Logitech Morgan Stanley Technology, Media & Telecom Conference Transcript

Date: March 4, 2026 **Event:** Morgan Stanley Technology, Media & Telecom Conference **Speakers:** * **Erik Woodring**, Analyst, Morgan Stanley

- **Hanneke Faber**, Chief Executive Officer, Logitech

Erik Woodring: I think we'll get started here. Perfect. So welcome to day three guys of the TMT Conference. My name is Erik Woodring. I lead the U.S. IT Hardware coverage here. I am delighted to be joined by Hanneke Faber, CEO of Logitech. Hanneke joined Logitech in late 2023. You came from a variety of roles in consumer, B2B, ecommerce, you're a President of a $14 billion business at Unilever. So we're lucky to have you today. Thank you for joining us.

Hanneke Faber: Thanks. Thanks for having me.

Questions And Answers

Erik Woodring: Before we begin, I need to mention that important disclosures can be found at the Morgan Stanley research disclosure website at ww.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representatives. So Hanneke, I'd love to maybe get start by getting your kind of overarching lay of the land. There's a lot going on, obviously kind of speak through high-level consumer versus commercial? Anything notably geographically and kind of where the focus is as we soon enter fiscal '27.

Hanneke Faber: Yes. Thanks, Erik. If I start very high over the macro trends that are tailwinds to our business are still in full force. So that's good. Gaming continues to be a really buoyant market around the world. Every younger cohort is gaming more. This is good. The new ways of working continue to be a tailwind as well. Most companies in the world, and we serve 70% of the Fortune 500 have figured out how they now want to work. So is it three days a week, four days, a week, five days a week in office. They're refurbishing those offices and that's a tailwind for us as well. And then finally, AI is allowing us to deliver superior smarter products, and those are no longer experiments or proof of concepts, we're shipping those at scale. So those three tailwinds of gaming, new ways of working in AI are still in place.

I think against that backdrop, we're executing really well. We've now had seven quarters of top line growth and we're growing operating income and EPS very, very robustly. So we feel good about that which means that looking forward, we're going to stick with our strategy which is deliver superior products and innovation, double down on B2B which is outgrowing B2C for us which is great, building an iconic brand and continuing to be an operations powerhouse. So we'll stick to the strategy. I'm sure you're wondering as well what could go wrong as I look forward. Really external pieces. So consumer confidence and strength around the world is a bit of a question mark, not something we can control, obviously. So we'll focus on growing share in whatever markets throw at us.

And second, geopolitics. And on that one, I do want to make a comment of what's just this last weekend in the Middle East war that's now happening. We will most likely see an impact on that in the current quarter. We have a big distribution center in Dubai that serves a large part of our EMEA region. That distribution center is only partly operational right now and is not receiving any inbound product for obvious reasons, because you can't get in there. So for the current quarter, and this should be a temporary effect, but I think between $20 million and $30 million of net sales impact, no bottom line impact. But on the sales, we'll see a little bit of a temporary impact. And hopefully, this will end soon. It's too early to say exactly what it will be for obvious reasons. But that's just one example of the geo policies that impact our business.

Erik Woodring: Okay. So you answered my second question with the first question, that's perfect. Kill two birds with one stone there. I want to maybe dig a little more discretely into the demand environment and then just start on the consumer side. So a trend that you guys have highlighted for a few quarters now is your international markets really being the ballast for growth, especially the APAC region. Partially offset by some headwinds moving pieces in the United States. Just talk about the sustainability of international growth. And really where that is coming from when you think about kind of the market, share, pricing, all of that good stuff.

Hanneke Faber: Yes. So 30% of our business is in North America, 70% is outside. So good to have growth internationally. Maybe allow me to just say on North America, certainly the beginning of our fiscal. So the middle of last year after Liberation Day we saw sales declines in North America which were very clearly linked to our price increases. So when you do a price increase, the implementation of that just takes a while before BestBuy, Amazon and everyone accepts it and takes it. And then the first quarter when it actually implements is always a little hard. So the first the June quarter, the October quarter, we actually saw North America down. I'm glad to say we came through that. It was expected, and we started to grow North America or the U.S. again in the holiday quarter. And we feel very confident that, that trend will continue. So that was a little bit of a blip in the U.S., but the trends are good.

The rest of the world has been very strong. Europe, very strong. I'm super proud of our European team because Europe after Liberation Day, they did see a large influx of Asian competitors who went on Amazon to see if they could make up some of the lost business in the U.S., but we've defended there very, very well and the business continued to grow. And then APAC has been the star, and our China-for-China strategic intervention has really worked.

Erik Woodring: And we'll get into China-for-China as well. And I just want to touch back on North America just because you've now had the chance to kind of see how the consumer responds. And you mentioned that there's a little kind of blip in the market at first, once you raise prices, there needs to be a time to adjust to it. But then we've kind of seen the trends smooth out a little bit. So maybe just what have you learned when it comes to pricing as a lever in this case, being forced to use pricing as a lever? But just pricing is a lever and demand elasticity as you think about the ability to leverage pricing in the future.

Hanneke Faber: Yes. So we're really, as a company, quite good at premiumizing. Over the last decade, our ASPs on average are up 50%. So we're very good at premiumizing, but we tend to do that through premium innovation. And we prefer that. You come out with a new product that is really significantly better than what it replaced or what comes next to and you charge a premium price for that. That's the way we premiumize, and we will continue to do that. That's a big part of our business model. I don't really like to take line pricing on existing products, but last April, it was a responsible thing to do given the tariff impact. So we did it.

What did we learn? The impact on a large part of the business was almost nothing. B2B, very little impact. Premium products, very little impact. Products where we have really large market shares which is quite a big part of our portfolio, very little impact. Where you did see impact was on the more entry price products and where there's a lot of competition which is particularly in gaming. So took us a little longer to get back to solid growth. But again happy that in the holiday quarter, gaming also grew, and we grew market share. So it just took a little longer to get out of that.

Erik Woodring: And let's touch on B2B as well. Just 40% of total revenue, it is a clear initiative inside the frame you laid that out effectively a year ago at your Analyst Day. What are you hearing from your customers, again in the markets that you play and the customers that you work with about kind of spending plans? Where are they leaning into spend? Where are they pulling back on?

Hanneke Faber: Yes. I'm very up. I continue to be very up on B2B and on our B2B business. So it's 40% of our business today. It's growing. Every quarter, demand is ahead of the consumer demand. So that's good. What are we hearing? Again business is good. It's driven by a number of things.

First one, as I said before companies have now figured out what they want to do in terms of return to office which means that many of them are redoing their offices, they're moving, or they're changing, making more space, less space. That means they also are redoing their video conferencing equipment and rooms and still less than 25% of global meeting rooms are video conference enabled which is crazy low because people expect that when you walk into a meeting room, there is good VC equipment. So the market has been pretty good for video conferencing. Thanks to that.

Second, also a driver of the market, but we're in the very early innings of the Covid refresh of video conferencing. We're about five years in. And so we're at the very beginning of big companies starting to redo their equipment. So that's helping. And then finally, we're helping ourselves. We're growing share with really great products that are simpler, smarter, more sustainable than competitors, like our new Rally AI cameras that just came out, and we're continuing to build go-to-market capability.

Erik Woodring: Okay. Cool. I'm going to kind of get the memory bank shock question out of the way.

Hanneke Faber: Let's do it.

Erik Woodring: You knew it was coming. I had to ask it. So just in all seriousness, the PC OEMs kind of continue to face the significant pricing increases. There, you see kind of industry analysts kind of continuing to lower their PC unit outlook for this year. You talked hear the memory guys here and they're like supply is short for a while. So you've clearly outgrown the PC market over time. You've made that clear. The data makes that clear. Just what are the levers that you can pull to try to offset that? Because there is an attach obviously to PC. So what are the levers that you guys have that you can pull to offset what is happening in the broader PC market? What is expected to happen in the broader PC?

Hanneke Faber: Yes. No. Thanks, Erik, and I appreciate your many musings on this topic. Let me try and lay out a few things for you on your question. So first of all, on memory, the primary effect of memory for us is modest. Less than 20% of our portfolio uses the chips that are, that people are short on. So that part, direct impact, not very large. We'll deal with it. We'll be good actually this quarter and the next two quarters, a bit too early to say what happens after, but we're not worried about it.

The secondary impact which you've outlined as less PCs means also an impact on peripherals. We don't actually believe that's true. And let me walk you through that. So a Logitech product is in the vast majority of buying instances bought on its own. So when someone goes and buys a Logitech mouse, they're not doing that at the same time they're buying a PC. Why? You can see it, think of yourself as a consumer. You just spend $2,000 on a laptop. This is not the time where you're also going to dump $120 on a new MX Master 4.

So in single-digit amount of cases are we bought at the same time. That means for us, the far bigger size of prize is attaching to the installed base of PCs which is huge, 1.5 billion PCs around the world. And what we've been able to do over the last decade is to grow the attach rate to the existing base by about 8 percentage points. So close to a percentage point a year. Still though, the attach rates are actually quite low. So less than half of installed PCs actually use the mouse and less than 30% use an external keyboard. So there's room to continue to grow attached to the installed base.

Second, as the market attached grew, we've grown market share. So a decade ago, our market share was about 45%. It's now over 50%. And finally, and you've pointed this out as well, we've grown ASP. So versus a decade ago, the ASP is 50% higher. So that's our model. It's focus on the installed base of PCs, drive market share and then drive ASPs. So -- and we believe we can do that. We welcome new PCs. That's great. But the number dwarfs in comparison to the installed base. So we're pretty bullish actually on growth going forward.

And maybe the final thing to say you're right, again over the last 10 years, on average, we've outgrown PCs by 300 to 500 basis points. But that's over the 10 years by quarter, by year, by week, there's no direct correlation. There have been years where PC sales were great, and we were a bit behind. There have also been years where PC sales were terrible, and we were good. So it's the law of large numbers. But again think of the installed base, and that's where we will drive growth.

Erik Woodring: Okay. And maybe just a follow-up on that is, that point of improvement in attach per year that you're talking about. What are some of the initiatives that you have in place to make sure that, that continues and/or again I'm being the optimistic, accelerates. Like how do you get that to continue or accelerate?

Hanneke Faber: Yes. Two things: innovation and marketing. So you've got to make people aware of it. But innovation, we launched 35 to 40 new products a year that drives desire. Because they're better. And then marketing is an area where we continue to have opportunities. So you saw in the last quarter, our marketing spend was up about 8%. That drives growth at great ROI.

And I'll give you one example. I should have it in my hand, Nate, you don't have it with you? But the new SUPERSTRIKE gaming mouse that launched two weeks ago is a great example just of a superior product. So if you haven't yet seen it or experienced it, this is a mouse that's developed for pro gamers who are playing League of Legends or Valorant for a living. What's critically important to them is latency. It's got to be quick. You've got to kill. This one is 30 milliseconds faster which is incredible, thanks to a technology we call HITS, Haptic Induction Trigger System completely new to the world.

What's happened? In the two weeks since it's become available, competitive gamers do not change their gears. It's like competitive runners before they do the Olympic Marathon, they're not going to change their shoes. In two weeks, more than 100 competitive gamers around the world in tournaments are playing with this mouse because it is so much better. And they're saying, it's like cheating. So now of course consumer demand, therefore this thing is also insane, and we're trying to make enough. But that's one example of how do we do it, superior products and then marketing them with the right endorsers and influencers.

Erik Woodring: Okay. Let's move to gaming because, again just kind of touched on gaming, but it's been like not a tale of two worlds, so to speak. You kind of touched on what has happened in the Americas, so to speak. But then broadly, if we look at like a market like Asia Pac and specifically China, very strong and those are gaming heavy or over-indexed gaming. So what's the outlook there? How do you think about the gaming end market? And what does that mean for your gaming business?

Hanneke Faber: Yes. Definitely, the Chinese gaming market, which is the biggest gaming market in the world, has outgrown, as a market, the west. Part of that in the U.S. definitely in the last year have been those price increases which wasn't just us, but various others in the market. So that's dampened demand a little bit.

But I think the bigger factor has been that there's been a dearth of big game releases in the West. Whereas in China, their local ecosystem of game releases has been really, really robust. And the AAA titles that are now coming out in China create a lot of excitement. And as we all know in the West, we're still waiting for GTA 6. And it's not like we've been waiting for a while. It's now slated to come out in November, but it's not just GTA 6. It's everyone else is holding back game releases because they don't want to overlap with GTA 6. So I think there's pent-up demand. I talk to a lot of I go in home and spend time with gamers. I've had various gamers tell me they're going to take a whole month off to play GTA 6. We just saw on Reddit this morning, there's people okay. This is kind of shocking. They are planning paternity leaves around GTA 6.

Erik Woodring: You got my attention.

Hanneke Faber: I would not be happy if my husband was doing that. But I'm well past that in any case. So the GTA 6 launch should create new momentum, I think, in the gaming market in the West.

Erik Woodring: Okay. And then I want to go back to a point that you made earlier that I think is really important. We tend to think about things unit versus pricing. You outlined the premiumization, 50% growth over 10 years. I don't think people fully appreciate that, so to speak. Does that stop? Does that continue? Is that like just maybe outline, again that's kind of looking backwards, looking forward. Any reason to think that, that doesn't continue, so to speak.

Hanneke Faber: Yes. That's very much part of our strategy of superior products and innovation. Our primary focus there is on the top end of our portfolios. So that's the pro lining gaming, that's the MX and ERGO lines on the Workspace side. And then, of course what's beautiful is once you invent something like the HITS technology, over time you trickle it down to your entry-level price points. So two to three series in gaming or to our mainstream business on the work site. So that technology isn't only for the top. It will come down as well so that we serve a large swath of consumers.

Erik Woodring: Okay. Before we keep going, I do want to give you the opportunity to touch on China because it's been a very bright spot in the story. You've highlighted the China-for-China initiative several times. Is there any reason to suspect that we shouldn't expect China to remain in that sweet spot, right? Because it can be somewhat volatile. You lost share. Now you've regained that share back. Where do you think China goes from here for you guys?

Hanneke Faber: Yes. So I'm really pleased with our China-for-China intervention. So two years ago, we were losing share hand over fist in China. We put a, we reallocated resources to Shanghai, put a multifunctional team in place of engineers, designers, marketers, salespeople with two missions.

One is to increase the innovation pace in China. So China takes our global innovation, but it needs more. It is such a sophisticated market. And they've done a great job innovating on top of the global ranges. The Alto Keys, the G316, various other China-for-China products. The added benefit of that has been that, of course all of this is online. American gamers are like, hey, we want the G316, too. So we bring it to the rest of the world as well. So it's worked well from an innovation point of view.

Second mission of our China-for-China team has been to modernize the sales and marketing, which was honestly a little bit stuck in a previous age. So we've now built a much bigger business on Duoyin, TikTok and PDD in China, social commerce, and we've really modernized our social-first marketing. And just yesterday I was with our team in China on video. But they showed me their latest AI-operated way to go to market on social media, and it is shockingly good.

So think about this. We target many segments of the Chinese gamers and the Chinese work population. We do that with many creators or influencers, thousands, in fact, that creates hundreds of thousands of pieces of content every day. Even three months ago, that was a little bit of a crap shoot. You'd kind of wait to see what rose to the top, and then you do more with that. We now have a set of AI agents, look at the creators, look at the content in real time and maximize what's working well to the right people, to the right platforms, including the commerce platforms, 24/7 in real time. That's what you need to do to win today in China, and we're doing it.

Erik Woodring: Cool. I'm going to I want to touch on tariffs, I realize the pace of change and give you clarity on what's going on is dizzying to say the least. You guys have done an amazing job at kind of repositioning your global footprint out of China originally to avoid those IEPA tariffs, now here we are. Nevertheless, the question really is post Supreme Court ruling, how is the kind of tariff rate landscape, so to speak, change for you guys? Because seemingly, the rate should come down, but I know that there are uncertainties. And so I won't hold you to anything. It could change before we're done with this. But how do you think about tariffs and the impact that they're having now?

Hanneke Faber: Yes. So for now there's no material change. So for the next 150 days, we are at 10% maybe at 15%, that's not entirely clear, which is very close to the blended rate that we were already at. So I don't see a material change there. But of course we're keeping a really close eye on it. And I think we're in a really good place to mitigate any impact going forward based on our manufacturing footprint and our ability to price if needed.

Erik Woodring: Yes. Right. And this is not necessarily something new anymore, obviously.

Hanneke Faber: No. Yes.

Erik Woodring: Okay. I'd love your take on the competitive landscape. And I want to get an approach it from the Logitech perspective. You guys are kind of purposeful in this market, right? This is what you do. You do peripherals. You talked about 50% market share. I've heard for 10 years from the PC OEMs that this is a new initiative for them and they're going to become bigger and yet you continue to grow share. My question is, do you feel intensifying competitive pressures? If so, where, how do you combat them? It doesn't sound like it, but just if you could dig on the competitive landscape, what you're seeing and how you combat it if you have to?

Hanneke Faber: Yes. Yes. So we respect all competitors. I have to say the ones that we're most obsessed with are actually the Chinese competitors because there's -- in China, more than 500 manufacturers of mice, keyboards and cameras. They're very sophisticated. They come out with new stuff all the time which is another reason why our China-for-China team on the ground is so important. Because it's a lot of inspiration as well that we take and that we leverage to come up with great new products ourselves. And that's where, by the way, a leading brand, a leading global brand really helps. So we're obsessed with them.

There's other pockets of competition that are important. And one of them is the OEMs in peripherals, HP and Dell. I would say there our competitive advantage is our focus. We live and die by this. We wake up every day to innovate in peripherals and cameras. That's what we do. And I like always to use the example of the left-handed mouse, we have a left-handed mouse. That's a $50 million mouse. For us, that's great. That's 1% growth. HP and Dell are not going to like wake up and say let us do a left-handed mouse.

Erik Woodring: I frankly agree with you. Yes. Another one of my favorite topics, margins, gross margins for you guys specifically. It's a part of the model where you guys have kind of consistently driven upside surprises. I think the question here is, as you kind of laid out at your Analyst Day I know you guided to you kind of put a plus at the end of your gross margin guide, are we at the high end of where you think gross margins can go? Is there more room for gross margins to expand. Just curious what you think because you've done such a good job, right, your 43%, 44% high at the end of 43%. Really impressive. So where does that go, do you think? And I realize mix has an influence on that.

Hanneke Faber: Yes. Yes. So we're also really pleased by how in a year with a lot of headwinds from tariffs and other things. We've been able to actually have really good gross margins at 43.5% give or take. Three things, four things really, driving that, of which three we think we can keep doing going forward.

First, one is the premiumization we talked about through innovation. So that's a big driver.

Erik Woodring: Is it fair to say price, higher margin. Is that a fair kind of general okay.

Hanneke Faber: In general? Yes. So premiumization is the first one. The second one is cost reduction. So our team just does a great job of designing for value and constantly looking at where can we reduce cost. And we have a good track record, and we'll definitely be continuing to do that. The third one is mix. When we sell more B2B and when we sell more video conferencing, that has a higher gross margin. So and again that's a deliberate strategy, doubling down on B2B. So we expect that to continue. So those three parts of gross margin drivers I expect to continue.

The last one, we've had a little bit of FX help this year in the gross margin as well. I think around 100 basis points. Nate keep me… a little below 100 basis points, 80, give or take. That may not hold. Let's see what the dollar does.

Erik Woodring: Yes. Okay. Perfect. And then a lot of what we've talked about underlying. How do we catalyze certain sales or certain segments, you do bring up marketing spend. You've talked about how OpEx as a percentage of revenue should fall in this kind of 24% to 26% target range. One, does it stay there? Is there an opportunity to be more efficient? Just talk to us how you think about leaning into it versus finding efficiencies in that spend?

Hanneke Faber: Yes. So I think that 24% to 26% is about right. But in the year, you've seen this. We're driving pretty significant efficiencies versus last year. Two areas that are driving that G&A is a big one, where we're just being very disciplined.

And the second one is across the board AI. We've built more than 1,500 internal AI agents. We have our own platform, LogiQ, which is a safe space where everyone uses all the models. 75% of our overall employees and 85% of our R&D and design people are now heavy users of AI. It's really embedded in their work processes and all of that does drive productivity. So that's great.

That said, we also have opportunities to invest a little more in R&D and Sales and Marketing to drive the top line a little faster. So I'm saying the 24% to 26% is about right. But within that, there will be some efficiencies, and there will also be some spend back to get the flywheel going a little faster.

Erik Woodring: Okay. I want to kind of end on a few longer-term questions. And the first one, just the long-term revenue growth target of 7% to 10%. You've kind of been right on the precipice of that over the last two years, right around 6%. And what needs to happen to go from where you have been to where you want to go to kind of sustainably get into that 7% to 10% range? And how long does it take to get there, you think? Give me the (inaudible).

Hanneke Faber: Yes. So what needs to happen? We laid out our growth algorithm, and that hasn't changed since AID. Mid-single-digit growth on our core which it's really possible and is what we're doing today. Then you have a point or two of growth from verticals and adjacencies, and that's where we're starting to accelerate. And then there's a point or two from M&A. And I'm sure you'll ask me about it, but we haven't done any yet. Yes, and that would get you to that high single digits. We call it a long term, but we're working towards it.

Erik Woodring: Okay. Perfect. So what topic should I talk about? Let's talk about M&A. Just talk about for -- I've known the company for the better part of 10 years. It hasn't necessarily been a huge initiative internally. But when I hear you, it clearly sounds like there's kind of a renewed sense of we can leverage this as a growth tool. So help me understand am I right on that, first of all? And then second, when you think about levering -- leveraging M&A, is it finding adjacencies? Is it finding technologies? Is it maybe delving into things like software services that kind of can complement hardware. Just talk to us about what you want to leverage M&A for?

Hanneke Faber: Sure. So to your first question, we have a pristine balance sheet, $1.5 billion in cash, no debt. So our capital allocation priorities are pretty clear: Number one, invest in the core because there is a lot of organic growth opportunity there. Number two, increase the dividend every year, we did $0.10 last year. We'll increase it again this year. Number three is M&A. And then number four is share buybacks, and this is a good time to be buying back, and we're doing that hard. But we'll leave that to the side.

On M&A, what are we looking for? The headline is I have kissed a lot of frogs in the last six months or so, but no print yet. Because we're looking for something that really makes the boat go faster, Erik. It's got to grow that top line faster and I got to see a way to reasonable margins as well. We're looking for things that are either adjacencies or will help us in B2B and especially B2B verticals.

So adjacencies. What do I mean by that? Think about in gaming. The last good acquisition that Logitech did, like a while ago now, is Astro gaming headset. That worked well because it sits in gaming, but it was a subsegment of gaming that we didn't really play in. So we acquired it, we folded it in under the Logitech G brand, and that's been really good for us to be in headsets. So think of adjacencies like that, that could work. And in verticals, think of things like companies that play in education, that play in healthcare, that play in government and can help us both with product but also very much with go-to-market. So that's what we're looking for. Again lots of frogs, no princes yet, but we'll keep looking. And I'm choiceful. So if not, we'll grow the organic business a little harder. That's the idea.

Erik Woodring: And I think you've said this publicly before too which is, there's not a desire to do anything transformational. We don't need to do that. We just want to be complementary if we can find that.

Hanneke Faber: Highly likely to be tuck-in.

Erik Woodring: Okay. We've covered a lot today. We have just about a minute left. I want to kind of leave you with the final word here. And take it however you want which is what are you most excited about? What are you most looking forward to? What is most underappreciated or misunderstood? However you want to answer that, but just kind of give us the final word for everyone here in the audience.

Hanneke Faber: Yes. I would say underappreciated. In this crazy world, this is a company for all seasons. Because we've got this balanced portfolio, three product categories that all have growth tailwinds from a category point of view and where we're winning, a large geographic portfolio which allows us to when one does well and the other doesn't, we can play that off each other, 150 countries. And then the B2B and B2C is quite special. And again we're aiming to get that to 50-50 by growing B2B harder and really doubling down on that. There's few companies that really can operate in whatever environment. But I'm really proud of our team that we are.

Erik Woodring: That is a perfect place to end. Hanneke, thank you very much.

Hanneke Faber: Thank you, sir.