UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

SJK DEVELOPMENT, INC., a California corporation and **ALA AWADALLA**, individually and on behalf of all others similarly situated,

Plaintiffs,

v.

LOGITECH INC., a California Corp.

Defendant.

Case No.:

CLASS ACTION COMPLAINT

(1) Unjust Enrichment / Quasi-Contract

(2) Money Had and Received

(3) Violation of the Unfair Competition Law, Cal. Bus. & Prof. Code §§ 17200, *et seq.*

<u>JURY TRIAL DEMANDED</u>

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Plaintiffs SJK Development, Inc. and Ala Awadalla, individually and on behalf of all others similarly situated, upon personal knowledge as to Plaintiffs and Plaintiffs' own acts, and upon information and belief as to all other matters, hereby allege as follows:

I. <u>INTRODUCTION</u>

1. This case is an example of a large multinational corporation and its U.S. subsidiary taking advantage of its customers who rely on the integrity of manufacturers to sell products to customers in good faith. Defendant refused to be honest with their customers by raising prices across their product catalog to allegedly account for costs due to tariffs and then failed to return tariff proceeds when the U.S. Supreme Court declared those tariffs unlawful.

2. Plaintiffs SJK Development, Inc. and Ala Awadalla ("Plaintiffs"), individually and on behalf of those similarly situated, bring this class action against Defendant Logitech Inc. ("Logitech" or "Defendant") to recover monies that Logitech extracted from American consumers as offset for import tariffs that the United States Supreme Court has since declared unlawful, tariffs for which Logitech now stands to be reimbursed by the federal government. This is all while Logitech retained every dollar of the corresponding price increases it charged its customers due to the illegal tariffs.

Logitech Inc.'s U.S. Headquarters in San Jose, California

A. The IEEPA Tariffs

3. In early 2025, President Trump invoked the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 *et seq*. ("IEEPA"), to impose sweeping tariffs on imports from China and nearly every other United States trading partner. Logitech, whose keyboards, mice, webcams, headsets, and other computer peripherals are manufactured predominantly in China and other overseas locations, was due to be impacted and responded swiftly and quietly.

4. In or about April 2025, without any public announcement, Logitech raised United States retail prices across approximately half of its product catalog, by an average of approximately 14 percent and by as much as 25 percent on individual products, as documented by an independent analysis of 176 Logitech product prices and verified by multiple technology news outlets against archived captures of Logitech's own website.[1] By way of example, the MX Master 3S mouse increased from approximately $99.99 to $119.99 (approximately 20 percent), the MX Keys S keyboard increased from $109.99 to approximately $129.99 (approximately 18 percent), and the K400 Plus wireless keyboard increased from approximately $27.99 to $34.99 (approximately 25 percent).[2]

B. Logitech's Own Statements Attribute Price Increases to the Tariffs

5. Logitech's own executives and securities filings confirm that these price increases were in response to, and calibrated against, the IEEPA tariffs. In late April 2025, contemporaneously with the price increases, Logitech withdrew its fiscal year 2026 financial outlook, with its Chief Financial Officer ("CFO"), Matteo Anversa, explaining to investors that the company was not immune to tariff uncertainty and that the tariffs would reduce first quarter gross margins by approximately 200 basis points. On subsequent earnings calls, Logitech presented the tariffs and the price increases as offsetting entries in the same gross margin bridge, quantifying how the April 2025 price increases would recoup the tariffs' cost.

[1] Cameron Dougherty, *Logitech Price Increase 2025 – I tracked 176 prices, 51% went up*, YouTube (Apr. 2025), https://www.youtube.com/watch?v=u4d__01u2mc.
[2] *Id.*

6. This pass-through, at Logitech's customers' expense, was not merely complete, it was profitable for the company. On Logitech's fiscal year 2026 fourth quarter earnings call, held May 5, 2026, the company's CFO, Mr. Anversa, attributed the company's expanded gross margins—up approximately 130 basis points year-over-year in the fourth quarter—in part to Logitech's United States subsidiary's pricing actions executed in April 2025. Mr. Anversa stated that those pricing actions, together with favorable currency movements, more than offset tariffs and promotions.

7. According to Mr. Anversa's own admission, the price increases contributed approximately 150 basis points of gross margin benefit in the quarter, more than double the approximately 70 basis point cost of the tariffs themselves.

8. Logitech's Annual Report on Form 10-K for the fiscal year that ended March 31, 2026 likewise tells a similar story. Logitech's Form 10-K attributes the company's gross margin increase primarily to price increases in North America.[3]

C. <u>The Supreme Court Declares the IEEPA Tariffs Are Unlawful</u>

9. On February 20, 2026, the Supreme Court held in *Learning Resources, Inc. v. Trump,* 146 S. Ct. 628 (2026), that IEEPA does not authorize the President to impose tariffs. The tariffs that Logitech invoked to justify its price increases were therefore unlawful from the moment they were imposed.

10. On July 15, 2026, Senior Judge Richard K. Eaton of the United States Court of International Trade ("CIT") in Washington, D.C. issued an order directing U.S. Customs and Border Protection ("CBP") to refund IEEPA duties on "any and all" entries that have been liquidated for more than 80 days, and the CIT has indicated that the same relief will be entered in each of the approximately 3,700 pending IEEPA cases and has begun issuing those orders.

11. The consequence of that ruling is a historic refund. The CIT has ordered U.S. Customs and Border Protection to refund approximately $166 billion in unlawfully collected IEEPA duties to importers of record, and CBP has implemented a mass refund mechanism, the

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[3] Logitech Int'l S.A., Annual Report (Form 10-K) for the Fiscal Year Ended March 31, 2026, at 44.

Consolidated Administration and Processing of Entries ("CAPE") system through which refunds, with interest, began issuing in May 2026.

12. Under federal customs law, those refunds flow exclusively to importers of record such as Logitech, not to the consumers who actually bore the tariffs' economic burden through Logitech's price increases.

D. Logitech Anticipates Reimbursement of Tariffs it Paid

13. Logitech has acknowledged to its investors that it anticipates reimbursement of tariffs it paid, acknowledging that it applied to U.S. Customs and Border Protection for refunds of those duties, while confirming that it has not committed to return to its customers any portion of that recovery or of the tariff-justified price increases it has collected and continues to collect.[4]

14. Recently, shippers including Fedex, UPS, and other customs brokers that acted as importers of record for imported packages and then received tariff refunds from the U.S. government have started to pass on those refunds to the customers that originally paid the tariffs.[5]

15. Many companies that received the benefit of a tariff refund, like the shippers that are now voluntarily returning money that they paid on customers' behalf, are returning those ill-gotten gains to customers. What separates Logitech from these shippers is that Logitech has made clear it has no intention of returning that refund to its customers.

16. Indeed, Logitech left the April 2025 price increases in place even after the tariffs were declared unlawful and even as its reimbursement claims mature. To date, Logitech has not returned any refund monies to its customers, who footed the tariff prices hikes in the first place.

17. As of June 30, 2026, Logitech received a full refund of $61 million for the tariffs invalidated by the Supreme Court, including $15 million during the first quarter of fiscal year 2027 and $46 million subsequent to quarter end.

[4] Logitech Int'l S.A., Q4 & Full Fiscal Year 2026 Earnings Call (May 5, 2026) (remarks of CFO Matteo Anversa) (transcript on file with counsel; replay available at https://ir.logitech.com).

[5] Mae Anderson, *A surprise credit after an overseas purchase: The tariff refunds now flowing through shippers*, Associated Press (Aug. 14, 2026), https://apnews.com/article/tariff-refund-shipping-retail-d4162f466eb83aa97e430a86221ad226

18. The entire $61 million was recorded as a reduction of cost of goods sold in Q1 FY2027, according to reporting on Logitech's Form 10-Q filings with the United States Securities and Exchange Commission ("SEC").[6]

19. The result is classic unjust enrichment. Logitech charged its customers for a cost it represented the tariffs imposed. The tariffs were unlawful, and the government is now returning that cost to Logitech with interest. Logitech, in turn, has a duty to return that money to its customers.

20. Instead, Logitech has made clear it will keep both the refund and the consumer overcharge. Equity principles and California's consumer protection statutes do not permit Logitech to be made whole twice at its customers' expense.

21. Plaintiffs bring this action on behalf of a Nationwide Class and a California Subclass of purchasers of Logitech products during the period of the unlawful tariffs, seeking restitution, disgorgement, the imposition of a constructive trust over Logitech's IEEPA tariff refunds to the extent of the amounts passed through to consumers, as well as a declaratory judgment, public injunctive relief, damages, and all other available relief.

II. PARTIES

A. Plaintiffs

22. Plaintiff SJK Development, Inc. is a California corporation headquartered in San Francisco, California. SJK Development, Inc. is a licensed construction and residential housing builder that operates throughout California. On or about October 23, 2025, acting at Plaintiff's direction, Plaintiff's Information Technology ("IT") consultant purchased for the business's use a Logitech MX Master 4 Wireless Mouse (Black) for $140.34 online from B&H Photo Video. The price Plaintiff paid reflected Logitech's April 2025 tariff-justified price increase. Had Logitech not inflated its prices in the name of the unlawful IEEPA tariffs, Plaintiff would have paid less for the same product. Plaintiff has received no refund, credit, or other compensation from Logitech corresponding to the tariff component of the price Plaintiff paid.

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[6] *Logitech International (NASDAQ: LOGI) boosts margins on tariff refund, starts $1.4B buyback*, Stock Titan (July 29, 2026), https://www.stocktitan.net/sec-filings/LOGI/10-q-logitech-international-s-a-quarterly-earnings-report-df739f61957c.html.

23. Plaintiff Ala Awadalla is a citizen of California, residing in Pacifica, California. On or about November 30, 2025, Plaintiff purchased a Logitech M317 Wireless Mouse for $15.37 online from Amazon. The price Plaintiff paid reflected Logitech's April 2025 tariff-justified price increase. Had Logitech not inflated its prices in the name of the unlawful IEEPA tariffs, Plaintiff would have paid less for the same product. Plaintiff has received no refund, credit, or other compensation from Logitech corresponding to the tariff component of the price Plaintiff paid.

24. Defendant Logitech Inc. is a California corporation with its principal place of business at 3930 North First Street, San Jose, California 95134. On information and belief, Logitech Inc. is the United States operating subsidiary of Logitech International S.A., a Swiss *société anonyme*, and operates the logitech.com United States storefront. On information and belief, Logitech Inc. is the importer of record for Logitech products sold in the United States.

III. JURISDICTION AND VENUE

25. This Court has subject matter jurisdiction under the Class Action Fairness Act, 28 U.S.C. § 1332(d)(2), because this is a putative class action in which the amount in controversy exceeds $5,000,000, exclusive of interest and costs; there are more than 100 putative class members; and at least one member of the putative class is a citizen of a state different from at least one Defendant, and members of the Nationwide Class are citizens of all fifty states.

26. This Court has personal jurisdiction over Defendant. Logitech Inc. is a California corporation headquartered in this District. Logitech Inc. maintains its United States headquarters and principal United States operations in this District, and the pricing decisions, statements, and conduct alleged herein emanated from this District.

27. Logitech's own United States website Terms of Use provide that all claims and actions must be brought in the state or federal courts located in Santa Clara County, California, and that users of logitech.com submit to personal jurisdiction in those courts.

28. Venue is proper in this District under 28 U.S.C. § 1391(b) because Defendant resides in this District and a substantial part of the events giving rise to Plaintiffs' claims, including the decision to impose and maintain the tariff-justified price increases and the operation of the logitech.com storefront, occurred in this District.

29. Pursuant to Civil Local Rule 3-2(c) and (e), assignment to the San Jose Division is proper because a substantial part of the events giving rise to the claims occurred in Santa Clara County, where Logitech Inc. is headquartered.

IV. FACTUAL ALLEGATIONS

A. Logitech's Business and the IEEPA Tariffs

30. On February 1, 2025, President Trump invoked IEEPA to impose tariffs of 25 percent on imports from Canada and Mexico and 10 percent on imports from China, citing fentanyl trafficking.

31. On April 2, 2025, the administration invoked IEEPA again to impose a baseline 10 percent tariff on imports from nearly all United States trading partners, with substantially higher country-specific rates, including rates on Chinese-origin goods that at times reached triple digits layered on top.

32. The IEEPA tariffs applied to the categories of goods from which Logitech's consumer products are made and countries (principally China) in which Logitech's products are manufactured. On information and belief, Logitech paid IEEPA duties on entries of merchandise imported into the United States between February 2025 and February 2026.

33. In total, U.S. Customs and Border Protection collected approximately $166 billion in IEEPA duties from more than 330,000 importers across more than 53 million entries.

B. Logitech Quietly Raises Prices Across Its Catalog and Attributes Increases to the Tariffs

34. In or about April 2025, within weeks of the April 2 IEEPA proclamation, according to industry watchers and technology trade publications such as *The Verge* and *9to5Mac,* Logitech raised United States retail prices on approximately 51 percent of its product catalog by an average of approximately 14 percent, with increases on individual products of up to 25 percent. Logitech made no announcement of the increases to consumers.[7] **They raised prices quietly.**

[7] Ben Lovejoy, *Logitech prices up by as much as 25% as tariffs kick in*, 9to5Mac (Apr. 21, 2025), https://9to5mac.com/2025/04/21/logitech-prices-up-by-as-much-as-25-as-tariffs-kick-in/.

35. These increases were uncovered through an independent analysis by technology reviewer and widely followed YouTuber, Cameron Dougherty, who tracked the prices of 176 Logitech products and documented on his YouTube channel that the price of 51 percent of Logitech's on-sale products had increased, many in the range of 15 to 20 percent. Soon, Dougherty's staggering findings were amplified in consumer and trade press.[8]

Logitech Performance MX Mouse – One of the Product Lines Subject to Tariffs

36. Dougherty's findings were independently verified by multiple technology news outlets within days. *The Verge* confirmed the increases by comparing Logitech's live prices against archived Internet Archive captures of logitech.com.[9]

37. Consumer publication *9to5Mac* likewise verified the increases against Internet Archive captures of Logitech's listings, documenting, among other examples, that the MX Master 3S mouse had risen twenty dollars to $119.99 and the Pro X TKL keyboard had risen from $199.99

[8] Dougherty, *supra* Note 1.

[9] Wes Davis, *A lot of Logitech products cost more now than two months ago*, The Verge (Apr. 20, 2025), https://www.theverge.com/logitech/652423/logitech-price-increases-mouse-keyboard-accessories.

to $219.99 and observing that the increases came just after Logitech withdrew its financial outlook citing tariff uncertainty.[10]

38. Technology publication *How-To Geek* similarly reported that Logitech had quietly implemented unannounced price increases of up to 25 percent across approximately half its catalog, attributing them to the tariffs on Chinese-manufactured goods, where the bulk of Logitech's products are made.[11]

Logitech Deluxe 250 Keyboard from Logitech's Product Catalog

C. <u>Logitech's CFO Admits that the Price Increases Were Motivated by the Tariffs</u>

39. The increases were contemporaneous with, and publicly connected by Logitech to, the IEEPA tariffs. On Logitech's fiscal year 2025 fourth-quarter earnings call in late April 2025, Logitech's management explained that Logitech was not immune to tariff uncertainty and overall macroeconomic volatility, that a long-term outlook was virtually impossible to provide without stability in the broader economy, and in CFO Matteo Anversa's words that:

"We withdrew our outlook for the fiscal year ahead."[12]

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[10] Lovejoy, *supra* Note 3.
[11] Arol Wright, *Logitech Is Quietly Increasing Its Prices,* How-To Geek (Apr. 21, 2025), https://www.howtogeek.com/logitech-increasing-its-prices-tariffs/.
[12] Logitech Int'l S.A., Q4 & Full Fiscal Year 2025 Earnings Call (Apr. 29, 2025) (remarks of CFO

40. Mr. Anversa quantified the negative impact of the then-current tariffs on Logitech's first-quarter fiscal 2026 gross margin at approximately **200 basis points**.[13]

41. Logitech's contemporaneous securities disclosures told its investors the same story, **while telling its customers nothing**. In its Annual Report on Form 10-K for the fiscal year ended March 31, 2025, filed with the SEC on May 23, 2025, Logitech warned investors that:

> "**[C]hanges 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**," and disclosed that its "**business has been and continues to be impacted by the expansion of tariffs on goods imported from other countries.**"[14]

42. The same Form 10-K acknowledged that "**[t]o 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**."[15]

43. Nowhere in the Form 10-K, however, and nowhere in any consumer-facing disclosure, did Logitech state that it had raised or would raise the retail prices its United States customers pay. Logitech reserved those admissions for its investors, quarter after quarter, as alleged below.

44. Logitech thereafter presented the tariffs and the April 2025 price increases to investors as offsetting line items in the same gross margin arithmetic. On its first-quarter fiscal 2026 earnings call, Logitech guided to second quarter gross margins in which tariffs were expected

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Matteo Anversa). *See* **Exhibit A**.; *see also* Press Release, Logitech Int'l S.A., *Logitech Reaffirms FY 2025 Financial Outlook; Withdraws FY 2026 Financial Outlook Due to Tariff Environment* (Apr. 10, 2025), https://ir.logitech.com.

[13] Logitech Int'l S.A., Q4 & Full Fiscal Year 2025 Earnings Call (Apr. 29, 2025) (remarks of Mr. Anversa).

[14] Logitech Int'l S.A., Annual Report (Form 10-K) for the Fiscal Year Ended March 31, 2025, at 25 (filed May 23, 2025).

[15] *Id.* at 25.

to subtract 200 to 300 basis points while, per the company's own transcript, "**Price increases are expected to add 200 basis points**."[16] Logitech told its investors, in substance and in numbers, that the price increases existed to recoup the tariffs.

45. The offset was achieved, and Logitech said so. On Logitech's second quarter fiscal 2026 earnings call, held October 28, 2025, Mr. Anversa reported that:

> "**The negative impact of tariffs was entirely offset by our price and manufacturing diversification actions.**"

46. Asked about the tariff headwind, Mr. Anversa explained that Logitech was "able to offset the entire impact of tariffs. It's about 150 basis points each. So, the impact of tariff net of diversification was 150 basis points pressure to the gross margin and price was a lift of 150 basis points. **So net we were able to offset entirely.**" Mr. Anversa attributed that result to, among other things, "**[t]he price actions that we took in April.**"[17]

47. Logitech acknowledged in the same breath that its customers bore those price actions. Net sales in the Americas declined 4 percent in the quarter, and Logitech conceded that it "experienced lower demand early in the quarter as a result of the pricing actions that we took to offset tariffs."[18]

48. Logitech repeated the admission the following quarter. On its third quarter fiscal 2026 earnings call, held January 27, 2026, Logitech reported that, "[s]imilar to last quarter, the negative impact of tariffs was entirely offset by our pricing actions and continued manufacturing diversification efforts."

49. Mr. Anversa reiterated that, through "**the positive impact of the price actions that we took in April in the U.S. combined with the diversification action**," Logitech was "**able to offset entirely the tariff impact**."[19]

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[16] Logitech Int'l S.A., Q1 Fiscal Year 2026 Earnings Call (July 29, 2025) (remarks of CFO Matteo Anversa in response to an analyst question) (transcript on file with counsel). *See* **Exhibit B**.
[17] Logitech Int'l S.A., Q2 Fiscal Year 2026 Earnings Call (Oct. 28, 2025) (prepared and Q&A remarks of CFO Matteo Anversa) (transcript on file with counsel). *See* **Exhibit C**.
[18] *Id.*
[19] Logitech Int'l S.A., Q3 Fiscal Year 2026 Earnings Call (Jan. 27, 2026) (prepared and Q&A remarks of CFO Matteo Anversa) (transcript on file with counsel). *See* **Exhibit D**.

50. Confronted with this reporting by multiple outlets, Logitech confirmed the connection.

51. On Logitech's April 29, 2025 earnings call, as also reported by *The Verge*, Mr. Anversa acknowledged the increases directly:

"We don't like to raise prices, but we have to."[20]

52. According to *The Verge*, Logitech's CFO then went on to explain that some products' prices did not change, others increased by double digits, and a range of products fell in the middle.[21]

53. Logitech maintained the increased prices throughout the tariff period, February 4, 2025 through February 24, 2026 (the "Class Period"), when Customs and Border Protection officially halted the collection of all tariffs imposed under IEEPA, and on information and belief, Logitech has maintained the price increases to present, notwithstanding the invalidation of the tariffs.

D. <u>The Supreme Court Holds the IEEPA Tariffs Are Unlawful</u>

54. On February 20, 2026, the Supreme Court held in *Learning Resources, Inc. v. Trump*, 146 S. Ct. 628 (2026), that the IEEPA does not authorize the imposition of tariffs, resolving the consolidated challenges that had proceeded through the Court of International Trade and the Federal Circuit.

55. The IEEPA tariffs were accordingly unlawful. As the CIT subsequently held, all importers of record whose entries were subject to IEEPA duties are entitled to the benefit of the Supreme Court's decision.[22]

[20] Logitech Int'l S.A., Q4 & Full Fiscal Year 2025 Earnings Call (Apr. 29, 2025) (remarks of CFO Matteo Anversa), as reported in Emma Roth, *Logitech confirms raising US prices in response to Trump's tariffs*, The Verge (Apr. 29, 2025), https://www.theverge.com/logitech/652423/logitech-price-increases-mouse-keyboard-accessories.

[21] *Id.* ("Some products, the price didn't change. Others increased double-digit, and we have a bunch of products in the middle.").

[22] *Atmus Filtration, Inc. v. United States*, No. 26-01259 (Ct. Int'l Trade Mar. 4, 2026) (order) ("All importers of record whose entries were subject to IEEPA duties are entitled to the benefit of the *Learning Resources* decision."); *see also* Amended Order, *Atmus Filtration, Inc. v. United*

E. The Government Returns the Tariffs — to Importers, Not Consumers

56. Following the Supreme Court's decision, the CIT, in *Atmus Filtration, Inc. v. United States*, CIT No. 26-01259, ordered the CBP to refund the unlawfully collected IEEPA duties, with interest. CBP developed the CAPE system within its Automated Commercial Environment to process refunds at mass scale. CAPE began accepting refund declarations on April 20, 2026. The first refund payments issued on or about May 12, 2026, and as of late May 2026, CBP has reported that it was in the process of refunding approximately $85 billion. Additional refunds are ongoing.

57. Under federal customs law and the CIT's orders, IEEPA refunds are payable only to the importer of record (or its designated notify party), *i.e.*, the entity that remitted the duties to CBP. Consumers who bore the tariffs' economic burden through pass-through pricing have no mechanism to obtain any portion of the refunds from the government.

58. The refund regime thus returns the tariff monies to precisely the entities, like Logitech, that have already recouped those monies (or are about to) from their customers.

F. Logitech's Further Admissions: The Price Increases More Than Offset the Tariffs, and Reimbursement Is Anticipated

59. On Logitech's fiscal 2026 fourth-quarter earnings call, held May 5, 2026, CFO Anversa attributed the company's fiscal 2026 margin performance to "manufacturing diversification actions combined with the price increase in the U.S.," which more than offset tariff impacts.[23]

60. Describing fiscal 2026 as delivering "the highest level of profitability in the history of the company, outside of the COVID peak year," Mr. Anversa explained that fourth quarter gross margin improved approximately 130 basis points year-over-year because "[t]he positive impact of the U.S. price actions and favorable foreign exchange more than offset the impact of tariffs and higher promotions."[24]

States, No. 26-01259 (Ct. Int'l Trade Mar. 27, 2026) (extending the refund directive to finally liquidated entries).

[23] Logitech Int'l S.A., Q4 & Full Fiscal Year 2026 Earnings Call (May 5, 2026) (remarks of CFO Matteo Anversa) (transcript on file with counsel). *See* **Exhibit E**.

[24] *Id.*

61. Mr. Anversa then quantified the components: approximately 150 basis points of benefit from price and approximately 150 basis points from currency, offset by approximately 70 basis points of tariff cost and approximately 100 basis points of higher promotional spending.[25]

62. Logitech's own arithmetic thus admits that the April 2025 price increases delivered more than twice the gross margin benefit of the tariffs' cost in the quarter.

63. In addition, Logitech's Form 10-K for the fiscal year ended March 31, 2026 states that the company's gross margin increase was primarily driven by price increases in North America, product cost reductions, and favorable foreign currency exchange rate changes, substantially offset by investment in strategic promotions and increased tariffs.[26]

64. On the same May 5, 2026 call, in response to an analyst's question regarding whether any degree of tariff refunds was embedded in Logitech's guidance, Mr. Anversa stated that Logitech had "factored in zero collections of tariff rebates" in its fourth quarter results and its first quarter outlook "because the timing of reimbursement remains too uncertain."[27]

65. Mr. Anversa's framing treated reimbursement as a question of process and timing, not entitlement. Mr. Anversa further noted that Logitech had engaged in tariff-related pull-ins of inventory during the year, confirming that Logitech actively managed its IEEPA duty exposure as an importer. On information and belief, Logitech (directly or through its importer-of-record affiliate or customs broker) has submitted or will submit CAPE declarations seeking refund of all IEEPA duties it paid, together with statutory interest.

66. Logitech ended fiscal year 2026 with approximately $1.7 billion in cash, returned approximately $768 million to shareholders through repurchases and dividends during the year,

[25] *Id.* ("In Q4, we achieved 44.8%, driven by 150 basis points of price and 150 basis points of positive FX tailwinds, which offset 70 basis points of negative tariff impacts and 100 basis points of higher promo.").

[26] Logitech Int'l S.A., Annual Report (Form 10-K) for the Fiscal Year Ended March 31, 2026, at 44.

[27] Logitech Int'l S.A., Q4 & Full Fiscal Year 2026 Earnings Call (May 5, 2026) (remarks of Mr. Anversa in response to a question from Maya Neuman of Morgan Stanley) (transcript on file with counsel).

and reported fiscal year 2026 net sales of approximately $4.8 billion. Logitech has ample resources to make its customers whole and has chosen not to do so.

G. Logitech's Own Numbers Reveal a Vast Consumer Overcharge and Pass-Through

67. Logitech's own public filings quantify precisely how much money it took from consumers. In its Annual Report on Form 10-K for fiscal year 2026, Logitech reported net sales of **$4,840,761,000**—approximately **$4.84 billion**.[28]

68. Throughout fiscal year 2026, Logitech told investors that United States tariffs would cost the Company between **150 and 300 basis points** of net sales—that is, between 1.5% and 3.0% of revenue.[29] Applied to Logitech's reported $4.84 billion in fiscal 2026 net sales, the Company's own estimate equates to annual tariff costs of approximately **$73 million to $145 million**.

69. Logitech simultaneously told investors that the price increases it imposed on U.S. consumers would recover approximately **150 to 200 basis points** of net sales. Applied to the same $4.84 billion revenue base, Logitech's own figures establish that the Company extracted approximately **$73 million to $97 million** from consumers in fiscal year 2026 alone through tariff-justified price increases, a conservative estimate of the amount passed through to the Class is therefore at least **$75 million to $100 million**.

70. These price increases did not merely offset Logitech's tariff costs—by management's own repeated admission, they *more than* offset them. On the Company's May 5, 2026 earnings call announcing fourth-quarter and full-year fiscal 2026 results, management confirmed that Logitech's full-year non-GAAP gross margin of **43.6%** was *higher* than the prior

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[28] Logitech Int'l S.A., Annual Report (Form 10-K) for the fiscal year ended March 31, 2026, at F-3 (Consolidated Statements of Operations) (filed with the SEC on May 21, 2026) (the "FY2026 Form 10-K"). Logitech's fiscal year 2026 ran from April 1, 2025 through March 31, 2026, the period during which the tariffs at issue were in effect and during which Logitech imposed its U.S. price increases.

[29] *See, e.g.,* Q1 FY2026 Earnings Call Tr. (July 29, 2025); Q3 FY2026 Earnings Call Tr. (Jan. 27, 2026).

year, notwithstanding the tariffs, because "manufacturing diversification actions combined with the price increase in the U.S. more than offset the negative impact of tariffs."[30]

71. In other words, Logitech emerged from fiscal year 2026 not merely whole, but better than whole. Consumers, by contrast, footed a bill of roughly **$75 million to $100 million** in higher prices that Logitech justified by reference to tariffs the Supreme Court has since held is unlawful. Every dollar of that sum came out of the pockets of ordinary purchasers of keyboards, mice, webcams, and other Logitech products, and Logitech kept it.

H. Logitech Retains the Consumer Overcharge and the Refund

72. As of June 30, 2026, Logitech received a full refund of $61 million for the tariffs invalidated by the Supreme Court, including $15 million during the first quarter of fiscal year 2027 and $46 million subsequent to quarter end.

73. The entire $61 million was recorded as a reduction of cost of goods sold in Q1 FY2027, according to reporting on Logitech's Form 10-Q filings with the SEC.[31]

74. On July 28, 2026, according to reporting by *Reuters*, Logitech publicized better-than-expected quarterly sales and profits, helped in large part by this very significant refund of tariffs from the federal government.[32] According to *Reuters*, Logitech reported non-GAAP adjusted operating income of $290 million for the three months to end-June, up 44% from a year earlier and well ahead of analysts' forecast of $209 million. These results were directly boosted by the $61 million tariff refund related to products made in China, Vietnam, Malaysia, Mexico, Thailand, and Taiwan and shipped to the United States, Logitech's largest market.[33]

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[30] Logitech Int'l S.A., Q4 & Full Fiscal Year 2026 Earnings Call Tr. (May 5, 2026); *see also* Logitech Int'l S.A., Current Report (Form 8-K), Ex. 99.1 (May 5, 2026) (announcing fourth quarter and full fiscal year 2026 results, including full-year net sales of $4.84 billion, up 6 percent year-over-year, and non-GAAP operating income of $911 million, up 18 percent year-over-year).

[31] *Logitech International (NASDAQ: LOGI) boosts margins on tariff refund, starts $1.4B buyback*, Stock Titan (July 29, 2026), https://www.stocktitan.net/sec-filings/LOGI/10-q-logitech-international-s-a-quarterly-earnings-report-df739f61957c.html.

[32] John Revill, *Logitech beats forecasts after US tariff refund*, Reuters (July 28, 2026), https://www.reuters.com/business/logitech-beats-forecasts-after-us-tariff-2026-07-28/.

[33] *Id.*

75. Logitech has not refunded, credited, or otherwise returned to its customers any portion of this $61 million refund or any other tariff-justified price increases it collected during the Class Period. Logitech has not committed to pass through any portion of its anticipated IEEPA refunds to its customers and has maintained the elevated prices after the tariffs were invalidated.

76. As a direct result, Logitech has been—and absent relief will continue to be—enriched twice over at its customers' expense: once by the tariff-justified overcharges collected from Plaintiffs and the Class, and again by the government's refund, with interest, of the very duties those overcharges were represented to cover.

V. CLASS ACTION ALLEGATIONS

77. Plaintiffs bring this action individually and on behalf of the following proposed classes pursuant to Federal Rules of Civil Procedure 23(a), 23(b)(2), and 23(b)(3):

78. **The Nationwide Class:** All persons in the United States who, between February 4, 2025 and February 24, 2026, purchased for personal, family, or household use a Logitech-branded product whose United States retail price was increased on or after February 4, 2025.

79. **The California Subclass:** All members of the Nationwide Class who made their purchase in California or while residing in California.

80. Excluded from the Classes are Defendant, its officers, directors, and employees; their parents, subsidiaries, and affiliates; any judicial officer assigned to this matter and his or her immediate family and staff; and persons who purchased for resale.

81. **Numerosity.** The Classes each comprise at least hundreds of thousands of purchasers, dispersed throughout California and the United States. Logitech reported fiscal 2026 net sales of approximately $4.8 billion, a substantial portion of which was generated by United States consumer sales of products bearing the April 2025 price increases. Joinder of all members is impracticable.

82. **Commonality.** Common questions of law and fact predominate over questions affecting only individual members, including: (a) whether Logitech raised United States retail prices in response to the IEEPA tariffs; (b) the amount by which those increases exceeded prices that would otherwise have prevailed; (c) whether the IEEPA tariffs were unlawful (a question the

Supreme Court has answered); (d) whether Logitech has sought, received, or will receive IEEPA refunds; (e) whether Logitech's retention of both the pass-through overcharges and the refunds constitutes an unfair or unlawful business practice under the UCL and unjust enrichment under California law; and (f) the appropriate measure and form of class-wide restitution.

83. **Typicality.** Plaintiffs' claims are typical of the Classes: Plaintiffs purchased a Logitech product at a price bearing the uniform, catalog-wide April 2025 increase, and suffered the same injury from the same course of conduct as every other member.

84. **Adequacy.** Plaintiffs have no interests antagonistic to the Classes and have retained counsel experienced in complex consumer class action litigation with the resources to prosecute this action vigorously.

85. **Rule 23(b)(3) Superiority.** A class action is superior to other available methods for the fair and efficient adjudication of this controversy. The tariff component of any individual purchase is modest, typically between several dollars and several tens of dollars, making individual actions economically irrational, while Logitech's aggregate retention is substantial. Class treatment presents no unusual manageability difficulties: the price increases were uniform and catalog-wide, and Logitech's own records identify its direct customers and its per-product pricing history.

86. **Rule 23(b)(2).** Logitech has acted or refused to act on grounds that apply generally to the Classes, maintaining the tariff-justified prices and refusing to establish any mechanism to return the tariff component or refund proceeds, such that final injunctive and corresponding declaratory relief is appropriate respecting the Classes as a whole.

VI. CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Unjust Enrichment / Restitution (Quasi-Contract)

(On Behalf of Plaintiff, the Nationwide Class, and the California Subclass)

87. Plaintiffs re-allege and incorporate by reference each preceding paragraph as though fully set forth herein.

88. Plaintiffs and Class members conferred a benefit on Logitech by paying retail prices that embedded the pass-through of the IEEPA tariffs. Logitech received and retained that benefit.

The tariffs having been declared unlawful, and the underlying duties being refunded to Logitech by the government with interest, Logitech's retention of both the consumer pass-through and the government refund is unjust. Logitech would be made whole twice for a single, unlawful exaction, at the sole expense of the consumers who funded it.

89. Under California law, a claim in quasi-contract for restitution lies to recover benefits unjustly retained. No enforceable contract term between Logitech and its customers addresses the disposition of tariff refunds, and no adequate remedy at law exists for the reasons alleged above.

90. Plaintiffs and the Classes are entitled to restitution and disgorgement of the tariff component of all Class Period purchases, and to the imposition of a constructive trust over all IEEPA refund proceeds received by or payable to Logitech (or any importer-of-record affiliate), to the extent of the amounts passed through to the Classes, together with the interest paid thereon by the government.

SECOND CLAIM FOR RELIEF

Money Had and Received

(On Behalf of Plaintiff, the Nationwide Class, and the California Subclass)

91. Plaintiffs re-allege and incorporate by reference each preceding paragraph as though fully set forth herein.

92. Logitech is indebted to Plaintiffs and the Classes in a sum certain or capable of ascertainment, the tariff component of the prices paid during the Class Period, an amount Logitech itself has quantified in its financial disclosures, for money had and received by Logitech for the use and benefit of Plaintiffs and the Classes.

93. In equity and good conscience, Logitech should not be permitted to retain those monies, which correspond to duties that were unlawfully exacted and that the government is returning to Logitech with interest.

94. Logitech has failed and refused to return any portion of those monies.

/./.

/./.

/./.

THIRD CLAIM FOR RELIEF

Violation of the Unfair Competition Law

Cal. Bus. & Prof. Code §§ 17200, *et seq*.

(On Behalf of Plaintiffs, the Nationwide Class, and the California Subclass)

95. Plaintiffs re-allege and incorporate by reference each preceding paragraph as though fully set forth herein.

96. Logitech's conduct as alleged constitutes unlawful, unfair, and fraudulent business acts and practices within the meaning of Business and Professions Code section 17200.

97. **Unfair prong.** Logitech's conduct is unfair under any of the tests applied in California courts. Logitech (a) quietly raised consumer prices across half its catalog to pass through and, by its own account, more than offset the cost of tariffs; (b) maintained those prices after the tariffs were held unlawful; and (c) is pursuing government reimbursement, with interest, of the very duties its customers already covered, with no mechanism to return any portion to those customers.

98. The harm to consumers from this double recovery is substantial, is not outweighed by any countervailing benefit to consumers or competition and is not one consumers could reasonably have avoided. The increases were unannounced, the tariff component was not itemized, and consumers had no ability to know that the prices they paid embedded a government exaction that would later be refunded to Logitech.

99. The conduct likewise offends the legislatively declared policies and California's consumer protection statutes underlying the customs refund regime, which exist to disgorge unlawful exactions not to confer windfalls.

100. **Fraudulent prong.** Logitech's course of conduct, including its public attribution of its pricing to the tariffs while omitting that it would retain any subsequent refund, and its unannounced embedding of a purported tariff cost in its retail prices, was likely to deceive reasonable consumers into believing that the increased prices reflected a bona fide, lawful government cost of the goods, rather than a recoverable exaction Logitech would reclaim for itself.

101. **Unlawful prong.** Logitech's conduct violates the Consumers Legal Remedies Act as alleged below, and each such violation independently constitutes an unlawful business practice under section 17200.

102. As a direct and proximate result, Plaintiffs and Subclass members suffered injury in fact and lost money or property. Each paid more for Logitech products than they would have paid absent the tariff-justified increases. Plaintiffs and the Subclass are entitled to restitution of the tariff component of the prices they paid, in an amount to be proven at trial, including by reference to Logitech's own quantifications of its tariff costs and pricing actions.

103. Plaintiffs and the Subclass are further entitled to injunctive relief, including public injunctive relief, requiring Logitech to (a) cease retaining IEEPA refund proceeds attributable to amounts passed through to consumers; (b) establish a mechanism to return such amounts; and (c) disclose to the consuming public the tariff component embedded in its Class Period prices. This request for public injunctive relief benefits the general public of California, not merely the parties.

104. Plaintiffs lack an adequate remedy at law with respect to the restitutionary and injunctive relief sought under this cause of action. The tariff refunds at issue are a specific, traceable fund now flowing from CBP to Logitech.

105. Only equitable remedies, including but not limited to, restitution, disgorgement, and constructive trust over that fund can restore those specific monies to the consumers who supplied them, and damages at law would not reach Logitech's ongoing and future receipt and retention of refund proceeds.

VII. PRAYER FOR RELIEF

WHEREFORE, Plaintiff, individually and on behalf of the Classes, respectfully requests that the Court enter judgment as follows:

1. Certifying the Nationwide Class and the California Subclass under Rule 23(a), (b)(2), and (b)(3), appointing Plaintiffs as class representative, and appointing Cotchett, Pitre & McCarthy, LLP as class counsel;
2. Declaratory judgment that Logitech's practice of withholding IEEPA tariff refund proceeds is an ill-gotten gain that must be returned to customers;

3. Awarding restitution and disgorgement of all amounts by which Defendant was unjustly enriched, including the tariff component of all Class Period purchases;
4. Imposing a constructive trust upon, and/or an equitable lien against, all IEEPA tariff refund proceeds (including interest) received by or payable to Defendant or any importer-of-record affiliate, to the extent of amounts passed through to the Classes, and enjoining dissipation of such proceeds pending judgment;
5. Granting public injunctive relief under the UCL and as alleged herein;
6. Awarding pre-judgment and post-judgment interest at the maximum lawful rate;
7. Awarding attorneys' fees and costs, including under Code of Civil Procedure section 1021.5 and Civil Code section 1780(e); and
8. Granting such other and further relief as the Court deems just and proper.

Date: August 18, 2026

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VIII. <u>DEMAND FOR JURY TRIAL</u>

Pursuant to Federal Rule of Civil Procedure 38(b), Plaintiffs demands a trial by jury of all issues so triable.

Date: August 18, 2026

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Exhibit A

Transcript - Q4 FY'25 Earnings Call

Nate | Head of Investor Relations

Good afternoon and good evening. Welcome to Logitech's video call to discuss our Financial Results for the Fourth Quarter and our Fiscal Year 2025. Joining us today are Hanneke Faber, our CEO; and Matteo Anversa, our CFO.

During this call, we will make forward-looking statements, including with respect to future operating results under the safe harbor of the Private Securities Litigation Reform Act of 1995. We're making these statements based on our views only as of today. Our actual results could differ materially. We undertake no obligation to update or revise any of these statements. We will also discuss non-GAAP financial results. You can find a reconciliation between GAAP and non-GAAP results and information about our use of non-GAAP measures and factors that could impact our financial results and forward-looking statements in our press release and in our filings with the SEC. These materials as well as the shareholder letter and a webcast of this call are all available at the Investor Relations page of our website. We encourage you to review these materials carefully. Unless noted otherwise, references to net sales growth are in constant currency and comparisons between periods are year-over-year. This call is being recorded and will be available for a replay on our website.

I'll now turn the call over to Hanneke.

Hanneke | CEO

Thank you Nate, and welcome everyone to our third quarter earnings call.

Fiscal Year 2025 was a year of outstanding results for Logitech. We delivered strong, profitable growth driven by progress against our strategic priorities.

Specifically, for the year:

We delivered 7% constant currency net sales growth. Growth was broad-based across geographies, product categories, and customers. We expanded market share in key product categories and remain the number 1 or number 2 player in 11 of the 13 categories in which we compete.

We expanded Non-GAAP gross margins by 170 basis points and non-GAAP operating margins by 70 basis points, growing Operating Income to $775M.

And we continued to generate a very healthy amount of cash. We generated approximately $840M of cash from operations in FY25, more than 1x operating income; and returned approximately $800M to shareholders in the form of dividends and share repurchases.

Our success in FY25 can be attributed to four strategic drivers:

First, **Superior Products and Innovation**.
Innovation is at the heart of Logitech's strategy and integral to our DNA. In FY25, we launched 39 new products. Globally, bestsellers included the Combo Touch Keyboard Case for iPad, the Pro X Superlight Wireless Gaming Mouse, and the A50 Gaming Headset family. In China, the Alto Keys Mechanical Customizable Keyboard became the country's best-selling personal workspace mechanical keyboard. These launches, and the many design awards we received for our innovation, illustrate our ability to deliver design-led, software-enabled hardware innovation that delights users around the world.

Second, **Doubling down on B2B**.
Logitech for Business played an important role in Logitech's success this year. We saw healthy end customer demand growth of about 7% in USD. Investments in smarter products and go-to-market capabilities fueled growth across Video Collaboration, Headsets, and Personal Workspace products sold to business customers. We are seeing expansion in our Education vertical, with double-digit, year-over-year, demand growth. We are also seeing double digit growth in Services.

Third, **Excellent execution across geographies**.
We rapidly reapplied best practices and proven strategies from market to market to strengthen our global performance across the board.

And finally, **Operational Excellence**.
Our foundational strength as an operations powerhouse delivered record product cost reductions, driving the second-highest annual non-GAAP gross margins in the last decade.

Our fourth quarter reflected these same factors, as well as disciplined execution by our teams. I want to extend my appreciation to all of our employees for delivering an excellent fiscal year 2025.

As we enter Fiscal Year 2026, we are faced with a wide range of potential outcomes when it comes to tariffs, consumer & customer confidence and geopolitics.

While acknowledging the uncertainty, we are confident heading into our fiscal year.

Logitech is built to compete in good times and through uncertainty. That's because of a number of unique strengths built over the years:

We have a balanced global customer base. We generate about two-thirds of our global sales outside the US, which positions us well to manage market-specific risks.

We invested in a broad, diversified manufacturing footprint across six countries. Today, only about 40% of our products (value!) sold in the US originate from China, with the rest coming from five other countries. We have more room for diversification and are able to rapidly shift production to optimize costs and mitigate tariff impacts. By the end of this calendar year, we are planning for only about 10% of US products to be sourced from China. We invested in a strong, globally recognized brand and superior products, which we believe provides brand loyalty and pricing power.

We have a pristine balance sheet, offering financial flexibility.

And we have invested in people. We have a very experienced operational and commercial team, who built expertise through the tariffs of the two previous administrations, as well as through Covid-19. Their expertise, frankly, is unmatched in our industry.

With this advantaged start point, our approach for the year ahead will be based on three core principles:

One - **we will play offense**. We aim to decisively expand market share at this time. We exited FY25 with strong momentum, and we believe continued investments in R&D, marketing and sales will help us drive lasting competitive advantage.

Two - **Cost discipline will be critical** - both when it comes to product cost and OPEX, especially G&A.

And Three - **Agility**. We are moving rapidly to leverage our broad manufacturing footprint and take the necessary commercial actions. We know things are fluid, and we are acting fast.

So, as we look at the first quarter of FY26, we expect a number of dynamics to shape performance, not all of them certain at this point.

What we know….

…is that the current set of tariffs and exemptions represent about a 200 bps hit to global Gross Margins in the first quarter. This impact is mitigated in Q1 by the fact we are still selling through inventory we proactively pulled into the US before April. Matteo will provide more detail.

We also know that we have announced a set of targeted price increases to customers in the US, which are being implemented from mid April. We don't necessarily like to raise prices, but the current context requires it. Our increases are intentionally tailored to select products, rather than a one-size-fits-all approach. We took into account the role of each product; strategic price points, and how to best optimize value for our consumers and B2B customers. Some prices have remained unchanged, others have seen double-digit percentage increases, and some fall in between, reflecting a thoughtful, targeted approach if needed, we believe we have more room for pricing later in the year.

That's what we know. But there is also much that we cannot yet know. Even in the current quarter, our final outcomes will depend on:

Any changes that may be made to **trade policy**, including the scope of tariffs, the countries and products affected, timings and exemptions.

The outcomes will also depend on macro-economics, and **consumer, as well as B2B customer sentiment and behavior**.

And finally, there may be **geopolitical factors** that will shape demand globally.

Despite this uncertainty, we are providing a financial outlook for the first quarter of our 2026 fiscal year. Matteo will provide the details in a minute, but at the mid-point, the outlook calls for continued topline growth supported by healthy gross and operating income margins.

The bookends of the outlook essentially contemplate what we believe are possible outcomes based on the "known unknowns" I just outlined: trade policy, consumer and enterprise sentiment, and geopolitical factors.

All that said, what matters beyond the headlines is that the fundamentals of our business are strong, and that we operate from an advantaged starting point.

Across FY26, we will play offense, while we exercise strong cost discipline and act with agility. Logitech was built to compete at times like these, and that's what we plan to do in the year ahead.

Matteo, over to you.

Matteo | CFO

Thank you Hanneke, and thank you all for joining us on the call today.

The team delivered another good quarter with solid demand and high gross margins of 43.5%.

The detailed financial results can be found in the press release and shareholder letter, but let me briefly share with you the key financial highlights.

The fourth quarter represented the fifth consecutive quarter of year-over-year net sales growth.

For the quarter, sell-through outpaced sell-in by approximately 2 points, as we aligned our channel inventory with demand following the holiday season.

Channel inventory ended within our operating targets, while owned inventory ended the quarter up $20M QoQ as we proactively built our inventories in advance of tariffs taking effect.

Within our product categories:
Keyboards & Combos and Pointing Devices performed very well, as the high-end of our product lines - MX and Ergo - had record quarters for net sales;
Webcams delivered mid-single-digit net sales growth.
And end user demand remained strong across our Gaming portfolio.

For the full 2025 Fiscal Year, total net sales increased by 7%, in line with the outlook we provided at our Q3 earnings call and during investor day in March.

Our topline growth year-over-year was broad-based across all regions and across our key product lines, with the exception of Webcams. However, Webcams finished the year with strong momentum and we remain the market leader in this key category.

Our growth continues to be extremely profitable with the non-GAAP gross margin rate for FY25 at 43.5%.

For Fiscal Year 2025, non-GAAP gross margin rate increased by 170 basis points compared to the prior year thanks to a reduction in our product costs, partially offset by higher promotions and the negative impact of foreign exchange.

Operating expenses were approximately $1.2B for FY25, corresponding to 26.5% of net sales.

This amount includes approximately $23M of bad debt reserve recorded in sales & marketing expense due to the inability of our e-commerce payment provider, Digital River, to pay us. Of this amount, $14M was recorded in the third quarter, and the balance was recorded in the fourth quarter. If we exclude the impact of this charge, our operating expenses as a percentage of net sales would have been 26%.

For FY25, Non GAAP Operating Income was $775M, 17% of net sales, up 70 basis points compared to the prior year as a result of the gross margin expansion I mentioned earlier.

Our cash generation continued to be strong. We generated approximately $840M of cash from operations, more than 1x operating income, of which approximately $800M was returned to shareholders in the form of dividends and share repurchases. Our cash balance at the end of FY25 was $1.5B.

I would like to congratulate the entire Logitech team for an outstanding fiscal year 2025. We returned to high-single digit profitable growth, generated strong cash flow and, in the absence of M&A we returned the cash we generated back to our shareholders.

Now, looking ahead to FY 2026, we are not immune to the tariff uncertainty and overall volatility in the current macroeconomic environment. Our ability to provide a long term outlook is predicated upon a modicum of stability within the broader economy; without this stability, it's virtually impossible to provide an outlook that looks beyond the next quarter. Hence, why we withdrew our outlook for the Fiscal Year ahead.

So today, we are providing a financial outlook for the first quarter of our 2026 Fiscal Year.

Net sales in the quarter are expected to be between flat to +5% in constant currency compared to the prior year. Gross margins will be between 41 and 42%. Non-GAAP operating income between $155 and $185 million.

In the first quarter, the negative impact of the current tariffs on our global gross margin rates will be approximately 200 basis points. This impact is mitigated in Q1 by the fact we are still selling through inventory that entered the US before April. Otherwise, we estimate, the impact would be approximately 500 basis points at the company level.

The range of our outlook incorporates different outcomes on the variables that are currently unknown, such as the consumer and enterprise sentiment and the timing of price realization in the quarter.

So, yes, the environment is challenging. But as Hanneke pointed out, Logitech is built for this.

With that, let's head to Q&A

David Connell | Zoom Event Services

Thank you so much, Matteo. We will now move to the Q&A session. If you have a question, please use the raise hand icon located on your Zoom toolbar. When we call your name, please turn on your video and unmute your line. Our first question comes from Asiya Merchant with Citi.

Asiya Merchant | Citi

Oh, great! Thank you, everyone. Just to dive a bit deeper into gross margins, how should we think about that? You're mentioning some impacts here, and with respect to the pricing that's been implemented, is that reflected in your June quarter guidance for the top line as well? If you could break down the impact of the price increases on the top line, and also clarify how we should consider gross margins given the tariff impacts you just highlighted. Thank you.

Logitech

Sure. Thank you for your question. The way I would describe the gross margin rate is that we are going from about 43.5% roughly in the first quarter of last year to about 41.5%, as I mentioned in the prepared remarks. About 200 basis points of negative impact comes from the tariffs, and this reflects the fact that we are still consuming inventory that came in before the tariffs took effect. We also have about another 100 basis points of impact coming from the fact that in the first quarter of last year, if you recall, we were still releasing some previously recorded inventory reserves as the inventory was coming down. We are not expecting this to happen again in the current quarter.

So, the negative impact of about 300 basis points when you combine both factors is partially offset by about 100 basis points of positive income coming from pricing. As Hanneke mentioned, we don't generally like to raise prices, but we had to. This was really focused on the U.S., and we took a very meticulous approach—looking at SKU by SKU. For some products, the price didn't change, others increased by double digits, and there is a range of products in between. When you normalize and factor all of this in, it's about a 10% price increase on our U.S. products. Keep in mind that it helps being a Swiss and global company today, as only about a third of our revenue comes from the United States. That's how you unpack the numbers.

Asiya Merchant | Citi

Thank you. Any early indications on how customers are reacting to these price increases? I guess they went into effect in April, so I'm not sure if you have any early feedback on that.

Logitech

Yeah, it's really too early to say. We started the implementation in mid-April, and it always takes a little time for these prices to be reflected on shelves across the country and online. So it's still too early to draw any conclusions. However, based on previous price increases around the world, we believe that our strong brand and superior products will protect us to a large extent. Sometimes there can be a bit of an impact in the short term, but we'll see.

David Connell | Event Services

Our next question comes from Erik Woodring with Morgan Stanley. Erik.

Erik Woordring | Morgan Stanley

Hey, guys. Good afternoon. Thank you for taking my questions. I have two, if I may. First, I completely understand where you're coming from with your comments on global production during this unprecedented period. You mentioned that 40% of global or U.S. production currently comes from China, and the goal is to get it down to 10% by the end of calendar 2025. I'm wondering what that means for your Suzhou facility. Does this imply that most of Suzhou's production is being shifted to international markets, or are you downsizing that facility?

The question arises because historically, this facility has been an area of strength for Logitech, providing IP production and flexibility to respond to demand. I'm curious about what this transition means for Suzhou and how we should think about where U.S. products will come from if not China. I also have a quick follow-up, please. Thanks.

Logitech

Yeah, sure. Thanks, Erik. Great to see you. I'm not worried about Suzhou. If you do the math, 70% of our sales are not for the United States, and only 40% of what does go to the United States is currently from China. Reducing that to 10% represents a relatively small portion, and Suzhou will continue to play a very significant role in production for the rest of the world. Suzhou is well-utilized, and the fact that we just had such a great year with 7% top-line growth also helps keep Suzhou full. So no concerns there.

As for where that U.S. volume will go, we're in the fortunate position of having a highly diversified manufacturing footprint. We have operations in China plus five other countries. While I won't say it's easy to shift volume, our team is doing an excellent job of moving production quickly to mitigate tariff impacts.

Erik Woodring | Morgan Stanley

Okay, I appreciate that. Thank you. Thank you, Hanneke. I realize this question might have been asked about how customers have responded to price increases, but I'll phrase it a bit differently. How is spending linearity quarter-to-date, whether compared to past June quarters, past Aprils, or even relative to the month of March? I'm really trying to understand pull-forward versus push-out of demand. How are customers responding to general tariff and policy volatility with their spending habits? Whether it's enterprise, SMB, or consumer, how have customers been reacting over the past month of chaos relative to either past years or the last quarter? Thanks so much.

Logitech

Let me have a stab at that. So on the consumer side of our business, I'd say the consumer remains very resilient for our products. So in the last quarter, so in the March quarter you know, there was low single digit market growth in the Americas and in Europe, in our categories and high double digits in APAC, and consumer demand was also strong, as you see in our numbers. We also grew share across regions. So in the March quarter things were looking really good. And on the consumer side again in North America, in the last 4 weeks. We're kind of seeing a range of behaviors. There's certainly, you know. You see it on Tiktok. This kind of no buy movement. So there's some people who are really starting to be frugal. There is also a, you know, a significant amount of consumers who are pulling purchases forward. and then there's also a segment, I would call it. You know, Yolo, you only live once. I'm going to spend it all right now, and I'm going to spend it on expensive stuff. So the truth is probably somewhere in the middle. But again, I would say that some of that is that the consumer for our brand, and our products remains pretty good around the world. On the B2B side. In the last quarter we did see a bit more caution, especially in Europe. Driven by the uncertainty in the market. And I think you know, most companies are just a little more hesitant to pull the trigger on big purchases, big capex investments that said global demand even on Logitech for Business, was still comfortably positive mid single digit up. So we're optimistic. And of course, video conferencing in and of itself is kind of a natural hedge, you know, as companies say, I want to reduce T&E want to reduce travel. You need great video conferencing to offset that.

David Connell | Event Services

Our next question comes from Samik Chatterjee with JP Morgan.

Samik Chatterjee | JP Morgan

Hi, thanks for taking my question, and I hope you can hear me clearly. Maybe just following up on Erik's question about the demand side from another angle—you mentioned sell-in tracking better than sell-through in the quarter by 200 basis points. From what I recall, the expectation for fiscal 2025 was that there would be an inventory build in the first half, followed by some moderation in the second half. Did what happened this quarter run counter to those expectations, especially in relation to the price increases? Did you notice the channel pulling forward demand into the quarter?

What are your expectations as you progress through the first quarter or, more specifically, the June quarter? I'll follow up afterwards. Thank you.

Logitech

So Samik, actually, sell-through outpaced sell-in during the fourth quarter. It's the other way around, which aligns with what we were expecting and is pretty typical coming out of the holiday quarter. To Hanneke's earlier point, we're very pleased with where the channel ended the year. Our own inventory was slightly higher due to proactive steps we took to bring in products ahead of the tariffs. However, we don't anticipate the same dynamic that occurred at the start of fiscal year 2025, where the channel inventory was too low, causing sell-in to outpace sell-through during the first few months.

Our plan moving forward is to have sell-in match sell-through in the upcoming quarters, thanks to the team's effort in ensuring the channel is healthy. To emphasize, what we've consistently said since last year is that sell-in would exceed sell-out in the first half, while sell-out would exceed sell-in in the second half. That's exactly what played out. As a result, for the fiscal year overall, net sales and sell-out are largely aligned. While sell-out data isn't perfect, it's close enough for decision-making.

Samik Chatterjee | JP Morgan

Got it. Thank you, and I appreciate the clarification. Moving back to the discussion on tariffs and the first quarter of the fiscal year you're planning, you have the benefit of price, but you're also dealing with the tariff headwind. What's the end goal here? By the time you've moved most of the capacity addressing U.S. demand, do gross margins return to the 43% range? Would that happen because pricing continues to ramp up and most of the tariff impact is offset? Or how should we think about the residual impact at that point? What's your view on that?

Logitech

It's really too early for us to speculate on this. There are too many moving pieces at this point, which is why we're only providing an outlook for the first quarter. However, let me give you more perspective on some of the variables that could change and why we can't definitively predict the outcome yet.

Let's start with a positive factor—two-thirds of our sales are outside of the U.S., so they're unaffected by tariffs. That's a strong baseline. For the remaining third that's U.S.-specific, that portfolio of products is impacted in multiple ways. Currently, the tariffs vary depending on exemptions, country of origin, product classification, and how we're relocating production. To give you an idea, part of our U.S. volume faces zero tariffs due to exemptions, some is taxed at 10%, some at 20%, and a small portion faces rates of 145% or more.

That said, it's a dynamic situation. The impact is constantly changing, day by day, due to factors like trade policy updates, product classifications, and our active management of production flow. Because of this "moving feast," rather than diving into fine details, we're focusing on outcomes we can predict—for example, the first quarter expectation of a 200-basis-point tariff impact on global gross margins. We will continue to provide updates as the year progresses, but for now, it's too early to forecast what will happen beyond that point.

I'd also like to emphasize what we can control and the proactive measures we're taking. On pricing, as Hanneke mentioned earlier, we've adjusted meticulously to mitigate the tariff impact. In addition, we've taken cost-control actions. For product costs, we've built an excellent track record. In fiscal 2025, almost 300 basis points of margin expansion came from the team's efforts, and that work is ongoing. On the operating expense side, we've implemented measures similar to what many companies are doing globally, such as curbing controllable spending, cutting travel, delaying most hiring, and streamlining G&A costs.

Finally, we're accelerating manufacturing diversification efforts to reduce U.S.-dependent production from 60% to 10%, as discussed earlier. These are steps you can count on us to take. Beyond that, there are factors beyond our control, and that adds to the uncertainty.

David Connell | Event Services

Our next question comes from Austin Baker with Loop Capital, Austin.

Austin Baker | LOOP

Thanks for the time. I hope everyone can hear me. I'd like to dive a bit deeper into this uncertain macro environment. What do you feel are the products or categories that are most resilient to demand fluctuations? Secondly, from a strategic perspective, you've mentioned going on offense. In this kind of weak or uncertain macro environment, where would you prioritize focus and resources? Which categories do you see as the most critical in driving growth or stability?

Logitech

Great question. Thank you. As we progress through the year, we're focusing on three guiding principles: playing offense to gain market share, maintaining cost discipline, and adopting agility in manufacturing along with targeted commercial actions. These strategies are designed to ensure we emerge stronger.

In terms of resilience across our portfolio, let me start with gaming. Over the past few years, we've gained valuable insights from the Chinese market, where the economy has been soft for some time, but the gaming market continues to grow at more than 20%. About a year ago, we launched a "China for China" program, and I'm very pleased with the results. This has shown us that even in a weaker economic environment, we can win. There's also a bit of the "lipstick effect" with consumers—when budgets for eating out, vacations, or going to the movies shrink, people tend to spend more time gaming and invest in the right gear to enhance their experience. This dynamic has been clear in China. Gaming also had strong momentum for us this past fiscal year, with 10% double-digit growth, so we're extremely upbeat about this category.

On the work side, people still need to work, and the trend of working from multiple places—home, office, or even hotels—creates a natural tailwind for our portfolio. If you're working across these locations, you might need multiple devices: one keyboard, one mouse, or even video conferencing gear for each setting. And as companies impose stricter travel policies, video conferencing becomes even more critical. We feel our portfolio is well-positioned to support these shifts and meet the demands of this future.

David Connell | Event Services

Our next question comes from Michael with Vontobel, Michael.

Michael Foeth | Vontobel

Yes, hi! Good evening, everyone. I have two questions. First, regarding the shift in your production footprint for U.S. products, could you comment on the challenges you're encountering? How is this transition phased throughout the year, and are there certain products that are more difficult to relocate than others?

Second, on the logistics environment, what trends are you observing? Are you seeing any noticeable spikes in freight rates, bottlenecks, or disruptions in trade flows at the moment? Thank you.

Logitech

I'll let Matteo address the logistics question in just a moment, but regarding the shift in our manufacturing footprint, we've been investing in this effort for six or seven years now to create a much more resilient production ecosystem. Today, we operate a "China plus five" model, with production spread across five other countries alongside China. This diversification makes it easier—though never entirely simple—for us to move quickly compared to companies starting from scratch. Establishing manufacturing in a new country requires developing a supplier ecosystem, securing adequate labor, and creating infrastructure, which is challenging. However, we've already done this work, and the systems are in place.

Our team is doing extraordinary work, and the fact that we're not starting from zero gives us confidence that we can achieve our goal of reducing U.S. products originating from China from 40% to about 10% by the end of the year. This transition is fully achievable across most of our portfolio. Additionally, we consistently evaluate individual SKUs for opportunities to simplify the portfolio, and we'll make adjustments where possible. That said, I'm not concerned about any specific parts of the portfolio that cannot be relocated.

Michael, regarding freight and logistics, we're not currently seeing any major changes in pricing so far this quarter. If I look at the lanes, there's been a slight decrease in rates for shipments from Asia to Europe. However, for the Asia-to-U.S. lane, prices remain slightly elevated year-over-year when comparing the first quarter of fiscal 2026 to the first quarter of fiscal 2025. It's reasonable to expect rates may decline based on industry trends and reports in the news, but up to this point, we haven't seen those reductions materialize.

David Connell | Event Services

Our next question comes from Didier, from Bank of America.

Didier Scemama | Bank of America

Good afternoon, and thank you for taking my question. First, I want to express my gratitude for all the details and data you've shared on the impact of tariffs. I understand this must be an incredibly challenging time to navigate such an uncertain environment, and I truly appreciate the transparency.

My first question is regarding the September quarter. You've mentioned that the June quarter gross margin benefits from inventory shipped into the channel prior to the tariffs. Can we expect any lingering positive effects from that in the September quarter? Additionally, as we look further ahead to the December quarter, how should we think about the impact of tariffs, particularly in light of your efforts to move production out of China? Do gross margins face a significant drop in the September and possibly the December quarters before starting to recover? How should we think about the phasing of these impacts going forward?

Logitech

Let me start with your first question regarding the September quarter. Overall, I think it's too early to speculate at this point, but I'll let Matteo elaborate. The positive impact from pre-tariff inventory will have been depleted by then, which is why we specifically highlighted it as a benefit for the first quarter. Beyond that, the September quarter won't see this particular tailwind, so it's fair to say that benefit will no longer carry forward.

As for the second part of your question, quite frankly, as Hanneke mentioned earlier, it's a bit premature for us to provide commentary on how things might evolve beyond the June quarter. We'll continue to monitor closely and share updates when appropriate.

Didier Scemama | Bank of America

Thank you so much for that. I just want to double-check something. As far as we understand, the 90-day pause that's been reported in the headlines regarding smartphones and PCs does include PC peripherals. I believe the answer is yes, but I just want to make sure.

Logitech

Yes, all the numbers we've provided for Q1 already factor in tariffs as they stand today, including the 90-day pause. To clarify, as I mentioned earlier, part of the U.S. portfolio is currently at 0%, another part is at 10%, some at 20%, and a small portion at over 145%. So, yes, the answer is accurate.

David | Event Services

Our next question comes from George with Barclays.

George Wang | Barclays

Hey, guys, thank you for taking my question. I have two quick ones. First, could you elaborate on the 500-basis-point impact on gross margin once the pre-tariff inventory is fully sold through? Should we assume, for your base case calculation, that there won't be any price hikes on existing products? To me, the impact seems a bit high, so I'm curious if you could share more details on the assumptions behind that figure.

Logitech

Sure, George, let me unpack the 500-basis-point impact for you. This figure includes the effects of tariffs as they stand today and the impact of the manufacturing diversification efforts currently in place. It does not factor in the effects of price adjustments. So, the assumptions behind this calculation exclude any potential benefit from the price increases we introduced in mid-April.

The eventual impact will depend on how both consumers and enterprise customers respond and our ability to fully realize the price increases we've communicated. To clarify further, as Matteo mentioned earlier, for the first quarter, we are anticipating a 200-basis-point negative impact from tariffs, partially offset by a 100-basis-point positive impact from pricing. While there may be additional room for further pricing adjustments, it's too early to speculate on what those might look like or when they might happen.

George Wang | Barclays

Okay, great. Just a quick follow-up regarding items you can control, specifically with operating expense management and G&A, which you've mentioned briefly. Could you elaborate on other levers you might be able to pull? Should we anticipate tighter control over operating expenses, and could these actions potentially create more flow-through to EPS? Would love to hear more on that.

Logitech

Sure, George. The focus doesn't just stop at operating expenses—it's really an overarching effort to control costs across the board. On the product side, we're continuing initiatives such as value engineering and supplier cost reductions, which were discussed at Investor Day. These efforts have already shown results, as seen in the numbers we published today, including the fourth quarter of fiscal 2025. We have a solid track record in this area.

Specifically, for operating expenses, we're adopting a laser-focused approach, particularly prioritizing G&A. While we'll continue to fund critical investments in product development and sales and marketing, aligning with the principles Hanneke outlined earlier in the call, we're working on a few strategic measures to tighten controllable spending. These include curbing contractors, outside services, and consulting expenses, cutting travel and entertainment (T&E)

costs, and delaying most hires. These are the primary actions we're taking to ensure disciplined cost management while still supporting key growth areas.

Joern Iffert | UBS

Sell-through in EMEA has slowed down materially. Can you provide more context on what's driving this?

Logitech

Happy to provide insights on Europe. First, it's important to highlight that fiscal year 2025 was very strong for the region, with 9% constant currency sales growth—a testament to the excellent execution by our team in Europe. This performance significantly outpaced the European market for the year.

That said, Q4 was slower, and there are a couple of reasons for this. One factor was inventory adjustments in Europe. We were particularly assertive in stocking up for a successful holiday season, which went very well. However, in the last quarter, we focused on responsibly bringing inventory levels back down.

Beyond that, the consumer in Europe remains resilient overall, but we've observed a bit of caution, particularly among B2B customers, which mirrors the global dynamic. This was further amplified by the German elections during the quarter, adding a layer of uncertainty. Despite these temporary pressures, we're confident that the region will return to growth moving forward.

Joern Iffert | UBS

What are the assumptions for price versus volume in Q1 FY26?

Logitech

Sure. We have approximately 100 basis points of gross margin improvement attributed to pricing. That's the assumption we're working with for the first quarter. I'll leave it to you to do the math based on that figure.

Joern | UBS

Thank you. And for our final question, how is it possible to reorganize the supply chain so quickly that only 10% of U.S. sales will originate from China by the end of the year? Could you elaborate on the steps and strategies enabling this rapid transition?

Logitech

Absolutely. This company was designed to compete in challenging times like these. I can't emphasize it enough - we have a highly diversified, broad global sales footprint, with only 30% of our total volume tied to the U.S. market. That said, the U.S. volume remains a crucial focus, and we've been preparing since 2019 to ensure resilience in this area.

Specifically, we've established a "China plus five" manufacturing strategy, with production already operating across five additional countries alongside China. These facilities are in place, fully functional, and producing for us today. This diversification is a significant competitive advantage, enabling us to move quickly and adapt far better than most.

David | Event Services

That was our final question. Thank you.

Hanneke Faber | CEO

Thanks everyone. We really appreciate you joining us. I just want to summarize to say that our teams had an outstanding 2025 fiscal year, so thank you to our teams.

Looking ahead, I am excited about the opportunity that's before us. We are going to play offense. We're going to assertively manage costs, and continue to be super super agile, and we look forward to speaking with you next quarter. Take care, everyone.

Exhibit B

Transcript - Q1 FY'26 Earnings Call

Nate | Head of Investor Relations

Good afternoon and good evening. Welcome to Logitech's video call to discuss our Financial Results for the First Quarter of our Fiscal Year 2026. Joining us today are Hanneke Faber, our CEO; and Matteo Anversa, our CFO.

During this call, we will make forward-looking statements, including with respect to future operating results under the safe harbor of the Private Securities Litigation Reform Act of 1995. We're making these statements based on our views only as of today. Our actual results could differ materially. We undertake no obligation to update or revise any of these statements. We will also discuss non-GAAP financial results. You can find a reconciliation between GAAP and non-GAAP results and information about our use of non-GAAP measures and factors that could impact our financial results and forward-looking statements in our press release and in our filings with the SEC. These materials as well as the shareholder letter and a webcast of this call are all available at the Investor Relations page of our website. We encourage you to review these materials carefully. Unless noted otherwise, references to net sales growth are in constant currency and comparisons between periods are year-over-year. This call is being recorded and will be available for a replay on our website.

I'll now turn the call over to Hanneke.

Hanneke | CEO

Thank you, Nate, and welcome, everyone.

The first quarter of Fiscal Year 2026 was an encouraging start to the year for Logitech. Amidst plenty of uncertainty, our team delivered good topline growth and improved profitability, demonstrating Logitech’s resilience in a challenging environment. During the quarter, we continued to focus on our long term strategies, and overlaid three principles.

First, we played offense.
We continued to invest in research and development, which represented 6% of sales this quarter. This investment underscores our long-term commitment to superior products and innovation.

We also continued to focus on driving growth. Net sales grew 5%, and we grew net sales in all key categories. Demand also grew mid single digits, closely mirroring net sales and ensuring a healthy channel inventory position.

Second, we exercised disciplined cost controls.
We reduced operating expenses by 2% year over year, including an 8% reduction in General and Administrative expenses. As a result, the quarter's OPEX as a percent of sales was down 200 basis points vs. last year.

And despite tariffs, we delivered a solid gross margin of 42.1% in the quarter, driven by our ability to mitigate the tariff impact through product cost reductions, manufacturing diversification and pricing.

As we move forward, rigorous cost discipline will remain a cornerstone of our plans.

Third: Agility.
We are moving fast. As we previously shared, we expect to reduce the share of U.S. products originating from China from 40% in April to just 10% by the end of this calendar year. We are on track to do so.

These three guiding principles: playing offense, cost discipline, and agility - drove our success in Q1. But just as importantly, so did our long-term strategic priorities.

Superior products and innovation are always at the heart of our strategy. This quarter, we launched 9 new products. We introduced the G522 Wireless Gaming Headset, a sleek, comfortable gaming headset designed for full immersion in the game. We launched the Flip Folio for iPad, a stylish magnetic keyboard case for on-the-go users. We introduced the Slim Wired Combo for Business with customizable AI Launch Keys. And we announced the Logitech Muse for the Apple Vision Pro, a groundbreaking digital pencil designed to support collaboration in virtual reality.

In recognition of all of our team's innovative design and engineering work, Logitech was named one of Fortune's most innovative European companies for 2025 this quarter.

Doubling down on B2B is another important strategic pillar. Logitech for Business demand outpaced our consumer business' demand this quarter, led by double-digit net sales growth in Video Conferencing.

Logitech for Business' progress reflects the strength of our portfolio of 'simpler, smarter, and more sustainable' enterprise solutions; and the opportunities in Services and new Verticals.

Finally, we drove strong execution around the world. In Q1, APAC results particularly stood out. We are seeing meaningful progress from our China 4 China investments. Our China team achieved a significant milestone in May when they returned to growing share in the very fast growing Chinese Gaming market.

As we look ahead to the second quarter and beyond, we expect continued uncertainty when it comes to tariff policy, inflation and customer sentiment. But Logitech has proven - time and again - that we are uniquely built to thrive in times like these.

Our business is globally balanced, with about two-thirds of our sales generated outside the U.S. Our diversified manufacturing footprint spans six countries and gives us flexibility and resilience. Our strong brand provides loyalty and pricing power. Our pristine balance sheet offers financial flexibility. And most importantly, our experienced team continues to execute at the highest level.

In Q2:

- We will continue to play offense to drive growth and market share gains
- We will maintain rigorous cost discipline
- And we will act with agility to respond to evolving market conditions.

The fundamentals of our business are strong, and our strategy positions us well to navigate uncertainty and deliver attractive results.

Matteo, I'll turn it over to you.

Matteo | CFO

Thank you, Hanneke, and thank you all for joining us today.

I want to extend my gratitude to our teams around the globe for the strong execution during the quarter. Our teams demonstrated they can operate under challenging market conditions, operating with agility while making solid progress towards our overall goals.

As you have seen from the financials we published earlier today, we began FY26 with strong execution and focus.

Net sales were up 5% year over year in constant currency, supported by continued robust demand across both consumer and B2B. Despite significant external headwinds, we increased our profitability and generated strong operating cash flow.

As expected, this fiscal year started with sell-in in line with sell-through and we delivered strong year-over-year growth across all our key product categories.

Some key highlights to mention:
Video Collaboration delivered 13% year over year, driven by strong North American demand;

Personal Workspace grew 6% year over year, fueled by double-digit growth in webcams and tablet accessories. This marks the fifth consecutive quarter of growth in tablet accessories.

On a regional level:

Asia Pacific: Grew 15% year over year, led by sustained double-digit growth in China.

EMEA: Grew 9% driven by strong demand across all categories, while **North America** declined 4%, primarily the result of a pause in some product shipments during price negotiations which are now largely complete.

Non-GAAP Gross margin rate for the quarter was 42.1%. This reflects a 120 basis point decline from Q1 last year, due to negative impacts from tariffs, higher promotional spend and a release in inventory reserves recorded in the prior year. These were partially offset by price increases in the U.S. and continued momentum from cost reductions.

Operating expenses declined 2% year over year and were 24.5% of net sales, down from 26.5% in the first quarter of last year. This decrease was driven by operating leverage and a reduction in G&A, as a result of the measures we implemented to mitigate the impact of tariffs.

Cash flow was also strong. We generated $125 million in cash from operations and ended the quarter with a cash balance of $1.5 billion. We returned $122 million to shareholders through share repurchases, consistent with our capital allocation priorities.

Overall, this quarter brought continued macroeconomic and operational challenges, notably an approximately 100Bps negative impact from U.S. tariffs. In response, we diligently followed the strategy we outlined in the last earnings call which allowed us to increase profitability of the company by 80Bps in non-GAAP operating income.

More specifically:
We implemented price increases in North America. The execution of this price increase is now largely complete and we expect the full benefit to be recorded in 2Q;
We executed cost savings actions, mostly in G&A around controllable expenses;
We continued to leverage the strength of our balance sheet and accelerated the acquisition of inventory in advance of tariffs going into effect.

Looking ahead to the second quarter, we are expecting net sales to grow 1% to 5% year over year in constant currency, A Gross margin rate between 41 and 42%, and non-GAAP operating income between $180 million and $200 million.

We are expecting the negative impact of the current tariffs in the second quarter, to be between (200-300)Bps, which will be partially offset by 200Bps of positive price as a result of the price increase executed in the first quarter.

In summary, we delivered solid results in the first quarter. I want to thank our teams for their dedication and flexibility. With that, let’s open the call for your questions.

David Connell | Moderator

Thank you, Matteo. We will now begin the question-and-answer session. Please be sure to unmute and turn your video on before asking your question. With that, our first question comes from Didier with Bank of America. Didier.

Didier Scemama | Bank of America

Yes, thank you for taking my question. I just wondered if you could share your thoughts on the consumer reaction to your price actions. Clearly, this had had a positive impact. You might have given the number for the current quarter—if you could just remind us what the pricing benefit in the quarter was versus volumes and what's your view on the consumer reaction. Were you positively surprised by the volumes in response to the price hikes? If you've done that, is that encouraging you to raise prices further in order to compensate for the tariff impact?

Logitech

Yeah, thanks Didier, good to see you. So the positive impact of price in the first quarter was 50 basis points because, of course, we only announced the price increase mid-April, and then, as usual, it takes about 4 to 8 weeks to get it fully implemented across the trade.

It's really too early to say much about the impact on the consumer because, again, we only completed the implementation towards the very end of the quarter. So you didn't really see the new prices on shelves across the U.S. trade until the end of the quarter. So that's hard to tell.

What we do know—and this is expected—is that the negotiations with our customers took us 4 to 8 weeks to get this fully implemented, and during that time, we did see an impact on in-stock levels and on-shelf availability, which again is expected during a price negotiation and it temporarily affected the net sales which you see in our Americas net sales number.

However, that implementation is now essentially complete; in-stock levels have recovered, and this positions us really well for back-to-school and for the holidays.

Didier Scemama | Bank of America

Super, and a quick follow-up would be on the video collaboration business, which is showing further strength. Is that—can you elaborate a little bit on that? And how confident are you that this trend is sustainable in the later part of this year?

Logitech

Yeah, so we're obviously very pleased with 13% growth in Video Collaboration.

Overall, that business is strong. It's a very strong demand in North America. Actually, there may have been a little bit of pull-in in North America in advance of the tariffs, so that wouldn't repeat.

And the EU was a little low on inventory at the end of Q4, so they had to bring in a little more in the first quarter. But at the end, the weeks on hand are still in a very healthy, normal operating range, so it might have been slightly inflated—but still, a double-digit growth number is a really good number for Video Collaboration, showing the underlying strength of that business.

David | Moderator

Our next question comes from Tim Long with Barclays. Tim.

Tim Long | Barclays

Thank you. I've got two questions, if I could. It sounded like, first, B2B was pretty strong in the quarter. Can you walk us through what's driving that? It sounds like Video Collaboration, but any other moving parts there? Also, remind us of the economic financial impact of growing B2B as part of the mix.

Second, on the gaming side—which was really strong in the quarter—can you talk about the sustainability of the strength you're seeing in the gaming vertical? Thank you.

Logitech

Yeah, I'll let Matteo comment on Logitech for Business and the economic impact. But it definitely was another strong quarter for Logitech for Business; demand in that space outpaced consumer demand. That's really true across our full Logitech for Business portfolio, which, as you know, consists of Personal Workspace, Video Collaboration, and Headsets—all that despite the 10% price increase, which applied across both B2B and B2C. So that's really good to see.

We continue to strengthen our capabilities in B2B. We now have a global partner program in 135 countries—that's one place we needed to improve. We're also continuing to grow in new verticals. Education had another quarter of double-digit growth, so all of that is good to see. Matteo, do you want to just comment on Tim's question about video conferencing?

Video conferencing is actually positive for us in terms of mix—it's accretive to the average margin of the company, so it's good for profitability.

And then on gaming—yeah, we're also very excited about the strength of both the gaming market and our gaming business. We saw solid share growth in gaming in North America in the quarter. China was really outstanding, and the market continues to grow very, very fast in China.

We also had strong growth—Asia-Pacific grew 15% overall. We don't break out China separately, but APAC grew 15%, and China was significantly ahead of that. So that's great to see.

A big milestone for us is returning to share growth in gaming in May, particularly in China—first time in a while, which is really encouraging. Across the world, we're seeing strong growth in our premium segments, like Pro and Simulation, which are priorities for us. We also extended our partnership with McLaren this quarter and launched a great new headset, the G522. Lots of exciting things in gaming—this remains a long-term strategic priority for us.

David | Moderator

Our next question will come from Martin with BNP Paribas. Martin, please go ahead.

Martin Jungfleisch | BNP Paribas

Hey, hi, guys! Good evening. Just a couple of questions if I may. The first is about demand patterns in Q1. Was there anything different compared to a typical Q1 due to tariffs? I mean, have you seen demand increase a lot following tariff announcements, followed by a tapering off toward the end of the quarter in the U.S.?

The second question is more about market share and competition. You've said you wanted to play offense in this environment—how do you generally see yourself positioned compared to peers with regard to current production setup and pricing? Could you gain market share and raise prices further, leveraging a better production footprint?

Logitech

Okay, I'll take the first part. We're very pleased with the demand in Q1. Overall, it was high single digits for the company—and broadly based across both B2B and consumer. B2B actually outpaced consumer slightly, but both segments posted solid growth.

From a product category perspective, demand was strong across the board. Tablet accessories grew double digits, and all other product lines were in the high-single-digit range. Geographically, APAC and Europe performed particularly well. APAC grew 15%, led by China, while Europe achieved strong growth. In contrast, North America was relatively flattish.

Regarding the question of pulling forward demand, I'd highlight that, on the consumer side, we did not observe significant pull-forward behavior. On the B2B side, we saw a bit of pull-in early in the quarter as businesses tried to bring in products ahead of tariffs, but on balance, this effect was minimal over the entire quarter. Demand overall was very broad-based and healthy.

Now to address your second question on market share, you're absolutely correct—we aim to play offense in this environment. Globally, we gained share in several categories. I was particularly encouraged by share growth across all our key categories in the U.S. over the past three months—Personal Workspace, Gaming, and Video Collaboration.

Regarding pricing's impact on our share, it's too early to assess. The most recent share data we have is through May, a timeframe when the new prices were not yet fully reflected on shelves. Generally, we do expect some short-term softness in market share after a price increase, which is typical. However, we remain confident this will stabilize with time.

David | Moderator

Okay, our next question comes from Michael with Vontobel. Michael.

Michael Foeth | Vontobel

Hi, well done on the results! I have two questions. First, could you discuss your inventory strategy for the current quarter? How are you managing inventory, and what impact will it have on working capital and cash flow?

Second, regarding your tablet accessory business—this is a core growth driver, particularly heading into the back-to-school season. What's your outlook for tablets in the current quarter?

Logitech

Thanks, Michael. I'll start with tablets, and Matteo can address inventory.

Tablet accessories are a strategic part of our portfolio, and we're very pleased with the 15% growth in Q1. This growth reflects two things. First, tablets are designed for a fast-growing segment of consumers—those who work on the go. Second, they serve key verticals like education. Products like the Combo Touch allow us to establish a connection with young users, creating lifelong loyalty to Logitech.

Since launching the Combo Touch a little over a year ago, we've not only met demand from this growing segment but also significantly improved margins in the category. This makes tablet accessories a much more attractive business for us now.

Looking ahead, we expect another strong quarter for tablets fueled by the back-to-school season. Demand from students in Asia, the U.S., and Europe should drive growth in Q2.

Regarding inventory, Michael, let me provide some context. As we've mentioned in prior calls, we've been leveraging our strong balance sheet to mitigate the impact of tariffs. In practice, that means accelerating inventory purchases ahead of tariff deadlines—and the team executed exceptionally well on this in Q1. As a result, our inventory balance ended slightly higher year-over-year, but this proactive strategy also helped us come in at the high end of our gross margin guidance.

For Q2, we will maintain the same strategy. If we can pull additional inventory forward to protect the business and our customers, we will continue to do so. Even with higher inventory levels, we generated 125m operating cash flow and maintained a 1.5 billion cash balance in Q1. Our cash conversion cycle remains healthy, closing at around 40 days.

Overall, our approach gives us flexibility in managing tariffs while leveraging our strong financial position.

Michael Foeth | Vontobel

Thank you. Just one quick follow-up: Any chance you'll accelerate your share buyback given your balance sheet position? It seems repurchase activity wasn't too aggressive in Q1.

Logitech

We've been very consistent with our repurchase strategy over the last few quarters, buying back approximately $120–130 million worth of shares per quarter. The only exception was during Q3 of last fiscal year, when there was a dislocation in our stock price, and we opportunistically increased buybacks.

As we stated during Investor Day, our capital allocation priorities remain clear—we're targeting approximately $2 billion in buybacks over three years. That strategy remains unchanged, and we'll continue executing accordingly.

David | Moderator

Our next question comes from Asiya Merchant with Citi. Asiya.

Asiya Merchant | Citi

Hey, great! Hopefully, you guys can hear me. Thank you for taking my question. Just to dive a bit deeper into the gross margin guidance—could you break it down a little bit? I think I heard there was some benefit from inventory reserves that impacted gross margins this quarter. How should we think about that going forward?

Also, regarding the tariffs, I believe earlier you anticipated a much greater tariff impact. That doesn't seem to align with what we're seeing now. How should we think about your guidance in light of this?

Logitech

Sure, Asiya. Let me lay out the gross margin dynamics from Q1 first and then shift to Q2 and the rest of the year.

For Q1, we are pleased that we came in at the higher end of the gross margin guidance, as we were able to mitigate external challenges through cost reductions and proactive inventory management. To break down the 120 basis points year-over-year decline:

100 basis points of the pressure came from tariff impacts.
Pricing added a positive 50 basis points.
We also saw a 50-basis-point headwind from inventory reserves released in Q1 last year, which didn't recur this year.
So, the net effect of tariffs in Q1 landed at about -50 basis points, slightly better than expected thanks to diversification and tactical cost management.

Looking at Q2, the second quarter last year had a gross margin of 44%, but it benefited from a one-time inventory reserve release adding 100 basis points. Without that, the comparable baseline is around 43%. For Q2 FY'26:

Tariffs are expected to subtract 200–300 basis points.
Price increases are expected to add 200 basis points.
Year-over-year, we also anticipate ~100 basis points of pressure from slightly higher promotional intensity and foreign exchange.
That brings us to the 41–42% gross margin guidance range for Q2.

Asiya Merchant | Citi

Alright, great. Thanks for breaking that down. As we look at the rest of the fiscal year, should we expect similar patterns in gross margin? In the past, your back half has faced some margin dilution from promotions. What's the trajectory looking like?

Logitech

That's a fair observation. However, it's still too early to offer specific guidance for the back half. The macroeconomic environment remains volatile, and as Hanneke mentioned earlier, factors like price elasticity and consumer sentiment are still evolving.

What we do know is that our disciplined approach to pricing and supply chain diversification will continue. But for now, we'll update you with more insights as we move through the second quarter and assess the environment.

David | Moderator

Our next question comes from Samik Chatterjee with JP Morgan. Samik.

Samik Chatterjee | JP Morgan

Hi, thanks for taking my questions. First, in Q1, you had mid-single-digit revenue growth, and sell-through was in line. For Q2, you're guiding to 1–5% revenue growth. How much of that is being driven by pricing? And how are you accounting for potential impacts to share as a result of these changes?

Also, you mentioned earlier that pricing negotiations in the Americas caused some disruption. How do you see that playing out in Q2? Are you expecting inventory replenishment in the region?

Logitech

Great question, Samik. Let me start with the overall revenue guidance.

For Q2, the 1–5% constant currency net sales growth range reflects different scenarios. The high end assumes the market remains resilient and the impact of U.S. price increases is modest—this includes both consumer and B2B demand holding steady.

Conversely, the low end assumes more deterioration in consumer sentiment, with higher sensitivity toward the price increases on U.S. consumers.

Now, addressing the Americas inventory disruption, we do expect recovery in Q2. Pricing negotiations have been completed, and in-stock levels have been replenished across key channels. We've already observed healthy momentum during the Amazon Prime event earlier in July, which is encouraging.

Samik Chatterjee | JP Morgan

Thanks. Just to follow up—on tariffs, as you head into Q3, should we expect pricing to fully offset tariffs, making the net impact neutral on gross margins?

Logitech

It's a good question, but it's too early to call Q3 dynamics definitively. For Q2, as guided, the net impact of tariffs—after accounting for manufacturing diversification and pricing—is expected to be between 0 and -100 basis points.

If the tariff environment remains unchanged, this would be a reasonable range to consider for the rest of the fiscal year as well. However, there are still many moving parts here, including potential legislative updates, product classification exemptions, and the pace of our diversification efforts.

David | Moderator

Our next question comes from Ananda Baruah with Loop Capital.

Ananda Baruah | Loop Capital

Hi, guys, thanks for taking my questions. Just one around portfolio management—earlier you mentioned harmonizing product portfolios across geographies. Can you share an update on that? Are there future areas where further alignment could happen, and what's been the impact so far?

Logitech

Thanks, Ananda. We're in a very good place now with our globally harmonized portfolio. This effort was implemented to simplify and optimize our product lines while reducing costs, and I'm happy to report that we've achieved much of what we set out to do.

That said, our "China-for-China" program has introduced a few unique SKUs for the Chinese market, but these are deliberate and focused on local innovation. In the long run, these innovations could potentially scale globally, providing even broader benefits.

Ananda Baruah | Loop Capital

Understood. On pricing—you mentioned inventory got thin during negotiations, which probably impacted sales. You also noted that price increases could have a temporary share impact. Are these two distinct share pressures, or do they overlap?

Logitech

Good question, and you're right—they are separate dynamics. We've moved past the first phase, where inventory levels dropped during the negotiations. In-stock levels have since recovered, and we're already seeing momentum in key markets.

The second dynamic—consumer price elasticity—remains to be seen. It's too early to assess how the higher price points will affect sales and share in the coming months. Historically, we tend to see some temporary softness in these areas after a price hike, but that usually stabilizes over time.

David | Moderator

Our next question comes from Joern Iffert with UBS. Joern.

Joern Iffert | UBS

Thank you. Hello, everybody. Thanks for taking my questions. I have two to three, if I may. First, just to double-check—during your ASP negotiations in North America, were there instances where this resulted in shelves going empty? And if so, did it impact your sell-through performance?

Logitech

Thanks, Joern. I wouldn't say the shelves went empty, but there were certain key SKUs that went out of stock both in physical stores and online. It wasn't an across-the-board issue, but specific product lines were affected during the pricing negotiations.

Joern Iffert | UBS

Do you think that created a meaningful impact on your business in North America during the quarter?

Logitech

It likely caused some short-term disruption, particularly in the last month of the quarter, when negotiations were still ongoing. However, through May, our shares in North America remained very strong, and in early July, we saw recovery as in-stock levels normalized. That said, we're closely monitoring how the overall price changes play out in consumer demand in the months ahead.

Joern Iffert | UBS

Got it. My second question is on gaming. As I recall, last quarter sell-through in gaming was growing in the low single digits, and it seems that this quarter it's doing similarly. Gaming is supposed to be a core structural growth driver for you—are there cyclical factors or product-specific issues impacting gaming? How do you see growth in this category for the remainder of the year?

Logitech

Great question. Gaming demand was up 6% in the quarter, which is solid, but you're correct that the share dynamics were more nuanced. Gaming was one of the categories most impacted by the inventory disruption during the U.S. pricing negotiations, as it's an extremely competitive category for us in this region.

Now that those issues are resolved, we anticipate a stronger recovery in gaming in the upcoming quarters. Additionally, we're seeing very strong growth in China, where the market is expanding rapidly. Globally, premium segments like Pro and Simulation-related products are performing especially well, and partnerships like the one we have with McLaren continue to help us drive momentum.

Joern Iffert | UBS

Okay, thanks. My last question is on tariffs. When you say the gross tariff impact for Q2 is expected to be 200–300 basis points, my back-of-the-envelope math shows your average tariff rate is around 15%. Is that correct? And if tariffs on some products rise to 55%, or if certain regions like Taiwan or Malaysia face higher rates, does that mean the gross impact could increase in the back half of the year?

Logitech

Your estimate of a ~15% average tariff rate is approximately correct based on current conditions, though we benefited in Q1 from pulling inventory into the U.S. ahead of the tariff deadlines. For Q2 and beyond, the projected gross impact of tariffs, after accounting for price increases and manufacturing diversification, is aligned with our guidance of 200–300 basis points.

However, you're right that the complexities of the tariff environment—ranging from geopolitical developments to specific exemptions—remain a moving target. We've planned for the current environment, and our diversification strategy positions us to respond quickly, but we'll continue reevaluating as needed.

David | Moderator

Our next question comes from Maya Neuman with Morgan Stanley. Maya.

Maya Neuman | Morgan Stanley

Hi, thank you so much. Hanneke, maybe you can help us better understand the timing to achieve your 7–10% top-line growth target, which you disclosed in March. You mentioned some TAM expansionary initiatives that I assume will take time, but at the same time, education seems to already be showing solid progress. How long do you think it will take to consistently hit that target?

Logitech

Great question, Maya. As you know, we already achieved 7% growth last fiscal year, so we're not far off from that range. However, macroeconomic uncertainty—especially in the consumer markets—could create some variability this year. That said, we're continuing to invest in both our core categories and newer initiatives.

On the TAM expansion side, you're absolutely right—education has been a key focus for some time, and we're seeing strong momentum there, including another quarter of double-digit growth in this vertical. Our other focus areas, such as healthcare and government, are still in the very early stages. These will require more time to ramp up, but we believe they're important long-term growth drivers.

Even outside of TAM expansion, though, our core categories alone show the potential for high-single-digit growth, as demonstrated last year. So, while it's difficult to put a precise timeline on achieving consistent 7–10% growth, we're confident in the foundation we've laid.

Maya Neuman | Morgan Stanley

Understood. As a quick follow-up—regarding the midpoint of your Q2 guidance, how much of the expected growth comes from U.S. price increases?

Logitech

We expect the benefit of U.S. price increases to add approximately 200 basis points to gross margin in the current quarter. In Q1, the majority of our 5% net sales growth was volume-driven, with only minimal contribution from price due to the timing of implementation. As we move through Q2, we expect pricing to play a larger role, though we'll be closely monitoring the impact on consumer demand. It's still early days, and actual outcomes will depend on market dynamics over the coming months.

David | Moderator

At this time, there are no further questions.

Hanneke Faber | CEO

Thanks, David. And thanks, everyone, for joining us today. Let me wrap up by saying that Logitech had a strong start to FY'26, thanks to the incredible execution by our teams around the world.

Looking ahead, I'm very optimistic about our opportunities. We'll continue playing offense to drive market share gains, rigorously managing costs, and staying agile in responding to a dynamic environment. We look forward to updating you on our progress next quarter. Take care, everyone.

Exhibit C

Transcript – Q2 FY'26 Earnings Call

Nate Melihercik | Global Head of Investor Relations

Good afternoon and good evening. Welcome to Logitech's video call to discuss our Financial Results for the Second Quarter of our Fiscal Year 2026. Joining us today are Hanneke Faber, our CEO; and Matteo Anversa, our CFO.

During this call, we will make forward-looking statements, including discussions of our outlook, strategy and guidance. We are making these statements based on our views only as of today. Our actual results could differ materially as a result of many factors. Additional information concerning those factors is available in our most recent Annual report on Form 10-K and any subsequent reports on Forms 10-Q and 8-K, which you can find on the SEC's website and the Investor Relations section of our website. We undertake no obligation to update or revise any of these forward-looking statements except as required by law.

We will also discuss non-GAAP financial results. You can find a reconciliation between GAAP and non-GAAP results and information about our use of non-GAAP measures and factors that could impact our financial results and forward-looking statements in our press release and in our filings with the SEC. These materials as well as the shareholder letter and a webcast of this call are all available at the Investor Relations page of our website. We encourage you to review these materials carefully. And unless noted otherwise, references to net sales growth are in constant currency and comparisons between periods are year-over-year. This call is being recorded and will be available for a replay on our website.

I will now turn the call over to Hanneke.

Hanneke Faber | Chief Executive Officer

Thank you Nate, and welcome everyone.

We delivered a strong second quarter to close out the first half of Fiscal Year 2026. Our teams executed with excellence, delivering good top-line growth and outstanding profitability. We executed well across all regions, and delivered strong growth across both B2B and consumer channels. To achieve these results in the current environment underscores Logitech's discipline and resilience.

In Q2, we remained focused on our long-term strategic priorities - and they drove our results.

First, of course, **superior products and innovation** - which are so integral to our DNA. This quarter, we announced 16 new products. Some of the highlights included the much anticipated *MX Master 4*, a new generation of our flagship premium mouse. This new product is the first in the MX line to provide advanced users with tactile haptic feedback, and it is off to a record-breaking start.

We also unveiled a wide array of exciting new Gaming products, including the new *Pro X2 SUPERSTRIKE mouse* which blends inductive analog sensing and real-time haptic feedback for the most competitive gamers. We also launched the *McLaren Racing Collection*, a premium lineup of sim racing gear inspired by McLaren's iconic racing brand and technology.

And for those of us in the business world - on calls like this one - we introduced the new *Zone Wireless 2ES* and *Zone Wired 2 headsets* with AI powered dual noise-canceling microphones and adaptive hybrid Active Noise Cancellation.

Many of these new products were announced at our Logitech-owned flagship events, Logi Work and Logi PLAY, in September. These coveted live events took place in more than 30 cities around the world, attracting thousands of media, influencers, content creators, partners and thought leaders. The Logi PLAY global livestream on the day drove more than 12 million views. And within a month the Logi PLAY social media and creator activations reached approximately 200 million people. This underscores the growing strength of **our global brand**.

We also continued to **double down on B2B**, with good momentum behind our investments in new products and capabilities. Logitech for business demand was strong across Video Collaboration, Personal Workspace Solutions and the Education vertical. *Time* magazine recognized our new office environmental sensor, the Logitech Spot, as one of the best inventions of 2025. This is the second year in a row we have received this prestigious recognition for a new product.

Logitech's global scale remains a key advantage - and in Q2, we **executed very well across geographies**. EMEA posted solid growth. Once again, Asia Pacific had an excellent quarter, supported by our “China for China” investments. Their strength helped offset a modest sales decline in the Americas as we proactively managed tariffs. Importantly, demand trends in the U.S. improved as the quarter progressed.

Finally, our Q2 performance underscores Logitech's capabilities as an **operational powerhouse**. Our cost discipline and manufacturing diversification were important factors in driving excellent gross margins and double-digit growth in non-GAAP operating income. We are on track to reduce our share of US products originating from China to 10% by the end of this calendar year. We are able to do this thanks to our long-established, diversified manufacturing capabilities in five other countries, while our Chinese manufacturing sites continue to serve China and the rest of the world.

Now, looking ahead to Q3, we believe we will see continued strong momentum in our business.

But we also see some *market* uncertainty.

- The North American consumer market - especially in Gaming - was softer in Q2. We are cautiously optimistic that this will improve for the holiday season, but that is, of course, yet to be confirmed.
- The macros also remain uncertain, with tariffs, export restrictions, persistent inflation, just some of the dynamics.

In this context, we believe our Q3 outlook reflects a pragmatic balance between the strong momentum of our business and the litany of uncertainties within the global economy.

Our approach to deliver the holiday quarter and beyond remains unchanged. We will focus on our long-term strategic priorities while being guided by the three principles of playing offense, cost discipline, and agility.

In terms of **playing offense**, we will continue to invest in R&D and demand generation to gain share, both in the short and the long term.

As for rigorous **cost discipline**, we will continue to focus on product cost optimization, tariff mitigation, and disciplined G&A spend.

And, of course, **we will continue to be agile and move fast.**

In closing, we enter a holiday quarter in a dynamic global environment, with a strong first half under our belt, and with a unique set of assets that underpin our resilience:

- Our extraordinary capacity for superior products and innovation
- Our global reach, with two-thirds of sales generated outside the US
- Our diversified manufacturing footprint, or: "China +5"
- Our strong and growing brand
- Our pristine balance sheet
- And our experienced, high performing team.

I believe these assets - combined with our clear strategic priorities - position us well to continue to deliver strong results.

And before I hand over to Matteo, let me say a big thank you to our teams around the world. Our people are driving this strong performance and a unique culture. And I was super proud that this was recognized by *Forbes* this quarter, when they ranked Logitech, out of 900 global companies, as number 25 on their list of the World's Best Employers.

Matteo, over to you.

Matteo Anversa | Chief Financial Officer

Thank you, Hanneke, and thank you all for joining us on the call today.

I would like to start by thanking our teams around the globe for the continuous strong execution in the second quarter. While the external environment remains challenging, our execution centered on:

1. Playing offense,
2. disciplined cost control and
3. agility

And this focus drove a non-GAAP operating income of $230 million up 19% year over year. The strong profitability was achieved in a quarter where we delivered mid-single-digit net sales growth year over year.

So let me discuss some of the key aspects of our second quarter financials.

Net sales were up 4% year over year in constant currency, supported by continued robust demand across both consumer and B2B. And actually B2B demand outpaced consumer in the quarter.

Some key highlights to mention across our product categories:

- Personal Workspace grew year over year fueled by double-digit growth in Pointing Devices and Keyboards & Combos.
- Gaming delivered 5% year over year growth in constant currency, driven by double-digit growth in PC gaming.
- Video collaboration grew 3% in constant currency, driven by high growth in EMEA, while Americas was relatively flat due in part to the pull-forward of sales that we highlighted in the first quarter.

We executed well across our regions. And more specifically:

Asia Pacific grew 19% year over year in constant currency, led by sustained double-digit growth in China.

EMEA grew 3% in constant currency, driven by strong growth in Video Collaboration and Personal Workspace.

And conversely, Americas was down 4%, primarily due to the gaming market decline. And as Hanneke just noted, we also experienced lower demand early in the quarter as a result of the pricing actions that we took to offset tariffs, which improved in the latter half.

Moving to gross margin - **our non-GAAP gross margin rate for the quarter was 43.8%**, similar to the prior year. And it is important to note that the negative impact of tariffs was entirely offset by our price and manufacturing diversification actions. Additionally, product cost reductions offset investment in strategic promotions.

We continue to be very disciplined in managing our costs, and, as a result, operating expenses declined 3% year over year and were 24.4% of net sales, down 240 basis points from 26.9% in the second quarter of last year. And similarly to last quarter, this decrease was primarily driven by a reduction in G&A, as a result of the measures that we implemented to mitigate the impact of tariffs.

As I mentioned earlier, this focus drove a **non-GAAP operating income of $230 million, up 19% year over year and a non-GAAP operating income margin expansion of more than 200 basis points**.

Moving to Cash. Cash flow continues to be strong. We generated approximately $230 million in cash from operations, 100% of operating income, and ended the quarter with a cash balance of $1.4 billion. We returned $340 million to shareholders in the quarter through dividends and share repurchases, and consistent with our capital allocation priorities.

Now looking ahead, as Hanneke pointed out, we are monitoring two pockets of uncertainty:

- The US consumer market, particularly in gaming;
- And the overall macro environment, particularly around tariffs, export restrictions, global trade dynamics and inflation.

Now nonetheless, we are expecting the overall topline trend to continue to be positive and roughly in line with the performance year-to-date. **Net sales** in the third quarter are expected to grow **1% to 4% year over year** in constant currency, with a gross **margin rate between 42% and 43%.** And **non-GAAP operating income** is expected to be between **$270 million and $290 million**.

This outlook contemplates tariff levels for the third quarter to be unchanged from the current structure. And we anticipate again that our pricing actions and continued diversification efforts will offset the negative impacts of these tariffs.

So, while there is a level of uncertainty in the US market, we will continue to manage the business with diligence, generating strong levels of operating income and cash from operations.

So, I want to thank once again our teams across the globe for their dedication and flexibility.

And now David, I think we can open the call for questions.

Q & A Section

David Connell | Moderator
Thank you, Matteo. And now our first question from Asiya Merchant from Citi.

Asiya Merchant | Citi
Great, great. I hope you can hear me. All right. Wonderful. Good results here, guys. Just if you can double down a little bit on the US consumer uncertainty that you are talking about - specifically gaming, what have you seen? Has that been a function of any of the price increases that you put through? And when you talk about Americas improving as the quarter progressed, was that a function? Is Gaming part of that? If you can just double click on that and then just given the fact that sell-through was so much better than sell-in, why should we have like more seasonal or maybe more like mid-teens, mid-to-high teens kind of guide that you guys are talking about. Thank you!

Hanneke Faber | Chief Executive Officer
Yeah, thanks Asiya. So, there's a couple of pieces in that question. Appreciate it. Maybe, first on the markets overall, we saw continued strong markets around the world on the work side of our business. So, Video Conferencing and Personal Workspace really. Markets were strong and growing everywhere. In Europe and in APAC, the gaming market also continued to grow. But in the Americas it was a little bit more mixed. Again, VC and PWS were really solid marketwise. But the gaming market in Q2 declined to mid-single digits. And the reasons for that decline can be debated. But I think what's more important is that we are cautiously optimistic that the gaming market will recover and be back to growth in the holiday quarter for a number of reasons. First of all, we saw the trends improve as the quarter progressed in Q2. There have been some game releases early in Q3, notably Battlefield 6, which is the type of game that really plays to our strength and is off to a really good start. And then we have an excellent innovation bundle and some targeted promotions where needed to continue to grow the business. So, I think, again globally markets are actually quite strong, North America gaming a little softer. And, by the way, in the global context, our competitive share performance in Q2 was also very strong. So, all in all good momentum and cautiously optimistic that that spot of North American gaming will be better during the holidays.

Asiya Merchant | Citi
Yeah, go ahead. No, no, go ahead please.

Matteo Anversa | Chief Financial Officer

Unpacking a bit the second portion of your question on the outlook. So, the way I think I would describe it is we think it's a reasonably fair balance between the underlining strong performance that the business continues to have as you've seen in the results that we posted earlier today, with some of the litany of uncertainties that Hanneke talked about in her prepared remarks. So when you look at it by region, basically we are expecting Asia Pacific to continue to perform extremely well with double digit growth. China keeps doing extremely well. We have 11-11 coming up here in November. So, we are expecting strong performance on gaming. So, Asia

Pacific will continue to perform in line with the last couple of quarters. Similar thing for EMEA, we are expecting a low to mid-single digit growth in constant currency in Europe as well. So, the bookends of our outlook is really around what's going to happen in North America with the US consumer to Hanneke's point earlier.
And here if you look at the low end of the outlook, it assumes a North America that continues to be slightly negative year over year in terms of net sales like we have seen in the first six months of the year. While the high-end of the outlook assumes a strong holiday season, strong consumer and North America actually turning, flat to slightly positive. So these are the bookends of the outlook that we provided today.

Asiya Merchant | Citi
And was any of that an impact of prices that you put through, price increases that you put through?

Hanneke Faber | Chief Executive Officer
Yeah, I think mostly, our brand and our product, both of which are, we believe, quite superior, protected us to a large extent from impacts of the pricing, I would say in general in higher priced and premium products as well as our B2B portfolio, we saw very little to no impact of the price increases. Where we did see some impact was on entry priced products and even there probably a little bit more so on entry priced in Gaming than in PWS. And we are actively managing that with targeted promotions.

Asiya Merchant | Citi
Okay, thank you.

Matteo Anversa | Chief Financial Officer
Thanks Asiya.

Moderator
Thank you. Our next question comes from Erik with Morgan Stanley. Erik.

Erik Woodring | Morgan Stanley
Great. Thank you, guys, for taking my question. Maybe just following up on Asiya's question there, just if you could maybe touch a little bit more on the consumer response to higher prices. And really what I'm trying to get at is - you talked a little bit about B2B pull forward in the June quarter. What type of behavior did you see kind of prior and then after pricing increases in the US that maybe informs you about the consumer and how you are or what are the assumptions that you're making into the December quarter as it relates to pricing and kind of the elasticity of pricing. And then a quick follow up please.

Hanneke Faber | Chief Executive Officer
Yeah. So again, on the B2B side, very little impact with the exception maybe of some timing impact where you know, again we saw a little bit of pull forward in our Q1, but demand wise, very little impact. Same thing on the premium end of the portfolio, very little impact. I think the

US consumer at the high end is in good shape. A little bit more impact on the lower end. That's not unexpected. And again, that got better during the quarter. So overall we're really pleased by the fact that we took pricing early and you see what that does to our gross margins where we were able to offset the entire impact of tariffs by pricing and cost reductions.

Erik Woodring | Morgan Stanley
Okay. And then quickly as my follow up, Hanneke, or maybe it's better for Matteo as well, or maybe both of you - can you talk about how Logitech is thinking about M&A today and if there's any difference from what you outlined at your analyst day back in March. I only ask - we haven't seen it. I don't think anything has necessarily materialized over the last, let's call it six or seven months. And so is that just a function of better uses of cash? Is it a function of valuations? Is it a function of the opportunity set? I would just love your feedback there. And that's it for me. Thank you so much guys!

Hanneke Faber | Chief Executive Officer
Yeah, thanks Erik. No change, I'm afraid versus AID. So, our top priority for capital allocation is investing organically in the business and that's definitely what we're doing. Second priority is making sure we get a dividend every year. Third priority is M&A, and we are actively out in the market and looking for the right targets, but they have to be strategic, and they have to make the boat go faster. And we're looking at lots of things, but I'm going to be very careful. I want things that make the boat go faster and those are not so easy to come by. And then our last priority when it comes to capital allocation is share buybacks because we also don't want a lazy balance sheet. And you saw us returning a lot of cash to shareholders in the quarter, mostly through the dividend in Q2, but also through some buybacks.

David Connell | Moderator
Okay. Thank you. Our next question comes from Alek Valero with Loop Capital. Alek.

Alek Valero | Loop Capital
Hi. Thank you for taking my question. This is Alek on for Ananda. So just back to gaming in the Americas. Can you speak about how and when do you think the Americas, I believe you said, entry level gaming can normalize the higher ASPs.

Hanneke Faber | Chief Executive Officer
Yeah, again we saw trends improving throughout the quarter and in America we haven't taken price increases in a long time, so we don't have a lot of history. But we have taken on price increases in other markets around the world over, last, in recent times and you tend to see a bit of an impact in the first quarter after. So that is no surprise. And again, we were pleased to see the impacted parts of the portfolio trends improving throughout the quarter.
And as Matteo outlined, exactly when that will normalize is a little hard to tell, which is why we have a range for Q3 and the bookends of those assume either it normalizes faster, or it takes a little bit longer. But overall, we're confident that it will normalize.

Alek Valero | Loop Capital

Awesome. Thank you for that. Just a quick follow up. I believe I recall you mentioning that the B2B, B2B is going to layer in over time. Can you speak to what the mix is today in terms of business to consumer and where does it go from here?

Hanneke Faber | Chief Executive Officer
Yeah, so Logitech for Business, which includes VC headsets and Personal Workspace sold into the enterprise channel is about 40% of the business. And that's creeping up but very slowly overtime as we doubled down on that, and we are pleased in Q2 it was again a strong quarter for Logitech for Business. You saw the VC sales were up with double-digit demand growth, and we like - there's a lot of things we like about Q2 and Logitech for Business - but I would say what I like particularly, we saw disproportionate growth in higher ASP, more premium solutions, including the exciting new *Rally Board 65* video conferencing mobile solution which is proving to be very popular. We continue to strengthen our go-to-market capabilities. We launched CPQ - Compare Price Quote in the quarter, which is really helping us quote faster and deliver better service to our customers. And the education vertical continues to do very well in the quarter. So, lots to like there, and we'll continue our focus on Logitech for Business.

Alek Valero | Loop Capital
Thank you very much. Very helpful. Congrats on the quarter.

Matteo Anversa | Chief Financial Officer
Thanks, Alek.

Moderator
Okay, our next question comes from Samik Chatterjee with JP Morgan. Samik.

Samik Chatterjee | JP Morgan
Hi. Let me check first. Can you hear me?

Matteo Anversa | Chief Financial Officer
We can hear you.

Samik Chatterjee | JP Morgan
Okay, great. Thank you. Maybe Hanneke and Matteo, what are you hearing from your distribution partners in terms of promotional activity that they want to really sort of ramp into the December quarter? I know you mentioned 11-11 as well in China, just in relation to previous years. What are you seeing in terms of intentions from retailers for promotional activity and maybe how does that influence the gross margin guide material that you outlined for the next quarter? Particularly when we compare it to the slight moderation we had seen last quarter when going from Q2 to Q3. So last year. I mean, sorry. And I have a follow up.

Hanneke Faber | Chief Executive Officer
Yeah, I'll let Matteo comment on the gross margin guide for the for the next quarter in terms of what we're hearing. I've been out in the market quite a bit here in the US and in Canada in the

last few weeks talking to customers, consumers, to some of our partners. I would say they're also optimistic on the holidays. They want to be sure that our premium offerings look really great. And if you go into a Best Buy or in Europe into a Media Markt, you'll see fabulous execution. I think of the *McLaren Collection* and the *MX Master 4*, which is a beast. They also want to be sure that we together offer great value on the low end of the portfolio. So, both in Europe and the US you've seen us in the past quarter do a little bit more promotion there. And I would say that kind of mix of great visibility of the high-end and targeted promo on the low-end will continue into Q4. And that's important. I meant Q3, sorry. That's continuing. That's important not just in the U.S. but also in Europe where we need to do a lot of blocking and tackling versus low-end Chinese competition, which for obvious reasons is more active in Europe now than last year.

Matteo Anversa | Chief Financial Officer
So, Samik, let me unpack to you the gross margin a bit. I think the best way to think about the third quarter is almost looking back at the second as the story is actually pretty similar. We've been now for quite some time pretty surgical on promotion. And really, to Hanneke's point, really spend the money very carefully where we think it is needed. And that's exactly what happened in the second quarter. And that's what you can expect us to do also in the third. So, if you look at the gross margin rate in the second, we're basically flattish year over year. As we said in our prepared remarks, our pricing actions completely offset the impact of tariffs. Then we had the team, the operating team did a marvelous job in continuing to work on product cost reduction while they were also concurrently working on the manufacturing diversification. And this gave us about 100 basis points of margin expansion year over year, which was offset by slightly higher promotion to Hanneke's point that she just described. And then last quarter, if you recall, last year we had the release of inventory reserves, which did not occur this year, that put about 100 basis points pressure year over year on the gross margin side. But this was offset by the positive effects due to the current exchange rate, primarily EUR to USD. So that's the breakdown of the second quarter.

So, if you look at the third quarter, actually the story is going to be, we are expecting, this to be very, very similar. So, we will continue to work on product cost reduction. So that should help us offset a little bit more of the promotional spend that you normally have in the third quarter being the holiday quarter. And then prices will continue to offset the impact of tariffs. So that's how we layered out the outlook of 42% to 43% that we described today.

Samik Chatterjee | JP Morgan
Okay, okay, got it. Thanks for that. Maybe just for my follow up, for the OpEx run rate that you're managing the business to fairly… looks fairly disciplined and you're managing it with a lower OpEx envelope year over year. I mean, obviously the business is still growing. So, what are the areas you're sort of making those trade-offs on and whatever are you finding those efficiencies to keep the OpEx envelope this tight at this point?

Matteo Anversa | Chief Financial Officer

Sure. So, starting at a high level with the numbers, right. We outlined even at the investor day that our objective is to have OpEx in the range of 24% to 26% of net revenue. Right. Last year you saw us maybe more on the higher end of this range. And this year so far we've been a bit on the lower end. And that's fundamentally driven by some of the measures that we took in light of tariffs to control some of the cost. And here we need to be very clear that, as we did also in the first quarter, most of these cost control actions were centered around G&A, so the typical blocking and tackling that you would expect a company to do on G&A. Control the contractor cost, pausing hires of people that are not related to R&D or Sales and Marketing, and travel control this kind of stuff. So that's really where the focus has been. So really trying to curtail the cost on G&A, but at the same time take these savings on the G&A side and then refund back into the growth of the business, which for us means R&D and then Sales and Marketing. And that's what you should expect, you should expect us to continue to do in the next couple of quarters.

Samik Chatterjee | JP Morgan
Great, thank you. Thanks for taking my questions.

Matteo Anversa | Chief Financial Officer
You bet.

David Connell | Moderator
And with that, our next question goes to Didier with Bank of America. Didier.

Didier Scemama | Bank of America
Yeah, thanks for taking my question. I've got a couple maybe first maybe for Matteo, Hanneke, whoever. I'm just wondering, I think you touched on it a little bit, but how should we think about the marketing spend in the holiday season? Because I can think like some, you've got some sort of tailwinds from FX. You've got also a sort of difficult consumer environment or slightly more difficult consumer environment in the US or you would want to use that FX tailwind maybe to invest in the US. At the same time you also have a channel that is very lean. So, I just wonder how you should think about that?

Hanneke Faber | Chief Executive Officer
Yeah, so we feel good about inventories ahead of the holidays, both in the channel and our own inventory level. So, they're healthy, we have enough, we don't have too much. It's, it's all good. The way, if I look at overall OpEx again, Matteo said it just now, we had a great quarter in terms of OpEx, 24.4%. That's I think 240 basis points down versus last year. So that's a really great discipline that was focused on G&A where we're super purposeful and just tight.
R&D was virtually unchanged in Q2, and we're going to continue to invest there. That's our bread and butter. And then to your point, marketing was also in Q2 close to last year. I think what's important to note there is that the effectiveness of our marketing spend globally continues to improve. We're shifting money from non-working producing stuff to working, which is in general much better. And we're also strengthening our marketing capabilities. I've mentioned China before, but in China we are really rocking it in marketing.

And in fact, just last week at China's big marketing ROI festival, there were 2,400 entries for best marketing ROI, and we were one of only 11 gold award winners. So, it just shows the strength of our marketing team and how we've modernized marketing. We're getting more bang for the buck in marketing, and I expect that to continue in Q3. And we won't hesitate to lean into either R&D or Sales and Marketing spend if we think it can accelerate the top line.

Matteo Anversa | Chief Financial Officer
For modeling purposes, remember the third quarter OpEx as a percentage of net sales tends to be a little lower just because it's the biggest quarter of the year. So that would imply a sequential increase - to Hanneke's point - both overall in OpEx, and the increase will be primarily in R&D and Sales and Marketing. So that's what you can expect.

Didier Scemama | Bank of America
Perfect. Thank you. And the quick follow up is on the China for China strategy. I think in last quarter you sort of mentioned that there was a pivot in the competitive positioning of Logitech. You were starting to gain share after several quarters of a difficult, let's say competitive environment for the company. So maybe can you elaborate a little bit more on the products you've introduced, the price points you're hitting, and where you've encountered the greatest success?

Hanneke Faber | Chief Executive Officer
Yeah, happy to do that. So again, China had an -- we don't break it out, but you've seen the APAC numbers, and China was ahead of those APAC numbers. We continue to hold the number one share actually in Q2 - PWS share now grew for the entire quarter, which we have. I haven't seen it since I've been at Logitech. So that was great to see. And Gaming share for the quarter was still slightly down, but the trends are improving. So that's good to see. That's driven by the marketing I just mentioned, where the team is doing a great job versus even a year ago, and by innovation. So, our global innovations are working well in China, but we've also invested in China for China innovation. Say the most exciting thing we launched in Q2 was a new gaming keyboard, the G316, just for China. Really cool and unique RGB lighting, retro vintage display, and of course all the cool performance stuff, 8KHz et cetera. That is doing very well. That's actually on the medium, I would say the lower medium end of the price range, which is an important part in China to really go big on. Still great margins. The team has done a great job designing and building that in China, and you'll see that type of innovation more and more of it going forward. But super excited about the momentum we now have in China in a fast-growing market as well.

Didier Scemama | Bank of America
Thank you.

David Connell | Moderator
Okay, our final question will come from Michael with Vontobel. Michael.

Michael Foeth | Vontobel

Yeah. Hi. Good to see you all. You actually answered just all my questions on China just now. But I have two small follow-ups. One is on the channel inventories. You said channel inventories are quite lean. You're happy with inventories. Is that the same dynamic across all regions or are there any differences across the regions? And can you tie that also maybe with the numbers you showed on sell-in and sell-through? And the second question would be just on Gaming. Could you give a bit more color to the different sub-segments in gaming simulation, console and PC gaming? I mean, you mentioned PC gaming being very strong, but what about the other categories? Thank you.

Hanneke Faber | Chief Executive Officer
Why don't I take the gaming and then you can comment on the inventory. So yeah, we talked a lot about gaming in the US, but maybe if we zoom out. Gaming globally again continues to be really strong with net sales up 5% and demand up double digits, driven by very strong, again double digit sales growth in our number one market, which is China. When we look at the different parts of the business, Michael, we're seeing continued strong demand at the top end. So, Pro was up more than 25%, SIM was up more than 10%. So that's really great. And again, we continue to block and tackle in the lower end of the portfolio, which is also important, which also saw solid growth. But the kind of disproportionate growth is coming from the top end of the gaming business. Again, excited for the short term on gaming with things like the Super Strike and the McLaren Collection. I'm very excited about the mid- and long-term prospectus in gaming.

Matteo Anversa | Chief Financial Officer
And Michael, on your question on the channel inventory, we feel the channel overall across all our regions is in a good spot. When we look at the weeks on hand, it's in the range where we wanted this to be. It's important not to confuse with, we had a little bit of a channel inventory dynamic in B2B in VC actually last quarter. That's why you saw in the first quarter the selling of VC outpaced the sell-through. And now the reverse happened in the second quarter. But that's a dynamic that has been fixed here in the last six months. So, overall we are pleased where the inventory is. And overall if you look at AMR, that's where you have the biggest discrepancy. The sell-out outpaced the sell-in a bit, which is a positive sign as we enter into the third quarter and the earlier season.

Michael Foeth | Vontobel
Perfect. Thank you.

Matteo Anversa | Chief Financial Officer
You bet.

Hanneke Faber | Chief Executive Officer
Thank you. Great to see you, Michael.

David Connell | Moderator
We do have. Oh sorry. We do have one more question from Martin with BNP. Martin.

Martin Jungfleisch | BNP Paribas
Two quick follow ups. My first one is really on the strength of keyboard and mice. Would you say that it is Windows 11 - a refresh driven or is it more a post-covid refresh? So, well, none of those, those two. That's the first question.

Hanneke Faber | Chief Executive Officer
Yeah. Oh, sorry, go ahead, go ahead for your second one.

Martin Jungfleisch | BNP Paribas
Oh yeah, the second one is more for Matteo, I would say, just on the tariff headwind I think. Was it the 200 to 300 basis points that you were expecting that you saw in the third quarter and then also going forward as you exit the - or slowly exit the China to US business, should we actually see that headwind ease over the next couple of quarters?

Hanneke Faber | Chief Executive Officer
Yeah, maybe. I'll take the PWS one first. And thanks for noticing that. Really great results in keyboards and combos and mice. Some people think those things can't grow, but as you can see, they can grow. What were the drivers? I'd say the first driver was again the premium end of our portfolio. So, MX and Ergo are doing extremely well, both with double digit growth in the quarter and again that MX Master 4. A lot of pent up demand for it, entire subreddits dedicated to it before launch. Just a lot of excitement on that launch. Then we're seeing continued excellent execution in store and online on our core keyboard and mice business. And to your question, is this linked to the Windows 11 refresh. We've always said it. I don't think our growth, we know our growth is not directly tied to any PC sales trends. And historically peripherals have always grown a couple of hundred basis points ahead of PC sales. But it can't hurt. And we're always very focused on attached programs in store and online.
When you buy a new PC, we also hope you will attach one of our peripherals. And of course, with some of the excitement about the Windows 11 refresh and the AI PCs that gives us more attach opportunities. So, I would say that's a mild tailwind, but the real growth comes from our premium portfolio.

Matteo Anversa | Chief Financial Officer
So, Michael, let me - Martin, sorry, let me talk about the other question. So, the - so if I rewind the tape a little bit. Right. So, in the last earnings call we said that we were expecting the tariff impact to be about 200 to 300 basis points offset by 200 basis points of price. So, we were expecting the net impact all in, including the diversification action and price to be between 0 and 100 basis points negative for the gross margin for the quarter. What in reality happened is as we mentioned in the prepared remarks, we were able through and were able to offset the entire impact of tariffs. It's about 150 basis points each. So, the impact of tariff net of diversification was 150 basis points pressure to the gross margin and price was a lift of 150 basis points. So net we were able to offset entirely. And really that's driven by three key things. Number one, the continued work that our supply chain team is doing on manufacturing diversification, which is now trending in line with plan. The price actions that we took in April and then supply chain

management - really they're doing a fantastic job in managing inventory and they were able, as we said in prior calls, to pull in some of the inventory, some of the purchases ahead of new tariffs being placed. So, we were able to mitigate some of the impact of the tariffs. So, this 150 basis points dynamic, that's what I would expect also to happen in the third quarter. So, 150 basis points impact on tariffs offset by price, assuming obviously the tariff structure stays as it is currently.

Martin Jungfleisch | BNP Paribas
Great, thank you very much.

David Connell | Moderator
And now we have no further questions.

Hanneke Faber | Chief Executive Officer
Great. Well thank you all. It was great to see you all. Looking forward to seeing you in the follow ups and thanks for being with us today. Have a good week.

Exhibit D

Transcript – Q3 FY'26 Earnings Call

Nate Melihercik | Global Head of Investor Relations

Good afternoon and good evening. Welcome to Logitech's video call to discuss our Financial Results for the Second Quarter of our Fiscal Year 2026. Joining us today are Hanneke Faber, our CEO; and Matteo Anversa, our CFO.

During this call, we will make forward-looking statements, including discussions of our outlook, strategy and guidance. We are making these statements based on our views only as of today. Our actual results could differ materially as a result of many factors. Additional information concerning those factors is available in our most recent Annual report on Form 10-K and any subsequent reports on Forms 10-Q and 8-K, which you can find on the SEC's website and the Investor Relations section of our website. We undertake no obligation to update or revise any of these forward-looking statements except as required by law.

We will also discuss non-GAAP financial results. You can find a reconciliation between GAAP and non-GAAP results and information about our use of non-GAAP measures and factors that could impact our financial results and forward-looking statements in our press release and in our filings with the SEC. These materials as well as the shareholder letter and a webcast of this call are all available at the Investor Relations page of our website. We encourage you to review these materials carefully. And unless noted otherwise, references to net sales growth are in constant currency and comparisons between periods are year-over-year. This call is being recorded and will be available for a replay on our website.

I will now turn the call over to Hanneke.

Hanneke Faber | Chief Executive Officer

Thank you, Nate, and welcome everyone.

During the third quarter, we delivered another period of strong financial performance.

With the exception of pandemic peaks, we drove record non-GAAP operating income and earnings per share.

Very strong non-GAAP gross margins once again underscored the quality of our portfolio, the strength of our brand and innovation, and our unique operating discipline.

And topline growth of +6% in US $ and +4% in constant currency was broad-based - across regions, channels, and categories.

These strong third quarter results were driven by our strategic priorities.

First, Superior Products & Innovation.

At the end of September, we launched the *MX Master 4*, the next generation of our flagship mouse.

It is selling at record levels - it sold more units in the first month following launch than any other personal workspace mouse in Logitech history.

In Gaming, we delivered winning news across price bands. The premium *PRO X Superlight 2* mouse was a top-performing new product in the quarter. We also had strong demand for the new entry level China-for-China *G316* gaming keyboard, which helped drive market share gains in China.

And AI now plays a critical role when it comes to superior Video and Audio innovation.

We are well beyond AI proofs of concept and experiments - we are shipping AI products globally, at scale.

In Q3, those included both AI-powered devices like the Rally Board 65, Sight VC camera and the Zone 2 Wireless headsets, and AI-enabling devices like the Spot sensor.

And just last week, we announced the Rally AI camera and the Rally AI Pro, our smart new VC solutions for large rooms like Board rooms, auditoriums and class rooms.

None of these products are ‘AI for the sake of AI’.

These are products that solve real user needs. And that shows in their popularity in the market.

Our second strategic priority driving results was ‘Doubling Down on B2B’.

Logitech 4 Business demand significantly outpaced B2C demand in the third quarter, driven by strength in Video Collaboration and our Education Vertical.

Third, we executed with excellence around the world.

The December quarter was the first in Fiscal Year '26 with positive year-over-year net sales growth and increased demand across all three major geographies.

Around the world, our teams excelled with great holiday in-store execution and terrific social-first digital brand-building campaigns.

Finally, our performance underscored our unique Operational Excellence.

Product cost reductions, targeted pricing actions, and FX offset tariff headwinds and strategic promotions, and drove a strong non-GAAP gross margin of 43.5%.

Importantly, we continued to drive manufacturing diversification. As committed, we successfully reduced the percentage of U.S. products manufactured in China from 40% in April, to less than 10% by the end of December..

And we maintained strong cost discipline across the company, highlighted by non-GAAP General & Administrative expenses, which were down 7% year over year.

Looking ahead,

We live in a dynamic world, but there is still so much opportunity for Logitech to grow. One of the opportunities I am excited about lies in leveraging the existing global PC footprint to drive continued growth.

Consider that, of the 1.5B PCs in use today around the world, less than half have a mouse attached.

And less than 30% of PCs have an external keyboard.

Taken together, the PC installed base represents over 1.8B opportunities to add peripherals, and upgrade users to enjoy vastly superior productivity and comfort.

We warmly welcome the tens of millions of new PCs sold each quarter, but believe the existing base remains the far greater prize.

With that, Matteo, I'll hand it over to you to cover the financials in more detail.

Matteo Anversa | Chief Financial Officer

Thank you, Hanneke, and thank you all for joining us on the call today.

The team delivered a solid quarter, demonstrating a continued focus on profitability and growth. Non-GAAP operating income reached $312 million, reflecting a 17% year over year increase, alongside a 220 basis point expansion in profitability.

Our strong P&L performance, combined with disciplined management of working capital, resulted in exceptional cash flow generation of approximately $500 million, a 30% year over year increase.

Let me walk you through the key financial highlights of our third quarter.

Net sales were $1.4 billion, up 4% year over year in constant currency. This growth was driven by strong demand and represents our eighth quarter of consecutive topline growth.

More specifically:

Personal Workspace net sales increased 7% with 9% growth in Pointing Devices fueled by the launch of our MX Master 4 as well as double-digit growth in Tablet Accessories.

Video Collaboration net sales grew 8%, with double-digit growth in EMEA and Asia Pacific, driven by continued sales strength of our AI-enabled Rally Board 65. As we indicated in the past, the B2B nature of this business tends to be lumpy quarter to quarter but the long term trajectory of the business has strong momentum.

Gaming net sales grew 2% driven by double-digit growth in Asia Pacific, while Americas and EMEA declined single digits due to market contraction.

Geographically:

Asia Pacific led the way with 15% year over year growth, driven by double-digit growth in Gaming, Video Collaboration, and Tablet Accessories.

EMEA grew 2%, due to double-digit growth in Video Conferencing, as well as solid growth in Keyboards & Combos.

And the Americas reversed the negative trend of the past couple of quarters with the U.S. returning to modest growth, with Pointing Devices up double-digits, offset by Gaming.

On the profitability side, our non-GAAP Gross Margin rate was 43.5%, up 30 basis points from the prior year. We were able to expand the gross margin rate despite a challenging tariff environment. Similar to last quarter, the negative impact of tariffs was entirely offset by our pricing actions and continued manufacturing diversification efforts. Product cost reduction and favorable FX, more than offset increased promotional activity in the quarter.

We maintained strong Operating Expense discipline. Non-GAAP Operating Expense was $306 million, a decline of 2% year over year. This decrease was primarily driven by a reduction in G&A, as a result of the measures we implemented to mitigate the impact of tariffs. It is important to note that if we normalize for the bad debt expense we recorded in the prior year period, non-GAAP Operating Expenses would have increased approximately 2%, while delivering 70 basis points of leverage.

Finally, cash flow was extremely strong in the third quarter. We generated approx. $500 million of operating cash flow, 1.5 times operating income, thanks to efficient inventory management, strong collections and profitable growth. Our cash conversion cycle improved by 18%, down to a highly efficient 27 days. We maintained a very strong balance sheet, ending the quarter with a cash balance of $1.8 billion.

As we look ahead, we are closely monitoring external dynamics including geopolitics, tariffs and consumer confidence. While the backdrop is mixed, we believe Logitech is exceptionally well positioned, and this confidence is reflected in the outlook we are providing for the coming fiscal quarter.

Net sales in the fourth quarter are expected to grow 3% to 5% year over year in constant currency, with a gross margin rate of approximately 43% to 44%. Non-GAAP operating income is expected to be between $155 million and $165 million, up 20% at the mid-point.

As a result, we expect to close FY26 above the long-term model targets for non-GAAP gross margin and non-GAAP operating margin that we outlined at our Analyst and Investor Day last year.

Our performance underscores the durability of our model and our consistent ability to convert profit into cash and generate compelling returns on invested capital.

As we transition into this new calendar year, we remain confident in our ability to execute at a high level as the environment evolves.

I want to thank our teams for their dedication and flexibility.

With that, let's open the call for your questions.

Q&A

David Connell | Moderator

Thank you, Matteo. Our first question comes from Asiya with Citi.

Asiya Merchant | Citi

Great. Both well, there's just so many macro factors. I mean, obviously, memory affecting PC demand. Hanneke, you talked about the installed base. Just if you can walk us through what gives you this confidence relative to your long-term target model that you guys have laid out about the growth looking ahead, not just through March, but you're now approaching the end of fiscal '26 into fiscal '27. Just some commentary that you could share on that. And one for Matteo while I can.

Just on the gross margins, I mean, they just continue to upside representing really strong execution here. Just as you think ahead, given the macro backdrop and concerns around consumer spending, how should we think about gross margins going forward?

Hanneke Faber | Chief Executive Officer

Yes. Thank you so much. Overall, it's too early to discuss fiscal '27. But I would say we're really encouraged by the momentum of the business around the world. This year, as Matteo said, we're going to deliver at the high end of our long-term model.

And we're expecting that our team will continue to deliver with excellence. This is a company for all seasons. A lot of things were thrown at us this year, we expect that we can continue to work well in the year ahead. Let's -- let us touch actually on memory and on PC potential.

So overall, what I would say is we don't believe we will be materially affected by both of those factors and let us unpeel that a little bit. In terms of memory availability, the vast majority of our portfolio is not impacted by the current tight memory availability. We simply don't use those chips in most of our portfolio.

Only our video conferencing products and only a portion of our video conferencing products are impacted by the memory availability issues. And we believe we are mitigating those impacts in fact. So from a supply point of view, we've seen this coming, and we've taken proactive steps to ensure supply.

So we don't foresee a supply impact in Q4 nor in the first half of our next fiscal year from the memory availability issues. There may be a modest cost impact. But as you've seen, we're really good at mitigating cost impacts through cost reductions and through targeted pricing if needed. So that's on memory.

On PCs, you've seen our great personal workspace results in this quarter, high single-digit growth. We grew share 120 basis points in PWS, and we believe our peripherals business, in general, continues to have excellent growth opportunities, whatever the environment. Our data shows that if you take out the 2 years of COVID, which were crazy, over a 10-year period, we grow 300 to 500 basis points ahead of PC sales. And why is that?

It's because the peripheral market is relatively immature around the world on that big installed base of 1.5 billion PCs. Plus less than half of people use a mouse, and less than 30% use an external keyboard.

And they're basically leaving productivity and comfort on the table. And so that installed base opportunity, combined with trading up, people who are in the category is a far bigger opportunity, like far bigger opportunity for us, than just attaching to new PCs, which, of course, we'll continue to do. But our growth over the years has come from penetrating that installed base of PCs.

So that's what we will continue to do, and we're confident that we can continue to grow the peripheral business as we have. Sorry, it's a bit of a lengthy answer, but I know it's on many people's minds. So thanks for asking.

Matteo Anversa | Chief Financial Officer

Maybe Asiya I will address your gross margin question. So first of all, let me say, I appreciate your comments also on behalf of the team because I really agree with you. I think the team has done a fantastic job.

If you take a step back and we use just the midpoint of the outlook that we provided today for the fourth quarter, that implies that we will close the year with a gross margin rate around 43.5%, which is pretty much flat to fiscal year '25.

And so the ability of the team to deliver this outstanding result in spite of all the tariff environment that we discussed throughout the fiscal year, I think it's pretty remarkable. And so I think the -- it's way too early to talk about fiscal year '27, but I think the foundation of this gross margin and our ability to maintain the gross margin to this level, I think the foundation is there.

And what I mean for foundation, really, I'm referring to a couple of key aspects. Number one, our fantastic brand and the pricing power that this gives us. Number two, the continuous work that the team has been doing on innovation. We'll talk a little bit in the prepared remarks, another tremendously successful launch with the MX Master 4, just as an example.

So that's really the engine of the company. And third, the continuous work that we are doing every year on product cost reduction through value engineering and supplier negotiation. So that's really, to me, the foundation of what we are doing, and that's here to stay.

Now, with that being said, obviously, we are all seeing commodity prices going up. We are seeing the cost of components going up. So we will have to factor all these components when we discuss in the next earnings call about '27, but I think the foundation and the execution of the team is there, and that's what you can count on us to deliver also next year.

David Connell | Moderator

Okay. Our next question comes from Joern from UBS.

Joern Iffert | UBS

And hello, everybody. I would ask two questions if it's okay, and then I go back in the queue. The first one is, I mean, you elaborated on your resilience and more volatile PC markets, but do you have some data for the attachment rates on mice and keyboards, where this has stood 5 to 10 years ago?

Just to compare a little bit the trend changes of rising attachment rates, which potentially was helpful for the PC unit outperformance?

And the second question would be, please, on gaming. Isn't this a little bit concerning that the U.S. and Europe are now seeing decline in gaming markets. Gaming is one of your key growth drivers. What are you doing against this strategically for the next 12 months to bring this back to growth? And also, if you see some details, was PC gaming down or was it mainly driven by simulation and headsets? Some more details here would be appreciated.

Hanneke Faber | Chief Executive Officer

Let me take the gaming question first and then maybe you take the attach question Matteo, if that's okay. So on gaming, first of all, another quarter of good global Logitech Gaming growth, 2% up. Demand was higher than that. And as you saw, that's really driven by our outstanding performance in the world's biggest gaming market, China.

We gained past-3-months share across gaming mice and keyboards in China. That's the first time since I can remember and since I've been here. So that's great. We delivered strong double-digit gaming growth there in terms of net sales.

And I think what's important, and that's important for the rest of the world as well, is we're winning at the top end with Pro and we're winning at the entry level. With the China-for-China innovation, the most important one that came out this quarter was the G316 keyboard, a mechanical keyboard for gaming. That's doing very well as well.

So it's important that we cover both ends of the market. In the U.S. and Europe, we held share in a declining market indeed in the quarter. What's good to see there is that our U.S. share stabilized after a couple of quarters where share was a little soft as we took pricing, first implementing it and then getting the consumer to get used to it. So it's good to see it stabilize.

And the other good thing there is that we're seeing great growth on the top end of our business, so both Pro and SIM are growing double digits in the U.S. and Europe. Now to your question on the gaming market, the markets in the U.S. and Europe have been pretty soft. We believe that's temporary, and we can discuss the causes, but they're probably part economics, part game release related.

And in that context, we think we've prepared ourselves really well for the year ahead. So when it comes to economics, there clearly is a bit of a K-shaped economy. When I meet gamers in the U.S. and Europe, they are a little more choiceful in terms of what they spend money on.

So what we've done for the year ahead is really thoughtfully designed our portfolio to win at the top end because there's a lot of gamers who do have money, but also to win at the entry level. Just like we've done in China already. So that is one.

And then second, in terms of gaming title releases, again, they've been a bit more muted in the West than they have been in China, and gamers in the U.S. and Europe that I speak to are saying, well, I'll just wait and see a little bit till GTA 6 and some other new releases come out. So they're sitting on their money.

But fortunately, our business, again, doesn't depend on a single game alone. And for big existing games, whether it's Call of Duty or League of Legends or Valorant, you need the best gear. So we're excited. SUPERSTRIKE is coming out, start shipping here in a couple of weeks. That is a step change in competitive performance for FPS games, existing FPS games.

And again, I think that will position us really well to continue to gain share whatever the market does in gaming. Again, sorry, a bit lengthy, but I know it's on many people's minds.

Matteo Anversa | Chief Financial Officer

So Joern, the -- so let me start. Overall, if we look at - take about 10 years' worth of data - and normalize for COVID, generally, the sale of our peripherals outpace PC sales by about 300 to 500 basis points on average.

So with that being said, though, I go back to Hanneke's point, the biggest opportunity for us is really on the installed base, where of all the PCs out there, less than half have a mouse and less than 1/3 have a keyboard.

And that's really where in a way, the focus has been. And actually, if you go back in history. The vast majority of our sales really comes from the increase in the attach rate to the installed base versus new PCs to Hanneke's point in her prepared remarks. We also like, obviously, the new PC sales, but that's where the focus is.

Hanneke Faber | Chief Executive Officer

And I think Joern you were asking, do we know attach rates to new PCs in the past. We know what they are today. They're actually fairly low, somewhere between 9% and 14% depending on the type of master keyboards.

So they're relatively low. We don't have that historical data. But given how low they are, there was an opportunity, obviously, going forward to go up, but they cannot have been that much lower in the past.

David Connell | Moderator

Okay. Our next question will come from Erik Woodring with Morgan Stanley. Erik?

Erik Woodring | Morgan Stanley

I just wanted to circle back on just a PC question, Hanneke. The 300 to 500 basis points of outperformance versus PC sales. Just a clarification, is that versus PC revenue or PC units. And the only reason I ask is, if you look at, for example, IDC forecast, the variability between PC sales may be flattish versus PC units potentially down 5% to 10%.

What makes the difference between -- again, if we use that kind of historical context – the business growing versus declining? So just a clarification on that point. And if it is attached to

PC sales, just how do we think about the attach to revenue when we think about its attach to the unit.

I just want to get a better understanding of that. And then just a quick follow-up for you Matteo.

Matteo Anversa | Chief Financial Officer

Yes, sure. Erik, it's -- what we refer to is unit sales. So that's the way we think about it. So that's all I can tell you.

Erik Woodring | Morgan Stanley

Okay. Totally fair. And then maybe Hanneke, just again, on the PC peripheral kind of attached to the PC base. So I think that makes a ton of sense. On one hand, I guess I would say, perhaps we can assume these devices might not have a peripheral for a reason. -- whatever that may be.

So how do you convince that user that's underpenetrated to get that mouse or to get that keyboard. What is it that Logitech will say or it can do, whether that's incentivization, promotions, et cetera, that gets that easier to say, you know what, I do need this. This is an awesome product I need to buy it.

Hanneke Faber | Chief Executive Officer

Yes. What a great question. And it comes down to product superiority and real benefits for the user. So let me take the MX Master 4 as an example, which again is off to a fabulous start in terms of creating both new trial and up-trading existing mouse users. Why is that?

It's very premium, it’s a $120 mouse, an expensive mouse. But consumers, including in the U.S. and Europe, where they're being more choiceful absolutely doesn't hesitate to go and buy one because, A, it clearly is superior versus what's out there in the market, the haptic feedback, the actions during the new software, the beautiful design the aesthetics, clearly superior.

It clearly answers the user's needs in terms of productivity. So -- we are -- when you use that MX Master 4, you're going to be faster, you're going to be more accurate and more productive. That's important both for users, by the way, and for B2B choosers. So the procurement people in businesses that are buying mice for their employees.

And then marketing, of course, plays an important role as well. We did up marketing in the quarter. We're measuring that very tightly. The return on investment there is excellent.

And I think we have a lot more opportunity to do more social first digital marketing for our top superior products to drive that penetration. So it all starts from the superior product that really answers the user needs in the case of MX, the user need is productivity.

In the case of gaming, it's performance, you're going to win that game. And in the case of a line like ERGO, it is comfort. You're not going to have that pain in your arm. So really important in any marketing. We're seeing really great results. There's opportunity there going forward.

David Connell | Moderator

Okay. Our next question comes from Ananda with Loop Capital.

Ananda Baruah | Loop Capital

Two, if I could. So let me just ask another, this is a PC-related one. Do you think people are obviously interested in the PC, the PC attached because of the dynamics going on with memory in the PC market and the impacts we've already begun to see there. Do you think that this is one of those years where the company could see sort of growth above the average sort of few hundred basis points range that you guys typically have.

I know in past years, when you've seen amplified growth above the PC market, there are times you've been a thought process maybe people aren't buying a PC, but they can do something to make their PC experience more enjoyable dress up their PC experience. So I just want to ask that question. And then I have a quick follow-up as well.

Hanneke Faber | Chief Executive Officer

Yes. So it's too early for me to speculate on the year ahead. But I think you're right, historically, again, this is a company for all seasons. We can win in any environment. And in an environment where I say gaming, the price of gaming PCs is definitely up.

But when I don't have money to get a faster CPU, I can buy a SUPERSTRIKE mouse and improve my gaming speed and performance that way. So we've definitely seen that in the past, and we're going to make a plan to do that going forward as well.

Matteo Anversa | Chief Financial Officer

Maybe Ananda, for whatever is worth, too early to talk about next year, but if you look at the quarter we just printed, if you look at personal workspace, actually in its totality, the growth in personal workspace in constant currency outpaced the growth of the company. So it was faster.

Ananda Baruah | Loop

Good context. And the follow-up, this might be more for Matteo. But although you guys don't have material exposure to some of the components that are -- that we're seeing the meaningful price increases in the memory chain is others as well.

Do you think you could have seen some pull-forward sales from folks who might not necessarily understand that you don't have material exposure to those components?

Matteo Anversa | Chief Financial Officer

Not, I wouldn't -- if your question, Ananda, is on the video conferencing being up 8% year-over-year in the quarter, I would not attribute that to the hoarding or anticipated by due to the memory -- due to the memory situation. I think we're all deals that the team has been tracking for quite some time.

We are building the muscles as we discussed during Investor Day. And I think through the growth that we had in videoconferencing. By the way, the fact that overall, B2B outpaced B2C in the quarter in terms of strength, thanks to the education vertical that has been doing very well for us also this quarter.

I think it's really execution by the team.

Hanneke Faber | Chief Executive Officer

Yes, I see a lot of customers. I didn't get a sense that they were hoarding ahead of any memory shortages in our video conferencing portfolio. Videoconferencing because it's 100% B2B, basically is a little choppier net sales-wise, just because there's big deals one quarter that may not necessarily be in the next one.

So I would look at that business over a little longer period than just quarter-by-quarter, but this was a really good one. But take a little bit longer perspective on VC to really look at the health of it.

David Connell | Moderator

Okay. Our next question comes from Joe Cardoso with JP Morgan.

Joseph Cardoso | JP Morgan

Maybe first one here, I just wanted to follow-up on the last comment and maybe just not specific to videoconferencing, but broad-based across the portfolio, just because we're hearing some maybe more downstream from a PC perspective, talking about pull forward of demand in the backdrop of kind of this rising memory cost environment.

Just curious as it relates to Logitech's portfolio, and once again, broad-based, maybe not specific to videoconferencing and maybe your attach here. Are you guys seeing any of the benefits from potential pull forward either this past quarter or the quarter that we're in itself? And then I have a follow-up.

Hanneke Faber | Chief Executive Officer

No. I mean, again, about 60% of our business is B2C. So the consumer is definitely not pulling things forward. But also on the B2B side, where we're kind of half personal workspace half videoconferencing, we really -- I have not seen or heard of any pull forwards in our business.

Joseph Cardoso | JP Morgan

Got it. Very clear. And then maybe just a follow-up. You talked about reaching the 10% of U.S. products originating from China or less than 10%, I think, was the exact comments, which seems a bit better than what you guys were targeting.

So now that we've reached that point, maybe can you touch on whether there's further headroom to reduce that? And as we think about the combination of ramping those other manufacturing sites, those processes potentially maturing and the pricing actions you've already taken, any new thoughts on how you're thinking about the implications to margins from those actions?

Matteo Anversa | Chief Financial Officer

Yes. So first part of your question, at this point, I think we are happy where we are. The team has done a fantastic job. Our target was to limit the import from China into the U.S. to 10% by the end of December.

And we are, as you correctly pointed out, a little better than that. At this point, I think we are happy with the current landscape. We also -- as always, want and cherish the flexibility because the tariff environment is pretty fluid. So we want to make sure that we have the appropriate flexibility to move things around, and that's the beauty of the [China Plus 5] strategy that [Sree] and the team implemented now for quite some time.

I think on the gross margin side, if we look at what we have done in the second quarter, what we've done in the third and also the outlook that we indicated today for the fourth, we are really happy where things played out.

Basically, the positive impact of the price actions that we took in April in the U.S. combined with the diversification action that you just mentioned, we're able to offset entirely the tariff impact. And I think we're in a good spot. And then we'll see, we'll talk more once we close the year.

David Connell | Moderator

And with that, our next question goes to Didier with Bank of America.

Didier Scemama | Bank of America

Yes. A couple of quick ones, if I may. So I think can you give us a sense of the components of the personal workspace organic growth. So how much of that is volume versus price? Because the reason why I'm asking is because I think the question has been asked multiple times in different ways. If you got a PC market next year, tablets down 10% because of higher memory prices, you're going to face very tough comps, effectively having raised prices this year to offset the tariff impact.

So I guess the question is if we've got a very tough PC market outlook in terms of '27 big decline in volumes, would you be happy to just take down pricing? Or would you be happy to just keep pricing to maintain your margins and potentially lose share?

Hanneke Faber | Chief Executive Officer

So we don't break out the exact units versus price versus mix for the company or for PWS. But what I am comfortable in telling you is that the great PWS growth that we saw in the quarter was a combination of all 3. So positive units, positive premiumization around the world, people trading up to the MX Master 4 and other premium products and U.S. pricing. So it was a combination of all 3.

And in terms of -- I'm never happy to lose share. So we're going to put the right plans in place to continue to grow and defend share. And I think you see that in the quarter as well. We're very intentional and strategic on when we need to promote certain parts of the portfolio and very surgical. We're not just throwing promotions and deals across the market but there's places in the quarter where we need a little more, and we do that intentionally and strategically.

Matteo Anversa | Chief Financial Officer

To this point, the -- if you look at where we closed the quarter in terms of gross margin rate versus what we were discussing 3 months ago, we are in the higher end of the range. And this is really thanks to the diligent and very surgical promotional approach that Queen and the commercial team around the world are having to Hanneke's point. So.

David Connell | Moderator

Okay. And that looks like our final question will come from Martin with BNP .

Martin Jungfleisch | BNP Paribas

Yes. On my side. Just 2 follow-up is First one is can you just walk us through what the main strength factors for the Q3 constant currency guidance to reach the high end or the low end? Is that still mainly the U.S. consumer? Is there any on the China sustainability, is it gaming or the PC market slowdown.

And then maybe attached to that, the sell-through was pretty strong, but it's a sell-in, and that was primarily in APAC and EMEA. Was that difference mainly due to promotional activity? Or was there also some in terms of restocking in the channel? Those were my two questions.

Matteo Anversa | Chief Financial Officer

So let me take them then, Hanneke, so let me start with the first one, the fourth quarter outlook. So our outlook contemplates a couple of things. So if you look at the midpoint, right, pretty much performance is in line with what we've done in the third quarter.

And this applies in totality and this applies also by the 3 different regions. So AP -- we are expecting AP to continue to grow in the mid-teens like we did in the third quarter, low single-digit growth in EMEA, and flat to low single-digit growth in AMR. So that's the midpoint.

On the high end, pretty much AP, EMEA remains the same as we did in the third quarter. So the swing factor is, to your point, AMR. We have seen during the third quarter, an acceleration of the momentum, particularly in the United States and mostly towards the end of the third quarter.

So the high end assumes that this momentum continues into the fourth and AMR grows into the mid-single digit. So that's really the difference between the two.

On your question on the sell-through, sell-in. So -- you have to keep in mind that sell-through is a gross number, right? So it does not include the impact of foreign exchange, and it does not include the impact of promotion, right?

So when you look at the total company, sell-through was up 10% year-over-year in the third quarter. We have a couple of points of foreign exchange, so call it 8% in constant currency. And then you have a couple of points coming from higher -- slightly higher promotional spend as we anticipated getting into the holiday season, which is pretty normal.

And then a slightly negative mix coming particularly from the high sales on tablet accessories, which is tied to some of the work that we have done on the education vertical. But that's your walk.

Martin Jungfleisch | BNP Paribas

Okay. Great. So there's no bigger inventory.

Matteo Anversa | Chief Financial Officer

No big selling, sell through. Yes, correct. No. We're pretty happy at…

Hanneke Faber | Chief Executive Officer

Yes, we're really happy with the inventory. So really healthy channel inventory levels as we exit the holiday season and excellent own inventory turns. So all of that looks pretty good.

David Connell | Moderator

This concludes the Q&A portion of the call. I would now like to turn things back to Hanneke for closing remarks.

Hanneke Faber | Chief Executive Officer

Great. Well, thank you all. It's great to see you. We look forward to seeing you in the follow-ups and thank you for being with us for today. Have a great week.

Exhibit E

Transcript[1] – Q4 FY'26 Earnings Call

Nate Melihercik | Global Head of Investor Relations

Good afternoon and good evening. Welcome to Logitech's video call to discuss our Financial Results for the Fourth Quarter and Fiscal Year end 2026. Joining us today are Hanneke Faber, our CEO; and Matteo Anversa, our CFO. During this call we will make forward-looking statements including with respect to future operating results under the safe harbor of the private securities litigation reform act of 1995. We're making these statements based on our views only as of today. Our actual results could differ materially. We undertake no obligation to update or revise any of those statements. We will also discuss non-GAAP financial results and you can find a reconciliation between GAAP and non-GAAP results and information about our use of non-GAAP measures and factors that could impact our financial results and forward-looking statements in our press release and in our filings with the SEC. These materials as well as the shareholder letter and a webcast of this call are all available at the Investor Relations page of our website. We encourage you to review these materials carefully. Unless noted otherwise, references to net sales growth are in constant currency and comparisons between periods are year-over-year. This call is being recorded and will be available for a replay on our website. I'll now turn the call over to Hanneke.

Hanneke Faber | Chief Executive Officer

Thank you, Nate, and welcome everyone. It's great to be in Lausanne!

As I reflect on my second full year as Logitech's CEO, I am grateful for the progress we have made and energized by the opportunities ahead.

Fiscal Year 26 proved what our model is capable of in any environment: successful innovation, best-in-class execution and real earnings expansion.

Before we look ahead, let's review our Fiscal Year 26 and our Q4 performance. As we do so, it is worth returning to the operating principles we declared last April.

At the start of our fiscal year, we faced a rapidly shifting global landscape. At the time, we set out to lean into opportunities with an offensive mindset; to apply rigorous cost discipline; and to leverage our global manufacturing footprint for real time agility.

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[1] The transcript has been edited and condensed for clarity. The full replay of the earnings call is available on Logitech's Investor Relations website at http://ir.logitech.com.

I am pleased to share that we delivered on all three of those objectives last year.

First and foremost, we played offense.

As a result, we captured significant new market share in key segments and geographies; and we delivered 6% net sales growth in U.S. dollars and 4% in constant currency, through a balanced mix of volume and price.

Simultaneously, we kept a very firm hand on costs and operating expenses, and we strategically diversified our global manufacturing base.

As a result, we delivered exceptional profitability with non-GAAP gross margins of 43.6% and an operating margin of 18.8%, ahead of our long-term model and a record high outside of the COVID years. Operating income grew 18%, to $911m.

We translated this structural profitability into outstanding cash generation. Cash flow from operations exceeded $1 billion for the fiscal year, well above 100% of operating income.

And we were able to return $768 million of cash back to shareholders in the form of share repurchases and dividends.

Looking back at the fourth quarter, we closed out the Fiscal Year strong. In Q4, we drove significant global market share growth - with a 140 bps increase in Personal Work Space a highlight. We returned the Americas to solid growth, led by the US. We accelerated global Gaming to high-single-digit growth. And we delivered superb margins and a 25% increase in Non-GAAP Operating Income vs last year.

I am proud of our teams for balancing bold action with deep operational rigor in FY26.

Now, as we transition to Fiscal Year 27, we are amplifying our focus on future growth.

We can do so, because we are starting the year from a position of outstanding financial strength.

And we should do so, because the rapid advancements in AI will make the next 12-18 months a unique period for a technology company like ours to innovate and invest for a future in which both Work and Play will look very different.

Thus, in the year ahead, we will:

- ‘Up the tempo’ on the offense. With structurally strong gross margins and a pristine balance sheet, we will invest in the business to accelerate future growth.
- At the same time, we will continue to apply our signature cost discipline and agility, with a focus on maintaining operating margins at the high end of our long-term targets and driving healthy operating cash flow.

Our investments will be focused on three strategic areas for growth:

First, R&D and Product Innovation. We will leverage AI as a catalyst for innovation. We will do so by enhancing superiority in existing categories. Our new Rally AI Video Conferencing cameras, which will ship this summer, are a great example. We will also innovate into new spaces, with products designed to help people be more productive and perform better with AI, across Work and Play. And we'll leverage AI for speed. AI is already helping us deliver our annual suite of new products faster than ever. The PRO X2 SUPERSTRIKE gaming mouse, which shipped in February and went from prototype to a hugely successful launch in under a year, is a great example.

Second, we'll invest in Logitech for Business: We are deepening our presence in B2B markets by building Enterprise-grade commercial capabilities and penetrating new verticals—prioritizing Education, Government and Healthcare. We are in the early innings of this plan - but the investments are working. In Fiscal Year 26, B2B demand outpaced B2C demand, and Video Collaboration Net Sales were up 10% in U.S. dollars and 8% in constant currency. We believe Logitech for Business still holds significant untapped potential.

And third, we'll invest in Building an Iconic Brand: We will use proven, high ROAS marketing to generate more trial and awareness of Logitech, especially of our premium offerings. The high end MX Master 4, which was supported by strong global marketing campaigns in FY26, is a great example. At a $120 price tag, it generated nearly $100 million in net sales within its first six months, making it one of the fastest adopted products in Logitech's history.

All in all, these targeted investments are designed to capture market share, expand addressable markets, and support organic topline growth.

I'm excited about the plans for the year ahead. We believe FY27 will keep us tracking towards our long term model of mid-to-high-single-digit organic topline growth, while maintaining operating margins at the high end of that model.

I Let me close by extending my sincere gratitude to the Logitech team for their dedication and fantastic work throughout Fiscal Year 26.

With that, over to Matteo to cover the financials in more detail.

Matteo Anversa | Chief Financial Officer

Thank you, Hanneke, and thank you all for joining us on the call today.

The team delivered a very strong close to the year, characterized by solid demand, exceptional profitability, and cash generation. The detailed financial results can be found in the press release and shareholder letter, but let me briefly share with you the key financial highlights.

For the fourth quarter, net sales were $1.086 billion, an increase of 7% in US dollars and 3% in constant currency. It is important to note that the impact of the war in the Middle East in the fourth quarter was approximately $5 million, or 50 basis points.

Overall, we saw excellent demand across both our B2B and B2C channels, and across all regions.

Looking at our net sales performance in constant currency, we grew across most of our key product categories:

- Gaming net sales increased by 7%, with year-over-year growth in all 3 regions, including double-digit growth in EMEA and Asia Pacific.
- Video Collaboration net sales increased by 8%, driven by continued strong growth in EMEA and AMR.
- Personal Workspace net sales increased by 1%, with double-digit growth in tablet accessories and mid-single-digit growth in pointing devices.

Moving to our regional performance:

In the Americas, net sales increased 3%. This represents the second consecutive quarter of year-over-year growth, following the price increase we implemented last April. Growth was broad-based across all our product categories, most notably video collaboration which grew double-digits.

In Asia Pacific, net sales increased 8%, marking our ninth consecutive quarter of solid year-over-year growth, driven by double-digit growth in Gaming and Personal Workspace.

Net sales declined 1% in EMEA, primarily due to the impact of the Middle East conflict; excluding this impact, net sales would have been slightly positive. It is important to note that EMEA still delivered solid growth for the full fiscal year despite an uneven economic backdrop, underscoring the strong, resilient execution of our EMEA teams.

Turning to profitability, our non-GAAP gross margin rate was exceptionally strong at 44.8%, up 130 basis points year-over-year. The positive impact of the U.S. price actions and favorable foreign exchange more than offset the impact of tariffs and higher promotions.

Total non-GAAP operating expenses for Q4 were $320 million, corresponding to 29.5% of net sales, down 80 basis-point year over year. We invested in Sales & Marketing and R&D, while reducing G&A by more than 10% year-over-year.

This gross margin resilience, combined with our disciplined cost management, drove outstanding operating leverage. As a result, fourth-quarter non-GAAP operating income reached $167 million, up 25% year-over-year, with our non-GAAP operating margin rate expanding 210 basis points to 15.3%.

Briefly touching on the full Fiscal Year 2026, we delivered $4.8 billion in net sales, an increase of 6% year over year or 4% in constant currency.

Non-GAAP gross margin rate closed at 43.6%, slightly higher year-over-year, as the impact of our manufacturing diversification actions combined with the price increase in the U.S. more than offset the negative impact of tariffs.

Total non-GAAP operating expenses as a percentage of revenue were 24.8% down 170Bps compared to the prior year, primarily driven by disciplined spending underscored by a 10% reduction in G&A.

This resulted in an 18% year-over-year increase in our full-year non-GAAP operating income to $911 million and an increase in non-GAAP Operating Income rate of 180 basis-points to 18.8%. This is the highest level of profitability in the history of the company, outside of the COVID peak year. The profitability level achieved is also well ahead of the top end of our long term margin target range of 15-18%.

Our structural profitability continues to translate into strong cash generation, coming in above 100% of operating income. Cash flow from operations exceeded $1B in fiscal year 2026, and we ended the year with a cash balance of approximately $1.7 billion, while returning over $765M of cash back to shareholders in the form of share repurchases and dividends.

Looking ahead to the first quarter of Fiscal Year 2027, we have provided our financial outlook in today's shareholder letter, which calls for continued top-line growth and strong operating income.

We are expecting net sales to grow 2-4% in constant currency. This amount includes ~150 basis points of negative impact from the Middle East conflict.

Non GAAP Operating income is expected to be between $195M and $215M.

Our recent results confirm that we are a company for all seasons. We successfully navigated a dynamic environment last year to deliver high-quality earnings and cash flow. We enter next year with the foundational strength to do it again.

I would like to thank once again our teams for an exceptional FY2026.

With that, let’s head to Q&A.

Alicia Reese | Wedbush

Thank you for taking my question, and congrats on the results today. I'm wondering if you could dig into gaming a little bit. The results from China have been strong for some time now, and I assume that that's a positive margin profile relative to the other regions. As that strength shifts back to the U.S. domestically over the coming year, how do you expect that to impact gross margin over the coming year?

Hanneke Faber | CEO

I think the impact on the gross margin will actually be quite minimal, because the difference in the Chinese versus the U.S. margins are not material. What's been driving gaming is a real acceleration to 7% up in Q4 (compared to plus 2% in Q3). The real driver was the SUPERSTRIKE, our latest new mouse at $180, featuring a unique technology called HITS (Haptic Induction Trigger System). Almost immediately after we started shipping in February, it started being adopted in pro tournaments, which led to enormous demand from non-pro gamers as well. Honestly, we couldn't make enough of it.

Separately, premium gaming in general has really been outperforming, with both the Pro range and the SIM racing range up very comfortably in double digits globally.

Matteo Anversa | CFO

I agree with the margin comment.

Alicia Reese | Wedbush

And what products do you expect to lean into as you head into the new season with GTA this coming year?

Hanneke Faber | CEO

Whenever that comes. Yes, certainly. We've got great momentum in gaming across the entire Pro line, including keyboards and headsets, as well as SIM racing. We also have great innovation coming in the new year on our 3 and 5 series, which are more affordable, ensuring we serve every piece of the gaming market.

Joern Iffert | UBS

You are targeting mid-to-high-single-digit organic growth for fiscal year '27, but what does it mean for margins? Are they coming down 50 or 100 basis points? Secondly, where exactly do you want to place your AI investments in R&D and marketing?

Matteo Anversa | CFO

In terms of outlook for FY27, making statements right now beyond the first quarter due to visibility in current world conditions is a bit premature. In terms of profitability, we will invest a bit more in sales and marketing and R&D, but overall OpEx will remain within the framework of 24% to 26%. We still feel very comfortable that we will be on the high end of the margin range percentage that we provided at Investor Day.

Hanneke Faber | CEO

On AI in products: We are well beyond proofs of concept and are shipping them globally at scale. Examples include the Sight video conferencing camera, Zone 2 wireless headsets, the Spot sensor, and shipping this summer, the Rally AI camera. We are also implementing software upgrades weekly or monthly, bringing things like AI noise suppression and smart framing that weren't possible six months ago. On AI in marketing: Our China team has built an AI-enabled marketing ops model to manage and optimize thousands of content creators across search and social (like TikTok and Instagram). We just held a Digital Marketing Summit in Shanghai last week to take those learnings from China and implement them back into the rest of the world.

Asiya Merchant | CITI

What is your view on the risk of demand pull-forward? And structurally, how should we think about the various factors that drive gross margins progressing through fiscal '27?

Hanneke Faber | CEO

We certainly didn't see any pull-forward in our businesses in Q4. The total market was pretty resilient with low-single-digit growth. Enterprise customers are performing and investing in technology, and we are gaining share. On the consumer side, they are resilient but choiceful, looking for quality and recognizing great innovation.

Matteo Anversa | CFO

Structurally, we are a 43% to 44% gross margin rate company with current FX rates. In Q4, we achieved 44.8%, driven by 150 basis points of price and 150 basis points of positive FX tailwinds, which offset 70 basis points of negative tariff impacts and 100 basis points of higher promo. Longer-term tailwinds include our focus on B2B video collaboration (which is margin-accretive) and the premiumization of our portfolio (MX, ERGO, Pro, Simulation) growing double digits. On the negative side, promotional pressure generally runs at about 50 to 100 basis points year-over-year depending on the region and the competitive landscape.

Maya Neuman | Morgan Stanley

Could you give us an update on channel inventory levels, and looking forward, is there any degree of tariff refunds embedded?

Matteo Anversa | CFO

In the fourth quarter and the Q1 outlook, we have factored in zero collections of tariff rebates because the timing of reimbursement remains too uncertain. On channel inventory, weeks on hand globally is exactly where we want it to be and pretty much in line with last year. Following the holiday season, we took channel inventory down a little bit, particularly in Europe, but overall the channel is very healthy entering the new fiscal year.

Michael Foeth | Vontobel

Can you give more color on the drivers behind the strong cash flow, and where do we stand regarding Middle East logistics disruptions?

Hanneke Faber | CEO

In Q4, we saw a negative top-line impact from the Middle East war. Demand was there, but we faced challenges getting products out perfectly from our Dubai distribution center to partners in the Middle East and Africa. We expect this to continue, which is why our Q1 guide includes a 150 basis points top-line negative impact from this conflict.

Matteo Anversa | CFO

Operating cash flow was about $280 million in the quarter. The two key drivers were: Collections: Past-dues are at a record low, lowering our DSO. Inventory Management: Sree and the team improved inventory turns by almost 0.5 points during the year, despite pulling in some product early to get ahead of new tariffs. Going forward, don't model operating cash flow above 100% of operating income every single quarter in FY27. We are intentionally buying up and securing as much memory component inventory as possible to protect our video conference portfolio, which may impact inventory turns.

Didier Scemama | Bank of America

I wanted to ask about the investments in AI—how will that come through and what is the payback time?

Hanneke Faber | CEO

The cost sits squarely in R&D. Don't think of this as just incremental spend; we are augmenting humans with AI agents that do work faster. Token usage is increasing every month, but unlike others, we leverage our own in-house built Logi-Q platform. This is an enterprise agent orchestrator that works across systems using our own data, making it significantly more cost-effective than SaaS alternatives. Even if token usage doubles or triples, it comfortably fits into our planned R&D pocket.

Joseph Cardoso | JP Morgan

Can you touch on the sustainability of Video Collaboration given potential component memory exposure? And on gaming, how much of your growth is driven by underlying market recovery vs. market share gains?

Hanneke Faber | CEO

Video Collaboration was up 8% in net sales constant currency for both the year and the quarter. We are gaining share in a market growing at 3% to 5%. Regarding memory shortages, we feel we are secure with availability through the end of the calendar year. Memory costs are up, but we are offsetting that via a global price increase on video conferencing that went into effect on May 1. We are also growing our services attach rate, which is a super high gross margin part of the business.

On gaming dynamics: Data from December through February showed China gaming was up quite a bit, while the U.S. and Europe were down slightly. However, in February, the U.S. market turned positive for the first time in a long time. Growing 7% in Q4 means we are heavily outperforming the underlying market through market share gains.

Hanneke Faber | Chief Executive Officer

Great. Excited to see you in the follow ups and thank you for being here today. Have a good week.