



GMG Equity Research

LOGITECH

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17/10/2019

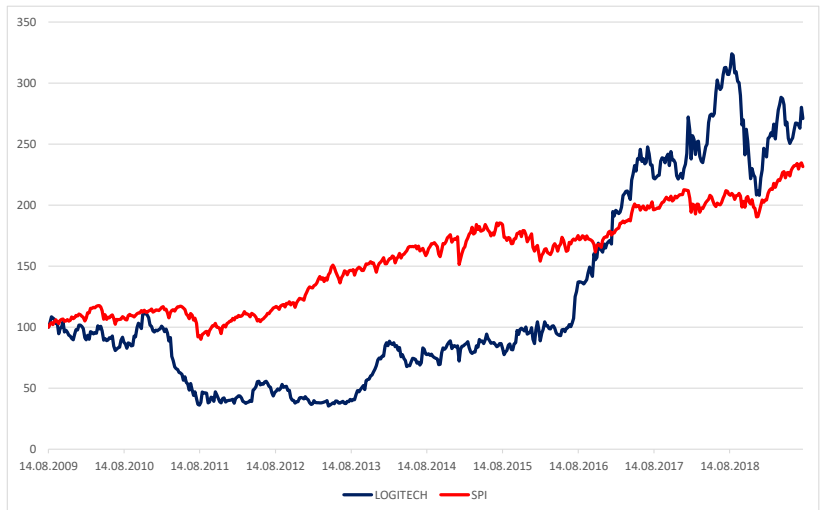
Key data		Description		
Market capitalization (millions CHF)	6.658	The firm renewed for its computer mice has evolved over the years into a provider of peripherals for personal computers and other mobile devices such as tablets and phones.		
Entreprise value (million CHF)	5.945	Its main lines of products are:		
Share price (CH)	40,55	<ul style="list-style-type: none"> - Gaming peripherals such as specialized mice, keyboards and joysticks - Devices for video collaboration and conferences - Mobile high speakers (UE Boom) - Sport headphones (JayBird) - Mice and keyboards for computers and tablets - Smart home equipments such as video surveillance 		
Stock absolute and relative performance (CHF)		The lifespans of Logitech's products are generally short. As a result, the company needs a lot of agility to jump from one trend to the next one. However, the company is convinced that growth rates for its gaming and video conferences franchises are set to be sustained over time.		
In %	Absolute	Relative *	Logitech sees itself as a design company. Its comparative advantage lies in its innovation and marketing capabilities. The firm also relies on acquisitions to step in promising categories. Its M&A track record is mixed.	
1 month	-0,8%	-0,9%	Production is outsourced to a great extent. As a result, Logitech is an asset light and highly cash generative business.	
3 months	7,5%	6,5%		
6 months	-2,0%	-7,8%		
YTD	33,5%	9,9%		
1 year	10,7%	-3,5%		
2018	-4,6%	4,0%		
2017	31,8%	11,9%		
			*relative to SPI	

Firm's performance

Logitech great growth story hit a wall in 2009 when the consequences of the great financial and economic crisis were magnified by the relegation of the desktop personal computers for which Logitech was selling its mice, keyboards and video cameras. Its first reaction was the ill-fitted acquisition for about 500 million (all the firm's net cash) of LifeSize Communications, a start-up in video conferences.

The group took a fresh start in 2013 under a new management. Products were realigned, growth and profitability have been kickstarted. Lately, cash flows have reached good levels.

Share price (10 years)





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Valuation ratios

	03/17	03/18	03/19	03/20e	03/21e
EV/EBITDA	17,2	17,4	16,4	14,2	12,7
PER	24,1	21,9	19,4	22,7	20,4
Free Cash Flow Yield	2,3%	4,1%	4,4%	4,0%	4,4%
Dividend Yield	1,8%	1,7%	1,8%	2,0%	2,2%
P/BV	6,4	6,0	5,8	5,7	5,7

Bloomberg ESG ranking

Global ESG	36,0
Environment	28,7
Social	28,1
Governance	60,7

EV / EBITDA



Environment, Social & Governance comments

Environment

- Logitech follows the RBA (Responsible Business Alliance) code of conduct for the electronics industry.
- The company states it thinks about its products and their packaging in term of their overall social and environmental impact from the moment they are conceived.

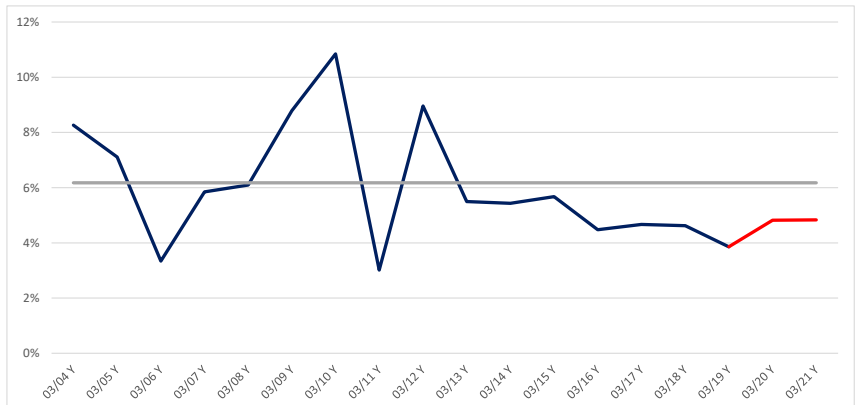
Social

- Through the RBA, Logitech strives to avoid sourcing conflict minerals.
- Logitech Cares is a volunteer program, which gives the employees the opportunity to give back to the communities. About 1600 hours of work are given per year.

Governance

- Daniel Borel, one of the original founders, holds 3% of the stocks. He tends to reduce his stake. He is no longer involved in the management or in the board of directors.

Free Cash Flow Yield

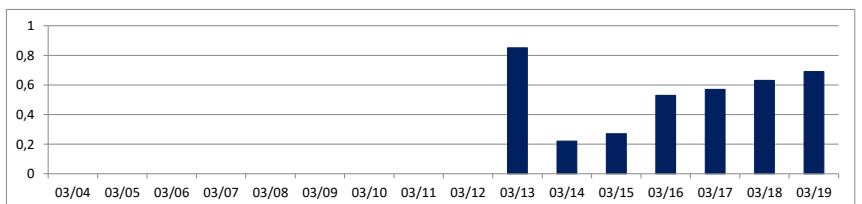


ESG affiliations and codes of conduct

UN Global Compact	✗
UN PRI (responsible investment)*	✗
Anti bribery policy	✓
Employee CSR training	✗
Fair remuneration policy	✗

* Applicable to financial institutions

Dividend per share (CHF)





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Performance ratios

	03/17	03/18	03/19	03/20e	03/21e
Operating Margin	9,6%	8,9%	9,4%	12,8%	13,4%
ROIC	22,7%	20,5%	21,8%		
ROE	24,9%	21,4%	24,8%	25,8%	24,8%
WC / Sales	23,6%	23,3%	22,7%	21,4%	20,0%
Net Debt / EBITDA	-189,9%	-195,7%	-160,5%	-168,5%	-198,1%
Net Debt / Equity	-64,0%	-61,1%	-51,4%	-60,6%	-77,1%
Capex / D&A	63,0%	69,9%	53,1%		

Financial statements (million USD)

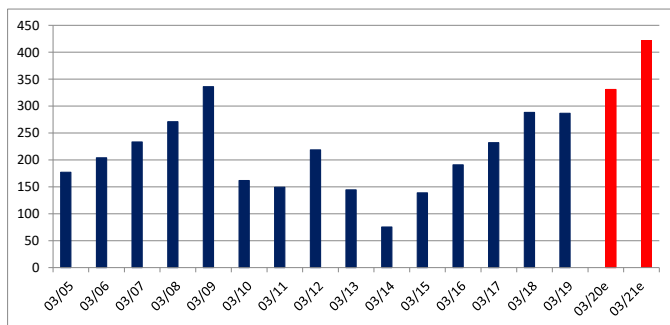
	03/17	03/18	03/19	03/20e	03/21e
Sales	2.207	2.567	2.788	2.960	3.164
Sales variation		16,3%	8,6%	6,1%	6,9%
D&A costs	50	57	68		
EBITDA	288	328	377	423	458
EBITDA variation		13,7%	14,8%	12,3%	8,3%
Net earnings	218	271	339	282	310
Total current assets	1.028	1.173	1.350	1.350	1.350
Total fixed assets	471	570	674	674	674
Shareholders equity	856	1.051	1.176	1.176	1.176
Working capital	521	597	633	633	633
Net debt	-548	-642	-605	-713	-907
Operating cash flow	288	346	305	385	390
Capex	-32	-40	-36	-44	-48
Free cash flow	257	307	269	341	342

Chairman: Wendy Becker
Tenure (years): 0,2

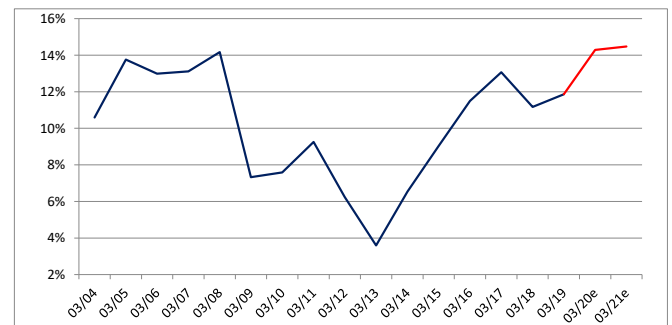
CEO: Bracken P Darrell
Tenure (years): 6,8

CFO: Nate Olmstead
Tenure (years): 5,6

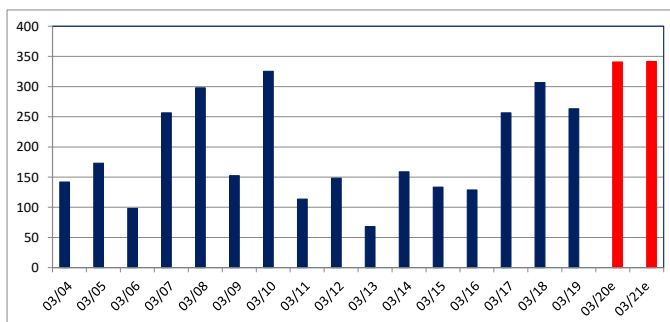
EBITDA



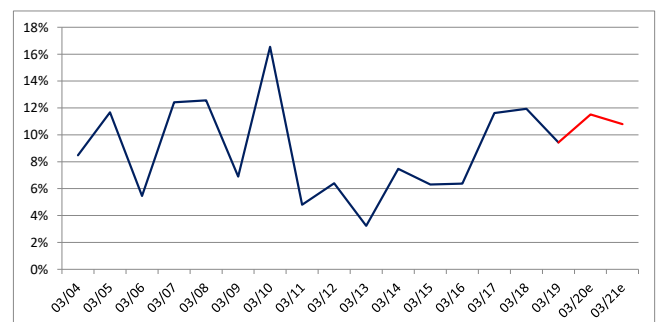
EBITDA margin



Free cash flow



Free cash flow & Free cash flow / sales





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SWOT

Strengths

- Good track record of managing products categories
- Strong balance sheet (net cash position)

Weaknesses

- Short lifespan of many products
- Low barriers to entry in a very competitive environment

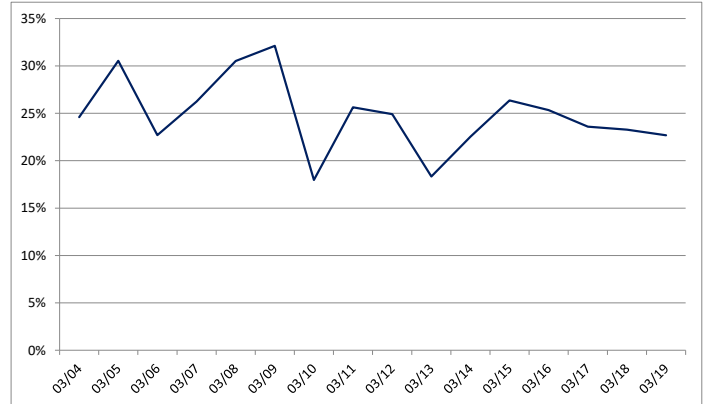
Opportunities

- Gaming and video phoning/conferencing seem to be two trends that should sustain Logitech growth over time

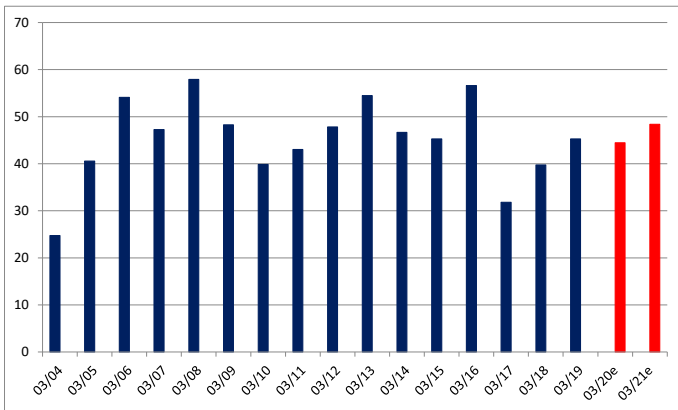
Threats

- Manufacturing in China exposes the group to the trade war problematics and to FX risk (Logitech P&L is usually under pressure if the US dollar appreciates)

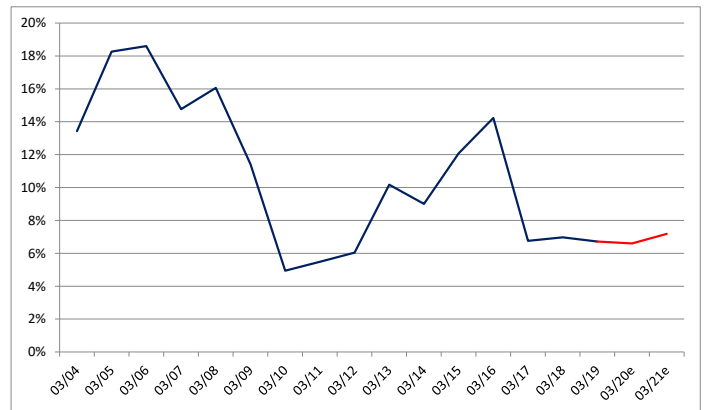
Working capital / sales



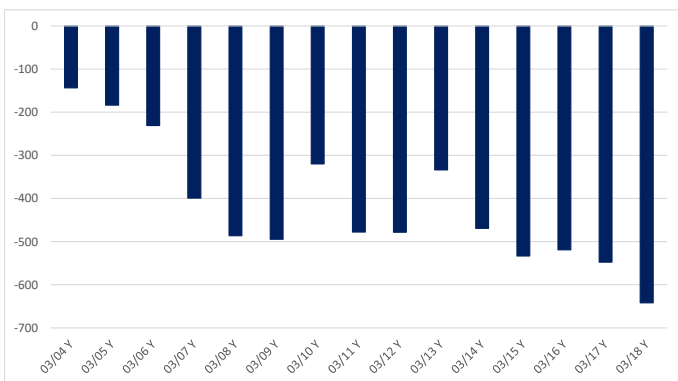
CAPEX



CAPEX / non current assets



NET DEBT



NET DEBT / EBITDA

