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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 August 25, 2019

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 October 3, 2019, the registrant had 46,786,600 shares of Class A common stock, $0.001 par value per share and 345,929,590 shares of Class B common stock, $0.001 par value per share, outstanding.

LEVI STRAUSS & CO. AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED AUGUST 25, 2019

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WHERE YOU CAN FIND MORE INFORMATION

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

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

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

PART I — FINANCIAL INFORMATION

Item 1. *CONSOLIDATED FINANCIAL STATEMENTS*

LEVI STRAUSS & CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) August 25, 2019	November 25, 2018
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 863,773	$ 713,120
Short-term investments in marketable securities	80,220	—
Trade receivables, net of allowance for doubtful accounts of $9,438 and $10,037	722,001	534,164
Inventories:		
Raw materials	5,560	3,681
Work-in-process	2,754	2,977
Finished goods	927,243	877,115
Total inventories	935,557	883,773
Other current assets	212,116	157,002
Total current assets	2,813,667	2,288,059
Property, plant and equipment, net of accumulated depreciation of $1,033,729 and $974,206	498,938	460,613
Goodwill	235,630	236,246
Other intangible assets, net	42,794	42,835
Deferred tax assets, net	413,256	397,791
Other non-current assets	134,712	117,116
Total assets	$ 4,138,997	$ 3,542,660
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 27,554	$ 31,935
Accounts payable	357,747	351,329
Accrued salaries, wages and employee benefits	194,291	298,990
Accrued interest payable	16,263	6,089
Accrued income taxes	47,370	15,466
Accrued sales allowances (Note 1)	125,456	—
Other accrued liabilities	417,342	348,390
Total current liabilities	1,186,023	1,052,199
Long-term debt	1,007,008	1,020,219
Postretirement medical benefits	68,783	74,181
Pension liability	187,793	195,639
Long-term employee related benefits	80,406	107,556
Long-term income tax liabilities	11,716	9,805
Other long-term liabilities	128,923	116,462
Total liabilities	2,670,652	2,576,061
Commitments and contingencies		
Temporary equity (Note 1)	—	299,140
Stockholders' Equity:		
Levi Strauss & Co. stockholders' equity		
Common stock — $.001 par value; 1,200,000,000 Class A shares authorized, 43,028,267 shares and no shares issued and outstanding as of August 25, 2019 and November 25, 2018, respectively; and 422,000,000 Class B shares authorized, 349,644,520 shares and 376,028,430 shares issued and outstanding, as of August 25, 2019 and November 25, 2018, respectively	393	376
Additional paid-in capital (Note 1)	647,633	—
Accumulated other comprehensive loss	(406,450)	(424,584)
Retained earnings	1,219,089	1,084,321
Total Levi Strauss & Co. stockholders' equity	1,460,665	660,113
Noncontrolling interest	7,680	7,346
Total stockholders' equity	1,468,345	667,459
Total liabilities, temporary equity and stockholders' equity	$ 4,138,997	$ 3,542,660

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in thousands, except per share amounts) (Unaudited)			
Net revenues	$ 1,447,081	$ 1,394,153	$ 4,194,479	$ 3,983,580
Cost of goods sold	680,335	652,591	1,944,502	1,833,017
Gross profit	766,746	741,562	2,249,977	2,150,563
Selling, general and administrative expenses	595,528	582,146	1,814,949	1,738,943
Operating income	171,218	159,416	435,028	411,620
Interest expense	(15,292)	(15,697)	(47,962)	(45,659)
Underwriter commission paid on behalf of selling stockholders	—	—	(24,860)	—
Other expense, net	(4,369)	(3,839)	(2,849)	(1,344)
Income before income taxes	151,557	139,880	359,357	364,617
Income tax expense	27,340	10,299	60,182	176,633
Net income	124,217	129,581	299,175	187,984
Net loss (income) attributable to noncontrolling interest	292	543	141	(1,940)
Net income attributable to Levi Strauss & Co.	$ 124,509	$ 130,124	$ 299,316	$ 186,044
Earnings per common share attributable to common stockholders:				
Basic	$ 0.32	$ 0.34	$ 0.77	$ 0.49
Diluted	$ 0.30	$ 0.33	$ 0.73	$ 0.48
Weighted-average common shares outstanding:				
Basic	394,169,688	377,742,492	387,289,913	377,171,010
Diluted	413,639,749	390,586,032	407,844,136	387,849,263

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in thousands) (Unaudited)			
Net income	$ 124,217	$ 129,581	$ 299,175	$ 187,984
Other comprehensive income (loss), before related income taxes:				
Pension and postretirement benefits	3,431	3,347	10,317	9,864
Derivative instruments	9,215	8,645	23,619	14,772
Foreign currency translation losses	(6,523)	(15,483)	(11,280)	(30,055)
Unrealized gains on marketable securities	475	282	1,694	456
Total other comprehensive income (loss), before related income taxes	6,598	(3,209)	24,350	(4,963)
Income taxes expense related to items of other comprehensive income	(1,568)	(2,050)	(5,741)	(4,433)
Comprehensive income, net of income taxes	129,247	124,322	317,784	178,588
Comprehensive loss (income) attributable to noncontrolling interest	68	700	(334)	(1,883)
Comprehensive income attributable to Levi Strauss & Co.	$ 129,315	$ 125,022	$ 317,450	$ 176,705

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Levi Strauss & Co. Stockholders					
	Class A & Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Noncontrolling Interest	Total Stockholders' Equity
	(Dollars in thousands) (Unaudited)					
Balance at November 26, 2017	$ 375	$ —	$ 1,100,916	$ (404,381)	$ 5,478	$ 702,388
Net (loss) income	—	—	(19,012)	—	383	(18,629)
Other comprehensive income, net of tax	—	—	—	5,167	261	5,428
Stock-based compensation and dividends, net	2	5,254	—	—	—	5,256
Reclassification to temporary equity	—	9,590	(42,589)	—	—	(32,999)
Repurchase of common stock	—	(14,844)	—	—	—	(14,844)
Cash dividends declared ($0.24 per share)	—	—	(90,000)	—	—	(90,000)
Balance at February 25, 2018	377	—	949,315	(399,214)	6,122	556,600
Net income	—	—	74,932	—	2,100	77,032
Other comprehensive loss, net of tax	—	—	—	(9,405)	(161)	(9,566)
Stock-based compensation and dividends, net	—	5,566	—	—	—	5,566
Reclassification to temporary equity	—	(2,438)	(27,796)	—	—	(30,234)
Repurchase of common stock	—	(3,128)	(4,055)	—	—	(7,183)
Balance at May 27, 2018	377	—	992,396	(408,619)	8,061	592,215
Net income	—	—	130,124	—	(543)	129,581
Other comprehensive loss, net of tax	—	—	—	(5,102)	(157)	(5,259)
Stock-based compensation and dividends, net	1	4,266	(64)	—	—	4,203
Reclassification to temporary equity	—	7,230	(42,052)	—	—	(34,822)
Repurchase of common stock	(2)	(11,496)	(20,246)	—	—	(31,744)
Balance at August 26, 2018	$ 376	$ —	$ 1,060,158	$ (413,721)	$ 7,361	$ 654,174
Balance at November 25, 2018	$ 376	$ —	$ 1,084,321	$ (424,584)	$ 7,346	$ 667,459
Net income (loss)	—	—	146,577	—	(126)	146,451
Other comprehensive income, net of tax	—	—	—	8,214	180	8,394
Stock-based compensation and dividends, net	—	1,497	—	—	—	1,497
Reclassification to temporary equity	—	(506)	(23,339)	—	—	(23,845)
Repurchase of common stock	—	(991)	(2,923)	—	—	(3,914)
Cash dividends declared ($0.29 per share)	—	—	(110,000)	—	—	(110,000)
Balance at February 24, 2019	376	—	1,094,636	(416,370)	7,400	686,042
Net income	—	—	28,230	—	277	28,507
Other comprehensive income, net of tax	—	—	—	5,114	71	5,185
Stock-based compensation and dividends, net	2	12,515	—	—	—	12,517
Repurchase of common stock	—	(24,696)	—	—	—	(24,696)
Reclassification from temporary equity in connection with initial public offering (Note 1)	—	351,185	(28,200)	—	—	322,985
Issuance of Class A common stock in connection with initial public offering (Note 1)	14	234,569	—	—	—	234,583
Cancel liability-settled awards and replace with equity-settled awards in connection with initial public offering (Note 1)	—	56,130	—	—	—	56,130
Balance at May 26, 2019	392	629,703	1,094,666	(411,256)	7,748	1,321,253
Net income	—	—	124,509	—	(292)	124,217
Other comprehensive income, net of tax	—	—	—	4,806	224	5,030
Stock-based compensation and dividends, net	1	17,930	(86)	—	—	17,845
Balance at August 25, 2019	$ 393	$ 647,633	$ 1,219,089	$ (406,450)	$ 7,680	$ 1,468,345

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

LEVI STRAUSS & CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	August 25, 2019	August 26, 2018
	(Dollars in thousands) (Unaudited)	
Cash Flows from Operating Activities:		
Net income	$ 299,175	$ 187,984
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	90,305	92,130
Unrealized foreign exchange losses (gains)	19,625	(13,827)
Realized (gain) loss on settlement of forward foreign exchange contracts not designated for hedge accounting	(9,309)	20,446
Employee benefit plans' amortization from accumulated other comprehensive loss and settlement loss	10,317	9,865
Stock-based compensation	31,859	15,025
Other, net	3,380	3,678
(Benefit from) provision for deferred income taxes	(20,352)	127,626
Change in operating assets and liabilities:		
Trade receivables	(21,387)	(11,692)
Inventories	(79,355)	(202,822)
Other current assets	(40,926)	(36,122)
Other non-current assets	(7,070)	(6,045)
Accounts payable and other accrued liabilities	(26,293)	111,164
Restructuring liabilities	(248)	(306)
Income tax liabilities	34,918	11,479
Accrued salaries, wages and employee benefits and long-term employee related benefits	(88,817)	(101,758)
Other long-term liabilities	9,715	(2,066)
Net cash provided by operating activities	205,537	204,759
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(128,041)	(99,260)
Proceeds (payments) on settlement of forward foreign exchange contracts not designated for hedge accounting	9,309	(20,446)
Payments to acquire short-term investments	(94,702)	—
Proceeds from sale, maturity and collection of short-term investments	15,057	—
Net cash used for investing activities	(198,377)	(119,706)
Cash Flows from Financing Activities:		
Proceeds from short-term credit facilities	25,259	27,737
Repayments of short-term credit facilities	(38,280)	(24,196)
Other short-term borrowings, net	9,486	49
Proceeds from issuance of Class A common stock	254,329	—
Payments for underwriter commission and other offering costs	(19,746)	—
Repurchase of common stock, including shares surrendered for tax withholdings on equity award exercises	(28,610)	(53,773)
Dividend to stockholders	(55,000)	(45,000)
Other financing, net	(643)	(989)
Net cash provided by (used for) financing activities	146,795	(96,172)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(3,357)	(10,512)
Net increase (decrease) in cash and cash equivalents and restricted cash	150,598	(21,631)
Beginning cash and cash equivalents, and restricted cash	713,698	634,691
Ending cash and cash equivalents, and restricted cash	864,296	613,060
Less: Ending restricted cash	(523)	(554)
Ending cash and cash equivalents	$ 863,773	$ 612,506
Noncash Investing Activity:		
Property, plant and equipment acquired and not yet paid at end of period	$ 21,573	$ 13,093
Property, plant and equipment additions due to build-to-suit lease transactions	10,861	2,750
Supplemental disclosure of cash flow information:		
Cash paid for interest during the period	$ 29,621	$ 27,511
Cash paid for income taxes during the period, net of refunds	80,159	67,221

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, jackets, footwear and related accessories for men, women and children around the world under the Levi's®, Dockers®, Signature by Levi Strauss & Co.™ and Denizen® brands. The Company operates its business through three geographic regions: Americas, Europe and Asia.

Basis of Presentation and Principles of Consolidation

The unaudited consolidated financial statements of the Company and its wholly-owned and majority-owned foreign and domestic subsidiaries are prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial information. 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 25, 2018, included in the Company's final prospectus related to its initial public offering ("IPO"), dated March 20, 2019 (File No. 333-229630) (the "Prospectus"), filed with the Securities and Exchange Commission ("SEC") pursuant to Rule 424(b) under the Securities Act of 1933, as amended.

The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated. Management believes the disclosures are adequate to make the information presented in the unaudited consolidated financial statements not misleading. The results of operations for the three and nine months ended August 25, 2019 may not be indicative of the results to be expected for any other interim period or the year ending November 24, 2019.

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 2019 and 2018 consists of 13 weeks. All references to years and quarters relate to fiscal years and quarters rather than calendar years and quarters.

Reclassification

Certain insignificant amounts on the consolidated statements of cash flows have been conformed to the August 25, 2019 presentation.

Stock Split

On February 12, 2019, the Company's stockholders approved an amendment to the Company's certificate of incorporation (the "Amendment") to effect a ten-for-one stock split of shares of the Company's outstanding common stock, such that each share of common stock, $0.01 par value, became ten shares of common stock, $0.001 par value per share. In addition, the Amendment increased the number of authorized shares of the Company's common stock by 930,000,000 to 1,200,000,000. The Amendment became effective on March 4, 2019 when filed with the Secretary of State of the State of Delaware. All share and per-share data in the unaudited consolidated financial statements and notes has been retroactively adjusted to reflect the stock split for all periods presented.

Initial Public Offering

In March 2019, the Company completed its IPO in which it issued and sold 14,960,557 shares of Class A common stock at a public offering price of $17.00 per share. The Company received net proceeds of $234.6 million after deducting underwriting discounts and commissions of $13.6 million and other direct and incremental offering expenses of $6.1 million. The Company agreed to pay all underwriting discounts and commissions applicable to the sales of shares of Class A common stock by the selling stockholders. This amount, $24.9 million, was paid at completion of the IPO in March 2019 and was recorded as non-operating expense in the second quarter of 2019. Additionally, the Company incurred $3.5 million of other costs associated with the IPO that were recorded in selling, general and administrative expenses ("SG&A").

In connection with the IPO, on March 19, 2019 the Company's Board of Directors approved the cancellation of the majority of the outstanding unvested cash-settled restricted stock units ("RSU's") and their concurrent replacement with similar equity-settled RSUs ("Replacement Awards"), pursuant to the Company's 2016 Equity Incentive Plan (the "2016 Plan"). RSUs for certain foreign affiliates will continue to be cash-settled. Other than the form of settlement, all other terms of the awards (including their vesting schedules) are the same. Prior to this modification, the cash-settled awards were classified as liabilities and stock-based compensation expense was measured using the fair value at the end of each reporting period. After the modification, the stock-based compensation expense for these awards was measured using the modification date fair value. As a result of the modification, accrued stock-based compensation expense of $45.8 million and $10.3 million were reclassified on the Company's consolidated balance sheets from accrued salaries, wages and employee benefits and other long-term liabilities, respectively, to additional paid in capital. Refer to Note 6 for more information.

Prior to the IPO, the holders of shares issued under the 2016 Plan could require the Company to repurchase such shares at the then-current market value pursuant to a contractual put right. Equity-classified stock-based awards that may be settled in cash at the option of the holder were presented on the Company's consolidated balance sheets outside of permanent equity. Accordingly, temporary equity on the Company's consolidated balance sheets included the redemption value of these awards generally related to the elapsed service period since the grant date reflecting patterns of compensation cost recognition, as well as the fair value of the Company's common stock issued pursuant to the 2016 Plan. Upon the completion of the IPO in the second quarter of 2019, this contractual put right was terminated and these awards are no longer presented as temporary equity. As a result, the balance in temporary equity as of immediately prior to the IPO of $351.2 million was reclassified to additional paid in capital. Refer to Note 6 for more information.

On February 12, 2019, the Company’s stockholders also approved the adoption of an amended and restated certificate of incorporation (the "IPO Certificate") and amended and restated bylaws. The IPO Certificate provides for two classes of common stock: Class A common stock, par value $0.001 per share, and Class B common stock, par value $0.001 per share. All common stock outstanding at the time of the IPO converted automatically into Class B common stock, each having ten votes per share. Shares of Class A common stock, each having one vote per share, were sold in the IPO. Shares of Class B common stock sold by selling stockholders in the IPO automatically converted into shares of Class A common stock in connection with such sale. Holders of Class B common stock can voluntarily convert their shares into Class A common stock if and when they wish to do so in order to sell their shares to the public.

On February 12, 2019, the Company’s stockholders approved the Company's 2019 Equity Incentive Plan (the "2019 Plan") and the Company's 2019 Employee Stock Purchase Plan (the "2019 ESPP"), each of which became effective on March 20, 2019, the effective date of the IPO registration statement. The maximum number of shares of the Company’s Class A common stock that may be issued under the 2019 Plan is 40,000,000. The 2019 ESPP authorizes the issuance of 12,000,000 shares of the Company’s Class A common stock and is subject to automatic annual increases.

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.

Changes in Accounting Principles

- In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under the new standard and its related amendments (collectively known as Accounting Standards Codification 606 ("ASC 606")), an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Enhanced disclosures are required regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

  The Company has identified certain changes in balance sheet classification under ASC 606. Allowances for estimated returns, discounts and retailer promotions and other similar incentives are presented as other accrued liabilities rather than netted within accounts receivable and the estimated cost of inventory associated with allowances for estimated returns are included as other current assets rather than inventories. The Company adopted the standard as of November 26, 2018 using the modified retrospective approach and determined there is no impact to retained earnings upon adoption. Refer to Note 10 for more information.

  The following table presents the related effect of the adoption of Topic 606 on the Consolidated Balance Sheets:

	August 25, 2019		
	As Reported	Remove Effect of Adoption	Balances Without Adoption of Topic 606
	(Dollars in thousands)		
Trade receivables, net of allowance for doubtful accounts	$ 722,001	$ 176,740	$ 545,261
Inventories: Finished goods	927,243	(17,352)	944,595
Other current assets	212,116	17,352	194,764
Total current assets	2,813,667	176,740	2,636,927
Total assets	4,138,997	176,740	3,962,257
Accrued sales allowances	125,456	125,456	—
Other accrued liabilities	417,342	51,284	366,058
Total current liabilities	1,186,023	176,740	1,009,283
Total liabilities, temporary equity and stockholders' equity	$ 4,138,997	$ 176,740	$ 3,962,257

- In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. Restricted cash is reported in Other non-current assets in the Company's Consolidated Balance Sheets. The Company adopted this standard in the first quarter of 2019, and other than the change in presentation within the Consolidated Statements of Cash Flows, the adoption of ASU 2016-18 did not have an impact on the Company's consolidated financial statements.

- In March 2017, the FASB issued ASU 2017-07, *Compensation-Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 changes the income statement presentation of net periodic benefit costs requiring separation between operating expense (service cost component) and non-operating expense (all other components, including interest cost, expected return on plan assets, amortization of prior service costs or credits, curtailments and settlements, actuarial gains and losses, etc.). Accordingly, the Company determined this impacts the Company's Consolidated Statements of Income, as the service cost components of net periodic benefit costs are reported within operating income and the other components of net periodic benefit costs are reported in the Other Expense, Net line item. The presentation change in the Consolidated Statements of Income requires application on a retrospective basis. A practical expedient is permitted under the guidance which allows the Company to use information previously disclosed in the pension and other postretirement benefit plans footnote as the basis to apply the retrospective presentation requirements. As a result of the Company's adoption of this standard, other components of net periodic benefit

costs, primarily interest costs and investment earnings, of $4.0 million and $0.8 million for the three months ended August 25, 2019 and August 26, 2018, respectively, and $12.0 million and $2.4 million for the nine months ended August 25, 2019 and August 26, 2018, respectively, were included in Other Expense, Net line item rather than SG&A expenses in the Company's Consolidated Statements of Income. This reclassified amount is $3.4 million for the year ended November 25, 2018.

- In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities*. ASU 2017-12 refines and expands hedge accounting for both financial and commodity risks. This ASU creates more transparency around how economic results are presented, both on the face of the financial statements and in the footnotes. In addition, this ASU makes certain targeted improvements to simplify the application of hedge accounting guidance. The Company adopted this standard during the first quarter of 2019 upon entering into foreign exchange risk contracts designated as hedges.

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 Prospectus, except for the following:

First Quarter of 2020

- In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for operating or financing lease arrangements exceeding a 12-month term, a right-of-use asset and a lease obligation will be recognized on the balance sheet of the lessee while the income statement will reflect lease expense for operating leases and amortization and interest expense for financing leases. The Company has identified leases for real estate, personal property and other arrangements. The new standard is required to be applied using a modified retrospective approach with two adoption methods permissible. The Company expects to elect the transition method that applies the new lease standard at the adoption date instead of the earliest period presented. The Company plans to elect the practical expedient to not separate lease components from nonlease components for all leases. Additionally, the Company plans to make an accounting policy election to keep leases with an initial 12-month term or less off of the balance sheet and recognize these lease payments within the consolidated statements of income on a straight-line basis over the term of the lease. The Company continues to assess whether to elect the package of transition practical expedients which would allow the Company to carry forward prior conclusions related to: (i) whether any expired or existing contracts contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for existing leases. Given the significant number of leases, the Company anticipates the new guidance will have a material impact on the consolidated balance sheets.

NOTE 2: FAIR VALUE OF FINANCIAL INSTRUMENTS

Beginning the first quarter of 2019, the Company invested in short-term investments. Changes in the fair value of these marketable securities are recognized in accumulated other comprehensive loss.

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

	August 25, 2019			November 25, 2018		
		Fair Value Estimated Using			Fair Value Estimated Using	
	Fair Value	Level 1 Inputs[1]	Level 2 Inputs[2]	Fair Value	Level 1 Inputs[1]	Level 2 Inputs[2]
	(Dollars in thousands)					
Financial assets carried at fair value						
Rabbi trust assets	$ 46,477	$ 46,477	$ —	$ 34,385	$ 34,385	$ —
Short-term investments in marketable securities	80,220	—	80,220	—	—	—
Derivative instruments[3]	21,448	—	21,448	18,372	—	18,372
Total	$ 148,145	$ 46,477	$ 101,668	$ 52,757	$ 34,385	$ 18,372
Financial liabilities carried at fair value						
Derivative instruments[3]	7,135	—	7,135	4,447	—	4,447
Total	$ 7,135	$ —	$ 7,135	$ 4,447	$ —	$ 4,447

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

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

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

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

	August 25, 2019		November 25, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(Dollars in thousands)			
Financial liabilities carried at adjusted historical cost				
5.00% senior notes due 2025[1]	$ 495,073	$ 515,165	$ 487,272	$ 478,774
3.375% senior notes due 2027[1]	527,938	567,582	538,219	546,238
Short-term borrowings	27,556	27,556	32,470	32,470
Total	$ 1,050,567	$ 1,110,303	$ 1,057,961	$ 1,057,482

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

NOTE 3: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Accounting Policy

Financial Statement Presentation

The Company records all derivatives on the balance sheet at fair value, which are included in "Other current assets", "Other non-current assets", "Other accrued liabilities" or "Other long-term liabilities" on the Company's consolidated balance sheets. The portion of the fair value that represents cash flow occurring within one year are classified as current and the portion related to cash flows occurring beyond one year are classified as non-current. The cash flows from the designated derivative instruments used as hedges are classified in the Company's consolidated statements of cash flows in the same section as the cash flows of the hedged item.

Cash Flow Hedges

The Company's cash flow hedges are recorded in "Other comprehensive income" and are not reclassified to earnings until the related net investment position has been liquidated. As a result of ASU 2017-12, for foreign exchange forward contracts accounted for as cash flow hedges, the ineffective portion (if any) will not be separately recorded. The classification of effective hedge results on the Company's consolidated statements of income is the same as that of the underlying exposure. For foreign exchange risk cash flow hedges, forward points are excluded from the assessment of hedge effectiveness and are recognized in "Net Revenues" or "Costs of goods sold" 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".

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, net" in the Company's consolidated statements of income. The effective portions of these hedges are recorded in "Accumulated other comprehensive loss" on the Company's consolidated balance sheets and are not reclassified to earnings until the related net investment position has been liquidated.

No Hedging Designation

The Company may also enter into derivative instruments that are not designated as hedges and do not qualify for hedge accounting. For derivatives not designated for hedge accounting, changes in the fair value are recorded in "Other expense, net" in the Company's consolidated statements of income.

The Company's foreign currency management objective is to minimize the effect of fluctuations in foreign exchange rates on nonfunctional currency cash flows and selected assets or liabilities without exposing the Company to additional risk associated with transactions that could be regarded as speculative. The Company manages certain forecasted foreign currency exposures and uses a centralized currency management operation to take advantage of potential opportunities to naturally offset foreign currency exposures against each other.

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 Euro functional currencies. 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 current Cost of sales 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. There was no hedge ineffectiveness for the nine months ended August 25, 2019.

Net Investment Hedges

The Company has designated a portion of its outstanding Euro-denominated senior notes as a net investment hedge to manage foreign currency exposures in its foreign operations.

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, net" in the Company's consolidated statements of income.

As of August 25, 2019, the Company had forward foreign exchange contracts derivatives that were not designated as hedges in qualifying hedging relationships, of which $1.0 billion were contracts to buy and $444.1 million were contracts to sell various foreign currencies. These contracts are at various exchange rates and expire at various dates through February 2021. The table below provides data about the carrying values of derivative instruments and non-derivative instruments:

	August 25, 2019			November 25, 2018		
	Assets	(Liabilities)	Derivative	Assets	(Liabilities)	Derivative
	Carrying Value	Carrying Value	Net Carrying Value	Carrying Value	Carrying Value	Net Carrying Value
	(Dollars in thousands)					
Derivatives designated as hedging instruments						
Foreign exchange risk cash flow hedges[1]	$ 10,228	$ —	$ 10,228	$ —	$ —	$ —
Foreign exchange risk cash flow hedges[2]	—	(358)	(358)	—	—	—
Total	$ 10,228	$ (358)		$ —	$ —	
Derivatives not designated as hedging instruments						
Forward foreign exchange contracts[1]	21,448	(10,228)	11,220	18,372	—	18,372
Forward foreign exchange contracts[2]	358	(7,135)	(6,777)	—	(4,447)	(4,447)
Total	$ 21,806	$ (17,363)		$ 18,372	$ (4,447)	
Non-derivatives designated as hedging instruments						
Euro senior notes	$ —	$ (526,253)		$ —	$ (541,500)	

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

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

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

	August 25, 2019			November 25, 2018		
	Gross Amounts of Assets / (Liabilities) Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet	Net Amounts of Assets / (Liabilities)	Gross Amounts of Assets / (Liabilities) Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet	Net Amounts of Assets / (Liabilities)
	(Dollars in thousands)					
Foreign exchange risk contracts and forward foreign exchange contracts						
Financial assets	$ 29,675	$ (4,516)	$ 25,159	$ 16,417	$ (1,756)	$ 14,661
Financial liabilities	(15,958)	4,516	(11,442)	(2,181)	1,756	(425)
Total			$ 13,717			$ 14,236
Embedded derivative contracts						
Financial assets	$ 2,359	$ —	$ 2,359	$ 1,955	$ —	$ 1,955
Financial liabilities	(1,763)	—	(1,763)	(2,266)	—	(2,266)
Total			$ 596			$ (311)

The table below provides data about the amount of gains and losses related to derivative instruments designated as cash flow hedges and non-derivative instruments designated as net investment hedges included in "Accumulated other comprehensive loss" ("AOCI") on the Company's consolidated balance sheets:

	Amount of Gain (Loss) Recognized in OCI (Effective Portion)		Amount of Gain (Loss) Reclassified from AOCI into Net Income[1]			
	As of	As of	Three Months Ended		Nine Months Ended	
	August 25, 2019	November 25, 2018	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in thousands)					
Foreign exchange risk contracts	$ 8,372	$ —	$ 869	$ —	$ 1,586	$ —
Realized forward foreign exchange swaps [2]	4,637	4,637	—	—	—	—
Yen-denominated Eurobonds	(19,811)	(19,811)	—	—	—	—
Euro-denominated senior notes	(39,169)	(54,416)	—	—	—	—
Cumulative income taxes	24,266	29,703	—	—	—	—
Total	$ (21,705)	$ (39,887)				

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

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

Within the next 12 months, a $7.3 million gain from cash flow hedges is expected to be reclassified from AOCI 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 for the three and nine months ended August 25, 2019:

	August 25, 2019	
	Three Months Ended	Nine Months Ended
Amount of Gain (Loss) on Cash Flow Hedge Activity:	(Dollars in thousands)	
Revenues	$ (812)	$ (3,257)
Cost of Goods Sold	$ 1,681	$ 4,843

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

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in thousands)			
Realized gain (loss)	$ 979	$ (2,298)	$ 8,739	$ (20,446)
Unrealized gain (loss)	535	6,835	(9,102)	22,607
Total	$ 1,514	$ 4,537	$ (363)	$ 2,161

NOTE 4: DEBT

The following table presents the Company's debt:

	August 25, 2019	November 25, 2018
	(Dollars in thousands)	
Long-term debt		
5.00% senior notes due 2025	$ 487,086	$ 485,605
3.375% senior notes due 2027	519,922	534,614
Total long-term debt	$ 1,007,008	$ 1,020,219
Short-term debt		
Short-term borrowings	$ 27,554	$ 31,935
Total debt	$ 1,034,562	$ 1,052,154

Senior Revolving Credit Facility

The Company's unused availability under its senior secured revolving credit facility was $734.7 million at August 25, 2019, as the Company's total availability of $765.3 million was reduced by $30.6 million of letters of credit and other credit usage allocated under the credit facility.

Interest Rates on Borrowings

The Company's weighted-average interest rate on average borrowings outstanding during the three and nine months ended August 25, 2019 was 5.30% and 5.28%, respectively, as compared to 5.04% and 5.00%, respectively, during the same periods of 2018.

NOTE 5: EMPLOYEE BENEFIT PLANS

The following table summarizes the total net periodic benefit cost for the Company's defined pension plans and postretirement benefit plans:

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in thousands)			
Net periodic benefit cost:				
Pension benefits	$ 3,975	$ 819	$ 11,968	$ 2,434
Postretirement benefits	893	925	2,679	2,777
Net periodic benefit cost	$ 4,868	$ 1,744	$ 14,647	$ 5,211

NOTE 6: STOCK-BASED INCENTIVE COMPENSATION PLANS

Equity Awards

Service and performance RSU activity during the nine months ended August 25, 2019 was as follows:

	Service RSUs			Performance RSUs		
	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Life (Years)	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Life (Years)
	(Units in thousands)					
Outstanding at November 25, 2018	1,030	$ 8.17	1.7	1,744	$ 8.08	1.4
Granted	425	16.31		594	15.93	
Vested	(109)	8.80		—	—	
Granted Replacement Awards	6,542	16.67		2,083	22.71	
Forfeited	(201)	16.65		(59)	22.55	
Outstanding at August 25, 2019	7,687	$ 15.57	1.8	4,362	$ 16.08	1.3

Liability Awards

Liability award activity during the nine months ended August 25, 2019 was as follows:

	Phantom Service RSUs			Phantom Performance RSUs		
	Units	Weighted-Average Grant Date Fair Value	Fair Value At Period End	Units	Weighted-Average Grant Date Fair Value	Fair Value At Period End
	(Units in thousands)					
Outstanding at November 25, 2018	9,100	$ 7.59	$ 14.60	1,710	$ 8.22	$ 14.60
Granted	1,810	14.95		504	14.88	
Vested	(3,595)	6.84		—	—	
Canceled	(6,542)	9.81		(2,083)	9.69	
Forfeited	(215)	8.59		(64)	9.45	
Outstanding at August 25, 2019	558	$ 9.90	$ 16.66	67	$ 11.66	$ 16.66
Expected to vest at August 25, 2019	519	$ 9.75	$ 16.66	59	$ 11.50	$ 16.66

NOTE 7: COMMITMENTS AND CONTINGENCIES

Forward Foreign Exchange Contracts

The Company uses cash flow hedge derivative instruments to manage its exposure to foreign currencies. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the forward foreign exchange contracts. However, the Company believes that its exposures are appropriately diversified across counterparties and that these counterparties are creditworthy financial institutions. See Note 3 for additional information.

Other Contingencies

Litigation. In the ordinary course of business, the Company has various pending cases involving contractual matters, facility and employee-related matters, distribution matters, product liability claims, trademark infringement and other matters. The Company does not believe any of these pending 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 operating 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. While the Company is vigorously defending its position and does not believe any of the claims for customs duty and related charges have merit, the ultimate resolution of these assessments and legal proceedings are subject to risk and uncertainty.

NOTE 8: DIVIDEND

In January 2019, the Company's Board of Directors declared two cash dividends of $55 million each. The first dividend was paid in the first quarter of 2019. Subsequent to the Company's third quarter ended August 25, 2019, the Company's Board of Directors increased the second dividend to a fixed amount of $0.15 per share for a total dividend payment of approximately $59 million, payable in the fourth quarter of 2019 to the holders of record of the Company's Class A common stock and Class B common stock at the close of business on October 5, 2019. The increased second dividend will be recorded in "Other accrued liabilities" in the Company's consolidated balance sheets in the fourth quarter of 2019.

The Company does not have an established dividend policy. The Company will continue to review its ability to pay cash dividends at least annually, and dividends may be declared at the discretion of the Company's Board of Directors depending upon, among other factors, the Company's financial condition and compliance with the terms of the Company's debt agreements.

NOTE 9: ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	August 25, 2019	November 25, 2018	August 26, 2018
	(Dollars in thousands)		
Pension and postretirement benefits	$ (221,278)	$ (229,023)	$ (225,013)
Derivative instruments	(21,705)	(39,887)	(44,759)
Foreign currency translation losses	(157,980)	(149,318)	(138,850)
Unrealized gains on marketable securities	4,291	2,948	4,383
Accumulated other comprehensive loss	(396,672)	(415,280)	(404,239)
Accumulated other comprehensive income attributable to noncontrolling interest	9,778	9,304	9,482
Accumulated other comprehensive loss attributable to Levi Strauss & Co.	$ (406,450)	$ (424,584)	$ (413,721)

Refer to Note 3 for insignificant amounts reclassified out of "Accumulated other comprehensive loss" into net income related to the Company's derivative instruments. Other insignificant amounts that pertain to the Company's pension and postretirement benefit plans were also reclassified out of "Accumulated other comprehensive loss" into "Other Expense, net" in the Company's consolidated statements of income.

NOTE 10: NET REVENUES

Disaggregated Revenue

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

	Three Months Ended August 25, 2019			
	Americas	Europe	Asia	Total
	(Dollars in thousands)			
Net revenues by channel:				
Wholesale	$ 548,214	$ 272,484	$ 122,114	$ 942,812
Direct-to-consumer	222,603	190,774	90,892	504,269
Total net revenues	$ 770,817	$ 463,258	$ 213,006	$ 1,447,081

	Nine Months Ended August 25, 2019			
	Americas	Europe	Asia	Total
	(Dollars in thousands)			
Net revenues by channel:				
Wholesale	$ 1,519,973	$ 733,397	$ 370,425	$ 2,623,795
Direct-to-consumer	660,806	592,906	316,972	1,570,684
Total net revenues	$ 2,180,779	$ 1,326,303	$ 687,397	$ 4,194,479

	Three Months Ended August 26, 2018			
	Americas	Europe	Asia	Total
	(Dollars in thousands)			
Net revenues by channel:				
Wholesale	$ 588,683	$ 237,920	$ 107,509	$ 934,112
Direct-to-consumer	204,149	167,817	88,075	460,041
Total net revenues	$ 792,832	$ 405,737	$ 195,584	$ 1,394,153

	Nine Months Ended August 26, 2018			
	Americas	Europe	Asia	Total
	(Dollars in thousands)			
Net revenues by channel:				
Wholesale	$ 1,518,105	$ 694,366	$ 335,835	$ 2,548,306
Direct-to-consumer	601,715	530,929	302,630	1,435,274
Total net revenues	$ 2,119,820	$ 1,225,295	$ 638,465	$ 3,983,580

Wholesale channel revenues includes sales through third-party retailers such as department stores, specialty retailers, leading third-party e-commerce sites and franchise locations dedicated to the Company's brands. The Company also sells products directly to consumers, which are reflected in the direct-to-consumer ("DTC") channel, through a variety of formats, including company-operated mainline and outlet stores, company-operated e-commerce sites and select shop-in-shops located in department stores and other third-party retail locations.

Revenue transactions generally comprise a single performance obligation which consists of the sale of products to customers either through wholesale or direct-to-consumer channels. The Company satisfies the performance obligation and records revenues when transfer of control has passed to the customer, based on the terms of sale. Transfer of control passes to wholesale customers upon shipment or upon receipt depending on the agreement with the customer. Within the Company's DTC channel, control generally transfers to the customer at the time of sale within company-operated retail stores and upon delivery to the customer with respect to e-commerce transactions.

Licensing revenues are included in the Company's wholesale channel and represent approximately 2% of total revenues which are recognized over time based on the contractual term with variable amounts recognized only when royalties exceed contractual minimum royalty guarantees.

Payment terms for wholesale transactions depend on the country of sale or agreement with the customer, and payment is generally required after shipment or receipt by the wholesale customer. Payment is due at the time of sale for retail store and e-commerce transactions.

At August 25, 2019, the Company did not have any material contract assets and or contract liabilities recorded in the consolidated balance sheets.

Net revenues are recognized when the Company's performance obligations are satisfied upon transfer of control of promised goods. A customer is deemed to have control once they are able to direct the use and receive substantially all of the benefits of the product. This includes a present obligation to payment, the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance.

Consideration promised in the Company’s contracts with customers includes a variable amount related to anticipated sales returns, discounts and miscellaneous claims from customers. Estimates of discretionary authorized returns, discounts and claims are based on (1) historical rates, (2) specific identification of outstanding returns not yet received from customers and outstanding discounts and claims and (3) expected returns, discounts and claims not yet finalized with customers. Actual returns, discounts and claims in any future period are inherently uncertain and thus may differ from estimates recorded.

The Company treats all shipping to the Company's customers, handling and certain other distribution activities as a fulfillment cost and recognizes these costs as SG&A.

Sales and value-added taxes collected from customers and remitted to governmental authorities are presented on a net basis in the consolidated statements of income.

NOTE 11: OTHER EXPENSE, NET

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

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in thousands)			
Foreign exchange management gains (losses)	$ 1,514	$ 4,537	$ (363)	$ 2,161
Foreign currency transaction losses[1]	(6,671)	(11,147)	(9,634)	(10,528)
Interest income	4,986	2,672	12,644	6,502
Investment income	493	306	1,506	734
Other, net[2]	(4,691)	(207)	(7,002)	(213)
Total other expense, net[2]	$ (4,369)	$ (3,839)	$ (2,849)	$ (1,344)

(1) Foreign currency transaction losses reflect the impact of foreign currency fluctuation on the Company's foreign currency denominated balances. Losses in the three-month and nine-month periods ended August 25, 2019 were primarily due to the weakening of the Euro against the US dollar. Losses in the three-month and nine-month periods ended August 26, 2018 were primarily due to the weakening of the Euro and Brazilian Real against the US dollar.

(2) The amounts in Other expense, net have been conformed to reflect the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Cost and Net Periodic Postretirement Benefit Cost" and include non-service cost component of net periodic benefit costs. Refer to Note 1 for more information.

NOTE 12: INCOME TAXES

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act"), which significantly changed U.S. tax law. The Tax Act lowered the Company’s U.S. statutory federal income tax rate from 35% to 21% effective on November 26, 2018. Beginning the first quarter of 2019, the Company's effective tax rate reflected a provision to tax Global Intangible Low-Taxed Income ("GILTI") of foreign subsidiaries and a tax benefit for Foreign Derived Intangible Income ("FDII"). The Company accounted for GILTI in the period in which it is incurred.

The effective income tax rate was 18.0% for the three months ended August 25, 2019, compared to 7.4% for the same prior-year period. The increase in the effective tax rate was driven by less discrete tax benefits in 2019 as compared to 2018, including 4.8% ($6.5 million) from a less favorable true-up of book-tax adjustments upon finalization of the U.S. tax return, and a 5.1% ($7.1 million) in 2018 mostly from the re-measurement of the Company's deferred tax assets and liabilities subject to the Tax Act rate reduction. There was also a 3.4% ($4.7 million) tax benefit in the prior year period attributable to exercising stock-based equity awards.

The Company's effective income tax rate was 16.7% for the nine months ended August 25, 2019, compared to 48.4% for the same prior-year period. The decrease in the effective tax rate in 2019 as compared to 2018 was primarily driven by a 36% ($129.6 million) one-time tax charge in 2018 related to the impact of the Tax Act. Of the impact, 25% ($91.5 million) was due to remeasurement of deferred tax assets and liabilities and 11% ($38.1 million) was related to transition charges on undistributed foreign earnings.

NOTE 13: EARNINGS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

Basic earnings per share attributable to common stockholders is calculated by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per share attributable to common stockholders adjusts the basic earnings per share attributable to common stockholders and the weighted-average number of common shares outstanding for the potentially dilutive impact of RSUs and stock appreciation rights using the treasury stock method. The following table sets forth the computation of the Company's basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in thousands, except per share amounts)			
Numerator:				
Net income attributable to Levi Strauss & Co.	$ 124,509	$ 130,124	$ 299,316	$ 186,044
Denominator:				
Weighted-average common shares outstanding - basic	394,169,688	377,742,492	387,289,913	377,171,010
Dilutive effect of stock awards	19,470,061	12,843,540	20,554,223	10,678,253
Weighted-average common shares outstanding - diluted	413,639,749	390,586,032	407,844,136	387,849,263
Earnings per common share attributable to common stockholders:				
Basic	$ 0.32	$ 0.34	$ 0.77	$ 0.49
Diluted	$ 0.30	$ 0.33	$ 0.73	$ 0.48
Anti-dilutive securities excluded from calculation of diluted earnings per share attributable to common stockholders	—	—	—	1,379,464

NOTE 14: RELATED PARTIES

Charles V. Bergh, President and Chief Executive Officer, Peter E. Haas Jr., a director of the Company who retired in September 2019, and Marc Rosen, Executive Vice President and President of Direct-to-Consumer, are board members of the Levi Strauss Foundation, which is not a consolidated entity of the Company. Seth R. Jaffe, Executive Vice President and General Counsel, is Vice President of the Levi Strauss Foundation. During the three and nine months ended August 25, 2019, the Company donated $0.4 million and $9.3 million, respectively, to the Levi Strauss Foundation as compared to $0.4 million and $7.3 million for the same prior-year periods.

NOTE 15: BUSINESS SEGMENT INFORMATION

The Company manages its business according to three regional segments: the Americas, Europe and Asia. 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 regional segments' net revenues and operating income.

Business segment information for the Company is as follows:

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in thousands)			
Net revenues:				
Americas	$ 770,817	$ 792,832	$ 2,180,779	$ 2,119,820
Europe	463,258	405,737	1,326,303	1,225,295
Asia	213,006	195,584	687,397	638,465
Total net revenues	$ 1,447,081	$ 1,394,153	$ 4,194,479	$ 3,983,580
Operating income:				
Americas	$ 151,558	$ 162,469	$ 376,845	$ 370,926
Europe	102,911	76,848	283,244	245,307
Asia	17,410	14,720	77,438	71,839
Regional operating income	271,879	254,037	737,527	688,072
Corporate expenses[(1)]	100,661	94,621	302,499	276,452
Total operating income	171,218	159,416	435,028	411,620
Interest expense	(15,292)	(15,697)	(47,962)	(45,659)
Underwriter commission paid on behalf of selling stockholders	—	—	(24,860)	—
Other expense, net[(1)]	(4,369)	(3,839)	(2,849)	(1,344)
Income before income taxes	$ 151,557	$ 139,880	$ 359,357	$ 364,617

(1) The amounts in Corporate expenses and Other expense, net have been conformed to reflect the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Cost and Net Periodic Postretirement Benefit Cost" and include non-service cost component of net periodic benefit costs. Refer to Note 1 for more information.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited consolidated financial statements and related notes thereto included in Part I, Item 1 of this Quarterly Report, our audited financial statements and related notes thereto for the year ended November 25, 2018, included in the final prospectus related to our initial public offering ("IPO"), dated March 20, 2019 (File No. 333-229630) (the "Prospectus"), filed with the Securities and Exchange Commission ("SEC") pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended (the "Securities Act"), on March 21, 2019, and our other filings with the SEC. 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. See "-Financial Information Presentation - Fiscal Year."

Non-GAAP Financial Measures

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

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

Overview

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

Our business is operated through three geographic regions that comprise our three reporting segments: Americas, Europe and Asia (which includes the Middle East and Africa). We service consumers through our global infrastructure, developing, sourcing and marketing our products around the world.

Our iconic, enduring brands are brought to life every day around the world by our talented and creative employees and partners. The Levi's brand epitomizes classic, authentic American style and effortless cool. We have cultivated Levi's as a lifestyle brand that is inclusive and democratic in the eyes of consumers while offering products that feel exclusive, personalized and original. This approach has enabled the Levi's brand to evolve with the times and continually reach a new, younger audience, while our rich heritage continues to drive relevance and appeal across demographics. The Dockers brand helped drive "Casual Friday" in the 1990s and has been a cornerstone of casual menswear for more than 30 years. The Signature by Levi Strauss & Co. and Denizen brands, which we developed for value-conscious consumers, offer quality craftsmanship and great fit and style at affordable prices.

We recognize wholesale revenue from sales of our products through third-party retailers such as department stores, specialty retailers, leading third-party e-commerce sites and franchise locations dedicated to our brands. We also sell our products directly to consumers (direct-to-consumer or "DTC") through a variety of formats, including our own company-operated mainline and outlet stores, company-operated e-commerce sites and select shop-in-shops that we operate within department stores and other third-party retail locations. As of August 25, 2019, our products were sold in over 50,000 retail locations in more than 110 countries, including approximately 3,000 brand-dedicated stores and shop-in-shops. As of August 25, 2019, we had 888 company-operated stores located in 32 countries and approximately 500 company-operated shop-in-shops. The remainder of our brand-dedicated stores and shop-in-shops were operated by franchisees and other partners.

Our Europe and Asia businesses, collectively, contributed 48% of our net revenues and 49% of our regional operating income in the first nine months of 2019, as compared to 47% of our net revenues and 46% of our regional operating income in the same

period in 2018. Sales of Levi's brand products represented 87% of our total net sales in the first nine months of 2019 and 86% in the same period in 2018.

Our wholesale channel generated 63% and 64% of our net revenues in the first nine months of 2019 and 2018, respectively. Our DTC channel generated 37% and 36% of our net revenues in the first nine months of 2019 and 2018, respectively, with our company operated e-commerce representing 13% and 12% of DTC channel net revenues and 5% and 4% of total net revenues in the first nine months of 2019 and 2018, respectively.

Factors Affecting Our Business

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

- Factors that impact consumer discretionary spending, which remains volatile globally, continue to create a complex and challenging retail environment for us and our customers, characterized by unpredictable traffic patterns and a general promotional environment. In developed economies, mixed real wage growth and shifting consumer spending also continue to pressure global discretionary spending. Consumers continue to focus on value pricing and convenience with the off-price retail channel remaining strong and increased expectations for real-time delivery.
- The diversification of our business model across regions, channels, brands and categories affects our gross margin. For example, if our sales in higher gross margin business regions, channels, brands and categories grow at a faster rate than in our lower gross margin business regions, channels, brands and categories, we would expect a favorable impact to aggregate gross margin over time. Gross margin in Europe is generally higher than in our other two regional operating segments. Sales directly to consumers generally have higher gross margins than sales through third parties, although these sales 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 products categories, may also impact our future gross margin.
- More competitors are seeking growth globally, thereby increasing competition across regions. Some of these competitors are entering markets where we already have a mature business such as the United States, Mexico, Western Europe and Japan, and may provide consumers discretionary purchase alternatives or lower-priced apparel offerings.
- Wholesaler/retailer dynamics and wholesale channels remain challenged by mixed growth prospects due to increased competition from e-commerce shopping, pricing transparency enabled by the proliferation of online technologies, and vertically-integrated specialty stores. Retailers, including our top customers, have in the past and may in the future decide to consolidate, undergo restructurings or rationalize their stores, which could result in a reduction in the number of stores that carry our products.
- Many apparel companies that have traditionally relied on wholesale distribution channels have invested in expanding their own retail store and e-commerce distribution and consumer-facing technologies, which has increased competition in the retail market.
- Competition for, and price volatility of, resources throughout the supply chain have increased, causing us and other apparel manufacturers to continue to seek alternative sourcing channels and create new efficiencies in our global supply chain. Trends affecting the supply chain include the proliferation of lower-cost sourcing alternatives, resulting in reduced barriers to entry for new competitors, and the impact of fluctuating prices of labor and raw materials as well as the consolidation of suppliers. Trends such as these can bring additional pressure on us and other wholesalers and retailers to shorten lead-times, reduce costs and raise product prices.
- Foreign currencies continue to be volatile. Significant fluctuations of the U.S. Dollar against various foreign currencies, including the Euro, British Pound and Mexican Peso, will impact our financial results, affecting translation, revenue, operating margins and net income.
- The current environment has introduced greater uncertainty with respect to potential tax and trade regulations. The current domestic and international political environment, including changes to other U.S. policies related to global trade and tariffs, have resulted in uncertainty surrounding the future state of the global economy. Such changes may require us to modify our current sourcing practices, which may impact our product costs, and, if not mitigated, could have a material adverse effect on our business and results of operations. In addition, the United States enacted new tax legislation in fiscal year 2018, which is intended to stimulate economic growth and capital investments in the United States by, among other provisions, lowering tax rates for both corporations and individuals.

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

Effects of Inflation

We believe inflation in the regions where most of our sales occur has not had a significant effect on our net revenues or profitability.

Our Third Quarter 2019 Results

- *Net revenues*. Consolidated net revenues increased 4% on a reported basis and 5% on a constant-currency basis compared to the third quarter of 2018. This increase was driven by broad-based growth in our Europe and Asia regions, partially offset by a decline in the Americas reflecting the continued softening of the retail environment impacting our wholesale channel.
- *Operating income*. Compared to the third quarter of 2018, consolidated operating income increased 8% and operating margin increased to 12%, as higher net revenues were partially offset by higher selling, general and administrative expenses ("SG&A") associated with the expansion of our company-operated retail network.
- *Net income*. Compared to the third quarter of 2018, consolidated net income decreased to $124.2 million from $129.6 million, primarily due to the $7.1 million tax benefit recorded in the third quarter of 2018 mostly related to provisional amounts on re-measurement of deferred tax assets and liabilities due to finalization of the U.S. tax return, which was more than offset by higher operating income earned in the current year.
- *Adjusted Net Income.* Compared to the third quarter of 2018, adjusted net income decreased 4% due to higher operating income in the current year which was more than offset by an increase in tax expense.
- *Earnings per share.* Compared to the third quarter of 2018, diluted earnings per share decreased from $0.33 to $0.30 due to an increase in shares outstanding as a result of our IPO and lower net income.
- *Adjusted diluted earnings per share.* Compared to the third quarter of 2018, adjusted diluted earnings per share decreased from $0.34 to $0.31 due to an increase in shares outstanding as a result of our IPO and lower adjusted net income.

Our Year-to-Date 2019 Results

- *Net revenues*. Consolidated net revenues increased 5% on a reported basis and 8% on a constant-currency basis compared to the first nine months of 2018. This increase was driven by growth across all three regions and across both wholesale and DTC channels.
- *Operating income*. Compared to the first nine months of 2018, consolidated operating income increased 6% and operating margin increased slightly to 10%, as higher net revenues was partially offset by higher SG&A associated with higher selling expenses to support store growth.
- *Net income*. Compared to the first nine months of 2018, consolidated net income increased to $299.2 million from $188.0 million due to higher operating income in the current year and a prior period $129.6 million charge from the transitional impact from the 2017 Tax Act.
- *Adjusted Net Income.* Compared to the first nine months of 2018, adjusted net income increased 16% due to higher operating income in the current year, and a $38.1 million charge in the prior year from the one-time U.S. transition tax on undistributed foreign earnings as a result of the Tax Act.
- *Earnings per share.* Compared to the first nine months of 2018, diluted earnings per share increased from $0.48 to $0.73 due to higher net income, partially offset by an increase in shares outstanding as a result of our IPO.
- *Adjusted diluted earnings per share.* Compared to the first nine months of 2018, adjusted diluted earnings per share increased from $0.77 to $0.85 as a result of higher adjusted net income, partially offset by increased shares outstanding as a result of our IPO.

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 last Sunday of the last month of that quarter. Each quarter of fiscal years 2019 and 2018 consists of 13 weeks.

Segments. We manage our business according to three regional segments: the Americas, Europe and Asia, which includes the Middle East and Africa.

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

- Net revenues comprise of 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 of 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 selling, general and administrative expenses ("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.
- SG&A and Other Expense, net in the period ended August 26, 2018 have been conformed to reflect the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Cost and Net Periodic Postretirement Benefit Cost". Refer to Note 1 for more information.

Results of Operations for Three and Nine Months Ended August 25, 2019, as Compared to Same Periods in 2018

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

	Three Months Ended					Nine Months Ended				
	August 25, 2019	August 26, 2018	% Increase (Decrease)	August 25, 2019 % of Net Revenues	August 26, 2018 % of Net Revenues	August 25, 2019	August 26, 2018	% Increase (Decrease)	August 25, 2019 % of Net Revenues	August 26, 2018 % of Net Revenues
	(Dollars and shares in millions, except per share amounts)									
Net revenues	$ 1,447.1	$ 1,394.2	3.8 %	100.0 %	100.0 %	$ 4,194.5	$ 3,983.6	5.3 %	100.0 %	100.0 %
Cost of goods sold	680.3	652.6	4.2 %	47.0 %	46.8 %	1,944.5	1,833.0	6.1 %	46.4 %	46.0 %
Gross profit	766.8	741.6	3.4 %	53.0 %	53.2 %	2,250.0	2,150.6	4.6 %	53.6 %	54.0 %
Selling, general and administrative expenses	595.5	582.2	2.3 %	41.2 %	41.8 %	1,814.9	1,739.0	4.4 %	43.3 %	43.7 %
Operating income	171.3	159.4	7.5 %	11.8 %	11.4 %	435.1	411.6	5.7 %	10.4 %	10.3 %
Interest expense	(15.3)	(15.6)	(1.9)%	(1.1)%	(1.1)%	(48.0)	(45.6)	5.3 %	(1.1)%	(1.1)%
Underwriter commission paid on behalf of selling stockholders	—	—	—	—	—	(24.9)	—	*	(0.6)%	—
Other expense, net	(4.4)	(3.9)	12.8 %	(0.3)%	(0.3)%	(2.8)	(1.4)	100.0 %	(0.1)%	—
Income before income taxes	151.6	139.9	8.4 %	10.5 %	10.0 %	359.4	364.6	(1.4)%	8.6 %	9.2 %
Income tax expense	27.4	10.3	166.0 %	1.9 %	0.7 %	60.2	176.6	(65.9)%	1.4 %	4.4 %
Net income	124.2	129.6	(4.2)%	8.6 %	9.3 %	299.2	188.0	59.1 %	7.1 %	4.7 %
Net loss (income) attributable to noncontrolling interest	0.3	0.5	(40.0)%	—	—	0.1	(2.0)	(105.0)%	—	(0.1)%
Net income attributable to Levi Strauss & Co.	$ 124.5	$ 130.1	(4.3)%	8.6 %	9.3 %	$ 299.3	$ 186.0	60.9 %	7.1 %	4.7 %
Earnings per common share attributable to common stockholders:										
Basic	$ 0.32	$ 0.34	(5.9)%	*	*	$ 0.77	$ 0.49	57.1 %	*	*
Diluted	$ 0.30	$ 0.33	(9.1)%	*	*	$ 0.73	$ 0.48	52.1 %	*	*
Weighted-average common shares outstanding:										
Basic	394.2	377.7	4.4 %	*	*	387.3	377.2	2.7 %	*	*
Diluted	413.6	390.6	5.9 %	*	*	407.8	387.8	5.2 %	*	*

* Not meaningful

Net revenues

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

	Three Months Ended				Nine Months Ended			
			% Increase (Decrease)				% Increase	
	August 25, 2019	August 26, 2018	As Reported	Constant Currency	August 25, 2019	August 26, 2018	As Reported	Constant Currency
	(Dollars in millions)							
Net revenues:								
Americas	$ 770.8	$ 792.9	(2.8)%	(2.8)%	$ 2,180.8	$ 2,119.8	2.9%	3.3%
Europe	463.3	405.7	14.2 %	18.1 %	1,326.3	1,225.3	8.2%	15.1%
Asia	213.0	195.6	8.9 %	11.9 %	687.4	638.5	7.7%	12.7%
Total net revenues	$ 1,447.1	$ 1,394.2	3.8 %	5.2 %	$ 4,194.5	$ 3,983.6	5.3%	8.3%

Total net revenues increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 25, 2019, as compared to the same prior-year periods.

Americas. On both a reported and constant-currency basis, net revenues in our Americas region decreased for the three-month period and increased for the nine-month period ended August 25, 2019. Currency translation did not have a significant impact on net revenues for the three-month period and had an unfavorable impact of approximately $9 million for the nine months ended August 25, 2019.

The decrease in net revenues for the three-month period ended August 25, 2019 was due to a decline in wholesale revenue, primarily driven by lower sales of Levi's and Docker's products in the U.S., as a result of the continued softening of the overall wholesale environment, including the impact of financially troubled retailers and increased door closures since a year ago. The decline in Docker's is mostly due to the relaunch of our Docker's Signature Khaki, as we stocked our customers' floors with the new product, driving increased sales in the third quarter of 2018. Wholesale revenue also declined due to reduced sales to a South American distributor in anticipation of the acquisition in fiscal 2020, partially offset from increased DTC revenue, particularly within our U.S. outlets.

For the nine-month period ended August 25, 2019, net revenues increased due to higher DTC revenues coupled with slightly higher wholesale revenues. DTC revenues increased primarily due to the addition of new stores to our company-operated retail network, as well as increased traffic to our e-commerce site. At the end of the third quarter of 2019, there were 16 more stores in operation versus the third quarter of 2018. Wholesale revenues were up, primarily driven by increased sales of women's products in the U.S., as well as increased sales of Signature products and products sold within Canada and Mexico.

Europe. Net revenues in Europe increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 25, 2019, with currency translation affecting net revenues unfavorably by approximately $14 million and $73 million, respectively.

Constant-currency net revenues increased for the three-month and nine-month periods ended August 25, 2019 as a result of strong performance across both DTC and wholesale channels. Revenue growth was broad-based across genders, channels, and product categories. Additionally, growth in DTC was driven by our company-operated retail network, primarily strong performance in owned and operated outlets, as well as 29 more stores in operation at the end of the third quarter of 2019 versus the third quarter of 2018.

Asia. Net revenues in Asia increased on both a reported and constant-currency basis for the three-month and nine-month periods ended August 25, 2019, with currency affecting net revenues unfavorably by approximately $5 million and $29 million, respectively.

Excluding the effects of currency, the increase in net revenues for the three-month and nine-month periods ended August 25, 2019 was primarily due to growth in our wholesale business, particularly in India, as well as store expansion of our company-operated retail network. The growth in India is partially due to the earlier timing of seasonal product shipments in comparison to prior year. Net revenues for the nine months ended August 25, 2019 also grew due to strong performance from our DTC business. Our company-operated retail network benefited from 45 more stores at the end of the third quarter of 2019 versus the third quarter of 2018.

Gross profit

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

	Three Months Ended			Nine Months Ended		
	August 25, 2019	August 26, 2018	% Increase	August 25, 2019	August 26, 2018	% Increase
	(Dollars in millions)					
Net revenues	$ 1,447.1	$ 1,394.2	3.8%	$ 4,194.5	$ 3,983.6	5.3%
Cost of goods sold	680.3	652.6	4.2%	1,944.5	1,833.0	6.1%
Gross profit	$ 766.8	$ 741.6	3.4%	$ 2,250.0	$ 2,150.6	4.6%
Gross margin	53.0%	53.2%		53.6%	54.0%	

Currency translation unfavorably impacted gross profit by approximately $11 million and $63 million for the three-month and nine-month periods ended August 25, 2019, respectively. For the three-month and nine-month periods gross margin decreased due to unfavorable transactional currency impacts, partially offset by revenue growth in our company-operated retail network.

Selling, general and administrative expenses

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

	Three Months Ended					Nine Months Ended				
	August 25, 2019	August 26, 2018	% Increase (Decrease)	August 25, 2019 % of Net Revenues	August 26, 2018 % of Net Revenues	August 25, 2019	August 26, 2018	% Increase (Decrease)	August 25, 2019 % of Net Revenues	August 26, 2018 % of Net Revenues
	(Dollars in millions)									
Selling	$ 268.3	$ 251.9	6.5 %	18.5%	18.1%	$ 815.8	$ 760.1	7.3 %	19.4%	19.1%
Advertising and promotion	80.3	78.6	2.2 %	5.5%	5.6%	267.3	251.7	6.2 %	6.4%	6.3%
Administration	101.7	122.1	(16.7)%	7.0%	8.8%	307.9	343.2	(10.3)%	7.3%	8.6%
Other	145.2	129.6	12.0 %	10.0%	9.3%	423.9	384.0	10.4 %	10.1%	9.6%
Total SG&A	$ 595.5	$ 582.2	2.3 %	41.2%	41.8%	$1,814.9	$1,739.0	4.4 %	43.3%	43.7%

Currency impacted SG&A favorably by approximately $8 million and $42 million for the three-month and nine-month periods ended August 25, 2019, respectively.

Selling. Currency translation impacted selling expenses favorably by approximately $5 million and $26 million for the three-month and nine-month periods ended August 25, 2019, respectively. Higher selling expenses primarily reflected costs associated with the expansion of our DTC business, including increased investment in new and existing company-operated stores. We had 90 more company-operated stores at the end of the third quarter of 2019 than we did at the end of the third quarter of 2018.

Advertising and promotion. Currency translation did not have a significant impact on advertising and promotion expenses for the three-month period and had a favorable impact of approximately $6 million for the nine-month period ended August 25, 2019. In comparison to the same nine-month period in 2018, advertising and promotion expenses increased due to more media spend in 2019.

Administration. Administration expenses include functional administrative and organization costs. Currency translation did not have a significant impact on administration expenses for the three-month period and had a favorable impact of approximately $5 million for the nine-month period ended August 25, 2019. Administration costs decreased reflecting lower incentive compensation as compared to the same periods in prior year.

Other. Other SG&A includes distribution, information resources and marketing organization costs. Currency translation did not have a significant impact on SG&A other costs for the three-month period and had a favorable impact of approximately $6 million for the nine-month period ended August 25, 2019. For the three-month and nine-month periods ended August 25, 2019 the increase in other costs was primarily due to an increase in information technology expenses due to additional costs to support technology infrastructure, and an increase in distribution costs as a result of higher volume.

Operating income

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

	Three Months Ended					Nine Months Ended				
	August 25, 2019	August 26, 2018	% Increase (Decrease)	August 25, 2019 % of Net Revenues	August 26, 2018 % of Net Revenues	August 25, 2019	August 26, 2018	% Increase	August 25, 2019 % of Net Revenues	August 26, 2018 % of Net Revenues
	(Dollars in millions)									
Operating income:										
Americas	$ 151.6	$ 162.5	(6.7)%	19.7%	20.5%	$ 376.9	$ 370.9	1.6%	17.3%	17.5%
Europe	102.9	76.8	34.0 %	22.2%	18.9%	283.2	245.3	15.5%	21.4%	20.0%
Asia	17.4	14.7	18.4 %	8.2%	7.5%	77.4	71.8	7.8%	11.3%	11.2%
Total regional operating income	271.9	254.0	7.0 %	18.8%*	18.2%*	737.5	688.0	7.2%	17.6%*	17.3%*
Corporate expenses	100.6	94.6	6.3 %	7.0%*	6.8%*	302.4	276.4	9.4%	7.2%*	6.9%*
Total operating income	$ 171.3	$ 159.4	7.5 %	11.8%*	11.4%*	$ 435.1	$ 411.6	5.7%	10.4%*	10.3%*
Operating margin	11.8%	11.4%				10.4%	10.3%			

* Percentage of consolidated net revenues

Currency translation unfavorably affected total operating income by approximately $3 million and $21 million for the three-month and nine-month periods ended August 25, 2019, respectively.

Regional operating income.

- *Americas*. Currency translation did not have a significant impact for the three-month period and had an unfavorable impact of approximately $2 million for the nine-month period ended August 25, 2019. The decrease in operating income for the three-month period ended August 25, 2019 was primarily due to lower wholesale revenue in the U.S. The increase in operating income for the nine-month period was primarily due to higher net revenues as a result of expansion of our DTC business, partially offset by higher SG&A expense to support store growth. The decrease in operating income as a percent of revenue is primarily due to the wholesale business, as sales were slightly up in the first nine months, but were more than offset with higher SG&A expenses.

- *Europe*. Currency translation had an unfavorable impact of approximately $3 million and $15 million for the three-month and nine-month periods ended August 25, 2019, respectively. The increase in operating income was due to higher net revenues across all channels, partially offset by higher selling costs to support store expansion. In the nine-month period higher net revenues were also partially offset by increased investment in advertising and promotion expense and higher distribution costs.

- *Asia*. Currency translation did not have a significant impact for the three-month period and had an unfavorable impact of approximately $5 million for the nine-month period ended August 25, 2019. The increase in operating income was due to higher wholesale and DTC revenues, partially offset by higher SG&A expense to support retail expansion.

Corporate. Corporate expenses represent costs that management does not attribute to any of our regional 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 and nine-month periods ended August 25, 2019. The increase in the corporate expenses for the three-month and nine-month periods ended August 25, 2019 was primarily due to an increase in foreign currency transaction losses and higher purchasing costs related to our global sourcing organizations procurement of inventory on behalf of our foreign subsidiaries.

Interest expense

Interest expense was $15.3 million and $48.0 million for the three-month and nine-month periods ended August 25, 2019, respectively, as compared to $15.6 million and $45.6 million for the same prior-year periods.

Our weighted-average interest rate on average borrowings outstanding during the three and nine months ended August 25, 2019 was 5.30% and 5.28%, respectively, as compared to 5.04% and 5.00% during the same periods in 2018.

Other expense, net

Other expense, net, primarily consists of foreign exchange management activities and transactions. For the three-month and nine-month periods ended August 25, 2019, we recorded expense of $4.4 million and $2.8 million, respectively, as compared to $3.9 million and $1.4 million for the same prior-year periods. The expense in the three-month period ended August 25, 2019 primarily reflected net losses on our foreign currency denominated balances partially offset by interest income generated from money market funds. The expense in the nine-month period ended August 25, 2019 primarily reflected interest income generated from money market funds which were offset by the net losses on our foreign currency denominated balances.

Underwriter commission paid on behalf of selling stockholders

For the nine-month period ended August 25, 2019, we recorded an expense of $24.9 million for underwriting discounts and commissions paid by us on behalf of the selling stockholders in connection with our IPO.

Income tax expense

On December 22, 2017, the U.S. enacted the Tax Act, which significantly changed U.S. tax law. The Tax Act lowered our U.S. statutory federal income tax rate from 35% to 21% effective on November 26, 2018. Beginning the first quarter of 2019, our effective tax rate reflected a provision to tax Global Intangible Low-Taxed Income ("GILTI") of foreign subsidiaries and a tax benefit for Foreign Derived Intangible Income ("FDII"). We accounted for GILTI in the period in which it is incurred.

The effective income tax rate was 18.0% for the three months ended August 25, 2019, compared to 7.4% for the same prior-year period. The increase in the effective tax rate was driven by less discrete tax benefits in 2019 as compared to2018, including 4.8% ($6.5 million) from a less favorable true-up of book-tax adjustments upon finalization of the U.S. tax return, and a 5.1% ($7.1 million) in 2018 mostly from the re-measurement of the our deferred tax assets and liabilities subject to the Tax Act rate reduction. There was also a 3.4% ($4.7 million) tax benefit in prior year attributable to exercising stock-based equity awards.

The effective income tax rate was 16.7% for the nine months ended August 25, 2019, compared to 48.4% for the same prior-year period. The decrease in the effective tax rate in 2019 as compared to 2018 was primarily driven by a 36% ($129.6 million) one-time tax charge in 2018 related to the impact of the Tax Act. Of the impact, 25% ($91.5 million) was due to remeasurement of deferred tax assets and liabilities and 11% ($38.1 million) was related to transition charges on undistributed foreign earnings.

Liquidity and Capital Resources

Liquidity outlook

We believe we will have adequate liquidity over the next 12 months to operate our business and to meet our cash requirements. Our capital allocation priorities are (1) to invest in opportunities and initiatives to grow our business organically, (2) to return capital to our stockholders in the form of cash dividends, which we target to be equal to or greater than our most recent annual dividend of approximately $114 million on an annual basis, as well as to potentially offset dilution from our equity incentive programs through stock repurchases, and (3) to pursue acquisitions that support our current strategies. Future determinations regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing 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 of directors may deem relevant.

Cash sources

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

We are party to a second amended and restated credit agreement that provides for a senior secured revolving credit facility ("credit facility"). Our credit facility is an asset-based facility, in which the borrowing availability is primarily based on the value of our U.S. Levi's® trademarks and the levels of accounts receivable and inventory in the United States and Canada. The maximum availability under our credit facility is $850 million, of which $800 million is available to us for revolving loans in U.S. Dollars and $50 million is available to us for revolving loans either in U.S. Dollars or Canadian Dollars.

In March 2019, we completed our IPO in which we issued and sold 14,960,557 shares of Class A common stock at a public offering price of $17.00 per share. We received net proceeds of $234.6 million after deducting underwriting discounts and commissions of $13.6 million and other direct and incremental offering expenses of $6.1 million. We agreed to pay all underwriting discounts and commissions applicable to the sales of shares of Class A common stock by the selling stockholders. This amount, $24.9 million, was paid at completion of the IPO in March 2019 and was recorded as non-operating expense in the second quarter of 2019. Additionally, we incurred $3.5 million of other costs associated with the IPO that were recorded in SG&A.

As of August 25, 2019, we did not have any borrowings under the credit facility, unused availability under the credit facility was $734.7 million, and our total availability of $765.3 million, based on collateral levels as defined by the agreement, was reduced by $30.6 million of other credit-related instruments.

As of August 25, 2019, we had cash and cash equivalents totaling approximately $863.8 million and short-term investments of 80.2 million resulting in a total liquidity position (unused availability and cash and cash equivalents and short-term investments) of approximately $1.7 billion.

Cash uses

Our principal cash requirements include working capital, capital expenditures, payments of principal and interest on our debt, payments of taxes, contributions to our pension plans and payments for postretirement health benefit plans, settlement of shares issued under our 2016 Plan and, if market conditions warrant, occasional investments in, or acquisitions of, business ventures in our line of business. In addition, we regularly evaluate our ability to pay dividends or repurchase stock, all consistent with the terms of our debt agreements. Upon completion of our IPO in March 2019 (discussed in Note 1), our 2016 Plan was replaced with our 2019 Equity Incentive Plan ("2019 Plan"). Under the 2016 Plan, holders of shares could require us to repurchase such shares at the then-current market value pursuant to a contractual put right. Under the 2019 Plan and as a result of the IPO, this contractual put right was terminated. However, upon vesting or exercise of an award, we will continue to net settle shares in order to pay withholding taxes on behalf of our employees.

In September 2019, the Company entered into a definitive agreement to acquire all operating assets related to Levi's® and Dockers® brands from The Jeans Company ("TJC"), LS&Co's distributor in Chile, Peru and Bolivia, for approximately $35 million, plus transaction costs. This includes approximately 80 Levi's® and Dockers® retail stores, distribution with the region's leading multi-brand retailers, and the logistical operations in these markets. This acquisition is expected to close by the first quarter of 2020.

There have been no material changes to our estimated cash requirements for 2019 from those disclosed in our 2018 Annual Report on Form 10-K.

Cash flows

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

	Nine Months Ended	
	August 25, 2019	August 26, 2018
	(Dollars in millions)	
Cash provided by operating activities	$ 205.5	$ 204.8
Cash used for investing activities	(198.4)	(119.7)
Cash provided by (used for) financing activities	146.8	(96.2)
Cash and cash equivalents at period end	863.8	612.5

Cash flows from operating activities

Cash provided by operating activities was $205.5 million for the nine-month period in 2019, as compared to $204.8 million for the same period in 2018. Operating cash flows remained relatively flat. This primarily reflects an increase in cash received from customers as well as less contributions to our pension plans, partially offset by higher payments for inventory and SG&A expenses to support our growth, higher payments for employee incentive compensation, and a payment made for underwriting commissions on behalf of selling stockholders in connection with our IPO in March 2019.

Cash flows from investing activities

Cash used for investing activities was $198.4 million for the nine-month period in 2019, as compared to $119.7 million for the same period in 2018. The increase in cash used for investing activities is due to higher net payments to acquire short-term investments and an increase in payments for capital expenditures, partially offset by proceeds from settlement of forward foreign exchange contracts during 2019.

Cash flows from financing activities

Cash provided by financing activities was $146.8 million for the nine-month period in 2019, as compared to cash used of $96.2 million for the same period in 2018. Cash provided in 2019 primarily reflects proceeds from our IPO of $254.3 million, partially offset by the payment of a $55.0 million cash dividend, payments of $19.7 million for underwriting commissions and other direct and incremental offering costs, and payments made for equity award exercises. Cash used in 2018 primarily reflects payments of $53.8 million made for equity award exercises and the payment of a $45.0 million cash dividend.

Indebtedness

The borrower of substantially all of our debt is Levi Strauss & Co., the parent and U.S. operating company. Of our total debt of $1.03 billion as of August 25, 2019, we had fixed-rate debt of $1.01 billion (98.1% of total debt), net of capitalized debt issuance costs, and variable-rate debt of $19.7 million (1.9% of total debt). As of August 25, 2019, our required aggregate debt principal payments on our unsecured long-term debt were $1.02 billion in years after 2023. Short-term borrowings of $27.6 million at various foreign subsidiaries were 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 material compliance with all of these covenants as of August 25, 2019.

Non-GAAP Financial Measures

Adjusted EBIT, Adjusted EBIT Margin, Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income Margin and Adjusted Diluted Earnings per Share

We define Adjusted EBIT, a non-GAAP financial measure, as net income excluding income tax expense, interest expense, other expense, net, underwriter commission paid on behalf of selling stockholders, costs associated with the IPO, impact of changes in fair value on cash-settled stock-based compensation, and restructuring and related charges, severance and other, net. We define Adjusted EBIT margin as Adjusted EBIT as a percentage of net revenues. We define Adjusted EBITDA as Adjusted EBIT excluding depreciation and amortization expense. We define adjusted net income, a non-GAAP financial measure, as net income excluding impact of underwriter commission paid on behalf of selling stockholders, costs associated with the IPO, impact of changes in fair value on cash-settled stock-based compensation, restructuring and 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 Act, adjusted to give effect to the income tax impact of such adjustments. To calculate the income tax impact of such adjustments on a year-to-date basis, we utilize an

effective tax rate equal to our income tax expense divided by our income before income taxes, each as reflected in our statement of operations for the relevant period, except that during the first nine months of 2018 we excluded from income tax expense the effect of the $91.5 million re-measurement described above. We define adjusted net income margin as adjusted net income as a percentage of net revenues. We define adjusted diluted earnings per share as adjusted net income per weighted-average number of diluted common shares outstanding. We believe 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 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 has primarily consisted of 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;
- all of these non-GAAP financial measures exclude underwriter commission paid on behalf of selling stockholders in connection with our IPO that reduces cash available to us;
- all of these non-GAAP financial measures exclude other costs associated with our IPO;
- all of these non-GAAP financial measures exclude the expense resulting from the impact of changes in fair value on our cash-settled stock-based compensation awards, even though, prior to March 2019, such awards were required to be settled in cash;
- all of these non-GAAP financial measures exclude restructuring and 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 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.

Adjusted EBIT and Adjusted EBITDA:

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in millions)			
	(Unaudited)			
Most comparable GAAP measure:				
Net income	$ 124.2	$ 129.6	$ 299.2	$ 188.0
Non-GAAP measure:				
Net income	124.2	129.6	299.2	188.0
Income tax expense	27.4	10.3	60.2	176.6
Interest expense	15.3	15.6	48.0	45.6
Other expense, net[(1)]	4.4	3.9	2.8	1.4
Underwriter commission paid on behalf of selling stockholders	—	—	24.9	—
Other costs associated with the IPO	—	—	3.5	—
Impact of changes in fair value on cash-settled stock-based compensation	5.1	11.0	25.4	23.2
Restructuring and related charges, severance and other, net	—	2.9	0.3	4.0
Adjusted EBIT	$ 176.4	$ 173.3	$ 464.3	$ 438.8
Depreciation and amortization	31.6	27.4	90.3	92.1
Adjusted EBITDA	$ 208.0	$ 200.7	$ 554.6	$ 530.9
Adjusted EBIT margin	12.2%	12.4%	11.1%	11.0%

(1) Other expense, net in the periods ended August 26, 2018 have been conformed to reflect the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Cost and Net Periodic Postretirement Benefit Cost". Refer to Note 1 for more information.

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

Adjusted net income and Adjusted diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	August 25, 2019	August 26, 2018	August 25, 2019	August 26, 2018
	(Dollars in millions, except per share amounts) (Unaudited)			
Most comparable GAAP measure:				
Net income	$ 124.2	$ 129.6	$ 299.2	$ 188.0
Non-GAAP measure:				
Net income	124.2	129.6	299.2	188.0
Underwriter commission paid on behalf of selling stockholders	—	—	24.9	—
Other costs associated with the IPO	—	—	3.5	—
Impact of changes in fair value on cash-settled stock-based compensation	5.1	11.0	25.4	23.2
Restructuring and related charges, severance and other, net	—	2.9	0.3	4.0
Remeasurement of deferred tax assets and liabilities	—	(7.6)	—	91.5
Tax impact of adjustments	(1.1)	(2.3)	(4.9)	(6.3)
Adjusted net income	$ 128.2	$ 133.6	$ 348.4	$ 300.4
Adjusted net income margin	8.9%	9.6%	8.3%	7.5%
Adjusted diluted earnings per share	$ 0.31	$ 0.34	$ 0.85	$ 0.77

Net Debt:

We define net debt, a non-GAAP financial measure, as total debt, excluding capital leases, less cash and cash equivalents and short-term investments in marketable securities. Our management believes net debt is an important measure to monitor our financial flexibility and evaluate the strength of our balance sheet. Net debt has limitations as an analytical tool and may vary from similarly titled measures used by other companies. Net debt 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 capital leases, the most directly comparable financial measure calculated in accordance with GAAP, to net debt for each of the periods presented.

	August 25, 2019	November 25, 2018
	(Dollars in millions) (Unaudited)	
Most comparable GAAP measure:		
Total debt, excluding capital leases	$ 1,034.6	$ 1,052.2
Non-GAAP measure:		
Total debt, excluding capital leases	$ 1,034.6	$ 1,052.2
Cash and cash equivalents	(863.8)	(713.1)
Short-term investments in marketable securities	(80.2)	—
Net debt	$ 90.6	$ 339.1

Adjusted Free Cash Flow:

We define adjusted free cash flow, a non-GAAP financial measure, as net cash flow from operating activities plus underwriter commission paid on behalf of selling stockholders, less purchases of property, plant and equipment, plus proceeds (less payments) on settlement of forward foreign exchange contracts not designated for hedge accounting, less repurchases of common stock, including shares surrendered for tax withholdings on equity award exercises, and cash dividends to stockholders. We believe adjusted free cash flow is an important liquidity measure of the cash that is available after capital expenditures for operational expenses and investment in our business. We believe adjusted free cash flow is useful to investors because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

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

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

	Nine Months Ended	
	August 25, 2019	August 26, 2018
	(Dollars in millions)	
	(Unaudited)	
Most comparable GAAP measure:		
Net cash provided by operating activities	$ 205.5	$ 204.8
Non-GAAP measure:		
Net cash provided by operating activities	$ 205.5	$ 204.8
Underwriter commission paid on behalf of selling stockholders	24.9	—
Purchases of property, plant and equipment	(128.0)	(99.3)
Proceeds (payments) on settlement of forward foreign exchange contracts not designated for hedge accounting	9.3	(20.4)
Repurchase of common stock, including shares surrendered for tax withholdings on equity award exercises	(28.6)	(53.8)
Dividend to stockholders	(55.0)	(45.0)
Adjusted free cash flow	$ 28.1	$ (13.7)

Constant-currency net revenues:

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 of purchases and sales of products in currency other than the functional currency.

The table below sets forth the calculation of net revenues for each of our regional operating segments on a constant-currency basis for comparison periods applicable to the three-month and nine-month periods ended August 25, 2019:

	Three Months Ended			Nine Months Ended		
	August 25, 2019	August 26, 2018	% Increase (Decrease)	August 25, 2019	August 26, 2018	% Increase
	(Dollars in millions) (Unaudited)					
Total revenues						
As reported	$ 1,447.1	$ 1,394.2	3.8 %	$ 4,194.5	$ 3,983.6	5.3%
Impact of foreign currency exchange rates	—	(18.6)	*	—	(110.1)	*
Constant-currency net revenues	$ 1,447.1	$ 1,375.6	5.2 %	$ 4,194.5	$ 3,873.5	8.3%
Americas						
As reported	$ 770.8	$ 792.9	(2.8)%	$ 2,180.8	$ 2,119.8	2.9%
Impact of foreign currency exchange rates	—	0.2	*	—	(9.0)	*
Constant-currency net revenues - Americas	$ 770.8	$ 793.1	(2.8)%	$ 2,180.8	$ 2,110.8	3.3%
Europe						
As reported	$ 463.3	$ 405.7	14.2 %	$ 1,326.3	$ 1,225.3	8.2%
Impact of foreign currency exchange rates	—	(13.5)	*	—	(72.5)	*
Constant-currency net revenues - Europe	$ 463.3	$ 392.2	18.1 %	$ 1,326.3	$ 1,152.8	15.1%
Asia						
As reported	$ 213.0	$ 195.6	8.9 %	$ 687.4	$ 638.5	7.7%
Impact of foreign currency exchange rates	—	(5.3)	*	—	(28.6)	*
Constant-currency net revenues - Asia	$ 213.0	$ 190.3	11.9 %	$ 687.4	$ 609.9	12.7%

* Not meaningful

Constant-Currency Adjusted EBIT:

	Three Months Ended			Nine Months Ended		
	August 25, 2019	August 26, 2018	% Increase	August 25, 2019	August 26, 2018	% Increase
	(Dollars in millions)					
	(Unaudited)					
Adjusted EBIT [1]	$ 176.4	$ 173.3	1.8%	$ 464.3	$ 438.8	5.8%
Impact of foreign currency exchange rates	—	(3.0)	*	—	(21.0)	*
Constant-currency Adjusted EBIT	$ 176.4	$ 170.3	3.6%	$ 464.3	$ 417.8	11.1%
Constant-currency Adjusted EBIT margin [2]	12.2%	12.4%		11.1%	10.8%	

(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

Off-Balance Sheet Arrangements, Guarantees and Other Contingent Obligations

There have been no significant changes to our off-balance sheet arrangements or contractual commitments from those disclosed in our 2018 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 2018 Annual Report on Form 10-K, except for as follows:

Revenue recognition. On November 26, 2018 we adopted ASC 606 Revenue from Contracts with Customers using the modified retrospective approach and determined there is no impact to retained earnings upon adoption.

Net revenues are recognized when our performance obligations are satisfied upon transfer of control of promised goods. A customer is considered to have control once they are able to direct the use and receive substantially all of the benefits of the product. This includes a present obligation to payment, the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance.

Consideration promised in our contracts with customers includes a variable amount related to anticipated sales returns, discounts and miscellaneous claims from customers. Estimates of discretionary authorized returns, discounts and claims are based on (1) historical rates, (2) specific identification of outstanding returns not yet received from customers and outstanding discounts and claims and (3) expected returns, discounts and claims not yet finalized with customers. Actual returns, discounts and claims in any future period are inherently uncertain and thus may differ from estimates recorded.

Refer to Note 1 and Note 10 for more information.

Recently Issued Accounting Standards

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- changes in general economic and financial conditions, 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;
- our ability to effectively manage any global productivity and outsourcing actions as planned, which are intended to increase productivity and efficiency in our global operations, take advantage of lower-cost service-delivery models in our distribution network and streamline our procurement practices to maximize efficiency in our global operations, without business disruption or mitigation to such disruptions;
- consequences of impacts to the businesses of our wholesale customers, including significant store closures or a significant decline in a wholesale customer's financial condition leading to restructuring actions, bankruptcies, liquidations or other unfavorable events for our wholesale customers, caused by factors such as inability to secure financing, decreased discretionary consumer spending, inconsistent traffic patterns and an increase in promotional activity as a result of decreased traffic, pricing fluctuations, general economic and financial conditions and changing consumer preferences;
- our and our wholesale customers' decisions to modify strategies and adjust product mix and pricing, and our ability to manage any resulting product transition costs, including liquidating inventory or increasing promotional activity;
- our ability to purchase products through our independent contract manufacturers that are made with quality raw materials and our ability to mitigate the variability of costs related to manufacturing, sourcing, and raw materials supply and to manage consumer response to such mitigating actions;
- our ability to gauge and adapt to changing U.S. and international retail environments and fashion trends and changing consumer preferences in product, price-points, as well as in-store and digital shopping experiences;
- our ability to respond to price, innovation and other competitive pressures in the global apparel industry, on and from our key customers and in our key markets;
- our ability to increase the number of dedicated stores for our products, including through opening and profitably operating company-operated stores;
- consequences of foreign currency exchange and interest rate fluctuations;
- our ability to successfully prevent or mitigate the impacts of data security breaches;
- our ability to attract and retain key executives and other key employees;
- our ability to 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;

- ongoing or future litigation matters and disputes and regulatory developments;
- the impact of the recently passed Tax Act in the United States, including related changes to our deferred tax assets and liabilities, tax obligations and effective tax rate in future periods, as well as the charge recorded in fiscal 2018;
- changes in or application of trade and tax laws, potential increases in import tariffs or taxes and the potential withdrawal from or renegotiation or replacement of the North America Free Trade Agreement ("NAFTA"); 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 “Risk Factors” and elsewhere in this Quarterly Report. These risks are not exhaustive. Other sections of this Quarterly Report include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

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

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

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 2018 Annual Report on Form 10-K.

Item 4. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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 of August 25, 2019. Based on that evaluation, our chief executive officer and our chief financial officer concluded that as of August 25, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. There were no changes to our internal control over financial reporting during the quarter ended August 25, 2019 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 pending cases involving contractual matters, facility and employee-related matters, distribution matters, product liability claims, trademark infringement and other matters. We do not believe any of these pending legal proceedings will have a material impact on our financial condition, results of operations or cash flows.

Item 1A. *RISK FACTORS*

Investing in our Class A common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Quarterly Report and in our other public filings. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our Class A common stock could decline, and you may lose all or part of your original investment. This Quarterly Report also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.

Risks Relating to Our Business

Our success depends on our ability to maintain the value and reputation of our brands.

Our success depends in large part on the value and reputation of our brands, which are integral to our business and the implementation of our strategies for expanding our business. Maintaining, promoting and positioning our brands will depend largely on the success of our marketing and merchandising efforts and our ability to provide consistent, high-quality products. Our brands and reputation could be adversely affected if we fail to achieve these objectives, if we fail to deliver high-quality products acceptable to our customers and consumers or if we face a product recall.

Our brand value also depends on our ability to maintain a positive consumer perception of our corporate integrity and culture. Negative claims or publicity involving us or our products, or the production methods of any of our suppliers or contract manufacturers, could seriously damage our reputation and brand image, regardless of whether such claims or publicity are accurate. Social media, which accelerates and potentially amplifies the scope of negative claims or publicity, can increase the challenges of responding to negative claims or publicity. In addition, we or our senior executives may from time to time take positions on social issues that may be unpopular with some customers or potential customers, which may impact our ability to attract or retain such customers. Adverse publicity could undermine consumer confidence in our brands and reduce long-term demand for our products, even if such publicity is unfounded. Any harm to our brands and reputation could adversely affect our business and financial condition.

We depend on a group of key wholesale customers for a significant portion of our revenues. A significant adverse change in a customer relationship or in a customer's performance or financial position could harm our business and financial condition.

Sales to our top ten wholesale customers accounted for 25% of our total net revenues for the quarters ended August 25, 2019 and 27% for the quarter ended August 26, 2018. No single customer represented 10% or more of our net revenues in either of these periods. While we have long-standing relationships with our wholesale customers, we do not have long-term contracts with them. As a result, purchases generally occur on an order-by-order basis, and the relationship, as well as particular orders, can generally be terminated by either party at any time. If any major wholesale customer decreases or ceases its purchases from us, cancels its orders, reduces the floor space, assortments, fixtures or advertising for our products or changes its manner of doing business with us for any reason, such actions could adversely affect our business and financial condition. In addition, a decline in the performance or financial condition of a major wholesale customer-including bankruptcy or liquidation-could result in a material loss of revenues to us and cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to our receivables from that customer or limit our ability to collect amounts related to previous purchases by that customer. Any of the foregoing could adversely affect our business and financial condition. For example, in October 2018, our wholesale customer, Sears Holdings Corporation and certain of its subsidiaries, including Kmart, filed for federal bankruptcy protection and announced plans to close unprofitable stores. These developments will likely adversely affect our sales to this customer, even if it continues operations.

The retail industry in the United States has experienced substantial consolidation over the last decade, and further consolidation may occur. In particular, consumers have continued to transition away from traditional wholesale retailers to large online retailers, where our products are exposed to increased competition. Consolidation in the retail industry has typically resulted in store closures, centralized purchasing decisions and increased emphasis by retailers on inventory management and productivity, which could result in fewer stores carrying our products or reduced demand by retailers of our products. In addition, we and other suppliers may experience increased customer leverage over us and greater exposure to credit risk as a result of industry consolidation. Any of the foregoing results can impact, and have adversely impacted in the past, our net revenues, margins and ability to operate efficiently.

We may be unable to maintain or increase our sales through our primary distribution channels.

In the United States, chain retailers and department stores are the primary distribution channels for our Levi's and Dockers products. Outside the United States, department stores, specialty retailers, franchised or other brand-dedicated stores, and shop-in-shops have traditionally been our primary distribution channels. Levi's and Dockers products are also sold through our brand-dedicated company-operated retail stores and e-commerce sites, as well as the e-commerce sites operated by certain of our key wholesale customers and other third parties. We distribute our Signature by Levi Strauss & Co. and Denizen brand products primarily through mass channel retailers in the Americas.

We may be unable to maintain or increase sales of our products through these distribution channels for several reasons, including the following:

- the retailers in these channels maintain-and seek to grow-substantial private-label and exclusive offerings as they strive to differentiate the brands and products they offer from those of their competitors;
- the retailers may change their apparel strategies in a way that shifts focus away from our typical consumer or that otherwise results in a reduction of sales of our products generally, such as a reduction of fixture spaces devoted to our products or a shift to other brands;
- other channels, including vertically-integrated specialty stores and e-commerce sites, account for a substantial portion of jeanswear and casual wear sales. In some of our mature markets, these stores and sites have placed competitive pressure on our primary distribution channels, and many of these stores and sites are now looking to our developing markets to grow their business; and
- shrinking points of distribution, including fewer doors at our customer locations, or bankruptcy or financial difficulties of a customer.

Further success by retailer private-labels, vertically-integrated specialty stores and e-commerce sites may continue to adversely affect the sales of our products across all channels, as well as the profitability of our brand-dedicated stores. Additionally, our ability to secure or maintain retail floor space, product display prominence, market share and sales in these channels depends on our ability to offer differentiated products and to increase retailer profitability on our products, and such efforts could have an adverse impact on our margins.

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

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

- currency fluctuations, which have impacted our results of operations significantly in recent years;
- political, economic and social instability;
- changes in tariffs and taxes;
- regulatory restrictions on repatriating foreign funds back to the United States; and
- less protective foreign laws relating to intellectual property.

The functional currency for most of our foreign operations is the applicable local currency. As a result, fluctuations in foreign currency exchange rates affect the results of our operations and the value of our foreign assets and liabilities, including debt, which in turn may adversely affect results of operations and cash flows and the comparability of period-to-period results of operations. For example, the June 2016 decision by the United Kingdom to leave the European Union ("Brexit") has resulted in increased uncertainty in the economic and political environment in Europe and has caused increased fluctuations and unpredictability in foreign currency exchange rates. Changes in foreign currency exchange rates may also affect the relative prices at which we and

foreign competitors sell products in the same market. Foreign policies and actions regarding currency valuation could result in actions by the United States and other countries to offset the effects of such fluctuations. Given the unpredictability and volatility of foreign currency exchange rates, ongoing or unusual volatility may adversely impact our business and financial conditions.

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

Changes to trade policy, including tariff and import/export regulations, may have a material adverse effect on our business, financial condition and results of operations.

Changes in U.S. or international social, political, regulatory and economic conditions or in laws and policies governing trade, manufacturing, development and investment in the countries where we currently sell our products or conduct our business, as well as any negative sentiment toward the United States as a result of such changes, could adversely affect our business. The Trump Administration has instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, including NAFTA, the imposition of higher tariffs on U.S. imports, economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the United States and other countries where we conduct our business. The Trump Administration has also negotiated a replacement trade deal for NAFTA with Mexico and Canada, known as the United States-Mexico-Canada Agreement ("USMCA"), which still needs to be ratified. It may be time-consuming and expensive for us to alter our business operations in order to adapt to or comply with any such changes.

As a result of recent policy changes and proposals of the Trump Administration, there may be greater restrictions and economic disincentives on international trade. New tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries. Like many other multinational corporations, we do a significant amount of business that could be impacted by changes to U.S. and international trade policies (including governmental action related to tariffs and trade agreements). Such changes have the potential to adversely impact the U.S. economy or certain sectors thereof, our industry and the global demand for our products and, as a result, could have a material adverse effect on our business, financial condition and results of operations.

The enactment of tax reform legislation, including legislation implementing changes in taxation of international business activities, could materially impact our financial position and results of operations.

Legislation or other changes in tax laws could increase our liability and adversely affect our after-tax profitability. For example, the Tax Act, was enacted in the United States on December 22, 2017. The Tax Act could have a significant impact on our effective tax rate, cash tax expenses and net deferred tax assets. The Tax Act reduces the U.S. corporate statutory tax rate, eliminates or limits the deduction of several expenses that were previously deductible, imposes a mandatory deemed repatriation tax on undistributed historic earnings of foreign subsidiaries, requires a minimum tax on earnings generated by foreign subsidiaries and permits a tax-free repatriation of foreign earnings through a dividends received deduction. We have completed our evaluation of the overall impact of the Tax Act on our effective tax rate and balance sheet through fiscal year 2018 and reflected the amounts in our financial statements. The Tax Act may have significant impacts in future periods.

If we encounter problems with distribution, our ability to deliver our products to market could be adversely affected.

We rely on both company-owned and third-party distribution facilities to warehouse and ship products to our wholesale customers, retail stores and e-commerce consumers throughout the world. As part of the pursuit for improved organizational agility and marketplace responsiveness, we have consolidated the number of distribution facilities we rely upon and continue to look for opportunities for further consolidation in certain regions. Such consolidation may make our operations more vulnerable to interruptions in the event of work stoppages, labor disputes, earthquakes, floods, fires or other natural disasters affecting these distribution centers. In addition, distribution capacity is dependent on the timely performance of services by third parties, including the transportation of products to and from their distribution facilities. Moreover, our distribution system includes computer-controlled and automated equipment, which may be subject to a number of risks related to data and system security or computer viruses, the proper operation of software and hardware, power interruptions or other system failures. If we encounter problems with our distribution system, whether company-owned or third-party, our ability to meet customer and consumer expectations, manage inventory, complete sales and achieve operating efficiencies could be adversely affected.

Our efforts to expand our retail business may not be successful, which could impact our operating results.

One of our key strategic priorities is to become a world-class omni-channel retailer by expanding our consumer reach in brand-dedicated stores globally, including making selective investments in company-operated stores and e-commerce sites,

franchisee and other brand-dedicated store models. In many locations, we face major, established retail competitors who may be able to better attract consumers and execute their retail strategies. In addition, a retail operating model involves substantial investments in equipment and property, information systems, inventory and personnel. Due to the high fixed-cost structure associated with these investments, a significant expansion in company-operated stores, a decline in sales or the closure of or poor performance of stores could result in significant costs and impacts to our margins. Our ability to grow our retail channel also depends on the availability and cost of real estate that meets our criteria for traffic, square footage, demographics and other factors. Failure to identify and secure adequate new locations, or failure to effectively manage the profitability of the fleet of stores, could have an adverse effect on our results of operations.

If we are unable to effectively execute our e-commerce business, our reputation and operating results may be harmed.

While e-commerce still comprises a small portion of our net revenues, it has been our fastest growing business over the last several years. The success of our e-commerce business depends, in part, on third parties and factors over which we have limited control, including changing consumer preferences and buying trends relating to e-commerce usage, both domestically and abroad, and promotional or other advertising initiatives employed by our wholesale customers or other third parties on their e-commerce sites. Any failure on our part, or on the part of our third-party digital partners, to provide attractive, reliable, secure and user-friendly e-commerce platforms could negatively impact our consumers' shopping experience, resulting in reduced website traffic, diminished loyalty to our brands and lost sales. In addition, as we continue to expand and increase the global presence of our e-commerce business, sales from our retail stores and wholesale channels of distribution in areas where e-commerce sites are introduced may decline due to changes in consumer shopping habits and cannibalization.

We are also vulnerable to certain additional risks and uncertainties associated with our e-commerce sites, including:

- changes in required technology interfaces;
- website downtime and other technical failures;
- costs and technical issues from website software upgrades;
- data and system security;
- computer viruses; and
- changes in applicable federal and state regulations.

In addition, we must keep up to date with competitive technology trends, including the use of new or improved technology, creative user interfaces and other e-commerce marketing tools such as paid search and mobile applications, among others, which may increase our costs and which may not succeed in increasing sales or attracting consumers. For example, it is possible that our plan to build out our online customization offering by giving consumers the ability to create men's and women's denim bottoms, leveraging our Project F.L.X. technology, will not provide a shopping experience that our consumers find compelling. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales in our e-commerce business, as well as damage our reputation and brands.

Additionally, the success of our e-commerce business and the satisfaction of our consumers depend on their timely receipt of our products. The efficient flow of our products requires that our company-operated and third-party operated distribution facilities have adequate capacity to support the current level of e-commerce operations and any anticipated increased levels that may follow from the growth of our e-commerce business. If we encounter difficulties with our distribution facilities or in our relationships with the third parties who operate the facilities, or if any such facilities were to shut down for any reason, including as a result of fire, other natural disaster or labor disruption, we could face shortages of inventory, resulting in "out of stock" conditions in the e-commerce sites we operate and those operated by our wholesale customers or other third parties, and we could incur significantly higher costs and longer lead times associated with distributing our products to our consumers and experience dissatisfaction from our consumers. Any of these issues could have an adverse effect on our business and harm our reputation.

Unexpected obstacles in new markets may limit our expansion opportunities and cause our business and growth to suffer.

Our future growth depends in part on our continued expansion efforts in new markets where we may have limited familiarity and experience with regulatory environments and market practices. We may not be able to penetrate or successfully operate in any new market as a result of such unfamiliarity or other unexpected barriers to entry. In connection with our expansion efforts, we may encounter obstacles, including cultural and linguistic differences, differences in regulatory environments, labor practices and market practices, economic or governmental instability, difficulties in keeping abreast of market, business and technical developments and foreign consumers' tastes and preferences. Our failure to develop our business in new markets or disappointing growth outside of existing markets that we may experience could harm our business and results of operations.

We face risks arising from any future restructuring of our operations and uncertainty with respect to our ability to achieve any anticipated cost savings associated with such restructuring.

We continuously assess opportunities to streamline operations and fuel long-term profitable growth. Future charges related to such actions may harm our profitability in the periods incurred.

Implementation of global productivity actions presents a number of significant risks, including:

- actual or perceived disruption of service or reduction in service levels to customers and consumers;
- potential adverse effects on our internal control environment and inability to preserve adequate internal controls relating to our general and administrative functions in connection with the decision to outsource certain business service activities;
- actual or perceived disruption to suppliers, distribution networks and other important operational relationships and the inability to resolve potential conflicts in a timely manner;
- difficulty in obtaining timely delivery of products of acceptable quality from our contract manufacturers;
- diversion of management attention from ongoing business activities and strategic objectives; and
- failure to maintain employee morale and retain key employees.

Because of these and other factors, we cannot predict whether we will fully realize the purpose and anticipated operational benefits or cost savings of any global productivity actions and, if we do not, our business and results of operations may be adversely affected. Furthermore, if we experience adverse changes to our business, additional restructuring or reorganization activities may be required in the future.

Any major disruption or failure of our information technology systems, or our failure to successfully implement new technology effectively, could adversely affect our business and operations.

We rely on various information technology systems, owned by us and third parties, to manage our operations. Over the last several years, we have been and continue to implement modifications and upgrades to our systems, including making changes to legacy systems, replacing legacy systems with successor systems with new functionality and acquiring new systems with new functionality. For example, over the next several years, we plan to continue the process of implementing a new enterprise resource planning system across the company. These activities subject us to inherent costs and risks associated with replacing and upgrading these systems, including impairment of our ability to fulfill customer orders, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, and other risks and costs of delays or difficulties in transitioning to new or upgraded systems or of integrating new or upgraded systems into our current systems. Our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, the difficulties with implementing new or upgraded technology systems may cause disruptions in our business operations and have an adverse effect on our business and operations, if not anticipated and appropriately mitigated.

As we outsource functions, we become more dependent on the entities performing those functions. Disruptions or delays at our third-party service providers could adversely impact our operations.

As part of our long-term profitable growth strategy, we are continually looking for opportunities to provide essential business services in a more cost-effective manner. In some cases, this requires the outsourcing of functions or parts of functions that can be performed more effectively by external service providers. For example, we currently outsource a significant portion of our information technology, finance, customer relations and customer service functions to Wipro Limited. While we believe we conduct appropriate diligence before entering into agreements with any outsourcing entity, the failure of one or more of such entities to meet our performance standards and expectations, including with respect to data security, providing services on a timely basis or providing services at the prices we expect, may have an adverse effect on our results of operations or financial condition. In addition, we could face increased costs associated with finding replacement vendors or hiring new employees in order to return these services in-house. We may outsource other functions in the future, which would increase our reliance on third parties.

We face cybersecurity risks and may incur increasing costs in an effort to minimize those risks.

We utilize systems and websites that allow for the secure storage and transmission of proprietary or confidential information regarding our consumers, employees and others, including credit card information and personal information. As evidenced by the numerous companies who have suffered serious data security breaches, we may be vulnerable to, and unable to anticipate or detect, data security breaches and data loss, including rapidly evolving and increasingly sophisticated cybersecurity attacks. In addition, data security breaches can also occur as a result of a breach by us or our employees or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. In addition to our own databases, we

use third-party service providers to store, process and transmit confidential or sensitive information on our behalf. Although we contractually require these service providers to implement and use reasonable security measures, we cannot control third parties and cannot guarantee that a data security breach will not occur in the future either at their location or within their systems.

A data security breach may expose us to a risk of loss or misuse of this information, and could result in significant costs to us, which may include, among others, potential liabilities to payment card networks for reimbursement of credit card fraud and card reissuance costs, including fines and penalties, potential liabilities from governmental or third-party investigations, proceedings or litigation and diversion of management attention. We could also experience delays or interruptions in our ability to function in the normal course of business, including delays in the fulfillment or cancellation of customer orders or disruptions in the manufacture and shipment of products. In addition, actual or anticipated attacks may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation.

The regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. In the United States, various laws and regulations apply to the collection, processing, disclosure and security of certain types of data, including the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Health Insurance Portability and Accountability Act of 1996, the Gramm Leach Bliley Act and state laws relating to privacy and data security, including the California Consumer Privacy Act. Several foreign countries and governmental bodies, including the European Union, also have laws and regulations dealing with the handling and processing of personal information obtained from their residents, which in certain cases are more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of various types of data, including data that identifies or may be used to identify an individual, such as names, email addresses and, in some jurisdictions, internet protocol addresses. Such laws and regulations may be modified or subject to new or different interpretations, and new laws and regulations may be enacted in the future. Within the European Union, the General Data Protection Regulation, which became effective in May 2018 and replaced the 1995 European Union Data Protection Directive and superseded applicable European Union member state legislation, imposes significant new requirements on how companies collect, process and transfer personal data, as well as significant fines for noncompliance.

Any failure or perceived failure by us to comply with laws, regulations, policies or regulatory guidance relating to privacy or data security may result in governmental investigations and enforcement actions, litigation, fines and penalties or adverse publicity, and could cause our customers and consumers to lose trust in us, which could have an adverse effect on our reputation and business.

We currently rely on contract manufacturing of our products. Our inability to secure production sources meeting our quality, cost, working conditions and other requirements, or failures by our contract manufacturers to perform, could harm our sales, service levels and reputation.

In fiscal year 2018, we sourced approximately 99% of our products from independent contract manufacturers, who purchase fabric and make our products and may also provide us with design and development services. As a result, we must locate and secure production capacity. We depend on contract manufacturers to maintain adequate financial resources, including access to sufficient credit, secure a sufficient supply of raw materials, and maintain sufficient development and manufacturing capacity in an environment characterized by continuing cost pressure and demands for product innovation and speed-to-market. In addition, we currently do not have any material long-term contracts with any of our contract manufacturers. Under our current arrangements with our contract manufacturers, these manufacturers generally may unilaterally terminate their relationship with us at any time. Finally, while we have historically worked with numerous manufacturers, in recent years we have begun consolidating the number of contract manufacturers from which we source our products. In addition, some of our contract manufacturers have merged. Reliance on a fewer number of contract manufacturers involves risk, and any difficulties or failures to perform by our contract manufacturers could cause delays in product shipments or otherwise negatively affect our results of operations.

A contractor manufacturer's failure to ship products to us in a timely manner or to meet our quality standards, or interference with our ability to receive shipments due to factors such as port or transportation conditions, could cause us to miss the delivery date requirements of our customers. Failing to make timely deliveries may cause our customers to cancel orders, refuse to accept deliveries, impose non-compliance charges, demand reduced prices or reduce future orders, any of which could harm our sales and margins. If we need to replace any contract manufacturer, we may be unable to locate additional contract manufacturers on terms that are acceptable to us, or at all, or we may be unable to locate additional contract manufacturers with sufficient capacity to meet our requirements or to fill our orders in a timely manner.

We require contract manufacturers to meet our standards in terms of working conditions, environmental protection, raw materials, facility safety, security and other matters before we are willing to place business with them. As such, we may not be able to obtain the lowest-cost production. We may also encounter delays in production and added costs as a result of the time it

takes to train our contract manufacturers in our methods, products and quality control standards. In addition, the labor and business practices of apparel manufacturers have received increased attention from the media, non-governmental organizations, consumers and governmental agencies in recent years. Any failure by our contract manufacturers to adhere to labor or other laws, appropriate labor or business practices, safety, structural or environmental standards, and the potential litigation, negative publicity and political pressure relating to any of these events, could harm our business and reputation.

Our suppliers may be impacted by economic conditions and cycles and changing laws and regulatory requirements which could impact their ability to do business with us or cause us to terminate our relationship with them and require us to find replacements, which we may have difficulty doing.

Our suppliers are subject to the fluctuations in general economic cycles, and global economic conditions may impact their ability to operate their businesses. They may also be impacted by the increasing costs of raw materials, labor and distribution, resulting in demands for less attractive contract terms or an inability for them to meet our requirements or conduct their own businesses. The performance and financial condition of a supplier may cause us to alter our business terms or to cease doing business with a particular supplier, or change our sourcing practices generally, which could in turn adversely affect our business and financial condition.

In addition, regulatory developments such as reporting requirements on the use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries could affect the sourcing and availability of raw materials used by our suppliers in the manufacturing of certain of our products. We have been and may continue to be subject to costs associated with regulations, including for the diligence pertaining to the presence of any conflict minerals used in our products and the cost of remediation and other changes to products, processes or sources of supply as a consequence of such verification activities. The impact of such regulations may result in a limited pool of suppliers who provide conflict free metals, and we cannot be assured that we will be able to obtain products in sufficient quantities or at competitive prices. Also, because our supply chain is complex, we may face reputational challenges with our consumers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in the products we sell.

If one or more of our counterparty financial institutions default on their obligations to us, we may incur significant losses.

As part of our hedging activities, we enter into transactions involving derivative financial instruments, which may include forward contracts, commodity futures contracts, option contracts, collars and swaps, with various financial institutions. In addition, we have significant amounts of cash, cash equivalents and other investments on deposit or in accounts with banks or other financial institutions in the United States and abroad. As a result, we are exposed to the risk of default by or failure of counterparty financial institutions. This risk may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default or our assets that are deposited or held in accounts with such counterparty may be limited by the counterparty's liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. In the event of default or failure of one or more of our counterparties, we could incur significant losses, which could negatively impact our results of operations and financial condition.

The loss of members of our executive management and other key employees or the failure to attract and retain key personnel could harm our business.

Our future success depends, in part, on the continued service of our executive management team and other key employees, and the loss of the services of any key individual could harm our business. Our future success also depends, in part, on our ability to recruit, retain and motivate our employees sufficiently, both to maintain our current business and to execute our strategic initiatives. Competition for experienced and well-qualified employees in our industry is particularly intense in many of the places where we do business, and we may not be successful in attracting and retaining such personnel. Moreover, shifts in U.S. immigration policy could negatively impact our ability to attract, hire and retain highly skilled employees who are from outside the United States.

Most of the employees in our production and distribution facilities are covered by collective bargaining agreements, and any material job actions could negatively affect our results of operations.

In North America, most of our distribution employees are covered by various collective bargaining agreements. Outside North America, most of our production and distribution employees are covered by either industry-sponsored and/or government-sponsored collective bargaining mechanisms. Any work stoppages or other job actions by these employees could harm our business and reputation.

Our licensees and franchisees may not comply with our product quality, manufacturing standards, marketing and other requirements, which could negatively affect our reputation and business.

We license our trademarks to third parties for manufacturing, marketing and distribution of various products. While we enter into comprehensive agreements with our licensees covering product design, product quality, sourcing, manufacturing, marketing and other requirements, our licensees may not comply fully with those agreements. Non-compliance could include marketing products under our brand names that do not meet our quality and other requirements or engaging in manufacturing practices that do not meet our supplier code of conduct. These activities could harm our brand equity, our reputation and our business.

In addition, we enter into franchise agreements with unaffiliated franchisees to operate stores and, in limited circumstances, websites in many countries around the world. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. While the agreements we have entered into and plan to enter into in the future provide us with certain termination rights, the value of our brands could be impaired to the extent that these third parties do not operate their stores in a manner consistent with our requirements regarding our brand identities and customer experience standards. Failure to protect the value of our brands, or any other harmful acts or omissions by a franchisee, could have an adverse effect on our results of operations and our reputation.

Our success depends on the continued protection of our trademarks and other proprietary intellectual property rights.

Our trademarks and other intellectual property rights are important to our success and competitive position, and the loss of or inability to enforce trademark and other proprietary intellectual property rights could harm our business. We devote substantial resources to the establishment and protection of our trademark and other proprietary intellectual property rights on a global basis. In addition to our trademarks and other intellectual property rights, as we develop technologies, such as Project F.L.X., that we believe are innovative, we intend to continually assess the patentability of new intellectual property. However, the patents that we own and those that may be issued in the future may not adequately protect our intellectual property, survive legal challenges or provide us with competitive advantages, and our patent applications may not be granted. Our efforts to establish and protect our proprietary intellectual property rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products. Unauthorized copying of our products or unauthorized use of our trademarks, patented technologies or other proprietary rights may not only erode sales of our products but may also cause significant reputational harm to our brand names and our ability to effectively represent ourselves to our consumers, contractors, suppliers and/or licensees. Moreover, others may seek to assert rights in, or ownership of, our trademarks and other intellectual property, including through civil and/or criminal prosecution. We may not be able to successfully resolve those claims, which may result in financial liability and criminal penalties. In addition, the laws and enforcement mechanisms of some foreign countries may not allow us to protect our proprietary rights to the same extent as we are able to in the United States and other countries.

We have substantial liabilities and cash requirements associated with our postretirement benefits, pension and deferred compensation plans.

Our postretirement benefits, pension and deferred compensation plans result in substantial liabilities on our balance sheet. These plans and activities have and will generate substantial cash requirements for us, and these requirements may increase beyond our expectations in future years based on changing market conditions. The difference between plan obligations and assets, or the funded status of the plans, is a significant factor in determining the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Many variables, such as changes in interest rates, mortality rates, health care costs, investment returns and/or the market value of plan assets, can affect the funded status of our defined benefit pension, other postretirement and postemployment benefit plans and cause volatility in the net periodic benefit cost and future funding requirements of the plans. Plan liabilities may impair our liquidity, have an unfavorable impact on our ability to obtain financing and place us at a competitive disadvantage compared to some of our competitors who do not have such liabilities and cash requirements.

Natural disasters, public health crises, political crises and other catastrophic events or other events outside of our control may damage our facilities or the facilities of third parties on which we depend, and could impact consumer spending.

Our global headquarters and the headquarters of our Americas region are both located in California near major geologic faults that have experienced earthquakes in the past. An earthquake or other natural disaster or power shortages or outages could disrupt operations or impair critical systems. Any of these disruptions or other events outside of our control could affect our business negatively, harming our operating results. In addition, if any of our facilities, including our manufacturing, finishing or distribution facilities, our company-operated or franchised stores or the facilities of our suppliers, third-party service providers or customers, is affected by natural disasters, such as earthquakes, tsunamis, power shortages or outages, floods or monsoons, public health crises, such as pandemics and epidemics, political crises, such as terrorism, war, political instability or other conflict, or other events outside of our control, our business and operating results could suffer. Moreover, these types of events could negatively impact consumer spending in the impacted regions or, depending upon the severity, globally, which could adversely impact our

operating results. Similar disasters occurring at our vendors' manufacturing facilities could impact our reputation and our consumers' perception of our brands.

Failure to comply with anti-bribery, anti-corruption and anti-money laundering laws could subject us to penalties and other adverse consequences.

We are subject to the FCPA, the U.K. Bribery Act and other anti-bribery, anti-corruption and anti-money laundering laws in various jurisdictions around the world. The FCPA, the U.K. Bribery Act and similar applicable laws generally prohibit companies, as well as their officers, directors, employees and third-party intermediaries, business partners and agents, from making improper payments or providing other improper things of value to government officials or other persons. We and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state owned or affiliated entities and other third parties where we may be held liable for corrupt or other illegal activities, even if we do not explicitly authorize them. While we have policies and procedures and internal controls to address compliance with such laws, we cannot assure you that all of our employees and third-party intermediaries, business partners and agents will not take actions in violation of such policies and laws, for which we may be ultimately held responsible. To the extent that we learn that any of our employees or third-party intermediaries, business partners or agents do not adhere to our policies, procedures or internal controls, we are committed to taking appropriate remedial action. In the event that we believe or have reason to believe that our directors, officers, employees or third-party intermediaries, agents or business partners have or may have violated such laws, we may be required to investigate or to have outside counsel investigate the relevant facts and circumstances. Detecting, investigating and resolving actual or alleged violations can be extensive and require a significant diversion of time, resources and attention from senior management. Any violation of the FCPA, the U.K. Bribery Act or other applicable anti-bribery, anti-corruption and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, and criminal or civil sanctions, penalties and fines, any of which may could adversely affect our business and financial condition.

Our current and future products may experience quality problems from time to time that could result in negative publicity, litigation, product recalls and warranty claims, which could result in decreased revenues and harm to our brands.

There can be no assurance we will be able to detect, prevent or fix all defects that may affect our products. Inconsistency of legislation and regulations may also affect the costs of compliance with such laws and regulations. Such problems could hurt the image of our brands, which is critical to maintaining and expanding our business. Any negative publicity or lawsuits filed against us related to the perceived quality of our products could harm our brand and decrease demand for our products.

Climate change and related regulatory responses may adversely impact our business.

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Changes in weather patterns and an increased frequency, intensity and duration of extreme weather conditions could, among other things, adversely impact the cultivation of cotton, which is a key resource in the production of our products, disrupt the operation of our supply chain and the productivity of our contract manufacturers, increase our product costs and impact the types of apparel products that consumers purchase. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations.

In many of the countries in which we operate, governmental bodies are increasingly enacting legislation and regulations in response to the potential impacts of climate change. These laws and regulations, which may be mandatory, have the potential to impact our operations directly or indirectly as a result of required compliance by us, our suppliers and our contract manufacturers. In addition, we may choose to take voluntary steps to mitigate our impact on climate change. As a result, we may experience increases in energy, production, transportation and raw material costs, capital expenditures or insurance premiums and deductibles. Inconsistency of legislation and regulations among jurisdictions may also affect the costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate.

Future acquisitions of and investments in new businesses could impact our business and financial condition.

From time to time, we may acquire or invest in businesses or partnerships that we believe could complement our business or offer growth opportunities. The pursuit of such acquisitions or investments may divert the attention of management and cause us to incur various expenses, regardless of whether the acquisition or investment is ultimately completed. In addition, acquisitions and investments may not perform as expected or cause us to assume unrecognized or underestimated liabilities. Further, if we are able to successfully identify and acquire additional businesses, we may not be able to successfully integrate the acquired personnel or operations, or effectively manage the combined business following the acquisition, any of which could harm our business and financial condition.

We have debt and interest payment requirements at a level that may restrict our future operations.

As of August 25, 2019, we had $1.03 billion of debt, all of which was unsecured, and we had $734.7 million of additional borrowing capacity under our credit facility. Our debt requires us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which reduces funds available for other business purposes and results in us having lower net income than we would otherwise have had. This dedicated use of cash could impact our ability to successfully compete by, for example:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for or reacting to changes in our business and industry;
- placing us at a competitive disadvantage compared to some of our competitors that have less debt; and
- limiting our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

A substantial portion of our debt is Euro-denominated senior notes. In addition, borrowings under our credit facility bear interest at variable rates. As a result, increases in market interest rates and changes in foreign exchange rates could require a greater portion of our cash flow to be used to pay interest, which could further hinder our operations. Increases in market interest rates may also affect the trading price of our debt securities that bear interest at a fixed rate. Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control.

The newly enacted Tax Act places limitations on businesses abilities to deduct interest expenses. If our adjusted taxable income were to decrease, we may not be able to fully deduct our interest expenses.

Restrictions in our notes, indentures and credit facility may limit our activities, including dividend payments, share repurchases and acquisitions.

Our credit facility and the indentures governing our senior unsecured notes contain restrictions, including covenants limiting our ability to incur additional debt, grant liens, make acquisitions and other investments, prepay specified debt, consolidate, merge or acquire other businesses or engage in other fundamental changes, sell assets, pay dividends and other distributions, repurchase stock, enter into transactions with affiliates, enter into capital leases or certain leases not in the ordinary course of business, enter into certain derivatives, grant negative pledges on our assets, make loans or other investments, guarantee third-party obligations, engage in sale leasebacks and make changes in our corporate structure. These restrictions, in combination with our leveraged condition, may make it more difficult for us to successfully execute our business strategy, grow our business or compete with companies not similarly restricted.

If our foreign subsidiaries are unable to distribute cash to us when needed, we may be unable to satisfy our obligations under our debt securities, which could force us to sell assets or use cash that we were planning to use elsewhere in our business.

We conduct our international operations through foreign subsidiaries and we only receive the cash that remains after our foreign subsidiaries satisfy their obligations. We may depend upon funds from our foreign subsidiaries for a portion of the funds necessary to meet our debt service obligations. Any agreements our foreign subsidiaries enter into with other parties, as well as applicable laws and regulations limiting the right and ability of non-U.S. subsidiaries and affiliates to pay dividends and remit cash to affiliated companies, may restrict the ability of our foreign subsidiaries to pay dividends or make other distributions to us. If those subsidiaries are unable to pass on the amount of cash that we need, we may be unable to make payments on our debt obligations, which could force us to sell assets or use cash that we were planning on using elsewhere in our business, which could hinder our operations.

Our business is affected by seasonality, which could result in fluctuations in our operating results.

We experience moderate fluctuations in aggregate sales volume during the year. Historically, revenues in our third and fourth fiscal quarters have slightly exceeded those in our first and second fiscal quarters. In addition, our customers and consumers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice. As a result, we may not be able to accurately predict our quarterly sales. Accordingly, our results of operations are likely to fluctuate significantly from period to period. This seasonality, along with other factors that are beyond our control, including general economic conditions, changes in consumer preferences, weather conditions, including the effects of climate change, the availability of import quotas, transportation disruptions and foreign currency exchange rate fluctuations, could adversely affect our business and cause our results of operations to fluctuate.

We are subject to periodic claims and litigation that could result in unexpected expenses and could ultimately be resolved against us.

From time to time, we may be involved in litigation and other proceedings, including matters related to commercial disputes, product liability, intellectual property, trade, customs laws and regulations, employment, regulatory compliance and other claims related to our business. Any such proceeding or audit could result in significant settlement amounts, damages, fines or other penalties, divert financial and management resources and result in significant legal fees. An unfavorable outcome of any particular proceeding could exceed the limits of our insurance policies, or our insurance carriers may decline to fund such final settlements or judgments, which could have an adverse impact on our business, financial condition and results of operations. In addition, any such proceeding could negatively impact our brand equity and our reputation.

Changes in our credit ratings or macroeconomic conditions may affect our liquidity, increasing borrowing costs and limiting our financing options.

Our long-term debt is currently rated BB+ by Standard & Poor's and Ba1 by Moody's Investors Service. If our credit ratings are lowered, borrowing costs for future long-term debt or short-term credit facilities may increase and our financing options, including our access to the unsecured credit market, could be limited. In addition, macroeconomic conditions such as increased volatility or disruption in the credit markets could adversely affect our ability to refinance existing debt.

Risks Relating to Our Industry

Our revenues are influenced by economic conditions that impact consumer spending.

Apparel is a cyclical industry that is dependent upon the overall level of consumer spending. Consumer purchases of discretionary items, including our products, generally decline during periods when disposable income is adversely affected or there is economic uncertainty. Our wholesale customers anticipate and respond to adverse changes in economic conditions and uncertainty by closing doors, reducing inventories, canceling orders or increasing promotional activity. Our brand-dedicated stores are also affected by these conditions, which may lead to a decline in consumer traffic and spending in these stores. As a result, factors that diminish consumer spending and confidence in any of the markets in which we compete, particularly deterioration in general economic conditions, the impact of foreign exchange fluctuations on tourism and tourist spending, volatility in investment returns, fear of unemployment, increases in energy costs or interest rates, housing market downturns, fear about and impact of pandemic illness, and other factors such as acts of war, natural disasters or terrorist or political events that impact consumer confidence, could reduce our sales and adversely affect our business and financial condition through their impact on our wholesale customers as well as their direct impact on us. These outcomes and behaviors have in the past, and may continue to in the future, adversely affect our business and financial condition.

Intense competition in the global apparel industry could lead to reduced sales and prices.

We face a variety of competitive challenges in the global apparel industry from a variety of jeanswear, athleisure and casual apparel companies, and competition has increased over the years due to factors such as:

- the international expansion and increased presence of vertically integrated specialty stores;
- expansion into e-commerce by existing and new competitors;
- the proliferation of private labels and exclusive brands offered by department stores, chain stores and mass channel retailers;
- the introduction of lines of jeans, athleisure and casual apparel by well-known and successful athletic wear companies; and
- the transition of apparel companies who traditionally relied on wholesale distribution channels into their own retail distribution network.

In addition, some of these competitors have greater financial, supply, distribution and marketing resources and may be able to adapt to changes in consumer preferences or retail requirements more quickly or devote greater resources to the building and sustaining of their brand equity and the marketing and sale of their products both in stores and online. In addition, some of these competitors may be able to achieve lower product costs or adopt more aggressive pricing and discounting policies. As a result, we may not be able to compete as effectively with them and may not be able to maintain or grow the demand for our products. Failure to compete effectively due to these factors could reduce our sales and adversely affect our business and financial condition.

The success of our business depends upon our ability to forecast consumer demand and market conditions and offer on-trend and new and updated products at attractive price points.

The global apparel industry is characterized by ever-changing fashion trends and consumer preferences and by the rapid replication of new products by competitors. The apparel industry is also impacted by changing consumer preferences regarding spending categories generally, including shifts away from consumer spending and towards "experiential" spending. As a result, our success depends in large part on our ability to develop, market and deliver innovative and stylish products at a pace, intensity and price competitive with other brands in the markets in which we sell our products. In addition, we must create products at a range of price points that appeal to the consumers of both our wholesale customers and our dedicated retail stores and e-commerce sites situated in each of our diverse geographic regions. Our development and production cycles take place prior to full visibility into all of these factors for the coming seasons. Failure on our part to forecast consumer demand and market conditions and to regularly and rapidly develop innovative and stylish products and update core products could limit sales growth, adversely affect retail and consumer acceptance of our products and negatively impact the consumer traffic in our dedicated retail stores. In addition, if we fail to accurately forecast consumer demand, we may experience excess inventory levels, which may result in inventory write-downs and the sale of excess inventory at discounted prices. This could have an adverse effect on the image and reputation of our brands and could adversely affect our gross margins. Conversely, if we underestimate consumer demand for our products, we may experience inventory shortages, which could delay shipments to customers, negatively impact retailer and consumer relationships and diminish brand loyalty. Moreover, our newer products may not produce as high a gross margin as our traditional products and thus may have an adverse effect on our overall margins and profitability.

The global apparel industry is subject to intense pricing pressure.

The apparel industry is characterized by low barriers to entry for both suppliers and marketers, global sourcing through suppliers located throughout the world, trade liberalization, continuing movement of product sourcing to lower cost countries, regular promotional activity and the ongoing emergence of new competitors with widely varying strategies and resources. These factors have contributed, and may continue to contribute in the future, to intense pricing pressure and uncertainty throughout the supply chain. Pricing pressure has been exacerbated by the variability of raw materials in recent years. This pressure could have adverse effects on our business and financial condition, including:

- reduced gross margins across our product lines and distribution channels;
- increased retailer demands for allowances, incentives and other forms of economic support; and
- increased pressure on us to reduce our production costs and operating expenses.

Increases in the price of raw materials or wage rates could increase our cost of goods and negatively impact our financial results.

The principal fabrics used in our products include cotton, blends, synthetics and wools. The prices we pay our suppliers for our products are dependent in part on the market price for raw materials used to produce them, primarily cotton. The price and availability of cotton may fluctuate substantially depending on a variety of factors, including demand, acreage devoted to cotton crops and crop yields, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation and policy, economic climates, market speculation and other unpredictable factors. Any and all of these factors may be exacerbated by global climate change. Cotton prices suffered from unprecedented variability and uncertainty in prior years and may fluctuate significantly again in the future. In addition, prices of purchased finished products also depend on wage rates in the regions where our contract manufacturers are located, as well as freight costs from those regions. In addition, fluctuations in wage rates required by legal or industry standards could increase our costs. Increases in raw material costs or wage rates, unless sufficiently offset by our pricing actions, may cause a decrease in our profitability and negatively impact our sales volume. These factors may also have an adverse impact on our cash and working capital needs as well as those of our suppliers.

Our business is subject to risks associated with sourcing and manufacturing overseas, as well as risks associated with potential tariffs or a global trade war.

We import materials and finished garments into all of our operating regions. Our ability to import products in a timely and cost-effective manner may be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes and work stoppages, political unrest, severe weather or security requirements in the United States and other countries. These issues could delay importation of products or require us to locate alternative ports or warehousing providers to avoid disruption to our customers. These alternatives may not be available on short notice or could result in higher transportation costs, which could have an adverse impact on our business and financial condition, specifically our gross margin and overall profitability.

Substantially all of our import operations are subject to complex custom laws, regulations and tax requirements as well as trade regulations, such as tariffs set by governments through mutual agreements or bilateral actions. In addition, the countries in

which our products are manufactured or imported may from time to time impose additional duties, tariffs or other restrictions on our imports or adversely modify existing restrictions. Adverse changes in these import costs and restrictions, or the failure by us or our suppliers to comply with customs regulations or similar laws, could harm our business. In this regard, the results of the November 2016 election in the United States and the Brexit vote in the United Kingdom have introduced greater uncertainty with respect to future tax and trade regulations. Changes in tax policy or trade regulations, such as a withdrawal of the United States from, or a significant renegotiation or replacement of, NAFTA, the disallowance of tax deductions on imported merchandise or the imposition of new tariffs on imported products, could have an adverse effect on our business and results of operations.

In 2018, the Trump Administration announced tariffs on steel and aluminum imported into the United States, which has resulted in reciprocal tariffs from the European Union on goods, including denim products, imported from the United States. Because we manufacture most of our products outside the United States, these reciprocal tariffs are not expected to have a material impact on our business. The Trump Administration has also imposed tariffs on goods imported from China in connection with China's intellectual property practices. The Trump Administration has also negotiated a replacement trade deal for NAFTA with Mexico and Canada, the USMCA, which still needs to be ratified. Currently, of the products that we sell in the United States, approximately 8% are manufactured in Mexico and less than 8% are manufactured in China. If the Trump Administration follows through on its proposed China tariffs or replaces NAFTA with USMCA, or if additional tariffs or trade restrictions are implemented by the United States or other countries in connection with a global trade war, the cost of our products manufactured in China, Mexico or other countries and imported into the United States or other countries could increase, which in turn could adversely affect the demand for these products and have an adverse effect on our business and results of operations.

Risks Relating to Ownership of Our Class A Common Stock

The market price of our Class A common stock may be volatile or may decline steeply or suddenly regardless of our operating performance and we may not be able to meet investor or analyst expectations. You may lose all or part of your investment.

The market price of our Class A common stock may fluctuate or decline significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenues or other operating results;
- variations between our actual operating results and the expectations of securities analysts, investors and the financial community;
- any forward-looking financial or operating information we may provide to the public or securities analysts, any changes in this information or our failure to meet expectations based on this information;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- whether investors or securities analysts view our stock structure unfavorably, particularly our dual-class structure;
- additional shares of Class A common stock being sold into the market by us or our existing stockholders, or the anticipation of such sales, including if existing stockholders sell shares into the market when applicable "lock-up" periods end;
- announcements by us or our competitors of significant products or features, innovations, acquisitions, strategic partnerships, joint ventures, capital commitments, divestitures or other dispositions;
- changes in operating performance and stock market valuations of companies in our industry, including our vendors and competitors;
- price and volume fluctuations in the overall stock market, including as a result of general economic trends;
- lawsuits threatened or filed against us, or events that negatively impact our reputation;
- developments in new legislation and pending lawsuits or regulatory actions, including interim or final rulings by judicial or regulatory bodies; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many retail companies' stock prices. Often, their stock prices have fluctuated in ways unrelated or disproportionate to the respective companies' operating performance. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and seriously harm our business.

Moreover, because of these fluctuations, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenues or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our Class A common stock could decline substantially. Such a decline could occur even when we have met any previously publicly stated revenues or earnings forecasts that we may provide.

An active trading market for our Class A common stock may never develop or be sustained.

Our Class A common stock is currently listed on the New York Stock Exchange ("NYSE") under the symbol "LEVI." However, we cannot assure you that an active trading market for our Class A common stock will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our Class A common stock will be maintained, the liquidity of any trading market, your ability to sell your shares of Class A common stock when desired or the prices that you may obtain for your shares.

Future sales of our Class A common stock by existing stockholders could cause our stock price to decline.

If our existing stockholders, including employees, who obtain equity, sell or indicate an intention to sell, substantial amounts of our Class A common stock in the public market after legal restrictions on resale lapse, the trading price of our Class A common stock could decline. As of October 3, 2019 we had outstanding a total of 46,786,600 shares of Class A common stock and 345,929,590 shares of Class B common stock. Of these shares, only the shares of Class A common stock are currently freely tradable without restrictions or further registration under the Securities Act, except for any shares held by persons who are not our “affiliates” as defined in Rule 144 under the Securities Act and who have complied with the holding period requirements of Rule 144 under the Securities Act.

Sales of a substantial number of such shares, or the perception that such sales may occur, upon the expiration of the securities subject to the lock-up agreements, could cause our stock price to decline or make it more difficult for the holders of our Class A common stock to sell at a time and price that they deem appropriate.

Holders of more than 90% of our Class B common stock have contractual rights, subject to certain conditions, to require us to file registration statements for the public resale of the shares of Class A common stock issuable upon conversion of their Class B common stock, or to include such shares in registration statements that we may file.

Descendants of the family of Levi Strauss have the ability to control the outcome of matters submitted for stockholder approval, which will limit your ability to influence corporate matters.

Our Class B common stock, which is entitled to ten votes per share, is primarily owned by descendants of the family of our founder, Levi Strauss, and their relatives and trusts established for their behalf. Collectively, these persons have the ability to control the outcome of stockholder votes, including the election of our board of directors and the approval or rejection of a merger, change of control or other significant corporate transaction. In addition, so long as any shares of Class B common stock remain outstanding, the approval of the holders of a majority of our then-outstanding Class B common stock (or, in certain cases, a majority of our then-outstanding Class A common stock and Class B common stock, voting together as a single class) will be required in order for us to take certain actions.

We believe having a long-term-focused, committed and engaged stockholder base provides us with an important strategic advantage, particularly in our business, where our more than 165-year history contributes to the iconic reputations of our brands. However, the interests of these stockholders may not always be aligned with each other or with the interests of our other stockholders. By exercising their control, these stockholders could cause our company to take actions that are at odds with the investment goals or interests of institutional, short-term or other non-controlling investors, or that have a negative effect on our stock price. Further, because these stockholders control the majority of our Class B common stock, we might be a less attractive takeover target, which could adversely affect the market price of our Class A common stock.

We cannot predict the impact our dual class structure may have on our stock price or our business.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. S&P Dow Jones and FTSE Russell have recently announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500. These changes exclude companies with multiple classes of shares of common stock from being added to such indices. In addition, several stockholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices and may

cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

We have broad discretion in how we may use the net proceeds from our IPO, and we may not use them effectively.

We cannot specify with any certainty the particular uses of the net proceeds that we have received from our IPO. Our management has broad discretion in applying the net proceeds we received from our IPO. We may use the net proceeds we received from our IPO for general corporate purposes, including working capital, operating expenses and capital expenditures. We may also use a portion of the net proceeds we received from our IPO for acquisitions or other strategic investments, although we do not currently have any plans to do so. We may also invest these proceeds in a way with which our stockholders disagree. If our management fails to use these funds effectively, our business could be seriously harmed. Pending their use, the net proceeds we received from our IPO may be invested in a way that does not produce income or that loses value.

If securities or industry analysts either do not publish research about us or publish inaccurate or unfavorable research about us, our business or our market, or if they adversely change their recommendations regarding our Class A common stock, the trading price or trading volume of our Class A common stock could decline.

The trading market for our Class A common stock is be influenced in part by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If one or more of the analysts initiate research with an unfavorable rating or downgrade our Class A common stock, provide a more favorable recommendation about our competitors or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price or trading volume of our Class A common stock to decline.

Future securities issuances could result in significant dilution to our stockholders and impair the market price of our Class A common stock.

Future issuances of our Class A common stock or the conversion of a substantial number of shares of our Class B common stock, or the perception that these issuances or conversions may occur, could depress the market price of our Class A common stock and result in dilution to existing holders of our Class A common stock. Also, to the extent stock-based awards are issued or become vested, there will be further dilution. The amount of dilution could be substantial depending upon the size of the issuances or exercises. Furthermore, we may issue additional equity securities that could have rights senior to those of our Class A common stock. As a result, purchasers of Class A common stock bear the risk that future issuances of debt or equity securities may reduce the value of such shares and further dilute their ownership interest.

As of October 3, 2019, there were 46,786,600 shares of Class A common stock and 345,929,590 shares of Class B common stock issuable pursuant to restricted stock units ("RSUs"), performance restricted stock units ("PRSUs") and stock appreciation rights ("SARs") granted under our 2016 Plan that may be settled in shares of our Class B common stock. All of the shares of Class A common stock issuable upon the conversion of shares of Class B common stock subject to outstanding options are registered for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance as permitted by any applicable vesting requirements, and subject to compliance with applicable securities laws.

Holders of more than 90% of our Class B common stock will have contractual rights, subject to certain conditions, to require us to file registration statements for the public resale of the shares of Class A common stock issuable upon conversion of their Class B common stock, or to include such shares in registration statements that we may file.

The requirements of being a public company may strain our resources, result in more litigation and divert management's attention.

Although we have made filings with the SEC for many years, as a public company we are subject to the additional reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE and other applicable securities rules and regulations. For example, we are required to file proxy statements under Section 14 of the Exchange Act. Complying with these rules and regulations has increased and will increase our legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on our systems and resources. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. We may also need to hire additional employees or engage outside consultants to comply with these requirements, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming.

These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

These new rules and regulations may make it more expensive for us to obtain director and officer liability insurance and, in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

By disclosing information in the various filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If those claims are successful, our business could be seriously harmed. Even if the claims do not result in litigation or are resolved in our favor, the time and resources needed to resolve them could divert our management's resources and seriously harm our business.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could depress the trading price of our Class A common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that our stockholders may deem advantageous. In particular, our amended and restated certificate of incorporation and amended and restated bylaws:

- establish a classified board of directors so that not all members are elected at one time;
- permit our board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide that our board of directors is expressly authorized to make, alter or repeal our bylaws;
- restrict the forum for certain litigation against us to Delaware;
- reflect the dual class structure of our common stock; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders.

Any provision of our amended and restated certificate of incorporation, our amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction.

This exclusive-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or employees, which may discourage lawsuits against us and our directors, officers and employees. If a court were to find this exclusive forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm our business.

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

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds from the IPO

The Registration Statement on Form S-1 (File No. 333-229630) for our IPO of our Class A common stock was declared effective by the SEC on March 20, 2019. There has been no material change in the planned use of the IPO proceeds as described in our final prospectus filed with the SEC on March 21, 2019 pursuant to Rule 424(b)(4) of the Securities Act. The proceeds from our IPO have been used for general corporate purposes, including working capital, operating expenses and capital expenditures. We have broad discretion over the uses of the net proceeds and may use a portion for acquisitions or other strategic investments, although we do not currently have any plans to do so.

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

Period	(a) Total number of shares (or units) purchased [1]	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
May 27, 2019 - June 23, 2019	—	—	—	—
June 24, 2019 - July 21, 2019	—	—	—	—
July 22, 2019 - August 25, 2019	—	$ —	—	—
Total	—	$ —	—	—

(1) No shares of common stock were purchased during the quarter ended August 25, 2019.

Item 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

Item 4. *MINE SAFETY DISCLOSURES*

Not applicable.

Item 5. *OTHER INFORMATION*

Shareholder Proposals and Director Nominations

The 2020 annual meeting of shareholders is scheduled to be held on April 8, 2020 (the "2020 Annual Meeting of Shareholders"). As a result, shareholders wishing to present a proposal for inclusion in our proxy materials for such meeting pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, must submit their proposals so that they are received by us at our principal executive offices no later than the close of business on October 31, 2019 and must otherwise comply with the requirements of Rule 14a-8 in order to be considered for inclusion in our proxy materials for the 2020 Annual Meeting of Shareholders.

As previously disclosed in our proxy materials for the 2019 Annual Meeting of Shareholders, filed with the SEC on June 5, 2019, shareholders wishing to nominate a candidate for election to our board of directors or propose other business at an annual meeting other than pursuant to Rule 14a-8 of the Exchange Act must submit a written notice so that it is received by us at our principal executive offices no earlier than the close of business on December 10, 2019 nor later than the close of business on January 9, 2020.

Nominations or proposals should be sent in writing to our Corporate Secretary at 1155 Battery Street, San Francisco, CA 94111. You are advised to review our amended and restated bylaws, which contain additional requirements about advance notice of director nominations and shareholder proposals. A complete copy of our amended and restated bylaws is available under the "Governance" tab of our website at https://investors.levistrauss.com. Information contained on, or that can be accessed through, our website is not intended to be incorporated by reference into this Quarterly Report and references to our website addressed in this Quarterly Report are inactive textual references only.

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 of the Registrant	8-K	001-06631	3.2	3/25/2019
10.1	Form of Director Restricted Stock Unit Grant Notice and Agreement under the 2016 Equity Incentive Plan. 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. Filed herewith.				
101.SCH	XBRL Taxonomy Extension Schema Document. Filed herewith.				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. Filed herewith.				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. Filed herewith.				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. Filed herewith.				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. Filed herewith.				

SIGNATURE

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

Date: October 8, 2019

LEVI STRAUSS & CO.
(Registrant)

By: /s/ GAVIN BROCKETT

Gavin Brockett
Senior Vice President and Global Controller
(Principal Accounting Officer and Duly Authorized Officer)