Logitech International SA | BofA 2025 Global Technology Conference |

Bank of America | June 5, 2025

Oliver Wong:

My name is Oliver Wong. I'm part of the European IT hardware team and it's my pleasure and honor to welcome Matteo here, CFO of Logitech. So Logitech is a, I'm sure, as everyone knows, it's a global manufacturer of peripherals related to gaming, keyboards and combos, pointing devices, video collaboration, webcam, etc. The products are ubiquitous in offices and homes around the world. Logitech is listed in Switzerland and on the NASDAQ, has around 7,000 employees and is headquartered in Lausanne, Switzerland. So why don't we get started? So Matteo, what is the State of the Union of the peripherals market and of your key demand drivers right now?

Matteo Anversa:

Well, Oliver, first of all, thanks for having us today. It's great to be here. So let me start at a high level. If you look at some of the numbers that we printed in our last quarter, overall I'm relatively optimistic, I would say. When you look at, let me start with B2B and B2C, so at a high level, the company is about 60% B2C and 40% B2B. On the consumer side, I would say the consumer is pretty resilient all across the regions, even in the United States. Actually consumer in the last quarter grew faster than the B2B, and I'm going to talk about that in a second. But we are seeing different types of behaviors. You have consumers that go out and spend and who cares, and other consumers that are a little bit tightening the belt with the uncertainties. But overall, if you look at our areas, and in particular gaming, gaming is going really gangbusters and we had almost double-digit growth in demand last year. We gained several points of shares in the United States.

So I think overall on the consumer side, things, I would say, at least in the last quarter, was very healthy. On the B2B side, I would say for us we saw maybe a little bit more choppiness in the last quarter, primarily coming out of Europe. We are starting to see companies with the uncertainties of tariffs and what's going on in the world, geopolitical, hold some of the cash and hold some of the money, which quite frankly is also how we are acting. So that's not surprising. So Europe was down a little bit in B2B last quarter. But overall, as I said, I think as we, companies, are cutting travels, asking people to curtail some of their cost, if you don't travel, you need video conferencing equipment if you want to operate, and that should be a sweet spot for us. That's where we have great products. So overall I think we are pretty optimistic in the way things are playing out.

Oliver Wong:

Got it. And you mentioned the T-word, so here comes the question. So how are tariffs affecting Logitech's business, and as a CFO, how do you deal with it, especially given how the rates and the start dates always seem to be constantly shifting around?

Matteo Anversa:

I would define it challenging but manageable, even for the CFO. I think, just to take a step back, for those of here in the room that don't know us, it's great to be a global company today, because only basically 30% of our sales are in the United States. All the rest is not impacted by tariffs. And of what we import into the United States, today about 40% comes from China. And this is a number that progressively came down. Actually back in 2018, we were a hundred percent in China, and the team has done really a marvelous job in diversifying progressively the supply chain and making the supply chain more resilient. So we are starting from, I would say,, an advantaged position, all things being considered. The other point is, look, we have a great brand and this allows us to have more pricing power, and we can talk a little bit more about that later in terms of the actions that we have taken.

And fundamentally we have a pristine balance sheet that really allows us to play offense. So we see this in a way, even though the environment is challenging, as an opportunity to play offense [inaudible 00:04:55]. So that's at the macro level. Now it is very complicated because we have products that come from several countries, including China. You have some categories of products that are tariff-exempted, others that are not. And so right now we have products that have 0% tariffs, some have 10, 20%, up to 30% if they come from China and they're not tariffs-exempted. So it is a complicated equation to keep track of it. But overall, what we said in the last earnings call, for us the impact of tariffs in the first quarter is about 200 basis points on the margin. This is gross, so not including any positive impact of pricing that we've been taking.

The number is a little lower because we proactively leveraged the strong balance sheet that we have and we pulled in some of the inventory before the end of fiscal year '25, before the tariffs actually were enacted. If you adjust for that, the impact would've been about 300 basis points with the new tariff change that happened with China in the last two weeks, two weeks and a half. To counter that, we took several steps. So number one, we announced and communicated to our customers in the US a price increase around mid-April, and it's about on average call it 10% price increase in the US. So this will allow in the quarter to mitigate basically roughly half of the impact of the tariffs that I just mentioned. And then we continue to work on what we can control.

So the company has done historically a great job in driving product cost reduction through value engineering. So taking cost out of the bill of material. That really accounted for the biggest margin expansion that we had last year. That will continue. The team continues to be focused on that and it's really the right time to focus on product cost reduction. We took austerity measures on the cost side, particularly on GNA. So we halted travel, asked the team to curtail that. Halted hirings. Less of the hirings are in R&D, in sales. We try to limit the hirings across the company. We really looked at all the typical blocking and tackling actions that every company does, in the reds, contractors and all this kind of cost. And then we continue to accelerate the diversification of our supply chain out of China. What we will not do is cut R&D, because that's really the engine of the company and that's how we are approaching it. So it's for sure complicated, but as I said, it's complicated, but so far I would say manageable.

Oliver Wong:

Got it. And so as you mentioned, as of last quarter for your US sales, around 40% were from China, and the plan, which is quite ambitious, is to cut that down to 10% by the end of this fiscal year. So can you tell us a bit more about how you're able to rebalance your manufacturing footprint so quickly, and then maybe also what's the possibility of potentially manufacturing here in the US?

Matteo Anversa:

So let me answer first the first part of your question. We can do this quickly because we started to do this much, much earlier, as I mentioned a few minutes ago. And this is really, the credit goes to Sri, his team, so our supply chain teams and also quite frankly the prior administration, our predecessors. So for us, tariff was not a knee-jerk reaction that now all of a sudden we have to rush it and move out of China. This was already ongoing. So in a way, this put us a little bit ahead of the pack, and the reason why we can do this fast is because fundamentally we, for the most part, are moving some of the production to partners that are already working with us. This is not us starting from zero and looking for new people. These are partners that already know us, they know our products, they're already manufacturing the vast majority of our products. It's just a matter of having more capacity, and move capacity from one place to the other one.

So that's fundamentally the reason why we can do this fast. And quite frankly, the team is a great team. They went through a lot through COVID and they have a lot of experience in managing tough times like we are managing today. To the second part of your question, well today we have no production in the United States. I would say never say never, but generally when we look at a specific country, a specific place, there are a couple of things that we always look at. Obviously the cost, the availability of labor, and the entire supplier ecosystem around the product that we need. So this is the modus operandi that we use and that's how we determine where to go. And this approach is what worked very well for us in the last few years and that will continue to do that, and we'll see how things play out.

Oliver Wong:

Got it. So moving on from tariffs, how is Logitech thinking about its long-term growth drivers, especially in a post-pandemic, normalized environment?

Matteo Anversa:

So we had investor day back in March. We outlined a target of seven to 10% growth, annual growth, for the company. And this seven to 10% has different components. So let me just break it down for you. Five to 6% of the growth will come from the volume market growth and share gains. We are playing in three key areas: personal workspace, gaming, and the enterprise side, B2B. Data shows these are markets that are poised to grow mid to high single digit. So that provides a natural tailwind for the company. We are planning to gain a point of share every year, and we do that through, number one, the continuous focus on R&D, so new product development, new product launches; continue to gain our brand and make the brand more and more iconic through customer centricity as well as the continued focus on innovation; and then the continued work on increasing the share of wallet in the geographies where we play in.

So that's how five to 6% of the growth will come. And if you look at what the company did pre-COVID, before my time, the company grew exactly in the middle, around five to 6%. So it's not something that the company has not done in the past, it's something natural for the company. So that's a portion. The second aspect is, as you know, we are in B2B, and we identified a couple of verticals, primarily education, healthcare, and the public sector, where today the company historically has not focused a lot and they represent really great opportunity for us. We have products that already have proven relevance in this area, and these are high, large growing markets where we really have almost an opportunity and the right to play with the products that we already have.

We have to make some investments on the R&D, a little bit on the sales force, a little bit on the tools, because if you look at the history of the company, the company is primarily a consumer company. But overall these are great spaces and we are expecting to enter in this market and grow one to 2%. Just

entering this market will yield about one to 2% of growth, and then the rest is M&A. We outlined very strict boundaries on what we look at. We are very comfortable with the organic growth trajectory of the company, so we don't need large transformational deals, but really we're looking more at tuck-ins, [inaudible 00:14:32] ponds that can expand our prior portfolio, make it better, still in the areas of work and play. So that's how you dissect the seven to 10. Five to six comes from market growth and share gains; one to 2% from the adjacencies; and then the rest is inorganic.

Oliver Wong:

Got it.

Matteo Anversa:

That's the story.

Oliver Wong:

Very clear. Very clear. And you mentioned the importance of R&D and innovation. It's almost, I would say, that that's Logitech's moat within this sort of industry that can be quite commoditized. So could you talk a bit more about the innovation strategy and maybe how do you balance the R&D between hardware, software, services?

Matteo Anversa:

Sure. So R&D is the engine of the company. So as I said earlier, if there is one thing that we will not cut is R&D. So you should expect that we will continue to spend six to 7% of our net sales in R&D, even if during the crazy times they [inaudible 00:15:36]. So we look at it this way: first of all, hardware. When we look at hardware, the team is super laser focused on adding and changing some of the hardware of our products to make fundamentally our life better. Maybe it is to make it a little bit more ergonomic or add the button to the mouse. For finance people like us that like to be productive that we can move from one application to the other one in a seamless way. That's what we do. So that's the hardware piece.

Then software is probably even the most critical item. As you know, we like to say that our products are software enabled hardware. And particularly with AI, this is a fantastic opportunity for us to make our products, through adoption of AI and through software integration with the hardware, make the products much more easier to use and simpler. And we have some great example, like we launched a site, which is this AI driven almost producer that you have in the room in combination with the rally bar where if you look at the traditional way of having video conference, you have one camera on one side of the room, and the people that are seated on the other side of the table, they're minuscule. If you're at home, you cannot even see them. With Sight, you almost have a producer inside the room that is able to distinguish who's talking, distinguish the noise of a cup of coffee from the voice of the person, and really zones in the camera to the people that are actually involved in the conversation.

So if you're at home, it makes you much more feel you are part of the conversation versus the traditional way of the conference. That's all AI enabled, AI featured. So software is super critical. Then the third piece is the investment for the future. So the opportunity for us to grow in the spaces where we play in is immense because we are a four and a half billion-dollar company in a 24 billion market, but we cannot not forget about what the future will present. So about 15, 20% of our R&D budget is focused on looking at what could be the product of the future. And that's where we partner with big players like Adobe, with Meta. We launched a couple of new great products last year the Creative Console that is done in partnership with Adobe that makes the work of the creators much, much easier.

And then probably the one that you guys probably know is the MX Ink, which is the pen that works in combination with the Meta VR headsets, where if you are a designer, you can draw instead of using the mouse on a table. So these are more innovation for the future, and that's the third piece of our R&D approach. Now you mentioned service. Very important for us on the B2B. We are very small, but selfishly speaking, it's a great business. We grew exponentially, more than double digits last year. It's a fantastic margin. That's a big focus for Prakash and the B2B team to expand our service offering and attach rate on the B2B side. That's where we really help our B2B customers to make the best use of our products in their conference rooms.

Oliver Wong:

Got it. Sounds like a very balanced R&D strategy. Going back to B2B, since it is, like you said, an important growth driver for the future of the business, I'm curious about your specific strategy there, including maybe the penetration of the enterprise sales panel. Could you talk a bit more about that?

Matteo Anversa:

So you almost need to look at, for B2B for us, you have to dissect it into groups. You have the enterprise channel, which is about 10 billion market, which we are one of the top players, and the team has done a marvelous job. The volume in that area for us more than doubled since pre-COVID. We have been really a disruptor in the market with our features, and we still have about only 25% of the conference room worldwide are video enabled. So big opportunity to continue to penetrate that. T.

Hen we have the new verticals that I just talked about, which is another 5 billion market, again broken down by healthcare, education in the public sector, where here we need to focus a little bit on increasing the sales force, increasing boots on the ground, in some of the tools because as I said, the company fundamentally, historically has been a consumer company. We sell B2B in a different way than consumer. But overall, the amount of spend that we'll have to do to make our product adaptable to this new verticals is pretty small. And actually, education is one of the three where we are already in, particularly in the K-twelve, and education grew 20% last year. So that's really, to us, an untapped opportunity that we can continue to leverage. And we go to market in two ways: through distributor and through our own sales force.

Oliver Wong:

I'll move on to some more financials-related questions. So what is the current channel inventory health and how are you managing sell-in versus sell-through?

Matteo Anversa:

We're very pleased with how we ended the fiscal year '25, which for us is the March ending year. In terms of where the channel inventory is, we're in a very healthy position. The team has done a fantastic job last year in adapting the size of the channel inventory to sustain the growth of the company. What this created is a little bit of a dynamic whereby in the first half of fiscal year '25, we saw the sell-in outpacing the sell-through, and then this reversed itself in the second half. But today we are in a very healthy position and I think what you will see in fiscal year '26, barring any craziness around the environment, much more close relationship between sell-in and sell-through throughout the different quarters. And this is thanks to the work that was done by the team in making sure that we enter the new fiscal year with a very healthy channel inventory. So that's what we're expecting.

Oliver Wong:

Got it. And how should we think about your CapEx and margin trajectory over the next few years?

Matteo Anversa:

So margin, we said at investor day we plan to grow seven to 10% and have gross margin rate above 40%. And that's because thanks to the work that the team has done in the prior years. Structurally, in a normal environment there is no reason why the company should be below 40% in gross margin rate. And then OI between 15 and 18%. So we increased by about a hundred basis points our target compared to what we had in the investor day prior, a few years back. CapEx is relatively small. We are a very asset-light type of franchise, which being the finance guy, that's the way I like it. And we'll see probably a slight increase this year compared to prior years just because we have to implement some capacity back to the diversification of the supply chain that we talked up earlier. But still we are talking between 70 to max 90 million of CapEx a year, so pretty small considering the size of the company. So it's a very, very asset-light, dynamic and agile franchise.

Oliver Wong:

Got it. And what is your capital allocation framework today between buybacks, dividends and reinvestment in the business?

Matteo Anversa:

It's pretty unchanged. We have been doing this for quite some time. So first priority for us is invest in the organic growth of the company. Our return on investment capital is greater than 25%, so that's money very well spent. We will continue to increase the dividends; we have been doing that for quite some time. M&A, as I mentioned earlier, so just tuck in bolt-ons can continue to expand our product reach in the areas of work and play. And then share repurchase. If you look at what happened in the last several years, the last three years, 30% of the cash that we generated was reinvested in the organic growth of the business, and the rest was returned to shareholders in the form of share repurchases and dividends. So very, I would say, investor-friendly capital allocation strategy, but at the same time, very prudent. We closed the fiscal year with a billion and a half of cash.

Oliver Wong:

And on M&A, obviously I know you're not going to talk about anything specific, but maybe a sense of any particular areas where there may be something that's more accretive to M&A or maybe in the past.

Matteo Anversa:

Again, it is a work in play. The targets for us have to be highly synergistic, so they have to be companies that can benefit quickly from our go-to-market for our operational excellence. And that's pretty much the strategy. I would say interestingly, since the tariffs were announced, I used to say the amount of inbound that Nate and I received are increasing, and that's part of the beauty of closing the fiscal year of last year with a billion and a half of cash, that you can deploy it opportunistically. So more to come. But we'll be extremely diligent. Both [inaudible 00:26:24] and I are very well aware it's much easier to buy than to integrate, so we're not going to go crazy.

Oliver Wong:

Got it. And do we want to see if anyone has any questions in the audience? Okay, all good. Let's pivot back to AI just because it's such a... I know it's not directly driving Logitech, and you mentioned some of the things that AI is powering such as the feature, what zooms into people. But in your words, what are the biggest ways that AI is impacting Logitech's business?

Matteo Anversa:

First of all in the product. Back to the software comment that I made earlier. And I just give you a couple of examples. Starting from work, I talked about Sight. We have our new product we just launched a couple of months ago, the Rally Board 65. This is a beautiful mobile video conferencing tool, equipment. They have a big screen with a Rally Bar at the bottom, and it creates, through AI, a cocoon. So you can put this one in a conference room, you can put it in the middle of an open space. And through AI the system detects who's part of the conversation, who's not. So if you put it in the middle of this conference room and you are running by, you're not part of the conversation. People at home don't even see you nor hear you. It's been very successful. That's another great example of AI use.

We partner with several companies. We launched, in gaming, an AI assistant that helps gamers to stream their content. So if you're gaming, you don't need to be distracted in streaming. The AI agent does that for you. It comes in different voices, it gives update on how you're doing. That's pretty cool. So this is just a couple of examples on the product. And then honestly, we are using also internally. We created our own internal version of ChatGPT so people can upload documents in a safely manner. And we are starting, just scratching the surface, of the real productivity opportunity, but we have a lot of usage of AI also in the functions across the company. We monitor that. Per person, is about, on average, about 10 interaction per day with the AI tool that we are seeing. So it's a great, great opportunity. That's a big tailwind for the company.

Oliver Wong:

Do you guys take a view on maybe how AI could potentially affect the macro of your end markets in the sense of something like the work from home trend? The pandemic obviously affected people working at home and things. AI is such a big trend. Do you take any-

Matteo Anversa:

I think AI will make the products better than what they used to be. And that's the way we are seeing it. It's really a huge opportunity. That's why we continue to invest in R&D. This will remain our competitive advantage.

Oliver Wong:

Got it. And then my last question to you is, what is your personal favorite Logitech product?

Matteo Anversa:

Can I give you a couple or I have to only...

Oliver Wong:

Yeah, yeah.

Matteo Anversa:

Well I a past in automotive, so I like Formula One. I really like the simulator. That's fantastic. It's a great product. You guys should try it. It's really, really real, like real. After two laps, I'm not a big gym guy, and my hands are sore. So it's a fantastic product. On the work side, the Rally Board 65, the one I just mentioned, I think is going to be a game changer. It's a great product and it can be used in conference rooms, in offices. It's really, really great. So these are my top ones. My team is not going to be very happy. I didn't cover PWS, but it's...

Oliver Wong:

Maybe next time. Perfect. Well thank you so much for your time, Matteo. Thank you.

Matteo Anversa:

Thank you so much.