

REFINITIV

DELTA REPORT

10-Q

KTB - KONTOOR BRANDS, INC.
10-Q - SEPTEMBER 28, 2024 COMPARED TO 10-Q - JUNE 29, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	859
CHANGES	165
DELETIONS	338
ADDITIONS	356

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 29, 2024** **September 28, 2024**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-38854

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KONTOOR BRANDS, INC.

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of incorporation or organization)

83-2680248

(I.R.S. employer identification number)

400 N. Elm Street

Greensboro, North Carolina 27401

(Address of principal executive offices)

(336) 332-3400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:		
Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, no par value	KTB	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of Common Stock of the registrant outstanding as of **July 26, 2024** **October 25, 2024** was **55,685,269** **55,141,472**.

KONTOOR BRANDS, INC.
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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

KONTOOR BRANDS, INC. Consolidated Balance Sheets (Unaudited)							
(In thousands, except share amounts)	June 2024	December 2023	June 2023	(In thousands, except share amounts)	September 2024	December 2023	September 2023
ASSETS							
Current assets							
Current assets							
Current assets							
Cash and cash equivalents							
Cash and cash equivalents							
Cash and cash equivalents							
Accounts receivable, net							
Inventories							
Prepaid expenses and other current assets							
Total current assets							
Property, plant and equipment, net							
Operating lease assets							
Intangible assets, net							
Goodwill							
Other assets							
Other assets							
Other assets							

TOTAL ASSETS			
LIABILITIES AND EQUITY			
Current liabilities			
Current liabilities			
Current liabilities			
Short-term borrowings			
Short-term borrowings			
Short-term borrowings			
Current portion of long-term debt			
Accounts payable			
Accrued and other current liabilities			
Operating lease liabilities, current			
Total current liabilities			
Operating lease liabilities, noncurrent			
Other liabilities			
Other liabilities			
Other liabilities			
Long-term debt			
Total liabilities			
Total liabilities			
Total liabilities			
		Commitments and contingencies	Commitments and contingencies
Commitments and contingencies			
Equity			
Preferred Stock, no par value; shares authorized, 90,000,000; no shares outstanding at June 2024, December 2023 and June 2023			
Preferred Stock, no par value; shares authorized, 90,000,000; no shares outstanding at June 2024, December 2023 and June 2023			
Preferred Stock, no par value; shares authorized, 90,000,000; no shares outstanding at June 2024, December 2023 and June 2023			
Common Stock, no par value; shares authorized, 600,000,000; shares outstanding of 55,673,753 at June 2024; 55,720,251 at December 2023 and 56,109,508 at June 2023			
Preferred Stock, no par value; shares authorized, 90,000,000; no shares outstanding at September 2024, December 2023 and September 2023			
Preferred Stock, no par value; shares authorized, 90,000,000; no shares outstanding at September 2024, December 2023 and September 2023			
Preferred Stock, no par value; shares authorized, 90,000,000; no shares outstanding at September 2024, December 2023 and September 2023			
Common Stock, no par value; shares authorized, 600,000,000; shares outstanding of 55,134,865 at September 2024; 55,720,251 at December 2023 and 56,173,518 at September 2023			
Additional paid-in capital			
Retained earnings			
Accumulated other comprehensive loss			
Total equity			
TOTAL LIABILITIES AND EQUITY			

See accompanying notes to unaudited consolidated financial statements.

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	Three Months Ended September		Nine Months Ended September			
(In thousands, except per share amounts)						
(In thousands, except per share amounts)						
(In thousands, except per share amounts)	2024		2023	2024	2023	2024
Net revenues						
Costs and operating expenses						
Cost of goods sold						
Cost of goods sold						
Cost of goods sold						
Selling, general and administrative expenses						
Total costs and operating expenses						
Total costs and operating expenses						
Total costs and operating expenses						
Operating income						
Interest expense						
Interest income						
Other expense, net						
Income before income taxes						
Income taxes						
Net income						
Earnings per common share						
Basic						
Basic						
Basic						
Diluted						
Weighted average shares outstanding						
Basic						
Basic						
Basic						
Diluted						

See accompanying notes to unaudited consolidated financial statements.

	KONTOOR BRANDS, INC.					
	Consolidated Statements of Comprehensive Income					
	(Unaudited)					
	Three Months Ended	Six Months Ended		Three Months Ended		Nine Months Ended
	June	June		September		September
(In thousands)						
(In thousands)						
(In thousands)	2024	2023	2024	2023	2024	2023
Net income						
Other comprehensive (loss) income						
Net change in foreign currency translation						
Net change in foreign currency translation						
Net change in foreign currency translation						
Net change in defined benefit pension plans						
Net change in derivative financial instruments						

Total other comprehensive (loss) income, net of related taxes

Comprehensive income

See accompanying notes to unaudited consolidated financial statements.

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KONTOOR BRANDS, INC.				
Consolidated Statements of Cash Flows				
(Unaudited)				
	Six Months Ended June		Nine Months Ended September	
(In thousands)				
(In thousands)				
(In thousands)				
	2024	2023	2024	2023
OPERATING ACTIVITIES				
Net income				
Net income				
Net income				
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization				
Stock-based compensation				
Provision for doubtful accounts				
Other				
Other				
Other				
Changes in operating assets and liabilities:				
Accounts receivable				
Accounts receivable				
Accounts receivable				
Inventories				
Accounts payable				
Income taxes				
Accrued and other current liabilities				
Other assets and liabilities				
Cash provided by operating activities				
INVESTING ACTIVITIES				
Property, plant and equipment expenditures				
Property, plant and equipment expenditures				
Property, plant and equipment expenditures				
Capitalized computer software				
Other				
Other				
Other				
Cash used by investing activities				
FINANCING ACTIVITIES				
Borrowings under revolving credit facility				
Borrowings under revolving credit facility				
Borrowings under revolving credit facility				
Repayments under revolving credit facility				

Repayments of term loan
Repurchases of Common Stock
Repurchases of Common Stock
Repurchases of Common Stock
Dividends paid
Shares withheld for taxes, net of proceeds from issuance of Common Stock
Other
Cash used by financing activities
Effect of foreign currency rate changes on cash and cash equivalents
Net change in cash and cash equivalents
Cash and cash equivalents – beginning of period
Cash and cash equivalents – end of period

See accompanying notes to unaudited consolidated financial statements.

KONTOOR BRANDS, INC.
Consolidated Statements of Equity
(Unaudited)

Common Stock

(In thousands, except per share amounts)

(In thousands, except per share amounts)

(In thousands, except per share amounts)

Balance, December 2023
Balance, December 2023
Balance, December 2023
Net income
Net income
Net income
Stock-based compensation, net
Stock-based compensation, net
Stock-based compensation, net
Other comprehensive loss
Other comprehensive loss
Other comprehensive loss
Dividends on Common Stock (\$0.50 per share)
Dividends on Common Stock (\$0.50 per share)
Dividends on Common Stock (\$0.50 per share)
Repurchases of Common Stock
Repurchases of Common Stock
Repurchases of Common Stock
Balance, March 2024
Balance, March 2024
Balance, March 2024
Net income
Net income
Net income
Stock-based compensation, net
Stock-based compensation, net
Stock-based compensation, net
Other comprehensive loss

Other comprehensive loss
Other comprehensive loss
Dividends on Common Stock (\$0.50 per share)
Dividends on Common Stock (\$0.50 per share)
Dividends on Common Stock (\$0.50 per share)
Repurchases of Common Stock
Repurchases of Common Stock
Repurchases of Common Stock
Balance, June 2024
Balance, June 2024
Balance, June 2024
Net income
Net income
Net income
Stock-based compensation, net
Stock-based compensation, net
Stock-based compensation, net
Other comprehensive loss
Other comprehensive loss
Other comprehensive loss
Dividends on Common Stock (\$0.50 per share)
Dividends on Common Stock (\$0.50 per share)
Dividends on Common Stock (\$0.50 per share)
Repurchases of Common Stock
Repurchases of Common Stock
Repurchases of Common Stock
Balance, September 2024
Balance, September 2024
Balance, September 2024

Common Stock
Common Stock

Common Stock

(In thousands, except per share amounts)

(In thousands, except per share amounts)

(In thousands, except per share amounts)

Balance, December 2022
Balance, December 2022
Balance, December 2022
Net income
Net income
Net income
Stock-based compensation, net
Stock-based compensation, net
Stock-based compensation, net
Other comprehensive income
Other comprehensive income
Other comprehensive income
Dividends on Common Stock (\$0.48 per share)
Dividends on Common Stock (\$0.48 per share)
Dividends on Common Stock (\$0.48 per share)
Balance, March 2023
Balance, March 2023
Balance, March 2023
Net income

Net income
Net income
Stock-based compensation, net
Stock-based compensation, net
Stock-based compensation, net
Other comprehensive income
Other comprehensive income
Other comprehensive income
Dividends on Common Stock (\$0.48 per share)
Dividends on Common Stock (\$0.48 per share)
Dividends on Common Stock (\$0.48 per share)
Balance, June 2023
Balance, June 2023
Balance, June 2023
Net income
Net income
Net income
Stock-based compensation, net
Stock-based compensation, net
Stock-based compensation, net
Other comprehensive loss
Other comprehensive loss
Other comprehensive loss
Dividends on Common Stock (\$0.48 per share)
Dividends on Common Stock (\$0.48 per share)
Dividends on Common Stock (\$0.48 per share)
Balance, September 2023
Balance, September 2023
Balance, September 2023

See accompanying notes to unaudited consolidated financial statements.

KONTOOR BRANDS, INC.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

Description of Business

Kontoor Brands, Inc. ("Kontoor," the "Company," "we," "us" or "our") is a global lifestyle apparel company headquartered in the United States ("U.S."). The Company designs, manufactures, procures, sells and licenses apparel, footwear and accessories, primarily under the brand names *Wrangler®* and *Lee®*. The Company's products are sold in the U.S. through mass merchants, specialty stores, department stores, company-operated stores and online, including digital marketplaces. The Company's products are also sold internationally, primarily in the Europe, Asia-Pacific and Non-U.S. Americas regions, through department, specialty, company-operated, concession retail and independently-operated partnership stores and online, including digital marketplaces.

Fiscal Year

The Company operates and reports using a 52/53-week fiscal year ending on the Saturday closest to December 31 of each year. Accordingly, this Form 10-Q presents the **second third** quarter of the Company's fiscal year ending December 28, 2024 ("fiscal 2024"), which is a 52-week fiscal year. For presentation purposes herein, all references to periods ended **June September** 2024, December 2023 and **June September** 2023 correspond to the fiscal periods ended **June 29, 2024 September 28, 2024**, December 30, 2023 and **July 1, 2023 September 30, 2023**, respectively.

Macroeconomic Environment and Other Recent Developments

Global macroeconomic conditions that continued to impact the Company include **ongoing** elevated interest rates, **moderating** inflation, **recessionary concerns**, fluctuating foreign currency exchange rates, supply chain issues and inconsistent consumer **demand, particularly in China. demand**. These factors continue to contribute to uncertain global economic conditions and consumer spending patterns, which are impacting retailers' and the Company's operations. Additionally, the conflicts in Ukraine and the Middle East are causing disruption in the surrounding areas and greater uncertainty in the global economy. The Company considered the impact of these developments on the assumptions and estimates used when preparing these quarterly financial statements including, but not limited to, our allowance for doubtful accounts, inventory valuations, liabilities for variable consideration, deferred tax valuation allowances, fair value measurements including asset impairment

evaluations, the effectiveness of the Company's hedging instruments and expected compliance with all applicable financial covenants in our Credit Agreement (as defined in Note 7 to the Company's financial statements) statements in this Form 10-Q. These assumptions and estimates may change as new events occur and additional information is obtained regarding the impact of the above conditions. Such future changes may have an adverse impact on the Company's results of operations, financial position and liquidity.

Basis of Presentation - Interim Financial Statements

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and do not include all of the information and notes required by generally accepted accounting principles in the U.S. ("GAAP") for complete financial statements. In the opinion of management, the accompanying financial statements contain all normal and recurring adjustments necessary to fairly state the financial position, results of operations and cash flows of the Company for the interim periods presented. Operating results for the three and six nine months ended June September 2024 are not necessarily indicative of results that may be expected for any other interim period or for fiscal 2024. The unaudited financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's 2023 Annual Report on Form 10-K for the fiscal year ended December 30, 2023, as filed with the Securities and Exchange Commission on February 28, 2024 ("2023 Annual Report on Form 10-K").

Out-of-Period Duty Expense Recorded in 2023

During the three months ended September 2023, management identified inaccuracies in processing certain transactions with U.S. Customs and Border Protection ("U.S. Customs") arising from the implementation of the Company's enterprise resource planning system, which resulted in an underpayment of duties owed to U.S. Customs for the 2021 to 2023 periods. Accordingly, the Company recorded \$13.1 million in adjustments in the third quarter of 2023 within "cost of goods sold" to accrue for this underpayment of duty expense. The out-of-period duty expense recorded in 2023 results in a lack of comparability between periods in the statements of operations, primarily in cost of goods sold.

Recently Adopted Accounting Standards

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, "Disclosure of Supplier Finance Program Obligations," which requires entities that provide supplier finance programs in connection with the purchase of goods and services to disclose key terms of the programs, outstanding confirmed amounts as of period end, a description of where those obligations are presented in the balance sheets and an annual rollforward of obligations. This guidance was adopted by the Company during the first quarter of 2023, except for the requirement to include an annual rollforward of obligations which is effective beginning in 2024 and will be disclosed in our 2024 annual report on Form 10-K. Refer to Note 6 to the Company's financial statements in this Form 10-Q for additional information related to our supply chain finance programs.

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KONTOOR BRANDS, INC.
Notes to Consolidated Financial Statements
(Unaudited)

Recently Issued Accounting Standards

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which requires enhanced disclosures about significant segment expenses. This guidance is effective for annual disclosures in fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. This guidance requires retrospective application to all prior periods presented in the financial statements. The Company is currently evaluating the impact that adoption of this guidance will have on its financial statements and disclosures.

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KONTOOR BRANDS, INC.
Notes to Consolidated Financial Statements
(Unaudited)

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires disclosure of specific categories and greater disaggregation within the income tax rate reconciliation, and disclosure of disaggregated income taxes paid. This guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that adoption of this guidance will have on its financial statements and disclosures.

NOTE 2 — REVENUES

Disaggregation of Revenue

The following tables present revenues disaggregated by channel and geography. Revenues from licensing arrangements are included within the U.S. or Non-U.S. Wholesale channels, based on the respective region where the licensee sells the product. Direct-to-Consumer revenues include sales from company-operated Wrangler® and Lee® branded full-price and outlet stores, online and international concession arrangements.

Other includes sales and licensing of Rock & Republic®, other company-owned brands and private label apparel.

	Three Months Ended June 2024
	Three Months Ended September 2024

(in thousands)

(in thousands)

(In thousands)

Channel revenues
Channel revenues
Channel revenues
U.S. Wholesale
U.S. Wholesale
U.S. Wholesale
Non-U.S. Wholesale
Non-U.S. Wholesale
Non-U.S. Wholesale
Direct-to-Consumer
Direct-to-Consumer
Direct-to-Consumer
Total
Total
Total
Geographic revenues
Geographic revenues
Geographic revenues
U.S.
U.S.
U.S.
International
International
International
Total
Total
Total
Three Months Ended June 2023
Three Months Ended September 2023

(In thousands)

(In thousands)

(In thousands)

Channel revenues
Channel revenues
Channel revenues
U.S. Wholesale
U.S. Wholesale
U.S. Wholesale
Non-U.S. Wholesale
Non-U.S. Wholesale
Non-U.S. Wholesale
Direct-to-Consumer
Direct-to-Consumer
Direct-to-Consumer
Total
Total
Total
Geographic revenues
Geographic revenues
Geographic revenues

U.S.
U.S.
U.S.

International
International
International

Total
Total
Total

KONTOOR BRANDS, INC.
Notes to Consolidated Financial Statements
(Unaudited)

	Six Months Ended June 2024
	Six Months Ended June 2024
	Six Months Ended June 2024
	Nine Months Ended September 2024
	Nine Months Ended September 2024
	Nine Months Ended September 2024

(In thousands)

(In thousands)

(In thousands)

Channel revenues
Channel revenues
Channel revenues
U.S. Wholesale
U.S. Wholesale
U.S. Wholesale
Non-U.S. Wholesale
Non-U.S. Wholesale
Non-U.S. Wholesale
Direct-to-Consumer
Direct-to-Consumer
Direct-to-Consumer
Total
Total
Total
Geographic revenues
Geographic revenues
Geographic revenues
U.S.
U.S.
U.S.
International
International
International
Total
Total
Total

	Six Months Ended June 2023
	Six Months Ended June 2023
	Six Months Ended June 2023
	Nine Months Ended September 2023
	Nine Months Ended September 2023
	Nine Months Ended September 2023

(In thousands)

(In thousands)

(In thousands)

Channel revenues
Channel revenues
Channel revenues
U.S. Wholesale
U.S. Wholesale
U.S. Wholesale
Non-U.S. Wholesale
Non-U.S. Wholesale
Non-U.S. Wholesale
Direct-to-Consumer
Direct-to-Consumer
Direct-to-Consumer
Total
Total
Total
Geographic revenues
Geographic revenues
Geographic revenues
U.S.
U.S.
U.S.
International
International
International
Total
Total
Total

Contract Balances and Performance Obligations

The following table presents information about contract balances recorded in the Company's balance sheets:

(In thousands)	(In thousands)	June 2024	December 2023	June 2023	(In thousands)	September 2024	December 2023	September 2023
Accounts receivable, net								
Contract assets ^(a)								
Contract liabilities ^(b)								

^(a) Included within "prepaid expenses and other current assets" in the Company's balance sheets.

^(b) Included within "accrued and other current liabilities" in the Company's balance sheets.

For the three and six nine months ended June September 2024 and June September 2023, no significant revenue was recognized that was included in contract liabilities as of December 2023 and December 2022, respectively. For the three and six nine months ended June September 2024, no significant revenue was recognized from performance obligations satisfied, or partially satisfied, in prior periods. As of June September 2024, the Company has contractual rights under its licensing agreements to receive \$84.9 \$84.6 million of fixed consideration related to the future minimum guarantees through December 2029.

KONTOOR BRANDS, INC.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 3 — BUSINESS SEGMENT INFORMATION

The Company has two reportable segments:

- Wrangler — Wrangler® branded denim, apparel, footwear and accessories.
- Lee — Lee® branded denim, apparel, footwear and accessories.

The Company considers its chief executive officer to be its chief operating decision maker. The chief operating decision maker allocates resources and assesses performance based on the global brand operating results of Wrangler® and Lee®, which are the Company's operating and reportable segments.

In addition, we report an "Other" category to reconcile segment revenues and segment profit to the Company's operating results, but the Other category does not meet the criteria to be considered a reportable segment. Other includes sales and licensing of Rock & Republic®, other company-owned brands and private label apparel.

Accounting policies utilized for internal management reporting at the individual segments are consistent with those disclosed in the Company's 2023 Annual Report on Form 10-K. Corporate and other expenses, including certain restructuring and transformation costs, and interest income and expense are not controlled by segment management and therefore are excluded from the measurement of segment profit.

The following table presents financial information for the Company's reportable segments and income before income taxes:

	Three Months Ended June	Six Months Ended June	Three Months Ended September	Nine Months Ended September
(In thousands)				
(In thousands)				
(In thousands)	2024	2023	2024	2023
Segment revenues:				
Wrangler				
Wrangler				
Wrangler				
Lee				
Total reportable segment revenues				
Other revenues				
Total net revenues				
Segment profit:				
Wrangler				
Wrangler				
Wrangler				
Lee				
Total reportable segment profit				
Corporate and other expenses				
Interest expense				
Interest income				
Loss related to other revenues				
Profit (loss) related to other revenues				
Income before income taxes				

KONTOOR BRANDS, INC.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 4 — ACCOUNTS RECEIVABLE

Allowance for Doubtful Accounts

The following table presents a rollforward of the allowance for doubtful accounts:

	Six Months Ended June		Nine Months Ended September	
(In thousands)				
(In thousands)				
(In thousands)				
	2024	2023	2024	2023
Balance, December				
Balance, December				
Balance, December				
Increase (decrease) in provision for expected credit losses				
Increase in provision for expected credit losses				
Accounts receivable balances written off				
Other ⁽¹⁾				
Balance, June				
Balance, September				

(1) Other primarily includes the impact of foreign currency translation and recoveries of amounts previously written off, none of which were individually significant.

Sale of Trade Accounts Receivable

The Company is party to an agreement with a financial institution to sell selected trade accounts receivable on a nonrecourse basis. Under this agreement, up to \$377.5 million of the Company's trade accounts receivable may be sold to the financial institution and remain outstanding at any point in time. The Company removes the sold balances from "accounts receivable, net" in its balance sheet at the time of sale. The Company does not retain any interests in the sold trade accounts receivable but continues to service and collect outstanding trade accounts receivable on behalf of the financial institution.

During the six nine months ended June September 2024 and June September 2023, the Company sold total trade accounts receivable of \$647.5 million \$1,016.8 million and \$704.2 million \$1,023.5 million, respectively. As of June September 2024, December 2023 and June September 2023, \$179.6 million \$243.1 million, \$197.7 million and \$211.5 million \$216.2 million, respectively, of the sold trade accounts receivable had been removed from were no longer reflected in the Company's balance sheets but remained outstanding with the financial institution.

The funding fees charged by the financial institution for this program are reflected in the Company's statements of operations within "other expense, net" and were \$2.9 million \$3.2 million and \$5.8 million \$9.0 million for the three and six nine months ended June September 2024, respectively, and \$3.1 million \$3.0 million and \$6.1 million \$9.1 million for the three and six nine months ended June September 2023, respectively. Net proceeds of this program are reflected as operating activities in the Company's statements of cash flows.

NOTE 5 — INVENTORIES

The following table presents components of "inventories" recorded in the Company's balance sheets:

(In thousands)	(In thousands)	June 2024	December 2023	June 2023	(In thousands)	September 2024	December 2023	September 2023
Finished products								
Work-in-process								
Raw materials								
Total inventories								

NOTE 6 — SUPPLY CHAIN FINANCING

The Company facilitates voluntary Supply Chain Finance ("SCF") programs with its financial institutions that allow certain suppliers the option to sell or assign their rights to receivables due from the Company, enabling the suppliers to receive payment from the financial institutions sooner than our negotiated payment terms. At June September 2024, December 2023 and June September 2023, accounts payable included total outstanding balances of \$32.7 million \$34.1 million, \$19.7 million and \$30.6 million \$21.9 million, respectively, due to suppliers that participate in the SCF programs.

NOTE 7 — SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term Borrowings

At June September 2024, December 2023 and June September 2023, the Company had \$19.3 million \$20.0 million, \$24.1 million and \$23.9 million \$23.7 million, respectively, of international lines of credit with various banks, which are uncommitted and may be terminated at any time by either the Company or the banks. There were no outstanding balances under these arrangements at June September 2024, December 2023 and June 2023. In addition, short-term borrowings included other debt of \$0.1 million at June 2023, with no balance remaining at June 2024 and December September 2023.

Long-term Debt

The following table presents the components of "long-term debt" as recorded in the Company's balance sheets:

(in thousands)	(in thousands)	June 2024	December 2023	June 2023	(in thousands)	September 2024	December 2023	September 2023
Revolving Credit Facility								
Term Loan A								
4.125% Notes, due 2029								
4.125% Notes, due 2029								
4.125% Notes, due 2029								
Total long-term debt								
Less: current portion								
Long-term debt, due beyond one year								

Credit Facilities

The Company is party to a senior secured Credit Agreement, as amended and restated on November 18, 2021 (the "Credit Agreement"), which provides for (i) a five-year \$400.0 million term loan A facility ("Term Loan A") and (ii) a five-year \$500.0 million revolving credit facility (the "Revolving Credit Facility"), collectively referred to as "Credit Facilities," with the lenders and agents party thereto.

Term Loan A requires quarterly repayments of \$5.0 million through September 2026, and the remaining principal of \$335.0 million is due at maturity in November 2026. During the six ninemonths ended June September 2024, the Company repaid a total of \$35.0 \$40.0 million of the principal outstanding on Term Loan A, including \$25.0 million of voluntary early repayments which reduced future required quarterly repayments during the second quarter of 2024. repayments. Term Loan A had an outstanding principal amount of \$355.0 \$350.0 million, \$390.0 million and \$395.0 \$392.5 million at June September 2024, December 2023 and June September 2023, respectively, which is reported net of unamortized deferred financing costs. As of June September 2024, interest expense on Term Loan A was being recorded at an effective annual interest rate of 7.1% 6.0%, including the amortization of deferred financing costs. costs and the impact of the Company's interest rate swap agreements.

The Revolving Credit Facility may be used to borrow funds in both U.S. dollar and certain non-U.S. dollar currencies, and has a \$75.0 million letter of credit sublimit. As of June September 2024, the Company had no outstanding borrowings under the Revolving Credit Facility and \$6.5 million of outstanding standby letters of credit issued on behalf of the Company, leaving \$493.5 million available for borrowing against this facility.

The interest rate per annum applicable to borrowings under the Credit Facilities is an interest rate benchmark elected by the Company based on the currency and term of the borrowing plus an applicable margin, as defined therein.

The Credit Agreement contains certain affirmative and negative covenants customary for financings of this type as well as customary events of default. In addition, the Credit Agreement contains financial covenants which require compliance with (i) a total leverage ratio not to exceed 4.50 to 1.00 as of the last day of any test period, with an allowance for up to two elections to increase the limit to 5.00 to 1.00 in connection with certain material acquisitions, and (ii) a consolidated interest coverage ratio as of the last day of any test period to be no less than 3.00 to 1.00. As of June September 2024, the Company was in compliance with all covenants and expects to maintain compliance with the applicable covenants for at least one year from the issuance of these financial statements.

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Senior Notes

On November 18, 2021, the Company entered into an indenture (the "Indenture") by and among the Company and certain subsidiaries of the Company named as guarantors therein (the "Guarantors"), pursuant to which it issued \$400.0 million of unsecured senior notes due November 2029 (the "Notes") through a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act. The Notes bear interest at a fixed rate of 4.125% per annum, payable in cash in arrears on May 15 and November 15 of each year.

The Notes had an outstanding principal amount of \$400.0 million at June September 2024, December 2023 and June September 2023, which is reported net of unamortized deferred financing costs. As of June September 2024, interest expense on the Notes was being recorded at an effective annual interest rate of 4.3%, including the amortization of deferred financing costs.

The Notes are guaranteed on a senior unsecured basis by the Company's existing and future domestic subsidiaries (other than certain excluded subsidiaries) that are borrowers under or guarantors of the Credit Facilities or certain other indebtedness. The Indenture governing the Notes contains customary negative covenants for financings of this type. The Indenture does not contain any financial covenants. As of June September 2024, the Company was in compliance with the Indenture and expects to maintain compliance with the applicable non-financial covenants for at least one year from the issuance of these financial statements.

Refer to Note 11 in the Company's 2023 Annual Report on Form 10-K for additional information regarding the Company's debt obligations.

Total cash paid for interest was \$27.0 million and \$23.5 million during the nine months ended September 2024 and September 2023, respectively.

NOTE 8 — FAIR VALUE MEASUREMENTS

Certain assets and liabilities measured and reported at fair value are classified in a three-level hierarchy that prioritizes the inputs used in the valuation process. Categorization within the valuation hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The hierarchy is based on the observability and objectivity of the pricing inputs, as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.

- Level 2 — Significant directly observable data (other than Level 1 quoted prices) or significant indirectly observable data through corroboration with observable market data. Inputs would normally be (i) quoted prices in active markets for similar assets or liabilities, (ii) quoted prices in inactive markets for identical or similar assets or liabilities or (iii) information derived from or corroborated by observable market data.
- Level 3 — Prices or valuation techniques that require significant unobservable data inputs. These inputs would normally be the Company's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

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Recurring Fair Value Measurements

The following tables present financial assets and financial liabilities that are measured and recorded in the Company's financial statements at fair value on a recurring basis:

(In thousands)	(In thousands)	Total Fair Value	Fair Value Measurement Using			(In thousands)	Total Fair Value	Fair Value Measurement Using		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
June 2024										
June 2024										
June 2024										
September 2024										
September 2024										
September 2024										
Financial assets:										
Financial assets:										
Financial assets:										
Cash equivalents:										
Cash equivalents:										
Cash equivalents:										
Money market funds										
Money market funds										
Money market funds										
Time deposits										
Time deposits										
Time deposits										
Foreign currency exchange contracts										
Investment securities										
Investment securities										
Investment securities										
Financial liabilities:										
Foreign currency exchange contracts										
Foreign currency exchange contracts										
Foreign currency exchange contracts										
Interest rate swap agreements										
Deferred compensation										
Deferred compensation										
Deferred compensation										

(In thousands)	Total Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
December 2023				
Financial assets:				

Cash equivalents:

Money market funds	\$	145,554	\$	145,554	\$	—	\$	—
Time deposits		2,283		2,283		—		—
Foreign currency exchange contracts		16,504		—		16,504		—
Interest rate swap agreements		3,253		—		3,253		—
Investment securities		46,250		46,250		—		—

Financial liabilities:

Foreign currency exchange contracts		5,121		—		5,121		—
Deferred compensation		49,139		—		49,139		—

The Company's cash equivalents include money market funds and short-term time deposits that approximate fair value based on Level 1 measurements. The fair value of derivative financial instruments, which consist of foreign currency exchange contracts and at December 2023, interest rate swap agreements, is determined based on observable market inputs (Level 2), including spot and forward exchange rates for foreign currencies and observable interest rate yield curves for interest rate swap agreements. Investment securities are held in the Company's deferred compensation plans as an economic hedge of the related deferred compensation liabilities and are comprised of mutual funds that are valued based on quoted prices in active markets (Level 1). Liabilities related to the Company's deferred compensation plans are recorded at amounts due to participants, based on the fair value of the participants' selection of hypothetical investments (Level 2).

Additionally, at June September 2024, the carrying value of the Company's long-term debt was \$749.7 million \$745.0 million compared to a fair value of \$711.2 million \$725.3 million. At December 2023, the carrying value of the Company's long-term debt was \$783.9 million compared to a fair value of \$747.1 million. The fair value of long-term debt is a Level 2 estimate based on quoted market prices or values of comparable borrowings.

All other financial assets and financial liabilities are recorded in the Company's financial statements at cost. These other financial assets and financial liabilities include cash held as demand deposits, accounts receivable, short-term borrowings, accounts payable and accrued liabilities. At June September 2024 and December 2023, their carrying values approximated fair value due to the short-term nature of these instruments.

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NOTE 9 — DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Summary of Derivative Financial Instruments

The Company enters into derivative contracts with external counterparties to hedge certain foreign currency transactions. The notional amount of all outstanding foreign currency exchange contracts was \$340.1 million \$317.0 million at June September 2024, \$348.8 million at December 2023 and \$333.0 million \$339.9 million at June September 2023, consisting primarily of contracts hedging exposures to the euro, Mexican peso, Canadian dollar, British pound, Polish zloty and Swedish krona. Foreign currency exchange contracts have maturities up to 20 months.

During 2019, the The Company entered periodically enters into "floating to fixed" interest rate swap agreements to mitigate exposure to volatility in reference rates on the Company's future interest payments. Because these interest rate swap agreements met meet the criteria for hedge accounting, all related gains and losses were are deferred within accumulated other comprehensive loss ("AOCL") and were are amortized through the expiration date of swap maturity dates.

During 2019, the Company entered into "floating to fixed" interest rate swap agreements (the "2019 Swap Agreements") that matured on April 18, 2024. On September 9, 2024, the Company entered into new "floating to fixed" interest rate swap agreements (the "2024 Swap Agreements") that mature on August 18, 2029. The notional amount of the interest rate swap agreements 2024 Swap Agreements was \$150.0 million at September 2024. The notional amount of the 2019 Swap Agreements was \$300.0 million at December 2023 and June September 2023.

The Company's outstanding derivative financial instruments met the criteria for hedge accounting at the inception of the hedging relationship. At each reporting period, the Company assesses whether the hedging relationships continue to be highly effective in offsetting changes in cash flows of hedged items. If the Company determines that a specific hedging relationship has ceased to be highly effective, it discontinues hedge accounting. All designated hedging relationships were determined to be highly effective as of June September 2024.

The following table presents the fair value of outstanding derivatives on an individual contract basis:

Fair Value of Derivatives with Unrealized Gains		Fair Value of Derivatives with Unrealized Gains		Fair Value of Derivatives with Unrealized Losses		Fair Value of Derivatives with Unrealized Gains	Fair Value of Derivatives with Unrealized Losses
	June	December	June	June	December	June	
	June						
	June						
	September	December	September	September	December	September	
	September						
	September						

(In thousands)	(In thousands)	2024	2023	2023	2024	2023	2023	(In thousands)	2024	2023	2023	2024	2023	2023
Derivatives designated as hedging instruments:														
Derivatives designated as hedging instruments:														
Derivatives designated as hedging instruments:														
Foreign currency exchange contracts														
Foreign currency exchange contracts														
Foreign currency exchange contracts														
Interest rate swap agreements														
Derivatives not designated as hedging instruments:														
Foreign currency exchange contracts														
Foreign currency exchange contracts														
Foreign currency exchange contracts														
Total derivatives														

The Company records and presents the fair value of all derivative assets and liabilities in the Company's balance sheets on a gross basis, even though certain derivative contracts are subject to master netting agreements. If the Company were to offset and record the asset and liability balances of its derivative contracts on a net basis in accordance with the terms of its master netting agreements, the amounts presented in the Company's balance sheets would be adjusted from the current gross presentation to the net amounts.

The following table presents a reconciliation of gross to net amounts for derivative asset and liability balances:

	June 2024	December 2023	June 2023
	September 2024	December 2023	September 2023

(In thousands)

(In thousands)

(In thousands)	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Gross amounts presented in the balance sheet												
Gross amounts not offset in the balance sheet												
Net amounts												

(Unaudited)

The following table presents the location of derivatives in the Company's balance sheets, with current or noncurrent classification based on maturity dates:

(In thousands)	(In thousands)	June 2024	December 2023	June 2023	(In thousands)	September 2024	December 2023	September 2023
Prepaid expenses and other current assets								
Accrued and other current liabilities								
Other assets								
Other liabilities								

Cash Flow Hedges

The following tables present the pre-tax effects of cash flow hedges included in the Company's statements of operations and statements of comprehensive income:

(In thousands)	Gain (Loss) on Derivatives Recognized in AOCL			Gain (Loss) on Derivatives Recognized in AOCL			Gain (Loss) on Derivatives Recognized in AOCL		
	(In thousands)	Three Months Ended June	Six Months Ended June	(In thousands)	Three Months Ended September		Nine Months Ended September		

Cash Flow Hedging Relationships

Cash Flow Hedging Relationships

Cash Flow Hedging Relationships	2024	2023	2024	2023	2024	2023	2024	2023
Foreign currency exchange contracts								
Interest rate swap agreements								
Total								

(In thousands)	Gain (Loss) Reclassified from AOCL into Income			Gain (Loss) Reclassified from AOCL into Income			Gain (Loss) Reclassified from AOCL into Income		
	(In thousands)	Three Months Ended June	Six Months Ended June	(In thousands)	Three Months Ended September		Nine Months Ended September		

Location of Gain (Loss)

Location of Gain (Loss)

Location of Gain (Loss)	2024	2023	2024	2023	2024	2023	2024	2023
Net revenues								
Cost of goods sold								
Other expense, net								
Interest expense								
Total								

Other Derivative Information

Any contracts that are not designated as hedges are recorded at fair value in the Company's balance sheets. Changes in the fair values of derivative contracts not designated as hedges are recognized directly in earnings. There were no significant amounts recognized in earnings for changes in the fair values of derivative contracts not designated as hedges or the ineffective portion of any hedging relationships during the three and **six nine** months ended **June September** 2024 and **June September** 2023.

At **June September** 2024, AOCL included **\$7.4 million** **\$5.8 million** of pre-tax net deferred **gains losses** for foreign currency exchange contracts and interest rate swap agreements that are expected to be reclassified to earnings during the next 12 months. The amounts ultimately reclassified to earnings will depend on rates in effect when outstanding derivative contracts are settled.

NOTE 10 — CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Common Stock

During the **six nine** months ended **June September** 2024, the Company repurchased **0.7 million** **1.2 million** shares of Common Stock for **\$45.0** **\$85.0** million, including commissions, under its \$300.0 million share repurchase program authorized by the Company's Board of Directors. All shares reacquired in connection with the repurchase program are treated as authorized and unissued shares upon repurchase.

Accumulated Other Comprehensive Loss

The following table presents deferred components of AOCL in equity, net of related taxes:

(In thousands)	(In thousands)	June 2024	December 2023	June 2023	(In thousands)	September 2024	December 2023	September 2023
Foreign currency translation								
Defined benefit pension plans								
Derivative financial instruments								
Accumulated other comprehensive loss								

The following tables present changes in AOCL, net of related tax impact:

	Three Months Ended June 2024
	Three Months Ended September 2024
(In thousands)	
(In thousands)	
(In thousands)	
Balance, March 2024	
Balance, June 2024	
Balance, March 2024	
Balance, June 2024	
Balance, March 2024	
Balance, June 2024	
Other comprehensive income (loss) due to gains (losses) arising before reclassifications	
Other comprehensive income (loss) due to gains (losses) arising before reclassifications	
Other comprehensive income (loss) due to gains (losses) arising before reclassifications	
Reclassifications to net income of previously deferred (gains) losses	
Reclassifications to net income of previously deferred (gains) losses	
Reclassifications to net income of previously deferred (gains) losses	
Net other comprehensive income (loss)	
Net other comprehensive income (loss)	
Net other comprehensive income (loss)	
Balance, June 2024	
Balance, June 2024	
Balance, June 2024	
Balance, September 2024	
Balance, September 2024	
Balance, September 2024	
	Three Months Ended June 2023
	Three Months Ended September 2023
(In thousands)	
(In thousands)	
(In thousands)	
Balance, March 2023	
Balance, March 2023	
Balance, March 2023	
Balance, June 2023	
Balance, June 2023	
Balance, June 2023	
Other comprehensive income (loss) due to gains (losses) arising before reclassifications	
Other comprehensive income (loss) due to gains (losses) arising before reclassifications	

Other comprehensive income (loss) due to gains (losses) arising before reclassifications

Reclassifications to net income of previously deferred (gains) losses

Reclassifications to net income of previously deferred (gains) losses

Reclassifications to net income of previously deferred (gains) losses

Net other comprehensive income (loss)

Net other comprehensive income (loss)

Net other comprehensive income (loss)

Balance, June 2023

Balance, June 2023

Balance, June 2023

Balance, September 2023

Balance, September 2023

Balance, September 2023

Six Months Ended June 2024

Six Months Ended June 2024

Six Months Ended June 2024

Nine Months Ended September 2024

Nine Months Ended September 2024

Nine Months Ended September 2024

(In thousands)

(In thousands)

(In thousands)

Balance, December 2023

Balance, December 2023

Balance, December 2023

Other comprehensive income (loss) due to gains (losses) arising before reclassifications

Other comprehensive income (loss) due to gains (losses) arising before reclassifications

Other comprehensive income (loss) due to gains (losses) arising before reclassifications

Reclassifications to net income of previously deferred (gains) losses

Reclassifications to net income of previously deferred (gains) losses

Reclassifications to net income of previously deferred (gains) losses

Net other comprehensive income (loss)

Net other comprehensive income (loss)

Net other comprehensive income (loss)

Balance, June 2024

Balance, June 2024

Balance, June 2024

Balance, September 2024

Balance, September 2024

Balance, September 2024

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Six Months Ended June 2023

Six Months Ended June 2023

Six Months Ended June 2023

Nine Months Ended September 2023

Nine Months Ended September 2023

(In thousands)

(In thousands)

(In thousands)

Balance, December 2022

Balance, December 2022

Balance, December 2022

Other comprehensive income (loss) due to gains (losses) arising before reclassifications

Other comprehensive income (loss) due to gains (losses) arising before reclassifications

Other comprehensive income (loss) due to gains (losses) arising before reclassifications

Reclassifications to net income of previously deferred (gains) losses

Reclassifications to net income of previously deferred (gains) losses

Reclassifications to net income of previously deferred (gains) losses

Net other comprehensive income (loss)

Net other comprehensive income (loss)

Net other comprehensive income (loss)

Balance, June 2023

Balance, June 2023

Balance, June 2023

Balance, September 2023

Balance, September 2023

Balance, September 2023

The following table presents reclassifications out of AOCL:

(In thousands)	(In thousands)	Three Months Ended June	Six Months Ended June	(In thousands)	Three Months Ended September	Nine Months Ended September
----------------	----------------	-------------------------	-----------------------	----------------	------------------------------	-----------------------------

Details About Accumulated Other Comprehensive Loss

Reclassifications

	2024	2023	2024	2023	2023	2024	2023
Defined benefit pension plans:							
Net change in deferred gains (losses) during the period							
Net change in deferred gains (losses) during the period							
Net change in deferred gains (losses) during the period							
Total before tax							
Income taxes							
Net of tax							
Gains (losses) on derivative financial instruments:							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Foreign currency exchange contracts							
Interest rate swap agreements							
Total before tax							
Income taxes							
Net of tax							

Total reclassifications for the period, net of tax

NOTE 11 — STOCK-BASED COMPENSATION

On April 1, 2024, the Company made its annual grant of equity awards under the Kontoor Brands, Inc. 2019 Stock Compensation Plan, including approximately 200,000 shares of performance-based restricted stock units ("RSUs") to employees, approximately 150,000 shares of time-based restricted stock units ("RSUs") to employees, and approximately 20,000 shares of RSUs to nonemployee members of the Board of Directors. The fair market value of Kontoor Common Stock at the date the awards were granted was \$60.35 per share and was used to value the RSUs and Director RSUs.

Each PRSU entitles the employee to receive a potential final payout ranging from zero to two shares of Kontoor Common Stock at the end of a three-year performance period. The number of shares earned by participants, if any, is based on achievement of performance goals set by the Talent and Compensation Committee of the Board of Directors. The actual number of shares earned may also be adjusted upward or downward by up to 25% of the target award, subject to a 0% floor, based on how Kontoor's total shareholder return ("TSR") over a three-year period compares to the TSR for companies included in a Company-selected peer group. Shares earned related to the 2024 grants will be issued to participants following the conclusion of the three-year performance period.

Each employee RSU entitles the holder to one share of Kontoor Common Stock and typically vests over a three-year period. Each RSU granted to a nonemployee member of the Board of Directors vests upon grant and will be settled in one share of Kontoor Common Stock one year from the date of grant.

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NOTE 12 — INCOME TAXES

The effective income tax rate for the six nine months ended June September 2024 was 20.0% 19.5% compared to 23.4% 21.4% in the 2023 period. The six nine months ended June September 2024 included a net discrete tax benefit primarily related to stock-based compensation which decreased the effective income tax rate by 1.2% 0.7%. The six nine months ended June September 2023 included a net discrete tax expense primarily related to a remeasurement of deferred tax assets associated with a tax holiday granted from local income taxes in a foreign jurisdiction which increased the effective income tax rate by 3.9% 2.4%. The effective tax rate without discrete items for the six nine months ended June September 2024 was 21.2% 20.2% compared to 19.5% 19.0% in the 2023 period. This The increase was primarily due to changes in our jurisdictional mix of earnings.

During the six nine months ended June September 2024, the amount of net unrecognized tax benefits and associated interest increased by \$0.7 million \$0.9 million to \$14.3 million \$14.5 million. Management believes that it is reasonably possible that the amount of unrecognized tax benefits may decrease by \$2.2 million \$2.3 million within the next 12 fiscal months due to expiration of statutes of limitations, which would reduce income tax expense.

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NOTE 12 — EARNINGS PER SHARE

The calculations of basic and diluted earnings per share ("EPS") are based on net income divided by the basic weighted average number of common shares and diluted weighted average number of common shares outstanding, respectively.

The following table presents the calculations of basic and diluted EPS:

	Three Months Ended June		Six Months Ended June	
	Three Months Ended September		Nine Months Ended September	
(In thousands, except per share amounts)				
(In thousands, except per share amounts)				
(In thousands, except per share amounts)	2024		2023	2024
Net income				
Basic weighted average shares outstanding				
Dilutive effect of stock-based awards				
Diluted weighted average shares outstanding				
Earnings per share:				
Basic earnings per share				
Basic earnings per share				
Basic earnings per share				
Diluted earnings per share				

For the three and six nine months ended June September 2024 and June September 2023, an immaterial number of shares were excluded from the dilutive earnings per share calculations because the effect of their inclusion would have been anti-dilutive.

For the three and **six** **nine** months ended **June** **September** 2024, a total of **0.8 million** **0.5 million** and **0.7 million** **0.6 million** shares of **PRSUs**, performance-based restricted stock units ("PRSUs"), respectively, were excluded from the calculations of diluted earnings per share as the units were not considered to be contingent outstanding shares. For both the three and **six** **nine** months ended **June** **September** 2023, a total of 0.6 million shares of PRSUs were excluded from the calculations of diluted earnings per share as the units were not considered to be contingent outstanding shares.

NOTE **13** — LEASES

The Company enters into operating leases for retail stores, operational facilities, vehicles and certain equipment, with terms expiring at various dates through 2033. Most leases have fixed rentals, with many of the real estate leases requiring additional payments for real estate taxes and occupancy-related costs.

The following table presents supplemental cash flow and non-cash information related to operating leases:

	Six Months Ended June
	Six Months Ended June
	Six Months Ended June
	Nine Months Ended September
	Nine Months Ended September
	Nine Months Ended September

(In thousands)

(In thousands)

(In thousands)

Cash paid for amounts included in the measurement of lease liabilities - operating cash flows
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows
Right-of-use operating lease assets obtained in exchange for new operating leases - non-cash activity
Right-of-use operating lease assets obtained in exchange for new operating leases - non-cash activity
Right-of-use operating lease assets obtained in exchange for new operating leases - non-cash activity

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NOTE **14** — RESTRUCTURING

During the three and **six** **nine** months ended **June** **September** 2024, the Company incurred restructuring charges related to actions to streamline and transfer select production within our internal manufacturing network and other business optimization activities.

Of the **\$3.3 million** **\$2.1 million** and **\$7.9 million** **\$10.1 million** of restructuring charges recognized during the three and **six** **nine** months ended **June** **September** 2024, respectively, \$0.1 million and **\$1.7 million** **\$1.8 million** were reflected within "selling, general and administrative expenses" and **\$3.2 million** **\$2.0 million** and **\$6.2 million** **\$8.3 million** were reflected within "cost of goods sold," respectively. Of the \$7.8 million of restructuring charges recognized during the **three** **and** **six** **nine** months ended **June** **September** 2023, \$5.4 million were reflected within "selling, general and administrative expenses" and \$2.4 million were reflected within "cost of goods sold."

Of the **\$1.8 million total** **\$2.0 million** restructuring accrual reported in the Company's balance sheet at **June** **September** 2024, **\$1.3** **\$1.7** million is expected to be paid out within the next 12 months and was classified within "accrued and other current liabilities," and the remaining **\$0.5** **\$0.3** million was classified within "other liabilities." All of the \$0.8 million restructuring accrual reported in the Company's balance sheet at December 2023 was classified within "accrued and other current liabilities."

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The following table presents the components of restructuring charges:

Three Months Ended June	
Three Months Ended June	
Three Months Ended June	Six Months Ended June
Three Months Ended September	

	Three Months Ended September		Nine Months Ended September			
	Three Months Ended September		Nine Months Ended September			
(In thousands)						
	2024					
	2024		2023	2024	2023	2023
Severance and employee-related benefits						
Asset impairments						
Inventory write-downs						
Other						
Total restructuring charges						

The following table presents the restructuring costs by business segment:

	Three Months Ended June		Six Months Ended June			
	Three Months Ended June		Six Months Ended June			
	Three Months Ended June		Six Months Ended June			
	Three Months Ended September		Nine Months Ended September			
	Three Months Ended September		Nine Months Ended September			
(In thousands)						
	2024					
	2024		2023	2024	2023	2023
Wrangler						
Lee						
Corporate and other						
Total						
Total						
Total						

The following table presents activity in the restructuring accrual for the **six-month** **nine-month** period ended **June** **September** 2024:

	Total	
(In thousands)		
Accrual at December 2023	\$	827
Charges		4,875 6,731
Cash payments		(3,557) (5,269)
Adjustments to accruals		(290) (300)
Currency translation		(8)
Balance, June September 2024	\$	1,847 1,981

NOTE 15 — SUBSEQUENT EVENT

On **July 25, 2024** **October 24, 2024**, the Board of Directors declared a regular quarterly cash dividend of **\$0.50** **\$0.52** per share of the Company's Common Stock. The cash dividend will be payable on **September 20, 2024** **December 19, 2024**, to shareholders of record at the close of business on **September 10, 2024** **December 9, 2024**.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations is intended to provide readers of our financial statements with a narrative from management’s perspective on our financial condition, results of operations and liquidity as well as certain other factors that may affect our future results. This section should be read in conjunction with the Consolidated Financial Statements and related Notes included in this Quarterly Report on Form 10-Q.

The following discussion and analysis includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in "Cautionary Statement On Forward-Looking Statements" included later in Part I, Item 2 of this Quarterly Report on Form 10-Q, in Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q and in Part I, Item 1A "Risk Factors" in our 2023 Annual Report on Form 10-K.

Description of Business

Kontoor Brands, Inc. ("Kontoor," the "Company," "we," "us" or "our") is a global lifestyle apparel company headquartered in the United States ("U.S."). The Company designs, manufactures, procures, sells and licenses apparel, footwear and accessories, primarily under the brand names *Wrangler*® and *Lee*®. The Company's products are sold in the U.S. through mass merchants, specialty stores, department stores, company-operated stores and online, including digital marketplaces. The Company's products are also sold internationally, primarily in the Europe, Middle East and Africa ("EMEA"), Asia-Pacific ("APAC") and Non-U.S. Americas regions, through department, specialty, company-operated, concession retail and independently-operated partnership stores and online, including digital marketplaces.

Fiscal Year and Basis of Presentation

The Company operates and reports using a 52/53-week fiscal year ending on the Saturday closest to December 31 of each year. Accordingly, this Form 10-Q presents the **second third** quarter of the Company's fiscal year ending December 28, 2024 ("fiscal 2024"), which is a 52-week fiscal year. For presentation purposes herein, all references to periods ended **June September** 2024, December 2023 and **June September** 2023 correspond to the fiscal periods ended **June 29, 2024 September 28, 2024**, December 30, 2023 and **July 1, 2023 September 30, 2023**, respectively.

References to fiscal 2024 foreign currency amounts herein reflect the impact of changes in foreign exchange rates from the prior year comparable period and the corresponding impact on translating foreign currencies into U.S. dollars and on foreign currency-denominated transactions. The Company's most significant foreign currency translation exposure is typically driven by business conducted in euro-based countries, the Chinese yuan and the Mexican peso. However, the Company conducts business in other developed and emerging markets around the world with exposure to other foreign currencies.

Amounts herein may not recalculate due to the use of unrounded numbers.

Macroeconomic Environment and Other Recent Developments

Global macroeconomic conditions that continued to impact the Company include **ongoing** elevated interest rates, **moderating** inflation, **recessionary concerns**, fluctuating foreign currency exchange rates, supply chain issues and inconsistent consumer **demand, particularly in China demand**. These factors continue to contribute to uncertain global economic conditions and consumer spending patterns, which are impacting retailers' and the Company's operations. Additionally, the conflicts in Ukraine and the Middle East are causing disruption in the surrounding areas and greater uncertainty in the global economy. Inflationary pressures have moderated in recent quarters, and although these pressures continue to impact us, current period results reflect continued favorability from lower product costs compared to the **second third** quarter of 2023.

The macroeconomic factors discussed above, primarily **elevated** interest rates **and** inflation, **and recessionary concerns**, continued to impact consumer spending patterns leading contributed to retailer actions to **proactively** manage inventory levels, which impacted our results during the **six nine** months ended **June September** 2024.

Recent Ongoing disruptions to key trade routes such as the Red Sea and Panama Canal, **as well as political unrest in Bangladesh**, affected our global supply chain during the **second third** quarter of 2024 but did not have a significant impact on **second quarter** results. **Although Additionally**, we **continue to proactively manage our shipping carriers and routes to minimize costs and delays**, **do not anticipate that** these disruptions, **as well as recent port strikes on the East and Gulf Coasts of the U.S.**, will have a significant impact on freight costs **during or operations in the fourth quarter of 2024**.

The Company has responded to ongoing macroeconomic conditions by controlling expenses, adjusting pricing and proactively managing our global supply chain where possible. While we anticipate continued uncertainty related to the macroeconomic environment during 2024, we believe we are appropriately positioned to successfully manage through known operational challenges. We continue to closely monitor macroeconomic conditions, including consumer behavior and the impact of these factors on consumer demand.

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Business Overview

We continue to execute on our strategic vision which focuses on four growth catalysts: (i) expansion of our core U.S. Wholesale business, (ii) category extensions such as outdoor, workwear and t-shirts, (iii) geographic expansion of our *Wrangler*® and *Lee*® brands, and (iv) channel expansion focused on the digital platforms in our U.S. Wholesale and Direct-to-Consumer channels. We are focused on driving brand growth and delivering long-term value to our stakeholders including our consumers, customers, shareholders, suppliers and communities around the world.

In addition, our capital allocation strategy allows us the option to (i) **invest in our business**, (ii) pay down debt, (iii) **provide for a superior dividend payout**, (iii) (iv) effectively manage our share repurchase authorization and (iv) (v) act on strategic **investment acquisition** opportunities that may arise.

During the **second third** quarter of 2024, the Company incurred total restructuring and transformation charges of **\$4.5 \$8.4 million**, of which **\$2.1** million related to actions to streamline and transfer select production within our internal manufacturing network and **other \$6.3 million related to business optimization activities**. **Certain activities associated with the detailed planning and initial execution phases of the restructuring and transformation costs incurred during the second quarter of 2024 related to Project Jeanius, a Jeanius**. This comprehensive end-to-end business model transformation **is** focused on simplifying the organization and creating significant investment capacity to accelerate growth and increase profitability. We **are progressing in the detailed planning phase of Project Jeanius**, and **have started to execute on certain initiatives**. We anticipate additional costs and benefits in future periods as we **continue to** execute on this multi-year initiative. Refer to Note **15 4** to the Company's financial statements **in this Form 10-Q** for additional information related to restructuring charges.

Out-of-Period Duty Expense Recorded in 2023

During the three months ended September 2023, management identified inaccuracies in processing certain transactions with U.S. Customs and Border Protection ("U.S. Customs") arising from the implementation of the Company's enterprise resource planning system, which resulted in an underpayment of duties owed to U.S. Customs for the 2021 to 2023 periods. Accordingly, the Company recorded \$13.1 million in adjustments in the third quarter of 2023 within "cost of goods sold" to accrue for this underpayment of duty expense. The out-of-period duty expense recorded in 2023 results in a lack of comparability between periods in the statements of operations, primarily in cost of goods sold.

SECOND THIRD QUARTER OF FISCAL 2024 SUMMARY

- Net revenues decrease increased 1% 2% to \$506.9 670.2 million compared to the three months ended June September 2023.
- U.S. Wholesale revenues decreased 1% increased 5% compared to the three months ended June September 2023, and represented 74% 72% of total revenues in the current period.
- Non-U.S. Wholesale revenues decreased 8% 7% compared to the three months ended June September 2023, and represented 14% 17% of total revenues in the current period.
- Direct-to-Consumer revenues increased 3% compared to the three months ended June September 2023, and represented 12% 11% of total revenues in the current period.
- Gross margin increased 410 320 basis points to 44.7% compared to the three months ended June September 2023.
- Selling, general and administrative expenses as a percentage of net revenues increased to 32.3% 30.0% compared to 30.3% 28.4% for the three months ended June September 2023.
- Net income increased 42% 19% to \$51.8 million \$70.5 million compared to the three months ended June September 2023.
- Diluted earnings per share was \$0.92 \$1.26 in the second third quarter, compared to \$0.64 \$1.05 in the same period last year.

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ANALYSIS OF RESULTS OF OPERATIONS

Consolidated Statements of Operations

The following table presents components of the Company's statements of operations:

	Three Months Ended June		Six Months Ended June		Three Months Ended September			Nine Months Ended September		
(Dollars in thousands)										
(Dollars in thousands)										
(Dollars in thousands)	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Net revenues										
Gross margin (net revenues less cost of goods sold)										
As a percentage of net revenues	As a percentage of net revenues	44.7 %	40.6 %	44.9 %	41.8 %	As a percentage of net revenues	44.7 %	41.5 %	44.9 %	41.7 %
Selling, general and administrative expenses										
As a percentage of net revenues	As a percentage of net revenues	32.3 %	30.3 %	32.1 %	29.5 %	As a percentage of net revenues	30.0 %	28.4 %	31.3 %	29.1 %
Operating income										
As a percentage of net revenues	As a percentage of net revenues	12.4 %	10.3 %	12.9 %	12.3 %	As a percentage of net revenues	14.7 %	13.1 %	13.5 %	12.6 %

Additionally, the following table presents a summary of the changes in net revenues for the three and six nine months ended June September 2024 as compared to June September 2023:

(In millions)
Net revenues — 2023
Net revenues — 2023
Net revenues — 2023
Operations
Operations
Operations
Impact of foreign currency
Impact of foreign currency
Impact of foreign currency

Net revenues — 2024
Net revenues — 2024
Net revenues — 2024

Three Months Ended June September 2024 Compared to the Three Months Ended June September 2023

Net revenues decreased 1%, driven by an 8% decrease in Non-U.S. Wholesale revenues primarily attributable to lower sales in China and EMEA. U.S. Wholesale revenues decreased 1%, driven by retailer inventory management actions and a decrease in revenue from seasonal product, partially offset by growth in our digital wholesale business and a increased 2% benefit from a shift in the timing of certain shipments from the third quarter into the second quarter of 2024. Global Direct-to-Consumer revenues increased 3% with growth in e-commerce sales partially offset by declines in retail store sales, due in part to store closures.

Additional details on changes in net revenues for the three months ended June 2024 as compared to June 2023 are provided in the section titled "Information by Business Segment."

Gross margin increased 410 basis points, primarily related to 560 basis points of favorability from product costs, product mix and lower downtime from internal manufacturing. These benefits were partially offset by 130 basis points from pricing adjustments and channel mix along with a 10 basis point decrease due to restructuring and transformation charges.

Selling, general and administrative expenses increased \$9.3 million, from 30.3% to 32.3% of net revenues, driven by a \$4.7 million increase in certain incentive compensation-related expenses and a \$3.1 million increase in investments in our direct-to-consumer business and information technology. These increases were partially offset by a decrease of \$5.1 million from lower restructuring and transformation charges compared to the prior period.

Six Months Ended June 2024 Compared to the Six Months Ended June 2023

Netrevenues decreased 4%, driven by a 3% decrease 5% increase in U.S. Wholesale revenues primarily attributable to retailer inventory management actions and a decrease in revenue from seasonal product, partially offset by growth in our digital wholesale business, business, expanded distribution and category growth, partially offset by retailer actions to manage inventory levels. Non-U.S. Wholesale revenues decreased 8% 7%, primarily driven predominantly by lower sales in EMEA and China, Mexico. Global Direct-to-Consumer revenues increased 1% 3% with growth in e-commerce sales partially offset by declines in retail store sales.

Additional details on changes in net revenues for the six three months ended June September 2024 as compared to June September 2023 are provided in the section titled "Information by Business Segment."

Gross margin increased 310 320 basis points, primarily related to 440 290 basis points of favorability from product costs and lower downtime from internal manufacturing, channel mix and 200 basis points due to the out-of-period duty expense recorded in 2023. These benefits were partially offset by 80 120 basis points from lower pricing, adjustments proactive inventory management actions and product mix and 30 basis points from restructuring and transformation charges.

Selling, general and administrative expenses increased \$15.2 million, from 28.4% to 30.0% of net revenues, driven by \$6.4 million of restructuring and other transformation charges in the third quarter of 2024, a \$3.6 million increase in incentive compensation expense and a \$2.3 million increase in demand creation investments.

Nine Months Ended September 2024 Compared to the Nine Months Ended September 2023

Netrevenues decreased 2%, driven by an 8% decrease in the Non-U.S. Wholesale channel due to lower sales in EMEA and China. U.S. Wholesale revenues decreased 1%, primarily attributable to retailer actions to manage inventory levels and a decrease in revenue from seasonal product, partially offset by an increase in our digital wholesale business and category growth. Global Direct-to-Consumer revenues increased 2% with growth in e-commerce sales partially offset by declines in retail store sales.

Additional details on changes in net revenues for the nine months ended September 2024 as compared to September 2023 are provided in the prior period, section titled "Information by Business Segment."

Gross margin increased 320 basis points, primarily related to 380 basis points of favorability from product costs and 70 basis points due to the out-of-period duty expense recorded in 2023. These benefits were partially offset by 110 basis points from lower pricing and restructuring and transformation charges.

Selling, general and administrative expenses increased \$18.2 million, \$33.4 million, from 29.5% 29.1% to \$2.1% 31.3% of net revenues, driven by a \$10.8 million \$14.4 million increase in certain incentive compensation-related expenses and a \$7.0 compensation expense, \$10.2 million increase in of higher investments in our direct-to-consumer business, demand creation and information technology and a \$6.6 million increase in restructuring and transformation charges, partially offset by a \$2.6 \$2.1 million decrease reduction in distribution and freight costs.

The effective income tax rate for the six nine months ended June September 2024 was 20.0% 19.5% compared to 23.4% 21.4% in the 2023 period. The six nine months ended June September 2024 included a net discrete tax benefit primarily related to stock-based compensation which decreased the effective income tax rate by 1.2% 0.7%. The six nine months ended June September 2023 included a net discrete tax expense primarily related to a remeasurement of deferred tax assets associated with a tax holiday granted from local income taxes in a foreign jurisdiction which increased the effective income tax rate by 3.9% 2.4%. The effective tax rate without discrete items for the six nine months ended June September 2024 was 21.2% 20.2% compared to 19.5% 19.0% in the 2023 period. This The increase was primarily due to changes in our jurisdictional mix of earnings.

Information by Business Segment

The Company's two reportable segments are Wrangler® and Lee®. Refer to Note 3 to the Company's financial statements in this Form 10-Q for additional information.

The following tables present a summary of the changes in segment revenues and segment profit for the three and six nine months ended June September 2024 as compared to the three and six nine months ended June September 2023:

Segment Revenues:

	Three Months Ended June
	Three Months Ended June
	Three Months Ended June
	Three Months Ended September
	Three Months Ended September
	Three Months Ended September

(In millions)

(In millions)

(In millions)

Segment revenues — 2023
Segment revenues — 2023
Segment revenues — 2023
Operations
Operations
Operations
Impact of foreign currency
Impact of foreign currency
Impact of foreign currency
Segment revenues — 2024
Segment revenues — 2024
Segment revenues — 2024

	Six Months Ended June
	Nine Months Ended September
	Six Months Ended June
	Nine Months Ended September
	Six Months Ended June
	Nine Months Ended September

(In millions)

(In millions)

(In millions)

Segment revenues — 2023
Segment revenues — 2023
Segment revenues — 2023
Operations
Operations
Operations
Impact of foreign currency
Impact of foreign currency
Impact of foreign currency
Segment revenues — 2024
Segment revenues — 2024
Segment revenues — 2024

Segment Profit:

	Three Months Ended June
	Three Months Ended June
	Three Months Ended June
	Three Months Ended September

Three Months Ended September	
Three Months Ended September	
(In millions)	
(In millions)	
(In millions)	
Segment profit — 2023	
Segment profit — 2023	
Segment profit — 2023	
Operations	
Operations	
Operations	
Impact of foreign currency	
Impact of foreign currency	
Impact of foreign currency	
Segment profit — 2024	
Segment profit — 2024	
Segment profit — 2024	
Six Months Ended June	
Nine Months Ended September	
Six Months Ended June	
Nine Months Ended September	
Six Months Ended June	
Nine Months Ended September	
Six Months Ended June	
Nine Months Ended September	
(In millions)	
(In millions)	
(In millions)	
Segment profit — 2023	
Segment profit — 2023	
Segment profit — 2023	
Operations	
Operations	
Operations	
Impact of foreign currency	
Impact of foreign currency	
Impact of foreign currency	
Segment profit — 2024	
Segment profit — 2024	
Segment profit — 2024	

The following sections discuss the changes in segment revenues and segment profit.

Wrangler

Three Months Ended June	Six Months Ended June
Three Months Ended September	Nine Months Ended September

(Dollars in millions)

(Dollars in millions)

(Dollars in millions)		2024	2023	Percent Change		2024	2023	Percent Change		2024	2023	Percent Change		2024	2023	Percent Change	
Segment revenues	Segment revenues	\$ 429.2	\$ 425.5	0.9	0.9 %	\$ 838.7	\$ 848.6	(1.2)	(1.2) %	Segment revenues	\$ 464.1	\$ 444.5	4.4	4.4 %	\$ 1,302.8	\$	
Segment profit	Segment profit	\$ 88.3	\$ 71.0	24.5	24.5 %	\$ 163.0	\$ 142.1	14.7	14.7 %	Segment profit	\$ 97.8	\$ 81.6	19.9	19.9 %	\$ 260.8	\$	
Operating margin																	

Three Months Ended June September 2024 Compared to the Three Months Ended June September 2023

Global revenues for the Wrangler® brand increased 4%, due to growth in the U.S. Wholesale and Direct-to-Consumer channels, partially offset by a decline in the Non-U.S. Wholesale channel.

- Revenues in the Americas region increased 5%, primarily due to growth in our wholesale and direct-to-consumer businesses. Growth in wholesale was driven by an increase in our U.S. digital wholesale business, expanded distribution and category growth, partially offset by retailer actions to manage inventory levels. Growth in our direct-to-consumer business was primarily driven by higher e-commerce sales.
- Revenues in the EMEA region decreased 4%, attributable to a decline in our wholesale business, partially offset by growth in our direct-to-consumer business and a 2% favorable impact from foreign currency.
- Revenues in the APAC region were flat.

Operating margin increased to 21.1%, compared to 18.3% for the 2023 period, driven by lower product costs and the out-of-period duty expense recorded in 2023, partially offset by lower pricing, higher investments in our direct-to-consumer business, demand creation and information technology and increases in restructuring and transformation charges.

Nine Months Ended September 2024 Compared to the Nine Months Ended September 2023

Global revenues for the Wrangler® brand increased 1%, due to growth in the Direct-to-Consumer and Non-U.S. U.S. Wholesale channels, partially offset by a decline in the U.S. Non-U.S. Wholesale channel.

- Revenues in the Americas region increased 1%, primarily due to growth in our wholesale and direct-to-consumer and wholesale businesses. Growth in our direct-to-consumer business was primarily driven by higher e-commerce sales. Growth in wholesale was driven by Non-U.S. Americas wholesale, primarily due to higher sales in Canada, partially offset by a decline in our U.S. wholesale channel. The U.S. wholesale channel decline was attributable to retailer inventory management actions, partially offset by an increase in our digital wholesale business.
- Revenues in the EMEA region remained flat, with growth in e-commerce sales and our U.S. digital wholesale business offset by a decline in our wholesale business.
- Revenues in the APAC region increased slightly.

Operating margin increased to 20.6%, compared to 16.7% for the 2023 period, driven by lower product costs, favorable product mix and lower downtime associated with proactive actions taken in the prior year to manage internal production. These improvements were category growth, partially offset by pricing adjustments, increases in investments in our direct-to-consumer business and information technology, increases in restructuring and transformation charges compared retailer actions to the prior period and higher incentive compensation-related expense.

Six Months Ended June 2024 Compared to the Six Months Ended June 2023

Global revenues for the Wrangler® brand decreased 1%, due to declines in the U.S. Wholesale and Non-U.S. Wholesale channels, partially offset by growth in the Direct-to-Consumer channel.

- Revenues in the Americas region decreased 1%, primarily due to a decline in our wholesale business, partially offset by growth in our direct-to-consumer business. The decline in our wholesale business was driven by the U.S. wholesale channel, primarily due to retailer manage inventory management actions, partially offset by an increase in our digital wholesale business. levels. Growth in our direct-to-consumer business was primarily driven by higher e-commerce sales.
- Revenues in the EMEA region decreased 6%, due to a decline in our wholesale business, partially offset by growth in our direct-to-consumer business and a 2% favorable impact from foreign currency.
- Revenues in the APAC region increased slightly.

Operating margin increased to 19.4% 20.0%, compared to 16.7% 17.3% for the 2023 period, primarily attributable to favorability from lower product costs, favorable the out-of-period duty expense recorded in 2023, product mix lower and downtime associated with proactive actions in our manufacturing plants taken in the prior year to manage internal production and decreases in distribution and freight costs year. These improvements were partially offset by higher investments in our direct-to-consumer business, demand creation and information technology, as well as lower pricing, adjustments, increases in restructuring and transformation charges compared to the prior period, increases in investments in our direct-to-consumer business and information technology, higher incentive compensation-related expense and higher demand creation costs, compensation expense.

Lee

Three Months Ended June				Six Months Ended June			
Three Months Ended September				Nine Months Ended September			

(Dollars in millions)

(Dollars in millions)

		2024		2023		Percent Change		2024		2023		Percent Change		2024		2023		Percent Change	
Segment revenues	Segment revenues	\$175.3	\$	\$188.0	(6.8)	(6.8)%		\$394.7	\$	\$428.7	(7.9)	(7.9)%		\$202.3	\$	\$208.0	(2.7)	(2.7)%	
Segment profit	Segment profit	\$13.4	\$	\$17.2	(22.1)	(22.1)%		\$48.5	\$	\$56.7	(14.6)	(14.6)%		\$23.4	\$	\$20.7	12.6	12.6%	
Operating margin																			

Three Months Ended June September 2024 Compared to the Three Months Ended June September 2023

Global revenues for the Lee® brand decreased 3%, due to declines in the Non-U.S. Wholesale and Direct-to-Consumer channels, partially offset by growth in the U.S. Wholesale channel.

- Revenues in the Americas region decreased 3%, driven by declines in our wholesale and direct-to-consumer businesses. The decrease in wholesale revenues was due to a decline in our non-U.S. wholesale business, primarily due to lower sales in Mexico. The U.S. Wholesale channel grew, reflecting an increase in digital wholesale, partially offset by lower wholesale shipments. The decline in our direct-to-consumer business was due to lower retail store sales.
- Revenues in the APAC region increased 2%, due to growth in wholesale revenues in China, partially offset by a decrease in China retail store sales.
- Revenues in the EMEA region decreased 7%, attributable to a decline in our wholesale business, partially offset by growth in e-commerce sales and a 3% favorable impact from foreign currency.

Operating margin increased to 11.5%, compared to 10.0% for the 2023 period, primarily attributable to lower product costs and the out-of-period duty expense recorded in 2023, partially offset by lower pricing and unfavorable product and channel mix.

Nine Months Ended September 2024 Compared to the Nine Months Ended September 2023

Global revenues for the Lee® brand decreased 6%, due to declines in all regions and channels.

- Revenues in the Americas region decreased 6%, driven by decreases declines in our wholesale and direct-to-consumer businesses. The decrease in wholesale revenues was due to declines a decline in the U.S. Wholesale channel, as well as our non-U.S. wholesale channel and our Non-U.S. wholesale business, business, primarily due to lower sales in Mexico. The decline in the U.S. wholesale Wholesale channel was primarily due to retailer actions to manage inventory management actions levels and a decrease in revenue from seasonal product sales, partially offset by growth in our digital wholesale business, wholesale. The decline in our direct-to-consumer business was due to lower retail store and e-commerce sales.
- Revenues in the APAC region decreased 16%, due to a decrease in wholesale revenues and retail store sales in China and a 3% unfavorable impact from foreign currency, partially offset by growth in e-commerce sales.
- Revenues in the EMEA region decreased 10%, attributable to a decrease in our wholesale business.

Operating margin decreased to 7.6%, compared to 9.1% for the 2023 period. Benefits from lower product costs were more than offset by unfavorable product mix, pricing adjustments, increases in investments in our direct-to-consumer business and deleverage of fixed expenses on lower revenues.

Six Months Ended June 2024 Compared to the Six Months Ended June 2023

Global revenues for the Lee® brand decreased 8%, due to declines in all regions and channels.

- Revenues in the Americas region decreased 7%, driven by an 8% decrease in the U.S. wholesale channel due to retailer inventory management actions and a decrease in revenue from seasonal product, partially offset by growth in our digital wholesale business.
- Revenues in the APAC region decreased 11%, primarily resulting from decreases declines in wholesale revenue and retail store sales in China and a 4% 2% unfavorable impact from foreign currency, partially offset by growth in e-commerce sales.
- Revenues in the EMEA region decreased 8%, attributable to a decrease decline in our wholesale business, partially offset by growth in our digital wholesale business, business and e-commerce sales.

Operating margin decreased to 12.3% 12.0%, compared to 13.2% 12.2% for the 2023 period. Benefits from lower product costs and the out-of-period duty expense recorded in 2023 were more than offset by unfavorable product mix, lower pricing, adjustments, increases in higher investments in our direct-to-consumer business and deleverage of fixed expenses on lower revenues.

Other

In addition, we report an "Other" category to reconcile segment revenues and segment profit to the Company's operating results, but the Other category does not meet the criteria to be considered a reportable segment. Other includes sales and licensing of *Rock & Republic*®, other company-owned brands and private label apparel.

(Dollars in millions)	Three Months Ended June			Six Months Ended June		
	2024	2023	Percent Change	2024	2023	Percent Change
Other revenues	\$ 2.4	\$ 2.5	(6.4)%	\$ 4.6	\$ 5.8	(20.9)%
Loss related to other revenues	\$ (1.1)	\$ (0.2)	*	\$ (1.3)	\$ (0.1)	*
Operating margin	(47.0)%	(9.4)%		(27.3)%	(2.2)%	

*Calculation not meaningful.

(Dollars in millions)	Three Months Ended September			Nine Months Ended September		
	2024	2023	Percent Change	2024	2023	Percent Change
Other revenues	\$ 3.7	\$ 2.0	89.7 %	\$ 8.4	\$ 7.8	7.0 %
Profit (loss) related to other revenues	\$ 0.2	\$ (0.5)	138.4 %	\$ (1.1)	\$ (0.6)	75.8 %
Operating margin	4.9 %	(24.4)%		(12.8)%	(7.8)%	

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Reconciliation of Segment Profit to Income Before Income Taxes

The costs below are necessary to reconcile total reportable segment profit to income before taxes. Corporate and other expenses, including certain restructuring and transformation costs, and interest income and expense are not controlled by segment management and therefore are excluded from the measurement of segment profit.

(Dollars in millions)	Three Months Ended June			Six Months Ended June		
	2024	2023	Percent Change	2024	2023	Percent Change
Total reportable segment profit	\$ 101.7	\$ 88.1	15.4 %	\$ 211.5	\$ 198.8	6.4 %
Corporate and other expenses	(28.4)	(27.7)	2.6 %	(56.4)	(45.7)	23.4 %
Interest expense	(10.4)	(9.7)	7.4 %	(19.7)	(19.9)	(1.3)%
Interest income	2.6	0.7	278.6 %	5.0	1.1	354.1 %
Loss related to other revenues	(1.1)	(0.2)	*	(1.3)	(0.1)	*
Income before income taxes	\$ 64.5	\$ 51.3	25.7 %	\$ 139.1	\$ 134.1	3.7 %

*Calculation not meaningful.

(Dollars in millions)	Three Months Ended September			Nine Months Ended September		
	2024	2023	Percent Change	2024	2023	Percent Change
Total reportable segment profit	\$ 121.1	\$ 102.3	18.4 %	\$ 332.6	\$ 301.1	10.4 %
Corporate and other expenses	(26.3)	(20.1)	30.9 %	(82.7)	(65.8)	25.7 %
Interest expense	(11.2)	(10.5)	6.9 %	(30.9)	(30.4)	1.5 %
Interest income	3.0	1.0	207.6 %	8.0	2.1	286.0 %
Profit (loss) related to other revenues	0.2	(0.5)	138.4 %	(1.1)	(0.6)	75.8 %
Income before income taxes	\$ 86.8	\$ 72.2	20.1 %	\$ 225.9	\$ 206.4	9.5 %

Three Months Ended June September 2024 Compared to the Three Months Ended June September 2023

Corporate and other expenses increased \$0.7 million \$6.2 million, primarily due to increases in incentive compensation-related expense, partially offset by a decrease an increase in restructuring and transformation charges compared to the prior period.

Interest expense increased \$0.7 million, primarily due to the higher effective interest rate as a result maturity of the expiration of interest rate swap agreements 2019 Swap Agreements in April 2024, partially offset by the effect of lower average debt outstanding during the three months ended June September 2024 compared to the three months ended June September 2023. In addition, the three months ended September 2023 included interest attributable to the out-of-period duty expense recorded in 2023.

Six Nine Months Ended June September 2024 Compared to the Six Nine Months Ended June September 2023

Corporate and other expenses increased \$10.7 million \$16.9 million, primarily due to increases in incentive compensation-related expense, compensation expense and restructuring and transformation charges compared to the prior period.

Interest expense decreased \$0.3 million increased \$0.5 million, primarily due to the maturity of the 2019 Swap Agreements in April 2024, partially offset by the effect of lower average debt outstanding during the six nine months ended June September 2024 compared to the six nine months ended June September 2023. In addition, the nine months ended September 2023 partially offset by included interest attributable to the higher effective interest rate as a result of the expiration of interest rate swap agreements out-of-period duty expense recorded in April 2024, 2023.

ANALYSIS OF FINANCIAL CONDITION

Liquidity and Capital Resources

The Company's ability to fund our operating needs is dependent upon our ability to generate positive long-term cash flow from operations and maintain our debt financing on acceptable terms. The Company has historically generated strong positive cash flows from operations and continues to take proactive measures to manage working capital. During the six nine months ended June September 2024, the Company repaid a total of \$35.0 \$40.0 million of the principal outstanding on Term Loan A, including \$25.0 million of voluntary early repayments which reduced future required quarterly repayments during the second quarter of 2024, repayments. We believe cash flows from operations will support our short-term liquidity needs as well as any future liquidity and capital requirements, in combination with available cash balances and borrowing capacity from our revolving credit facility.

The Company is party to a senior secured Credit Agreement, as amended and restated on November 18, 2021 (the "Credit Agreement"), which provides for (i) a five-year \$400.0 million term loan A facility ("Term Loan A") and (ii) a five-year \$500.0 million revolving credit facility (the "Revolving Credit Facility"), collectively referred to as "Credit Facilities," with the lenders and agents party thereto. Term Loan A requires quarterly repayments of \$5.0 million through September 2026, and the remaining principal of \$335.0 million is due at maturity in November 2026. Additionally, the Company has outstanding \$400.0 million of unsecured 4.125% senior notes due 2029. The Company has "floating to fixed" interest rate swap agreements to mitigate exposure to volatility in reference rates on the Company's future interest payments. Refer to Note 11 in the Company's 2023 Annual Report on Form 10-K and Note 7 to the Company's financial statements in this Form 10-Q for additional information regarding the Company's debt obligations, obligations, and refer to Note 9 to the Company's financial statements in this Form 10-Q for additional information regarding the Company's interest rate swap agreements.

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As of June September 2024, the Company was in compliance with all applicable covenants under the Credit Agreement and expects to maintain compliance with the applicable covenants for at least one year from the issuance of these financial statements. If economic conditions significantly deteriorate for a prolonged period, this could impact the Company's operating results and cash flows and thus our ability to maintain compliance with the applicable covenants. As a result, the Company could be required to seek new amendments to the Credit Agreement or secure other sources of liquidity, such as refinancing of existing borrowings, the issuance of debt or equity securities, or sales of assets. However, there can be no assurance that the Company would be able to obtain such additional financing on commercially reasonable terms or at all.

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The Revolving Credit Facility may be used to borrow funds in both U.S. dollar and certain non-U.S. dollar currencies, and has a maximum borrowing capacity of \$500.0 million with a \$75.0 million letter of credit sublimit. There were no outstanding borrowings under the Revolving Credit Facility as of June September 2024.

The following table presents outstanding borrowings and available borrowing capacity under the Revolving Credit Facility and our cash and cash equivalents balances as of June September 2024:

(In millions)		June September 2024
Outstanding borrowings under the Revolving Credit Facility	\$	—
Available borrowing capacity under the Revolving Credit Facility ⁽¹⁾	\$	493.5
Cash and cash equivalents	\$	224.3 269.4

⁽¹⁾ Available borrowing capacity under the Revolving Credit Facility is net of \$6.5 million of outstanding standby letters of credit issued on behalf of the Company under this facility.

At June September 2024, the Company had \$19.3 million \$20.0 million of international lines of credit with various banks, which are uncommitted and may be terminated at any time by either the Company or the banks. There were no outstanding balances under these arrangements at June September 2024.

During the six nine months ended June September 2024, the Company repurchased 0.7 million 1.2 million shares of Common Stock for \$45.0 million \$85.0 million, including commissions, under its \$300.0 million share repurchase program authorized by the Company's Board of Directors. All shares reacquired in connection with the repurchase program are treated as authorized and unissued shares upon repurchase. As of June September 2024, \$255.0 million \$215.0 million remained available for repurchase under the program.

During the six nine months ended June September 2024, the Company paid \$55.7 million \$83.3 million of dividends to its shareholders. On July 25, 2024 October 24, 2024, the Board of Directors declared a regular quarterly cash dividend of \$0.50 \$0.52 per share of the Company's Common Stock. The cash dividend will be payable on September 20, 2024 December 19, 2024, to shareholders of record at the close of business on September 10, 2024 December 9, 2024.

The Company intends to continue to pay cash dividends in future periods. The declaration and amount of any future dividends will be dependent upon multiple factors including our financial condition, earnings, cash flows, capital requirements, covenants associated with our debt obligations, legal requirements, regulatory constraints, industry practice and any other factors or considerations that our Board of Directors deems relevant.

We anticipate that we will have sufficient cash flows from operations, along with existing borrowing capacity, to support continued investments in our brands, infrastructure, talent and capabilities, dividend payments to shareholders, repayment of our debt obligations when due and repurchases of Common Stock. In addition, we would use current liquidity as well as access to capital markets to fund any strategic **investment acquisition** opportunities that may arise.

We currently expect capital expenditures to be approximately **\$35.0 million** **\$25.0 million** in 2024, primarily to support manufacturing, distribution, facility improvement, information technology and owned retail store investments.

The following table presents our cash flows during the periods:

	Six Months Ended June
	Six Months Ended June
	Six Months Ended June
	Nine Months Ended September
	Nine Months Ended September
	Nine Months Ended September

(In millions)

(In millions)

(In millions)

Cash provided (used) by:

Cash provided (used) by:

Cash provided (used) by:

Operating activities
Operating activities
Operating activities
Investing activities
Investing activities
Investing activities
Financing activities
Financing activities
Financing activities

Operating Activities

During the **six** **nine** months ended **June** **September** 2024, cash provided by operating activities was **\$152.7 million** **\$286.3 million** as compared to **\$111.7 million** **\$147.5 million** in the prior year period. The increase was primarily due to higher net income as well as favorable changes in working capital, which included **inventory**, accounts payable, **inventory**, accrued and other current liabilities and income **taxes**, partially offset by unfavorable changes in accounts receivable compared to the prior year period. **taxes**.

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Investing Activities

During the **six** **nine** months ended **June** **September** 2024, cash used by investing activities was **\$11.4 million** **\$16.5 million** as compared to **\$20.0 million** **\$31.3 million** in the prior year period, primarily due to decreases in expenditures of property, plant and equipment and capitalized computer software in the current year period.

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Financing Activities

During the **six** **nine** months ended **June** **September** 2024, cash used by financing activities was **\$137.0 million** **\$210.8 million** as compared to **\$69.0 million** **\$98.0 million** in the prior year period. The increase was primarily due to **\$45.0 million** **\$85.0 million** of Common Stock repurchases and **\$35.0 million** **\$40.0 million** in repayments of Term Loan A during the **six** **nine** months ended **June** **September** 2024.

Contractual Obligations and Other Commercial Commitments

The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations" included in the Company's 2023 Annual Report on Form 10-K provided a summary of our contractual obligations and commercial commitments at the end of 2023 that would require the use of funds. As of **June September** 2024, there have been no material changes in the amounts disclosed in the 2023 Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

We have chosen accounting policies that management believes are appropriate to accurately and fairly report our operating results and financial position in conformity with GAAP. We apply these accounting policies in a consistent manner. Significant accounting policies are summarized in Note 1 to the consolidated financial statements included in the 2023 Annual Report on Form 10-K.

The application of these accounting policies requires that we make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, net revenues, expenses, contingent assets and liabilities and related disclosures. These estimates, assumptions and judgments are based on historical experience, current trends and other factors believed to be reasonable under the circumstances. Management evaluates these estimates and assumptions on an ongoing basis. Because our business cycle is relatively short (i.e., from the date that inventory is received until that inventory is sold and the trade accounts receivable is collected), actual results related to most estimates are known within a few months after any balance sheet date. Several of the estimates and assumptions we are required to make relate to future events and are therefore inherently uncertain, especially as it relates to events outside of our control. If actual results ultimately differ from previous estimates, the revisions are included in results of operations when the actual amounts become known. Refer to Note 1 to the Company's financial statements in this Form 10-Q for considerations related to the macroeconomic environment and other recent developments.

The accounting policies that involve the most significant estimates, assumptions and management judgments used in preparation of the financial statements, or are the most sensitive to change from outside factors, are discussed within "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in the 2023 Annual Report on Form 10-K. There have been no material changes in these policies disclosed in the 2023 Annual Report on Form 10-K.

Recently Issued and Adopted Accounting Standards

Refer to Note 1 to the Company's financial statements in this Form 10-Q for additional information regarding recently issued and adopted accounting standards.

Cautionary Statement on Forward-looking Statements

From time to time, the Company may make oral or written statements, including statements in this quarterly report, that constitute "forward-looking statements" within the meaning of the federal securities laws. These include statements concerning plans, objectives, projections and expectations relating to the Company's operations or economic performance and assumptions related thereto. Forward-looking statements are made based on management's expectations and beliefs concerning future events impacting the Company and therefore involve a number of risks and uncertainties. Forward-looking statements are not guarantees, and actual results could differ materially from those expressed or implied in the forward-looking statements. In addition, the forward-looking statements in this report are made as of the date of this filing, and the Company does not undertake, and expressly disclaims any duty, to update such statements, whether as a result of new information, new developments, or otherwise, except to the extent that disclosure may be required by law.

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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 report include, but are not limited to: macroeconomic conditions, including elevated interest rates, inflation, recessionary concerns and fluctuating foreign currency exchange rates, as well as continuing global supply chain issues and geopolitical events, continue to adversely impact global economic conditions and have had, and may continue to have, a negative impact on the Company's business, results of operations, financial condition and cash flows (including future uncertain impacts); the level of consumer demand for apparel; reliance on a small number of large customers; supply chain and shipping disruptions, which could continue to result in shipping delays, an increase in transportation costs and increased product costs or lost sales; intense industry competition; the ability to accurately forecast demand for products; the Company's ability to gauge consumer preferences and product trends, and to respond to constantly changing markets; 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; 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

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quality; disruption to distribution systems; seasonality; unseasonal or severe weather conditions; 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 or maintain operational performance; ability to properly collect, use, manage and secure consumer and employee data; 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; legal, regulatory, political and economic risks; changes to trade policy, including tariff and import/export regulations; the impact of climate change and related legislative and regulatory responses; 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; 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; 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; and fluctuations in the amount and frequency of our share repurchases. Many of the foregoing risks and uncertainties will be exacerbated by any worsening of the global business and economic environment.

More information on potential factors that could affect the Company's financial results are described in detail in the Company's 2023 Annual Report on Form 10-K and in other reports and statements that the Company files with the Securities and Exchange Commission ("SEC").

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk exposures set forth under Item 7A in our 2023 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

- (a) *Disclosure Controls and Procedures.* As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")). Based on such evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures were effective and operating to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.
- (b) *Internal Control Over Financial Reporting.* There have been no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various claims and lawsuits arising in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on our results of operations or financial condition.

ITEM 1A. RISK FACTORS

Careful consideration of the risk factors set forth under Part I, Item 1A, "Risk Factors," of our 2023 Annual Report on Form 10-K, as supplemented below, should be made. There

Except as set forth below, there have been no material changes to the risk factors from those disclosed in Part I, Item 1A of our 2023 Annual Report on Form 10-K, 10-K:

Environmental, social and governance ("ESG") issues and regulations, including those related to climate change and sustainability, and stakeholder response thereto may have an adverse effect on our business, financial condition and results of operations and damage our reputation.

Companies across all industries are facing increasing scrutiny relating to their ESG practices and policies. The landscape related to ESG regulation, compliance, and reporting is constantly evolving, including expanding in scope and complexity. For example, the SEC, the State of California, and the European Commission have published proposed or final rules, including the European Commission's Corporate Sustainability Reporting Directive, that would require significantly increased disclosures related to climate change and other issues. We may experience significant future cost increases associated with regulatory compliance for ESG matters, including fees, licenses, reporting, and the cost of capital improvements for our operating facilities to meet environmental regulatory requirements. Increased focus and activism related to ESG may hinder our access to capital or negatively impact our stock price, as investors may reconsider their capital investment based on their assessment of our ESG practices and policies. In particular, investor advocacy groups, institutional investors, shareholders, employees, consumers, customers, regulators, proxy advisory services and other market participants have increasingly focused on ESG practices and policies of companies. These stakeholders have placed increased importance on ESG practices and their effect on companies from an investor, consumer, customer or employee perspective. If our ESG practices do not meet investor or other stakeholder expectations and standards or evolving regulatory requirements, our stock price, brand, sales, ability to access capital markets, reputation and employee retention, among other things, may be negatively affected.

In addition, we have published goals across a range of ESG areas, including environmental sustainability, greenhouse gas emissions, and diversity, equity and inclusion matters. Although we intend to meet these goals, we may be required to expend significant resources to do so, which could increase our operational costs. In addition, we could be criticized for the scope or nature of these goals, or for any revisions to our goals. Moreover, we may determine that it is in the best interests of our Company and our shareholders to prioritize other business, social, governance or sustainable investments over the achievement of our current goals based on economic, technological developments, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders. If we do not adapt to or comply with new ESG regulations, such as those related to climate change, carbon emissions and related ESG disclosure requirements, or fail to meet our goals or evolving investor, industry or stakeholder expectations and standards, or if we are perceived (whether or not valid) to have not responded appropriately to the growing and various concerns for ESG issues, customers and consumers may choose to stop purchasing our products or purchase products from a competitor, and our reputation, business or financial results may be adversely affected. Further, if we incur adverse publicity and reaction from investors, activist groups or other stakeholders related to our ESG efforts and goals, the perception of us and our products and services by current and potential customers, as well as investors, could be adversely impacted which could adversely impact our business and financial results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS



Second quarter fiscal 2024	Total number of shares purchased	Weighted average price paid per share	Total number of shares purchased as part of publicly announced program (1)	Dollar value of shares that may yet be purchased under the program
March 31 - April 27	—	\$ —	—	\$ 280,000,012
April 28 - May 25	—	—	—	280,000,012
May 26 - June 29	344,717	72.52	344,717	254,999,853
Total	344,717	\$ 72.52	344,717	

Third quarter fiscal 2024	Total number of shares purchased	Weighted average price paid per share	Total number of shares purchased as part of publicly announced program (1)	Dollar value of shares that may yet be purchased under the program
June 30 - July 27	—	\$ —	—	\$ 254,999,853
July 28 - August 24	435,079	70.17	435,079	224,470,081
August 25 - September 28	129,976	73.02	129,976	214,979,702
Total	565,055	\$ 70.83	565,055	

(1) The Company has a share repurchase program which authorizes the repurchase of up to \$300.0 million of the Company's outstanding Common Stock through open market or privately negotiated transactions. The program does not have an expiration date but may be suspended, modified or terminated at any time without prior notice.

ITEM 5. OTHER INFORMATION

(c) During the three months ended June September 2024, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

31.1	Certification of Scott H. Baxter, President, Chief Executive Officer and Chair of the Board, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Joseph A. Alkire, Executive Vice President and Chief Financial Officer, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Scott H. Baxter, President, Chief Executive Officer and Chair of the Board, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Joseph A. Alkire, Executive Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

Our SEC file number for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 001-38854.

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SIGNATURES

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

KONTOOR BRANDS, INC.
(Registrant)

Date: August 1, 2024 October 31, 2024

By: /s/ Joseph A. Alkire
Joseph A. Alkire
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Denise Sumner
Denise Sumner
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

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Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 15 U.S.C. SECTION 10A, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott H. Baxter, certify that:

- 1. I have reviewed this Quarterly Report on Form 10-Q of Kontoor Brands, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, October 31, 2024

/s/ Scott H. Baxter

Scott H. Baxter

President, Chief Executive Officer and Chair of the Board

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 15 U.S.C. SECTION 10A, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph A. Alkire, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kontoor Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, October 31, 2024

/s/ Joseph A. Alkire

Joseph A. Alkire

Executive Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kontoor Brands, Inc. (the "Company") on Form 10-Q for the period ending June 29, 2024 September 28, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott H. Baxter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, October 31, 2024

/s/ Scott H. Baxter

Scott H. Baxter

President, Chief Executive Officer and Chair of the Board

Exhibit 32.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kontoor Brands, Inc. (the "Company") on Form 10-Q for the period ending June 29, 2024 September 28, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph A. Alkire, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, October 31, 2024

/s/ Joseph A. Alkire

Joseph A. Alkire

Executive Vice President and Chief Financial Officer

DISCLAIMER

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