August 4, 2022

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# Kontoor Brands Reports Second Quarter 2022 Results; Updates Outlook for Full Year 2022

- *Q2'22 revenue of $614 million increased 25 percent on a reported basis and 27 percent in constant currency compared to Q2'21, and compared to guidance of $640 million to $650 million*
- *Compared to H1'19, Wrangler and Lee U.S. revenues in H1'22 increased 19 percent and 14 percent, respectively*
- *Q2'22 GAAP EPS of $1.09 compared to Q2'21 GAAP EPS of $0.40, Q2'21 adjusted EPS of $0.70, and guidance of $1.05 to $1.15*
- *2022 revenue is now expected to increase 6 percent compared to 2021 and prior guidance of increasing approximately 10 percent*
- *2022 adjusted EPS is now expected to be in the range of $4.40 to $4.50, increasing 3 percent to 5 percent compared to 2021 adjusted EPS, and compared to prior guidance of $4.75 to $4.85*
- *The updated outlook excludes an estimated EPS charge of $0.25 for restructuring associated with actions to enhance growth by accelerating the transformation of the Company's global operating model, including the relocation of its European headquarters*

GREENSBORO, N.C.--(BUSINESS WIRE)-- Kontoor Brands, Inc. (NYSE: KTB), a global lifestyle apparel company, with a portfolio led by two of the world's most iconic consumer brands, *Wrangler*® and *Lee*®, today reported financial results for its second quarter ended July 2, 2022.

"In a highly dynamic macroeconomic environment, supply chain challenges and inflationary pressures accelerated during the quarter. While these factors tempered our top line a bit sooner than expected, we were still able to deliver strong 27 percent revenue growth and 57 percent adjusted earnings growth, on a constant currency basis, in line with our EPS guidance. I am proud of our teams' agility to navigate rapid changes, outperform on a relative basis in our largest market, and deliver on our second quarter profitability goals," said Scott Baxter, President, Chief Executive Officer and Chair of Kontoor Brands.

"Looking forward, we anticipate that macro conditions will remain challenging, particularly as retailer inventories are rebalanced and inflation weighs on overall consumer demand. However, we are confident that our strategies, continued brand momentum and efficient operating model will fuel further competitive separation over time. Kontoor-specific drivers in accelerating diversified growth, when coupled with our proven strong cash generation, should allow us to continue to deliver industry-leading TSR," added Baxter.

This release refers to “adjusted” amounts from 2021 and “constant currency” amounts, which are further described in the Non-GAAP Financial Measures section below. All per share amounts are presented on a diluted basis.

As previously stated, the cutover and transition of the Company’s North American enterprise resource planning (ERP) system caused timing of shipments to benefit first quarter 2021 revenue and profitability, while negatively impacting second quarter 2021 revenue and profitability. In addition, second quarter 2021 revenue in the EMEA region benefited from a shift in the timing of shipments from the third quarter to the second quarter ahead of the Company’s European ERP implementation. These factors primarily impacted first half year-over-year quarterly comparisons but are not expected to impact the full year.

***Second Quarter 2022 Income Statement Review***

**Revenue** was $614 million, a 25 percent increase on a reported basis, and 27 percent in constant currency, over the same period in the prior year. Revenue increases were primarily driven by strength in the U.S., in both the Digital and wholesale channels. Strength domestically was somewhat offset by the international business, as COVID lockdowns negatively impacted the China region, while expected Europe declines were primarily due to timing shifts of shipments associated with the ERP implementation in the region last year. Despite international headwinds, reported global own.com revenue increased 8 percent, or 10 percent in constant currency, and digital wholesale increased 43 percent, or 46 percent in constant currency, compared to second quarter 2021.

U.S. revenue was $510 million, increasing 40 percent over last year, driven by strength in both the *Wrangler* and *Lee* brands. Gains were driven by growth in wholesale, including new business development wins, and strength in Digital, with U.S. own.com revenue increasing 24 percent and digital wholesale increasing 64 percent compared to the second quarter 2021. Compared to the first half of 2019, *Wrangler* and *Lee* U.S. revenues in the first half of 2022 increased 19 percent and 14 percent, respectively.

International revenue was $103 million, an 18 percent decrease over the same period in the prior year on a reported basis and down 11 percent in constant currency. As expected, due to COVID lockdowns in the region, China decreased 50 percent on a reported basis and 49 percent in constant currency compared to the second quarter 2021. Also as expected due primarily to the aforementioned ERP timing shifts, Europe decreased 25 percent on a reported basis and 14 percent in constant currency.

*Wrangler* brand global revenue was $418 million, a 34 percent increase over the same period in the prior year on a reported basis and was up 36 percent in constant currency. *Wrangler* U.S. revenue increased 40 percent compared to last year, with broad based strength across channels and categories, including Western, Workwear, Outdoor and Female. Comparisons to second quarter 2021 were positively impacted by timing shifts due to the North American ERP implementation. *Wrangler* international revenue was flat compared to the second quarter 2021 on a reported basis and increased 8 percent in constant currency.

*Lee* brand global revenue was $193 million, a 10 percent increase over the same period in the prior year on a reported basis and was up 12 percent in constant currency. *Lee* U.S. revenue increased 40 percent compared to last year, driven by strength in U.S. wholesale

demand and increases in Digital. Comparisons to second quarter 2021 also benefitted from the timing shifts due to the North American ERP implementation. *Lee* international revenue decreased 27 percent over the second quarter 2021 on a reported basis and 22 percent in constant currency, driven primarily by the aforementioned COVID lockdowns in China and ERP timing shifts in Europe.

Other global revenue was $3 million, a 25 percent decrease compared to the same period in the prior year.

**Gross margin** decreased 260 basis points to 43.5 percent of revenue, compared to the second quarter 2021. As expected, near-term transitory expenses, which include air freight for expedited shipments to meet demand, contributed 170 basis points of decline. Further, geographic mix impacts, primarily from the COVID lockdowns in China and ERP timing shifts in Europe, contributed 150 basis points of decline. These declines were partially offset by strategic pricing that more than offset inflationary product cost pressures.

**Selling, General & Administrative (SG&A)** expenses were $178 million on a reported basis, or 29.0 percent of revenue, down 990 basis points compared to the same period in the prior year. SG&A decreased 510 basis points compared to second quarter 2021 adjusted SG&A. Tight control of non-strategic expenses, lower compensation costs and better fixed cost leverage on improving revenue more than offset product development and distribution expenses, while continuing to make strategic investments in higher demand creation, digital and IT investments.

**Operating income** was $89 million on a reported basis. Operating margin increased 730 basis points to 14.5 percent of revenue. Operating margin increased 250 basis points compared to second quarter 2021 adjusted operating margin, as tight control of non-strategic expenses, fixed cost leverage and benefits of strategic pricing more than offset strategic investments to drive future accelerating revenue growth, higher transitory impacts, product costs and negative impacts of geographic mix.

**Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**was $95 million on a reported basis. EBITDA margin increased 650 basis points to 15.5 percent of revenue. EBITDA margin increased 180 basis points compared to second quarter 2021 adjusted EBITDA margin.

**Earnings per share** was $1.09 on a reported basis compared to reported EPS of $0.40 and adjusted EPS of $0.70, in the same period in the prior year.

***July 2, 2022, Balance Sheet and Liquidity Review***

The Company ended the second quarter 2022 with $145 million in cash and cash equivalents, and approximately $0.8 billion in long-term debt.

As of July 2, 2022, the Company had no outstanding borrowings under the Revolving Credit Facility and $488 million available for borrowing against this facility.

As previously announced, the Company's Board of Directors declared a regular quarterly cash dividend of $0.46 per share, payable on September 19, 2022, to shareholders of record at the close of business on September 9, 2022. Consistent with a commitment to return cash

to shareholders, the Company repurchased $40 million in common stock during the second quarter. When combined with the strong dividend, the Company returned a total of $114 million to shareholders during the first half of 2022. The Company plans on continuing to use its share repurchase program to offset dilution, while also opportunistically buying shares as capital allocation priorities, excess cash flows and market conditions warrant.

Inventory at the end of the second quarter 2022 was $538 million, up 33 percent compared to the prior-year period and flat with pre-pandemic 2019 levels. Inventory is healthy and well positioned, with increases primarily in core product to support future replenishment business.

***Globalization of the Operating Model and EMEA Headquarters Relocation***

Upon completion of the ERP foundation and transition to an increasingly growth-oriented organization, management approved plans in July 2022 to accelerate its transformation to a global operating model and relocate the EMEA headquarters to Geneva, Switzerland. As the Company focuses on growth in Horizon 2, these actions are expected to provide greater capital efficiency, improved go-to-market capabilities and access to best-in-class talent. In addition, globalization efforts are anticipated to drive SKU rationalization enhancements, as well as support the Company's overall strategies for long-term profitable growth. Expenses related to these actions are anticipated to be approximately $18 million in total, or an approximate $0.25 one-time EPS impact during the second half of 2022.

***2022 Outlook***

In consideration of impacts from retailer inventory rebalancing, the ongoing COVID-19 pandemic, inflation and other macroeconomic factors, the Company is taking a more conservative approach to its assumptions for the balance of the year and updating its 2022 outlook, including the following:

- **Revenue** is now expected to increase approximately 6 percent compared to 2021, compared to prior guidance of up approximately 10 percent. Revenue in the second half of 2022 is expected to be relatively flat compared to 2021, with the third quarter experiencing greater pressure relative to the fourth quarter, due to COVID lockdowns in China and retailer inventory rebalancing.

- **Gross margin** is now expected to approximate 43.5 percent compared to adjusted gross margin of 44.6 percent achieved in 2021 and compared with prior guidance that was anticipated to be consistent with 2021. The Company expects higher incremental inflationary pressures on input costs and adverse mix due to COVID lockdowns in China to weigh on gross margin. However, the benefits from continued structural mix shifts to accretive channels such as Digital, ongoing cost saving initiatives and strategic pricing are anticipated to help offset these higher costs. The Company expects gross margin year-over-year headwinds to moderate in the second half, with the third quarter experiencing greater pressure relative to the fourth quarter.

- **Adjusted SG&A** is now expected to increase at a mid-single digit rate compared to adjusted SG&A in 2021, relatively consistent with revenue growth. Investments will continue to be made in the Company's brands and capabilities, including demand creation, Digital, and International expansion. Given the uncertainty of macroeconomic

conditions, the Company expects tighter expense control on non-strategic and discretionary items, which will help drive strategic investments. Adjusted SG&A excludes one-time restructuring charges related to the globalization of the Company's operating model and relocation of the European headquarters, which are anticipated to be approximately $18 million for the year.

- **Adjusted EPS** is expected to be in the range of $4.40 to $4.50, compared to prior guidance of $4.75 to $4.85. Adjusted EPS excludes one-time restructuring charges related to the globalization of the Company's operating model and relocation of the European headquarters, which are anticipated to be approximately $0.25 per share for the year.

- **Capital Expenditures** are expected to be in the range of $35 million to $40 million, primarily to support manufacturing, distribution and information technology projects.

- The Company expects an **effective tax rate** of approximately 20 percent in 2022, which compares to 21 percent in the prior outlook. **Interest expense** is expected to be in the range of $30 million to $35 million in 2022, compared to approximately $35 million in the prior outlook. **Average shares outstanding** in 2022 are expected to be approximately 57 million, excluding the impact of additional share repurchases.

***Webcast Information***

Kontoor Brands will host its second quarter 2022 conference call beginning at 8:30 a.m. Eastern Time today, August 4, 2022. The conference will be broadcast live via the Internet, accessible at https://www.kontoorbrands.com/investors. For those unable to listen to the live broadcast, an archived version will be available at the same location.

***Non-GAAP Financial Measures***

Adjusted Amounts - This release refers to "adjusted" amounts. Adjustments during 2021 primarily represent costs associated with the Company's global ERP implementation and information technology infrastructure build-out. Additional information regarding adjusted amounts is provided in notes to the supplemental financial information included with this release.

Constant Currency - This release refers to "reported" amounts in accordance with GAAP, which include translation and transactional impacts from changes in foreign currency exchange rates. This release also refers to "constant currency" amounts, which exclude the translation impact of changes in foreign currency exchange rates.

Reconciliations of these non-GAAP measures to the most comparable GAAP measures are presented in the supplemental financial information included with this release that identifies and quantifies all reconciling adjustments and provides management's view of why this non-GAAP information is useful to investors. While management believes that these non-GAAP measures are useful in evaluating the business, this information should be viewed in addition to, and not as an alternate for, reported results under GAAP. The non-GAAP measures used by the Company in this release may be different from similarly titled measures used by other companies.

### *About Kontoor Brands*

Kontoor Brands, Inc. (NYSE: KTB) is a global lifestyle apparel company, with a portfolio led by two of the world's most iconic consumer brands: *Wrangler*® and *Lee*®. Kontoor designs, manufactures and distributes superior high-quality products that look good and fit right, giving people around the world the freedom and confidence to express themselves. Kontoor Brands is a purpose-led organization focused on leveraging its global platform, strategic sourcing model and best-in-class supply chain to drive brand growth and deliver long-term value for its stakeholders. For more information about Kontoor Brands, please visit www.KontoorBrands.com.

### *Forward-Looking Statements*

Certain statements included in this release and attachments are "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are made based on our expectations and beliefs concerning future events impacting the Company and therefore involve several risks and uncertainties. You can identify these statements by the fact that they use words such as "will," "anticipate," "estimate," "expect," "should," "may" and other words and terms of similar meaning or use of future dates. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. We do not intend to update any of these forward-looking statements or publicly announce the results of any revisions to these forward-looking statements, other than as required under the U.S. federal securities laws. Potential risks and uncertainties that could cause the actual results of operations or financial condition of the Company to differ materially from those expressed or implied by forward-looking statements in this release include, but are not limited to: risks associated with the COVID-19 pandemic, which could continue to result in closed factories and stores, reduced workforces, supply chain interruption, and reduced consumer traffic and purchasing; the level of consumer demand for apparel; intense industry competition; the Company's ability to gauge consumer preferences and product trends, and to respond to constantly changing markets; the ability to accurately forecast demand for products; the Company's ability to maintain the images of its brands; increasing pressure on margins; e-commerce operations through the Company's direct-to-consumer business; the financial difficulty experienced by the retail industry; possible goodwill and other asset impairment; reliance on a small number of large customers; the ability to implement the Company's business strategy; the stability of manufacturing facilities and foreign suppliers; fluctuations in wage rates and the price, availability and quality of raw materials and contracted products; the reliance on a limited number of suppliers for raw material sourcing and the ability to obtain raw materials on a timely basis or in sufficient quantity or quality; disruption to distribution systems; seasonality; unseasonal or severe weather conditions; operational difficulties and additional expenses related to the Company's design and implementation of its enterprise resource planning software system; the Company's and its vendors' ability to maintain the strength and security of information technology systems; the risk that facilities and systems and those of third-party service providers may be vulnerable to and unable to anticipate or detect data security breaches and data or financial loss; ability to properly collect, use, manage and secure consumer and employee data; foreign currency fluctuations; the impact of climate change and related legislative and regulatory responses; legal, regulatory, political and economic risks; changes to trade policy, including tariff and import/export regulations; compliance with anti-bribery, anti-corruption and anti-money

laundering laws by the Company and third-party suppliers and manufacturers; changes in tax laws and liabilities; the costs of compliance with or the violation of national, state and local laws and regulations for environmental, consumer protection, employment, privacy, safety and other matters; the Company's ability to maintain effective internal controls; continuity of members of management; labor relations; the ability to protect trademarks and other intellectual property rights; the ability of the Company's licensees to generate expected sales and maintain the value of the Company's brands; disruption and volatility in the global capital and credit markets and its impact on the Company's ability to obtain short-term or long-term financing on favorable terms; the Company maintaining satisfactory credit ratings; restrictions on the Company's business relating to its debt obligations; volatility in the price and trading volume of the Company's common stock; anti-takeover provisions in the Company's organizational documents; the failure to declare future cash dividends; and fluctuations in the amount and frequency of our share repurchases.

Many of the foregoing risks and uncertainties will continue to be exacerbated by the COVID-19 pandemic and any continued worsening of the global business and economic environment as a result. More information on potential factors that could affect the Company's financial results are described in detail in the Company's most recent Annual Report on Form 10-K and in other reports and statements that the Company files with the SEC.

**KONTOOR BRANDS, INC.**
**Condensed Consolidated Statements of Operations**
**(Unaudited)**

| (Dollars in thousands, except per share amounts) | Three Months Ended June | | % | Six Months Ended June | | % |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **Change** | **2022** | **2021** | **Change** |
| **Net revenues** | **$613,572** | **$490,765** | 25% | **$1,293,315** | **$1,142,527** | 13% |
| **Costs and operating expenses** | | | | | | |
| Cost of goods sold | 346,608 | 264,641 | 31% | 721,730 | 615,823 | 17% |
| Selling, general and administrative expenses | 178,219 | 190,947 | (7)% | 374,619 | 398,351 | (6)% |
| **Total costs and operating expenses** | **524,827** | **455,588** | 15% | **1,096,349** | **1,014,174** | 8% |
| **Operating income** | **88,745** | **35,177** | 152% | **196,966** | **128,353** | 53% |
| Interest expense | (8,234) | (7,641) | 8% | (16,257) | (19,432) | (16)% |
| Interest income | 296 | 421 | (30)% | 765 | 679 | 13% |
| Other expense, net | (2,746) | 45 | 6,202% | (2,968) | (397) | 648% |
| **Income before income taxes** | **78,061** | **28,002** | 179% | **178,506** | **109,203** | 63% |
| Income taxes | 16,066 | 4,365 | 268% | 35,701 | 21,103 | 69% |
| **Net income** | **$ 61,995** | **$ 23,637** | 162% | **$ 142,805** | **$ 88,100** | 62% |
| **Earnings per common share** | | | | | | |
| Basic | $ 1.11 | $ 0.41 | | $ 2.55 | $ 1.53 | |
| Diluted | $ 1.09 | $ 0.40 | | $ 2.49 | $ 1.49 | |
| **Weighted average shares outstanding** | | | | | | |
| Basic | 55,740 | 57,612 | | 56,031 | 57,478 | |
| Diluted | 56,711 | 59,356 | | 57,315 | 59,129 | |

**Basis of presentation for all financial tables within this release:** The Company operates and reports using a 52/53 week fiscal year ending on the Saturday closest to December 31 each year. For presentation purposes herein, all references to periods ended June 2022 and June 2021 correspond to the 13-week and 26-week fiscal periods ended July 2, 2022 and July 3, 2021, respectively. References to June 2022, December 2021 and June 2021 relate

to the balance sheets as of July 2, 2022, January 1, 2022 and July 3, 2021, respectively. Amounts herein may not recalculate due to the use of unrounded numbers.

**KONTOOR BRANDS, INC.**
**Condensed Consolidated Balance Sheets**
**(Unaudited)**

| (In thousands) | June 2022 | December 2021 | June 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | $ 145,296 | $ 185,322 | $ 175,628 |
| Accounts receivable, net | 185,157 | 289,800 | 215,297 |
| Inventories | 537,900 | 362,957 | 403,249 |
| Prepaid expenses and other current assets | 89,171 | 72,579 | 82,127 |
| Total current assets | 957,524 | 910,658 | 876,301 |
| Property, plant and equipment, net | 101,994 | 105,155 | 109,487 |
| Operating lease assets | 44,271 | 54,950 | 63,036 |
| Intangible assets, net | 13,740 | 14,638 | 15,325 |
| Goodwill | 210,164 | 212,213 | 212,654 |
| Other assets | 215,455 | 235,410 | 241,042 |
| **TOTAL ASSETS** | **$ 1,543,148** | **$ 1,533,024** | **$ 1,517,845** |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Short-term borrowings | $ 4,848 | $ 249 | $ 918 |
| Current portion of long-term debt | 5,000 | — | 8,750 |
| Accounts payable | 281,391 | 214,204 | 198,697 |
| Accrued liabilities | 153,527 | 217,164 | 187,240 |
| Operating lease liabilities, current | 20,254 | 24,195 | 26,034 |
| Total current liabilities | 465,020 | 455,812 | 421,639 |
| Operating lease liabilities, noncurrent | 25,132 | 32,993 | 41,325 |
| Other liabilities | 86,839 | 104,764 | 118,733 |
| Long-term debt | 786,968 | 791,317 | 782,262 |
| Commitments and contingencies | | | |
| **Total liabilities** | 1,363,959 | 1,384,886 | 1,363,959 |
| **Total equity** | 179,189 | 148,138 | 153,886 |
| **TOTAL LIABILITIES AND EQUITY** | **$ 1,543,148** | **$ 1,533,024** | **$ 1,517,845** |

**KONTOOR BRANDS, INC.**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**

| (In thousands) | Six Months Ended June 2022 | 2021 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | $ 142,805 | $ 88,100 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 18,821 | 17,749 |
| Stock-based compensation | 12,474 | 20,660 |
| Other | (74,712) | (6,344) |
| **Cash provided by operating activities** | **99,388** | **120,165** |
| **INVESTING ACTIVITIES** | | |
| Property, plant and equipment expenditures | (6,995) | (3,320) |
| Capitalized computer software | (4,493) | (16,993) |
| Other | (120) | (902) |
| **Cash used by investing activities** | **(11,608)** | **(21,215)** |
| **FINANCING ACTIVITIES** | | |
| Repayments of term loans | — | (125,000) |
| Repurchases of Common Stock | (62,494) | — |
| Dividends paid | (51,508) | (46,016) |
| Shares withheld for taxes, net of proceeds from issuance of Common Stock | (11,024) | 663 |
| Other | 4,330 | (176) |
| **Cash used by financing activities** | **(120,696)** | **(170,529)** |
| Effect of foreign currency rate changes on cash and cash equivalents | (7,110) | (931) |
| **Net change in cash and cash equivalents** | **(40,026)** | **(72,510)** |
| **Cash and cash equivalents – beginning of period** | **185,322** | **248,138** |
| **Cash and cash equivalents – end of period** | **$ 145,296** | **$ 175,628** |

**KONTOOR BRANDS, INC.**
**Supplemental Financial Information**
**Business Segment Information**
**(Unaudited)**

| (Dollars in thousands) | Three Months Ended June 2022 | 2021 | % Change | % Change Constant Currency [a] |
|---|---|---|---|---|
| Segment revenues: | | | | |
| Wrangler | $ 417,944 | $ 311,301 | 34% | 36% |
| Lee | 193,053 | 176,014 | 10% | 12% |
| **Total reportable segment revenues** | **610,997** | **487,315** | 25% | 27% |
| Other revenues [b] | 2,575 | 3,450 | (25)% | (25)% |
| **Total net revenues** | **$ 613,572** | **$ 490,765** | 25% | 27% |
| Segment profit: | | | | |
| Wrangler | $ 75,064 | $ 52,834 | 42% | 42% |
| Lee | 22,904 | 18,491 | 24% | 26% |
| **Total reportable segment profit** | **$ 97,968** | **$ 71,325** | 37% | 38% |
| Corporate and other expenses | (12,017) | (36,983) | (68)% | (67)% |
| Interest expense | (8,234) | (7,641) | 8% | 8% |
| Interest income | 296 | 421 | (30)% | (25)% |
| Profit related to other revenues [b] | 48 | 880 | (95)% | (95)% |
| **Income before income taxes** | **$ 78,061** | **$ 28,002** | 179% | 181% |

| (Dollars in thousands) | Six Months Ended June 2022 | 2021 | % Change | % Change Constant Currency [a] |
|---|---|---|---|---|
| Segment revenues: | | | | |
| Wrangler | $ 830,367 | $ 710,123 | 17% | 18% |
| Lee | 457,273 | 426,162 | 7% | 9% |
| **Total reportable segment revenues** | **1,287,640** | **1,136,285** | 13% | 15% |
| Other revenues [b] | 5,675 | 6,242 | (9)% | (9)% |
| **Total net revenues** | **$ 1,293,315** | **$ 1,142,527** | 13% | 14% |
| Segment profit: | | | | |
| Wrangler | $ 150,452 | $ 136,817 | 10% | 10% |
| Lee | 75,134 | 69,614 | 8% | 9% |
| **Total reportable segment profit** | **$ 225,586** | **$ 206,431** | 9% | 10% |
| Corporate and other expenses | (31,999) | (78,534) | (59)% | (59)% |
| Interest expense | (16,257) | (19,432) | (16)% | (16)% |
| Interest income | 765 | 679 | 13% | 16% |
| Profit related to other revenues [b] | 411 | 59 | 597% | 597% |
| **Income before income taxes** | **$ 178,506** | **$ 109,203** | 63% | 64% |

[a] Refer to constant currency definition on the following pages.

[b] We report an "Other" category in order to reconcile segment revenues and segment profit to the Company's operating results, but the Other category is not considered a reportable segment based on evaluation of aggregation criteria. Other primarily includes other revenue sources, including sales and licensing of *Rock & Republic*® apparel.

**KONTOOR BRANDS, INC.**
**Supplemental Financial Information**
**Business Segment Information – Constant Currency Basis (Non-GAAP)**
**(Unaudited)**

| (In thousands) | Three Months Ended June 2022 | | |
|---|---|---|---|
| | As Reported under GAAP | Adjust for Foreign Currency Exchange | Constant Currency |
| Segment revenues: | | | |
| Wrangler | $ 417,944 | $ 4,007 | $ 421,951 |
| Lee | 193,053 | 4,603 | 197,656 |
| **Total reportable segment revenues** | **610,997** | **8,610** | **619,607** |
| Other revenues | 2,575 | 13 | 2,588 |
| **Total net revenues** | **$ 613,572** | **$ 8,623** | **$ 622,195** |
| Segment profit: | | | |
| Wrangler | $ 75,064 | $ 121 | $ 75,185 |
| Lee | 22,904 | 439 | 23,343 |
| **Total reportable segment profit** | **$ 97,968** | **$ 560** | **$ 98,528** |
| Corporate and other expenses | (12,017) | (43) | (12,060) |
| Interest expense | (8,234) | (2) | (8,236) |
| Interest income | 296 | 18 | 314 |
| Profit related to other revenues | 48 | (1) | 47 |
| **Income before income taxes** | **$ 78,061** | **$ 532** | **$ 78,593** |

| (In thousands) | Six Months Ended June 2022 | | |
|---|---|---|---|
| | As Reported under GAAP | Adjust for Foreign Currency Exchange | Constant Currency |
| Segment revenues: | | | |
| Wrangler | $ 830,367 | $ 7,038 | $ 837,405 |
| Lee | 457,273 | 6,891 | 464,164 |
| **Total reportable segment revenues** | **1,287,640** | **13,929** | **1,301,569** |
| Other revenues | 5,675 | 15 | 5,690 |
| **Total net revenues** | **$ 1,293,315** | **$ 13,944** | **$ 1,307,259** |
| Segment profit: | | | |
| Wrangler | $ 150,452 | $ 479 | $ 150,931 |
| Lee | 75,134 | 616 | 75,750 |
| **Total reportable segment profit** | **$ 225,586** | **$ 1,095** | **$ 226,681** |
| Corporate and other expenses | (31,999) | (14) | (32,013) |
| Interest expense | (16,257) | (2) | (16,259) |
| Interest income | 765 | 24 | 789 |
| Profit related to other revenues | 411 | — | 411 |
| **Income before income taxes** | **$ 178,506** | **$ 1,103** | **$ 179,609** |


## KONTOOR BRANDS, INC.
## Supplemental Financial Information
## Business Segment Information – Constant Currency Basis (Non-GAAP)
## (Unaudited)


### Constant Currency Financial Information

The Company is a global company that reports financial information in U.S. dollars in accordance with GAAP. Foreign currency exchange rate fluctuations affect the amounts reported by the Company from translating its foreign revenues and expenses into U.S.

dollars. These rate fluctuations can have a significant effect on reported operating results. As a supplement to our reported operating results, we present constant currency financial information, which is a non-GAAP financial measure that excludes the impact of translating foreign currencies into U.S. dollars. We use constant currency information to provide a framework to assess how our business performed excluding the effects of changes in the rates used to calculate foreign currency translation. Management believes this information is useful to investors to facilitate comparison of operating results and better identify trends in our businesses.

To calculate foreign currency translation on a constant currency basis, operating results for the current year period for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average exchange rates in effect during the comparable period of the prior year (rather than the actual exchange rates in effect during the current year period).

These constant currency performance measures should be viewed in addition to, and not as an alternative for, reported results under GAAP. The constant currency information presented may not be comparable to similarly titled measures reported by other companies.

**KONTOOR BRANDS, INC.**
**Supplemental Financial Information**
**Reconciliation of Adjusted Financial Measures - Quarter-to-Date (Non-GAAP)**
**(Unaudited)**

| (In thousands, except for per share amounts) | Three Months Ended June 2021 |
|---|---|
| **Cost of goods sold - as reported under GAAP** | **$ 264,641** |
| Restructuring & separation costs [(a)] | (225) |
| **Adjusted cost of goods sold** | **$ 264,416** |
| **Selling, general and administrative expenses - as reported under GAAP** | **$ 190,947** |
| Restructuring & separation costs [(a)] | (23,397) |
| **Adjusted selling, general and administrative expenses** | **$ 167,550** |
| **Interest expense - as reported under GAAP** | **$ (7,641)** |
| Other adjustments [(b)] | (296) |
| **Adjusted interest expense** | **$ (7,937)** |
| **Other income, net - as reported under GAAP** | **$ 45** |
| Other adjustments [(b)] | 296 |
| **Adjusted other income, net** | **$ 341** |
| **Diluted earnings per share - as reported under GAAP** | **$ 0.40** |
| Restructuring & separation costs [(a)] | 0.30 |
| **Adjusted diluted earnings per share** | **$ 0.70** |
| **Net income - as reported under GAAP** | **$ 23,637** |
| Income taxes | 4,365 |
| Interest expense | 7,641 |
| Interest income | (421) |
| **EBIT** | **$ 35,222** |
| **Depreciation and amortization - as reported under GAAP** | **$ 8,756** |
| Restructuring & separation costs [(a)] | (904) |
| **Adjusted depreciation and amortization** | **$ 7,852** |
| **EBITDA** | **$ 43,978** |
| Restructuring & separation costs [(a)] | 22,718 |
| Other adjustments [(b)] | 296 |
| **Adjusted EBITDA** | **$ 66,992** |

**Non-GAAP Financial Information:** The financial information above has been presented on a GAAP basis and on an adjusted basis. These adjusted presentations are non-GAAP measures. See “Notes to Supplemental Financial Information - Reconciliation of Adjusted Financial Measures" at the end of this document. Amounts herein may not recalculate due to the use of unrounded numbers.

**KONTOOR BRANDS, INC.**
**Supplemental Financial Information**
**Summary of Select GAAP and Non-GAAP Measures**
**(Unaudited)**

| (Dollars in thousands, except per share amounts) | Three Months Ended June | | |
|---|---|---|---|
| | 2022 | 2021 | |
| | GAAP | GAAP | Adjusted |
| Net revenues | $ 613,572 | $ 490,765 | $ 490,765 |
| Gross margin | $ 266,964 | $ 226,124 | $ 226,349 |
| *As a percentage of total net revenues* | *43.5%* | *46.1%* | *46.1%* |
| Selling, general and administrative expenses | $ 178,219 | $ 190,947 | $ 167,550 |
| *As a percentage of total net revenues* | *29.0%* | *38.9%* | *34.1%* |
| Operating income | $ 88,745 | $ 35,177 | $ 58,799 |
| *As a percentage of total net revenues* | *14.5%* | *7.2%* | *12.0%* |
| Earnings per share - diluted | $ 1.09 | $ 0.40 | $ 0.70 |
| Net income | $ 61,995 | $ 23,637 | $ 41,343 |
| Income taxes | 16,066 | 4,365 | 10,281 |
| Interest expense | 8,234 | 7,641 | 7,937 |
| Interest income | (296) | (421) | (421) |
| EBIT | $ 85,999 | $ 35,222 | $ 59,140 |
| Depreciation and amortization | $ 8,959 | $ 8,756 | $ 7,852 |
| EBITDA | $ 94,958 | $ 43,978 | $ 66,992 |
| *As a percentage of total net revenues* | *15.5%* | *9.0%* | *13.7%* |

**Non-GAAP Financial Information:** The financial information above has been presented on a GAAP basis and on an adjusted basis. These adjusted presentations are non-GAAP measures. See “Notes to Supplemental Financial Information - Reconciliation of Adjusted Financial Measures" at the end of this document.

Management uses the above financial measures internally in its budgeting and review process and, in some cases, as a factor in determining compensation. In addition, adjusted EBITDA is a key financial measure for the Company's shareholders and financial leaders, as the Company's debt financing agreements require the measurement of adjusted EBITDA, along with other measures, in connection with the Company's compliance with debt covenants. While management believes that these non-GAAP measures are useful in evaluating the business, this information should be considered supplemental in nature and should be viewed in addition to, and not as an alternate for, reported results under GAAP. In addition, these non-GAAP measures may be different from similarly titled measures used by other companies.

**KONTOOR BRANDS, INC.**
**Supplemental Financial Information**
**Disaggregation of Revenue**
**(Unaudited)**

| | Three Months Ended June 2022 | | | |
|---|---|---|---|---|
| | Revenues - As Reported | | | |
| (In thousands) | **Wrangler** | **Lee** | **Other** | **Total** |
| **Channel revenues** | | | | |
| U.S. Wholesale | $ 348,537 | $ 120,197 | $ 2,127 | $ 470,861 |
| Non-U.S. Wholesale | 40,457 | 39,858 | 374 | 80,689 |
| Direct-to-Consumer | 28,950 | 32,998 | 74 | 62,022 |
| **Total** | **$ 417,944** | **$ 193,053** | **$ 2,575** | **$ 613,572** |
| | | | | |
| **Geographic revenues** | | | | |
| U.S. | $ 372,981 | $ 135,057 | $ 2,201 | $ 510,239 |
| International | 44,963 | 57,996 | 374 | 103,333 |
| **Total** | **$ 417,944** | **$ 193,053** | **$ 2,575** | **$ 613,572** |

| | Three Months Ended June 2021 | | | |
|---|---|---|---|---|
| | Revenues - As Reported | | | |
| (In thousands) | **Wrangler** | **Lee** | **Other** | **Total** |
| **Channel revenues** | | | | |
| U.S. Wholesale | $ 245,200 | $ 79,312 | $ 2,434 | $ 326,946 |
| Non-U.S. Wholesale | 41,071 | 55,690 | 805 | 97,566 |
| Direct-to-Consumer | 25,030 | 41,012 | 8 | 66,050 |
| Other | — | — | 203 | 203 |
| **Total** | **$ 311,301** | **$ 176,014** | **$ 3,450** | **$ 490,765** |
| | | | | |
| **Geographic revenues** | | | | |
| U.S. | $ 266,146 | $ 96,179 | $ 2,645 | $ 364,970 |
| International | 45,155 | 79,835 | 805 | 125,795 |
| **Total** | **$ 311,301** | **$ 176,014** | **$ 3,450** | **$ 490,765** |

**KONTOOR BRANDS, INC.**
**Supplemental Financial Information**
**Summary of Select Revenue Information**
**(Unaudited)**

| | Three Months Ended June | | | |
|---|---|---|---|---|
| (Dollars in thousands) | **2022** | **2021** | **2022 to 2021** | |
| | As Reported under GAAP | | **% Change Reported** | **% Change Constant Currency** |
| Wrangler U.S. | $ 372,981 | $ 266,146 | 40% | 40% |
| Lee U.S. | 135,057 | 96,179 | 40% | 40% |
| Other | 2,201 | 2,645 | (17)% | (17)% |
| **Total U.S. revenues** | **$ 510,239** | **$ 364,970** | 40% | 40% |
| | | | | |
| Wrangler International | $ 44,963 | $ 45,155 | —% | 8% |
| Lee International | 57,996 | 79,835 | (27)% | (22)% |
| Other | 374 | 805 | (54)% | (52)% |
| **Total International revenues** | **$ 103,333** | **$ 125,795** | (18)% | (11)% |
| | | | | |
| Global Wrangler | $ 417,944 | $ 311,301 | 34% | 36% |
| Global Lee | 193,053 | 176,014 | 10% | 12% |
| Global Other | 2,575 | 3,450 | (25)% | (25)% |
| **Total revenues** | **$ 613,572** | **$ 490,765** | 25% | 27% |

**Non-GAAP Financial Information:** The financial information above has been presented on a GAAP basis and on a constant currency basis, which is a non-GAAP financial measure. See “Business Segment Information – Constant Currency Basis (Non-GAAP)" for additional information on constant currency financial calculations.

**KONTOOR BRANDS, INC.**
**Supplemental Financial Information**
**Reconciliation of Adjusted Financial Measures - Notes (Non-GAAP)**
**(Unaudited)**

**Notes to Supplemental Financial Information - Reconciliation of Adjusted Financial Measures**

Management uses non-GAAP financial measures internally in its budgeting and review process and, in some cases, as a factor in determining compensation. In addition, adjusted EBITDA is a key financial measure for the Company's shareholders and financial leaders, as the Company's debt financing agreements require the measurement of adjusted EBITDA, along with other measures, in connection with the Company's compliance with debt covenants. While management believes that these non-GAAP measures are useful in evaluating the business, this information should be considered supplemental in nature and should be viewed in addition to, and not as an alternate for, reported results under GAAP. In addition, these non-GAAP measures may be different from similarly titled measures used by other companies.

(a) During the three months ended June 2021, restructuring and separation costs primarily related to the Company's global ERP system and information technology infrastructure build-out, as well as strategic actions taken by the Company, including adjustments resulting from the Company's decision to exit certain *VF Outlet* stores and transition our India business to a licensed model. Total restructuring and separation costs resulted in a corresponding tax impact of $5.9 million for the three months ended June 2021.

(b) Other adjustments have been made for the three months ended June 2021 to remove the funding fees related to the accounts receivable sale arrangement, as they are treated as interest expense in the calculation of adjusted EBITDA for debt compliance purposes. Management believes these funding fees are not material to evaluating the overall results of the Company and thus has discontinued this adjustment effective in the first quarter of 2022.

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