

Lululemon gains on news activist Elliott proposes Ralph Lauren veteran as CEO

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Activist hedge fund Elliott Management has taken a stake of more than \$1 billion in Lululemon Athletica Inc (NASDAQ:LULU) and is urging the Vancouver-based retailer to consider Jane Nielsen, a former finance and operations chief at Ralph Lauren, as its next CEO, the Wall Street Journal reported Thursday.

Elliott, now one of Lululemon's largest shareholders, has been working closely with Nielsen, who helped double Ralph Lauren's shares and improve margins during her tenure as CFO and COO until earlier this year.

Lululemon saw sales triple to \$10.6 billion under CEO Calvin McDonald, but growth in the US market has stalled amid rising competition from brands such as Vuori and Alo Yoga, as well as quality complaints and heavy discounting.

Founder Chip Wilson has called for faster changes to restore the company's competitive edge.

Jefferies analysts said Elliott's involvement could signal a broad push for change. "With the CEO leaving soon, we believe a refreshed board, a thoughtful CEO with real leadership, and a return to Lululemon's roots are critical," they wrote.

Analysts outlined several areas for improvement, including stabilizing U.S. operations, rationalizing store formats, controlling inventory and markdowns, focusing on core product categories, and strengthening digital engagement.

"Street numbers remain too high given current headwinds," Jefferies added, raising their price target to \$200 as a new floor.

Elliott has a history of pushing for operational and leadership changes in companies where it invests, and its stake in Lululemon highlights growing investor pressure on the athletic apparel retailer to address slowing US growth and brand challenges.

Shares of Lululemon were up 5.9% in Thursday morning trading.

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