Lululemon Equity Research


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Outlook

Nielsen May Provide Turnaround Experience Lululemon Lacks: React

(Bloomberg Intelligence) -- RECENT EVENT REACTION: Reports that Jane Nielsen could become Lululemon's next CEO should be viewed positively given her turnaround experience at Ralph Lauren and Coach. With Lululemon facing product missteps and rising competition, a seasoned operator with her financial and operational discipline may be well suited to help restore momentum. Company guidance calls for sales to rise just 4% in 2025, down from 10% in 2024 and more than 15% annual gains in prior years. (12/18/25)

Lululemon Innovation, CEO Key as Traction Slows: Equity Outlook

THESIS: Lululemon's slowing sales momentum amid rising competition, a dearth of innovation, tariff headwinds and elevated discounting is jeopardizing its "Power of Three x2" strategy that aims to double revenue to $12.5 billion by the end of 2026. Strength in international markets, particularly China, and steady gains in men's are key offsets, though the US is likely to remain under pressure. A meaningful turnaround will depend on renewed product innovation and sharper execution under a new CEO, expected in 2026. Supply-chain efficiencies can lend support, yet will likely only partly counter the drag from tariffs and heavier promotions. (12/11/25)

Key Topics Summary

Near Term Strength: Building sales momentum is key to Lululemon reaching 2026 goals, yet revenue could slow to just 2-4% in 2025 on softer consumer spending amid inflation and tariff concerns. Gross margin might drop 300 bps this year, based on guidance, amid tariff headwinds and higher markdowns. The company's membership program and product innovation can help, with newness key to aiding sales.

Regional Growth: Lululemon's sales growth could moderate further in 2025, yet growth needs to accelerate by double digits in 2026 if it wants to double revenue through fiscal 2026 and expand 15% compounded annually from 2021-26. International is at the forefront of the $12.5 billion sales goal and can quadruple as the company expands into new and core markets, led by China and gains in Europe.

DTC Catalysts: 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.

Category Expansion: With its science-of-feel strategy, Lululemon aims to 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.

Financial Review

Earnings

Lululemon Faces Slowing Demand; New CEO Key: Earnings Outlook

Post-3Q Earnings Outlook: Lululemon's sales momentum has weakened since Thanksgiving, as reflected in below-consensus 4Q guidance despite better 3Q results fueled by international performance, especially China. A sustainable turnaround appears elusive in the near term. The planned 2026 CEO transition offers a key catalyst, with expectations for a product-led leader who can reignite innovation. Management's initiatives -- raising new-product penetration toward 35% by spring, enhancing in-store experiences and improving local and strategic product curation -- are sound, though consistent execution is essential to restoring traction.

Tariffs will remain a headwind, with guidance for a 410-bp hit to gross margin in 4Q, and continue to weigh into 2026. CEO Calvin McDonald is stepping down in January. (12/11/25)

Highlights From Recent Results:

- Sales Climbed 7%, Led by International's 33% Gain (With Mainland China Up 46%, Rest of World 19%); US and Canada Sales Down 3% and 1%; Stores Flat, Digital Up 13%
- Gross Margin Fell 290 Bps on Higher Tariffs, Markdowns and Credit Card Affiliate Programs, Partially Offset by Price Increases, Lower Product Costs
- SG&A Rate Rose 50 Bps on Operating-Channel Costs, Depreciation Deleveraging
- EPS of $2.59 Topped Consensus; Sees 4Q Sales Down 1-3%, 2025 Up 4% (5-6% Excluding 53rd Week in 2024)

Additional Resources:

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

Long-Term Drivers

Lululemon Faces Uphill Path on 2026 Sales Goal; Sales Pickup Key

Lululemon is unlikely to meet its its sales gains to meet its goal of doubling revenue in 2021-26, which required 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 on tariffs and weaker consumer spending. Sales are expected to rise by just 4% in 2025, based on consensus, and could turn negative in 4Q despite product expansion and continued strength in digital and international. Greater adoption of its loyalty program and newness in women's are aimed at helping regain momentum. Gross margin should fall 270 bps from tariffs and higher markdowns. Operating margin could drop 390 bps in 2025, based on guidance. (12/18/25)

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	4,869	5,051	5,254
Y/Y Change	16.5%	6.0%	6.5%	3.7%	4.0%
Consensus			4,830	5,051	5,254
Franchise/Wholesale	897	1,010	1,098	1,090	1,198
Y/Y Change	17.7%	12.5%	8.8%	-0.8%	9.9%
Consensus			1,083	1,090	1,198
Key Financial Metrics					
Total Revenue	9,619	10,588	11,065	11,567	12,318
Consensus			11,026	11,504	12,135
Non-GAAP Gross Margin (%)	58.3%	59.2%	56.8%	55.1%	55.7%
Consensus			56.5%	55.1%	55.7%
Operating Margin (%)	22.2%	23.7%	19.9%	17.8%	18.3%
Consensus			19.9%	17.9%	18.0%
EPS - Non-GAAP	12.20	14.64	13.06	12.44	13.99
Consensus			13.00	12.63	13.87
Total Square Feet - End	2,557	2,938	3,880	4,195	4,521
Consensus			3,716	3,998	4,322

Source: MODL <GO>, Bloomberg Intelligence

Valuation

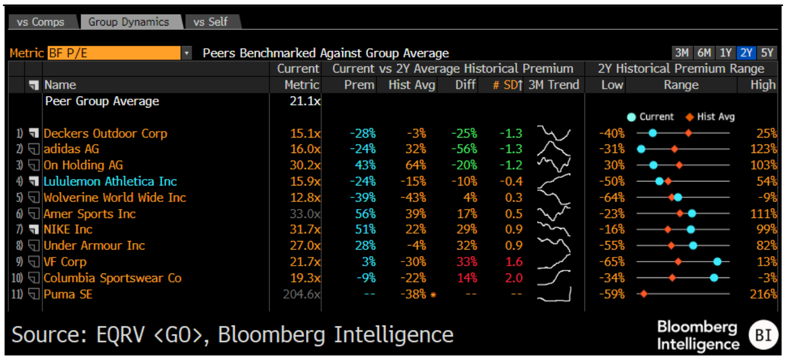
Valuation Has Fallen

Lululemon Multiple Trails Historical Performance on Soft View

Lululemon's 15.9x forward P/E multiple on Dec. 12 trailed its historical performance, marking a 24% discount to the group's mean vs. a two-year average discount of 15%, Bloomberg's EQRV function shows. This may be due to a weaker 2025 outlook amid tariff headwinds, where an acceleration in 2026 is key to meeting its "Power of Three" goal. Still, its success in women's and men's apparel and expanded international market share will remain strong. New products for women will be key to gains. Higher markdowns may help clear elevated inventory. Lululemon aims to double its men's and digital sales and quadruple international sales by 2026 from 2021.

Lululemon shares were down 46.4% this year through Dec. 12, but have risen recently after better-than-expected 3Q results and a new CEO search. Guidance for the year remains soft. (12/16/25)

Relative Valuation



	Name	Current Metric	Current vs 2Y Average Historical Premium: Prem	Hist Avg	Diff	# SD↑	3M Trend	2Y Historical Premium Range: Low	Range	High
	Peer Group Average	21.1x								
1)	Deckers Outdoor Corp	15.1x	-28%	-3%	-25%	-1.3		-40%		25%
2)	adidas AG	16.0x	-24%	32%	-56%	-1.3		-31%		123%
3)	On Holding AG	30.2x	43%	64%	-20%	-1.2		30%		103%
4)	Lululemon Athletica Inc	15.9x	-24%	-15%	-10%	-0.4		-50%		54%
5)	Wolverine World Wide Inc	12.8x	-39%	-43%	4%	0.3		-64%		-9%
6)	Amer Sports Inc	33.0x	56%	39%	17%	0.5		-23%		111%
7)	NIKE Inc	31.7x	51%	22%	29%	0.9		-16%		99%
8)	Under Armour Inc	27.0x	28%	-4%	32%	0.9		-55%		82%
9)	VF Corp	21.7x	3%	-30%	33%	1.6		-65%		13%
10)	Columbia Sportswear Co	19.3x	-9%	-22%	14%	2.0		-34%		-3%
11)	Puma SE	204.6x	--	-38% *	--	--		-59%		216%

Source: EQRV <GO>, Bloomberg Intelligence

Key Topics

Near Term Strength

Lululemon Sales Growth Might Slow in 2025, Gross Margin May Drop

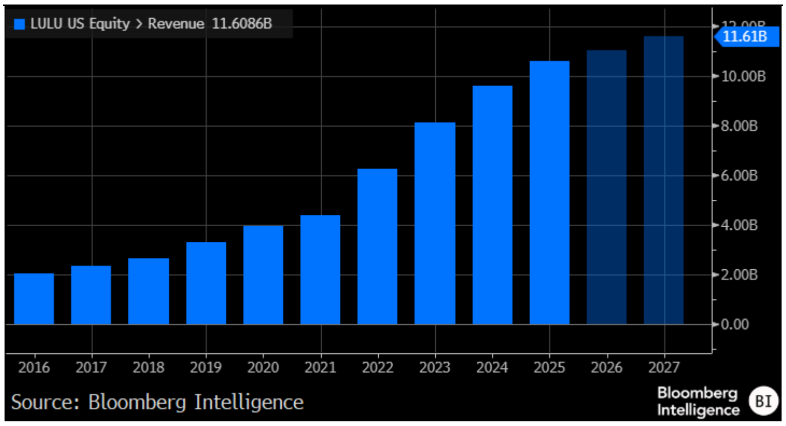
Building sales momentum is key to Lululemon reaching 2026 goals, yet revenue could slow to just 2-4% in 2025 on softer consumer spending amid inflation and tariff concerns. Gross margin might drop 300 bps this year, based on guidance, amid tariff headwinds and higher markdowns. The company's membership program and product innovation can help, with newness key to aiding sales. (09/18/25)

$12.5 Billion Sales Goal Likely at Risk

Even with a recent top-line pullback amid tariff and consumer-spending concerns, Lululemon is ahead of its five-year plan targets, yet sales must reaccelerate to the midteens in 2026 to reach $12.5 billion. That's with sales projected to slow to a 2-4% gain in 2025 (4-6% excluding 2024's 53rd week). Consensus expects $11.5 billion in 2026. Revenue rose 10% in 2024, trailing the 15% compound annual rate for 2021-26, though sales were ahead in 2022-23. New products that resonate with consumers are core, with new styles targeted at 35% of its mix for spring, up from 23%. That, alongside 40-45 store openings in 2025, momentum in China and new franchises (Glow Up, DayDrift, BeCalm) will help.

Lululemon has gained more than 30 million essential members since launching the program in 2022. (09/18/25)

Consensus No Longer Sees Sales Reaching Target



Source: Bloomberg Intelligence

China Sales Can Keep Growing by Double Digits

Lululemon might keep seeing outsized gains in China as it reaps the benefits of increased activewear adoption and an expanding middle class. This is 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 China, where sales showed strength in 2Q, up 25%, and could climb 20-25% in 2025. Lululemon has a 5.1% apparel-market share in the country (1.1% in 2019). In 2Q, 16% of its sales came from mainland China. Economic volatility and tariff headwinds are concerns.

Robust growth in the region can aid Lululemon's margin, since China typically has the highest profitability, with a 2Q 64% gross margin vs. 62% in the Americas and 54% for the rest of the world. (09/18/25)

Mainland China Market-Share Breakdown

Sports Apparel Share %			Sports Footwear Share %		
	2019	2024		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

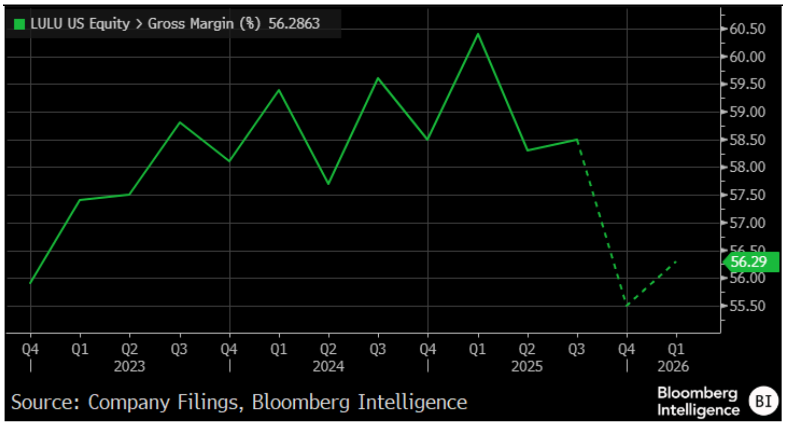
Bloomberg Intelligence BI

Gross Margin Can Contract in 2025

Lululemon's gross margin could drop 300 bps in 2025, with 220 bps ($240 million) due to tariffs amid the removal of the de minimis exemption, along with higher markdowns. The company was leveraging the exemption to ship e-commerce orders from its Canada distribution centers into the US. Its removal is a 170-bp headwind, based on guidance. Maintaining healthier inventory is key, given stockpiles rose 21% in 2Q, with units up 13%, which should extend through 2H before moderating in 1Q26.

Gross margin fell 110 bps in 2Q on 70 bps of narrower product margin amid higher markdowns and tariffs. This was partially offset by price increases and lower product and ocean-freight costs. Mitigation efforts (price hikes, sourcing efficiencies) might begin to help in 2H and into 2026. (09/18/25)

Gross Margin (%)



Regional Growth

Lululemon's International Push Key to Reaching 2026 Sales Goal

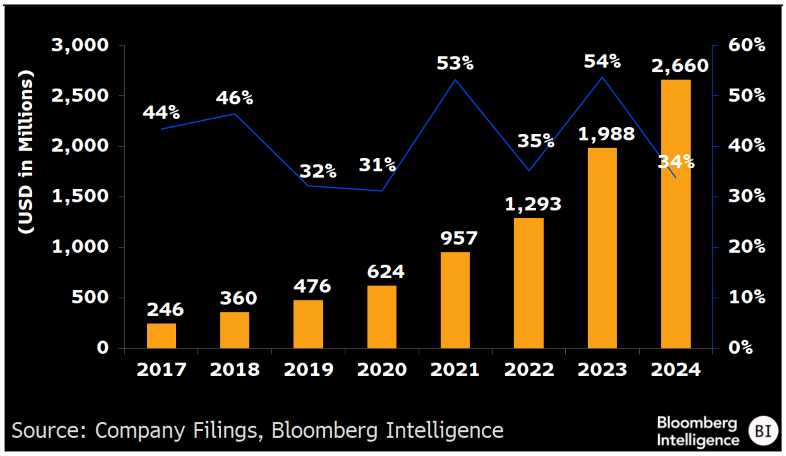
Lululemon's sales growth could moderate further in 2025, yet growth needs to accelerate by double digits in 2026 if it wants to double revenue through fiscal 2026 and expand 15% compounded annually from 2021-26. International is at the forefront of the $12.5 billion sales goal and can quadruple as the company expands into new and core markets, led by China and gains in Europe. (09/17/25)

Ample Room for Share Gains Abroad

At about a quarter of sales, Lululemon has ample room to quadruple its international revenue (excluding North America), 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 2.3% of the $406 billion sportswear market, based on Euromonitor data. Lululemon has a retail presence in more than 25 countries, having 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 2Q, sales outside of North America and China were up 19% (15% of its total), while revenue in China increased 25% (16%). (09/17/25)

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

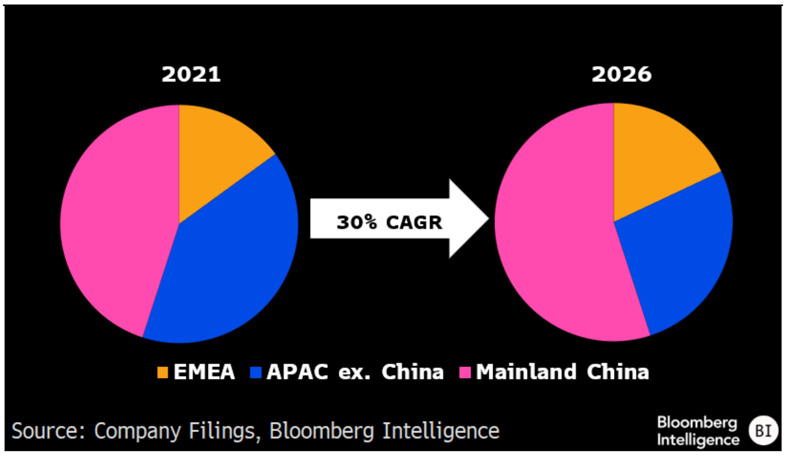


Digital, Store Growth to Spur Asia Expansion

China is at the forefront of Lululemon's almost $4 billion international sales opportunity, with gains likely driven by greater digital investments, curated local marketing content and region-specific assortments. Its focus there propelled brand awareness into the mid-to-high teens in 2024 from 7% in April 2022. It leverages partnerships with Tmall and JD.com, while social commerce from WeChat Mini programs and a country-specific online site help vary its online presence. Many of its almost 30 international openings in 2025 will be in China; annual sales there could grow 20-25%.

Store expansion in tier 1 cities should fuel growth in the region, given they'd be 40% of its network by 2026. Extension into tier 2 cities can help the company reach 220 stores in China by 2026 vs. 117 in 2022. In 2Q, China Mainland sales rose 25%. (09/17/25)

International Sales Breakdown by Region



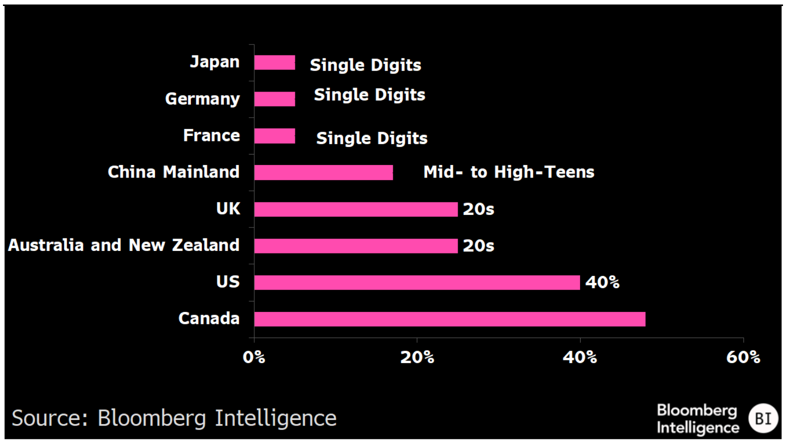
Doubling Down on Core Markets Abroad

Lululemon's core markets abroad -- Australia, South Korea, the UK and Germany -- are 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 can help drive growth in Europe this year. A partnership with Zalando in Europe and plans to open stores in India in 2H26 through a franchise partner could spur more spur awareness. (09/17/25)

Unaided Awareness by Region



North America Sales Growth Can Slow

North America is Lululemon's most mature region, and tariffs and weaker consumer spending are crimping gains. With sales below the company's low-double-digit compound annual growth-rate target, its $8.5 billion US sales goal will take time. Lululemon commands the second-biggest sports-apparel market share in North America, trailing Nike by 0.7 percentage points. Yet its unaided awareness in the US is at 40% vs. peers' 85-90%, making marketing key to raising brand recognition. In 2025, sales in North America might be flat to down 1%, with the US 1-2% lower and Canada unchanged, based on guidance.

In 2024, North American sales rose 3.9%. Lululemon acquired retail stores from a third party in Mexico last year and is opening more stores there. The country was just 1% of North American sales in 2Q. (09/17/25)

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

DTC Catalysts

Lululemon's Omnichannels May Drive Customer Loyalty, Acquisition

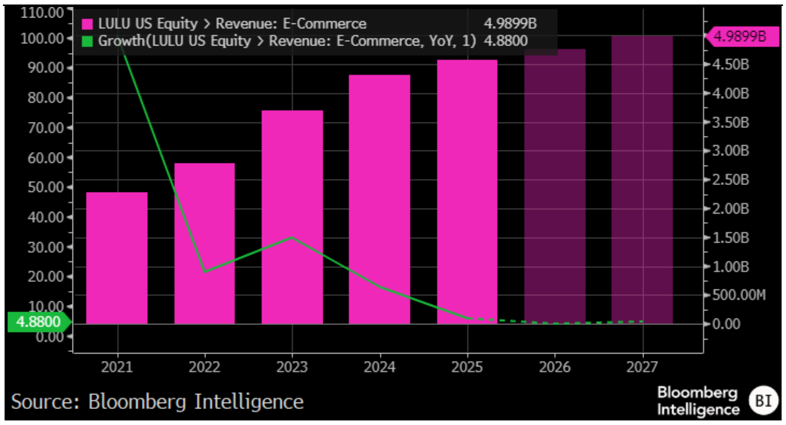
Lululemon could maintain its store productivity this year while expanding its omnichannel offerings, store footprint and membership programs. Foundational investments across its digital platform to boost traffic, average order value and conversion are core to reaching its goal of doubling digital sales by 2026, with an emphasis on improving inventory accuracy and enhanced storytelling. (09/16/25)

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 elevate its product-detail page. 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. Hiring a chief AI and technology officer may help spur its tech enhancements and speed to market.

As Lululemon scales its omni programs and moves its RFID program to the cloud, it can bolster its shopper experience. In 2024, digital sales rose 6%. (09/16/25)

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

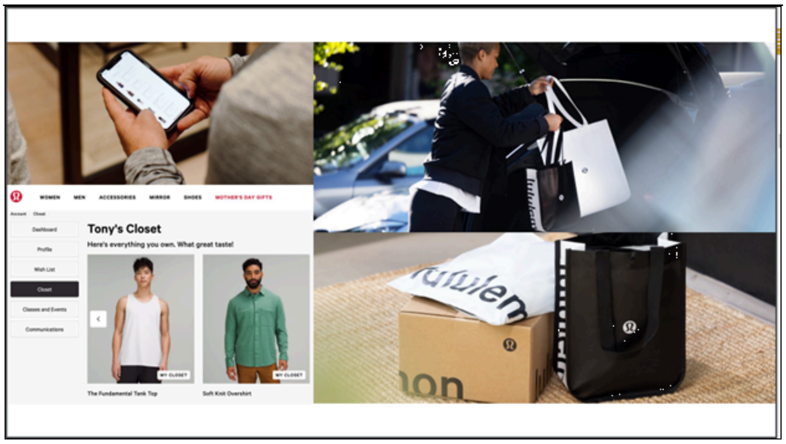


Omnichannel Offerings Drive More Customer Spending

Enhanced focus on omnichannel offerings, along with Lululemon's effort to be an experiential retailer, can increase buying frequency and amount spent and may drive store sales gains. 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, Lululemon stores sales rose 14%.

As Lululemon expands its experiential store footprint, it can 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, along with a franchise partner in India to open a store in 2H26, are added opportunities. (09/16/25)

Digital Personalization Offerings



Source: Bloomberg Intelligence

Stores Are Key for Acquiring New Customers

Lululemon's stores are central to customer acquisition, product education and market entry. Its portfolio ranges from large-format and experiential sites to seasonal and pop-up locations, allowing the retailer to tailor formats to each community. 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 35 optimizations this year, with square footage low-double digits. (09/16/25)

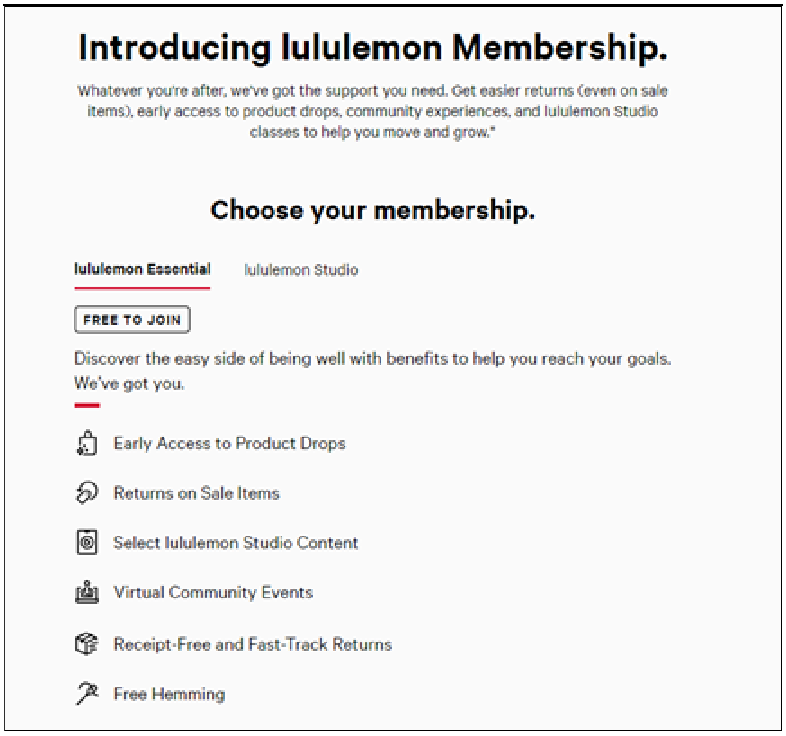
Lululemon Store Count

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 30 million members as of 2Q, and last year members got 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, with over 15,000 sign ups.

Retailers 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 insight. (09/16/25)

Lululemon Essential Membership

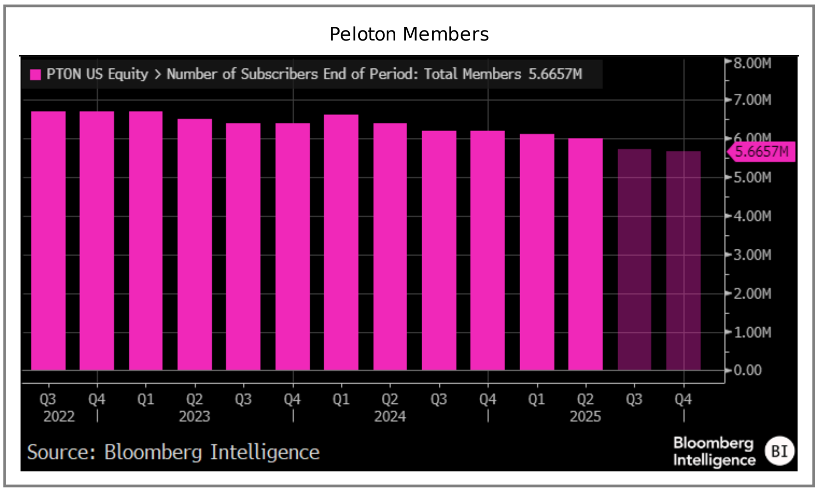


Source: Bloomberg Intelligence

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, building popularity through Peloton's roster of fitness instructors -- some now Lululemon ambassadors. Co-branded product is sold at Peloton showrooms and online, keeping Lululemon top of mind for Peloton's 3.4 million paying subscribers (6 million total). Lululemon Studio members get access to Peloton classes via the studio app as it stopped selling the Mirror. Last year it hosted a members-only weekend at Peloton with live classes.

Lululemon opened a Glow Up studio in New York City for two weeks with its Glow Up franchise launch in February to March where consumers could take workout classes. (09/16/25)



Category Expansion

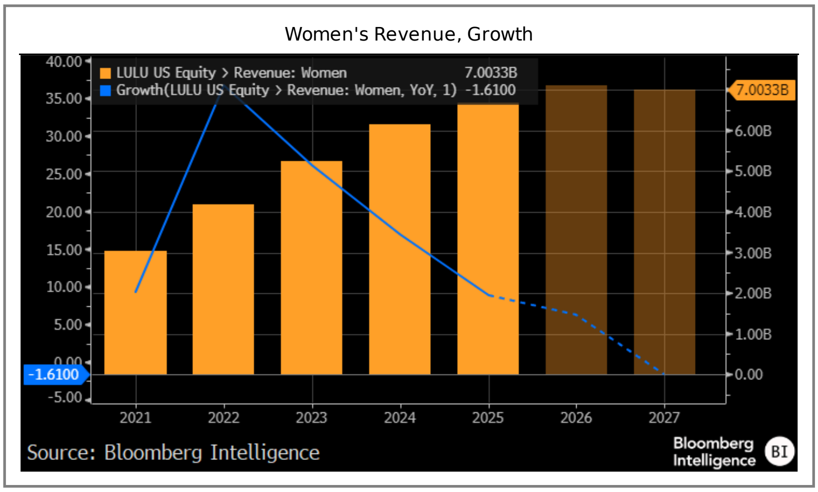
Lululemon Works Toward Targets, Aided by Product Innovation

With its science-of-feel strategy, Lululemon aims to 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. (09/15/25)

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 5% in 2Q. The new Glow Up franchise can help expand in the training category, while Daydrift and Be Calm can capture lifestyle customers and have been performing well, though other lifestyle franchises have been slowing.

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. (09/15/25)

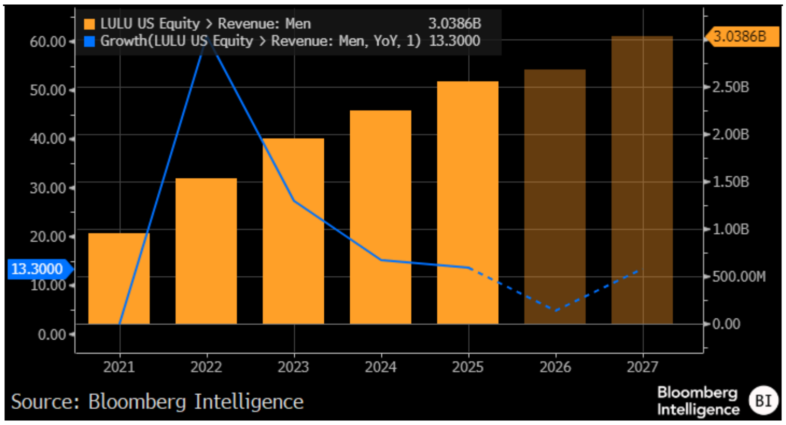


Taking Men’s Franchise to Another Level

After sales in its men's business doubled to $1.5 billion in 2021, ahead of a 2023 target, Lululemon is aiming for the category to 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 6% in 2Q.

Lululemon extended its Fast and Free franchise to men's, attracting shoppers who prioritize performance, competing directly with peers’ running offerings. (09/15/25)

Men's Revenue, Growth

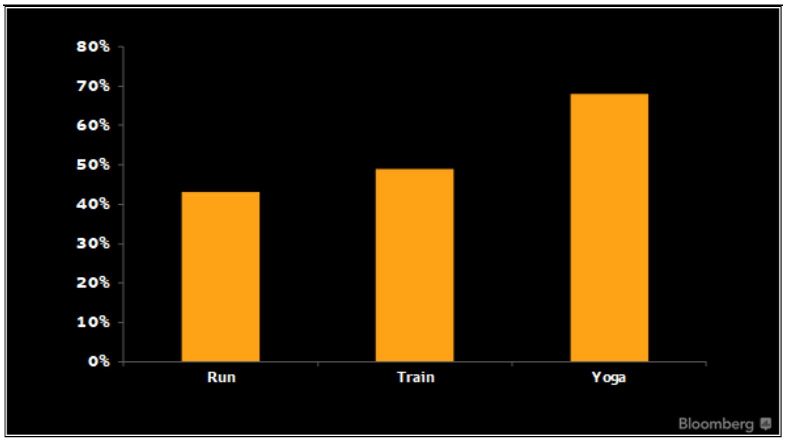


Training, Running Offer Biggest Opportunities

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 Lululemon could take more share as it builds offerings. 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. Performance product may remain 60% of its mix, with its lounge and social offerings making up 40%.

Expanding its successful License to Train men's line into women's, and its new Fast-and Free running shorts for men, can help boost sales. (09/15/25)

Core Performance Brand Awareness



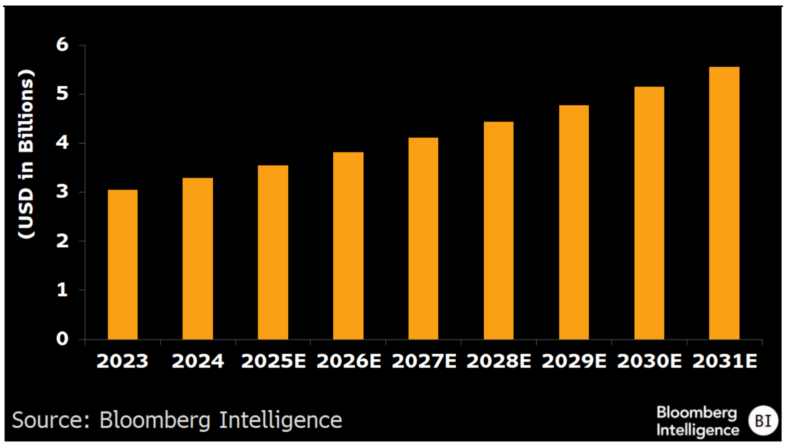
Source: Bloomberg Intelligence

Sport Categories Offer Playbook to Add Customers

Lululemon can acquire new customers and increase spending and volume 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 may 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 gains. Adding Frances Tiafoe, Max Homa and Lewis Hamilton as brand ambassadors can help.

The golf apparel market can grow 7.8% compounded annually in 2024-31 to $5.6 billion, 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 2025-33, according to Business Research Insights, reaching $3 billion. (09/15/25)

Global Golf Apparel Market Forecast



Footwear Could Spur Market-Share Gains

The foray into performance footwear, which Lululemon started with women's, could win share among females 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 top $98 billion in sales by 2029, based on data from Euromonitor.

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. (09/15/25)

Global Performance Footwear Sales Forecast

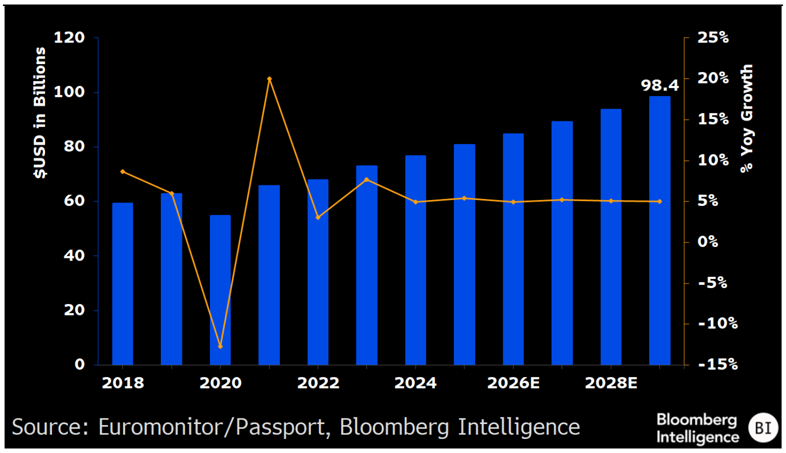


Chart Book

Company

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

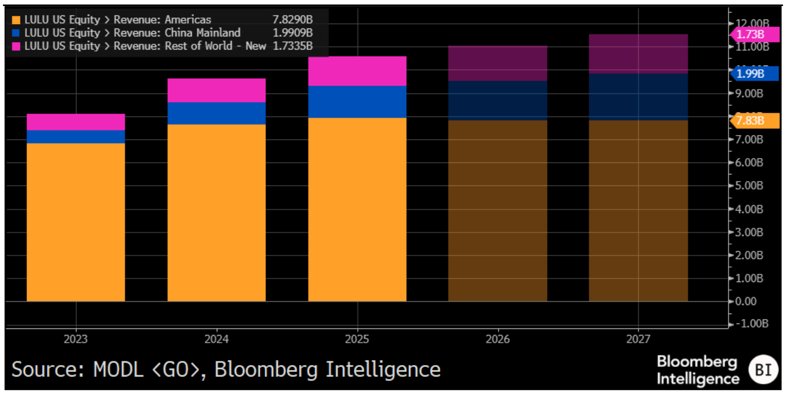
Lululemon's recent strength -- lifting 4Q guidance after a better holiday season -- has it on track to double revenue to $12.5 billion in 2026. The Americas will remain the company's biggest segment, though sales in China Mainland and Rest of World could keep expanding by double digits. New-product innovation 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)

Americas Region Accounts for Most of Revenue

(01/21/25)

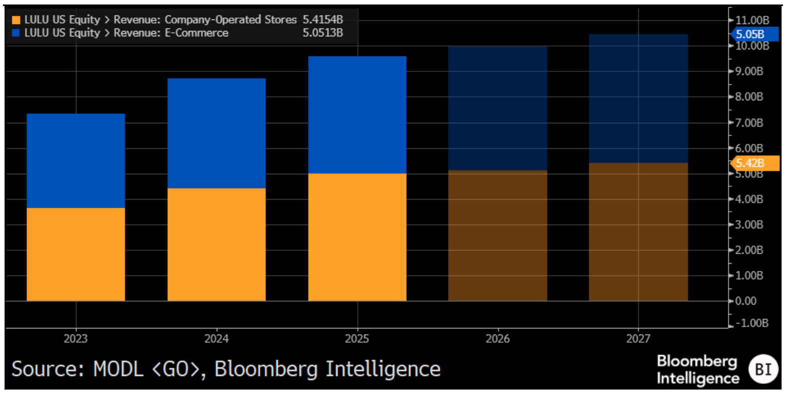
Segment Revenue Breakdown ($ Million)



Store Sales Outpacing E-Commerce

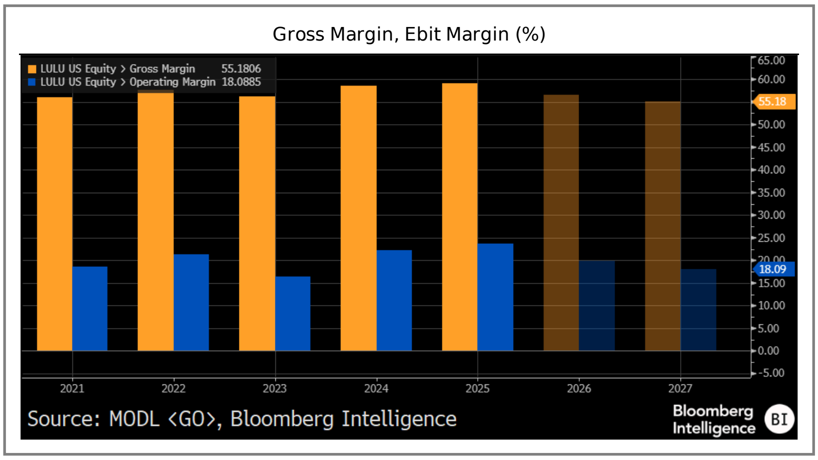
(01/21/25)

Segment Revenue Breakdown ($ Million)



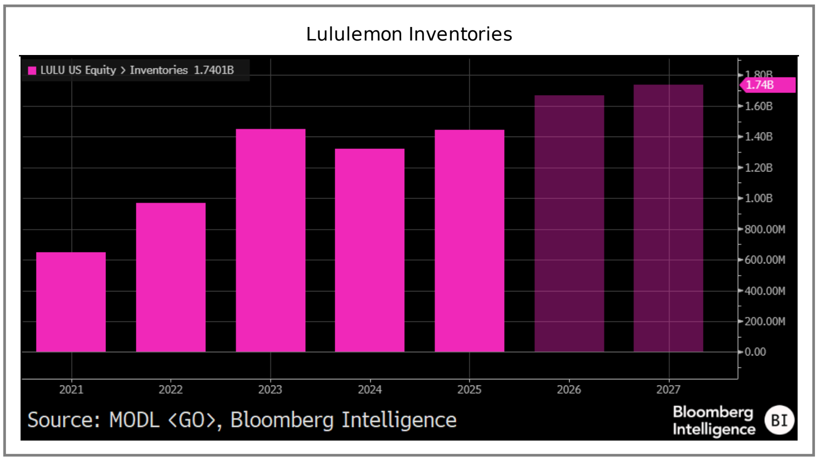
Margin Expansion Underway Amid Lower Costs

(01/21/25)



Inventories Could Climb as Lululemon Chases Newness

(01/21/25)



Peers

Lululemon Progresses Toward Doubling Sales in 2026, Leads Peers

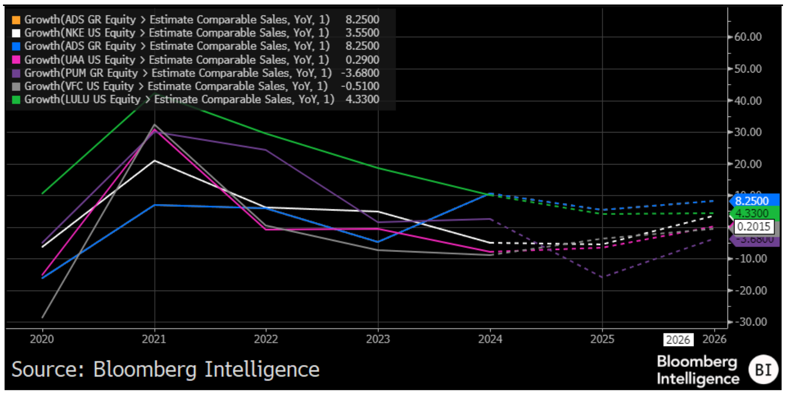
Lululemon's sales gain may continue to outpace rivals as it stays on track to reach its goal to double sales to $12.5 billion in 2026, even as growth moderated in most of 2024. Doubling of its men's and digital revenue and quadrupling international sales are drivers. Its direct-to-consumer (DTC) model 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)

Sales Gains Outpace Peers En Route to Double Sales

(01/24/25)

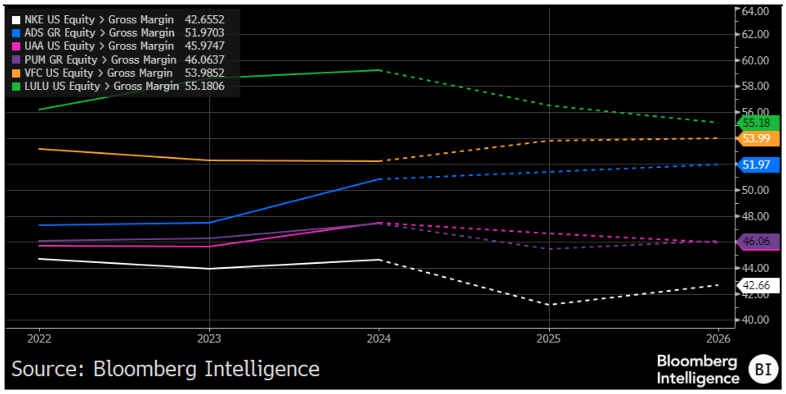
Athleisure Sales Growth



Gross Margin Leads Peer Average Given DTC Focus

(01/24/25)

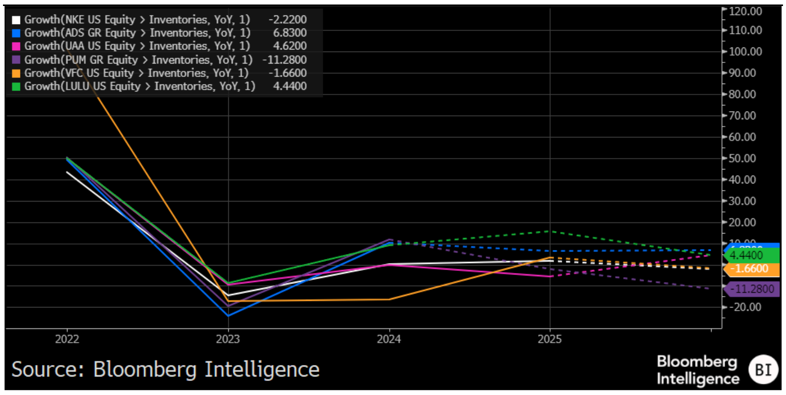
Athleisure Peers Gross Margin (%)



Fresh Merchandise Driving Inventory Gains Ahead of Peers

(01/24/25)

Athleisure Peers Inventory Growth (%)



Industry Themes

The Tariff Threat

Tariff Tensions Persist for Retailers, Even as Pressure Eases

China's reduction of reciprocal tariffs to 20% from the initial 145% suggests that 2026 margin drag for retailers will persist but should be more manageable through pricing and mitigation efforts. Ending the de minimis exemption hits Temu, Shein and AliExpress hardest. Luxury brands' healthy margins and Amazon.com's diversified mix, including AWS, help absorb levies. (11/19/25)

Three Keys for Tariff Effects on Retail

(11/19/25)

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

China’s Lower Tariffs Ease Strain, Don't End It

China's 20% reciprocal tariff -- comparable with many trading partners -- offers modest relief to retailers after prior rates of up to 145%. The lower rate narrows cost disparities, but levies still pressure margins and supply chains. India's 50% duty is a growing concern for companies with greater sourcing exposure. Vertically integrated retailers are most vulnerable due to limited cost sharing, while large brands and online platforms may better absorb added costs given their size, efficiency and diversified sourcing.

Tariffs can still fluctuate, leaving retailers cautious with guidance amid persistent uncertainty. Some may still have to selectively raise prices to offset higher import costs. (11/13/25)

% 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

Bloomberg Intelligence BI

Athleisure Brands Can Outrun Higher Tariffs

Contributing Analysts **Abigail Gilmartin** (Retail)

Footwear and athleisure companies' bigger production exposure to South Asia, particularly Vietnam, puts their margins slightly at risk from reciprocal tariffs. Yet added costs can be partly offset through supplier negotiations and modest price hikes. Nike sources about 50% of its footwear from Vietnam, while On relies on the country for more than 90%. Steve Madden and HeyDude, which get over half of their supply from China, also face potential pressure, but might quickly adjust supply chains.

Ending the de minimis exemption for China could level the playing field by targeting low-cost sellers like Temu and Shein, which may have to raise prices. Bulk shipping via PDD and Alibaba can offset some effects. Retailers like Lululemon could be negatively affected, given its distribution centers in Canada. (11/13/25)

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

Bloomberg Intelligence BI

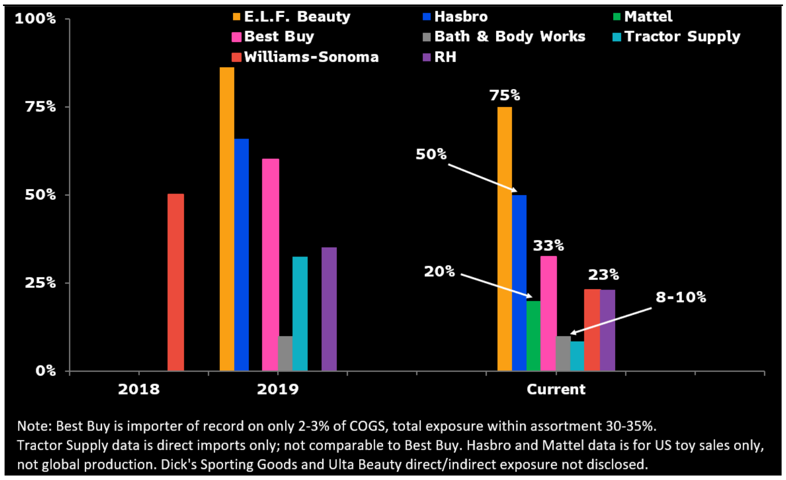
E.L.F., Hardlines Face Margin Pressure, Even With Price Hikes

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. Toymakers Hasbro and Mattel, which continue to cut exposure to China, are better positioned but will still face margin pressure into 2026 -- even with higher prices and production shifts. Exposure to other countries is mostly lower across the group.

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 pose headwinds for profit through at least 1H, even as indirect exposure to China has dropped to 30-35%. Bath & Body Works' domestic platform faces the least risk. (12/09/25)

Exposure to China (Manufacturing or COGS)



Source: Company Filings, Bloomberg Intelligence

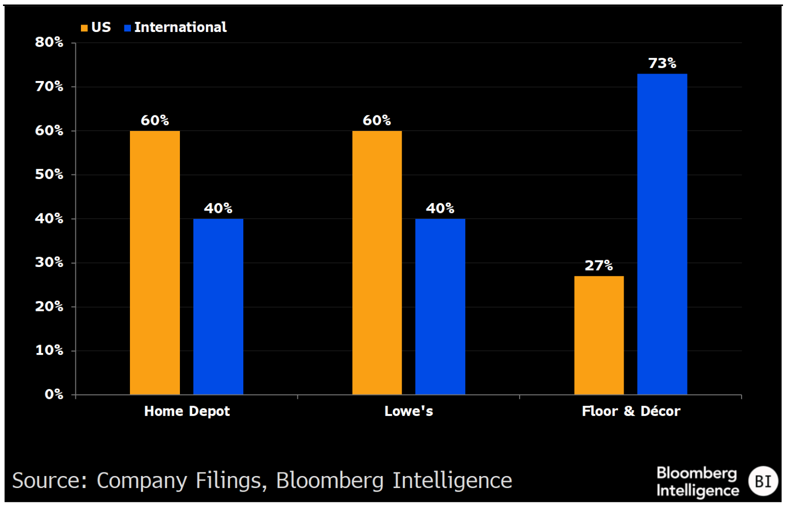
Home Depot, Lowe's Well Positioned to Navigate Tariffs

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. (11/12/25)

Where are Products Sourced?



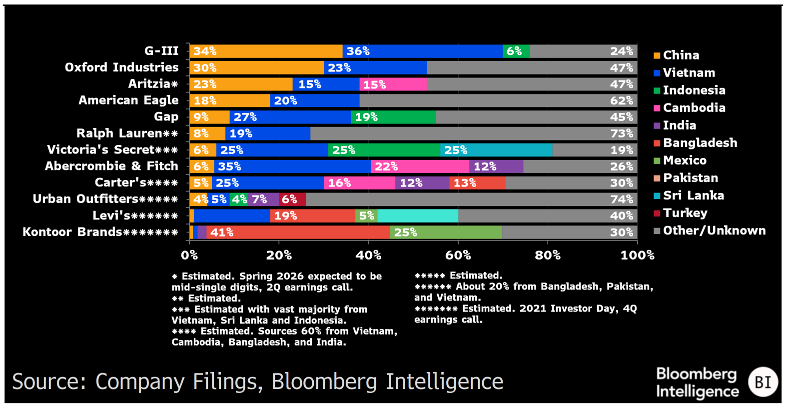
Tariffs Hit Retail Apparel Margin in 2H, 2026

Contributing Analysts Mary Ross Gilbert (Retail)

Most apparel brands, including Gap, Abercrombie, Victoria's Secret, American Eagle and Ralph Lauren, are shifting production away from China, where tariffs dropped to 20% from 30% effective Nov. 10, toward lower-cost regions such as Vietnam (20%), Cambodia (19%), Indonesia (19%) and Bangladesh (20%). These moves will influence margins through the rest of 2H and into 1H26, even after mitigation. Ralph Lauren stands out, as stronger sales and higher average prices more than offset tariff pressure.

A 50% levy on India-made goods could pressure apparel margins. Abercrombie may be most exposed, with India, Vietnam and Cambodia making up 69% of sourcing, potentially cutting margins by over 200 bps this year. Gap, which sources 46% from Vietnam and Indonesia, expects a $150-$175 million hit (100-110 bps) after mitigation. (11/12/25)

Apparel Brands, Retailers Sourcing From Asia



Tariffs Mostly Passed On, Hit Swiss-Made Most in Top-Luxury Rank

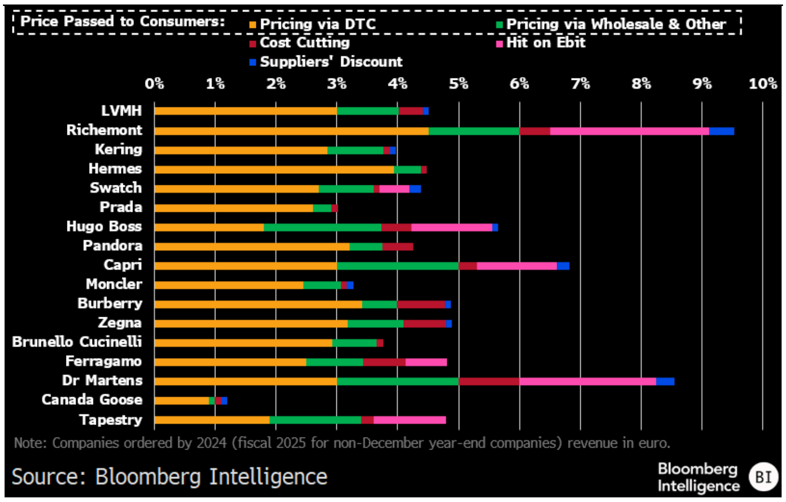
Contributing Analysts Deborah Aitken (Consumer Products) & Andrea Ferdinando Leggieri (Consumer Products)

High gross margins among heritage luxury made-in-Europe brands Hermes, Prada and Brunello Cucinelli make them well placed to absorb US tariffs, with their low cost-of-goods structure limiting the price hikes needed for high-spending consumers. Our scenario suggests mid-single-digit US price hikes are sufficient to offset the levies. By contrast, the likes of Burberry, Ferragamo, Hugo Boss, Pandora and

Zegna are leaning on more cost cuts as a partial offset. Swiss-based watchmakers Richemont, Rolex and Swatch face steep tariffs for now, and with escalating precious-metal costs will need to share greater pricing exposure, pressuring margins.

Ebit at aspirational brands Capri, Dr. Martens, Hugo Boss and Pandora -- more exposed to higher made-in-Asia tariffs -- is also likely to be hit, given limited pricing flexibility. (11/13/25)

BI Scenario: Price-Hike Split to Offset US Tariffs

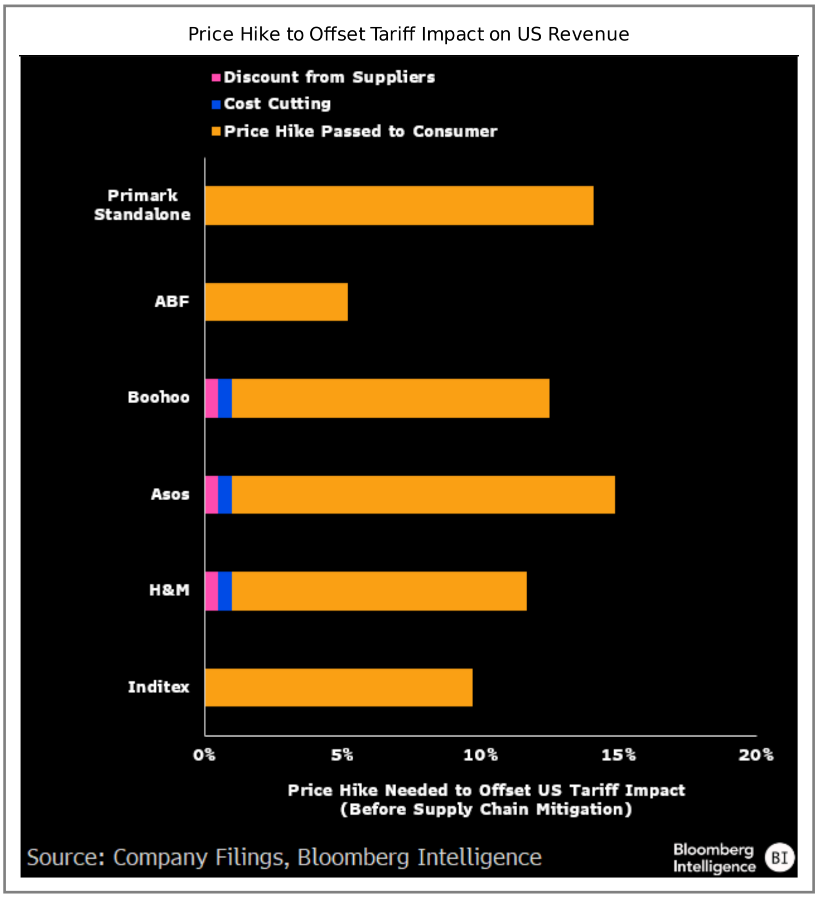


Retailers' Cautious Price Hikes Fall Short of 10-15% Needed

Contributing Analysts Tatiana Lisitsina (Retail)

European retailers have only recently begun to raise prices in response to US tariffs, and margin recovery will likely be partial. Many will prioritize volume stability over full tariff recovery. Our analysis suggests price increases of roughly 10-15% would be required to offset the earnings drag from current tariffs before any supply-chain shifts. Primark began lifting US prices in September, aiming merely for cash-cost recovery, while H&M is adjusting more cautiously to preserve competitiveness, expecting taxes to weigh on 4Q and 2026. Boohoo's earlier price increases have already led to weaker US demand, reinforcing elasticity concerns. Inditex reiterated stable gross-margin guidance on the back of proximity sourcing.

Management tone remains cautious, signaling the tariff hit is building and not yet peaked. (10/22/25)

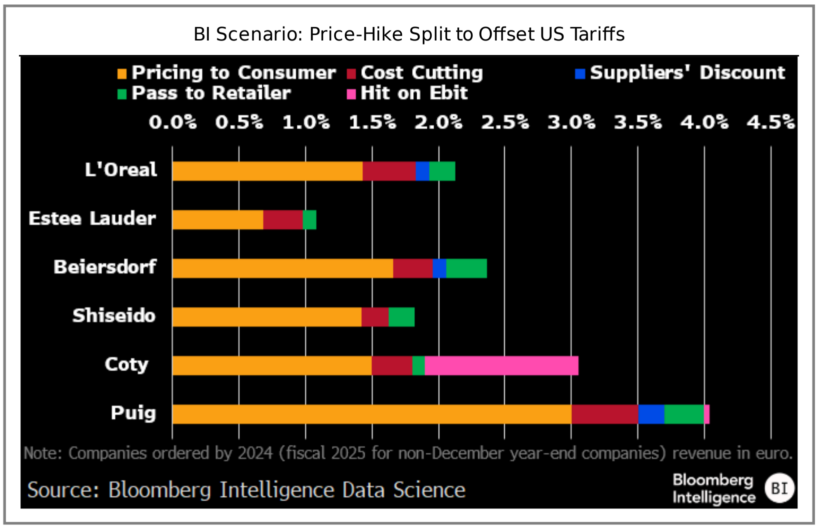


L'Oreal, Estee Local-Made Softens Tariff Hit, Puig Pricing Helps

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

Beauty companies have raised prices globally to offset tariffs by a low single-digit percentage --- plus 1-3% in the US -- without denting volume, helped by localized production and the solid launch pipelines of new innovations (led by fragrance and derma skincare). Estee Lauder and L'Oreal's 70%-plus gross margins, fed by low cost-of-goods models, explains their smaller hikes. Puig faces a larger mismatch, given its greater mix of high-end fragrances imported from Europe, but has stronger pricing power vs. most other categories. Coty has struggled to rely solely on pricing, due to weaker US mass-market demand and its launch-pipeline gaps. Cost-cutting could help, but Ebit stays pressured.

Premium brands with market-share leadership have bargaining power to pass on some tariff costs to suppliers and retailers, if required. (11/13/25)



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