

Kontoor Brands announces peak in Q3 earnings

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Kontoor Brands, Inc., the parent company of denim brands Wrangler and Lee, reported a 319% rise in third-quarter earnings on Thursday, as effective expense management offset revenue declines caused by the Covid-19 pandemic.

In the third quarter ended September 26, 2020, the Greensboro, North Carolina-based company achieved net income of \$60.8 million, or \$1.05 per diluted share, up from \$14.5 million, or \$0.25 per diluted share, in the prior-year period.

Kontoor's quarterly revenues totaled \$583.2 million, representing a 9% decline compared to the \$638.1 million reported by the company in the same period in the previous year. However, the group managed to trim its total costs and operating expenses by 18% during the quarter, thanks to the "necessary, proactive steps" that it took in response to the coronavirus crisis.

According to the company, the declines in its revenues were primarily driven by the pandemic and were partially offset by strong growth in the digital channel, new business developments and a \$33 million shift in timing of U.S. Wrangler shipments from the second to the third quarter.

Wrangler posted revenues of \$347 million, representing a 6% year-over-year decline. The brand's U.S. revenues increased 2% during the period. At Lee, global revenues fell 8% to \$214 million, despite a 10% rise in the U.S., largely thanks to digital growth.

Global revenues from Kontoor's other businesses, which include the Rock & Republic brand and VF Outlet stores, fell 43% to \$22 million.

Full-company U.S. revenues for the period were \$455 million – flat compared to the previous year – as strong digital sales helped balance out the impact of Covid-19. Digital wholesale revenues in the country rose 68% compared to the previous year, while owned e-commerce sales increased 43%.

International revenues totaled \$128 million, falling 30% from the same period in the previous year, despite a gradual recovery in Europe and China over the course of the quarter.

“Our strategic actions delivered strong results in the quarter and are enhancing the Kontoor operating model focused on more profitable and sustainable long-term growth,” said Kontoor Brands CEO and president Scott Baxter in a release.

“Investments in our brands, people and partnerships drove significant sequential top line improvement, while restructuring, quality-of-sales initiatives and accretive mix shifts supported solid gross margin increases,” he added.

Year to date, the company’s revenues totaled \$1.4 billion, tumbling 24% from \$1.9 billion, while net income came to \$24.8 million, or \$0.43 per diluted share, down from \$67.9 million, or \$1.19 per diluted share, in the same nine-month period in the previous year.

Looking to the future, Kontoor said that it expects fourth-quarter sales to show sequential improvement from Q3, with revenue remaining flat compared to last year or seeing a modest year-over-year decline.