

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

Company Name: Levi Strauss & Co.

Ticker Symbol: LEVI

Sector/Industry: Apparel Manufacturing Industry

Stock Exchange: NYSE

Your Name: Sophia Weis

Date: 12/18/25

1. Company Description

Levi Strauss & Co. is a global apparel company best known for its iconic Levi's denim products, which remain the foundation of its brand and the largest contributor to revenue. The company designs, markets, and sells a wide range of clothing and accessories for men, women, and children under brands including Levi's, Dockers, Levi Strauss Signature, Denizen (being discontinued), and Beyond Yoga. Its product offerings extend beyond denim to include tops, outerwear, lifestyle apparel, and activewear, with non-denim categories accounting for 39% of revenue in 2024.

The company operates a hybrid business model that combines wholesale distribution with a growing direct-to-consumer (DTC) segment. Levi's products are sold through about 50,000 retail locations in approximately 120 countries, including department stores, specialty retailers, and digital partners. Levi Strauss & Co. also reaches consumers through its owned channels, such as Levi's stores, shop-in-shops, and e-commerce platforms like levi.com, DTC accounted for roughly one-third of total revenue in 2024. Levi's selects wholesale partners strategically to protect brand integrity and long-term growth.

Geographically diverse, more than half of Levi Strauss & Co.'s revenue now comes from outside the United States. In 2024, men's products accounted for 63% of sales, women's 36%, demonstrating broad demand across customer segments. With ongoing brand portfolio adjustments, such as discontinuing Denizen and exploring options for Dockers, the company continues evolving its product mix while staying rooted in its heritage of quality, craftsmanship, and classic American style.

In recent years, Levi Strauss & Co. has focused on streamlining its brands, growing globally, and strengthening its connection with consumers. In 2024, the company decided to phase out its Denizen brand to better focus on its strongest areas of growth. It also began exploring options for the Dockers business, including a possible sale, as part of a broader effort to refine its portfolio and invest in high-performing brands like Beyond Yoga, which continues to gain popularity in the premium activewear space.

At the same time, Levi Strauss has been pushing forward its "DTC First" strategy, expanding its own retail stores, improving online shopping, and creating a seamless experience between digital and in-personal channels. In 2024 alone, the company opened 157 new stores and saw digital sales grow to over 20% of its direct-to-consumer revenue. Altogether, these moves show Levi Strauss's ongoing commitment to evolving with consumer needs, strengthening its global presence, and setting itself up for long-term success.

2. Segment Analysis

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

In 2024, Levi’s continued to rely heavily on the Americas, which brought in \$3.2 billion and made up just over half of total brand revenue. Growth in this region was steady at 3.7%. Europe, which contributed \$1.62 billion, remained relatively stable with slower growth of 2.4%. The biggest momentum came from Asia, which generated \$1.08 billion and delivered the strongest growth at 5.8%. This reflects rising demand and expanding opportunity in Asian markets.

Net revenues

The following table presents net revenues for the periods indicated, and the changes in net revenues on both reported and organic net revenues basis from period to period:

	Year Ended					
	December 1, 2024		November 26, 2023		% Increase (Decrease)	
			As Reported		Organic Net Revenues	
(Dollars in millions)						
Net revenues:						
Levi’s Brands:						
Americas	\$	3,200.6	\$	3,086.9	3.7 %	4.2 %
Europe		1,617.9		1,579.5	2.4 %	0.5 %
Asia		1,082.4		1,059.7	2.1 %	5.8 %
Total Levi’s Brands net revenues		5,900.9		5,726.1	3.1 %	3.5 %

Source: Levi Strauss & Co. 2024 Form 10-K (page 52)

Looking at business segment performance, the Americas remained Levi’s most profitable region, generating \$697 million in operating income in 2024, reinforcing its role as the company’s primary earnings driver. Europe also demonstrated improving profitability, with segment operating income rising to \$319.6 million, suggesting effective cost control alongside stable revenue. While Asia continued to expand revenue, its operating income declined from \$147 million to \$135 million, indicating margin pressure as the region scales. Outside of the core Levi’s brand, Dockers and Beyond Yoga generated \$454 million in combined revenue. Dockers delivered steady operating income, while Beyond Yoga posted an operating loss due to increased investments and restructuring efforts. Altogether, restructuring and impairment charges weighed on Levi’s results, bringing income before income taxes down to \$219 million for the year.

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

Business segment information for the Company is as follows:

	Year Ended		
	December 1, 2024	November 26, 2023	November 27, 2022
	(Dollars in millions)		
Net revenues:			
Americas	\$ 3,200.6	\$ 3,086.9	\$ 3,187.4
Europe	1,617.9	1,579.5	1,597.2
Asia	1,082.4	1,059.7	952.1
Total segment net revenues	5,900.9	5,726.1	5,736.7
Other Brands:			
Dockers®	323.3	336.9	334.4
Beyond Yoga®	131.1	116.0	97.5
Total Other Brands	454.4	452.9	431.9
Total net revenues	\$ 6,355.3	\$ 6,179.0	\$ 6,168.6
Income before income taxes:			
Americas	\$ 697.0	\$ 535.3	\$ 654.4
Europe	319.6	305.0	349.9
Asia	134.9	147.2	111.2
Total segment operating income	1,151.5	987.5	1,115.5
Dockers® operating (loss) income	1.4	(1.1)	17.5
Beyond Yoga® operating (loss) income	(20.0)	1.0	(0.4)
Restructuring charges, net ⁽¹⁾	(188.7)	(20.3)	(9.1)
Goodwill and other intangible asset impairment charges ⁽²⁾	(116.9)	(90.2)	(11.6)
Corporate expenses ⁽³⁾	(563.2)	(523.6)	(465.4)
Interest expense	(41.8)	(45.9)	(25.7)
Other (expense) income, net ⁽⁴⁾	(3.3)	(42.2)	28.8
Income before income taxes	\$ 219.0	\$ 265.2	\$ 649.6

Source: Levi Strauss & Co. 2024 Form 10-K (page 134)

3. Industry Overview and Competitive Positioning

Levi Strauss & Co.'s 2024 10-K paints a picture of an apparel industry that's growing, but under real pressure. The company explains that inflation, weaker consumer spending, and ongoing supply chain disruptions continue to shape the industry's economic outlook and may limit growth in the near term. Levi's also points to geopolitical tensions and shipping delays as factors that add uncertainty and push costs higher. Within this environment, Levi's operates in a highly competitive apparel market, facing constant pressure from global denim brands, activewear companies, specialty retailers, and private-label offerings. The landscape is crowded and fast-moving, and even strong brands like Levi's having to fight for consumer attention.

Furthermore, the structure of the industry affects Levi's day-to-day operations. Supplier power is moderate to high, since the company relies on independent factories across 28 countries and is exposed to cotton price swings, transportation costs, and geopolitical risks that can disrupt production. Customer power is moderate as well as no single retailer makes up more than 10% of revenue, but Levi's still depends on wholesale partners who can pull back orders when the economy slows. Levi's growing direct-to-consumer channel helps soften that dependence. Meanwhile, new entrants can join the market easily, but Levi's global scale and brand heritage create natural advantages that smaller brands lack. Finally, the threat of substitutes is high, with consumers able to switch quickly to athleisure, fast fashion, or lower-priced private labels when budgets tighten or trends shift. Altogether, Levi's operates in a competitive, fast-changing industry where economic uncertainty, shifting consumer habits, and supply chain challenges all play major roles.

4. Common Size Statement Analysis

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

- ***Common Size Income Statement (Appendix A):***

From 2020 to 2024, Levi Strauss exhibits an overall improvement in core profitability, driven primarily by expanding gross margins and improved cost discipline, though gains in operating leverage are partially constrained by SG&A. Gross profit margin rises steadily from 57.6% in 2020 to a peak of 63.1% in 2024, reflecting meaningful reductions in COGS (from 42.4% to 36.9%). Operating income before depreciation increases from 6.9% in 2020 to 15.0% in 2021, then fluctuates modestly, ending at 13.2% in 2024, as elevated SG&A limits the full translation of gross margin gains into operating profitability. After depreciation, EBIT margin improves from 3.7% in 2020 to 12.5% in 2021 before moderating over subsequent years to 10.2% in 2024, highlighting some year-to-year volatility rather than a linear expansion. Net income margin shows the most pronounced swings, moving from a –2.9% loss in 2020 to 9.6% in 2021 and 9.2% in 2022, before declining to 4.0% in 2023 and 3.3% in 2024. This compression is largely driven by recurring special-item charges, including a sizable –6.0% impact in 2024, which offset the benefits of record-high gross margins. While Levi’s underlying operating performance has strengthened, bottom-line profitability remains constrained by SG&A intensity and continued exposure to volatile non-operating and one-time items.

- ***Common Size Balance Sheet (Appendix B):***

From 2020 to 2024, the company exhibits notable shifts in liquidity, solvency, and financial structure. Liquidity weakens for much of the period, as cash declines from 28% of total assets in 2020 to 7% in 2023 before modestly recovering to 11% in 2024, while current liabilities rise from 27% to 33% and stabilize at 32%, indicating increased short-term liquidity pressure. Receivables remain relatively stable at 10–12%, while inventory increases from 14% to 21%, which may reflect slower turnover or a more deliberate buildup of stock. At the same time, solvency improves, with long-term debt declining from 43% of assets in 2020 to 31% by 2024 and total liabilities falling from 77% to 66% by 2023 before edging up to 69% in 2024, alongside an increase in shareholders’ equity from 23% to 34%. The asset mix also shifts, as current assets decrease from 55% to roughly 45%, while investment in fixed assets rises, with gross PP&E increasing to approximately 49–50% and net PP&E remaining stable at 26–28%. Collectively, these changes suggest a trade-off between near-term liquidity risk and longer-term financial flexibility, as the firm reduces leverage and strengthens its equity base while reallocating resources toward longer-term asset investments that may support strategic positioning over time.

- ***Common Size Cash Flow Statement (Appendix C):***

Operating Activities

Levi Strauss’s operating cash flows have shown improvement and increasing consistency over time. Operating cash flow as a percentage of revenue rose notably in 2024 to 14.1%, up from 7.0% in 2023 and well above the 3.7% level seen in 2022. This improvement reflects stronger underlying cash generation despite modest revenue growth, supported by stable income before extraordinary items and steadily increasing depreciation and amortization, which provided a non-cash boost to cash flow.

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

Working capital movements became less volatile in 2024, with smaller fluctuations in receivables, inventory, and accrued liabilities, indicating improved operational efficiency and cash management.

Investing Activities

Investing cash flows remained consistently negative across all periods, reflecting Levi's ongoing reinvestment in the business. Capital expenditures were the primary use of investing cash flow, though capex as a percentage of revenue declined slightly in 2024 compared to prior years, suggesting a more disciplined investment approach. Acquisitions were minimal in recent years, indicating that Levi's growth strategy has been focused more on organic expansion rather than large-scale M&A. The stable but negative investing cash flows indicate continued investment in long-term capabilities without excessive capital intensity.

Financing Activities

Levi Strauss's financing cash flows reflect a deliberate shift toward balance sheet discipline, lower financial risk, and sustainable cash flow management. While the company relied more heavily on long-term debt issuance in 2020 and 2021 to preserve liquidity amid heightened uncertainty, recent years show minimal new borrowing and continued debt reduction, signaling reduced leverage and improved financial stability. At the same time, Levi's has maintained shareholder returns through dividends and selective share repurchases, indicating confidence in the durability of its operating cash flows. The moderation of buybacks in 2024 suggests a prudent capital allocation approach that prioritizes liquidity and flexibility over aggressive capital returns. Levi's financing strategy supports long-term cash flow sustainability while balancing risk management with disciplined returns to shareholders.

5. Financial Ratio Analysis

Levi Strauss & Co.'s financial ratios from 2021–2024 reveal a company with strong brand-level economics but weakening profitability. The DuPont analysis shows a pronounced decline in ROE, which dropped from 37.3% in 2021 to 10.5% in 2024. This deterioration is driven almost entirely by shrinking net profit margins, falling from 9.6% to 3.3%, while asset turnover held stable around 1.00–1.03, indicating no meaningful change in the efficiency with which Levi's generates revenue from its asset base. Financial leverage also decreased slightly, from 3.54 to 3.24, which modestly lowers ROE but reflects a healthier balance sheet. Overall, margin compression, not asset efficiency or leverage, is the central factor behind Levi's declining returns.

Growth metrics reinforce this picture of slowing momentum. Sales growth fell dramatically from 29.5% in 2021, during the post-pandemic rebound, to just 2.9% in 2024 as consumer demand normalized and competition intensified. Earnings growth fluctuated greatly, with steep declines in 2021 and again in 2023–2024 due to special charges and weaker profitability. Asset growth remained modest, between 0.3% and 5.3%, signaling limited expansion of Levi's operating footprint. Although operating cash flow growth improved meaningfully in the last two years, much of that strength stemmed from working-capital changes rather than sustainable earnings gains. This pattern suggests

FINA 408 – Financial Statement Analysis Final Project Report (Template)

slowing revenue momentum and inconsistent earnings performance, remains consistent with Levi's recent stock underperformance.

Valuation ratios further highlight the disconnect between market expectations and current fundamentals. The price-to-earnings ratio rose substantially, from 11.72 in 2022 to 33.58 in 2024, implying that investors may be anticipating a recovery that is not yet evident in the financials. By contrast, price-to-sales and price-to-book ratios remained relatively stable, underscoring the enduring value of Levi's brand. The price-to-operating-cash-flow ratio declined dramatically from 28.53 in 2022 to 7.68 in 2024, reflecting improved cash generation. Even so, the combination of rising P/E multiples and weakening margins suggests the stock may already be fully valued unless profitability rebounds.

Financial risk metrics indicate that Levi's maintains moderate but manageable leverage. Liquidity remained steady, with current ratios hovering between 1.42 and 1.48, while quick and cash ratios recovered slightly in 2024 after earlier declines, improving short-term financial flexibility. Solvency trends were also favorable: the debt-to-equity ratio fell from 1.35 to 1.12, and times interest earned rose to a strong 15.45 in 2024, signaling ample capacity to service debt. Altman Z-Scores between 2.7 and 3.25 place the company safely outside the distress zone. Furthermore, the Beneish M-Score has remained well below the manipulation threshold every year, and the trend improves over time. This suggests Levi's financial reporting is clean, conservative, and increasingly reliable. These indicators suggest that operational pressures, not liquidity or solvency risks, pose the primary challenge.

Earnings quality has been a growing point of focus, particularly amid frequent special charges in 2023 and 2024, including charges equal to 6% of revenue in 2024 that weighed on reported earnings. Despite this, operating cash flow strengthened significantly, rising to 14.1% of sales, and the operating-cash-flow-to-net-income ratio surged to 4.27. This unusually high ratio indicates that Levi's earnings are well supported by cash inflows and that the firm's cash-generating ability remains solid even when accounting profits appear weak. Strong cash flow, helped by disciplined working-capital management, provides an important buffer against margin pressure and supports continued investment. Ultimately, while Levi's faces profitability challenges, its underlying cash generation suggests resilience in its core operations.

	2021	2022	2023	2024
<i>Profitability Ratios</i>				
Gross Profit Margin	60.8%	60.1%	59.5%	63.1%
Operating Profit Margin	12.5%	11.6%	8.7%	10.2%
Net Profit Margin	9.6%	9.2%	4.0%	3.3%
ROE	37.3%	31.9%	12.6%	10.5%
ROA	9.6%	9.5%	4.1%	3.4%
<i>Growth Rates</i>				
Sales growth	29.5%	7.0%	0.2%	2.9%
Assets growth	4.6%	2.3%	0.3%	5.3%
Earnings growth	-535.4%	2.8%	-56.1%	-15.6%
Operating cash flow growth	57.0%	-69.1%	90.9%	106.3%

FINA 408 – Financial Statement Analysis Final Project Report (Template)

<i>Efficiency Ratios</i>				
Total assets turnover	1.00	1.03	1.02	1.02
PP&E assets turnover	3.78	3.86	3.74	3.63
Current assets turnover	1.98	2.23	2.26	2.32
Accounts receivable turnover	7.14	8.21	8.51	8.45
Inventory turnover	2.20	1.95	1.82	1.98
Payables turnover	4.37	4.70	3.81	3.98
Days of sales outstanding	51.15	44.47	42.89	43.20
Days of inventory on hand	165.79	187.01	200.66	184.47
Days of payables	83.45	77.66	95.74	91.65
Cash conversion cycle	133.48	153.82	147.81	136.02
<i>Liquidity Ratios</i>				
Current ratio	1.45	1.43	1.48	1.42
Quick ratio	0.97	0.71	0.75	0.80
Cash ratio	0.48	0.25	0.22	0.34
<i>Solvency Ratios</i>				
Financial leverage	3.54	3.17	2.96	3.24
Debt to equity	1.35	1.10	1.07	1.12
Debt to assets	0.38	0.35	0.36	0.35
Times interest earned	9.86	27.80	11.69	15.45
<i>Cash Flow Ratios</i>				
Operating cash flow to sales	0.13	0.04	0.07	0.14
Operating cash flow to net income	1.33	0.40	1.74	4.27
Operating cash flow to investing cash flow	1.29	0.97	1.81	3.20
<i>DuPont Analysis</i>				
ROE	37.34%	31.89%	12.64%	10.49%
Net Profit Margin	10%	9%	4%	3%
Total Assets Turnover	1.00	1.03	1.02	1.02
Financial Leverage	3.89	3.34	3.06	3.09
<i>Valuation Ratios (Fiscal Year End)</i>				
Price to earnings ratio	18.94	11.72	24.98	33.58
Price to sales ratio	1.77	1.06	1.00	1.09
Price to book ratio	6.14	3.42	3.01	3.50
Price to operating cash flow	13.87	28.53	14.13	7.68
Altman Z-Score				
	3.25	2.82	2.72	2.70
Beneish M-Score				
	(2.12)	(2.20)	(2.54)	(3.09)

Source: Calculations based on Financial Statement data from Compustat-Capital IQ database

6. Industry Comparative Analysis

Across nearly all major financial ratios, Levi Strauss exhibits a mixed competitive position relative to Gap, Kontoor Brands (KTB), Ralph Lauren (RL), and the broader industry average. Levi's most notable strength is its exceptional gross margin of 63.1%, well above the industry average of 53.1% and materially higher than both Gap and KTB, reflecting strong brand equity and effective premium

FINA 408 – Financial Statement Analysis Final Project Report (Template)

pricing. However, this pricing power does not translate into bottom-line returns reflective of its premium positioning. Elevated operating costs, restructuring charges, and weak capital efficiency compress net profitability, leaving Levi's with a net profit margin of just 3.3% and an ROE of 10.5%, both well below those of KTB and RL, which convert similar or lower pricing power into substantially higher returns. Operational inefficiencies further erode value as Levi's inventory turnover is the lowest among peers, resulting in a prolonged 184-day inventory cycle versus the 116-day industry benchmark, while its cash conversion cycle of 136 days, more than four times Gap's, ties up capital and dampens return generation. On the balance sheet, liquidity is adequate but not leading, and leverage is moderate, limiting the extent to which financial structure can offset weak operating performance. Although operating cash flow to net income of 4.27 \times indicates strong cash generation and high earnings quality, this strength is already reflected in valuation, with Levi's trading at an elevated P/E of 33.6, more than double the industry average. Levi's strong margins and cash flow quality underscore the power of its brand, but high costs, inefficient working capital management, and moderate profitability prevent those advantages from translating into superior returns relative to more operationally disciplined competitors.

	LEVI	GAP	KTB	RL	Industry Average (excluding LEVI)
Market Cap (billion USD)	8,789	9,891	4,235	22,272	121323
Profitability Ratios					
Gross Profit Margin	63.1%	44.6%	46.1%	68.6%	53.1%
Operating Profit Margin	10.2%	7.4%	14.6%	14.0%	12.0%
Net Profit Margin	3.3%	5.6%	9.4%	10.5%	8.5%
ROE	10.5%	28.8%	63.7%	29.5%	40.7%
ROA	3.4%	7.4%	14.9%	10.9%	11.1%
Growth Rates					
Sales growth	2.9%	1.3%	0.0%	6.7%	2.7%
Assets growth	5.3%	7.6%	0.3%	6.7%	4.9%
Earnings growth	-15.6%	68.1%	6.4%	14.9%	29.8%
Operating cash flow growth	106.3%	-3.0%	3.3%	15.5%	5.2%
Efficiency Ratios					
Total assets turnover	1.02	1.32	1.58	1.04	1.31
PP&E assets turnover	3.63	2.64	16.43	3.80	7.63
Current assets turnover	2.32	3.14	2.47	1.98	2.53
Accounts receivable turnover	8.45	50.47	10.67	11.30	24.15
Inventory turnover	1.98	4.23	3.35	2.38	3.32
Payables turnover	3.98	6.11	7.68	5.86	6.55
Days of sales outstanding	43.20	7.23	34.21	32.29	24.58
Days of inventory on hand	184.47	86.32	108.89	153.33	116.18
Days of payables	91.65	59.79	47.51	62.27	56.52
Cash conversion cycle	136.02	33.77	95.59	123.35	84.24
Liquidity Ratios					
Current ratio	1.42	1.60	2.70	1.78	2.03
Quick ratio	0.80	0.96	1.71	1.33	1.34
Cash ratio	0.34	0.79	0.85	0.98	0.87

FINA 408 – Financial Statement Analysis Final Project Report (Template)

<i>Solvency Ratios</i>					
Financial leverage	3.24	3.64	4.13	2.72	3.50
Debt to equity	1.12	1.68	1.98	1.03	1.56
Debt to assets	0.35	0.46	0.48	0.38	0.44
Times interest earned	15.45	11.96	9.32	22.43	14.57
<i>Cash Flow Ratios</i>					
Operating cash flow to sales	0.14	0.10	0.14	0.17	0.14
Operating cash flow to net income	4.27	1.76	1.50	1.66	1.64
Operating cash flow to investing cash flow	3.20	2.15	16.54	4.68	7.79
<i>DuPont Analysis</i>					
ROE	10.49%	28.81%	63.68%	29.49%	40.7%
Net Profit Margin	3%	6%	9%	10%	8.5%
Total Assets Turnover	1.02	1.32	1.58	1.04	1.31
Financial Leverage	3.09	3.91	4.27	2.71	3.63
<i>Valuation Ratios</i>					
Price to earnings ratio	33.58	10.94	19.59	19.01	16.51
Price to sales ratio	1.09	0.60	1.81	1.92	1.44
Price to book ratio	3.50	2.76	11.81	5.24	6.60
Price to operating cash flow	7.68	6.06	12.83	10.99	9.96
Altman Z-Score					
	2.70	2.77	5.17	5.02	4.32
Beneish M-Score					
	(3.09)	(2.73)	(2.75)	(2.74)	(2.74)

Source: Calculations based on Financial Statement data from Compustat-Capital IQ database

7. Recent Stock Performance

FINA 408 – Financial Statement Analysis

Final Project Report (Template)



Source: Yahoo.finance

Over the past year, Levi Strauss has significantly outperformed both the S&P 500 and its sector benchmarks, with the stock rising roughly 23% compared to the S&P 500's 12% gain and the minimal growth seen in key consumer ETFs such as XRT and XLY. Unlike the smoother, more gradual appreciation of the broader market, Levi's stock exhibits greater volatility, including a pronounced dip in early spring followed by a strong recovery in mid-summer and early fall. These rallies align with company-specific financial improvements documented earlier, most notably expanding gross margins, improving operating cash flow generation, and signs of stabilization following prior restructuring activity. While return on equity remains below peer leaders, its stabilization relative to prior years, combined with stronger cash flow visibility, appears to have supported renewed investor confidence and upward repricing of the stock. At the same time, Levi's outperformance has pushed valuation metrics above intrinsic value estimates, indicating that the market is increasingly pricing in continued margin discipline and execution. Looking ahead, Levi's stock performance will be closely tied to earnings results and execution. Continued improvements in margins and cash flow could support further upside, while any shortfall relative to expectations may lead to sharper pullbacks given the stock's recent volatility.

8. Recent News and Events

Recent earnings suggest that Levi Strauss is executing well, but the bigger question for investors is how long that momentum can last. The company has posted steady revenue growth in recent quarters, driven largely by continued strength in its direct-to-consumer (DTC) channel and solid

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

performance internationally, especially in Asia. In Q3 FY25, Levi's generated about \$1.5 billion in revenue and delivered a record gross margin, benefiting from a higher mix of DTC sales and selective price increases. From a financial standpoint, this shift toward DTC matters because it supports structurally higher margins and gives the company more control over pricing and customer relationships, which can translate into stronger cash flows over time if demand remains resilient. At the same time, Levi's is simplifying its business to focus on what it does best. Project FUEL, a multi-year cost-saving initiative launched in 2024, is designed to improve efficiency through headcount reductions and operating changes, while the planned sale of the underperforming Dockers brand for up to \$391 million allows the company to concentrate on the core Levi's brand and Beyond Yoga. Still, management has been cautious about the outlook, noting that macro uncertainty, foreign exchange headwinds, and potential new U.S. tariffs could weigh on results in 2025, leading them to guide toward flat to slightly lower revenue despite recent quarterly beats.

Analyst reactions reflect this same mix of optimism and caution. While investors have responded positively to DTC growth, record gross margins, and early progress under Project FUEL, much of the discussion has centered on whether these improvements are sustainable. A key concern is tariff and macro risk, with analysts questioning how much higher costs can be passed on to consumers without hurting demand. There is also attention on rising expenses, as management noted that higher distribution costs and continued investments in supply-chain transformation partially offset gross margin gains in Q3 FY25. Finally, analysts are closely watching execution risk around the DTC-first strategy and recent portfolio changes, particularly whether growth in women's, tops, and international markets can offset softness in wholesale and the loss of Dockers revenue.

9. Valuation Model

The FCFF valuation helps put Levi's long-term cash-flow potential into context by showing what the business is realistically worth based on its fundamentals. Under the base-case assumptions, 3% revenue growth, a 10% EBIT margin, and continued reinvestment in the business, Levi's is expected to generate steady annual free cash flow of roughly \$500–600 million. When these cash flows are discounted at an 8.76% WACC, which reflects the company's risk profile and capital structure, the model produces an intrinsic value of about \$17.17 per share. Because Levi's is a mature consumer brand, much of this value comes from the terminal value, highlighting that the company's valuation depends more on long-term stability than rapid growth. Compared to the current stock price of \$21.50 as of December 12th, 2025, the results suggest that the market is already assuming stronger growth or margin improvement than what the base-case fundamentals support. While Levi's cash flows appear reliable, the valuation leaves limited room for disappointment if performance does not continue to improve.

Looking at different scenarios helps clarify the risk-reward balance. Even in the optimistic case, where Levi's achieves stronger revenue growth and a higher long-term growth rate, the intrinsic value rises to just \$23.69, only slightly above the current price of \$21.83. This suggests that upside is relatively limited, even if things go well. On the other hand, the pessimistic scenario produces an intrinsic value of \$13.61, pointing to meaningful downside risk if growth slows or margin pressures remain. With the base-case valuation centered at \$17.17, Levi's stock appears fairly valued to slightly overvalued at today's price. This imbalance between modest upside and more pronounced

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

downside supports a neutral outlook, as Levi's will need to show clear and sustained improvements in profitability before a stronger valuation case can be made.

10. Corporate Governance and Management

Levi Strauss & Co.'s governance structure reflects a high level of board independence and strong shareholder-aligned practices. According to the 2025 Proxy Statement, 12 of the 13 directors are independent, with the sole exception being CEO Michelle Gass, and the company maintains an independent Board Chair, Robert Eckert. The board is diverse in gender, ethnicity, age, and professional background, and directors bring expertise across finance, global operations, supply chain, retail, and technology, helping ensure effective oversight. Independence is further reinforced through committee structures: all four standing committees (Audit, Compensation & Human Capital, Finance, and Nominating, Governance & Corporate Citizenship) consist exclusively of independent directors, consistent with NYSE standards. The company's classified board structure includes three staggered classes, but shareholder rights are supported through annual elections for each class, mandatory retirement ages, formal shareholder-board communication channels, and ongoing shareholder engagement initiatives.

Executive compensation at Levi Strauss is closely aligned with performance and long-term shareholder value, with 88% of CEO pay and 74% of average named executive officer compensation tied to performance through long-term equity incentives and annual financial and strategic goals. The company follows standard compensation best practices, including stock ownership requirements, a clawback policy, independent compensation oversight, and an annual say-on-pay vote. Shareholder protections are strong, as Levi's has no shareholder rights plan in place and the board maintains active oversight of risk management, strategy, and succession planning. Related-party risks are minimal, with no transactions exceeding \$120,000 in fiscal 2024 aside from legacy agreements with the Haas family and limited charitable contributions. Levi's governance framework supports effective oversight and alignment between management, the board, and shareholders.

11. Investment Risk

Levi's faces several risks that directly affect margins, cash flow, and how much investors are willing to pay for the stock. Macroeconomic pressure remains the most immediate concern as inflation, higher interest rates, and weaker consumer confidence can slow demand for discretionary items like denim. Because more than half of Levi's revenue comes from international markets, a strong U.S. dollar can further reduce reported sales and earnings, increasing volatility in cash flows. Management has indicated that macro headwinds, including tariffs and foreign exchange pressure, could reduce sales by 1–2%, which would have a disproportionate impact on profitability given Levi's limited operating leverage. In addition, maintaining brand relevance is critical, missed fashion trends or weak product launches can lead to excess inventory, longer cash conversion cycles, and lower returns on invested capital.

Competitive and operational risks further constrain Levi's financial flexibility. The global apparel market is highly competitive, limiting pricing power and making margin recovery difficult during periods of cost pressure. Supply-chain exposure adds uncertainty, as reliance on overseas

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

manufacturers leaves Levi's vulnerable to disruptions, rising labor or freight costs, and volatile cotton prices. Technology failures or cybersecurity incidents could disrupt sales and working capital management, while evolving regulatory and ESG requirements increase compliance costs and litigation risk. Together, these factors make Levi's valuation highly sensitive to execution and margin discipline, reinforcing that consistent cash-flow generation, not just brand strength, is critical to sustaining shareholder value.

12. Final Recommendation

Based on the combined financial, competitive, and valuation analysis, Levi Strauss & Co. is best rated as a Hold, as strong brand fundamentals are offset by valuation and profitability constraints that limit near-term upside. The company maintains several compelling strengths, most notably exceptional gross margins of 63.1%, more than 10% above the industry average of 53.1%, reflecting durable brand equity and pricing power. While expansion opportunities in the fast-growing Asia segment strengthen Levi's strategic positioning, these initiatives carry execution and margin risks that may take time to translate into earnings growth. Financial risk metrics add to this view, with the Altman Z-Score staying consistent around 2.7-2.8 in the last four years, indicating low distress risk even through years of inflation pressure and restructuring. Furthermore, the Beneish M-Score does not indicate earnings manipulation and has trended more negative over time, suggesting improving earnings quality. Despite these advantages, several financial indicators suggest upside is constrained as Levi's net profit margin of 3.3% and ROE of 10.5% trail industry peers, signaling weaker efficiency that is driven primarily by margin compression tied to the company's cost structure rather than asset turnover or leverage. Valuation further reinforces caution, as Levi's trades at a relatively high P/E multiple versus the industry average, indicating that expected improvement is largely priced in. Most notably, the DCF analysis estimates an intrinsic value of \$17.17 per share, implying that the current market price of \$21.50 represents a roughly 27% premium to fundamentals. Although the stock has risen about 23% year-over-year and outperformed major indices, recent volatility highlights sensitivity to macroeconomic conditions and earnings execution. Levi's strong brand foundation and improving cash-flow profile support long-term business quality, but near-term overvaluation and persistent profitability constraints justify maintaining a Hold recommendation.

13. References

Investing.com. (2025, February 27). *Earnings call transcript: Levi Strauss Q4 2024 misses EPS forecast, stock falls*. <https://www.investing.com/news/transcripts/earnings-call-transcript-levi-strauss-q4-2024-misses-eps-forecast-stock-falls-93CH-3838410>

Investopedia. (2025, April 7). *Levi Strauss warns macroeconomic conditions will hurt 2025 results*. <https://www.investopedia.com/levi-strauss-warns-macroeconomic-conditions-will-hurt-2025-results-8783025>

Levi Strauss & Co. (2024). *2025 LS-Co Proxy Statement*. https://s23.q4cdn.com/172692177/files/doc_financials/2024/ar/2025-LS-Co-Proxy.pdf

Levi Strauss & Co. (2024). *Form 10-K: Annual report for the fiscal year ended December 1, 2024*. U.S. Securities and Exchange Commission.

FINA 408 – Financial Statement Analysis

Final Project Report (Template)

<https://www.sec.gov/ix?doc=/Archives/edgar/data/0000094845/000009484525000005/lvis-20241201.htm>

Levi Strauss & Co. (2025, July). *2024 Levi Strauss Co. sustainability goals and metrics*. <https://www.levistrauss.com/wp-content/uploads/2025/07/2024-Levi-Strauss-Co.-Sustainability-Goals-and-Metrics.pdf>

Levi Strauss & Co. (2025, November 7). *Levi Strauss & Co. reports third quarter 2025 financial results*. <https://investors.levistrauss.com/news/financial-news/news-details/2025/Levi-Strauss-Co-Reports-Third-Quarter-2025-Financial-Results/default.aspx>

The Wall Street Journal. (2025, April 7). *Citi cuts profit forecasts for Levi Strauss, Ralph Lauren and other apparel stocks*. <https://www.wsj.com/livecoverage/stock-market-trump-tariffs-trade-war-04-07-25/card/citi-cuts-profit-forecasts-for-levi-strauss-ralph-lauren-other-apparel-stocks-FK8OfGpIvhGkRdRW71JF>

Disclosure of AI Use: The Financial Analysis Writing Tutor was used as an editorial aid to improve clarity and structure.

Appendices

Appendix A. Common Size Income Statement

COMMON SIZE INCOME STATEMENT					
Fiscal Year:	2020	2021	2022	2023	2024
(FYR Ending):	(30NOV2020)	(30NOV2021)	(30NOV2022)	(30NOV2023)	(30NOV2024)
Sales (Net)	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	42.4%	39.2%	39.9%	40.5%	36.9%
Gross Profit	57.6%	60.8%	60.1%	59.5%	63.1%
Selling, General, & Admin Expenses	50.7%	45.9%	46.0%	48.2%	49.9%
Operating Income Before Depreciation	6.9%	15.0%	14.1%	11.3%	13.2%
Depreciation, Depletion, & Amortization	3.2%	2.5%	2.5%	2.6%	3.0%
Operating Income After Depreciation	3.7%	12.5%	11.6%	8.7%	10.2%
Interest Expense	1.8%	1.3%	0.4%	0.7%	0.7%
Non-Operating Income/Expense	-0.2%	0.1%	0.3%	-0.4%	-0.1%
Special Items	-5.9%	-1.2%	-0.9%	-3.3%	-6.0%
Pretax Income	-4.3%	10.1%	10.5%	4.3%	3.4%
Income Taxes - Total	-1.4%	0.5%	1.3%	0.3%	0.1%
Minority Interest	0.0%	0.0%	0.0%	0.0%	0.0%
Income Before EI&DO	-2.9%	9.6%	9.2%	4.0%	3.3%
Extraordinary Items	0.0%	0.0%	0.0%	0.0%	0.0%
Discontinued Operations	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (Loss)	-2.9%	9.6%	9.2%	4.0%	3.3%

Appendix B. Common Size Balance Sheet

COMMON SIZE STATEMENT OF FINANCIAL POSITION

FINA 408 – Financial Statement Analysis Final Project Report (Template)

Fiscal Year:	2020	2021	2022	2023	2024
(FYR Ending):	(30NOV2020)	(30NOV2021)	(30NOV2022)	(30NOV2023)	(30NOV2024)
ASSETS					
Cash & Equivalents	28%	15%	8%	7%	11%
Receivables - Total (Net)	10%	12%	12%	12%	11%
Inventories - Total	14%	15%	23%	21%	19%
Prepaid Expenses	0%	0%	0%	0%	0%
Current Assets - Other	3%	3%	4%	3%	3%
Current Assets - Total	55%	46%	47%	44%	45%
Plant, Property & Equip (Gross)	45%	46%	47%	50%	49%
Accumulated Depreciation	20%	19%	20%	21%	21%
Plant, Property & Equip (Net)	26%	27%	26%	28%	28%
Investments at Equity	0%	0%	0%	0%	0%
Investments and Advances - Other	0%	0%	0%	0%	0%
Intangibles	6%	11%	11%	9%	7%
Deferred Charges	0%	0%	0%	0%	0%
Assets - Other	13%	15%	16%	19%	20%
TOTAL ASSETS	100%	100%	100%	100%	100%
LIABILITIES					
Accounts Payable	7%	9%	11%	9%	10%
Notes Payable	0%	0%	0%	0%	0%
Accrued Expenses	14%	18%	13%	12%	12%
Taxes Payable	0%	0%	0%	1%	1%
Debt (Long-Term) Due In One Year	4%	4%	4%	4%	4%
Other Current Liabilities	2%	1%	5%	3%	4%
Total Current Liabilities	27%	32%	33%	30%	32%
Long Term Debt	43%	34%	31%	32%	31%
Deferred Taxes (Balance Sheet)	0%	0%	0%	0%	0%
Investment Tax Credit	0%	0%	0%	0%	0%
Liabilities - Other	7%	6%	5%	5%	7%
Noncontrolling Interest - Redeemable	0%	0%	0%	0%	0%
TOTAL LIABILITIES	77%	72%	68%	66%	69%
SHAREHOLDERS' EQUITY					
Preferred Stock	0%	0%	0%	0%	0%
Common Stock	0%	0%	0%	0%	0%
Capital Surplus	11%	10%	10%	11%	11%
Retained Earnings (Net Other)	12%	18%	21%	22%	19%
Less: Treasury Stock	0%	0%	0%	0%	0%
Shareholders Equity - Parent	23%	28%	32%	34%	31%
	0%	0%	0%	0%	0%
TOTAL SHAREHOLDERS EQUITY	23%	28%	32%	34%	31%
TOTAL LIABILITIES AND EQUITY	100%	100%	100%	100%	100%

Appendix C. Common Size Cash Flow Statement

COMMON SIZE STATEMENT OF CASH FLOWS					
Fiscal Year:	2020	2021	2022	2023	2024
(FYR Ending):	(30NOV2020)	(30NOV2021)	(30NOV2022)	(30NOV2023)	(30NOV2024)
INDIRECT OPERATING ACTIVITIES					

FINA 408 – Financial Statement Analysis Final Project Report (Template)

Income Before Extraordinary Items	-2.9%	9.6%	9.2%	4.0%	3.3%
Depreciation and Amortizations	3.2%	2.5%	2.6%	2.7%	3.0%
Extraordinary Items and Disc. Operations	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred Taxes	-2.1%	-1.5%	-1.0%	-1.7%	-1.4%
Equity in Net Loss (Earnings)	0.0%	0.0%	0.0%	0.0%	0.0%
Sale of PPEs and Investments - Loss (Gain)	0.0%	0.0%	0.0%	0.0%	0.0%
Funds from Operations - Other	3.8%	2.6%	1.8%	3.8%	3.7%
Receivables - Decrease (Increase)	5.3%	-3.1%	-0.1%	-0.8%	0.2%
Inventory - Decrease (Increase)	2.1%	-1.5%	-8.8%	2.3%	0.2%
Accounts/P and Accrued Liabs - Inc(Dec)	-1.3%	4.4%	1.6%	-2.2%	2.9%
Income Taxes - Accrued - Increase(Decrease)	0.0%	0.0%	0.0%	0.0%	0.0%
Other Assets and Liabilities - Net Change	2.6%	-0.2%	-1.6%	-1.0%	2.1%
Operating Activities - Net Cash Flow	10.5%	12.8%	3.7%	7.0%	14.1%
INVESTING ACTIVITIES					
Investments - Increase	0.0%	0.0%	0.0%	0.0%	0.0%
Sale of Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Short term Investments - Change	0.4%	-0.1%	-0.3%	-1.1%	0.0%
Capital Expenditures	-2.9%	-2.9%	-4.3%	-5.1%	-3.6%
Sale of Property Plant and Equipment	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisitions	-1.2%	-6.8%	0.0%	-0.2%	-0.5%
Investing Activities - Other	0.3%	-0.3%	0.2%	0.3%	-0.3%
Investing Activities - Net Cash Flow	-4.2%	-9.9%	-3.8%	-3.9%	-4.4%
FINANCING ACTIVITIES					
Sale of Common and Preferred Stock	0.2%	0.1%	0.0%	0.0%	0.0%
Purchase of Common and Preferred Stock	-3.3%	-3.4%	-3.3%	-0.5%	-1.8%
Cash Dividends	-1.4%	-1.8%	-2.8%	-3.1%	-3.1%
Long Term Debt - Issuance	11.3%	8.5%	0.0%	0.0%	0.0%
Long Term Debt - Reduction	0.0%	-17.8%	0.0%	0.0%	0.0%
Current Debt - Changes	0.2%	-0.2%	0.1%	0.0%	0.0%
Financing Activities - Other	-0.5%	0.0%	0.1%	0.1%	-0.1%
Financing Activities - Net Cash Flow	6.4%	-14.6%	-5.9%	-3.5%	-5.0%
Exchange Rate Effect	-0.1%	-0.2%	-0.1%	-0.2%	-0.1%
Cash and Cash Equivalents - Change	12.6%	-11.9%	-6.2%	-0.5%	4.6%

Appendix D. Free Cash Flow

Last Five years' financial ratios	2,020.000	2,021.000	2,022.000	2,023.000	2,024.000
Annual sales growth rate		29%	7%	0%	3%
EBIT/Sales ratio	4%	12%	12%	9%	10%
Effective tax rate	33%	5%	12%	6%	4%
Depreciation (amortization) expense to sales ratio	3%	2%	3%	3%	3%
Capital expenditure to sales ratio	3%	3%	4%	5%	4%
Net working capital to sales ratio	35%	15%	14%	14%	13%

Financial Forecast	2024	2025	2026	2027	2028	2029	Forever
Sales	6,355	6,537	6,723	6,915	7,112	7,315	7,535
EBIT	646	663	682	701	721	742	764
- Tax	8	49	50	52	53	55	56
Earnings after tax	637	614	632	650	668	687	708
+Depreciation & Amortization expenses	193	177	182	188	193	199	204
- Capital Expenditure (CapEx)	228	284	292	300	309	317	327
Net working capital (NWC)	841	887	912	938	965	993	1,022
- Changes in NWC	(10)	46	25	26	27	28	30
Free Cash Flow to Firm (FCFF)	\$ 612	\$ 462	\$ 497	\$ 511	\$ 526	\$ 541	\$ 556

FINA 408 – Financial Statement Analysis Final Project Report (Template)

Cost of equity calculation							
Risk free interest rate (Rf)	4.00%	(10 years treasury bond yield)					
Beta	1.34	Morningstar or yahoo.finance website					
Equity market premium	4.33%	Collect from https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.htm					
Cost of equity	9.802%						
Cost of debt calculation		4.69%	Use the Ratings estimator tab to estimate the number				
Book value of debt	2,213,300						
Number of common shares outstanding	395,396						
Current stock price	21.92	yahoo.finance website					
Debt to total capital ratio	20%						
Equity to total capital ratio	80%						
Weighted Average Cost of Capital (WACC)	8.76%						

		2025	2026	2027	2028	2029	Forever
Discount factors		1.09	1.18	1.29	1.40	1.52	1.66
Discounted FCFF		424.53	420.33	397.49	375.90	355.48	335.79
Terminal value	9,936.22						
Discounted terminal value	6,003.00						
Total firm value	8,312.53						
Add cash and short-term investment	690,000						
Book value of debt	2,213,300						
Total equity value	6,789.23						
Number of common shares outstanding	395,396						
Intrinsic value per common share	\$ 17.17						

Key Assumptions for Forecasting Free Cash Flow to Firm	Baseline	Optimistic	Pessimistic
Revenue growth rate	3%	6%	1%
Perpetuity Growth Rate	3%	4%	2%
EBIT/Sales	10%	10%	10%
Tax Rate	7%	7%	7%
Depreciation (amortization) expense to sales ratio	3%	3%	3%
Capital expenditure to sales ratio	4%	4%	4%
Net working capital to sales ratio	14%	14%	14%
Intrinsic Value	\$ 17.17	\$ 23.69	\$ 13.61