Valuation Report: Levi Strauss & Co.

Team:

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We evaluated Levi Strauss & Co. (LEVI) using both a comparables-based multiples analysis and a discounted cash flow (DCF) model to estimate its intrinsic value

Multiple-Comparables Analysis:

For our multiples analysis, we compared Levi's to three similar companies in the apparel and retail industry: Gap (GAP), Abercrombie & Fitch (ANF), American Eagle (AEO). These firms were selected because they share overlapping consumer bases, product categories, and brand strategies. From this group, we found an average forward P/E ratio of 9.407×, which we applied to Levi's current EPS of $1.05, yielding an implied price of $9.87 per share. Compared to Levi's actual market price of $24.37, our analysis suggests the company trades at roughly a 146% premium to peers. This premium likely reflects investor confidence in Levi's brand strength and global reach.

DCF Valuation:

For our DCF valuation, we projected Levi's financial performance under a strategy emphasizing rapid DTC(Direct-To-Consumer) and e-commerce expansion over the next five years, followed by a more moderate growth phase. The underlying logic is that DTC sales, both through company-operated stores and brand-owned e-commerce, yield higher gross margins than wholesale, thus increasing profitability even without explosive top-line growth. Under these assumptions, we modeled a gradual gross margin expansion from 61.1% in FY2024 to 63% by FY2034, growth in DTC Sales from 41% in FY2024 to 60% FY2025, and E-commerce Growth of 10% in FY2024 to 20% in FY2024. Our forecast produced an enterprise value (EV) of $11.97 billion, compared to Levi's current EV of roughly $11.15 billion, representing about a 7% increase in firm value driven by our proposed strategy. This translates to a price per share of $26.44, modestly above the current market value, indicating limited upside but strong validation for Levi's DTC trajectory.

Assumptions:

Key assumptions included DTC revenue growing 9% annually for the first five years and 3% thereafter, e-commerce revenue growing 15% then 6%, and wholesale sales remaining flat. We used a WACC of 10%, a terminal growth rate of 2%, and a normalized tax rate of 21%. The tax rate was grabbed from the average company tax rate across the US, despite Levi's 2024 tax rate being 3.8%, we disregarded that because it was an anomaly. Maintenance CAPEX was set at 3.1% of sales which was in line with depreciation and each new store required approximately $1- 1.5 million in capital expenditure. We used $1.5 million to account for growth in the e-commerce costs as well. Working capital averaged 2% of sales, consistent with recent trends.

Conclusion:

Under these inputs, Levi's DCF value exceeds its market-implied valuation, suggesting that disciplined DTC execution and continued investment in digital infrastructure can deliver meaningful shareholder value over the long term.

Sources:

Levi Strauss & Co. Form 10-K, FY2024.

Levi Strauss & Co. 2024 Annual Report.

Yahoo Finance (LEVI) — price, share count, summary ratios.

		Ticker	**Company**	**P/E (TTM)**	**Forward P/E**	**Price (USD)**	**EPS(TTM)**
		LEVI	Levi Strauss	23.9	16.8	24.3	1.05
		AEO	American Eagle	16.62	11.29	15.76	1.02
		ANF	Abercrombie & Fitch	8.14	7.68	77.88	10.52
		GAP	The Gap	9.37	9.25	21.51	2.32
		All Info is from Yahoo Finance					
		Average Comparable P/E Ratio =		9.407			
		Levi's PPS with AVG Comp P/E Ratio=		9.877			

Levi Strauss & Co.(LEVI)

Timing: using ValueLine convention, so that 2024 = Year ending 2/1/2025

	Key Assumptions	2024 Levi's Growth Rate		Our 5 year Accelerated Growth		Last 5 year growth
Derived from Levi shareholder report and 10k	DTC Growth Rate	8%		9%		3%
	E-Commerce Growth Rate	11%		15%		6%
	Gross Margin Growth Rate	1.77%		0.00391		0.00223

Yahoo Finance Data	2024
Revenue From DTC	2660.49
Revenue from E-Commerce	648.9
Gross Margin	61.10%

Wholesale Rev= 3,179.71

	Actual															
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Revenue From DTC	2660.49	2899.93	3160.93	3445.41	3755.50	4093.49	4461.91	4595.77	4733.64	4875.65	5021.92	5172.57				
Revenue from E-Commerce	648.90	746.24	858.17	986.90	1134.93	1305.17	1500.95	1591.00	1686.46	1787.65	1894.91	2008.60				
Gross Margin	0.61	0.61	0.62	0.62	0.62	0.62	0.63	0.63	0.63	0.63	0.63	0.63				
Admin Costs	3274.00	3372.22	3473.39	3577.59	3684.92	3795.46	3909.33	3948.42	3987.90	4027.78	4068.06	4108.74				

Other Assumptions				
"Maintenance" CAPEX (% of sales)	3.10%	estimate (see proj appendix)		*Actuals*
CAPEX per NEW Store ($ millions)	1.5	estimate (see proj appendix)	Sales	6,489
Working Capital (% of Sales)	2%	actual, most recent year	Gross Profit	3,967
Depreciation (% of Sales)	3.14%	actual, most recent year	Admin Costs	3,274
Tax Rate	21%	valueline	Working Capital	102.9
			Depreciation	204

Cost of Capital	
Risk-Free Rate	0.043
Equity Premium	0.06
Beta (unlevered)	0.95
Cost of Capital	0.1
Tax Rate	0
Debt/Value Ratio	0
WACC (discount rate for the FCF)	0.1 <=use this to discount the FCF
FYI: Equity Beta	0.95
Perpetual Growth Rate	0.02

Income Statement

Breakdown	TTM	FY 2024	FY 2023	FY 2022	FY 2021
Total Revenue	6,489.10	6,355.30	6,179.00	6,168.60	5,763.90
Cost of Revenue	2,522.00	2,539.40	2,663.30	2,619.80	2,417.20
Gross Profit	3,967.10	3,815.90	3,515.70	3,548.80	3,346.70
Operating Expense	3,274.00	3,246.20	3,051.90	2,881.60	2,660.50
Operating Income	693.1	569.7	463.8	667.2	686.2
Net Non-Operating Interest Income (Expense	-44.2	-41.8	-45.9	-25.7	-72.9
Other Income (Expense)	-150.1	-308.9	-152.7	8.1	-33.1
Pretax Income	498.8	219	265.2	649.6	580.2
Tax Provision	75.7	8.4	15.6	80.5	26.7
Net Income (Common Stockholders)	405.3	210.6	249.6	569.1	553.5
Basic EPS ($)	1.02	0.53	0.63	1.43	1.38
Diluted EPS ($)	1.01	0.52	0.62	1.41	1.35
EBIT	543	260.8	311.1	675.3	653.1
EBITDA	747.1	454	476.4	834.2	796.3
Depreciation	204.1	193.2	165.3	158.9	143.2
Normalized EBITDA	899.9	761.5	625.6	841.3	841.8
Total Expenses	5,796.00	5,785.60	5,715.20	5,501.40	5,077.70
Total Unusual Items	-152.8	-307.5	-149.2	-7.1	-45.5

Balance Sheet

Breakdown	FY 2024 (11/30/24)	2023 (11/30/23)	2022 (11/30/22)	FY 2021 (11/30/21)
Total Assets	6,375.50	6,053.60	6,037.80	5,900.10
Total Liabilities (Net Minority Interest)	4,405.00	4,007.20	4,134.10	4,234.40
Total Equity (Gross Minority Interest)	1,970.50	2,046.40	1,903.70	1,665.70
Total Capitalization	2,964.50	3,055.80	2,888.20	2,686.40
Common Stock Equity	1,970.50	2,046.40	1,903.70	1,665.70
Capital Lease Obligations	1,213.80	1,158.60	1,094.80	1,214.90
Net Tangible Assets	1,496.30	1,475.10	1,251.30	987.5
Working Capital	840.6	850.1	846.3	840.3
Invested Capital	2,970.00	3,068.30	2,899.90	2,692.30
Tangible Book Value	1,496.30	1,475.10	1,251.30	987.5
Total Debt	2,213.30	2,180.50	2,091.00	2,241.50
Net Debt	309.5	623.1	566.6	216.3
Shares Issued (000s)	395.4	397.3	393.7	399.8
Ordinary Shares Number (000s)	395.4	397.3	393.7	399.8

Levi Strauss & Co.	Timing: using ValueLine convention, so that 2024 = Year ending 2/1/2025											
Cash Flow Forecast and Valuation												
	(past, just FYI)											
Levu Strauss & Co.	Actual	1	2	3	4	5	6	7	8	9	10	Perpetuity
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
Sales	6,489.10	6,825.88	7,198.81	7,612.02	8,070.14	8,578.37	9,142.56	9,366.48	9,599.81	9,843.01	10,096.54	10,360.89
-COGS	2,522.00	-2,638.96	-2,765.87	-2,906.31	-3,061.71	-3,233.71	-3,424.12	-3,494.92	-3,568.56	-3,645.17	-3,724.89	-3,807.83
Gross Profit	3,967.10	4,186.92	4,432.94	4,705.71	5,008.43	5,344.66	5,718.44	5,871.56	6,031.25	6,197.83	6,371.65	6,553.06
-Admin Expenses	3,274.00	-3,372.22	-3,473.39	-3,577.59	-3,684.92	-3,795.46	-3,909.33	-3,948.42	-3,987.90	-4,027.78	-4,068.06	-4,108.74
-Depreciation	204.00	-214.59	-226.31	-239.30	-253.70	-269.68	-287.42	-294.46	-301.79	-309.44	-317.41	-325.72
Other												
EBIT	489.10	600.11	733.24	888.82	1,069.81	1,279.52	1,521.70	1,628.68	1,741.55	1,860.61	1,986.18	2,118.59
-Taxes	8.40	-126.02	-153.98	-186.65	-224.66	-268.70	-319.56	-342.02	-365.73	-390.73	-417.10	-444.90
NOPAT	480.70	474.09	579.26	702.17	845.15	1,010.82	1,202.14	1,286.66	1,375.83	1,469.88	1,569.08	1,673.69
Depreciation	204.00	214.59	226.31	239.30	253.70	269.68	287.42	294.46	301.79	309.44	317.41	325.72
-Capital Expenditures (on existing)	201.16	-211.60	-223.16	-235.97	-250.17	-265.93	-283.42	-290.36	-297.59	-305.13	-312.99	-321.19
-Capital Expenditures (new stores)	235.50	-114.84	-125.18	-136.44	-148.72	-162.11	-176.70	-182.00	-187.46	-193.08	-198.87	-204.84
-Increase in Working Capital	-9.50	-5.34	-5.91	-6.55	-7.26	-8.06	-8.95	-3.55	-3.70	-3.86	-4.02	-4.19
Other Non Cash	0.00											
Free Cash flow	257.54	356.89	451.32	562.50	692.69	844.40	1,020.50	1,105.21	1,188.87	1,277.25	1,370.60	1,469.19
Discounted		324.45	372.99	422.62	473.12	524.31	576.04	567.15	554.62	541.68	528.43	
PV of FCF, year 1 to 10	4,885.40											
PV of FCF after year 10 ("Terminal" or "Horizon")	7,080.46										18,364.88	
Value of Business	11,965.85	<=DCF, EV										
Working Capital												
AR	748.90											
Inventory	964.80											
Other	313.40											
Accounts Payable	-533.40											
Accrued Expenses	-1,390.80											
Other												
Other LT Liabilities												
Net Operating Working Capital	102.90	108.24	114.15	120.71	127.97	136.03	144.98	148.53	152.23	156.08	160.10	164.30
PERCENT OF SALES												
Increase in Working Capital		5.34	5.91	6.55	7.26	8.06	8.95	3.55	3.70	3.86	4.02	4.19
Valuation Summary												
	10.7.2025			**Our**	<= Using most recent 10K financials							
	Market Value			Estimate								
Value of Business Operations (EV)	11,150.00			11,965.85								
Add:												
Value of Non-Operating Assets	690.00	a		690.00								
Value of the Firm (V = Debt + Equity)	11,840.00			12,655.85								
Less												
Value of Debt and Debt Equivalents	-2,213.00			-2,213.00								
Value of Preferred	-			0.00								
Value of Minority Interest	-			0.00								
Value of Unexercised Stock Options	-			0.00								

	Value of Common Equity	9,627.00			10,442.85								
	Number of Shares	395.00			395.00								
	Price per Share	24.37			26.44								