



OFF WALL STREET

Kontoor Brands, Inc. (KTB)

DATE: 07/29/2026 | **SECTOR:** Consumer Discretionary | **SETUP:** Competition
MARKET CAP: \$4.7B | **SHORT INTEREST:** 9.7% | **ADV:** \$61M

Bull case

- Portfolio structurally shifting toward higher growth via the Helly Hansen acquisition (\$958M) and Lee divestiture (\$1B).
 - Bulls estimating MSD revenue growth within a \$400B TAM across outdoor, workwear, and denim.
 - Wrangler's MSD growth to be driven by expanding its DTC channel, women's category, and growing international affinity for western wear.
 - Helly Hansen's HSD growth to be driven by US whitespace and continued double-digit growth in its China joint venture.
 - Expected ~300bp adjusted EBIT expansion to ~18% by FY28, driven by higher Helly Hansen mix, margin-accretive shifts within Wrangler (DTC/category mix), and supply chain optimization.
 - Management recently guided HH profit margin expansion from ~7% in FY25 to mid-teens to 20% over the long-term.
- Pending sale of Lee (expected 2H26) reduces net leverage $\leq 1.5x$, creates share buyback capacity (\$750M announced in 1Q26).

Short thesis

- Wrangler faces intensifying U.S. wholesale pressure and is overly reliant on an unproven strategy to shift towards DTC AND women's category.
 - By divesting Lee, KTB can no longer separate Lee from Wrangler's end markets and wholesale customer relationships, most notably WMT which comprised 30% of total revenues in FY25.
- Key wholesale customers are increasingly pushing private label jeans (WMT's George Brand, AMZN's Amazon Essentials, BOOT's Cody James).
 - Slowdown in demand growth for western fashion would further intensify competition.
- Helly Hansen's U.S. growth potential is likely overestimated.
 - Limited evidence HH can expand from its niche ski/sail segment into the mainstream segment.
 - US ski gear market saturated by established incumbents The North Face, Patagonia, Arcteryx, Columbia, etc.
 - Departure of HH's CEO within 3 months post-acquisition is a red flag.
 - HH management was cited as key motivating factor in acquisition.
 - Could indicate HH management viewed further growth as limited.

- Former KTB employees point to supply chain dissynergies and stranded overhead as a result of the Lee divestiture.
- April 2026 [VIC report](#) highlights multiple headwinds, including the threat of rising cotton prices on Wrangler's margins, pessimism regarding the HH acquisition, and the underappreciated effect of recurring restructuring charges on GAAP EPS.

Risks

- September Investor Day for Helly Hansen creates heightened uncertainty around KTB strategic direction, investment case.
 - Likely to be viewed as positive catalyst for KTB.

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