

Analysis of Financial Performance at Logitech International

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Abstrak

Because of quickly change, technology industry also one of side that has experienced a correction, and many stocks that were previously considered high-flying and aggressively valued have suffered significant losses. Logitech, which this analysis focuses on. These companies trade at low valuations and offer promising growth potential and profitability. This research is library research analyzing the financial performance of the Logitech or LOGI's company obtained from the official website, Logitech Annual Report, and related journal documents. This research found that Logitech's company generated \$41.5 million in net income and had a total \$4.54 in sales in the fiscal year 2023. With a current stock price of \$89.78 in March 2024. The company's market capitalization is \$10.32 billion, resulting in a P/E ratio of 29.10 slightly higher than the average industry of 28.28. Logitech is in a good financial health, as shown by its balance sheet. Its total assets have been increasing consistently. Logitech has consistently impressive returns on capital, exceeding 20%. Logitech has a healthy future financial outlook, profitability, and financial performance that make it attractive to value-oriented investors seeking opportunities in the technology sector.

Kata Kunci: Financial Analysis, Stocks, Performance, Logitech International

Abstract

Karena perubahan yang cepat, industri teknologi menjadi salah satu pihak yang mengalami koreksi, dan banyak saham yang sebelumnya dianggap terbang tinggi dan dinilai secara agresif justru mengalami kerugian yang signifikan. Logitech, yang menjadi fokus analisis ini. Perusahaan-perusahaan ini berdagang dengan valuasi rendah dan menawarkan potensi pertumbuhan dan profitabilitas yang menjanjikan. Penelitian ini merupakan penelitian kepustakaan yang menganalisis kinerja keuangan perusahaan Logitech atau LOGI yang diperoleh dari situs resmi, Laporan Tahunan Logitech, dan dokumen jurnal terkait. Penelitian ini menemukan bahwa perusahaan Logitech menghasilkan laba bersih sebesar \$41,5 juta dan memiliki total penjualan \$4,54 pada tahun fiskal 2023. Dengan harga saham saat ini sebesar \$89,78 pada bulan Maret 2024. Kapitalisasi pasar perusahaan adalah \$10,32 miliar, sehingga menghasilkan P/E rasio sebesar 29,10 sedikit lebih tinggi dibandingkan rata-rata

industri sebesar 28,28. Logitech berada dalam kondisi keuangan yang baik, seperti yang ditunjukkan oleh neracanya. Total asetnya terus meningkat secara konsisten. Logitech secara konsisten menghasilkan pengembalian modal yang mengesankan, melebihi 20%. Logitech memiliki prospek keuangan masa depan yang sehat, profitabilitas, dan kinerja keuangan yang menjadikannya menarik bagi investor berorientasi nilai yang mencari peluang di sektor teknologi.

Keywords: Analisis Keuangan, Saham, Kinerja, Logitech International

A. Introduction

After a strong bull market period following the Covid-19 pandemic crash, markets entered a phase of uncertainty towards the end of 2021 until now in 2024. When the global and regional economic and political conditions adversely affect demand for their products. These conditions also had an impact on our suppliers, contract manufacturers, logistics providers, and distributors, causing volatility in cost of materials and shipping and transportation rates, and as a result, impacting the pricing of our products. There are fluctuations in currency exchange rates, inflation, and economic downturns, push most of business to have strategy and investment priorities. The international trade system has received attention as a challenge to globalization competition (Latifah 2022). That is in relation to competitive offerings and evolving consumer demand trends affecting products and markets, current and future worldwide geopolitical, economic and capital market conditions. Which mean companies have to achieve how they create long-term prospects, strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position. They must have the goal of financial management to maximize corporate value and ensure business continuity by managing financial resources effectively and efficiently (Ompusunggu et al. 2023).

Logitech is a leading global company that designs, produces, and markets items to facilitate people's connection with digital and cloud-based experiences. Initially, Logitech focused on enhancing personal computer experiences, but over the past forty years, it has evolved into a multi-brand, multi-category organization that creates products allowing individuals to pursue their interests and interact with the world. The products manufactured by Logitech align with various significant and long-term trends, including the ability to work and learn from any location, widespread video consumption, the increasing popularity of gaming as

both a spectator and a participant activity, and the democratization of content creation.

Remembering that financial analysis is important in understanding the financial condition and performance of a company. As information that stakeholders use to gain valuable company insight. Where the analysis highlights important relationships in the financial statements so that it can focus on evaluating previous operations. Financial statement analysis also includes methods used in assessing and interpreting past performance results and current financial position in relation to certain factors of concern in investment decisions. A systematic and specific arrangement of information for the purpose of its interpretation. With ratio and trend analysis you can build expectations of future performance. Performance can be improved to increase operational efficiency.

The development of digital technology has also changed the lifestyle (Hakim et al. 2022). Technology industry also one of side that has experienced a correction, and many stocks that were previously considered high-flying and aggressively valued have suffered significant losses. As the market shifts towards value stocks, there is an opportunity for investment in the Technology sector, particularly in hardware manufacturing companies such as Logitech, which this analysis focuses on. These companies trade at low valuations and offer promising growth potential and profitability. However, volatility in demand may result in higher promotional and marketing costs, excess inventory, or both, which could adversely impact future operational results. For this reason, the author is interested in researching more deeply about the finances of LOGI as growth companies operating in the technology sector.

B. Method

The research method used in this research is library research analyzing the financial performance of the Logitech or LOGI's company obtained from the official website, Logitech Annual Report and related journal documents. The results of the interpretation of the company's financial analysis are presented and described by the author so that it makes it easier to find out the company's financial performance began from the current situation until trends in the financial health over recent years and potentially into the future.

C. Result and Discussion

1. Current State of The Financial Health of Logitech

Financial analysis has emerged since the beginning of the financial function as an independent function and as other functions in the firm and has emerged specifically in 1900 when field studies were conducted using the analysis in the study of the financial position of the enterprises. The concept of analysis using ratios is based on the definition of the ratio, where (%) means "*the relationship between two variables or two items that share common characteristics or a similar situation*". If the analysis is based on ratios, it is intended to establish relationships between two accounting variables that have common relationships or characteristics to study a particular case. The concept of analysis that have been used in the second half of the twentieth century as a result of the evolution of financial function in the field of business and financial decision-making. Then the analysis using quantitative methods is the method that uses quantitative methods in the analysis of phenomena or activities carried out by organizations and the creation of relationships between the variables that control the direction of its activities and decisions to organize events such as investments, loans and financial portfolios and other programs .

An information processing system designed to provide data for decision-making models, such as the portfolio selection model, bank lending decision models and corporate financial management models. There are many important steps, such as trend and ratio analysis, in preparing a financial analysis. The starting point is the financial statements; Income statement, Balance Sheet, and Statement of Cash Flows. Short term liquidity ratios are an early warning signal to cash flow issues. There are different users of financial statement analysis. These can be classified into internal and external users. Internal users refer to the management of the company who analyzes financial statements in order to make decisions related to the operations of the company. External users do not necessarily belong to the company but still hold some sort of financial interest. These include owners, investors, creditors, government, employees, customers, and the general public.

Logitech offers a diverse range of brands, including Logitech, Logitech G, ASTRO Gaming, Streamlabs, Blue Microphones, and Ultimate Ears. Particularly in the digital arena, it had pitted the

intelligence and security services against the very industries that needed to innovate most, as the imperatives of regime stability ultimately prevailed against the economic freedoms necessary for competitive modernization (Collony et al. 2023)

Financial ratio analysis helps determine whether the company's financial performance is good or otherwise. Ratio analysis can be classified into various types, some of which are liquidity, solvency, activity and profitability ratios. The level of liquidity shows the extent of the company's ability to fulfill its short-term obligations with the guarantee of its current assets. Meanwhile, the solvency level shows the extent to which the company can fulfill all its obligations with the collateral of the assets it owns. Activity level measures the effectiveness of a company in using its assets (Maith, n.d.) Then about pricing, according to Fandy Tjiptono, there are four types of pricing methods based on demand, costs, profits and competition (Muslimin and Zainab 2020).

On a percentage basis, our cost reductions were the same as the year-end decline in revenue. We ensured these reductions were made with surgical intent, protecting ongoing investments in research and development, and enterprise go-to-market. We continue to manage costs, while investing in future innovation. There was a similar focus on inventory levels, reducing on hand inventory quarter on quarter across the fiscal year, as well as reducing channel inventory. The team continues carefully to manage inventory levels while ensuring readiness for the coming holiday quarter. As a result, Logitech has a sufficiently solid financial foundation to invest through down cycles such as this. FY 2023 closed within our adjusted outlook range, with a strong balance sheet, no debt and a healthy cash position. Cash flow from operations was up 79% to over \$0.5 billion, and the end-of-year cash balance was \$1.15 billion. We also returned more than \$0.5 billion to shareholders via dividends and share repurchases.

These, and more, contributed to a record number of design awards in FY 2023. Logitech was honored with 116 awards and the highly prestigious Red Dot Design Team of the Year award - the Oscar of design. Yet, more important than plaudits, is the diversity of the portfolio. Logitech offers solutions for enterprises and consumers, balanced across geographies, price points and audience segments.

The company generated \$41.5 million in net income and had a total \$4.54 in sales in the fiscal year that ended on March 31, 2023. It shows that the sales were decreased by 17% in US dollars and 13% in constant currency, compared to the prior year, due to the challenging macroeconomic environment and decreased enterprise and consumer spending. This is make sense, since hardware product are durable enough which can lead to a decline in sales. However, this trend was different during the pandemic, particularly in 2019-2021, when sales increased because people required advanced products to facilitate their activities and work online during pandemic. The high profitability of a company is more important than the maximum profit achieved by the company in generating maximum profits compared to the capital used by the company(Putri et al. 2018).

The company's GAAP operating income decreased by 41%, while the non-GAAP operating income decreased by 35% compared to the prior year. Operating expenses were prudently reduced by 17% in line with the decline in net sales. The company's current EPS is 2.21, GAAP earnings per share decreased by 41%, while the non-GAAP EPS decreased by 30% compared to the prior year. However, cash flow from operations increased by 79%, and the end-of-year cash balance was \$1.15 billion. The company returned \$577 million of cash to shareholders through its annual dividend payment and share repurchases. These results were in line with the company's previously provided outlook for the fiscal year 2023, which anticipated a sales decline of between 15% and 13% in constant currency and non-GAAP operating income of between \$550 million and \$600 million. There is no reason why companies must be able to anticipate all risks that occur, companies must master information by using appropriate methods to analyze the company's condition. (Faisal, Samben, and Pattisahusiwa 2017).

With a current stock price of \$89.78 in March 2024 on average volume 542,114, the company's market capitalization is \$10.32 billion, resulting in a P/E ratio of 29.10 slightly higher than the average industry of 28.28 which is considered high. However, in case the future earning of the company is potential, the value of the price may be warranted. The Relative Value of the stock is \$67.88, which is 5% higher than its current price of \$64.39. It also has a very low D/E (Debt to Equity) ratio of 0, indicating that the company has minimal debt

compared to equity. Furthermore, Logitech is in a good financial health, as shown by its balance sheet. Its total assets have been increasing consistently, while its cash balance has also been growing and now stands at \$1.7 billion, which is equivalent to 14% of Logitech's market capitalization. The company has no long-term debt, which significantly improves its overall financial viability. Its liquidity is also strong, with a current ratio of 2.05x and a quick ratio of 1.46x. Logitech has consistently impressive returns on capital, exceeding 20%, with a significant increase in 2021 when people started to do content creation and social media activities. The company pays a dividend yield of 1.32%, which is slightly lower than S&P 500's yield. The income distributions have grown at a 5-year compound annual growth rate of 10.5%, and a 17% payout ratio indicates that the company is adequately safe. The share count has not changed over the past decade.

2. Trends in the Financial Health Over Recent Years and Potentially Into the Future

The Logitech outlook for 2022 has improved due to the strong demand for remote work-related equipment and growth in the gaming and content creation industries. Sales increased by 5% and 10% in the Americas and Asia Pacific, respectively, but declined by 1% in EMEA compared to the previous fiscal year. The gross margin decreased by 320 basis points to 41.3% due to increased promotional spending, higher reserves for excess inventories, and increased material and logistic costs, partially offset by favorable impacts from product mix and changes in currency exchange rates. Operating expenses were \$1,489 million, or 27.2% of sales, which is higher than the previous fiscal year. However, this increase was partially offset by a charitable donation made in the previous fiscal year when the corona virus hits. It proves that Individual reputation building is crucial for achieving incremental value growth that will attract some investor. However, the structure of company reputations varies, and the potential for leveraging market capitalization through improvements in general reputation strength differs accordingly.

Logitech achieved its 8th straight year of growth in revenue in 2021, with a remarkable 74% Y/Y increase in sales, resulting in a total revenue of \$5.25 billion. The company also saw a record high level of

cash generated from operations, reaching \$1.46 billion. This impressive revenue growth is evident when compared to the revenue of \$2.21 billion in 2017, and over the past 5 years, Logitech has recorded more than \$5.04 billion in revenue, which is a growth of 94%. Although the EBITDA increased by \$818.29 million, there was a decline of 102% in net income growth because the company have to pay a higher tax.

Over the past three years, LOGI has shown a high average ROIC (Return on Invested Capital) of 41%, indicating that the company efficiently uses its invested capital to generate operating income. The company has also demonstrated a high average ROE (Return on Equity) of 36%, indicating its efficiency in converting shareholders' equity into net income. LOGI's long-term assets exceed its long-term liabilities, and its short-term assets exceed its short-term liabilities. The company has positive Gross Profit and Free Cash Flow in 2022, and its revenue has grown by 18% annually for the past three years. However, there has been a significant decrease in the ROIC and ROE over the past three years, with ROIC decreasing from 33% to 21% and ROE decreasing from 34% to 19% because of increasing depreciation expenses which is leads to a lower net income and a significant decrease in return on equity (ROE). Also, companies that are growing rapidly and require significant capital investments tend to have a lower ROE. Nonetheless, LOGI has positive Operating Income and Net Income for the last twelve months.

PE or similar ratios are sometimes not accurate to determine the company's future health because they do not take into account the financial structure and are simply a spot valuation that can be easily manipulated with accounting loopholes, particularly with the GAAP standard. They also fail to consider assets and liabilities that impact the valuation and are not as relevant as ratios using more clean metrics like ROIC. Taking everything into account, Logitech has a healthy future financial outlook, profitability, and financial performance that make it attractive to value-oriented investors seeking opportunities in the technology sector. However, it is worth noting that the company is somewhat more expensively valued compared to its peers and the stock may fall in the future. Nonetheless, this concern can be disregarded given the company's superior profitability, low leverage, and moderately attractive growth prospects.

D. Conclusion

Logitech is in a good financial health, as shown by its balance sheet. Its total assets have been increasing consistently. The company has no long-term debt, which significantly improves its overall financial viability. Logitech has consistently impressive returns on capital, exceeding 20%, with a significant increase in 2021 when people started to do content creation and social media activities. Nonetheless, LOGI has positive Operating Income and Net Income for the last twelve months. Taking everything into account, Logitech has a healthy future financial outlook, profitability, and financial performance that make it attractive to value-oriented investors seeking opportunities in the technology sector. However, it is worth noting that the company is somewhat more expensively valued compared to its peers and the stock may fall in the future. Nonetheless, this concern can be disregarded given the company's superior profitability, low leverage, and moderately attractive growth prospects.

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