

# LEVI Strauss & Co (NYSE: LEVI)

Fundamental Analysis and Investment Recommendation

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## Cash Flow Crew

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February 9, 2026



**Spencer Gleave**



**Peter Gagne**



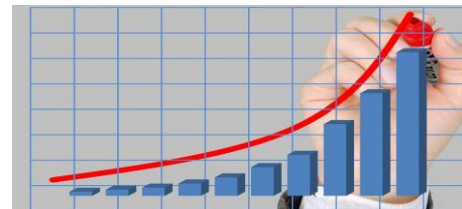
**John Robinson**



**Liam Rosten**

# BUY @ \$20.55 Ticker | Upside 15.35%

Levi Strauss & Co	
Current Stock Price	\$20.55
12-Month Target Price	\$23.70 / share
Upside Potential	+15.35%
Proposed Allocation (Value and shares)	\$20,000, 949 shares
P/E Ratio	14.80
Key Assumption	Underpriced with Modest Growth Assumptions
Valuation Range	\$14.86 - \$26.63/ share
Portfolio Impact	Bond Sale



**Consistency in  
Dividend Yield and  
Revenue Growth**



**Higher Margins from  
DTC push and Project  
FUEL**



**Strong Marketing  
Campaigns**



**International Growth  
and UK Expansion**

# Company Snapshot

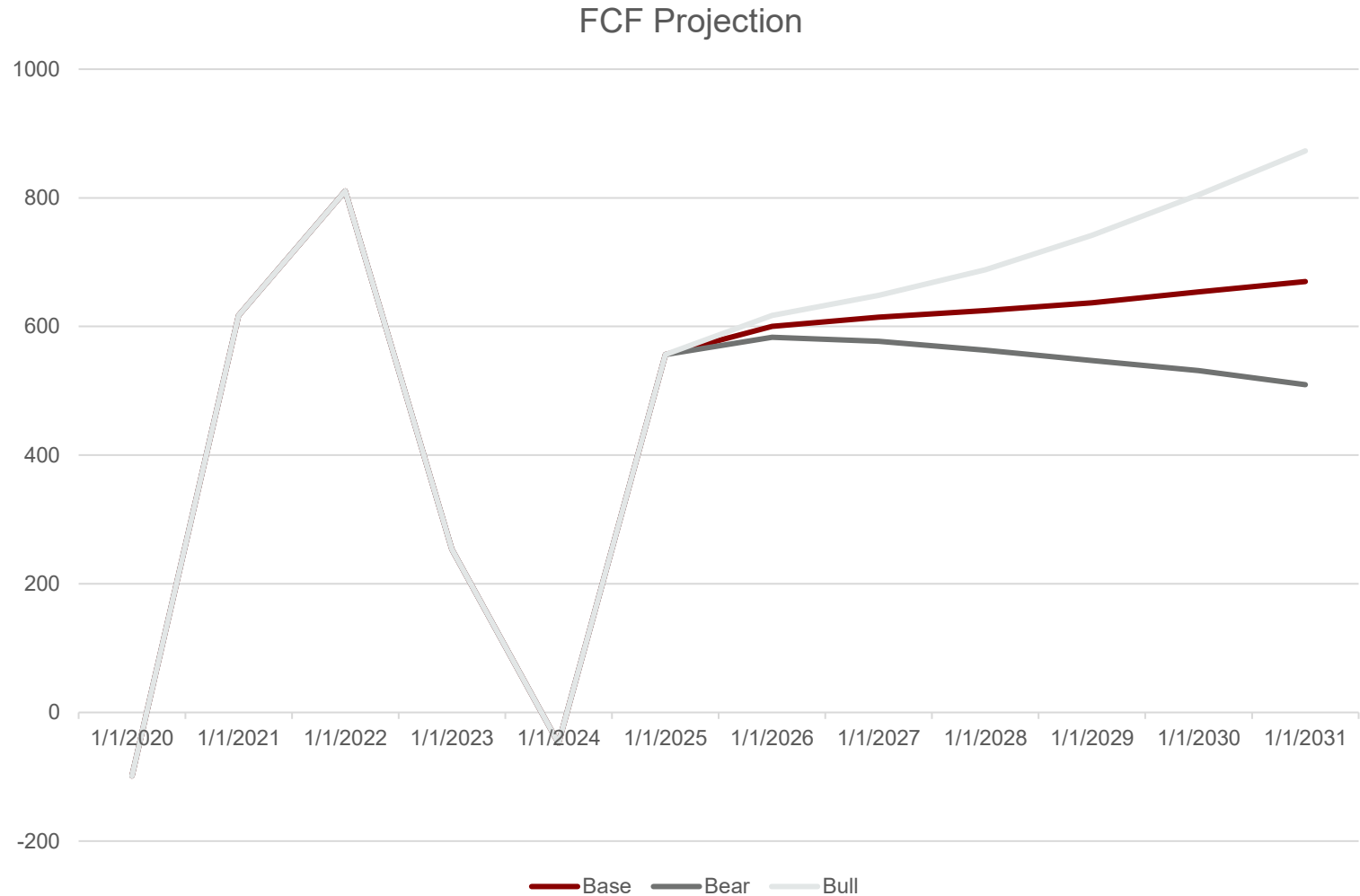
<b>Founded</b>	<b>1853, San Francisco, CA</b>
<b>Channels</b>	Wholesale ~50% and DTC ~50%
<b>Core Business</b>	Global leader in denim and jeanswear
<b>Business Segments:</b>	
<b>Americas 51% of revenue</b>	Core market (Primarily U.S.) with mature denim demand. Strong DTC growth in this segment.
<b>Europe 26% of revenue</b>	High growth region with strong brand positioning and premium pricing
<b>Asia 17% of revenue</b>	Emerging growth market. Benefitting from rising middle-class demand for premium apparel. DTC investments.

<b>Revenue / EPS Growth</b>	<b>Market Growth</b>
<ul style="list-style-type: none"> <li>• FY2025 organic revenue growth of 7%</li> <li>• FY2026 Guided net revenue growth of 6%</li> <li>• EPS growth expected to outpace revenue through sustained margin gains &amp; DTC shift</li> </ul>	<ul style="list-style-type: none"> <li>• Global jeans/denim market ~5.9-7.5% CAGR through 2033</li> <li>• Premium denim &amp; DTC trends driving faster segment expansion</li> <li>• Premium denim &amp; DTC trends driving faster segment expansion</li> </ul>
<b>Strategic Outlook</b>	<b>Financial Strength</b>
<ul style="list-style-type: none"> <li>• DTC-first strategy: High single-digit DTC growth; now ~50% of revenue</li> <li>• Denim lifestyle expansion (head-to-toe, women's/non-denim) boosting TAM</li> </ul>	<ul style="list-style-type: none"> <li>• Record gross margin 61.7% in FY2025</li> <li>• Adjusted EBIT margin expanding (target toward 15% long-term)</li> <li>• Manageable leverage (debt-to-EBITDA ~2.4x) with Total Debt-to-Equity at ~1.01x</li> </ul>

# Assumptions

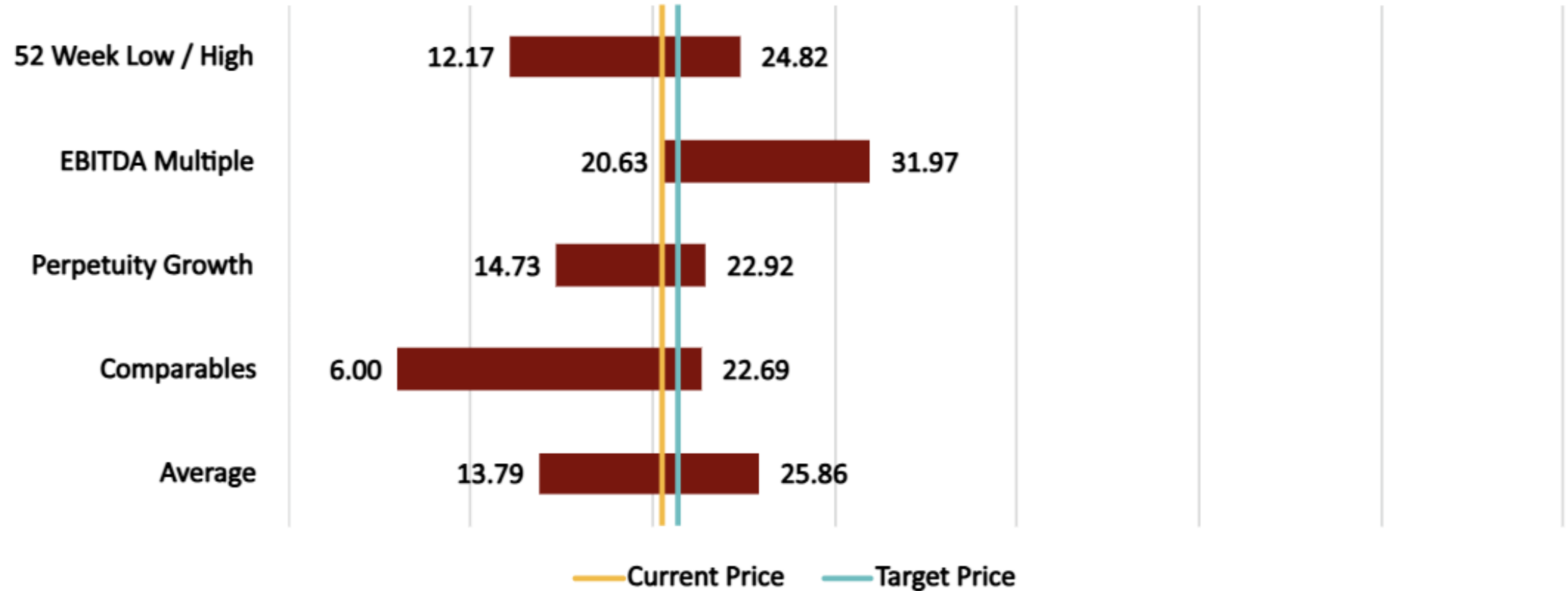
## Key Drivers:

- Levi positioned as a stable, income-oriented investment, not a high-growth equity
- ~3% dividend yield and an increasingly high payout ratio constrain reinvestment capacity (45% of FCF got paid in dividends from 2020-2025)
- Long-term revenue growth moderated by limited reinvestment and mature core markets
- Short-term FCF volatility is due to COVID and Implementation of Process Fuel (Impairment Losses and High SGA Costs)
- Strong Push to DTC, willing to take current losses due to restructuring charges with views of long-term success



# Outcomes

## Valuation Range and Implied Share Price



# WACC Calculation

US Real Gross Domestic Product	3.3%
Perpetuity Growth Rate	3.0%

## Weighted Average Cost of Capital Calculation

Source: Bloomberg >>> WACC

**Weighted Average Cost of Capital** 9.9%

### Equity

<b>Cost of Equity</b>	
Risk Free Rate	4.16%
+ Equity Risk Premium	7.58%
Beta	1.31
x Country / Region Premium	5.79%
Expected Market Return	9.95%
- Risk Free Rate	4.16%

**Total Cost of Common Equity** 11.74%

<b>Market Cap</b>	8,023
% of Total Capital	77.7%
Share Price	20.55
Shares Outstanding	390.40

### + Debt

<b>Cost of Debt</b>	
1 - Effective Tax Rate	79.18%
Effective Tax Rate	20.82%
x Total Pre-Tax Cost of Debt	4.12%
<b>Note Rate x ST Debt as % of Total Debt</b>	0.44%
Short Term Debt as % of Total Debt	11.31%
x Note Rate	3.85%
<b>+ Bond Rate x LT Debt as % of Total Debt</b>	3.69%
Long Term Debt as % of Total Debt	88.69%
Bond Rate	4.16%

**Total Cost of Debt** 3.27%

<b>Total Debt</b>	2,305.50
% of Total Capital	22.3%
ST Debt	260.70
LT Debt	2,044.80

### + Preferred Equity

<b>Cost of Preferred Equity</b>	
Preferred Dividend	
/ Preferred Equity	

**Total Cost of Preferred Equity** 0.0%

<b>Total Preferred Equity</b>	-
% of Total Capital	0.0%
Preferred Equity and Hybrid Capital	-
<b>Total Capital</b>	<u>10,328</u>

## Exit EV / EBITDA Multiple Calculation

**Exit EV / EBITDA Multiple** 9.8x

Ticker	EV/EBITDA
Levi Strauss & Co- Class A	9.77x
VF Corp	5.26x
Kontoor Brands Inc	7.11x
PVH Corp	2.71x
Ralph Lauren Corp	15.58x
G-III Apparel Group LTD	3.28x
GAP INC/THE	6.09x
Zumiez Inc	3.29x
Duluth Holdings Inc - CL B	3.72x

<b>Median</b>	4.49x
<b>IQR</b>	3.57x
<b>Up Limit</b>	12.21x

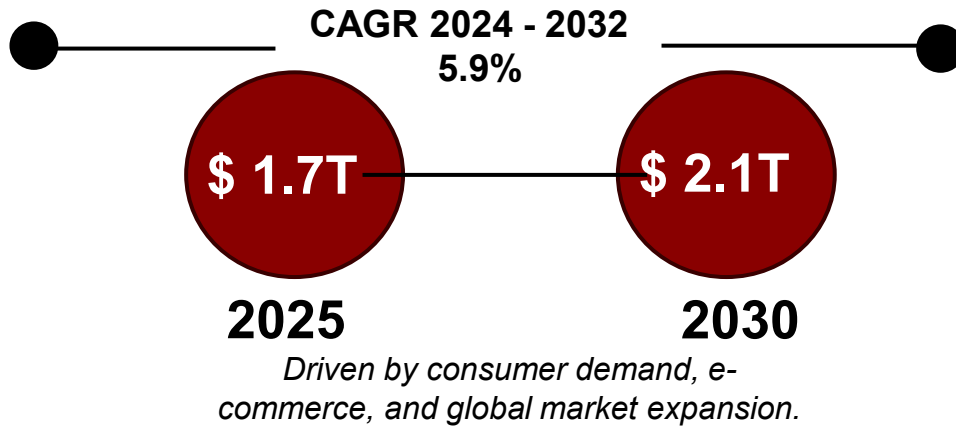
# Peer Comparison

## Market and Financial Data In USD Millions, except for ratios

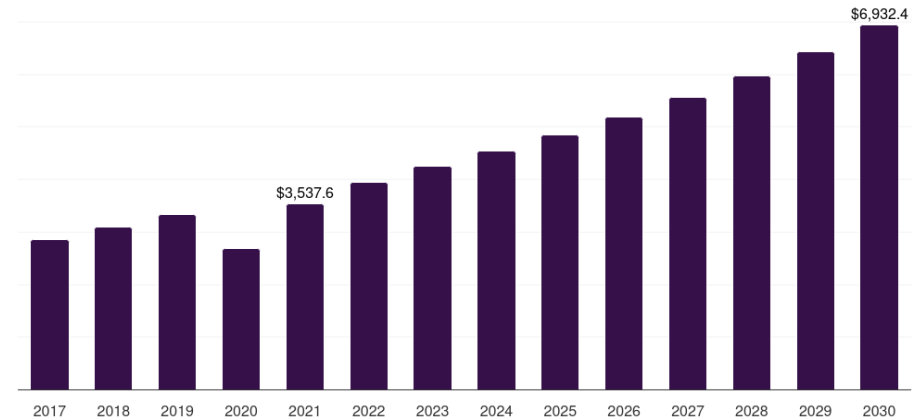
5 - 10 Companies preferred, enter less as necessary	Ticker	Enterprise Value	LTM Revenue	LTM EBITDA	LTM EBIT	P / E	EV / Sales	EV / EBITDA	EV / EBIT
Levi Strauss & Co- Class A	LEVI	9,570.0	6,360.0	979.3	679.2	14.8	1.5x	9.8x	14.1x
VF Corp	VFC	7,200.0	9,580.0	1,370.0	378.9	20.0	0.8x	5.3x	19.0x
Kontoor Brands Inc	KTB	3,150.0	2,830.0	443.3	300.0	10.7	1.1x	7.1x	10.5x
PVH Corp	PVH	2,820.0	8,820.0	1,040.0	192.0	5.7	0.3x	2.7x	14.7x
Ralph Lauren Corp	RL	21,350.0	7,570.0	1,370.0	1,060.0	24.0	2.8x	15.6x	20.1x
G-III Apparel Group LTD	GIII	1,190.0	3,030.0	363.2	208.9	7.8	0.4x	3.3x	5.7x
GAP INC/THE	GAP	9,980.0	1,528.0	1,640.0	1,150.0	12.0	6.5x	6.1x	8.7x
Zumiez Inc	ZUMZ	412.9	916.9	125.4	12.1	42.4	0.5x	3.3x	34.0x
Duluth Holdings Inc - CL B	DLTH	93.7	590.6	25.2	23.0	(2.9)	0.2x	3.7x	4.1x

# Industry & Competitive Landscape

Relevant Market Chart 1



UK Denim Jeans Market, 2018-2030 (US\$M)



## 1 Overview

- Fashion cycles + macro sensitivity drive volatility
- Crowded, low-moat industry
- Brand + DTC are key differentiators

## 2 Market Tailwinds

- Resurgence of Denim & Casual Wear Demand
- Growth in Premium & Branded Segments
- Direct-to-Consumer & Digital Expansion

## 3 Competitive Landscape

- Intense competition across price tiers
- Channel competition is rising
- Brand power vs. fast-fashion speed

## 4 Market Headwinds

- Macroeconomic & Consumer Pressure
- Tariffs, Supply Chain & Cost Challenges
- Fashion Trend Shifts & Competitive Saturation

# Risks & Challenges

## Challenges

### Market saturation in Mature Economies

- Staple in U.S. and Europe. To drive growth, they must successfully penetrate emerging markets
- Shifting growth profile towards mix and pricing rather than volume

### Direct-to-Consumer Pivot

- Aggressively moving away from wholesale toward their own stores
- Execution risk remains as Levi's balances DTC without alienating wholesale partners

### Maintaining Pricing Power

- Intense competition and low switching costs limit Levis ability to pass through cost increases without risking volume
- Widespread discounting across the industry can undermine pricing discipline and pressure margins

## Risks

### Fashion Trend Volatility

- Consumer Discretionary spending is cyclical
- Macro-level fashion pivot back toward formal wear or athleisure would disproportionately hurt Levi's revenue due to core-brand reliance

### Global Supply Chain & Cost Pressures

- Tariffs, cotton price volatility, labor costs, and shipping disruptions
- Input cost volatility can pressure gross margins and limit pricing flexibility

### Macroeconomic Sensitivity

- Consumer discretionary spending
- Inflation and interest rate pressure may shift consumers towards lower-priced alternatives

# SWOT Assessment

## STRENGTHS +

INTERNAL FACTORS

- **Strength 1:** Iconic global brand with over 172 years of development. This obviously cannot be replicated quickly by competition.
- **Strength 2:** DTC shift driving margin expansion, higher profitability, and better customer data control.
- **Strength 3:** Record gross and EBITDA margins in FY2026.

## WEAKNESSES -

- **Weakness 1:** Heavy US exposure (Vast majority of Americas). Vulnerable to domestic consumer softness or retail disruptions.
- **Weakness 2:** Most products are sourced and manufactured in the South Asia region, exposing them to an ongoing tariff war, which could hurt their improved margins they have worked for.

## OPPORTUNITIES +

EXTERNAL FACTORS

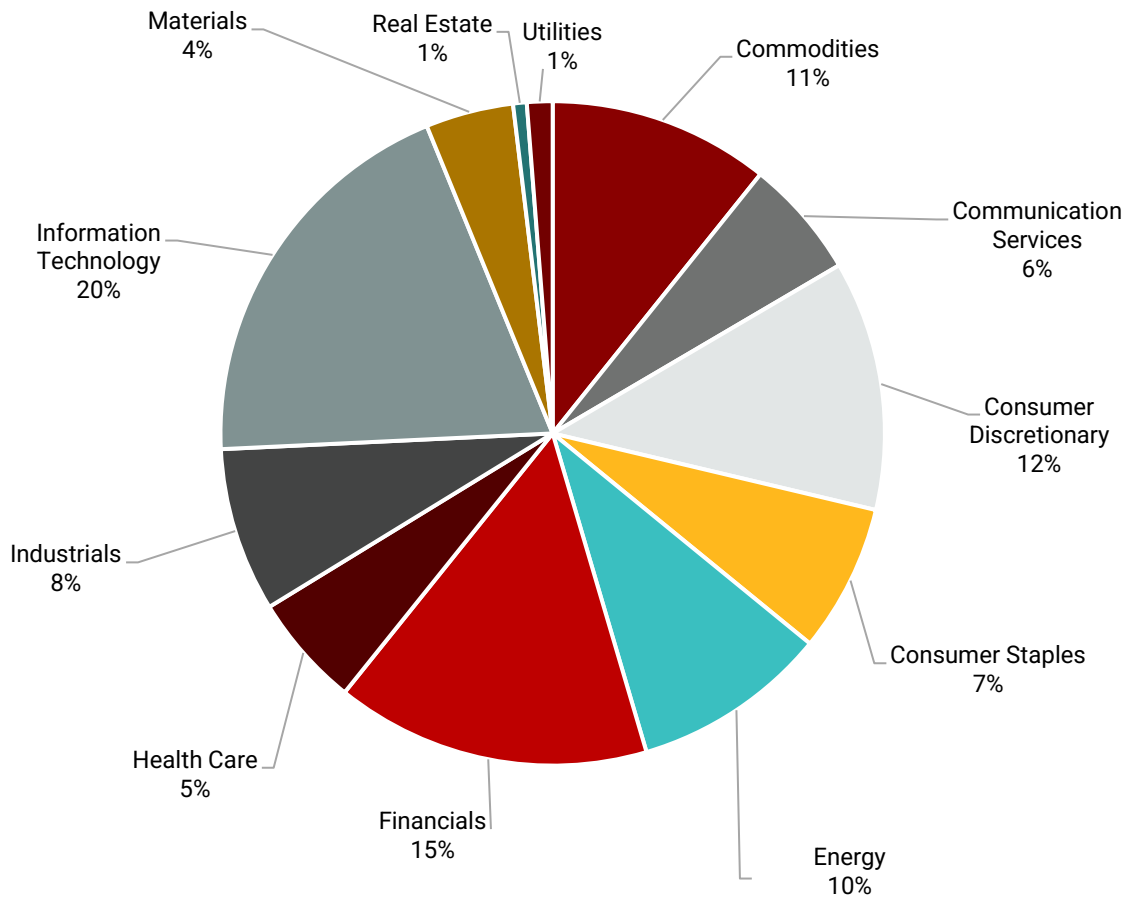
- **Opportunity 1:** Continue to expand DTC globally offering continued growth in gross margin.
- **Opportunity 2:** Diversification from Denim through acquisitions/development (Beyond Yoga & Denizen).
- **Opportunity 3:** Capitalize on head-to-toe offerings to expand their TAM and not be overly exposed to denim jeans.

## THREATS -

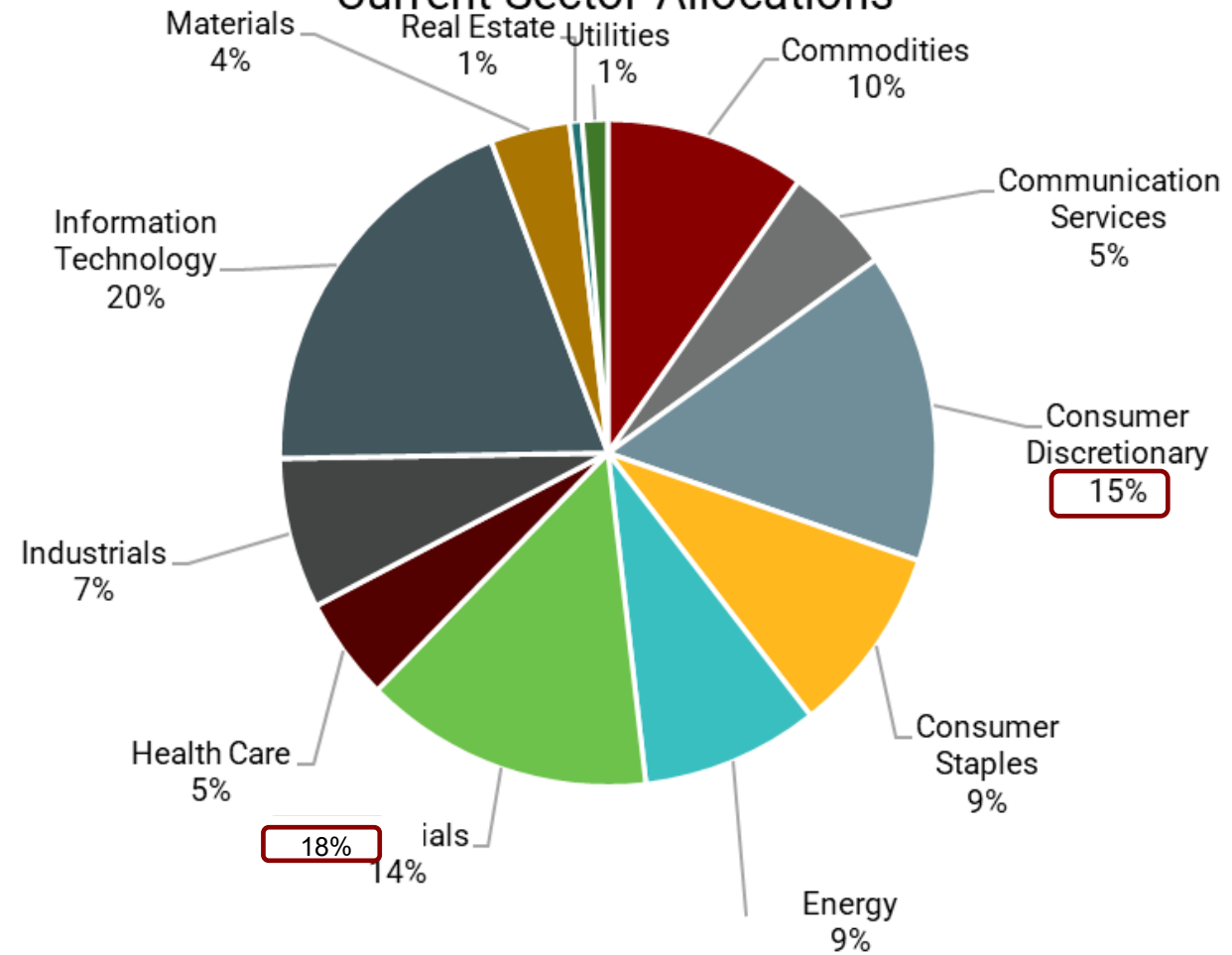
- **Threats 1:** Competition from fast fashion and athleisure if consumer trends change drastically and denim cycle fades.
- **Threats 2:** Supply chain risk: Geopolitical tariff wars, FX currency volatility, and raw material cost are unpredictable in the long run.
- **Threats 3:** Recessionary trends driving consumers to cheaper, lower quality options.

# Portfolio Sector Allocation

Before - Sector Allocations



Current Sector Allocations



# Summary

## Investment Recommendation

1

**Recommendation:** *BUY*  
**Target Price (12-month):** \$23.70/share

**Upside Potential:** +15.35%

DTC restructuring and high dividend yield put Levi in a healthy position for future success.

Buy 949 shares.

2

## Major Risks (Bear Case Factors)

- Fashion Trend Volatility
- Supply Chain Uncertainty
- Macroeconomic sensitivity

3

## Key Catalysts

- Project Fuel
- International Expansion
- Direct to Consumer

4

## Strategic Outlook

Levi is well positioned as a global brand in the denim and fashion industry. They are well positioned financially to payout a healthy dividend to investors and have fostered the ability to continue this payout through healthy margins by increasing their DTC segment. They are diversified in their sourcing (no more than 30% of sourcing from 1 country, with independent operations in 32 countries).