

**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, 2021

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

(State or other jurisdiction
of incorporation or organization)

None

(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 standards 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 12, 2022, there were 166,227,861 shares of the Registrant's share capital outstanding.

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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.

Our 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 2022 ended on December 31, 2021. The same quarter in the prior fiscal year ended on December 25, 2020. For purposes of presentation, we have indicated our quarterly periods end on the last day of the calendar quarter.

The term "sales" means net sales, except as otherwise specified.

We make available, free of charge on our website, access to our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we file or furnish them electronically with the Securities and Exchange Commission ("SEC").

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website at <https://ir.logitech.com>. Additionally, we provide notifications of news or announcements regarding our operations and financial performance, including SEC filings, investor events, and press and earnings releases as part of our investor relations website. We intend to use our investor relations website as means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Our corporate governance information also is available on our investor relations website.

All references to our websites are intended to be inactive textual references only, and the content of such websites 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, | |
|---|------------------------------------|--------------|-----------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net sales | \$ 1,632,782 | \$ 1,667,302 | \$ 4,251,107 | \$ 3,716,354 |
| Cost of goods sold | 971,646 | 914,851 | 2,470,980 | 2,082,088 |
| Amortization of intangible assets | 3,126 | 3,441 | 11,028 | 9,800 |
| Gross profit | 658,010 | 749,010 | 1,769,099 | 1,624,466 |
| Operating expenses: | | | | |
| Marketing and selling | 269,941 | 204,485 | 778,882 | 496,520 |
| Research and development | 75,529 | 53,910 | 213,436 | 157,014 |
| General and administrative | 38,478 | 37,606 | 112,291 | 98,341 |
| Amortization of intangible assets and acquisition-related costs | 3,662 | 4,946 | 13,986 | 13,886 |
| Impairment of intangible assets | 7,000 | — | 7,000 | — |
| Change in fair value of contingent consideration for business acquisition | (1,110) | — | (3,509) | 5,716 |
| Restructuring charges (credits), net | 1,759 | — | 1,770 | (54) |
| Total operating expenses | 395,259 | 300,947 | 1,123,856 | 771,423 |
| Operating income | 262,751 | 448,063 | 645,243 | 853,043 |
| Interest income | 278 | 311 | 795 | 1,444 |
| Other income (expense), net | (3,673) | 6,483 | (1,941) | 9,661 |
| Income before income taxes | 259,356 | 454,857 | 644,097 | 864,148 |
| Provision for income taxes | 49,345 | 72,334 | 107,789 | 142,638 |
| Net income | \$ 210,011 | \$ 382,523 | \$ 536,308 | \$ 721,510 |
| Net income per share: | | | | |
| Basic | \$ 1.26 | \$ 2.26 | \$ 3.19 | \$ 4.28 |
| Diluted | \$ 1.24 | \$ 2.22 | \$ 3.14 | \$ 4.21 |
| Weighted average shares used to compute net income per share: | | | | |
| Basic | 167,090 | 169,050 | 167,953 | 168,448 |
| Diluted | 169,707 | 172,587 | 171,027 | 171,378 |

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, | |
|--|------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income | \$ 210,011 | \$ 382,523 | \$ 536,308 | \$ 721,510 |
| Other comprehensive income (loss): | | | | |
| Currency translation gain (loss), net of taxes | (5,806) | 19,500 | (9,733) | 23,944 |
| Reclassification of cumulative translation adjustment to other income (expense), net | — | — | 1,051 | (1,738) |
| Defined benefit plans: | | | | |
| Net gain (loss) and prior service costs, net of taxes | (443) | (863) | (848) | (319) |
| Amortization included in other income (expense), net | 211 | 178 | 634 | 523 |
| Hedging gain (loss): | | | | |
| Deferred hedging gain (loss), net of taxes | 1,061 | (6,326) | 3,723 | (9,752) |
| Reclassification of net hedging impact into cost of goods sold | (3,200) | 3,446 | (5,108) | 5,085 |
| Total other comprehensive income (loss) | (8,177) | 15,935 | (10,281) | 17,743 |
| Total comprehensive income | <u>\$ 201,834</u> | <u>\$ 398,458</u> | <u>\$ 526,027</u> | <u>\$ 739,253</u> |

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, 2021 | March 31, 2021 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,364,411 | \$ 1,750,327 |
| Accounts receivable, net | 845,836 | 612,225 |
| Inventories | 834,534 | 661,116 |
| Other current assets | 145,001 | 135,650 |
| Total current assets | <u>3,189,782</u> | <u>3,159,318</u> |
| Non-current assets: | | |
| Property, plant and equipment, net | 109,601 | 114,060 |
| Goodwill | 448,731 | 429,604 |
| Other intangible assets, net | 89,878 | 115,148 |
| Other assets | 323,605 | 324,248 |
| Total assets | <u>\$ 4,161,597</u> | <u>\$ 4,142,378</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 738,992 | \$ 823,233 |
| Accrued and other current liabilities | 813,684 | 858,617 |
| Total current liabilities | <u>1,552,676</u> | <u>1,681,850</u> |
| Non-current liabilities: | | |
| Income taxes payable | 85,610 | 59,237 |
| Other non-current liabilities | 155,369 | 139,502 |
| Total liabilities | <u>1,793,655</u> | <u>1,880,589</u> |
| 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, 2021 | | |
| Additional shares that may be issued out of conditional capitals — 50,000 at December 31 and March 31, 2021 | | |
| Additional shares that may be issued out of authorized capital — 17,311 at December 31 and March 31, 2021 | | |
| Additional paid-in capital | 115,994 | 129,519 |
| Shares in treasury, at cost — 6,639 at December 31, 2021 and 4,799 at March 31, 2021 | (526,480) | (279,541) |
| Retained earnings | 2,867,476 | 2,490,578 |
| Accumulated other comprehensive loss | (119,196) | (108,915) |
| Total shareholders' equity | <u>2,367,942</u> | <u>2,261,789</u> |
| Total liabilities and shareholders' equity | <u>\$ 4,161,597</u> | <u>\$ 4,142,378</u> |

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, | |
|---|-----------------------------------|---------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net income | \$ 536,308 | \$ 721,510 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 65,387 | 36,010 |
| Amortization of intangible assets | 24,223 | 23,627 |
| Impairment of intangible assets | 7,000 | — |
| Loss on investments | 1,421 | 4,692 |
| Share-based compensation expense | 72,465 | 64,714 |
| Deferred income taxes | 27,369 | 37,683 |
| Change in fair value of contingent consideration for business acquisition | (3,509) | 5,716 |
| Other | 1,068 | (1,670) |
| Changes in assets and liabilities, net of acquisitions: | | |
| Accounts receivable, net | (236,358) | (476,804) |
| Inventories | (177,828) | (239,378) |
| Other assets | (20,569) | (53,281) |
| Accounts payable | (80,637) | 541,024 |
| Accrued and other liabilities | (17,612) | 264,576 |
| Net cash provided by operating activities | 198,728 | 928,419 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (63,726) | (46,163) |
| Investment in privately held companies | (1,260) | (3,525) |
| Acquisitions, net of cash acquired | (15,886) | (360) |
| Proceeds from return of strategic investments | — | 2,934 |
| Purchases of short-term investments | (10,000) | — |
| Proceeds from the sale of short-term investments | 1,225 | — |
| Purchases of trading investments | (3,644) | (10,672) |
| Proceeds from sales of trading investments | 4,285 | 11,332 |
| Net cash used in investing activities | (89,006) | (46,454) |
| Cash flows from financing activities: | | |
| Payment of cash dividends | (159,410) | (146,705) |
| Payment of contingent consideration for business acquisition | (880) | — |
| Purchases of registered shares | (290,625) | (72,725) |
| Proceeds from exercises of stock options and purchase rights | 16,644 | 29,709 |
| Tax withholdings related to net share settlements of restricted stock units | (58,528) | (29,475) |
| Net cash used in financing activities | (492,799) | (219,196) |
| Effect of exchange rate changes on cash and cash equivalents | (2,839) | 10,408 |
| Net increase / (decrease) in cash and cash equivalents | (385,916) | 673,177 |
| Cash and cash equivalents, beginning of the period | 1,750,327 | 715,566 |
| Cash and cash equivalents, end of the period | \$ 1,364,411 | \$ 1,388,743 |
| 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 | \$ 13,707 | \$ 14,663 |
| Non-cash contingent consideration for acquisition | \$ — | \$ 28,463 |
| Fair value of contingent consideration in accrued and other liabilities | \$ 9,013 | \$ — |
| Supplemental cash flow information: | | |
| Income taxes paid, net | \$ 175,775 | \$ — |

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, 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 | <u>173,106</u> | <u>\$ 30,148</u> | <u>\$ 108,140</u> | <u>4,243</u> | <u>\$ (198,435)</u> | <u>\$ 2,264,831</u> | <u>\$ (102,917)</u> | <u>\$ 2,101,767</u> |

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 | — | — | — | — | — | (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 | <u>173,106</u> | <u>\$ 30,148</u> | <u>\$ 108,140</u> | <u>4,243</u> | <u>\$ (198,435)</u> | <u>\$ 2,264,831</u> | <u>\$ (102,917)</u> | <u>\$ 2,101,767</u> |

Three Months Ended December 31, 2021

| | Registered Shares | | Additional Paid-in Capital | Treasury Shares | | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|--|-------------------|------------------|----------------------------------|-----------------|---------------------|----------------------|---|----------------------------------|
| | Shares | Amount | | Shares | Amount | | | |
| September 30, 2021 | 173,106 | \$ 30,148 | \$ 99,434 | 5,331 | \$ (413,345) | \$ 2,657,465 | \$ (111,019) | \$ 2,262,683 |
| Total comprehensive income | — | — | — | — | — | 210,011 | (8,177) | 201,834 |
| Purchases of registered shares | — | — | — | 1,379 | (116,245) | — | — | (116,245) |
| Sales of shares upon exercise of stock options and purchase rights | — | — | 8 | — | — | — | — | 8 |
| Issuance of shares upon vesting of restricted stock units | — | — | (6,887) | (71) | 3,110 | — | — | (3,777) |
| Share-based compensation | — | — | 23,439 | — | — | — | — | 23,439 |
| Cash dividends (\$0.95 per share) | — | — | — | — | — | — | — | — |
| December 31, 2021 | <u>173,106</u> | <u>\$ 30,148</u> | <u>\$ 115,994</u> | <u>6,639</u> | <u>\$ (526,480)</u> | <u>\$ 2,867,476</u> | <u>\$ (119,196)</u> | <u>\$ 2,367,942</u> |

Nine Months Ended December 31, 2021

| | Registered Shares | | Additional Paid-in Capital | Treasury Shares | | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|--|-------------------|------------------|----------------------------------|-----------------|---------------------|----------------------|---|----------------------------------|
| | Shares | Amount | | Shares | Amount | | | |
| March 31, 2021 | 173,106 | \$ 30,148 | \$ 129,519 | 4,799 | \$ (279,541) | \$ 2,490,578 | \$ (108,915) | \$ 2,261,789 |
| Total comprehensive income | — | — | — | — | — | 536,308 | (10,281) | 526,027 |
| Purchases of registered shares | — | — | — | 3,035 | (290,625) | — | — | (290,625) |
| Sales of shares upon exercise of stock options and purchase rights | — | — | 8,397 | (226) | 8,247 | — | — | 16,644 |
| Issuance of shares upon vesting of restricted stock units | — | — | (93,967) | (969) | 35,439 | — | — | (58,528) |
| Share-based compensation | — | — | 72,045 | — | — | — | — | 72,045 |
| Cash dividends (\$0.95 per share) | — | — | — | — | — | (159,410) | — | (159,410) |
| December 31, 2021 | <u>173,106</u> | <u>\$ 30,148</u> | <u>\$ 115,994</u> | <u>6,639</u> | <u>\$ (526,480)</u> | <u>\$ 2,867,476</u> | <u>\$ (119,196)</u> | <u>\$ 2,367,942</u> |

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. Forty 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 ("U.S. GAAP") for interim financial information and therefore do not include all the information required by U.S. 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, 2021, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on May 12, 2021.

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, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2022, 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, 2021 compared with the significant accounting policies described in its Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

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 the fair value of goodwill and intangible assets acquired from business acquisitions, contingent consideration for a business acquisition and periodic reassessment of its fair value, valuation of investment in privately held companies classified under Level 3 fair value hierarchy, pension obligations, accruals for customer incentives, cooperative marketing, and pricing programs and related breakage when appropriate, 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 those 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, 2021, the COVID-19 pandemic had mixed effects on the Company's results of operations. While the Company experienced increased sales for the nine months ended December 31, 2021, compared to the same period of the prior fiscal year, we also experienced supply and demand volatility, as the COVID-19 pandemic and related safety measures and restrictions have evolved differently across the world. In addition, we experienced industry-wide supply chain challenges. 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 and variants, the vaccination rates, 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 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 adopted this standard effective April 1, 2021. The adoption of ASU 2019-12 did not have a material impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements to Be Adopted

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" (ASU 2021-08). The standard requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers, as if it had originated the contracts. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption is permitted. The Company does not expect the adoption of ASU 2021-08 to have a significant impact on its consolidated financial statements and plans to adopt the standard effective April 1, 2023.

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, 2021 and December 31, 2020 (in thousands, except per share amounts):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|------------------------------------|------------|-----------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income | \$ 210,011 | \$ 382,523 | \$ 536,308 | \$ 721,510 |
| Shares used in net income per share computation: | | | | |
| Weighted average shares outstanding - basic | 167,090 | 169,050 | 167,953 | 168,448 |
| Effect of potentially dilutive equivalent shares | 2,617 | 3,537 | 3,074 | 2,930 |
| Weighted average shares outstanding - diluted | 169,707 | 172,587 | 171,027 | 171,378 |
| Net income per share: | | | | |
| Basic | \$ 1.26 | \$ 2.26 | \$ 3.19 | \$ 4.28 |
| Diluted | \$ 1.24 | \$ 2.22 | \$ 3.14 | \$ 4.21 |

Share equivalents attributable to outstanding stock options, restricted stock units ("RSUs") and employee share purchase plans ("ESPP") totaling 0.8 million and 0.3 million for the three months ended December 31, 2021 and 2020, respectively, and 0.9 million and 0.4 million for the nine months ended December 31, 2021 and 2020, 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, 2021, the Company offers the 2006 Employee Share Purchase Plan (Non-U.S.), as amended and restated, the 1996 Employee Share Purchase Plan (U.S.), as amended and restated, the 2006 Stock Incentive Plan, as amended and restated, and the 2012 Stock Inducement Equity Plan. Shares issued to employees as a result of purchases or exercises under these plans are generally issued from shares held in treasury stock.

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, 2021 and 2020 (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|------------------------------------|-----------|-----------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of goods sold | \$ 1,782 | \$ 1,747 | \$ 5,253 | \$ 4,919 |
| Marketing and selling | 10,699 | 8,390 | 28,987 | 27,559 |
| Research and development | 4,510 | 3,482 | 14,295 | 10,348 |
| General and administrative | 7,801 | 6,195 | 23,930 | 21,888 |
| Total share-based compensation expense | 24,792 | 19,814 | 72,465 | 64,714 |
| Income tax benefit | (3,581) | (3,471) | (23,460) | (15,540) |
| Total share-based compensation expense, net of income tax benefit | \$ 21,211 | \$ 16,343 | \$ 49,005 | \$ 49,174 |

The income tax benefit in the respective periods primarily consisted of tax benefits 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, 2021 and 2020, the balance of capitalized share-based compensation included in inventory was \$1.1 million and \$1.0 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 \$3.4 million and \$2.9 million for the three months ended December 31, 2021 and 2020, respectively, and \$10.0 million and \$8.3 million for the nine months ended December 31, 2021 and 2020, 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 income tax provision for the three months ended December 31, 2021 was \$49.3 million based on an effective income tax rate of 19.0% of pre-tax income, compared to an income tax provision of \$72.3 million based on an effective income tax rate of 15.9% of pre-tax income for the three months ended December 31, 2020. The income tax provision for the nine months ended December 31, 2021 was \$107.8 million based on an effective income tax rate of 16.7% of pre-tax income, compared to an income tax provision of \$142.6 million based on an effective income tax rate of 16.5% of pre-tax income for the nine months ended December 31, 2020.

The change in the effective income tax rate for the three and nine months ended December 31, 2021, compared to the same periods ended December 31, 2020 was primarily due to the mix of income and losses in the

various tax jurisdictions in which the Company operates. There were discrete tax benefits of \$0.8 million and \$1.3 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 three-month period ended December 31, 2021, compared with \$1.3 million and \$1.4 million, respectively, in the three-month period ended December 31, 2020. There were discrete tax benefits of \$15.2 million and \$2.8 million from the recognition of excess tax benefits in the United States and the reversal of uncertain tax positions from the expiration of statutes of limitations, respectively, in the nine-month period ended December 31, 2021, compared with \$7.2 million and \$2.9 million, respectively, in the nine-month period ended December 31, 2020.

As of December 31, 2021 and March 31, 2021, the total amount of unrecognized tax benefits due to uncertain tax positions was \$178.6 million and \$160.3 million, respectively, all of which would affect the effective income tax rate if recognized.

As of December 31, 2021 and March 31, 2021, the Company had \$85.6 million and \$59.2 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, 2021 and March 31, 2021, the Company had \$5.7 million and \$4.9 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 2022, 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 \$5.2 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, 2021 (in thousands):

| | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|--------------------------|-----------------------|
| Accounts receivable, net: | | |
| Accounts receivable | \$ 1,189,206 | \$ 867,868 |
| Allowance for doubtful accounts | (75) | (1,161) |
| Allowance for sales returns | (15,128) | (14,438) |
| Allowance for cooperative marketing arrangements | (66,772) | (43,276) |
| Allowance for customer incentive programs | (125,052) | (76,200) |
| Allowance for pricing programs | (136,343) | (120,568) |
| | <u>\$ 845,836</u> | <u>\$ 612,225</u> |
| Inventories: | | |
| Raw materials | \$ 209,647 | \$ 146,886 |
| Finished goods | 624,887 | 514,230 |
| | <u>\$ 834,534</u> | <u>\$ 661,116</u> |
| Other current assets: | | |
| Value-added tax receivables | \$ 56,944 | \$ 67,710 |
| Prepaid expenses and other assets | 88,057 | 67,940 |
| | <u>\$ 145,001</u> | <u>\$ 135,650</u> |
| Property, plant and equipment, net: | | |
| Property, plant and equipment at cost | \$ 451,783 | \$ 417,520 |
| Accumulated depreciation and amortization | (342,182) | (303,460) |
| | <u>\$ 109,601</u> | <u>\$ 114,060</u> |
| Other assets: | | |
| Deferred tax assets | \$ 196,776 | \$ 210,888 |
| Right-of-use assets | 38,997 | 31,169 |
| Trading investments for deferred compensation plan | 29,711 | 24,809 |
| Investments in privately held companies | 43,482 | 43,402 |
| Other assets | 14,639 | 13,980 |
| | <u>\$ 323,605</u> | <u>\$ 324,248</u> |

The following table presents the components of certain balance sheet liability amounts as of December 31 and March 31, 2021 (in thousands):

| | December 31, 2021 | March 31, 2021 |
|--|----------------------|-------------------|
| Accrued and other current liabilities: | | |
| Accrued customer marketing, pricing and incentive programs | \$ 244,821 | \$ 185,394 |
| Accrued personnel expenses | 167,249 | 173,360 |
| VAT payable | 41,103 | 50,620 |
| Accrued sales return liability | 37,765 | 43,178 |
| Accrued payables - non-inventory | 29,632 | 52,392 |
| Warranty accrual | 34,121 | 33,228 |
| Income taxes payable | 25,889 | 131,408 |
| Operating lease liability | 13,583 | 13,101 |
| Contingent consideration | 8,580 | 6,967 |
| Other current liabilities | 210,941 | 168,969 |
| | <u>\$ 813,684</u> | <u>\$ 858,617</u> |
| Other non-current liabilities: | | |
| Employee benefit plan obligations | \$ 74,643 | \$ 72,321 |
| Obligation for deferred compensation plan | 29,711 | 24,809 |
| Operating lease liability | 27,464 | 21,319 |
| Warranty accrual | 13,814 | 15,604 |
| Contingent consideration | 3,971 | — |
| Deferred tax liability | 1,679 | 1,679 |
| Other non-current liabilities | 4,087 | 3,770 |
| | <u>\$ 155,369</u> | <u>\$ 139,502</u> |

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.

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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, 2021 | | | March 31, 2021 | | |
|---|-------------------|-------------|-------------|------------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Assets: | | | | | | |
| Cash equivalents | \$ 475,187 | \$ — | \$ — | \$ 669,759 | \$ — | \$ — |
| Trading investments for deferred compensation plan included in other assets: | | | | | | |
| Cash | \$ 349 | \$ — | \$ — | \$ 31 | \$ — | \$ — |
| Common stock | 2,240 | — | — | 1,569 | — | — |
| Money market funds | 7,117 | — | — | 6,734 | — | — |
| Mutual funds | 20,005 | — | — | 16,475 | — | — |
| Total of trading investments for deferred compensation plan | \$ 29,711 | \$ — | \$ — | \$ 24,809 | \$ — | \$ — |
| Currency exchange derivative assets included in other current assets | \$ — | \$ 198 | \$ — | \$ — | \$ 5,452 | \$ — |
| Liabilities: | | | | | | |
| Contingent consideration for business acquisition included in accrued and other current liabilities | \$ — | \$ — | \$ 8,042 | \$ — | \$ — | \$ 6,430 |
| Contingent consideration for business acquisition included in other non-current liabilities | \$ — | \$ — | \$ 3,971 | \$ — | \$ — | \$ — |
| Currency exchange derivative liabilities included in accrued and other current liabilities | \$ — | \$ 808 | \$ — | \$ — | \$ 100 | \$ — |

The following table summarizes the change in the fair value of the Company's contingent consideration balance during the nine months ended December 31, 2021 and 2020 (in thousands):

| | Nine Months Ended December 31, | |
|--|--------------------------------|---------------|
| | 2021 | 2020 |
| Beginning of the period | \$ 6,967 | \$ 23,284 |
| Fair value of contingent consideration upon acquisition ⁽¹⁾ | 9,973 | — |
| Change in fair value of contingent consideration | (3,509) | 5,716 |
| Settlement of contingent consideration | (880) | (28,463) |
| End of the period ⁽²⁾ | \$ 12,551 | \$ 537 |

(1) Fair value of contingent consideration includes the earn-out of the immaterial technology acquisition. See Contingent Consideration for Business Acquisitions section below for more information.

(2) As of June 30, 2020, the earn-out period was completed in connection with our acquisition of General Workings, Inc. ("Streamlabs") (discussed below). The earn-out payment of \$29.0 million was based on the actual net sales of Streamlabs services during the earn-out period and was no longer subject to fair value measurement and was accordingly transferred out of Level 3. During the third quarter of fiscal year 2021, \$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 \$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 \$29.7 million and \$24.8 million, as of December 31, 2021 and March 31, 2021, 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, 2021 and 2020 were not material and are included in other income, net in the Company's condensed consolidated statements of operations.

Contingent Consideration for Business Acquisitions

On May 19, 2021, the Company made an immaterial technology acquisition. The contingent consideration for business acquisition arising from the immaterial technology acquisition represents the future potential earn-out payments of up to \$10.0 million payable in cash only upon the achievement of three technical development milestones required to be completed as of December 31, 2021, June 30, 2022, and June 30, 2023. The fair value of the contingent amount was determined using a probability-weighted expected payment model and discounted at the estimated cost of debt. During the third quarter of fiscal 2022, \$0.9 million of the contingent consideration was released from other current liabilities upon cash settlement of the contingent consideration for the first technical development milestone.

On February 17, 2021 (the "Mevo Acquisition Date"), the Company acquired all of the equity interests of Mevo Inc. ("Mevo"). In connection with the acquisition of Mevo, the Company agreed to pay a total earn out payment of up to \$17.0 million payable in cash only upon the achievement of certain net sales for the period beginning on December 26, 2020 and ending on December 31, 2021.

The fair value of the earn-out as of the Mevo Acquisition Date was \$3.4 million which was determined by using a Black-Scholes-Merton valuation model to calculate the probability of the earn-out threshold being met, times the value of the earn-out payment, and discounted at the risk-free rate. The valuation included significant assumptions and unobservable inputs such as the projected sales of Mevo over the earn-out period, risk-free rate, and the net sales volatility. Projected sales were based on the Company's internal projections, including analysis of the target market and historical sales of Mevo products. As of December 31, 2021, the fair value of the contingent consideration was released from other current liabilities as the net sales milestone was not achieved upon completion of the earn-out period. As of March 31, 2021 the fair value of the contingent consideration was \$3.4 million.

On January 4, 2021, the Company made an immaterial technology acquisition. The contingent consideration for business acquisition arising from the immaterial technology acquisition represents the future potential earn-out payments of up to \$3.0 million payable in cash upon the achievement of two technical development milestones required to be completed as of December 31, 2021 and March 31, 2022. The fair value of the contingent amount was determined using a probability-weighted expected payment model and discounted at the estimated cost of debt. The contingent consideration related to the first milestone is expected to be paid in the fourth quarter of fiscal year 2022.

On October 31, 2019, 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 up to \$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 was increased by \$5.7 million to \$29.0 million as of June 30, 2020, based on actual sales. As of June 30, 2020, the earn-out period was completed, and was no longer subject to fair value measurement. During the third quarter of fiscal 2021, \$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.

Although these estimates are based on management's best knowledge of current events, the estimates could change significantly from period to period. Actual results that differ from the assumptions used and any changes to the significant assumptions and unobservable inputs used could have a material impact on future results of operations.

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 \$40.8 million and \$40.7 million as of December 31, 2021 and March 31, 2021, respectively. Unrealized gains (losses) related to equity investments for the three and nine months ended December 31, 2021 and 2020 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, 2021 or 2020.

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, 2021 and March 31, 2021. There was no impairment of these assets during the three and nine months ended December 31, 2021 or 2020.

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. As further discussed in Note 8, during the three and nine months ended December 31, 2021, the Company recorded impairment charges of \$7.0 million for the Jaybird intangible assets. There was no impairment of non-financial assets during the three and nine months ended December 31, 2020.

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, 2021 and March 31, 2021.

The fair value of the Company's derivative instruments was not material as of December 31, 2021 or March 31, 2021. 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, 2021 and 2020 (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 | |
| | 2021 | 2020 | 2021 | 2020 |
| Cash flow hedges | \$ 1,061 | \$ (6,326) | \$ (3,200) | \$ 3,446 |

| | 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 | |
| | 2021 | 2020 | 2021 | 2020 |
| Cash flow hedges | \$ 3,723 | \$ (9,752) | \$ (5,108) | \$ 5,085 |

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 \$128.1 million as of December 31, 2021 and \$164.5 million as of March 31, 2021. The Company had \$2.4 million of net gains related to its cash flow hedges included in accumulated other comprehensive loss as of December 31, 2021, 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, 2021 and March 31, 2021 were \$251.7 million and \$123.8 million, respectively. Open forward and swap contracts outstanding as of December 31, 2021 and March 31, 2021 consisted of contracts in Mexican Pesos, Japanese Yen, Canadian Dollars, Taiwanese Dollars, and Australian Dollars to be settled at future dates at pre-determined exchange rates. Open forward and swap contracts outstanding as of December 31, 2021 additionally consisted of contracts in Chinese Renminbi and Brazilian Real to be settled at future dates at pre-determined exchange rates, which were primarily attributable to the increase in the notional amounts outstanding as of December 31, 2021 compared to March 31, 2021.

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 and indefinite life intangible assets 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 and indefinite life intangible asset as of December 31, 2021 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, 2021 (in thousands):

| | | |
|---|----|----------------|
| As of March 31, 2021 | \$ | 429,604 |
| Acquisition | | 20,721 |
| Effects of foreign currency translation | | (1,594) |
| As of December 31, 2021 | \$ | <u>448,731</u> |

During the third quarter of fiscal 2022, the Company decided to discontinue Jaybird-branded products. As a result of this decision, the Company performed an analysis to compare the fair value of Jaybird-related intangible assets to their carrying amount. As the fair value using estimated discounted cash flows was less than the carrying amount, the Company recognized a pre-tax impairment charge in the condensed consolidated statement of operations of \$7.0 million, which was primarily related to customer contracts and relationships. See Note 13 for further information regarding the exit plan.

On May 19, 2021, the Company made an immaterial technology acquisition for a total cash consideration of \$25.6 million, including up to \$10.0 million earn-out payable in cash upon the achievement of three technical development milestones required to be completed as of December 31, 2021, June 30, 2022, and June 30, 2023, which was accounted for using the acquisition method. The Company retained 6% of the total consideration for the purpose of ensuring seller's representations and warranties.

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

| | December 31, 2021 | | | March 31, 2021 | | |
|---|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Trademark and trade names | \$ 36,790 | \$ (21,112) | \$ 15,678 | \$ 46,070 | \$ (25,153) | \$ 20,917 |
| Developed technology | 119,707 | (80,545) | 39,162 | 134,406 | (90,450) | 43,956 |
| Customer contracts/relationships | 71,110 | (39,172) | 31,938 | 91,010 | (44,261) | 46,749 |
| In-process R&D | 3,526 | — | 3,526 | 3,526 | — | 3,526 |
| Effects of foreign currency translation | (475) | 49 | (426) | — | — | — |
| Total | \$ 230,658 | \$ (140,780) | \$ 89,878 | \$ 275,012 | \$ (159,864) | \$ 115,148 |

Note 9 — Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating \$194.4 million as of December 31, 2021. There are no financial covenants under these lines of credit with which the Company must comply. As of December 31, 2021, the Company had outstanding bank guarantees of \$11.8 million under these lines of credit. There was no borrowing outstanding under these lines of credit as of December 31, 2021 or March 31, 2021.

Note 10 — Commitments and Contingencies

Product Warranties

Changes in the Company's warranty liability for the three and nine months ended December 31, 2021 and 2020 were as follows (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---------------------------------|------------------|--------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Beginning of the period | \$ 49,173 | \$ 41,782 | \$ 48,832 | \$ 40,039 |
| Provision | 6,962 | 13,692 | 23,503 | 28,575 |
| Settlements | (8,056) | (8,371) | (24,219) | (22,073) |
| Effects of foreign currency translation | (144) | 489 | (181) | 1,051 |
| End of the period | \$ 47,935 | \$ 47,592 | \$ 47,935 | \$ 47,592 |

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, 2021, 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 which 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 position, 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 position, 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 repurchase 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 repurchase program expired in April 2020.

In May 2020, the Company's Board of Directors approved the 2020 share repurchase 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 repurchase 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. In April 2021, the Company's Board of Directors approved an increase of \$750.0 million of the 2020 share repurchase program, to an aggregate amount of \$1.0 billion. The Swiss Takeover Board approved this increase and it became effective on May 21, 2021. As of December 31, 2021, \$545.0 million is still available for repurchase under the 2020 repurchase program.

Dividends

During the nine months ended December 31, 2021, the Company declared and paid cash dividends of CHF 0.87 (USD equivalent of \$0.95) per share, totaling \$159.4 million on the Company's outstanding shares. During the 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.

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

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 Gains / (Losses) | Total |
| March 31, 2021 | \$ (89,461) | \$ (23,200) | \$ 3,746 | \$ (108,915) |
| Other comprehensive gains (losses) | (8,682) | (214) | (1,385) | (10,281) |
| December 31, 2021 | \$ (98,143) | \$ (23,414) | \$ 2,361 | \$ (119,196) |

Note 12 — Segment Information

The Company 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, 2021 and 2020 were as follows (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|----------------------------|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Pointing Devices | \$ 231,090 | \$ 213,638 | \$ 602,982 | \$ 503,228 |
| Keyboards & Combos | 281,608 | 218,269 | 736,237 | 565,246 |
| PC Webcams | 115,115 | 131,700 | 319,504 | 295,020 |
| Tablet & Other Accessories | 82,859 | 138,052 | 242,932 | 267,186 |
| Gaming ⁽¹⁾ | 469,282 | 436,426 | 1,135,456 | 916,040 |
| Video Collaboration | 287,187 | 292,500 | 753,725 | 659,278 |
| Mobile Speakers | 56,748 | 72,566 | 124,724 | 145,156 |
| Audio & Wearables | 104,280 | 152,952 | 318,965 | 338,592 |
| Smart Home | 4,559 | 10,593 | 16,380 | 25,976 |
| Other ⁽²⁾ | 54 | 606 | 202 | 632 |
| Total Sales | \$ 1,632,782 | \$ 1,667,302 | \$ 4,251,107 | \$ 3,716,354 |

(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, 2021 and 2020 were as follows (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--------------------|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Americas | \$ 674,393 | \$ 704,718 | \$ 1,828,474 | \$ 1,603,221 |
| EMEA | 552,133 | 547,044 | 1,309,542 | 1,147,393 |
| Asia Pacific | 406,256 | 415,540 | 1,113,091 | 965,740 |
| Total sales | \$ 1,632,782 | \$ 1,667,302 | \$ 4,251,107 | \$ 3,716,354 |

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. China represented more than 10% of the total consolidated sales for the three and nine months ended December 31, 2021. 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 each of the periods presented herein.

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, 2021 | March 31, 2021 |
|---|--------------------------|-----------------------|
| Americas | \$ 18,071 | \$ 20,810 |
| EMEA | 15,245 | 8,019 |
| Asia Pacific | 76,285 | 85,231 |
| Total property, plant and equipment, net | \$ 109,601 | \$ 114,060 |

Property, plant and equipment, net in the United States and China were \$17.8 million, \$64.1 million, respectively, as of December 31, 2021, and \$20.5 million and \$74.0 million, respectively, as of March 31, 2021. Property, plant and equipment, net in Switzerland, the Company's home domicile, were \$12.7 million and \$5.7 million as of December 31, 2021 and March 31, 2021, respectively. Switzerland represented more than 10% of the Company's total consolidated property, plant and equipment, net as of December 31, 2021. No other countries represented 10% or more of the Company's total consolidated property, plant and equipment, net as of December 31, 2021 or March 31, 2021.

Note 13 — Restructuring

During the third quarter of fiscal 2022, as part of the Company's strategic review, the Company decided to cease future product launches under the Jaybird brand within the Audio & Wearables product category. As a result, the Company recorded pre-tax restructuring charges of \$1.8 million for the three and nine months ended December 31, 2021, which are included in the condensed consolidated statement of operations as restructuring charges (credits), net. The accrual balances are presented in accrued and other current liabilities in the condensed consolidated balance sheets.

Total charges related to the exit of Jaybird-branded products were \$16.3 million, which included restructuring charges and other costs, for the three and nine months ended December 31, 2021. The restructuring charges consisted of \$1.3 million, primarily related to costs of production cancellation and \$0.5 million related to cash severance and termination benefits. The Company also recorded \$7.6 million in cost of goods sold related to write-offs for excess inventories. In addition, as discussed in Note 8, the Company recognized a pre-tax impairment charge of \$7.0 million, related to intangible assets acquired as part of the Jaybird acquisition. The Company expects to substantially complete this restructuring within the next twelve months.

The following table presents a rollforward of the restructuring liability for the nine months ended December 31, 2021 (in thousands):

| | Termination Benefits | | Other | | Total |
|--------------------------------------|---------------------------------|----|--------------|----|--------------|
| Accrual balance at March 31, 2021 | \$ — | \$ | — | \$ | — |
| Charges | 472 | | 1,287 | | 1,759 |
| Cash payments | — | | — | | — |
| Accrual balance at December 31, 2021 | \$ 472 | \$ | 1,287 | \$ | 1,759 |

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 duration and overall impact of COVID-19 on our business and results of operations, including as a result of global supply chain challenges, 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. Forty 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 people to pursue their passions and connect to the world. Logitech's products align with several large secular trends including work and learn from anywhere, video everywhere, the increasing popularity of gaming as a spectator and participant sport, and the democratization of content creation. Logitech's brands include Logitech,

Logitech G, ASTRO Gaming, Streamlabs, Blue Microphones, and Ultimate Ears. 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, e-tailers and enterprise customers, 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. We primarily sell our services directly to end customers.

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 curtailed global economic activity, caused volatility and disruption in global financial and commercial markets, and is likely to continue to cause uncertainty for an indeterminate amount of time. While most of our offices have at least partially reopened or will be reopening in the near future, we are conducting our business with substantial modifications, such as employee remote work in many non-manufacturing facilities and travel limitations, among other changes. We are continuing to actively monitor the situation and may take further actions that 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.

In fiscal year 2021, we experienced disruptions to our supply chain and logistics, inventory constraints, and increased logistics costs, as we attempted to address the effects of COVID-19. At the same time, due to the shelter-at-home requirements or other restrictions in many countries, there was an acceleration of work-from-anywhere, learn-from-anywhere, gaming, video collaboration and streaming trends and high demand and consumption of certain of our products that led to increased sales and operating income. While we continued to experience increased sales in the first nine months of fiscal year 2022 compared to the first nine months of fiscal year 2021, we also experienced supply and demand volatility, as the COVID-19 pandemic and related safety measures and restrictions have evolved differently across the world. Further, the demand volatility has led to, and could continue to lead to in the future, higher promotions and marketing expenses, or excess inventories, or both, which could have an adverse impact on our results of operations.

In addition, the continued COVID-19 pandemic has resulted in industry-wide global supply chain challenges, including manufacturing, transportation and logistics. We purchase certain products and key components from a limited number of sources, and depend on the supply chain, including freight, to receive components, transport finished goods and deliver our products across the world. While we proactively manage our supply chain, we expect to continue to be impacted by higher logistics and component costs, prolonged delays, and challenges with component availability. We believe that our long-term supplier relationships, as well as our hybrid model that includes in-house manufacturing in Suzhou, China, will help to mitigate the effects of these supply chain challenges.

It is difficult to predict the progression, the duration and all of the effects of COVID-19, how business restrictions and shelter-at-home guidelines may evolve on a global basis, how consumer demand, supply chain challenges, including inventory and logistical effects and costs, may change over time, and the impact on our future sales and results of operations. 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 1A "*Risk Factors*," including under the caption "*The full effect of the COVID-19 pandemic is still uncertain and cannot be predicted, and could adversely affect our business, results of operations and financial condition.*" "*If we do not successfully coordinate the worldwide manufacturing and distribution of our products, we could lose sales*" and "*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.*"

Summary of Financial Results

Our total sales for the three and nine months ended December 31, 2021 decreased 2% and increased 14%, respectively, compared to the three and nine months ended December 31, 2020. Our condensed consolidated statements of operations for the three and nine months ended December 31, 2021 include the results of operations for our first quarter acquisition from its date of acquisition.

Sales for the three months ended December 31, 2021 increased 1% in the EMEA region, and decreased 4% and 2% in the Americas and Asia Pacific regions, respectively, compared to the same period of the prior fiscal year. Sales for the nine months ended December 31, 2021 increased 14%, 14%, and 15% in the Americas, EMEA and Asia Pacific, respectively, compared to the same period of the prior fiscal year.

Gross margin for the three months ended December 31, 2021 decreased by 460 basis points to 40.3% from 44.9% for the three months ended December 31, 2020. Gross margin for the nine months ended December 31, 2021 decreased by 210 basis points to 41.6% from 43.7% for the nine months ended December 31, 2020.

Operating expenses for the three months ended December 31, 2021 were \$395.3 million, or 24.2% of sales, compared to \$300.9 million, or 18.0% of sales, in the same period of the prior fiscal year. Operating expenses for the nine months ended December 31, 2021 were \$1,123.9 million, or 26.4% of sales, compared to \$771.4 million, or 20.8% of sales, in the same period of the prior fiscal year.

Net income for the three and nine months ended December 31, 2021 was \$210.0 million and \$536.3 million, respectively, compared to \$382.5 million and \$721.5 million for the three and nine months ended December 31, 2020, 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. 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 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 and learning, thus providing growth opportunities. Hybrid work culture will also greatly expand the number of new workspaces to which we can attach our PC peripherals. 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 continuing 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 with trackpad for the iPad.

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 becomes more social, particularly as other recreational activities have been curtailed or restricted during the COVID-19 pandemic. We expect gaming will increasingly become one of the largest participant and spectator sports in the world. We believe Logitech is well positioned to benefit from the overall gaming market growth. In addition, our acquisition of Streamlabs provides a solid platform to deliver recurring services and subscriptions to gamers and streamers.

Video Collaboration: The near and long-term structural growth opportunities in the video collaboration market ("VC") have never been more prevalent than in today's environment, as commercial and consumer adoption of video has seen substantial growth since the start of the COVID-19 pandemic. Video meetings continue to be an opportunity as companies 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 will continue to invest in the development of select business-specific products (both hardware and software), targeted product marketing and sales channel development. The digitization of learning and hybrid learning environments have also created demand and growth opportunities in the education market.

Music: Consumers are optimizing their audio experiences on their tablets and smartphones with a variety of music peripherals including wireless mobile speakers and in-ear and other headphones. However, the mobile speaker market has matured and the integration of personal voice assistants has increased competition in the speaker category. In addition, the retail footprint has decreased significantly due to the COVID-19 pandemic. These factors have led to a decline in our Mobile Speakers category sales in the past three years. In the wireless headphone industry, the largest growth in recent years has been in true wireless headphones while traditional wireless headphones have declined significantly. We will continue developing wireless audio products as growth in the wireless headphone market is expected for the next several years.

Smart Home: Sales of our Harmony universal remote and Circle security family of products declined substantially in the three and nine months ended December 31, 2021. In general, our sales of Harmony and Circle 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 and Product Introductions

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. 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 our 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, 2021, the canton of Vaud in Switzerland enacted the Tax Reform and AHV Financing ("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 U.S. GAAP requires us to make assumptions, judgments, and estimates, that affect reported amounts of assets, liabilities, sales and expenses, and the disclosure 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 and related breakage when appropriate, accrued sales return liability, inventory valuation, uncertain tax positions, and business acquisitions 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, 2021 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, 2021.

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 net sales growth rates excluding the impact of currency exchange rate fluctuations as "constant currency" sales growth rates. Percentage of constant currency 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 significant shifts in currency exchange rates. See "Results of Operations" for information on the effect of currency exchange 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

The term "sales" means net sales, except as otherwise specified and the sales growth discussion and sales growth rate percentages are in 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, 2021, approximately 53% of our sales were denominated in currencies other than the U.S. Dollar.

Results of Operations

Net Sales

Our sales in the three months ended December 31, 2021, decreased 2% and increased 14% for the nine months ended December 31, 2021, compared to the same periods of the prior fiscal year. The decrease in sales for the three month period was primarily driven by a decline in sales for Tablet and Other Accessories, Audio & Wearables, Mobile Speakers and PC Webcams, partially offset by an increase in sales for Keyboards & Combos, Gaming and Pointing Devices. For the nine months ended December 31, 2021, strong sales growth in Gaming, Keyboards & Combos, and Pointing Devices was partially offset by a decline in sales of Mobile Speakers and Tablet and Other Accessories. Our sales in both the three and nine month periods were negatively impacted by higher promotions and industry-wide supply chain challenges, including supply availability and logistics delays, as compared to the same periods in the prior fiscal year. If currency exchange rates had been constant in the three and nine months ended December 31, 2021 and 2020, our constant dollar sales growth rate would have been a decrease of 2% for the three months ended and an increase of 13% for the nine months ended December 31, 2021.

Sales by Region

The following table presents the change in sales by region for the three and nine months ended December 31, 2021, compared with the three and nine months ended December 31, 2020:

| | Sales Growth Rate | | Constant Dollar Sales Growth Rate | |
|--------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Three Months Ended December 31, 2021 | Nine Months Ended December 31, 2021 | Three Months Ended December 31, 2021 | Nine Months Ended December 31, 2021 |
| Americas | (4) % | 14 % | (5) % | 13 % |
| EMEA | 1 % | 14 % | 3 % | 12 % |
| Asia Pacific | (2) % | 15 % | (2) % | 13 % |

Americas:

The decrease in sales in the Americas region for the three-month period presented above was primarily driven by a decrease in sales of Tablet and Other Accessories, Audio & Wearables, Mobile Speakers and PC Webcams, partially offset by an increase in sales of Keyboards & Combos and Video Collaboration. The increase in sales for the nine-month period was primarily driven by growth in sales of Video Collaboration, Keyboards & Combos and Gaming, partially offset by a decline in sales of Mobile Speakers.

EMEA:

The increase in sales in our EMEA region for the three-month period was primarily driven by growth in sales of Keyboards & Combos, Tablets and Other Accessories, Gaming and Pointing Devices, partially offset by a decline in sales of the other product categories. The increase in sales for the nine-months ended period was primarily driven by growth in sales of Tablets and Other Accessories, Keyboards & Combos, Gaming, Pointing Devices, and PC Webcams, partially offset by a decline in sales of the other product categories.

Asia Pacific:

The decrease in sales in our Asia Pacific region for the three-month period presented above was primarily driven by a decrease in sales of Tablet and Other Accessories, Mobile Speakers, and Audio & Wearables, partially offset by an increase in sales of the other product categories. The increase in sales for the nine-month period was primarily driven by growth in sales across a majority of our product categories, partially offset by a decline in sales of Tablet & Other Accessories.

Sales by Product Categories

Sales by product categories for the three and nine months ended December 31, 2021 and 2020 were as follows (Dollars in thousands):

| | Three Months Ended December 31, | | | Nine Months Ended December 31, | | |
|----------------------------|------------------------------------|---------------------|--------------|-----------------------------------|---------------------|-------------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Pointing Devices | \$ 231,090 | \$ 213,638 | 8 % | \$ 602,982 | \$ 503,228 | 20 % |
| Keyboards & Combos | 281,608 | 218,269 | 29 | 736,237 | 565,246 | 30 |
| PC Webcams | 115,115 | 131,700 | (13) | 319,504 | 295,020 | 8 |
| Tablet & Other Accessories | 82,859 | 138,052 | (40) | 242,932 | 267,186 | (9) |
| Gaming ⁽¹⁾ | 469,282 | 436,426 | 8 | 1,135,456 | 916,040 | 24 |
| Video Collaboration | 287,187 | 292,500 | (2) | 753,725 | 659,278 | 14 |
| Mobile Speakers | 56,748 | 72,566 | (22) | 124,724 | 145,156 | (14) |
| Audio & Wearables | 104,280 | 152,952 | (32) | 318,965 | 338,592 | (6) |
| Smart Home | 4,559 | 10,593 | (57) | 16,380 | 25,976 | (37) |
| Other ⁽²⁾ | 54 | 606 | (91) | 202 | 632 | (68) |
| Total Sales | \$ 1,632,782 | \$ 1,667,302 | (2) % | \$ 4,251,107 | \$ 3,716,354 | 14 % |

(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 presentation tools.

Sales of Pointing Devices increased 8% and 20% in the three and nine months ended December 31, 2021, respectively, compared to the same periods of the prior fiscal year. The increases in both periods were primarily driven by the increase in sales for cordless and corded mice, and presentation tools. Trackball mice also contributed to the increase in sales for the nine-month period.

Keyboards & Combos

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

Sales of Keyboards & Combos increased 29% and 30% in the three and nine months ended December 31, 2021, respectively, compared to the same periods of the prior fiscal year. The increases for both periods were primarily driven by an increase in sales of our keyboard/mice combos as well as our cordless and corded PC keyboards.

PC Webcams

Our PC Webcams category comprises PC-based webcams targeted primarily at consumers, including streaming cameras.

Sales of PC Webcams decreased 13% for the three months ended and increased 8% for the nine months ended December 31, 2021, compared to the same periods of the prior fiscal year. The decrease in sales for the three-month period was primarily driven by a decline in sales of our Streamcam, HD Webcam C505, HD Pro Webcam C920, and 1080 PRO Stream Webcam, partially offset by an increase in sales of our BRIO 4K Stream Edition, and HD Webcam C615.

The increase for the nine-month period was driven by sales of our HD Webcam 505, BRIO 4K Stream Edition, and 1080P PRO Stream Webcam, partially offset by a decrease in sales of our Streamcam and HD Webcam C615.

Tablet & Other Accessories

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

Sales of Tablet & Other Accessories products decreased 40% and 9% for the three and nine months ended December 31, 2021, compared to the same periods of the prior fiscal year. The decrease for both periods were primarily driven by decrease in sales of our Rugged Folio and Slim Folio Products, partially offset by an increase in sales of our Combo Touch for iPad Pro 12.9-inch, introduced in the second quarter of fiscal year 2022, Combo Touch for iPad Pro 11-inch and Combo Touch for iPad Air, introduced in the first quarter of fiscal year 2022 and POWERED (a wireless 3-in-1 charging dock for Apple products).

Gaming market:

Gaming

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

Sales of Gaming increased 8% and 24% for the three and nine months ended December 31, 2021, respectively, compared to the same periods of the prior fiscal year. The increase for both periods was primarily driven by strong performance in nearly all of our Gaming sub-categories, including our gaming mice, PC gaming headsets, gaming steering wheels, gaming keyboards, and Streamlabs services, partially offset by a decline in the sales of our console gaming controllers, and console gaming headsets.

Video Collaboration market:

Video Collaboration

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

Sales of Video Collaboration products decreased 2% for three months ended and increased 14% for the nine months ended December 31, 2021, compared to the same periods of the prior fiscal year. The decrease for the three-month period was primarily due to a decrease in sales of our Webcam C930e, Webcam 925E, BRIO 4k Pro Webcam and Rally Bar conference camera, partially offset by an increase in sales of our MeetUp conference camera. The increase in sales for the nine-month period was primarily driven by an increase in sales of our MeetUp conference camera, Webcam 925E and our Rally Bar conference camera, partially offset by a decline in sales of our Webcam C930e, Brio 4K Pro Webcam and GROUP video conferencing solution for mid to large-sized meeting rooms.

Music market:

Mobile Speakers

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

Sales of Mobile Speakers decreased 22% and 14% for the three and nine months ended December 31, 2021, respectively, compared to the same periods of the prior fiscal year. The decrease for both periods was primarily due to a decrease in sales of UE WONDERBOOM, UE Megaboom, BOOM 2 and WONDERBOOM 2 mobile speakers partially offset by an increase in sales of our BOOM 3 mobile speakers. The decrease in sales for the nine-month period was further offset by an increase in sales of our Blast mobile speakers.

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.

Sales of Audio & Wearables decreased 32% and 6% for the three and nine months ended December 31, 2021, compared to the same periods of the prior fiscal year. The decrease for both periods was primarily due to a decrease in sales of our Blue Microphone products, cordless headsets and Jaybird products, partially offset by an increase in sales of our Ultimate Ears custom headsets. The decrease in sales for the nine-month period was further offset by an increase in sales of our corded headsets.

In the third quarter of fiscal 2022, we made a decision to cease future product launches under the Jaybird brand, but plan to continue developing wireless audio products such as Ultimate Ears.

Smart Home market:

Smart Home

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

Sales of Smart Home decreased 57% and 37% for the three and nine months ended December 31, 2021, respectively, compared to the same periods of the prior fiscal year. The decreases for both periods were primarily due to a decline in sales of most of our Harmony remotes and our home video products, partially offset by increases in sales of our Circle View Doorbell, introduced in the third quarter of fiscal year 2021.

Gross Profit

Gross profit for the three and nine months ended December 31, 2021 and 2020 was as follows (Dollars in thousands):

| | Three Months Ended December 31, | | | Nine Months Ended December 31, | | |
|--------------|------------------------------------|--------------|--------|-----------------------------------|--------------|--------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Net sales | \$ 1,632,782 | \$ 1,667,302 | (2) % | \$ 4,251,107 | \$ 3,716,354 | 14 % |
| Gross profit | \$ 658,010 | \$ 749,010 | (12) % | \$ 1,769,099 | \$ 1,624,466 | 9 % |
| Gross margin | 40.3 % | 44.9 % | | 41.6 % | 43.7 % | |

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 costs, shipping and handling costs, outside processing costs and write-down of inventories), and amortization of intangible assets.

Gross margin decreased by 460 and 210 basis points for the three and nine months ended December 31, 2021, respectively, compared to the same periods of the prior fiscal year. Our gross margin for both periods declined due to increased promotional spending, increased logistics costs, higher reserves for excess inventories including Jaybird exit costs, partially offset by favorable currency exchange rates and favorable product mix.

Operating Expenses

Operating expenses for the three and nine months ended December 31, 2021 and 2020 were as follows (Dollars in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Marketing and selling | \$ 269,941 | \$ 204,485 | \$ 778,882 | \$ 496,520 |
| % of sales | 16.5 % | 12.3 % | 18.3 % | 13.4 % |
| Research and development | 75,529 | 53,910 | 213,436 | 157,014 |
| % of sales | 4.6 % | 3.2 % | 5.0 % | 4.2 % |
| General and administrative | 38,478 | 37,606 | 112,291 | 98,341 |
| % of sales | 2.4 % | 2.3 % | 2.6 % | 2.6 % |
| Amortization of intangible assets and acquisition-related costs | 3,662 | 4,946 | 13,986 | 13,886 |
| % of sales | 0.2 % | 0.3 % | 0.3 % | 0.4 % |
| Impairment of intangible assets | 7,000 | — | 7,000 | — |
| % of sales | 0.4 % | — % | 0.2 % | — % |
| Change in fair value of contingent consideration for business acquisition | (1,110) | — | (3,509) | 5,716 |
| % of sales | (0.1)% | — % | (0.1)% | 0.2 % |
| Restructuring charges (credits), net | 1,759 | — | 1,770 | (54) |
| % of sales | 0.1 % | — % | — % | — % |
| Total operating expenses | \$ 395,259 | \$ 300,947 | \$ 1,123,856 | \$ 771,423 |
| % of sales | 24.2 % | 18.0 % | 26.4 % | 20.8 % |

The increase in total operating expenses during the three and nine months ended December 31, 2021, compared to the same periods of the prior fiscal year, were mainly due to increases in marketing and selling expenses, research and development expenses, and impairment of intangible assets and restructuring charges related to the Jaybird exit. The increase in the nine month period was also attributable to increased general and administrative expenses, partially offset by the change in fair value of contingent consideration for business acquisition.

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, 2021, marketing and selling expenses increased \$65.5 million and \$282.4 million, respectively, compared to the same periods of the prior fiscal year. The increases for both periods were primarily driven by higher advertising and marketing expenses, including third-party costs and increased headcount, to support our investment in brand awareness and consideration.

Research and Development

Research and development expenses consist of personnel and related overhead costs for 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, 2021, research and development expenses increased \$21.6 million and \$56.4 million, respectively, compared to the same periods of the prior fiscal year. The increases for both periods were primarily driven by higher personnel-related costs due to increased headcount and higher third-party costs to support innovations in both hardware and software.

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, 2021, general and administrative expenses increased \$0.9 million and \$14.0 million, respectively, compared to the same periods of the prior fiscal year. The increase for both periods were primarily driven by higher personnel-related costs due to investment in additional headcount in Information Technology ("IT") and other functions to support business growth.

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, 2021, amortization of intangible assets and acquisition-related costs decreased \$1.3 million, and increased \$0.1 million for the nine months ended December 31, 2021, compared to the same periods of the prior fiscal year. The decrease for the three-month period was primarily due to the write-off of Jaybird intangible assets, partially offset by intangible assets acquired through acquisitions completed in the fourth quarter of fiscal year 2021. The increase for the nine-month period was primarily due to the intangibles acquired through acquisitions.

Impairment of Intangible Assets

During the three and nine months ended December 31, 2021, we recognized a pre-tax impairment charge of \$7.0 million, related to the intangibles acquired as part of the Jaybird acquisition due to our decision to cease future product launches under the Jaybird brand.

Restructuring Charges (Credits), Net

During the three and nine months ended December 31, 2021, we recorded restructuring charges of \$1.8 million, related to our decision to exit Jaybird-branded products. The total charges consisted of \$1.3 million, primarily related to costs of production cancellation and \$0.5 million related to cash severance and termination benefits. We expect to complete the restructuring within the next twelve months.

Other Income, Net

Other income, net for the three and nine months ended December 31, 2021 and 2020 was as follows (Dollars in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|------------------------------------|-----------------|-----------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Investment income (loss) related to a deferred compensation plan | \$ 890 | \$ 1,049 | \$ 1,985 | \$ 4,384 |
| Currency exchange gain (loss), net | (4,562) | 7,344 | (3,824) | 9,070 |
| Gain (loss) on investments | (460) | (2,173) | (1,421) | (4,692) |
| Other | 459 | 263 | 1,319 | 899 |
| Total | \$ (3,673) | \$ 6,483 | \$ (1,941) | \$ 9,661 |

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

Currency exchange gain (loss), 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. The loss for the three months ended December 31, 2021 was primarily due to the weakening of the Brazilian Real against the U.S. Dollar. The loss for the nine months ended December 31, 2021 was primarily related to the strengthening of the Chinese Renminbi against the U.S. Dollar.

Gain (loss) on investments represents the unrealized gain (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 income tax rates for the three and nine months ended December 31, 2021 and 2020 were as follows (Dollars in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|----------------------------|------------------------------------|-----------|-----------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Provision for income taxes | \$ 49,345 | \$ 72,334 | \$ 107,789 | \$ 142,638 |
| Effective income tax rate | 19.0 % | 15.9 % | 16.7 % | 16.5 % |

The change in the effective income tax rate for the three and nine months ended December 31, 2021, compared to the same periods ended December 31, 2020 was primarily due to the mix of income and losses in the various tax jurisdictions in which we operate. There were discrete tax benefits of \$0.8 million and \$1.3 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 three-month period ended December 31, 2021, compared with \$1.3 million and \$1.4 million, respectively, in the three-month period ended December 31, 2020. There were discrete tax benefits of \$15.2 million and \$2.8 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, 2021, compared with \$7.2 million and \$2.9 million, respectively, in the nine-month period ended December 31, 2020.

As of December 31, 2021 and March 31, 2021, the total amount of unrecognized tax benefits due to uncertain tax positions was \$178.6 million and \$160.3 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, 2021, we had cash and cash equivalents of \$1,364.4 million, compared to \$1,750.3 million as of March 31, 2021. As of December 31, 2021, 73% of the cash and cash equivalents were held in Switzerland, and 15% 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 decrease in cash and cash equivalents for the nine months ended December 31, 2021 compared to the same period in the prior year, primarily resulted from a decrease in net cash provided by operating activities, despite positive net income, and an increase in net cash used in financing activities. The decrease in net cash provided by operating activities was mainly due to a decline in accounts payable due to the timing of purchases and related payments and the timing of an annual income tax payment for fiscal year 2021, partially offset by timing of sales within the quarter. The increase in net cash used in financing activities was driven by higher shares repurchased under our share repurchase program compared to the same period of the prior fiscal year.

As of December 31, 2021, our working capital was \$1,637.1 million, compared to \$1,477.5 million as of March 31, 2021. The increase was primarily driven by higher accounts receivable, net, higher inventories and lower accounts payable, partially offset by lower cash and cash equivalents. Our working capital increased by \$275.2 million compared to \$1,361.9 million as of December 31, 2020, which was primarily driven by higher inventories and higher other current assets, partially offset by higher accrued and other current liabilities and lower accounts receivable, net.

We had several uncommitted, unsecured bank lines of credit aggregating \$194.4 million as of December 31, 2021. There are no financial covenants under these lines of credit with which we must comply. As of December 31, 2021, we had outstanding bank guarantees of \$11.8 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, | |
|--|-----------------------------------|-------------------|
| | 2021 | 2020 |
| Net cash provided by operating activities | \$ 198,728 | \$ 928,419 |
| Net cash used in investing activities | (89,006) | (46,454) |
| Net cash used in financing activities | (492,799) | (219,196) |
| Effect of exchange rate changes on cash and cash equivalents | (2,839) | 10,408 |
| Net increase / (decrease) in cash and cash equivalents | <u>\$ (385,916)</u> | <u>\$ 673,177</u> |

The following tables present selected financial information and statistics as of and for the three months ended December 31, 2021 and 2020 (Dollars in thousands):

| | As of December 31, | |
|--------------------------|--------------------|------------|
| | 2021 | 2020 |
| Accounts receivable, net | \$ 845,836 | \$ 894,937 |
| Accounts payable | \$ 738,992 | \$ 811,786 |
| Inventories | \$ 834,534 | \$ 476,802 |

| | Three Months Ended December 31, | |
|---|------------------------------------|------|
| | 2021 | 2020 |
| Days sales in accounts receivable ("DSO") (Days) ⁽¹⁾ | 47 | 48 |
| Days accounts payable outstanding ("DPO") (Days) ⁽²⁾ | 68 | 80 |
| Inventory turnover ("ITO") (x) ⁽³⁾ | 4.7 | 7.7 |

(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, 2021 decreased by 1 days to 47 days, compared to 48 days for the same period of the prior fiscal year, primarily due to timing of sales within the quarter and a continued focus on collections efficiency.

DPO for the three months ended December 31, 2021 decreased by 12 days, compared to 80 days for the same period of the prior fiscal year, primarily due to the timing of purchases and related payments.

ITO for the three months ended December 31, 2021 decreased by 3, compared to 7.7 for the same period of the prior fiscal year, primarily due to lower demand than prior year and industry wide logistic delays.

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, 2021, net cash provided by operating activities was \$198.7 million. The increase in accounts receivable, net was primarily driven by timing of sales. The increase in inventories was primarily driven by higher inventory levels compared to the previously constrained supply from COVID-19

impacts and industry wide logistic delays. The decrease in accounts payable was primarily driven by the timing of purchases and related payments. The decrease in accrued liabilities was primarily driven by payment of the fiscal year 2021 annual bonus and an annual payment for fiscal year 2021 income taxes.

Net cash used in investing activities was \$89.0 million, primarily due to \$63.7 million of purchases of property, plant and equipment, \$15.9 million of the purchase price (net of cash acquired) for a business acquisition, and \$10.0 million of purchase of short-term investments.

Net cash used in financing activities was \$492.8 million, primarily due to \$290.6 million used for repurchases of our registered shares, \$159.4 million payment of the annual cash dividend, and \$58.5 million for tax withholdings related to net share settlements of restricted stock units, partially offset by \$16.6 million in proceeds received from exercises of stock options and purchase rights.

During the nine months ended December 31, 2021, there was a \$2.8 million loss from currency exchange rate effect on cash and cash equivalents, compared to a gain of \$10.4 million during the same period of the prior fiscal year. The loss from the effect of currency rate changes during the nine months ended December 31, 2021 was primarily due to the strengthening of the Chinese Renminbi against the U.S. Dollar by 3%. The gain from the effect of currency rate changes during the nine months ended December 31, 2020 was primarily due to the strengthening of the Australian Dollar, Chinese Renminbi, and Swiss Franc against the U.S. Dollar by 24%, 11%, and 8%, respectively, during the period.

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 2022, we paid a cash dividend of CHF 147.0 million (U.S. Dollar amount of \$159.4 million) out of fiscal year 2021 retained earnings. In fiscal year 2021, we paid a cash dividend of CHF 134.0 million (U.S. Dollar amount of \$146.7 million) out of fiscal year 2020 retained earnings.

In May 2020, our Board of Directors approved a new share repurchase program, which authorized us to invest up to \$250.0 million to purchase our own shares, following the expiration date of the 2017 share repurchase program. In April 2021, our Board of Directors approved an increase of \$750.0 million of the 2020 share repurchase program, to an aggregate amount of \$1.0 billion. The Swiss Takeover Board approved this increase and it became effective on May 21, 2021. As of December 31, 2021, \$545.0 million is still available for repurchase under the 2020 repurchase program.

Although we enter into trading plans for systematic repurchases (e.g., 10b5-1 trading plans) from time to time, our share repurchase 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.

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 Obligations

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. During the nine months ended December 31, 2021, our operating lease obligations increased \$6.6 million, which primarily was related to renewals of existing office spaces. There have been no other material changes to our contractual obligations as previously disclosed in our Annual Report on Form 10-K for the year ended March 31, 2021. The remaining terms of our non-cancelable operating leases expire in various years through 2031.

Purchase Commitments

As of December 31, 2021, we had non-cancelable purchase commitments of \$822.1 million for inventory purchases made in the normal course of business from original design manufacturers, contract manufacturers and other suppliers, the majority of which are expected to be fulfilled within the next 12 months. 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, 2021, the liability for these purchase commitments was \$40.5 million and is recorded in accrued and other current liabilities.

We have firm purchase commitments of \$27.0 million for capital expenditures primarily related to commitments for tooling and equipment 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, 2021.

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, 2021, 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. For more information about Legal Proceedings, see Part II Item 1 Legal Proceedings of this quarterly report on Form 10-Q for the period ended December 31, 2021.

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, 2021, approximately 53% of our sales were in non-U.S. denominated currencies, with 27% 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 \$21.4 million and \$37.8 million as of December 31, 2021 and March 31, 2021, respectively. The adverse effect as of December 31, 2021 and March 31, 2021 is after consideration of the offsetting effect of approximately \$24.6 million and \$12.4 million, respectively, from 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, 2021 and March 31, 2021, the amount recorded in accumulated other comprehensive income ("AOCI") related to our foreign exchange contracts before tax effect would have been approximately \$12.8 million and \$16.5 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, 2021, 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 Part I Item 2 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 still uncertain and cannot be predicted, and could adversely affect our business, results of operations and financial condition.
- 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.
- 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 trade regulations, adverse tax consequences and pressure to move or diversify our manufacturing locations.
- 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.
- If we do not accurately forecast market demand for our products, our business and operating results could 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 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.

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 and regulations 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.
- We are subject to risks related to our environmental, social and governance activities and disclosures.
- 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

- 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 data breaches and security incidents.
- 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.

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.
- 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

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 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 and in recent years, have expanded the categories of products we sell and entered new markets.

Our sales of our products 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 ongoing 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 but not limited to, changes in growth trends, evolving and changing market and increasing competition, market opportunities, and product innovation.

Creativity & Productivity. Our pointing devices, keyboards, webcams and other PC peripherals have continued to see growth as a result of work-from-home and remote 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 capabilities.

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. The smart home market is experiencing increasing competition. It is not yet clear when our smart home 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.

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.

Our growth opportunities and those 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 product offerings 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 industry in which we operate 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, Amazon 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. For additional information, see "Competition" in Item 1 of our most recent Annual Report on Form 10-K.

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

COVID-19 has spread rapidly throughout the world, causing 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 if and how the extent and rate of the spread continue to fluctuate in different parts of the world, the gravity and transmissibility level of the current and future variants, the availability and effectiveness of treatments and vaccines, and vaccination progress. For example, the Omicron variant of COVID-19, which appears to be the most transmissible variant to date, has spread globally. The impact of this variant, or future variants, cannot be predicted at this time, and could depend on numerous factors, including the effectiveness of COVID-19 vaccines against such variants and the response by governmental bodies and regulators.

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. We have experienced and may continue to experience 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. We have also incurred additional costs related to business continuity.

While we believe that the pandemic has accelerated certain trends that are favorable to us, 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. The COVID-19 pandemic 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 still 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 and variants, the further development and availability of effective treatments and vaccines and the vaccination progress, 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 and customers. 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.

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.

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 were to be delayed or constrained, impacted by global shortages of semiconductor chips, 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, including COVID-19, 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 microcontrollers 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.

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, such as the COVID-19 pandemic, 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 have been exposed in the past and 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.

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. We do not have long-term commitments with those customers. 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 sales 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.

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 number of products they acquire in subsequent periods, which could cause disruption in our business and adversely affect 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. 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 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 and revenue.

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 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 changed without notice to us, 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 leadership. 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 leadership and international personnel. From time to time, we experience turnover in some of our senior leadership 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 leaders 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.

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 may 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 Saitek to expand into the gaming simulation and controller markets, we acquired Blue Microphones to expand into the microphones market, we acquired General Workings, Inc. ("Streamlabs") to expand our software and service capabilities and tools for the streaming market, and we acquired Mevo to expand our camera hardware and software for live streaming and video conferencing. 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.

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. Several of our past acquisitions have not been successful and have led to significant impairment charges. 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.

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, for example the current developments in Ukraine;
- 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, including China's 2021 Anti-Foreign Sanctions Law;
- 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 and regulations 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.

In recent years, the U.S. government has instituted or proposed changes 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 previously disclosed, 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 or regulations changes in the United States or other countries present particular risks for us.

For example, on June 10, 2021, the National People's Congress Standing Committee of the People's Republic of China passed China's new Anti-Foreign Sanctions Law. The Anti-Foreign Sanctions Law took immediate effect and allows China to take "retaliatory action" against any "discriminatorily restrictive measures" imposed by foreign countries against Chinese organizations and citizens. As a result, China may impose countermeasures against government and private entities and/or persons that formulate, implement or comply with any regulation deemed a "discriminatorily restrictive measure." Penalties may include denial of entry to China, prohibition of doing business in or with China, freezing of assets and "any other necessary measures."

New or increased tariffs could adversely affect more or all of our products. There also are risks associated with retaliatory tariffs and resulting trade wars. We cannot predict future trade policy and regulations in the United States and other countries, 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 regulations as well as 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 trade policy and regulations in the United States and other countries as well as 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, 2021, approximately 53% 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 and have in the past adversely affect our business, operating results and financial condition. Moreover, these exposures may change over time.

We are subject to risks related to our environmental, social and governance ("ESG") activities and disclosures.

Current and prospective shareholders are increasingly utilizing ESG data to inform their decisions, including investment and voting, using a multitude of evolving score and rating frameworks. If we do not adapt our strategy or execution to meet the evolving expectations of our stakeholders, or if our ESG data input, processing and reporting are incomplete or inaccurate, our business, brand and reputation could be adversely affected.

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, conflict minerals, packaging, recycling, environmental and human rights 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. We also are subject to the SEC 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. 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 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 ("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. As a result of the Federal Act on TRAF, the canton of Vaud enacted tax reforms on March 10, 2020 that 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. 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

Significant disruptions in, or breaches in security of, our websites, or information technology systems, or our products 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 incidents 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. In addition, increased frequency and sophistication of cyber security and product security attacks

may increase the likelihood of breaches. 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 data breaches and security incidents.

In connection with our operations, we collect personal data, including that of our consumers. This information is increasingly subject to legislation, regulations and enforcement in numerous jurisdictions around the world.

For example, the General Data Protection Regulation ("GDPR"), which is applicable to us and to all companies processing data of people in the European Union, imposes significant fines and sanctions for violation of the Regulation. Compliance with the GDPR's international transfer rules has been made more difficult by the invalidation of the U.S. European Union Privacy Shield and we are now required to put in place additional privacy protective measures for transfer of data of people in the European Union to certain countries outside of the European Economic Area. In the United States, California and Virginia have already adopted privacy laws and other legislations may follow, at states and federal levels. Such laws and regulations 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 increased costs, allocation of additional resources, financial penalties or other liabilities or negative publicity that could adversely affect our business.

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.

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.
- From time to time, we engage in opportunistic marketing and sales activities, including advertising and promotional events to enhance our brand awareness. The effectiveness of our marketing and sales efforts is uncertain and it is difficult to predict whether our marketing and sales efforts will result in increased sales.

- 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 control operating costs through expense and global workforce management, to reduce the complexity of our product portfolio, and to better align costs with our current business as we expand from PC accessories and provide leverage for 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 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.

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 April 2021, our Board of Directors increased our current repurchase program of our registered shares to \$1.0 billion. 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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Share Repurchases**

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

| Share Repurchase Program | Shares Approved | Approved Amounts ⁽¹⁾ |
|--------------------------|-----------------|---------------------------------|
| May 2020 | 17,311 | \$ 1,000,000 |

(1) In April 2021, our Board of Directors approved an increase of \$750.0 million of the 2020 share repurchase program, to an aggregate amount of \$1.0 billion. The Swiss Takeover Board approved this increase and it became effective on May 21, 2021.

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

| During the three months ended December 31, 2021 | 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 | | | | |
| October 2, 2021 to October 29, 2021 | 503 | 81.95 | \$ — | \$ 616,454 |
| Month 2 | | | | |
| October 30, 2021 to November 26, 2021 | 389 | 74.27 | | 585,048 |
| Month 3 | | | | |
| November 27, 2021 to December 31, 2021 | | | | |
| SIX | 467 | 75.96 | | 545,043 |
| Nasdaq | 19 | | 79.20 | |
| | <u>1,379</u> | 77.63 | \$ 84.12 | \$ 545,043 |

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 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 27, 2022

Date

/s/ Bracken Darrell

Bracken Darrell

President and Chief Executive Officer

January 27, 2022

Date

/s/ Nate Olmstead

Nate Olmstead

Chief Financial Officer

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 27, 2022

/s/ Bracken Darrell

Bracken Darrell
President and Chief Executive Officer

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 27, 2022

/s/ Nate Olmstead

Nate Olmstead
Chief Financial Officer

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 27, 2022

/s/ Bracken Darrell

Bracken Darrell
President and Chief Executive Officer

/s/ Nate Olmstead

Nate Olmstead
Chief Financial Officer