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 February 27, 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 March 30, 2022, the registrant had 96,888,163 shares of Class A common stock, $0.001 par value per share and 299,610,904 shares of Class B common stock, $0.001 par value per share, outstanding.

LEVI STRAUSS & CO. AND SUBSIDIARIES

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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) February 27, 2022	November 28, 2021
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 678,306	$ 810,266
Short-term investments in marketable securities	98,843	91,550
Trade receivables, net	648,233	707,625
Inventories	1,006,180	897,950
Other current assets	181,468	202,510
Total current assets	2,613,030	2,709,901
Property, plant and equipment, net	491,831	502,562
Goodwill	377,577	386,880
Other intangible assets, net	290,270	291,332
Deferred tax assets, net	553,160	573,114
Operating lease right-of-use assets, net	1,085,780	1,103,705
Other non-current assets	340,103	332,575
Total assets	$ 5,751,751	$ 5,900,069
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	562,972	524,838
Accrued salaries, wages and employee benefits	188,829	274,700
Accrued sales returns and allowances	192,464	209,364
Short-term operating lease liabilities	243,323	245,369
Other accrued liabilities	498,453	615,347
Total current liabilities	1,686,041	1,869,618
Long-term debt	1,020,499	1,020,700
Postretirement medical benefits	49,117	51,439
Pension liabilities	154,127	155,218
Long-term employee related benefits	110,759	108,544
Long-term operating lease liabilities	953,626	969,482
Other long-term liabilities	53,993	59,407
Total liabilities	4,028,162	4,234,408
Commitments and contingencies		
Stockholders' Equity:		
Common stock — $0.001 par value; 1,200,000,000 Class A shares authorized, 98,906,606 shares and 97,567,627 shares issued and outstanding as of February 27, 2022 and November 28, 2021, respectively; and 422,000,000 Class B shares authorized, 299,610,904 shares and 302,209,813 shares issued and outstanding, as of February 27, 2022 and November 28, 2021, respectively	399	400
Additional paid-in capital	575,310	584,774
Accumulated other comprehensive loss	(411,374)	(394,387)
Retained earnings	1,559,254	1,474,874
Total stockholders' equity	1,723,589	1,665,661
Total liabilities and stockholders' equity	$ 5,751,751	$ 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	
	February 27, 2022	February 28, 2021
	(Dollars in thousands, except per share amounts) (Unaudited)	
Net revenues	$ 1,591,562	$ 1,305,602
Cost of goods sold	647,954	545,573
Gross profit	943,608	760,029
Selling, general and administrative expenses	709,376	582,906
Operating income	234,232	177,123
Interest expense	(4,248)	(23,310)
Other income, net	15,897	858
Income before income taxes	245,881	154,671
Income tax expense	50,038	12,167
Net income	$ 195,843	$ 142,504
Earnings per common share attributable to common stockholders:		
Basic	$ 0.49	$ 0.36
Diluted	$ 0.48	$ 0.35
Weighted-average common shares outstanding:		
Basic	399,445,106	399,541,735
Diluted	407,017,092	411,872,771

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	
	February 27, 2022	February 28, 2021
	(Dollars in thousands) (Unaudited)	
Net income	$ 195,843	$ 142,504
Other comprehensive loss, before related income taxes:		
Pension and postretirement benefits	2,185	2,938
Derivative instruments	(4,168)	(17,315)
Foreign currency translation (losses) gains	(11,089)	10,941
Unrealized (losses) gains on marketable securities	(5,994)	401
Total other comprehensive loss, before related income taxes	(19,066)	(3,035)
Income tax expense related to items of other comprehensive loss	2,079	1,203
Comprehensive income, net of income taxes	$ 178,856	$ 140,672

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 February 27, 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	—	—	195,843	—	195,843
Other comprehensive loss, net of tax	—	—	—	(16,987)	(16,987)
Stock-based compensation and dividends, net	2	14,088	—	—	14,090
Employee stock purchase plan	—	2,273	—	—	2,273
Repurchase of common stock	(3)	—	(71,599)	—	(71,602)
Tax withholdings on equity awards	—	(25,825)	—	—	(25,825)
Cash dividends declared ($0.10 per share)	—	—	(39,864)	—	(39,864)
Balance at February 27, 2022	$ 399	$ 575,310	$1,559,254	$ (411,374)	$ 1,723,589

	Three Months Ended February 28, 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	—	—	142,504	—	142,504
Other comprehensive loss, net of tax	—	—	—	(1,830)	(1,830)
Stock-based compensation and dividends, net	2	6,714	—	—	6,716
Employee stock purchase plan	—	1,929	—	—	1,929
Tax withholdings on equity awards	—	(25,818)	—	—	(25,818)
Cash dividends declared ($0.04 per share)	—	—	(15,992)	—	(15,992)
Balance at February 28, 2021	$ 400	$ 609,068	$1,240,792	$ (443,276)	$ 1,406,984

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	February 27, 2022	February 28, 2021
	(Dollars in thousands) (Unaudited)	
Cash Flows from Operating Activities:		
Net income	$ 195,843	$ 142,504
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,933	35,469
Stock-based compensation	14,089	6,716
Provision for (benefit from) deferred income taxes	19,032	(18,786)
Other, net	172	6,725
Net change in operating assets and liabilities	(181,934)	(103,148)
Net cash provided by operating activities	86,135	69,480
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(73,591)	(36,986)
Proceeds on settlement of forward foreign exchange contracts not designated for hedge accounting	3,093	78
Payments to acquire short-term investments	(27,983)	(30,915)
Proceeds from sale, maturity and collection of short-term investments	20,277	32,930
Net cash used for investing activities	(78,204)	(34,893)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net of issuance costs	—	489,886
Other short-term borrowings, net	(1,363)	(9,622)
Repurchase of common stock	(74,191)	—
Tax withholdings on equity awards	(25,825)	(25,818)
Dividend to stockholders	(39,864)	(15,992)
Other financing activities, net	1,814	1,214
Net cash (used for) provided by financing activities	(139,429)	439,668
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(443)	2,191
Net (decrease) increase in cash and cash equivalents and restricted cash	(131,941)	476,446
Beginning cash and cash equivalents, and restricted cash	810,580	1,497,648
Ending cash and cash equivalents, and restricted cash	678,639	1,974,094
Less: Ending restricted cash	(333)	(492)
Ending cash and cash equivalents	$ 678,306	$ 1,973,602
Noncash Investing and Financing Activity:		
Property, plant and equipment acquired and not yet paid at end of period	$ 25,717	$ 19,201
Supplemental disclosure of cash flow information:		
Cash paid for interest during the period	$ 712	$ 846
Cash paid for income taxes during the period, net of refunds	6,499	9,991

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, 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 months ended February 27, 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 $11.0 million and $11.6 million as of February 27, 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.

Property, plant and equipment, net includes accumulated depreciation of $1.2 billion and $1.1 billion as of February 27, 2022 and November 28, 2021, respectively.

Right-of-Use Assets and Lease Liabilities

As of February 27, 2022 the Company had 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 fourth quarter of fiscal year 2023. Once the 20-year lease term commences, the Company expects to recognize a right-of-use ("ROU") asset and corresponding lease liability of between $100 million and $110 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. As a result of uncertainty and frequently changing information regarding the COVID-19 pandemic and its impact on global economic conditions, estimates may change frequently and in the near term.

Share Repurchases

During the three months ended February 27, 2022, 3.0 million shares were repurchased for $71.5 million, plus broker's commissions, in the open market. This equates to an average repurchase price of approximately $23.56 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.

Subsequent to quarter end, the Company completed its $200 million share repurchase program by repurchasing an additional 2.0 million shares for $40.0 million, plus broker's commissions, in the open market. This equates to an average repurchase price of approximately $19.68 per share.

Reclassification

Certain insignificant amounts on the consolidated balance sheets and consolidated statements of cash flow have been conformed to the February 27, 2022 presentation.

Recently Adopted Accounting Principles

In December 2019, the FASB issued 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.

NOTE 2: INVENTORIES

The following table presents the Company's inventory balances:

	February 27, 2022	November 28, 2021
	(Dollars in thousands)	
Raw materials	$ 10,471	$ 9,141
Work-in-progress	3,948	3,603
Finished goods	991,761	885,206
Total inventories	$ 1,006,180	$ 897,950

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	February 27, 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	$ 76,950	$ 76,950	$ —	$ 80,188	$ 80,188	$ —
Short-term investments in marketable securities	98,843		98,843	91,550		91,550
Derivative instruments[3]	19,770	—	19,770	27,512	—	27,512
Total	$ 195,563	$ 76,950	$ 118,613	$ 199,250	$ 80,188	$ 119,062
Financial liabilities carried at fair value						
Derivative instruments[3]	10,542	—	10,542	13,255	—	13,255
Total	$ 10,542	$ —	$ 10,542	$ 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:

	February 27, 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	$ 3,897	$ 1,303	$ —	$ 5,200	$ 2,823	$ 1,277	$ —	$ 4,100
Short-term investments in marketable securities	99,082	152	(391)	98,843	91,475	155	(80)	91,550
	102,979	1,455	(391)	104,043	94,298	1,432	(80)	95,650
Long-term investments								
Rabbi trust assets	53,767	17,983	—	71,750	52,398	23,690	—	76,088
	$156,746	$ 19,438	$ (391)	$175,793	$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:

	February 27, 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)]	$ 535,308	$ 537,285	$ 531,382	$ 541,935
3.50% senior notes due 2031[(1)]	502,020	465,013	497,335	502,881
Short-term borrowings	4,227	4,227	5,862	5,862
Total	$ 1,041,555	$ 1,006,525	$ 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 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 income, net" in the Company's consolidated statements of income. The effective portions of these hedges are recorded in "Accumulated other comprehensive loss" 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 income, net" in the Company's consolidated statements of income.

As of February 27, 2022, the Company had forward foreign exchange contracts derivatives that were not designated as hedges in qualifying hedging relationships, of which $866.9 million were contracts to buy and $487.4 million were contracts to sell various foreign currencies. These contracts are at various exchange rates and expire at various dates through May 2023.

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

	February 27, 2022			November 28, 2021		
	Assets Carrying Value	(Liabilities) Carrying Value	Derivative Net Carrying Value	Assets Carrying Value	(Liabilities) Carrying Value	Derivative Net Carrying Value
	(Dollars in thousands)					
Derivatives designated as hedging instruments						
Foreign exchange risk cash flow hedges[1]	$ 15,823	$ —	$ 15,823	$ 24,858	$ —	$ 24,858
Foreign exchange risk cash flow hedges[2]	—	(3,048)	(3,048)	—	(2,030)	(2,030)
Total	$ 15,823	$ (3,048)		$ 24,858	$ (2,030)	
Derivatives not designated as hedging instruments						
Forward foreign exchange contracts[1]	$ 19,770	$ (15,823)	$ 3,947	$ 27,512	$ (24,858)	$ 2,654
Forward foreign exchange contracts[2]	3,048	(10,542)	(7,494)	2,030	(13,255)	(11,225)
Total	$ 22,818	$ (26,365)		$ 29,542	$ (38,113)	
Non-derivatives designated as hedging instruments						
Euro senior notes	$ —	$ (531,525)		$ —	$ (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:

	February 27, 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	$ 38,641	$ (7,389)	$ 31,252	$ 54,400	$ (10,152)	$ 44,248
Financial liabilities	(29,413)	7,389	(22,024)	(40,143)	10,152	(29,991)
Total			$ 9,228			$ 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 "Accumulated other comprehensive loss" ("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	
	As of February 27, 2022	As of November 28, 2021	February 27, 2022	February 28, 2021
	(Dollars in thousands)			
Foreign exchange risk contracts	$ 19,376	$ 24,304	$ 555	$ (1,878)
Realized forward foreign exchange swaps [2]	4,637	4,637	—	—
Yen-denominated Eurobonds	(19,811)	(19,811)	—	—
Euro-denominated senior notes	(44,441)	(45,201)	—	—
Cumulative income taxes	16,245	15,157	—	—
Total	$ (23,994)	$ (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 three months ended February 27, 2022. Within the next 12 months, a $12.8 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	
	February 27, 2022	February 28, 2021
	(Dollars in thousands)	
Amount of Gain (Loss) on Cash Flow Hedge Activity		
Net revenues	$ (914)	$ 943
Cost of goods sold	$ 1,469	$ (2,821)

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

	Three Months Ended	
	February 27, 2022	February 28, 2021
	(Dollars in thousands)	
Realized (loss) gain	$ (1,354)	$ 1,749
Unrealized gain (loss)	3,675	(1,382)
Total	$ 2,321	$ 367

NOTE 5: OTHER ACCRUED LIABILITIES

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

	February 27, 2022	November 28, 2021
	(Dollars in thousands)	
Other accrued liabilities		
Accrued advertising and promotion	$ 79,694	$ 111,086
Accrued income taxes	17,249	14,477
Accrued interest payable	17,052	8,281
Accrued rent	13,550	16,612
Fair value derivatives	10,542	13,246
Restructuring Liabilities	9,324	19,106
Short-term debt	4,227	5,862
Taxes other than income taxes payable	44,178	48,278
Other	302,637	378,399
Total other accrued liabilities	$ 498,453	$ 615,347

NOTE 6: DEBT

The following table presents the Company's debt:

	February 27, 2022	November 28, 2021
	(Dollars in thousands)	
Long-term debt		
3.375% senior notes due 2027	$ 527,084	$ 527,644
3.50% senior notes due 2031	493,415	493,056
Total long-term debt	$ 1,020,499	$ 1,020,700
Short-term debt		
Short-term borrowings	4,227	5,862
Total debt	$ 1,024,726	$ 1,026,562

Senior Revolving Credit Facility

The Company's unused availability under the Credit Facility was $837.2 million at February 27, 2022, as the Company's total availability of $850.0 million was reduced by $12.8 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 months ended February 27, 2022 was 3.83%, as compared to 4.55% during the same period 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 February 27, 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 2022 and 2021, the Company declared cash dividends of $0.10 and $0.04, respectively, per share to holders of record of its Class A and Class B common stock. Dividends in the amount of $39.9 million and $16.0 million, respectively, were paid during the three months ended February 27, 2022 and February 28, 2021.

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 $0.10 per share was declared to holders of record of its Class A and Class B common stock at the close of business on May 6, 2022, for a total quarterly dividend of approximately $40 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:

	February 27, 2022	November 28, 2021	February 28, 2021
	(Dollars in thousands)		
Pension and postretirement benefits	$ (193,827)	$ (195,481)	$ (219,864)
Derivative instruments	(23,994)	(20,914)	(88,877)
Foreign currency translation losses	(207,676)	(196,763)	(149,333)
Unrealized gains on marketable securities	14,123	18,771	14,798
Accumulated other comprehensive loss	$ (411,374)	$ (394,387)	$ (443,276)

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 February 27, 2022				
	Levi's Brands				
	Americas	Europe	Asia	Other Brands	Total
	(Dollars in thousands)				
Net revenues by channel:					
Wholesale	$ 510,735	$ 265,718	$ 122,763	$ 63,854	$ 963,070
Direct-to-consumer	255,117	203,639	135,642	34,094	628,492
Total net revenues	$ 765,852	$ 469,357	$ 258,405	$ 97,948	$ 1,591,562

	Three Months Ended February 28, 2021				
	Levi's Brands				
	Americas	Europe	Asia	Other Brands	Total
	(Dollars in thousands)				
Net revenues by channel:					
Wholesale	$ 411,205	$ 276,785	$ 116,813	$ 33,956	$ 838,759
Direct-to-consumer	194,916	139,932	116,103	15,892	466,843
Total net revenues	$ 606,121	$ 416,717	$ 232,916	$ 49,848	$ 1,305,602

The Company did not have any material contract assets or contract liabilities recorded in the consolidated balance sheets as of February 27, 2022 and November 28, 2021.

NOTE 11: OTHER INCOME, NET

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

	Three Months Ended	
	February 27, 2022	February 28, 2021
	(Dollars in thousands)	
Foreign exchange management gains[1]	$ 2,321	$ 367
Foreign currency transaction losses[2]	(2,211)	(3,235)
Investment income	2,440	1,964
COVID-19 government subsidy gain[3]	12,524	—
Other, net	823	1,762
Total other income, net	$ 15,897	$ 858

(1) Gains on forward foreign exchange contracts primarily resulted from currency fluctuations relative to negotiated contract rates.

(2) Foreign currency transaction 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 20.4% for the three months ended February 27, 2022, compared to 7.9% 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 on actual and deemed royalty income and stock-based compensation equity awards in the quarter as compared to the first quarter of fiscal 2021.

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	
	February 27, 2022	February 28, 2021
	(Dollars in thousands, except per share amounts)	
Numerator:		
Net income	$ 195,843	$ 142,504
Denominator:		
Weighted-average common shares outstanding - basic	399,445,106	399,541,735
Dilutive effect of stock awards	7,571,986	12,331,036
Weighted-average common shares outstanding - diluted	407,017,092	411,872,771
Earnings per common share attributable to common stockholders:		
Basic	$ 0.49	$ 0.36
Diluted	$ 0.48	$ 0.35
Anti-dilutive securities excluded from calculation of diluted earnings per share attributable to common stockholders	1,192,463	989,627

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 months ended February 27, 2022, the Company donated $11.4 million to the Levi Strauss Foundation as compared to $2.4 million for the same prior-year period.

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	
	February 27, 2022	February 28, 2021
	(Dollars in thousands)	
Net revenues:		
Americas	$ 765,852	$ 606,121
Europe	469,357	416,717
Asia	258,405	232,916
Other Brands	97,948	49,848
Total net revenues	$ 1,591,562	$ 1,305,602
Operating income:		
Americas	$ 177,839	$ 128,650
Europe	136,793	110,587
Asia	43,583	29,244
Other Brands	9,581	943
Corporate expenses	(133,564)	(92,301)
Total operating income	234,232	177,123
Interest expense	(4,248)	(23,310)
Other income, net	15,897	858
Income before income taxes	$ 245,881	$ 154,671

NOTE 16: SUBSEQUENT EVENTS

In March 2022, the Company temporarily suspended the majority of its commercial operations in Russia. As of February 27, 2022, the net assets of the Company's subsidiary in Russia comprised 1.0% of total net assets and net revenues from Russia were approximately 2% of total net revenues for the three-month period ended.

In the second quarter of fiscal year 2022, the Company will review the long-lived assets specific to the Russia commercial business for impairment, which as of the end of the first quarter included $9 million of goodwill, $4 million of property, plant and equipment and $30 million of ROU assets.

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®, which is a premium athletic and lifestyle apparel 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 everyday. 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 February 27, 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 February 27, 2022, we had 1,087 company-operated stores located in 37 countries and approximately 500 company-operated shop-in-shops. The remainder of our brand-dedicated stores and shop-in-shops were operated by franchisees and other partners.

Our Europe and Asia businesses, collectively, contributed 46% of our net revenues and 49% of our segment operating income in the first three months of 2022, as compared to 50% of our net revenues and 52% of our segment operating income in the same period in 2021. Sales of Levi's® brand products represented 87% and 89% of our total net sales in the first three months of 2022 and 2021, respectively.

Our wholesale channel generated 61% and 64% of our net revenues in the first three months of 2022 and 2021, respectively. Our DTC channel generated 39% and 36% of our net revenues in the first three months of 2022 and 2021, respectively, with sales through our company operated e-commerce sites representing 22% and 27% of DTC channel net revenues in the first three months of 2022 and 2021, and 9% and 10% of total net revenues in the first three months of 2022 and 2021, respectively. Our global digital business, which includes our e-commerce site as well as the online business of our wholesale customers, including that of traditional wholesalers as well as pure play (online-only wholesalers) represented approximately 25% of our total net revenues in the first quarter of fiscal 2022, versus approximately 26% of our net revenues in the first quarter of fiscal 2021.

Impact of Russia-Ukraine Conflict on our Business

In March 2022, we temporarily suspended the majority of our commercial operations in Russia. As of February 27, 2022, the net assets of our subsidiary in Russia comprised 1.0% of total net assets and net revenues from Russia were approximately 2% of total net revenues for the three-month period ended.

In the second quarter of fiscal year 2022, we will review the long-lived assets specific to the Russia commercial business for impairment, which as of the first quarter included $9 million of goodwill, $4 million of property, plant and equipment and $30 million of ROU assets.

For additional information, see Item 1A—Risk Factors—We are a global company with significant revenues and earnings generated internationally, which exposes us to the impact of foreign currency fluctuations, as well as political and economic risks.

Impact of COVID-19 on Our Business

The COVID-19 pandemic continued to impact our business and results of operations in the first quarter of fiscal year 2022. While most of our company-operated stores and wholesale customer doors were open for the quarter, COVID-19 continues to impact our business, in reduced consumer traffic, operating restrictions and temporary store closures of company-operated and wholesale customer retail locations. Additionally, our supply chain partners, including third party manufacturers, logistic providers and other vendors continue to be adversely impacted by macroeconomic factors in connection with the pandemic. Current vessel, container and other transportation shortages, labor shortages and port congestion globally have delayed and are expected to continue to delay inventory orders and, in turn, deliveries to our wholesale customers and availability in our company-operated stores and e-commerce sites. In the first quarter of 2022, supply chain disruptions resulted in the inability to fulfill all customer orders with an estimated impact on net revenues of approximately $60 million. We anticipate these supply chain disruptions could impact our sales volumes in future periods. We have also incurred in the first quarter of 2022, higher distribution costs, including freight and labor costs, to mitigate these delays. We continue to monitor these delays and other potential disruptions in our supply chain and will implement mitigation plans as needed.

Although many government-imposed restrictions have been lightened or removed, the future impact of the COVID-19 pandemic continues to be highly uncertain. Consequently, our business and results of operations, including our net revenues, earnings and cash flows, could continue to be adversely impacted, including as a result of:

- Risk of future additional operating restrictions and temporary closures of our owned and operated retail stores globally as well as the doors owned by our wholesale customers, including third-party retailers and franchise partners;
- Decreased foot traffic in retail stores;
- Decreased consumer confidence and consumer spending habits, including spending for the merchandise that we sell and negative trends in consumer purchasing patterns due to changes in consumers' disposable income, credit availability and debt levels;
- Disruption to the supply chain caused by the pandemic affecting production, distribution and other logistical issues, including port closures and shipping backlogs; and
- Challenges filling staffing requirements at our company-operated retail stores and distribution centers due to labor shortages affecting retail businesses.

Other Factors Affecting Our Business

We believe the other key business and marketplace factors, independent of the health and economic impact of the COVID-19 pandemic, that are impacting our business include the following:

- A complex and challenging retail environment for us and our customers, characterized by unpredictable traffic patterns and a general promotional environment. In developed economies, mixed real wage growth and shifting consumer spending also continue to pressure global discretionary spending. Consumers continue to focus on value pricing and increased expectations for real-time delivery.
- 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.
- More competitors are seeking growth globally, thereby increasing competition across geographies. Some of these competitors are entering markets where we already have a mature business such as the United States, Mexico, Western Europe and Japan, and may provide consumers discretionary purchase alternatives or lower-priced apparel offerings.
- 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.
- Many apparel companies that have traditionally relied on wholesale distribution channels have invested in expanding their own retail store and e-commerce distribution and consumer-facing technologies, which has increased competition in the retail market.
- Competition for, and price volatility of, resources throughout the supply chain have increased, causing us and other apparel manufacturers to continue to seek alternative sourcing channels and create new efficiencies in our global supply chain. Trends affecting the supply chain include the proliferation of lower-cost sourcing alternatives, resulting in reduced barriers to entry for new competitors, and the impact of fluctuating prices of labor and raw materials as well as the consolidation of suppliers. Trends such as these can bring additional pressure on us and other wholesalers and retailers to shorten lead-times, reduce costs and raise product prices.
- Foreign currencies continue to be volatile. Significant fluctuations of the U.S. Dollar against various foreign currencies, including the Euro, British Pound and Mexican Peso, will impact our financial results, affecting translation, revenue, operating margins and net income.
- The current environment has introduced greater uncertainty with respect to potential tax and trade regulations, and sanctions and export controls. The current domestic and international political environment, including changes to other U.S. policies related to global trade, tariffs and sanctions, as well as the conflict involving Russia and Ukraine and the potential impact on global economic and geopolitical conditions, have resulted in uncertainty surrounding the future state of 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.
- There has been increased focus from our stakeholders, including consumers, employees and investors, 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 expectations will continue to evolve rapidly, which may necessitate additional resources to monitor, report on, and adjust our operations.

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 execute our strategies.

Effects of Inflation

We do not believe that inflation has had a material effect on our results of operations for the three-month period ended February 27, 2022 and February 28, 2021; however, our business could be affected by inflation in the future which we plan to mitigate through a combination of pricing actions and operating efficiencies, although these actions could have an adverse impact on demand.

Our First Quarter 2022 Results

- *Net revenues*. Consolidated net revenues increased 21.9% on a reported basis and 25.6% on a constant-currency basis compared to the first quarter of fiscal 2021. The increase was driven by strong growth across all segments as a result of higher traffic and demand in the current year. Additionally, revenue in the prior year was adversely impacted by reduced traffic and temporary closures of company-operated and wholesale customer retail locations as certain markets continued to be impacted by COVID-19 resurgences.
- *Operating income*. We recognized consolidated operating income of $234.2 million, an increase from operating income of $177.1 million in the first quarter of 2021. The increase is due to higher net revenues and gross margin partially offset with higher SG&A expenses in the current year due to the increase in sales volume and improved overall company performance.
- *Net income.* We recognized net income of $195.8 million as compared to $142.5 million in the first quarter of 2021. The increase is due to the increase in operating income described above. Additionally, we recognized lower interest expense and a COVID-19 government subsidiary gain in the current year, partially offset with higher income taxes.
- *Adjusted EBIT. A*djusted EBIT was $237.9 million as compared to an Adjusted EBIT of $174.0 million in the first quarter of 2021. The increase is due to higher net revenues and Adjusted gross margin partially offset with higher Adjusted SG&A expenses in the current year due to the increase in sales volume and improved overall company performance.
- *Adjusted net income.* Compared to the first quarter of 2021, Adjusted net income was $189.2 million as compared to an Adjusted net income of $140.3 million. The increase is due to the increase in Adjusted EBIT described above. Additionally, we recognized lower interest expense in the current year, partially offset with higher income taxes.
- *Diluted earnings per share.* Compared to the first quarter of 2021, diluted earnings per share were $0.48 as compared to diluted earnings per share of $0.35 due to the increase in net income described above.
- *Adjusted diluted earnings per share.* Adjusted diluted earnings per share were $0.46 compared to Adjusted diluted earnings per share of $0.34 in the first quarter of 2021, due to the increase in Adjusted net income described above.

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 operating 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 Months Ended February 27, 2022, as Compared to Comparable Period 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				
	February 27, 2022	February 28, 2021	% Increase (Decrease)	February 27, 2022 % of Net Revenues	February 28, 2021 % of Net Revenues
	(Dollars and shares in millions, except per share amounts)				
Net revenues	$ 1,591.6	$ 1,305.6	21.9 %	100.0 %	100.0 %
Cost of goods sold	648.0	545.6	18.8 %	40.7 %	41.8 %
Gross profit	943.6	760.0	24.2 %	59.3 %	58.2 %
Selling, general and administrative expenses	709.4	582.9	21.7 %	44.6 %	44.6 %
Operating income	234.2	177.1	32.2 %	14.7 %	13.6 %
Interest expense	(4.2)	(23.3)	82.0 %	(0.3)%	(1.8)%
Other income, net	15.9	0.9	*	1.0 %	0.1 %
Income before income taxes	245.9	154.7	59.0 %	15.4 %	11.8 %
Income tax expense	50.1	12.2	*	3.1 %	0.9 %
Net income	$ 195.8	$ 142.5	37.4 %	12.3 %	10.9 %
Earnings per common share attributable to common stockholders:					
Basic	$ 0.49	$ 0.36	36.1 %	*	*
Diluted	$ 0.48	$ 0.35	37.1 %	*	*
Weighted-average common shares outstanding:					
Basic	399.4	399.5	— %	*	*
Diluted	407.0	411.9	(1.2)%	*	*

* 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			
			% Increase	
	February 27, 2022	February 28, 2021	As Reported	Constant Currency
	(Dollars in millions)			
Net revenues:				
Levi's Brands:				
Americas	$ 765.9	$ 606.1	26.4 %	26.9 %
Europe	469.4	416.7	12.6 %	20.7 %
Asia	258.4	232.9	10.9 %	13.8 %
Total Levi's Brands net revenues	1,493.7	1,255.7	19.0 %	22.5 %
Other Brands	97.9	49.9	96.2 %	105.5 %
Total net revenues	$ 1,591.6	$ 1,305.6	21.9 %	25.6 %

Total net revenues increased on both a reported and constant-currency basis for the three-month period ended February 27, 2022, as compared to the same period in 2021.

Americas. On both a reported and constant-currency basis, net revenues in our Americas segment increased for the three-month period ended February 27, 2022, with currency translation affecting net revenues unfavorably by approximately $2 million.

The increase in net revenues for the three-month period ended February 27, 2022 was driven by revenue growth across both our wholesale and DTC channels. Wholesale channel revenue increased due to higher sales to both our U.S. and most of our international wholesale customers due to higher demand as well as price increases during the first quarter of 2022 as compared to the prior year. The prior year was also impacted by reduced traffic as a result of the ongoing pandemic. The growth in U.S. wholesale revenue was across all of our brands, particularly our Levi's® brand, driven by increased products sold to both our traditional and digital wholesale customers.

The increase in DTC revenue was broad based across most markets primarily due to strong performance within our company-operated stores, as a result of higher traffic in the current year as customers returned to in-person shopping in comparison to the prior year, where traffic remained tempered from the ongoing pandemic. Higher full priced sales and price increases in the current year also attributed to revenue growth. Additionally, we benefited from 26 more stores in operation as of February 27, 2022 as compared to February 28, 2021. Compared to the first quarter of fiscal 2021, e-commerce revenue decreased slightly as increases in higher average selling prices were more than offset by lower traffic as consumers returned to in-person shopping.

Europe. Net revenues in Europe increased on both a reported and constant-currency basis for the three-month period ended February 27, 2022, with currency translation affecting net revenues unfavorably by approximately $28 million.

Constant-currency net revenues for the three-month period ended February 27, 2022 increased due to revenue growth across our DTC channel. The increase in DTC revenue was primarily due to customers returning to in-person shopping as the majority of our company-operated stores were open and operating during the first quarter of fiscal year 2022, as compared to the first quarter of 2021, when company-operated stores were impacted more by temporary closures, lower traffic and reduced operating and occupancy levels as a result of the COVID-19 pandemic. Additionally, we benefited from price increases and 13 more stores in operation as of February 27, 2022 as compared to February 28, 2021. Compared to the first quarter of fiscal 2021, e-commerce revenue declined primarily due to lower traffic as more consumers shifted to in-person shopping as compared to the prior year.

Excluding the effects of currency, wholesale channel revenue increased as a larger number of stores were open during the first quarter of fiscal year 2022, as compared to the same period in 2021, which remained impacted by partial and full COVID-19 related lockdowns throughout various markets adversely impacting our wholesale customers' retail locations. Additionally, revenue increased due to higher average selling prices as a result of price increases implemented at the end of the prior year. This growth was partially offset with a decrease in revenue of our digital wholesale customers as compared to the same period in fiscal year 2021 as more consumers shifted to in-person shopping.

Asia. Net revenues in Asia increased on both a reported and constant-currency basis for the three-month period ended February 27, 2022, with currency affecting net revenues unfavorably by approximately $6 million.

Excluding the effects of currency, net revenues for the three-month period ended February 27, 2022 increased due to revenue growth across our DTC and wholesale channels and most markets, despite a few markets experiencing COVID-19 disruptions in the current year. The increase in DTC revenue was primarily due to strong performance in our company-operated stores, as a result of higher traffic in the current year as compared to the prior year, which included a larger proportion of COVID-19 related restrictions and lockdowns adversely impacting store traffic. Additionally, there were 13 more stores in operation as of February 27, 2022 as compared to February 28, 2021. E-commerce revenue grew compared to the first quarter of fiscal 2021, as a result of increased traffic.

The increase in wholesale revenue was primarily due to increased revenue across several markets as a larger portion of wholesale customer locations in these markets were open and operating in the first quarter of 2022, as compared to the same period in 2021, where many locations were impacted by partial and full government-imposed lockdowns as a result of the COVID-19 pandemic. Net revenues of our digital wholesale customers also grew in comparison to the same period in fiscal year 2021.

Other Brands. Net revenues in Other Brands increased on both reported and constant-currency bases, with currency translation affecting net revenues unfavorably by approximately $2 million. Net revenues growth was driven by the inclusion of Beyond Yoga® revenues in the current year as well as broad-based 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		
	February 27, 2022	February 28, 2021	% Increase
	(Dollars in millions)		
Net revenues	$ 1,591.6	$ 1,305.6	21.9 %
Cost of goods sold	648.0	545.6	18.8 %
Gross profit	$ 943.6	$ 760.0	24.2 %
Gross margin	59.3 %	58.2 %	

Currency translation unfavorably impacted gross profit by approximately $23 million for the three-month period ended February 27, 2022.

For the three-month period ended February 27, 2022, the increase in gross margin was primarily due to a higher proportion of sales in our DTC channel, which has higher margins as well as lower promotions, a higher share of full price sales and price increases, partially offsetting higher product costs. The fiscal 2021 period also included $7.2 million in reductions in COVID-19 related inventory costs, attributing 0.5 percentage points of the 1.1 percentage point increase.

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				
	February 27, 2022	February 28, 2021	% Increase	February 27, 2022 % of Net Revenues	February 28, 2021 % of Net Revenues
	(Dollars in millions)				
Selling	$ 312.2	$ 278.5	12.1 %	19.6 %	21.3 %
Advertising and promotion	92.7	63.3	46.4 %	5.8 %	4.8 %
Administration	129.0	105.3	22.5 %	8.1 %	8.1 %
Other	175.5	135.8	29.2 %	11.0 %	10.4 %
Total SG&A	$ 709.4	$ 582.9	21.7 %	44.6 %	44.6 %

Currency translation impacted SG&A favorably by approximately $14 million for the three-month period ended February 27, 2022.

Selling. Currency translation impacted selling expenses favorably by approximately $8 million for the three-month period ended February 27, 2022. For the three-month period ended February 27, 2022, higher selling expenses is primarily due to higher sales volume in the current year as compared to the prior year which included a larger portion of temporary store closures as a result of the pandemic. Selling expenses as a percent of revenues was lower in the current year as a result of continued focus on cost reductions.

Advertising and promotion. Currency translation did not have a significant impact on advertising and promotion expenses for the three-month period ended February 27, 2022. The increase in advertising and promotion expenses for the three-month period ended February 27, 2022 is due to increased spend on media and demand generation as we returned to pre-pandemic advertising and promotion investment levels.

Administration. Administration expenses include functional administrative and organization costs. Currency translation impacted administration expenses favorably by approximately $2 million for the three-month period ended February 27, 2022. Included in the increase in administration costs for the three-month period ended February 27, 2022 is higher incentive and stock based compensation costs attributed to stronger company performance as compared to the same period in prior year.

Other. Other costs include distribution, information resources and marketing organization costs. Currency translation impacted other costs favorably by approximately $2 million for the three-month period ended February 27, 2022. For the three-month period ended February 27, 2022, the increase in other costs was primarily due to higher distribution expenses attributable to increased sales volume and higher labor costs. Higher information technology expenses also attributed to the increase in costs as we continued to invest in digital technology, data and artificial intelligence, and upgrading our enterprise resource planning system.

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				
	February 27, 2022	February 28, 2021	% Increase (Decrease)	February 27, 2022 % of Net Revenues	February 28, 2021 % of Net Revenues
	(Dollars in millions)				
Operating income:					
Levi's Brands:					
Americas	$ 177.8	$ 128.7	38.2 %	23.2 %	21.2 %
Europe	136.8	110.6	23.7 %	29.1 %	26.5 %
Asia	43.6	29.2	49.3 %	16.9 %	12.5 %
Total Levi's Brands operating income	358.2	268.5	33.4 %	24.0 %	21.4 %
Other Brands	9.6	0.9	*	9.8 %	1.8 %
Corporate expenses	(133.6)	(92.3)	(44.7)%	(8.4)% ❖	(7.1)% ❖
Total operating income	$ 234.2	$ 177.1	32.2 %	14.7 % ❖	13.6 % ❖
Operating margin	14.7 %	13.6 %			

❖ Percentage of consolidated net revenues

* Not meaningful.

Currency translation unfavorably affected total operating income by approximately $10 million for the three-month period ended February 27, 2022.

Segment operating income.

- *Americas*. Currency translation did not have a significant impact for the three-month period ended February 27, 2022. The increase in operating income for the three-month period ended February 27, 2022 was primarily due to higher net revenues and gross margin in the current year as compared to the prior year. This was partially offset with higher selling and advertising and promotion expenses to support revenue growth and higher distribution costs due to higher labor costs and volume, although SG&A as a percentage of revenue was flat in comparison to the same period in prior year.
- *Europe*. Currency translation had an unfavorable impact of approximately $9 million for the three-month period ended February 27, 2022. The increase in operating income for the three-month period ended February 27, 2022 was due to higher net revenues and gross margin in the current year as compared to the prior year. This was partially offset with higher selling expenses to support our stores as well as higher advertising and promotion expense.
- *Asia*. Currency translation did not have a significant impact for the three-month period ended February 27, 2022. The increase in operating income for the three-month period ended February 27, 2022 was primarily due to higher net revenues and gross margin in the current year as compared to the prior year. This was partially offset with higher selling expenses to support our stores and higher advertising and promotion expenses, although SG&A as a percentage of revenue was lower in comparison to the same period in prior year.
- *Other Brands*. Currency translation did not have a significant impact for the three-month period ended February 27, 2022. The increase in operating income for the three-month period ended February 27, 2022 was primarily due to higher net revenues and gross margin this year, partially offset with higher SG&A expenses.

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 did not have a significant impact on corporate expenses for the three-month period ended February 27, 2022.

The increase in corporate expenses for the three-month period ended February 27, 2022 was primarily due to an higher administration and information technology expenses as well as higher global sourcing costs, including foreign currency transaction losses related to the procurement of inventory on behalf of our foreign subsidiaries.

Interest expense

Interest expense was $4.2 million for the three-month period ended February 27, 2022, as compared to $23.3 million for the comparable prior-year period. Interest expense decreased in the first quarter of 2022 due to lower interest on debt borrowings as a result of the redemption performed in the prior year. Additionally, in comparison to the prior year, interest expense related to our deferred compensation plans was $9.3 million lower due to the favorable impact of changes in market conditions.

Our weighted-average interest rate on average borrowings outstanding during the three-month period February 27, 2022 was 3.83%, as compared to 4.55% during the comparable period in 2021.

Other income, net

For the three-month period ended February 27, 2022, we recorded income of $15.9 million, as compared to income of $0.9 million for the same prior-year period. The increase in income for the three-month period ended February 27, 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 20.4% for the three months ended February 27, 2022, compared to 7.9% 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 on actual and deemed royalty income and stock-based compensation equity awards in the quarter as compared to the same prior-year period.

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 remain committed to increasing total shareholder returns through deploying capital across all three of our capital allocation priorities: (1) to invest 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, as well as stock repurchases to offset dilution that would otherwise be introduced from stock-based incentive compensation grants; and (3) to pursue acquisitions, both organic and inorganic, that support our current strategies. We continue to concentrate our capital investments in new stores, distribution capacity and technology.

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 February 27, 2022, we did not have any borrowings under the credit facility. Unused availability under the facility was $837.2 million and our total availability of $850.0 million, based on collateral levels as defined by the agreement, was reduced by $12.8 million of other credit-related instruments. We also had cash and cash equivalents totaling approximately $678.3 million and short-term investments of $98.8 million resulting in a total liquidity position (unused availability and cash and cash equivalents and short-term investments) of approximately $1.6 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 stock, all consistent with the terms of our debt agreements.

Subsequent to quarter end, we completed our $200 million share repurchase program by repurchasing an additional 2.0 million shares for $40.0 million, plus broker's commissions, in the open market. This equates to an average repurchase price of approximately $19.68 per share.

In April 2022, a cash dividend of $0.10 per share was declared to holders of record of its Class A and Class B common stock at the close of business on May 6, 2022, for a total quarterly dividend of approximately $40 million.

Cash flows

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

	Three Months Ended	
	February 27, 2022	February 28, 2021
	(Dollars in millions)	
Cash provided by operating activities	$ 86.1	$ 69.5
Cash used for investing activities	(78.2)	(34.9)
Cash (used for) provided by financing activities	(139.4)	439.7
Cash and cash equivalents at period end	678.3	1,973.6

Cash flows from operating activities

Cash provided by operating activities was $86.1 million for the three-month period ended February 27, 2022, as compared to $69.5 million for the comparable period in 2021. The increase in cash provided by operating activities is primarily driven by higher collections of trade receivables, partially offset by higher spending on inventory and SG&A expenses, reflective of the increase in sales in comparison to the same period in prior year.

Cash flows from investing activities

Cash used for investing activities was $78.2 million for the three-month period ended February 27, 2022, as compared to $34.9 million for the comparable period in 2021. The increase in cash used for investing activities is primarily due higher capital expenditures and lower proceeds from short-term investments.

Cash flows from financing activities

Cash used by financing activities was $139.4 million for the three-month period ended February 27, 2022, as compared to cash provided of $439.7 million for the comparable period in 2021. Cash used in 2022 primarily reflects common stock repurchases of $74.2 million. Cash provided in 2021 primarily reflects proceeds from senior notes of $500.0 million.

Indebtedness

Of our total debt of $1.0 billion as of February 27, 2022, 100% of it was fixed rate debt, net of capitalized debt issuance costs. As of February 27, 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 $4.2 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 February 27, 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 and twelve-month periods ended February 27, 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, and restructuring and restructuring related charges, severance and other, net;
- Adjusted EBIT, as net income excluding income tax expense, interest expense, other (income) expense, 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, 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, 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 statement of operations 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 (income) expense, 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;
- 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, 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.

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	
	February 27, 2022	February 28, 2021
	(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:		
Gross profit	$ 943.6	$ 760.0
Non-GAAP measure:		
Gross profit	$ 943.6	$ 760.0
COVID-19 related inventory costs[1]	—	(7.2)
Acquisition related charges[2]	2.0	—
Adjusted gross profit	$ 945.6	$ 752.8
Adjusted gross margin	59.4 %	57.7 %

(1) For the three-month period ended February 28, 2021, COVID-19 related inventory charges includes $7.2 million in reductions in COVID-19 related inventory charges, primarily due 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	
	February 27, 2022	February 28, 2021
	(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:		
Selling, general and administrative expenses	$ 709.4	$ 582.9
Non-GAAP measure:		
Selling, general and administrative expenses	$ 709.4	$ 582.9
Impact of changes in fair value on cash-settled stock-based compensation	(0.6)	(0.9)
COVID-19 related charges[1]	—	(3.1)
Acquisition and integration related charges	(2.1)	—
Restructuring and restructuring related charges, severance and other, net[2]	1.0	(0.1)
Adjusted SG&A	$ 707.7	$ 578.8

(1) For the three-month period ended February 28, 2021, the $3.1 million in COVID-19 related charges is related to impairment of certain operating lease right-of-use assets and property and equipment related to certain retail locations, resulting from lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic.

(2) Other charges included in restructuring and restructuring related charges, severance and other, net include transaction and deal related costs.

Adjusted EBIT and Adjusted EBITDA:

The following table presents a reconciliation of net income (loss), 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		Twelve Months Ended	
	February 27, 2022	February 28, 2021	February 27, 2022	February 28, 2021
	(Dollars in millions) (Unaudited)			
Most comparable GAAP measure:				
Net income (loss)	$ 195.8	$ 142.5	$ 606.8	$ (137.3)
Non-GAAP measure:				
Net income (loss)	$ 195.8	$ 142.5	$ 606.8	$ (137.3)
Income tax expense (benefit)	50.1	12.2	64.6	(62.5)
Interest expense	4.2	23.3	53.8	88.8
Other (income) expense, net	(15.9)	(0.9)	(18.4)	24.2
Loss on early extinguishment of debt	—	—	36.5	—
Impact of changes in fair value on cash-settled stock-based compensation[1]	0.6	0.9	3.9	3.1
COVID-19 related inventory costs and other charges[2]	—	(4.1)	(5.6)	155.5
Acquisition and integration related charges[3]	4.1	—	11.8	—
Restructuring and restructuring related charges, severance and other, net[4]	(1.0)	0.1	23.4	94.0
Adjusted EBIT	$ 237.9	$ 174.0	$ 776.8	$ 165.8
Depreciation and amortization[5]	37.8	35.2	144.6	137.1
Adjusted EBITDA	$ 275.7	$ 209.2	$ 921.4	$ 302.9
Adjusted EBIT margin	14.9 %	13.3 %		

(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 February 28, 2021, the net reduction of $4.1 million 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, the recoveries of receivables previously estimated to be not collectible, 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) Other charges included in restructuring and restructuring related charges, severance and other, net include transaction and deal related costs.

(5) 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	
	February 27, 2022	February 28, 2021
	(Dollars in millions, except per share amounts) (Unaudited)	
Most comparable GAAP measure:		
Net income	$ 195.8	$ 142.5
Non-GAAP measure:		
Net income	$ 195.8	$ 142.5
Impact of changes in fair value on cash-settled stock-based compensation[(1)]	0.6	0.9
Loss on early extinguishment of debt	—	0.2
COVID-19 related inventory costs and other charges, net[(2)]	(12.5)	(4.1)
Acquisition and integration related costs[(3)]	4.1	—
Restructuring and restructuring related charges, severance and other, net[(4)]	(1.0)	0.1
Tax impact of adjustments	2.2	0.7
Adjusted net income	$ 189.2	$ 140.3
Adjusted net income margin	11.9 %	10.7 %
Adjusted diluted earnings per share	$ 0.46	$ 0.34

(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 February 27, 2022, the net reduction of $12.5 million reflects a payment received from the German government as reimbursement for COVID-19 losses incurred in prior years.

For the three-month period ended February 28, 2021, the net reduction of $4.1 million 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, the recoveries of receivables previously estimated to be not collectible, 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) Other charges included in restructuring and restructuring related charges, severance and other, net include transaction and deal related costs.

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 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.

	February 27, 2022	November 28, 2021
	(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:		
Total debt, excluding finance leases	$ 1,024.7	$ 1,026.6
Non-GAAP measure:		
Total debt, excluding finance leases	$ 1,024.7	$ 1,026.6
Cash and cash equivalents	(678.3)	(810.3)
Short-term investments in marketable securities	(98.8)	(91.5)
Net debt	$ 247.6	$ 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.

	February 27, 2022	February 28, 2021
	(Dollars in millions) (Unaudited)	
Total debt, excluding finance leases	$ 1,024.7	$ 2,060.0
Last Twelve Months Adjusted EBITDA[(1)]	$ 921.4	$ 302.9
Leverage ratio	1.1	6.8

(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:

We define Adjusted free cash flow, a non-GAAP financial measure, 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 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 and invest in future growth.

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	
	February 27, 2022	February 28, 2021
	(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:		
Net cash provided by operating activities	$ 86.1	$ 69.5
Net cash used for investing activities	(78.2)	(34.9)
Net cash (used for) provided by financing activities	(139.4)	439.7
Non-GAAP measure:		
Net cash provided by operating activities	$ 86.1	$ 69.5
Purchases of property, plant and equipment	(73.6)	(37.0)
Proceeds on settlement of forward foreign exchange contracts not designated for hedge accounting	3.1	0.1
Repurchase of common stock	(74.2)	—
Tax withholdings on equity awards	(25.8)	(25.8)
Dividend to stockholders	(39.9)	(16.0)
Adjusted free cash flow	$ (124.3)	$ (9.2)

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 period applicable to the three-month period ended February 27, 2022:

	Three Months Ended		
	February 27, 2022	February 28, 2021	% Increase (Decrease)
	(Dollars in millions) (Unaudited)		
Total net revenues			
As reported	$ 1,591.6	$ 1,305.6	21.9 %
Impact of foreign currency exchange rates	—	(38.2)	*
Constant-currency net revenues	$ 1,591.6	$ 1,267.4	25.6 %
Americas			
As reported	$ 765.9	$ 606.1	26.4 %
Impact of foreign currency exchange rates	—	(2.4)	*
Constant-currency net revenues - Americas	$ 765.9	$ 603.7	26.9 %
Europe			
As reported	$ 469.4	$ 416.7	12.6 %
Impact of foreign currency exchange rates	—	(27.9)	*
Constant-currency net revenues - Europe	$ 469.4	$ 388.8	20.7 %
Asia			
As reported	$ 258.4	$ 232.9	10.9 %
Impact of foreign currency exchange rates	—	(5.7)	*
Constant-currency net revenues - Asia	$ 258.4	$ 227.2	13.8 %
Other Brands			
As reported	$ 97.9	$ 49.9	96.2 %
Impact of foreign currency exchange rates	—	(2.2)	*
Constant-currency net revenues - Other Brands	$ 97.9	$ 47.7	105.5 %

* Not meaningful

Constant-Currency Adjusted EBIT:

The table below sets forth the calculation of Adjusted EBIT on a constant-currency basis for comparison period applicable to the three-month period ended February 27, 2022.

	Three Months Ended		
	February 27, 2022	February 28, 2021	% Increase (Decrease)
	(Dollars in millions) (Unaudited)		
Adjusted EBIT[(1)]	$ 237.9	$ 174.0	36.7 %
Impact of foreign currency exchange rates	—	(9.7)	*
Constant-currency Adjusted EBIT	$ 237.9	$ 164.3	44.8 %
Constant-currency Adjusted EBIT margin[(2)]	14.9 %	13.0 %	

(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 comparison period applicable to the three-month period ended February 27, 2022.

	Three Months Ended		
	February 27, 2022	February 28, 2021	% Increase (Decrease)
	(Dollars in millions, except per share amounts) (Unaudited)		
Adjusted net income [(1)]	$ 189.2	$ 140.3	34.9 %
Impact of foreign currency exchange rates	—	(8.1)	*
Constant-currency Adjusted net income	$ 189.2	$ 132.2	43.1 %
Constant-currency Adjusted net income margin[(2)]	11.9 %	10.4 %	
Adjusted diluted earnings per share	$ 0.46	$ 0.34	35.3 %
Impact of foreign currency exchange rates	—	(0.02)	*
Constant-currency Adjusted diluted earnings per share	$ 0.46	$ 0.32	43.8 %

(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 February 27, 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 and/or statements preceded by, followed by or that include the words "believe", "will", "so we can", "when", "anticipate", "intend", "estimate", "expect", "project", "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 under "Risk Factors" in Part II, Item 1A on this Quarterly Report 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;
- 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 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;
- 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 in our Annual Report on Form 10-K for the fiscal year ended November 28, 2021 and elsewhere 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 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 Annual Report on Form 10-K for the fiscal year ended November 28, 2021.

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 February 27, 2022. Based on that evaluation, our chief executive officer and our chief financial officer concluded that as of February 27, 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*

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended November 28, 2021, which could materially adversely affect our business, financial condition, or future results. The information presented below updates, and should be read in conjunction with, the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended November 28, 2021. Otherwise, except as presented below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended November 28, 2021.

We are a global company with significant revenues and earnings generated internationally, which exposes us to the impact of foreign currency fluctuations, as well as political and economic risks.

A significant portion of our revenues and earnings are generated internationally. In addition, a substantial amount of our products comes from sources outside the country of distribution. As a result, we are both directly and indirectly (through our suppliers) subject to the risks of doing business outside the United States, including:

- currency fluctuations, which have impacted our results of operations significantly in recent years;
- political, economic and social instability;
- changes in tariffs and taxes;
- inflationary pressures;
- regulatory restrictions on our ability to operate in our preferred manner;
- rapidly changing regulatory restrictions and requirements, including in the areas of data privacy, sustainability and responses to climate change, which could result in regulatory uncertainty as well as potential significant increases in compliance costs; and
- less protective foreign laws relating to intellectual property.

For example, the recent conflict between Russia and Ukraine could lead to disruption, instability and volatility in global markets and industries that could negatively impact our business, financial condition or results of operations. The U.S. and foreign government bodies in jurisdictions in which we operate have announced targeted sanctions and export control measures and have threatened additional sanctions and export control measures, which have and could in the future result in, among other things, severe or complete restrictions on exports to and other commerce and business dealings involving Russia, certain regions of Ukraine, and/or particular entities and individuals, including in Belarus. Given these recent sanctions and export restrictions imposed by the United States and foreign government bodies, in March 2022 we temporarily suspended the majority of our commercial operations in Russia. The impact of these government measures and our temporary suspension of the majority of our operations, as well as any further retaliatory actions taken by Russia and the U.S. and foreign government bodies, is currently unknown and they could adversely affect our business, results of operations, supply chain, intellectual property, partners, customers or employees and may expose us to adverse legal proceedings in Russia in the future. Potential impacts related to the conflict could include additional unilateral or multilateral export control and sanctions measures, supply chain and logistics disruptions, adverse global economic conditions resulting from escalating geopolitical tensions and the exclusion of Russian financial institutions from the global banking system, volatility and fluctuations in foreign currency exchange rates and interest rates, inflationary pressures on raw materials and heightened cybersecurity threats, which could adversely impact our business, financial condition or results of operations.

The functional currency for most of our foreign operations is the applicable local currency. As a result, fluctuations in foreign currency exchange rates affect the results of our operations and the value of our foreign assets and liabilities, including debt, which in turn may adversely affect results of operations and cash flows and the comparability of period-to-period results of operations. Changes in foreign currency exchange rates may also affect the relative prices at which we and foreign competitors sell products in the same market. Foreign governmental policies and actions regarding currency valuation could

result in actions by the United States and other countries to offset the effects of such fluctuations. Given the unpredictability and volatility of foreign currency exchange rates, ongoing or unusual volatility may adversely impact our business and financial conditions.

Furthermore, due to our global operations, we are subject to numerous domestic and foreign laws and regulations affecting our business, such as those related to labor, employment, worker health and safety, antitrust and competition, environmental protection, consumer protection, privacy, and anti-corruption, including but not limited to the Foreign Corrupt Practices Act (the "FCPA") and the U.K. Bribery Act. Although we have put into place policies and procedures aimed at ensuring legal and regulatory compliance, our employees, subcontractors, and agents could take actions that violate these requirements. Violations of these regulations could subject us to criminal or civil enforcement actions, any of which could have an adverse effect on our business.

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	Average price paid per share[1]	Total number of shares purchased as part of publicly announced plans or programs	Approximate maximum dollar value of shares that may yet be purchased under the plans or programs
November 29, 2021 - January 2, 2022	1,622,354	$ 24.85	1,622,354	$ 71,303,571
January 3, 2022 - January 30, 2022	968,521	$ 21.78	968,521	$ 50,208,924
January 31, 2022 - February 27, 2022	445,441	$ 22.75	445,441	$ 40,074,480
Total	3,036,316	$ 23.56	3,036,316	

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

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: April 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)