

LOGITECH INTERNATIONAL SA

Form 10-Q

November 04, 2008

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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 September 30, 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

of incorporation or organization)

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

Identification No.)

**Logitech International S.A.**

**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

Smaller reporting company

(Do not check if a 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 October 1, 2008, there were 178,448,329 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. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**LOGITECH INTERNATIONAL S.A.**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share amounts)

	Three months ended September 30,		Six months ended September 30,	
	2008	2007	2008	2007
	(Unaudited)			
Net sales	\$ 664,707	\$ 595,490	\$ 1,173,418	\$ 1,025,027
Cost of goods sold	436,633	379,536	771,772	664,287
Gross profit	228,074	215,954	401,646	360,740
Operating expenses:				
Marketing and selling	84,740	76,463	162,020	141,250
Research and development	33,351	30,939	66,610	59,704
General and administrative	29,620	28,149	62,929	55,471
Total operating expenses	147,711	135,551	291,559	256,425
Operating income	80,363	80,403	110,087	104,315
Interest income, net	2,775	3,925	5,327	7,463
Other expense, net	(853)	(65,023)	(292)	(63,704)
Income before income taxes	82,285	19,305	115,122	48,074
Provision for income taxes	9,974	7,743	13,505	10,958
Net income	\$ 72,311	\$ 11,562	\$ 101,617	\$ 37,116
Net income per share:				
Basic	\$ 0.41	\$ 0.06	\$ 0.57	\$ 0.20
Diluted	\$ 0.39	\$ 0.06	\$ 0.55	\$ 0.20
Shares used to compute net income per share:				
Basic	178,630	181,459	178,835	181,630
Diluted	183,509	188,293	184,154	188,699

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

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

(In thousands, except share and per share amounts)

	September 30, 2008 (Unaudited)	March 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 455,231	\$ 482,352
Short-term investments	3,418	3,940
Accounts receivable	467,499	373,619
Inventories	323,673	245,737
Other current assets	68,138	60,668
Total current assets	1,317,959	1,166,316
Property, plant and equipment	105,244	104,461
Goodwill	218,776	194,383
Other intangible assets	31,460	21,730
Other assets	39,072	40,042
Total assets	\$ 1,712,511	\$ 1,526,932
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 404,356	\$ 287,001
Accrued liabilities	168,627	156,094
Total current liabilities	572,983	443,095
Other liabilities	126,345	123,793
Total liabilities	699,328	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 September 30, 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	49,797	49,821
Less shares in treasury, at cost, 13,158,291 at September 30, 2008 and 12,431,093 at March 31, 2008	(373,580)	(338,293)
Retained earnings	1,336,246	1,234,629
Accumulated other comprehensive loss	(32,650)	(19,483)
Total shareholders' equity	1,013,183	960,044
Total liabilities and shareholders' equity	\$ 1,712,511	\$ 1,526,932

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



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

	<b>Six months ended September 30, 2008                      2007 (Unaudited)</b>	
<b>Cash flows from operating activities:</b>		
Net income	\$ 101,617	\$ 37,116
<b>Non-cash items included in net income:</b>		
Depreciation	22,501	20,002
Amortization of other intangible assets	3,470	2,437
Share-based compensation expense related to options and purchase rights	11,710	9,935
Write-down of investments	979	67,419
Excess tax benefits from share-based compensation	(6,032)	(8,285)
Loss (gain) on cash surrender value of life insurance policies	363	(567)
Deferred income taxes and other	3,434	(824)
<b>Changes in assets and liabilities, net of acquisitions:</b>		
Accounts receivable	(99,553)	(103,992)
Inventories	(83,760)	(40,810)
Other assets	(13,611)	(4,938)
Accounts payable	118,930	120,026
Accrued liabilities	23,359	15,297
<b>Net cash provided by operating activities</b>	<b>83,407</b>	<b>112,816</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(25,047)	(29,917)
Purchases of short-term investments		(379,793)
Sales of short-term investments		425,879
Proceeds from sale of investment		11,308
Acquisitions, net of cash acquired	(31,832)	
Premiums paid on cash surrender value life insurance policies	(427)	(238)
<b>Net cash provided by (used in) investing activities</b>	<b>(57,306)</b>	<b>27,239</b>
<b>Cash flows from financing activities:</b>		
Repayment of short-term debt		(11,739)
Purchases of treasury shares	(76,017)	(93,562)
Proceeds from sale of shares upon exercise of options and purchase rights	22,355	25,324
Excess tax benefits from share-based compensation	6,032	8,285
<b>Net cash used in financing activities</b>	<b>(47,630)</b>	<b>(71,692)</b>
Effect of exchange rate changes on cash and cash equivalents	(5,592)	828
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(27,121)</b>	<b>69,191</b>
Cash and cash equivalents at beginning of period	482,352	196,197
<b>Cash and cash equivalents at end of period</b>	<b>\$ 455,231</b>	<b>\$ 265,388</b>



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### Supplemental cash flow information:

Interest paid	\$ 138	\$ 7
Income taxes paid	\$ 6,548	\$ 4,403

The accompanying notes are an integral part of these condensed 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						37,116		37,116
Cumulative translation adjustment							13,968	13,968
Minimum pension liability adjustment								