

LOGITECH INTERNATIONAL SA

Form 6-K

February 13, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO

RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 31, 2002

Commission file number: 0-29174

LOGITECH INTERNATIONAL S.A.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Canton of Vaud, Switzerland

(Jurisdiction of incorporation or organization)

Logitech International S.A.

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Apples, Switzerland

c/o Logitech Inc.

6505 Kaiser Drive

Fremont, California 94555

(510) 795-8500

(Address and telephone number of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form

40-F. Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b).

Not applicable

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Exhibit

99.4	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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(In thousands, except share and per share amounts)

	December 31, 2002	March 31, 2002
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 169,499	\$ 143,101
Accounts receivable	239,417	171,103
Inventories	140,636	85,124
Other current assets	38,344	33,486
	<u>587,896</u>	<u>432,814</u>
Total current assets	587,896	432,814
Investments	1,434	8,713
Property, plant and equipment	39,861	32,086
Intangible assets:		
Goodwill	108,615	102,017
Other intangible assets	18,679	15,358
Other assets	12,940	4,756
	<u>769,425</u>	<u>595,744</u>
Total assets	\$ 769,425	\$ 595,744
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Short-term debt	\$ 10,161	\$ 5,527
Accounts payable	164,103	88,268
Accrued liabilities	108,779	73,309
	<u>283,043</u>	<u>167,104</u>
Total current liabilities	283,043	167,104
Long-term debt	127,031	104,812
Other liabilities	3,540	811
	<u>413,614</u>	<u>272,727</u>
Total liabilities	413,614	272,727
Shareholders equity:		
Registered shares, par value CHF 1 51,209,535 authorized, 17,890,465 conditionally authorized, 47,901,655 issued and outstanding at December 31, 2002; 51,209,535 authorized, 11,890,465 conditionally authorized, 47,901,655 issued and outstanding at March 31, 2002	33,370	33,370
Additional paid-in capital	146,433	134,312
Less registered shares in treasury, at cost, 1,975,278 at December 31, 2002 and 2,083,003 at March 31, 2002	(55,939)	(15,819)
Retained earnings	276,611	204,391

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Accumulated other comprehensive loss	(44,664)	(33,237)
Total shareholders' equity	355,811	323,017
Total liabilities and shareholders' equity	\$ 769,425	\$ 595,744

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

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	Nine months ended December 31,	
	2002	2001
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 72,221	\$ 53,433
Non-cash items included in net income:		
Depreciation	20,162	21,417
Amortization of other intangible assets	3,791	2,745
Write off of investment	1,512	1,220
Loss (gain) on sale of investments	163	(859)
Equity in net losses of affiliated companies		2,026
Other	150	782
Changes in current assets and liabilities:		
Accounts receivable	(58,781)	(62,511)
Inventories	(51,005)	3,254
Other current assets	(6,407)	(14,093)
Accounts payable	60,572	34,928
Accrued liabilities	28,938	15,117
Net cash provided by operating activities	<u>71,316</u>	<u>57,459</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(24,493)	(16,635)
Acquisitions and investments, net of cash acquired	2,109	(6,303)
Sales of investments	2,072	3,233
Net cash used in investing activities	<u>(20,312)</u>	<u>(19,705)</u>
Cash flows from financing activities:		
Net borrowing (repayment) of short-term debt	2,844	(54,621)
Borrowing of long-term debt, net of issuance costs		93,197
Repayment of long-term debt	(804)	(27,144)
Purchase of treasury shares	(40,776)	(15,043)
Proceeds from sale of shares upon exercise of options and rights	12,776	9,124
Net cash provided by (used in) financing activities	<u>(25,960)</u>	<u>5,513</u>
Effect of exchange rate changes on cash and cash equivalent	<u>1,354</u>	<u>(2,020)</u>
Net increase in cash and cash equivalents	26,398	41,247
Cash and cash equivalents at beginning of period	143,101	44,142
Cash and cash equivalents at end of period	<u>\$ 169,499</u>	<u>\$ 85,389</u>

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Supplemental cash flow information:		
Interest paid	\$ 1,247	\$ 1,658
Income taxes paid	\$ 3,653	\$ 2,481
Non-cash investing and financing activities:		
Acquisition of additional Labtec shares through issuance of treasury shares	\$	\$ 863
Note payable issued to acquire 3Dconnexion minority interest	\$ 7,400	\$
Assumption of Spotlife capital lease	\$ 2,682	\$

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

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LOGITECH INTERNATIONAL S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 The Company:

Logitech International S.A. designs, manufactures and markets personal interface products and supporting software that serve as the primary physical interface between people and their personal computers and other digital platforms. The Company's products include corded and cordless mice, trackballs, and keyboards; joysticks, gamepads and racing systems; internet video cameras; PC speakers, headsets and microphones; and 3D controllers. The Company sells its products to both original equipment manufacturers (OEMs) and to a network of retail distributors and resellers (retail).

Logitech was founded in Switzerland in 1981, and in 1988 listed its registered shares in an initial public offering in Switzerland. In 1997, the Company sold shares in a U.S. initial public offering in the form of American Depositary Shares (ADSs) and listed the ADSs on the Nasdaq National Market system. The Company's corporate headquarters are in Fremont, California through its U.S. subsidiary, with regional headquarters in Switzerland, and in Taiwan and Hong Kong through local subsidiaries. The Company has its principal manufacturing operations in China, and distribution facilities in the U.S., Europe and Asia.

Note 2 Interim Financial Data:

The accompanying consolidated financial statements should be read in conjunction with the Company's 2002 Annual Report on Form 20-F as filed with the Securities and Exchange Commission. In the opinion of management, the accompanying financial information includes all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for the interim periods. The results of operations and cash flows for the interim periods presented are not necessarily indicative of the results of any future period.

The Company reports quarterly results on thirteen-week periods, each ending on a Friday. For purposes of presentation, the Company has indicated its quarterly periods as ending on the month end. Certain amounts reported in prior quarters' financial statements have been reclassified to conform to the current quarter's presentation.

Note 3 Net Income per Share and ADS:

Basic earnings per share are computed by dividing net income by the weighted average number of outstanding registered shares. Diluted earnings per share are computed using weighted average registered shares and, if dilutive, weighted average registered share equivalents. The registered share equivalents are registered shares issuable upon the exercise of stock options and stock purchase plan agreements (using the treasury stock method), and upon the conversion of convertible debt (using the if-converted method). For the three and nine months ended December 31, 2002 and December 31, 2001, the conversion of convertible debt was included in the registered share equivalents due to its

dilutive effect.

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The computation of the basic and diluted per share amounts for the Company was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2002	2001	2002	2001
(In thousands)				
Net income:				
Basic	\$ 40,432	\$ 33,173	\$ 72,221	\$ 53,433
Convertible debt interest expense, net of income tax	570	521	1,709	1,148
Diluted	\$ 41,002	\$ 33,694	\$ 73,930	\$ 54,581
Weighted average common shares outstanding:				
Basic	46,046	44,782	46,082	44,505
Effect of dilutive stock options	2,398	3,785	2,990	3,762
Effect of dilutive convertible debt	2,724	2,724	2,724	2,038
Diluted	51,168	51,291	51,796	50,305

Note 4 Acquisitions:**3Dconnexion**

In June 1998, the Company acquired 49% of the outstanding shares of 3Dconnexion, the provider of Logitech's 3D controllers, and accounted for its investment using the equity method. In September 2001, the Company acquired an additional 2% of the outstanding shares and a controlling interest in 3Dconnexion. 3Dconnexion's assets and liabilities have been included in the Company's consolidated financial statements since September 30, 2001, and its results of operations have been included since October 1, 2001. The impact of 3Dconnexion's assets, liabilities and results of operations have not been material to the Company's financial position, sales, results of operations, cash flows or earnings per share.

On April 5, 2002, the Company exercised its option to purchase the remaining outstanding shares for \$7.4 million, payable in July 2003. A summary of the purchase consideration is as follows (in thousands):

Net investment in 3Dconnexion at April 5, 2002	\$ 5,800
Notes payable to 3Dconnexion stockholders	7,400
Transaction costs	510
Total consideration	\$ 13,710

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The acquisition of the remaining outstanding shares has been accounted for using the purchase method of accounting. Therefore, the assets acquired and liabilities assumed were recorded at their preliminary estimated fair values as determined by the Company's management based upon assumptions as to future operations and other information currently available. The \$5.8 million net investment at April 5, 2002 reflects the original investment in 3Dconnexion using the equity method as well as the fair value of the assets and liabilities acquired at the time of the 2% acquisition.

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The Company obtained an independent appraisal of the fair values of the acquired identifiable intangible assets. A summary of the allocation of the purchase price to the fair values of assets acquired and liabilities assumed in the acquisition is as follows (in thousands):

Core technology	\$ 2,100
Existing technology	4,800
Trademarks	200
Goodwill	6,610
	<hr/>
Total net assets	\$ 13,710
	<hr/>

The values of the core technology and trademarks were estimated using the relief from royalty method and the values of the existing technology were estimated using the future cash flows method. These assets are being amortized on a straight-line basis over their estimated useful lives of five years.

The 3Dconnexion business has been combined with the 3D input device business acquired with the Labtec acquisition to offer a complete line of 3D input devices utilizing the market strengths, engineering resources and global presence of both entities.

Spotlife

In November 1999, Logitech announced the formation of a new company, Spotlife Inc., whose business was to enhance video communications using the Internet infrastructure. Logitech invested \$7 million in Spotlife and, at March 31, 2002, owned approximately 35.2% of Spotlife's outstanding shares on a fully diluted basis. Outside investors had the ability to exercise significant influence over the management of the company, and Logitech accounted for its investment in this company using the equity method.

On May 3, 2002, the Company acquired the remaining 64.8% of Spotlife Inc. for approximately \$2.5 million in cash. The acquisition was accounted for using the purchase method of accounting. The assets acquired and liabilities assumed were recorded at their preliminary estimated fair values as determined by the Company's management based upon assumptions as to future operations and other information available at the time of the acquisition. The fair value of the assets acquired and liabilities assumed approximated the cash paid. As a result, no intangible assets were recorded. The impact of Spotlife's assets, liabilities and results of operations were not material to the Company's financial position, sales, results of operations, cash flows or earnings per share.

Note 5 Equity Investments:

During the quarter ended June 30, 2002, the Company reviewed the fair value of its investment in Immersion Corporation and determined that a portion of the decrease in the value was other than temporary and wrote down the securities by \$.5 million, included in other income, net. In September 2002, the Company sold its remaining interest in Immersion. During the nine months ended December 31, 2002 and 2001, the Company recognized losses of \$.2 million in 2002 and gains of \$.9 million in 2001 on sales of Immersion stock, included in other income, net.

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The Company uses the cost method of accounting for all other investments, each of which represent less than 20% ownership interests.

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	December 31, 2002	March 31, 2002
	<u> </u>	<u> </u>
	(in thousands)	
Accounts receivable:		
Accounts receivable	\$ 278,714	\$ 203,717
Allowance for doubtful accounts	(7,428)	(7,578)
Allowance for returns, marketing programs and other	(31,869)	(25,036)
	<u> </u>	<u> </u>
	<u>\$ 239,417</u>	<u>\$ 171,103</u>
Inventories:		
Raw materials	\$ 21,358	\$ 12,404
Work-in-process	801	201
Finished goods	118,477	72,519
	<u> </u>	<u> </u>
	<u>\$ 140,636</u>	<u>\$ 85,124</u>
Other current assets:		
Tax and VAT refund receivables	\$ 16,783	\$ 12,893
Deferred taxes	8,997	8,863
Prepaid expenses	5,616	6,815
Other current	6,948	4,915
	<u> </u>	<u> </u>
	<u>\$ 38,344</u>	<u>\$ 33,486</u>
Property, plant and equipment:		
Land	\$ 1,815	\$ 1,757
Plant and buildings	19,419	18,092
Equipment	65,292	55,219
Computer equipment and software	52,500	39,854
	<u> </u>	<u> </u>
	139,026	114,922
Less accumulated depreciation	(99,165)	(82,836)
	<u> </u>	<u> </u>
	<u>\$ 39,861</u>	<u>\$ 32,086</u>
Other assets:		
VAT refund receivables	\$ 6,900	\$
Deposits	1,474	2,358
Debt issuance costs	1,933	2,295
Deferred taxes	2,575	59
Other	58	44
	<u> </u>	<u> </u>
	<u>\$ 12,940</u>	<u>\$ 4,756</u>

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The allowance for doubtful accounts at December 31, 2002 was lower than at March 31, 2002 due to approximately \$2.8 million of fully reserved accounts receivables written off during the year against the allowance for doubtful accounts.

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Note 7 Goodwill and Other Intangibles:

During the quarter ended June 30, 2002, the Company recorded \$6.6 million of goodwill and \$7.1 million of other intangibles in connection with the acquisition of 3Dconnexion.

Acquired other intangible assets subject to amortization were as follows:

<u>December 31, 2002</u>	<u>March 31, 2002</u>
<u>Gross Carrying Amounts</u>	