

## Kontoor Brands: Buy American Jeans. I Am.

May 8 2022 | By Alex Gavrish, Etalon Capital Ltd; author of "Story Investing"

Some of you may remember the article Warren Buffett published in October of 2008 in the midst of credit market crisis "[Buy American. I am](#)".

Such long-term and balanced perspective is always a healthy ingredient worth adding to the toxic cocktail of stock market [story](#) of volatility, emotions, sentiment, and short-term perspective.

On May 6<sup>th</sup>, 2022, Kontoor Brands, [reported](#) first quarter 2022 results. Kontoor is a global lifestyle apparel company with a portfolio led by two of the world's most iconic consumer brands, [Wrangler](#), and [Lee](#). Company stated that it has confidence in raising fiscal year revenue and EPS guidance.

Kontoor Brands was a 2019 [spin-off](#) from VF Corporation. 90% of company's revenue comes from U.S. and international wholesale channel, and this makes the company interesting as it does not possess all the risks usually present in retail companies that operate a large network of own retail locations.

Kontoor Brands also pays a quarterly dividend of \$0.46 per share which at current share price provides an attractive annual dividend yield of 4.34% percent.

In addition to this, during FY 2021 company spent \$75 million on share repurchases.

Since [spin-off](#) in 2019, shares performed reasonably well (including covid period) and returned approximately 29% since start of trading in May 2019.

Kontoor Brands is currently valued at an EV/EBITDA multiple of x7.9 (FY 2021 Adj EBITDA). Using our valuation assumptions and applying an EV/EBITDA valuation of multiple of x10 we believe that shares of Kontoor Brands could be valued at \$86.5 per share in three years.

This would provide an upside of more than 100% or approximately 33% percent annual return.

We therefore believe that you should not buy the stories some sell-side analysts are trying to sell you and instead focus on real and true [story](#) - attractive valuation multiple, earnings beat, share buyback and attractive free cash flow generation profile.

