

LOGITECH INTERNATIONAL SA  
Form 10-Q  
February 03, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarter ended December 31, 2008

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-29174

**LOGITECH INTERNATIONAL S.A.**

(Exact name of registrant as specified in its charter)

**Canton of Vaud, Switzerland**  
(State or other jurisdiction

**None**  
(I.R.S. Employer

of incorporation or organization)

**Logitech International S.A.**

Identification No.)

**Apples, Switzerland**

**c/o Logitech Inc.**

**6505 Kaiser Drive**

**Fremont, California 94555**

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(Address of principal executive offices and zip code)

(510) 795-8500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting  
company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of January 1, 2009, there were 178,536,866 shares of the Registrant's share capital outstanding.

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## Exhibits

In this document, unless otherwise indicated, references to the Company or Logitech are to Logitech International S.A., its consolidated subsidiaries and predecessor entities. Unless otherwise specified, all references to U.S. dollar, dollar or \$ are to the United States dollar, the legal currency of the United States of America. All references to CHF are to the Swiss franc, the legal currency of Switzerland.

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

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**PART I FINANCIAL INFORMATION**

**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**Table of Contents****LOGITECH INTERNATIONAL S.A.****CONSOLIDATED STATEMENTS OF INCOME****(In thousands, except per share amounts)**

	<b>Three months ended December 31,</b>		<b>Nine months ended December 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>			
Net sales	\$ 627,466	\$ 744,235	\$ 1,800,884	\$ 1,769,262
Cost of goods sold	439,970	469,801	1,211,742	1,134,088
Gross profit	187,496	274,434	589,142	635,174
Operating expenses:				
Marketing and selling	86,046	98,512	248,066	239,762
Research and development	32,401	31,378	99,011	91,082
General and administrative	26,273	28,318	89,202	83,789
Total operating expenses	144,720	158,208	436,279	414,633
Operating income	42,776	116,226	152,863	220,541
Interest income, net	2,212	4,301	7,539	11,764
Other income (expense), net	8,101	26,182	7,809	(37,522)
Income before income taxes	53,089	146,709	168,211	194,783
Provision for income taxes	12,596	13,137	26,101	24,095
Net income	\$ 40,493	\$ 133,572	\$ 142,110	\$ 170,688
Net income per share:				
Basic	\$ 0.23	\$ 0.74	\$ 0.80	\$ 0.94
Diluted	\$ 0.22	\$ 0.71	\$ 0.77	\$ 0.90
Shares used to compute net income per share:				
Basic	178,497	181,549	178,721	181,602
Diluted	181,145	188,814	183,484	188,748

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

**Table of Contents****LOGITECH INTERNATIONAL S.A.****CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share amounts)

	December 31, 2008 (Unaudited)	March 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 480,176	\$ 482,352
Short-term investments	2,176	3,940
Accounts receivable	374,968	373,619
Inventories	339,518	245,737
Other current assets	73,070	60,668
Total current assets	1,269,908	1,166,316
Property, plant and equipment	107,217	104,461
Goodwill	247,171	194,383
Other intangible assets	34,467	21,730
Other assets	40,117	40,042
Total assets	\$ 1,698,880	\$ 1,526,932
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 360,891	\$ 287,001
Accrued liabilities	168,296	156,094
Total current liabilities	529,187	443,095
Other liabilities	127,533	123,793
Total liabilities	656,720	566,888
Commitments and contingencies		
Shareholders' equity:		
Shares, par value CHF 0.25 - 191,606,620 issued and authorized and 50,000,000 conditionally authorized at December 31, 2008; 231,606,620 authorized, 60,661,860 conditionally authorized and 191,606,620 issued at March 31, 2008	33,370	33,370
Additional paid-in capital	55,076	49,821
Less shares in treasury, at cost, 13,069,754 at December 31, 2008 and 12,431,093 at March 31, 2008	(368,625)	(338,293)
Retained earnings	1,376,739	1,234,629
Accumulated other comprehensive loss	(54,400)	(19,483)
Total shareholders' equity	1,042,160	960,044
Total liabilities and shareholders' equity	\$ 1,698,880	\$ 1,526,932

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



**Table of Contents****LOGITECH INTERNATIONAL S.A.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	<b>Nine months ended December 31, 2008                      2007 (Unaudited)</b>	
<b>Cash flows from operating activities:</b>		
Net income	\$ 142,110	\$ 170,688
<b>Non-cash items included in net income:</b>		
Depreciation	33,850	33,030
Amortization of other intangible assets	5,808	3,655
Share-based compensation expense related to options, purchase rights and performance restricted stock units	17,952	15,259
Write-down of investments	1,764	72,923
Gain on sale of investments		(27,761)
Excess tax benefits from share-based compensation	(6,641)	(14,080)
Loss (gain) on cash surrender value of life insurance policies	1,440	(842)
In-process research and development	1,000	
Deferred income taxes and other	(3,495)	(2,190)
<b>Changes in assets and liabilities, net of acquisitions:</b>		
Accounts receivable	(10,916)	(116,602)
Inventories	(100,063)	(24,276)
Other assets	(7,058)	(6,426)
Accounts payable	75,945	131,195
Accrued liabilities	23,273	55,334
<b>Net cash provided by operating activities</b>	<b>174,969</b>	<b>289,907</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(38,631)	(41,289)
Purchases of short-term investments		(379,793)
Sales of short-term investments		538,479
Proceeds from sale of investment		11,308
Acquisitions, net of cash acquired	(64,430)	(21,911)
Premiums paid on cash surrender value life insurance policies	(427)	(346)
<b>Net cash provided by (used in) investing activities</b>	<b>(103,488)</b>	<b>106,448</b>
<b>Cash flows from financing activities:</b>		
Repayment of short-term debt		(11,739)
Purchases of treasury shares	(78,870)	(137,890)
Proceeds from sale of shares upon exercise of options and purchase rights	23,496	40,371
Excess tax benefits from share-based compensation	6,641	14,080
<b>Net cash used in financing activities</b>	<b>(48,733)</b>	<b>(95,178)</b>
Effect of exchange rate changes on cash and cash equivalents	(24,924)	1,874
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,176)</b>	<b>303,051</b>
Cash and cash equivalents at beginning of period	482,352	196,197

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Cash and cash equivalents at end of period	\$ 480,176	\$ 499,248
Supplemental cash flow information:		
Interest paid	\$ 140	\$ 9
Income taxes paid	\$ 10,652	\$ 8,058

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

**Table of Contents****LOGITECH INTERNATIONAL S.A.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY****(In thousands)****(Unaudited)**

	Registered shares			Treasury shares		Retained earnings	Accumulated other comprehensive loss	Total
	Shares	Amount	Additional paid-in capital	Shares	Amount			
March 31, 2007	191,606	\$ 33,370	\$ 72,779	9,364	\$ (217,073)	\$ 995,606	\$ (40,158)	\$ 844,524
Net income						170,688		170,688
Cumulative translation adjustment							15,019	15,019
Minimum pension liability adjustment							306	306
Realized hedging loss							(992)	