

## International Stock Market Weekly

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**International Stocks**  
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**Computer Hardware/ Peripherals**

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## Top pick for the second week of December

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#### Hot growth at a cool price

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#### Rationale:

The pandemic for many companies has been and continues to be a tremendous burden, however for Logitech and companies providing products and services to for playing, working, and studying from home / remotely during the pandemic, it has been a boon. The company was already doing great before the pandemic struck but the events which took place over the course of 2020 catalyzed its growth and added immensely to its coffers. While the world has become accustomed to working from home, learning from home, and playing from home (xFH), these changes which have taken place over the year were already happening before the pandemic hit, the crisis only helped to normalize xFH in our collective psyche and gain widespread acceptance by businesses beyond the tech sector.

Logitech is a well-managed company that provides investors with consistent results, handles difficult periods such as unexpected industry supply chain disruptions, has a diversified business portfolio, and continues to drive product and business innovations to ensure sustainable growth. Logitech management reconfirmed guidance for mid to high single digit sales growth in FY20. While it guided for a slightly lower profit outlook of USD365-375 in non-GAAP OP due to COVID19, down from USD375-385. For FY21, the company expects USD380-400mn in non-GAAP OP. For its long-term business model, the company sees its non-GAAP margins staying in the 36-40% range with an operating margin at the 11-14% level. We believe the company's ability to outperform in the depths of the global pandemic is not a fluke but rather inherent in the organization as demonstrated by its adept business acumen and laser-like focus on capitalizing and leading emerging trends.

#### Logitech got game

In the latest quarter, Logitech posted record sales and profit, with sales flying past USD900mn. The company's three biggest business categories are legacy PC peripherals, gaming, and video collaboration. All three divisions posted stellar growth and strong gross margins, which is all the more impressive considering that this was even in the face of draconian Chinese import tariffs.

Logitech is also considered a leader in design and consistently creates and launches well-designed products. It has more than 250 design awards since the current CEO joined the company as president in 2012. We see 4Q20 and 2021 as huge for the company with the launches of the latest Microsoft (NASDAQ:

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MSFT) Xbox and Sony PlayStation game systems this holiday season. As for Apple-related business, the company just launched the world's first consumer smart doorbell the Circle View which was designed exclusively for Apple's (NASDAQ: AAPL) HomeKit. The tech titan from Cupertino is also planning to refresh its iPad line in spring 21, which should provide additional momentum for Logitech. The company's video collaboration business is also in a favorable position and was already expanding at a rapid clip last year, and then the pandemic turbocharged its growth.

### **Battleship in a blue ocean full of junks**

Logitech remains true to its core business and continues to innovate legacy product lines while simultaneously raising the value of products in these segments by delivering superior designs, build quality, and functionality—keeping the raft of cheap Chinese 'me-too' would-be rivals at bay. Within the relatively uncrowded blue ocean of peripherals, Logitech is the leader in the categories in which it engages. As a brand, Logitech has gained a high degree of trust from consumers, indeed the company has set industry standards in many areas. In the light-speed world of tech, many companies make the mistake of relying on their products alone for success. Logitech, however, despite being one of the world's biggest hardware players, understands that outsized returns come from fusing customer-focus and product-focus. With the winning magic formula of design, engineering, functionality and innovation, the company has successfully constructed a wide moat for all of its business lines.

### **CX + IT = Sustainable Growth**

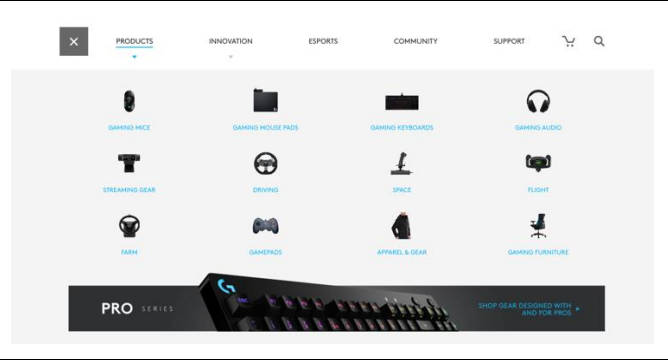
Logitech's approach to customer experience (CX), information, and technology helps it to grow as a customer-centric organization that brings innovative digital solutions and high-quality tech products to market. By fusing IT and CX at the operational level, the company has constructed best-in-class support solutions for its customers, which utilize chat, VR, and a global omnichannel experience to deliver unparalleled success through the integration of customer experience and technology. The company's wide customer base is built on the diversity of its product line which encompasses gaming to enterprise tech to smart home products. Through a relentless focus on design and customer interactions with the brand, the company has ensured loyalty to the brand and built a role-model of success and sustainability which has a large and growing base of loyal customers and evangelists.

**Fig 1. Circle View smart home doorbell camera**



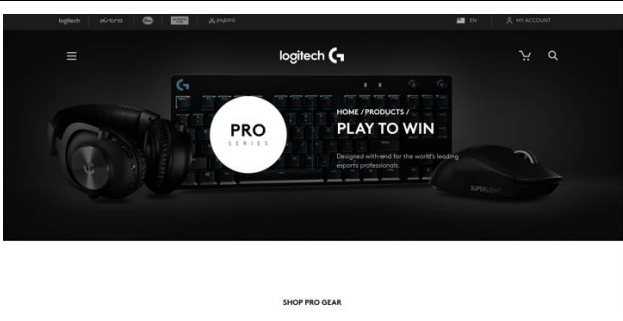
Source: Logitech, Hyundai Motor Securities

**Fig 2. Logitech gaming consumer product line**



Source: Logitech, Hyundai Motor Securities

**Fig 3. Logitech Pro Gamer Series page**



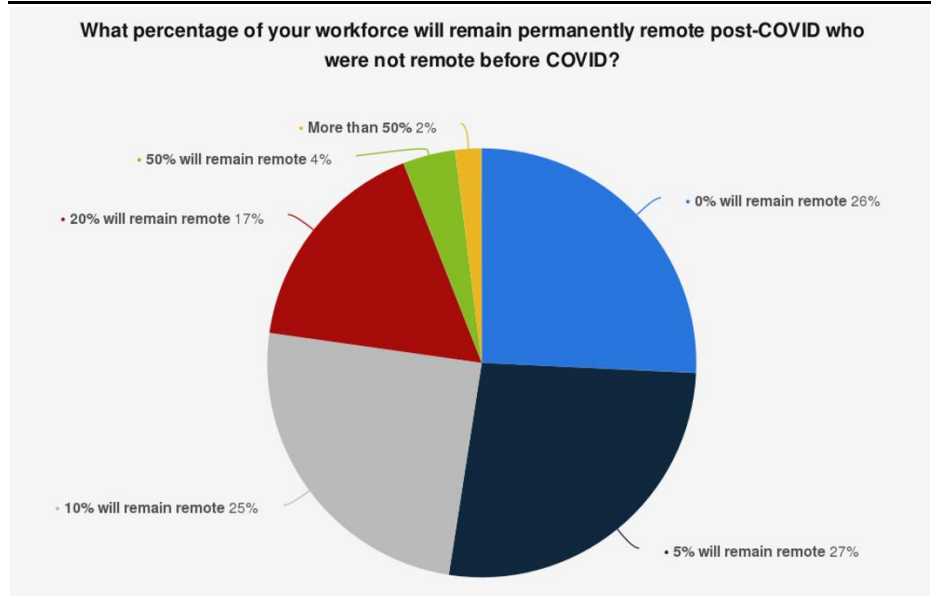
Source: Logitech, Hyundai Motor Securities

**Fig 4. Behind the world's top esports personalities**



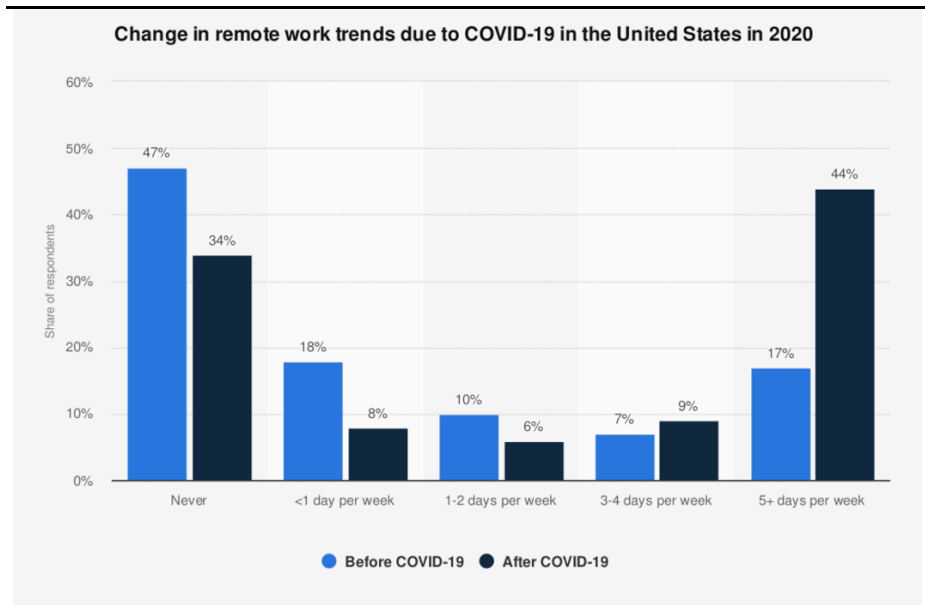
Source: Logitech, Hyundai Motor Securities

**Fig 5. Percentage of workforce to remain permanently remote post-COVID**



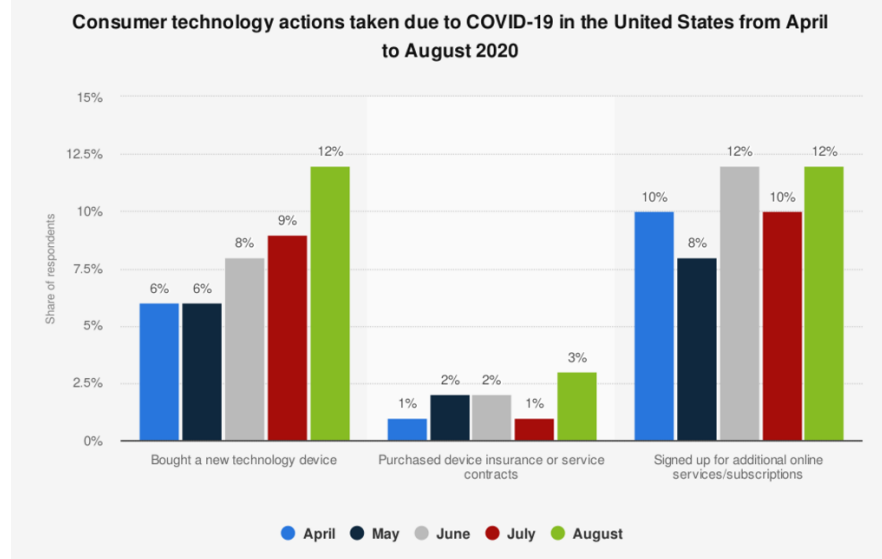
Source: Gartner, Hyundai Motor Securities

**Fig 6. Change in US remote work trends due to COVID-19 in 2020**



Source: Clutch.co, Hyundai Motor Securities

**Fig 7. Consumer tech actions due to COVID-19 in the US (Apr-Aug 2020)**



Source: IDC, Hyundai Motor Securities

Logitech has positioned itself for strong and sustainable growth

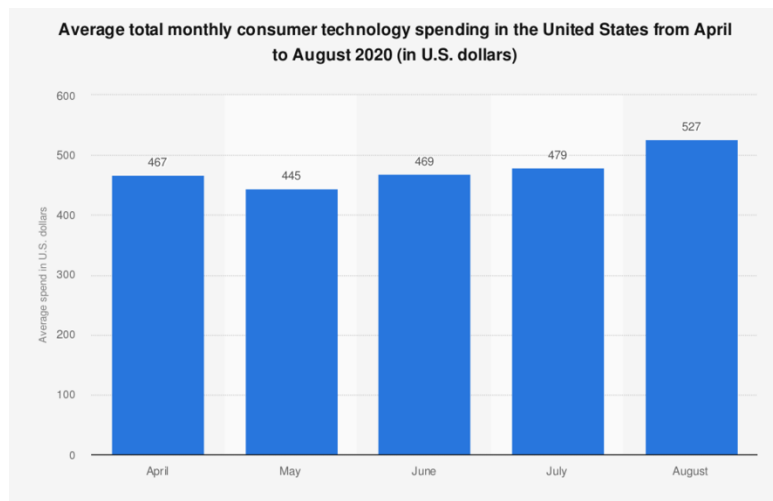
**COVID-19 is rocket fuel for Logitech’s already high-flying business**

Logitech was one of the big winners from the pandemic, and lifted guidance twice this year on robust sales of computer peripherals as well as gaming products due to people working, studying, and playing more at home. Video calls are supplanting audio, and esports and streaming are fueling demand for its products. Content creating and live streaming on Twitch, YouTube, and other platforms are also contributing to the snowballing demand for Logitech’s PC products, which jumped 57% YoY. The company also has another growth opportunity to capitalize on supplying office conference rooms with its video

products as meeting room are increasingly being video-enabled and companies will continue to adopt these systems more broadly. Over the past three years, the company has enjoyed a near threefold rise in the sales of its video collaboration products. The company's shares have already climbed almost fourfold over the past five years and we think that it has considerably more upside as working from home will endure post-pandemic, and demand for games and esports continues to grow.

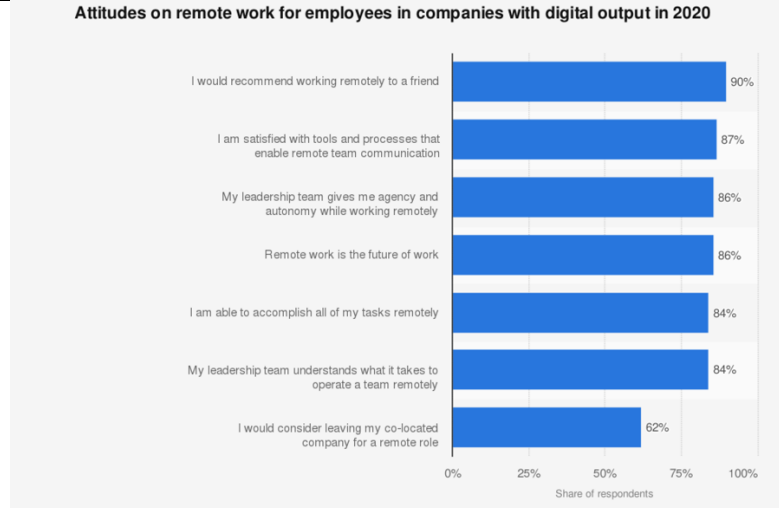
Logitech is already one of the leading companies in computer peripherals, it has achieved this through its relentless focus on innovation and surpassing potential competitors with superior products and service. Yet the company is much more than merely the Logitech brand and the PC market. The company owns numerous other very popular brands which are also the go-to choices in their respective segments. Logitech's overwhelming response to rival game peripheral maker Razer (OTC: RAZFF) in designing and launching best-in-class products and becoming a force in eSports, as well as its ongoing launches of innovative and technologically superior category-killer products such as the Apple HomeKit-enabled Circle View smart home doorbell / camera and wireless ultralight gaming mouse are but a few examples of why Logitech is a great investment for investors seeking the upside of a growth stock with the added benefits of strong financials and a dividend.

**Fig 8. Avg. total monthly consumer tech spending in the US (Apr-Aug 2020)**



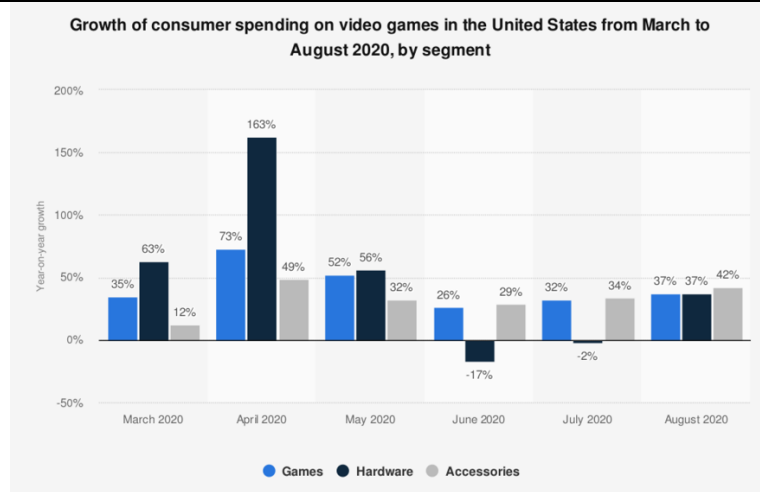
Source: IDC, Hyundai Motor Securities

**Fig 9. Attitudes on remote work for employees with digital output**



Note: Survey of respondents in US, UK, and Canada aged 21 and older  
 Source: Gitlab, Hyundai Motor Securities

**Fig 10. Consumer spending on video games in US by segment (Mar-Aug 2020)**



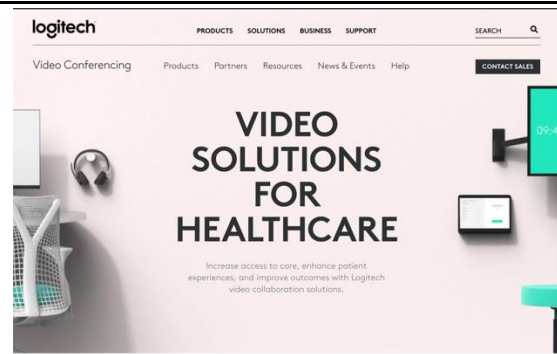
Source: NPD, gamesindustry.biz, Hyundai Motor Securities

**Fig 11. Logitech expanding presence in education**



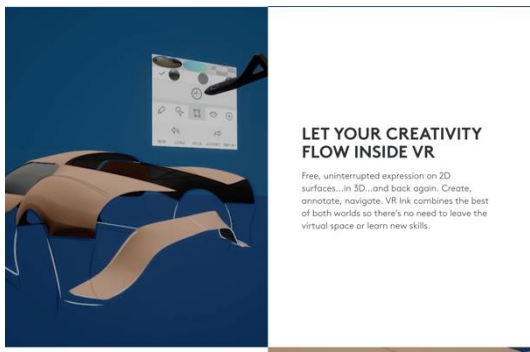
Source: Logitech, Hyundai Motor Securities

**Fig 12. Making inroads into healthcare**



Source: Logitech, Hyundai Motor Securities

**Fig 13. VR Ink Pilot Edition**



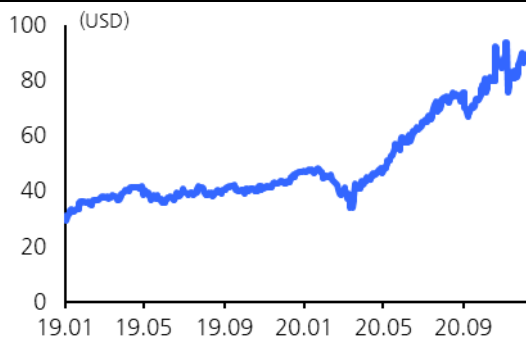
Source: Logitech, Hyundai Motor Securities

**Fig 14. Logitech Streaming Gear page**



Source: Logitech, Hyundai Motor Securities

**Fig 15. Logitech Stock Price**



Source: Bloomberg, Hyundai Motor Securities



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- BUY: Excess return of +15%p or more
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### Stock ratings distribution (January 1-December 31, 2019)

Rating	Count	% of rating category
BUY	135	85.99
MARKETPERFORM	22	14.01
SELL	0	0.0

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