Price Target Change — August 19, 2025

Retailing, Specialty Softlines, and E-commerce

lululemon athletica, inc.

Cutting Numbers (Again) as De Minimis Headwind Creates Greater EPS Risk; Remain Sidelined

Our Call

While we previously lowered our LULU numbers below Street (*and called for a potential FY guidance cut & material risk to 2026 Street numbers*)—we take a second cut and double down on our concern, citing elimination of de minimis as the new culprit.

Why Does This Matter Now? De minimis effectively allowed companies to ship duty free on comm orders from outside the US into the US, and it was scheduled to expire in 2027. However, on July 30th an executive order accelerated the removal effective August 29—which pulls forward the problem by 2 years for some names. While we don't believe many companies in Softlines have used the exception (would need high comm % and high AOV for it to make sense), we saw that it's a topic to monitor.

What Did TPR Say? Last week, TPR spoke to their use of the de minimis (DM) exception (which has been law for some time)—marking the first company in our space to call-out the use of de minimis (*investors typically mention names like Shein and Temu when discussing the topic*). This then led the company to issue a more cautious initial FY EPS guide than investors had anticipated, which was an unexpected negative surprise.

More on TPR's Exposure. TPR utilized DCs in Mexico to benefit from the exemption. The DM elimination will cause pressure on the margins within their US ecommerce business starting on August 29. The issue is while prior duties had been 0% under DM, this now jumps to 30%+ (a fully stacked tariff). We estimate their DM headwind to be $50-55M range (1/3rd of $160M total tariff headwind). When comparing implied DM COGS to total US ecomm COGS **we estimate 40-45% of TPR US ecomm was de minimis related**.

Impact to LULU. After speaking with several experts, **we believe LULU also utilizes the de minimis exemption** (via Canada, not Mexico like TPR). We also note that our checks suggest the DM exposure could be more material given their heritage Canadian DC network. Whereas TPR's DM impact was 40-45% of total US ecomm, we estimate a 50-60% DM mix for LULU's US ecomm revs. Under these assumptions **we see a potential $0.90-$1.10 headwind to LULU from the de minimis elimination**.

Cutting Nums (Again), 2Q Likely Guide Down. While we believe LULU's uses DM, we still don't know to what extent. That said, in an effort to add value, we use TPR's estimated 10-15% of ecomm revs as our base assumption—which now equates to a ~$1.00 EPS headwind in our model. We cut 2H25 EPS and bring 2025 lower to $14.15 (*$14.60 prior*) vs. Street $14.48. Our 2026 EPS moves well below Street to $13.90 (*$14.90 prior*) vs. Street $15.44. Our PT moves lower to $205 (from $225) based on 15x FY26E.

Equal Weight
Price Target: $205.00

Notable Changes $ (Jan)	Current	Prior	% Chg
Price Target	$205.00	$225.00	-8.9% ▼
EPS 2025	14.15	14.60	-3.1% ▼
EPS 2026	13.90	14.90	-6.7% ▼
EBIT (MM) 2025	2,361.4	2,438.7	-3.2% ▼
EBIT (MM) 2026	2,281.9	2,451.9	-6.9% ▼

Ticker	LULU
Upside/(Downside) to Target	**0.7%**
Price (08/18/2025)	**$203.62**
52 Week Range	$185.95 - 423.32
Market Cap (MM)	$24,606
Enterprise Value (MM)	$22,622
Average Daily Value (MM)	$702
Dividend Yield	0.0%

$ (Jan) EPS	Q1	Q2	Q3	Q4	FY
2025E	2.60 A	2.92 E	2.91 E	5.73 E	14.15 E
Prior	NC	NC	3.05 E	6.05 E	14.60 E
2026E	2.41 E	2.74 E	2.88 E	5.88 E	13.90 E
Prior	2.62 E	2.97 E	3.10 E	6.22 E	14.90 E

Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NC = No Change, NE = No Estimate

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Wells Fargo Express Takeaways

lululemon athletica, inc. (LULU) | Rating: Equal Weight | Price Target: $205.00
Analyst: Ike Boruchow

Financials

FY (Jan) $ ESTIMATES	2024A	2025E	2026E
EPS			
Q1	2.54 A	2.60 A	2.41 E
Q2	3.15 A	2.92 E	2.74 E
Q3	2.87 A	2.91 E	2.88 E
Q4	6.14 A	5.73 E	5.88 E
AN	14.64 A	14.15 E	13.90 E
Rev. (MM)	10.59B A	11.09B E	11.51B E
EBIT (MM)	2,505.7 A	2,361.4 E	2,281.9 E
EBITDA (MM)	2.95B A	2.85B E	2.82B E
FCF (MM)	1,583.5 A	1,630.2 E	1,400.2 E

WELLS FARGO vs. CONSENSUS			
Consensus Estimate	-	14.48 E	15.44 E
Difference from Consensus		(2.3)%	(10.0)%

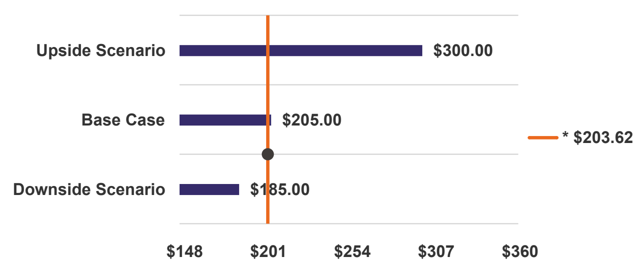
VALUATION			
P/E	13.9x	14.4x	14.7x
EV/Revenue	2.1x	2.0x	2.0x
EV/EBIT	9.0x	9.6x	9.9x
EV/EBITDA	7.7x	7.9x	8.0x
EV/FCF	14.3x	13.9x	16.2x
FCF Yield	6.4%	6.6%	5.7%

Consensus Estimate: EPS; Source: FactSet
Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NE = No Estimate

Investment Thesis

LULU is an industry leader in an attractive market (athletic apparel). We believe the company has ample white space overseas and will continue to post outsized international growth. However, the slowdown in North America along with an "over earning" P&L are a concern and keep us cautious over the next 12 months. We are Equal Weight rated.

Risk vs. Reward – Upside/Downside Price Target Scenarios



**As of 08/18/25*
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | $205.00

Our $205 price target reflects a 15x FY26E P/E.
We believe a discount to history is warranted given that LULU is dealing with merchandising issues domestically, while operating at record margins as competition around them is heating up while US comps are trending negative with margin pressures growing.

Upside Scenario | $300.00

Our $300 Bull Case reflects a 20x P/E on ~ $15.00 in FY26E EPS (*above our forecasts*).

Factors that would contribute to the Bull Case scenario include:

1) NA comps re-accelerate with newness back to historical levels and solid reaction to new product

2) Tariffs mitigated—leading to GM upside

3) China momentum re-accelerates 20%+ range despite competition

Downside Scenario | $185.00

Our $185 Bear Case reflects a 14x P/E on ~ $13.00 in FY26E EPS (*below our forecasts*).

Factors that would contribute to the Bear Case scenario include:

1) NA comps remain pressured, as competitive pressures build

2) Increased competition drives GM erosion and pricing pressure, while competition requires more ad spend

3) China moving from a point of strength to neutrality - lower-priced/domestic competition increasing as LULU moves deeper into Tier 2 cities.

4) Tariffs have outsized impact on EBIT

Upcoming Catalysts

- Credit card/traffic data in North America
- Reads out of China

Company Description

Lululemon is a retailer of premium athletic apparel, whose core customer is an affluent and active female. A growing part of LULU's business is its men's and "outside of the gym" product.

Revisiting the De Minimis Exemption and Why's It Topical Again?

The "de minimis exemption" is/was a long-standing U.S. customs policy that allowed low-value international shipments—typically under $800—to **1)** enter the country duty-free and **2)** do so with minimal customs paperwork. The legislation was originally introduced to streamline processing of small parcels and reduce administrative burden. The $800 threshold had been in place since early 2016. While we'd believe most are aware of the details, we felt a quick recap of the timeline on "de minimis exemption" discussions would be helpful for our discussion below.

A Quick De Minimis Example

Let's say Company A is a handbag brand that sells trendy bags made in Vietnam.

1. Manufacturing

The handbags are produced at a factory in Vietnam.

2. Shipping (Bulk)

Instead of shipping direct to the US, the bags are sent in containers to a Mexican distribution center owned by Company A.

3. Processing

The handbags are unpacked, scanned and packaged into individual parcels for US customers.

4. Shipping (Individual)

Packages are shipped via small parcel carries (like DHL, FedEx, UPS) across the US-Mexico border.

Because the handbag costs less than $800, the package qualified for the Section 321 de minimis exemption. That means no import duties or tariffs were paid. In the case of TPR, the prior 0% duties/tariffs will now move much higher to 30%+ based on the blended average on what they are paying to bring goods into the US.

Ending the De Minimis Exemption - 2025 Timeline of Events

- **April 2, 2025**: As part of tariffs announced on "Liberation Day," President Trump signed an executive order closing the exemption for shipments from China and Hong Kong, effective May 2, 2025.
- **July 4, 2025:** President Trump signed the "One Big Beautiful Bill Act," which legally repealed the exemption altogether—set to take effect on July 1, 2027.
- **July 30, 2025**: Using emergency executive powers, President Trump accelerated the end of the exemption for all countries, bringing it forward to August 29, 2025 at 12:01 a.m. EDT.
- For China and Hong Kong specifically, it had already ended earlier on May 2, 2025.

The Abrupt Shift In Policy Makes the Issue More Topical

The timing of the announcements is the key factor here. While companies who were utilizing the exemption were preparing to phase it out over the next 1-2 years, we believe the abrupt change in the deadline has caused some near-term issues as some companies update guidance. This was the case with TPR just last week. Essentially, TPR did not discuss its de minimis exposure previously as the deadline was 2+ years on the horizon and thus not material.

How Did This Affect TPR?

While investors were not very aware that TPR had been benefiting from it, the elimination of de minimis will cause pressure on the margins within their US e-commerce business starting on August 29. TPR has a sizable US business (~60% of geographic revs) and fairly high ecommerce mix (at 30%). By utilizing DCs located in Mexico, TPR had been able to ship product to their Mexican DCs—which was then re-routed to US parcel services, thus avoiding duties. Mexico and Canada have been the most commonly used countries for exploiting the loophole due to proximity to the US. **Based on our analysis, we believe TPR was generating 40-45% of US ecomm revs via de minimis.**

The issue is while prior duties had been 0% under de minimis, this now jumps to 30%+ (a fully stacked tariff). We estimate their DM headwind to be $50-55M range (1/3rd of their total tariff headwind of $160M). TPR noted that approximately 1/3 of its newly-updated "tariff impact" (or $0.20 of $0.60

headwind) stemmed from the change to de minimis regulation. Below we show the math we use to illustrate the numbers in greater detail, and build it up as follows:

1) FY25 US revs reported at $4.2B

2) Assume ecomm generates 35% of US revs (*US "above" 30% TPR average*)

3) Assume a 75% GP rate on the implied ~$1.5B in US comm revs (*in line with the total co. GM %*)

4) Arrive at the implied ~$370M total US Ecomm COGS estimate

5) Estimate TPR's impact from de minimis exclusion (*1/3 of TPR's total $160M tariff impact*)

6) Assume a blended 32.5% de minimis rate (*blended rate > 30%*)

7) Yields TPR's "de minimis COGS"

8) TPR's % of "de minimis COGS" vs total ecomm COGS

Exhibit 1 - TPR - US COGS Impact from De Minimis

De Minimis Math	TPR	
US Revs	$4,208.1	(1)
% Ecomm	35%	(2)
US Ecomm Revs	$1,472.8	
US Ecomm GM %	**75%**	(3)
US Ecomm GP $	$1,104.6	
Implied US Ecomm COGS $	$368.2	(4)
Total Tariff Impact	$160.0	
De Minimis % of total Tariff	33.0%	
De minimis $ impact	**$52.8**	(5)
Incremental De minimis rate	32.5%	(6)
US De Minimis COGS $	$162.5	(7)
De minimis COGS % of US Ecomm COGS	**44%**	(8)

Source: Company Data and Wells Fargo Securities, LLC Estimates

What Are The Potential Implications For LULU?

To start—we acknowledge a lot of "known unknowns" as it relates to LULU's de minimis usage. That said, as **we have dug around our space looking to see if any other companies have benefited from DM over the past several years without investors knowing, we believe LULU falls in the same bucket that TPR does**.

To that point, we recently spoke with a few industry contacts/former employees to better understand the issue. While we didn't get a direct read on LULU's absolute de minimis exposure (not clear how much US ecomm it captures), **our checks did confirm that LULU utilizes the exception**. One important point is that LULU was already heavily leveraged to Canadian distribution given their heritage, potentially exacerbating the issue of de minimis exposure (much easier for them to lean into the loophole vs. others). Of note, approximately 1/3 of LULU's NA DC square footage is located in Canada. While we don't have exact numbers, **one contact did state they believe LULU's DM exposure is likely outsized vs. others** given the Canada DC network.

We Expect Guidance Needs to Be Cut

We use the analysis above as our framework for assessing LULU's potential impact, but would note that our checks pointed to a potential for an outsized impact on LULU, and thus adjust up its de minimis exposure vs. TPR, relative to total Ecomm COGS. We build it up as follows:

1) Estimate FY25 US revs @ 61% of our total FY25 est (*in line with reported FY24 mix*)

2) Assume ecomm generates 40% of US revs (*approx in line with reported FY24 total company mix*)

3) Assume a 65% GP rate on the implied ~$1.75B in US ecomm revs (*above LULU due to B&O removal*)

4) Arrive at the implied ~$950M total US ecomm COGS estimate

5) Estimate LULU's de minimis COGS as a % of its total US Ecomm COGS (*above TPR, given feedback*)

6) Back into an estimated de minimis COGS $ amount

7) Apply our estimated 32.5% blended de minimis rate

8) Arrive at our estimated range of ~$155M to $185M of incremental tariff exposure from de minimis

Exhibit 2 - Assessing LULU's Potential De Minimis Exposure

De Minimis Potential for LULU	TPR	LULU	LULU	
US Revs	$4,208.1	$6,762.5	$6,762.5	(1)
% Ecomm	35%	40%	40%	(2)
US Ecomm Revs	$1,472.8	$2,705.0	$2,705.0	
US Ecomm GM %	**75%**	**65%**	**65%**	(3)
US Ecomm GP $	$1,104.6	$1,758.3	$1,758.3	
Implied US Ecomm COGS $	$368.2	$946.8	$946.8	(4)
Total Tariff Impact	$160.0	N/A	N/A	
De Minimis % of total Tariff	33.0%	N/A	N/A	
De minimis $ impact	**$52.8**	**$153.8**	**$184.6**	(8)
Incremental De minimis rate	32.5%	32.5%	32.5%	(7)
US De Minimis COGS $	$162.5	$473	$568	(6)
De minimis COGS % of US Ecomm COGS	**44%**	**50%**	**60%**	(5)

Source: Company Data and Wells Fargo Securities, LLC Estimates

Exhibit 3 - Assessing LULU's Potential Annualized EPS Impact

Potential EPS Impact (LULU annualized)	TPR	LULU	LULU
Tax Rate	17.3%	29.7%	29.7%
After-tax Impact	$43.7	$108.2	$129.8
Shs Out	212.4	119.7	119.7
EPS Impact	**($0.21)**	**($0.90)**	**($1.08)**
Prev EPS Est		$14.60	$14.60
De Minimis Impact		**-6%**	**-7%**

Source: Company Data and Wells Fargo Securities, LLC Estimates

When utilizing LULU's US revenue mix, ecommerce mix and margin structure (combined with our 50-60% assumption) **we come to an estimate of $0.90 to $1.08 in potential EPS headwind on an annualized basis**. See Exhibits 2 and 3.

Regarding the quarters based on the timelines in place today, with the exemption expected to sunset at the end of August, we believe the policy change could impact about 2/3 of LULU's 3Q25 (Aug-Oct) and would have a full impact on 4Q25. Making the assumption that % of sales by quarter is a proxy for how the impact hits the P&L, and given the timing of implementation, we'd see about a $0.15-$0.20 impact to 3Q and a $0.30-$0.35 impact to 4Q. Our FY26 EPS comes down by the full $1.00 estimate (essentially the MP of our $0.90 to $1.08 range).

We cut our 2H25 EPS and bring 2025 lower to $14.15 (*from $14.60 prior*) vs. Street $14.48. Our 2026 EPS moves well below Street to $13.90 (*from $14.90 piror*) vs. Street $15.44.

Investment Considerations

1. **Slowing Trends in North America Creating Concern.** Investors continue to focus on the slowdown in North America (NA). LULU's business in NA has been one of the strongest and most consistent in the softlines space over the past 10+ years—with comps averaging 10-15% over

that time as the brand took share in a rapidly growing "athleisure" space. However, the brand is in unchartered waters today, unable to comp positive in 12+ months with the US market negative and struggling due to a lack of innovation on core product and increasing competition from new entrants (namely Alo Yoga and Vuori, as well as others). As their highest margin geography, the lack of comp visibility is creating a clear issue for the story.

2. **International Remains a Bright Spot.** While North America slowdown is worrisome, LULU continues to deliver outsized growth in higher-margin overseas regions. China comps, in particular, continue to grow well above average, growing 40% in 2024 and expected to grow at least +LDD over the next few years. Rest of the World was strong, up 27% in FY24, and we expect a +HT low-20s% comp in FY25.

3. **Emerging Competition.** While competition concerns have always surrounded LULU, there are signs that emerging brands are perhaps eating into LULU's dominant position in athleisure. Vuori is a brand that is beginning to take real market share from LULU in regions such as Southern California (where Vuori is headquartered). Notably many LULU alums have joined Vuori in the past several years, driven by: **1)** the changing culture at LULU and **2)** a similar ethos to when LULU was in its early days. Others competitors such as Alo Yoga also appear to catering to a more fashion-focused consumer and gaining share. Further, the increased competition may force LULU to begin spending heavier on marketing, which could weigh on margins—notably LULU's marketing spend as a % of sales (4-5%) is one of the lowest among brands in our coverage (avg. 8-10%).

The Bull vs. Bear "Tug of War"

Below, we illustrate how we think the buyside is positioning its thesis—detailing the current Bull and Bear arguments on LULU shares.

Exhibit 4 - The Bull vs. Bear "Tug of War"

Source: © iStockphoto.com

The Bull Case….

We believe that investors who are bullish on LULU shares are focused on: **(1)** LULU had been one of the better comping brands in retail with a dominant position in their industry, **(2)** international growth (led by MLC) should enable LULU to continue hitting their top-line algo despite robust multi-year growth, **(3)** worries of a material slowdown in NA are overblown; and **(4)** valuation is at all-time lows and creates a compelling risk/reward.

The Bear Case….

On the other hand, investors who are bearish on LULU shares are likely focused on: **(1)** their core NA market has underperformed for 12+ months with no signs of stabilization ahead (which will weigh on LULU's industry-leading margins); **(2)** inventory has become an issue with 20%+ growth exiting 1Q, **(3)** the business pushes into international markets with higher operating costs, and investors question the trajectory of markdowns go-forward; and **(4)** should competition remain strong, this could pressure margins if LULU needed to ramp their industry-low demand creation dollars (marketing spend).

Financial Outlook

FY25E

Our FY25E EPS estimate of $14.15 represents EPS down -3.5% YoY. We project net sales up ~4.5% on comps up ~2.5% and +MSD footage growth. We expect GMs to contract ~165bps to 57.5% and SG&A % to de-lever ~65bps, resulting in an operating margin of ~21.5%, down 235bps y/y.

Financials

Exhibit 5 - LULU Income Statement

($ millions except per share amounts, FYE Jan)	FY23	FY24	1Q25	2Q25E	3Q25E	4Q25E	FY25E	1Q26E	2Q26E	3Q26E	4Q26E	FY26E
Net Sales	**9,619.3**	**10,588.1**	**2,370.7**	**2,539.2**	**2,545.0**	**3,631.2**	**11,086.1**	**2,464.2**	**2,641.7**	**2,644.0**	**3,760.5**	**11,510.5**
COGS	3,986.2	4,317.3	987.5	1,071.3	1,110.1	1,544.5	4,713.4	1,083.2	1,166.1	1,174.4	1,605.1	5,028.8
Gross profit	5,633.1	6,270.8	1,383.1	1,467.9	1,434.9	2,086.7	6,372.7	1,381.0	1,475.6	1,469.6	2,155.4	6,481.7
SG&A	3,397.2	3,762.4	942.9	979.5	954.4	1,132.9	4,009.7	988.2	1,027.6	999.4	1,184.6	4,199.8
Operating income	**2,230.9**	**2,505.7**	**438.6**	**488.4**	**480.5**	**953.8**	**2,361.4**	**392.9**	**448.0**	**470.2**	**970.9**	**2,281.9**
EBITDA	*2,610.3*	*2,952.2*					*2,852.2*					*2,822.2*
Other income, net	43.1	70.4	11.8	12.0	12.0	12.0	47.8	12.0	12.0	12.0	12.0	48.0
Income before taxes	2,273.9	2,576.1	450.4	500.4	492.5	965.8	2,409.1	404.9	460.0	482.2	982.9	2,329.9
Taxes	651.6	761.5	135.8	150.1	145.3	284.9	716.2	119.4	135.7	142.2	289.9	687.3
Net Income	1,622.3	1,814.6	314.6	350.3	347.2	680.9	1,693.0	285.4	324.3	339.9	692.9	1,642.6
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income attributable to LULU	1,622.3	1,814.6	314.6	350.3	347.2	680.9	1,693.0	285.4	324.3	339.9	692.9	1,642.6
Operating EPS	**$12.77**	**$14.64**	**$2.60**	**$2.92**	**$2.91**	**$5.73**	**$14.15**	**$2.41**	**$2.74**	**$2.88**	**$5.88**	**$13.90**
Diluted shares outstanding	127.1	124.0	120.8	119.8	119.2	118.9	119.7	118.7	118.4	118.1	117.8	118.2
MARGIN ANALYSIS												
Gross Margin	58.6%	59.2%	58.3%	57.8%	56.4%	57.5%	57.5%	56.0%	55.9%	55.6%	57.3%	56.3%
y/y change (bps)	*230*	*70*	*62*	*(175)*	*(210)*	*(295)*	*(166)*	*(230)*	*(195)*	*(80)*	*(15)*	*(118)*
SG&A/sales	35.3%	35.5%	39.8%	38.6%	37.5%	31.2%	36.2%	40.1%	38.9%	37.8%	31.5%	36.5%
y/y change (bps)	*132*	*22*	*163*	*180*	*(46)*	*(32)*	*63*	*33*	*33*	*30*	*30*	*32*
Operating Margin	**23.2%**	**23.7%**	**18.5%**	**19.2%**	**18.9%**	**26.3%**	**21.3%**	**15.9%**	**17.0%**	**17.8%**	**25.8%**	**19.8%**
Pre-Tax Income	23.6%	24.3%	19.0%	19.7%	19.4%	26.6%	21.7%	16.4%	17.4%	18.2%	26.1%	20.2%
Tax Rate	28.7%	29.6%	30.2%	30.0%	29.5%	29.5%	29.7%	29.5%	29.5%	29.5%	29.5%	29.5%
Net Income	16.9%	17.1%	13.3%	13.8%	13.6%	18.8%	15.3%	11.6%	12.3%	12.9%	18.4%	14.3%
GROWTH ANALYSIS												
Total Comp (constant-currency)	***14.0%***	***4.0%***	***1.0%***	***2.5%***	***3.0%***	***2.8%***	***2.3%***	***1.2%***	***1.3%***	***1.5%***	***1.3%***	***1.3%***
Total Sales	18.6%	10.1%	7.3%	7.1%	6.2%	0.5%	4.7%	3.9%	4.0%	3.9%	3.6%	3.8%
Gross Profit	**23.7%**	**11.3%**	**8.5%**	**3.9%**	**2.4%**	**-4.4%**	**1.6%**	**-0.2%**	**0.5%**	**2.4%**	**3.3%**	**1.7%**
SG&A	23.2%	10.7%	11.9%	12.3%	4.9%	-0.5%	6.6%	4.8%	4.9%	4.7%	4.6%	4.7%
Operating Income	24.7%	12.3%	1.4%	-9.6%	-2.1%	-8.5%	-5.8%	-10.4%	-8.3%	-2.2%	1.8%	-3.4%
Pre-Tax Income	26.8%	13.3%	-1.2%	-10.4%	-2.4%	-8.7%	-6.5%	-10.1%	-8.1%	-2.1%	1.8%	-3.3%
Net Income	25.9%	11.9%	-2.1%	-10.9%	-1.3%	-9.0%	-6.7%	-9.3%	-7.4%	-2.1%	1.8%	-3.0%
Shares outstanding	-0.7%	-2.4%	-4.3%	-4.1%	-3.0%	-2.4%	-3.5%	-1.8%	-1.2%	-0.9%	-1.0%	-1.2%
EPS	**26.8%**	**14.6%**	**2.3%**	**-7.1%**	**1.7%**	**-6.7%**	**-3.3%**	**-7.6%**	**-6.3%**	**-1.2%**	**2.8%**	**-1.8%**

Source: Company Reports and Wells Fargo Securities LLC, Estimates

Investment Thesis, Valuation and Risks

lululemon athletica, inc. (LULU)
Investment Thesis
LULU is an industry leader in an attractive market (athletic apparel). We believe the company has ample white space overseas and will continue to post outsized international growth. However, the slowdown in North America along with an "over earning" P&L are a concern and keep us cautious over the next 12 months. We are Equal Weight rated.
Target Price Valuation for LULU: $205.00 from $225.00
Our $205 price target reflects a 15x FY26E P/E.
We believe a discount to history is warranted given that LULU is dealing with merchandising issues domestically, while operating at record margins as competition around them is heating up while US comps are trending negative with margin pressures growing.
Risks to Our Price Target and Rating for LULU
Upside risks **(1)** SSS accelerate; **(2)** North America slowdown is not as drastic as expected, and **(3)** international growth (particulary in China) is better than expected.
Downside risks **(1)** increasing competition within athleisure market; **(2)** slowing comps, and **(3)** international growth stalls

Companies Mentioned in Report

Company Name	Ticker	Last Price (08/18/25)	Rating
lululemon athletica, inc.	LULU	$203.62	Equal Weight

Source: Wells Fargo Securities LLC Estimates, FactSet

Required Disclosures

I, Ike Boruchow, certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and

2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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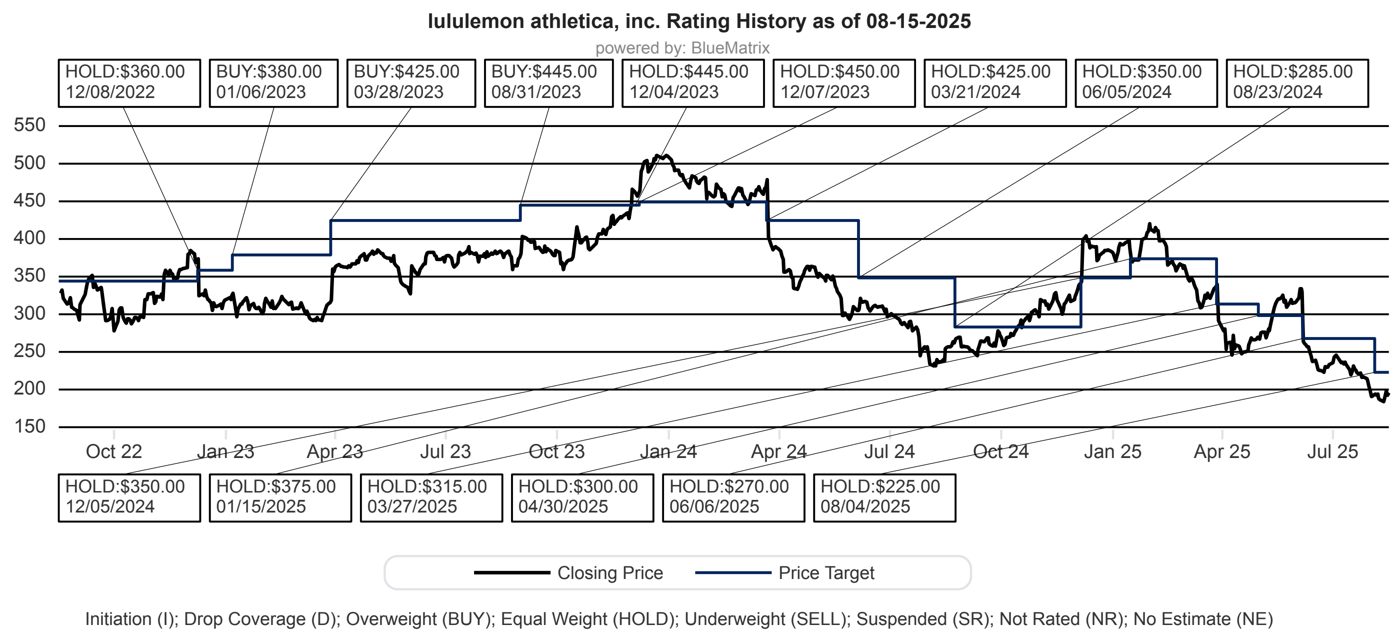

Wells Fargo Securities, LLC, maintains a market in the common stock of lululemon athletica, inc..

Wells Fargo Securities, LLC, or any of its affiliates, intends to seek or expects to receive compensation for investment banking services from lululemon athletica, inc. in the next three months.

Wells Fargo Securities, LLC, or its affiliates has a significant financial interest in lululemon athletica, inc..

STOCK RATING

OW=Overweight: Total return on stock expected to be 10%+ over the next 12 months. (BUY)

EW=Equal Weight: Total return on stock expected to be -10% to +10% over the next 12 months. (HOLD)

UW=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. (SELL)

NR=Not Rated: The rating and price target has been removed due to lack of fundamental basis to support the recommendation or due to legal, regulatory or company policy considerations.

FINRA regulation requires member firms to assign ratings to one of three rating categories: Buy, Hold and Sell. In accordance with FINRA regulation and solely to satisfy those disclosure requirements in the ratings distribution table and ratings history chart contained in these Required Disclosures, our rating of Overweight corresponds to a Buy rating; Equal Weight corresponds to a Hold rating; and Underweight corresponds to a Sell rating.

As of August 18, 2025
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41.2% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight. (HOLD)
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