

LULULEMON ATHLETICA (LULU)

Consumer Discretionary – Retail (Apparel)

November 8, 2024

Investment Thesis

We recommend a **BUY** rating for lululemon with a target price of \$351 for an upside of 13.6%. A growing men's segment and international expansion will offset a slowdown for women's within North America. The stock has been oversold due to internal challenges, but industry-leading margins and a strong e-commerce platform will drive outperformance in a competitive industry.

Drivers of Thesis

- A more diverse product offering, driven by men's clothes and accessories, with push revenues at an 8.7% CAGR through fiscal year 2029 (FY29).
- Industry tailwinds from the athleisure segment will support growth, expanding the company's apparel market share above 10% by FY30.
- International strength will outperform management's expectations within the Power of Three x2 initiative, specifically in China representing over 20% of revenues by FY29.
- A superior omnichannel marketing framework and premium offerings will drive e-commerce revenues at an 8.2% CAGR through FY29.

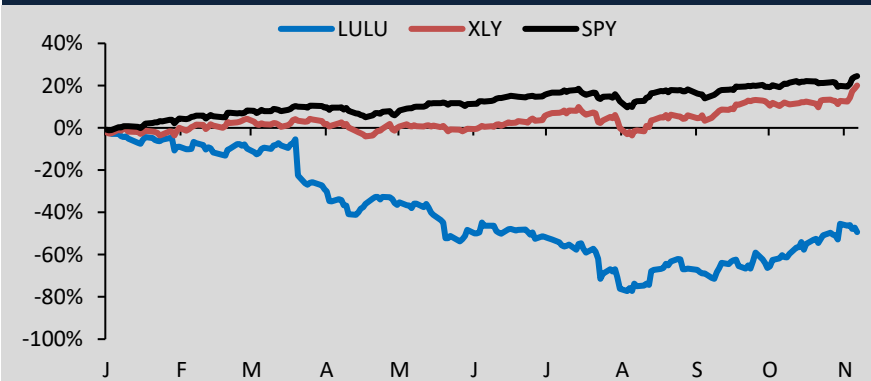
Risks to Thesis

- Duplicate products ("dupes") threaten the company's premium price point, offering similar products as cheap as 20% the price of lululemon.
- Trendy competitors and reduced women's newness will constrain growth in North America, limiting same-store-sales (SSS) growth to 5-6% by FY28.
- Unexpectedly poor demand for new products in a fast-paced industry can pressure top-line expectations, as seen with the Breezethrough leggings earlier this year.

Earnings Estimates

Year	2022	2023	2024	2025E	2026E	2027E
EPS	\$7.52	\$6.70	\$12.23	\$14.03	\$14.96	\$16.21
HF est.				\$14.70	\$15.86	\$17.51
Growth	66.3%	-10.9%	82.7%	20.1%	7.9%	10.4%

12 Month Performance



Stock Rating

BUY

Target Price

\$351

Henry Fund DCF	\$351
Henry Fund DDM	\$339
Relative Multiple	\$297

Price Data

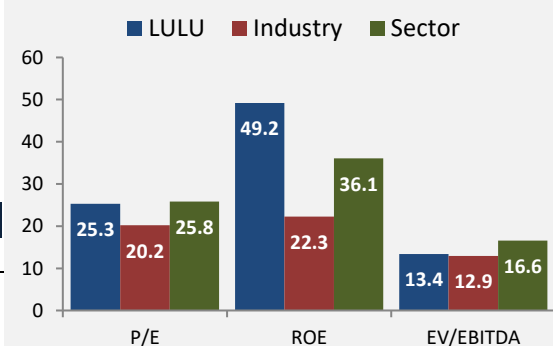
Current Price	\$309
52wk Range	\$226 – 516
Consensus 1yr Target	\$315

Key Statistics

Market Cap (B)	\$39.3
Shares Outstanding (M)	123.7
Institutional Ownership	86.4%
Beta	1.10
Dividend Yield	0.0%
Est. 5yr Revenue Growth	8.7%
Price/Earnings (TTM)	25.3
Price/Earnings (FY1)	21.0
Price/Sales (FY1)	3.8
EV/EBITDA (FY1)	13.4

Profitability

Gross Margin	62.3%
Operating Margin	22.9%
Return on Assets (TTM)	28.1%
Return on Equity (TTM)	49.2%



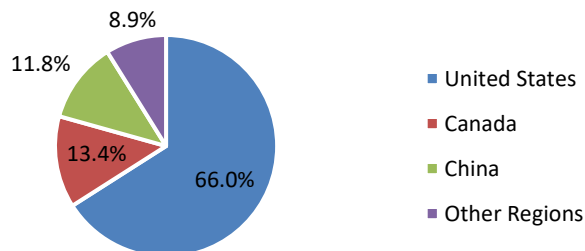
Company Description

Lululemon Athletica is a premium retailer of men's and women's clothing, footwear, and accessories. Known for its line of female yoga products, the company has expanded its offerings to include more casual styles. Its most popular designs include the Align leggings, the ABC pants, and the Everywhere Belt Bag. Operating 721 stores across 25 countries, it holds a leading market share within the athleisure industry. The company was founded in 1998 and is headquartered in Vancouver, British Columbia.

COMPANY DESCRIPTION

Lululemon Athletica, Incorporated (“lululemon”, “the company”) is a premium clothing retailer known for its extensive line of yoga and “athleisure” products. Founded in 1998 and based in Vancouver, British Columbia, the Canadian company offers a diverse set of men’s and women’s clothing, footwear, and accessories across its in-store and online channels.¹ As of the last quarter, the company operates 721 stores in 25 countries and has a 7.9% market share within the apparel, footwear, and accessories industry.² The company’s sales are highly seasonal, earning 33% of its annual revenues and 40% of its operating profits in the fourth quarter. Given this high demand through the holiday season, the company’s fiscal year runs from February 1st to the Sunday closest to January 31st.¹ Thus, any terminology in this report regarding the company’s operations represents the year in which the fiscal year was concluded (FY25 = fiscal year ended January 2025; 2025 = fiscal year 2025). Its core business is in the United States and Canada, historically recording over 80% of the company’s annual revenues. However, the company has seen substantial growth in China, which was established as its own geographic segment in 2023 and generated more than \$1.1 billion in revenues in FY24.¹

2024 Geographic Revenues (\$9.6B)



Source: 2024 LULU 10-K

Lululemon’s internal growth model, the “Power of Three x2,” was a strategic plan unveiled in 2021 that aims at doubling the company’s revenue by 2026 through its product innovation, guest experience, and market expansion. Its goals within these areas are as follows:³

- **Product innovation:** doubling the size of its men’s business by expanding product offerings into other categories such as golf, hiking, and tennis.
- **Guest experience:** doubling e-commerce revenues by enhancing its in-store and digital engagement

through its ambassador program and fitness class offerings.

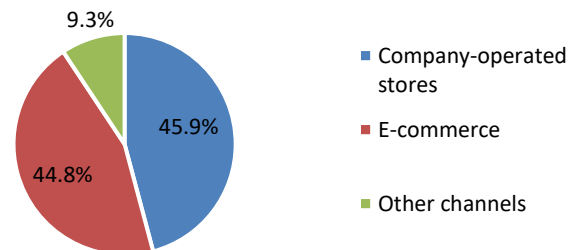
- **Market expansion:** quadrupling international revenues by targeting Asia, Europe, and new markets such as Spain and Italy.

As of Q2 2025, lululemon is on track to meet these goals having already met its product innovation initiative (FY24 revenues 2.36x the level of FY22). Further, its guest experience and market expansion goals are forecasted to be achieved by the end of this fiscal year. Management now aims to achieve an 18-23% rolling 5-year CAGR through 2026, driven by the momentum of its men’s line and stronger international brand recognition.¹ The Henry Fund (HF) remains equally optimistic given management’s history of meeting its expectations, forecasting a rolling CAGR of 21.2% and 21.0% in 2025 and 2026, respectively.

Lululemon operates an asset-light model, as it does not own or manage any manufacturing facilities and owns only one distribution center in Groveport, Ohio. Instead, the company uses an extensive supplier network to provide fabrics and manufacture its products, with most of these vendors located in Southeast Asia. In the last fiscal year, the company had 49 manufacturing vendors and 67 fabric suppliers, primarily located in Cambodia, China, Sri Lanka, Taiwan, and Vietnam.¹

Revenue Decomposition

2024 Segmented Revenue (\$9.6B)



Source: 2024 LULU 10-K

Lululemon’s operations are divided amongst three segments – Company-operated stores, E-commerce, and Other channels. Company-operated stores refer to sales generated across the company’s 721 stores while E-commerce refers to the sale of products through the company’s website and mobile apps. Other channels are a diverse collection selling mediums and primarily consist of the company’s temporary, wholesale, and outlet locations.

After the COVID-19 pandemic, E-commerce has skyrocketed from 29% (2020) to 45% of annual revenues (2024), and currently falls in line with in-store sales.⁴

Company-Operated Stores

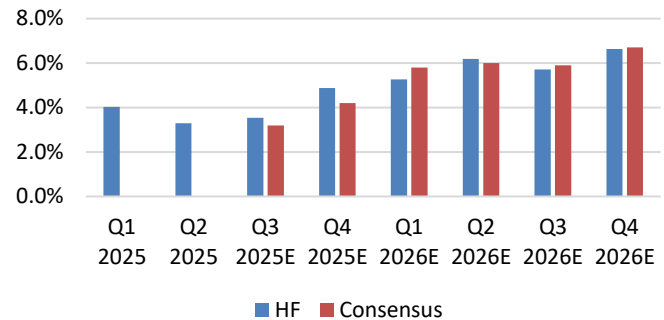
One of the most important industry metrics for lululemon is the total square footage of selling space and acts as a stronger comparison across companies than store count. This can then be used to calculate revenue per square foot (revenue/square ft.), which was used as the foundation for forecasting lululemon's company-operated stores segment. Historically, lululemon has been an industry leader in this metric and recorded \$1,470 of revenue/square ft. in the last fiscal year (\$4,411 million revenue/3.00 million square feet).⁴ Total stores were used as a proxy for total selling square footage, which were then rolled up to calculate this segment's total revenues.

Same-store sales (SSS), or comparable-store sales, is another common industry metric and represents the revenue growth from stores that have been in operation for at least one year.¹ It often serves as the best measure for organic growth in the retail industry, as new store openings can inflate revenues. While SSS did not have a direct impact on this segment's total revenues, this metric was calculated each quarter and year to be compared against consensus estimates.

In the short-term, the HF anticipates lululemon will outperform SSS in Q3 due to new collaborations with Disney and the National Hockey League (NHL).¹ Total revenues per store have also been steady over the last 12 months, growing at 4-8% per quarter. In-store traffic has also rebounded over the past two years, particularly within Mainland China.¹ While analysts expect revenues/square ft. to fall by -3.3% and -0.8% in the next two quarters, the HF expects unit sales to fall -3.0% and remain flat at 0.0%. This will be driven by increased newness (seasonal updates through color, print, patterns, and silhouettes) and an outperformance within the US market supported by improved consumer confidence. Strong demand and pricing power in international markets are expected to drive lululemon's top-line outperformance through 2026, even if SSS estimates are not met. Since 2023, lululemon has underperformed in SSS in 5 of the last 6 quarters, a trend that will likely continue in 2026 due to the company's robust e-commerce platform.⁴ The following

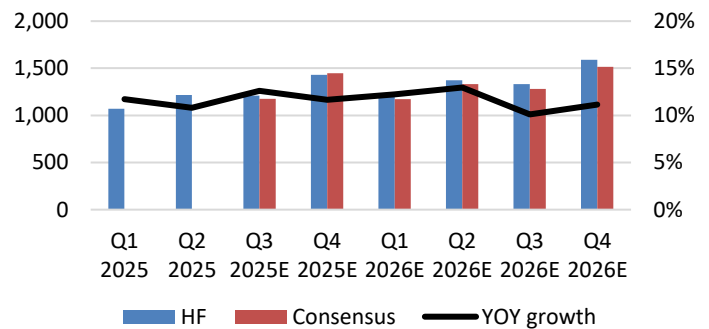
charts show lululemon's SSS and in-store revenues against consensus through 2026.

Same-Store Sales (SSS)



Source: FactSet and Henry Fund Estimates

In-Store Revenue (\$mm)



Source: FactSet and Henry Fund Estimates

E-Commerce

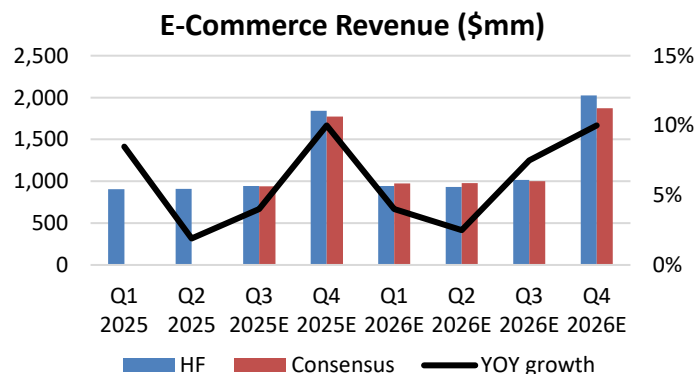
Similar to many other retailers, online (direct-to-consumer) revenues have surged following the COVID-19 pandemic. The flexibility of this channel has been a strong pull for consumers, to which lululemon has capitalized by also offering buy online pick-up in store, back-back room, and ship from store retailing capabilities. Back-back room sales refer to inventory that is shipped from other lululemon locations to the consumer's address or preferred store.¹ This delivery method allows for more efficient inventory management and a more inter-connected store model, allowing customers to receive their orders in a timelier manner.

While many of these concepts are not unique to lululemon, the company's mobile app is one of the best in the industry and has been a major catalyst for this segment's growth. Users often state that the app is one of the most user-friendly on the market. Features include the

ability to add their membership pass to their phone's digital wallet, scan item QR codes to see availability and style options, a continuously updated store locator that can filter for certain products, and a collection of free workout videos through the company's partnership with Peloton.⁵ Additionally, the app sends push notifications to customers for when their orders are ready or when other products are back in stock.

After achieving over 100% revenue growth in 2021, this segment has maintained double-digit growth, recording a 39.5% CAGR since 2020.⁴ However, sales have been more muted in the first half of the year driven by slower demand and inventory issues for women's products. This was also emphasized through the misstep of the company's new Breezethrough leggings, which was pulled from shelves in Q2 after a slew of customer complaints due to the garment's fit and appearance.⁶ Management has not explicitly stated when they expect to re-release the item but plans to use the fabric in other products. The HF anticipates this product to reappear in Q3 2026 in anticipation of the company's strongest quarters, before being incorporated into other offerings beginning in Q1 2027.

In general, the strength of the men's line and accessories will drive outperformance in the third and fourth quarters, which have been negatively revised due to the recent slowdown. The HF believes this is overdone, in which analysts anticipate 5.9% revenue growth in the fourth quarter compared to 23.4% historically. Thus, the team believes the company will greatly outperform this mark, growing 10% from the previous year. Looking ahead to 2026, growth will also be strongest in the third and fourth quarters as newness improves and consumers opt for purchases outside of temporary locations. The following charts show lululemon's e-commerce revenues against consensus through 2026.

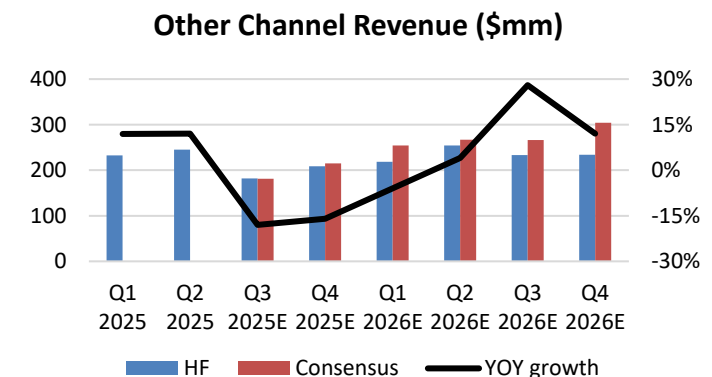


Source: FactSet and Henry Fund Estimates

Other Channels

Although there are several sources of revenue within this segment, the most noteworthy is through the company's temporary, or pop-up, stores. Relatively common for larger companies in the industry, the stores serve as an additional medium to address the influx of demand in the fourth quarter or to test out new markets for permanent locations. Lululemon's stores are only open for a couple of months and are often less than 1,500 square feet, offering products from one specific category (men's or women's).⁷ While the number of temporary locations opened each year varies, the company often has up to 70 temporary locations open at a time. The use of temporary locations has been strongest in China, particularly within shopping malls and urban areas, and has helped grow Q4 2023 revenues by 79% from the prior year.

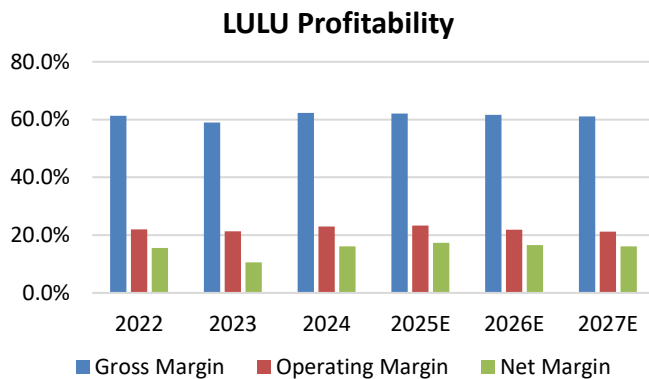
The Henry Fund views temporary locations will fall out of favor in the next three years and cause this segment to underperform consensus. While these stores can offset the subdued growth of wholesale locations, the success of these stores can be unpredictable driven by their positioning in a new market and limited product offering. Growth for this segment in the first half of the year has already been muted in comparison to 2023 and thus the HF remains in line with consensus by anticipating sales to fall by -18.0% and -16.0% in the next two quarters. The team anticipates this trend to continue through 2026, underperforming consensus by -13.8% as customers will aim to support the company's existing stores and e-commerce platforms. China will be the location for over 80% of the company's new whole store openings, thereby reducing the growth of this segment.¹ The following charts show lululemon's other channel revenues against consensus through 2026.



Source: FactSet and Henry Fund Estimates

Cost Structure Analysis

Lululemon has a very straightforward cost structure, with the only operating costs arising from the cost of goods sold (COGS) and selling, general, and administrative expenses (SG&A). By having a focused product line, Lululemon's profitability is above average for the retail industry, regularly achieving gross margins above 60% and operating margins above 20%.⁴ Despite earning the bulk of its operating profit in the fourth quarter, its strongest margins are in the second and third quarters due to lower demand and a reduced cost of goods sold. On an annual basis, operating and net margins have fallen by 400 to 470 bps since 2020, driven by weaker demand for women's products, discounts, and higher digital marketing expenses.¹ The HF anticipates these levels to fall another 100 bps by 2027, due to higher operating costs associated with new product launches and advertising programs. The following chart shows the company's margins from 2022 to 2027.



Source: FactSet and Henry Fund Estimates

Cost of Goods Sold (COGS)

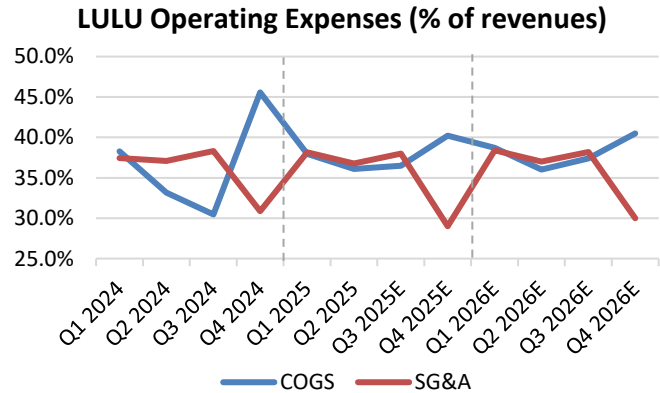
Lululemon's cost of goods sold primarily includes the cost of purchased merchandise, the cost to deliver inventory to distribution centers, and the cost to research, design, and manufacture new fabrics and products. Given the seasonality of the company's demand, COGS are traditionally lowest in the third quarter (30-32% of revenues) and highest in the fourth quarter (45-47% of revenues).⁴ Looking ahead, however, management expects gross margins to tighten in third quarter due to higher research and development costs and investments in its distribution centers, then widening in the fourth quarter due to a shorter holiday season. Analysts expect these costs to rise 650 bps in Q3 and fall 570 bps in Q4, which the HF believes is overstated.⁴ The team anticipates

less volatility, with costs rising 600 bps in Q3 and falling 540 bps in Q4. However, higher costs will likely continue into Q1 next year as new stores and distribution centers are finalized overseas. Production cost trends seen in 2025 will likely persist in the short-term, as demand becomes more equally distributed throughout the year due to a growing international presence.

Selling, General, and Administrative (SG&A)

Lululemon's selling, general, and administrative expenses include corporate and retail employee wages, transportation costs of the company's merchandise from distribution centers to retail locations, and marketing costs. These expenses are generally incurred evenly throughout the year (36-38% of revenues), before falling in the fourth quarter due to stronger revenues (29-30% of revenues).⁴ The HF anticipates these expenses will follow historical trends, falling in the short-term but rising slightly in 2026 driven by management's plans to make additional investments in its international stores and expanding its technological infrastructure.

The following chart shows the company's operating expenses from 2024 to 2026.



Source: FactSet and Henry Fund Estimates

Additional Company Analysis

Product Lines

Lululemon has a strong reputation for offering high quality, performance-driven, and fashionable products through its men's, women's, and accessory line of products. While the company was originally founded on selling women's activewear, its merchandise portfolio has greatly expanded to now include dress shirts, tennis shoes,

and backpacks. Their items are typically priced at a premium to competitors, yet customers remain loyal given the comfort of the fabrics, strong durability, and the appearance of a higher social status. The company also uses numbered sizing for most female products, compared to tiered sizing (S, M, L, etc.) for most competitors. This flexibility is another one of the company's strengths, allowing its female customers to find a product with the perfect fit.

The women's segment has consistently been the company's core product offering, consistently generating over 60% of the company's revenue. Some of their most popular products include the Align leggings (\$98-118), the Define jacket (\$118), and the Energy sports bra (\$58).⁸ However, sales for women's clothing have fallen from 69.6% to 63.9% of revenues in the last five years, driven by a growing popularity for accessory products and reduced newness.

The HF expects this trend to continue as the company struggles to offer new styles, colors, and fabrics that can create a resurgence in demand. A majority of females who shop at lululemon are returning customers, thereby causing most growth to be driven through the newness of existing products as opposed to brand-new offerings. Anticipating this demand is very difficult (as seen with the Breezethrough legging) and is pressured by Lululemon's competitors that are generally focused on marketing to women. Growth for this segment has likely stabilized and will cause women's clothing to fall near 50% of total revenues by the forecast horizon.

The men's segment has been gaining popularity in recent years and will be a catalyst for the company's future growth. Representing roughly 23% of total revenues, some of its most popular products include the ABC jogger and pants (\$128), the Metal Vent Tech T-shirt (\$78), and the Pace Breaker shorts (\$68).⁸ Management has noted plans to prioritize this segment going forward, recognizing the male demographic is not as familiar with Lululemon as its female counterparts. Thus, the company has already greatly expanded this segment's product offering and now includes coats, polos, sweatshirts, and swim trunks.

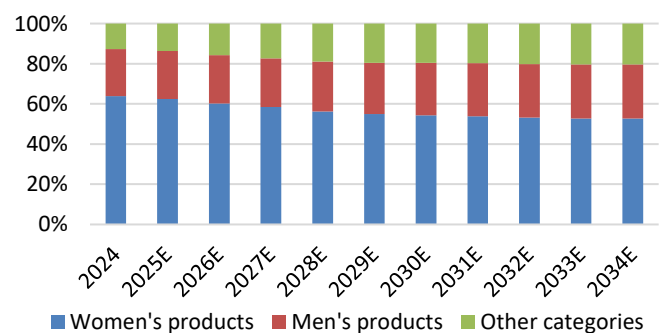
The HF believes an expanding Men's line can bring much greater diversification to the company's revenue stream and is expected to achieve upwards of 10% growth per year. There also exist opportunities for further product variety with its men's segment, particularly within its line

of T-shirts, jackets, and button-down shirts. Driven by strong brand recognition and a growing customer base, men's products will continue to rise in popularity and reach 27% of revenues at continuing value.

The company's final product segment, accessories (other categories), has been the breadwinner of demand since 2020, expanding at a CAGR of 43.9%.⁴ Gaining most of its popularity in the 2023 fiscal year, its most popular products include the Everywhere Belt Bag (\$48), the Reversible Yoga Mat (\$84), and Double Roller (foam roller, \$64).⁸

The team anticipates this segment will continue to outperform the clothing side of the business, achieving double-digit growth rates through the 2029 fiscal year. Recent additions to this product line include backpacks, travel bags, totes, and water bottles. While the growth of this segment has been strong, the company only holds a 1% market share in the broader accessories market, driven by North American women.¹ Expanding its product offerings to cater to the male demographic will provide opportunities for growth in the short term, but product differentiation against larger competitors will threaten growth in the long term. Further, these products act as a complement to the company's core clothing lines, which will continue to garner most of the company's research and development expenses. Thus, this segment will expand into 20% of the company's revenues by continuing value but provide less upside afterward.

Men's and Accessories drive category revenues



Source: FactSet and Henry Fund Estimates

Lululemon Studio

One of the company's unique differentiators is its digital fitness platform which provides a variety of live and on-demand workouts through a mobile app or the Mirror, an

interactive fitness device. Lululemon Studio provides free content to all lululemon members, but the paid membership offers thousands of classes across fitness styles, personalized recommendations, and progress tracking. The \$39 monthly membership also allows subscribers to attend classes at partner studios such as Peloton, Pure Barre, and Rumble Boxing. While purchasing the Mirror (\$1000-1500) is not required, it amplifies the experience by allowing the user to view the workouts on a larger display while monitoring their form.¹⁰ The subscription also provides in-store benefits, offering discounts on select items, free hemming, and receipt-free returns.

While Nike, Adidas, and Under Armour each offer similar training and running packages, they are solely app-based and only focus on tracking routines. Further, their premium content is much more limited. Lululemon Studio is interactive, offering live classes, hardware integration with the Mirror, and partnerships with other fitness boutiques. After creating the loyalty program in 2022, it has grown into one of the most popular memberships in the industry and touts 17 million participants (free and paid) as of January 2024.

Revenues from lululemon Studio and the Mirror are recorded included within the company's "Other categories" segment, and are available for purchase online and in-store. The company does not disaggregate its memberships between free and paid subscribers, but the popularity of the young program is indicative of its success. Little competition exists with the Mirror for at-home workout tools, but its high price tag will deter many customers. The Studio membership, however, offers a compelling value proposition, which the HF believes will support this segment's growth by 2-4% through 2028. This growth is supported by broader industry tailwinds, as online fitness is forecasted to grow at an 11.3% CAGR through 2030.¹¹ Thus, while it is not expected to be a primary growth driver, the Studio ecosystem provides a strategic hedge against the cyclicity of the fashion retail industry.



Source: [The Mirror \(Lululemon Studio\)](#)

Credit Analysis

Lululemon operates with very little leverage, currently holding \$1.4 billion in debt. Its only form of financing is in the form of lease liabilities for its manufacturing and distribution centers, which currently have a weighted average remaining term of 6.95 years.¹ As such, most of the company's liabilities are in the form of accruals and deferred revenue (unredeemed gift cards). Over the last three years, its liquidity has continued to strengthen with its cash reserves doubling in size and its current ratio rising to 2.5x.⁴

The company currently has no publicly traded debt but has an investment-grade credit rating of BBB according to Standard and Poor's (S&P). This is largely on par with its competitors, with Nike being the strongest at AA-, and is summarized in the table below.

Company	S&P
Ralph Lauren (RL)	A-
Columbia Sportswear (COLM)	x
Adidas (ADS)	A-
The Gap (GAP)	BB
Under Armour (UAA)	BB-
Nike (NKE)	AA-
Lululemon (LULU)	BBB

Source: FactSet

One of lululemon's strengths is its low debt-to-capital ratio at 24.9%, trailing only Columbia Sportswear as the least levered company in the peer group (17.4%). While lululemon could afford to pay off all its debt immediately, its debt levels have remained steady, with most of this excess cash going towards stock repurchases. Management has indicated plans to increase the level of repurchases in the coming years, jumping to over \$1.4

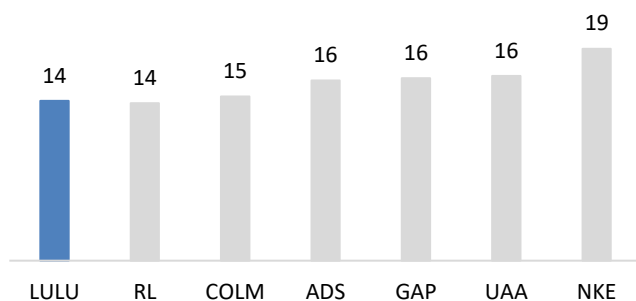
billion in FY25. If performed excessively, these buybacks could damage the company's liquidity and lower its credit rating. However, the HF does not consider this a threat given the company's long-term lease agreements and stable revenue growth.

ESG Analysis

Lululemon prides itself on its employee engagement, inclusive culture, and sustainable manufacturing. However, the company's roots are filled with controversy, particularly by the company's founder, Chip Wilson, who has publicly made anti-Asian, sexist, and fatphobic comments.¹² After stepping down as the CEO in 2013, the company has vigorously tried to remove its controversial image and has experienced no major scandals since 2015.

The current CEO, Calvin McDonald, is a major proponent of diversity and inclusion within the workplace, and as of January 2024, 70% of the company's executive leadership, 50% of the board of directors, and 75% of the overall workforce are female.¹ McDonald has also laid out the company's Impact Agenda which includes three pillars – Be Human (equitable and inclusive labor practices), Be Well (physical, mental, and social wellbeing), and Be Planet (sustainable raw materials).¹³ Since the program was launched in 2020, lululemon has invested a total of \$44.8 million into the agenda and plans to meet its goal of \$75 million by the end of this fiscal year. In general, the HF applauds the work done to promote equality and does not consider ESG a threat to the company's operations. Below is a distribution of ESG ratings among lululemon's competitors, in which all are considered "low" risk.

Peer Group ESG Rating



Source: Sustainalytics

RECENT DEVELOPMENTS

Recent Earnings Announcement

On August 29, 2024, lululemon reported its second-quarter earnings, underperforming consensus on revenues and lowering its full-year guidance. It was the company's first revenue miss in over two years, but earnings outperformed driven by strong margins. Management noted the revenue miss was caused by not carrying enough colors of its most popular leggings and running out of inventory for new belt bag styles. The stock rose 2% on the news as analysts were optimistic about the company's ability to strengthen a slowing women's line and strong performance in China. A summary of the call's takeaways include:¹⁴

- **Revenue:** \$2.37 billion vs. \$2.41 billion expected
- **EPS:** \$3.15 vs. \$2.93 expected
- China revenues increased 34% YoY, with 21% SSS growth
- Americas (United States and Canada) revenues increased 1% YoY, with -3% SSS growth
- 9 stores were added (5 China, 4 Rest of World, and 1 in Americas)
- Women's sales increased by 6%, men's by 11%, and accessories by 7%

Momentum in China was driven by the company's annual Summer Sweat Games, a team competition that involves a series of fitness challenges, workouts, and community events.¹⁵ It was the company's fourth year holding the event, receiving a record amount of support with over 70 stores across 40 cities participating. Outside of building stronger brand recognition, participants also received exclusive lululemon merchandise.

Earlier in the quarter, the company's Chief Product Officer (CPO), Sun Choe, announced she was leaving the company for another opportunity.¹⁶ The resignation was a surprise to analysts and was a major blow to the organization as the company has struggled to gain support for new styles. Management did not replace the position but rather promoted Nikki Neuburger to double as the company's Chief Brand and Product Officer. In the earnings call, management noted the newly streamlined structure was performing smoothly. The HF anticipates this will be a net positive for the organization in the long term, facilitating a more efficient process for getting new products to the market.

Product Trends

At the time of this report, lululemon's stock has fallen -39% YTD and has been driven by a myriad of factors, from the company's CPO leaving, U.S. and Canadian revenues falling flat, lowered full-year guidance, and missteps with new product releases. The most notable of these missteps was with the new Breezethrough leggings, which was pulled from shelves in July as customers complained of a "whale tail" fit.⁶ Management called it a "test-and-learn" situation, as the product's unconventional stitching left customers unsatisfied. Intended for hot yoga or heat-intensive workouts, guests were pleased with the fabric's performance. Plans are in place for the product to be rereleased by next summer, but the event was enough for the company's stock to fall to a 4-year low of \$250 per share.

On the other hand, demand for the company's accessories has been thriving since 2022, driven by the company's Everywhere Belt Bag. As a modernized take on the once-famous "fanny pack," the product has been a popular choice among the company's younger, female consumers. The bag's sleek and simple design has become a popular choice over traditional bags and purses, crafted from the same high-quality materials for which Lululemon is known. The bag retails for \$38-48 and comes in numerous styles with dozens of colors. While volume numbers are not reported for any of the company's products, the bag's popularity has spread immensely through social media, being listed as one of the top retail products in Q1 2023.¹⁷ The high demand for bags has made accessories lululemon's fastest-growing product category since 2020, accounting for 12.7% of sales in the 2024 fiscal year.

Although it has been a tumultuous year for lululemon, the HF remains optimistic about the company's long-term growth strategy. Many of the company's issues have been self-inflicted, but management has been proactive in addressing them and is supported by an engaged leadership team. The team predicts the Breezethrough leggings will make a strong comeback, evidenced by their superior fabric and female-focused design. Despite the controversy, Lululemon still holds a dominant position within the activewear space and continues to show strength in its international markets and men's lines. While the Everywhere Belt Bag will likely fall out of favor within

the next 18 months, lululemon's expanding portfolio gives it an advantage over competitors.



Source: [lululemon Everywhere Belt Bag](#)

Pop-up Stores/International Growth

With 62% of the company's stores being located in the Americas, and serving as its core market, its brand awareness is much weaker in other parts of the world.¹ However, lululemon is making significant efforts to flip this narrative in the Far East (China, Japan), the Asia Pacific (Australia), and Europe. The company is on pace to outperform its goal of quadrupling international revenues from 2021 to 2026 (HF estimates 5.1x) and is planning to open its first store in Italy next year.

The company's success in China is the most impressive, given the economy's weakening retail sales and plummeting consumer confidence.¹⁸ While other premium brands such as Louis Vuitton and Starbucks have reduced their operations in the country, lululemon anticipates it will continue to be one of its strongest regions. Furthermore, lululemon's products are still priced at a premium, often at a 20% markup compared to the U.S.¹⁹

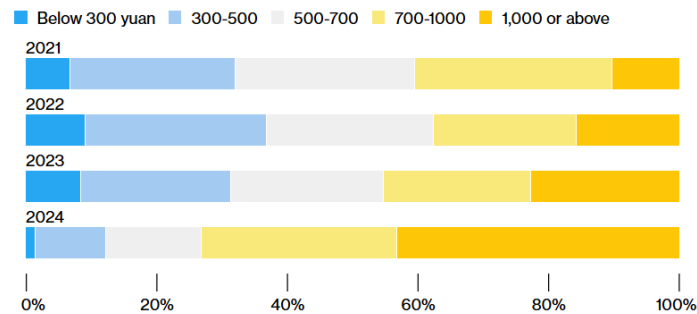
Its success can be attributed to three factors – changes in consumer preferences, healthier societal goals, and highly targeted marketing. Research has indicated that many consumers are shying away from flashy, status-driven items due to government regulations and a struggling economy. A simpler, athleisure style has grown into a "luxury" retail category and is further boosted by the country's "Healthy China 2030" initiative. Specialized sportswear brands like lululemon, Arcteryx, and Hoka saw 20-40% YoY growth last quarter, far outperforming traditional retail brands like Nike, Tommy Hilfiger, and Gap.¹⁹ Lululemon's localized marketing strategy has deeply resonated with consumers, where 35% of products sold come from products tailored to the Chinese market.¹⁹

Examples include the company's "Hike" collection, tapping into the country's post-Covid outdoor activity boom, and their "Asia Fit" line for leaner and smaller bodies.

The company's managing director for the region, San Yan Ng, has been a key component to this success, helping grow the company's exposure from 10 to 127 stores in his six-year tenure. Now as a \$1+ billion geographic segment, it will serve as a key value proposition in the years ahead. The HF anticipates China will overtake Canada as the second-largest geographic segment this year, ultimately accounting for over 20% of the company's revenues by 2030 (vs. 11.8% today). Management forecasts over 80% of the company's new locations will be in China, helping drive in-store revenues at a 9.7% CAGR through 2029. Its pricing power and complementary high demand will be a catalyst for sustaining high margins, even as the threat of "duplicates" continues to rise. The following chart shows the distribution of lululemon's prices on Tmall, Alibaba's e-commerce platform.

Lululemon Edges Towards Higher Price Bands

Distribution of product prices on the brand's Tmall store



Source: Zhiyi Technology, Bloomberg

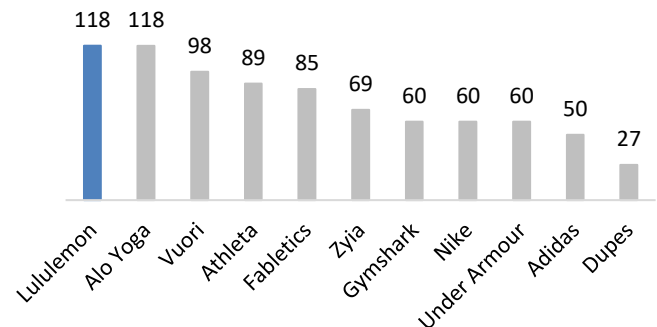
INDUSTRY TRENDS

Duplicate Products and Competition

Lululemon's meteoric rise and distinctive style have brought about new competition in the athleisure industry through rival companies and duplicate products. Some of the company's strongest competitors include Athleta (owned by The Gap), Fabletics, Alo Yoga, Gymshark, Vuori, and Ziya (all privately held), as well as traditional athletic apparel companies such as Nike, Adidas, and Under Armour. Many competitors sell similar products at less than half the price of lululemon, with duplicates ("duplicates") costing as little as 20% of the company's standard pricing.

The chart below illustrates a price comparison between lululemon, its competitors, and dupes for a standard pair of black leggings.

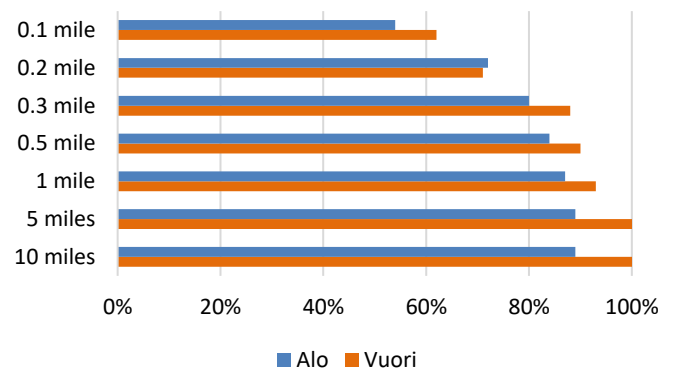
Lululemon leggings are priced at a premium (\$)



Source: Lululemon, Alo, Vuori, Athleta, Fabletics, Ziya, Gymshark, Nike, Under Armour, Adidas, and Amazon

Alo Yoga and Vuori are two of the fastest growing competitors, each gaining about 1% market share in the last year while lululemon remained flat. Around 90% of Vuori's U.S. stores and 84% of Alo Yoga's locations are situated within 0.5 miles of a lululemon store, collectively generating \$1.5 billion in revenue.²⁰ This is roughly 24% of lululemon's revenue in the United States market. The chart below highlights the proximity of Alo and Vuori stores to lululemon locations.

Keep Your Enemies Closer



Source: Aggdata, Bernstein, The Wall Street Journal

Athleta, one of lululemon's more established competitors, gained significant popularity in 2020. However, its momentum has been declining, with revenues dropping 8% in the last fiscal year to \$1.4 billion.²¹ The all-American brand currently holds a 1.1% market share in the apparel, footwear, and accessories industry. Similar to Lululemon,

Athleta has faced challenges in resonating with consumers, as its newer styles have underperformed, and the market continues to see an influx of lower-priced alternatives.

As shown previously, dupes are a low-cost option offered by smaller brands. While not considered counterfeits, the products are made with less costly materials but have a strikingly similar style and quality. Some of the most popular brands include AYBL, Halara, Gymreapers, and CRZ Yoga, retailing their leggings for \$30-75.²² The rising demand for dupe products has been fueled by tighter consumer budgets, declining brand loyalty, and the influence of social media. As of October 2023, about one-third of U.S. adults reported deliberately purchasing these products, with the proportion climbing to over 50% among consumers under 35. Dupes are increasingly available across a wide range of products, including sports bras, sweatshirts, jackets, tops, and men's apparel, highlighting their broad appeal in various categories.

To counter this trend, lululemon organized a two-day "Dupe Swap" event in Los Angeles in May 2023, inviting customers to swap out their duplicate leggings for a free pair of black 25" Aligns.²³ The event was highly successful, with over 1,000 pairs swapped (valued at approximately \$98,000), and attendance being evenly split between new and existing customers. While this was Lululemon's first event of its kind, management was thrilled with the outcome and is considering hosting similar events in the future.

The HF considers this the biggest risk to Lululemon's future success, especially within North America. The company has already begun to experience the effects, with revenues in the Americas struggling to meet expectations over the past 18 months. This competition is expected to limit lululemon's growth to a 4.5% CAGR over the next four years, a significant slowdown from the previous four-year period's 21.5% CAGR. As the quality of duplicate products continuously improves, the team predicts that over 75% of young consumers will have intentionally purchased a dupe come 2027. The trend reiterates the company's focus on expanding its men's line and pursuing international growth, areas where the company still maintains a strong competitive advantage (127 international locations vs. 3 and 16 for Vuori and Alo, respectively).

Casualization of Wardrobes

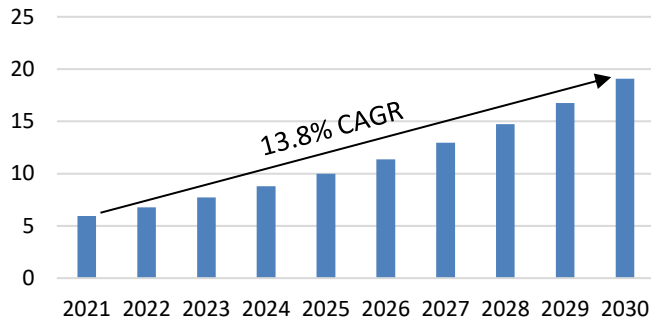
For much of the last decade, clothing made for both athletic activity and casual wear has come to the forefront of the fashion industry. "Athleisure", combining the terms athletic and leisure, has been a major contributor to broader societal goals of living active lifestyles and participating in sports. Industry analysis suggests the market size will grow at a CAGR of 5.2% through 2032, driven by the female demographic in North America and Asia.²⁴

The HF believes these broader trends will continue to support the company's growth, and coupled with its diverse portfolio, will outperform the industry with a 7.7% CAGR through FY2033. While competitors flood the space, the company's first-mover advantage provides it with superior brand recognition and a wider array of men's, women's, and accessory products. Casualization trends, both in workplaces and social settings, continue to drive industry growth, reinforcing the long-term sustainability of lululemon's business model.

Omnichannel Marketing Strategies

In recent years, several companies have begun to prioritize collecting, interpreting, and acting on their customer data. This trend has been most prevalent within the retail industry where companies will employ omnichannel marketing strategies to engage with their customers through online, in-store, social media, and mobile apps.²⁵ Companies that can leverage this information are far more efficient than those that don't by having a better understanding of their customers, stronger inventory and supply chain management, and more consistent advertising across channels. Digitalization of services in the COVID-19 pandemic has amplified the necessity of these strategies, driven by the growth of e-commerce. According to Grandview research, the global omnichannel retail solutions market size was valued at \$5.96 billion in 2021 and is expected to grow at a CAGR of 13.8% through 2030.²⁶

Omnichannel Retail Solutions Market Size (\$bn)



Source: Grandview Research

As mentioned previously, lululemon is one of the leaders in the industry for customer engagement, market research, and cross-channel marketing. Through the company's various channels and membership program, lululemon has been able to experience 10-40% revenue growth per year dating back to 2020.¹ The success of the company's program is most evident in China, where pop-up stores, promotional events, and targeted marketing strategies have allowed it to outperform its competitors. Lululemon's digital and retail ecosystem rivals that of major competitors like Nike, Adidas, Under Armour, and Gap, positioning the company to outperform smaller competitors in the long term. E-commerce growth will remain a key driver through the forecast horizon, while international expansion presents the strongest opportunity for in-store growth.

MARKETS AND COMPETITION

The athletic retail industry is incredibly competitive, driven by key players such as Nike, Adidas, and Under Armour. Advancements in product design, omnichannel marketing, and securing high-profile endorsements are vital in keeping pace within a fast-moving industry. Consumer preferences frequently adjust, coupled with price sensitivity and seasonal demand. Industry trends of supporting casual attire have allowed once-small companies like lululemon to flourish and have led to the development of several privately-branded and lower-priced alternatives. This analysis looks to compare lululemon against its publicly traded counterparts, with a focus on their athletic lines. Below is a table summarizing key figures among lululemon's peer group.

	Market Cap (\$mm)	Sales (\$mm)	Gross Margin	SSS Growth LFY	NFY P/E
Nike, Inc.	113,010	51,386	44.0%	1.0%	27.6
Adidas AG	39,102	21,427	42.5%	11.0%	59.5
Under Armour, Inc.	4,561	5,694	46.1%	5.0%	44.0
The Gap, Inc.	8,219	14,889	38.7%	-4.0%	11.6
Polo Ralph Lauren	13,736	6,631	63.1%	6.0%	19.6
Columbia Sportswear	4,984	3,487	49.6%	6.0%	22.0
Peer Average	30,602	17,252	47.3%	4.2%	20.2
lululemon athletica	38,711	9,619	62.3%	13.0%	21.0

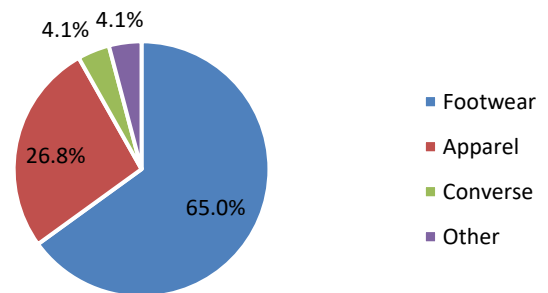
Source: FactSet

*Values crossed out are not included in the peer average.

Nike (NKE)

Founded in 1964, Nike has been the quintessential athletic apparel brand for several years, most known for its line of tennis shoes and support for track and field and basketball. Holding a 39% market share, the company offers a full line of athletic apparel, with its proprietary Dri-Fit technology being integrated into many products. Its clothing is priced competitively, anywhere from \$20-150 for most garments. The company oversees 1,045 locations and has the highest revenue per store in the industry at \$27.6 million. Over the last five years, the company's apparel business has been growing slower than its footwear and currently represents 27% of revenues. In the last fiscal year, 36% of its sales were collected in the United States.⁴

NKE Revenue Decomposition (\$51.4B)



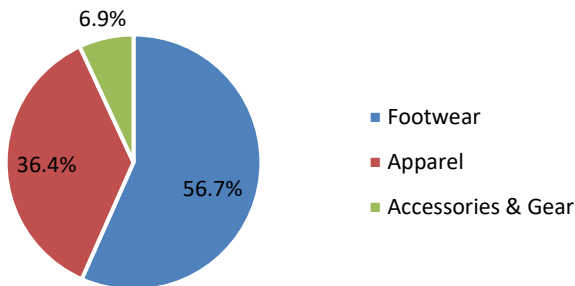
Source: FactSet

Adidas (ADS)

Adidas AG, commonly known as Adidas, is a German multinational athletic apparel company and one of Nike's strongest competitors. Holding a 13% market share and overseeing 1,860 locations, the company offers a comprehensive range of footwear, apparel, and accessories with notable strength in soccer and all-purpose running. Adidas is known for providing more tailored fabrics than Nike, designed for various conditions like heat, cold, wind, and rain. Its clothing is competitively priced, ranging from \$20 to \$200 for most items, with

apparel accounting for roughly 36% of the company's revenues. While Nike dominates the North American market, Adidas holds a commanding lead in Europe. This geographic focus is reflected in its revenue distribution, with only 22% of sales generated in the United States.⁴

ADS Revenue Decomposition (\$21.4B)

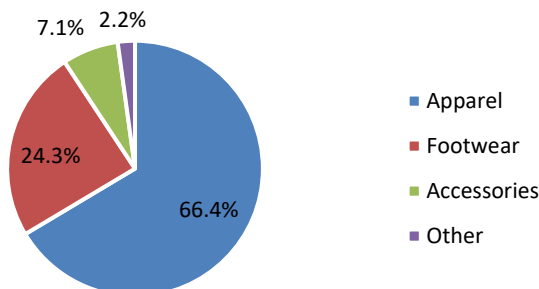


Source: FactSet

Under Armour (UAA)

Founded in 1996, the Baltimore, Maryland-based manufacturer has commonly been the “third wheel” within the athletic apparel market. Holding a 4% market share, the company rose to popularity in 1999 by producing and sponsoring the jerseys to be worn in the movie *Any Given Sunday*. Coupled with purchasing an advertisement in ESPN magazine, brand awareness spiked sales by \$750,000 that year and pushed the company into the limelight. Unlike Nike and Adidas, the company's largest segment is apparel, representing 67% of revenues in the last fiscal year. While revenues have only grown at a 1.1% CAGR over the last five years, the company surpassed Adidas as the second-largest sports apparel brand in the United States in September 2024.²⁷ As a result, 56% of its revenues are generated from within this region.⁴

UAA Revenue Decomposition (\$5.7B)

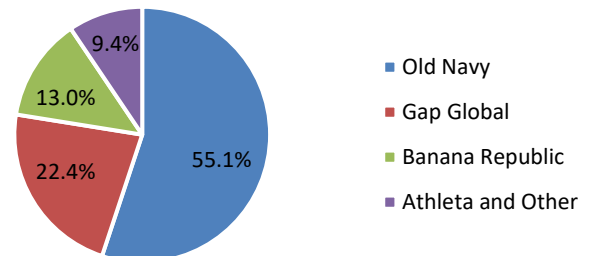


Source: FactSet

The Gap (GAP)

The Gap is a global, general apparel company offering a diverse selection of clothing and accessories to men, women, and children. The company oversees several other apparel companies, most notably Athleta for the purposes of this analysis. Founded in 1998 and acquired by Gap in 2008, Athleta is the second-largest athleisure company generating \$1.4 billion in revenue (9% of Gap's total). Most of the company's products are cheaper than lululemon, typically at a 20-30% discount. The company operates 230 stores across the United States and Canada and only sells clothing and accessories to females.⁴

GAP Revenue Decomposition (\$14.9B)

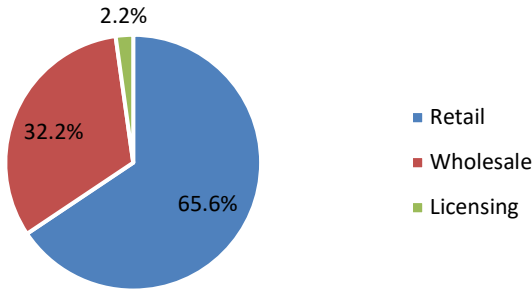


Source: FactSet

Ralph Lauren (RL)

Ralph Lauren is a global leader in the design and distribution of luxury lifestyle products across five categories: apparel, footwear and accessories, home, fragrances, and hospitality. Recently, the company has expanded its offerings to include more casual and athletic products through its RLX and Polo Sport lines. Its main products focus on golf and tennis apparel, and since 2008, Ralph Lauren has been the official outfitter for Team USA at the Olympics.²⁸ The company oversees 1,263 stores and generates 45% of its revenues from within the United States.⁴

RL Revenue Decomposition (\$6.6B)

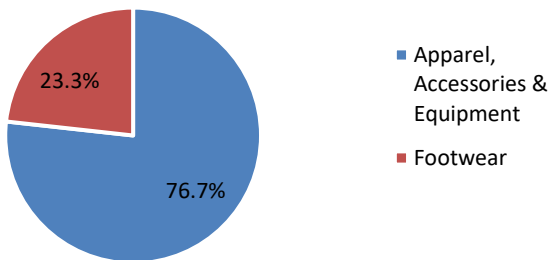


Source: FactSet

Columbia Sportswear (COLM)

Columbia Sportswear is one of the world's largest outdoor clothing and active lifestyle brands. The company oversees three subsidiaries, most notably prAna, its casual and athleisure line of products. With a strong focus on sustainability, its products are made with eco-friendly materials and target environmentally conscious consumers. The company has a full line of men's and women's clothing generally priced between \$40 and \$110. The company only operates 2 retail locations but is sold at over 1,750 stores across the United States and Canada. In general, 64% of Columbia's revenues are generated within the United States.⁴

COLM Revenue Decomposition (\$3.5B)



Source: FactSet

Peer Comparisons

The following peer comparisons will assess lululemon across a variety of financial, operating, and valuation metrics. All values are representative of current market conditions or the company's last fiscal year end unless otherwise stated.

Financial Metrics

	Sales (\$mm)	Gross Margin	Oper Margin	Net Margin	Inv Turnover
Nike, Inc.	51,386	44.0%	11.8%	11.1%	3.6
Adidas AG	21,427	42.5%	1.2%	-0.6%	2.3
Under Armour, Inc.	5,694	46.1%	4.1%	4.1%	2.9
The Gap, Inc.	14,889	38.7%	4.2%	3.4%	4.2
Polo Ralph Lauren	6,631	63.1%	12.3%	9.7%	2.5
Columbia Sportswear	3,487	49.6%	9.0%	7.2%	2.0
Peer Average	17,252	47.3%	8.3%	7.1%	2.9
lululemon athletica	9,619	62.3%	22.9%	16.1%	2.9

	Current Ratio	DSO	Debt/Capital	ROA	ROE
Nike, Inc.	2.4	30	45.3%	15.1%	40.1%
Adidas AG	1.2	54	54.8%	-0.6%	-2.5%
Under Armour, Inc.	2.5	49	40.1%	4.8%	11.2%
The Gap, Inc.	1.4	8	67.7%	4.5%	20.8%
Polo Ralph Lauren	2.3	31	52.2%	9.7%	26.5%
Columbia Sportswear	3.4	51	17.4%	8.4%	13.0%
Peer Average	2.2	37	46.2%	8.5%	22.3%
lululemon athletica	2.5	5	24.9%	28.1%	49.2%

Source: FactSet

Based on the following financial metrics, lululemon is outperforming its competitors, particularly through its margins, liquidity, and leverage. This is primarily emphasized through the company's days sales outstanding (DSO) of 5 days. Lululemon operates with a small accounts receivable balance (\$126 million as of July 2024) driven by the fact that a majority of the company's sales are made directly to consumers, either through their retail locations or e-commerce platforms.⁴ Larger competitors such as Nike and Adidas generate a significant portion of their revenues through wholesalers who take much longer to repay their obligations. This also allows lululemon to operate with higher margins, where most of its merchandise is sold near the manufacturer's suggested retail price (MSRP). Going forward the HF anticipates gross margins to fall slightly, driven by weaker demand for women's products in North America before stabilizing at 62% given the strength of its e-commerce platform.

Operating Metrics

	5Y CAGR Sales	5Y CAGR EBITDA	EPS Growth LFY	SSS Growth LFY	Rev/Store LFY (\$mm)
Nike, Inc.	5.6%	4.7%	15.5%	1.0%	27.6
Adidas AG	-0.4%	-13.3%	-112.6%	11.0%	12.4
Under Armour, Inc.	1.9%	1.9%	-38.1%	5.0%	9.1
The Gap, Inc.	-2.1%	-9.7%	243.6%	-4.0%	5.4
Polo Ralph Lauren	1.0%	1.0%	28.2%	6.0%	5.3
Columbia Sportswear	4.5%	2.2%	-17.4%	6.0%	4.1
Peer Average	1.8%	-2.2%	-2.9%	4.2%	10.7
lululemon athletica	23.9%	25.6%	82.6%	13.0%	6.2

Source: FactSet

As mentioned previously, industry tailwinds have supported lululemon's growth over the past five years, greatly outperforming its industry peers. Unfortunately, many of lululemon's peers do report the amount of square footage owned in their stores, so total revenue per store was used as a comparison. Although lululemon is

underperforming in this category, it is driven by the company's smaller operating model, with an average store size of 4200 square feet. This supports the high-margin nature of its business, with little operating and depreciation expenses. Most encouraging of these statistics is the company's same-store-sales (SSS) growth, which has consistently outperformed its competitors in recent history. The team predicts SSS will be pressured in 2025 due to difficulties at its North American locations, but still outperform consensus (4.9% vs. 4.5% expected) by leveraging its momentum at international locations and new product collaborations.

Valuation Metrics

	NFY P/E	NFY P/S	P/CF	EV/EBITDA
Nike, Inc.	27.6	2.4	15.0	21.3
Adidas AG	59.5	1.6	15.5	17.8
Under Armour, Inc.	44.0	0.8	7.4	12.0
The Gap, Inc.	11.6	0.5	5.2	5.2
Polo Ralph Lauren	19.6	2.0	11.9	10.5
Columbia Sportswear	22.0	1.5	6.0	10.5
Peer Average	20.2	1.7	10.2	12.9
lululemon athletica	21.0	3.8	18.1	13.4

Source: FactSet

Based on a relative valuation, lululemon appears overvalued to its competitors. In general, however, this is typically the case as the company's price appreciation from 2018 to 2023 drove its P/E up to 72.6x. Coupled with slower demand for more traditional clothing brands, earnings multiples have fallen for several companies including Nike, Adidas, Under Armour, and Gap. Given lululemon's -37% price correction thus far in 2024, it is now trading much closer to its competitors than it has in the past. For these reasons, the Henry Fund does not consider the relative valuation credible for lululemon given its niche business model and higher growth prospects. For a deeper analysis of the company's intrinsic value, please refer to the "Valuation Metrics" section below.

Future Outlook

Overall, lululemon's high margins, strong operational efficiency, and lower leverage make it one of the top performers in the peer group. While casualization trends in the industry have bolstered its growth, the company's ability to quickly recognize new opportunities and diversify its product line has allowed it to outperform much larger competitors. Limited support for new clothing items has resulted in weaker demand in North America, but the team remains confident in the company's ability to resolve

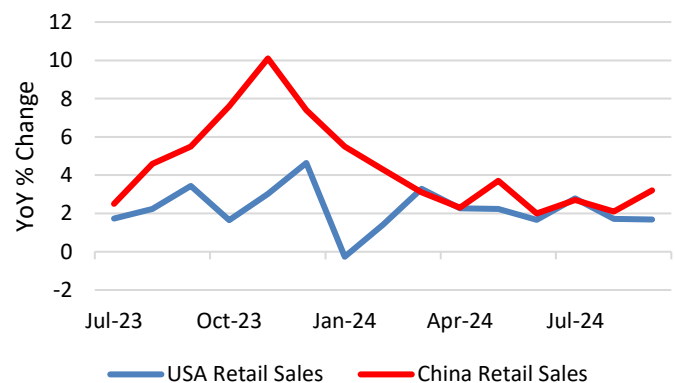
these complexities quickly. The company's sell-off over the past year appears to be largely overstated, and considering its strong long-term fundamentals, the current valuation presents an attractive entry point.

ECONOMIC OUTLOOK

Retail Sales

Retail sales are an economic metric that tracks consumer demand for finished goods. The figure is reported monthly and serves as a leading indicator for where the economy is heading, especially regarding inflation and real GDP growth.²⁹ As inflation has normalized, so have retail sales, which have consistently grown by 2.0-2.5% on a YoY basis. For China, however, the difference is stark, which has faced significant economic hardship over the last 12 months. However, the recent announcement of a five-year, \$1.4 trillion stimulus package has helped boost morale and could help revive consumer confidence and spending. The HF predicts American retail sales will remain steady at 2.0-2.5% through 2025, while Chinese retail will reaccelerate to 4.0-5.0%. This will drive lululemon to 25%+ growth in the region through fiscal year 2026, helping outperform analysts' consensus.

Retail Sales in China are subsiding, US flat



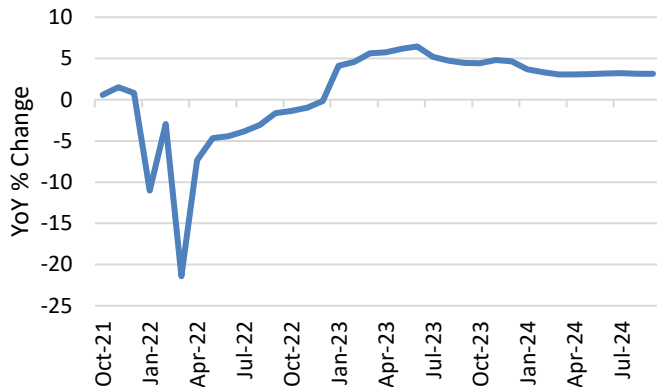
Source: FRED, National Bureau of Statistics of China

Real Disposable Personal Income

Real Disposable Personal Income (RDPI) is the amount of money an individual or household has available to spend, invest, or save after taxes have been deducted and adjusted for inflation.³⁰ When inflation peaked in 2021, RDPI fell drastically but has since normalized near 3.0%. By offering a premium product, lululemon can be a

beneficiary from higher levels of RDPI. The team predicts RDPI will fall slightly to 2.0-2.5% in the next year as inflation ticks up due to lower interest rates and a resurging economy. This could be offset by lower taxes if new laws are passed by President Trump, but the timing and significance of these changes remains uncertain. In all, RDPI should not have a major impact on lululemon's financial performance, unless values move by more than 100 basis points in either direction.

RDPI is holding steady

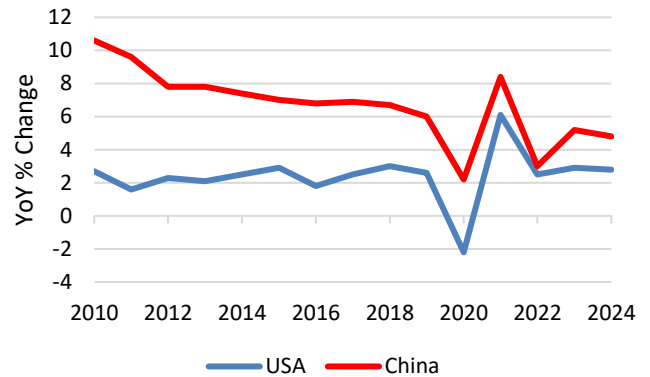


Source: FRED

Real GDP Growth

Real GDP is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year.³¹ For the last 15 years, China has been growing faster than the United States on a constant-currency basis. This trend has been beneficial to lululemon, capitalizing on this growth despite a slowing economy. The team projects U.S. real GDP growth to remain steady at approximately 2.5% over the next six months, with an increase to 3.0% annually by 2026. This is expected to outpace China over the long term, as fundamental problems regarding real estate, international trade, and government debt will constrain its growth through 2027. Nevertheless, Lululemon's recent success in the Chinese market provides it with a distinct competitive edge. Social movements encouraging active lifestyles, targeted marketing, and rising demand for men's products position China as a key and growing geographic segment for the company.

Real GDP Growth



Source: International Monetary Fund (IMF)

VALUATION

This valuation uses a ten-year forecast horizon with a continuing value estimation in fiscal year 2034. Lululemon's rapid growth over the last seven years has been met with recent challenges. New competitors offering lower-priced alternatives have reduced the company's demand for new products. Organizational shifts and the company's botched product launch have resulted in the stock's significant underperformance thus far in 2024. However, its future remains bright with competitive advantages through the company's men's and accessory lines, along with its international exposure. Its transformation into a large, multinational corporation will slow growth over the long term but provide much-needed stability. Thus, the team argues much of the company's internal difficulties will be resolved within the next year, and combined with industry-leading margins, will outlast smaller competitors and continue to chip away at Nike and Adidas' market share.

SSS Growth

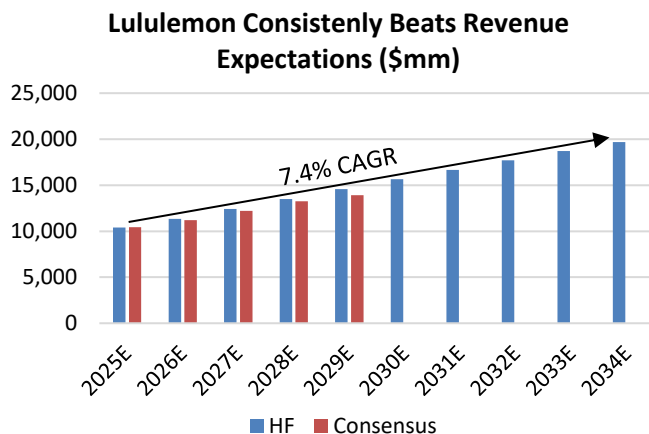
As mentioned previously, same-store sales are a common industry metric to determine the company's organic growth by measuring the increase in sales from company-operated stores that have been open for at least one year. The HF anticipates SSS to outperform in the last two quarters of this year, driven by the success of existing stores in China and increased newness within the US market. Nevertheless, e-commerce will continue to show the most strength, as industry tailwinds among younger shoppers will support this channel's growth. As such, beginning in FY28, e-commerce revenue will reassert itself

as the catalyst, growing at 7-9% per year through FY33. Having grown from 29% to 45% of revenues since COVID, the team anticipates it will maintain current levels, ultimately representing 46% of revenues by continuing value, approximately the same as in-store.

Revenues from other channels, or temporary and licensed locations, have shown steady growth in recent history, driven by the success of pop-up locations. Lululemon has also added 35 licensed locations over the last three years, bringing their total to 39 locations across the Middle East and Mexico. The team anticipates licensed locations to be the central driver for long-term growth, particularly within Central America and Europe. Temporary locations can be unpredictable, and once brand recognition is established in an area, the need to test new markets within that region becomes less important.

The team forecasts lululemon will have 135 licensed locations by continuing value, following historical trends by adding 10-16 stores per year through 2030. Afterward, the growth will be more muted, as with company-operated store growth, with revenues expanding at 3-5% per year.

Lululemon has a strong history of outperforming consensus on its top and bottom lines. The HF's optimism supports this trend, with each segment outperforming consensus by 1-8% for each of the next three years. The following chart shows lululemon's forecasted revenues in comparison to consensus.



Source: FactSet and Henry Fund Estimates

Product Line Outlook

As discussed previously, support for the company's men's and accessory products have driven volumes over the last three years. Management has noted plans to continue ramping up the line of men's clothing and increase advertising to build brand awareness. This will be especially true in China and Europe, where the company has an established presence but a reliance on women's clothing.

The team predicts product line demand will grow in two phases. The first phase is until 2028, where accessories will expand from 12.7% to 18.9% of the company's overall revenues, driven by female customers. The second phase extends until continuing value, where widespread adoption of men's clothing takes shape, maintaining 7-11% revenue growth and representing over 26% of the company's annual sales (vs. 23% today). Women's products will continue to be the core line of the business (53% of revenues), but the company's customer demographics will be much more diverse and emphasize the maturity of the business model.

As of Q2 2024, lululemon has a 7.9% market share in the apparel, footwear, and accessories industry,² only trailing Nike (39%) and Adidas (13%) who control over 50% of the market. Lululemon currently generates 45% of the revenue of Adidas, and given the company's more niche product line, the team does not believe lululemon will be able to surpass Adidas' market share in the forecast horizon. The company's higher price point presents risks to younger competitors, but its exposure to international markets, use of high-quality materials, and brand partnerships will allow the company to outperform over the long run. Thus, the team predicts the company will achieve over 10% market share by the end of the decade, cementing itself as a premier athletic and casual apparel brand.

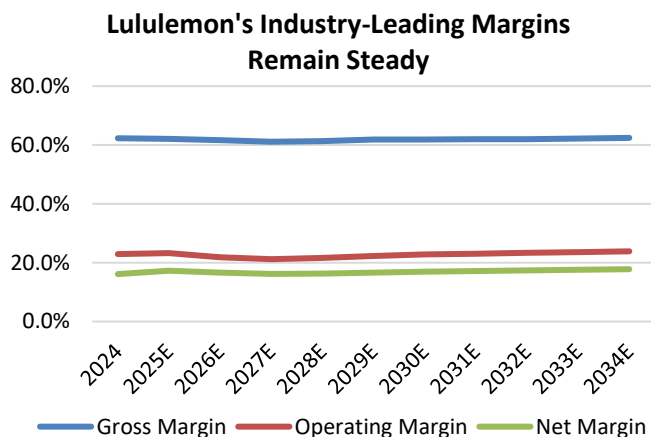
Margin Analysis

Lululemon has a very simple operating model. Many of the company's stores are small (average store size of 4200 square feet), do not own any of its manufacturing facilities, and generate most of its sales direct-to-consumer (DTC). As a result, the company has an industry-leading revenue per square foot, with its primary operating expenses in the form of COGS and SG&A. Gross and operating margins were near record highs in the last fiscal year, which the

team believes will fall near normalized levels through 2027. This will be driven by several factors, including:

- Higher production and research and development costs for new fabrics, silhouettes, and color palettes
- Increased shipping costs from new distribution centers overseas
- Investment in cloud computing and data analytics platforms for more advanced omnichannel marketing strategies
- Potentially higher export costs to the United States due to increased tariffs

The team considered the first three of these factors in its analysis, as uncertainty remains around President Trump's new trade policies. In the event of 50-100% tariff increases from China and the Far East, the company's intrinsic value falls to \$297 (\$54 price impact). After 2027, economies of scale and revenue growth will support stronger gross margins, while higher advertising and employee compensation expenses will stabilize operating margins. The following chart shows lululemon's profitability through the forecast horizon.



Source: FactSet and Henry Fund Estimates

Balance Sheet

Over 50% of lululemon's current assets are in the form of cash and cash equivalents. Inventories; property, plant, and equipment; and operating lease assets are the company's other major line items given their extensive product line, large store count, and supplier agreements. Most of these line items are operating in nature, so they were forecasted as a percentage of revenue. Operating lease assets, however, were forecasted on a per-store basis to estimate the average leased asset value for each location.

Lululemon's liabilities are also very straightforward, most of which are in the form of accounts payable, accrued expenses, or deferred revenue (unredeemed gift card liabilities). Interestingly, the company operates without long-term debt securities, making lease liabilities its sole source of debt. Since most of these line items are operating in nature, many forecasts were tied to revenues, with lease liabilities being projected as a percentage of operating lease assets.

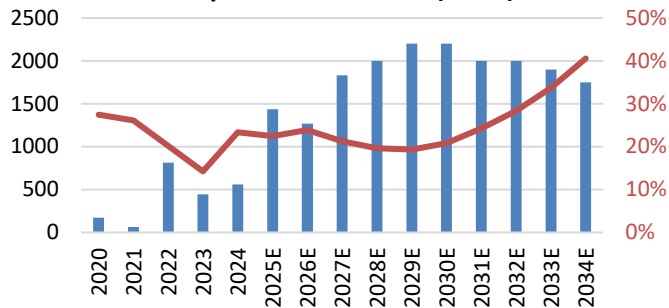
The HF believes lululemon will be able to maintain its industry-leading liquidity and low leverage through the forecast horizon. The company's current ratio should remain steady between 2.3-3.0x, with a debt-to-capital ratio under 25%. Inventories are expected to remain between 13.5-14% of revenues, with accounts payable declining to 3.0% driven by higher levels of cash and cash equivalents.

Payout Policy

Although lululemon does not pay a dividend, the company actively engages in share repurchases and plans to significantly expand this strategy in the coming years. Historically, the company has repurchased between \$200-600 million of shares per year. However, in the first two quarters of this year alone, the company has already repurchased \$881 million. While management expects a more conservative pace in the second half of the year, total buybacks are projected to exceed \$1.4 billion for the fiscal year.

To support this approach, the company recently approved a more favorable share buyback program.³² The HF anticipates lululemon will repurchase roughly \$2 billion of shares per year beginning in 2028, helping stabilize its cash balance. This amounts to roughly 4-5 million shares per year, reducing the company's outstanding shares to 86.9 million by continuing value (vs. 126.2 million today). The following chart illustrates lululemon's share repurchases from 2020-2034 and cash as a percentage of revenues.

Lululemon expected to ramp up share repurchases in 2025 (\$mm)



Source: FactSet and Henry Fund Estimates

WACC

The Henry Fund arrived at the company's cost of equity using the 10-year YTM on Treasury bonds for a risk-free rate of 4.20%, an average beta of 1.10, and an equity risk premium of 5.00%. The beta was calculated as the average of the company's 3, 3.5, and 4-year monthly beta, removing the effect of outliers.³³ Since lululemon has no public debt, the pre-tax cost of debt was referenced from Bloomberg by using the average YTM on BBB-rated corporate bonds. Equity market values and all sources of debt from the company's balance sheet were utilized for its weights, before arriving at the weighted average cost of capital of 9.50%.

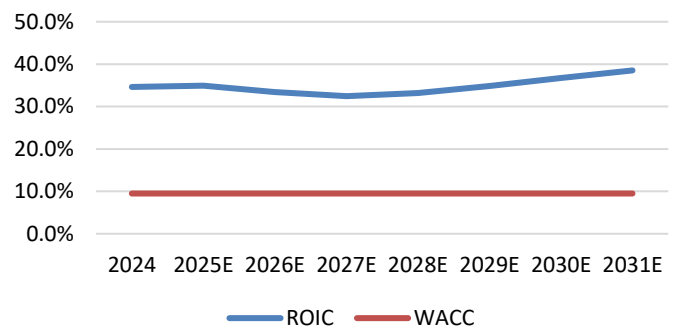
Valuation Metrics

Using the above forecasts, assumptions, and investment thesis, an intrinsic value of \$351.35 was calculated using the Discounted Cash Flow (DCF) and Economic Profit (EP) methods, a 13.6% upside from the current price. Key assumptions from this model resulted in the company's FCF growing at a CAGR of 12.5%, a continuing value growth of NOPLAT at 5.0%, and a continuing value ROIC of 42.3%.

While lululemon does not pay a dividend, its aggressive share repurchase program resulted in a fairly accurate intrinsic value of \$338.93, assuming a continuing value growth of EPS at 5.0% and ROE of 35.8%. Finally, a relative valuation model was conducted using six of the company's closest competitors. As mentioned previously, lululemon has historically traded at a premium to its competitors, but its recent sell-off places it at fair value, intrinsically priced at \$296.81. The team does not consider either of these valuations an accurate representation of lululemon, given that the company's long-term outlook is more growth-oriented and it does not pay a dividend.

The HF considers the DCF/EP models as the most representative for lululemon. Lululemon's diverse product offering, growing international exposure, and superior marketing strategy will allow it to outperform and outpace the growth of its competitors. Expanding the company's target audience to men will provide another avenue for growth, building on its strong brand recognition and best-in-class margins. Duplicate products present the biggest risk, as brand loyalty among many consumers is fading and the commoditization of athleisure products continues to increase. Industry tailwinds remain favorable, however, and assuming lululemon can continue to deliver by producing high-quality fabrics and silhouettes, its higher price point should not deter most consumers.

LULU consistently generates shareholder value



Source: LULU 2024 10-K and Henry Fund Estimates

Sensitivity/Scenario Testing

As a final check of the strength of the DCF/EP model, several sensitivity and scenario tests were conducted on various operating and valuation assumptions. Significant stressors were applied to see the full range of price points that lululemon could reach, resulting in an average interquartile range between \$325 and \$380. The scenario tests were equally volatile, resulting in an average price of \$359 and a median price of \$330.

One of the most notable sensitivity tests applied was between the company's in-store revenue per square foot and the amount of square footage the company owns. The results of this test directly relate to the company's SSS growth and can serve as a proxy for how various levels of demand will affect performance. An annual delta was applied to each of these forecasts through the forecast horizon. The most probabilistic of these scenarios is the event that lululemon places a widespread discount on its products (-1-2% revenue/square foot) but can increase its selling space due to new stores in China and Europe.

(+0.10-0.20 million square feet). This immediately raises the share price to \$368, a 19.2% upside from the current share price.

		In-Store Revenue per Sq. Foot Δ ('25-CV)						
Selling Space Sq. Ft. Δ (%25-CV)	351.35	-3.00%	-2.00%	-1.00%	0.00%	1.00%	2.00%	3.00%
	(0.30)	249.42	253.75	258.32	263.15	268.24	273.62	279.29
	(0.20)	274.06	279.99	286.26	292.88	299.88	307.26	315.06
	(0.10)	298.40	305.91	313.86	322.26	331.13	340.50	350.39
	-	322.51	331.59	341.19	351.35	362.08	373.41	385.39
	0.10	346.43	357.07	368.32	380.22	392.79	406.08	420.11
	0.20	370.21	382.39	395.27	408.90	423.31	438.53	454.61
	0.30	393.86	407.58	422.09	437.44	453.67	470.82	488.94

Source: Henry Fund Estimates

Fifteen scenario tests were also conducted to analyze the impact of lululemon's SSS growth, technological and e-commerce infrastructure, international expansion, the threat of duplicate products, new product releases, demand for women's clothing, trade tariffs, and the Federal Funds Rate. The most notable of these scenarios consider lululemon outlasting the rise of duplicates, resulting in a share price of \$472. On the contrary, if consumers feel dupes are an equivalent substitute, Lululemon will be forced to lower its prices, causing its share price to drop as low as \$257. A summary of this analysis is included on the final page of the appendix.

KEYS TO MONITOR

Going forward, lululemon's ability to appeal to the female demographic while building out its men's and accessory lines will be key in outperforming its competitors. Although management has noted its focus on international growth and a greater product offering for men, its primary consumer base remains with North American women, who have been very displeased with the company's product assortment in the first half of 2024. This has opened the door for lower-priced alternatives and imitation products to gain popularity, causing many of lululemon's loyal customers to reconsider whether the brand's products justify their premium price.

Outperformance in China and Europe, stronger brand recognition among men, and a superior e-commerce and marketing platform will be the company's biggest keys to success going forward. The company's internal challenges have led to the company's selloff, presenting a great entry point for long-term returns. The team remains optimistic about management being able to correct these missteps in the next 12 months and coupled with industry-leading margins and operational efficiencies, the HF maintains a **BULLISH** outlook.

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lululemon athletica inc

Quarterly Revenue Decomposition

in millions (mm), except unit data

Fiscal Years Ending Jan. 31

	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025E	Q4 2025E	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	Q1 2027E	Q2 2027E	Q3 2027E	Q4 2027E	Q1 2028E	Q2 2028E	Q3 2028E	Q4 2028E
Revenue by Segment																		
Company-operated stores	1,074	1,282	1,071	1,216	1,209	1,432	1,201	1,373	1,331	1,591	1,316	1,504	1,461	1,747	1,434	1,624	1,583	1,895
YOY growth	18.9%	15.5%	11.7%	10.8%	12.6%	11.7%	12.2%	13.0%	10.1%	11.1%	9.5%	9.5%	9.8%	9.8%	9.0%	8.0%	8.4%	8.4%
E-commerce (Direct-to-consumer)	908	1,674	906	911	944	1,842	942	933	1,015	2,026	989	994	1,107	2,269	1,039	1,064	1,195	2,564
YOY growth	18.3%	16.6%	8.5%	1.9%	4.0%	10.0%	4.0%	2.5%	7.5%	10.0%	5.0%	6.5%	9.0%	12.0%	5.0%	7.0%	8.0%	13.0%
Other channels	222	249	233	245	182	209	219	255	233	234	225	270	247	276	234	289	269	315
YOY growth	19.1%	10.2%	11.9%	12.0%	-18.0%	-16.0%	-6.0%	4.0%	28.0%	12.0%	3.0%	6.0%	6.0%	18.0%	4.0%	7.0%	9.0%	14.0%
Total	2,204	3,205	2,209	2,371	2,336	3,482	2,362	2,561	2,580	3,851	2,530	2,768	2,815	4,293	2,707	2,976	3,048	4,774
YOY growth	18.7%	15.6%	10.4%	7.3%	6.0%	8.6%	6.9%	8.0%	10.4%	10.6%	7.1%	8.1%	9.1%	11.5%	7.0%	7.5%	8.3%	11.2%
				consensus	2357	3500	2385	2575	2565	3680								
Company-operated stores	48.7%	40.0%	48.5%	51.3%	51.8%	41.1%	50.9%	53.6%	51.6%	41.3%	52.0%	54.3%	51.9%	40.7%	53.0%	54.6%	51.9%	39.7%
E-commerce	41.2%	52.2%	41.0%	38.4%	40.4%	52.9%	39.9%	36.4%	39.4%	52.6%	39.1%	35.9%	39.3%	52.9%	38.4%	35.7%	39.2%	53.7%
Other channels	10.1%	7.8%	10.5%	10.3%	7.8%	6.0%	9.3%	9.9%	9.0%	6.1%	8.9%	9.8%	8.8%	6.4%	8.7%	9.7%	8.8%	6.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Product Line Breakdown																		
Women's products	1,434	2,008	1,435	1,476	1,477	2,109	1,507	1,528	1,580	2,214	1,537	1,604	1,691	2,413	1,599	1,652	1,776	2,570
YOY growth	19.0%	13.1%	9.7%	5.7%	3.0%	5.0%	5.0%	3.5%	7.0%	5.0%	2.0%	5.0%	7.0%	9.0%	4.0%	3.0%	5.0%	6.5%
Men's products	505	779	506	588	545	841	566	646	605	925	623	698	664	1,032	685	754	744	1,176
YOY growth	14.6%	14.6%	15.4%	10.7%	8.0%	8.0%	12.0%	10.0%	11.0%	10.0%	10.0%	8.0%	9.8%	11.5%	10.0%	8.0%	12.0%	14.0%
Other categories	265	418	268	307	314	532	289	387	394	711	370	466	460	847	423	570	528	1,027
YOY growth	25.5%	31.9%	5.6%	9.0%	18.1%	27.4%	7.7%	25.9%	25.7%	33.6%	28.1%	20.3%	16.6%	19.1%	14.3%	22.4%	14.9%	21.2%
Total	2,204	3,205	2,209	2,371	2,336	3,482	2,362	2,561	2,580	3,851	2,530	2,768	2,815	4,293	2,707	2,976	3,048	4,774
YOY growth	18.7%	15.6%	10.4%	7.3%	6.0%	8.6%	6.9%	8.0%	10.4%	10.6%	7.1%	8.1%	9.1%	11.5%	7.0%	7.5%	8.3%	11.2%
Women's products	65.1%	62.7%	65.0%	62.3%	63.2%	60.6%	63.8%	59.7%	61.3%	57.5%	60.8%	58.0%	60.1%	56.2%	59.1%	55.5%	58.3%	53.8%
Men's products	22.9%	24.3%	22.9%	24.8%	23.3%	24.2%	24.0%	25.2%	23.5%	24.0%	24.6%	25.2%	23.6%	24.0%	25.3%	25.3%	24.4%	24.6%
Other categories	12.0%	13.0%	12.1%	13.0%	13.4%	15.3%	12.2%	15.1%	15.3%	18.5%	14.6%	16.8%	16.3%	19.7%	15.6%	19.1%	17.3%	21.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Geographic Breakdown																		
United States	1,424	2,184	1,340	1,422	1,416	2,293	1,381	1,458	1,466	2,419	1,429	1,516	1,539	2,564	1,493	1,592	1,620	2,718
YOY growth	12.2%	8.7%	2.0%	-0.2%	-0.5%	5.0%	3.0%	2.5%	3.5%	5.5%	3.5%	4.0%	5.0%	6.0%	4.5%	5.0%	5.3%	6.0%
Canada	309	428	282	319	327	475	302	339	349	513	317	356	364	547	334	372	383	574
YOY growth	13.6%	13.4%	11.3%	8.3%	6.0%	11.0%	7.0%	6.0%	6.5%	8.0%	5.0%	5.0%	4.5%	6.5%	5.5%	4.5%	5.0%	5.0%
People's Republic of China*	267	340	346	356	347	418	433	463	468	494	476	579	562	691	519	625	624	830
YOY growth	53.3%	79.2%	38.6%	28.4%	30.0%	23.0%	25.0%	30.0%	35.0%	18.0%	10.0%	25.0%	20.0%	40.0%	9.0%	8.0%	11.0%	20.0%
Other geographic areas	205	253	241	273	245	296	247	302	297	425	308	317	349	491	361	388	421	652
YOY growth	43.9%	29.8%	31.2%	29.0%	19.6%	16.9%	2.8%	10.4%	21.1%	43.7%	24.7%	5.1%	17.7%	15.5%	16.9%	22.1%	20.6%	32.9%
Total	2,204	3,205	2,209	2,371	2,336	3,482	2,362	2,561	2,580	3,851	2,530	2,768	2,815	4,293	2,707	2,976	3,048	4,774
YOY growth	18.7%	15.6%	10.4%	7.3%	6.0%	8.6%	6.9%	8.0%	10.4%	10.6%	7.1%	8.1%	9.1%	11.5%	7.0%	7.5%	8.3%	11.2%
*Mainland China, Hong Kong, Taiwan, and Macau																		
United States	64.6%	68.1%	60.7%	60.0%	60.6%	65.8%	58.4%	56.9%	56.8%	62.8%	56.5%	54.8%	54.7%	59.7%	55.2%	53.5%	53.2%	56.9%
Canada	14.0%	13.4%	12.8%	13.5%	14.0%	13.7%	12.8%	13.2%	13.5%	13.3%	12.5%	12.8%	12.9%	12.7%	12.3%	12.5%	12.6%	12.0%
People's Republic of China	12.1%	10.6%	15.7%	15.0%	14.9%	12.0%	18.3%	18.1%	18.2%	12.8%	18.8%	20.9%	20.0%	16.1%	19.2%	21.0%	20.5%	17.4%
Other geographic areas	9.3%	7.9%	10.9%	11.5%	10.5%	8.5%	10.5%	11.8%	11.5%	11.0%	12.2%	11.5%	12.4%	11.4%	13.3%	13.0%	13.8%	13.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total company-owned stores	686	711	711	721	746	757	758	767	777	789	789	794	802	814	812	818	825	835
New stores opened, net	14	25	0	10	25	11	1	9	10	12	0	5	8	12	-2	6	7	10
Selling Space Sq. Feet (mm)	2.80	3.00	3.00	3.10	3.25	3.35	3.35	3.45	3.55	3.65	3.65	3.75	3.85	3.95	3.90	3.95	4.05	4.15
QOQ growth	0.1	0.2	0.0	0.1	0.15	0.10	0.00	0.10	0.10	0.10	0.00	0.10	0.10	0.10	-0.05	0.05	0.10	0.10
In-store revenue/sq. foot	384	427	357	392	372	427	359	398	375	436	360	401	380	442	368	411	391	457
YOY growth	1.9%	0.1%	-3.2%	-3.5%	-3.00%	0.00%	0.50%	1.50%	0.80%	2.00%	0.50%	0.75%	1.20%	1.50%	2.00%	2.50%	3.00%	3.20%
Rev/Store (\$mm)	\$ 1.57	\$ 1.80	\$ 1.51	\$ 1.69	\$ 1.62	\$ 1.89	\$ 1.58	\$ 1.79	\$ 1.71	\$ 2.02	\$ 1.67	\$ 1.89	\$ 1.82	\$ 2.15	\$ 1.77	\$ 1.98	\$ 1.92	\$ 2.27
SSS Growth	8.0%	6.4%	4.0%	3.3%	3.5%	4.9%	5.3%	6.2%	5.7%	6.6%	5.2%	5.8%	6.3%	6.5%	5.9%	4.8%	5.3%	5.7%
				consensus	3.2%	4.2%	5.8%	6.0%	5.9%	6.7%								

red = inputted growth

blue = calculated growth

lululemon athletica inc

Annual Revenue Decomposition
in millions (mm), except unit data
Fiscal Years Ending Jan. 31

	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue by Segment													
Company-operated stores	2,821	3,648	4,411	4,927	5,497	6,028	6,535	7,015	7,466	7,904	8,331	8,751	9,145
YOY growth	70.1%	29.3%	20.9%	11.7%	11.6%	9.7%	8.4%	7.3%	6.4%	5.9%	5.4%	5.0%	4.5%
E-commerce (Direct to consumer)	2,778	3,700	4,311	4,603	4,917	5,359	5,862	6,389	6,926	7,452	7,996	8,556	9,069
YOY growth	21.6%	33.2%	16.5%	6.8%	6.8%	9.0%	9.4%	9.0%	8.4%	7.6%	7.3%	7.0%	6.0%
Other channels	657	763	897	869	940	1,018	1,107	1,185	1,244	1,306	1,365	1,419	1,469
YOY growth	43.2%	16.0%	17.7%	-3.2%	8.3%	8.3%	8.7%	7.0%	5.0%	5.0%	4.5%	4.0%	3.5%
Total	6,257	8,111	9,619	10,398	11,354	12,405	13,504	14,588	15,635	16,663	17,692	18,726	19,683
YOY growth	42.1%	29.6%	18.6%	8.1%	9.2%	9.3%	8.9%	8.0%	7.2%	6.6%	6.2%	5.8%	5.1%
			consensus	10,439	11,207	12,221	13,270	13,931					
Company-operated stores	45.1%	45.0%	45.9%	47.4%	48.4%	48.6%	48.4%	48.1%	47.7%	47.4%	47.1%	46.7%	46.5%
E-commerce	44.4%	45.6%	44.8%	44.3%	43.3%	43.2%	43.4%	43.8%	44.3%	44.7%	45.2%	45.7%	46.1%
Other channels	10.5%	9.4%	9.3%	8.4%	8.3%	8.2%	8.2%	8.1%	8.0%	7.8%	7.7%	7.6%	7.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Product Line Breakdown													
Women's products	4,172	5,260	6,147	6,497	6,829	7,246	7,597	8,015	8,495	8,963	9,411	9,881	10,375
YOY growth	36.8%	26.1%	16.9%	5.7%	5.1%	6.1%	4.8%	5.5%	6.0%	5.5%	5.0%	5.0%	5.0%
Men's products	1,536	1,957	2,253	2,480	2,743	3,017	3,360	3,729	4,084	4,410	4,719	5,026	5,302
YOY growth	61.1%	27.4%	15.1%	10.1%	10.6%	10.0%	11.3%	11.0%	9.5%	8.0%	7.0%	6.5%	5.5%
Other categories	549	894	1,219	1,421	1,781	2,142	2,547	2,844	3,056	3,290	3,562	3,819	4,006
YOY growth	37.7%	62.9%	36.4%	16.6%	25.3%	20.3%	18.9%	11.7%	7.4%	7.6%	8.3%	7.2%	4.9%
Total	6,257	8,111	9,619	10,398	11,354	12,405	13,504	14,588	15,635	16,663	17,692	18,726	19,683
YOY growth	42.1%	29.6%	18.6%	8.1%	9.2%	9.3%	8.9%	8.0%	7.2%	6.6%	6.2%	5.8%	5.1%
Women's products	66.7%	64.9%	63.9%	62.5%	60.1%	58.4%	56.3%	54.9%	54.3%	53.8%	53.2%	52.8%	52.7%
Men's products	24.5%	24.1%	23.4%	23.8%	24.2%	24.3%	24.9%	25.6%	26.1%	26.5%	26.7%	26.8%	26.9%
Other categories	8.8%	11.0%	12.7%	13.7%	15.7%	17.3%	18.9%	19.5%	19.7%	19.7%	20.1%	20.4%	20.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Geographic Breakdown													
United States	4,346	5,654	6,346	6,472	6,723	7,048	7,423	7,812	8,219	8,638	9,070	9,523	9,999
YOY growth	40.0%	30.1%	12.2%	2.0%	3.9%	4.8%	5.3%	5.3%	5.2%	5.1%	5.0%	5.0%	5.0%
Canada	954	1,163	1,285	1,404	1,502	1,583	1,662	1,754	1,847	1,939	2,036	2,133	2,229
YOY growth	41.9%	21.9%	10.5%	9.2%	7.0%	5.4%	5.0%	5.5%	5.3%	5.0%	5.0%	4.8%	4.5%
People's Republic of China*		682	1,134	1,468	1,858	2,308	2,597	2,922	3,258	3,551	3,782	4,009	4,209
YOY growth			66.4%	29.4%	26.6%	24.2%	12.5%	12.5%	11.5%	9.0%	6.5%	6.0%	5.0%
Other geographic areas	957	611	853	1,055	1,271	1,466	1,822	2,100	2,312	2,535	2,804	3,062	3,246
YOY growth	53.3%	-36.1%	39.6%	23.6%	20.5%	15.3%	24.3%	15.3%	10.1%	9.6%	10.6%	9.2%	6.0%
Total	6,257	8,111	9,619	10,398	11,354	12,405	13,504	14,588	15,635	16,663	17,692	18,726	19,683
YOY growth	42.1%	29.6%	18.6%	8.1%	9.2%	9.3%	8.9%	8.0%	7.2%	6.6%	6.2%	5.8%	5.1%
*Mainland China, Hong Kong, Taiwan, and Macau													
United States	69.5%	69.7%	66.0%	62.2%	59.2%	56.8%	55.0%	53.6%	52.6%	51.8%	51.3%	50.9%	50.8%
Canada	15.3%	14.3%	13.4%	13.5%	13.2%	12.8%	12.3%	12.0%	11.8%	11.6%	11.5%	11.4%	11.3%
People's Republic of China	0.0%	8.4%	11.8%	14.1%	16.4%	18.6%	19.2%	20.0%	20.8%	21.3%	21.4%	21.4%	21.4%
Other geographic areas	15.3%	7.5%	8.9%	10.1%	11.2%	11.8%	13.5%	14.4%	14.8%	15.2%	15.9%	16.3%	16.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total company-owned stores	574	655	711	757	789	814	835	852	866	877	885	890	890
New stores opened, net	53	81	56	46	32	25	21	17	14	11	8	5	0
Selling Space Sq. Feet (mm)	2.1	2.6	3.0	3.35	3.65	3.95	4.2	4.4	4.6	4.7	4.8	4.9	4.9
YOY growth	0.2	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.0
In-store revenue/sq. foot	1,344	1,403	1,470	1,471	1,506	1,526	1,575	1,613	1,641	1,682	1,736	1,786	1,866
YOY growth	53.9%	4.4%	4.8%	0.0%	2.4%	1.3%	3.2%	2.4%	1.8%	2.5%	3.2%	2.9%	4.5%
Rev/Store (\$mm)	\$ 4.92	\$ 5.57	\$ 6.20	\$ 6.51	\$ 6.97	\$ 7.41	\$ 7.83	\$ 8.23	\$ 8.62	\$ 9.01	\$ 9.41	\$ 9.83	\$ 10.28
SSS Growth	54.4%	13.3%	11.4%	4.9%	7.0%	6.3%	5.7%	5.2%	4.7%	4.6%	4.4%	4.5%	4.5%
			consensus	4.5%	6.9%	6.7%							

red = inputted growth

blue = calculated growth

*Quarterly Income Statement
in millions (mm), except share data*

lululemon athletica inc
Annual Income Statement
in millions (mm), except share data

[illegible]

lululemon athletica inc

Balance Sheet

in millions (mm), except share data

Fiscal Years Ending Jan. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
ASSETS													
Current Assets													
Cash & cash equivalents	1,260	1,155	2,244	2,338	2,712	2,641	2,647	2,824	3,257	4,045	5,011	6,319	7,983
Accounts receivable, net	77	133	125	135	125	174	182	190	195	217	230	253	276
Inventories	966	1,447	1,324	1,404	1,567	1,675	1,850	1,984	2,111	2,266	2,424	2,584	2,716
Prepaid & receivable income taxes	119	186	184	239	224	238	261	287	314	339	364	390	415
Other prepaid expenses & other current assets	193	239	185	229	295	372	405	438	422	417	442	431	453
Total current assets	2,615	3,159	4,061	4,345	4,922	5,099	5,346	5,722	6,300	7,283	8,471	9,977	11,842
Property & equipment, net	928	1,270	1,546	1,811	2,038	2,261	2,360	2,335	2,322	2,312	2,311	2,310	2,310
Right-of-use lease assets	804	969	1,266	1,325	1,326	1,343	1,361	1,363	1,360	1,359	1,372	1,362	1,362
Goodwill	387	24	24	24	24	24	24	24	24	24	24	24	24
Intangible assets, net	71	22	-	-	-	-	-	-	-	-	-	-	-
Deferred income tax assets	6	6	9	10	11	11	12	13	14	15	16	17	18
Other non-current assets	132	156	187	198	221	248	284	306	328	333	336	356	374
Total assets	4,942	5,607	7,092	7,712	8,542	8,987	9,387	9,764	10,347	11,327	12,530	14,046	15,930
LIABILITIES AND STOCKHOLDERS' EQUITY													
Current Liabilities													
Accounts payable	290	173	348	322	341	385	425	467	500	517	531	562	590
Accrued liabilities and other	331	399	349	385	431	496	540	569	610	633	672	693	728
Accrued compensation & related expenses	205	248	326	334	364	409	446	481	500	533	566	599	630
Current lease liabilities	189	208	249	281	281	284	288	289	288	288	291	288	288
Current income taxes payable	134	174	12	85	79	84	93	102	112	120	129	139	147
Unredeemed gift card liability	208	251	306	336	367	401	432	452	469	500	531	562	590
Other current liabilities	49	38	40	52	57	63	74	80	86	92	88	94	98
Total current liabilities	1,405	1,492	1,631	1,795	1,921	2,123	2,299	2,440	2,565	2,683	2,808	2,936	3,073
Non-current lease liabilities	692	862	1,154	1,166	1,166	1,182	1,198	1,200	1,196	1,196	1,207	1,198	1,198
Non-current income taxes payable	38	29	16	9	-	-	-	-	-	-	-	-	-
Deferred income tax liabilities	53	55	30	33	36	40	44	48	53	58	63	69	75
Other non-current liabilities	14	20	29	29	34	37	41	51	63	67	62	66	59
Total liabilities	2,202	2,458	2,860	3,032	3,158	3,382	3,581	3,739	3,877	4,003	4,140	4,269	4,406
STOCKHOLDERS' EQUITY													
Common equity	423	475	576	662	748	800	800	800	800	800	800	800	800
Retained earnings (accumulated deficit)	2,513	2,926	3,920	4,282	4,900	5,069	5,271	5,489	5,935	6,788	7,854	9,242	10,989
Accumulated other comprehensive income (loss)	196	253	264	264	264	264	264	264	264	264	264	264	264
Total stockholders' equity	2,740	3,149	4,232	4,680	5,384	5,605	5,806	6,025	6,471	7,324	8,390	9,777	11,524
Total liabilities and equity	4,942	5,607	7,092	7,712	8,542	8,987	9,387	9,764	10,347	11,327	12,530	14,046	15,930

lululemon athletica inc
Historical Cash Flow Statement
in millions (mm), except share data
Fiscal Years Ending Jan. 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash flows from operating activities:										
Net income (loss)	239	266	303	259	484	646	589	975	855	1,550
Depreciation & amortization	58	73	88	108	122	162	185	224	292	379
Impairment of goodwill & other assets	-	-	-	12	-	-	-	-	408	75
Loss (gain) on disposal of assets	-	-	-	-	-	-	-	-	(10)	-
Stock-based compensation expense	8	12	16	18	29	46	51	69	78	94
Derecognition of unredeemed gift card liability	(1)	(4)	(5)	(6)	(7)	(12)	(14)	(19)	(23)	(29)
Settlement of derivatives not designated in a hedging relationship	-	-	-	6	(15)	(2)	4	15	(39)	33
Deferred income taxes	2	11	(18)	(11)	17	24	35	(5)	3	(28)
Changes in operating assets and liabilities:										
Inventories	(27)	(83)	(5)	(21)	(86)	(118)	(97)	(324)	(511)	67
Prepaid & receivable income taxes	(15)	(52)	12	32	(0)	(36)	(54)	20	(67)	2
Prepaid expenses, other current & non-current assets	(9)	(4)	(7)	(8)	(31)	(82)	(120)	(100)	(150)	(6)
Accounts payable	(2)	1	14	(2)	72	(15)	83	118	(107)	177
Accrued liabilities & other	-	-	-	-	-	-	-	104	65	(72)
Accrued compensation & related expenses	12	15	10	13	42	25	(7)	75	47	70
Current & non-current income taxes payable	19	19	(10)	32	46	(34)	(24)	121	36	(89)
Unredeemed gift card liability	11	17	16	17	25	33	48	71	68	-
Right-of-use lease assets, current & non-current lease liabilities	-	-	-	-	-	17	13	13	24	38
Other current & non-current liabilities	19	27	(29)	41	45	14	110	30	(3)	36
Net cash flows from operating activities	314	299	385	489	743	669	803	1,389	966	2,296
Cash flows from investing activities:										
Purchase of property & equipment	(120)	(143)	(150)	(158)	(226)	(283)	(229)	(395)	(639)	(652)
Settlement of net investment hedges	-	-	-	(7)	(16)	0	(15)	(23)	48	(2)
Acquisition, net of cash acquired	-	-	-	-	-	-	(453)	-	-	-
Other investing activities	-	-	-	(8)	(1)	4	1	(10)	21	(1)
Net cash flows from investing activities	(120)	(143)	(150)	(173)	(243)	(278)	(696)	(428)	(570)	(654)
Cash flows from financing activities:										
Proceeds from settlement of stock-based compensation	3	5	7	6	18	18	15	18	12	42
Shares withheld related to net share settlement of stock-based compensation	(5)	(4)	(2)	(3)	(9)	(22)	(32)	(50)	(35)	(33)
Repurchase of common stock	(147)	(274)	(29)	(100)	(598)	(173)	(64)	(813)	(444)	(559)
Other financing activities	-	(0)	(1)	-	(1)	-	-	(1)	(0)	(0)
Net cash flows from financing activities	(149)	(274)	(25)	(98)	(590)	(177)	(81)	(845)	(467)	(549)
Effect of foreign currency exchange rate changes on cash & cash equivalents	(80)	(45)	23	38	(19)	(2)	30	(7)	(34)	(4)
Increase (decrease) in cash & cash equivalents	(34)	(163)	233	256	(109)	212	57	109	(105)	1,089
Cash & cash equivalents, beginning of period	699	664	501	735	991	881	1,094	1,151	1,260	1,155
Cash & cash equivalents, end of period	664	501	735	991	881	1,094	1,151	1,260	1,155	2,244

lululemon athletica inc
Forecasted Cash Flow Statement
in millions (mm), except share data
Fiscal Years Ending Jan. 31

	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Cash flows from operating activities:										
Net Income	1,798	1,885	2,001	2,201	2,419	2,646	2,853	3,066	3,288	3,497
Adjustments to reconcile Net Income										
Depreciation	422	520	573	626	625	613	609	601	601	601
Deferred Income Taxes	3	3	3	3	3	4	4	4	5	5
Changes in working capital accounts:										
Changes in accounts receivable, net	(10)	10	(49)	(9)	(7)	(6)	(21)	(13)	(23)	(23)
Changes in inventories	(80)	(163)	(108)	(175)	(134)	(127)	(155)	(158)	(160)	(132)
Changes in prepaid & receivable income taxes	(56)	15	(14)	(24)	(26)	(27)	(25)	(25)	(26)	(25)
Changes in other prepaid expenses and other current assets	(44)	(66)	(77)	(33)	(33)	16	6	(26)	12	(22)
Changes in accounts payable	(26)	18	44	41	41	33	16	14	31	29
Changes in accrued liabilities and other	36	47	65	44	29	41	23	39	21	35
Changes in accrued compensation	8	31	45	36	36	19	33	33	33	31
Changes in current income taxes payable	73	(5)	5	8	9	10	9	9	9	9
Changes in unredeemed gift card liabilities	30	31	34	31	20	17	31	31	31	29
Changes in other current liabilities	12	5	5	12	6	6	6	(3)	5	5
Changes in non-current income taxes payable	(7)	(9)	-	-	-	-	-	-	-	-
Changes in other non-current liabilities	(0)	5	3	3	11	11	4	(5)	4	(6)
Net cash flows from operating activities	2,158	2,325	2,530	2,765	3,000	3,256	3,393	3,567	3,829	4,031
Cash flows from investing activities:										
Capital expenditures	(687)	(747)	(796)	(725)	(600)	(600)	(600)	(600)	(600)	(600)
Changes in operating ROU assets	(59)	(1)	(18)	(18)	(2)	4	0	(12)	10	-
Changes in other non-current assets	(11)	(24)	(27)	(35)	(23)	(22)	(5)	(3)	(20)	(18)
Net cash flows from investing activities	(757)	(772)	(840)	(778)	(625)	(618)	(605)	(615)	(610)	(618)
Cash flows from financing activities activities:										
Changes in current lease liabilities	31	0	4	4	0	(1)	(0)	3	(2)	-
Changes in non-current lease liabilities	12	1	15	16	2	(3)	(0)	11	(9)	-
Changes in common stock	86	86	52	-	-	-	-	-	-	-
Repurchase of common stock	(1,436)	(1,267)	(1,832)	(2,000)	(2,200)	(2,200)	(2,000)	(2,000)	(1,900)	(1,750)
Net cash flows from financing activities	(1,307)	(1,180)	(1,761)	(1,980)	(2,198)	(2,204)	(2,000)	(1,986)	(1,911)	(1,750)
Net increase (decrease) in cash and cash equivalents	94	374	(71)	6	177	433	788	966	1,309	1,663
Cash and cash equivalents at beginning of year	2,244	2,338	2,712	2,641	2,647	2,824	3,257	4,045	5,011	6,319
Cash and cash equivalents at end of year	2,338	2,712	2,641	2,647	2,824	3,257	4,045	5,011	6,319	7,983

lululemon athletica inc
Quarterly Common Size Income Statement

Fiscal Years Ending Jan. 31	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025E	Q4 2025E	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	Q1 2027E	Q2 2027E	Q3 2027E	Q4 2027E	Q1 2028E	Q2 2028E	Q3 2028E	Q4 2028E
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	30.5%	45.6%	37.9%	36.1%	36.5%	40.2%	38.7%	36.0%	37.4%	40.5%	38.6%	36.3%	37.8%	41.5%	38.2%	36.2%	37.5%	41.2%
Gross profit (loss)	69.5%	54.4%	62.1%	63.9%	63.5%	59.8%	61.3%	64.0%	62.6%	59.5%	61.4%	63.7%	62.2%	58.5%	61.8%	63.8%	62.5%	58.8%
Depreciation	4.4%	3.2%	4.3%	4.4%	4.6%	3.3%	4.5%	5.1%	5.3%	3.8%	4.7%	5.2%	5.4%	3.7%	4.8%	5.3%	5.4%	3.6%
Selling, general & administrative expenses	38.3%	30.9%	38.1%	36.8%	38.0%	29.0%	38.4%	37.0%	38.2%	30.0%	38.3%	37.2%	38.0%	30.5%	38.2%	37.3%	37.9%	30.3%
EBIT (Operating Income)	26.8%	20.3%	19.6%	22.8%	20.9%	27.5%	18.4%	21.9%	19.1%	25.7%	18.4%	21.3%	18.8%	24.3%	18.8%	21.2%	19.2%	24.9%
Impairment of goodwill, restructuring costs	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisition-related expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gain on disposal of assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other income (expense), net	0.4%	0.6%	1.1%	0.8%	0.7%	0.8%	0.5%	0.6%	0.7%	0.6%	0.6%	0.6%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%
Income (loss) before income taxes	23.9%	20.9%	20.6%	23.5%	21.6%	28.4%	18.9%	22.5%	19.7%	26.3%	19.0%	21.9%	19.5%	24.9%	19.2%	21.7%	19.7%	25.3%
Income tax expense	4.5%	8.2%	6.1%	7.0%	6.5%	7.4%	4.9%	5.9%	5.1%	6.8%	4.9%	5.7%	5.1%	6.5%	5.0%	5.6%	5.1%	6.6%
Net income (loss)	19.4%	12.7%	14.6%	16.6%	15.1%	21.0%	14.0%	16.7%	14.6%	19.5%	14.1%	16.2%	14.4%	18.4%	14.2%	16.0%	14.6%	18.7%

lululemon athletica inc
Annual Common Size Income Statement

Fiscal Years Ending Jan. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	38.7%	41.0%	37.7%	37.9%	38.4%	38.9%	38.7%	38.2%	38.1%	38.0%	38.0%	37.8%	37.6%
Gross profit (loss)	61.3%	59.0%	62.3%	62.1%	61.6%	61.1%	61.3%	61.8%	61.9%	62.0%	62.0%	62.2%	62.4%
Depreciation	3.6%	3.6%	3.9%	4.1%	4.6%	4.6%	4.6%	4.3%	3.9%	3.7%	3.4%	3.2%	3.1%
Selling, general & administrative expenses	35.7%	34.1%	35.4%	34.7%	35.2%	35.3%	35.1%	35.2%	35.2%	35.3%	35.3%	35.4%	35.5%
EBIT (Operating Income)	22.0%	21.3%	22.9%	23.3%	21.8%	21.2%	21.6%	22.3%	22.8%	23.0%	23.3%	23.6%	23.8%
Impairment of goodwill, restructuring costs	0.0%	5.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisition-related expenses	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gain on disposal of assets	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other income (expense), net	0.0%	0.1%	0.4%	0.8%	0.6%	0.6%	0.5%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Income (loss) before income taxes	21.3%	16.4%	22.6%	24.1%	22.4%	21.8%	22.0%	22.4%	22.9%	23.1%	23.4%	23.7%	24.0%
Income tax expense	5.7%	5.9%	6.5%	6.8%	5.8%	5.7%	5.7%	5.8%	5.9%	6.0%	6.1%	6.2%	6.2%
Net income (loss)	15.6%	10.5%	16.1%	17.3%	16.6%	16.1%	16.3%	16.6%	16.9%	17.1%	17.3%	17.6%	17.8%

lululemon athletica inc
Common Size Balance Sheet

Fiscal Years Ending Jan. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
ASSETS													
Current Assets													
Cash & cash equivalents	20.1%	14.2%	23.3%	22.5%	23.9%	21.3%	19.6%	19.4%	20.8%	24.3%	28.3%	33.7%	40.6%
Accounts receivable, net	1.2%	1.6%	1.3%	1.30%	1.10%	1.40%	1.35%	1.30%	1.25%	1.30%	1.30%	1.35%	1.40%
Inventories	15.4%	17.8%	13.8%	13.50%	13.80%	13.50%	13.70%	13.60%	13.50%	13.60%	13.70%	13.80%	13.80%
Prepaid & receivable income taxes	1.9%	2.3%	1.9%	2.3%	2.0%	1.9%	1.9%	2.0%	2.0%	2.0%	2.1%	2.1%	2.1%
Other prepaid expenses & other current assets	3.1%	2.9%	1.9%	2.20%	2.60%	3.00%	3.00%	3.00%	2.70%	2.50%	2.50%	2.30%	2.30%
Total current assets	41.8%	39.0%	42.2%	41.8%	43.4%	41.1%	39.6%	39.2%	40.3%	43.7%	47.9%	53.3%	60.2%
Property & equipment, net	14.8%	15.7%	16.1%	17.4%	18.0%	18.2%	17.5%	16.0%	14.8%	13.9%	13.1%	12.3%	11.7%
Right-of-use lease assets	12.8%	12.0%	13.2%	12.7%	11.7%	10.8%	10.1%	9.3%	8.7%	8.2%	7.8%	7.3%	6.9%
Goodwill	6.2%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
Intangible assets, net	1.1%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income tax assets	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other non-current assets	2.1%	1.9%	1.9%	1.9%	2.0%	2.0%	2.1%	2.1%	2.1%	2.0%	1.9%	1.9%	1.9%
Total assets	79.0%	69.1%	73.7%	74.2%	75.2%	72.4%	69.5%	66.9%	66.2%	68.0%	70.8%	75.0%	80.9%
LIABILITIES AND STOCKHOLDERS' EQUITY													
Current Liabilities													
Accounts payable	4.6%	2.1%	3.6%	3.10%	3.00%	3.10%	3.15%	3.20%	3.20%	3.10%	3.00%	3.00%	3.00%
Accrued liabilities and other	5.3%	4.9%	3.6%	3.70%	3.80%	4.00%	4.00%	3.90%	3.90%	3.80%	3.80%	3.70%	3.70%
Accrued compensation & related expenses	3.3%	3.1%	3.4%	3.21%	3.21%	3.30%	3.30%	3.30%	3.20%	3.20%	3.20%	3.20%	3.20%
Current lease liabilities	3.0%	2.6%	2.6%	2.7%	2.5%	2.3%	2.1%	2.0%	1.8%	1.7%	1.6%	1.5%	1.5%
Current income taxes payable	2.1%	2.1%	0.1%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Unredeemed gift card liability	3.3%	3.1%	3.2%	3.24%	3.24%	3.24%	3.20%	3.10%	3.00%	3.00%	3.00%	3.00%	3.00%
Other current liabilities	0.8%	0.5%	0.4%	0.50%	0.50%	0.50%	0.55%	0.55%	0.55%	0.55%	0.50%	0.50%	0.50%
Total current liabilities	22.5%	18.4%	17.0%	17.3%	16.9%	17.1%	17.0%	16.7%	16.4%	16.1%	15.9%	15.7%	15.6%
Non-current lease liabilities	11.1%	10.6%	12.0%	11.2%	10.3%	9.5%	8.9%	8.2%	7.7%	7.2%	6.8%	6.4%	6.1%
Non-current income taxes payable	0.6%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income tax liabilities	0.9%	0.7%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%
Other non-current liabilities	0.218%	0.247%	0.304%	0.28%	0.30%	0.30%	0.30%	0.35%	0.40%	0.40%	0.35%	0.35%	0.30%
Total liabilities	35.2%	30.3%	29.7%	29.2%	27.8%	27.3%	26.5%	25.6%	24.8%	24.0%	23.4%	22.8%	22.4%
STOCKHOLDERS' EQUITY													
Common equity	6.8%	5.9%	6.0%	6.4%	6.6%	6.4%	5.9%	5.5%	5.1%	4.8%	4.5%	4.3%	4.1%
Retained earnings (accumulated deficit)	40.2%	36.1%	40.8%	41.2%	43.2%	40.9%	39.0%	37.6%	38.0%	40.7%	44.4%	49.4%	55.8%
Accumulated other comprehensive income (loss)	3.1%	3.1%	2.7%	2.5%	2.3%	2.1%	2.0%	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%
Total stockholders' equity	43.8%	38.8%	44.0%	45.0%	47.4%	45.2%	43.0%	41.3%	41.4%	44.0%	47.4%	52.2%	58.5%
Total liabilities and equity	79.0%	69.1%	73.7%	74.2%	75.2%	72.4%	69.5%	66.9%	66.2%	68.0%	70.8%	75.0%	80.9%

lululemon athletica inc
Value Driver Estimation

Fiscal Years Ending Jan. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
NOPLAT:													
Net revenue	6,257	8,111	9,619	10,398	11,354	12,405	13,504	14,588	15,635	16,663	17,692	18,726	19,683
COGS	(2,424)	(3,326)	(3,630)	(3,946)	(4,361)	(4,827)	(5,221)	(5,573)	(5,957)	(6,332)	(6,723)	(7,079)	(7,401)
Depreciation	(224)	(292)	(379)	(422)	(520)	(573)	(626)	(625)	(613)	(609)	(601)	(601)	(601)
SG&A	(2,234)	(2,766)	(3,402)	(3,612)	(3,995)	(4,378)	(4,745)	(5,135)	(5,504)	(5,882)	(6,245)	(6,629)	(6,988)
Add: Implied Interest on Operating Leases	21	25	39	68	72	72	73	73	74	73	73	74	74
EBIT	1,395	1,751	2,246	2,487	2,550	2,700	2,984	3,329	3,635	3,913	4,196	4,492	4,768
Income Taxes	359	478	626	708	662	703	773	850	930	1,002	1,077	1,155	1,229
Tax Shield on Restructuring Costs	-	106	19	-	-	-	-	-	-	-	-	-	-
Tax Shield on Acquisition-Related Expenses	11	-	-	-	-	-	-	-	-	-	-	-	-
Tax Shield on Implied Int. on Operating Leases	5	6	10	18	19	19	19	19	19	19	19	19	19
Tax on Disposal of Assets	-	(3)	-	-	-	-	-	-	-	-	-	-	-
Tax on Other Income (Expense)	(0)	(1)	(11)	(23)	(18)	(20)	(16)	(3)	(4)	(4)	(5)	(7)	(8)
Total Adjusted Taxes	374	587	644	703	663	702	776	865	945	1,017	1,091	1,168	1,240
Change in Deferred Taxes	(5)	3	(28)	3	3	3	3	3	4	4	4	5	5
NOPLAT	1,015	1,168	1,574	1,787	1,889	2,001	2,211	2,467	2,694	2,900	3,109	3,329	3,533
Invested Capital (IC):													
Operating Current Assets													
Normal Cash	1,126	1,460	1,731	1,872	2,044	2,233	2,431	2,626	2,814	2,999	3,185	3,371	3,543
Accounts receivable, net	77	133	125	135	125	174	182	190	195	217	230	253	276
Inventories	966	1,447	1,324	1,404	1,567	1,675	1,850	1,984	2,111	2,266	2,424	2,584	2,716
Prepaid & receivable income taxes	119	186	184	239	224	238	261	287	314	339	364	390	415
Other prepaid expenses & other current assets	193	239	185	229	295	372	405	438	422	417	442	431	453
Less: Operating Current Liabilities													
Accounts payable	(290)	(173)	(348)	(322)	(341)	(385)	(425)	(467)	(500)	(517)	(531)	(562)	(590)
Accrued liabilities and other	(331)	(399)	(349)	(385)	(431)	(496)	(540)	(569)	(610)	(633)	(672)	(693)	(728)
Accrued compensation	(205)	(248)	(326)	(334)	(364)	(409)	(446)	(481)	(500)	(533)	(566)	(599)	(630)
Current income taxes payable	(134)	(174)	(12)	(85)	(79)	(84)	(93)	(102)	(112)	(120)	(129)	(139)	(147)
Unredeemed gift card liability	(208)	(251)	(306)	(336)	(367)	(401)	(432)	(452)	(469)	(500)	(531)	(562)	(590)
Other current liabilities	(49)	(38)	(40)	(52)	(57)	(63)	(74)	(80)	(86)	(92)	(88)	(94)	(98)
Net Operating Working Capital	1,265	2,180	2,166	2,364	2,614	2,853	3,119	3,373	3,580	3,843	4,127	4,381	4,618
Non-current operating assets													
Property & equipment, net	928	1,270	1,546	1,811	2,038	2,261	2,360	2,335	2,322	2,312	2,311	2,310	2,310
Right-of-use lease assets	804	969	1,266	1,325	1,326	1,343	1,361	1,363	1,360	1,359	1,372	1,362	1,362
Intangible assets, net	71	22	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	132	156	187	198	221	248	284	306	328	333	336	356	374
Non-current operating liabilities													
Non-current income taxes payable	(38)	(29)	(16)	(9)	0	0	0	0	0	0	0	0	0
Other non-current liabilities	(14)	(20)	(29)	(29)	(34)	(37)	(41)	(51)	(63)	(67)	(62)	(66)	(59)
Invested Capital	3,148	4,549	5,119	5,659	6,165	6,668	7,083	7,326	7,527	7,781	8,084	8,343	8,604
Free Cash Flow (FCF):													
NOPLAT	1,015	1,168	1,574	1,787	1,889	2,001	2,211	2,467	2,694	2,900	3,109	3,329	3,533
Change in IC	484	1,401	570	540	506	503	415	243	201	254	303	259	261
FCF	532	(233)	1,003	1,247	1,384	1,498	1,796	2,224	2,493	2,646	2,806	3,070	3,272
Return on Invested Capital (ROIC):													
NOPLAT	1,015	1,168	1,574	1,787	1,889	2,001	2,211	2,467	2,694	2,900	3,109	3,329	3,533
Beginning IC	2,664	3,148	4,549	5,119	5,659	6,165	6,668	7,083	7,326	7,527	7,781	8,084	8,343
ROIC	38.11%	37.09%	34.60%	34.90%	33.39%	32.45%	33.16%	34.82%	36.77%	38.52%	39.96%	41.17%	42.35%
Economic Profit (EP):													
Beginning IC	2,664	3,148	4,549	5,119	5,659	6,165	6,668	7,083	7,326	7,527	7,781	8,084	8,343
x (ROIC - WACC)	28.61%	27.59%	25.10%	25.41%	23.89%	22.96%	23.66%	25.32%	27.27%	29.02%	30.46%	31.68%	32.85%
EP	762	869	1,142	1,301	1,352	1,415	1,578	1,794	1,998	2,185	2,370	2,561	2,741

lululemon athletica inc
Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.20%
Beta	1.10
Equity Risk Premium	5.00%
Cost of Equity	9.70%

ASSUMPTIONS:

YTM on 10Y Treasury bond
Average of 3-4 year monthly beta
Henry Fund Consensus

Cost of Debt:

Risk-Free Rate	4.20%
Implied Default Premium	1.20%
Pre-Tax Cost of Debt	5.40%
Marginal Tax Rate	26.00%
After-Tax Cost of Debt	4.00%

YTM on 10Y Treasury bond

10Y YTM on BBB rated corporate bonds

Market Value of Common Equity:

Total Shares Outstanding	123.73
Current Stock Price	\$309.00
MV of Equity	38,231

MV Weights

96.46%

Market Value of Debt:

Current lease liabilities	249
Non-current lease liabilities	1,154
MV of Total Debt	1,403

3.54%

Market Value of the Firm

39,635

100.00%

Estimated WACC

9.50%

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

CV Growth of NOPLAT	5.00%
CV Year ROIC	42.35%
WACC	9.50%
Cost of Equity	9.70%

Total PV of EP	37,151
Invested Capital (last FYE)	5,119
Value of Operating Assets:	42,270
<i>Add: Excess Cash</i>	513
<i>Less: Current lease liabilities</i>	(249)
<i>Less: Non-current lease liabilities</i>	(1,154)
<i>Less: PV of ESOP</i>	(76)
Value of Equity	41,303
Shares Outstanding	126.2
Intrinsic Value of Last FYE	\$ 327.23
Implied Price as of Today	\$ 351.35

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

EPS	\$	14.70	\$	15.86	\$	17.51	\$	20.12	\$	22.75	\$	26.04	\$	29.25	\$	32.62	\$	36.20	\$	39.68
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CV growth of EPS	5.00%
CV Year ROE	35.77%
Cost of Equity	9.70%

[illegible]

Implied Price as of Today	\$ 338.93
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lululemon athletica inc
Relative Valuation Models

Ticker	Company	Price	EPS	EPS	P/E 24	P/E 25	EV (M)	EBITDA (M)	EV/EBITDA	SPS	SPS	P/S 24	P/S 25
			2024E	2025E			2024	2024E	2024E		2024E		
NKE	NIKE, INC.	\$ 75.88	\$2.75	\$3.21	27.59	23.64	118,600	5,559	21.33	31.94	33.32	2.38	2.28
ADS	ADIDAS AG	\$ 218.80	\$3.68	\$7.54	59.46	29.02	40,446	2,266	17.85	139.21	153.08	1.57	1.43
UAA	UNDER ARMOUR, INC.	\$ 9.68	\$0.22	\$0.36	43.98	26.88	3,469	289	12.00	11.81	12.03	0.82	0.80
GAP	THE GAP, INC.	\$ 21.67	\$1.87	\$2.04	11.59	10.62	7,831	1,494	5.24	39.77	40.49	0.54	0.54
RL	RALPH LAUREN CORPORATION	\$ 222.37	\$11.32	\$12.63	19.64	17.61	11,857	1,133	10.47	109.30	114.14	2.03	1.95
COLM	COLUMBIA SPORTSWEAR COMPANY	\$ 83.45	\$3.80	\$4.29	21.96	19.45	3,923	372	10.55	57.47	60.05	1.45	1.39
Average					20.20	17.83			12.91			1.65	1.57

LULU	LULULEMON ATHLETICA INC.	\$ 309.00	\$ 14.70	\$ 15.86	21.0	19.5	38,162	2,840	13.4	82.38	89.95	3.75	3.44
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Implied Relative Value:

P/E (EPS24)	\$ 296.81
P/E (EPS25)	\$ 282.73
EV/EBITDA	\$ 297.10
P/S (EPS24)	\$ 135.98
P/S (EPS25)	\$ 141.20

lululemon athletica inc

Key Management Ratios

Fiscal Years Ending Jan. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Liquidity Ratios:													
Current Ratio (CA/CL)	1.9	2.1	2.5	2.4	2.6	2.4	2.3	2.3	2.5	2.7	3.0	3.4	3.9
Quick Ratio ((Cash + A/R)/CL)	1.0	0.9	1.5	1.4	1.5	1.3	1.2	1.2	1.3	1.6	1.9	2.2	2.7
FCF Conversion (FCF / EBITDA)	33.3%	-11.6%	38.8%	43.9%	46.2%	46.8%	50.8%	57.3%	59.7%	59.5%	59.4%	61.2%	61.8%
Asset-Management Ratios:													
Days Sales Outstanding ((Avg. A/R / Sales)*365)	4.1	4.7	4.9	4.6	4.2	4.4	4.8	4.7	4.5	4.5	4.6	4.7	4.9
Inventory Turnover (COGS/ Avg. Inventory)	3.0	2.8	2.6	2.9	2.9	3.0	3.0	2.9	2.9	2.9	2.9	2.8	2.8
Days Inventory ((Avg. Inventory / COGS)*365)	121.5	132.4	139.3	126.1	124.3	122.6	123.2	125.6	125.4	126.2	127.3	129.1	130.7
Payables Period ((Avg. A/P / COGS)*365)	34.8	25.4	26.2	31.0	27.7	27.4	28.3	29.2	29.6	29.3	28.4	28.2	28.4
Financial Leverage Ratios:													
D/E Ratio (TL/TSE)	0.8	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.4	0.4
Debt/Capital (Total Debt/Total Capital)	24.3%	25.4%	24.9%	23.6%	21.2%	20.7%	20.4%	19.8%	18.7%	16.8%	15.1%	13.2%	11.4%
Net Debt / EBITDA	-0.2	0.0	-0.3	-0.3	-0.4	-0.4	-0.3	-0.3	-0.4	-0.6	-0.7	-1.0	-1.2
Profitability Ratios:													
Gross Margin (Gross Income/Sales)	61.3%	59.0%	62.3%	62.1%	61.6%	61.1%	61.3%	61.8%	61.9%	62.0%	62.0%	62.2%	62.4%
EBITDA Margin (EBITDA/Sales)	25.6%	24.9%	26.9%	27.3%	26.4%	25.8%	26.2%	26.6%	26.7%	26.7%	26.7%	26.8%	26.9%
Operating Margin (Operating Income/Sales)	22.0%	21.3%	22.9%	23.3%	21.8%	21.2%	21.6%	22.3%	22.8%	23.0%	23.3%	23.6%	23.8%
Net Margin (NI / Sales)	15.6%	10.5%	16.1%	17.3%	16.6%	16.1%	16.3%	16.6%	16.9%	17.1%	17.3%	17.6%	17.8%
Return on Assets (NOPLAT / Beg. TA)	24.3%	23.6%	28.1%	25.2%	24.5%	23.4%	24.6%	26.3%	27.6%	28.0%	27.5%	26.6%	25.2%
Return on Equity (NI/Beg TSE)	38.1%	31.2%	49.2%	42.5%	40.3%	37.2%	39.3%	41.7%	43.9%	44.1%	41.9%	39.2%	35.8%
Return on Invested Capital (NOPLAT / Beg. IC)	38.1%	37.1%	34.6%	34.9%	33.4%	32.5%	33.2%	34.8%	36.8%	38.5%	40.0%	41.2%	42.3%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Payout Ratio ((Divs. + Repurchases)/NI)	83.3%	51.9%	36.0%	79.9%	67.2%	91.5%	90.9%	91.0%	83.1%	70.1%	65.2%	57.8%	50.0%

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Present Value of Operating Lease Obligations

Fiscal Years Ending Jan. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Operating Lease ROU assets	803.5	969.4	1265.6	1324.8	1325.5	1343.1	1361.1	1363.2	1359.6	1359.4	1371.8	1361.7	1361.7
Weighted Average Discount Rate	2.80%	3.10%	4.00%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%
Interest on Oper. Leases	20.6	24.9	38.8	68.3	71.5	71.6	72.5	73.5	73.6	73.4	73.4	74.1	73.5

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Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	0.783
Average Time to Maturity (years):	2.60
Expected Annual Number of Options Exercised:	0.301

Current Average Strike Price:	\$ 285.69
Cost of Equity:	9.70%
Current Stock Price:	\$309.00

<i>Fiscal Years Ending Jan. 31</i>	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Increase in Shares Outstanding:	0.30	0.30	0.18	0.00	0	0	0	0	0	0
Average Strike Price:	\$ 285.69	\$ 285.69	\$ 285.69	\$ 285.69	\$ 285.69	\$ 285.69	\$ 285.69	\$ 285.69	\$ 285.69	\$ 285.69
Increase in Common Stock Account:	86	86	52	-	-	-	-	-	-	-
Share Repurchases (\$)	1,436	1,267	1,832	2,000	2,200	2,200	2,000	2,000	1,900	1,750
Expected Price of Repurchased Shares:	\$309.00	\$ 338.97	\$ 371.85	\$ 407.92	\$ 447.49	\$ 490.90	\$ 538.52	\$ 590.75	\$ 648.05	\$ 710.92
Number of Shares Repurchased:	4.6	3.7	4.9	4.9	4.9	4.5	3.7	3.4	2.9	2.5
Shares Outstanding (beginning of the year)	126.2	121.9	118.4	113.7	108.8	103.9	99.4	95.7	92.3	89.4
Plus: Shares Issued Through ESOP	0.30	0.30	0.18	0.00	0	0	0	0	0	0
Less: Shares Repurchased in Treasury	5	4	5	5	5	4	4	3	3	2
Shares Outstanding (end of the year)	121.9	118.4	113.7	108.8	103.9	99.4	95.7	92.3	89.4	86.9

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Valuation of Options Granted under ESOP

Current Stock Price	\$309.00
Risk Free Rate	3.80%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	38.24%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Total	0.783	\$ 285.69	2.60	\$ 96.57	\$ 76

		Beta						
Equity Risk Premium	351.35	0.95	1.00	1.05	1.10	1.15	1.20	1.25
	4.25%	518.88	485.61	456.24	430.13	406.76	385.73	366.70
	4.50%	481.96	451.41	424.40	400.35	378.80	359.38	341.78
	4.75%	449.82	421.59	396.59	374.31	354.32	336.28	319.93
	5.00%	421.59	395.36	372.10	351.35	332.71	315.88	300.61
	5.25%	396.59	372.10	350.37	330.95	313.50	297.73	283.41
	5.50%	374.31	351.35	330.95	312.71	296.30	281.47	267.99
	5.75%	354.32	332.71	313.50	296.30	280.83	266.82	254.09

		Normal Cash Estimate						
Risk-Free Rate	351.35	15.00%	16.00%	17.00%	18.00%	19.00%	20.00%	21.00%
	3.90%	383.07	380.89	378.72	376.54	374.36	372.19	370.01
	4.00%	374.21	372.06	369.91	367.77	365.62	363.47	361.32
	4.10%	365.75	363.62	361.50	359.38	357.25	355.13	353.00
	4.20%	357.65	355.55	353.45	351.35	349.25	347.15	345.05
	4.30%	349.89	347.81	345.73	343.66	341.58	339.50	337.43
	4.40%	342.45	340.39	338.34	336.28	334.23	332.17	330.12
	4.50%	335.31	333.28	331.24	329.21	327.17	325.14	323.11

		In-Store Revenue per Sq. Foot Δ ('25-CV)						
Selling Space Sq. Ft Δ ('25-CV)	351.35	-3.00%	-2.00%	-1.00%	0.00%	1.00%	2.00%	3.00%
	(0.30)	249.42	253.75	258.32	263.15	268.24	273.62	279.29
	(0.20)	274.06	279.99	286.26	292.88	299.88	307.26	315.06
	(0.10)	298.40	305.91	313.86	322.26	331.13	340.50	350.39
	-	322.51	331.59	341.19	351.35	362.08	373.41	385.39
	0.10	346.43	357.07	368.32	380.22	392.79	406.08	420.11
	0.20	370.21	382.39	395.27	408.90	423.31	438.53	454.61
	0.30	393.86	407.58	422.09	437.44	453.67	470.82	488.94

		Marginal Tax Rate						
CV Growth NOPLAT	351.35	23.00%	24.00%	25.00%	26.00%	27.00%	28.00%	29.00%
	4.25%	333.13	328.29	323.46	318.62	313.77	308.92	304.07
	4.50%	343.44	338.44	333.44	328.43	323.43	318.41	313.40
	4.75%	354.83	349.65	344.47	339.29	334.10	328.90	323.71
	5.00%	367.49	362.11	356.73	351.35	345.96	340.56	335.16
	5.25%	381.64	376.04	370.44	364.83	359.21	353.59	347.97
	5.50%	397.55	391.70	385.85	379.99	374.13	368.26	362.38
	5.75%	415.58	409.46	403.32	397.18	391.03	384.88	378.72

		COGS Δ ('29 - CV)						
SG&A Δ ('29-CV)	351.35	-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
	-1.50%	395.94	388.51	381.08	373.64	366.21	358.78	351.35
	-1.00%	388.51	381.08	373.64	366.21	358.78	351.35	343.92
	-0.50%	381.08	373.64	366.21	358.78	351.35	343.92	336.48
	0.00%	373.64	366.21	358.78	351.35	343.92	336.48	329.05
	0.50%	366.21	358.78	351.35	343.92	336.48	329.05	321.62
	1.00%	358.78	351.35	343.92	336.48	329.05	321.62	314.19
	1.50%	351.35	343.92	336.48	329.05	321.62	314.19	306.76

		Inventory Δ ('25-CV)						
CapEx Δ ('25-CV)	351.35	-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
	(300.00)	388.79	387.78	386.76	385.75	384.74	383.72	382.71
	(200.00)	377.33	376.31	375.30	374.28	373.27	372.25	371.24
	(100.00)	365.86	364.84	363.83	362.82	361.80	360.79	359.77
	-	354.39	353.38	352.36	351.35	350.33	349.32	348.30
	100.00	342.92	341.91	340.89	339.88	338.87	337.85	336.84
	200.00	331.46	330.44	329.43	328.41	327.40	326.38	325.37
	300.00	319.99	318.97	317.96	316.94	315.93	314.92	313.90

Interquartile Price Range				
		Q1	Q3	IQR
Beta	ERP	313.50	398.47	84.97
Normal Cash	rf rate	337.88	365.68	27.80
In-Store Rev	Selling Space	299.14	400.68	101.54
Tax Rate	CV g NOPLAT	331.02	377.38	46.36
COGS Δ	SG&A Δ	336.48	366.21	29.73
Inventory Δ	CapEx Δ	329.93	372.76	42.83
Average		324.66	380.20	55.54
Median		330.47	375.07	44.59

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Scenario Testing

Scenario	Impact	DCF/EP Value	% change from IV
Higher SSS Growth ('25-CV)	Rev/Sq Ft +2-4% Inventory -2%	\$ 389.73	11.0%
Lower SSS Growth ('25 - CV)	Rev/Sq Ft -1-3% Inventory +1%	\$ 329.64	-6.1%
Technological Advancements for E-Commerce ('25-CV)	DTC Rev +3-5% COGS -1-2%	\$ 420.81	19.9%
E-Commerce Remains Flat ('25-CV)	DTC Rev -2-4% COGS +0-1%	\$ 316.83	-9.7%
Pop-up Stores/China Influence Expands, 50/50 Geography Met by 2030	Other Channels +5-7% COGS -3-5% SG&A +1-2%	\$ 409.17	16.6%
Pop-up Stores/China Influence Contracts ('25-CV)	Other Channels -4-6% COGS +1-2%	\$ 322.21	-8.2%
Duplicates Take Away LULU Market Share ('25-CV)	All Rev -4-6% Inventory +2-3% COGS +1-2%	\$ 257.10	-26.8%
LULU Outlasts Duplicates ('25-CV)	All Rev +3-5% Inventory -1-2% COGS -1-2%	\$ 471.84	34.4%
Breeze Through leggings re-release exceeds expectations	Rev/Sq Ft +1-2% DTC Rev +2-4% Inventory -1-2%	\$ 404.59	15.3%
Breeze Through leggings re-release fails to impress consumers	Rev/Sq Ft -0-1% DTC Rev -2-3% Inventory +2-3%	\$ 317.13	-9.6%
Price Cuts, Limited Newness, and Female Demand Weakness ('25-CV)	ALL Rev -1-2% SG&A +0-1% Inventory +2-3%	\$ 299.88	-14.6%
Price Stability, Accessory and Men's Line Outperformance ('25-CV)	ALL Rev +2-4% Inventory -2-3%	\$ 429.13	22.3%
50-100% tariff increases from Asia to the USA	Rev/Sq Ft and DTC Rev -1-2% COGS +2-3% Inventory -1-2%	\$ 297.45	-15.3%
4.50-4.75 FFR by '24 FYE	rf = 4.35% ERP = 5.25% rD = 5.6%	\$ 320.63	-8.7%
4.00-4.25 FFR by '24 FYE	rf = 4% ERP = 4.75% rD = 5.2%	\$ 393.16	12.0%

Average	\$ 358.62
Median	\$ 329.64