for our education tablet keyboards and accessories.

Gaming: The PC gaming and console gaming platforms continue to show strong structural growth opportunities as online gaming, multi-platform experiences, and esports gain greater popularity and gaming content becomes increasingly more demanding and social, particularly as other recreational activities have been curtailed or restricted during shelter-at-home mandates. The new console refresh cycle during the holiday season of 2020 could drive subsequent growth opportunities over the coming years for our ASTRO family of headsets and controllers. We believe Logitech is well positioned to benefit from the overall gaming market growth. Our acquisition of Streamlabs provides a solid platform to deliver recurring services and subscriptions to gamers.

Video Collaboration: The near and long-term structural growth opportunities in the video collaboration market (VC) have never been more relevant than in today's environment, as commercial and consumer adoption of video has seen explosive growth since the start of the COVID-19 pandemic. Video meetings continue to be on the rise, and companies increasingly want lower-cost, cloud-based solutions that can provide their employees with the ability to work from anywhere. We are continuing our efforts to create and sell innovative products to accommodate the increasing demand from home offices and small-size meeting rooms, such as huddle rooms, to medium and large-sized meeting rooms. We are also experiencing significant demand for our enterprise-grade VC webcams and headsets. We will continue to invest in select business-specific products (both hardware and software), targeted product marketing and sales channel development.

Music: The mobile speaker market has remained soft, and has further weakened as physical retail stores have been recently closed and the retail footprint has decreased significantly due to the COVID-19 pandemic. The integration of personal voice assistants has become increasingly competitive in the speaker categories, and the market for third-party, voice-enabled speakers has not yet gained traction. Moreover, the market for mobile speakers appears to be maturing, which led to a decline in Ultimate Ears sales in the past two years. In fiscal year 2020, the wireless headphone industry continued to flourish with strong revenue growth but has slowed in recent months. The largest growth is in true wireless headphones while traditional wireless headphones have declined significantly. Continued growth in the wireless headphone market is expected for the next several years as consumers increasingly adopt wireless headphones over wired headphones. Blue Microphones has experienced strong demand as musicians, performers and streamers increasingly look to entertain and engage with their fans on various online platforms like YouTube, Twitch, and Facebook.

Smart Home: Our remote Harmony business declined substantially in fiscal year 2020, offset by growth in our Circle 2 family of security cameras. This trend continued during the nine months of fiscal year 2021. In general, our Harmony and Circle 2 products are under pressure as the way people consume content is changing and as retail stores have been closed or subject to restrictions. The smart home market opportunity is broad and we will continue to explore other innovative experiences to drive growth in the Smart Home category.

Business Seasonality, Product Introductions and Acquisitions

We have historically experienced higher sales in our third fiscal quarter ending December 31, compared to other fiscal quarters in our fiscal year, primarily due to the increased consumer demand for our products during the year-end holiday buying season and year-end spending by enterprises. Due to the spike in the number of cases from the COVID-19 pandemic, and the ongoing shelter-at-home requirements, the third fiscal quarter experienced an even higher demand and consumption of most of our products. Additionally, new product introductions and business acquisitions can significantly impact sales, product costs and operating expenses. Product introductions can also impact our sales to distribution channels as these channels are filled with new product inventory following a product introduction, and often channel inventory of an earlier model product declines as the next related major product launch approaches. Sales can also be affected when consumers and distributors anticipate a product introduction or changes in business circumstances. However, neither historical seasonal patterns nor historical patterns of product introductions should be considered reliable indicators of our future pattern of product introductions, future sales or financial performance. Furthermore, cash flow is correspondingly lower in the first half of the fiscal year as we typically build inventories in advance for the third quarter and we pay an annual dividend following our Annual General Meeting, which is typically in September.

Swiss Federal Tax Reform

As described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020, the canton of Vaud in Switzerland enacted TRAF on March 10, 2020 that took effect as of January 1, 2020. Our cash tax payments have increased in Switzerland beginning in fiscal year 2020 as a result of our transition out of our longstanding tax ruling from the canton of Vaud.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with GAAP and pursuant to the rules and regulations of the SEC, requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis, we evaluate our assumptions, judgments and estimates. We also discuss our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

We believe that the assumptions, judgments and estimates involved in the accounting for accruals for customer incentives, cooperative marketing, and pricing programs (Customer Programs) and related breakage when appropriate, accrued sales return liability, inventory valuation and uncertain tax positions have the greatest potential impact on our condensed consolidated financial statements. These areas are key components of our results of operations and are based on complex rules requiring us to make judgments and estimates and consequently, we consider these to be our critical accounting policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

There have been no material changes in our critical accounting policies and estimates during the nine months ended December 31, 2020 compared with the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

Adoption of New Accounting Pronouncements

Refer to Note 1 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for recent accounting pronouncements adopted and to be adopted.

Impact of Constant Currency

We refer to our sales growth rates excluding the impact of currency exchange rate fluctuations as "constant dollar" sales growth rates. Percentage of constant dollar sales growth 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.

Given our global sales presence and the reporting of our financial results in U.S. Dollars, our financial results could be affected by shifts in currency exchange rates. See “Results of Operations” for information on the effect of currency exchange rate results on our sales. If the U.S. Dollar appreciates or depreciates in comparison to other currencies in future periods, this will affect our results of operations in future periods as well.

References to Sales

References to “sales” mean net sales, except as otherwise specified, and the sales growth discussion and sales growth rate percentages are based on U.S. Dollars, except as otherwise specified.

***Sales Denominated in Other* Currencies**

Although our financial results are reported in U.S. Dollars, a portion of our sales was generated in currencies other than the U.S. Dollar, such as the Euro, Chinese Renminbi, Japanese Yen, Canadian Dollar, Taiwan New Dollar, British Pound and Australian Dollar. During the three months ended December 31, 2020, approximately 54% of our sales were denominated in currencies other than the U.S. Dollar.

Results of Operations

Net Sales

Our sales in the three and nine months ended December 31, 2020 increased 85% and 64%, respectively, compared to the same period of the prior fiscal year, driven by sales increases in all regions and several of our product categories from increased work-from-home and study-from-home trends, as a result of various shelter-at-home mandates. Strong sales growth in Video Collaboration, Gaming, PC Webcams, Tablet and Other Accessories, Keyboards & Combos, Audio & Wearables, and Pointing Devices was partially offset by a decline in sales of Mobile Speakers and Smart Home. If currency exchange rates had been constant in the three and nine months ended December 31, 2020 and 2019, our constant dollar sales growth rate would have been 80% and 63%, respectively.

Sales by Region

The following table presents the change in sales by region for the three and nine months ended December 31, 2020, compared with the three and nine months ended December 31, 2019:

	Sales Growth Rate		Constant Dollar Sales Growth Rate	
	Three Months Ended December 31, 2020	Nine Months Ended December 31, 2020	Three Months Ended December 31, 2020	Nine Months Ended December 31, 2020
Americas	85 %	65 %	87 %	67 %
EMEA	77 %	59 %	67 %	55 %
Asia Pacific	95 %	68 %	89 %	66 %

Americas:

The increase in sales in our Americas region for both the three and nine month periods was primarily driven by growth in sales across a majority of our product categories, partially offset by a decline in sales of Mobile Speakers and Smart Home.

EMEA:

The increase in sales in our EMEA region for both the three and nine month periods was primarily driven by growth in sales across a majority of our product categories, partially offset by a decline in sales of Mobile Speakers and Smart Home.

Asia Pacific:

The increase in sales in our Asia Pacific region for both the three and nine month periods was driven by growth in sales across a majority of our product categories, partially offset by a decline in sales of Mobile Speakers and Smart Home.

Sales by Product Categories

Sales by product categories for the three and nine months ended December 31, 2020 and 2019 were as follows (Dollars in thousands):

	Three Months Ended December 31,			Nine Months Ended December 31,		
	2020	2019	Change	2020	2019	Change
Pointing Devices	$ 213,638	$ 154,540	38 %	$ 503,228	$ 409,293	23 %
Keyboards & Combos	218,269	156,333	40	565,246	424,061	33
PC Webcams	131,700	32,165	309	295,020	89,041	231
Tablet & Other Accessories	138,052	31,256	342	267,186	103,442	158
Gaming (1)	436,426	245,736	78	916,040	541,265	69
Video Collaboration	292,500	91,964	218	659,278	254,941	159
Mobile Speakers	72,566	92,969	(22)	145,156	200,617	(28)
Audio & Wearables	152,952	81,934	87	338,592	208,576	62
Smart Home	10,593	15,790	(33)	25,976	35,088	(26)
Other (2)	606	—	—	632	279	127
Total sales	$ 1,667,302	$ 902,687	85 %	$ 3,716,354	$ 2,266,603	64 %

(1) Gaming includes streaming services revenue generated by Streamlabs.
(2) Other includes products that we currently intend to phase out, or have already phased out, because they are no longer strategic to our business.

Creativity & Productivity Market:

Pointing Devices

Our Pointing Devices category comprises PC- and Mac-related mice including trackballs, touchpads and presenters.

Sales of Pointing Devices increased 38% and 23% in the three and nine months ended December 31, 2020, respectively, compared to the same period of the prior fiscal year. The increases in both periods were primarily driven by the increase in sales of cordless and trackball mice, partially offset by a decline in sales of our presentation tools, as most conferences, events, and other large-scale presentations remained prohibited.

Keyboards & Combos

Our Keyboards & Combos category comprises PC keyboards, living room keyboards and keyboard/mice combo products.

Sales of Keyboards & Combos increased 40% and 33% in the three and nine months ended December 31, 2020, respectively, compared to the same periods of the prior fiscal year. The increases in both periods were driven by an increase in sales of our cordless keyboards and wireless keyboards/mice combos, partially offset by a decline in sales of our living room keyboards. The increase in the nine-month period was further partially offset by a decline in sales of our corded keyboards/mice combos.

PC Webcams

Our PC Webcams category comprises PC-based webcams targeted primarily at consumers.

PC Webcams sales increased 309% and 231% in the three and nine months ended December 31, 2020, respectively, compared to the same periods of the prior fiscal year. The increases for both periods were across all product sub-categories, primarily driven by an increase in sales of our HD Pro Webcam C920, 1080P PRO Stream Webcam, Webcam C60, and Logitech Streamcam, mostly due to more remote work adoption and learning-from-home.

Tablet & Other Accessories

Our Tablet & Other Accessories category primarily comprises keyboards for tablets.

Sales of Tablet & Other Accessories products increased 342% and 158% in the three and nine months ended December 31, 2020, respectively, compared to the same periods of the prior fiscal year. The increase for both periods was primarily driven by an increase in the sales of our Rugged Folio keyboard cases for a newer generation of iPads and Slim Folio keyboard for iPad 7th generation, both introduced in the third quarter of fiscal year 2020, and our Powered Wireless Charging 3-in-1 Dock, introduced in the fourth quarter of fiscal year 2020. We have seen strong demand for Tablet keyboards, partly due to schools embracing various technology devices to better educate students in learning-from-home environments.

Gaming market:

Our Gaming category comprises gaming mice, keyboards, headsets, gamepads, steering wheels, simulation controllers, console gaming headsets, and Streamlabs services.

Gaming sales increased 78% and 69% for the three and nine months ended December 31, 2020, respectively, compared to the same periods of the prior fiscal year. The increase for both periods was primarily driven by increases in the sales of nearly all our product sub-categories, including Streamlabs services, our business acquisition in the third quarter of fiscal year 2020. The increases for both periods was partially offset by a decline in the sales of our console gaming controllers.

Video Collaboration market:

Our Video Collaboration category primarily includes Logitech's ConferenceCams, which combine affordable enterprise-quality audio and high definition (HD) 1080p video to bring video conferencing to businesses of any size.

Sales of Video Collaboration products increased 218% and 159% in the three and nine months ended December 31, 2020, respectively, compared to the same periods of the prior fiscal year. The increases for both periods were primarily driven by the sales of our Rally Ultra-HD conference camera system, BRIO 4K Pro Webcam, Webcam C390e, and Webcam C925E as video communications become more critical for a more location-flexible workforce.

Music market:

Mobile Speakers

Our Mobile Speakers category is made up entirely of Bluetooth wireless speakers.

Sales of Mobile Speakers decreased 22% and 28% for the three and nine months ended December 31, 2020, compared to the same periods of the prior fiscal year. The decreases for both periods were primarily driven by a decrease in the sales of our BOOM 3, BOOM 2, UE MEGABOOM, and UE WONDERBOOM mobile speakers, in part due to limited outdoor activities and social gatherings. The decreases were partially offset by sales of our WONDERBOOM 2 speakers, and the introduction of our HYPERBOOM speaker in the fourth quarter of fiscal year 2020.

Audio & Wearables

Our Audio & Wearables category comprises PC speakers, PC headsets, in-ear headphones, premium wireless audio wearables and studio-quality microphones for professionals and consumers.

Audio & Wearables sales increased 87% and 62% for the three and nine months ended December 31, 2020, respectively, compared to the same periods of the prior fiscal year. The increases for both periods were primarily driven by increases in the sales of both our corded and cordless headsets and Blue Microphones products, partially offset by a decline in the sales of our Jaybird products.

Smart Home market:

Our *Smart Home* category mainly comprises our Harmony line of advanced home entertainment controllers and home security cameras.

Smart Home sales decreased 33% and 26% during the three and nine months ended December 31, 2020, respectively, compared to the same periods of the prior fiscal year. The decrease for both periods was primarily due to an overall decline in sales of our Harmony remotes and our home video products.

Gross Profit

Gross profit for the three and nine months ended December 31, 2020 and 2019 was as follows (Dollars in thousands):

	Three Months Ended December 31,			Nine Months Ended December 31,		
	2020	2019	Change	2020	2019	Change
Net sales	$ 1,667,302	$ 902,687	85 %	$ 3,716,354	$ 2,266,603	64 %
Gross profit	$ 749,010	$ 334,453	124	$ 1,624,466	$ 845,505	92
Gross margin	44.9 %	37.1 %		43.7 %	37.3 %	

Gross profit consists of sales less cost of goods sold (which includes materials, direct labor and related overhead costs, costs of manufacturing facilities, royalties, costs of purchasing components from outside suppliers, distribution costs, warranty costs, customer support, shipping and handling costs, outside processing costs and write-down of inventories), amortization of intangible assets.

Gross margin increased by 780 and 640 basis points for the three and nine months ended December 31, 2020, respectively, compared to the same periods of the prior fiscal year. Gross margin benefited from higher sales volume, continued restrained promotional spending, favorable product mix, and favorable exchange rates, which more than offset the higher logistics operations costs.

Operating Expenses

Operating expenses for the three and nine months ended December 31, 2020 and 2019 were as follows (Dollars in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Marketing and selling	$ 204,485	$ 134,950	$ 496,520	$ 392,138
% of sales	12.3 %	14.9 %	13.4 %	17.3 %
Research and development	53,910	43,292	157,014	127,499
% of sales	3.2 %	4.8 %	4.2 %	5.6 %
General and administrative	37,606	22,344	98,341	68,551
% of sales	2.3 %	2.5 %	2.6 %	3.0 %
Amortization of intangible assets and acquisition-related costs	4,946	5,084	13,886	12,898
% of sales	0.3 %	0.6 %	0.4 %	0.6 %
Change in fair value of contingent consideration for business acquisition	—	—	5,716	—
% of sales	— %	— %	0.2 %	— %
Restructuring charges (credits), net	—	(45)	(54)	69
% of sales	— % (1)	— %	— % (1)	— %
Total operating expenses	$ 300,947	$ 205,625	$ 771,423	$ 601,155
% of sales	18.0 %	22.8 %	20.8 %	26.5 %

(1) Absolute value for % of sales is less than 0.1%.

Marketing and Selling

Marketing and selling expenses consist of personnel and related overhead costs, corporate and product marketing, promotions, advertising, trade shows, technical support for customer experiences and facilities costs.

During the three and nine months ended December 31, 2020, marketing and selling expenses increased $69.5 million, and $104.4 million, respectively, compared to the same periods of the prior fiscal year. The increases were primarily driven by higher advertising expenses, personnel-related costs due to increased headcount, increased performance-based variable compensation linked to stronger performance, and increased shared-based compensation.

Research and Development

Research and development expenses consist of personnel and related overhead costs, contractors and outside consultants, supplies and materials, equipment depreciation and facilities costs, all associated with the design and development of new products and enhancements of existing products.

During the three and nine months ended December 31, 2020, research and development expenses increased $10.6 million and $29.5 million, respectively, compared to the same periods of the prior fiscal year. The increases were primarily driven by higher personnel-related costs due to increased headcount, increased performance-based variable expense linked to stronger performance, and higher investment in new product development.

General and Administrative

General and administrative expenses consist primarily of personnel and related overhead, information technology, and facilities costs for the infrastructure functions such as finance, information systems, executives, human resources, and legal.

During the three and nine months ended December 31, 2020, general and administrative expenses increased $15.3 million and $29.8 million, respectively, compared to the same periods of the prior fiscal year. The increases were primarily driven by higher personnel-related costs due to increased headcount, increased performance-based variable compensation linked to stronger performance, and increased shared-based compensation.

Amortization of Intangible Assets and Acquisition-Related Costs

Amortization of intangible assets consists of amortization of acquired intangible assets, including customer relationships and trade names. Acquisition-related costs include legal expense, due diligence costs, and other professional costs incurred for business acquisitions.

During the three months ended December 31, 2020, amortization of intangible assets and acquisition-related costs decreased $0.1 million compared to the same period of the prior fiscal year, primarily driven by intangibles assets that were fully amortized. For the nine months ended December 31, 2020, amortization of intangible assets and acquisition-related costs increased $1.0 million, compared to the same period of the prior fiscal year, primarily driven by amortization of the intangible assets acquired through the Streamlabs acquisition in the third quarter of fiscal year 2020.

Change in Fair Value of Contingent Consideration for Business Acquisition

The change in fair value of contingent consideration was $5.7 million for the nine months ended December 31, 2020, primarily due to growth in Streamlabs' net sales and the achievement of the net sales targets during the six-month earn-out period ended June 30, 2020.

Other Income, Net

Other income, net for the three and nine months ended December 31, 2020 and 2019 was as follows (Dollars in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Investment income related to a deferred compensation plan	$ 1,049	$ 1,045	$ 4,384	$ 1,836
Currency exchange gain, net	7,344	203	9,070	702
Loss on investments	(2,173)	(709)	(4,692)	(772)
Other	263	562	899	1,086
Total	$ 6,483	$ 1,101	$ 9,661	$ 2,852

Investment income represents earnings, gains, and losses on trading investments related to a deferred compensation plan offered by one of our subsidiaries.

Currency exchange gain, net relates to balances denominated in currencies other than the functional currency in our subsidiaries, as well as to the sale of currencies, and to gains or losses recognized on currency exchange forward contracts. We do not speculate in currency positions, but we are alert to opportunities to maximize currency exchange gains and minimize currency exchange losses.

Loss on investments represents the unrealized loss from the fair value change on the available-for-sale securities and equity-method investments during the periods presented.

Provision for Income Taxes

The provision for income taxes and effective tax rates for the three and nine months ended December 31, 2020 and 2019 were as follows (Dollars in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Provision for income taxes	$ 72,334	$ 14,467	$ 142,638	$ 18,405
Effective income tax rate	15.9 %	11.0 %	16.5 %	7.2 %

The change in the effective income tax rate for the three and nine months ended December 31, 2020, compared to the same periods ended December 31, 2019 was primarily due to the mix of income and losses in the various tax jurisdictions in which we operate. The Swiss income tax provision in the three and nine months ended December 31, 2020 represents the income tax provision at the full statutory income tax rate of 13.63%. In the same periods ended December 31, 2019 when TRAF was yet to be enacted at the federal and cantonal levels, the transition income tax provision reflects the application of the longstanding tax ruling through December 31, 2019. Furthermore, there was a discrete tax benefit of $1.7 million from adjusting deferred tax assets and liabilities in Switzerland in the nine months ended December 31, 2019. There were discrete tax benefits of $7.2 million and $2.9 million from the recognition of excess tax benefits in the United States and reversal of uncertain tax positions from the expiration of statutes of limitations, respectively, in the nine-month period ended December 31, 2020, compared with $6.0 million and $2.7 million, respectively, in the nine-month period ended December 31, 2019.

As of December 31, 2020 and March 31, 2020, the total amount of unrecognized tax benefits due to uncertain tax positions was $158.8 million and $140.8 million, respectively, all of which would affect the effective income tax rate if recognized.

Liquidity and Capital Resources

Cash Balances, Available Borrowings, and Capital Resources

As of December 31, 2020, we had cash and cash equivalents of $1,388.7 million, compared to $715.6 million as of March 31, 2020. As of December 31, 2020, 71% of the cash and cash equivalents were held in Switzerland, 13% were held in Germany, and 9% were held in Hong Kong and China. We do not expect to incur any material adverse tax impact except for what has already been recognized, or be significantly inhibited by any country in which we do business from the repatriation of funds to Switzerland, our home domicile.

The increase in cash and cash equivalents for the nine months ended December 31, 2020, was primarily due to an increase in net cash provided by operating activities and proceeds from exercises of stock options and purchase rights, partially offset by payment of cash dividends, purchases of property, plant and equipment, tax withholdings related to settlements of restricted stock units, and shares repurchased under our share buyback program.

As of December 31, 2020, our working capital was $1,361.9 million, compared to $700.3 million as of March 31, 2020. The increase was primarily driven by higher cash and cash equivalents, higher accounts receivable, net, higher inventories and higher other current assets, partially offset by higher accounts payable and accrued and other current liabilities. Our working capital increased by $681.5 million compared to $680.4 million as of December 31, 2019, which was primarily driven by higher cash and cash equivalents, higher accounts receivable, net, higher inventories and higher other current assets, partially offset by higher accounts payable and accrued and other current liabilities.

We had several uncommitted, unsecured bank lines of credit aggregating $82.6 million as of December 31, 2020. There are no financial covenants under these lines of credit with which we must comply. As of December 31, 2020, we had outstanding bank guarantees of $37.8 million under these lines of credit.

The following table summarizes our condensed consolidated statements of cash flows (Dollars in thousands):

	Nine Months Ended December 31,	
	2020	2019
Net cash provided by operating activities	$ 928,419	$ 324,154
Net cash used in investing activities	(46,454)	(119,441)
Net cash used in financing activities	(219,196)	(150,863)
Effect of exchange rate changes on cash and cash equivalents	10,408	(2,320)
Net increase in cash and cash equivalents	$ 673,177	$ 51,530

The following table presents selected financial information and statistics as of and for the three months ended December 31, 2020 and 2019 (Dollars in thousands):

	As of December 31,	
	2020	2019
Accounts receivable, net	$ 894,937	$ 531,309
Accounts payable	$ 811,786	$ 439,035
Inventories	$ 476,802	$ 307,494

	Three Months Ended December 31,	
	2020	2019
Days sales in accounts receivable (“DSO”) (Days) (1)	48	53
Days accounts payable outstanding (“DPO”) (Days) (2)	80	70
Inventory turnover (“ITO”) (x)(3)	7.7	7.4

(1) DSO is determined using ending accounts receivable, net as of the most recent quarter end and sales for the most recent quarter.

(2) DPO is determined using ending accounts payable as of the most recent quarter end and cost of goods sold for the most recent quarter.

(3) ITO is determined using ending inventories and annualized cost of goods sold (based on the most recent quarterly cost of goods sold).

DSO for the three months ended December 31, 2020 decreased by 5 days to 48 days, compared to 53 days for the same period of the prior fiscal year, primarily due to timing of sales, customer payments and sales linearity.

DPO for the three months ended December 31, 2020 increased by 10 days, compared to 70 days for the same period of the prior fiscal year, primarily due to the timing of purchases and related payments and an increase in cost of goods sold due to higher sales growth.

ITO for the three months ended December 31, 2020 increased by 0.3, compared to 7.4 for the same period of the prior fiscal year, primarily due to higher sales growth as a result of higher demand for certain of our products
due to the COVID-19 impact.

If we are not successful in launching and phasing in our new products, or market competition increases, or we are not able to sell the new products at the prices planned, it could have a material impact on our sales, gross profit margin, operating results including operating cash flow, and inventory turnover in the future.

During the nine months ended December 31, 2020, we generated $928.4 million of cash from operating activities. Our main sources of operating cash flows were from net income, after adding back non-cash expenses of depreciation, amortization and share-based compensation expense, from change in fair value of contingent considerations, and from changes in operating assets and liabilities. The increase in accounts receivable, net was primarily driven by growth and timing of sales. The increase in inventories was primarily driven by an increase in inventory purchases in anticipation of continued high demand for certain of our products during the nine months ended December 31, 2020. The increase in accounts payable was primarily driven by the timing of purchases and related payments. The increase in accrued liabilities was primarily driven by an increase in customer marketing, pricing, and incentive programs, freight and duty due to higher logistic costs, and income taxes payable due to stronger performance.

Net cash used in investing activities was $46.5 million, primarily due to $46.2 million of purchases of property, plant and equipment.

Net cash used in financing activities was $219.2 million, primarily due to the $146.7 million payment of a cash dividend, $72.7 million used for repurchases of our registered shares, and $29.5 million for tax withholdings related to net share settlements of restricted stock units, partially offset by $29.7 million in proceeds received from exercises of stock options and purchase rights.

During the nine months ended December 31, 2020, there was a $10.4 million gain from currency exchange rate effect on cash and cash equivalents, compared to a loss of $2.3 million during the same period of the prior fiscal year. The gain from currency translation exchange effect during the nine months ended December 31, 2020 was primarily due to the strengthening of the Australian Dollar, Euro, Chinese Renmingbi, and Swiss Franc against the U.S. Dollar by 24%, 11%, and 8%, respectively, during the period. The loss from effect of currency exchange rate changes during the nine months ended December 31, 2019 was primarily due to the weakening of the Euro, Chinese Renminbi and Brazilian Real against the U.S. Dollar by 1%, 4%, and 4%, respectively.

Cash Outlook

Our principal sources of liquidity are our cash and cash equivalents, cash flow generated from operations and, to a much lesser extent, capital markets and borrowings. Our future working capital requirements and capital expenditures may increase to support investments in product innovations and growth opportunities or to acquire or invest in complementary businesses, products, services, and technologies. The future impact of COVID-19 cannot be predicted with certainty and may increase our costs of capital and otherwise adversely affect our business, results of operations, financial conditions and liquidity.

In fiscal year 2021, we paid an annual cash dividend of CHF 134.0 million (U.S. Dollar amount of $146.7 million) out of fiscal year 2020 retained earnings. In fiscal year 2020, we paid an annual cash dividend of CHF 121.8 million (U.S. Dollar amount of $124.2 million) out of fiscal year 2019 retained earnings. Any future dividends will be subject to the approval of our shareholders.

In May 2020, our Board of Directors approved a new share buyback program, which authorizes us to invest up to $250.0 million to purchase our own shares, following the expiration date of the 2017 share buyback program. Although we enter into trading plans for systematic repurchases (e.g., 10b5-1 trading plans) from time to time, our share buyback program provides us with the opportunity to make opportunistic repurchases during periods of favorable market conditions and is expected to remain in effect for a period of three years. Shares may be repurchased from time to time on the open market, through block trades or otherwise. Opportunistic purchases may be started or stopped at any time without prior notice depending on market conditions and other factors. As of December 31, 2020, $177.6 million is still available for repurchase under the 2020 share buyback program.

If we do not generate sufficient operating cash flows to support our operations and future planned cash requirements, our operations could be harmed and our access to credit could be restricted or eliminated. However, we believe that the trend of our historical cash flow generation, our projections of future operations and our available cash balances will provide sufficient liquidity to fund our operations for at least the next 12 months.

Operating Leases Obligation

We lease facilities under operating leases, certain of which require us to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at our option and usually include escalation clauses linked to inflation. The remaining terms of our non-cancelable operating leases expire in various years through 2031.

Purchase Commitments

As of December 31, 2020, we had non-cancelable purchase commitments of $853.1 million for inventory purchases made in the normal course of business from original design manufacturers, contract manufacturers and other suppliers, as well as due to strong sales growth in the nine months ended December 31, 2020, the majority of which are expected to be fulfilled within the next 12 months. The increase of inventory purchase commitment from March 31, 2020 is to replenish the inventory due to business growth. We recorded a liability for firm, non-cancelable, and unhedged inventory purchase commitments in excess of anticipated demand or net realizable value consistent with our valuation of excess and obsolete inventory. As of December 31, 2020, the liability for these purchase commitments was $5.6 million and is recorded in accrued and other current liabilities.

We have firm purchase commitments of $32.8 million for capital expenditures, primarily related to commitments for equipment and tooling for new and existing products. We expect to continue making capital expenditures in the future to support product development activities and ongoing and expanded operations. Although open purchase commitments are considered enforceable and legally binding, the terms generally allow us to reschedule or adjust our requirements based on business needs prior to delivery of goods or performance of services.

Other Contractual Obligations and Commitments

For further detail about our contractual obligations and commitments, refer to our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Indemnifications

We indemnify certain suppliers and customers for losses arising from matters such as intellectual property disputes and product safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances includes indemnification for damages and expenses, including reasonable attorneys’ fees. As of December 31, 2020, no amounts have been accrued for indemnification provisions. We do not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under our indemnification arrangements.

We also indemnify our current and former directors and certain current and former officers. Certain costs incurred for providing such indemnification may be recoverable under various insurance policies. We are unable to reasonably estimate the maximum amount that could be payable under these arrangements because these exposures are not capped, the obligations are conditional in nature, and the facts and circumstances involved in any situation that might arise are variable.

Legal Proceedings

From time to time we are involved in claims and legal proceedings that arise in the ordinary course of our business. We are currently subject to several such claims and a small number of legal proceedings. We believe that these matters lack merit and we intend to vigorously defend against them. Based on currently available information, we do not believe that resolution of pending matters will have a material adverse effect on our financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that our defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on our business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against us, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors. Any failure to obtain necessary licenses or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. As a company with global operations, we face exposure to adverse movements in currency exchange rates and interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results.

Currency Exchange Rates

We report our results in U.S. Dollars. Changes in currency exchange rates compared to the U.S. Dollar can have a material impact on our results when the financial statements of our non-U.S. subsidiaries are translated into U.S. Dollars. The functional currency of our operations is primarily the U.S. Dollar. Certain operations use the Swiss Franc or the local currency of the country as their functional currencies. Accordingly, unrealized currency gains or losses resulting from the translation of net assets or liabilities denominated in other currencies to the U.S. Dollar are accumulated in the cumulative translation adjustment component of other comprehensive income (loss) in shareholders' equity.

We are exposed to currency exchange rate risk as we transact business in multiple currencies, including exposure related to anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. Dollar. We transact business in over 30 currencies worldwide, of which the most significant to operations are the Euro, Chinese Renminbi, Australian Dollar, Taiwanese Dollar, British Pound, Brazilian Real, Canadian Dollar, Japanese Yen and Mexican Peso. For the three months ended December 31, 2020, approximately 54% of our sales were in non-U.S. denominated currencies, with 26% of our sales denominated in Euro. The mix of our costs of goods sold and operating expenses by currency are significantly different from the mix of our sales, with a larger portion denominated in U.S. Dollar and less denominated in Euro and other currencies. A strengthening U.S. Dollar has a more unfavorable impact on our sales compared to the favorable impact on our cost of goods sold and operating expenses, resulting in an adverse impact on our operating results.

We enter into currency forward and swap contracts to reduce the short-term effects of currency fluctuations on certain receivables or payables denominated in currencies other than the functional currencies of our subsidiaries. These forward contracts generally mature within one month. The gains or losses on these contracts are recognized in earnings based on the changes in fair value.

If an adverse 10% foreign currency exchange rate change was applied to total monetary assets and liabilities denominated in currencies other than the functional currencies at the balance sheet dates, it would have resulted in an adverse effect on income before income taxes of approximately $36.2 million and $11.8 million as of December 31, 2020 and March 31, 2020, respectively. The adverse effect as of December 31, 2020 and March 31, 2020 is after consideration of the offsetting effect of approximately $12.8 million and $5.2 million, respectively, from open foreign exchange contracts in place as of such dates.

We enter into cash flow hedge contracts to protect against exchange rate exposure of forecasted inventory purchases. These hedging contracts mature within four months. Gains and losses in the fair value of the effective portion of the hedges are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold.

If the U.S. dollar weakened by 10% as of December 31, 2020 and March 31, 2020, the amount recorded in accumulated other comprehensive income (AOCI) related to our foreign exchange contracts before tax effect would have been approximately $16.6 million and $4.8 million lower respectively, as of such dates. The change in the fair value recorded in AOCI would be expected to offset a corresponding foreign currency change in cost of goods sold when the hedged inventory purchases are sold.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Logitech's management, with the participation of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, the CEO and the CFO have concluded that, as of such date, our disclosure controls and procedures are effective at the reasonable assurance level.

Definition of Disclosure Controls

Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in the Company’s reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to the Company’s management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. The Company’s Disclosure Controls include components of its internal control over financial reporting, which consists of control processes designed to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the United States. To the extent that components of the Company’s internal control over financial reporting are included within its Disclosure Controls, they are included in the scope of the Company’s annual controls evaluation.

Limitations on the Effectiveness of Controls

The Company’s management, including the CEO and the CFO, does not expect that the Company’s Disclosure Controls or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the fiscal quarter ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time-to-time we are involved in claims and legal proceedings that arise in the ordinary course of our business. We are currently subject to several such claims and a small number of legal proceedings. We believe that these matters lack merit and we intend to vigorously defend against them. Based on currently available information, we do not believe that resolution of pending matters will have a material adverse effect on our financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that our defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on our business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against us, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors. Any failure to obtain necessary licenses or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

ITEM 1A. RISK FACTORS

The risk factors summarized and disclosed below could adversely affect our business, results of operations and financial condition, and may cause volatility in the price of our shares. These are not all the risks we face and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur. (See also the other information set forth in this Quarterly Report on Form 10-Q, including in Management’s Discussion and Analysis of Financial Condition and Results of Operations and our Condensed Consolidated Financial Statements and the related notes.)

Summary of Risk Factors

Risks Related to our Business

- If we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories, our business and operating results could be adversely affected.

- Our future growth will depend on our diversified product growth opportunities, and if we do not successfully execute on our growth opportunities, or if our growth opportunities are more limited than we expect, our operating results could be adversely affected.

- If we are not able to maintain and enhance our brands, or if our brands or reputation are damaged, our reputation, business and operating results could be adversely affected.

- If we do not compete effectively, demand for our products could decline and our business and operating results could be adversely affected.

- The full effect of the COVID-19 pandemic is uncertain and cannot be predicted, and it could adversely affect the Company’s business, results of operations and financial condition.

- Our business depends in part on access to third-party platforms or technologies, and if the access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies change without notice to us, our business and operating results could be adversely affected.

- If we do not accurately forecast market demand for our products, our business and operating results could be adversely affected.

- Our success largely depends on our ability to hire, retain, integrate and motivate sufficient numbers of qualified personnel, including senior management. Our strategy and our ability to innovate, design and produce new products, sell products, maintain operating margins and control expenses depend on key personnel that may be difficult to replace.

- As we focus on growth opportunities, we are divesting or discontinuing non-strategic product categories and pursuing strategic acquisitions and investments, which could have an adverse impact on our business.

- We rely on third parties to sell and distribute our products, and we rely on their information to manage our business. Disruption of our relationship with these channel partners, changes in or issues with their business practices, their failure to provide timely and accurate information, changes in distribution partners, practices or models, conflicts among our channels of distribution, or failure to build and scale our own sales force for certain product categories and enterprise channel partners could adversely affect our business, results of operations, operating cash flows and financial condition.

- Our principal manufacturing operations and third-party contract manufacturers are located in China and Southeast Asia, which exposes us to risks associated with doing business in that geographic area as well as potential tariffs, adverse tax consequences and pressure to move or diversify our manufacturing locations.

- If we do not successfully coordinate the worldwide manufacturing and distribution of our products, we could lose sales.
- We purchase key components and products from a limited number of sources, and our business and operating results could be adversely affected if supply were delayed or constrained or if there were shortages of required components.
- The moral and regulatory imperatives to avoid purchasing conflict minerals are causing us to incur additional expenses, could limit the supply and increase the cost of certain metals used in manufacturing our products and could adversely affect the distribution and sales of our products.

Risks Related to Global Nature of our Operations and Regulatory Environment

- We conduct operations in a number of countries and have invested significantly in growing our sales and marketing activities in China, and the effect of business, legal and political risks associated with international operations could adversely affect us.
- Changes in trade policy in the United States and other countries, including changes in trade agreements and the imposition of tariffs and the resulting consequences, may have adverse impacts on our business, results of operations and financial condition.
- Our financial performance is subject to risks associated with fluctuations in currency exchange rates.
- As a company operating in many markets and jurisdictions, expanding into new growth categories, and engaging in acquisitions, and as a Swiss, dual-listed company, we are subject to risks associated with new, existing and potential future laws and regulations.
- As a result of changes in tax laws, treaties, rulings, regulations or agreements, or their interpretation, of Switzerland or any other country in which we operate, the loss of a major tax dispute or a successful challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, or other factors, our effective income tax rates may increase, which could adversely affect our net income and cash flows.

Risks Related to Intellectual Property, Cyber Security and Privacy

- Claims by others that we infringe their proprietary technology could adversely affect our business.
- We may be unable to protect our proprietary rights. Unauthorized use of our technology may result in the development of products that compete with our products.
- Product quality issues could adversely affect our reputation, business and operating results.
- Significant disruptions in, or breaches in security of, our websites or information technology systems could adversely affect our business.
- The collection, storage, transmission, use and distribution of user data could give rise to liabilities and additional costs of operation as a result of laws, governmental regulation and risks of security breaches.

Risks Related to our Financial Results

- Our operating results are difficult to predict and fluctuations in results may cause volatility in the price of our shares
- Our gross margins can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.

- As we continue our efforts to lower our costs and improve our operating leverage, we may or may not fully realize our goals.

- We cannot ensure that our current share repurchase program will be fully utilized or that it will enhance long-term shareholder value. Share repurchases may also increase the volatility of the trading price of our shares. We similarly cannot ensure that we will continue to increase our dividend payments or to pay dividends at all. Share repurchases and dividends diminish our cash reserves.

Risk Factors

If we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories, our business and operating results could be adversely affected.

Our product categories are characterized by short product life cycles, intense competition, frequent new product introductions, rapidly changing technology, dynamic consumer demand and evolving industry standards. As a result, we must continually innovate in our new and existing product categories, introduce new products and technologies, and enhance existing products in order to remain competitive.

The success of our product portfolio depends on several factors, including our ability to:

- Identify new features, functionality and opportunities;

- Anticipate technology, market trends and consumer preferences;

- Develop innovative, high-quality, and reliable new products and enhancements in a cost-effective and timely manner;

- Distinguish our products from those of our competitors; and

- Offer our products at prices and on terms that are attractive to our customers and consumers.

If we do not execute on these factors successfully, products that we introduce or technologies or standards that we adopt may not gain widespread commercial acceptance, and our business and operating results could suffer. In addition, if we do not continue to differentiate our products through distinctive, technologically advanced features, designs, and services that are appealing to our customers and consumers, as well as continue to build and strengthen our brand recognition and our access to distribution channels, our business could be adversely affected.

The development of new products and services can be very difficult and requires high levels of innovation. The development process also can be lengthy and costly. There are significant initial expenditures for research and development, tooling, manufacturing processes, inventory and marketing, and we may not be able to recover those investments. If we fail to accurately anticipate technological trends or our users' needs or preferences, are unable to complete the development of products and services in a cost-effective and timely fashion or are unable to appropriately increase production to fulfill customer demand, we will be unable to successfully introduce new products and services into the market or compete with other providers. Even if we complete the development of our new products and services in a cost-effective and timely manner, they may not be competitive with products developed by others, they may not achieve acceptance in the market at anticipated levels or at all, they may not be profitable or, even if they are profitable, they may not achieve margins as high as our expectations or as high as the margins we have achieved historically.

As we introduce new or enhanced products, integrate new technology into new or existing products, or reduce the overall number of products offered, we face risks including, among other things, disruption in customers' ordering patterns, excessive levels of new and existing product inventories, revenue deterioration in our existing product lines, insufficient supplies of new products to meet customers' demand, possible product and technology defects, and a potentially different sales and support environment. Premature announcements or leaks of new products, features or technologies may exacerbate some of these risks by reducing the effectiveness of our product launches, reducing sales volumes of current products due to anticipated future products, making it more difficult to compete, shortening the period of differentiation based on our product innovation, straining relationships with our partners or increasing market expectations for the results of our new products before we have had an opportunity to demonstrate the market viability of the products. Our failure to manage the transition to new products and services or the integration of new technology into new or existing products and services could adversely affect our business, results of operations, operating cash flows and financial condition.

Our future growth will depend on our diversified product growth opportunities, and if we do not successfully execute on our growth opportunities, or if our growth opportunities are more limited than we expect, our operating results could be adversely affected.

We have historically targeted peripherals for the PC platform. Consumer demand for PCs, especially in our traditional, mature markets such as North America, Western and Nordic Europe, Japan and Australia, has been declining or flat for several years and, despite work-from-home and distance learning trends that have caused PC shipments to increase recently, such downward trends may continue in the future. This has put pressure on consumer demand for PC peripherals in many of our markets and may cause sales growth of our PC peripherals to slow and, in some cases, decline. We expect this trend may continue.

Our sales of PC peripherals might be less than we expect due to a decline in business or economic conditions in one or more of the countries or regions, a greater decline than we expect in demand for our products, our inability to successfully execute our sales and marketing plans, or for other reasons. Global economic concerns, such as the COVID-19 pandemic, the varying pace of global economic recovery, political uncertainties created by policy changes such as Brexit, tariffs and policies that inhibit trade, the impact of sovereign debt issues in Europe, the impact of oil prices on Russia and other countries, conflicts with either local or global financial implications and economic slowdown in China, create unpredictability and add risk to our future outlook.

As a result, we are attempting to diversify our product category portfolio and focusing more of our attention, which may include personnel, financial resources and management attention, on product innovations and growth opportunities, including products and services for gaming, for video collaboration, for the consumption of digital music, for the digital home, and on other potential growth opportunities in addition to our PC peripherals product categories. Our investments may not result in the growth we expect, or when we expect it, for a variety of reasons including those described below.

Creativity & Productivity. Our pointing devices, keyboards, webcams and other PC peripherals have continued to see some growth as a result of work-from-home and distance learning trends, consumers refreshing their existing PCs, product innovation and new consumer trends, such as social content creation. If these trends and other growth drivers do not continue, or result in erratic periods of growth, our results of operations could be more susceptible to the trends in PCs and our business and our results could be adversely affected.

Gaming. We are building a diverse business that features a variety of gaming peripherals and services. The rapidly evolving and changing market and increasing competition increase the risk that we do not allocate our resources in line with the market and our business and our results of operations could be adversely affected.

Video Collaboration. While we view the small and medium-sized user groups opportunity to be large and relatively unaddressed, this is a new and evolving market segment that we and our competitors are developing. If the market opportunity proves to be sustainable, we expect increased competition from established competitors in the video conferencing market as well as from new entrants who are gaining traction as the industry comes to accept new technology and new solutions. In order to continue to grow in this opportunity, we may need to further build and scale our own enterprise sales force, a capability that several of our competitors in this category already have.

Music. We make and sell products for the consumption of digital music in targeted segments of that market. Competition in the mobile speaker and headphone categories is intense, and we expect it to increase. Moreover, the market for mobile speakers appears to be maturing with slower growth or even declining. If we are not able to grow our existing and acquired product lines and introduce differentiated products and marketing strategies to separate our products and brands from competitors' products and brands, our mobile speaker and audio headphone efforts will not be successful, and our business and results of operations could be adversely affected.

Smart Home. While we are a leader in programmable, performance remote controls for home entertainment, the smart home market is still in its early stages and it is not yet clear when the category will produce dynamic growth or which products will succeed and be able to take advantage of market growth or to help define and grow the market. Despite its early stages, the smart home market already is experiencing increasing competition from strong competitors.

In addition to our current growth opportunities, our future growth may be reliant on our ability to identify and develop potential new growth opportunities. This process is inherently risky and will result in investments in time and resources for which we do not achieve any return or value.

Each of these growth categories and many of the growth opportunities that we may pursue are subject to constant and rapidly changing and evolving technologies and evolving industry standards and may be replaced by new technology concepts or platforms. Some of these growth categories and opportunities are also characterized by short product cycles, frequent new product introductions and enhancements and rapidly changing and evolving consumer preferences with respect to design and features that require calculated risk-taking and fast responsiveness and result in short opportunities to establish a market presence. In addition, some of these growth categories and opportunities are characterized by price competition, erosion of premium-priced segments and average selling prices, commoditization, and sensitivity to general economic conditions and cyclical downturns. The growth opportunities and strength and number of competitors that we face in all of our product categories mean that we are at risk of new competitors coming to market with more innovative products that are more attractive to customers than ours or priced more competitively. If we do not develop innovative and reliable peripherals and enhancements in a cost-effective and timely manner that are attractive to consumers in these markets, if we are otherwise unsuccessful entering and competing in these growth categories or responding to our many competitors and to the rapidly changing conditions in these growth categories, if the growth categories in which we invest our limited resources do not emerge as the opportunities or do not produce the growth or profitability we expect, or when we expect it, or if we do not correctly anticipate changes and evolutions in technology and platforms, our business and results of operations could be adversely affected.

If we are not able to maintain and enhance our brands, or if our brands or reputation are damaged, our reputation, business and operating results could be adversely affected.

We have developed long-term value in our brands and have invested significantly in design and in our existing and new brands over the past several years. We believe that our design and brands have significantly contributed to the success of our business and that maintaining and enhancing our brands is very important to our future growth and success. Maintaining and enhancing our brands will require significant investments and will depend largely on our future design, products and marketing, which may not be successful and may damage our brands. Our brands and reputation are also dependent on third parties, such as suppliers, manufacturers, distributors, retailers, product reviewers and the media as well as online consumer product reviews, consumer recommendations and referrals. It can take significant time, resources and expense to overcome negative publicity, reviews or perception. Any negative effect on our brands, regardless of whether it is in our control, could adversely affect our reputation, business and results of operations.

If we do not compete effectively, demand for our products could decline and our business and operating results could be adversely affected.

The peripherals industry is intensely competitive. Most of our product categories are characterized by large, well-financed competitors with strong brand names and highly effective research and development, marketing and sales capabilities, short product life cycles, continual performance enhancements, and rapid adoption of technological and product advancements by competitors in our product markets. Many of our competitors have broad product portfolios across several of our product categories and are able to use the strength of their brands to move into adjacent categories. Our competitors have the ability to bring new products to market quickly and at competitive prices. We experience aggressive price competition and other promotional activities from our primary competitors and from less-established brands, including brands owned by retail customers known as house brands. As we shift the focus of our marketing efforts in certain categories from promotional activities to a pull strategy, the pressures from this competition and from our distribution channels, combined with the implementation risks of such a strategy shift, could adversely affect our competitive position, market share and business. In addition, our competitors may offer customers terms and conditions that may be more favorable than our terms and conditions and may require us to take actions to maintain or increase our customer incentive programs, which could impact our revenues and operating margins.

In recent years, we have expanded the categories of products we sell and entered new markets. We remain alert to opportunities in new categories and markets. As we do so, we are confronting new competitors, many of which have more experience in the categories or markets and have greater marketing resources and brand name recognition than we have. In addition, because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well-established consumer electronics companies in our developing categories as well as in future categories we might enter. Many of these companies, such as Microsoft, Apple, Google, Cisco, Sony, Samsung and others, have greater financial, technical, sales, marketing and other resources than we have.

Microsoft, Apple, Google and Amazon are leading producers of operating systems, hardware, platforms and applications with which our mice, keyboards, wireless speakers and other products are designed to operate. In addition, Microsoft, Apple, Google and Amazon each has significantly greater financial, technical, sales, marketing and other resources than Logitech, as well as greater name recognition and a larger customer base. As a result, Microsoft, Apple, Google and Amazon each may be able to improve the functionality of its products, if any, or may choose to show preference to our competitors' products, to correspond with ongoing enhancements to its operating systems, hardware and software applications before we are able to make such improvements. This ability could provide Microsoft, Apple, Google, Amazon or other competitors with significant lead-time advantages. In addition, Microsoft, Apple, Google, Amazon or other competitors may be able to control distribution channels or offer pricing advantages on bundled hardware and software products that we may not be able to offer, and maybe financially positioned to exert significant downward pressure on product prices and upward pressure on promotional incentives in order to gain market share.

Creativity & Productivity

Pointing Devices. Apple, Microsoft and HP are our main competitors worldwide. We also experience competition and pricing pressure from less-established brands, including house brands and local competitors in Asian markets such as Elecom, Buffalo, Shenzhen Rapoo and Xiaomi.

Keyboards & Combo. Microsoft and Apple are our main competitors in our PC keyboard and combo product lines. We also experience competition and pricing pressure for keyboard and combos from less-established brands, including house brands and local competitors in Asian markets such as Shenzhen Rapoo and Xiaomi.

Tablet & Other Accessories. Competitors in the tablet keyboard market are Apple, Zagg, Kensington, Belkin, Targus and other less-established brands. Although we are one of the leaders in the tablet keyboard market and continue to bring innovative offerings to the market, we expect the competition may increase. Competitors in the tablet case market include Apple, Otter, Speck and a large number of small brands.

PC Webcams. Our primary competitors for PC webcams are Microsoft and other manufacturers taking smaller market share such as Razer, AVer, and Elecom.

Gaming

Competitors for our Gaming products include Razer, Corsair Components, SteelSeries, Turtle Beach and Kingston, among others.

Video Collaboration

Our competitors for Video Collaboration products are numerous across various categories with many new entrants. Competitors include Cisco Systems, Poly, GN Netcom/Jabra (which recently acquired Altia systems), and AVer Information, among others.

Music

Mobile Speakers. Our competitors for Bluetooth wireless speakers include Bose, JBL/Harman (owned by Samsung) and Beats (owned by Apple) among others. JBL/Harman is our largest competitor. Apple's ownership of Beats may impact our access to shelf space in Apple retail stores. Personal voice assistants and other devices that offer music, such as Sonos, Amazon's Echo, Google Home and Apple HomePod also compete with our products. Amazon is also a significant customer of our products.

Audio & Wearables. For PC speakers, our competitors include Bose, Cyber Acoustics, Phillips, Creative Labs, Apple and Samsung, among others. For PC headset, we face numerous competitors, including Plantronics and GN Netcom/Jabra, among others. In-ear headphones competitors include Beats, Bose, Apple, Sony, JBL and

Sennheiser, among others. Our competitors for Blue Microphones products include Rode, Audio-Technica, Samson, Shure, Razer and Apogee, among others.

Smart Home

Direct competitors in the remote control market include pro-installer-focused Universal Remote Control and new “DIY” entrants. Indirect competition exists in the form of low-end “replacement remotes” such as Sony, RCA, GE, pure app-based solutions such as Peel, as well as device and/or subscriber-specific solutions from TV makers such as Samsung and Vizio and multisystem operators, or MSOs, such as Comcast and DirecTV.

Competition in the home control market also exists in the form of home automation platforms such as Smart Things (owned by Samsung), Amazon with their Echo product, Google Home and Nest (owned by Alphabet), Wink and many other startups. Many of these companies also integrate their products with Logitech's smart home and Harmony remote products.

The full effect of the COVID-19 pandemic is uncertain and cannot be predicted, and it could adversely affect the Company’s business, results of operations and financial condition.

COVID-19 has spread rapidly throughout the world, causing significant volatility and disruption in financial markets, curtailing global economic activity, raising the prospect of an extended global recession, and prompting governments and businesses to take unprecedented measures in response. Such measures have included restrictions on travel and business operations, quarantines and shelter-at-home orders and often resulted in indefinite business closures. The full effects of the COVID-19 pandemic cannot be predicted as a result of uncertainties, including the extent and rate of the spread that continue to fluctuate, the potential for additional peaks in infection rates, and the timing and availability of vaccines, treatments or cures to slow and eventually stop the spread.

The COVID-19 pandemic and the measures taken by many countries in response have contributed to a general slowdown in the global economy and had a mixed effect and could in the future have a mixed or adverse effect on our business and operations, our customers and our partners. Starting with the initial outbreak of the virus in China and as it has spread globally, we have experienced disruptions and higher costs in our manufacturing, supply chain and logistics operations and outsourced services, and in some cases increased sell-through, resulting in shortages of our products in our distribution channels and loss of market share and opportunities. In order to renew manufacturing at our own facility, we have quarantined employees and re-engineered our manufacturing operations with diminished capacity. Sales of our products have also been impeded by closures of retail stores and disruptions in other channel partner points of sale.

At the same time, as a result of government orders and concern for the well-being of our employees and their families, we have required substantially all of our employees in non-manufacturing facilities to work remotely. This has led to inefficiencies and operational, cybersecurity and other risks and costs which could have an adverse impact to our results of operations. We cannot reasonably predict when our employees will be able to return to our offices or the further precautionary measures and costs we may need to incur to ensure the health of our employees and to mitigate the spread and impact of the virus. Additionally, our management team and employees had to focus on planning for and mitigating operational changes and risks of the COVID-19 pandemic, shifting some of their attention from focusing on and adversely affecting our normal business, strategic plans and other initiatives. We have also incurred additional costs related to business continuity.

Since the onset of the COVID-19 pandemic, it has had mixed effects on our results of operations, and it may continue to have mixed or adverse effects. Its effects on the use patterns and demand for certain of our products may not be sustainable or may lead to increased competition in certain of our product markets. COVID-19 also may have the effect of heightening many of the other risks described under this heading “Risk Factors”. We continue to monitor the situation and attempt to take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The full extent of the impact of the COVID-19 pandemic on our business and on our operational and financial performance and condition is currently uncertain and will depend on many factors outside our control, including but not limited to the timing, extent, duration and effects of the virus and any of its mutations, the development and availability of effective treatments and vaccines, the imposition of effective public safety and other protective measures, the impact of COVID-19 on the global economy and demand for our products and services, and the impact of the virus on the business, operations and financial condition of our partners. Should the COVID-19 situation or global economic slowdown not improve or worsen, or if our attempts to mitigate its impact on our operations and costs are not successful, our business, results of operations, financial condition and prospects may be adversely affected.

Our business depends in part on access to third-party platforms or technologies, and if the access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies change without notice to us, our business and operating results could be adversely affected.

Our peripherals business has historically been built largely around the PC platform, which over time became relatively open, and its inputs and operating system standardized. With the growth of mobile, tablet, gaming and other computer devices, digital music and personal voice assistants, the number of platforms has grown, and with it the complexity and increased need for us to have business and contractual relationships with the platform owners in order to produce products compatible with these platforms. Our product portfolio includes current and future products designed for use with third-party platforms or software, such as the Apple iPad, iPod, iPhone and Siri, Android phones and tablets, Google Assistant and Amazon Alexa. Our business in these categories relies on our access to the platforms of third parties, some of whom are our competitors. Platform owners that are competitors have a competitive advantage in designing products for their platforms and may produce peripherals or other products that work better, or are perceived to work better, than our products in connection with those platforms. As we expand the number of platforms and software applications with which our products are compatible, we may not be successful in launching products for those platforms or software applications, we may not be successful in establishing strong relationships with the new platform or software owners, or we may negatively impact our ability to develop and produce high-quality products on a timely basis for those platforms and software applications or we may otherwise adversely affect our relationships with existing platform or software owners.

Our access to third-party platforms may require paying a royalty, which lowers our product margins or may otherwise be on terms that are not acceptable to us. In addition, the third-party platforms or technologies used to interact with our product portfolio can be delayed in production or can change without prior notice to us, which can result in our having excess inventory, lower margins, lost investment in time and expense, or lost opportunity cost.

If we are unable to access third-party platforms or technologies, or if our access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies are delayed or change without notice to us, our business and operating results could be adversely affected.

If we do not accurately forecast market demand for our products, our business and operating results could be adversely affected.

We use our forecasts of product demand to make decisions regarding investments of our resources and production levels of our products. Although we receive forecasts from our customers, many are not obligated to purchase the forecasted demand. Also, actual sales volumes for individual products in our retail distribution channel can be volatile due to changes in consumer preferences and other reasons. In addition, our products have short product life cycles, so a failure to accurately predict high demand for a product can result in lost sales that we may not recover in subsequent periods, or higher product costs if we meet demand by paying higher costs for materials, production and delivery. We could also frustrate our customers and lose shelf space and market share. Our failure to predict low demand for a product can result in excess inventory, lower cash flows and lower margins if we are required to reduce product prices in order to reduce inventories.

If our sales channel partners have excess inventory of our products or decide to decrease their inventories for any reason, they may decrease the amount of products they acquire in subsequent periods, causing disruption in our business and adversely affecting our forecasts and sales.

Over the past few years, we have expanded the types of products we sell and the geographic markets in which we sell them. The changes in our product portfolio and the expansion of our sales markets have increased the difficulty of accurately forecasting product demand.

In addition, starting in fiscal year 2016, we increased the number of our products that we manufacture in our own facilities. This increases the inventory that we purchase and maintain to support such manufacturing. We are also utilizing sea shipments more extensively than air delivery, which will cause us to build and ship products to our distribution centers earlier and will also result in increases in inventory. These operational shifts increase the risk that we have excess or obsolete inventory if we do not accurately forecast product demand.

Other events or circumstances, including those not in our control, such as the current COVID-19 pandemic, may result in rapid and significant increases or decreases of demand for our products that may result in excess inventory or product unavailability, increases in operational logistics and other costs, damaged relationships with suppliers or customers, opportunities for our competitors, and lost market share.

We have experienced large differences between our forecasts and actual demand for our products. We expect other differences between forecasts and actual demand to arise in the future. If we do not accurately predict product demand, our business and operating results could be adversely affected.

Our success largely depends on our ability to hire, retain, integrate and motivate sufficient numbers of qualified personnel, including senior management. Our strategy and our ability to innovate, design and produce new products, sell products, maintain operating margins and control expenses depend on key personnel that may be difficult to replace.

Our success depends on our ability to attract and retain highly skilled personnel, including senior management and international personnel. From time to time, we experience turnover in some of our senior management positions.

We compensate our employees through a combination of salary, bonuses, benefits and equity compensation. Recruiting and retaining skilled personnel, including software and hardware engineers, is highly competitive. If we fail to provide competitive compensation to our employees, it will be difficult to retain, hire and integrate qualified employees and contractors, and we may not be able to maintain and expand our business. If we do not retain or maintain the continuity of our senior managers or other key employees for any reason, including voluntary or involuntary departure, death or permanent or temporary disability (the risk of which has been underscored during the COVID-19 pandemic), we risk losing institutional knowledge, experience, expertise and other benefits of continuity as well as the ability to attract and retain other key employees. In addition, we must carefully balance the size of our employee base with our current infrastructure, management resources and anticipated operating cash flows. If we are unable to manage the size of our employee base, particularly engineers, we may fail to develop and introduce new products successfully and in a cost-effective and timely manner. If our revenue growth or employee levels vary significantly, our operating cash flows and financial condition could be adversely affected. Volatility or lack of positive performance in our stock price may also affect our ability to retain key employees, many of whom have been granted equity incentives. Logitech’s practice has been to provide equity incentives to its employees, but the number of shares available for equity grants is limited. We may find it difficult to provide competitive equity incentives, and our ability to hire, retain and motivate key personnel may suffer.

Recently and in past years, we have initiated reductions in our workforce to align our employee base with our business strategy, our anticipated revenue base or with our areas of focus. We have also experienced turnover in our workforce. These reductions and turnover have resulted in reallocations of duties, which could result in employee uncertainty and discontent. Reductions in our workforce could make it difficult to attract, motivate and retain employees, which could adversely affect our business.

As we focus on growth opportunities, we are divesting or discontinuing non-strategic product categories and pursuing strategic acquisitions and investments, which could have an adverse impact on our business.

We continue to review our product portfolio and update our non-strategic product categories and products. During the third quarter of fiscal year 2016, we divested our Lifesize video conferencing business and completed our exit from the OEM business. If we are unable to effect sales on favorable terms or if realignment is more costly or distracting than we expect or has a negative effect on our organization, employees and retention, then our business and operating results may be adversely affected. Discontinuing products with service components may also cause us to continue to incur expenses to maintain services within the product life cycle or to adversely affect our customer and consumer relationships and brand. Divestitures may also involve warranties, indemnification or covenants that could restrict our business or result in litigation, additional expenses or liabilities. In addition, discontinuing product categories, even categories that we consider non-strategic, reduces the size and diversification of our business and causes us to be more dependent on a smaller number of product categories.

As we attempt to grow our business in strategic product categories and emerging market geographies, we will consider growth through acquisition or investment. We will evaluate acquisition opportunities that could provide us with additional product or service offerings or with additional industry expertise, assets and capabilities. For example, we acquired ASTRO Gaming to expand into the console gaming market, we acquired Jaybird to expand into the wireless audio wearables market, we acquired Saitek to expand into the gaming simulation and controller markets, we acquired Blue Microphones to expand into the microphones market, and we acquired Streamlabs to expand our software and service capabilities and tools for the streaming market. Acquisitions could result in difficulties integrating acquired operations, products, technology, internal controls, personnel and management teams and result in the diversion of capital and management's attention away from other business issues and opportunities. If we fail to successfully integrate acquisitions, our business could be harmed. Acquisitions could also result in the assumption of known and unknown liabilities, product, regulatory and other compliance issues, dilutive issuances of our equity securities, the incurrence of debt, disputes over earn-outs or other litigation, and adverse effects on relationships with our and our target's employees, customers and suppliers. Moreover, our acquisitions may not be successful in achieving our desired strategy, product, financial or other objectives or expectations, which would also cause our business to suffer. Acquisitions can also lead to large non-cash charges that can have an adverse effect on our results of operations as a result of write-offs for items such as future impairments of intangible assets and goodwill or the recording of share-based compensation. Several of our past acquisitions have not been successful and have led to impairment charges, including a $122.7 million non-cash goodwill impairment charge in fiscal year 2015 related to our Lifesize video conferencing business. Acquisitions and divestitures may also cause our operating results to fluctuate and make it difficult for investors to compare operating results and financial statements between periods. In addition, from time to time we make strategic venture investments in other companies that provide products and services that are complementary to ours. If these investments are unsuccessful, this could have an adverse impact on our results of operations, operating cash flows and financial condition.

We rely on third parties to sell and distribute our products, and we rely on their information to manage our business. Disruption of our relationship with these channel partners, changes in or issues with their business practices, their failure to provide timely and accurate information, changes in distribution partners, practices or models, conflicts among our channels of distribution, or failure to build and scale our own sales force for certain product categories and enterprise channel partners could adversely affect our business, results of operations, operating cash flows and financial condition.

We primarily sell our products to a network of distributors, retailers and e-tailers (together with our direct sales channel partners). We are dependent on those direct sales channel partners to distribute and sell our products to indirect sales channel partners and ultimately to consumers. The sales and business practices of all such sales channel partners, their compliance with laws and regulations, and their reputations - of which we may or may not be aware - may affect our business and our reputation.

While our overall distribution relationships are diffuse, over a quarter of our gross sales are concentrated with two customers - Amazon Inc. and Ingram Micro - and their affiliated entities. If online sales grow as a percentage of overall sales, we expect that we will become even more reliant on Amazon. While we believe that we have good relationships with Amazon and Ingram Micro, any adverse change in either of those relationships could have an adverse impact on our results of operations and financial condition.

The impact of economic conditions, labor issues, natural disasters, regional or global pandemics, evolving consumer preferences, and purchasing patterns on our distribution partners, or competition between our sales channels, could result in sales channel disruption. For example, if sales at large retail stores are displaced as a result of bankruptcy, competition from Internet sales channels or otherwise, our product sales could be adversely affected and our product mix could change, which could adversely affect our operating costs and gross margins. The closure of brick-and-mortar stores around the world during the COVID-19 pandemic has exacerbated an already declining Bluetooth speaker market. COVID-19 has also underscored the risk of disruption in our sales channel at distribution partners such as Amazon. Any loss of a major partner or distribution channel or other channel disruption could make us more dependent on alternate channels, increase pricing and promotional pressures from other partners and distribution channels, increase our marketing costs, or adversely impact buying and inventory patterns, payment terms or other contractual terms, sell-through or delivery of our products to consumers, our reputation and brand equity, or our market share.

Our sales channel partners also sell products offered by our competitors and, in the case of retailer house brands, may also be our competitors. If product competitors offer our sales channel partners more favorable terms, have more products available to meet their needs, or utilize the leverage of broader product lines sold through the channel, or if our sales channel partners show preference for their own house brands, our sales channel partners may de-emphasize or decline to carry our products. In addition, certain of our sales channel partners could decide to de-emphasize the product categories that we offer in exchange for other product categories that they believe provide them with higher returns. If we are unable to maintain successful relationships with these sales channel partners or to maintain our distribution channels, our business will suffer.

As we expand into new product categories and markets in pursuit of growth, we will have to build relationships with new channel partners and adapt to new distribution and marketing models. These new partners, practices and models may require significant management attention and operational resources and may affect our accounting, including revenue recognition, gross margins, and the ability to make comparisons from period to period. Entrenched and more experienced competitors will make these transitions difficult. Certain product categories, such as Video Collaboration, may also require that we further build and scale our own enterprise sales force. Several of our competitors already have large enterprise sale forces and experience and success with that sales model. If we are unable to build successful distribution channels, build and scale our own enterprise sales force, or successfully market our products in these new product categories, we may not be able to take advantage of the growth opportunities, and our business and our ability to grow our business could be adversely affected.

We reserve for cooperative marketing arrangements, incentive programs and pricing programs with our sales channel partners. These reserves are based on judgments and estimates, using historical experience rates, inventory levels in distribution, current trends and other factors. There could be significant differences between the actual costs of such arrangements and programs and our estimates.

We use sell-through data, which represents sales of our products by our direct retailer and e-tailer customers to consumers, and by our distributor customers to their customers, along with other metrics, to assess consumer demand for our products. Sell-through data is subject to limitations due to collection methods and the third-party nature of the data and thus may not be an accurate indicator of actual consumer demand for our products. The customers supplying sell-through data vary by geographic region and from period to period, but typically represent a majority of our retail sales. In addition, we rely on channel inventory data from our sales channel partners. If we do not receive this information on a timely and accurate basis, if this information is not accurate, or if we do not properly interpret this information, our results of operations and financial condition may be adversely affected.

Our principal manufacturing operations and third-party contract manufacturers are located in China and Southeast Asia, which exposes us to risks associated with doing business in that geographic area as well as potential tariffs, adverse tax consequences and pressure to move or diversify our manufacturing locations.

We produce approximately half of our products at the facilities we own in China. The majority of our other production is performed by third-party contract manufacturers, including original design manufacturers, in China, Taiwan, Hong Kong, Malaysia, Vietnam, and Thailand.

Our manufacturing operations in China could be adversely affected by changes in the interpretation and enforcement of legal standards, strains on China’s available labor pool, changes in labor costs and other employment dynamics, high turnover among Chinese employees, infrastructure issues, import-export issues, cross-border intellectual property and technology restrictions, currency transfer restrictions, natural disasters, regional or global pandemics, conflicts or disagreements between China and Taiwan or China and the United States, labor unrest, and other trade customs and practices that are dissimilar to those in the United States and Europe. Interpretation and enforcement of China’s laws and regulations continue to evolve and we expect differences in interpretation and enforcement to continue in the foreseeable future.

Our manufacturing operations at third-party contractors could be adversely affected by contractual disagreements, by labor unrest, by natural disasters, by regional or global pandemics, by strains on local communications, trade, and other infrastructures, by competition for the available labor pool or manufacturing capacity, by increasing labor and other costs, and by other trade customs and practices that are dissimilar to those in the United States and Europe.

Further, we may be exposed to fluctuations in the value of the local currency in the countries in which manufacturing occurs. Future appreciation of these local currencies could increase our component and other raw material costs. In addition, our labor costs could continue to rise as wage rates increase and the available labor pool declines. These conditions could adversely affect our financial results.

If we do not successfully coordinate the worldwide manufacturing and distribution of our products, we could lose sales.

Our business requires us to coordinate the manufacture and distribution of our products over much of the world. We rely on third parties to manufacture many of our products, manage centralized distribution centers, and transport our products. If we do not successfully coordinate the timely manufacturing and distribution of our products, if our manufacturers, distribution logistics providers or transport providers are not able to successfully and timely process our business or if we do not receive timely and accurate information from such providers, and especially if we expand into new product categories or our business grows in volume, we may have an insufficient supply of products to meet customer demand, we could lose sales, we may experience a build-up in inventory, we may incur additional costs, and our financial performance and reporting may be adversely affected.

By locating our manufacturing in China and Southeast Asia, we are reliant on third parties to get our products to distributors around the world. Transportation costs, fuel costs, labor unrest, natural disasters, regional or global pandemics, and other adverse effects on our ability, timing and cost of delivering products can increase our inventory, decrease our margins, adversely affect our relationships with distributors and other customers and otherwise adversely affect our results of operations and financial condition.

A significant portion of our quarterly retail orders and product deliveries generally occur in the last weeks of the fiscal quarter. This places pressure on our supply chain and could adversely affect our revenues and profitability if we are unable to successfully fulfill customer orders in the quarter.

We purchase key components and products from a limited number of sources, and our business and operating results could be adversely affected if supply were delayed or constrained or if there were shortages of required components.

We purchase certain products and key components from a limited number of sources. If the supply of these products or key components, such as micro-controllers and optical sensors, were to be delayed or constrained, or if one or more of our single-source suppliers experience disruptions or go out of business as a result of adverse global economic conditions, natural disasters or regional or global pandemics, we might be unable to find a new supplier on acceptable terms, or at all, and our product shipments to our customers could be delayed, which could adversely affect our business, financial condition and operating results.

Lead times for materials, components and products ordered by us or by our contract manufacturers can vary significantly and depend on factors such as contract terms, demand for a component, and supplier capacity. From time to time, we have experienced component shortages and extended lead times on semiconductors, such as micro-controllers and optical sensors, and base metals used in our products. Shortages or interruptions in the supply of components or subcontracted products, or our inability to procure these components or products from alternate sources at acceptable prices in a timely manner, could delay shipment of our products or increase our production costs, which could adversely affect our business and operating results.

The moral and regulatory imperatives to avoid purchasing conflict minerals are causing us to incur additional expenses, could limit the supply and increase the cost of certain metals used in manufacturing our products and could adversely affect the distribution and sales of our products.

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted disclosure requirements regarding the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of Congo and adjoining countries, as well as procedures regarding a manufacturer’s efforts to identify and prevent the sourcing of such minerals and metals produced from those minerals. Additional reporting obligations are being considered by the European Union. The implementation of the existing U.S. requirements and any additional requirements in Europe could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products. The number of suppliers who provide conflict-free minerals may be limited, and the implementation of these requirements may decrease the number of suppliers capable of supplying our needs for certain metals. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to the due diligence process of determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex and we use contract manufacturers for some of our products, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may adversely affect our reputation. We may also encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could, if we are unable to satisfy their requirements or pass through any increased costs associated with meeting their requirements place us at a competitive disadvantage, adversely affect our business and operating results, or both. We filed our report for the calendar year 2019 with the SEC on May 29, 2020.

Risks Related to our Global Operations and Regulatory Environment

We conduct operations in a number of countries and have invested significantly in growing our sales and marketing activities in China, and the effect of business, legal and political risks associated with international operations could adversely affect us.

We conduct operations in a number of countries and have invested significantly in growing our personnel and sales and marketing activities in China and, to a lesser extent, other emerging markets. We may also increase our investments to grow sales in other emerging markets, such as Latin America, Eastern Europe, the Middle East and Africa. There are risks inherent in doing business in international markets, including:

- Difficulties in staffing and managing international operations;
- Compliance with laws and regulations, including environmental, tax, import/export and anti-corruption laws, which vary from country to country and over time, increasing the costs of compliance and potential risks of non-compliance;
- Varying laws, regulations and other legal protections, uncertain and varying enforcement of those laws and regulations, dependence on local authorities, and the importance of local networks and relationships;
- Varying accounting, auditing and financial reporting standards, accountability and protections, including risks related to the lack of access by the Public Company Accounting Oversight Board (United States) (PCAOB) to inspect PCAOB-registered accounting firms in emerging market countries such as China;
- Exposure to political and financial instability, especially with the uncertainty associated with the ongoing sovereign debt crisis in certain Euro zone countries and the stability of the European Union, which may lead to reduced sales, currency exchange losses and collection difficulties or other losses;
- Political and economic uncertainty around the world;
- Import or export restrictions or licensing requirements that could affect some of our products, including those with encryption technology;
- Trade protection measures, custom duties, tariffs, import or export duties, and other trade barriers, restrictions and regulations, including recent and ongoing United States - China tariffs and trade restrictions;
- Lack of infrastructure or services necessary or appropriate to support our products and services;
- Effects of the COVID-19 pandemic that may be more concentrated where we operate internationally;
- Exposure to fluctuations in the value of local currencies;
- Difficulties and increased costs in establishing sales and distribution channels in unfamiliar markets, with their own market characteristics and competition, including entrenched local competition;
- Weak protection of our intellectual property rights;
- Higher credit risks;
- Variations in VAT (value-added tax) or VAT reimbursement;
- Imposition of currency exchange controls;
- Delays from customs brokers or government agencies; and

- A broad range of customs, consumer trends, and more.

Any of these risks could adversely affect our business, financial condition and operating results.

Sales growth in key markets, including China, is an important part of our expectations for our business. As a result, if economic, political or business conditions deteriorate in these markets, or if one or more of the risks described above materialize in these markets, our overall business and results of operations will be adversely affected.

Changes in trade policy in the United States and other countries, including changes in trade agreements and the imposition of tariffs and the resulting consequences, may have adverse impacts on our business, results of operations and financial condition.

The U.S. government has indicated and demonstrated its intent to alter its approach to international trade policy through the renegotiation, and potential termination, of certain existing bilateral or multilateral trade agreements and treaties with, and the imposition of tariffs on a wide range of products and other goods from, China, countries in EMEA and other countries. As noted previously, we have invested significantly in manufacturing facilities in China and Southeast Asia. Given our manufacturing in those countries, and our lack of manufacturing elsewhere, policy changes in the United States or other countries, such as the tariffs already proposed, implemented and threatened in 2018 and 2019, present particular risks for us. Tariffs already announced and implemented are having an adverse effect on certain of our products, tariffs announced but not yet implemented may have an adverse effect on many of our products, and threatened tariffs could adversely affect more or all of our products. There are also risks associated with retaliatory tariffs and resulting trade wars. We cannot predict future trade policy, the terms of any renegotiated trade agreements or treaties, or tariffs and their impact on our business. A trade war could have a significant adverse effect on world trade and the world economy. To the extent that trade tariffs and other restrictions imposed by the United States or other countries increase the price of, or limit the amount of, our products or components or materials used in our products imported into the United States or other countries, or create adverse tax consequences, the sales, cost or gross margin of our products may be adversely affected and the demand from our customers for products and services may be diminished. Uncertainty surrounding international trade policy and disputes and protectionist measures could also have an adverse effect on consumer confidence and spending. If we deem it necessary to alter all or a portion of our activities or operations in response to such policies, agreements or tariffs, our capital and operating costs may increase. Our ongoing efforts to address these risks may not be effective and may have long-term adverse effects on our operations and operating results that we may not be able to reverse. Such efforts may also take time to implement or to have an effect, and may result in adverse quarterly financial results or fluctuations in our quarterly financial results. As a result, changes in international trade policy, changes in trade agreements and tariffs could adversely affect our business, results of operations and financial condition.

Our financial performance is subject to risks associated with fluctuations in currency exchange rates.

A significant portion of our business is conducted in currencies other than the U.S. Dollar. Therefore, we face exposure to movements in currency exchange rates.

Our primary exposure to movements in currency exchange rates relates to non-U.S. Dollar-denominated sales and operating expenses worldwide. For the three months ended December 31, 2020, approximately 54% of our revenue was in non-U.S. denominated currencies. The weakening of currencies relative to the U.S. Dollar adversely affects the U.S. Dollar value of our non-U.S. Dollar-denominated sales and earnings. If we raise international pricing to compensate, it could potentially reduce demand for our products, adversely affecting our sales and potentially having an adverse impact on our market share. Margins on sales of our products in non-U.S. Dollar-denominated countries and on sales of products that include components obtained from suppliers in non-U.S. Dollar-denominated countries could be adversely affected by currency exchange rate fluctuations. In some circumstances, for competitive or other reasons, we may decide not to raise local prices to fully offset the U.S. Dollar's strengthening, which would adversely affect the U.S. Dollar value of our non-U.S. Dollar-denominated sales and earnings. Competitive conditions in the markets in which we operate may also limit our ability to increase prices in the event of fluctuations in currency exchange rates. Conversely, strengthening of currency rates may also increase our product component costs and other expenses denominated in those currencies, adversely affecting operating results. We further note that a larger portion of our sales than of our expenses are denominated in non-U.S. denominated currencies.

We use derivative instruments to hedge certain exposures to fluctuations in currency exchange rates. The use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in currency exchange rates over the limited time the hedges are in place and do not protect us from long term shifts in currency exchange rates.

As a result, fluctuations in currency exchange rates could adversely affect our business, operating results and financial condition. Moreover, these exposures may change over time.

As a company operating in many markets and jurisdictions, expanding into new growth categories, and engaging in acquisitions, and as a Swiss, dual-listed company, we are subject to risks associated with new, existing and potential future laws and regulations.

Based on our current business model and as we expand into new markets and product categories and acquire companies, businesses and assets, we must comply with a wide variety of laws, standards and other requirements governing, among other things, health and safety, hazardous materials usage, product-related energy consumption, packaging, recycling and environmental matters. Our products may be required to obtain regulatory approvals and satisfy other regulatory concerns in the various jurisdictions where they are manufactured, sold or both. Companies, businesses and assets that we acquire may not be in compliance with regulations in all jurisdictions. These requirements create procurement and design challenges, which, among other things, require us to incur additional costs identifying suppliers and contract manufacturers who can provide or obtain compliant materials, parts and end products. Failure to comply with such requirements can subject us to liability, additional costs, and reputational harm and, in severe cases, force us to recall products or prevent us from selling our products in certain jurisdictions.

As a Swiss company with shares listed on both the SIX Swiss Exchange and the Nasdaq Global Select Market, we are also subject to both Swiss and United States corporate governance and securities laws and regulations. In addition to the extra costs and regulatory burdens of our dual regulatory obligations, the two regulatory regimes may not always be compatible and may impose disclosure obligations, operating restrictions or tax effects on our business to which our competitors and other companies are not subject. For example, on January 1, 2014, subject to certain transitional provisions, the Swiss Federal Council Ordinance Against Excessive Compensation at Public Companies (the Ordinance) became effective in connection with the Minder initiative approved by Swiss voters during 2013. The Ordinance, among other things, (a) requires a binding shareholder “say on pay” vote with respect to the compensation of members of our executive management and Board of Directors, (b) generally prohibits the making of severance, advance, transaction premiums and similar payments to members of our executive management and Board of Directors, (c) imposes other restrictive compensation practices, and (d) requires that our articles of incorporation specify various compensation-related matters. In addition, during 2013, Swiss voters considered an initiative to limit pay for a chief executive officer to a multiple of no more than twelve times the salary of the lowest-paid employee. Although voters rejected that initiative, it did receive substantial voter support. The Ordinance, potential future initiatives relating to corporate governance or executive compensation, and Swiss voter sentiment in favor of such regulations may increase our non-operating costs and adversely affect our ability to attract and retain executive management and members of our Board of Directors.

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) which are subject to interpretation or changes by the FASB, the SEC and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future which may have a significant effect on our financial results or our compliance with regulations.

As a result of changes in tax laws, treaties, rulings, regulations or agreements, or their interpretation, of Switzerland or any other country in which we operate, the loss of a major tax dispute or a successful challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, or other factors, our effective income tax rates may increase, which could adversely affect our net income and cash flows.

We are incorporated in the canton of Vaud in Switzerland, and our effective income tax rate benefited from a longstanding ruling from the canton of Vaud through December 31, 2019. On May 19, 2019, the voters in Switzerland approved the Federal Act on Tax Reform and AHV Financing ("TRAF"), a major reform in response to certain guidance and demands from both the European Union and the Organization for Economic Co-operation and Development. TRAF mandates reforms in the cantonal tax law that were enacted by the canton of Vaud on March 10, 2020 and took effect as of January 1, 2020. As a result of the reform, Logitech will incur cash income taxes that will increase over time as the deferred income tax benefit established in connection with the reform diminishes. See "Note 7 - Income Taxes" in our fiscal year 2020 Form 10-K for more information. The canton’s tax authority is primarily delegated by the Swiss federal government and its implementation of TRAF in general or with respect to Logitech is subject to Swiss federal review and challenge. Implementation of any material change in tax laws or policies or the adoption of new interpretations of existing tax laws and rulings, or termination or replacement of our tax arrangements with the canton of Vaud, by Switzerland or the canton of Vaud could result in a higher effective income tax rate, or a decreased tax asset, a charge to earnings and an accelerated pace of increase in our effective income tax rate, or a combination of such impacts, on our worldwide earnings and any such change will adversely affect our net income. Changes in our effective income tax rate may also make it more difficult to compare our net income and earnings per share between periods.

We operate in multiple jurisdictions and our profits are taxed pursuant to the tax laws of these jurisdictions. Our effective income tax rate may be affected by changes in or interpretations of tax laws, treaties, rulings, regulations or agreements in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in geographical allocation of income and expense, and changes in management’s assessment of matters such as the realizability of deferred tax assets. In the past, we have experienced fluctuations in our effective income tax rate. Our effective income tax rate in a given fiscal year reflects a variety of factors that may not be present in the succeeding fiscal year or years. There is no assurance that our effective income tax rate will not change in future periods.

We file Swiss and foreign tax returns. We are frequently subject to tax audits, examinations and assessments in various jurisdictions. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective income tax rate could increase. For example, policy changes in the United States or China predicated on our presence in those countries could adversely affect where we recognize profit and our effective income tax rate. A material assessment by a governing tax authority could adversely affect our profitability. If our effective income tax rate increases in future periods, our net income and cash flows could be adversely affected.

Risks Related to Intellectual Property, Cyber Security and Privacy

Claims by others that we infringe their proprietary technology could adversely affect our business.

We have been expanding the categories of products we sell, such as entering new markets and introducing products for tablets, other mobile devices, digital music, and video collaboration. We expect to continue to enter new categories and markets. As we do so, we face an increased risk that claims alleging we infringe the patent or other intellectual property rights of others, regardless of the merit of the claims, may increase in number and significance. Infringement claims against us may also increase as the functionality of video, voice, data and conferencing products begin to overlap. This risk is heightened by the increase in lawsuits brought by holders of patents that do not have an operating business or are attempting to license broad patent portfolios and by the increasing attempts by companies in the technology industries to enjoin their competitors from selling products that they claim infringe their intellectual property rights. Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot be certain that we will be successful in defending ourselves against intellectual property claims. A successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing certain products or performing certain services. We might also be required to seek a license for the use of such intellectual property, which may not be available on commercially acceptable terms or at all. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Any claims or proceedings against us, whether meritorious or not, could be time consuming, result in costly litigation or the diversion of significant operational resources, or require us to enter into royalty or licensing agreements, any of which could materially and adversely affect our business and results of operations.

We may be unable to protect our proprietary rights. Unauthorized use of our technology may result in the development of products that compete with our products.

Our future success depends in part on our proprietary technology, technical know-how and other intellectual property. We rely on a combination of patent, trade secret, copyright, trademark and other intellectual property laws, and confidentiality procedures and contractual provisions such as nondisclosure terms and licenses, to protect our intellectual property.

We hold various United States patents and pending applications, together with corresponding patents and pending applications from other countries. It is possible that any patent owned by us will be invalidated, deemed unenforceable, circumvented or challenged, that the patent rights granted will not provide competitive advantages to us, or that any of our pending or future patent applications will not be granted, maintained or enforced. In addition, other intellectual property laws or our confidentiality procedures and contractual provisions may not adequately protect our intellectual property. Also, others may independently develop similar technology, duplicate our products, or design around our patents or other intellectual property rights. Unauthorized parties have copied and may in the future attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Any of these events could adversely affect our business, financial condition and operating results.

Product quality issues could adversely affect our reputation, business and operating results.

The market for our products is characterized by rapidly changing technology and evolving industry standards. To remain competitive, we must continually introduce new products and technologies. The products that we sell could contain defects in design or manufacture. Defects could also occur in the products or components that are supplied to us. There can be no assurance we will be able to detect and remedy all defects in the hardware and software we sell. Failure to do so could result in product recalls, product liability claims and litigation, product redesign efforts, lost revenue, loss of reputation, and significant warranty and other expenses to remedy.

While we maintain reserves for reasonably estimable liabilities and purchase liability insurance, our reserves may not be adequate to cover such claims and liabilities and our insurance is subject to deductibles and may not be adequate to cover such claims and liabilities. Furthermore, our contracts with distributors and retailers may contain warranty, indemnification and other provisions related to product quality issues, and claims under those provisions may adversely affect our business and operating results.

Significant disruptions in, or breaches in security of, our websites or information technology systems could adversely affect our business.

As a consumer electronics company, our websites are an important presentation of our company, identity and brands and an important means of interaction with and source of information for consumers of our products. We also rely on our centralized information technology systems for product-related information and to store intellectual property, forecast our business, maintain financial records, manage operations and inventory, and operate other critical functions. We allocate significant resources to maintain our information technology systems and deploy network security, data encryption, training and other measures to protect against unauthorized access or misuse. Nevertheless, our websites and information technology systems have been and could continue to be subject to or threatened with, and are susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, structural or operational failures, computer viruses, attacks by computer hackers, other data security issues, telecommunication failures, user error, malfeasance, catastrophes, system or software upgrades, integration or migration, or other foreseeable and unforeseen events. From time to time, we and our suppliers have identified vulnerabilities or other issues that we believe have been addressed, and we expect such issues to continue to arise. None of such disruptions or issues has individually or in the aggregate resulted in security incident with a material impact on us. Moreover, due to the COVID-19 pandemic, there is an increased risk that we may experience security breach related incidents as a result of our employees, service providers, and third parties working remotely on less secure systems. Breaches or disruptions of our websites or information technology systems, breaches of confidential information, data corruption or other data security issues could adversely affect our brands, reputation, relationships with customers or business partners, or consumer or investor perception of our company, business or products or result in disruptions of our operations, loss of intellectual property or our customers' or our business partners' data, reduced value of our investments in our brands, design, research and development or engineering, or costs to address regulatory inquiries or actions or private litigation, to respond to customers or partners or to rebuild or restore our websites or information technology systems.

The collection, storage, transmission, use and distribution of user data could give rise to liabilities and additional costs of operation as a result of laws, governmental regulation and risks of security breaches.

In connection with certain of our products and services, we collect data related to our consumers. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, and especially in Europe. For example, the European Union adopted the General Data Protection Regulation (GDPR), which is applicable to us and to all companies processing data of European Union residents, became effective in

May 2018 and imposes significant fines and sanctions for violation of the Regulation. Compliance with the GDPR has been made more difficult by the recent invalidity of the U.S.-European Union Privacy Shield. Government actions are typically intended to protect the privacy and security of personal information and its collection, storage, transmission, use and distribution in or from the governing jurisdiction. In addition, because various jurisdictions have different laws and regulations concerning the use, storage and transmission of such information, we may face requirements that pose compliance challenges in existing markets as well as new international markets that we seek to enter. The collection of user data heightens the risk of security breaches and other data security issues related to our IT systems and the systems of third-party data storage and other service and IT providers. Such laws and regulations, and the variation between jurisdictions, as well as additional security measures and risk, could subject us to costs, allocation of additional resources, financial penalties or other liabilities or negative publicity that could adversely affect our business.

Risks Related to our Financial Results

Our operating results are difficult to predict and fluctuations in results may cause volatility in the price of our shares.

Our revenues and profitability are difficult to predict due to the nature of the markets in which we compete, fluctuating user demand, the uncertainty of current and future global economic conditions, and for many other reasons, including the following:

- Our operating results are highly dependent on the volume and timing of orders received during the quarter, which are difficult to forecast. Customers generally order on an as-needed basis and we typically do not obtain firm, long-term purchase commitments from our customers. As a result, our revenues in any quarter depend primarily on orders booked and shipped in that quarter.

- A significant portion of our quarterly retail sales typically occurs in the last weeks of each quarter, further increasing the difficulty in predicting quarterly revenues and profitability.

- Our sales are impacted by consumer demand and current and future global economic and political conditions, including trade restrictions and tariffs, and can, therefore, fluctuate abruptly and significantly during periods of uncertain economic conditions or geographic distress, as well as from shifts in distributor inventory practices and consumer buying patterns.

- We must incur a large portion of our costs in advance of sales orders because we must plan research and production, order components, buy tooling equipment, and enter into development, sales and marketing, and other operating commitments prior to obtaining firm commitments from our customers. This makes it difficult for us to rapidly adjust our costs during the quarter in response to a revenue shortfall, which could adversely affect our operating results.

- The COVID-19 pandemic has led to evolving changes in our supply, operations, logistics and related expenses and use patterns and demand for certain of our products that may not recur or be sustainable in future periods, as well as uncertainty in global macroeconomic conditions.

- We engage in acquisitions and divestitures, and such activity varies from period to period. Such variance may affect our growth, our previous outlook and expectations, and comparisons of our operating results and financial statements between periods.

- We are continuously attempting to simplify our organization, to reduce operating costs through expense reduction and at times through global workforce reductions, to reduce the complexity of our product portfolio, and to better align costs with our current business as we expand from PC accessories to growth opportunities in accessories and other products and services for creativity and productivity, gaming, video collaboration, mobile devices, music, digital home and other product categories. We may not achieve the cost savings or other anticipated benefits from these efforts, and the success or failure of such efforts may cause our operating results to fluctuate and to be difficult to predict.

- Fluctuations in currency exchange rates can impact our revenues, expenses and profitability because we report our financial statements in U.S. Dollars, whereas a significant portion of our revenues and expenses are in other currencies. We attempt to adjust product prices over time to offset the impact of currency movements. However, over short periods of time, during periods of weakness in consumer spending or given high levels of competition in many product categories, our ability to change local currency prices to offset the impact of currency fluctuations is limited.

Because our operating results are difficult to predict, our results may be below the expectations of financial analysts and investors, which could cause the price of our shares to decline.

Our gross margins can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.

Our gross margins can vary due to consumer demand, competition, product pricing, product lifecycle, product mix, new product introductions, unit volumes, acquisitions and divestitures, commodity, supply chain and logistics costs, capacity utilization, geographic sales mix, currency exchange rates, trade policy and tariffs, and the complexity and functionality of new product innovations and other factors. In particular, if we are not able to introduce new products in a timely manner at the product cost we expect, or if consumer demand for our products is less than we anticipate, or if there are product pricing, marketing and other initiatives by our competitors to which we need to react or that are initiated by us to drive sales that lower our margins, then our overall gross margin will be less than we project.

In addition, our gross margins may vary significantly by product line, sales geography and customer type, as well as within product lines. When the mix of products sold shifts from higher margin product lines to lower margin product lines, to lower margin sales geographies, or to lower margin products within product lines, our overall gross margins and our profitability may be adversely affected.

As we expand within and into new product categories, our products in those categories may have lower gross margins than in our traditional product categories. Consumer demand in these product categories, based on style, color and other factors, tends to be less predictable and tends to vary more across geographic markets. As a result, we may face higher up-front investments, inventory costs associated with attempting to anticipate consumer preferences, and increased inventory write-offs. If we are unable to offset these potentially lower margins by enhancing the margins in our more traditional product categories, our profitability may be adversely affected.

Changes in trade policy, including tariffs and the tariffs focused on China in particular, and currency exchange rates also have adverse impacts on our gross margins. The COVID-19 pandemic is putting pressure on our gross margins as well as causing us to face uncertain product demand and incur increased air freight and other costs to fulfill sell through demand, replenish channel inventory, and maintain shelf presence and market share.

The impact of these factors on gross margins can create unanticipated fluctuations in our operating results, which may cause volatility in the price of our shares.

As we continue our efforts to lower our costs and improve our operating leverage, we may or may not fully realize our goals.

Our strategy over the past several years has been based in part on simplifying the organization, reducing operating costs through global workforce reductions and a reduction in the complexity of our product portfolio, with the goal of better aligning costs with our current business. We restructured our business in fiscal years 2014 through 2016, and we may continue to divest or discontinue non-strategic product categories. During the third quarter of fiscal year 2016, we divested our Lifesize video conferencing business and completed our exit from the OEM business. During the first quarter of fiscal year 2019, we implemented a restructuring plan to streamline and realign our overall organization structure and reallocate resources to support long-term growth opportunities. We substantially completed this restructuring during the three months ended June 30, 2019.

Our ability to achieve the desired and anticipated cost savings and other benefits from these simplification, cost-cutting and restructuring activities, and within our desired and expected timeframes, are subject to many estimates and assumptions, and the actual savings and timing for those savings may vary materially based on factors such as local labor regulations, negotiations with third parties, and operational requirements. These estimates and assumptions are also subject to significant economic, competitive and other uncertainties, some of which are beyond our control. There can be no assurance that we will fully realize the desired and anticipated benefits from these activities. To the extent that we are unable to improve our financial performance, further restructuring measures may be required in the future. Furthermore, we are expecting to be able to use the anticipated cost savings from these activities to fund and support our current growth opportunities and incremental investments for future growth. If the cost-savings do not materialize as anticipated, or within our expected timeframes, our ability to invest in growth may be limited and our business and operating results may be adversely affected. As we grow, explore new opportunities and markets, hire new management and other personnel, and fund research and development, marketing, brand development, sales, operations, investments in intellectual property and acquisitions to support this growth and our new opportunities, some or all of which may not succeed, we expect to experience continued pressure on our cost structure and expenses.

As part of the restructuring plans, we reduced the size of our product portfolio and the assortment of similar products at similar price points within each product category over the past several fiscal years. While we are constantly replacing products and are dependent on the success of our new products, this product portfolio simplification has made us even more dependent on the success of the new products that we are introducing.

We cannot ensure that our current share repurchase program will be fully utilized or that it will enhance long-term shareholder value. Share repurchases may also increase the volatility of the trading price of our shares. We similarly cannot ensure that we will continue to increase our dividend payments or to pay dividends at all. Share repurchases and dividends diminish our cash reserves.

In May 2020, our Board of Directors authorized a three-year $250.0 million repurchase program of our registered shares. We have also paid cash dividends and increased the size of our dividend, each year since fiscal year 2013. Our share repurchase program and dividend policy may be affected by many factors, including general business and economic conditions, our financial condition and operating results, our views on potential future capital requirements, restrictions imposed in any future debt agreements, the emergence of alternative investment or acquisition opportunities, changes in our business strategy, legal requirements, changes in tax laws, and other factors. Our share repurchase program does not obligate us to repurchase all or any of the dollar value of shares authorized for repurchase. The program could also increase the volatility of the trading price of our shares. Similarly, we are not obligated to pay dividends on our registered shares. Under Swiss law, we may only pay dividends upon the approval of a majority of our shareholders, which is under the discretion of and generally follows a recommendation by our Board of Directors that such a dividend is in the best interests of our shareholders. There can be no assurance that our Board of Directors will continue to recommend, or that our shareholders will approve, dividend increases or any dividend at all. If we do not pay a regular dividend, we may lose the interest of investors that focus their investments on dividend-paying companies, which could create downward pressure on our share price. Any announcement of termination or suspension of our share repurchase program or dividend may result in a decrease in our share price. The share repurchase program and payment of cash dividends could also diminish our cash reserves that may be needed for investments in our business, acquisitions or other purposes. Without dividends, the trading price of our shares must appreciate for investors to realize a gain on their investment.

In previous periods, we identified material weaknesses in our internal control over financial reporting and, if we are unable to satisfy regulatory requirements relating to internal controls or if our internal control over financial reporting is not effective, our business and stock price could be adversely affected.

In connection with Section 404 of the Sarbanes-Oxley Act and as recently as our audited financial statements for the fiscal year ended March 31, 2017, we have identified in the past and may, from time-to-time in the future, identify issues with our internal controls and deficiencies in our internal control over financial reporting. Certain of those material weaknesses resulted in late filings of and an amendment to our periodic reports and in restatements of our financial results. A material weakness indicates a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If additional material weaknesses or significant deficiencies in our internal controls are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results, we could be subject to litigation, whether meritorious or not, remediation efforts could be time consuming, costly and/or divert significant operational resources, we could lose investor confidence in the accuracy and completeness of our financial reports, and our reputation, business, results of operations and stock price could be adversely affected.

Goodwill impairment charges could have an adverse effect on the results of our operations.

Goodwill associated with a number of previous acquisitions could result in impairment charges. The slowdown in the overall video conferencing industry together with the competitive environment in fiscal year 2013 resulted in a $214.5 million non-cash goodwill impairment charge in fiscal year 2013, which substantially impacted results of discontinued operations. We recorded an additional impairment charge of goodwill of $122.7 million related to our Lifesize video conferencing discontinued operations in fiscal year 2015, reducing its goodwill to zero, which substantially impacted results of discontinued operations again. If we divest or discontinue product categories or products that we previously acquired, or if the value of those parts of our business become impaired, we may need to evaluate the carrying value of our goodwill. Additional impairment charges could adversely affect our results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

In fiscal year 2021, the following approved share buyback program was in place (in thousands):

Share Buyback Program	Shares Approved	Approved Amounts
May 2020	17,311	$ 250,000

The following table presents certain information related to purchases made by Logitech of its equity securities under the May 2020 share buyback program above (in thousands, except per share amounts):

During the three months ended December 31, 2020	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share		Remaining Amount that May Yet Be Repurchased under the Program
		CHF (LOGN)	USD (LOGI)	
Month 1				
September 26, 2020 to October 23, 2020	—	$ —	$ —	$ 227,635
Month 2				
October 24, 2020 to November 20, 2020	—	—	—	227,635
Month 3				
November 21, 2020 to December 25, 2020				
Nasdaq	110		84.99	177,634
SIX	493	75.10		
	603	$ —	$ —	$ 177,634

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Index

Exhibit No.		Description
3.1		Organizational Regulations of Logitech International S.A., as amended as of December 2, 2020
31.1		Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2		Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	*	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.
101.INS		XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH		XBRL Taxonomy Extension Schema Document
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB		XBRL Taxonomy Extension Label Linkbase Document
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF		XBRL Taxonomy Definition Linkbase Document
104		Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* This exhibit is furnished herewith, but not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we explicitly incorporate it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOGITECH INTERNATIONAL S.A.

January 21, 2021	/s/ Bracken Darrell
Date	Bracken Darrell President and Chief Executive Officer
January 21, 2021	/s/ Nate Olmstead
Date	Nate Olmstead Chief Financial Officer

ORGANIZATIONAL REGULATIONS OF LOGITECH INTERNATIONAL S.A.

1. Governing principles

These organizational regulations (hereafter the "**Regulations**") are adopted in accordance with Article 17 of the Articles of Incorporation of the Company.

They govern the organization, the voting procedure, as well as the powers and duties of the following organs of the Company:

- Board of Directors ("**Board**")
- Chairperson of the Board
- Chief Executive Officer
- Group Management Team

2. The Board

2.1 Organization

The Board, constituted at a minimum by three members, is self-governed.

The members of the Board are elected for a 1-year term which is indefinitely renewable subject to the age and tenure limits specified in Article 2.8 below. Employees may be members of the Board provided such persons do not receive compensation for their activities both as members of the Board and as employees.

At the first meeting following the ordinary general shareholders' meeting, the Board appoints one or two Vice-Chairmen (if any), a Lead Independent Director (if any), and a Secretary. The role of Chairperson or Vice-Chairperson, on the one hand, and Lead Independent Director, on the other hand, may be cumulated. It is not mandatory that the Secretary be a member of the Board or a shareholder.

The term of office of the Chairperson, Vice-Chairperson, and Lead Independent Director matches the term of office of their appointment as members of the Board. These persons can be indefinitely re-elected to their respective positions subject to the age and tenure limits specified in Article 2.8 below.

2.2 Meetings, convening of meetings and agenda

A meeting of the Board may be called by the Chairperson as often as the business of the Company requires.

The Board may also be convened upon request of any one of the directors. Such request is made to the Chairperson in writing (including, without limitation, by electronic mail), and it includes the reasons for which the Board meeting is being called. Upon receipt of such request, the Chairperson shall convene the Board without delay. When necessary, the Lead Independent Director may also convene the Board.

Where appropriate, but at least twice a year, the directors who meet the independence requirements of the Nasdaq Stock Market rules and regulations shall meet in executive session. Such meetings may be scheduled in conjunction with the meetings of the Board.

The notice convening the Board meeting shall mention the day, the time and the place of the meeting, as well as the agenda. The relevant documentation relating to the forthcoming meeting shall be delivered reasonably in advance. Resolutions on items that were not mentioned in the agenda may only be taken if all members of the Board have been consulted, except in case of emergency.

The Board is chaired by the Chairperson and, in case of his absence, by the Vice-Chairperson or, if he is absent, by the Lead Independent Director or another member of the Board. Meetings of independent directors are chaired by the Chairperson, if independent, or Lead Independent Director. Board meetings may be validly held by way of video conference or telephone conference.

2.3 Vote, minutes

2.3.1 Vote

The Board takes its resolutions by the approval of the absolute majority of the members who are present. In the event of a tie, the Chairperson has a casting vote.

While preparing its recommendations to the general shareholders' meeting for election or removal of independent auditors, the Board shall pay due consideration to the recommendations of the Audit Committee established pursuant to Article 2.4.3 below.

The resolutions of the Board may be taken by way of circular letter, provided that no member requests a discussion.

The resolutions by way of circular letter are adopted if they have been approved by the majority of the members of the Board. In the event of a tie, the Chairperson has a casting vote.

2.3.2 Minutes

The discussions and the resolutions of the Board are set forth in minutes, signed by the Chairperson and the Secretary. Each member of the Board receives a copy of the minutes. The resolutions taken by way of circular letter must be included in the minutes of the following meeting of the Board.

The minutes of each meeting must be ratified at the following meeting of the Board.

2.4 Attribution of powers

2.4.1 Powers delegated by the Board

The Board delegates the entire management of the Company to the Chief Executive Officer and to the Group Management Team, except where the law, the Articles of Incorporation or the present Regulations provide differently.

2.4.2 Powers not delegated by the Board

The Board exercises at any time the superior management and supervision of the Company. It issues directives concerning the business policy and keeps itself regularly informed on the Company's performance.

In particular, the Board has the following non-transferable and inalienable powers and duties:

1. It ultimately oversees the Chief Executive Officer and the Group Management Team and issues the necessary guidelines; this includes the determination of strategic objectives, the allocation of resources and the company policy;

2. It determines the organization structure;

3. It establishes accounting and financial control principles as well as the financial plan;

4. It appoints and dismisses the Chief Executive Officer and the members of the Group Management Team and resolves on their signatory power; it appoints and dismisses the head of the Internal Audit function;

5. It exercises the ultimate supervision of the persons in charge of the management of the business in order to ensure that their activity is carried out in compliance with the law, the Articles of Incorporation, the internal regulations and the instructions given;

6. It oversees the preparation of the annual report, prepares the shareholders' meetings and carries out its decisions;

7. It informs the judge in case of overindebtedness (technical insolvency);

8. It takes resolutions regarding the payment of non fully paid-in shares (Art. 634 a CO);

9. It publishes the report provided for under Article 132 para. 1 of the Swiss Federal Act on Financial Market Infrastructures setting out the position of the Board with respect to a public takeover offer; and

10. It is responsible for the compensation report.

The Board keeps the power to resolve itself on the following objects:

a. the signatory power of its members, if any;

b. the approval of the budget submitted by the Chief Executive Officer;

c. the approval of any type of investment or acquisition not included in the approved budgets; provided that management may from time to time request authorization to make investments and/or acquisitions up to an aggregate amount of USD 10,000,000 without Board approval, subject to management’s obligation to conduct periodic post close reviews of such transactions and to present the findings of such reviews to the Board;

d. the approval of the acquisition and sale, as well as the constitution of security interests, over the Company's real estate; and

e. the approval of any expenditure of more than USD 10,000,000 not specifically identified in the approved budgets.

2.4.3 Special committees

The members of the Compensation Committee are elected individually from among the members of the Board by the general shareholders' meeting. In addition, the Board constitutes within its ranks the following three committees in charge of specific issues:

a. Audit Committee

b. Nominating Committee

c. Technology and Innovation Committee

Except where otherwise contemplated in the charter of the applicable committee, the recommendations of these four committees are submitted to the Board for approval.

In accordance with the law and the Articles of Incorporation of the Company, the Board shall issue charters for each of these Committees which define their attributions and powers, and shall appoint the Chairperson of each of these Committees.

2.5 Right to information and consultation

Each member of the Board has the right to obtain information on the entire business of the Company. During the meetings, each member of the Board may request information from the other members as well as from the persons entrusted with the management.

Outside of the meetings, each member of the Board may request from the persons entrusted with the management information regarding the course of business and, with the authorization of the Chairperson, on specific business issues. To the extent it is necessary for the accomplishment of his duties, each member of the Board may request from the Chairperson to review the books and files. If the Chairperson rejects a request for information, for a hearing or for consultation, the Board decides.

2.5.1 Reports

During each meeting, the Board must be informed by the Chief Executive Officer on the development of the current affairs and on important events. Extraordinary events are to be notified to the members of the Board in the shortest possible time by circular letter.

2.6 Signatory rights

The Chairperson and those members of the Board who shall have the right to represent the Company shall have either:

a. Collective signature authority, to be exercised together with another person authorized to sign, or

b. Individual signature authority, in which case their acts require prior approval of another person authorized to sign.

The signature of a member of the Board is not necessary on documents signed on behalf of the Company. Any two authorized officials of the Company registered with the Register of Commerce, including members of the Board, may execute documents on behalf of the Company. In addition, other officials of the Company may execute certain classes of documents on behalf of the Company together with authorized officials under limited powers of attorney granted by the Board.

2.7 Discretion, secrecy

Each member of the Board is accountable for the documents entrusted to him. Each member is under an obligation to maintain absolute confidence towards third persons on the facts that came to his attention during the exercise of his directorship.

2.8 Age and tenure limits

No member of the Board of Directors can seek re-election after he or she has reached the age of 70 years, unless a specific exception is approved by the Board. The same age limit is applicable to the Board of consolidated subsidiaries.

No member of the Board can seek re-election after he or she has served on the Board as a non-employee member for 12 years, unless a specific exception is approved by the Board.

A member of the Board who has reached the age or tenure limit referred to above during the term of his or her directorship may remain a director until the expiration of his or her term.

2.9 Annual review

The Board shall review at least once a year its own structure, processes, and performance, including the adequacy of these Regulations. Independent directors shall assess the adequacy of their relationship and cooperation with executive directors.

2.10 Compensation

Subject to the powers of the general shareholders' meeting, the Board determines the compensation of its non-employee members on the recommendation of the Compensation Committee. The compensation of employee members of the Board is determined by the Compensation Committee.

3. The Chairperson of the Board

In urgent cases, the Chairperson of the Board has the power to take on his own a decision which would otherwise fall in the competence of the Board, provided that a resolution by way of circular letter in accordance with Article 2.3.1 above is not possible or practicable.

Decisions taken by the Chairperson of the Board in this way shall be immediately notified in writing (including, without limitation, by electronic mail) to the other members of the Board, and are subject to ratification by the Board at its next meeting or by way of circular letter.

4. The Chief Executive Officer

4.1 General responsibilities

In application of Article 17 of the Articles of Incorporation and subject to Article 2.4 above, the Board delegates the entire management of the business to the Chief Executive Officer, who does not need to be a member of the Board.

The Chief Executive Officer spends his full time in this capacity. He conducts the business with the support of the Group Management Team. He organizes the Group Management Team and presides at its meetings.

4.2 Detailed list of responsibilities

The Chief Executive Officer has, in particular, the following responsibilities and prerogatives:

- define and implement the short and medium term strategy and plans;
- establish preliminary and final budgets for submission to the Board for approval;
- produce the Company's preliminary financial statements as well as the annual report for submission to the Board for approval and subsequent presentation to shareholders;
- hire, dismiss and promote employees, except members of the Group Management Team and the head of the Internal Audit function;
- take immediate measures to protect the interests of the Company where a breach of duty is suspected from a member of the Group Management Team, including suspending the relevant member of the Group Management Team from office. In such a case, the Board must decide on the matter within a reasonable period of time;
- implement the decisions taken by the Board;
- report regularly to the Chairperson of the Board on the evolution of the business;
- prepare supporting documents for decisions which are to be made by the Board;
- decide on issues that are brought to his attention by the Group Management Team;
- keep the share register of the Company, under the supervision of the Board.

4.3 Reporting line

The Chief Executive Officer reports to the Board.

4.4 Compensation

Subject to the powers of the general shareholders' meeting, the Compensation Committee determines the compensation, including salary and bonus, of the Chief Executive Officer.

5. The Group Management Team

5.1 Appointment, dismissal, remuneration

The Board appoints and dismisses the members of the Group Management Team.

5.2 Roles and responsibilities

The roles and responsibilities of the members of the Group Management Team are in the job descriptions of each of the Managers.

5.3 Subordination

The members of the Group Management Team are directly subordinated to the Chief Executive Officer. They keep him informed on the development of the business in general, as well as on events that impact the Company. The head of the Internal Audit function is directly subordinated to the Audit Committee.

5.4 Compensation

Subject to the powers of the general shareholders' meeting, the Compensation Committee determines the compensation, including salary and bonus, of the members of the Group Management Team. Subject to the powers of the general shareholders' meeting, the Audit Committee determines the compensation, including salary and bonus, of the head of the Internal Audit function. The Audit Committee may delegate this responsibility to its Chair.

6. Prohibition on Loans to Directors and Officers

The Company will not, directly or indirectly, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit in the form of a personal loan to or for any member of the Group Management Team or member of the Board of the Company.

7. Final provisions

7.1 Entry into force

The present Regulations shall take effect upon their approval by the Board.

7.2 Amendments

On the Chairperson's request, the present Regulations, must be reviewed and, as the case may be, updated on a yearly basis, i.e. during the first meeting of the Board following the ordinary shareholders meeting or as often as the business of the Company requires.

Decisions regarding amendments of the present Regulations need to be approved by the absolute majority of the attending members.

Adopted as of the 24th of April, 1996, and amended as of the 28th of June, 1999, the 14th day of October, 2003, the 8th day of April, 2004, the 15th day of June, 2006, the 17th day of June, 2008, the

5th day of September, 2013, the 25th day of March, 2015, the 29th day of June, 2016, the 6th day of December, 2018 and the 2nd day of December, 2020.

ROMANEL, SWITZERLAND

Wendy Becker Chairperson of the Board	Samantha Harnett Secretary

Exhibit 31.1

CERTIFICATIONS

I, Bracken Darrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Logitech International S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

January 21, 2021

/s/ Bracken Darrell

Bracken Darrell
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Nate Olmstead, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Logitech International S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 21, 2021

/s/ Nate Olmstead

Nate Olmstead
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(B) OR RULE 15D-14(B) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF
THE UNITED STATES CODE

The certification set forth below is being submitted in connection with this quarterly report on Form 10-Q (the “Report”) of Logitech International S.A. (“the Company”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Bracken Darrell, Chief Executive Officer of the Company, and Nate Olmstead, Chief Financial Officer of the Company, each certify that, to the best of his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 21, 2021

/s/ Bracken Darrell
Bracken Darrell
President and
Chief Executive Officer

/s/ Nate Olmstead
Nate Olmstead
Chief Financial Officer