LEVI STRAUSS & CO.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

FOR THE FOURTH QUARTER OF 2020

The following information relates to non-GAAP financial measures, and should be read in conjunction with the investor call held on January 27, 2021, discussing the company's financial condition and results of operations as of and for the quarter and year ended November 29, 2020.

Adjusted Gross Profit:

	Three Months Ended		Twelve Months Ended	
	November 29, 2020	November 24, 2019	November 29, 2020	November 24, 2019
	(Dollars in millions)			
Most comparable GAAP measure:				
Gross profit	$ 766.5	$ 851.4	$ 2,352.9	$ 3,101.4
Non-GAAP measure:				
Gross profit	$ 766.5	$ 851.4	$ 2,352.9	$ 3,101.4
COVID-19 related inventory costs [(1)]	(9.4)	—	69.3	—
Adjusted gross profit	$ 757.1	$ 851.4	$ 2,422.2	$ 3,101.4
Adjusted gross margin	*54.6 %*	*54.3 %*	*54.4 %*	*53.8 %*

(1) Represents costs incurred in connection with COVID-19, including $9.4 million in reductions in COVID-19 related inventory charges recognized during the three-month period ended November 29, 2020, primarily due to reductions in our estimate of adverse fabric purchase commitments, initially recorded in the second quarter of 2020. During the twelve-month period ended November 29, 2020, the charges represent $42.3 million of incremental inventory reserves and the recognition of adverse fabric purchase commitments of $26.2 million.

Adjusted SG&A:

	Three Months Ended		Twelve Months Ended	
	November 29, 2020	November 24, 2019	November 29, 2020	November 24, 2019
	(Dollars in millions)			
Most comparable GAAP measure:				
Selling, general and administrative expenses	$ 652.5	$ 719.8	$ 2,347.6	$ 2,534.7
Non-GAAP measure:				
Selling, general and administrative expenses	652.5	719.8	2,347.6	2,534.7
Impact of changes in fair value on cash-settled stock-based compensation[(1)]	(1.1)	(8.7)	(7.1)	(34.1)
COVID-19 related charges[(2)]	(6.4)	—	(90.3)	—
Restructuring related charges, severance and other, net[(3)]	(1.3)	(6.0)	(9.1)	(9.8)
Adjusted SG&A	$ 643.7	$ 705.1	$ 2,241.1	$ 2,490.8

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

(2) For the three-month period ended November 29, 2020, the net increase of $6.4 million in COVID-19 related charges recognized mainly represents additional impairment of property and equipment related to certain retail locations and other incremental costs incurred in response to the global pandemic, offset by the recoveries of receivables previously estimated to be not collectible. The charges incurred in connection with COVID-19 during the twelve-month period ended November 29, 2020 primarily consist of $44.3 million in impairment of certain operating lease right-of-use assets and $21.7 million in impairment of property and equipment related to certain retail locations and other corporate assets, and $17.7 million of charges related to customer receivables and other incremental costs incurred in connection with COVID-19.

(3) Restructuring related charges, severance and other, net include transaction and deal related costs, including IPO-related, initial acquisition and integration costs and amortization of acquired intangible assets.

Adjusted EBIT and Adjusted EBITDA:

	Three Months Ended		Twelve Months Ended	
	November 29, 2020	November 24, 2019	November 29, 2020	November 24, 2019
	(Dollars in millions)			
Most comparable GAAP measure:				
Net income (loss)	$ 56.7	$ 95.8	$ (127.1)	$ 395.0
Non-GAAP measure:				
Net income (loss)	56.7	95.8	(127.1)	395.0
Income tax (benefit) expense	(4.8)	22.4	(62.6)	82.6
Interest expense	25.9	18.2	82.2	66.2
Other (income) expense, net[1]	14.2	(4.8)	22.4	(2.0)
Underwriter commission paid on behalf of selling stockholders	—	—	—	24.9
Impact of changes in fair value on cash-settled stock-based compensation[2]	1.1	8.7	7.1	34.1
COVID-19 related inventory costs and other charges[3]	(3.0)	—	159.6	—
Restructuring and restructuring related charges, severance and other, net[4]	23.3	6.0	99.5	9.8
Adjusted EBIT	$ 113.4	$ 146.3	$ 181.1	$ 610.6
Depreciation and amortization[5]	35.6	33.6	136.6	123.9
Adjusted EBITDA	$ 149.0	$ 179.9	$ 317.7	$ 734.5
Adjusted EBIT margin	*8.2 %*	*9.3 %*	*4.1 %*	*10.6 %*

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(1) Includes $14.7 million in pension settlement losses related to the voluntary lump-sum, cash-out program offered to vested deferred U.S. pension plan participants during the year ended November 29, 2020.

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

(3) For the three-month period ended November 29, 2020, the net reduction of $3.0 million in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments, the recoveries of receivables previously estimated to be not collectible, offset by additional impairment of property and equipment related to certain retail location and other incremental costs incurred in response to the global pandemic. The COVID-19 related inventory costs and other charges recognized during the twelve-month period ended November 29, 2020, primarily consisted of $42.3 million of incremental inventory reserves, $26.2 million of adverse fabric purchase commitments, $44.3 million and $21.7 million in impairment of operating lease right-of-use assets and property and equipment related to certain retail locations and other corporate assets, respectively, and $17.7 million of charges related to customer receivables. The remainder relates to other incremental costs incurred in response to the global pandemic.

(4) Other charges included in restructuring and restructuring related charges, severance and other, net include transaction and deal related costs, including IPO-related, initial acquisition and integration costs and amortization of acquired intangible assets.

(5) Depreciation and amortization amount net of amortization of acquired intangible assets included in Restructuring and related charges, severance and other, net.

Adjusted Net Income and Adjusted Diluted Earnings per Share:

	Three Months Ended		Twelve Months Ended	
	November 29, 2020	November 24, 2019	November 29, 2020	November 24, 2019
	(Dollars in millions, except per share amounts)			
Most comparable GAAP measure:				
Net income (loss)	$ 56.7	$ 95.8	$ (127.1)	$ 395.0
Non-GAAP measure:				
Net income (loss)	56.7	95.8	(127.1)	395.0
Underwriter commission paid on behalf of selling stockholders	—	—	—	24.9
Impact of changes in fair value on cash-settled stock-based compensation[(1)]	1.1	8.7	7.1	34.1
COVID-19 related inventory costs and other charges[(2)]	(3.0)	—	159.6	—
Restructuring and restructuring related charges, severance and other, net[(3)]	23.3	6.0	99.5	9.8
Pension settlement losses[(4)]	14.7	—	14.7	—
Tax impact of adjustments[(5)]	(11.5)	(2.7)	(70.2)	(7.6)
Adjusted net income	$ 81.3	$ 107.8	$ 83.6	$ 456.2
Adjusted net income margin	*5.9 %*	*6.9 %*	*1.9 %*	*7.9 %*
Adjusted diluted earnings per share	$ 0.20	$ 0.26	$ 0.21	$ 1.12

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

(2) For the three-month period ended November 29, 2020, the net reduction of $3.0 million in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments, the recoveries of receivables previously estimated to be not collectible, offset by additional impairment of property and equipment related to certain retail location and other incremental costs incurred in response to the global pandemic. The COVIOD-19 related inventory costs and other charges recognized during the twelve-month period ended November 29, 2020, primarily consisted of $42.3 million of incremental inventory reserves, $26.2 million of adverse fabric purchase commitments, $44.3 million and $21.7 million in impairment of operating lease right-of-use assets and property and equipment related to certain retail locations and other corporate assets, respectively, and $17.7 million of charges related to customer receivables. The remainder relates to other incremental costs incurred in response to the global pandemic.

(3) Other charges included in restructuring and restructuring related charges, severance and other, net include transaction and deal related costs, including IPO-related, initial acquisition and integration costs and amortization of acquired intangible assets.

(4) Pension settlement losses relate to the voluntary lump-sum, cash-out program offered to vested deferred U.S. pension plan participants.

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

Net Debt and Leverage ratio:

	November 29, 2020	November 24, 2019
	(Dollars in millions)	
Most comparable GAAP measure:		
Total debt, excluding capital leases	$ 1,564.3	$ 1,014.4
Non-GAAP measure:		
Total debt, excluding capital leases	$ 1,564.3	$ 1,014.4
Cash and cash equivalents	(1,497.2)	(934.2)
Short-term investments in marketable securities	(96.5)	(80.7)
Net debt	$ (29.4)	$ (0.5)

	November 29, 2020	November 24, 2019
	(Dollars in millions) (Unaudited)	
Total debt, excluding capital leases	$ 1,564.3	$ 1,014.4
Last twelve months adjusted EBITDA	$ 317.7	$ 734.5
Leverage ratio	4.9	1.4

Adjusted Free Cash Flow:

	Three Months Ended		Twelve Months Ended	
	November 29, 2020	November 24, 2019	November 29, 2020	November 24, 2019
	(Dollars in millions)			
Most comparable GAAP measure:				
Net cash provided by operating activities	$ 228.7	$ 206.7	$ 469.6	$ 412.2
Net cash used for investing activities	(0.9)	(44.9)	(188.6)	(243.3)
Net cash provided by (used for) financing activities	(16.5)	(91.8)	286.0	55.0
Non-GAAP measure:				
Net cash provided by operating activities	$ 228.7	$ 206.7	$ 469.6	$ 412.2
Underwriter commission paid on behalf of selling stockholders	—	—	—	24.9
Purchases of property, plant and equipment	(40.9)	(47.4)	(130.4)	(175.4)
Proceeds (Payments) on settlement of forward foreign exchange contracts not designated for hedge accounting	(5.1)	2.9	12.5	12.2
Repurchase of common stock	—	—	(56.2)	(3.1)
Shares surrendered for tax withholdings on equity award exercises	(10.7)	(15.4)	(90.6)	(40.9)
Dividend to stockholders	—	(58.9)	(63.6)	(113.9)
Adjusted free cash flow	$ 172.0	$ 87.9	$ 141.3	$ 116.0

Constant-Currency Net Revenues:

	Three Months Ended			Twelve Months Ended		
	November 29, 2020	November 24, 2019	% Increase (Decrease)	November 29, 2020	November 24, 2019	% Increase (Decrease)
	(Dollars in millions)					
Total revenues						
As reported	$ 1,385.9	$ 1,568.6	(11.6)%	$ 4,452.6	$ 5,763.1	(22.7)%
Impact of foreign currency exchange rates	—	11.8	*	—	(55.9)	*
Constant-currency net revenues	$ 1,385.9	$ 1,580.4	(12.3)%	$ 4,452.6	$ 5,707.2	(22.0)%
Americas						
As reported	$ 767.3	$ 876.2	(12.4)%	$ 2,345.4	$ 3,057.0	(23.3)%
Impact of foreign currency exchange rates	—	(10.3)	*	—	(43.1)	*
Constant-currency net revenues - Americas	$ 767.3	$ 865.9	(11.4)%	$ 2,345.4	$ 3,013.9	(22.2)%
Europe						
As reported	$ 403.2	$ 441.8	(8.7)%	$ 1,435.6	$ 1,768.1	(18.8)%
Impact of foreign currency exchange rates	—	18.3	*	—	(1.3)	*
Constant-currency net revenues - Europe	$ 403.2	$ 460.1	(12.4)%	$ 1,435.6	$ 1,766.8	(18.7)%
Asia						
As reported	$ 215.3	$ 250.6	(14.1)%	$ 671.7	$ 938.0	(28.4)%
Impact of foreign currency exchange rates	—	3.8	*	—	(11.5)	*
Constant-currency net revenues - Asia	$ 215.3	$ 254.4	(15.4)%	$ 671.7	$ 926.5	(27.5)%

* Not meaningful

Constant-Currency Adjusted EBIT:

	Three Months Ended			Twelve Months Ended		
	November 29, 2020	November 24, 2019	% (Decrease)	November 29, 2020	November 24, 2019	% (Decrease)
	(Dollars in millions)					
Adjusted EBIT[1]	$ 113.4	$ 146.3	(22.5)%	$ 181.1	$ 610.6	(70.3)%
Impact of foreign currency exchange rates	—	2.4	*	—	(8.1)	*
Constant-currency Adjusted EBIT	$ 113.4	$ 148.7	(23.7)%	$ 181.1	$ 602.5	(69.9)%
Constant-currency Adjusted EBIT margin[2]	8.2 %	9.5 %		4.1 %	10.6 %	

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

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

* Not meaningful

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

	Three Months Ended			Twelve Months Ended		
	November 29, 2020	November 24, 2019	% (Decrease)	November 29, 2020	November 24, 2019	% (Decrease)
	(Dollars in millions, except per share amounts)					
Adjusted net income[1]	$ 81.3	$ 107.8	(24.6)%	$ 83.6	$ 456.2	(81.7)%
Impact of foreign currency exchange rates	—	1.5	*	—	(5.9)	*
Constant-currency Adjusted net income	$ 81.3	$ 109.3	(25.6)%	$ 83.6	$ 450.3	(81.4)%
Constant-currency Adjusted net income margin[2]	*5.9 %*	*7.0 %*		*1.9 %*	*7.9 %*	
Adjusted diluted earnings per share	$ 0.20	$ 0.26	(23.1)%	$ 0.21	$ 1.12	(81.3)%
Impact of foreign currency exchange rates	—	0.01	*	—	(0.02)	*
Constant-currency adjusted diluted earnings per share	$ 0.20	$ 0.27	(25.9)%	$ 0.21	$ 1.10	(80.9)%

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

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

* Not meaningful