Poly Announces Preliminary Fourth Quarter Fiscal Year 2020 Financial Results

"Work from Home" Drives Demand for Enterprise Headsets

SANTA CRUZ, Calif., - May 27, 2020 - Plantronics, Inc. (NYSE: PLT) ("Poly" or the "Company") today announced preliminary fourth quarter and full fiscal year 2020 results for the period ending March 28, 2020. Preliminary highlights of the fourth quarter and full fiscal year include the following:

($ Millions, except percent and per-share data)[1]	Q4 FY20	Q4 FY19	YTD FY20	YTD FY19[2]
GAAP Revenue	$403	$468	$1,697	$1,675
GAAP Gross Margin	(2.6)%	46.2%	32.5%	41.5%
GAAP Operating Loss	($678)	($19)	($789)	($109)
GAAP Diluted EPS	($16.56)	($0.55)	($20.48)	($3.61)
Cash Flow from Operations	$62	($3)	$78	$116
Non-GAAP Revenue	$409	$488	$1,731	$1,759
Non-GAAP Gross Margin	49.4 %	55.0%	51.9%	52.8%
Non-GAAP Operating Income	$48	$90	$247	$316
Non-GAAP Diluted EPS	$0.30	$1.44	$3.13	$5.12
Adjusted EBITDA	$60	$102	$293	$357

[1] For further information on supplemental non-GAAP metrics refer to the Use of Non-GAAP And Comparative Financial Information and Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures sections below. The Company's preliminary unaudited financial results include an aggregate impairment charge relating to goodwill and long-lived assets of approximately $648 million. Due to the complexity of the analysis resulting from economic uncertainty of COVID-19, the Company is still in the process of finalizing the impairment assessment, including the design and operation of internal controls, so actual results may differ materially from the preliminary unaudited results provided herein. The Company expects to complete the impairment analysis and finalize the amount of the impairment charges in connection with the filing of the Company's Form 10-K for the fiscal year ended March 28, 2020, which is currently expected to be filed on or around June 3, 2020. The Company is relying on Release No. 34-88465 (the "Order") issued by the Securities and Exchange Commission (the "SEC") on March 25, 2020, pursuant to Section 36 of the Securities Exchange Act of 1934, as amended (the "Exchange Act), which provides conditional relief to public companies unable to timely comply with their filing obligations as a result of the novel coronavirus ("COVID-19") outbreak.

[2] YTD FY19 results shown here do not reflect Polycom results for the three months ended June 30, 2018 due to the completion of the Polycom acquisition on July 2, 2018.

"As the world responds to COVID-19, our better-than-anticipated fourth-quarter performance is a result of the team's dedication to delivering for our customers while safeguarding our employees," said Robert Hagerty, Chairman of the Poly Board of Directors and Interim Chief Executive Officer. "Poly solutions are more essential than ever, and we are well-positioned to meet the increased demand for endpoints that enable a global workforce that can work from anywhere."

Results Compared to February 4, 2020 Guidance

	Q4 FY20 Results	Q4 FY20 Guidance Range[3]
GAAP Net Revenue	$403M	$354M - $394M
Non-GAAP Net Revenue	$409M	$360M - $400M
Adjusted EBITDA	$60M	$20M - $45M
Non-GAAP Diluted EPS	$0.30	$(0.36) - $0.19

[3]The non-GAAP revenue guidance range shown here excludes the $6.1 million impact of purchase accounting related to recording deferred revenue at fair value at the time of the acquisition.

“Increased demand for enterprise headsets allowed us to end the quarter with a strong cash balance and favorable working capital position,” said Charles Boynton, Executive Vice President and Chief Financial Officer. “To maximize financial flexibility and liquidity, we have suspended the dividend, deferred a voluntary debt prepayment, and are aggressively managing our costs.”

Highlights for the Fourth Quarter 2020

- Demand for enterprise headsets increased in March as customers adjusted to "work-from-home" mandates, resulting in quarter-end backlog of approximately six weeks. Headset demand continues to remain elevated.

- The Company's in-house manufacturing site in Tijuana, Mexico has resumed production after reconfiguring to implement specific safety protocols. Although periodic supply chain disruptions continue, the Company is working with its suppliers to manage component shortage and minimize production delays.

- The Company ended fiscal Q4 with $226 million in cash and short-term investments. In order to maintain maximum financial flexibility and liquidity, the Company deferred a voluntary debt prepayment and suspended the quarterly dividend.

- On February 20, 2020, the Company amended its loan covenants related to its revolving credit agreement, providing additional covenant headroom for the remainder of calendar 2020.

- Recently introduced products include:
  - Blackwire 8225, the first headset to incorporate advanced hybrid active noise canceling and Poly Acoustic Fence technology to remove distracting background noise
  - Voyager 4245, a purpose-built Microsoft Teams-certified headset
  - Trio C60 audio conferencing solution, offering flexibility and versatility in an intuitive package

- Launched Poly Lens, which combines seamless management and updating tools with powerful insight into how Poly devices are actually being used, providing greater control and simplicity to IT administrators.

- Launched the new Poly Partner Program, bringing more than 15,000 partners from around the world together under one program. The new program measures partners on more than just financial contribution and is designed to drive mutual growth and profitability through the sale of Poly products, solutions, and services.

- The Company completed the sales of its Consumer Gaming assets.

- In its fiscal Q1, the Company expect to book a restructuring charge of $25 million to $35 million primarily related to office closures and headcount reductions.

Impairment Charge

The Company’s preliminary unaudited financial results include a non-cash impairment charge of $180 million relating to the Company’s intangible assets and property, plant, and equipment related to long-lived assets in the voice asset group, as well as a non-cash impairment charge of $468 million to its goodwill related to an overall decline in the Company’s earnings and a sustained decrease in its share price. Due to the complexity of the analysis resulting from economic uncertainty of COVID-19, the Company is still in the process of finalizing the impairment assessment, including the design and operation of internal controls, so actual results may differ materially from the preliminary unaudited results provided herein. The Company expects to complete the impairment analysis and finalize the amount of the impairment charges in connection with the filing of the Company’s Form 10-K for the fiscal year ended March 28, 2020, which is currently expected to be filed on or around June 3, 2020.

The impairment charges do not affect the Company’s cash position, cash flow from operations or debt covenants.

Poly Announces Suspension of Quarterly Dividend

On April 9, 2020, the Poly Board of Directors suspended the quarterly cash dividend.

Business Outlook

The following statements are based on the Company's current expectations, and many of these statements are forward-looking. Actual results are subject to a variety of risks and uncertainties and may differ materially from the Company's expectations. Please refer to the *Forward Looking Statements Safe Harbor* section of this press release below.

The following represents the expected range of financial results for the first quarter 2021 inclusive of factory overhead underutilization due to lower production volumes, incremental freight due to supply chain disruptions, and the cost of factory reconfiguration (all amounts assuming currency rates remain stable):

	Q1 FY21 Guidance
GAAP Net Revenue	$330M - $365M
Non-GAAP Revenue	$335M - $370M
Adjusted EBITDA[1]	$25M - $45M
Non-GAAP Diluted EPS[1,2]	$(0.18) - $0.22

[1] Q1 Adjusted EBITDA and non-GAAP diluted EPS guidance excludes estimated intangibles amortization expense of $32.4 million. With respect to adjusted EBITDA and diluted EPS guidance, the Company has determined that it is unable to provide quantitative reconciliations of these forward-looking non-GAAP measures to the most directly comparable forward-looking GAAP measures with a reasonable degree of confidence in their accuracy without unreasonable effort, as items including stock based compensation, acquisition and integration costs, litigation gains and losses, and impacts from discrete tax adjustments and tax laws are inherently uncertain and depend on various factors, many of which are beyond the Company's control.
[2] EPS guidance assumes approximately 41 million diluted average weighted shares and a non-GAAP effective tax rate of 18% to 20%.

Conference Call and Earnings Presentation

Poly is providing an earnings presentation in combination with this press release. The presentation is offered to provide shareholders and analysts with additional detail for analyzing results. The presentation will be available in the Investor Relations section of our corporate website at investor.poly.com along with this press release. A reconciliation of our GAAP to non-GAAP results is provided at the end of this press release.

We have scheduled a webcast to discuss fourth quarter fiscal year 2020 financial results. The webcast will take place today, May 27, 2020, at 2:00 PM (Pacific Time). All interested investors and potential investors in Poly stock are invited to join. To listen to the webcast, please access the webcast link from our Investor Relations website at investor.poly.com.

A replay of the webcast will be available shortly after its conclusion and can be accessed from our Investor Relations website at investor.poly.com.

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial statements presented on a GAAP basis, we use non-GAAP measures of operating results, including non-GAAP net revenues, non-GAAP gross profit, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, adjusted EBITDA, and non-GAAP diluted EPS. These non-GAAP measures are adjusted from the most directly comparable GAAP measures to exclude, or include where applicable, the effect of purchase accounting on deferred revenue and inventory, charges associated with the optimization of our Consumer product line, stock-based compensation, acquisition related expenses, purchase accounting amortization and adjustments, restructuring and other related charges and credits, impairment charges, rebranding costs, other unusual and/or non-cash charges and credits, and the impact of participating securities, all net of any associated tax impact. We also exclude tax benefits from the release of tax reserves, discrete tax adjustments including transfer pricing, tax deduction and tax credit adjustments, and the impact of tax law changes. We adjust these amounts from our non-GAAP measures primarily because management does not believe they are consistent with the development of our target operating model. We believe that the use of non-GAAP financial measures provides meaningful supplemental information regarding our performance and liquidity and helps investors compare actual results with our historical and long-term target operating model goals as well as our performance as a combined company. We believe presenting non-GAAP net revenue provides meaningful supplemental information regarding how management views the performance of the business and underlying performance of our individual product categories. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods; however, non-GAAP financial measures are not meant to be considered in isolation of, or as a substitute for, or superior to, net revenues, gross margin, operating expenses, operating income, operating margin, net income or EPS prepared in accordance with GAAP.

Forward Looking Statements Safe Harbor

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to our intentions, beliefs, projections, outlook, analyses or current expectations that are subject to many risks and uncertainties. Such forward-looking statements and the associated risks and uncertainties include, among others: (i) our beliefs with respect to the length and severity of the COVID-19 (coronavirus) outbreak, and its impact across our businesses, our operations and global supply chain, including (a) the potential impact on our ability to source necessary component parts from key suppliers and volatility in prices, including risks associated with our manufacturers which could continue to negatively affect our profitability and/or market share (b) our expectations that the virus has caused and will continue to cause, an increase in customer and partner demand, including increased demand in collaboration endpoints due to a global, work from anywhere workforce, (c) expectations related to our ability to timely supply the number of products to fulfill current and future customer demand, (d) the impact of the virus on our distribution partners, resellers, end-user customers and our production facilities, including our ability to obtain alternative sources of supply if our production facility or other suppliers are impacted by future shut downs, (e) the impact if global or regional economic conditions deteriorate further, on our customers and/or partners, including increased demand for pricing accommodations, delayed payments, delayed deployment plans, insolvency or other issues which may increase credit losses, and (f) the complexity of the forecast analysis, including scenario planning and the design and operation of internal controls; and (ii) our belief that we can manufacture or supply products in a timely manner to satisfy orders; (iii) expectations related to our customers' purchasing decisions and our ability to match product production to demand, particularly given long lead times and the difficulty of forecasting unit volumes and acquiring the component parts and materials to meet demand without having excess inventory or incurring cancellation charges; (iv) risks associated with significant and abrupt changes in product demand which increases the complexity of management's evaluation of potential excess or obsolete inventory; (v) risks associated with the bankruptcy or financial weakness of distributors or key customers, or the bankruptcy of or reduction in capacity of our key suppliers; (vi) risks associated with the potential interruption in the supply of sole-sourced critical components, our ability to move to a dual-source model, and the continuity of component supply at costs consistent with our plans; (vii) expectations that our current cash on hand, additional cash generated from operations, together with sources of cash through our credit facility, either alone or in combination with our election to defer debt repayment until after the first quarter of fiscal year 2021 and our election to suspend our dividend payments, will meet our liquidity needs during and following the unknown duration and impact of the COVID-19 pandemic; (viii) expectations relating to our ability to generate sufficient cash flow from operations to meet our debt covenants and timely repay all principal and interest amounts drawn under our credit facility as they become due; (ix) risks associated with our channel partners' sales reporting, product inventories and product sell through since we sell a significant amount of products to channel partners who maintain their own inventory of our products; (x) risk and uncertainty related to the potential impact on our stock price and investor confidence as a result of the suspension of our dividend payment; (xi) our efforts to execute to drive sales and sustainable profitable revenue growth; (xii) our expectations for new products launches, the timing of their releases and their expected impact on future growth and on our existing products; (xiii) our belief that our new Partner Program will drive growth and profitability for both us and our partners through the sale of our product, services and solutions; (xiv) risks associated with forecasting sales and procurement demands, which are inherently difficult, particularly with continuing uncertainty in regional and global economic conditions; (xv) uncertainties attributable to currency fluctuations, including fluctuations in foreign exchange rates and/or new or greater tariffs on our products; (xvi) our expectations regarding our ability to control costs, streamline operations and successfully implement our various cost-reduction activities and realize anticipated cost savings under such cost-reduction initiatives; (xvii) expectations relating to our quarterly and annual earnings guidance, particularly as economic uncertainty due to COVID-19 puts further pressure on management judgments used to develop forward looking financial guidance and other prospective financial information; (xviii) estimates of GAAP and non-GAAP financial results for the fourth quarter and full Fiscal Year 2020, including net revenues, adjusted EBITDA, tax rates, intangibles amortization, impairment analysis, diluted weighted average shares outstanding and diluted EPS; (xix) our expectations of the impact of the acquisition of Polycom as it relates to our strategic vision and additional market and strategic partnership opportunities for our combined hardware, software and services offerings; (xx) our beliefs regarding the UC&C market, market dynamics and opportunities, and customer and partner behavior as well as our position in the market, including risks associated with the potential failure of our UC&C solutions to be adopted with the breadth and speed we anticipate; (xxi) our belief that the increased adoption of certain technologies and our open architecture approach has and will continue to increase demand for our solutions; (xxii) expectations related to the micro and macro-economic conditions in our domestic and international markets and their impact on our future business; (xxiii) our forecast and estimates with respect to tax matters, including expectations with respect to utilizing our deferred tax assets; (xxiv) our expectations regarding pending and potential future litigation, in addition to other matters discussed in this press release that are not purely historical data, and (xxv) our estimates regarding the amount of the goodwill and long-lived asset impairment charges to be recorded in our fourth quarter results, which are subject to change, including potentially materially, as the Company finalizes the impairment assessment, including the design and operation of internal controls.

We do not assume any obligation to update or revise any such forward-looking statements, whether as the result of new developments or otherwise.

For more information concerning these and other possible risks, please refer to our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 17, 2019 and other filings with the Securities and Exchange Commission, as well as recent press releases.

Financial Summaries

The following related charts are provided:

- Summary Unaudited Condensed Consolidated Financial Statements
- Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures

About Poly

Poly is a global communications company that powers meaningful human connection and collaboration. Poly combines legendary audio expertise and powerful video and conferencing capabilities to overcome the distractions, complexity and distance that make communication in and out of the workplace challenging. Poly believes in solutions that make life easier when they work together and with our partner's services. Our headsets, software, desk phones, audio and video conferencing, analytics and services are used worldwide and are a leading choice for every kind of workspace. For more information, please visit: www.poly.com.

INVESTOR CONTACT:
Mike Iburg
Vice President, Investor Relations
(831) 458-7533

MEDIA CONTACT:
Edie Kissko
Senior Director and Head of Corporate Communications
(213) 369-3719