

LOGITECH INTERNATIONAL SA

Form 10-Q

August 02, 2018

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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 quarterly period ended June 30, 2018

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	None
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Logitech International S.A.
EPFL - Quartier de l'Innovation
Daniel Borel Innovation Center
1015 Lausanne, Switzerland
c/o Logitech Inc.
7700 Gateway Boulevard
Newark, California 94560
(Address of principal executive offices and zip code)

(510) 795-8500
(Registrant's telephone number, including area code)

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of July 19, 2018, there were 165,474,432 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.

The Company's fiscal year ends on March 31. Interim quarters are generally thirteen-week periods, each ending on a Friday of each quarter. The first quarter of fiscal year 2019 ended on June 29, 2018. The same quarter in the prior fiscal year ended on June 30, 2017. For purposes of presentation, the Company has indicated its quarterly periods ending on the last day of the calendar quarter.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

LOGITECH INTERNATIONAL S.A.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended June 30,	
	2018	2017
Net sales	\$608,480	\$529,946
Cost of goods sold	382,171	334,774
Amortization of intangible assets and purchase accounting effect on inventory	2,372	1,504
Gross profit	223,937	193,668
Operating expenses:		
Marketing and selling	114,584	102,378
Research and development	38,987	35,099
General and administrative	25,473	25,409
Amortization of intangible assets and acquisition-related costs	2,521	1,390
Change in fair value of contingent consideration for business acquisition	—	(1,978)
Restructuring charges (credits), net	9,921	(55)
Total operating expenses	191,486	162,243
Operating income	32,451	31,425
Interest income	2,369	1,175
Other expense, net	(1,571)	(1,029)
Income before income taxes	33,249	31,571
Benefit from income taxes	(5,217)	(5,436)
Net income	\$38,466	\$37,007
Net income per share:		
Basic	\$0.23	\$0.23
Diluted	\$0.23	\$0.22
Weighted average shares used to compute net income per share:		
Basic	165,317	163,407
Diluted	168,756	168,339

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

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LOGITECH INTERNATIONAL S.A.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In thousands)
 (unaudited)

	Three Months Ended June 30,	
	2018	2017
Net income	\$38,466	\$37,007
Other comprehensive income (loss):		
Currency translation gain (loss), net of taxes	(4,963)	1,456
Defined benefit pension plans:		
Net loss and prior service costs, net of taxes	(94)	(152)
Amortization included in other expense, net	(70)	50
Hedging gain (loss):		
Deferred hedging gain (loss), net of taxes	187	(3,209)
Reclassification of hedging loss included in cost of goods sold	2,851	533
Other comprehensive loss	(2,089)	(1,322)
Total comprehensive income	\$36,377	\$35,685

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

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LOGITECH INTERNATIONAL S.A.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except per share amounts)
 (unaudited)

	June 30, 2018	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 604,116	\$ 641,947
Accounts receivable, net	385,546	214,885
Inventories	272,662	259,906
Other current assets	62,542	56,362
Total current assets	1,324,866	1,173,100
Non-current assets:		
Property, plant and equipment, net	84,721	86,304