

lululemon athletica inc.

Key Takes on the Elliott/Nielsen Playbook Post Industry Access - ALERT

The News: Post-close Wednesday, Elliott Management announced a stake in LULU of over \$1B (as reported by the [WSJ](#)), working closely with Jane Nielsen (former CFO & COO at Ralph Lauren from 2016-2025), who Elliott sees as a potential CEO candidate. Specifically, Nielsen stated “Lululemon is one of the most powerful brands in retail, defined by exceptional products, deeply engaged communities and significant global potential... I would welcome the chance to discuss this opportunity with the Lululemon board.” **Importantly, the [WSJ](#) reported Nielsen has been working together with Elliott for months evaluating the opportunity, including by our work data analysis, store visits, and consumer survey work to assess strategic near-term and multi-year opportunities to improve top/bottom-line results.**

5 Key Points to the Elliott/Nielsen Playbook By Our Access:

- **Nielsen as CEO Candidate w/ Talent Opportunity to Follow:** With Nielsen previously stating in a Sept '24 [WSJ interview](#) “I’d like to be the CEO of a company” as the next step following her leadership as a COO and CFO at Ralph Lauren (2016-25), CFO of Coach (2011-16), and CFO of PepsiCo Beverages Americas (2009-11), Elliott cited Nielsen as a “*retail pro that can help revitalize the Lululemon brand*”. To that end, over Nielsen’s 8-year leadership tenure at RL, shares grew 160% (+13% CAGR), with RL’s EPS growing at a +9% CAGR driven by ~400bps of operating margins expansion to 14% as of FY25 (> FY17 10%). To this point, Nielsen’s focus was on foundational work to reset the company’s channel distribution, brand positioning, and full-price selling mix. A key unlock opportunity by our access points to additional potential leadership changes beyond the CEO role at LULU, including **Chief Product Officer** and **Chief Operating Officer**, noting Nielsen has shown ability to effectively work with and successfully recruit top talent in the past (i.e. a “long rolodex” for potential candidates).
- **Customer File Intact w/ Product Improvement Opportunity:** A key point flagged by our recent work is that the **customer file** remains intact still at LULU, while wallet share loss to competition (& therefore conversion rates) has translated to the primary constraint within LULU’s trailing twelve month US revenues (-0.2% Y/Y). To that end, our fieldwork cited Net Promoter Scores at LULU continuing to remain above industry peers by recent survey work, with the shortfall on conversion rates seen as mis-execution across (i) **product** (lack of newness, while price positioning is seen as appropriate), (ii) **merchandising in stores** (elevated SKU count resulting in cluttered stores, inventory bloat & reliance upon markdowns), and (iii) **marketing** (low-ROI brand ambassador investments relative to driving mid-funnel investments, such as localized influencers) weighing on consumer conversion rates.
- **Focus on Improving the North American Store Fleet:** While noting potential channel distribution opportunities may exist over time (i.e.

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Neutral

LULU, LULU US
Price (17 Dec 25):\$207.87

Retailing – Department Stores & Specialty Softlines

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wholesale), our work points to Nielsen's initial focus as likely to relate to improving productivity **within the existing North American store footprint** (noting International stores under the franchise model are operating better relative to owned/operated DTC N. America doors). To that point, our work points to a key pillar of inflection being led by **merchandising improvement**, with reinvestment in the existing store fleet (emphasizing small format stores) key in growing wallet share among existing consumers through an improved product presentation (including SKU rationalization efforts) & storytelling/messaging.

- **Marketing Budget “Optimization” to Focus on Core Consumers:** Supporting the product and merchandising opportunity, our work points to a reallocation of existing marketing dollars to more effective brand-building channels as an opportunity under Nielsen's potential leadership, rather than a deliberate marketing budget expansion beyond FY25's ~5.5% of sales budget. Said differently, key marketing metrics, such as conversion/clicks, show LULU's current brand ambassadors and partnerships (outside of LULU's core TAM) fail to resonate with core customers, with an opportunity instead to redirect spend towards creating dedicated cultural moments & recruiting ambassadors & influencers with both international reach and a local connection to North American markets.
- **SG&A Efficiency Opportunity to Self-Fund Potential Investments:** Rather than a “reset” required on the current operating margin structure (TTM 22.0%, or 19.8% by FY25's guidance), our industry work points to “low hanging fruit” on corporate expenses, including over \$1B in corporate costs as a potential takeout opportunity with non-store headcount increasing by 10,000 over the last 3-4 years, which could provide reinvestment opportunity into other key initiatives without having to reset operating margins at a lower rate. Said differently, more effective spend on marketing, coupled with offensive investments offset by corporate cost efficiencies, could translate to an operating margin structure maintained at the same high-teens to low-20s operating margin rate over time.

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lululemon athletica inc. (LULU, LULU US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Nov 13, 2013. All share prices are as of market close on the previous business day.

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