

logitech®



MODERN, SLIM AND BEAUTIFUL

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Logitech (NASDAQ: LOGI)

Company Profile

Headquarters: Lausanne, Switzerland

CEO: Bracken Darrell

Industry: Consumer electronics Technology

Sector: Computer Hardware

Logitech is a world leader in designing, manufacturing, and marketing products that help connect people to digital and cloud experiences. Almost 40 years ago, Logitech created products to improve experiences around the personal computer (PC) platform, and today it is a multi-brand, multi-category company designing products that enable people to pursue their passions and connect to the world. Logitech's products align with several large secular trends including work and learn from anywhere, video everywhere, the increasing popularity of gaming as a spectator and participant sport, and the democratization of content creation. Logitech's brands include Logitech, Logitech G, ASTRO Gaming,

Logitech's foundation for future growth is built on five core capabilities that apply to all of our product categories: • Design; • Engineering; • Go-to-market; • Marketing; and. The chart below shows the % of revenue generated by each business segment.



This report showcases three valuation methodologies used to value logitech. The **first** methodology is using the Market Value and Stock Price to determine the enterprise value; the **second** is Trading Comparables, which is based on the average multiples of industry peers; the **third** valuation method is the Discounted Cash Flow Analysis which provides an enterprise value based on the net present value of future cash flows.

Furthermore, this report will advise on whether one should buy, hold, or sell the company's stock.

Method #1: Stock Price

\$82.07

Method #2:
Trading Comparables

\$114.50

Method #3: Discounted Cash
Flow Valuation

\$137.65

In addition to providing three valuation methods, the report provides a competitive analysis, and highlights the company's performance over the last five years (2016-2020). This report identifies assumptions and showcases a five-year projection of the company's performance and provides a financial analysis of the company. Lastly, this report provides a technical analysis of the company, including a linear regression showcasing the company's performance relative to the stock market.



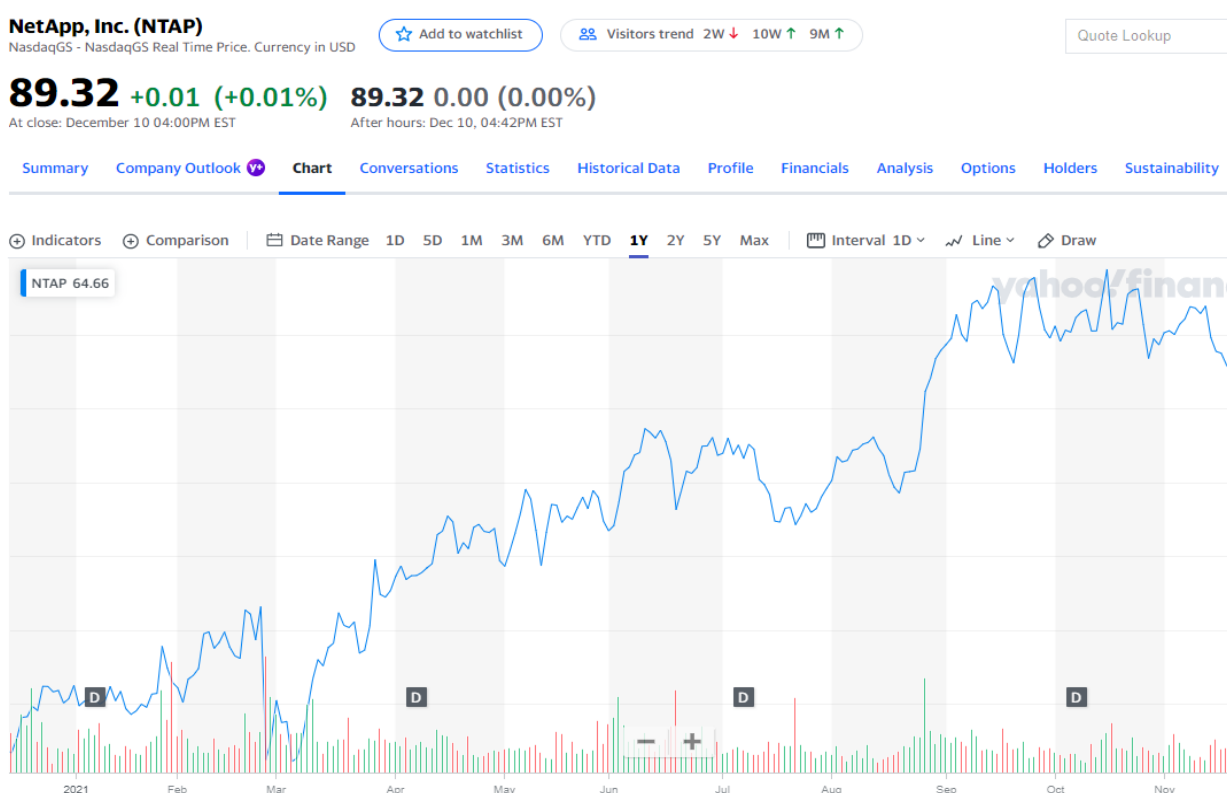
Logitech Competitive Analysis

Logitech Stock Performance



Logitech's current stock price is \$81.29 USD. The company's stock price is in the ballpark range of \$78 USD - \$140 USD.

Stock Performance of Competitors



NetApp, Inc. is an American hybrid cloud data services and data management company headquartered in Sunnyvale, California. The company has a market capitalization of \$19.854 USD billion. Their most recent stock price is \$89.32 USD. Their most recent enterprise value is listed at \$18.21 USD billion.



Seagate Technology Holdings plc is an American data storage company. The company has a market capitalization of \$23.134 USD billion. Their most recent stock price is \$103.91 USD. The company's most recent enterprise value is listed at \$28.31 USD billion.

Financial Analysis for Year 2020 vs Year 2021

Analysis:

- Revenue growth increased from 10.1% in 2017 to 15.6% in 2018, 8.6% in 2019, 6.7% in 2020, and 76.8% in 2021. From the 10k 2021 report, the total sales for fiscal year 2021 increased 76% in comparison to fiscal year 2020, due to stronger sales across all regions and most of the product categories from increased remote work and learning trends, accelerated adoption of video communications, and greater gaming viewership, creation, and participation from home, as a result of COVID-19
- Gross margin increased by 680 basis points to 44.5% during fiscal year 2021, compared to fiscal year 2020. The gross margin benefited from higher sales volume, restrained promotional spending, and favorable product mix, which more than offset higher logistics costs to meet strong demand.
- Operating expenses for fiscal year 2021 were \$1,187.6 million, or 22.6% of sales, compared to \$845.9 million, or 28.4% of sales, for fiscal year 2020. The increase in operating expenses was primarily driven by \$185.6 million higher personnel-related costs due to additional headcount across departments to support business growth and from business acquisitions, \$135.1 million higher third-party costs to support our long-term growth opportunities and branding development, and a \$30 million contribution into a charitable donor advised fund to support the social giving strategies. These increases were partially offset by a \$17.5 million decrease in the change in fair value of contingent consideration due to the Streamlabs earnout recorded in fiscal year 2020 and settled in fiscal year 2021.

Source: Logitech's 10k, Yahoo! Finance



Logitech Income Statement and Cash Flows

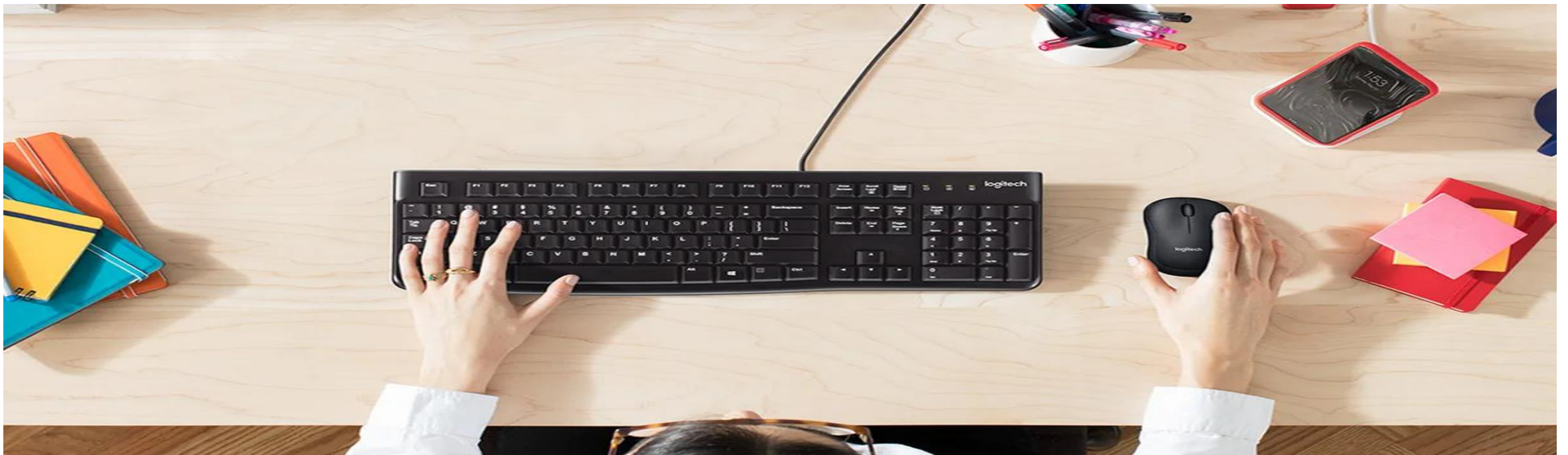
SUMMARY CASH FLOW ANALYSIS	LTM						
	Sep 30	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31
(\$000's)	2021	2021	2020	2019	2018	2017	2016
Depreciation	20,448	19,064	17,563	14,290	8,930	5,814	00
Working Capital Activities	-271,005	298,466	23,209	-57,005	35,126	7,086	-6,917
Investment Activities							
Capital Expenditure	-95,647	-76,189	-39,484	-35,930	-39,748	-31,804	-56,615
Financing Activity							
ST Debt	00	00	00	00	00	00	00
LT Debt	24,144	38,929	30,215	13,016	-18,799	-13,905	147,604
LT Deferred Revenue	00	00	00	00	00	00	00
Other Long-Term Liabilities	00	00	00	00	00	01	02
Total Financing Activities	24,144	38,929	30,215	13,016	-18,799	-13,904	147,606

INCOME STATEMENT	LTM						
	Sep 30	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31
(\$000's)	2021	2021	2020	2019	2018	2017	2016
Total Revenue	5,821,552	5,252,279	2,975,851	2,788,322	2,566,863	2,221,427	2,018,100
Cost of Revenue	3,250,184	2,916,544	1,853,470	1,751,311	1,657,622	1,401,386	1,337,053
Gross Profit	2,571,368	2,335,735	1,122,381	1,037,011	909,241	820,041	681,047
Total Operating Expenses	1,448,119	1,181,948	822,495	762,515	684,532	616,250	534,187
EBIT (Operating Income or Loss)	1,123,249	1,153,787	299,886	274,496	224,709	203,791	146,860
Interest Expense	500,000	500,000	500,000	500,000	500,000	500,000	500,000
EBT & other Income/Expenses	623,249	653,787	-200,114	-225,504	-275,291	-296,209	-353,140
Other Income/Expenses Net	-500,321	-494,333	-524,440	-496,637	-507,556	-511,198	-484,612
EBT	1,123,570	1,148,120	324,326	271,133	232,265	214,989	131,472
Income Tax Expense	189,003	200,863	-125,397	13,560	23,723	9,113	3,110
Net Income	934,567	947,257	449,723	257,573	208,542	205,876	128,362

Source: Logitech's 10k, Yahoo! Finance



Logitech Balance Sheet



BALANCE SHEET STATEMENT

	Sep 30	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31
(\$000's)	2021	2021	2020	2019	2018	2017	2016
Assets							
Current Assets							
Cash And Cash Equivalents	1,137,296	1,750,327	715,566	604,516	641,947	547,533	519,195
Other Short Term Investments	00	00	00	00	00	00	00
Total Cash	1,137,296	1,750,327	715,566	604,516	641,947	547,533	519,195
Net Receivables	807,455	679,935	428,359	417,630	244,362	208,311	165,350
Inventory	827,710	661,116	229,249	293,495	259,906	253,401	228,786
Total Current Assets	2,772,461	3,091,378	1,373,174	1,315,641	1,146,215	1,009,245	913,331
Non-current assets							
Gross property, plant and equipment	496	448,689	372,063	359,345	346,588	348,760	371,212
Accumulated Depreciation	152,363	-303,460	-270,387	-280,793	-260,284	-263,352	-278,352
Net property, plant and equipment	152,859	145,229	101,676	78,552	86,304	85,408	92,860
Long Term Investments	71,124	68,211	66,034	36,385	30,196	25,819	24,083
Goodwill	449,357	429,604	400,917	343,684	275,451	249,741	218,224
Intangible Assets	103,501	115,148	126,941	118,999	87,547	47,564	00
Other long-term assets	306,862	292,808	294,732	130,863	117,444	80,900	75,649
Total non-current assets	1,083,703	1,051,000	990,300	708,483	596,942	489,432	410,816
Total Assets	3,856,164	4,142,378	2,363,474	2,024,124	1,743,157	1,498,677	1,324,147
Liabilities							
Current Liabilities							
Accounts Payable	660,720	823,233	259,120	283,922	293,988	274,805	241,166
Accrued liabilities	367,089	487,552	290,815	306,327	170,571	138,179	170,926
Deferred revenues	00	00	00	00	00	00	00
Current Portion of Long Term Debt	00	00	00	00	00	00	00
Total Current Liabilities	1,370,598	1,681,850	714,144	717,819	575,720	507,078	414,930
Non-Current Liabilities							
Long Term Debt	221,204	197,060	158,131	127,916	114,900	133,699	147,604
Deferred taxes liabilities	1,679	1,679	1,931	2,050	1,980	1,789	1,665
Deferred revenues	00	00	00	00	00	00	00
Total non-current liabilities	222,883	198,739	160,062	129,966	116,880	135,488	149,269
Total Liabilities	1,593,481	1,880,589	874,206	847,785	692,600	642,566	564,199
Stockholders' Equity							
Common Stock	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Retained Earnings	2,261,683	2,260,789	1,488,268	1,175,339	1,049,557	855,111	758,948
Total stockholders' equity	2,262,683	2,261,789	1,489,268	1,176,339	1,050,557	856,111	759,948
Liabilities & Stockholders Equity	3,856,164	4,142,378	2,363,474	2,024,124	1,743,157	1,498,677	1,324,147
Error	00	00	00	00	00	00	00

Source: Logitech's 10k, Yahoo! Finance

Ratio Analysis

FINANCIAL RATIO ANALYSIS

	Sep 30	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31
	2021	2021	2020	2019	2018	2017	2016
EBITDA (\$ 000's)	1,143,697	1,172,851	317,449	288,786	233,639	209,605	146,860
TREND ANALYSIS							
Revenue Growth	10.8%	76.5%	6.7%	8.6%	15.6%	10.1%	
LIQUIDITY RATIOS							
Current Ratio	2.0x	1.8x	1.9x	1.8x	2.0x	2.0x	2.2x
Quick Ratio	1.4x	1.4x	1.6x	1.4x	1.5x	1.5x	1.6x
Accounts Receivable Turnover	7.8x	9.5x	7.0x	8.4x	11.3x	11.9x	24.4x
Accounts Receivable Days	46.63	38.51	51.88	43.33	32.18	30.70	14.95
SOLVENCY RATIOS							
Total Debt / Total Capitalization (Cap Ratio)	8.9%	8.0%	9.6%	9.8%	9.9%	13.5%	16.3%
EBITDA/ Interest (Coverage Ratio)	2.3x	2.3x	0.6x	0.6x	0.5x	0.4x	0.3x
Total Debt / EBITDA (Leverage Ratio)	5.2x	6.0x	2.0x	2.3x	2.0x	1.6x	1.0x
PROFITABILITY RATIO							
Gross Profit	44.2%	44.5%	37.7%	37.2%	35.4%	36.9%	33.7%
EBITDA Margin	19.6%	22.3%	10.7%	10.4%	9.1%	9.4%	7.3%
ROA	23.4%	29.1%	20.5%	13.7%	12.9%	14.6%	19.4%
ROE	41.3%	50.5%	33.7%	23.1%	21.9%	25.5%	33.8%



Projection Analysis (2022-2027)

Logitech Projection Analysis

								PROJECTED						
	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Sep 30	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	
(\$000's)	2016	2017	2018	2019	2020	2021	2021	2022	2023	2024	2025	2026	2027	
Total Revenue	2,018,100	2,221,427	2,566,863	2,788,322	2,975,851	5,252,279	5,821,552	5,646,200	5,984,972	6,284,221	6,535,589	6,797,013	7,068,893	
Revenue Growth		10.1%	15.6%	8.6%	6.7%	76.5%	10.8%	-3.0%	6.0%	5.0%	4.0%	4.0%	4.0%	
Cost of Revenue	1,337,053	1,401,386	1,657,622	1,751,311	1,853,470	2,916,544	3,250,184	3,152,285	3,818,510	4,009,436	4,169,813	4,336,606	4,510,070	
Gross Profit	681,047	820,041	909,241	1,037,011	1,122,381	2,335,735	2,571,368	2,493,915	2,166,461	2,274,785	2,365,776	2,460,407	2,558,823	
Gross profit	33.7%	36.9%	35.4%	37.2%	37.7%	44.5%	44.2%	44.2%	36.2%	36.2%	36.2%	36.2%	36.2%	
Total Operating Expenses	534,187	616,250	684,532	762,515	822,495	1,181,948	1,448,119	1,490,298	1,579,716	1,658,702	1,725,050	1,794,052	1,865,814	
EBIT (Operating Income or Loss)	146,860	203,791	224,709	274,496	299,886	1,153,787	1,123,249	1,003,617	586,746	616,083	640,726	666,355	693,009	
Interest Expense	500,000	500,000	500,000	500,000	500,000	500,000	500,000							
EBT & other Income/Expenses	(353,140)	(296,209)	(275,291)	(225,504)	(200,114)	653,787	623,249							
Other Income/Expenses Net	(484,612)	(511,198)	(507,556)	(496,637)	(524,440)	(494,333)	(500,321)							
EBT	131,472	214,989	232,265	271,133	324,326	1,148,120	1,123,570							
Income Tax Expense	3,110	9,113	23,723	13,560	(125,397)	200,863	189,003							
Net Income	128,362	205,876	208,542	257,573	449,723	947,257	934,567							
Depreciation	-	5,814	8,930	14,290	17,563	19,064	20,448	19,336	20,496	21,521	22,382	23,277	24,208	
Working Capital	(6,917)	7,086	35,126	(57,005)	23,209	298,466	(271,005)	(9,877)	(10,470)	(10,993)	(11,433)	(11,890)	(12,366)	
Capital Expenditure	(56,615)	(31,804)	(39,748)	(35,930)	(39,484)	(76,189)	(95,647)	(94,867)	(100,559)	(105,587)	(109,810)	(114,203)	(118,771)	
Current Portion of Long Term Debt	-	-	-	-	-	-	-							
Long Term Debt	147,604	133,699	114,900	127,916	158,131	197,060	221,204							
Total Debt	147,604	133,699	114,900	127,916	158,131	197,060	221,204	210,144	199,084	188,023	176,963	165,903	154,843	
OPERATING ASSUMPTIONS	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Sep 30	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	
	2016	2017	2018	2019	2020	2021	2021	2022	2023	2024	2025	2026	2027	
EBITDA (\$ 000's)	146,860	209,605	233,639	288,786	317,449	1,172,851	1,143,697	1,022,953	607,242	637,604	663,108	689,632	717,217	
Revenue Growth		10.1%	15.6%	8.6%	6.7%	76.5%	10.8%	7.5%	6.0%	5.0%	4.0%	4.0%	4.0%	
Cost of Revenue as % of Revenue	66.3%	63.1%	64.6%	62.8%	62.3%	55.5%	55.8%	55.8%	63.8%	63.8%	63.8%	63.8%	63.8%	
Operating Expense as % of Revenue	26.5%	27.7%	26.7%	27.3%	27.6%	22.5%	24.9%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	
Working Capital as % of Revenues	0.3%	-0.3%	-1.4%	2.0%	-0.8%	-5.7%	4.7%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
Capex % Revenue	2.8%	1.4%	1.5%	1.3%	1.3%	1.5%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	
Depreciation % Revenue	0.0%	0.3%	0.3%	0.5%	0.6%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	
Total Debt	147,604	133,699	114,900	127,916	158,131	197,060	221,204	210,144	199,084	188,023	176,963	165,903	154,843	
Debt Reapayment \$		-13,905	-18,799	13,016	30,215	38,929	24,144	11,060	11,060	11,060	11,060	11,060	11,060	
Estimated Debt Repayment % of 03/2021							5.00%							



Valuation Analysis

METHOD #1 - Market Value / Using the Stock Price

Company	Symbol	Stock Price 12/09/2021	Stocks Outstanding (\$000)	Equity Value (\$000)	Debt (ST<) (\$000)	Cash (\$000)	Enterprise Value (\$000)
Logitech	logi	\$ 82.07	167,000	13,705,690	221,204	1,137,296	12,789,598

METHOD #2 -Average EBITDA Industry Trading Multiples

Company	Symbol	Stock Price 12/09/21	Stocks Outstanding (\$000)	Equity Value (\$000)	Debt (ST<) (\$000) 9/30/21	Cash (\$000) 9/30/21	Enterprise Value (\$000)	EBITDA (\$000) 2021	EBITDA Multiple	Beta
Cisco Systems, Inc	CSCO	\$ 59.25	4,220,000	250,035,000	10,690,000	23,350,000	237,375,000	15,860,000	14.97x	0.91x
Turtle Beach Corporation	HEAR	\$ 22.97	16,050	368,669	8,160	28,060	348,769	40,200	8.68x	1.50x
Netapp	NTAP	\$ 89.32	222,280	19,854,050	2,910,000	4,560,000	18,204,050	1,300,000	14.00x	1.21x
Western Digital	WDC	\$ 57.87	311,620	18,033,449	8,920,000	3,290,000	23,663,449	2,960,000	7.99x	1.52x
Seagate Technology Holdings plc	STX	\$ 103.91	222,640	23,134,522	5,150,000	993,000	27,291,522	2,240,000	12.18x	1.06x
Super Micro Compute	SMCI	\$ 42.87	51,080	2,189,800	303,570	270,050	2,223,320	150,840	14.74x	1.36x
Arista Networks	ANET	\$ 130.69	307,300	40,161,037	61,630	3,390,000	36,832,667	904,770	40.71x	1.17x
Logitech	LOGI	\$ 82.07	167,000	13,705,690	221,204	1,137,296	12,789,598	1,172,851	10.90x	0.70x
EBITDA * Average Multiple			1,172,851	15.52x				Average	15.52x	1.18x
LOGI's Enterprise Value			18,205,241	Stock Val= \$ 114.50						

METHOD #3 - Discount Cash Flow Valuation Analysis

		year =								
		HISTORICAL			PROJECTED				EXIT YEAR	
		3/31/2019	3/31/2020	3/31/2021	3/31/2022	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027
Revenues		2,788,322	2,975,851	5,252,279	5,646,200	5,984,972	6,284,221	6,535,589	6,797,013	7,068,893
Revenue Growth			6.7%	76.5%	7.5%	6.0%	5.0%	4.0%	4.0%	4.0%
Cost of Revenues (CoGS)		1,751,311	1,853,470	2,916,544	3,152,285	3,818,510	4,009,436	4,169,813	4,336,606	4,510,070
Operating Expenses (Excl. Non-rec.)		762,515	822,495	1,181,948	1,490,298	1,579,716	1,658,702	1,725,050	1,794,052	1,865,814
EBIT		5,302,148	5,651,816	9,350,772	10,288,783	11,383,198	11,952,358	12,430,453	12,927,671	13,444,777
Less Taxes (tax rate x of EBIT)	22.00%				(2,263,532)	(2,504,304)	(2,629,519)	(2,734,700)	(2,844,088)	(2,957,851)
Plus Depreciation					19,336	20,496	21,521	22,382	23,277	24,208
Less Working Capital					(9,877)	(10,470)	(10,993)	(11,433)	(11,890)	(12,366)
Less Capex					(94,867)	(100,559)	(105,587)	(109,810)	(114,203)	(118,771)
Cash Flow					7,939,842	8,788,362	9,227,780	9,596,891	9,980,767	10,379,998
EBITDA				1,172,851	10,308,119	11,403,694	11,973,879	12,452,834	12,950,948	13,468,986
Debt (assuming 5% reduction of intial principal per year)				197,060	210,144	199,084	188,023	176,963	165,903	154,843
Terminal Value	Assumptions	Growth								
EBITDA Multiple Method	15.52x	(EBITDA x EBITDA Multiple)								201,027,351
Perpetuity Method	6.95% WACC	3.00%			Next Year's Cash Flow / (Discount Rate - Growth)					262,784,748
Average		8.00%								231,906,049
Less Debt Outstanding (at Exit)										(165,903)
Plus Cash (at Exit)										231,740,146
Equity Value at Terminal										Assume \$0
		PV (for \$1)								
Equity Cash Flows	80.00%				7,939,842	8,788,362	9,227,780	9,596,891	241,720,913	
		PV (1) =	0.9350164	\$4,411,023						
		PV (2) =	0.8742556	\$2,712,457						
		PV (3) =	0.8174433	\$1,582,267						
		PV (4) =	0.7643229	\$914,199						
		PV (5) =	0.7146544	\$12,792,390						
		PV=		\$22,412,336						
Enterprise Value =		PV of Equity + PV of Debt								
		PV of Equity =		\$22,412,336						
		+ PV of Debt =		221,204						
		- PV of Cash =		(1,137,296)						
logi's Enterprise Value				21,496,244						
		Stock Val= \$		134.21						
		Cost of Equity Calc		Interest Calculation						
		Risk Free Rate (5 year)	1.00%	209,132	Avg Debt					
		Premium based on MC =	8.50%	500,000	Interest					
		Logi Beta =	0.70x	239.08%	Rate					
		Expected Equity Return =	6.95%							
		WACC Calc:	Amount	% Cap	RoR	AT RoR				
		Total Debt	-	0.0%	239.08%	186.49%				
		BV Equity	2,262,683	100.0%	6.95%	6.95%				
			2,262,683	100.0%						

Valuation Methodologies Discussion

ENTERPRISE VALUATION ANALYSIS

	EV (000's)	Debt (000's)	Cash (000's)	Eq Value (000's)	Shares Outs (000's)	Stock Price	Recom. (-10%/+10%)	
METHOD #1 - Market Value / Using the Stock Price	12,789,598	221,204	1,137,296	13,705,690	167,000	\$ 82.07		
METHOD #2 - Average EBITDA Industry Trading Multiples	18,205,241	221,204	1,137,296	19,121,333	167,000	\$ 114.50	Buy	39.5%
METHOD #3 - Discount Cash Flow Valuation Analysis	21,496,244	221,204	1,137,296	22,412,336	167,000	\$ 134.21	Buy	63.5%
Average of other methods	16,950,579			17,866,671		\$ 106.99	Buy	30.4%

Valuation Methodologies Analysis:

- The company is trading at a value of \$82.07 USD, with a last 30-day range of \$78 to \$87 USD.
- The three valuation methodologies indicate that currently the stock is under-valued, as the latter two methodologies yield an average stock price of \$124.36.
- Out of the three valuation methodologies, the Discounted Cash Flow Valuation Analysis resulted in the highest enterprise value for Logitech. This method provides an enterprise value based on the net present value of future cash flows. At a stock price of \$134.21 USD, 30.4% higher than the current trading value of \$82.07 USD.
- Logitech's peers are trading at a higher EBITDA multiple of 15.52x than the company. Logitech has an EBITDA multiple of 10.90x, and therefore there is some modest room for multiple expansion.
- Given the average valuation of \$106.99 USD being higher to the current stock price of \$82.07 USD, we can conclude that the stock is under-valued.
- Due to the recent acquisitions of Mevo Inc. (Mevo), this report projects strong initial growth in revenue, and a resulting higher net income and enterprise value for the company. As a result, we advise that shareholders and stockowners should **buy in** the stock in anticipation that the stock will increase in value over the next five years.



Technical Analysis

Logitech 5-Year Performance vs. S&P 500 5-Year Performance

HISTORICAL PRICE STOCK ANALYSIS

