UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended August 28, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-06631

LEVI STRAUSS & CO.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**94-0905160**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

1155 Battery Street, San Francisco, California 94111
(Address of Principal Executive Offices) (Zip Code)

(415) 501-6000
(Registrant's Telephone Number, Including Area Code)

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.001 par value per share	**LEVI**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "Large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Emerging growth company ☐
Non-accelerated filer ☐		Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of September 29, 2022, the registrant had 96,787,334 shares of Class A common stock, $0.001 par value per share and 297,605,616 shares of Class B common stock, $0.001 par value per share, outstanding.

LEVI STRAUSS & CO. AND SUBSIDIARIES

INDEX TO FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED AUGUST 28, 2022

WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we announce material financial information to our investors using our corporate website, press releases, SEC filings and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about our company, products, planned financial and other announcements, attendance at upcoming investor and industry conferences and other matters, as well as for complying with our disclosure obligations under Regulation FD promulgated under the Securities Exchange Act of 1934, as amended:

- our Investor Relations page (https://levistrauss.com/investors/financial-news);
- our Twitter account (https://twitter.com/LeviStraussCo);
- our company blog (https://www.levistrauss.com/unzipped-blog/);
- our Facebook page (https://www.facebook.com/levistraussco/);
- our LinkedIn page (https://www.linkedin.com/company/levi-strauss-&-co-);
- our Instagram page (https://www.instagram.com/levistraussco/); and
- our YouTube channel (https://www.youtube.com/user/levistraussvideo).

The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Quarterly Report.

PART I — FINANCIAL INFORMATION

Item 1. ***CONSOLIDATED FINANCIAL STATEMENTS***

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	(Unaudited) August 28, 2022	November 28, 2021
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 498,887	$ 810,266
Short-term investments in marketable securities	100,521	91,550
Trade receivables, net	660,382	707,625
Inventories	1,292,302	897,950
Other current assets	227,942	202,510
Total current assets	2,780,034	2,709,901
Property, plant and equipment, net	546,759	502,562
Goodwill	365,227	386,880
Other intangible assets, net	287,727	291,332
Deferred tax assets, net	566,068	573,114
Operating lease right-of-use assets, net	994,229	1,103,705
Other non-current assets	359,154	332,575
Total assets	$ 5,899,198	$ 5,900,069
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	690,322	524,838
Accrued salaries, wages and employee benefits	229,287	274,700
Accrued sales returns and allowances	179,901	209,364
Short-term operating lease liabilities	238,967	245,369
Other accrued liabilities	527,115	615,347
Total current liabilities	1,865,592	1,869,618
Long-term debt	963,505	1,020,700
Postretirement medical benefits	45,066	51,439
Pension liabilities	146,804	155,218
Long-term employee related benefits	104,170	108,544
Long-term operating lease liabilities	892,740	969,482
Other long-term liabilities	52,322	59,407
Total liabilities	4,070,199	4,234,408
Commitments and contingencies		
Stockholders' Equity:		
Common stock — $0.001 par value; 1,200,000,000 Class A shares authorized, 97,762,452 shares and 97,567,627 shares issued and outstanding as of August 28, 2022 and November 28, 2021, respectively; and 422,000,000 Class B shares authorized, 297,755,270 shares and 302,209,813 shares issued and outstanding, as of August 28, 2022 and November 28, 2021, respectively	396	400
Additional paid-in capital	609,619	584,774
Accumulated other comprehensive loss	(409,293)	(394,387)
Retained earnings	1,628,277	1,474,874
Total stockholders' equity	1,828,999	1,665,661
Total liabilities and stockholders' equity	$ 5,899,198	$ 5,900,069

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in thousands, except per share amounts) (Unaudited)			
Net revenues	$ 1,517,150	$ 1,497,582	$ 4,579,861	$ 4,079,155
Cost of goods sold	654,269	635,427	1,918,349	1,706,770
Gross profit	862,881	862,155	2,661,512	2,372,385
Selling, general and administrative expenses	663,753	645,845	2,151,986	1,872,497
Operating income	199,128	216,310	509,526	499,888
Interest expense	(7,654)	(18,118)	(16,262)	(61,361)
Loss on early extinguishment of debt	—	—	—	(30,338)
Other (expense) income, net	(5,178)	4,847	16,723	5,220
Income before income taxes	186,296	203,039	509,987	413,409
Income tax expense	13,339	9,706	91,445	12,853
Net income	$ 172,957	$ 193,333	$ 418,542	$ 400,556
Earnings per common share attributable to common stockholders:				
Basic	$ 0.44	$ 0.48	$ 1.05	$ 1.00
Diluted	$ 0.43	$ 0.47	$ 1.03	$ 0.97
Weighted-average common shares outstanding:				
Basic	397,114,612	402,957,370	398,098,161	401,526,123
Diluted	402,917,852	413,105,419	405,072,746	411,480,981

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in thousands) (Unaudited)			
Net income	$ 172,957	$ 193,333	$ 418,542	$ 400,556
Other comprehensive (loss) income, before related income taxes:				
Pension and postretirement benefits	2,140	261	6,366	5,944
Derivative instruments	45,631	34,613	75,493	21,877
Foreign currency translation losses	(52,441)	(29,877)	(77,579)	(14,518)
Unrealized (losses) gains on marketable securities	(2,938)	1,916	(13,347)	6,351
Total other comprehensive (loss) income, before related income taxes	(7,608)	6,913	(9,067)	19,654
Income tax benefit related to items of other comprehensive (loss) income	(7,503)	(7,241)	(5,839)	(10,025)
Comprehensive income, net of income taxes	$ 157,846	$ 193,005	$ 403,636	$ 410,185

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Three Months Ended August 28, 2022				
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
			(Dollars in thousands) (Unaudited)		
Balance at May 29, 2022	$ 397	$ 592,827	$ 1,529,290	$ (394,182)	$ 1,728,332
Net income	—	—	172,957	—	172,957
Other comprehensive loss, net of tax	—	—	—	(15,111)	(15,111)
Stock-based compensation and dividends, net	—	15,169	(52)	—	15,117
Employee stock purchase plan	—	2,473	—	—	2,473
Repurchase of common stock	(1)	—	(26,419)	—	(26,420)
Tax withholdings on equity awards	—	(850)	—	—	(850)
Cash dividends declared ($0.12 per share)	—	—	(47,499)	—	(47,499)
Balance at August 28, 2022	$ 396	$ 609,619	$ 1,628,277	$ (409,293)	$ 1,828,999

	Nine Months Ended August 28, 2022				
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
			(Dollars in thousands) (Unaudited)		
Balance at November 28, 2021	$ 400	$ 584,774	$ 1,474,874	$ (394,387)	$ 1,665,661
Net income	—	—	418,542	—	418,542
Other comprehensive loss, net of tax	—	—	—	(14,906)	(14,906)
Stock-based compensation and dividends, net	2	45,910	(52)	—	45,860
Employee stock purchase plan	—	6,946	—	—	6,946
Repurchase of common stock	(6)	—	(138,056)	—	(138,062)
Tax withholdings on equity awards	—	(28,011)	—	—	(28,011)
Cash dividends declared ($0.32 per share)	—	—	(127,031)	—	(127,031)
Balance at August 28, 2022	$ 396	$ 609,619	$ 1,628,277	$ (409,293)	$ 1,828,999

	Three Months Ended August 29, 2021				
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
			(Dollars in thousands) (Unaudited)		
Balance at May 30, 2021	$ 402	$ 583,702	$ 1,281,407	$ (431,489)	$ 1,434,022
Net Income	—	—	193,333	—	193,333
Other comprehensive loss, net of tax	—	—	—	(328)	(328)
Stock-based compensation and dividends, net	—	16,579	(35)	—	16,544
Employee stock purchase plan	—	1,854	—	—	1,854
Tax withholdings on equity awards	—	(3,379)	—	—	(3,379)
Cash dividends declared ($0.08 per share)	—	—	(32,160)	—	(32,160)
Balance at August 29, 2021	$ 402	$ 598,756	$ 1,442,545	$ (431,817)	$ 1,609,886

	Nine Months Ended August 29, 2021				
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
			(Dollars in thousands) (Unaudited)		
Balance at November 29, 2020	$ 398	$ 626,243	$ 1,114,280	$ (441,446)	$ 1,299,475
Net Income	—	—	400,556	—	400,556
Other comprehensive loss, net of tax	—	—	—	9,629	9,629
Stock-based compensation and dividends, net	4	46,677	(35)	—	46,646
Employee stock purchase plan	—	5,575	—	—	5,575
Tax withholdings on equity awards	—	(79,739)	—	—	(79,739)
Cash dividends declared ($0.18 per share)	—	—	(72,256)	—	(72,256)
Balance at August 29, 2021	$ 402	$ 598,756	$ 1,442,545	$ (431,817)	$ 1,609,886

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	August 28, 2022	August 29, 2021
	(Dollars in thousands) (Unaudited)	
Cash Flows from Operating Activities:		
Net income	$ 418,542	$ 400,556
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	117,933	105,575
Property, plant, equipment, right-of-use asset, goodwill impairments, and early lease terminations	47,652	12,847
Loss on early extinguishment of debt	—	30,338
Stock-based compensation	45,860	46,646
Provision for (benefit from) deferred income taxes	(1,706)	(71,044)
Other, net	31,440	16,112
Net change in operating assets and liabilities	(449,398)	(42,178)
Net cash provided by operating activities	210,323	498,852
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(196,781)	(108,431)
Payments on settlement of forward foreign exchange contracts not designated for hedge accounting	(20,628)	(18,533)
Payments to acquire short-term investments	(70,346)	(89,072)
Proceeds from sale, maturity and collection of short-term investments	60,691	89,368
Other investing activities, net	—	(1,076)
Net cash used for investing activities	(227,064)	(127,744)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net of issuance costs	—	489,337
Repayments of long-term debt including debt extinguishment costs	—	(820,000)
Other short-term borrowings, net	2,559	(10,460)
Repurchase of common stock	(140,652)	—
Tax withholdings on equity awards	(28,011)	(79,739)
Dividend to stockholders	(127,031)	(72,256)
Other financing activities, net	5,405	3,506
Net cash used for financing activities	(287,730)	(489,612)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(6,904)	(2,112)
Net decrease in cash and cash equivalents and restricted cash	(311,375)	(120,616)
Beginning cash and cash equivalents, and restricted cash	810,580	1,497,648
Ending cash and cash equivalents, and restricted cash	499,205	1,377,032
Less: Ending restricted cash	(318)	(407)
Ending cash and cash equivalents	$ 498,887	$ 1,376,625
Noncash Investing and Financing Activity:		
Property, plant and equipment acquired and not yet paid at end of period	$ 50,358	$ 42,563
Supplemental disclosure of cash flow information:		
Cash paid for interest during the period	$ 19,906	$ 30,715
Cash paid for income taxes during the period, net of refunds	83,883	50,089

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Levi Strauss & Co. (the "Company") is one of the world's largest brand-name apparel companies. The Company designs, markets and sells – directly or through third parties and licensees – products that include jeans, casual and dress pants, tops, shorts, skirts, dresses, jackets, activewear, footwear and related accessories for men, women and children around the world under the Levi's®, Signature by Levi Strauss & Co.™, Denizen®, Dockers® and Beyond Yoga® brands.

In the fourth quarter of fiscal 2021, the Company acquired Beyond Yoga®, which has been consolidated since the date of acquisition.

Basis of Presentation and Principles of Consolidation

The interim consolidated financial statements of the Company and its wholly-owned and majority-owned foreign and domestic subsidiaries, including the notes, have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") applicable to interim period financial statements and do not include all of the information and disclosures required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position and the results of operations for the periods presented have been included. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended November 28, 2021, included in the Company's 2021 Annual Report on Form 10-K.

The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated. The results of operations for the three and nine months ended August 28, 2022 may not be indicative of the results to be expected for any other interim period or the year ending November 27, 2022.

The Company's fiscal year ends on the last Sunday of November in each year, although the fiscal years of certain foreign subsidiaries end on November 30. Each quarter of both fiscal years 2022 and 2021 consists of 13 weeks. All references to years and quarters relate to fiscal years and quarters rather than calendar years and quarters.

Accounts Receivable

Accounts receivable are recorded net of an allowance for credit losses. The Company estimates the allowance for credit losses based on an analysis of the aging of accounts receivable, assessment of collectability, including any known or anticipated bankruptcies, customer-specific circumstances and an evaluation of current economic conditions. The allowance for credit losses was $8.3 million and $11.6 million as of August 28, 2022 and November 28, 2021, respectively.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may be impaired. Impairment losses are measured and recorded for the excess of carrying value over its fair value, estimated based on expected future cash flows and other quantitative and qualitative factors.

In the second quarter of 2022, as a result of the Russia-Ukraine crisis, the Company reviewed certain long-lived assets for impairment and recorded $4.1 million of non-cash impairment charges. The impairment charges are included in selling, general and administrative expenses ("SG&A") in the accompanying consolidated statements of income.

Property, plant and equipment, net includes accumulated depreciation of $1.2 billion and $1.1 billion as of August 28, 2022 and November 28, 2021, respectively.

Goodwill and Intangible Assets

The Company reviews the carrying amounts of indefinite-lived intangible assets, and goodwill by reporting unit at least annually, or when indicators of impairment are present, to determine if such assets may be impaired. Annual testing is performed in the fourth quarter of the fiscal year for all indefinite-lived assets and reporting units except Beyond Yoga, which is performed in the third quarter. The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived asset or reporting unit is less than its carrying amount.

If, based on the results of the qualitative assessment, it is concluded that it is not more likely than not that the fair value of an indefinite-lived asset or reporting unit exceeds its carrying value, a quantitative test is performed. Under the quantitative test, the Company compares the carrying value of the indefinite-lived asset or reporting unit to its fair value. If the carrying value exceeds its fair value, the Company records an impairment charge equal to the excess of the carrying value over the related fair value.

In the second quarter of 2022, the Company reviewed the goodwill assigned to its Russia business for impairment and recorded $11.6 million of non-cash impairment charges. The impairment charges are included in SG&A in the accompanying consolidated statements of income.

Right-of-Use Assets and Lease Liabilities

In the second quarter of 2022, the Company reviewed the operating lease right-of-use ("ROU") assets impacted by the Russia-Ukraine crisis for impairment and recorded $35.4 million of non-cash impairment charges. During the third quarter of 2022, the Company recognized a $7.6 million gain related to the early termination of store lease agreements related to the Russia-Ukraine crisis. All charges are included in SG&A in the accompanying consolidated statements of income.

As of the second quarter of 2021, the Company entered into an agreement for the construction and lease of a distribution facility in Germany. The facility is currently under construction and has an expected lease commencement date in the third quarter of fiscal year 2023. Once the 20-year lease term commences, the Company expects to recognize a ROU asset and corresponding lease liability of between $80 million and $100 million. The Company expects to capitalize approximately $60 million for equipment to be installed in the leased facility.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes to the consolidated financial statements. Estimates are based upon historical factors, current circumstances and the experience and judgment of the Company’s management. Management evaluates its estimates and assumptions on an ongoing basis and may employ outside experts to assist in its evaluations. Changes in such estimates, based on more accurate future information, or different assumptions or conditions, may affect amounts reported in future periods.

Share Repurchases

On May 31, 2022, the Board approved a new share repurchase program that authorizes the repurchase of up to $750.0 million of the Company's Class A common stock. The previously approved $200.0 million share repurchase program was completed as of the end of the second quarter of 2022. During the three and nine months ended August 28, 2022, 1.5 million and 6.5 million shares were repurchased for $26.4 million and $137.9 million, plus broker's commissions, respectively, in the open market.

Subsequent to quarter end, the Company repurchased an additional 2.1 million shares for $33.9 million, plus broker's commissions, in the open market. This equates to an average repurchase price of approximately $16.27 per share.

The Company accounts for share repurchases by charging the excess of repurchase price over the repurchased Class A common stock's par value entirely to retained earnings. All repurchased shares are retired and become authorized but unissued shares. The Company accrues for the shares purchased under the share repurchase plan based on the trade date. The Company may terminate or limit the share repurchase program at any time.

Reclassification

Certain insignificant amounts on the consolidated balance sheets and consolidated statements of cash flow have been conformed to the August 28, 2022 presentation.

Recently Adopted Accounting Principles

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Simplifying the Accounting for Income Taxes*. ASU 2019-12 enhances and simplifies aspects of the income tax accounting guidance in ASC 740. The Company adopted this standard in the first quarter of fiscal 2022 on a prospective basis. The adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Standards

There have been no developments to recently issued accounting standards, including the expected dates of adoption and estimated effects on the Company’s consolidated financial statements and footnote disclosures, from those disclosed in the 2021 Annual Report on Form 10-K, except for the following:

First Quarter 2023

- In March 2020 and January 2021, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and ASU 2021-01, *Reference Rate Reform: Scope*, respectively. Together, the ASUs provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This guidance is effective beginning on March 12, 2020, and the Company may elect to apply the amendments through December 31, 2022. The Company does not expect that the adoption will have a material impact on its consolidated financial statements and related disclosures.

NOTE 2: INVENTORIES

The following table presents the Company's inventory balances:

	August 28, 2022	November 28, 2021
	(Dollars in thousands)	
Raw materials	$ 14,361	$ 9,141
Work-in-progress	4,922	3,603
Finished goods	1,273,019	885,206
Total inventories	$ 1,292,302	$ 897,950

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the Company's financial instruments that are carried at fair value:

	August 28, 2022			November 28, 2021		
		Fair Value Estimated Using			Fair Value Estimated Using	
	Fair Value	Level 1 Inputs[1]	Level 2 Inputs[2]	Fair Value	Level 1 Inputs[1]	Level 2 Inputs[2]
	(Dollars in thousands)					
Financial assets carried at fair value						
Rabbi trust assets	$ 71,638	$ 71,638	$ —	$ 80,188	$ 80,188	$ —
Short-term investments in marketable securities	100,521	—	100,521	91,550	—	91,550
Derivative instruments[3]	42,139	—	42,139	27,512	—	27,512
Total	$ 214,298	$ 71,638	$ 142,660	$ 199,250	$ 80,188	$ 119,062
Financial liabilities carried at fair value						
Derivative instruments[3]	4,181	—	4,181	13,255	—	13,255
Total	$ 4,181	$ —	$ 4,181	$ 13,255	$ —	$ 13,255

(1) Fair values estimated using Level 1 inputs are inputs that consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Rabbi trust assets consist of a diversified portfolio of equity, fixed income and other securities.

(2) Fair values estimated using Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, and include among other things, quoted prices for similar assets or liabilities in markets that are active or inactive as well as inputs other than quoted prices that are observable. Short-term investments in marketable securities consist of fixed income securities. For forward foreign exchange contracts, inputs include foreign currency exchange and interest rates and, where applicable, credit default swap prices.

(3) The Company's cash flow hedges are subject to International Swaps and Derivatives Association, Inc. master agreements. These agreements permit the net settlement of these contracts on a per-institution basis. Refer to Note 4 for more information.

The following table presents the amortized cost, gross unrealized gains (losses) and fair values of the Company's available for sale investments:

	August 28, 2022				November 28, 2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(Dollars in thousands)							
Short-term investments								
Rabbi trust assets	$ 2,901	$ 598	$ —	$ 3,499	$ 2,823	$ 1,277	$ —	$ 4,100
Short-term investments in marketable securities	100,930	301	(710)	100,521	91,475	155	(80)	91,550
	103,831	899	(710)	104,020	94,298	1,432	(80)	95,650
Long-term investments								
Rabbi trust assets	56,485	11,654	—	68,139	52,398	23,690	—	76,088
	$ 160,316	$ 12,553	$ (710)	$ 172,159	$ 146,696	$ 25,122	$ (80)	$ 171,738

The following table presents the carrying value, including related accrued interest, and estimated fair value of the Company's financial instruments that are carried at adjusted historical cost:

	August 28, 2022		November 28, 2021	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(Dollars in thousands)			
Financial liabilities carried at adjusted historical cost				
3.375% senior notes due 2027[(1)]	$ 477,465	$ 464,546	$ 531,382	$ 541,935
3.50% senior notes due 2031[(1)]	502,380	435,727	497,335	502,881
Short-term borrowings	8,324	8,324	5,862	5,862
Total	$ 988,169	$ 908,597	$ 1,034,579	$ 1,050,678

(1) Fair values are estimated using Level 1 inputs and incorporate mid-market price quotes. Level 1 inputs are inputs that consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

NOTE 4: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Designated Cash Flow Hedges

The Company actively manages the risk of changes in functional currency equivalent cash flows resulting from anticipated non-functional currency denominated purchases and sales. The Company’s global sourcing organization uses the U.S. dollar as its functional currency and is primarily exposed to changes in functional currency equivalent cash flows from anticipated inventory purchases, as it procures inventory on behalf of subsidiaries with the Euro, Australian Dollar and Japanese Yen functional currencies. The Mexico subsidiary uses the Mexican Peso as its functional currency and is exposed as it procures inventory in the U.S. Dollar. Additionally, a European subsidiary uses Euros as its functional currency and is exposed to anticipated non-functional currency denominated sales. The Company manages these risks by using currency forward contracts formally designated and effective as cash flow hedges. Hedge effectiveness is generally determined by evaluating the ability of a hedging instrument's cumulative change in fair value to offset the cumulative change in the present value of expected cash flows on the underlying exposures. For forward contracts, forward points are excluded from the determination of hedge effectiveness and are included in cost of goods sold for hedges of anticipated inventory purchases and in net revenues for hedges of anticipated sales on a straight-line basis over the life of the contract. In each accounting period, differences between the change in fair value of the forward points and the amount recognized on a straight-line basis is recognized in other comprehensive income (loss).

Net Investment Hedges

The Company designates certain non-derivative instruments as net investment hedges to hedge the Company's net investment position in certain of its foreign subsidiaries. For these instruments, the Company documents the hedge designation by identifying the hedging instrument, the nature of the risk being hedged and the approach for measuring hedge effectiveness. The ineffective portions of these hedges are recorded in "Other (expense) income, net" in the Company's consolidated statements of income. The effective portions of these hedges are recorded in "Accumulated other comprehensive loss" ("AOCL") on the Company's consolidated balance sheets and are not reclassified to earnings until the related net investment position has been liquidated.

Non-designated Cash Flow Hedges

The Company enters into derivative instruments not designated as hedges. These derivative instruments are not speculative and are used to manage the Company’s exposure to certain product sourcing activities, some intercompany sales, foreign subsidiaries' royalty payments, interest payments, earnings repatriations, net investment in foreign operations and funding activities but the Company has not elected to apply hedge accounting. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in "Other (expense) income, net" in the Company’s consolidated statements of income.

As of August 28, 2022, the Company had forward foreign exchange contracts derivatives that were not designated as hedges in qualifying hedging relationships, of which $692.1 million were contracts to buy and $465.6 million were contracts to sell various foreign currencies. These contracts are at various exchange rates and expire at various dates through February 2024.

The table below provides data about the carrying values of derivative and non-derivative instruments:

	August 28, 2022			November 28, 2021		
	Assets	(Liabilities)		Assets	(Liabilities)	
	Carrying Value	Carrying Value	Derivative Net Carrying Value	Carrying Value	Carrying Value	Derivative Net Carrying Value
	(Dollars in thousands)					
Derivatives designated as hedging instruments						
Foreign exchange risk cash flow hedges(1)	$ 33,569	$ —	$ 33,569	$ 24,858	$ —	$ 24,858
Foreign exchange risk cash flow hedges(2)	—	(3,859)	(3,859)	—	(2,030)	(2,030)
Total	$ 33,569	$ (3,859)		$ 24,858	$ (2,030)	
Derivatives not designated as hedging instruments						
Forward foreign exchange contracts(1)	$ 42,139	$ (33,569)	$ 8,570	$ 27,512	$ (24,858)	$ 2,654
Forward foreign exchange contracts(2)	3,850	(4,172)	(322)	2,030	(13,255)	(11,225)
Total	$ 45,989	$ (37,741)		$ 29,542	$ (38,113)	
Non-derivatives designated as hedging instruments						
Euro senior notes	$ —	$ (473,813)		$ —	$ (532,285)	

(1) Included in "Other current assets" or "Other non-current assets" on the Company's consolidated balance sheets.

(2) Included in "Other accrued liabilities" or "Other long-term liabilities" on the Company's consolidated balance sheets.

The Company's over-the-counter forward foreign exchange contracts are subject to International Swaps and Derivatives Association, Inc. master agreements. These agreements permit the net settlement of these contracts on a per-institution basis; however, the Company records the fair value on a gross basis on its consolidated balance sheets based on maturity dates, including those subject to master netting arrangements. The table below presents the gross and net amounts of these contracts recognized on the Company's consolidated balance sheets by type of financial instrument:

	August 28, 2022			November 28, 2021		
	Gross Amounts of Assets / (Liabilities) Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet	Net Amounts of Assets / (Liabilities)	Gross Amounts of Assets / (Liabilities) Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet	Net Amounts of Assets / (Liabilities)
	(Dollars in thousands)					
Foreign exchange risk contracts and forward foreign exchange contracts						
Financial assets	$ 79,558	$ (3,975)	$ 75,583	$ 54,400	$ (10,152)	$ 44,248
Financial liabilities	(41,600)	3,975	(37,625)	(40,143)	10,152	(29,991)
Total			$ 37,958			$ 14,257

The table below provides data about the amount of gains and losses related to derivative instruments designated as cash flow hedges and non-derivative instruments designated as net investment hedges included in AOCL on the Company's consolidated balance sheets:

	Amount of Gain (Loss) Recognized in AOCL (Effective Portion)		Amount of Gain (Loss) Reclassified from AOCL into Net Income[(1)]			
			Three Months Ended		Nine Months Ended	
	As of August 28, 2022	As of November 28, 2021	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in thousands)					
Foreign exchange risk contracts	$ 41,324	$ 24,304	$ 6,156	$ (5,322)	$ 9,791	$ (16,415)
Realized forward foreign exchange swaps [(2)]	4,637	4,637	—	—	—	—
Yen-denominated Eurobonds	(19,811)	(19,811)	—	—	—	—
Euro-denominated senior notes	13,271	(45,201)	—	—	—	—
Cumulative income taxes	(782)	15,157	—	—	—	—
Total	$ 38,639	$ (20,914)				

(1) Amounts reclassified from AOCL were classified as net revenues and cost of goods sold on the consolidated statements of income.

(2) Prior to and during 2005, the Company used foreign exchange currency swaps to hedge the net investment in its foreign operations. For hedges that qualified for hedge accounting, the net gains were included in AOCL and are not reclassified to earnings until the related net investment position has been liquidated.

There was no hedge ineffectiveness for the nine months ended August 28, 2022. Within the next 12 months, a $40.7 million gain from cash flow hedges is expected to be reclassified from AOCL into net income.

The table below presents the effects of the Company's cash flow hedges of foreign exchange risk contracts on the consolidated statements of income:

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in thousands)			
Amount of (Loss) Gain on Cash Flow Hedge Activity				
Net revenues	$ (282)	$ (2,093)	$ (2,124)	$ (2,678)
Cost of goods sold	$ 6,439	$ (3,229)	$ 11,915	$ (13,737)

The table below provides data about the amount of gains and losses related to derivatives instruments included in "Other (expense) income, net" in the Company's consolidated statements of income:

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in thousands)			
Realized loss	$ (20,669)	$ (11,059)	$ (39,780)	$ (10,362)
Unrealized gain	2,057	8,658	15,963	6,234
Total	$ (18,612)	$ (2,401)	$ (23,817)	$ (4,128)

NOTE 5: OTHER ACCRUED LIABILITIES

The following table presents the Company's other accrued liabilities:

	August 28, 2022	November 28, 2021
	(Dollars in thousands)	
Other accrued liabilities		
Accrued advertising and promotion	$ 75,081	$ 111,086
Accrued income taxes	24,126	14,477
Accrued interest payable	16,232	8,281
Accrued rent	13,740	16,612
Fair value derivatives	3,961	13,246
Restructuring liabilities	3,409	19,106
Short-term debt	8,324	5,862
Taxes other than income taxes payable	55,358	48,278
Other	326,884	378,399
Total other accrued liabilities	$ 527,115	$ 615,347

NOTE 6: DEBT

The following table presents the Company's debt:

	August 28, 2022	November 28, 2021
	(Dollars in thousands)	
Long-term debt		
3.375% senior notes due 2027	$ 469,777	$ 527,644
3.50% senior notes due 2031	493,728	493,056
Total long-term debt	$ 963,505	$ 1,020,700
Short-term debt		
Short-term borrowings	8,324	5,862
Total debt	$ 971,829	$ 1,026,562

Senior Revolving Credit Facility

The Company's unused availability under the Credit Facility was $837.5 million at August 28, 2022, as the Company's total availability of $850.0 million was reduced by $12.5 million of letters of credit and other credit usage allocated under the Credit Facility.

Interest Rates on Borrowings

The Company’s weighted-average interest rate on average borrowings outstanding during the three and nine months ended August 28, 2022 was 3.93% and 3.92%, respectively, as compared to 4.12% and 4.34%, respectively, during the same periods of 2021.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Forward Foreign Exchange Contracts

The Company uses cash flow hedge derivative instruments to manage its exposure to foreign currencies. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the forward foreign exchange contracts. However, the Company believes that its exposures are appropriately diversified across counterparties and that these counterparties are creditworthy financial institutions. See Note 4 for additional information.

Other Contingencies

Litigation. In the ordinary course of business, the Company has various claims, complaints and pending cases, including contractual matters, facility and employee-related matters, distribution matters, product liability matters, intellectual property matters, bankruptcy preference matters, and tax and administrative matters. The Company establishes loss provisions for these ordinary course claims as well as other matters in which losses are probable and can be reasonably estimated. The Company does not believe any of these pending claims, complaints and legal proceedings will have a material impact on its financial condition, results of operations or cash flows.

Customs Duty Audits. The Company imports both raw materials and finished garments into all of its geographic regions and, as such, is subject to numerous countries' complex customs laws and regulations with respect to its import and export activity. The Company has various pending audit assessments in connection with these activities. As of August 28, 2022, the Company has recorded certain reserves for these matters which are not material. The Company does not believe any of the claims for customs duty and related charges will have a material impact on its financial condition, results of operations or cash flows.

Inventory Purchase Commitments. The Company also has minimum inventory purchase commitments, including fabric commitments, with suppliers that secure a portion of material needs for future seasons.

NOTE 8: DIVIDENDS

Dividends are declared at the discretion of the Board. In January, April and July 2022, the Company declared cash dividends of $0.10, $0.10 and $0.12 per share, respectively, to holders of record of its Class A and Class B common stock. In January, April and July 2021, the Company declared cash dividends of $0.04, $0.06 and $0.08 per share, respectively. During the three and nine months ended August 28, 2022, dividends were paid in the amount of $47.5 million and $127.0 million, respectively, compared to $32.2 million and $72.3 million for the same prior-year periods.

The Company does not have an established dividend policy. The Board reviews the Company's ability to pay dividends on an ongoing basis and establishes the dividend amount based on the Company's financial condition, results of operations, capital requirements, current and projected cash flows and other factors, and any restrictions related to the terms of the Company’s debt agreements.

Subsequent to the Company's quarter end, a cash dividend of $0.12 per share was declared to holders of record of its Class A and Class B common stock at the close of business on November 4, 2022, for a total quarterly dividend of approximately $47 million.

NOTE 9: ACCUMULATED OTHER COMPREHENSIVE LOSS

The following is a summary of the components of "Accumulated other comprehensive loss," net of related income taxes:

	August 28, 2022	November 28, 2021	August 29, 2021
		(Dollars in thousands)	
Pension and postretirement benefits	$ (190,700)	$ (195,481)	$ (217,456)
Derivative instruments	38,639	(20,914)	(58,429)
Foreign currency translation losses	(265,670)	(196,763)	(175,200)
Unrealized gains on marketable securities	8,438	18,771	19,268
Accumulated other comprehensive loss	$ (409,293)	$ (394,387)	$ (431,817)

No material amounts were reclassified out of "Accumulated other comprehensive loss" into net income other than those that pertain to the Company's derivative instruments. Refer to Note 4 for additional information.

NOTE 10: NET REVENUES

Disaggregated Revenue

The table below provides the Company's revenues disaggregated by segment and channel.

	Three Months Ended August 28, 2022				
	Levi's Brands				
	Americas	Europe	Asia	Other Brands	Total
	(Dollars in thousands)				
Net revenues by channel:					
Wholesale	$ 566,843	$ 230,851	$ 115,901	$ 67,375	$ 980,970
Direct-to-consumer	238,239	159,453	104,745	33,743	536,180
Total net revenues	$ 805,082	$ 390,304	$ 220,646	$ 101,118	$ 1,517,150

	Nine Months Ended August 28, 2022				
	Levi's Brands				
	Americas	Europe	Asia	Other Brands	Total
	(Dollars in thousands)				
Net revenues by channel:					
Wholesale	$ 1,625,295	$ 687,187	$ 345,949	$ 206,102	$ 2,864,533
Direct-to-consumer	721,733	539,611	354,950	99,034	1,715,328
Total net revenues	$ 2,347,028	$ 1,226,798	$ 700,899	$ 305,136	$ 4,579,861

	Three Months Ended August 29, 2021				
	Levi's Brands				
	Americas	Europe	Asia	Other Brands	Total
	(Dollars in thousands)				
Net revenues by channel:					
Wholesale	$ 559,844	$ 276,146	$ 83,175	$ 51,551	$ 970,716
Direct-to-consumer	222,489	202,968	79,003	22,406	526,866
Total net revenues	$ 782,333	$ 479,114	$ 162,178	$ 73,957	$ 1,497,582

	Nine Months Ended August 29, 2021				
	Levi's Brands				
	Americas	Europe	Asia	Other Brands	Total
	(Dollars in thousands)				
Net revenues by channel:					
Wholesale	$ 1,429,970	$ 764,573	$ 279,494	$ 137,922	$ 2,611,959
Direct-to-consumer	619,919	486,144	307,389	53,744	1,467,196
Total net revenues	$ 2,049,889	$ 1,250,717	$ 586,883	$ 191,666	$ 4,079,155

The Company did not have any material contract assets or contract liabilities recorded in the consolidated balance sheets as of August 28, 2022 and November 28, 2021.

NOTE 11: OTHER (EXPENSE) INCOME, NET

The following table summarizes significant components of "Other (expense) income, net":

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in thousands)			
Foreign exchange management losses[1]	$ (18,612)	$ (2,401)	$ (23,817)	$ (4,128)
Foreign currency transaction gains (losses)[2]	10,937	4,227	17,433	(334)
COVID-19 government subsidy gain[3]	—	—	12,524	—
Other, net	2,497	3,021	10,583	9,682
Total other (expense) income, net	$ (5,178)	$ 4,847	$ 16,723	$ 5,220

(1) Losses on forward foreign exchange contracts primarily result from currency fluctuations relative to negotiated contract rates. Losses in the three-month and nine-month periods ended August 28, 2022 were primarily due to unfavorable currency fluctuations relative to negotiated contract rates on positions to sell the Euro.

(2) Foreign currency transaction gains (losses) reflect the impact of foreign currency fluctuation on the Company's foreign currency denominated balances.

(3) COVID-19 government subsidy gain reflects a payment received from the German government as reimbursement for COVID-19 losses incurred in prior years.

NOTE 12: INCOME TAXES

The Company's effective income tax rate was 7.2% for the three months ended August 28, 2022, compared to 4.8% for the same prior-year period. The lower effective tax rates in both years were primarily driven by the planned execution of certain tax transactions, with the current year including a lower tax benefit as compared to the prior year.

The Company's effective income tax rate was 17.9% for the nine months ended August 28, 2022, compared to 3.1% for the same prior-year period. The increase in the effective tax rate was primarily driven by lower tax benefits from the foreign-derived intangible income deduction from internal restructuring and stock-based compensation equity awards as compared to the same prior-year period, as well as an increase resulting from non-deductible charges related to the Russia-Ukraine crisis.

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (“IRA”) into law. The IRA contains a number of revisions to the Internal Revenue Code, including a 15% corporate minimum income tax and a 1% excise tax on corporate stock repurchases in tax years beginning after December 31, 2022. While these tax law changes have no immediate effect and are not expected to have a material adverse effect on our results of operations going forward, we will continue to evaluate its impact as further information becomes available.

NOTE 13: EARNINGS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table sets forth the computation of the Company's basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in thousands, except per share amounts)			
Numerator:				
Net income	$ 172,957	$ 193,333	$ 418,542	$ 400,556
Denominator:				
Weighted-average common shares outstanding - basic	397,114,612	402,957,370	398,098,161	401,526,123
Dilutive effect of stock awards	5,803,240	10,148,049	6,974,585	9,954,858
Weighted-average common shares outstanding - diluted	402,917,852	413,105,419	405,072,746	411,480,981
Earnings per common share attributable to common stockholders:				
Basic	$ 0.44	$ 0.48	$ 1.05	$ 1.00
Diluted	$ 0.43	$ 0.47	$ 1.03	$ 0.97
Anti-dilutive securities excluded from calculation of diluted earnings per share attributable to common stockholders	2,195,592	335,849	1,785,569	406,362

NOTE 14: RELATED PARTIES

Charles V. Bergh, President and Chief Executive Officer is a board member of the Levi Strauss Foundation, which is not a consolidated entity of the Company. Seth R. Jaffe, Executive Vice President and General Counsel, is Vice President of the Levi Strauss Foundation. During the three and nine months ended August 28, 2022, the Company donated $0.5 million and $12.4 million, respectively, to the Levi Strauss Foundation as compared to $0.3 million and $3.1 million for the same prior-year periods.

NOTE 15: BUSINESS SEGMENT INFORMATION

In the fourth quarter of 2021, the Company changed its segment reporting as a result of operational changes in support of the ongoing efforts to globally integrate the Levi's Brands business, which includes Levi's®, Signature by Levi Strauss & Co.™ and Denizen® brands, and separate the Dockers® business. The Levi's business is defined geographically in three operating segments: Americas, Europe and Asia. The Dockers® business, which is managed separately, will no longer be reported in the three geographical regions of Americas, Europe and Asia.

Therefore, there are three reportable segments: Americas, Europe, and Asia, collectively comprising the Company's Levi's Brands business, and Other Brands, which includes Dockers® and the newly acquired Beyond Yoga® business, which do not meet the quantitative thresholds for reportable segments and therefore are presented under the caption of Other Brands. While this reporting change did not impact consolidated results, the segment data has been recast to be consistent for all periods presented throughout the financial statements and related notes.

The Company considers its chief executive officer to be the Company's chief operating decision maker. The Company's chief operating decision maker manages business operations, evaluates performance and allocates resources based on the segments' net revenues and operating income.

Business segment information for the Company is as follows:

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in thousands)			
Net revenues:				
Americas	$ 805,082	$ 782,333	$ 2,347,028	$ 2,049,889
Europe	390,304	479,114	1,226,798	1,250,717
Asia	220,646	162,178	700,899	586,883
Other Brands	101,118	73,957	305,136	191,666
Total net revenues	$ 1,517,150	$ 1,497,582	$ 4,579,861	$ 4,079,155
Operating income:				
Americas	$ 177,015	$ 197,999	$ 513,567	$ 474,191
Europe	84,407	138,684	287,762	308,657
Asia	19,923	(16,410)	82,616	19,088
Other Brands	2,445	5,029	16,048	8,402
Corporate expenses[(1)]	(84,662)	(108,992)	(390,467)	(310,450)
Total operating income	199,128	216,310	509,526	499,888
Interest expense	(7,654)	(18,118)	(16,262)	(61,361)
Loss on early extinguishment of debt	—	—	—	(30,338)
Other (expense) income, net	(5,178)	4,847	16,723	5,220
Income before income taxes	$ 186,296	$ 203,039	$ 509,987	$ 413,409

(1) Corporate expenses for the three-month period ended August 28, 2022 include a $7.6 million gain on the early termination of store leases related to the Russia-Ukraine crisis. Russia is considered part of the Company's Europe segment. Corporate expenses for the nine-month period ended August 28, 2022 includes $51.1 million in impairment charges, net of a $7.6 million gain on the termination of store leases related to the Russia-Ukraine crisis which are considered part of the Company's Europe segment. Refer to Note 1 for additional information.

Item 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited consolidated financial statements and related notes thereto included in Part I, Item 1 of this Quarterly Report and with our audited financial statements and related notes in our Annual Report on Form 10-K for the year ended November 28, 2021, filed with the Securities and Exchange Commission on January 26, 2022. We use a 52- or 53-week fiscal year, with each fiscal year ending on the Sunday in November that is closest to November 30 of that year. References to 2021 and 2022 below in this section are references to our fiscal years ending in November 2021 and 2022, respectively. See "-Financial Information Presentation."

Non-GAAP Financial Measures

To supplement our consolidated financial statements prepared and presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we use certain non-GAAP financial measures throughout this Quarterly Report, as described further below, to provide investors with additional useful information about our financial performance, to enhance the overall understanding of our past performance and future prospects and to allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP financial measures to assist investors in seeing our financial performance from management's view and because we believe they provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. As a result, non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, our consolidated financial statements prepared and presented in accordance with GAAP.

Overview

We are an iconic American company with a rich history of profitable growth, quality, innovation and corporate citizenship. Our story began in San Francisco, California, in 1853 as a wholesale dry goods business. We invented the blue jean 20 years later. Today we design, market and sell products that include jeans, casual and dress pants, tops, shorts, skirts, dresses, jackets, footwear and related accessories for men, women and children around the world under our Levi's®, Dockers®, Signature by Levi Strauss & Co.™ and Denizen® brands. We service consumers through our global infrastructure, developing, sourcing, and marketing our products around the world. In September 2021, we acquired Beyond Yoga®, our newest brand.

Our iconic, enduring brands are brought to life every day around the world by our talented and creative employees and partners. The Levi's® brand epitomizes classic, authentic American style and effortless cool. We have cultivated Levi's® as a lifestyle brand that is inclusive and democratic in the eyes of consumers while offering products that feel exclusive, personalized, and original. This approach has enabled the Levi's® brand to evolve with the times and continually reach a new, younger audience, while our rich heritage continues to drive relevance and appeal across demographics. The Dockers® brand helped drive "Casual Friday" in the 1990s and has been a cornerstone of casual menswear for more than 30 years. Seen as the khaki leader, Dockers has returned to its California roots and is bringing a full range of casual, versatile styles for men and women to show up with cool confidence every day. The Signature by Levi Strauss & Co.™ and Denizen® brands, which we developed for value-conscious consumers, offer quality craftsmanship and great fit and style at affordable prices. The newly acquired Beyond Yoga® brand is a body positive, premium athleisure apparel brand focused on quality, fit and comfort.

We recognize wholesale revenue from sales of our products through third-party retailers such as department stores, specialty retailers, third-party e-commerce sites and franchise locations dedicated to our brands. We also sell our products directly to consumers ("direct-to-consumer" or "DTC") through a variety of formats, including our own company-operated mainline and outlet stores, company-operated e-commerce sites and select shop-in-shops that we operate within department stores and other third-party retail locations. As of August 28, 2022, our products were sold in approximately 50,000 retail locations in more than 110 countries, including approximately 3,100 brand-dedicated stores and shop-in-shops. As of August 28, 2022, we had 1,043 company-operated stores located in 38 countries and approximately 600 company-operated shop-in-shops. The remainder of our brand-dedicated stores and shop-in-shops were operated by franchisees and other partners.

Across all of our brands, pants – including jeans, casual pants, dress pants, shorts, skirts and activewear – represented 67% of our total units sold in the first nine months of both 2022 and 2021. Tops – including shirts, sweaters, jackets, dresses and jumpsuits – represented 26% and 25% of our total units sold in the first nine months of 2022 and 2021, respectively. Men's products generated 64% of our net revenues in the first nine months of both 2022 and 2021. Women's products generated 34% of our net revenues in the first nine months of both 2022 and 2021 with the remaining 2% of our products being non-gendered in both periods. Sales of Levi's® brand products represented 87% of our total net sales in the first nine months of both 2022 and 2021.

Our Europe and Asia businesses, collectively, contributed 42% of our net revenues and 41% of our segment operating income in the first nine months of 2022, as compared to 45% of our net revenues and 40% of our segment operating income in the same period in 2021. Revenues from our international business, which includes our Europe and Asia segments, as well as Canada and Latin America from our Americas segment, was 54% in the first nine months of 2022, as compared to 56% in the same period in 2021.

Our wholesale channel generated 63% and 64% of our net revenues in the first nine months of 2022 and 2021, respectively. Our DTC channel generated 37% and 36% of our net revenues in the first nine months of 2022 and 2021, respectively, with sales through our company operated e-commerce sites representing 19% and 21% of DTC channel net revenues in the first nine months of 2022 and 2021, and 7% and 8% of total net revenues in the first nine months of 2022 and 2021, respectively. Our global digital business, which includes our e-commerce site as well as the online businesses of our wholesale customers, including that of traditional wholesalers as well as pure play (online-only) wholesalers represented approximately 21% of our total net revenues in the third quarter of 2022, versus approximately 20% of our total net revenues in the third quarter of 2021.

Our Business Strategies

On June 1, 2022, we updated our long-term growth strategy, which aims to accelerate profitable growth over the next five years. Our new long-term growth strategy aims to achieve 6-8% revenue growth annually and 15% Adjusted EBIT margin by 2027. For more information on our calculation of Adjusted EBIT margin, a non-GAAP financial measure, see "– Non-GAAP Financial Measures."

The following three "where to play" choices serve as our strategic framework for what we intend to achieve and have been aligned with our new long-term growth strategy:

- *Brand Led:* We plan to continue to elevate and strengthen Levi's® Brands (which include Signature by Levi Strauss & Co.™ and Denizen®), Dockers® and Beyond Yoga® by more effectively integrating product, design, marketing and consumer in-store experiences with a global vision executed consistently across all markets. These actions are expected to support targeted revenue growth for Levi's® Brands of approximately $2 billion to $2.5 billion and for the combined revenue of Dockers® and Beyond Yoga® to approach $1 billion by 2027.
- *DTC First:* We plan to accelerate investment in stores, online platforms and other digital capabilities, while creating an integrated omni-channel shopping experience, which is expected to profitably drive our DTC channel to 55% of total annual net revenues by 2027 while tripling our e-commerce business.
- *Diversify the Portfolio:* We plan to further capitalize on the substantial opportunity to amplify each brands' reach and grow market share across geographies, categories, genders and channels and our intention is to nearly double both women's and tops revenue by 2027.

We believe that a strong cash position, incremental growth and improved cash earnings will enable us to further enhance stockholder returns. See "Liquidity and Capital Resources" for additional information.

Impact of Russia-Ukraine Crisis on our Business

As a result of Russia's invasion of Ukraine, we suspended our business initiatives and the majority of our commercial activity in Russia and Ukraine in the second quarter of 2022. This included the closure of the majority of our company-operated stores in Russia, as well as the suspension of shipments to our wholesale and licensing customers in Russia and Ukraine. In response to this crisis, the United States and other countries have implemented economic and other sanctions. These sanctions currently, and any additional sanctions may in the future, impact our ability to conduct business in Russia.

Given the high level of uncertainty surrounding the future operations of our business in Russia, including the ability to generate future cash flows, the carrying value of our long-lived assets specific to our commercial business in Russia were deemed to be not recoverable. As a result of the Russia-Ukraine crisis, during the second quarter of 2022, we recorded total charges of $60.4 million, ($0.15 per diluted share). The charges reflect the full impairment of long-lived assets, including $35.4 million related to certain store right-of-use assets, $11.6 million related to goodwill and $4.1 million related to property, plant and equipment, as well as $9.3 million of other incremental charges. During the third quarter of 2022, we recognized a $7.6 million gain related to the early termination of certain store lease agreements related to the Russia-Ukraine crisis. All charges are included in selling, general and administrative expenses ("SG&A") in the accompanying consolidated statements of income.

We are monitoring the effects of this conflict and expect that we will adjust our plans accordingly as the situation progresses. For the three and nine months ended August 28, 2022, the results of operations for our businesses in Russia and Ukraine were not material to our consolidated financial statements. Net revenues from Russia represented approximately 2% of our total net revenues for fiscal year 2021. There is still uncertainty regarding the extent to which the war and its broader macroeconomic implications, will impact our Europe segment and overall business, financial condition and results of operations.

For additional information, see the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended November 28, 2021 as well as Part II, Item 1A of our Form 10-Q for the quarter ended February 27, 2022.

Supply Chain

Port congestion, inventory delays, increased and unpredictable lead times, labor shortages, storage and process capacity pressures within our U.S. distribution centers, are impacting our ability to service customer demand, mainly within the United States. During the third quarter of 2022, we estimate that these disruptions have resulted in the inability to fulfill customer orders with an estimated impact on net revenues of approximately $30 million to $40 million. In an effort to mitigate longer lead times and prepare for our U.S. enterprise resource planning ("ERP") system implementation in 2023, we bought more inventory in the third quarter of 2022. As of August 28, 2022, we had $361.3 million of inventory in-transit, including inventory received earlier than needed and not yet able to be processed due to process capacity pressures within our distribution centers. As a result, our inventory levels are currently elevated. While we expect supply chain disruption to continue into the first half of fiscal 2023, we are planning an approximate 25% reduction in inventory buys through the second quarter of fiscal 2023, as we expect to service customer demand using inventories received in 2022.

Additionally, competition for, and price volatility of, resources throughout the supply chain have increased, resulting in higher product costs. Trends affecting the supply chain include fluctuating prices and inflationary pressures on labor and raw materials. Trends such as these can result in higher product costs and increased pressure to reduce costs and raise product prices. We continue to pursue mitigation strategies and create new efficiencies in our global supply chain.

Impact of COVID-19 on Our Business

The ongoing impact of the COVID-19 pandemic continues to affect our business and results of operations, although to a much lesser extent than the prior year. Currently, its effect is primarily on our global supply chain as noted above.

Strict lockdowns and zero-tolerance policy shutdowns in China have resulted in temporary store closures and reduced traffic throughout the country during the nine-month period ended August 28, 2022. Across the rest of our markets, most of our company-operated stores and wholesale customer doors were open throughout 2022.

Effects of Inflation

Inflationary pressures have negatively impacted our revenue, operating margins and net income in the nine months ended August 28, 2022 and are expected to continue to impact our revenue, operating margins and net income for the remainder of the year, including increased costs of labor, products and freight and beginning in July 2022, a slowdown in consumer demand for our products that we expect to continue at least through the end of 2022.

We implemented price increases on many of our products in 2022 in an effort to mitigate the effect of higher costs, although, the impact of price increases on consumer demand and on our business is uncertain. Inflation did not have a significant impact on our results of operations in 2021.

Other Factors Affecting Our Business

We believe the other key business and marketplace factors that are impacting our business include the following:

- The rapid strengthening of the U.S. Dollar relative to major foreign currencies, including the Euro and British Pound, unfavorably impacted our 2022 results. Continued significant fluctuations of foreign currencies against the U.S. Dollar, may further negatively impact our financial results, revenue, operating margins and net income.

- Inflation and other macroeconomic pressures in the U.S. and the global economy such as rising interest rates, energy prices and recession fears are creating a complex and challenging retail environment for us and our customers as consumers reduce discretionary spending. A decline in consumer spending, for any reason, could have an adverse effect on our revenues, operating margins and net income. Inabilities to appropriately forecast consumer demand could lead to elevated inventory levels both with us and our customers, resulting in fewer full-priced sales and a more promotional environment. Additionally, elevated inventory levels, combined with the uneven flow of receipts and shipments could cause further capacity pressures within our U.S. distribution centers, resulting in higher costs and limiting our ability to fulfill our customer's demand. These trends may impact our financial results, affecting inventory, revenue, operating margins and net income.
- Consumer expectations and related competitive pressures have increased and are expected to continue to increase relative to various aspects of our e-commerce business, including speed of product delivery, shipping charges, return privileges, and other evolving expectations. We continue to invest in our online platforms, information systems, digital, data and AI capabilities, as well as in personnel to support the creation of a fully integrated omni-channel shopping experience. There can be no assurance that we will be able to successfully meet these expectations which may impact our financial results.
- The diversification of our business model across geographies, channels, brands, and categories affects our gross margin. For example, if our sales in higher gross margin geographies, channels, brands and categories grow at a faster rate than in our lower gross margin business geographies, channels, brands and categories, we would expect a favorable impact to aggregate gross margin over time. Gross margin in our Europe segment is generally higher than in our Americas and Asia segments. DTC sales generally have higher gross margins than sales through third parties, although DTC sales also typically have higher selling expenses. Value brands, which are focused on the value-conscious consumer, generally generate lower gross margin. Enhancements to our existing product offerings, or our expansion into new brands and products categories, may also impact our future gross margin.
- The current domestic and international political environment, including volatile trade relations, the conflict involving Russia and Ukraine, and civil unrest taking place in certain parts of the world have resulted in uncertainty surrounding the future state of the global economy. Further, there is greater uncertainty with respect to potential changes in tax and trade regulations, sanctions and export controls which also increase volatility in the global economy. Such changes may require us to modify our current sourcing practices, which may impact our product costs, and, if not mitigated, could have a material adverse effect on our business and results of operations.
- As climate change evolves, we expect an increase in both the frequency and severity of seasonal and severe weather events, which may affect our consumer traffic and demand, as well as the activities of our suppliers, manufacturers, and customers. Weather events, such as droughts, heatwaves, floods, wildfires and winter storms could impact store traffic and conversion as the timing for seasonal products may be unpredictable. Additionally, weather events like the recent flooding in Pakistan, could impact the cost or availability of raw materials integral to our products such as cotton.
- There has been increased focus from our stakeholders, including consumers, employees and investors, and more recently regulatory organizations on corporate environmental, social, and governance (“ESG”) practices, including practices related to the causes and impacts of climate change. We expect that stakeholder expectations with respect to ESG practices will continue to evolve rapidly, which may necessitate additional resources to monitor, report on, and adjust our operations.
- Wholesaler/retailer dynamics and wholesale channels remain challenged by mixed growth prospects due to increased competition from e-commerce shopping, pricing transparency enabled by the proliferation of online technologies, and vertically-integrated specialty stores. Retailers, including our top customers, have in the past and may in the future decide to consolidate, undergo restructurings or rationalize their stores, which could result in a reduction in the number of stores that carry our products.

These factors contribute to a global market environment of intense competition, constant product innovation and continuing cost pressure, and combine with the continuing global economic conditions to create a challenging commercial and economic environment. We evaluate these factors as we develop and modify our strategies as appropriate to mitigate these risks to our business.

For additional information regarding these risks, as well as risks related to the COVID-19 pandemic, see the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended November 28, 2021 as well as Part II, Item 1A of our Form 10-Q for the quarter ended February 27, 2022.

Our Third Quarter 2022 Results

- *Net revenues.* Consolidated net revenues increased 1.3% on a reported basis and 6.7% on a constant-currency basis compared to the third quarter of 2021. The increase was primarily driven by growth in our DTC channel as well as growth in our Levi's and Docker's brands, despite ongoing macroeconomic challenges and supply chain disruptions impacting parts of the business starting in July. Additionally, currency headwinds worsened throughout the quarter, unfavorably impacting the growth in net revenues by approximately $76 million.
- *Operating income*. Compared to the third quarter of 2021, consolidated operating income decreased 8.0% to $199.1 million from $216.3 million. The decrease is due to lower gross margins and higher SG&A expenses in the current year. As a result, operating margin was 13.1%, 130 basis points lower than the third quarter of 2021.
- *Net income.* Compared to the third quarter of 2021, consolidated net income of $172.9 million decreased from $193.3 million. The decrease is driven by lower operating income described above.
- *Adjusted EBIT.* Compared to the third quarter of 2021, Adjusted EBIT decreased 15.5% to $187.5 million from $221.8 million. The decrease is due to a lower Adjusted gross margin as well as higher Adjusted SG&A expenses in the current year. As a result, Adjusted EBIT margin was 12.4%, 240 basis points lower than the third quarter of 2021 on a reported basis, and 200 basis points lower on a constant-currency basis.
- *Adjusted net income.* Compared to the third quarter of 2021, Adjusted net income decreased 18.2% to $161.4 million from $197.4 million. The decrease is due to lower Adjusted EBIT as described above.
- *Diluted earnings per share.* Compared to the third quarter of 2021, diluted earnings per share decreased to $0.43 from $0.47 due to the lower net income described above.
- *Adjusted diluted earnings per share.* Compared to the third quarter of 2021, Adjusted diluted earnings per share decreased to $0.40 from $0.48, mainly due to the lower Adjusted net income described above. Currency translation unfavorably affected Adjusted diluted earnings per share by $0.04.
- *Inventory.* Compared to the third quarter of 2021, inventory has increased 43% primarily due to the following factors. Approximately one third is due to the inflation impact on product costs combined with last year’s abnormally low inventory level, another approximate third is due to the intentional earlier receipts of future season, or core, inventory to mitigate supply chain risk and the U.S. implementation of a new ERP system, and the final approximate third is due to an increase in goods-in-transit units, including inventory received earlier than expected and not yet able to be processed due to process capacity pressures within our distribution centers.

Our Year-to-Date 2022 Results

- *Net revenues.* Consolidated net revenues increased 12.3% on a reported basis and 16.9% on a constant-currency basis compared to the first nine months of 2021. Excluding the effects of currency, the increase was driven by growth across all segments as a result of higher traffic and demand in the current year as compared to the prior year which included reduced traffic and demand as certain markets continued to be impacted by COVID-19 resurgences.
- *Operating income*. Compared to the first nine months of 2021, operating income increased 1.9% to $509.5 million from $499.9 million due to higher net revenues and gross margin partially offset with higher SG&A expenses in the current year, which included $49.1 million of impairment and other charges related to the Russia-Ukraine crisis. As a result of the additional charges, operating margin was 11.1%, 120 basis points lower than the first nine months of 2021.
- *Net income.* Compared to the first nine months of 2021, consolidated net income increased to $418.5 million from $400.6 million primarily driven by increased operating income described above as well as the inclusion of a COVID-19 subsidy gain in the current year, as lower interest and debt extinguishment costs offset higher income taxes.
- *Adjusted EBIT.* Compared to the first nine months of 2021, Adjusted EBIT increased 11.8% to $570.7 million from $510.4 million, primarily due to higher net revenues in the current year, partially offset with higher Adjusted SG&A expenses. Adjusted EBIT margin was 12.5%, consistent with the first nine months of 2021 on a reported basis, although 40 basis points higher on a constant-currency basis.
- *Adjusted net income.* Compared to the first nine months of 2021, Adjusted net income increased 8.4% to $467.3 million from $431.2 million, primarily due to higher Adjusted EBIT described above. Additionally, lower interest expense in the current year was offset by higher income taxes.
- *Diluted earnings per share.* Compared to the first nine months of 2021, diluted earnings per share increased to $1.03 from $0.97, mainly due to the higher net income described above.

- *Adjusted diluted earnings per share.* Compared to the first nine months of 2021, Adjusted diluted earnings per share increased to $1.15 from $1.05, due to the higher Adjusted net income described above. Currency translation unfavorably affected Adjusted diluted earnings per share by $0.08.

For more information on our calculation of Adjusted EBIT, Adjusted net income, and Adjusted diluted earnings per share, non-GAAP financial measures, see "– Non-GAAP Financial Measures."

Financial Information Presentation

Fiscal year. We use a 52- or 53- week fiscal year, with each fiscal year ending on the Sunday in November that is closest to November 30 of that year. Certain of our foreign subsidiaries have fiscal years ending November 30. Each fiscal year generally consists of four 13-week quarters. Each quarter of fiscal years 2022 and 2021 consists of 13 weeks.

Segments. Our Levi's Brands business, which includes Levi's®, Signature by Levi Strauss & Co.™ and Denizen® brands, is defined by geographical regions into three segments: Americas, Europe and Asia. Our Dockers® and Beyond Yoga® businesses are managed separately and do not meet the quantitative thresholds of a reportable segment and are reported in our financial statements under the caption of Other Brands.

In the fourth quarter of fiscal 2021, we changed our segment reporting. While this reporting change did not impact consolidated results, the segment data has been recast to be consistent for all periods presented throughout the financial statements and related notes. For additional information, including the financial results of our segments, see Note 15 to our unaudited consolidated financial statements included in this report.

Classification. Our classification of certain significant revenues and expenses reflects the following:

- Net revenues comprise net sales and licensing revenues. Net sales include sales of products to wholesale customers, including franchised stores, and direct sales to consumers at our company-operated stores and shop-in-shops located within department stores and other third-party locations, as well as company-operated e-commerce sites. Net revenues include discounts, allowances for estimated returns and incentives. Licensing revenues, which include revenues from the use of our trademarks in connection with the manufacturing, advertising and distribution of trademarked products by third-party licensees, are earned and recognized as products are sold by licensees based on royalty rates as set forth in the applicable licensing agreements.

- Cost of goods sold primarily comprises product costs, labor and related overhead, sourcing costs, inbound freight, internal transfers and the cost of operating our remaining manufacturing facilities, including the related depreciation expense. On both a reported and constant-currency basis, cost of goods sold reflects the transactional currency impact resulting from the purchase of products in a currency other than the functional currency.

- Selling expenses include, among other things, all occupancy costs and depreciation associated with our company-operated stores and commissions associated with our company-operated shop-in-shops, as well as costs associated with our e-commerce operations.

- We reflect substantially all distribution costs in SG&A, including costs related to receiving and inspection at distribution centers, warehousing, shipping to our customers, handling, and certain other activities associated with our distribution network.

Results of Operations for Three and Nine Months Ended August 28, 2022, as Compared to Comparable Periods in 2021

The following table presents, for the periods indicated, our consolidated statements of income, the changes in these items from period to period and these items expressed as a percentage of net revenues:

	Three Months Ended					Nine Months Ended				
	August 28, 2022	August 29, 2021	% Increase (Decrease)	August 28, 2022 % of Net Revenues	August 29, 2021 % of Net Revenues	August 28, 2022	August 29, 2021	% Increase (Decrease)	August 28, 2022 % of Net Revenues	August 29, 2021 % of Net Revenues
	(Dollars and shares in millions, except per share amounts)									
Net revenues	$ 1,517.2	$ 1,497.6	1.3 %	100.0 %	100.0 %	$ 4,579.9	$ 4,079.2	12.3 %	100.0 %	100.0 %
Cost of goods sold	654.3	635.4	3.0 %	43.1 %	42.4 %	1,918.4	1,706.8	12.4 %	41.9 %	41.8 %
Gross profit	862.9	862.2	0.1 %	56.9 %	57.6 %	2,661.5	2,372.4	12.2 %	58.1 %	58.2 %
Selling, general and administrative expenses	663.8	645.9	2.8 %	43.8 %	43.1 %	2,152.0	1,872.5	14.9 %	47.0 %	45.9 %
Operating income	199.1	216.3	(8.0)%	13.1 %	14.4 %	509.5	499.9	1.9 %	11.1 %	12.3 %
Interest expense	(7.7)	(18.1)	57.5 %	(0.5)%	(1.2)%	(16.3)	(61.4)	73.5 %	(0.4)%	(1.5)%
Loss on early extinguishment of debt	—	—	*	— %	— %	—	(30.3)	100.0 %	— %	(0.7)%
Other (expense) income, net	(5.2)	4.8	(208.3)%	(0.3)%	0.3 %	16.7	5.2	221.2 %	0.4 %	0.1 %
Income before income taxes	186.2	203.0	(8.3)%	12.3 %	13.6 %	509.9	413.4	23.3 %	11.1 %	10.1 %
Income tax expense	13.3	9.7	37.1 %	0.9 %	0.6 %	91.4	12.8	614.1 %	2.0 %	0.3 %
Net income	$ 172.9	$ 193.3	(10.6)%	11.4 %	12.9 %	$ 418.5	$ 400.6	4.5 %	9.1 %	9.8 %
Earnings per common share attributable to common stockholders:										
Basic	$ 0.44	$ 0.48	(8.3)%	*	*	$ 1.05	$ 1.00	5.0 %	*	*
Diluted	$ 0.43	$ 0.47	(8.5)%	*	*	$ 1.03	$ 0.97	6.2 %	*	*
Weighted-average common shares outstanding:										
Basic	397.1	403.0	(1.5)%	*	*	398.1	401.5	(0.8)%	*	*
Diluted	402.9	413.1	(2.5)%	*	*	405.1	411.5	(1.6)%	*	*

* Not meaningful

Net revenues

The following table presents net revenues by reporting segment for the periods indicated and the changes in net revenues by reporting segment on both reported and constant-currency basis from period to period.

	Three Months Ended				Nine Months Ended			
			% Increase (Decrease)				% Increase (Decrease)	
	August 28, 2022	August 29, 2021	As Reported	Constant Currency	August 28, 2022	August 29, 2021	As Reported	Constant Currency
	(Dollars in millions)							
Net revenues:								
Levi's Brands:								
Americas	$ 805.1	$ 782.3	2.9 %	3.4 %	$ 2,347.0	$ 2,049.9	14.4 %	14.9 %
Europe	390.3	479.1	(18.5)%	(9.0)%	1,226.8	1,250.7	(1.9)%	8.0 %
Asia	220.6	162.2	36.0 %	52.5 %	700.9	586.9	19.4 %	26.3 %
Total Levi's Brands net revenues	1,416.0	1,423.6	(0.5)%	4.8 %	4,274.7	3,887.5	10.0 %	14.5 %
Other Brands	101.2	74.0	36.8 %	44.3 %	$ 305.2	$ 191.7	59.2 %	66.3 %
Total net revenues	$ 1,517.2	$ 1,497.6	1.3 %	6.7 %	$ 4,579.9	$ 4,079.2	12.3 %	16.9 %

Total net revenues increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 28, 2022, as compared to the same periods in 2021.

Americas. On both a reported and constant-currency basis, net revenues in our Americas segment increased for the three-month and nine-month periods ended August 28, 2022, with currency translation affecting net revenues unfavorably by approximately $4 million and $7 million, respectively.

Excluding the effects of currency, net revenues for the three-month period ended August 28, 2022 primarily driven by growth in DTC. Wholesale net revenues grew slightly despite supply chain disruptions, as well as softened consumer demand impacting revenues starting in July. The increase in DTC revenue was across all markets, led by the United States, and driven by store performance as well as store expansion, as we benefited from 21 more stores in operation as of August 28, 2022 as compared to August 29, 2021. Additionally, there was higher in-person traffic in the current year in comparison to the prior year, as well as higher average selling prices. E-commerce net revenues decreased as higher average selling prices were offset by lower online traffic.

Wholesale channel revenue increased for the three-month period ended August 28, 2022 primarily due to growth in the Latin American markets as well as Levi's brand products in the United States. Latin American wholesale revenue increased driven by both price increases as well as increased units sold. U.S. wholesale revenue was flat as higher sales of our Levi's brand products were offset by lower sales of our value brands products. Higher digital sales offset lower sales to our traditional wholesale customers. U.S. wholesale revenue also benefited from price increases taken in the first and third quarter of 2022, which partially offset a decline in units sold in the current period.

The increase in net revenues for the nine-month period ended August 28, 2022 was driven by higher revenue across both channels. The growth in wholesale revenue was across all markets, particularly the United States, and was primarily due to increased sales of our Levi's® brand products, both to our traditional and digital wholesale customers. The increase in DTC revenue was across most markets and was primarily due to strong performance within our company-operated stores, as a result of higher in-person traffic in the current year in comparison to the prior year, where traffic remained tempered as a result of the COVID-19 pandemic. Higher full price sales and price increases taken in the current year also attributed to revenue growth. E-commerce revenue decreased in the nine-month period ended August 28, 2022 as higher average selling prices were offset by lower online traffic.

Europe. Net revenues in Europe decreased on both a reported and constant-currency basis for the three-month period ended August 28, 2022. For the nine-month period ended August 28, 2022, net revenues in Europe decreased on a reported basis and increased on a constant-currency basis. For the three-month and nine-month periods ended, currency translation had an unfavorable impact of approximately $50 million and $114 million, respectively. Excluding the effects of currency, the Russia-Ukraine crisis adversely impacted net revenues by approximately $20 million and $40 million, respectively, for the three-month and nine-month periods ended.

Constant-currency net revenues for the three-month period ended August 28, 2022 decreased driven by a decline in both our DTC and wholesale channels as ongoing macroeconomic challenges resulted in softened consumer spending and lower revenue starting in July. DTC revenue decreased primarily due to lower units per transaction and lower conversion offsetting traffic growth in the quarter. Additionally, a decrease of $18.7 million is attributed to our Russia DTC business as a result of the Russia-Ukraine crisis. We also had 60 fewer stores in operation as of August 28, 2022 as compared to August 29, 2021, primarily due to the closure of stores in Russia. E-commerce revenue also declined primarily due to lower traffic. Wholesale channel revenue decreased, as lower sales to both traditional and digital wholesale customers were partially offset by the impact of price increases. Net revenues of our digital wholesale customers also decreased due to lower demand.

Constant-currency net revenues for the nine-month period ended August 28, 2022 increased driven by higher DTC channel revenue in the first half of the year, as more customers returned to in-person shopping this year, as compared to the same prior-year period, which was impacted by lower traffic and store closures as a result of the COVID-19 pandemic. The current period also benefited from price increases taken in the second half of 2021. This was partially offset with a decrease in e-commerce revenue due to lower online traffic as compared to the prior year. Wholesale channel revenue for the nine-month period ended August 28, 2022 was flat, as growth in franchise partners and higher average selling prices were offset with a decrease in units sold to our traditional wholesale customers as compared to the same period in prior year.

Asia. Net revenues in Asia increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 28, 2022, with currency affecting net revenues unfavorably by approximately $18 million and $32 million, respectively.

Excluding the effects of currency, net revenues for the three-month and nine-month periods ended August 28, 2022 grew across both our wholesale and DTC channels, despite continued COVID-19 related lockdowns in China, which resulted in a decline in net revenues of approximately $5 million, and $26 million, respectively, for the three and nine-month comparison periods. Wholesale revenue increased in both periods primarily due to higher demand in several markets, particularly in India, as compared to the same prior-year period, which included partial and full government-imposed lockdowns in a number of markets as a result of COVID-19 resurgences. Price increases taken in the current year also attributed to revenue growth. Additionally, net revenues of our digital wholesale customers for both periods grew in comparison to the same periods in the prior year.

The increase in DTC revenue for both periods was primarily due to strong performance in our company-operated stores, as a result of higher in-person traffic and price increases taken in fiscal 2022 as compared to the prior year. A number of markets were impacted by COVID-19 related restrictions and lockdowns in the prior-year periods. Additionally, there were 19 more stores in operation as of August 28, 2022 as compared to August 29, 2021 as well as the addition of approximately 80 company-operated shop in shops which were previously licensed in Thailand. For the three-month and nine-month periods ended August 28, 2022, e-commerce revenue grew, primarily due to increased online traffic as compared to the prior-year periods.

Other Brands. Net revenues in Other Brands increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 28, 2022, with currency translation affecting net revenues unfavorably by approximately $4 million and $8 million, respectively. The increase in net revenues for the three-month and nine-month periods ended August 28, 2022 were driven by the inclusion of Beyond Yoga® revenues in the current year, which had $21.6 million in net revenues for the quarter, as well as growth of our Dockers® brand.

Gross profit

The following table shows consolidated gross profit and gross margin for the periods indicated and the changes in these items from period to period:

	Three Months Ended			Nine Months Ended		
	August 28, 2022	August 29, 2021	% Increase	August 28, 2022	August 29, 2021	% Increase
			(Dollars in millions)			
Net revenues	$ 1,517.2	$ 1,497.6	1.3 %	$ 4,579.9	$ 4,079.2	12.3 %
Cost of goods sold	654.3	635.4	3.0 %	1,918.4	1,706.8	12.4 %
Gross profit	$ 862.9	$ 862.2	0.1 %	$ 2,661.5	$ 2,372.4	12.2 %
Gross margin	56.9 %	57.6 %		58.1 %	58.2 %	

Currency translation unfavorably impacted gross profit by approximately $45 million and $98 million for the three-month and nine-month periods ended August 28, 2022, respectively.

For the three-month period ended August 28, 2022, the decrease in gross margin was primarily due to higher product costs as a result of inflation and lower full priced sales partially offset by price increases and favorable channel mix. Unfavorable currency exchange, including transaction and translation impact, negatively impacted gross margin by approximately 30 basis points.

For the nine-month period ended August 28, 2022, the decrease in gross margin was primarily due to $15.1 million in reductions in COVID-19 related inventory costs recognized in the prior year as favorable product mix and price increases were offset with higher product costs as a result of inflation and lower full priced sales compared to the prior year.

Selling, general and administrative expenses

The following table shows SG&A for the periods indicated, the changes in these items from period to period and these items expressed as a percentage of net revenues:

	Three Months Ended					Nine Months Ended				
	August 28, 2022	August 29, 2021	% Increase (Decrease)	August 28, 2022 % of Net Revenues	August 29, 2021 % of Net Revenues	August 28, 2022	August 29, 2021	% Increase	August 28, 2022 % of Net Revenues	August 29, 2021 % of Net Revenues
	(Dollars in millions)									
Selling	$ 293.4	$ 278.7	5.3 %	19.3 %	18.6 %	$ 902.9	$ 820.2	10.1 %	19.7 %	20.1 %
Advertising and promotion	96.6	95.9	0.7 %	6.4 %	6.4 %	319.9	271.3	17.9 %	7.0 %	6.7 %
Administration	97.0	119.9	(19.1)%	6.4 %	8.0 %	396.5	356.7	11.2 %	8.7 %	8.7 %
Other	176.8	151.4	16.8 %	11.7 %	10.1 %	532.7	424.3	25.5 %	11.6 %	10.4 %
Total SG&A	$ 663.8	$ 645.9	2.8 %	43.8 %	43.1 %	$ 2,152.0	$ 1,872.5	14.9 %	47.0 %	45.9 %

Currency translation impacted SG&A favorably by approximately $29 million and $65 million for the three-month and nine-month periods ended August 28, 2022, respectively.

Selling. Currency translation impacted selling expenses favorably by approximately $16 million and $36 million for the three-month and nine-month periods ended August 28, 2022, respectively. For the three-month period ended August 28, 2022, the increase in selling expenses is primarily due to higher labor costs as a result of inflation in the current year as compared to the prior year as well as increased store costs. For the nine-month period ended August 28, 2022, the increase in selling expenses is due to higher sales volume in the current year as compared to the prior year which included temporary store closures in certain markets as a result of the pandemic.

Advertising and promotion. Currency translation impacted advertising and promotion expenses favorably by approximately $4 million and $10 million for the three-month and nine-month periods ended August 28, 2022, respectively. Advertising and promotion expenses for the three-month period ended August 28, 2022 was essentially flat, due to our decision to reduce spending in markets impacted by softened consumer spending. For the nine-month period ended August 28, 2022, advertising and promotion expenses increased due to higher spend on media and demand generation in the current year.

Administration. Administration expenses include functional administrative and organization costs. Currency translation impacted administration expenses favorably by approximately $5 million and $10 million for the three-month and nine-month periods ended August 28, 2022, respectively. The decrease in administration costs for the three-month period ended August 28, 2022 was primarily due to lower incentive and stock-based compensation costs as compared to the same prior-year period as well as the recognition of a $7.6 million gain in the current year on the early termination of store leases related to the Russia-Ukraine crisis. The increase in administration costs for the nine-month period ended August 28, 2022 was primarily due to the recognition of $49.1 million in charges related to the Russia-Ukraine crisis, mostly impairment charges, including $35.4 million related to certain store right-of-use assets, $11.6 million related to goodwill and $4.1 million related to other property, plant and equipment, net of a $7.6 million gain on the early termination of store leases. This was partially offset with lower incentive and stock-based compensation costs as compared to the same prior-year period.

Other. Other costs include distribution, information resources and marketing organization costs. Currency translation impacted other costs favorably by approximately $4 million and $9 million for the three-month and nine-month periods ended August 28, 2022, respectively. For the three-month and nine-month periods ended August 28, 2022, the increase in other costs was primarily due to higher distribution expenses attributable to higher labor costs as a result of inflation. Higher information technology expenses also attributed to the increase in costs as we continue to make ongoing strategic investments in technology and our DTC business.

Operating income

The following table shows operating income by segment and corporate expenses for the periods indicated, the changes in these items from period to period and these items expressed as a percentage of net revenues:

	Three Months Ended					Nine Months Ended				
	August 28, 2022	August 29, 2021	% Increase (Decrease)	August 28, 2022 % of Net Revenues	August 29, 2021 % of Net Revenues	August 28, 2022	August 29, 2021	% Increase (Decrease)	August 28, 2022 % of Net Revenues	August 29, 2021 % of Net Revenues
	(Dollars in millions)									
Operating income:										
Levi's Brands:										
Americas	$ 177.1	$ 198.0	(10.6)%	22.0 %	25.3 %	$ 513.6	$ 474.2	8.3 %	21.9 %	23.1 %
Europe	84.4	138.7	(39.1)%	21.6 %	29.0 %	287.8	308.7	(6.8)%	23.5 %	24.7 %
Asia	19.9	(16.4)	221.3 %	9.0 %	(10.1)%	82.6	19.1	332.5 %	11.8 %	3.3 %
Total Levi's Brands operating income	281.4	320.3	(12.1)%	19.9 %	22.5 %	884.0	802.0	10.2 %	20.7 %	20.6 %
Other Brands	2.4	5.0	(51.4)%	2.4 %	6.8 %	16.0	8.4	90.5 %	5.2 %	4.4 %
Corporate expenses	(84.7)	(109.0)	22.3 %	(5.6)% ❖	(7.3)% ❖	(390.5)	(310.5)	(25.8)%	(9.1)% ❖	(8.0)% ❖
Total operating income	$ 199.1	$ 216.3	(8.0)%	13.1 % ❖	14.4 % ❖	$ 509.5	$ 499.9	1.9 %	11.9 % ❖	12.9 % ❖
Operating margin	13.1 %	14.4 %				11.9 %	12.9 %			

❖ Percentage of consolidated net revenues

Currency translation unfavorably impacted total operating income by approximately $16 million and $33 million for the three-month and nine-month periods ended August 28, 2022, respectively.

Segment operating income.

- *Americas*. Currency translation had an unfavorable impact of approximately $2 million and $3 million for the three-month and nine-month periods ended August 28, 2022. The decrease in operating income for the three-month period ended was primarily due to a lower gross margin and higher SG&A expenses, partially offset by higher net revenues. The increase in operating income for the nine-month period ended was primarily due to higher net revenues in the current year as compared to the same prior-year period, as gross margin and SG&A expenses as a percentage of revenue were essentially flat.
- *Europe*. Currency translation had an unfavorable impact of approximately $17 million and $35 million for the three-month and nine-month periods ended August 28, 2022, respectively. The decrease in operating income for the three-month period ended was primarily due to lower net revenues as compared to the same prior year period, as well as higher SG&A expenses as a percentage of revenue. The increase in operating income for the nine-month period ended was primarily due to higher net revenues and gross margin in the current year as compared to the same prior-year period, partially offset with higher SG&A expenses as a percentage of revenue.
- *Asia*. Currency translation did not have a significant impact for the three-month and nine-month periods ended August 28, 2022. The increase in operating income for both periods was primarily due to higher net revenues and gross margin in the current year as compared to the prior year as well as leverage on SG&A expenses as they were a lower percentage of revenue.
- *Other Brands*. Currency translation did not have a significant impact for the three-month and nine-month periods ended August 28, 2022. The decrease in operating income for the three-month period ended was primarily due to higher SG&A expenses as a percentage of revenue including incremental investments incurred to expand Beyond Yoga partially offset with higher net revenues and gross margin in the current year as compared to the same prior-year period. The increase in operating income for the nine-month period ended was primarily due to higher net revenues and gross margin in the current year, partially offset with higher SG&A expenses as a percentage of revenue.

Corporate. Corporate expenses represent costs that management does not attribute to any of our operating segments. Included in corporate expenses are other corporate staff costs and costs associated with our global inventory sourcing organization which are reported as a component of consolidated gross margin. Currency translation had a favorable impact of approximately $3 million and $6 million on corporate expenses for the three-month and nine-month periods ended August 28, 2022, respectively.

The decrease in corporate expenses for the three-month period ended August 28, 2022 primarily reflects lower employee incentives, a $7.6 million gain on the early termination of store leases as a result of the Russia-Ukraine crisis, as well as foreign exchange gains from our hedging program. This was partially offset with higher global sourcing costs, including foreign currency transaction losses related to the procurement of inventory on behalf of our foreign subsidiaries.

The increase in corporate expenses for the nine-month period ended August 28, 2022 primarily reflects $49.1 million in charges related to the Russia-Ukraine crisis, primarily related to impairment and other related charges. Higher global sourcing costs, including foreign currency transaction losses related to the procurement of inventory on behalf of our foreign subsidiaries, and higher information technology expenses also attributed to the increase in corporate expenses. This was partially offset with higher foreign exchange gains from our hedging program recognized in the current year as compared to the prior-year period.

Interest expense

Interest expense was $7.7 million and $16.3 million for the three-month and nine-month periods ended August 28, 2022, as compared to $18.1 million and $61.4 million for the comparable prior-year periods. Interest expense decreased in both periods due to lower interest on debt borrowings in the current year, related to our debt refinancing activities performed in the second quarter of 2021. Additionally, in comparison to both prior-year periods, interest expense related to our deferred compensation plans was $7.2 million and $28.5 million lower, respectively, due to the favorable impact of changes in market conditions.

Our weighted-average interest rate on average borrowings outstanding during the three-month and nine-month periods ended August 28, 2022 was 3.93% and 3.92%, respectively, as compared to 4.12% and 4.34%, during the comparable periods in 2021.

Loss on early extinguishment of debt

For the nine-month period ended August 29, 2021, a loss of $30.3 million was recognized, related to our debt refinancing activities. The loss recognized included $20.0 million of call premium on the retired debt.

Other (expense) income, net

For the three-month and nine-month periods ended August 28, 2022, we recorded other expense of $5.2 million and other income of $16.7 million, respectively, as compared to other income of $4.8 million and $5.2 million for the same prior-year periods. The other expense recognized for the three months ended August 28, 2022 was primarily due to the inclusion of foreign exchange management losses as compared to the prior-year period, which included foreign exchange management gains.

The increase in other income, net for the nine-month period ended August 28, 2022 was primarily due to the recognition of a $12.5 million COVID-19 related subsidy gain received from the German government in the current year as reimbursement for COVID-19 losses incurred in prior years.

Income tax expense

The effective income tax rate was 7.2% for the three months ended August 28, 2022, compared to 4.8% for the same prior-year period. The lower effective tax rates in both years were primarily driven by the planned execution of certain tax transactions, with the current year including a lower tax benefit as compared to the prior year.

The effective income tax rate was 17.9% for the nine months ended August 28, 2022, compared to 3.1% for the same prior-year period. The increase in the effective tax rate was primarily driven by lower tax benefits from the foreign-derived intangible income deduction from internal restructuring and stock-based compensation equity awards as compared to the same prior-year period, as well as an increase resulting from non-deductible charges related to the Russia-Ukraine crisis.

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (“IRA”) into law. The IRA contains a number of revisions to the Internal Revenue Code, including a 15% corporate minimum income tax and a 1% excise tax on corporate stock repurchases in tax years beginning after December 31, 2022. While these tax law changes have no immediate effect and are not expected to have a material adverse effect on our results of operations going forward, we will continue to evaluate its impact as further information becomes available.

Liquidity and Capital Resources

Liquidity outlook

We believe we will have adequate liquidity over the next 12 months and in the longer term to operate our business and to meet our cash requirements. We plan to deploy capital across all four of our capital allocation priorities: (1) to reinvest 3.5-4% of our revenue in capital, including in high growth investment opportunities and initiatives, to grow our business organically; (2) to return capital to our stockholders in the form of cash dividends, with a dividend payout ratio target of 25-35% of net income; (3) to pursue high return on investment acquisitions, both organic and inorganic, that support our current strategies; and (4) to repurchase shares with the goal of offsetting dilution or opportunistic buybacks or both, while maintaining an adequate public float of our shares. Our aim is to return 55-65% of our Adjusted free cash flow to stockholders in the form of dividends and share repurchases. We will continue to concentrate our capital investments in new stores, distribution capacity and technology to accelerate the profitable growth of our business. For more information on our calculation of Adjusted free cash flow, a non-GAAP financial measure, see "– Non-GAAP Financial Measures."

Future determinations regarding the declaration and payment of dividends, if any, will be at the discretion of our Board and will depend on then-existing economic conditions, including our results of operations, payout ratio, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in our current and future debt agreements and other factors that our Board may deem relevant.

Cash sources

We have historically relied primarily on cash flows from operations, borrowings under credit facilities, issuances of notes and other forms of debt financing. We regularly explore financing and debt reduction alternatives, including new credit agreements, unsecured and secured note issuances, equity financing, equipment and real estate financing, securitizations and asset sales.

We are party to the Second Amended and Restated Credit Agreement that provides for a senior secured revolving credit facility. The maximum availability under our credit facility is $850.0 million, of which $800.0 million is available to us for revolving loans in U.S. Dollars and $50.0 million is available to us for revolving loans either in U.S. Dollars or Canadian Dollars. This credit facility is an asset-based facility, in which the borrowing availability is primarily based on the value of our U.S. Levi's® trademarks and the levels of accounts receivable and inventory in the United States and Canada.

As of August 28, 2022, we did not have any borrowings under the credit facility. Unused availability under the facility was $837.5 million and our total availability of $850.0 million, based on collateral levels as defined by the agreement, was reduced by $12.5 million from other credit-related instruments. We also had cash and cash equivalents totaling approximately $498.9 million and short-term investments of $100.5 million resulting in a total liquidity position (unused availability and cash and cash equivalents and short-term investments) of approximately $1.4 billion.

Cash uses

Our principal cash requirements include working capital, capital expenditures, payments of principal and interest on our debt, payments of taxes, contributions to our pension plans and payments for postretirement health benefit plans, settlement of shares issued under our equity incentive plans and, if market conditions warrant, occasional investments in, or acquisitions of, business ventures in our line of business. In addition, we regularly evaluate our ability to pay dividends or repurchase shares, all consistent with the terms of our debt agreements.

On May 31, 2022, the Board approved a new share repurchase program that authorizes the repurchase of up to $750.0 million of our Class A common stock. The previously approved $200.0 million share repurchase program was completed as of the second quarter of 2022. During the three and nine months ended August 28, 2022, 1.5 million and 6.5 million shares were repurchased for $26.4 million and $137.9 million, plus broker's commissions, respectively, in the open market.

Subsequent to quarter end, we repurchased an additional 2.1 million shares for $33.9 million, plus broker's commissions, in the open market. This equates to an average repurchase price of approximately $16.27 per share.

In October 2022, a cash dividend of $0.12 per share was declared to holders of record of our Class A and Class B common stock at the close of business on November 4, 2022, for a total quarterly dividend of approximately $47 million.

Cash flows

The following table summarizes, for the periods indicated, selected items in our consolidated statements of cash flows:

	Nine Months Ended August 28, 2022	Nine Months Ended August 29, 2021
	(Dollars in millions)	
Cash provided by operating activities	$ 210.3	$ 498.9
Cash used for investing activities	(227.1)	(127.7)
Cash used for financing activities	(287.7)	(489.6)
Cash and cash equivalents at period end	498.9	1,376.6

Cash flows from operating activities

Cash provided by operating activities was $210.3 million for the nine-month period ended August 28, 2022, as compared to $498.9 million for the comparable period in 2021. The decrease in cash provided by operating activities is primarily driven by higher spending on inventory and SG&A expenses, partially offset by higher collections of trade receivables.

Cash flows from investing activities

Cash used for investing activities was $227.1 million for the nine-month period ended August 28, 2022, as compared to $127.7 million for the comparable period in 2021. The increase in cash used for investing activities is primarily due to higher capital expenditures and lower proceeds from short-term investments.

Cash flows from financing activities

Cash used for financing activities was $287.7 million for the nine-month period ended August 28, 2022, as compared to $489.6 million for the comparable period in 2021. Cash used in 2022 primarily reflects common stock repurchases of $140.7 million and dividend payments of $127.0 million. Cash used in 2021 primarily reflects repayments of long-term debt of $800.0 million partially offset with proceeds from senior notes of $500.0 million.

Indebtedness

Of our total debt of $971.8 million as of August 28, 2022, 100% of it was fixed rate debt, net of capitalized debt issuance costs. As of August 28, 2022, our required aggregate debt principal payments on our unsecured long-term debt were $1.0 billion, with payments starting in 2027. Short-term borrowings of $8.3 million at various foreign subsidiaries are expected to be either paid over the next twelve months or refinanced at the end of their applicable terms.

Our long-term debt agreements contain customary covenants restricting our activities as well as those of our subsidiaries. We were in compliance with all of these covenants as of August 28, 2022.

Non-GAAP Financial Measures

Adjusted Gross Profit, Adjusted Gross Margin, Adjusted SG&A, Adjusted EBIT, Adjusted EBIT Margin, Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income Margin and Adjusted Diluted Earnings per Share

For the three-month, nine-month and twelve-month periods ended August 28, 2022 and the comparable periods in 2021, we define the following non-GAAP financial measures as follows:

- Adjusted gross profit, as gross profit excluding COVID-19 and acquisition related inventory costs.
- Adjusted gross margin, as Adjusted gross profit as a percentage of net revenues;
- Adjusted SG&A, as SG&A less charges related to changes in fair value on cash-settled stock-based compensation, COVID-19 related charges, acquisition and integration related charges, impairment charges and early termination gains, and restructuring and restructuring related charges, severance and other, net;
- Adjusted EBIT, as net income excluding income tax expense, interest expense, other expense (income), net, loss on early extinguishment of debt, impact of changes in fair value on cash-settled stock-based compensation, COVID-19 related inventory costs and other charges, acquisition and integration related charges, impairment charges and early termination gains, and restructuring and restructuring related charges, severance and other, net;
- Adjusted EBIT margin as Adjusted EBIT as a percentage of net revenues;
- Adjusted EBITDA as Adjusted EBIT excluding depreciation and amortization expense;
- Adjusted net income, as net income excluding charges related to the impact of changes in fair value on cash-settled stock-based compensation, loss on early extinguishment of debt, COVID-19 related inventory costs and other charges, net with a COVID-19 government subsidy gain, acquisition and integration related charges, impairment charges and early termination gains, and restructuring and restructuring related charges, severance and other, net, adjusted to give effect to the income tax impact of such adjustments, using an effective tax rate equal to our year to date income tax expense divided by our year to date income before income taxes, each as reflected in our statements of income for the relevant period with any impacts of changes in effective tax rate being recognized in the current three-month period;
- Adjusted net income margin as Adjusted net income as a percentage of net revenues; and
- Adjusted diluted earnings per share as Adjusted net income per weighted-average number of diluted common shares outstanding.

We believe Adjusted gross profit, Adjusted gross margin, Adjusted SG&A, Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share are useful to investors because they help identify underlying trends in our business that could otherwise be masked by certain expenses that we include in calculating net income but that can vary from company to company depending on its financing, capital structure and the method by which its assets were acquired, and can also vary significantly from period to period. Our management also uses Adjusted EBIT in conjunction with other GAAP financial measures for planning purposes, including as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance.

Adjusted gross profit, Adjusted gross margin, Adjusted SG&A, Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results prepared and presented in accordance with GAAP. Some of these limitations include:

- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA do not reflect income tax payments that reduce cash available to us;
- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA do not reflect interest expense, or the cash requirements necessary to service interest or principal payments on our indebtedness, which reduces cash available to us;
- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA exclude other expense (income), net, which includes realized and unrealized gains and losses on our forward foreign exchange contracts and transaction gains and losses on our foreign exchange balances, although these items affect the amount and timing of cash available to us when these gains and losses are realized;
- Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share exclude COVID-19 government subsidy gains and loss on early extinguishment of debt;

- all of these non-GAAP financial measures exclude the expense resulting from the impact of changes in fair value on our cash-settled stock-based compensation awards, even though, prior to March 2019, such awards were required to be settled in cash;
- all of these non-GAAP financial measures exclude COVID-19 related inventory costs and other charges, acquisition and integration related charges, impairment charges and early termination gains, and restructuring and restructuring related charges, severance and other, net which can affect our current and future cash requirements;
- the expenses and other items that we exclude in our calculations of all of these non-GAAP financial measures may differ from the expenses and other items, if any, that other companies may exclude from all of these non-GAAP financial measures or similarly titled measures;
- Adjusted EBITDA excludes the recurring, non-cash expenses of depreciation of property and equipment and, although these are non-cash expenses, the assets being depreciated may need to be replaced in the future; and
- Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share do not include all of the effects of income taxes and changes in income taxes reflected in net income.

Because of these limitations, all of these non-GAAP financial measures should be considered along with net income and other operating and financial performance measures prepared and presented in accordance with GAAP. The following tables present reconciliations of historic non-GAAP financial measures to their most comparable GAAP financial measure. A reconciliation of forward-looking non-GAAP information to the corresponding GAAP measures cannot be provided without unreasonable efforts due to the challenge in quantifying various items including, but not limited to, the effects of foreign currency fluctuations, taxes, and any future restructuring, restructuring-related severance and other charges.

Adjusted Gross Profit:

The following table presents a reconciliation of gross profit, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted Gross Profit for each of the periods presented.

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in millions) (Unaudited)			
Most comparable GAAP measure:				
Gross profit	$ 862.9	$ 862.2	$ 2,661.5	$ 2,372.4
Non-GAAP measure:				
Gross profit	$ 862.9	$ 862.2	$ 2,661.5	$ 2,372.4
COVID-19 related inventory costs(1)	—	(0.7)	1.4	(15.1)
Acquisition related charges(2)	—	—	2.0	—
Adjusted gross profit	$ 862.9	$ 861.5	$ 2,664.9	$ 2,357.3
Adjusted gross margin	56.9 %	57.5 %	58.2 %	57.8 %

(1) For the three-month and nine-month periods ended August 29, 2021, the reductions in COVID-19 related inventory charges are primarily related to reductions in our estimate of adverse fabric purchase commitments, initially recorded in the second quarter of 2020.

(2) Acquisition related charges include the inventory markup above historical carrying value associated with the Beyond Yoga acquisition.

Adjusted SG&A:

The following table presents a reconciliation of SG&A, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted SG&A for each of the periods presented.

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in millions) (Unaudited)			
Most comparable GAAP measure:				
Selling, general and administrative expenses	$ 663.8	$ 645.9	$ 2,152.0	$ 1,872.5
Non-GAAP measure:				
Selling, general and administrative expenses	$ 663.8	$ 645.9	$ 2,152.0	$ 1,872.5
Impact of changes in fair value on cash-settled stock-based compensation	—	(0.9)	(0.6)	(3.4)
COVID-19 related charges(1)	—	(5.7)	(3.9)	1.2
Acquisition and integration related charges	(1.5)	—	(4.6)	—
Impairment charges and early termination gains, net(2)	7.6	—	(43.5)	—
Restructuring and restructuring related charges, severance and other, net(3)	5.5	0.4	(5.2)	(23.4)
Adjusted SG&A	$ 675.4	$ 639.7	$ 2,094.2	$ 1,846.9

(1) For the three-month period ended August 29, 2021, the COVID-19 related charges primarily include impairment charges of certain retail store related assets. For the nine-month period ended August 29, 2021, the net reduction in COVID-19 related charges is primarily reductions in allowances related to customer receivables partially offset with impairment charges of certain retail store related assets.

(2) For the three-month period ended August 28, 2022, impairment charges and early termination gains, net includes a $7.6 million gain on the early termination of store leases related to the Russia-Ukraine crisis. For the nine-month period ended August 28, 2022, impairment charges and early termination gains, net include $4.1 million of property, plant and equipment, $11.6 million of goodwill and $35.4 million of certain store right-of-use assets, net of a $7.6 million gain on the early termination of store leases related to the Russia-Ukraine crisis.

(3) For the three-month period ended August 28, 2022, the reduction in restructuring and restructuring related charges, severance and other, net mainly represents reductions in charges related to the Russia-Ukraine crisis previously estimated to be payable as of the second quarter of 2022. For the nine-month period ended August 28, 2022, restructuring and restructuring related charges, severance and other, net includes $5.6 million of charges related to the Russia-Ukraine crisis. Other, net includes charges related to an international customs audit, transaction and deal related costs.

Adjusted EBIT and Adjusted EBITDA:

The following table presents a reconciliation of net income, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted EBIT and Adjusted EBITDA for each of the periods presented.

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in millions) (Unaudited)					
Most comparable GAAP measure:						
Net income	$ 172.9	$ 193.3	$ 418.5	$ 400.6	$ 571.4	$ 457.3
Non-GAAP measure:						
Net income	$ 172.9	$ 193.3	$ 418.5	$ 400.6	$ 571.4	$ 457.3
Income tax expense	13.3	9.7	91.4	12.8	105.3	8.1
Interest expense	7.7	18.1	16.3	61.4	27.8	87.3
Other expense (income), net	5.2	(4.8)	(16.7)	(5.2)	(14.9)	8.9
Loss on early extinguishment of debt	—	—	—	30.3	6.2	30.3
Impact of changes in fair value on cash-settled stock-based compensation[(1)]	—	0.9	0.6	3.4	1.4	4.5
COVID-19 related inventory costs and other charges[(2)]	—	5.0	5.3	(16.3)	11.9	(19.3)
Acquisition and integration related charges[(3)]	1.5	—	6.6	—	14.3	—
Impairment charges and early termination gains, net[(4)]	(7.6)	—	43.5	—	43.5	—
Restructuring and restructuring related charges, severance and other, net[(5)]	(5.5)	(0.4)	5.2	23.4	6.3	46.7
Adjusted EBIT	$ 187.5	$ 221.8	$ 570.7	$ 510.4	$ 773.2	$ 623.8
Depreciation and amortization[(6)]	39.2	35.5	114.7	105.2	151.5	140.8
Adjusted EBITDA	$ 226.7	$ 257.3	$ 685.4	$ 615.6	$ 924.7	$ 764.6
Adjusted EBIT margin	12.4 %	14.8 %	12.5 %	12.5 %		

(1) Includes the impact of changes in fair value of Class B common stock following the grant date on awards that were granted as cash-settled and subsequently replaced with stock-settled awards concurrent with the IPO.

(2) For the three-month period ended August 29, 2021, the COVID-19 related inventory costs and other charges recognized mainly represents impairment charges of certain retail store related assets. For the nine-month period ended August 29, 2021, the net reduction in COVID-19 related inventory costs and other charges mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments and allowances related to customer receivables, partially offset by incremental impairment costs in response to the global pandemic.

(3) Acquisition and integration related charges includes the inventory markup above historical carrying value, as well as SG&A expenses associated with the Beyond Yoga acquisition.

(4) For the three-month period ended August 28, 2022, impairment charges and early termination gains, net includes a $7.6 million gain on the early termination of store leases related to the Russia-Ukraine crisis. For the nine-month period ended August 28, 2022, impairment charges and early termination gains, net include $4.1 million of property, plant and equipment, $11.6 million of goodwill and $35.4 million of certain store right-of-use assets, net of a $7.6 million gain on the early termination of store leases related to the Russia-Ukraine crisis.

(5) For the three-month period ended August 28, 2022, the reduction in restructuring and restructuring related charges, severance and other, net mainly represents reductions in charges related to the Russia-Ukraine crisis previously estimated to be payable as of the second quarter of 2022. For the nine-month period ended August 28, 2022, restructuring and restructuring related charges, severance and other, net includes $5.6 million of net charges related to the Russia-Ukraine crisis. Other, net includes charges related to an international customs audit, transaction and deal related costs.

(6) Depreciation and amortization amount net of amortization included in Restructuring and restructuring related charges, severance and other, net.

Adjusted Net Income and Adjusted Diluted Earnings per Share:

The following table presents a reconciliation of net income, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted net income for each of the periods presented and the calculation of Adjusted diluted earnings per share for each of the periods presented.

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in millions, except per share amounts) (Unaudited)			
Most comparable GAAP measure:				
Net income	$ 172.9	$ 193.3	$ 418.5	$ 400.6
Non-GAAP measure:				
Net income	$ 172.9	$ 193.3	$ 418.5	$ 400.6
Impact of changes in fair value on cash-settled stock-based compensation[(1)]	—	0.9	0.6	3.4
Loss on early extinguishment of debt	—	—	—	30.3
COVID-19 related inventory costs and other charges, net[(2)]	—	5.0	(7.2)	(16.3)
Acquisition and integration related costs[(3)]	1.5	—	6.6	—
Impairment charges and early termination gains, net[(4)]	(7.6)	—	43.5	—
Restructuring and restructuring related charges, severance and other, net[(5)]	(5.5)	(0.4)	5.2	23.4
Tax impact of adjustments[(6)]	0.1	(1.4)	0.1	(10.2)
Adjusted net income	$ 161.4	$ 197.4	$ 467.3	$ 431.2
Adjusted net income margin	10.6 %	13.2 %	10.2 %	10.6 %
Adjusted diluted earnings per share	$ 0.40	$ 0.48	$ 1.15	$ 1.05

(1) Includes the impact of changes in fair value of Class B common stock following the grant date on awards that were granted as cash-settled and subsequently replaced with stock-settled awards concurrent with the IPO.

(2) For the nine-month period ended August 28, 2022, the net reduction primarily reflects a payment received from the German government as reimbursement for COVID-19 losses incurred in prior years.

For the three-month period ended August 29, 2021, the COVID-19 related inventory costs and other charges recognized mainly represents impairment charges of certain retail store related assets. For the nine-month period ended August 29, 2021, the net reduction in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments and allowances related to customer receivables partially offset with incremental impairment charges of certain retail store related assets.

(3) Acquisition and integration related charges includes the inventory markup above historical carrying value, as well as SG&A expenses associated with the Beyond Yoga acquisition.

(4) For the three-month period ended August 28, 2022, impairment charges and early termination gains, net includes a $7.6 million gain on the early termination of store leases related to the Russia-Ukraine crisis. For the nine-month period ended August 28, 2022, impairment charges and early termination gains, net include $4.1 million of property, plant and equipment, $11.6 million of goodwill and $35.4 million of certain store right-of-use assets, net of a $7.6 million gain on the early termination of store leases related to the Russia-Ukraine crisis.

(5) For the three-month period ended August 28, 2022, the reduction in restructuring and restructuring related charges, severance and other, net mainly represents reductions in charges related to the Russia-Ukraine crisis previously estimated to be payable as of the second quarter of 2022. For the nine-month period ended August 28, 2022, restructuring and restructuring related charges, severance and other, net includes $5.6 million of net charges related to the Russia-Ukraine crisis. Other, net includes charges related to an international customs audit, transaction and deal related costs.

(6) Tax impact calculated using the annual effective tax rate, excluding discrete costs and benefits. Charges associated with the Russia-Ukraine crisis are non-deductible and therefore have not been tax effected. Refer to Note 12 for more information on the effective tax rate.

Net Debt and Leverage Ratio:

We define net debt, a non-GAAP financial measure, as total debt, excluding finance leases, less cash and cash equivalents and short-term investments in marketable securities. We define leverage ratio, a non-GAAP financial measure, as the ratio of total debt, excluding finance leases, to the last 12 months Adjusted EBITDA. Our management believes net debt and leverage ratio are important measures to monitor our financial flexibility and evaluate the strength of our balance sheet. Net debt and leverage ratio have limitations as analytical tools and may vary from similarly titled measures used by other companies. Net debt and leverage ratio should not be considered in isolation or as a substitute for an analysis of our results prepared and presented in accordance with GAAP.

The following table presents a reconciliation of total debt, excluding finance leases, the most directly comparable financial measure calculated in accordance with GAAP, to net debt for each of the periods presented.

	August 28, 2022	November 28, 2021
	(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:		
Total debt, excluding finance leases	$ 971.8	$ 1,026.6
Non-GAAP measure:		
Total debt, excluding finance leases	$ 971.8	$ 1,026.6
Cash and cash equivalents	(498.9)	(810.3)
Short-term investments in marketable securities	(100.5)	(91.5)
Net debt	$ 372.4	$ 124.8

The following table presents a reconciliation of total debt, excluding finance leases, the most directly comparable financial measure calculated in accordance with GAAP, to leverage ratio for each of the periods presented.

	August 28, 2022	August 29, 2021
	(Dollars in millions) (Unaudited)	
Total debt, excluding finance leases	$ 971.8	$ 1,250.8
Last Twelve Months Adjusted EBITDA(1)	$ 924.7	$ 764.6
Leverage ratio	1.1	1.6

(1) Last Twelve Months Adjusted EBITDA is reconciled from net income which is the most comparable GAAP measure. Refer to Adjusted EBIT and Adjusted EBITDA table for more information.

Adjusted Free Cash Flow:

Effective the second quarter of 2022, the definition of Adjusted free cash flow, a non-GAAP financial measure, was revised to include net cash flow from operating activities less purchases of property, plant and equipment. Previously, we defined Adjusted free cash flow as net cash flow from operating activities less purchases of property, plant and equipment, plus proceeds on settlement of forward foreign exchange contracts not designated for hedge accounting, less repurchases of common stock, tax withholdings on equity award exercises, and cash dividends to stockholders. We believe this is a more representative measure of our free cash flow, assists in the comparability of results, and is consistent with how management reviews performance. The table below includes the recast of prior period results. Additionally, we will provide updated non-GAAP reconciliations under this revised definition in future reports for the relevant prior year periods.

We believe Adjusted free cash flow is an important liquidity measure of the cash that is available after capital expenditures for operational expenses and investment in our business. We believe Adjusted free cash flow is useful to investors because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet, invest in future growth and return capital to stockholders.

Our use of Adjusted free cash flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results under GAAP. First, Adjusted free cash flow is not a substitute for net cash flow from operating activities. Second, other companies may calculate Adjusted free cash flow or similarly titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of Adjusted free cash flow as a tool for comparison. Additionally, the utility of Adjusted free cash flow is further limited as it does not reflect our future contractual commitments and does not represent the total increase or decrease in our cash balance for a given period. Because of these and other limitations, Adjusted free cash flow should be considered along with net cash flow from operating activities and other comparable financial measures prepared and presented in accordance with GAAP.

The following table presents a reconciliation of net cash flow from operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted free cash flow for each of the periods presented.

	Three Months Ended		Nine Months Ended	
	August 28, 2022	August 29, 2021	August 28, 2022	August 29, 2021
	(Dollars in millions) (Unaudited)		(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:				
Net cash provided by operating activities	$ 64.4	$ 250.9	$ 210.3	$ 498.9
Net cash used for investing activities	(91.9)	(57.3)	(227.1)	(127.7)
Net cash used for financing activities	(70.6)	(36.5)	(287.7)	$ (489.6)
Non-GAAP measure:				
Net cash provided by operating activities	$ 64.4	$ 250.9	$ 210.3	$ 498.9
Purchases of property, plant and equipment	(76.3)	(40.9)	(196.8)	(108.4)
Adjusted free cash flow	$ (11.9)	$ 210.0	$ 13.5	$ 390.5

Constant-Currency:

We report our operating results in accordance with GAAP, as well as on a constant-currency basis in order to facilitate period-to-period comparisons of our results without regard to the impact of fluctuating foreign currency exchange rates. The term foreign currency exchange rates refers to the exchange rates we use to translate our operating results for all countries where the functional currency is not the U.S. Dollar into U.S. Dollars. Because we are a global company, foreign currency exchange rates used for translation may have a significant effect on our reported results. In general, our reported financial results are affected positively by a weaker U.S. Dollar and are affected negatively by a stronger U.S. Dollar as compared to the foreign currencies in which we conduct our business. References to our operating results on a constant-currency basis mean our operating results without the impact of foreign currency translation fluctuations.

We believe disclosure of constant-currency results is helpful to investors because it facilitates period-to-period comparisons of our results by increasing the transparency of our underlying performance by excluding the impact of fluctuating foreign currency exchange rates. However, constant-currency results are non-GAAP financial measures and are not meant to be considered in isolation or as a substitute for comparable measures prepared in accordance with GAAP. Constant-currency results have no standardized meaning prescribed by GAAP, are not prepared under any comprehensive set of accounting rules or principles and should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP. Constant-currency results have limitations in their usefulness to investors and may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies.

We calculate constant-currency amounts by translating local currency amounts in the prior-year period at actual foreign exchange rates for the current period. Our constant-currency results do not eliminate the transaction currency impact, which primarily include the realized and unrealized gains and losses recognized from the measurement and remeasurement of purchases and sales of products in a currency other than the functional currency. Additionally, gross margin and Adjusted gross margin are impacted by gains and losses related to the procurement of inventory, primarily products sourced in Euros and U.S. dollars, by our global sourcing organization on behalf of our foreign subsidiaries.

The table below sets forth the calculation of net revenues for each of our operating segments on a constant-currency basis for comparison periods applicable to the three-month and nine-month periods ended August 28, 2022:

	Three Months Ended			Nine Months Ended		
	August 28, 2022	August 29, 2021	% Increase (Decrease)	August 28, 2022	August 29, 2021	% Increase (Decrease)
	(Dollars in millions) (Unaudited)					
Total net revenues						
As reported	$ 1,517.2	$ 1,497.6	1.3 %	$ 4,579.9	$ 4,079.2	12.3 %
Impact of foreign currency exchange rates	—	(76.1)	*	—	(161.7)	*
Constant-currency net revenues	$ 1,517.2	$ 1,421.5	6.7 %	$ 4,579.9	$ 3,917.5	16.9 %
Americas						
As reported	$ 805.1	$ 782.3	2.9 %	$ 2,347.0	$ 2,049.9	14.4 %
Impact of foreign currency exchange rates	—	(4.2)	*	—	(7.3)	*
Constant-currency net revenues - Americas	$ 805.1	$ 778.1	3.4 %	$ 2,347.0	$ 2,042.6	14.9 %
Europe						
As reported	$ 390.3	$ 479.1	(18.5)%	$ 1,226.8	$ 1,250.7	(1.9)%
Impact of foreign currency exchange rates	—	(50.4)	*	—	(114.4)	*
Constant-currency net revenues - Europe	$ 390.3	$ 428.7	(9.0)%	$ 1,226.8	$ 1,136.3	8.0 %
Asia						
As reported	$ 220.6	$ 162.2	36.0 %	$ 700.9	$ 586.9	19.4 %
Impact of foreign currency exchange rates	—	(17.6)	*	—	(31.8)	*
Constant-currency net revenues - Asia	$ 220.6	$ 144.6	52.5 %	$ 700.9	$ 555.1	26.3 %
Other Brands						
As reported	$ 101.2	$ 74.0	36.8 %	$ 305.2	$ 191.7	59.2 %
Impact of foreign currency exchange rates	—	(3.9)	*	—	(8.2)	*
Constant-currency net revenues - Other Brands	$ 101.2	$ 70.1	44.3 %	$ 305.2	$ 183.5	66.3 %

* Not meaningful

Constant-Currency Adjusted EBIT:

The table below sets forth the calculation of Adjusted EBIT on a constant-currency basis for the comparison periods applicable to the three-month and nine-month periods ended August 28, 2022.

	Three Months Ended			Nine Months Ended		
	August 28, 2022	August 29, 2021	% (Decrease)	August 28, 2022	August 29, 2021	% Increase
	(Dollars in millions) (Unaudited)					
Adjusted EBIT[(1)]	$ 187.5	$ 221.8	(15.5)%	$ 570.7	$ 510.4	11.8 %
Impact of foreign currency exchange rates	—	(17.8)	*	—	(35.8)	*
Constant-currency Adjusted EBIT	$ 187.5	$ 204.0	(8.1)%	$ 570.7	$ 474.6	20.2 %
Constant-currency Adjusted EBIT margin[(2)]	12.4 %	14.4 %		12.5 %	12.1 %	

(1) Adjusted EBIT is reconciled from net income which is the most comparable GAAP measure. Refer to Adjusted EBIT and Adjusted EBITDA table for more information.

(2) We define constant-currency Adjusted EBIT margin as constant-currency Adjusted EBIT as a percentage of constant-currency net revenues.

* Not meaningful

Constant-Currency Adjusted Net Income and Adjusted Diluted Earnings per Share:

The table below sets forth the calculation of Adjusted net income and Adjusted diluted earnings per share on a constant-currency basis for the comparison periods applicable to the three-month and nine-month periods ended August 28, 2022.

	Three Months Ended			Nine Months Ended		
	August 28, 2022	August 29, 2021	% (Decrease)	August 28, 2022	August 29, 2021	% Increase
	(Dollars in millions, except per share amounts) (Unaudited)					
Adjusted net income [(1)]	$ 161.4	$ 197.4	(18.2)%	$ 467.3	$ 431.2	8.4 %
Impact of foreign currency exchange rates	—	(14.4)	*	—	(30.5)	*
Constant-currency Adjusted net income	$ 161.4	$ 183.0	(11.8)%	$ 467.3	$ 400.7	16.6 %
Constant-currency Adjusted net income margin[(2)]	10.6 %	12.9 %		10.2 %	10.2 %	
Adjusted diluted earnings per share	$ 0.40	$ 0.48	(16.7)%	$ 1.15	$ 1.05	9.5 %
Impact of foreign currency exchange rates	—	(0.04)	*	—	(0.08)	*
Constant-currency Adjusted diluted earnings per share	$ 0.40	$ 0.44	(9.1)%	$ 1.15	$ 0.97	18.6 %

(1) Adjusted net income is reconciled from net income which is the most comparable GAAP measure. Refer to Adjusted net income table for more information.

(2) We define constant-currency Adjusted net income margin as constant-currency Adjusted net income as a percentage of constant-currency net revenues.

* Not meaningful

Off-Balance Sheet Arrangements, Guarantees and Other Contingent Obligations

As of August 28, 2022, there had been no significant changes to our off-balance sheet arrangements or contractual commitments from those disclosed in our 2021 Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. There have been no significant changes to our critical accounting policies from those disclosed in our 2021 Annual Report on Form 10-K.

Recently Issued Accounting Standards

See Note 1 to our unaudited consolidated financial statements included in this Quarterly Report for recently issued accounting standards, including the expected dates of adoption and estimated effects on our consolidated financial statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Quarterly Report, including (without limitation) statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain forward-looking statements. Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected.

These forward-looking statements include statements relating to our anticipated financial performance and business prospects, including debt reduction, currency values and financial impact, foreign exchange counterparty exposures, the impact of pending legal proceedings, adequate liquidity levels, dividends, share repurchases or other capital deployment initiatives and/or statements preceded by, followed by or that include the words "believe", "will", "so we can", "when", "anticipate", "intend", "estimate", "expect", "project", "aim", "could", "plans", "seeks" and similar expressions. These forward-looking statements speak only as of the date stated, and we do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by these forward-looking statements will not be realized. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these expectations may not prove to be correct or we may not achieve the financial results, savings or other benefits anticipated in the forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties, some of which may be beyond our control. These risks and uncertainties, including those disclosed in Part I, Item 1A – Risk Factors of our Annual Report on Form 10-K for the fiscal year ended November 28, 2021, in Part II, Item 1A of the Form 10-Q for the quarter ended February 27, 2022, and in our other filings with the Securities and Exchange Commission, could cause actual results to differ materially from those suggested by the forward-looking statements and include, without limitation:

- the conflict involving Russia and Ukraine and the potential impact on global economic and geopolitical conditions;
- changes in general economic and financial conditions, inflationary pressures and the resulting impact on the level of discretionary consumer spending for apparel and pricing trend fluctuations, and our ability to plan for and respond to the impact of those changes;
- the potential duration and impact of COVID-19 on our projected customer demand, store closures, supply chain and our business, as well as our consolidated financial position, consolidated results of operations, and consolidated cash flows in fiscal 2022;
- the risk of future non-cash asset impairment charges, including to goodwill, operating right-of-use assets and/or other store assets;
- our ability to effectively manage any global productivity and outsourcing actions as planned, which are intended to increase productivity and efficiency in our global operations, take advantage of lower-cost service-delivery models in our distribution network and streamline our procurement practices to maximize efficiency in our global operations, without business disruption or mitigation to such disruptions;
- our ability to effectively manage our inventory and supply chain;
- consequences of impacts to the businesses of our wholesale customers, including significant store closures or a significant decline in a wholesale customer's financial condition leading to restructuring actions, bankruptcies, liquidations or other unfavorable events for our wholesale customers, caused by factors such as, among other things, inability to secure financing, decreased discretionary consumer spending, inconsistent foot and online traffic patterns and an increase in promotional activity as a result of decreased foot and online traffic, pricing fluctuations, general economic and financial conditions and changing consumer preferences;
- our and our wholesale customers' decisions to modify strategies and adjust product mix and pricing, and our ability to manage any resulting product transition costs, including liquidating inventory or increasing promotional activity;
- our ability to purchase products through our independent contract manufacturers that are made with quality raw materials and our ability to mitigate the variability of costs related to manufacturing, sourcing, and raw materials supply and to manage consumer response to such mitigating actions;
- our ability to gauge and adapt to changing U.S. and international retail environments and fashion trends and changing consumer preferences in product, price-points, as well as in-store and digital shopping experiences;
- our ability to respond to price, innovation and other competitive pressures in the global apparel industry, on and from our key customers and in our key markets;

- our ability to increase the number of dedicated stores for our products, including through opening and profitably operating company-operated stores;
- our future business expectations, products, strategies, and goals, including our future financial, strategic, and operating performance and our long-term goals and targets;
- the extent to which wholesale customer forward demand signals result in actual sales;
- consequences of inflation, foreign currency exchange and interest rate fluctuations;
- our ability to successfully prevent or mitigate the impacts of data security breaches;
- our ability to attract and retain key executives and other key employees;
- our ability to achieve our diversity, equity and inclusion, ESG and sustainability and climate change goals;
- our ability to protect our trademarks and other intellectual property;
- the impact of the variables that affect the net periodic benefit cost and future funding requirements of our postretirement benefits and pension plans;
- our dependence on key distribution channels, customers and suppliers;
- our ability to utilize our tax credits and net operating loss carryforwards;
- potential future paydowns of existing debt;
- future acquisitions of or investments in new businesses, including the Beyond Yoga integration;
- the process and risks relating to the implementation of a new enterprise resource planning (ERP) system;
- ongoing or future litigation matters and disputes and regulatory developments;
- changes in or application of trade and tax laws;
- potential increases in import tariffs or taxes, and the implementation of trade restrictions or sanctions; and
- political, social and economic instability, or natural disasters, in countries where we or our customers do business.

We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions and other factors described under Part I, Item 1A – Risk Factors of our Annual Report on Form 10-K for the fiscal year ended November 28, 2021, Part II, Item 1A of the Form 10-Q for the quarter ended February 27, 2022, in our other filings with the SEC and in this Quarterly Report. These risks are not exhaustive. Other sections of this Quarterly Report include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The forward-looking statements made in this Quarterly Report relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this Quarterly Report or to conform such statements to actual results or revised expectations, except as required by law.

Additional information regarding factors that could cause results to differ can be found in our Annual Report on Form 10-K for the fiscal year ended November 28, 2021, in Part II, Item 1A of the Form 10-Q for the quarter ended February 27, 2022, in this Quarterly Report and our other filings with the U.S. Securities and Exchange Commission. We suggest that this document be read in conjunction with our other filings with the U.S. Securities and Exchange Commission.

Item 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

There have been no material changes in our primary market risk exposures or how those exposures are managed from the information disclosed in our 2021 Annual Report on Form 10-K.

Item 4. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

We have evaluated, under the supervision and with the participation of management, including our chief executive officer and our chief financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of August 28, 2022. Based on that evaluation, our chief executive officer and our chief financial officer concluded that as of August 28, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

In the ordinary course of business, we have various claims, complaints and pending cases, including contractual matters, facility and employee-related matters, distribution matters, product liability matters, intellectual property matters, bankruptcy preference matters, and tax and administrative matters. We do not believe any of these pending claims, complaints and legal proceedings will have a material impact on our financial condition, results of operations or cash flows.

Item 1A. *RISK FACTORS*

For information regarding factors that could affect our results of operations, financial condition and liquidity, see the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended November 28, 2021 as such Risk Factors are supplemented by the information contained in Part II, Item 1A of our Form 10-Q for the quarter ended February 27, 2022. There have been no material changes to our previously reported Risk Factors.

Item 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds from Securities

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total number of shares purchased(1)	Average price paid per share(2)	Total number of shares purchased as part of publicly announced plans or programs(1)	Approximate maximum dollar value of shares that may yet be purchased under the plans or programs(1)
May 30, 2022 - July 3, 2022	—	$ —	—	$ 750,000,000
July 4, 2022 - July 31, 2022	1,205,724	$ 17.64	21,273,380	$ 728,726,620
August 1, 2022 - August 28, 2022	269,429	$ 18.99	5,117,586	$ 723,609,034
Total	1,475,153	$ 17.89	26,390,966	

(1) We maintain a share repurchase program authorized by the Board. Under this program, we may repurchase shares from time to time. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions and alternate uses of capital. The share repurchase program may be effected through Rule 10b5-1 plans, open market purchases or privately negotiated transactions, each in compliance with Rule 10b-18 under the Exchange Act. The program may be suspended or discontinued at any time and does not have an expiration date.

On May 31, 2022, the Board approved a new share repurchase program that authorizes the repurchase of up to $750.0 million of our Class A common stock. During the third quarter of 2022, we repurchased 1.5 million shares for $26.4 million, excluding any broker commissions. Such repurchases were made pursuant to the Company's share repurchase program described above. Share repurchase authority was $689.7 million as of October 4, 2022.

(2) The average price paid per share excludes any broker commissions.

Shares withheld related to the vesting or exercise of stock-based compensation awards are excluded from the disclosure.

Item 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

Item 4. *MINE SAFETY DISCLOSURES*

Not applicable.

Item 5. *OTHER INFORMATION*

None.

Item 6. *EXHIBITS*

Exhibit Number	Description of Document	Incorporated by Reference Form	SEC File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-06631	3.1	3/25/2019
3.2	Amended and Restated Bylaws.	10-K	001-06631	3.2	1/27/2021
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.				
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.				
32.1†	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. Filed herewith.				
101.SCH	Inline XBRL Taxonomy Extension Schema Document. Filed herewith.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document. Filed herewith.				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. Filed herewith.				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. Filed herewith.				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. Filed herewith.				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained within Exhibit 101). Filed herewith.				

† The certification attached as Exhibit 32.1 accompanies this Quarterly Report on Form 10-Q, is not deemed filed with the Commission and is not to be incorporated by reference into any filing of Levi Strauss & Co. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:	October 6, 2022		LEVI STRAUSS & CO. (Registrant)
		By:	/s/ LISA W. STIRLING
			Lisa W. Stirling Vice President and Global Controller (Principal Accounting Officer and Duly Authorized Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles V. Bergh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Levi Strauss & Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHARLES V. BERGH

Charles V. Bergh
President and Chief Executive Officer

Date: October 6, 2022

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Harmit Singh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Levi Strauss & Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ HARMIT SINGH

Harmit Singh
Executive Vice President and Chief Financial Officer

Date: October 6, 2022

Exhibit 32.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Charles V. Bergh, Chief Executive Officer of Levi Strauss & Co. (the "Company"), and Harmit Singh, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended August 28, 2022, to which this Certification is attached as Exhibit 32.1 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ CHARLES V. BERGH

Charles V. Bergh
President and Chief Executive Officer
October 6, 2022

/s/ HARMIT SINGH

Harmit Singh
Executive Vice President and Chief Financial Officer
October 6, 2022