

Apparel and Footwear

Lululemon Athletica, Inc. (LULU)

RATING HOLD	PRICE TARGET NA	PRICE \$164.69	52-WEEK RANGE \$159.25 - \$423.32
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Departure of North Ameria Head Increases The Turnaround's Degree of Difficulty

OUR CALL

This morning, LULU announced that Celeste Burgoyne, President of the Americas, is departing the company to become the Chief Revenue Officer at Vail Resorts. This is LULU's 2nd high-profile executive departure in the last 18 months, following 2024's departure of Chief Product Officer Sun Choe. Many investors viewed Ms. Choe and Ms. Burgoyne as two of they key architects to LULU's ascendance, so the loss of both of these key executives, during a period of turbulence for the brand in North America, is not ideal. Ms. Burgoyne, in particular, was a key source of stability and consistency at LULU, having joined the company nearly 20 years ago, when revenues were a paltry \$150 million (vs. nearly \$8 billion in the Americas last year). Due to her departure, LULU is consolidating global leadership, with head of International Andre Maestrini assuming the newly-created role of Chief Commercial Officer. All in, we think that Ms. Burgoyne's departure adds an additional layer of uncertainty to the North American turnaround, in addition to the challenging macro environment, increasingly intense competitive landscape, and potential "athleisure fatigue" by consumers. As a result, we remain sidelined on LULU shares pending greater visibility into improvement domestically.

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KEY DATA

Market Cap (MM)	\$20,372.2
Price (11/20/2025)	\$164.69
52-Week Range	\$159.25 - \$423.32
Shares Outstanding	123.70
Avg. Daily Volume	3,638,517.8

At a Glance

OUR INVESTMENT THESIS

LULU is a strong brand with long-term growth drivers, but the operating environment has become more challenging.

BULL CASE ASSUMPTIONS

In our bull case we assume that they "right the ship" in the U.S. and the macro environment doesn't deteriorate any further, leading to a FY25 earnings beat and a faster re-acceleration of revenues in FY26. In this scenario, we think FY26 EPS power could be ~\$13.00. At a high-teens P/E multiple, the stock could be ~\$230.

BASE CASE ASSUMPTIONS

We're modeling FY25 within current sales and EPS guidance. Next year, we expect flattish comps (down domestically, up internationally), with some footage growth resulting in MSD consolidated revenue growth. We assume margins decline 250bps due to the wrap-around of tariffs, incremental markdown pressure, and fixed-cost deleverage, resulting in FY26 EPS power of \$12.00-\$12.50. The stock is currently trading at 14x our FY26 EPS forecast of \$12.20.

BEAR CASE ASSUMPTIONS

In our bear case, we assume FY25 comes in even worse than expected, and generates negative global comp growth next year (-MSD in North America and slightly positive overseas). Amid slowing sales and the wrap-around of tariffs, we assume discounting increases, and the company experiences ~350bps of EBIT margin erosion next year. In this scenario, FY26 EPS declines to below \$11.00. At a low-teens P/E multiple, the stock could fall to ~\$130.

COMPANY DESCRIPTION

LULU is a women's focused athleisure brand headquartered in Vancouver, Canada. The products, which also include a growing Men's business, are sold almost entirely via the company's own stores and websites.

PRICE PERFORMANCE



KEY DATA

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Price [11/20/2025]	\$164.69
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VALUATION (PRICE TARGET: NA)

LULU shares are currently trading at ~14x our FY26 EPS estimate of \$12.20.

POTENTIAL UPSIDE DRIVERS

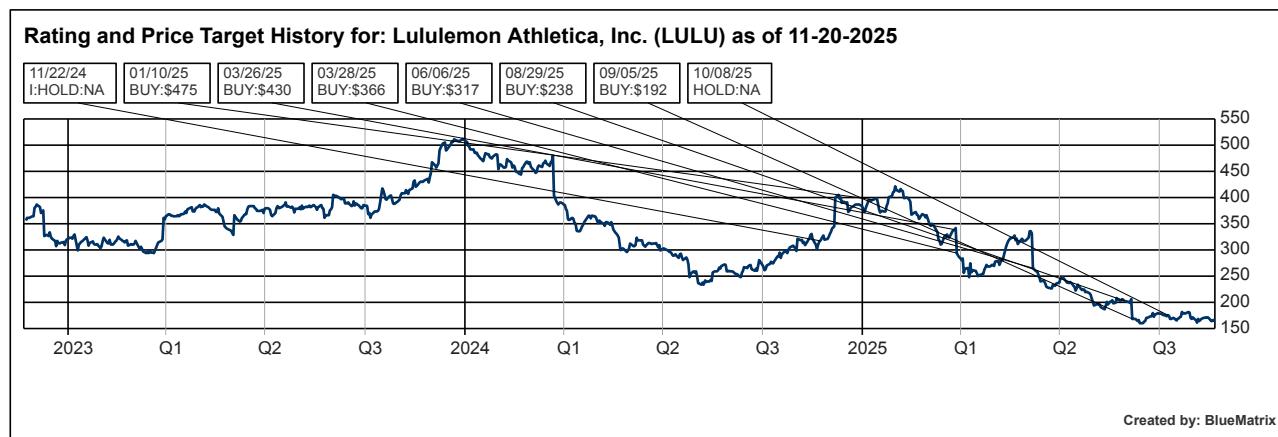
Potential upside drivers for LULU include:

- A potential reversal of recent declines in U.S. store comps, as they roll out new product innovations and face easier compares.
- The men's business is a huge opportunity for the company, as it is less than 25% of LULU's sales, but over 50% of the athletic industry.
- The company still generates most of their revenue in North America (~75%) presenting a major opportunity for international growth.

RISKS TO TARGET**LULU**

Potential downside risks to LULU shares include:

- The company faces competitive threats from up-and-coming brands such as Alo and Vuori.
- The company lost Chief Product Officer Sun Choe last year, which could have a negative impact on the product assortment going forward.
- The company's elevated margin structure could come under pressure if LULU need to discount their goods more or if they need to invest more heavily to drive top-line growth.



ANALYST CERTIFICATION

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Restricted	0	0

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