

# Lululemon Athletica Inc. | BUY: 56.3% Upside (NASDAQ: LULU)

Max Chen, Eric Tao, Michael Weng, Dylan Woolstencroft

December 31, 2025

# Team Fantastic Four

Max Chen, Eric Tao, Michael Weng, Dylan Woolstencroft



**Max Chen**

*First Year - Western*

**Eric Tao**

*First Year - Stern*

**Michael Weng**

*First Year - Sauder*

**Dylan Woolstencroft**

*First Year - Sauder*

# Investment Summary



Significant mispricing driven by short-term North American noise misses durable global growth

## Rationale for Lululemon

### Premium global brand with durable pricing power and a reset opportunity the market is misinterpreting

- Lululemon remains a best-in-class premium athletic apparel platform with industry-leading margins, brand loyalty, and free cash flow.
- Recent North American softness has been extrapolated by the market as structural, despite evidence pointing to **fixable execution issues rather than demand erosion**
- Strong balance sheet and cash generation provide flexibility to invest through the reset while returning capital via buybacks

### Underappreciated Earnings Reacceleration

- North America reset (inventory discipline, merchandising cadence, leadership transition) creates a clear path to margin recovery and multiple re-rating
- International expansion, led by China, follows a proven demand-first playbook that delivers faster sales per store and earlier margin normalization than street assumptions
- Men's category growth represents a structurally underpenetrated, higher-frequency demand driver with revenue growth consistently outpacing women's and the broader apparel market

## Recommendation

Buy Lululemon (NASDAQ: LULU) at \$212.54 for an upside of **56.3%** from current levels to reach a target price of **\$332.14**

Market is overly discounting near-term North American execution risk while underestimating the earnings power of international scale, men's category expansion, and operational normalization



# EXECUTIVE OVERVIEW





# COMPANY OVERVIEW

# Company Overview



Lululemon Athletica is a premium apparel company focusing on selling a lifestyle

## Business Description

- Lululemon designs and sells performance apparel and accessories, leveraging brand loyalty to sustain premium pricing practices and repeat purchases.
- Operates a Direct-to-Consumer (DTC) retail strategy globally, using physical locations as community hubs to drive engagement with exclusive events.
- Maintains disciplined inventory and limited discounting, leading to industry-leading gross margins and strong free cash flow generation compared to peers.
- International and category expansion (menswear, accessories, hiking and footwear) are core drivers, funded by revenue and complemented by share buybacks.

## Key Financials

Ticker	NASDAQ: LULU
Share Price	\$212.54
52 Week Low-High	\$159.25 - \$423.32
Adj. EBITDA Margin	22%
TTM P/E	14.77x

## Management



Calvin McDonald

Stepping down as CEO due to recent performance issues



Meghan Frank

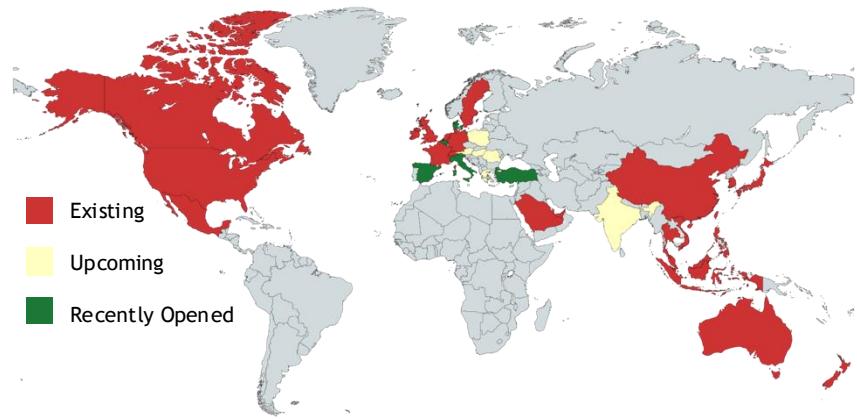
Previously CFO, will serve as interim Co-CEO starting in Feb



André Maestrini

Previously CCO, will serve as interim Co-CEO starting in Feb

## Geographic Breakdown



Americas account for 68-71% of revenue, but recent net revenue has decreased 2% in Q3 2025

Mainland China now 18% of revenue, with 46% YoY growth in Q3 2025.

ROW contributes 14-15% of revenue, growing 19-20% YoY, outpacing North America

當文歷餅店  
by DOMINIQUE ANSEL

# INVESTMENT THESES

Once you  
**TEE** it  
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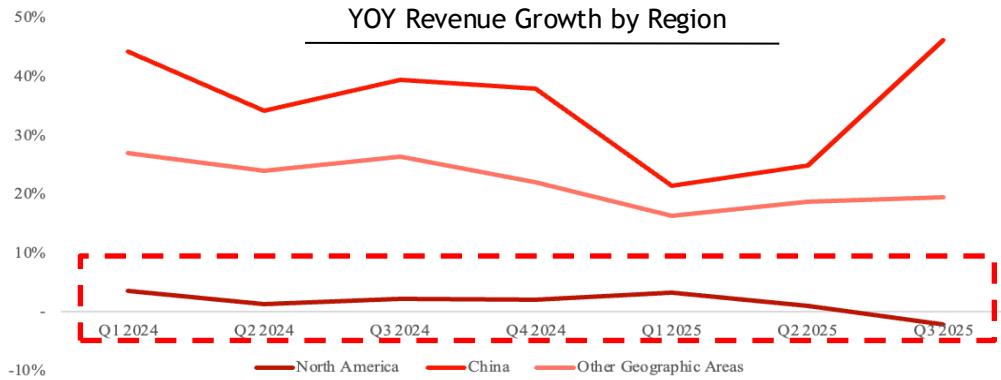


# Thesis I: North America Reset Drives Re-Rate

*Execution gap causing NA decline, structural integrity remains strong*



## Proven Brand Resilience Within International Markets, Lacking Domestically



- 1 Product Cadence and assortment are off in North America compared to ROW
  - 2 Conversion Rates are Falling in NA, indicating poor merchandising
  - 3 Price Markdowns are hurting margins and discounting premium-brand feel
- Lululemon's stock fell due to fears of decaying market share in America's ass as top-line growth stalled out due to poor mgmt decisions

## Street View Vs Our View

Street

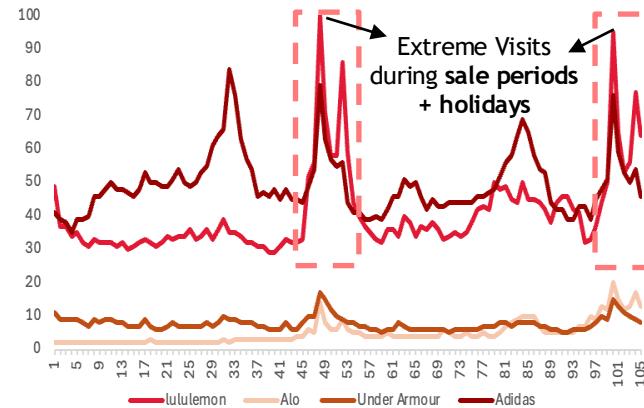
The market is pricing in limited growth for Lululemon in 2026 because it views North America as increasingly saturated. From this perspective, the recent revenue stall reflects structural deceleration, with intensifying competition weakening pricing power and pressuring market share.

Our View

Lululemon continues to perform strongly internationally, and the recent softness in North America is better explained by fixable execution missteps than by any structural deterioration in the market. With targeted operational adjustments, the business can re-accelerate and regain momentum.

## Web Traffic Confirms Demand Remains Intact

### Weekly Relative Website Traffic Since 2023 (NA)



### Website Traffic Visits

Across the athleisure set, Lululemon continues to command a meaningful share of online traffic/interest, which is a strong signal that brand relevance and consumer intent in North America remains intact.

### Conversion Gap

Despite resilient top-of-funnel demand, North America's revenue softness suggests a conversion and merchandising leak, not a collapse in consumer interest.

### Surge Demand During Q4

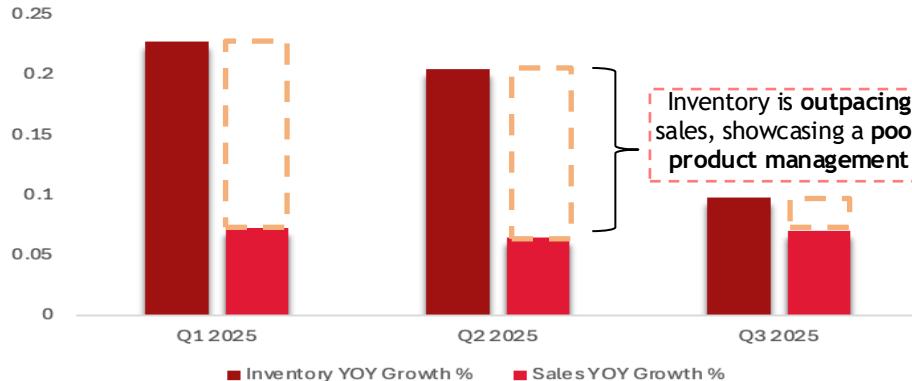
Extreme Holiday / Black Friday surges indicates that shoppers' demand hasn't disappeared; instead, it has become more timing and value-sensitive.

# Thesis I: North America Reset Drives Re-Rate

Refreshed leadership group and returned capital to drive future growth



## Excess Inventory Creates a Clear Reset Lever for Margin Recovery



### Why the Poor Ratio?

- 1 Inventory outpacing sales suggests Lululemon is producing too much product relative to demand.
- 2 Products are not resonating with customers, leading to longer inventory sell-through
- 3 Pricing is too high to clear product at full price, slowing sell-through.

*Short-term*

Higher markdowns to clear excess product, which pressures gross margin and drags earnings.

*Long-term*

High inventory can act as a reset lever: tightens buys, clear excess with targeted markdowns, then drive margin recovery as sell-through normalizes.

... we have reasons to believe Lululemon is at an inflection point

### Recent Activist \$1 Billion Investment

**ELLIOTT**

#### Inherent Benefits:

- 1 raises urgency around leadership and the North America reset, making it harder for management to "wait it out"
- 2 drives clearer KPIs (inventory discipline, markdown rates, etc.) + tighter follow-through
- 3 increases the probability of disciplined capital returns and sharper resource allocation

### CEO Refresh Coming at Perfect Time

Calvin McDonald (set to retire Jan 2026)

strongly growth-oriented leadership style but too slow to course-correct on North America product and inventory discipline, allowing execution slippage to persist longer than it should have.

Jane Nielson (Proposed Successor by Elliott)

A high-discipline operator with premium apparel experience who can tighten product and execution while restoring margin focus, with Credible prior senior roles

"Lululemon is one of the most powerful brands in retail, defined by exceptional products [and] deeply engaged communities"-Jane Nielson (Dec 18th, 2025)

### Earnings Call (Q3 2025) - CEO

"We are beginning to make progress against our action plan and continue to expect to see the impact of this work in 2026."

Buy-back promise in Q3  
\$1 Billion

First time stock price >200 since Aug 2025

### Catalysts

### A CEO and Strategic Reset Implements Jan 2026

### B Elliot's Board Ideas are Supported

# Precedent Case Study Ralph Lauren (NYSE:RL)

*Notable similarities exist between Ralph Lauren and Lululemon's operating model before leadership reset*

## Pre-Turn Around Similarities

Lululemon	Ralph Lauren	
Market Segment	Premium, Higher Quality	
Supply Chain	Vertically Integrated	Wholesale Oriented
Sales by Region	North America stalling, International Continuing strong	
SKU Quantity	Too many products, creating bloated inventory	
Product Differentiation	Products are too predictable	
In-store Experience	Certain stores over-performing, lots underperforming	

## Ralph Lauren Stock Re-Rate



Ralph Lauren's downturn initially looked structural, but it was largely an execution problem driven by inventory/SKU bloat, heavier discounting, and margin pressure in its core market. After a multi-year drawdown, RL launched its "Way Forward" plan alongside a leadership transition that restored urgency and accountability.

<b>Set-Up:</b> Premium brand faced inventory overstock, rising competition, and declining margins that pressured investor confidence.	<b>Catalyst:</b> "Way Forward" plan plus CEO transition created a clear reset moment with measurable operating targets.	<b>Outcome:</b> Inventory discipline, improved full-price mix, and faster supply chain execution drove margin recovery + stock re-rate.
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Elliott's recent stake in Starbucks preceded a CEO transition and accelerated an execution reset (NASDAQ: SBUX; investment in 2024) very similar to Ralph Lauren's

**Ralph Lauren's "Way Forward" turnaround shows that when a premium brand pairs leadership change with disciplined execution on inventory, assortment, and distribution, performance can re-accelerate, and the stock can re-rate.**

# Thesis II: International and Men's Expansion Drive Next Leg of Growth



Lululemon enters markets after demand exists, not to create it

## China as the Blueprint for Global Scaling

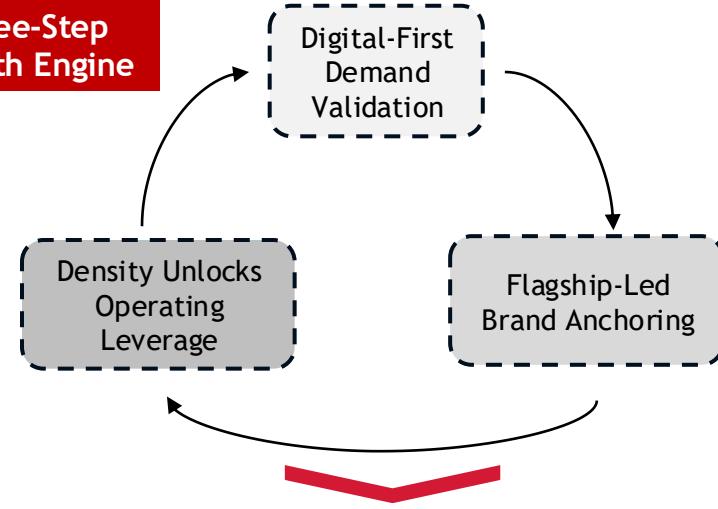
### Why China has been a Successful Market?

- Lululemon's China entry followed deliberate steps refined over prior international expansions (Australia, UK, select Asia)
- Management prioritized brand education and building community through in-store events early, allowing consumer perception to align with Lululemon's premium pricing first before aggressive growth, creating demand-driven scarcity
- Store rollout strategy avoided rapid national saturation, instead concentrating on high-density urban clusters, reducing the risk of cannibalization and improving store-level economics
- The Chinese market proved that pricing power can be preserved, achieving comparable margins despite higher price points compared to local competitors



150+ stores in  
Mainland China  
Revenue **+46% YoY**  
Comparable sales  
**+25% YoY** across  
China stores

### Three-Step Growth Engine



- 1 China website traffic and social engagement scaled ahead of physical footprint, allowing for a low-capital demand test.
- 2 Tier-1 city flagships (Shanghai, Beijing, Guangzhou, Shenzhen) drive brand legitimacy, influencer attention, and drive conversion in surrounding regions
- 3 As store density grows, fulfillment costs decline, marketing efficiency improves, and full-price sell-through increases

Management targets revenue mix expanding from 20% → mid-30% long-term, implying a multi-year growth runway independent of NA

# Thesis II: International and Men's Expansion Drive Next Leg of Growth



*Concerns about North American declines are overblown – creating an opportunity the market misses*

## Fundamental Misunderstanding of Strategy

*Street's skepticism around new country expansion is misjudged and based on outdated retail roll-out assumptions*

- Linear Assumptions:** Traditional assumptions model new country revenue slowly based on store productivity and profitability developing gradually and independently in each new market
- Discount-Driven Bias:** Forecasts implicitly assume that early-stage international stores require heavy promotional activity to drive traffic, leading to lower initial margin. In China, Lululemon is viewed as a premium lifestyle brand, allowing full-price sales
- North America Contamination:** Recent slowdowns in North America are being extrapolated into international assumptions. However, growth internationally is structurally different as penetration remains low and demand is still early in its cycle

## Where Our Variance Exists

China Stores Projection	2026E	2027E	2028E	2029E	FY2030E
Street Total Stores	185	205	230	260	285
Our Total Stores	204	231	257	282	304
Variance	9.31%	11.26%	10.51%	7.80%	6.25%

China Stores Projection	2026E	2027E	2028E	2029E	FY2030E
Street China Revenue	1,815	2,200	2,770	3,430	4,210
Our China Revenue	2,477	3,189	3,975	4,796	5,600
Variance	26.73%	31.01%	30.31%	28.48%	24.82%

## Variance from Street

### Street Says

- "Store expansion in Canada and America slowing down"
- "International ramp is gradual and dilutes margins"
- Perceived decline in quality and struggles with young shoppers

### We Say

- New country expansion is not linear:** Instead, growth is driven by validation of brand awareness through online access to shopping first, allowing revenue to accelerate as physical stores follow
- Different product categories have a compounding effect:** As popularity grows, incremental country expansion compounds beyond core women's apparel as men's, accessories, and footwear categories scale alongside the store base, increasing Average Transaction Value and Units per Sale for each store

*Street has misunderstood Lululemon's global playbook*

Lululemon looks to replicate and refine this strategy as they launch into the Indian market in 2026 (via Tata CLiQ)

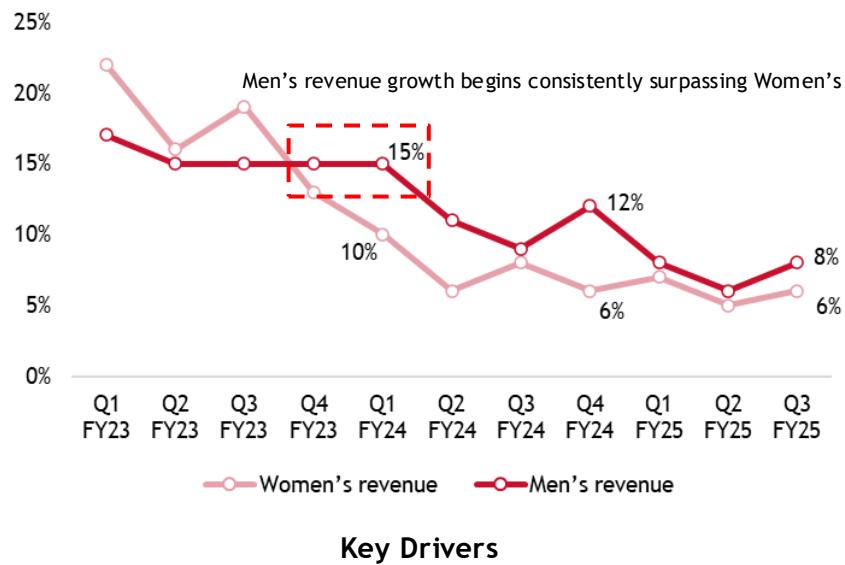
*Our model assumes faster sales per store growth and earlier margin normalization in new countries, driving a 24.8% variance in FY2030*

# Thesis II: International and Men's Expansion Drive Next Leg of Growth



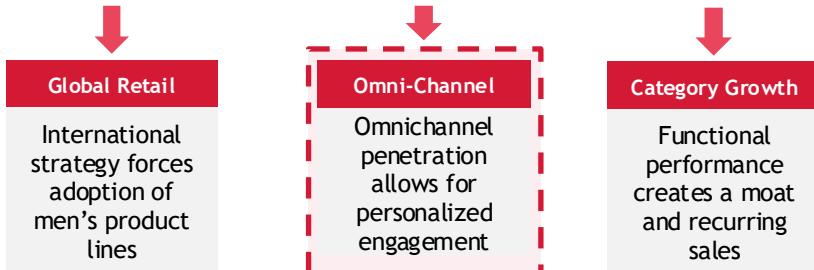
Lululemon men's line is a major growth driver in activewear, both domestically and internationally

Revenue Growth by Gender (% Growth, Quarterly)



## Key Drivers

### Secular Behaviour Shift in Male Apparel Consumption



### Men's Revenue Growth Consistently Outpaces Women's

- Lululemon's men's growth is not simply cyclical. The global trend of male participation in fitness and lifestyle apparel continues to expand and demand for premium product increases accordingly
- Even in a decelerating macro consumer spending environment, men's revenue has held up better than women's, perhaps signaling that men are less price-sensitive and more loyal to technical offerings
- Competitors struggle to match performance categories (run and golf)

The global men's activewear market is growing at 8.7% annually, expanding to US\$240B by 2030, outpacing general apparel growth

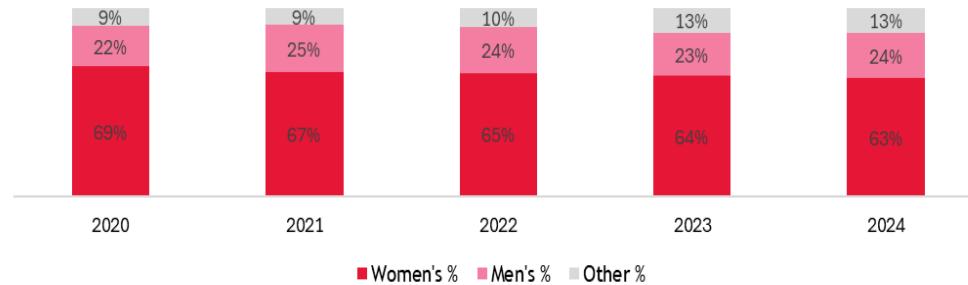
#### Street View

- Street claims that Vuori, Alo, Nike are targeting men aggressively, capping market share gains
- Believes strength is temporary and not fundamental due to tariffs and inflation

#### Our View

- Strategic moves like athlete partnerships and NHL merchandise increased awareness
- Men's demand in underpenetrated markets compounds domestic trends

### Revenue Mix by Gender (% of Revenue)





# VALUATION



# DCF Earnings Model - Base Case

Perpetuity (Gordon) Growth Method model yields an implied upside of **70.72%**

Key Drivers	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net Store Additions (China)	26	27	27	27	25	22	18	13	8	1
Sales per Store (China, millions)	11	12	14	15	17	18	20	21	21	21
Net Store Additions (APAC/EMEA)	5	6	6	6	6	6	6	6	6	6
Sales per Store (APAC/EMEA)	10	12	13	15	16	18	19	20	21	21
Male Consumer Revenue Growth	22%	20%	18%	15%	13%	11%	9%	7%	5%	2%
Unlevered Free Cash Flow Build	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	11,956	13,473	14,894	16,173	17,274	18,173	18,861	19,341	19,629	19,748
Net Income	1,468	1,655	1,829	1,986	2,122	2,232	2,317	2,376	2,411	2,426
Unlevered Free Cash Flow	1,373	1,346	1,515	1,680	1,836	1,976	2,098	2,199	2,220	2,275
Discount Factor	90%	81%	73%	65%	59%	53%	48%	43%	39%	35%
PV of Unlevered Free Cash Flow	1,235	1,089	1,103	1,100	1,081	1,047	1,000	943	856	789

WACC Calculation		Perpetuity Growth Method		Implied Share Price					
Expected Market Return	12.00%	Perpetuity Growth Rate	2.00%						
Risk Free Rate	4.11%	PV of Terminal Value	29,798						
Market Risk Premium	7.89%	Plus: PV of Forecast FCF	10,502						
Beta	1.05	Equals: Enterprise Value	40,300						
<b>Cost of Equity</b>	<b>12.39%</b>	Becomes: Equity Value	40,708						
Pre-Tax Cost of Debt	5.11%	Divided By: FDSO	112						
Effective Tax Rate	29.56%	<b>Equals: Implied Share Price</b>	<b>362.85</b>						
<b>After Tax Cost Of Debt</b>	<b>3.60%</b>	Current Share Price	212.54						
<b>WACC</b>	<b>10.05%</b>	Implied Upside	70.72%						
				WACC					
				12.0%	11.0%	10.0%	9.0%	8.0%	
				3.0%	325.66	360.22	403.52	459.76	536.44
				2.5%	312.07	343.30	381.84	430.89	495.99
				2.0%	299.83	328.26	362.85	406.12	462.23
				1.5%	288.75	314.78	346.08	384.64	433.63
				1.0%	278.67	302.65	331.17	365.82	409.09



# Comparable Companies Analysis

Comparable Companies Analysis yields an implied upside of **34.58%**

Company Information			EV/EBITDA Multiple			P/E Multiple			Comparable Company Valuation		
Name	Price (USD)	Market Cap	EV	2024A	2025E	2026E	2024A	2025E	2026A	EV/EBITDA Implied Price	P/E Implied Price
V.F Corporation	18.17	7,010	12,472	15.4x	15.3x	14.5x	24.6x	24.6x	24.9x	318.96	236.67
Tapestry, Inc.	129.53	26,674	30,130	21.1x	19.2x	18.3x	30.2x	25.4x	23.1x		
Ralph Lauren Corporation	356.89	21,642	22,869	22.3x	18.9x	16.1x	34.6x	28.9x	23.2x		
Gildan Activewear Inc.	62.71	9,357	11,040	13.6x	12.9x	12.1x	20.9x	18.0x	13.9x		
PVH Corp.	68.22	3,125	7,227	5.9x	6.3x	6.9x	6.4x	5.8x	6.3x		
Levi Strauss & Co.	21.09	8,243	9,832	11.6x	10.7x	9.8x	16.9x	15.9x	14.3x		
<b>lululemon athletica inc.</b>	<b>212.54</b>	<b>24,513</b>	<b>25,240</b>	<b>11.16x</b>	<b>8.55x</b>	<b>9.38x</b>	<b>14.52x</b>	<b>16.32x</b>	<b>16.83x</b>	<b>Implied Share Price</b>	<b>286.04</b>
										Current Share Price	212.54
										Implied Upside	34.58%

## Comparable Companies Valuation

Metric	Multiple			Implied Share Price (USD)			Implied Return (%)		
	Minimum	Median	Maximum	Minimum	Median	Maximum	Minimum	Median	Maximum
EV/EBITDA 2024A	5.9x	14.5x	22.3x	113.25	291.77	449.71	-47%	37%	112%
EV/EBITDA 2025E	6.3x	14.1x	19.2x	159.25	371.35	504.62	-25%	75%	137%
EV/EBITDA 2026E	6.9x	13.3x	18.3x	160.07	318.96	439.56	-25%	50%	107%

Metric	Multiple			Implied Share Price (USD)			Implied Return (%)		
	Minimum	Median	Maximum	Minimum	Median	Maximum	Minimum	Median	Maximum
P/E 2024A	6.4x	22.7x	34.6x	\$ 93.52	\$ 332.75	\$ 506.78	-56%	57%	138%
P/E 2025E	5.8x	21.3x	28.9x	\$ 75.66	\$ 277.16	\$ 376.86	-64%	30%	77%
P/E 2026E	6.3x	18.7x	24.9x	\$ 79.05	\$ 236.67	\$ 314.37	-63%	11%	48%

Lululemon trades at a discount to premium global apparel peers despite strong fundamentals, margins, and brand strength, implying the market is underpricing its long-term earnings power.

## Commentary:

The market over-penalizes **LULU** on P/E multiples, where it trades at **14.5x-16.8x forward**, versus peers closer to the low-20s, largely due to SBC.

**EV/EBITDA provides a cleaner reflection of true operating cash flow, supporting a higher intrinsic valuation.**



# Precedent Transactions Analysis

Precedent Transactions are too small to reflect the value of a firm as large as Lululemon

(All figures in USDm unless otherwise specified)

Acquirer	Target	Announce Date	Transaction Value	LTM Multiples		
				TV / Revenue	TV / EBITDA	Offer Price / EPS
Gildan Activewear Inc.	HanesBrands Inc.	13-Aug-25	4,745.35	1.34x	9.33x	6.45x
Authentic Brands Group, LLC	Levi Strauss & Co.	20-May-25	280.25	.04x	.29x	
Advent International, L.P	lululemon athletica inc.	7-Aug-14	845.00	.47x	1.97x	25.33x
Legion Partners Asset Management, LLC	Perry Ellis International, Inc.	6-Feb-18	486.21	.55x	10.37x	8.36x
P180	Vince Holding Corp.	22-Jan-25	169.85	.58x	15.17x	
Pacific Dunlop Investments Inc.	Lakeland Industries, Inc.	23-Dec-11	3.03	.03x	.92x	16.67x
Minimum				0.03x	0.29x	6.45x
Median				0.51x	5.65x	12.51x
Mean				0.50x	6.34x	14.20x
Maximum				1.34x	15.17x	25.33x

## Commentary:

Observed deals have **median transaction values of ~\$480mm**, versus Lululemon's **~\$25bn enterprise value**, making them **orders of magnitude smaller and structurally incomparable**

The median deal trades at **~0.5x TV/Revenue and ~5.7x TV/EBITDA**, reflecting **smaller or slower-growth businesses**, rather than premium global brands with durable pricing power and scale like Lululemon

Therefore, we do not weigh precedent transactions whatsoever in our valuation.

LTM Multiples			
	TV / Revenue	TV / EBITDA	Offer Price / EPS
Transaction Value	5,660	16,599	20,355
Less: Net Debt	(1,763)	(1,763)	-
Equals: Implied Equity Value	3,897	14,836	20,355
<b>Implied Share Price</b>	<b>34.74</b>	<b>132.24</b>	<b>181.43</b>
<b>Implied Return</b>	<b>-84%</b>	<b>-38%</b>	<b>-15%</b>



# RISKS AND CATALYSTS



# Risks & Mitigations

We've identified three main risks that could impact Lululemon's future performance

Growth in China Underperforms Expectations
Unsuccessful Integration of Menswear
Trade Restrictions Threaten Asian Materials Sourcing

Details	Mitigation
<ul style="list-style-type: none"><li>China represents ~13% of FY24 revenue but is growing ~40% YoY</li><li>A 5-10pp slowdown in China growth would reduce consolidated revenue growth by ~100-150 bps annually</li></ul>	<ul style="list-style-type: none"><li>Lululemon remains materially underpenetrated in China relative to Nike and adidas, with &lt;200 stores vs. thousands for peers</li><li>Affluent customer base reduces exposure to demand volatility</li></ul>
<ul style="list-style-type: none"><li>Men's segment accounts for ~24% of FY24 revenue but is growing at ~14% YoY, outpacing women</li><li>If men's growth converges to women's growth (~9%), long-term revenue CAGR would decline by ~50-75 bps</li></ul>	<ul style="list-style-type: none"><li>Men's revenue has nearly tripled since FY20, demonstrating proven product-market fit</li><li>Higher average unit economics in men's apparel support profitability even at lower growth</li></ul>
<ul style="list-style-type: none"><li>A large chunk of Lululemon's sourcing remains Asia-based, exposing COGS to tariffs and trade restrictions</li><li>Margin pressure would directly impact EBITDA</li></ul>	<ul style="list-style-type: none"><li>Diversified sourcing efforts reduce single-region dependency</li><li>Lululemon has historically passed through selective price increases without volume erosion due to brand strength</li></ul>



# Catalysts

Through strong performance, Lululemon can drive share price appreciation over an expansive time period

Buyback Program Continuation & Returning Value to Shareholders

- Lululemon has enough FCF capacity to resume and scale buybacks without constraining growth, driving immediate EPS accretion
  - Company spent 15.3% of Revenue on Share Buybacks in FY24A
- Share repurchases at current valuation levels enhance per-share value and provide downside protection amid near-term volatility

Short Term

New investment Leading to Improved Business Operations

- Elliot Management has invested \$1B thus far into Lululemon, planning to bring in Jane Nielsen as CEO
  - Nielsen has greatly improved efficiency and lowered costs as CFO at Coach, Inc. And COO at Ralph Lauren
- Increased investment will spur store and product expansion

Medium Term

International Markets Provide Continued Growth Potential

- China and broader international expansion represent higher potential growth markets than North America
- Growing international brand awareness and increasing store density will drive sales, reducing reliance on mature markets
  - Supports higher terminal growth as well

Long Term



The image shows a woman in athletic gear running on a trail. She is wearing an orange tank top, orange shorts, a pink headband, and sunglasses. A large white Lululemon logo is overlaid on her chest. The background features a clear blue sky, mountains, and spectators holding red flags.

# APPENDIX



# DCF Earnings Model - Bull Case

Our DCF (Bull Case) model yields an implied upside of 99.18%

Key Drivers	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net Store Additions (China)	26	28	29	30	29	28	26	23	18	13
Sales per Store (China, millions)	11	12	14	16	18	19	21	23	24	25
Net Store Additions (APAC/EMEA)	5	11	11	11	11	11	11	11	11	11
Sales per Store (APAC/EMEA)	10	12	13	15	17	19	21	22	23	24
Male Consumer Revenue Growth	22%	20%	18%	15%	13%	11%	9%	7%	5%	2%
Unlevered Free Cash Flow Build	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	11,970	13,592	15,187	16,729	18,198	19,586	20,899	22,150	23,369	24,591
Net Income	1,470	1,669	1,865	2,055	2,235	2,406	2,567	2,721	2,871	3,021
Unlevered Free Cash Flow	1,375	1,359	1,546	1,740	1,936	2,133	2,329	2,523	2,649	2,841
Discount Factor	90%	81%	73%	65%	59%	53%	48%	43%	39%	35%
PV of Unlevered Free Cash Flow	1,237	1,099	1,125	1,139	1,140	1,130	1,110	1,082	1,022	986

WACC Calculation		Perpetuity Growth Method		Implied Share Price						
Expected Market Return	12.00%	Perpetuity Growth Rate	2.00%							
Risk Free Rate	4.11%	PV of Terminal Value	36,016							
Market Risk Premium	7.89%	Plus: PV of Forecast FCF	11,070							
Beta	1.05	Equals: Enterprise Value	47,086							
<b>Cost of Equity</b>	<b>12.39%</b>	Becomes: Equity Value	47,494							
Pre-Tax Cost of Debt	5.11%	Divided By: FDSO	112							
Effective Tax Rate	29.56%	<b>Equals: Implied Share Price</b>	<b>423.33</b>							
<b>After Tax Cost Of Debt</b>	<b>3.60%</b>	Current Share Price	212.54							
<b>WACC</b>	<b>10.05%</b>	<b>Implied Upside</b>	<b>99.18%</b>							

Perpetuity Growth Rate	WACC				
	12.0%	11.0%	10.0%	9.0%	8.0%
3.0%	390.64	426.48	472.49	533.73	619.23
2.5%	374.21	406.03	446.29	498.84	570.34
2.0%	359.42	387.84	423.33	468.90	529.54
1.5%	346.03	371.56	403.07	442.93	494.97
1.0%	333.85	356.90	385.05	420.19	465.31



# DCF Earnings Model - Bear Case

Our DCF (Bear Case) model yields an implied upside of 43.36%

Key Drivers	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net Store Additions (China)	26	26	26	25	23	20	16	10	4	(2)
Sales per Store (China, millions)	11	12	14	15	17	18	19	19	19	19
Net Store Additions (APAC/EMEA)	4	1	1	1	1	1	1	1	1	1
Sales per Store (APAC/EMEA)	10	12	13	15	16	18	19	20	21	21
Male Consumer Revenue Growth	22%	20%	18%	15%	13%	11%	9%	7%	5%	2%

Unlevered Free Cash Flow Build	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	11,942	13,393	14,713	15,838	16,712	17,291	17,550	17,481	17,095	16,423
Net Income	1,466	1,645	1,807	1,945	2,053	2,124	2,156	2,147	2,100	2,017
Unlevered Free Cash Flow	1,371	1,339	1,498	1,647	1,778	1,883	1,956	1,991	1,938	1,897
Discount Factor	90%	81%	73%	65%	59%	53%	48%	43%	39%	35%
PV of Unlevered Free Cash Flow	1,234	1,083	1,090	1,079	1,047	998	932	854	747	658

WACC Calculation	
Expected Market Return	12.00%
Risk Free Rate	4.11%
Market Risk Premium	7.89%
Beta	1.05
<b>Cost of Equity</b>	<b>12.39%</b>
Pre-Tax Cost of Debt	5.11%
Effective Tax Rate	29.56%
<b>After Tax Cost Of Debt</b>	<b>3.60%</b>
<b>WACC</b>	<b>10.05%</b>

Perpetuity Growth Method	
Perpetuity Growth Rate	2.00%
PV of Terminal Value	24,053
Plus: PV of Forecast FCF	9,722
Equals: Enterprise Value	33,775
Becomes: Equity Value	34,183
Divided By: FDSO	112
<b>Equals: Implied Share Price</b>	<b>304.69</b>
Current Share Price	212.54
<b>Implied Upside</b>	<b>43.36%</b>

## Implied Share Price

Perpetuity Growth Rate	WACC				
	12.0%	11.0%	10.0%	9.0%	8.0%
3.0%	282.86	306.79	337.52	378.42	435.52
2.5%	271.89	293.14	320.02	355.11	402.87
2.0%	262.01	280.99	304.69	335.12	375.62
1.5%	253.06	270.11	291.16	317.78	352.53
1.0%	244.93	260.32	279.12	302.59	332.72



# Lululemon Athletica Inc. (NASDAQ: LULU)

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*December 31st, 2025*

