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# 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 26, 2023**

**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, 2023, the registrant had 98,832,083 shares of Class A common stock, $0.001 par value per share and 297,544,679 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 (http://investors.levistrauss.com);
- 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 26, 2023 | November 27, 2022 |
|---|---|---|
| | (Dollars in millions) | |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 321.8 | $ 429.6 |
| Short-term investments in marketable securities | — | 70.6 |
| Trade receivables, net | 768.7 | 697.0 |
| Inventories | 1,335.2 | 1,416.8 |
| Other current assets | 223.2 | 213.9 |
| Total current assets | 2,648.9 | 2,827.9 |
| Property, plant and equipment, net | 625.2 | 622.8 |
| Goodwill | 369.3 | 365.7 |
| Other intangible assets, net | 285.9 | 286.7 |
| Deferred tax assets, net | 635.5 | 625.0 |
| Operating lease right-of-use assets, net | 955.0 | 970.0 |
| Other non-current assets | 354.1 | 339.7 |
| **Total assets** | $ 5,873.9 | $ 6,037.8 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Short-term debt | 162.0 | 11.7 |
| Accounts payable | 475.4 | 657.2 |
| Accrued salaries, wages and employee benefits | 168.5 | 246.7 |
| Accrued sales returns and allowances | 178.1 | 180.0 |
| Short-term operating lease liabilities | 234.0 | 235.7 |
| Other accrued liabilities | 556.2 | 650.3 |
| Total current liabilities | 1,774.2 | 1,981.6 |
| Long-term debt | 993.6 | 984.5 |
| Long-term operating lease liabilities | 838.2 | 859.1 |
| Long-term employee related benefits and other liabilities | 300.4 | 308.9 |
| Total liabilities | 3,906.4 | 4,134.1 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' Equity: | | |
| Common stock — $0.001 par value; 1,200,000,000 Class A shares authorized, 97,288,774 shares and 96,028,351 shares issued and outstanding as of February 26, 2023 and November 27, 2022, respectively; and 422,000,000 Class B shares authorized, 299,087,988 shares and 297,703,442 shares issued and outstanding, as of February 26, 2023 and November 27, 2022, respectively | 0.4 | 0.4 |
| Additional paid-in capital | 627.2 | 625.6 |
| Accumulated other comprehensive loss | (418.5) | (421.7) |
| Retained earnings | 1,758.4 | 1,699.4 |
| Total stockholders' equity | 1,967.5 | 1,903.7 |
| **Total liabilities and stockholders' equity** | $ 5,873.9 | $ 6,037.8 |

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 26, 2023 | February 27, 2022 |
| | (Dollars in millions, except per share amounts) (Unaudited) | |
| Net revenues | $ 1,688.9 | $ 1,591.6 |
| Cost of goods sold | 746.6 | 648.0 |
| Gross profit | 942.3 | 943.6 |
| Selling, general and administrative expenses | 784.9 | 709.4 |
| Operating income | 157.4 | 234.2 |
| Interest expense | (10.7) | (4.2) |
| Other (expense) income, net | (7.5) | 15.9 |
| Income before income taxes | 139.2 | 245.9 |
| Income tax expense | 24.5 | 50.1 |
| Net income | $ 114.7 | $ 195.8 |
| Earnings per common share attributable to common stockholders: | | |
| Basic | $ 0.29 | $ 0.49 |
| Diluted | $ 0.29 | $ 0.48 |
| Weighted-average common shares outstanding: | | |
| Basic | 395,956,182 | 399,445,106 |
| Diluted | 400,360,529 | 407,017,092 |

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 26, 2023 | February 27, 2022 |
| | (Dollars in millions) (Unaudited) | |
| Net income | $ 114.7 | $ 195.8 |
| Other comprehensive income (loss), before related income taxes: | | |
| Pension and postretirement benefits | 2.3 | 2.2 |
| Derivative instruments | (24.8) | (4.2) |
| Foreign currency translation gains (losses) | 28.1 | (11.1) |
| Unrealized gains (losses) on marketable securities | 0.7 | (6.0) |
| Total other comprehensive income (loss), before related income taxes | 6.3 | (19.1) |
| Income tax (expense) benefit related to items of other comprehensive income (loss) | (3.1) | 2.1 |
| Comprehensive income, net of income taxes | $ 117.9 | $ 178.8 |

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 26, 2023 | | | | |
|---|---|---|---|---|---|
| | Class A & Class B Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
| | | | (Dollars in millions) (Unaudited) | | |
| **Balance at November 27, 2022** | $ 0.4 | $ 625.6 | $ 1,699.4 | $ (421.7) | $ 1,903.7 |
| Net income | — | — | 114.7 | — | 114.7 |
| Other comprehensive income, net of tax | — | — | — | 3.2 | 3.2 |
| Stock-based compensation and dividends, net | — | 17.6 | — | — | 17.6 |
| Employee stock purchase plan | — | 2.6 | — | — | 2.6 |
| Repurchase of common stock | — | — | (8.1) | — | (8.1) |
| Tax withholdings on equity awards | — | (18.6) | — | — | (18.6) |
| Cash dividends declared ($0.12 per share) | — | — | (47.6) | — | (47.6) |
| **Balance at February 26, 2023** | $ 0.4 | $ 627.2 | $ 1,758.4 | $ (418.5) | $ 1,967.5 |

| | 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 millions) (Unaudited) | | |
| **Balance at November 28, 2021** | $ 0.4 | $ 584.8 | $ 1,474.9 | $ (394.4) | $ 1,665.7 |
| Net Income | — | — | 195.8 | — | 195.8 |
| Other comprehensive loss, net of tax | — | — | — | (17.0) | (17.0) |
| Stock-based compensation and dividends, net | — | 14.1 | — | — | 14.1 |
| Employee stock purchase plan | — | 2.3 | — | — | 2.3 |
| Repurchase of common stock | — | — | (71.6) | — | (71.6) |
| Tax withholdings on equity awards | — | (25.8) | — | — | (25.8) |
| Cash dividends declared ($0.10 per share) | — | — | (39.9) | — | (39.9) |
| **Balance at February 27, 2022** | $ 0.4 | $ 575.4 | $ 1,559.2 | $ (411.4) | $ 1,723.6 |

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 26, 2023 | February 27, 2022 |
| | (Dollars in millions) (Unaudited) | |
| **Cash Flows from Operating Activities:** | | |
| Net income | $ 114.7 | $ 195.8 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 39.6 | 38.9 |
| Property, plant, equipment impairment, and early lease terminations, net | 14.9 | — |
| Stock-based compensation | 17.6 | 14.1 |
| (Benefit from) provision for deferred income taxes | (7.9) | 19.0 |
| Other, net | (2.8) | 0.2 |
| Net change in operating assets and liabilities | (336.9) | (181.9) |
| Net cash (used for) provided by operating activities | (160.8) | 86.1 |
| **Cash Flows from Investing Activities:** | | |
| Purchases of property, plant and equipment | (110.9) | (73.6) |
| Proceeds on settlement of forward foreign exchange contracts not designated for hedge accounting | 21.0 | 3.1 |
| Payments to acquire short-term investments | — | (28.0) |
| Proceeds from sale, maturity and collection of short-term investments | 70.8 | 20.3 |
| Net cash used for investing activities | (19.1) | (78.2) |
| **Cash Flows from Financing Activities:** | | |
| Proceeds from senior revolving credit facility | 150.0 | — |
| Repurchase of common stock | (8.1) | (74.2) |
| Tax withholdings on equity awards | (18.6) | (25.8) |
| Dividend to stockholders | (47.6) | (39.9) |
| Other financing, net | 2.1 | 0.6 |
| Net cash provided by (used for) financing activities | 77.8 | (139.3) |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (5.7) | (0.5) |
| Net decrease in cash and cash equivalents and restricted cash | (107.8) | (131.9) |
| Beginning cash and cash equivalents, and restricted cash | 430.0 | 810.6 |
| **Ending cash and cash equivalents, and restricted cash** | 322.2 | 678.7 |
| Less: Ending restricted cash | (0.4) | (0.3) |
| **Ending cash and cash equivalents** | $ 321.8 | $ 678.4 |
| | | |
| **Noncash Investing Activity:** | | |
| Property, plant and equipment acquired and not yet paid at end of period | $ 39.3 | $ 25.7 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for income taxes during the period, net of refunds | 1.7 | 6.5 |

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

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

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

### 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 27, 2022, included in the Company's 2022 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 26, 2023 may not be indicative of the results to be expected for any other interim period or the year ending November 26, 2023.

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 2023 and 2022 consists of 13 weeks. All references to years and quarters relate to fiscal years and quarters rather than calendar years and quarters.

### 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.

### 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 $7.2 million and $7.5 million as of February 26, 2023 and November 27, 2022, 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 $1.2 billion as of February 26, 2023 and November 27, 2022, respectively.

In the first quarter of 2023, the Company recorded $18.6 million in charges primarily relate to the impairment of capitalized internal-use software, as a result of the decision to discontinue certain technology projects in connection with the overall restructuring initiative. For more on the restructuring, refer to Note 7. The impairment charges are included in selling, general and administrative expenses ("SG&A") in the accompanying consolidated statements of income.

**Share Repurchases**

During the three months ended February 26, 2023, the Company repurchased 0.5 million shares for $8.1 million, plus broker's commissions, in the open market. This equates to an average repurchase price of approximately $17.97 per share. During the three months ended February 27, 2022, the Company repurchased 3.0 million shares 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.

**Reclassification**

Certain amounts on the consolidated balance sheets and statements of cash flow have been conformed to the February 26, 2023 presentation.

**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 2022 Annual Report on Form 10-K.

## NOTE 2: INVENTORIES

The following table presents the Company's inventory balances:

| | February 26, 2023 | November 27, 2022 |
|---|---|---|
| | (Dollars in millions) | |
| Raw materials | $ 13.7 | $ 12.3 |
| Work-in-progress | 2.9 | 4.7 |
| Finished goods | 1,318.6 | 1,399.8 |
| Total inventories | $ 1,335.2 | $ 1,416.8 |

## NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

| | February 26, 2023 | | | November 27, 2022 | | |
|---|---|---|---|---|---|---|
| | | 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 millions) | | | | | |
| **Financial assets carried at fair value** | | | | | | |
| Rabbi trust assets | $ 72.1 | $ 72.1 | $ — | $ 71.5 | $ 71.5 | $ — |
| Short-term investments in marketable securities | — | — | — | 70.6 | — | 70.6 |
| Derivative instruments[3] | 11.9 | — | 11.9 | 21.5 | — | 21.5 |
| Total | $ 84.0 | $ 72.1 | $ 11.9 | $ 163.6 | $ 71.5 | $ 92.1 |
| **Financial liabilities carried at fair value** | | | | | | |
| Derivative instruments[3] | 21.1 | — | 21.1 | 8.1 | — | 8.1 |
| Total | $ 21.1 | $ — | $ 21.1 | $ 8.1 | $ — | $ 8.1 |

(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 marketable equity 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:

| | November 27, 2022 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| | (Dollars in millions) | | | |
| **Available for sale investments** | | | | |
| Short-term investments in marketable securities | $ 71.1 | $ 0.3 | $ (0.8) | $ 70.6 |

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 26, 2023 | | November 27, 2022 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| | (Dollars in millions) | | | |
| **Financial liabilities carried at adjusted historical cost** | | | | |
| 3.375% senior notes due 2027[(1)] | $ 507.0 | $ 482.0 | $ 493.9 | $ 461.4 |
| 3.50% senior notes due 2031[(1)] | 502.6 | 408.7 | 498.1 | 404.3 |
| Short-term borrowings | 162.8 | 162.8 | 11.7 | 11.7 |
| Total | $ 1,172.4 | $ 1,053.5 | $ 1,003.7 | $ 877.4 |

(1) Fair values are estimated using Level 2 inputs and incorporate mid-market price quotes. Level 2 inputs are inputs other than quoted prices, that are observable for the liability, either directly or indirectly and include among other things, quoted prices for similar liabilities in markets that are active or inactive as well as inputs other than quoted prices that are observable.

## NOTE 4: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

### Designated Cash Flow Hedges

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

### Net Investment Hedges

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

### Non-designated Cash Flow Hedges

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

As of February 26, 2023, the Company had forward foreign exchange contracts derivatives that were not designated as hedges in qualifying hedging relationships, of which $993.9 million were contracts to buy and $645.9 million were contracts to sell various foreign currencies. These contracts are at various exchange rates and expire at various dates through May 2024.

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

| | February 26, 2023 | | | November 27, 2022 | | |
|---|---|---|---|---|---|---|
| | Assets Carrying Value | (Liabilities) Carrying Value | Derivative Net Carrying Value | Assets Carrying Value | (Liabilities) Carrying Value | Derivative Net Carrying Value |
| | (Dollars in millions) | | | | | |
| **Derivatives designated as hedging instruments** | | | | | | |
| Foreign exchange risk cash flow hedges[1] | $ 8.2 | $ — | $ 8.2 | $ 15.6 | $ — | $ 15.6 |
| Foreign exchange risk cash flow hedges[2] | — | (14.9) | (14.9) | — | (7.2) | (7.2) |
| Total | $ 8.2 | $ (14.9) | | $ 15.6 | $ (7.2) | |
| **Derivatives not designated as hedging instruments** | | | | | | |
| Forward foreign exchange contracts[1] | $ 11.9 | $ (8.2) | $ 3.7 | $ 21.5 | $ (15.6) | $ 5.9 |
| Forward foreign exchange contracts[2] | 14.9 | (21.1) | (6.2) | 7.2 | (8.1) | (0.9) |
| Total | $ 26.8 | $ (29.3) | | $ 28.7 | $ (23.7) | |
| **Non-derivatives designated as hedging instruments** | | | | | | |
| Euro senior notes | $ — | $ (503.2) | | $ — | $ (494.5) | |

(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 26, 2023 | | | November 27, 2022 | | |
|---|---|---|---|---|---|---|
| | 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 millions) | | | | | |
| **Foreign exchange risk contracts and forward foreign exchange contracts** | | | | | | |
| Financial assets | $ 35.0 | $ (22.1) | $ 12.9 | $ 44.3 | $ (14.6) | $ 29.7 |
| Financial liabilities | (44.2) | 22.1 | (22.1) | (30.9) | 14.6 | (16.3) |
| Total | | | $ (9.2) | | | $ 13.4 |

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

| | Amount of Gain (Loss) Recognized in AOCL (Effective Portion) | | Amount of Gain (Loss) Reclassified from AOCL into Net Income[1] | |
|---|---|---|---|---|
| | | | Three Months Ended | |
| | As of February 26, 2023 | As of November 27, 2022 | February 26, 2023 | February 27, 2022 |
| | (Dollars in millions) | | | |
| Foreign exchange risk contracts | $ 6.4 | $ 22.6 | $ 11.1 | $ 0.6 |
| Realized forward foreign exchange swaps [2] | 4.6 | 4.6 | — | — |
| Yen-denominated Eurobonds | (19.8) | (19.8) | — | — |
| Euro-denominated senior notes | (16.1) | (7.4) | — | — |
| Cumulative income taxes | 12.5 | 7.2 | — | — |
| Total | $ (12.4) | $ 7.2 | | |

(1) Amounts reclassified from AOCL were classified as net revenues and cost of goods sold on the Company's 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 26, 2023. Within the next 12 months, a $8.1 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 26, 2023 | February 27, 2022 |
| | (Dollars in millions) | |
| **Amount of Gain (Loss) on Cash Flow Hedge Activity** | | |
| Net revenues | $ 1.6 | $ (0.9) |
| Cost of goods sold | $ 9.5 | $ 1.5 |

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

| | Three Months Ended | |
|---|---|---|
| | February 26, 2023 | February 27, 2022 |
| | (Dollars in millions) | |
| Realized loss | $ 9.4 | $ (1.4) |
| Unrealized gain | (5.6) | 3.7 |
| Total | $ 3.8 | $ 2.3 |

## NOTE 5: OTHER ACCRUED LIABILITIES

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

| | February 26, 2023 | November 27, 2022 |
|---|---|---|
| | (Dollars in millions) | |
| **Other accrued liabilities** | | |
| Accrued non-trade payables | $ 185.9 | $ 268.4 |
| Accrued advertising and promotion | 55.8 | 57.1 |
| Taxes other than income taxes payable | 48.6 | 53.2 |
| Accrued property, plant and equipment | 39.3 | 93.3 |
| Accrued income taxes | 35.1 | 13.1 |
| Fair value derivatives | 21.0 | 7.5 |
| Restructuring liabilities | 19.4 | 9.8 |
| Accrued interest payable | 17.3 | 8.0 |
| Accrued rent | 9.1 | 9.1 |
| Other | 124.7 | 130.8 |
| Total other accrued liabilities | $ 556.2 | $ 650.3 |

## NOTE 6: DEBT

The following table presents the Company's debt:

| | February 26, 2023 | November 27, 2022 |
|---|---|---|
| | (Dollars in millions) | |
| **Long-term debt** | | |
| Unsecured: | | |
| 3.375% senior notes due 2027 | $ 499.6 | $ 490.6 |
| 3.50% senior notes due 2031 | 494.0 | 493.9 |
| Total long-term debt | $ 993.6 | $ 984.5 |
| **Short-term debt** | | |
| Secured: | | |
| Senior revolving credit facility | $ 150.0 | $ — |
| Unsecured: | | |
| Short-term borrowings | 12.0 | 11.7 |
| Total short-term debt | $ 162.0 | $ 11.7 |
| Total debt | $ 1,155.6 | $ 996.2 |

**Senior Revolving Credit Facility**

The Company's unused availability under the Credit Facility was $835.1 million at February 26, 2023, as the Company's total availability of $850.0 million was reduced by $14.9 million of letters of credit and other credit usage allocated under the Credit Facility. On February 27, 2023, subsequent to quarter end, the Company borrowed an additional $50.0 million under its Credit Facility for total outstanding $200.0 million.

**Interest Rates on Borrowings**

The Company's weighted-average interest rate on average borrowings outstanding during the three months ended February 26, 2023 was 3.86%, as compared to 3.83% during the same period of 2022.

## NOTE 7: RESTRUCTURING ACTIVITIES

In the fourth quarter of 2022, the Company began a restructuring initiative designed to reduce costs and streamline operations in support of enterprise prioritization efforts. The plan is expected to continue through 2023 and will include further prioritization, cost reductions, and organizational changes.

For the three-month period ended February 26, 2023, the Company recognized net restructuring charges of $11.4 million, which primarily relate to severance benefits, based on separation benefits provided by Company policy or statutory benefit plans. The Company also recognized $18.2 million in charges related to the impairment of capitalized internal-use software, as a result of the decision to discontinue certain technology projects. Both charges were recorded in SG&A in the accompanying consolidated statements of income.

For the three-month period ended February 27, 2022, the Company recognized a net reduction in restructuring charges of $2.0 million, which was recorded in SG&A in the accompanying consolidated statements of income. The charges represent revisions of estimates around severance and employee-related benefits in relation to the previous restructuring initiative.

## NOTE 8: 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 26, 2023, 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.

**NOTE 9: DIVIDENDS**

Dividends are declared at the discretion of the Board. In January 2023 and 2022, the Company declared cash dividends of $0.12 and $0.10 per share, respectively, to holders of record of its Class A and Class B common stock. Dividends in the amount of $47.6 million and $39.9 million, respectively, were paid out during the three months ended February 26, 2023 and February 27, 2022.

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

Subsequent to the Company's quarter end, a cash dividend of $0.12 per share was declared to holders of record of its Class A and Class B common stock at the close of business on May 4, 2023, for a total quarterly dividend of approximately $47 million.

## NOTE 10: ACCUMULATED OTHER COMPREHENSIVE LOSS

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

| | Three Months Ended February 26, 2023 | | | | |
|---|---|---|---|---|---|
| | | Translation Adjustments | | | |
| | Pension and Postretirement Benefits[1] | Derivative Instruments[2] | Foreign Currency Translation | Unrealized (Loss) Gain on Marketable Securities[1] | Total |
| | (Dollars in millions) | | | | |
| **Accumulated other comprehensive (loss) income at November 27, 2022** | $ (179.5) | $ 7.2 | $ (248.7) | $ (0.7) | $ (421.7) |
| Other comprehensive income (loss) before reclassifications | (0.5) | (8.5) | 20.3 | 0.1 | 11.4 |
| Amounts reclassified from accumulated other comprehensive income (loss) | 2.3 | (11.1) | — | 0.6 | (8.2) |
| Net increase (decrease) in other comprehensive income (loss) | 1.8 | (19.6) | 20.3 | 0.7 | 3.2 |
| **Accumulated other comprehensive (loss) income at February 26, 2023** | $ (177.7) | $ (12.4) | $ (228.4) | $ — | $ (418.5) |

| | Three Months Ended February 27, 2022 | | | | |
|---|---|---|---|---|---|
| | | Translation Adjustments | | | |
| | Pension and Postretirement Benefits[1] | Derivative Instruments[2] | Foreign Currency Translation | Unrealized Gain (Loss) on Marketable Securities[1] | Total |
| | (Dollars in millions) | | | | |
| **Accumulated other comprehensive (loss) income at November 28, 2021** | $ (195.5) | $ (20.9) | $ (196.8) | $ 18.8 | $ (394.4) |
| Other comprehensive income (loss) before reclassifications | (0.5) | (2.5) | (10.9) | (4.7) | (18.6) |
| Amounts reclassified from accumulated other comprehensive income (loss) | 2.2 | (0.6) | — | — | 1.6 |
| Net increase (decrease) in other comprehensive income (loss) | 1.7 | (3.1) | (10.9) | (4.7) | (17.0) |
| **Accumulated other comprehensive (loss) income at February 27, 2022** | $ (193.8) | $ (24.0) | $ (207.7) | $ 14.1 | $ (411.4) |

(1) Amounts reclassified were recorded in other (expense) income, net.

(2) Amounts reclassified were recorded within net revenues and cost of goods sold. For more information, refer to Note 4.

## NOTE 11: NET REVENUES

### Disaggregated Revenue

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

| | Three Months Ended February 26, 2023 | | | | |
|---|---|---|---|---|---|
| | Levi's Brands | | | | |
| | Americas | Europe | Asia | Other Brands | Total |
| | | | (Dollars in millions) | | |
| **Net revenues by channel:** | | | | | |
| Wholesale | $ 530.6 | $ 244.1 | $ 134.0 | $ 76.2 | $ 984.9 |
| Direct-to-consumer | 292.4 | 211.0 | 155.5 | 45.1 | 704.0 |
| Total net revenues | $ 823.0 | $ 455.1 | $ 289.5 | $ 121.3 | $ 1,688.9 |

| | Three Months Ended February 27, 2022 | | | | |
|---|---|---|---|---|---|
| | Levi's Brands | | | | |
| | Americas | Europe | Asia | Other Brands | Total |
| | | | (Dollars in millions) | | |
| **Net revenues by channel:** | | | | | |
| Wholesale | $ 510.8 | $ 265.7 | $ 122.8 | $ 63.8 | $ 963.1 |
| Direct-to-consumer | 255.1 | 203.7 | 135.6 | 34.1 | 628.5 |
| Total net revenues | $ 765.9 | $ 469.4 | $ 258.4 | $ 97.9 | $ 1,591.6 |

The Company did not have any material contract assets or contract liabilities recorded in the consolidated balance sheets as of February 26, 2023 and November 27, 2022.

## NOTE 12: OTHER (EXPENSE) INCOME, NET

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

| | Three Months Ended | |
|---|---|---|
| | February 26, 2023 | February 27, 2022 |
| | (Dollars in millions) | |
| Foreign exchange management gains[1] | $ 3.8 | $ 2.3 |
| Foreign currency transaction losses[2] | (10.6) | (2.2) |
| Marketable securities losses[3] | (1.1) | — |
| COVID-19 government subsidy gain[4] | — | 12.5 |
| Other, net | 0.4 | 3.3 |
| Total other (expense) income, net | $ (7.5) | $ 15.9 |

(1) Gains on forward foreign exchange contracts primarily result 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. Losses in the three-month period ended February 26, 2023 were primarily due to U.S. Dollar weakening against the Euro and the Mexican Peso.

(3) Marketable securities losses includes unrealized gains and losses from marketable equity securities held in an irrevocable grantor’s Rabbi trust in connection with the Company's deferred compensation plan.

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

## NOTE 13: INCOME TAXES

The Company's effective income tax rate was 17.6% for the three months ended February 26, 2023, compared to 20.4% for the same prior-year period. The lower effective tax rate in the current period is driven by higher tax benefits from incentive tax deductions related to intellectual property income, and the reversal of deferred tax liabilities on a foreign branch as a result of newly-effective U.S. foreign tax credit regulations, partially offset by the impact of non-deductible executive compensation, which became effective in 2023.

## NOTE 14: 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 26, 2023 | February 27, 2022 |
| | (Dollars in millions, except per share amounts) | |
| Numerator: | | |
| Net income | $ 114.7 | $ 195.8 |
| Denominator: | | |
| Weighted-average common shares outstanding - basic | 395,956,182 | 399,445,106 |
| Dilutive effect of stock awards | 4,404,347 | 7,571,986 |
| Weighted-average common shares outstanding - diluted | 400,360,529 | 407,017,092 |
| Earnings per common share attributable to common stockholders: | | |
| Basic | $ 0.29 | $ 0.49 |
| Diluted | $ 0.29 | $ 0.48 |
| Anti-dilutive securities excluded from calculation of diluted earnings per share attributable to common stockholders | 5,507,675 | 1,192,463 |

## NOTE 15: RELATED PARTIES

Charles V. Bergh, President and Chief Executive Officer is a member of the board of directors of the Levi Strauss Foundation, which is not a consolidated entity of the Company. Seth R. Jaffe, Executive Vice President and Chief Legal Officer, is Vice President of the Levi Strauss Foundation. During the three months ended February 26, 2023, the Company donated $9.8 million to the Levi Strauss Foundation as compared to $11.4 million for the same prior-year period.

## NOTE 16: BUSINESS SEGMENT INFORMATION

The Company manages its business according to three reportable segments: Americas, Europe, and Asia, collectively comprising the Company's Levi's Brands business, which includes Levi's®, Signature by Levi Strauss & Co.™ and Denizen® brands. Other Brands, which includes Dockers® and Beyond Yoga® businesses do not meet the quantitative thresholds for reportable segments and therefore are presented under the caption of Other Brands.

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 26, 2023 | February 27, 2022 |
| | (Dollars in millions) | |
| Net revenues: | | |
| Americas | $ 823.0 | $ 765.9 |
| Europe | 455.1 | 469.4 |
| Asia | 289.5 | 258.4 |
| Other Brands | 121.3 | 97.9 |
| Total net revenues | $ 1,688.9 | $ 1,591.6 |
| Operating income: | | |
| Americas | $ 134.6 | $ 177.8 |
| Europe | 117.4 | 136.8 |
| Asia | 53.7 | 43.6 |
| Other Brands | 3.4 | 9.6 |
| Restructuring charges, net | (11.4) | 2.0 |
| Corporate expenses | (140.3) | (135.6) |
| Total operating income | 157.4 | 234.2 |
| Interest expense | (10.7) | (4.2) |
| Other (expense) income, net | (7.5) | 15.9 |
| Income before income taxes | $ 139.2 | $ 245.9 |

## 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 27, 2022, filed with the Securities and Exchange Commission on January 25, 2023. 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 2022 and 2023 below in this section are references to our fiscal years ending in November 2022 and 2023, respectively. See "-Financial Information Presentation."*

This Management's Discussion and Analysis of Financial Condition and Results of Operations is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results.

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, activewear, 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.™, Denizen® and Beyond Yoga® brands. We service consumers through our global infrastructure, developing, sourcing, and marketing our products around the world.

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 26, 2023, our products were sold in approximately 50,000 retail locations in more than 110 countries, including approximately 3,200 brand-dedicated stores and shop-in-shops. As of February 26, 2023, we had 1,092 company-operated stores located in 37 countries and approximately 550 company-operated shop-in-shops. The remainder of our brand-dedicated stores and shop-in-shops were operated by franchisees and other partners.

Across all of our brands, pants – including jeans, casual pants, dress pants, shorts, skirts and activewear – represented 68% and 67% of our total units sold in the first three months of 2023 and 2022, respectively. Tops – including shirts, sweaters, jackets, dresses and jumpsuits – represented 25% of our total units sold in the first three months of both 2023 and 2022. The remainder of our products are footwear and accessories. Men's products generated 64% and 65% of our net revenues in the first three months of 2023 and 2022, respectively. Women's products generated 35% and 34% of our net revenues in the first three months of 2023 and 2022, respectively. The remainder of our products are non-gendered. Products other than denim bottoms – which include tops, footwear and accessories and pants excluding jeans – represented 38% of our net revenues in the first three months of both 2023 and 2022.

Our Europe and Asia businesses, collectively, contributed 44% of our net revenues and 55% of our segment operating income in the first three months of 2023, as compared to 46% of our net revenues and 49% of our segment operating income in the same period in 2022. Revenues from our international business, which includes our Europe and Asia segments, as well as Canada and Latin America from our Americas segment, was 56% in the first three months of both 2023 and 2022. Sales of Levi's® brand products represented 87% of our total net sales in the first three months of both 2023 and 2022.

Our wholesale channel generated 58% and 61% of our net revenues in the first three months of 2023 and 2022, respectively. Our DTC channel generated 42% and 39% of our net revenues in the first three months of 2023 and 2022, respectively, with sales through our company operated e-commerce sites representing 22% of DTC channel net revenues in the first three months of both 2023 and 2022, and 9% of total net revenues in the first three months of both 2023 and 2022.

***Impact of Russia-Ukraine Crisis on our Business***

As a result of Russia's invasion of Ukraine, we suspended our business initiatives and the majority of our commercial activity in Russia and Ukraine in the second quarter of 2022, including closing the majority of our company-operated stores in Russia, as well as suspending shipments to our wholesale and licensing customers in Russia and Ukraine. Since then, we have closed all company-operated stores and ceased substantially all commercial activity in Russia. As a result, net revenues in Russia declined during the three months ended February 26, 2023 and represented approximately 1% of our total net revenues in the current quarter as compared to 2% of our total net revenues in the prior year.

For the three months ended February 26, 2023, the results of operations for our businesses in Russia and Ukraine were not material to our consolidated financial statements. On a constant currency basis, net revenues in our Europe segment were negatively impacted by approximately $16 million as compared to the prior year as of result of the decreased activities in Russia.

There is still uncertainty regarding the extent to which the war and its broader macroeconomic implications, will impact our Europe segment and overall business, financial condition and results of operations. For additional information, see the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended November 27, 2022.

***Supply Chain and U.S. Distribution Center Capacity Constraints***

The elevated inventory levels within our U.S. distribution centers that we experienced during the latter half of 2022 have eased in the first quarter of 2023, and our inventory levels have begun to normalize. Compared to the first quarter of 2022, inventory increased 21% on a unit basis. As compared to the same quarters in the prior year, this quarter our inventory levels have increased 33% whereas in the fourth quarter of 2022, we had inventory growth of 58%. The 25 points of sequential improvement was largely due to deliberate actions taken during the quarter including reducing receipts and clearing inventory in the U.S.

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

***Effects of Inflation***

Inflationary pressures have negatively impacted our revenue, operating margins and net income in both of the three-month periods ended February 26, 2023 and February 27, 2022, including increased costs of labor and products. In an effort to mitigate the effect of higher costs, we implemented price increases on many of our products in 2022, although, the impact of price increases on consumer demand and on our business and results of operations is uncertain. If these inflationary pressures continue, our revenue, gross and operating margins and net income may be impacted for the remainder of 2023.

***Impact of COVID-19 on Our Business***

The COVID-19 pandemic continues to have a lingering affect our business and results of operations, although to a lesser extent than in prior years. In December 2022, the strict lockdowns and zero-tolerance policy shutdowns in China were lifted, although COVID-19 outbreaks continued to impact the country throughout December. By January 2023, all of our company-operated stores in China were open and operating, and traffic was improving. Across the rest of our markets, most of our company-operated stores and wholesale customer doors were open during both periods.

***Other Factors Affecting Our Business***

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

- Inflation and other macroeconomic pressures in the U.S. and the global economy such as rising interest rates, energy prices and recession fears are creating a complex and challenging retail environment for us and our customers as consumers reduce discretionary spending. A decline in consumer spending, for any reason, could have an adverse effect on our revenues, operating margins and net income. Inabilities to appropriately forecast consumer demand could lead to elevated inventory levels both with us and our customers, resulting in fewer full-priced sales and a more promotional environment. Additionally, elevated inventory levels, combined with the uneven flow of receipts and shipments could cause further capacity pressures within our U.S. distribution centers, resulting in higher costs and limiting our ability to fulfill our customer's demand. These trends may impact our financial results, affecting inventory, revenue, operating margins and net income.
- Consumer expectations and related competitive pressures have increased and are expected to continue to increase relative to various aspects of our e-commerce business, including speed of product delivery, shipping charges, return privileges, and other evolving expectations. We continue to invest in our online platforms, information systems, digital, data and AI capabilities, as well as in personnel to support the creation of a fully integrated omni-channel shopping experience. There can be no assurance that we will be able to successfully meet these expectations which may impact our financial results.
- The diversification of our business model across geographies, channels, brands, and categories affects our gross margin. For example, if our sales in higher gross margin geographies, channels, brands and categories grow at a faster rate than in our lower gross margin business geographies, channels, brands and categories, we would expect a favorable impact to aggregate gross margin over time. Gross margin in our Europe segment is generally higher than in our Americas and Asia segments. DTC sales generally have higher gross margins than sales through third parties, although DTC sales also typically have higher selling expenses. Value brands, which are focused on the value-conscious consumer, generally generate lower gross margin. Enhancements to our existing product offerings, or our expansion into new brands and products categories, may also impact our future gross margin.
- Foreign currencies continue to be volatile. Significant fluctuations of the U.S. Dollar against various foreign currencies, including the Euro and British Pound, may negatively impact our financial results, revenue, operating margins and net income.
- The current domestic and international political environment, including volatile trade relations, the conflict involving Russia and Ukraine, and civil unrest taking place in certain parts of the world have resulted in uncertainty surrounding the future state of the global economy. There is greater uncertainty with respect to potential changes in trade regulations, sanctions and export controls which also increase volatility in the global economy. Such changes may require us to modify our current sourcing practices, which may impact our product costs, and, if not mitigated, could have a material adverse effect on our business and results of operations.
- There continues to be uncertainty with respect to potential changes in tax laws and regulations. Proposals to reform U.S. and foreign tax laws, including a 15% global minimum tax, could significantly impact how we are taxed on our U.S. and foreign earnings. If enacted into law, these types of tax law changes may have an adverse impact on our effective tax rate, income tax expense and cash flows.
- As climate change evolves, we expect an increase in both the frequency and severity of seasonal and severe weather events, which may affect our consumer traffic and demand, as well as the activities of our suppliers, manufacturers, and customers. Weather events, such as droughts, heatwaves, floods, wildfires and winter storms could impact store traffic and conversion as the timing for seasonal products may be unpredictable. Additionally, weather events could impact the cost or availability of raw materials integral to our products such as cotton.
- There has been increased focus from our stakeholders, including consumers, employees and investors, and more recently regulatory organizations on corporate environmental, social, and governance (“ESG”) practices, including practices related to the causes and impacts of climate change. We expect that stakeholder expectations with respect

to ESG practices will continue to evolve rapidly, which may necessitate additional resources to monitor, report on, and adjust our operations.

- Wholesaler/retailer dynamics and wholesale channels remain challenged by mixed growth prospects due to increased competition from e-commerce shopping, pricing transparency enabled by the proliferation of online technologies, and vertically-integrated specialty stores. Retailers, including our top customers, have in the past and may in the future decide to consolidate, undergo restructurings or rationalize their stores, which could result in a reduction in the number of stores that carry our products.

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

For additional information regarding these risks, as well as other risks we face, see the risk factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended November 27, 2022.

***Seasonality of Sales***

We typically achieve our largest quarterly revenues in the fourth quarter. In fiscal year 2022, our net revenues in the first, second, third and fourth quarters represented 26%, 24%, 24% and 26%, respectively, of our total net revenues for the year.

During the first quarter of 2023, we accelerated wholesale shipments typically made in the second quarter of 2023, mostly in preparation for the implementation of a new U.S. ERP in second quarter of 2023. As a result, we estimate that approximately $100 million of corresponding net revenues shifted from the second quarter to the first quarter of 2023.

***Our First Quarter 2023 Results***

- *Net revenues.* Consolidated net revenues increased 6.1% on a reported basis and 8.8% on a constant-currency basis compared to the first quarter of 2022. Excluding the effects of currency, the increase was driven by growth across all segments as a result of higher units and average unit selling prices, with a large portion of the growth coming from both our DTC and international businesses.
- *Operating income*. Compared to the first quarter of 2022, consolidated operating income decreased 32.8% to $157.4 million from $234.2 million. The decrease is due to lower gross margins and higher SG&A expenses in the current year. As a result, operating margin was 9.3%, 540 basis points lower than the first quarter of 2022.
- *Net income.* Compared to the first quarter of 2022, consolidated net income of $114.7 million decreased from $195.8 million. The decrease is driven by lower operating income described above.
- *Adjusted EBIT.* Compared to the first quarter of 2022, Adjusted EBIT decreased 22.1% to $185.3 million from $237.9 million. The decrease is due to a lower Adjusted gross margin as well as higher Adjusted SG&A expenses in the current year. As a result, Adjusted EBIT margin was 11.0%, 390 basis points lower than the first quarter of 2022 on a reported basis, and 380 basis points lower on a constant-currency basis.
- *Adjusted net income.* Compared to the first quarter of 2022, Adjusted net income decreased 28.7% to $134.9 million from $189.2 million. The decrease is due to lower Adjusted EBIT as described above.
- *Diluted earnings per share.* Compared to the first quarter of 2022, diluted earnings per share decreased to $0.29 from $0.48 due to the lower net income described above.
- *Adjusted diluted earnings per share.* Compared to the first quarter of 2022, Adjusted diluted earnings per share decreased to $0.34 from $0.46, mainly due to the lower Adjusted net income described above. Currency translation unfavorably affected Adjusted diluted earnings per share by $0.01.
- *Inventory.* Compared to the first quarter of 2022, total inventories increased 33% on a dollar basis, whereas in the fourth quarter of 2022, we had inventory growth of 58%. The 25 points of sequential improvement was largely due to the deliberate actions taken during the quarter including reducing receipts and clearing excess inventory in the U.S.

For more information on our calculation of Adjusted EBIT, Adjusted net income, and Adjusted diluted earnings per share, non-GAAP financial measures and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP, see "– Non-GAAP Financial Measures."

***Financial Information Presentation***

*Fiscal year*. We use a 52- or 53- week fiscal year, with each fiscal year ending on the Sunday in November that is closest to November 30 of that year. Certain of our foreign subsidiaries have fiscal years ending November 30. Each fiscal year generally consists of four 13-week quarters, with each quarter ending on the Sunday that is closest to the last day of the last month of that quarter. Each quarter of fiscal years 2023 and 2022 consists of 13 weeks.

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

*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**

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 26, 2023 | February 27, 2022 | % Increase (Decrease) | February 26, 2023 % of Net Revenues | February 27, 2022 % of Net Revenues |
| | (Dollars and shares in millions, except per share amounts) | | | | |
| Net revenues | $ 1,688.9 | $ 1,591.6 | 6.1 % | 100.0 % | 100.0 % |
| Cost of goods sold | 746.6 | 648.0 | 15.2 % | 44.2 % | 40.7 % |
| Gross profit | 942.3 | 943.6 | (0.1)% | 55.8 % | 59.3 % |
| Selling, general and administrative expenses | 784.9 | 709.4 | 10.6 % | 46.5 % | 44.6 % |
| Operating income | 157.4 | 234.2 | (32.8)% | 9.3 % | 14.7 % |
| Interest expense | (10.7) | (4.2) | (154.8)% | (0.6)% | (0.3)% |
| Other (expense) income, net | (7.5) | 15.9 | (147.2)% | (0.4)% | 1.0 % |
| Income before income taxes | 139.2 | 245.9 | (43.4)% | 8.2 % | 15.4 % |
| Income tax expense | 24.5 | 50.1 | (51.1)% | 1.5 % | 3.1 % |
| Net income | $ 114.7 | $ 195.8 | (41.4)% | 6.8 % | 12.3 % |
| Earnings per common share attributable to common stockholders: | | | | | |
| Basic | $ 0.29 | $ 0.49 | (40.8)% | * | * |
| Diluted | $ 0.29 | $ 0.48 | (39.6)% | * | * |
| Weighted-average common shares outstanding: | | | | | |
| Basic | 396.0 | 399.4 | (0.9)% | * | * |
| Diluted | 400.4 | 407.0 | (1.6)% | * | * |

* Not meaningful

***Net revenues***

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

| | Three Months Ended | | | |
|---|---|---|---|---|
| | | | % Increase (Decrease) | |
| | February 26, 2023 | February 27, 2022 | As Reported | Constant Currency |
| | (Dollars in millions) | | | |
| Net revenues: | | | | |
| Levi's Brands: | | | | |
| Americas | $ 823.0 | $ 765.9 | 7.5 % | 6.9 % |
| Europe | 455.1 | 469.4 | (3.0)% | 1.5 % |
| Asia | 289.5 | 258.4 | 12.0 % | 22.2 % |
| Total Levi's Brands net revenues | 1,567.6 | 1,493.7 | 4.9 % | 7.8 % |
| Other Brands | 121.3 | 97.9 | 23.9 % | 24.6 % |
| Total net revenues | $ 1,688.9 | $ 1,591.6 | 6.1 % | 8.8 % |

Total net revenues increased on both a reported and constant-currency basis for the three-month period ended February 26, 2023, as compared to the same period in 2022.

*Americas*. On both a reported and constant-currency basis, net revenues in our Americas segment increased for the three-month period ended February 26, 2023, with currency translation affecting net revenues favorably by approximately $4 million. Excluding the effects of currency, net revenues increased for the three-month period ended February 26, 2023, driven by growth in both our DTC and wholesale channels.

The increase in DTC revenue was across all markets, led by the United States, driven by strong store performance, as a result of higher units sold and price increases taken in the prior year. Additionally, we benefited from 28 more company-operated stores in operation as of February 26, 2023 as compared to February 27, 2022. E-commerce net revenues increased due to higher average selling prices and higher online traffic.

Wholesale channel revenue increased for the three-month period ended February 26, 2023 driven by growth in Canada as well as the United States as a result of higher units sold, and price increases taken in the prior year. The growth in the U.S. was primarily due to increased shipments in advance of our U.S. ERP implementation, with an estimated impact of approximately $100 million. This was partially offset with increased promotional activity as we took actions to clear out excess inventory and slow selling goods. Additionally, higher sales of our Levi's brand products offset lower sales of our value brands products.

*Europe*. Net revenues in Europe decreased on a reported basis and increased on a constant-currency basis for the three-month period ended February 26, 2023, with currency translation affecting net revenues unfavorably by approximately $21 million. The increase in constant-currency net revenues for the three-month period ended February 26, 2023 was driven by higher DTC channel revenue despite an approximate $16 million decrease in net revenues due to the Russia-Ukraine crisis.

The increase in DTC revenue was due to strong store performance in our company-operated stores as higher in-store traffic and increased promotional activity drove higher unit sales in the current period as compared to the prior year which included lingering COVID-19 impacts. This was partially offset with 73 fewer company-operated stores in operation as of February 26, 2023 as compared to February 27, 2022, primarily due to the closure of stores in Russia. E-commerce revenue increased primarily due to higher traffic.

Excluding the effects of currency, wholesale channel revenue decreased primarily due to a decline in units sold as wholesale customers continued to rebalance inventory levels. This was partially offset by the benefit of price increases taken in the prior year.

*Asia*. Net revenues in Asia increased on both a reported and constant-currency basis for the three-month period ended February 26, 2023, with currency affecting net revenues unfavorably by approximately $22 million. Excluding the effects of currency, net revenues for the three-month period ended February 26, 2023 grew across both our DTC and wholesale channels, inclusive of an approximate $2 million decline in China net revenues as COVID-19 outbreaks impacted the beginning of the quarter.

The increase in DTC revenue was primarily due to strong performance in our company-operated stores, as a result of higher in-person traffic and price increases taken in the prior year. Additionally, there were 30 more company-operated stores in

operation as of February 26, 2023 as compared to February 27, 2022 as well as the addition of approximately 80 company-operated shop in shops which were previously licensed in Thailand. For the three-month period ended February 26, 2023, e-commerce revenue grew, primarily due to increased online traffic, as compared to the prior-year period. Wholesale revenue increased primarily due to higher demand in most markets, particularly in India, as well as price increases taken in the prior year.

Other Brands. Net revenues in Other Brands increased on both a reported and constant-currency basis for the three-month period ended February 26, 2023. Currency translation did not have a significant impact for the three-month period ended February 26, 2023. The increase in net revenues for the three-month period ended February 26, 2023 was driven by growth in both our Dockers ® and Beyond Yoga® brands.

***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 26, 2023 | February 27, 2022 | % Increase |
| | (Dollars in millions) | | |
| Net revenues | $ 1,688.9 | $ 1,591.6 | 6.1 % |
| Cost of goods sold | 746.6 | 648.0 | 15.2 % |
| Gross profit | $ 942.3 | $ 943.6 | (0.1)% |
| *Gross margin* | 55.8 % | 59.3 % | |

Currency translation unfavorably impacted gross profit by approximately $26 million for the three-month period ended February 26, 2023.

For the three-month period ended February 26, 2023, the decrease in gross margin was primarily due to higher product costs, lower full price sales and approximately 30 basis points of unfavorable currency exchange, including transaction and translation impacts. These were partially offset by favorable channel mix, price increases, and lower air freight expenses. Higher product costs include increased cotton prices, ocean freight and demurrage charges, which unfavorably impacted gross margin by approximately 200 basis points. Lower full price sales include the impact of increased promotional activity as well as the impact of our actions to clear inventory, which unfavorably impacted gross margin by approximately 300 basis points. Additionally, we estimate the shift in wholesale revenues from the second quarter to the first quarter in preparation for the implementation of a new U.S. ERP system unfavorably impacted our gross margin by approximately 40 basis points.

***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 26, 2023 | February 27, 2022 | % Increase (Decrease) | February 26, 2023 % of Net Revenues | February 27, 2022 % of Net Revenues |
| | (Dollars in millions) | | | | |
| Selling | $ 346.0 | $ 312.2 | 10.8 % | 20.5 % | 19.6 % |
| Advertising and promotion | 103.2 | 92.7 | 11.3 % | 6.1 % | 5.8 % |
| Administration | 127.4 | 131.0 | (2.7)% | 7.5 % | 8.2 % |
| Other | 196.9 | 175.5 | 12.2 % | 11.7 % | 11.0 % |
| Restructuring charges, net | 11.4 | (2.0) | * | 0.7 % | (0.1)% |
| Total SG&A | $ 784.9 | $ 709.4 | 10.6 % | 46.5 % | 44.6 % |

* Not meaningful

Currency translation impacted SG&A favorably by approximately $17 million for the three-month period ended February 26, 2023.

*Selling*. Currency translation impacted selling expenses favorably by approximately $11 million for the three-month period ended February 26, 2023. For the three-month period ended February 26, 2023, the increase in selling expenses was primarily due to higher sales volume in the current year as compared to the prior year as well as increased labor and store costs as a result of inflation.

*Advertising and promotion*. Currency translation impacted advertising and promotion expenses favorably by approximately $2 million for the three-month period ended February 26, 2023. The increase in advertising and promotion expenses for the three-month period ended February 26, 2023 was primarily due to increased spend on media, as we prioritized marketing the 150th anniversary of our 501® jean.

*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 26, 2023. The decrease in administration costs for the three-month period ended February 26, 2023 was primarily due to lower employee incentive costs as compared to the same prior-year period as well as the recognition of a $3.5 million gain in the current year on the early termination of store leases related to the Russia-Ukraine crisis. This was partially offset by the recognition of $18.2 million in charges related to the impairment of capitalized internal-use software, as a result of the decision to discontinue certain technology projects in connection with the overall restructuring initiative.

*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 26, 2023. For the three-month period ended February 26, 2023, the increase in other costs was primarily due to higher distribution expenses attributable to higher labor costs as a result of higher sales volume as well as inflation.

*Restructuring charges, net.* During the three-month period ended February 26, 2023, we recognized restructuring charges of $11.4 million. The charges primarily include the recognition of severance and other post-employment benefits related to a restructuring initiative that commenced in the fourth quarter of 2022 and is expected to continue through 2023. For the three-month period ended February 27, 2022, we recognized a net reduction in restructuring charges of $2.0 million. The charges represent revisions of estimates related to the previous restructuring initiative ending in 2021.

***Operating income***

The following table shows operating income by reportable segment, restructuring charges 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 26, 2023 | February 27, 2022 | % Increase (Decrease) | February 26, 2023 % of Net Revenues | February 27, 2022 % of Net Revenues |
| | | | (Dollars in millions) | | |
| Operating income: | | | | | |
| Levi's Brands: | | | | | |
| Americas | $ 134.6 | $ 177.8 | (24.3)% | 16.4 % | 23.2 % |
| Europe | 117.4 | 136.8 | (14.2)% | 25.8 % | 29.1 % |
| Asia | 53.7 | 43.6 | 23.2 % | 18.5 % | 16.9 % |
| Total Levi's Brands operating income | 305.7 | 358.2 | (14.7)% | 19.5 % | 24.0 % |
| Other Brands | 3.4 | 9.6 | (64.0)% | 2.8 % | 9.8 % |
| Restructuring charges, net | (11.4) | 2.0 | * | (0.7)% ❖ | 0.1 % ❖ |
| Corporate expenses | (140.3) | (135.6) | (3.5)% | (8.3)% ❖ | (8.5)% ❖ |
| Total operating income | $ 157.4 | $ 234.2 | (32.8)% | 9.3 % ❖ | 14.7 % ❖ |
| *Operating margin* | 9.3 % | 14.7 % | | | |

❖ Percentage of consolidated net revenues

* Not meaningful

Currency translation unfavorably impacted total operating income by approximately $9 million for the three-month period ended February 26, 2023.

*Segment operating income*.

- *Americas*. Currency translation did not have a significant impact for the three-month period ended February 26, 2023. The decrease in operating income for the three-month period ended was primarily due to a lower gross margin and higher SG&A expenses as a percentage of revenue as compared to the prior year, partially offset by higher net revenues.
- *Europe*. Currency translation had an unfavorable impact of approximately $6 million for the three-month period ended February 26, 2023. The decrease in operating income for the three-month period ended was primarily due to a lower gross margin and higher SG&A expenses as a percentage of revenue as compared to the prior year.
- *Asia*. Currency translation had an unfavorable impact of approximately $5 million for the three-month period ended February 26, 2023. The increase in operating income for the three-month period ended was primarily due to higher net revenues in the current year as compared to the prior year and lower SG&A expenses as a percentage of revenue, partially offset by a lower gross margin.
- *Other Brands*. Currency translation did not have a significant impact for the three-month period ended February 26, 2023. The decrease in operating income for the three-month period ended was primarily due to a lower gross margin and higher SG&A expenses as a percent of revenue, partially offset by higher net revenues.

*Restructuring charges, net.* Currency translation did not have a significant impact for the three-month period ended February 26, 2023. The increase in restructuring charges, net for the three-month period ended February 26, 2023 is primarily due to the recognition of severance and other post-employment benefits.

*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 26, 2023.

The increase in corporate expenses for the three-month period ended February 26, 2023 primarily reflects $18.2 million in charges related to the impairment of capitalized internal-use software, partially offset by lower employee incentives.

***Interest expense***

Interest expense was $10.7 million for the three-month period ended February 26, 2023, as compared to $4.2 million for the comparable prior-year period. The increase is primarily related the inclusion of $5.6 million of gains in the prior year related to the change in the value of the deferred compensation plans. Effective as of the beginning of the current fiscal year, the impact of changes in the value of the deferred compensation plans have been classified as Other (expense) income, net.

Our weighted-average interest rate on average borrowings outstanding during the three-month period ended February 26, 2023 was 3.86%, as compared to 3.83%, during the comparable period in 2022.

***Other (expense) income, net***

For the three-month period ended February 26, 2023, we recorded expense of $7.5 million, as compared to income of $15.9 million for the same prior-year period. The decrease in other (expense) income recognized for the three months ended February 26, 2023 was primarily due to the current year including $10.6 million of foreign currency transaction losses. The prior-year period included the recognition of a $12.5 million COVID-19 related subsidy gain received from the German government.

***Income tax expense***

The effective income tax rate was 17.6% for the three months ended February 26, 2023, compared to 20.4% for the same prior-year period. The lower effective tax rate in the current period is driven by higher tax benefits from incentive tax deductions related to intellectual property income, and the reversal of deferred tax liabilities on a foreign branch as a result of newly-effective U.S. foreign tax credit regulations, partially offset by the impact of non-deductible executive compensation, which became effective in 2023.

**Liquidity and Capital Resources**

***Liquidity outlook***

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

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

***Cash sources***

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

Our Credit Agreement provides for an asset-based, senior secured revolving credit facility ("Credit 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. The maximum availability under the facility is $1.0 billion, of which $950.0 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.

As of February 26, 2023, we had $150.0 million in borrowings under the Credit Facility. Unused availability under the facility was $835.1 million and our total availability of $850.0 million (based on collateral levels as defined by the agreement less outstanding borrowings under the Credit Facility) was reduced by $14.9 million from other credit-related instruments. We also had cash and cash equivalents totaling approximately $321.8 million resulting in a total liquidity position (unused availability and cash and cash equivalents) of approximately $1.2 billion. Of our $321.8 million in cash and cash equivalents, approximately $250.0 million was held by foreign subsidiaries.

***Cash uses***

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

During the three months ended February 26, 2023, we repurchased 0.5 million shares for $8.1 million, plus broker's commissions in the open market. This equates to an average repurchase price of approximately $17.97 per share. During the three months ended February 27, 2022, we repurchased 3.0 million shares 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.

In April 2023, a cash dividend of $0.12 per share was declared to holders of record of our Class A and Class B common stock at the close of business on May 4, 2023, for a total quarterly dividend of approximately $47 million.

***Cash flows***

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

| | Three Months Ended | |
|---|---|---|
| | February 26, 2023 | February 27, 2022 |
| | (Dollars in millions) | |
| Cash (used for) provided by operating activities | $ (160.8) | $ 86.1 |
| Cash used for investing activities | (19.1) | (78.2) |
| Cash provided by (used for) financing activities | 77.8 | (139.3) |
| Cash and cash equivalents at period end | 321.8 | 678.4 |

*Cash flows from operating activities*

Cash used for operating activities was $160.8 million for the three-month period ended February 26, 2023, as compared to cash provided of $86.1 million for the comparable period in 2022. The decrease in cash from operating activities is primarily driven by higher spending on inventory and SG&A expenses, and lower collections of trade receivables.

*Cash flows from investing activities*

Cash used for investing activities was $19.1 million for the three-month period ended February 26, 2023, as compared to $78.2 million for the comparable period in 2022. The decrease in cash used for investing activities is primarily due to higher net proceeds from short-term investments and foreign exchange contracts, partially offset by higher capital expenditures.

*Cash flows from financing activities*

Cash provided by financing activities was $77.8 million for the three-month period ended February 26, 2023, as compared to cash used of $139.3 million for the comparable period in 2022. Cash provided in 2023 primarily reflects proceeds from the senior revolving credit facility of $150.0 million. Cash used in 2022 primarily reflects common stock repurchases of $74.2 million.

***Indebtedness***

Of our total debt of $1.2 billion as of February 26, 2023, we had fixed rate debt of $1.0 billion (87% of total debt), net of capitalized debt issuance costs and variable rate debt of $150.0 million (13% of total debt). As of February 26, 2023, 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 $12.0 million at various foreign subsidiaries and $150.0 million under the Credit Facility 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 26, 2023.

*Non-GAAP Financial Measures*

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

We define the following non-GAAP measures as follows:

| Most comparable GAAP measure | Non-GAAP measure | Non-GAAP measure definition |
|---|---|---|
| Gross profit | Adjusted gross profit | Gross profit excluding COVID-19 and acquisition related inventory costs |
| Gross margin | Adjusted gross margin | Adjusted gross profit as a percentage of net revenues |
| Selling, general and administration ("SG&A") expenses | Adjusted SG&A | SG&A expenses excluding changes in fair value on cash-settled stock-based compensation, COVID-19 related charges, acquisition and integration related charges, impairment charges and early termination gains, net and restructuring and restructuring related charges, severance and other, net. |
| SG&A margin | Adjusted SG&A margin | Adjusted SG&A as a percentage of net revenues |
| Net income | Adjusted EBIT | Net income excluding income tax expense, interest expense, other (income) expense, net, 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. |
| Net income margin | Adjusted EBIT margin | Adjusted EBIT as a percentage of net revenues. |
| Net income | Adjusted EBITDA | Adjusted EBIT excluding depreciation and amortization expense |
| Net income | Adjusted net income | Net income excluding loss on early extinguishment of debt, COVID-19 government subsidy gains, unrealized gains on marketable securities originating in prior years, charges related to the 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, and re-measurement of our deferred tax assets and liabilities based on the lower rates as a result of the Tax Cuts and Jobs Act ("Tax Act"), adjusted to give effect to the income tax impact of such adjustments. |
| Net income margin | Adjusted net income margin | Adjusted net income as a percentage of net revenues |
| Diluted earnings per share | Adjusted diluted earnings per share | Adjusted net income per weighted-average number of diluted common shares outstanding |

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

- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA do not reflect income tax payments that reduce cash available to us;
- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA do not reflect interest expense, or the cash requirements necessary to service interest or principal payments on our indebtedness, which reduces cash available to us;

- Adjusted EBIT, Adjusted EBIT margin and Adjusted EBITDA exclude other expense (income), net, which includes realized and unrealized gains and losses on our forward foreign exchange contracts and transaction gains and losses on our foreign exchange balances, although these items affect the amount and timing of cash available to us when these gains and losses are realized;
- Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share exclude COVID-19 government subsidy gains;
- 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;
- all of these non-GAAP financial measures exclude COVID-19 related inventory costs and other charges, acquisition and integration related charges, impairment charges and early termination gains, and restructuring and restructuring related charges, severance and other, net which can affect our current and future cash requirements;
- the expenses and other items that we exclude in our calculations of all of these non-GAAP financial measures may differ from the expenses and other items, if any, that other companies may exclude from all of these non-GAAP financial measures or similarly titled measures;
- Adjusted EBITDA excludes the recurring, non-cash expenses of depreciation of property and equipment and, although these are non-cash expenses, the assets being depreciated may need to be replaced in the future; and
- Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share do not include all of the effects of income taxes and changes in income taxes reflected in net income.

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

**Adjusted Gross Profit, Adjusted SG&A, Adjusted Net Income and Adjusted Diluted Earnings per Share:**

The following tables present our statement of operations on an as reported basis, as well as on an as adjusted basis, which is after the consideration of non-GAAP adjustments. 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.

| | Three Months Ended February 26, 2023 | | |
|---|---|---|---|
| | As reported | Non-GAAP Adjustments | As adjusted |
| | | (Dollars in millions) | |
| Net revenues | $ 1,688.9 | $ — | $ 1,688.9 |
| Cost of goods sold | 746.6 | — | 746.6 |
| **Gross profit/Adjusted gross profit** | 942.3 | — | 942.3 |
| *Gross margin/Adjusted gross margin* | *55.8 %* | | *55.8 %* |
| **SG&A expenses/Adjusted SG&A[(1)]** | 784.9 | (27.9) | 757.0 |
| *SG&A margin/Adjusted SG&A margin* | *46.5 %* | | *44.8 %* |
| **Operating income/Adjusted EBIT[(2)]** | 157.4 | 27.9 | 185.3 |
| *Operating margin/Adjusted EBIT margin[(2)]* | *9.3 %* | | *11.0 %* |
| Interest expense | (10.7) | — | (10.7) |
| Other expense, net | (7.5) | — | (7.5) |
| Income before income taxes | 139.2 | 27.9 | 167.1 |
| Income tax expense[(3)] | 24.5 | 7.7 | 32.2 |
| **Net income/Adjusted net income** | $ 114.7 | $ 20.2 | $ 134.9 |
| *Net income margin/Adjusted net income margin* | *6.8 %* | | *8.0 %* |
| **Diluted earnings per share/Adjusted diluted earnings per share** | $ 0.29 | $ 0.05 | $ 0.34 |

(1) Adjustments include (i) $11.4 million in severance charges recognized in connection with the 2022 restructuring initiative; (ii) $18.2 million in charges related to the impairment of capitalized internal-use software as a result of the decision to discontinue certain technology projects, net of a $3.5 million gain on the early termination of store leases related to the Russia-Ukraine crisis; and (iii) $1.3 million of charges associated with the Beyond Yoga acquisition, including acquisition-related compensation subject to the continued employment of certain Beyond Yoga® employees.

(2) Adjusted EBIT and Adjusted EBIT margin are reconciled from net income and net income margin, respectively, which are the most comparable GAAP measures. Refer to the "Adjusted EBIT and Adjusted EBITDA" table for more information.

(3) Tax impact calculated using the annual effective tax rate, excluding discrete costs and benefits.

| | Three Months Ended February 27, 2022 | | |
|---|---|---|---|
| | As reported | Non-GAAP Adjustments | As adjusted |
| | | (Dollars in millions) | |
| Net revenues | $ 1,591.6 | $ — | $ 1,591.6 |
| Cost of goods sold | 648.0 | (2.0) | 646.0 |
| **Gross profit/Adjusted gross profit[1]** | 943.6 | 2.0 | 945.6 |
| *Gross margin/Adjusted gross margin* | *59.3 %* | | *59.4 %* |
| **SG&A expenses/Adjusted SG&A[2]** | 709.4 | (1.7) | 707.7 |
| *SG&A margin/Adjusted SG&A margin* | *44.6 %* | | *44.5 %* |
| **Operating income/Adjusted EBIT[3]** | 234.2 | 3.7 | 237.9 |
| *Operating margin/Adjusted EBIT margin[3]* | *14.7 %* | | *14.9 %* |
| Interest expense | (4.2) | — | (4.2) |
| Other income, net[4] | 15.9 | (12.5) | 3.4 |
| Income before income taxes | 245.9 | (8.8) | 237.1 |
| Income tax expense[5] | 50.1 | (2.2) | 47.9 |
| **Net income/Adjusted net income** | $ 195.8 | $ (6.6) | $ 189.2 |
| *Net income margin/Adjusted net income margin* | *12.3 %* | | *11.9 %* |
| **Diluted earnings per share/Adjusted diluted earnings per share** | $ 0.48 | $ (0.02) | $ 0.46 |

(1) Adjustments include $2.0 million in acquisition charges related to the inventory markup above historical carrying value associated with the Beyond Yoga acquisition.

(2) Adjustments include $2.1 million in acquisition and integration related charges associated with the Beyond Yoga acquisition.

(3) Adjusted EBIT and Adjusted EBIT margin is reconciled from net income and net income margin, respectively, which are the most comparable GAAP measures. Refer to the "Adjusted EBIT and Adjusted EBITDA" table for more information.

(4) Adjustments include a $12.5 million gain reflecting a payment received from the German government as reimbursement for COVID-19 losses incurred in prior years.

(5) Tax impact calculated using the annual effective tax rate, excluding discrete costs and benefits.

**Adjusted EBIT and Adjusted EBITDA:**

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

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | February 26, 2023 | February 27, 2022 | February 26, 2023 | February 27, 2022 |
| | (Dollars in millions) (Unaudited) | | | |
| **Most comparable GAAP measure:** | | | | |
| Net income | $ 114.7 | $ 195.8 | $ 488.0 | $ 606.8 |
| | | | | |
| **Non-GAAP measure:** | | | | |
| Net income | $ 114.7 | $ 195.8 | $ 488.0 | $ 606.8 |
| Income tax expense | 24.5 | 50.1 | 54.9 | 64.6 |
| Interest expense | 10.7 | 4.2 | 32.2 | 53.8 |
| Other expense (income), net | 7.5 | (15.9) | (5.4) | (18.4) |
| Loss on early extinguishment of debt | — | — | — | 36.5 |
| Impact of changes in fair value on cash-settled stock-based compensation | — | 0.6 | — | 3.9 |
| COVID-19 related inventory costs and other charges | — | — | 5.3 | (5.6) |
| Acquisition and integration related charges[(1)] | 1.3 | 4.1 | 5.2 | 11.8 |
| Impairment charges and early termination gains, net[(2)] | 14.7 | — | 47.9 | — |
| Restructuring and restructuring related charges, severance and other, net[(3)] | 11.9 | (1.0) | 32.3 | 23.4 |
| Adjusted EBIT | $ 185.3 | $ 237.9 | $ 660.4 | $ 776.8 |
| Depreciation and amortization[(4)] | 38.4 | 37.8 | 155.1 | 144.6 |
| Adjusted EBITDA | $ 223.7 | $ 275.7 | $ 815.5 | $ 921.4 |
| Adjusted EBIT margin | 11.0 % | 14.9 % | | |

(1) 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, including acquisition-related compensation subject to the continued employment of certain Beyond Yoga® employees.

(2) For the three-month period ended February 26, 2023, impairment charges and early termination gains, net includes $18.2 million in charges related to the impairment of capitalized internal-use software, as a result of the decision to discontinue certain technology projects, net of a $3.5 million gain on the early termination of store leases related to the Russia-Ukraine crisis.

(3) For the three-month period ended February 26, 2023, restructuring and restructuring related charges, severance and other, net includes $11.4 million of severance charges recognized in connection with the 2022 restructuring initiative. Other charges included in restructuring and restructuring related charges, severance and other, net include transaction and deal related costs.

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

**Net Debt and Leverage Ratio:**

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

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

| | February 26, 2023 | November 27, 2022 |
|---|---|---|
| | (Dollars in millions) (Unaudited) | |
| **Most comparable GAAP measure:** | | |
| Total debt, excluding finance leases | $ 1,155.6 | $ 996.2 |
| | | |
| **Non-GAAP measure:** | | |
| Total debt, excluding finance leases | $ 1,155.6 | $ 996.2 |
| Cash and cash equivalents | (321.8) | (429.6) |
| Short-term investments in marketable securities | — | (70.6) |
| **Net debt** | $ 833.8 | $ 496.0 |

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 26, 2023 | February 27, 2022 |
|---|---|---|
| | (Dollars in millions) (Unaudited) | |
| Total debt, excluding finance leases | $ 1,155.6 | $ 1,024.7 |
| Last Twelve Months Adjusted EBITDA[(1)] | $ 815.5 | $ 921.4 |
| **Leverage ratio** | 1.4 | 1.1 |

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

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

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

| | Three Months Ended | |
|---|---|---|
| | February 26, 2023 | February 27, 2022 |
| | (Dollars in millions) (Unaudited) | |
| Most comparable GAAP measure: | | |
| Net cash (used for) provided by operating activities | $ (160.8) | $ 86.1 |
| Net cash used for investing activities | (19.1) | (78.2) |
| Net cash provided by (used for) financing activities | 77.8 | (139.3) |
| | | |
| Non-GAAP measure: | | |
| Net cash (used for) provided by operating activities | $ (160.8) | $ 86.1 |
| Purchases of property, plant and equipment | (110.9) | (73.6) |
| Adjusted free cash flow | $ (271.7) | $ 12.5 |

**Constant-Currency:**

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

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

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

**Constant-Currency Net Revenues**

The table below sets forth the calculation of net revenues for each of our operating segments on a constant-currency basis for the comparison period applicable to the three-month period ended February 26, 2023:

| | Three Months Ended | | |
|---|---|---|---|
| | February 26, 2023 | February 27, 2022 | % Increase (Decrease) |
| | (Dollars in millions) (Unaudited) | | |
| ***Total net revenues*** | | | |
| As reported | $ 1,688.9 | $ 1,591.6 | 6.1 % |
| Impact of foreign currency exchange rates | — | (39.7) | * |
| Constant-currency net revenues | $ 1,688.9 | $ 1,551.9 | 8.8 % |
| | | | |
| ***Americas*** | | | |
| As reported | $ 823.0 | $ 765.9 | 7.5 % |
| Impact of foreign currency exchange rates | — | 3.6 | * |
| Constant-currency net revenues - Americas | $ 823.0 | $ 769.5 | 6.9 % |
| | | | |
| ***Europe*** | | | |
| As reported | $ 455.1 | $ 469.4 | (3.0)% |
| Impact of foreign currency exchange rates | — | (21.2) | * |
| Constant-currency net revenues - Europe | $ 455.1 | $ 448.2 | 1.5 % |
| | | | |
| ***Asia*** | | | |
| As reported | $ 289.5 | $ 258.4 | 12.0 % |
| Impact of foreign currency exchange rates | — | (21.5) | * |
| Constant-currency net revenues - Asia | $ 289.5 | $ 236.9 | 22.2 % |
| | | | |
| ***Other Brands*** | | | |
| As reported | $ 121.3 | $ 97.9 | 23.9 % |
| Impact of foreign currency exchange rates | — | (0.6) | * |
| Constant-currency net revenues - Other Brands | $ 121.3 | $ 97.3 | 24.6 % |

* Not meaningful

**Constant-Currency Adjusted EBIT and Constant-Currency Adjusted EBIT margin:**

The table below sets forth the calculation of Adjusted EBIT on a constant-currency basis for the comparison period applicable to the three-month period ended February 26, 2023.

| | Three Months Ended | | |
|---|---|---|---|
| | February 26, 2023 | February 27, 2022 | % Increase (Decrease) |
| | (Dollars in millions) (Unaudited) | | |
| Adjusted EBIT[1] | $ 185.3 | $ 237.9 | (22.1)% |
| Impact of foreign currency exchange rates | — | (8.7) | * |
| Constant-currency Adjusted EBIT | $ 185.3 | $ 229.2 | (19.2)% |
| | | | |
| Adjusted EBIT margin | 11.0 % | 14.9 % | (26.2)% |
| Impact of foreign currency exchange rates | — | (0.1) | * |
| Constant-currency Adjusted EBIT margin[2] | 11.0 % | 14.8 % | (25.7)% |

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

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

* Not meaningful

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

The table below sets forth the calculation of Adjusted net income and Adjusted diluted earnings per share on a constant-currency basis for the comparison period applicable to the three-month period ended February 26, 2023.

| | Three Months Ended | | |
|---|---|---|---|
| | February 26, 2023 | February 27, 2022 | % Increase (Decrease) |
| | (Dollars in millions, except per share amounts) (Unaudited) | | |
| Adjusted net income [1] | $ 134.9 | $ 189.2 | (28.7)% |
| Impact of foreign currency exchange rates | — | (7.6) | * |
| Constant-currency Adjusted net income | $ 134.9 | $ 181.6 | (25.7)% |
| Constant-currency Adjusted net income margin[2] | 8.0 % | 11.7 % | |
| | | | |
| Adjusted diluted earnings per share | $ 0.34 | $ 0.46 | (26.1)% |
| Impact of foreign currency exchange rates | — | (0.01) | * |
| Constant-currency Adjusted diluted earnings per share | $ 0.34 | $ 0.45 | (24.4)% |

(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 26, 2023, there had been no significant changes to our off-balance sheet arrangements or contractual commitments from those disclosed in our 2022 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 2022 Annual Report on Form 10-K.

**Recently Issued Accounting Standards**

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

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

- the conflict involving Russia and Ukraine and the potential impact on global economic and geopolitical conditions;
- changes in general economic and financial conditions, inflationary pressures and the resulting impact on the level of discretionary consumer spending for apparel and pricing trend fluctuations, and our ability to plan for and respond to the impact of those changes;
- the 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 2023;
- the risk of future non-cash asset impairment charges, including to goodwill, operating right-of-use assets and/or other store assets;
- our ability to effectively manage any global productivity and outsourcing actions as planned, which are intended to increase productivity and efficiency in our global operations, take advantage of lower-cost service-delivery models in our distribution network and streamline our procurement practices to maximize efficiency in our global operations, without business disruption or mitigation to such disruptions;
- our ability to effectively manage our inventory and supply chain and the potential strain on our U.S distribution centers;
- consequences of impacts to the businesses of our wholesale customers, including significant store closures or a significant decline in a wholesale customer's financial condition leading to restructuring actions, bankruptcies, liquidations or other unfavorable events for our wholesale customers, caused by factors such as, among other things, inability to secure financing, decreased discretionary consumer spending, inconsistent foot and online traffic patterns and an increase in promotional activity as a result of decreased foot and online traffic, pricing fluctuations, general economic and financial conditions and changing consumer preferences;
- our and our wholesale customers' decisions to modify strategies and adjust product mix and pricing, and our ability to manage any resulting product transition costs, including liquidating inventory or increasing promotional activity;
- our ability to purchase products through our independent contract manufacturers that are made with quality raw materials and our ability to mitigate the variability of costs related to manufacturing, sourcing, and raw materials supply and to manage consumer response to such mitigating actions;
- our ability to gauge and adapt to changing U.S. and international retail environments and fashion trends and changing consumer preferences in product, price-points, as well as in-store and digital shopping experiences;
- our ability to respond to price, innovation and other competitive pressures in the global apparel industry, on and from our key customers and in our key markets and to increasing consumer expectations;

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

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

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

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

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

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

There have been no material changes in our primary market risk exposures or how those exposures are managed from the information disclosed in our 2022 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 26, 2023. Based on that evaluation, our chief executive officer and our chief financial officer concluded that as of February 26, 2023, 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 for the quarterly period ended February 26, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. *LEGAL PROCEEDINGS*

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

### Item 1A. *RISK FACTORS*

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

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

***(a) Recent Sales of Unregistered Securities***

None.

***(b) Use of Proceeds from Securities***

None.

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

| Period | Total number of shares purchased[1] | Average price paid per share[2] | Total number of shares purchased as part of publicly announced plans or programs[1] | Approximate maximum dollar value of shares that may yet be purchased under the plans or programs[1] |
|---|---|---|---|---|
| November 28, 2022 - January 1, 2023 | — | $ — | — | $ 688,609,045 |
| January 2, 2023 - January 29, 2023 | 31,331 | $ 17.94 | 31,331 | $ 688,046,854 |
| January 30, 2023 - February 26, 2023 | 423,545 | $ 17.97 | 423,545 | $ 680,434,314 |
| Total | 454,876 | $ 17.97 | 454,876 | |

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

During the first quarter of 2023, we repurchased 0.5 million shares for $8.1 million, excluding any broker commissions. Such repurchases were made pursuant to the Company's share repurchase program described above. Share repurchase authority was $680.4 million as of March 30, 2023.

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

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

**Item 3.** ***DEFAULTS UPON SENIOR SECURITIES***

None.

**Item 4.** ***MINE SAFETY DISCLOSURES***

Not applicable.

**Item 5.** ***OTHER INFORMATION***

None.

**Item 6.** ***EXHIBITS***

| Exhibit Number | Description of Document | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| | | Form | SEC File No. | Exhibit | Filing Date |
| 3.1 | Amended and Restated Certificate of Incorporation of the Registrant. | 8-K | 001-06631 | 3.1 | 3/25/2019 |
| 3.2 | Amended and Restated Bylaws. | 10-K | 001-06631 | 3.2 | 1/27/2021 |
| 10.1 | Amendment No. 6 and Waiver to Second Amended and Restated Credit Agreement, dated as of March 21, 2023 , among the Registrant, Levi Strauss & Co. (Canada) Inc., the lenders party thereto, JP Morgan Chase Bank, N.A., as Administrative Agent, and JPMorgan Chase Bank, N.A. Toronto Branch, as Multicurrency Administrative Agent. Filed herewith. | | | | |
| 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, 2023

LEVI STRAUSS & CO.
(Registrant)

By: /s/ LISA W. STIRLING
Lisa W. Stirling
Vice President and Global Controller
(Principal Accounting Officer and Duly Authorized Officer)

**Exhibit 10.1**

AMENDMENT NO. 6 AND WAIVER TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

AMENDMENT NO. 6 AND WAIVER TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 21, 2023 (this "Amendment"), among LEVI STRAUSS & CO., a Delaware corporation (the "U.S. Borrower"), LEVI STRAUSS & CO. (CANADA) INC., an Ontario corporation (the "Canadian Borrower" and together with the U.S. Borrower, the "Borrowers"), the Lenders party hereto, JPMORGAN CHASE BANK, N.A., as Administrative Agent, and JPMORGAN CHASE BANK, N.A. TORONTO BRANCH, as Multicurrency Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Borrowers, the other Loan Parties party thereto, the Administrative Agent, the Multicurrency Administrative Agent and each lender from time to time party thereto (the "Lenders") have entered into a Second Amended and Restated Credit Agreement, dated as of May 23, 2017 and as amended as of October 23, 2018, January 5, 2021, July 22, 2021, September 20, 2021 and November 22, 2022 (as it may be amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement") (capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement, as amended by this Amendment (the "Amended Credit Agreement"));

WHEREAS, the Borrower has requested that the Lenders (i) consent to certain amendments to the Credit Agreement and (ii) waive certain Defaults and Events of Default under the Credit Agreement, in each case, on the terms set forth herein;

WHEREAS, on the date hereof, the Borrowers, the Administrative Agent, the Multicurrency Administrative Agent and the Lenders party hereto desire to amend the Credit Agreement as set forth in Section 1 hereof;

WHEREAS, the Borrowers have requested that the Required Lenders agree to waive any Default and Event of Default relating to the Borrowers' failure to provide certain customer phone numbers within the deadline specified in Section 5.01(i) of the Credit Agreement (the "Specified Default") and any Default or Event of Default that may have arisen solely as a result of any act or omission by any Borrower or any Subsidiary during the pendency of the Specified Default to the extent that such acts or omissions would not have otherwise constituted Defaults or Events of Default under the Credit Agreement except for the fact that the Specified Default was then continuing, in each case as set forth in Section 2 hereof;

WHEREAS, Section 9.02(b) of the Credit Agreement provides that this Amendment may become effective with the consent of the Administrative Agent, the Multicurrency Administrative Agent, the Borrowers and the Lenders signatory hereto (which, for the avoidance of doubt, includes the Required Lenders) under the Credit Agreement, subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the sufficiency and receipt of all of which is hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment No. 6 Effective Date (as defined below) and subject to the terms and conditions set forth herein,

(a) Section 5.01(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(i) within 30 days of each March 31 and September 30, an updated customer list for each Borrower and its Subsidiaries, which list shall state the customer's name and mailing address and, to the extent requested by the Administrative Agent in its sole discretion, the customer's phone number, in each case delivered electronically in a text formatted file reasonably acceptable to the Administrative Agent and certified as true and correct by a Financial Officer of the Borrower Representative;"

(b) Section 6.02 of the Credit Agreement is hereby amended by (x) deleting the "and" at the end of Section 6.02(s), (y) deleting the period at the end of Section 6.02(t) and replacing it with "; and" and (z) adding the following at the end thereof:

"(u) ordinary course Liens in favor of e-commerce platforms pursuant to agreements therewith in respect of obligations not to exceed $10,000,000 in the aggregate."

(c) Section 5.01 of the Credit Agreement is hereby amended to add the following at the end thereof:

"Notwithstanding the foregoing in this Section 5.01, the U.S. Borrower will not be required to report the assets of I Am Beyond LLC in the Borrowing Base Certificates required under this Section 5.01 and will not be required to provide the information otherwise required to be delivered by the U.S. Borrower on behalf of a I Am Beyond LLC as a U.S. Loan Party under this Section 5.01 until the later of (x) the next scheduled delivery date of the Borrowing Base Certificate calculating the U.S. Borrowing Base following ten (10) Business Days' advance written notice from the U.S. Borrower to the Administrative Agent that it intends to include the assets of I Am Beyond LLC in the U.S. Borrowing Base and (y) completion of a field examination and Inventory appraisal with respect to the assets of I Am Beyond LLC that is reasonably satisfactory to the Administrative Agent."

(d) Section 6.02(t), clause (y) of Section 6.05(g) and the definition of "BY Factoring Agreement" are hereby deleted in their entirety and replaced with "[reserved]".

SECTION 2. Waiver. Effective as of the Amendment No. 6 Effective Date, immediately after giving effect to the amendment set forth under Section 1, for good and valuable consideration the receipt of which is hereby acknowledged, the Required Lenders hereby agree to waive (i) the Specified Default and (ii) any Default or Event of Default that may have arisen or would arise in the future solely as a result of any act or omission by the Borrowers or any Subsidiary during the pendency of the Specified Default to the extent that such acts or omissions would not have otherwise constituted Defaults or Events of Default under the Credit Agreement except for the fact that the Specified Default was then continuing.

SECTION 3. Conditions of Effectiveness. This Amendment and the amendment of the Credit Agreement as set forth in Section 1 hereof shall become effective as of the first date (such date being referred to as the "Amendment No. 6 Effective Date") when each of the following conditions shall have been satisfied:

(a) *Amendment and Loan Documents*. The Administrative Agent (or its counsel) shall have received from each of the Borrowers and the Lenders comprising the Required Lenders either (x) a counterpart of this Amendment signed on behalf of such party or (y) written evidence satisfactory to the Administrative Agent (which may include delivery of a signed signature page of this Amendment by facsimile or other means of electronic transmission (e.g., "pdf")) that such party has signed a counterpart of this Amendment.

(b) *Representations and Warranties*. The representations and warranties of the Borrowers (x) contained in Section 4 hereof shall be true and correct in all material respects on and as of the Amendment No. 6 Effective Date (after giving effect to the amendment set forth in Section 1 and the waiver set forth in Section 2); *provided* that to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; *provided*, *further*, that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates and (y) set forth in the Amended Credit Agreement are true and correct on and as of the Amendment No. 6 Effective Date in all material respects with the same effect as though made on and as of the Amendment No. 6 Effective Date (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be true and correct in all material respects only as of such specified date, and that any representation or warranty which is subject to any materiality qualifier shall be true and correct in all respects).

(c) *No Default*. Immediately after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

(d) *Expenses*. The Borrowers shall pay all reasonable and documented out-of-pocket expenses of the Administrative Agent incurred in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, if any (but limited, in the case of legal fees and expenses, to the actual reasonable and documented out-of-pocket fees, disbursements and other charges of Cahill Gordon & Reindel LLP, counsel to the Administrative Agent).

SECTION 4. Representations and Warranties. Each Borrower represents and warrants as follows as of the date hereof:

(a) neither the execution, delivery or performance by any Borrower of this Amendment nor compliance with the terms and provisions hereof or the consummation of other transactions contemplated hereby will (i) require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (ii) violate any Requirement of Law applicable to any Borrower or the Organizational Documents of any Borrower, (iii) violate or result in a default under any indenture, agreement or other instrument binding upon any Borrower or the assets of any Borrower, or give rise to a right thereunder to require any material payment to be made by any Borrower, or (iv) result in the creation or imposition of any Lien on any Collateral of any Borrower, except Liens created pursuant to the Loan Documents; and

(b) each Borrower has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of this Amendment and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Amendment. Each Borrower has duly executed and delivered this Amendment and this Amendment constitutes a legal, valid and binding obligation of such Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 5. Reference to and Effect on the Credit Agreement and the Loan Documents.

(a) On and after the Amendment No. 6 Effective Date, each reference to the Credit Agreement in any Loan Document and in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Credit Agreement.

(b) Each Borrower hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party and confirms that the Credit Agreement and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed, (ii) ratifies and reaffirms its prior grant and the validity of the Liens and security interests made pursuant to the Collateral Documents and confirms that all such Liens and security interests continue in full force and effect to secure the Obligations under the Loan Documents after giving effect to this Amendment and (iii) ratifies and reaffirms its guaranty of the Obligations. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case, as amended by this Amendment and all prior grants of security interests are hereby reaffirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender, the Administrative Agent or the Multicurrency Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents nor a novation thereof. On and after the effectiveness of this Amendment, this Amendment shall for all purposes constitute a Loan Document.

(d) By executing and delivering a copy of this Amendment, each Borrower hereby consents to this Amendment and agrees and confirms that all Obligations (including those created hereby) shall continue to be guaranteed and secured pursuant to the Loan Documents.

(e) Each Borrower hereby expressly acknowledges and confirms that the waiver in Section 2 is a one-time waiver solely with respect to the Specified Default and shall not be construed as creating any course of conduct on the part of the Administrative Agent, the Multicurrency Administrative Agent or the Lenders or otherwise impair the future ability of the Administrative Agent, the Multicurrency Administrative Agent or the Lenders to declare a Default or Event of Default under or otherwise enforce the terms of the Amended Credit Agreement or any other Loan Document with respect to any matter (other than as set forth in Section 2 with respect to the Specified Default).

SECTION 6. Execution in Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment and/or any document to be signed in connection with this agreement and the transactions contemplated hereby shall be deemed to include Electronic Signatures (as defined

below), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act, and the delivery of an executed counterpart of a signature page of this Amendment, any other Loan Document or any amendment or modification hereof or thereof by any such means (including ".pdf" or ".tif") shall be effective as delivery of a manually executed counterpart. "Electronic Signatures" means any electronic symbol or process attached to, or associated with, any contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

SECTION 7. Governing Law; Waivers.

(a) **THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.**

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any U.S. Federal or New York State court, in each case, sitting in New York, New York in any action or proceeding arising out of or relating to this Amendment, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amendment shall affect any right that the Administrative Agent, the Multicurrency Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Amendment against any Borrower or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Amendment in any court referred to in paragraph (b) of this Section 7. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Section 9.01 of the Amended Credit Agreement. Nothing in this Amendment will affect the right of any party to this Amendment to serve process in any other manner permitted by law.

(e) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (x) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.

(f) Each Borrower hereby irrevocably and unconditionally waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 7 any special, exemplary, punitive or consequential damages.

SECTION 8. Headings. Section and Subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

LEVI STRAUSS & CO., as U.S. Borrower

By: /s/ Lauren Dudley
Name: Lauren Dudley
Title: Vice President and Treasurer

LEVI STRAUSS & CO. (CANADA) INC.,
as Canadian Borrower

By: /s/ Lauren Dudley
Name: Lauren Dudley
Title: Vice President and Treasurer

[Signature Page to Amendment No. 6]

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

By: /s/ Sean Bodkin
Name: Sean Bodkin
Title: Executive Director

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH, individually and as Multicurrency Administrative Agent

By: /s/ Sean Bodkin
Name: Sean Bodkin
Title: Executive Director

[Signature Page to Amendment No. 6]

JPMORGAN CHASE BANK, N.A., as a Lender
BRANCH, individually and as Multicurrency
Administrative Agent

By: /s/ Sean Bodkin
Name: Sean Bodkin
Title: Executive Director

[Signature Page to Amendment No. 6]

BANK OF THE WEST, as a Lender

By: /s/ Nicki Schroeder
Name: Nicki Schroeder
Title: Director

[Signature Page to Amendment No. 6]

BNP Paribas, as a Lender

By: /s/ Guelay Mese
Name: Guelay Mese
Title: Managing Director

By: /s/ Andrew Aran
Name: Andrew Aran
Title: Vice President

[Signature Page to Amendment No. 6]

BANK OF AMERICA, N.A., as a Lender

By: /s/ Chad Shimabukuro
Name: Chad Shimabukuro
Title: Vice President

BANK OF AMERICA, N.A. (CANADA BRANCH), as a Lender

By: /s/ Sylwia Durkiewicz
Name: Sylwia Durkiewicz
Title: Vice President

HSBC BANK USA, N.A., as a Lender

By: /s/ Gillian S Jean-Marie
Name: Gillian S Jean-Marie
Title: Vice President

[Signature Page to Amendment No. 6]

HSBC BANK CANADA, as a Lender

By: s/ James Sanders
Name: James Sanders
Title: Director

By: /s/ Scott Lampard
Name: Scott Lampard
Title: Managing Director

[Signature Page to Amendment No. 6]

MUFG Bank, LTD., as a Lender

MUFG Bank, LTD.
(Name of Institution including branch if applicable)

By: /s/ Peter Otoki
Name: Peter Otoki
Title: Vice President

[Signature Page to Amendment No. 6]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Vir C. Advani
Name: Vir C. Advani
Title: Vice President, Corporate Client Group
Asset Based Lending

[Signature Page to Amendment No. 6]

Santander Bank, N.A., as a Lender

By: /s/ Jennifer Baydian
Name: Jennifer Baydian
Title: Senior Vice President

[Signature Page to Amendment No. 6]

STANDARD CHARTERED BANK, as a Lender

By: /s/ Kristopher Tracy
Name: Kristopher Tracy
Title: Director, Financing Solution

[Signature Page to Amendment No. 6]

THE BANK OF NOVA SCOTIA, as a Lender

By: s/ Frans Braniotis
Name: Frans Braniotis
Title: Managing Director

[Signature Page to Amendment No. 6]

Truist Bank, as a Lender

By: /s/ Cathleen Marston
Name: Cathleen Marston
Title: Vice President

[Signature Page to Amendment No. 6]

Goldman Sachs Bank USA, as a Lender

Goldman Sachs Bank USA
(Name of Institution including branch if applicable)

By: /s/ Keshia Leday
Name: Keshia Leday
Title: Authorized Signatory

[Signature Page to Amendment No. 6]

**Exhibit 31.1**

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

I, Charles V. Bergh, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ CHARLES V. BERGH

Charles V. Bergh
*President and Chief Executive Officer*

Date: April 6, 2023

**Exhibit 31.2**

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

I, Harmit Singh, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ HARMIT SINGH
Harmit Singh
*Executive Vice President and Chief Financial and Growth Officer*

Date: April 6, 2023

**Exhibit 32.1**

**CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

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

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

1. The Company's Quarterly Report on Form 10-Q for the period ended February 26, 2023, to which this Certification is attached as Exhibit 32.1 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

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

/s/ CHARLES V. BERGH

Charles V. Bergh
President and Chief Executive Officer
April 6, 2023

/s/ HARMIT SINGH

Harmit Singh
Executive Vice President and Chief Financial and Growth Officer
April 6, 2023