Lululemon Equity Research


Poonam Goyal
Team: Retail
BI Senior Industry Analyst


Sydney Goodman
Team: Retail
BI Senior Associate Analyst

Lululemon's Increased Tariff Pains Result in Guidance Cut: React

Table of Contents

(Bloomberg Intelligence) -- RECENT EVENT REACTION: Lululemon is facing increased pain from tariffs and slowing sales, notably in the Americas, as evidenced by management expectations that 2025 revenue will rise by just 3% at the midpoint vs. prior guidance for 6% and consensus at 5.6%. Along with guidance for a $240 million annual hit to gross profit from tariffs and the removal of the de minimis exemption, the company cut its EPS view to $12.77-$12.97 vs. $14.58-$14.78 prior. Its 2Q profit was ahead of expectations on better margins. (09/04/25)

1. Lululemon's Revenue Plan Faces Tariff Headwinds: Equity Outlook

THESIS: Lululemon's momentum has slowed, and a further pullback in consumer spending -- particularly in the face of tariffs -- could jeopardize its goal of doubling sales to $12.5 billion by 2026. The international and men's businesses appear solid, while the US segment could decline this year. New product development, notably in women's, is key to driving gains, as is its "Power of Three x2" strategy to grow men's, digital and international. Store traffic that supports sales and adjacent products is also a catalyst. Supply-chain efficiencies could help, yet tariffs and weaker consumer spending pose stubborn headwinds. (09/04/25)

Key Topics

Near Term Strength

Lululemon Sales Growth May Slow in 2025, Gross Margin Could Dip

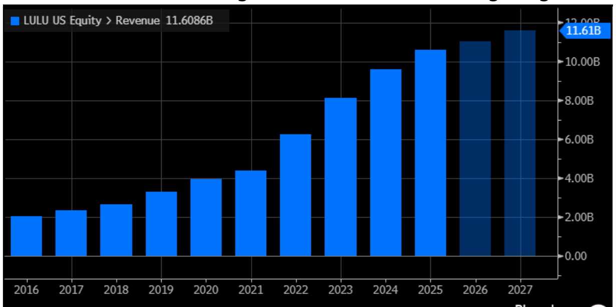
Building sales momentum is key for Lululemon to reach 2026 goals, yet revenue might slow to mid-single digits in 2025 on softer consumer spending amid inflation and tariff concerns. Gross margin could decline 60 bps this year, based on guidance, amid cost deleveraging and currency and tariff headwinds, with markdowns likely flat. Its membership program and product innovation can help, with newness aiding sales. (04/07/25)

2. $12.5 Billion Sales Goal Might Be at Risk

Even with a recent top-line pullback, Lululemon remains ahead of its five-year plan targets, yet sales must reaccelerate to double digits in 2026 to reach $12.5 billion. Consensus sees $12.2 billion in 2026. Revenue rose 10% in 2024, trailing the 15% compound annual rate for 2021-26, and is set to slow to 5-7% (7-8% excluding the 53rd week in 2024) this year. A rebound can be led by new products and fabrics. That, alongside 40-45 new store openings in 2025, building momentum in China and new franchises (Glow Up, LuluLinen), might also help. Yet weaker consumer spending amid mounting inflation and tariff concerns are risks.

Lululemon has gained more than 28 million essential members since launching its membership program in 2022. (04/07/25)

Consensus No Longer Sees Sales Reaching Target



Source: Bloomberg Intelligence

3. China Sales Could Keep Growing by Double Digits

Lululemon might keep seeing outsized gains in China as it reaps the benefits of increased activewear adoption, especially since the nation's stricter Covid-19 measures were lifted. That's helping build unaided awareness, which reached the mid- to high-teens in 2024 from 9% in 2022, and can be supported by the opening of about 30 international stores in 2025. Most of those will be in mainland China, where sales showed strength in 4Q, up 46%. Lululemon has a 5.1% apparel market share in the country (1.1% in 2019). In 4Q, 12% of its sales came from mainland China. Economic volatility and tariff headwinds remain concerns.

Robust growth in the region may also aid Lululemon's margin since China typically has the highest profitability, while inventories are relatively healthy. (04/07/25)

Mainland China Market-Share Breakdown

Sports Apparel Share %	2019	2024	Sports Footwear Share %	2019	2024
Anta (China)	22.2%	31.0%	Nike	30.0%	27.5%
Nike	16.2%	12.2%	Anta (China)	9.9%	16.7%
Li Ning Co.	7.9%	9.9%	Li Ning Co.	5.5%	9.0%
Adidas	21.0%	9.7%	Adidas	17.4%	8.0%
Xtep International	4.5%	6.7%	Xtep International	5.0%	6.2%
Lululemon	1.1%	5.1%	Skechers	5.6%	5.9%
361 Degrees	2.9%	3.5%	361 Degrees	2.8%	3.8%
VF Corp	2.0%	3.3%	Asics	1.8%	2.8%
Guangdong Camel Garmet	0.8%	2.4%	New Balance	2.2%	2.4%

	2019	2024	CAGR 2024-29E
Sportswear	$46,310	$56,729	6.4%
Sports Apparel	$20,179	$24,922	7.5%
Sports Footwear	$26,132	$31,808	5.5%

Note: 2024 Color coding - Green implies an increase in share from 2019, Red implies a decrease from 2019 and yellow implies share remained constant from 2019
USD in Millions

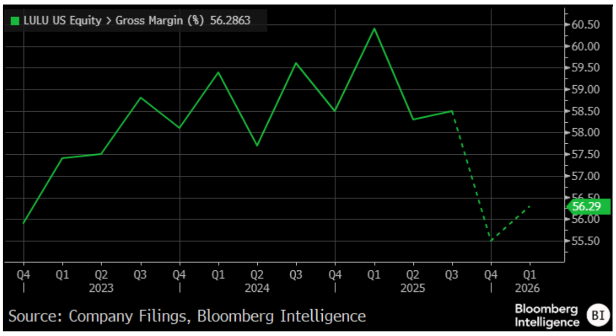
Source: Euromonitor/Passport, Bloomberg Intelligence

4. Gross Margin Could Contract in 2025

Lululemon's gross margin may fall 60 bps in 2025 on fixed-cost deleveraging and foreign-currency effects, along with a 20-bp headwind from tariffs on Mexico and China. The possibility for more levies on other regions could be another issue. Markdowns appear set to be in line with 2024. Maintaining healthier inventory is key, given stockpiles rose 9% in 2024 from 2023, and could grow by the high teens in 1Q, ahead of guidance, as it surpasses last year's decline.

Gross margin climbed 100 bps in 4Q, aided by 130 bps of product-margin gains from lower costs and markdowns. That was partly offset by currency headwinds and higher fixed costs as a percentage of sales. (04/07/25)

Gross Margin (%)



Regional Growth

Lululemon's International Push Key to Doubling Sales by 2026

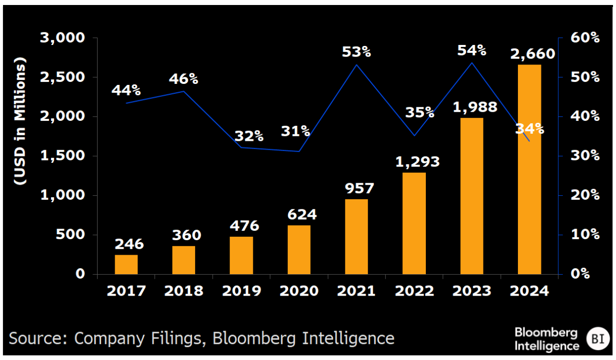
Lululemon's sales growth may moderate further in 2025, yet if growth accelerates to double digits in 2026, its aim to double revenue through fiscal 2026 and expand 15% compounded annually in 2021-26 appears attainable. International is at the forefront of the $12.5 billion sales goal, and could quadruple as Lululemon extends into new and core markets, led by China and more progress in Europe. (04/04/25)

5. Ample Room for Share Gains Abroad

At about a quarter of sales, Lululemon has ample runway to quadruple its international revenue (excluding the US and Canada), driven by outsized gains in China, growing core markets and entering and expanding in new countries across Asia, Europe, the Middle East and Africa. Though it added more share than any other brand in the industry, it has just 2.2% of the $407 billions sportswear market, based on Euromonitor data. Lululemon has a retail presence in more than 25 countries. The company entered Spain, Thailand and Italy, among others, in recent years. In China, yoga's growing popularity offers a chance to expand, even after accounting for 51% of international sales in 2024.

In 4Q, sales outside of North America and China were up 30% (12% of total sales), while revenue in China Mainland increased 46% (13%). (04/04/25)

International Sales, Year-Over-Year Growth (%)

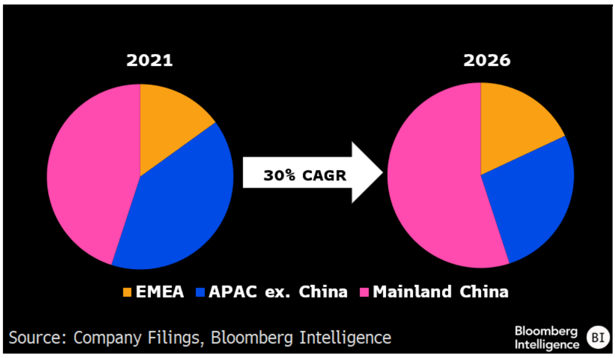


6. Digital, Store Growth to Spur Asia Expansion

China is at the forefront of Lululemon's almost $4 billion international-sales opportunity, with gains poised to be driven by greater investment in digital, curated local-marketing content and region-specific assortments. Its focus there has seen brand awareness reach mid-to-high teens in 2024 from 7% in April 2022. It leverages partnerships with Tmall and JD.com to vary its online presence. Social commerce from WeChat Mini programs and developing a country-specific online site are catalysts. Many of its roughly 30 international openings in 2025 will be in China.

Store expansion in tier 1 cities could fuel growth in the region, given they'll likely represent 40% of its network by 2026. Extension into tier 2 cities may help Lululemon reach 220 stores in China by 2026 from 117 in 2022. In 4Q, China Mainland sales rose 46%. (04/04/25)

International Sales Breakdown by Region

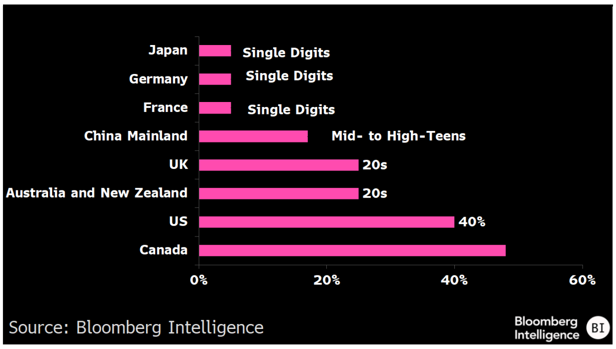


7. Doubling Down on Core Markets Abroad

Lululemon's core markets abroad -- Australia, South Korea, the UK and Germany -- will remain key to driving growth as the brand doubles down on product diversification, men's and e-commerce in its more mature markets. Building on community with its city ambassador program, launched in 2021 in nine global cities, including Seoul, Shanghai, London and New York, could bring local relevance to the brand and drive greater engagement. Leveraging its local-ambassador program can help boost engagement and awareness in these regions.

Entering Italy as a company-operated market and Belgium, Turkey and the Czech Republic with a franchise model may help drive growth in Europe. A partnership with Zalando in Europe and a relocation and expansion of its London Regent Street store could spur awareness. (04/04/25)

Unaided Awareness by Region



8. North America Sales Growth Could Slow

Since North America is Lululemon's most mature region and weaker consumer spending in the region is crimping gains, sales there are tracking behind its low-double-digit compound annual growth-rate target, as the US sales goal of $8.5 billion may take more time. Lululemon holds the second-largest sports-apparel market share in North America, trailing Nike by 0.8 percentage points. Yet its unaided awareness in the US is at 36% vs. peers' 85-90%, making marketing key to raising brand awareness. A new key city plan with five cities in North America can ensure local relevance and drive credibility.

Sales in North America in 2024 gained 3.9%. Last year, Lululemon acquired retail stores from a third party in Mexico, but the country makes up less than 1% of North America sales. (04/04/25)

Revenue Growth in US, Canada (% Year Over Year)

DTC Catalysts

Lululemon's Omnichannels May Drive Customer Loyalty, Acquisition

Lululemon could maintain its store productivity this year, while expanding its omnichannel offerings, store footprint and membership programs. Foundational investments across its digital platform to boost traffic, average order value and conversion are core to reaching its goal of doubling digital sales by 2026, with an emphasis on improving inventory accuracy and enhanced storytelling. (04/03/25)

9. Tech Investments Could Boost Conversion

Lululemon's tech investments are key to reaching its goal of doubling e-commerce sales by 2026 and include a new payment platform and increased personalization, inventory accuracy and product storytelling to drive more traffic, conversion and average order values (AOV). Leveraging machine learning to improve production education, product fit and feel can help the company elevate its product-detail page and add another layer of narration. That, coupled with investments in a new commerce platform and payment and IT infrastructure to make it easier for customers to transact, could mean better conversion and higher AOV.

As Lululemon scales its omni programs and replatforms its RFID program to the cloud, it can bolster its experience for shoppers. In 2024, digital sales increased 6%. (04/03/25)

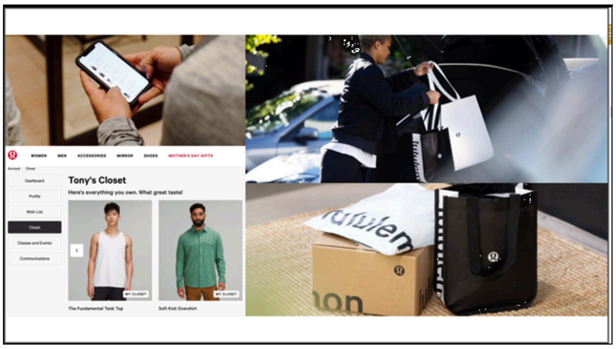
Digital Sales, Year-Over-Year Growth (%)

10. Omnichannel Offerings Drive More Customer Spending

Enhanced focus on omnichannel offerings, along with Lululemon's effort to be an experiential retailer, can increase buying frequency and amount spent and can drive double-digit store sales gains through 2026. During the pandemic, Lululemon expanded its omni-services to ship from stores and buy online and pickup in-store (BOPUS), letting more customers cross-channel shop. When a store-only guest shops online, they spend about 30% more, while a guest using BOPUS spends 20% more. In 2024, sales at Lululemon stores rose 14%.

As Lululemon expands its experiential store footprint, it can enhance engagement and lift its share of wallet since customers who sweat at an experiential store spend about 15% more. Opening stores in Italy, Denmark, Turkey, Belgium and the Czech Republic in 2025 represent additional opportunities. (04/03/25)

Digital Personalization Offerings



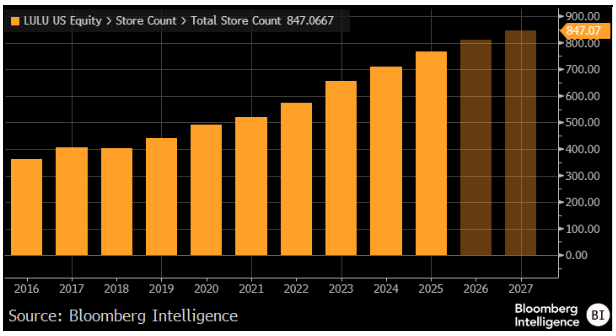
Source: Bloomberg Intelligence

11. Stores Are Key for Acquiring New Customers

Lululemon's stores are crucial to customer acquisition, product education and new market entry. Its diverse store portfolio lets the retailer enter markets with a store type that suits the community through agile large format, experiential, seasonal and pop-up locations. Stores over-index on new-customer acquisition year over year and help highlight Lululemon's franchises. Pop-ups help reach new shoppers, capture seasonal demand and test new markets to inform permanent opening plans.

Store productivity and traffic remain high and are among the most productive in the industry. Lululemon aims to expand square footage by 5% annually through 2026 through new-store openings and optimization. In 2024, the retailer opened 56 net stores and targets 40-45 openings and 40 optimizations this year, with square footage growing 10%. (04/03/25)

Lululemon Store Count

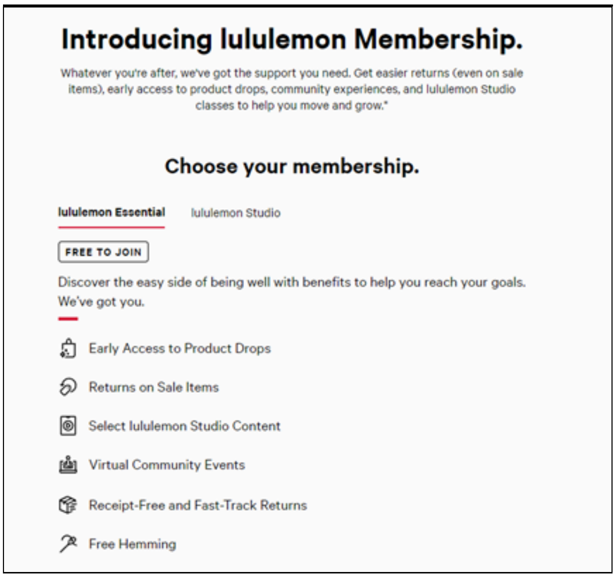


12. Membership Launch Aids Guest Engagement

Lululemon's essential membership (free) debuted in North America in 2022 and provides users with a suite of benefits, including early access to products, receipt-free returns, free hemming, community experiences and exclusive Peloton content. It had more than 28 million members as of 4Q, with early access to its Black Friday sale. Expanding this beyond North America offers a greater chance to drive customer additions. Its March Membership Madness event had free classes at studio partners, the opportunity to win experiences and access to in-store events.

Retailers like Ulta have cited success in personalized-product recommendations and have seen 95% of sales come via loyalty programs, letting them track items sold online and in stores back to an individual, giving them greater purchasing-behavior insight. (04/03/25)

Lululemon Essential Membership



Source: Bloomberg Intelligence

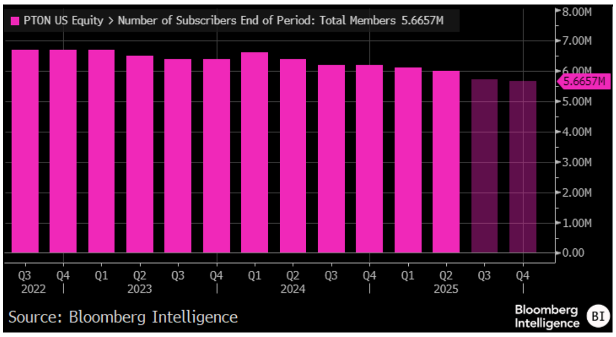
13. Guests Who Sweat More, Spend More

Lululemon's decision to partner with Peloton, moving away from its own fitness app and Mirror device, returns focus to its core apparel business. The partnership will feature Lululemon's athletic wear in consumers' exercise regimens, helping build brand heat through Peloton's established roster of fitness instructors, some of whom are now Lululemon ambassadors. Co-branded product is available at Peloton showrooms and online, making Lululemon top of mind for

Peloton's 3.5 million paying subscribers (6.2 million total). Lululemon Studio members get access to Peloton classes through the Lululemon studio app as it's stopped selling the Mirror.

Lululemon also opened a Glow Up studio in New York City for two weeks with its Glow Up franchise launch where consumers could take workout classes. (04/03/25)

Peloton Members



Category Expansion

Lululemon Works Toward Targets, Aided by Product Innovation

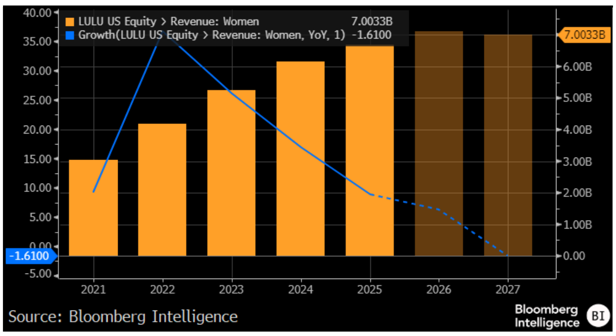
With its science-of-feel strategy, Lululemon could double men's sales by 2026 and drive double-digit gains annually in women's. Performance design and fabrics with sustained innovation can find buyers beyond yoga, such as gym enthusiasts and other active people. Product innovation, more men's franchises and expansion in office, travel and commuter are catalysts. (04/02/25)

14. Women's Lines Remain Spark for Growth

Product innovation is key to Lululemon's double-digit growth target in women's, and a greater focus on fresh items with its Glow Up franchise plus strength in its Align, Scuba and Wunder Train franchises can help build momentum. Women's sales rose 11% in 4Q. The new Glow Up franchise can help expand in the training category, while Daydrift and Be Calm can capture lifestyle customers. Glow Up launched with a legging and a tank top, and expanding the line could be an opportunity.

Franchises remain key to expanding in women’s. As Lululemon builds on products that shoppers already demand (like Align in yoga), it can create head-to-toe offerings. Since introducing the Align bottom in 2015, it has expanded to tops, bras, tanks and shorts. New Align silhouettes like a palazzo pant and a legging with no front seam may also help. (04/02/25)

Women's Revenue, Growth



15. Taking Men’s Franchise to Another Level

After sales in its men's business doubled to $1.5 billion in 2021, ahead of a 2023 target, the category can log double-digit compound annual growth in 2021-26. The brand is still behind key companies in men's sportswear like Nike and Adidas, but Lululemon's pipeline of new products could aid credibility. New franchises Mile Maker, Zeroed In, Steady State, ShowZero and Soft Jersey, along with expanding the Pace Breaker franchise into jackets and pants and freshening License to Train might also help. The company's men's loungewear campaign with DK Metcalf and Odell Beckham Jr. could raise awareness. Men's sales rose 17% in 4Q.

Lululemon extended its Fast and Free franchise to men's, attracting shoppers who prioritize performance, competing directly with peers’ running offerings. (04/02/25)

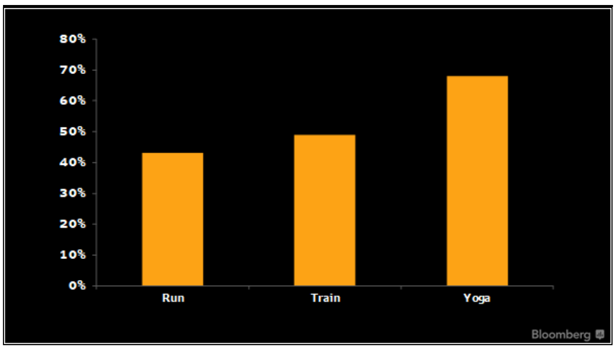
Men's Revenue, Growth

16. Training, Running Offer Biggest Opportunities

Lululemon has a long runway for gains in its core performance categories -- yoga, training and running -- particularly the last two, where brand association is 20 percentage points below yoga. Running has the highest participation among its shoppers, with 58% of women and 72% of men, and as Lululemon builds offerings it could garner more share. Expansion into accessories (like the Senseknit running collection), innovation in high-support bras and a new performance fabric for cold-weather runs might spark more gains. A new run-focused campaign this year could also help raise awareness.

Expanding its successful License to Train men's line into women's coupled with continued training and running innovations might boost sales. Lululemon's abrasion-resistant technology can attract consumers seeking high-impact movement apparel. (04/02/25)

Core Performance Brand Awareness



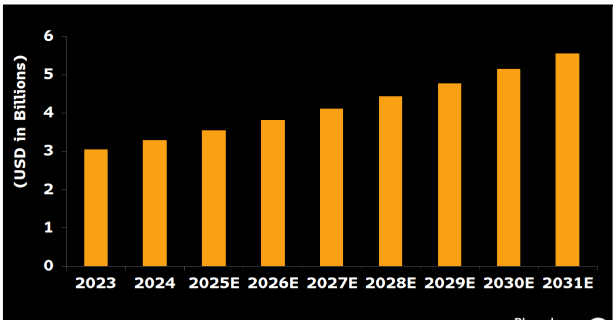
Source: Bloomberg Intelligence

17. Sport Categories Offer Playbook to Add Customers

Lululemon can acquire new customers and lift wallet and closet share from existing ones as it expands further into categories like tennis, golf and hiking. About 20% of its products are designed specifically for the sports, with the rest from its core assortment, which could add versatility, build credibility within the activities and strengthen brand loyalty. Lululemon's ability to tie the collection to its core business is key to double-digit gains. Adding Frances Tiafoe, Max Homa and Lewis Hamilton as brand ambassadors can add credibility.

The golf apparel market can grow 7.8% compounded annually in 2024-30, Verified Market Research data show, with 42% coming from North America, according to Technavio. The tennis apparel market might record a 3.3% CAGR for 2024-33, according to Business Research Insights. (04/02/25)

Global Golf Apparel Market Forecast



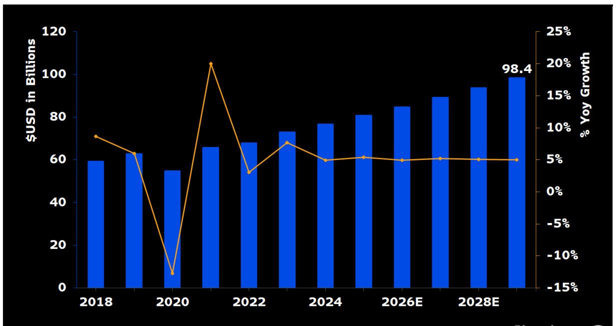
Source: Bloomberg Intelligence

18. Footwear Could Spur Market-Share Gains

The foray into performance footwear, which Lululemon started with women's, could win share in female shoes as legacy brands lack a substantial lead. Yet footwear is still a small percentage of sales and expansion in the category could mute gross margin a bit as it's a less profitable product. Still, the broad performance-shoe category might exceed $100 billion in sales by 2029.

Lululemon might find it hard to lift market share in men's performance footwear, which it recently entered with Cityverse and Beyondfeel, since other brands are more established, have greater scale and enjoy more loyalty among shoppers. Nevertheless, we see opportunity for the company to succeed in the lifestyle- and sports-inspired footwear market if it builds on its existing brand appeal with men. (04/02/25)

Global Performance Footwear Sales Forecast



Source: Euromonitor/Passport, Bloomberg Intelligence

Financial Review

Earnings

19. US Weakness, Tariffs Crimp Lululemon Sales: Earnings Outlook

Post-2Q Earnings Outlook: Lululemon faces pressure from tariffs and weaker US consumer spending, along with products not resonating. Full-year sales growth guidance is just 2-4%, with the US expected to turn negative this year, down 1-2%, roughly in line with quarter-to-date trends, while the rest of the world and China remain strong. Performance apparel is solid, yet more needs to be done to refresh its lounge and social lines to spur conversion, with new styles targeted at 35% of its mix for next spring, up from 23%. Tariffs and the removal of the de minimis exemption may crimp gross margin by $240 million this year.

In 2Q, sales rose 7%, while gross margin didn't drop as much as feared as lower freight and favorable mix helped. Still, the metric fell 110 bps on tariffs and higher markdowns. (09/04/25)

Highlights From Recent Results:

- Sales Climbed 7%, Led by International's 22% Gain (With Mainland China Up 25%, Rest of World 19%); US Sales Flat, Canada Sales Up 1%; Stores Up 3%, Digital 9%
- Gross Margin Fell 110 Bps on 70 Bps of Narrower Product Margin Amid Higher Markdowns, Tariffs, Partially Offset by Price Increases, Lower Product Costs
- SG&A Rate Rose 90 Bps on Operating-Channel Costs, Depreciation Deleverage
- EPS of $3.10 Topped Consensus; Sees 3Q Sales Up 3-4%, 2025 Up 2-4% (4-6% Excluding 53rd Week in 2024)

Additional Resources:

- Earnings Release | DOCV »
- Earnings Call Transcript | DOCV »

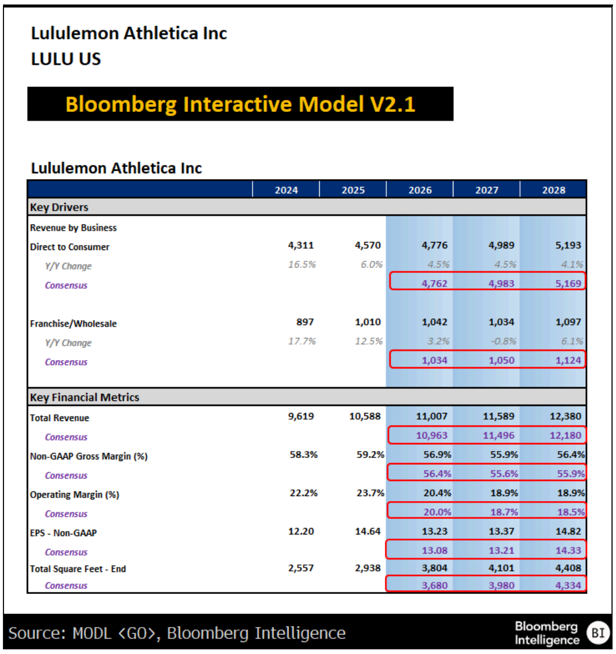
Long-Term Drivers

20. Lululemon Can Meet 2026 Revenue Target, But Needs a Sales Pickup

Lululemon needs to accelerate its sales gains to meet its goal of doubling revenue in 2021-26. This would would require 15% compound annual sales growth, quadrupling of international sales and doubling of men's and digital. Growth moderated in 2024 and could slow more this year. Sales may rise by mid-single digits in 2025, driven by product expansion and continued strength in digital and international. Greater adoption of its loyalty program and newness in women's can also help. Gross margin may fall 110 bps on tariffs, fixed-cost deleveraging and FX. Operating margin could drop 160 bps in 2025, based on guidance.

The Bloomberg Interactive Calculator uses Bloomberg's detailed consensus estimates to create an integrated three-statement financial model. (06/09/25)

Bloomberg Interactive Model (Click to Open)



Lululemon Athletica Inc
LULU US

Bloomberg Interactive Model V2.1

Lululemon Athletica Inc

	2024	2025	2026	2027	2028
Key Drivers					
Revenue by Business					
Direct to Consumer	4,311	4,570	4,776	4,989	5,193
Y/Y Change	*16.5%*	*6.0%*	*4.5%*	*4.5%*	*4.1%*
Consensus			4,762	4,983	5,169
Franchise/Wholesale	897	1,010	1,042	1,034	1,097
Y/Y Change	*17.7%*	*12.5%*	*3.2%*	*-0.8%*	*6.1%*
Consensus			1,034	1,050	1,124
Key Financial Metrics					
Total Revenue	9,619	10,588	11,007	11,589	12,380
Consensus			10,963	11,496	12,180
Non-GAAP Gross Margin (%)	58.3%	59.2%	56.9%	55.9%	56.4%
Consensus			56.4%	55.6%	55.9%
Operating Margin (%)	22.2%	23.7%	20.4%	18.9%	18.9%
Consensus			20.0%	18.7%	18.5%
EPS - Non-GAAP	12.20	14.64	13.23	13.37	14.82
Consensus			13.08	13.21	14.33
Total Square Feet - End	2,557	2,938	3,804	4,101	4,408
Consensus			3,680	3,980	4,334

Source: MODL <GO>, Bloomberg Intelligence

Valuation

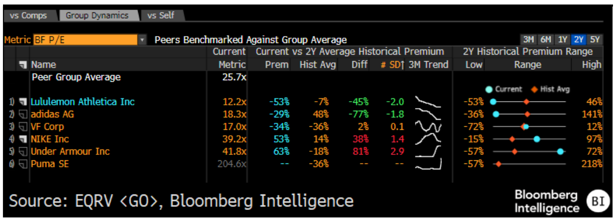
Premium Valuation

21. Lululemon Multiple Trails Historical Performance on Soft View

Lululemon's 12.2x forward P/E multiple on Sept. 5 lagged behind its historical performance, marking an 53% discount to the group's mean vs. a two-year average discount of 7%, Bloomberg's EQRV function shows. This may be due to a weaker 2025 outlook amid tariff headwinds, where an acceleration in 2026 will be key to meeting its "Power of Three" goal. Still, we believe the company's success in women's and men's apparel and expanded international market share will remain strong. New products for women will be instrumental to gains. Higher markdowns this year may help clear elevated inventory. Lululemon aims to double its men's and digital sales while quadrupling international revenue by 2026 from 2021.

Lululemon shares were down 56.1% this year though Sept. 5 after management provided softer-than-expected guidance. (09/08/25)

Relative Valuation



vs Comps | Group Dynamics | vs Self

Metric BF P/E — Peers Benchmarked Against Group Average — 3M 6M 1Y 2Y 5Y

	Name	Current Metric	Prem	Hist Avg	Diff	# SD	3M Trend	Low	Range	High
	Peer Group Average	25.7x								
1)	Lululemon Athletica Inc	12.2x	-53%	-7%	-45%	-2.0		-53%		46%
2)	adidas AG	18.3x	-29%	48%	-77%	-1.8		-36%		141%
3)	VF Corp	17.0x	-34%	-36%	2%	0.1		-72%		12%
4)	NIKE Inc	39.2x	53%	14%	38%	1.4		-15%		97%
5)	Under Armour Inc	41.8x	63%	-18%	81%	2.9		-57%		72%
6)	Puma SE	204.6x	--	-36%	--	--		-57%		218%

(Columns Prem through 3M Trend: Current vs 2Y Average Historical Premium; Low through High: 2Y Historical Premium Range. Legend: Current, Hist Avg)

Source: EQRV <GO>, Bloomberg Intelligence

Chart Book

Company

Lululemon's Revenue Target in Sight; Newness Could Aid Sales

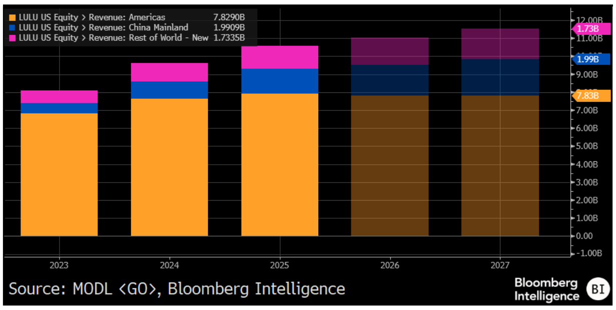
Lululemon's recent strength -- lifting 4Q guidance after a better holiday season -- has it on track to double revenue to $12.5 billion in 2026. The Americas will remain the company's biggest segment, though sales in China Mainland and Rest of World could keep expanding by double digits. New-product innovation can aid stores and e-commerce sales, boosting inventory. Margins may increase amid lower product and operating-channel costs, partly offset by greater freight expenses and FX headwinds.

To access the latest available data or chart, please click on the links below the images. (01/21/25)

22. Americas Region Accounts for Most of Revenue

(01/21/25)

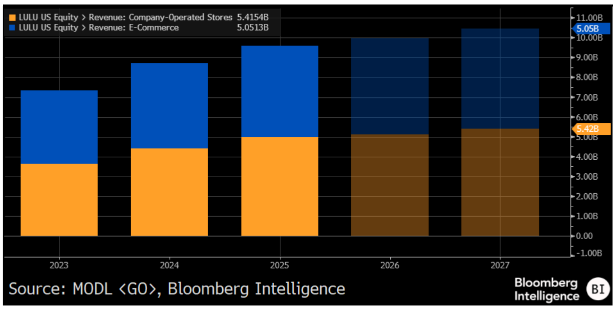
Segment Revenue Breakdown ($ Million)



23. Store Sales Outpacing E-Commerce

(01/21/25)

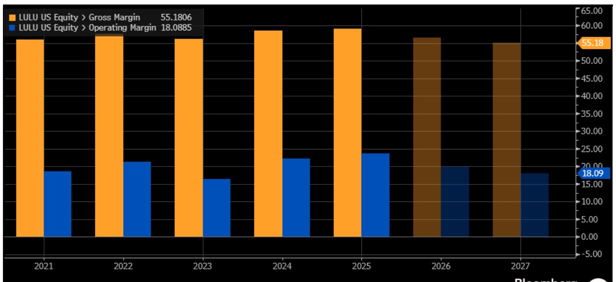
Segment Revenue Breakdown ($ Million)



24. Margin Expansion Underway Amid Lower Costs

(01/21/25)

Gross Margin, Ebit Margin (%)

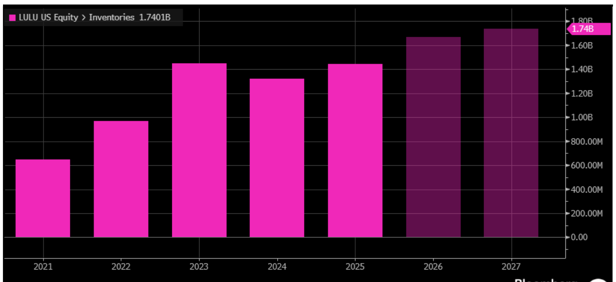


Source: MODL <GO>, Bloomberg Intelligence

25. Inventories Could Climb as Lululemon Chases Newness

(01/21/25)

Lululemon Inventories



Source: MODL <GO>, Bloomberg Intelligence

Peers

Lululemon Progresses Toward Doubling Sales in 2026, Leads Peers

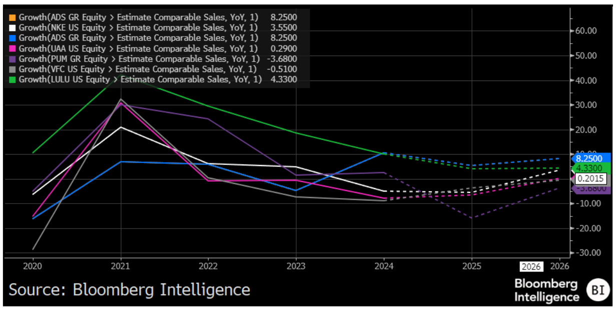
Lululemon's sales gain may continue to outpace rivals as it stays on track to reach its goal to double sales to $12.5 billion in 2026, even as growth moderated in most of 2024. Doubling of its men's and digital revenue and quadrupling international sales are drivers. Its direct-to-consumer (DTC) model allows the clothing retailer to keep margins above peers. That, coupled with lower product costs and markdowns can mitigate higher freight costs. Inventory may rise ahead of sales gains as management chases new seasonal product.

To access the latest available data or chart, please click on the links below the images. (01/24/25)

26. Sales Gains Outpace Peers En Route to Double Sales

(01/24/25)

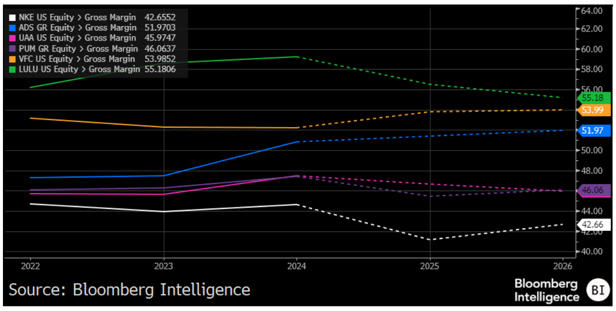
Athleisure Sales Growth



27. Gross Margin Leads Peer Average Given DTC Focus

(01/24/25)

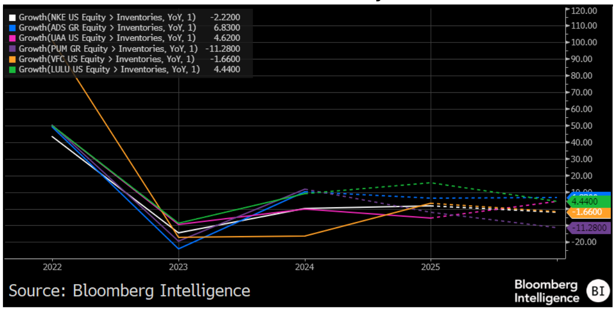
Athleisure Peers Gross Margin (%)



28. Fresh Merchandise Driving Inventory Gains Ahead of Peers

(01/24/25)

Athleisure Peers Inventory Growth (%)



Industry Themes

The Tariff Threat

Rising Tariffs May Raise Retail Costs in 2H, Prices for Shoppers

Retailers might hike prices to offset tariffs and protect profits, with E.L.F., Primark and Coty particularly exposed. Those with diverse sourcing face less risk. Ending China's de minimis exemption is raising prices at Temu, AliExpress and Shein. Luxury brands can more easily pass along costs, while Amazon.com's cloud and ad segments offer flexibility. (08/01/25)

29. Three Keys for Tariff Effects on Retail

(08/01/25)

Key Drivers

Tariff Tension May Escalate	De Minimis Exemption Loophole Close	Shifting Production to US Is Difficult
BI View:	**BI View:**	**BI View:**
As a net importer, US exposed brands and retailers will continue to face higher costs from tariffs, pressuring margin, notably in 1H. Select price increases, AI efficiencies and mitigation efforts will offer a partial offset.	Eliminating and scaling back the de minimis exemption may help level the playing field for US retailers that have lost market share to companies like Temu and Shein, but also creates challenges for online marketplace sellers that rely on direct shipping of goods to shoppers.	Reciprocal tariffs will raise costs, and bringing production back to the US at scale will be difficult, particularly for apparel and footwear and Europe-made luxury goods, watches, jewelry and fragrances, given a lack of skilled labor and infrastructure.
Companies:	**Companies:**	**Companies:**
SHOO US, ELF US, DLTR US, MAT US, AMZN US, HMB SS, CFR SW, UHR SW, RMS FP, MC FP	AMZN US, PDD US, BABA US, GAP US, WMT US, M US, URBN US, KSS US, ASC LN, DEBS LN	LULU US, ONON US, HD US, LOW US, DECK US, NKE US, URBN US, HMB SS, RMS FP, CFR SW

Source: Bloomberg Intelligence

30. Rising Tariffs Are Headwinds; 2H Will Have Higher Prices

A 30% tariff on Chinese goods during the 90-day pause remains well below the 145% imposed prior, offering some relief, but still adds costs for retailers, curbing margins. As tariffs in other countries rise beyond the 10% implemented during the pause, challenges in 2H will intensify, potentially triggering additional sourcing changes once new levies are finalized. Vertically integrated retailers are more at risk due to their inability to share product costs, while online marketplaces are less affected given lack of inventory ownership, Scale also helps protect the larger brands, which have greater buying power. (08/01/25)

% of US Apparel, Footwear Imports (2024)

	% of US Imports			% of US Imports	
	Apparel	Footwear		Apparel	Footwear
China	24%	33%	Peru	1%	0%
European Union	5%	11%	Nicaragua	2%	0%
Vietnam	15%	34%	Norway	0%	0%
Taiwan	1%	0%	Costa Rica	0%	0%
Japan	0%	0%	Jordan	2%	0%
India	9%	2%	Dominican Republic	1%	0%
South Korea	1%	0%	United Arab Emirates	0%	0%
Thailand	1%	0%	New Zealand	0%	0%
Switzerland	0%	0%	Argentina	0%	0%
Indonesia	4%	10%	Ecuador	0%	0%
Malaysia	0%	0%	Guatemala	1%	0%
Cambodia	4%	3%	Honduras	2%	0%
United Kingdom	0%	0%	Madagascar	0%	0%
South Korea	0%	0%	Myanmar (Burma)	0%	0%
Brazil	0%	1%	Tunisia	0%	0%
Bangladesh	7%	1%	Kazakhstan	0%	0%
Singapore	0%	0%	Serbia	0%	0%
Israel	0%	0%	Egypt	1%	0%
Philippines	1%	0%	Saudi Arabia	0%	0%
Chile	0%	0%	El Salvador	1%	0%
Australia	0%	0%	Côte d'Ivoire	0%	0%
Pakistan	4%	0%	Laos	0%	0%
Turkey	2%	0%	Botswana	0%	0%
Sri Lanka	2%	0%	Trinidad and Tobago	0%	0%
Colombia	0%	0%	Morocco	0%	0%

Source: OTEXA, Bloomberg Intelligence

31. Athleisure Brands Can't Outrun Higher Tariffs; Costs to Rise

Contributing Analysts Abigail Gilmartin (Retail)

Footwear and Athleisure companies' greater production exposure to South Asian countries, particularly Vietnam, put their margins at risk given the addition of tariffs higher than the 10% pause rate. Though companies may be able to mitigate some of the risk via price increases and supplier negotiations, higher costs appear unavoidable and will likely still be a drag to margins. Nike sources about 50% of its footwear from Vietnam and On over 90%. Steve Madden, HeyDude and Skechers, which source more than 40% from China, face greater risks, though they're likely able to quickly adjust their supply chains.

Ending the de minimis exemption for China levels the playing field by targeting low-cost Chinese sellers like Temu and Shein, which might have to raise prices. Bulk shipping via PDD and Alibaba could offset some costs. (08/01/25)

Sourcing, US Sales Exposure

								2024 Sales Exposure to:		
Sourcing Exposure	China	Vietnam	Cambodia	Bangladesh	Indonesia	Germany	Other	Americas	North America	US
Nike									43%	
Footwear	18%	50%			27%		5%		28%	
Apparel	16%	28%	15%				41%		12%	
Adidas									22%	
Footwear	14%	39%			32%		15%			
Apparel	16%	18%	23%				43%			
Accessories	23%						77%			
Puma	30%	26%	13%	12%	5%		14%		24%	
On								64%		
Footwear		91%			9%		0%			
Apparel/Accessories	7%	61%					32%			
Birkenstock						95%	5%	52%		
Crocs										
Crocs	10%	51%					39%		56%	
HeyDude	58%						42%			
Steve Madden	58%									81%
Skechers	40%	40%					20%			38%
Allbirds Footwear		100%					0%		76%	
Wolverine Worldwide	22%	53%	10%	8%	8%		0%			54%
Lululemon		40%	17%	7%	11%		25%		61%	
Columbia										61%
Footwear	20%	75%					5%			
Apparel		40%		20%	15%		25%			
Deckers	Low	Majority			Some					67%
VF Corp								52%		

Note: Deckers does not disclose specific sourcing but noted it has moved most of its footwear sorucing from China to Vietnam and is starting to diversify into Indonesia; Skechers stats from 2Q24 EC, Steve Madden from 4Q24 EC;Puma & Wolverine stats from 2023

Source: Company Filings, Bloomberg Intelligence

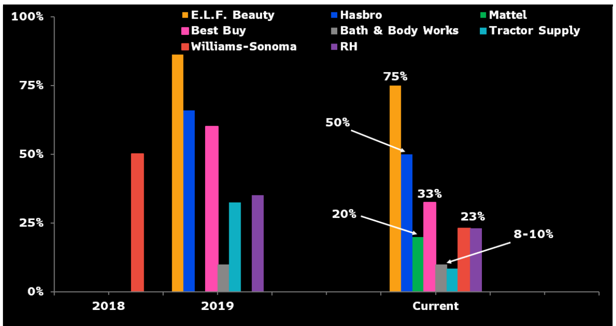
32. E.L.F., Hardlines Face Margin Pressure, Even With Price Hikes

Contributing Analysts Lindsay Dutch (REITs, Consumer Hardlines)

E.L.F. Beauty is the most vulnerable to tariffs on Chinese imports in our coverage, with 75% of its supply chain tied to the country and limited options to quickly diversify or share costs with retailers. Toymakers Hasbro and Mattel, which continue to cut exposure to China, are better-positioned but will also face margin pressure in 2H through 2026. That's even with higher prices and shifts in production or sourcing. Exposure to other countries is mostly lower across our coverage.

Retailers like Best Buy have less direct control than manufacturers over inventory sourced from China or other countries. Still, tariffs and resulting price hikes will be a headwind for profit this year, even as exposure to China has dropped to 30-35% from near 60% at the start of the year. Bath & Body Works' domestic platform faces the least risk. (07/31/25)

Exposure to China (Manufacturing or COGS)



Note: Best Buy is importer of record on only 2-3% of COGS, total exposure within assortment 30-35%. Tractor Supply data is direct imports only; not comparable to Best Buy. Hasbro and Mattel data is for US toy sales only, not global production. Dick's Sporting Goods and Ulta Beauty direct/indirect exposure not disclosed.

Source: Company Filings, Bloomberg Intelligence

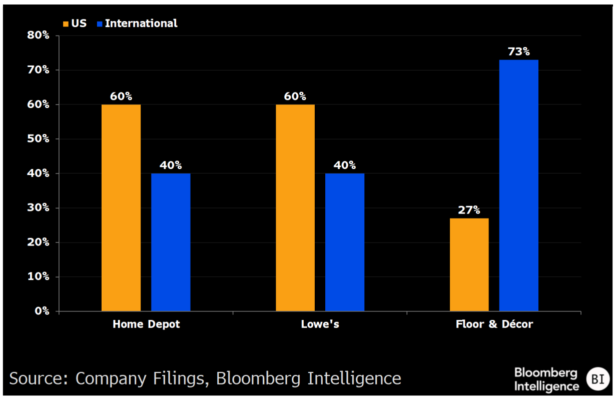
33. Home Depot, Lowe's Well Positioned to Navigate Tariffs

Contributing Analysts Drew Reading (Homebuilders)

Home Depot and Lowe's size and sourcing diversification in the past several years have them positioned to navigate tariff uncertainty. Home Depot sources a majority of its products from the US and no single country will account for more than 10% of purchases in the next year. Lowe's gets 60% of products from the US, with China accounting for roughly 20% of purchasing volume. Both retailers will keep diversifying, while taking a portfolio approach to pricing.

Floor & Decor has also diversified away from China, with 18% of products sold coming from the country vs. 50% in 2018. It plans to reduce this to mid- to low single digits by year-end. Still, 73% of the retailers products are from outside the US, creating greater risk to profit. Management believes it can mitigate most of the effect. (07/31/25)

Where are Products Sourced?



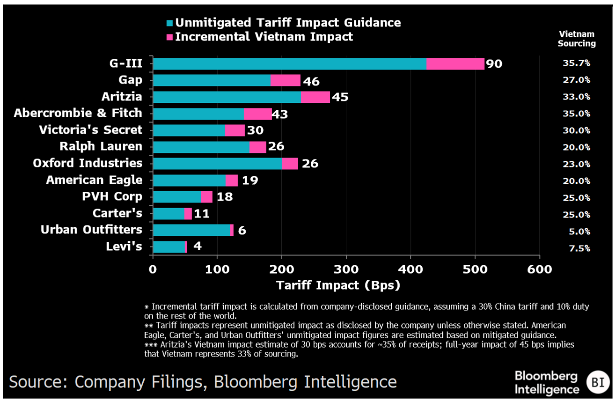
34. What a 20% Vietnam Tariff Means for Margins

Contributing Analysts Mary Ross Gilbert (Retail)

G-III, Gap, Abercrombie & Fitch and Victoria's Secret are most exposed to US tariffs on goods made in Vietnam, with a margin impact of up to 90 bps, based on our calculations, if levies are finalized at 20% from 10%. These retailers source 27-36% of their US receipts from Vietnam, the top such hub for most apparel retailers since a shift away from China when duties were implemented in 2019. Gap indicated it plans to reduce its Vietnam sourcing to no more than 25% by year-end. Aritzia said a 20% tariff would pare margins by 30 bps for the rest of 2025 (about 45 bps annualized, based on our analysis).

DKNY and Karl Lagerfeld parent G-III, which sources 36% from Vietnam, faces an additional hit of 90 bps. Ralph Lauren, sourcing 20% of its US business (43% of total sales) from Vietnam, could see a 26-bp squeeze. (07/31/25)

Tariff Margin Hit Calculator -- Vietnam Up to 20%



Source: Company Filings, Bloomberg Intelligence

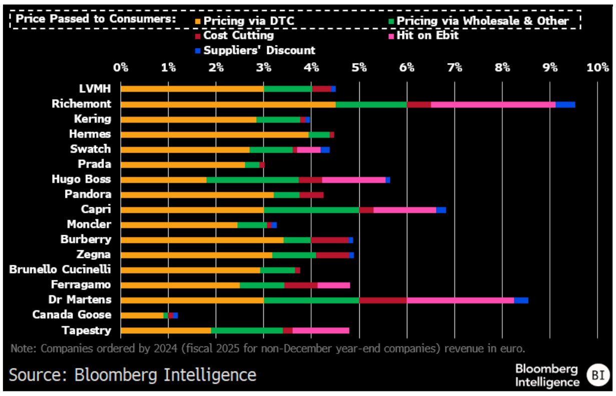
35. Tariffs to Hit Swiss-Made Most in Top-Luxury Ranks

Contributing Analysts Deborah Aitken (Consumer Products) & Andrea Ferdinando Leggieri (Consumer Products)

Robust gross margins of the highest luxury brands Hermes, Prada and Brunello Cucinelli mean they're among the best-placed to pass on US tariffs to consumers via price hikes. Our analysis suggests additional mid-single-digit US price hikes may be sufficient to offset the levies. In contrast, the likes of Burberry, Ferragamo, Hugo Boss, Pandora and Zegna are leaning on cost cuts as a partial offset. A few peers, including Swiss watchmakers Richemont, Rolex and Swatch, face steeper tariffs and may rely on suppliers and wholesalers for support, though only top-end brand ranges look able to pull off double-digit US price hikes.

Ebit of aspirational brands (Capri, Dr. Martens, Hugo Boss and Pandora) exposed to higher made-in-Asia tariffs could be hit on limited pricing scope and may lower inventory until store traffic picks up. (08/07/25)

BI Scenario: Price-Hike Split to Offset US Tariffs



Source: Bloomberg Intelligence

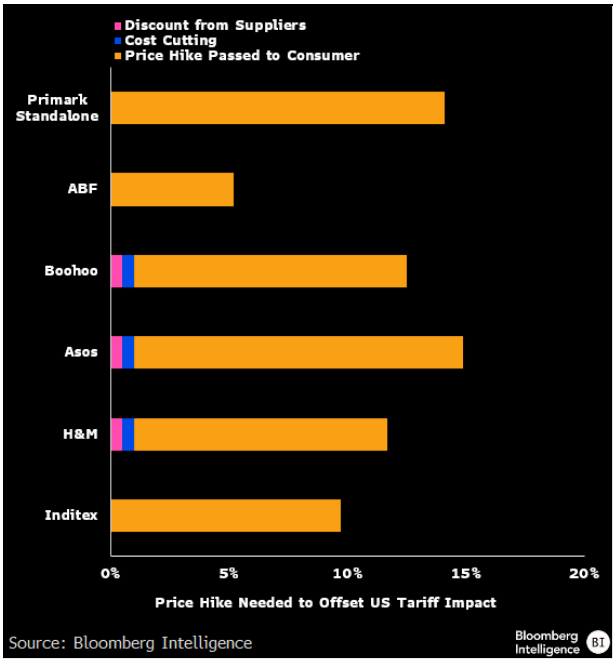
36. Tariffs May Force 10-15% Lift in US Fashion Retail Prices

Contributing Analysts Tatiana Lisitsina (Retail) & Charles Allen (Retail)

Thin margins limit mass-market apparel retailers from offsetting US tariffs, making price hikes of 10-15% likely, based on our analysis of supply-chain exposure. Inditex, with its midrange pricing, supply-chain flexibility and low China exposure, appears best placed to raise prices yet needs it the least vs. value retailers H&M, Primark, Asos and Boohoo, which are constrained by the need to keep prices low. H&M began shifting sourcing in late 2024 to cut its China exposure, yet is holding denim and basics prices to stay competitive. JD Sports is uncertain about brand partners' mitigation plans, but price hikes appear likely.

Asos and Boohoo, fully exposed after closing US warehouses and losing de minimis benefits, face the tightest margins and few options beyond price hikes. (08/07/25)

Price Hike to Offset Tariff Impact on US Revenue



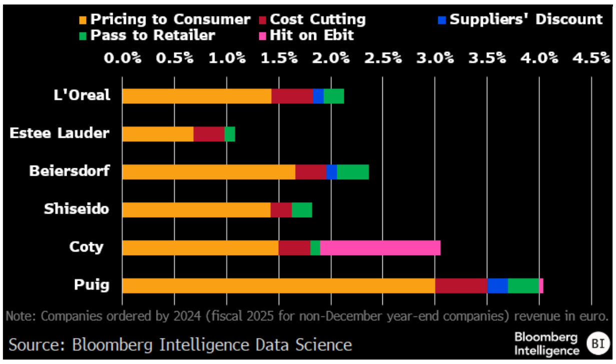
37. L'Oreal, Estee US Output Softens Tariff Hit; Puig Has Headroom

Contributing Analysts Deborah Aitken (Consumer Products) & Andrea Ferdinando Leggieri (Consumer Products)

Beauty companies may need to raise prices globally by a low single-digit percentage, plus an additional 1-4% in the US, to offset tariffs -- helped by production located near demand. Estee Lauder and L'Oreal require smaller increases due to this alignment, 70%-plus gross margins and low-cost-of-goods models. Puig faces a larger mismatch, with a greater mix of high-end fragrances imported from Europe, but has greater pricing power than most categories. Coty could struggle to rely solely on pricing, given weaker US mass-market demand. Cost-cutting could help, but Ebit growth might be pressured.

Premium brands with market-share leadership have bargaining power to pass on some tariff costs to suppliers and retailers, if required. (08/08/25)

BI Scenario: Price Hike Split to Offset US Tariffs



To contact the analyst for this research:

Poonam Goyal at pgoyal4@bloomberg.net