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 ≤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.
