Needhan

September 25, 2025
RATING CHANGE

Apparel and Footwear

Lululemon Athletica, Inc. (LULU)

TOM NIKIC, CFA
(212) 705-0440
tnikic@needhamco.com

MATTHEW QUIGLEY
mquigley@needhamco.com

RATING	PRICE TARGET	PRICE	52-WEEK RANGE
HOLD *from Buy*	**NA** *from $192.00*	**$179.22**	**$159.25 - $423.32**

Downgrade to Hold; Life Gave Us Lululemons, But We Didn't Make LuluLemonade

KEY DATA

Market Cap (MM)	$22,169.5
Price (09/24/2025)	$179.22
52-Week Range	$159.25 - $423.32
Shares Outstanding	123.70
Avg. Daily Volume	6,586,299.5

ESTIMATES

FY (Jan)	2024A	2025E	2026E
Rev. (MM)($)			
Q1	2,208.9A	2,370.7A	-
Q2	2,371.1A	2,525.2A	-
Q3	2,396.7A	2,486.5E	-
Q4	3,611.5A	3,541.1E	-
Year	10,588.1A	10,923.5E	11,407.4E
Growth Rev	10.1%	3.2%	4.4%
FY (Jan)	**2024A**	**2025E**	**2026E**
EPS			
Q1	2.54A	2.60A	-
Q2	3.15A	3.10A	-
Q3	2.87A	2.22E	-
Q4	6.14A	4.98E	-
Year	14.64A	12.87E	12.20E
Growth	14.6%	NM	NM
P/E	12.2x	13.9x	14.7x

OUR CALL

It's been a disappointing 18 months for LULU, and while we were optimistic that new product initiatives would revive the U.S. business in 2025, it appears that the competitive environment is simply too challenging at the moment. Furthermore, we think Street numbers are too high for FY26 (we're modeling a -MSD EPS decline vs. the Street at flat), so we see more downside risk to numbers over the next 6-12 months even if fundamentals don't deteriorate any further. While we don't think the company has done anything damaging to the brand, the operating environment is clearly very tough at the moment, and we think it's prudent to move to the sidelines until we get evidence that they are able to "right the ship" domestically.

What Did We Get Wrong? We upgraded shares of LULU in early-January, following solid Holiday 2024 checks, which we took to mean that the U.S. business had turned a corner, with a catalyst for more improvement in 2025 (product-related initiatives around color, sizing, and seasonal newness). Though our reads on Holiday 2024 were correct, the momentum didn't carry into 2025. In fact, things have gotten worse, not better: After North America comps improved to flat in 4Q24 (from -2% each of the previous two quarters), they worsened sequentially to -1% in 1Q25 and -3% in 2Q25. Also, we thought LULU was well-insulated from tariffs, but we did not know how prevalent LULU's usage of the "de minimis exemption" was for U.S. e-commerce orders, so the company is far more impacted than we expected.

Competitive Environment Too Much to Overcome. One of the issues facing LULU is the rise of new athleisure brands, some of whom are operating at similar price points and opening stores in similar real estate. With brands such as Alo, Vuori, Fabletics, Athleta, and others all providing "athleisure" options for consumers, we believe it is stifling LULU's growth. Additionally, other non-athletic brands have branched into the space (Free People Movement, Offline by Aerie, Victoria's Secret VSX, etc.), making the environment even more competitive. Another issue facing the company, in our view, is the trend shift towards denim (a category where LULU does not participate). Younger consumers have clearly gravitated to wide-leg jeans in recent years, potentially at the expense of LULU's core product (women's tight-fitting leggings).

Maybe The Biz Needs A Breather After Such A Long Run. While trends have been choppy of late, we shouldn't lose sight of the fact that LULU has been one of the biggest success stories in Softlines in the past 10-15 years. But given the fact that they basically tripled North American revenues between 2017 and 2023 and went viral post-pandemic with the "belt bag" phenomenon, the difficult multi-year compares might simply necessitate a "lull" before resuming the upward trajectory.

RELEVANT DISCLOSURES BEGIN ON PAGE 9 OF THIS REPORT.

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

Market Cap (MM)	**$22,169.5**
Price (09/24/2025)	$179.22
52-Week Range	$159.25 - $423.32
Shares Outstanding	123.70
Avg. Daily Volume	6,586,299.5

LULU'S PROBLEM #1: COMPETITION FROM OTHER ATHLEISURE BRANDS

The rise of new athleisure brands such as Alo, Vuori, and Fabletics has often been cited as a major contributor to LULU's domestic slowdown, and we agree that these brands have become a competitive problem for LULU. We believe that these brands have increasingly gained brand awareness and are giving athleisure shoppers more options of where to buy their apparel. In the case of Alo and Vuori, we think it's noteworthy that they have similar product assortments (with their own unique focuses) and price points, demonstrating that they clearly are "fishing in the same pond" as LULU.

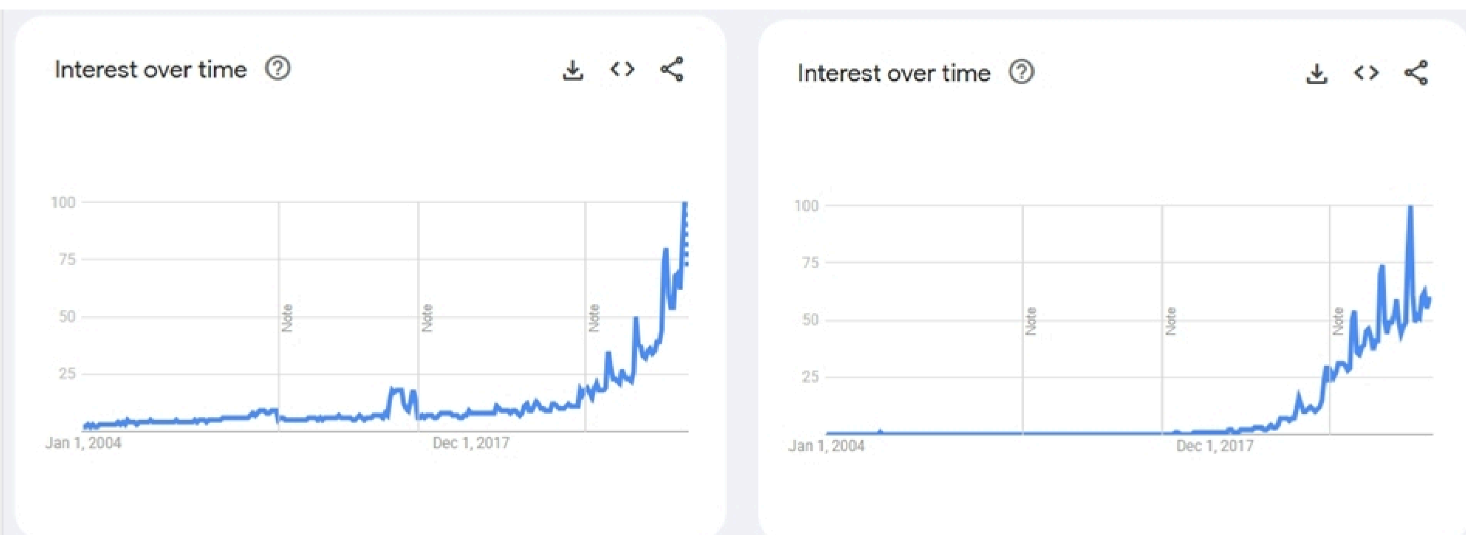
Figure 1 - Alo And Vuori Are Generally Operating At Similar Price Points As LULU

	Women				Men			
	Leggings	Shorts	T-Shirts	Hoodies	Jogger Pants	Shorts	T-Shirts	Hoodies
Lululemon	$88-$148	$64-$98	$48-$68	$98-$148	$98-$168	$68-$98	$58-$78	$98-$148
Alo	$88-$168	$58-$98	$54-$78	$88-$398	$118-$148	$68-$168	$58-$88	$98-$398
Vuori	$89-$118	$58-$74	$36-$68	$96-$138	$98-$138	$68-$108	$32-$88	$74-$148

Source: Company websites and Needham & Co.

Furthermore, it's clear that both of these brands have generated significant "buzz" with consumers. This is most clearly seen in online search data, via Google Trends. According to this data, searches for Alo and Vuori have both grown massively in recent years. And the momentum doesn't seem to be slowing despite the challenging macro environment: U.S. Google searches for Alo grew more than 150% YoY in August, while Vuori was also strong at +35%. Admittedly, this data set was also positive for LULU (+25% in August), though they're not growing to nearly the same extent as Alo/Vuori.

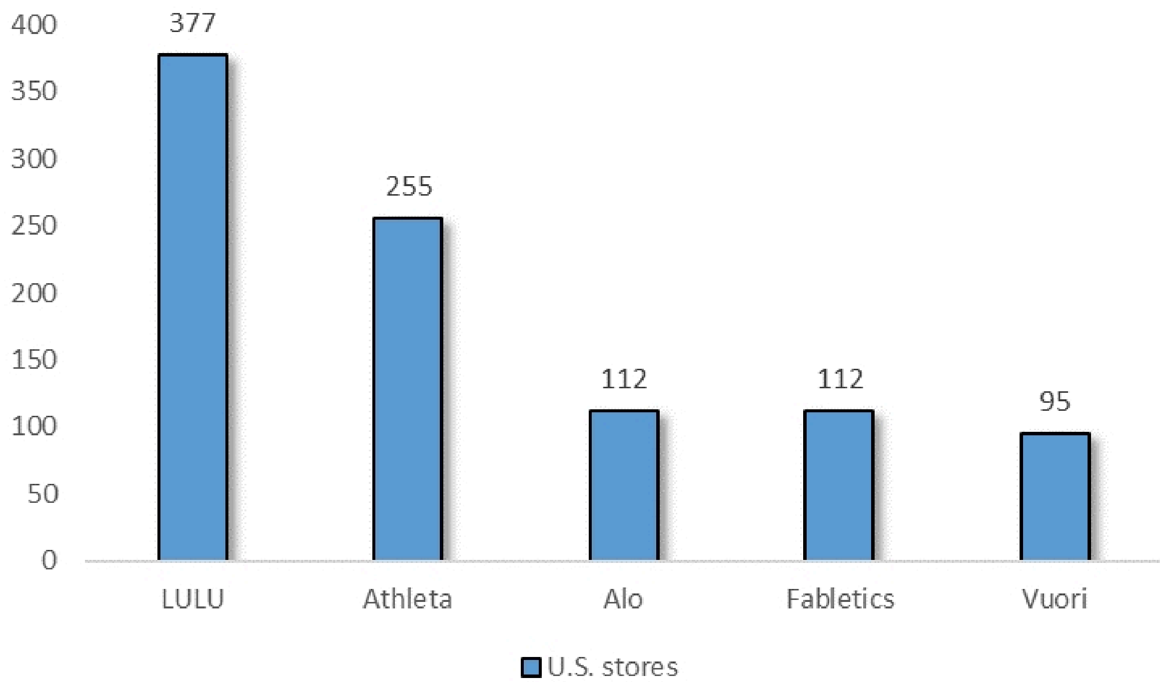
Figure 2 - U.S. Google Searches For Alo (Left) and Vuori (Right) Have Exploded Higher In Recent Years



Source: Google Trends

As private companies, we do not know the revenues generated by these brands, but we believe that in aggregate they are likely a few billion dollars of sales. We do know the store counts, which combined are ~320 doors in the U.S., which is not meaningfully smaller than LULU's ~375 U.S. doors. When we also consider Athleta (which admittedly has struggled in recent years), which gives athleisure shoppers yet another option to buy, we see that there is quite a bit of competition in the athleisure space.

Figure 3 - Athleisure Shoppers Have Several Options Besides LULU



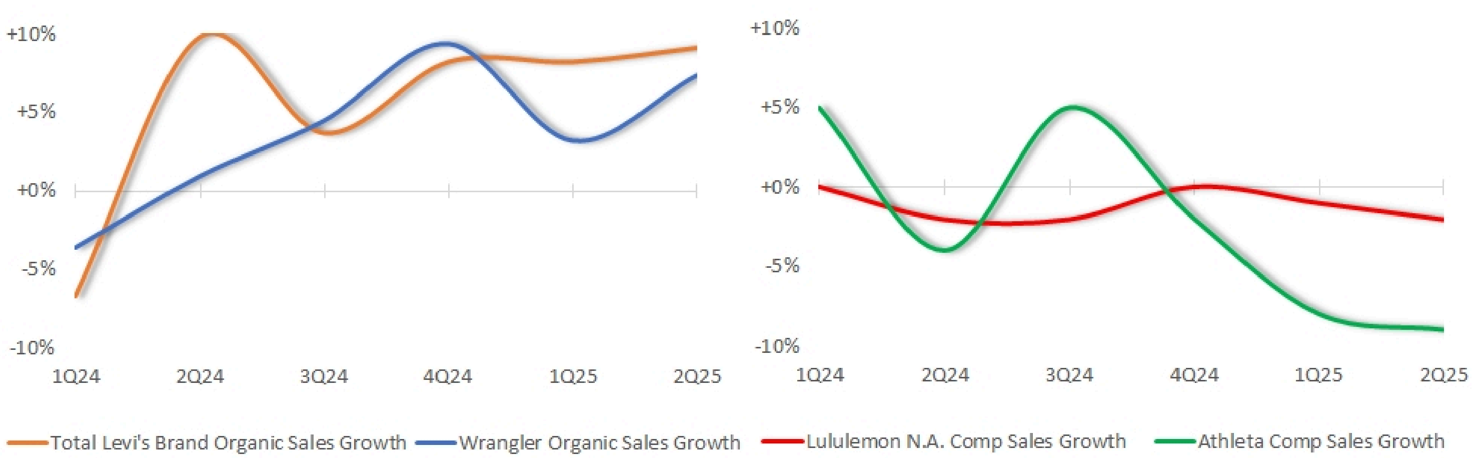
Source: Company websites and Needham & Co.

LULU'S PROBLEM #2: DENIM CYCLE TAKES CONSUMER FOCUS AWAY FROM LULU'S CORE

While LULU's faces competition within the athleisure market, we believe they also face a headwind from female consumers increasingly diversifying their closets away from athleisure. Specifically, we believe that the industry is in the midst of a strong "denim cycle", which could be crowding out demand for leggings. Furthermore, with women's bottoms increasingly becoming baggier, it further moves the fashion trend away from LULU's "core" (tight-fitting yoga pants).

Indeed, since 1Q24, we have seen increased strong top-line trends at brands such as LEVI and KTB's Wrangler brand, both of which have been consistently posting ~HSD global organic growth in recent quarters. Meanwhile, we've seen a corresponding slowdown in athleisure brands such as LULU (comping negative in North America) and GAP's Athleta brand (who has seen consistently negative sales growth over the past 2-3 years).

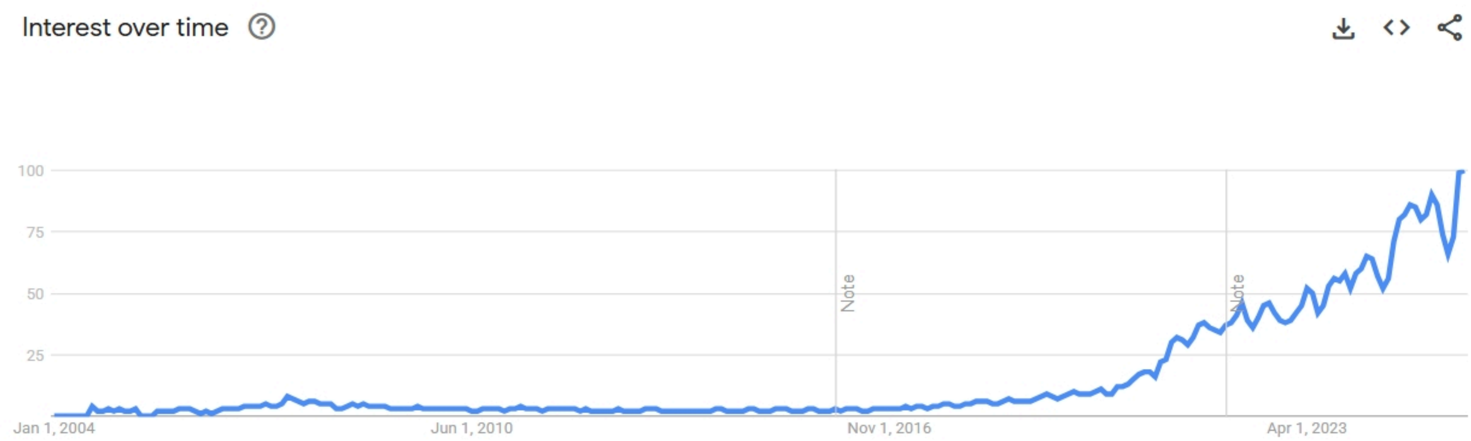
Figure 4 - Denim Brands Are Posting Strong Top-Line Results While Athleisure Brands Fade



Source: Company reports

More specifically, over the last couple of years, there appears to be a significant silhouette change which is driving the denim refresh. For the past 10-15 years, skinny pants were extremely popular, which benefited athleisure brands who could make pants that were both skinny AND comfortable. However, there has recently been a shift towards wide leg pants, led primarily by younger consumers/Gen Z. Importantly, we believe this silhouette shift is unlocking demand for denim, as it's far easier for denim to compete from a comfort perspective when the trend is for wide-leg pants. Indeed, worldwide Google searches for "Wide Leg Jeans" were roughly flat from 2004 to 2020, but have since been on a steady climb, and currently appear to be at their all-time high (since Google started tracking search trends in 2004).

Figure 5 - Google Search Trends for "Wide Leg Jeans" are at an All-Time Peak



Source: Google Trends

Indeed, a rather sizable number of softlines brands and retailers have specifically called out denim as being a significant growth driver on their most recent earnings call. These companies include a wide range of companies including other global wholesale brands (KTB, PVH), department stores (KSS, M), mall based specialty retailers (GAP, URBN), mass merchants (TGT), and Western specialty retailers (BOOT)

"We are seeing broad-based growth across ready-to-wear, denim" "Levi's continues to be terrific business for us...and it's the fashion in Levi's that is really selling best for us" - Macy's Q2 Earnings Call, 9/3/25

"Old Navy's denim posted the highest volume second quarter in 10 years...This growth was fueled by the strength of our Wow denim and on-trend baggy and wide leg fits....early back-to-school denim is performing very well" - Gap Q2 Earnings Call

"[Calvin Klein] delivered 19% growth in fashion denim this quarter" - PVH Q2 Earnings Call, 8/27/25

"One of the interesting developments also is in denim, so especially on the fashion side of denim. So anything baggy, wide leg, those types of features in denim are showing strength" - Kohl's Q2 Earnings Call, 8/27/25

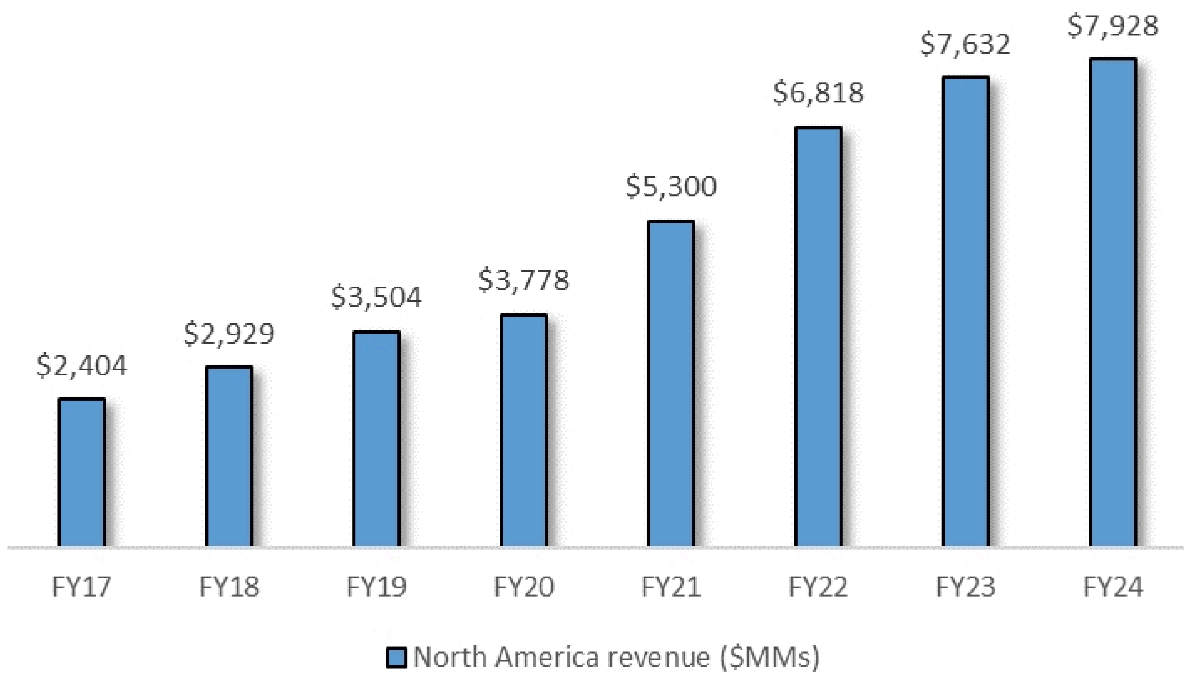
"Women's denim saw a 28% comp" - Target Q2 Earnings Call 8/20/25

"Our denim business comped positive high teens" -BootBarn Q4 Earnings Call, 7/31/25

LULU'S PROBLEM #3: A VICTIM OF THEIR OWN SUCCESS?

While trends have been choppier of late, we shouldn't lose sight of the fact that LULU has been one of the biggest success stories in Softlines in recent years. While some people in the investment community have viewed LULU as a "pandemic winner", the brand was on fire even before the pandemic struck: Global comp sales were +18% in both FY18 and FY19, with total North America growth of ~20% each of those two years. As a result, LULU more than tripled its North American revenue base between FY17 and FY23.

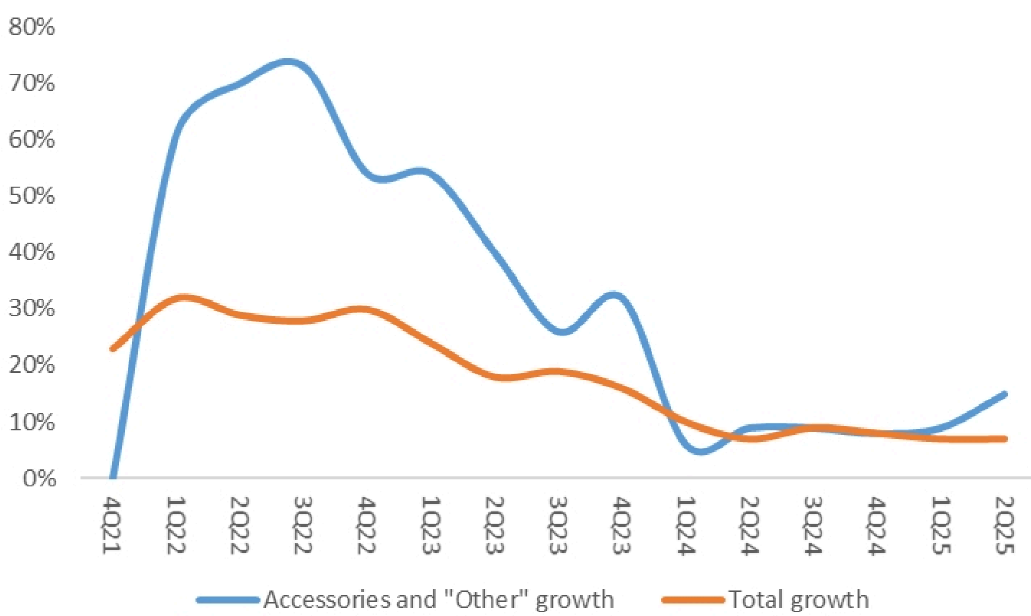
Figure 6 - LULU's Domestic Biz Might Simply Need A "Breather" After Tripling Sales In Just 6 Years



Source: Company reports and Needham & Co.

The growth was particularly pronounced in FY21-22, as they not only benefited from the post-lockdown reopening tailwind, they also benefited greatly from the "Belt Bag" phenomenon of Summer 2022, where this product went viral and drove many new customers to the brand for the first time (particularly younger shoppers). We believe these shoppers were drawn in by the Belt Bag, and they ended up shopping the apparel assortment as well. Thus, we believe that there was a very big "closet refresh" that occurred in 2022-2023 - reducing the need for further trips to LULU stores in 2024 and 2025.

Figure 7 - The "Belt Bag" Phenomenon Of 2022 Drove Strong Growth, But The Tailwind Has Faded



Source: Company reports and Needham & Co. 4Q24 excludes the fiscal year's 53rd week

Figure 8 - LULU Income Statement

	Jan FY19	Jan FY20	Jan FY21	Jan FY22	Jan FY23	Apr 1Q24	Jul 2Q24	Oct 3Q24	Jan 4Q24	Jan FY24	Apr 1Q25	Jul 2Q25E	Oct 3Q25E	Jan 4Q25E	Jan FY25E	Jan FY26E
Net revenues	**3,979.3**	**4,401.9**	**6,256.6**	**8,110.5**	**9,619.3**	**2,208.9**	**2,371.1**	**2,396.7**	**3,611.5**	**10,588.1**	**2,370.7**	**2,558.9**	**2,558.3**	**3,731.8**	**11,219.8**	**11,800.2**
Cost of goods sold	1,755.9	1,937.9	2,648.1	3,555.3	3,986.2	933.8	958.9	995.1	1,429.5	4,317.3	987.5	1,085.8	1,103.7	1,520.5	4,697.5	4,964.1
Gross profit	2,223.4	2,464.0	3,608.6	4,555.3	5,633.1	1,275.1	1,412.2	1,401.6	2,182.0	6,270.8	1,383.1	1,473.2	1,454.7	2,211.3	6,522.3	6,836.1
Selling, general and administrative	1,334.3	1,609.0	2,225.0	2,757.4	3,397.2	842.4	872.0	909.8	1,138.2	3,762.4	942.9	984.7	960.0	1,150.8	4,038.3	4,248.5
Amortization of intangible assets	0.0	5.2	8.8	8.8	5.0	0.0	0.0	1.1	1.6	2.7	1.6	1.6	1.6	1.6	6.5	6.5
Income from operations	**889.1**	**849.8**	**1,374.7**	**1,789.1**	**2,230.9**	**432.6**	**540.2**	**490.7**	**1,042.2**	**2,505.7**	**438.6**	**486.9**	**493.1**	**1,058.9**	**2,477.5**	**2,581.1**
EBITDA	***1,051.0***	***1,035.3***	***1,599.0***	***2,080.9***	***2,610.3***	***528.4***	***643.8***	***604.3***	***1,175.8***	***2,952.2***	***916.2***	***1,059.9***	***1,180.7***	***1,884.1***	***2,955.0***	***3,154.1***
Other income/(expense)	8.3	(0.6)	0.5	4.2	43.1	23.3	18.0	13.7	15.4	70.4	11.8	11.5	12.0	12.0	47.3	47.0
Pretax income	897.4	849.2	1,375.3	1,793.2	2,273.9	455.9	558.2	504.4	1,057.5	2,576.1	450.4	498.4	505.1	1,070.9	2,524.8	2,628.1
Income tax expense	251.8	233.6	360.0	504.3	651.6	134.5	165.3	152.5	309.1	761.5	135.8	149.5	151.5	321.3	758.2	788.4
Net income to common	645.6	615.6	1,015.3	1,289.0	1,622.3	321.4	392.9	351.9	748.4	1,814.6	314.6	348.9	353.5	749.7	1,766.6	1,839.7
Diluted earnings per share	**$4.93**	**$4.70**	**$7.79**	**$10.07**	**$12.77**	**$2.54**	**$3.15**	**$2.87**	**$6.14**	**$14.64**	**$2.60**	**$2.90**	**$2.96**	**$6.31**	**$14.75**	**$15.85**
Basic shares outstanding	130.4	130.3	129.8	127.7	126.7	126.0	124.7	122.7	121.7	123.8	120.6	119.7	119.0	118.3	119.4	115.7
Diluted shares outstanding	131.0	130.9	130.3	128.0	127.0	126.3	124.9	122.8	121.9	124.0	120.8	120.1	119.4	118.7	119.8	116.0
Shares repurchased	1.1	0.4	2.2	1.4	1.5	0.8	1.9	1.6	0.9	5.2	1.4	1.0	1.0	1.0	4.4	5.0
Average repurchase price	$164.26	$172.68	$369.16	$317.89	$374.42	$395.22	$310.11	$255.31	$354.15	$313.51	$307.14	$255.00	$255.00	$255.00	$271.59	$255.00
Total repurchase amount	173.4	63.7	812.5	443.6	554.8	296.9	583.7	408.5	332.2	1,621.3	430.0	255.0	255.0	255.0	1,195.0	1,275.0
As % of FCF	45%	11%	82%	135%	34%					102%					100%	77%
MARGINS																
Gross margin	**55.9%**	**56.0%**	**57.7%**	**56.2%**	**58.6%**	**57.7%**	**59.6%**	**58.5%**	**60.4%**	**59.2%**	**58.3%**	**57.6%**	**56.9%**	**59.3%**	**58.1%**	**57.9%**
SG&A/sales	33.5%	36.6%	35.6%	34.0%	35.3%	38.1%	36.8%	38.0%	31.5%	35.5%	39.8%	38.5%	37.5%	30.8%	36.0%	36.0%
EBIT margin	**22.3%**	**19.3%**	**22.0%**	**22.1%**	**23.2%**	**19.6%**	**22.8%**	**20.5%**	**28.9%**	**23.7%**	**18.5%**	**19.0%**	**19.3%**	**28.4%**	**22.1%**	**21.9%**
Pretax margin	22.6%	19.3%	22.0%	22.1%	23.6%	20.6%	23.5%	21.0%	29.3%	24.3%	19.0%	19.5%	19.7%	28.7%	22.5%	22.3%
Tax rate	28.1%	27.5%	26.2%	28.1%	28.7%	29.5%	29.6%	30.2%	29.2%	29.6%	30.2%	30.0%	30.0%	30.0%	30.0%	30.0%
Net margin	16.2%	14.0%	16.2%	15.9%	16.9%	14.6%	16.6%	14.7%	20.7%	17.1%	13.3%	13.6%	13.8%	20.1%	15.7%	15.6%
YoY margin change (bps)																
Gross margin	**64**	**10**	**170**	**(151)**	**240**	**21**	**78**	**39**	**100**	**66**	**60**	**(199)**	**(162)**	**(116)**	**(109)**	**(20)**
SG&A/sales	(24)	302	(99)	(156)	132	78	(22)	(27)	64	22	163	171	(44)	(68)	46	1
EBIT margin	**88**	**(304)**	**267**	**9**	**113**	**(48)**	**109**	**68**	**34**	**47**	**(108)**	**(376)**	**(120)**	**(48)**	**(158)**	**(21)**
GROWTH METRICS																
Total comps (constant-FX)	**18.0%**	**6.3%**	**35.0%**	**28.0%**	**14.0%**	**7.0%**	**3.0%**	**3.0%**	**4.0%**	**4.0%**	**1.0%**	**2.0%**	**2.7%**	**3.2%**	**2.4%**	**2.3%**
Store comps	*10.0%*	*-38.3%*	*65.6%*	*19.0%*	*9.0%*	*5.7%*	*3.9%*	*2.1%*	*4.0%*	*13.0%*	*-3.3%*	*0.5%*	*0.9%*	*1.2%*	*0.1%*	*-0.2%*
E-commerce comps	*35.0%*	*101.0%*	*20.0%*	*35.0%*	*17.0%*	*8.5%*	*1.9%*	*4.0%*	*4.0%*	*5.0%*	*6.1%*	*4.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Net revenue growth	**21.0%**	**10.6%**	**42.1%**	**29.6%**	**18.6%**	**10.4%**	**7.3%**	**8.7%**	**12.7%**	**10.1%**	**7.3%**	**7.9%**	**6.7%**	**3.3%**	**6.0%**	**5.2%**
FX impact	*-0.8%*	*0.2%*	*2.2%*	*-2.4%*	*-1.1%*	*-0.6%*	*-0.7%*	*0.7%*	*-1.3%*	*-0.6%*	*-0.7%*	*0.4%*	*0.0%*	*1.4%*	*0.4%*	*0.0%*
Constant-FX growth	***21.8%***	***10.4%***	***40.0%***	***32.0%***	***19.7%***	***11.0%***	***8.0%***	***8.0%***	***14.0%***	***10.6%***	***8.0%***	***7.5%***	***6.7%***	***2.0%***	***5.5%***	***5.2%***
53rd Week impact	*-1.6%*					*0.0%*	*0.0%*	*0.0%*	*5.0%*	*1.7%*	*0.0%*	*0.0%*	*0.0%*	*-4.4%*	*-1.5%*	
Gross profit	22.4%	10.8%	46.5%	26.2%	23.7%	10.8%	8.8%	9.5%	14.6%	11.3%	8.5%	4.3%	3.8%	1.3%	4.0%	4.8%
SG&A	20.2%	20.6%	38.3%	23.9%	23.2%	12.7%	6.7%	8.0%	15.0%	10.7%	11.9%	12.9%	5.5%	1.1%	7.3%	5.2%
Operating income	**26.0%**	**-4.4%**	**61.8%**	**30.1%**	**24.7%**	**7.8%**	**12.7%**	**12.5%**	**14.0%**	**12.3%**	**1.4%**	**-9.9%**	**0.5%**	**1.6%**	**-1.1%**	**4.2%**
Net income	25.4%	-4.6%	64.9%	27.0%	25.9%	10.7%	15.0%	9.7%	11.8%	11.9%	-2.1%	-11.2%	0.5%	0.2%	-2.6%	4.1%
Diluted EPS	**28.3%**	**-4.6%**	**65.7%**	**29.2%**	**26.8%**	**11.7%**	**17.2%**	**13.2%**	**16.1%**	**14.6%**	**2.3%**	**-7.7%**	**3.3%**	**2.8%**	**0.8%**	**7.5%**
Diluted shares outstanding	-2.3%	-0.1%	-0.4%	-1.7%	-0.8%	-0.9%	-1.9%	-3.1%	-3.7%	-2.4%	-4.3%	-3.8%	-2.7%	-2.6%	-3.4%	-3.1%

Source: Company reports and Needham & Co. estimates. Line items in $millions

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:

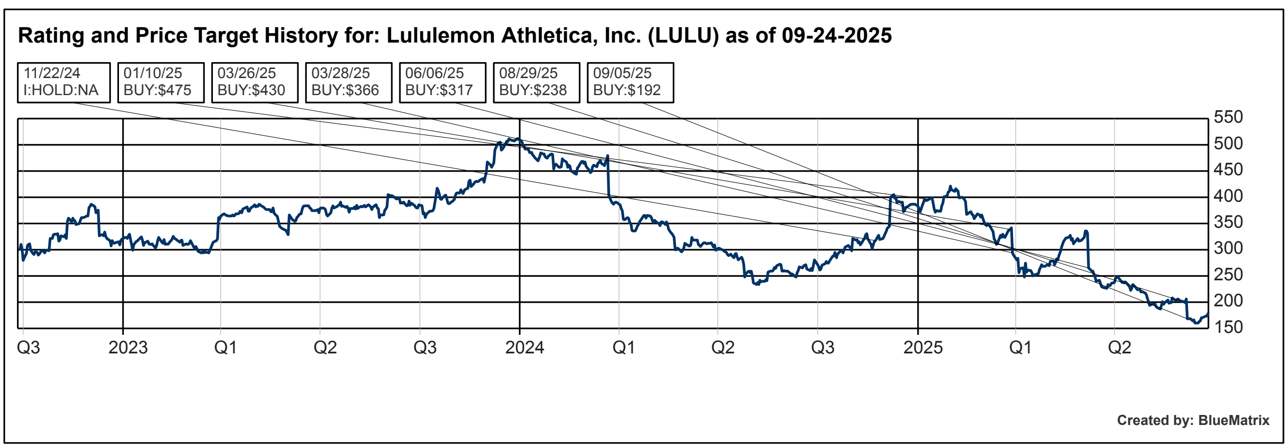
- A potential reversal of recent declines in U.S. store comps, as they roll out new product innovations and face easier compares.
- The men's business is a huge opportunity for the company, as it is less than 25% of LULU's sales, but over 50% of the athletic industry.
- The company still generates most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

I, Tom Nikic hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company (ies) and its (their) securities. I, also certify that I, have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

RATINGS DISTRIBUTIONS FOR NEEDHAM & COMPANY, LLC

	% of companies under coverage with this rating	% for which investment banking services have been provided for in the past 12 months
Buy	74	17
Hold	26	3
Underperform	< 1	0
Rating Suspended	0	0
Restricted	< 1	0

Needham & Company, LLC employs a rating system based on the following:

Buy: A security, which at the time the rating is instituted, we expect to outperform the average total return of the broader market over the next 12 months.

Hold: A security, which at the time the rating is instituted, we expect to perform approximately in line with the average total return of the broader market over the next 12 months.

Underperform: A security, which at the time the rating is instituted, we expect to underperform the average total return of the broader market over the next 12 months.

Rating Suspended: We have suspended the rating and/or price target, if any, for this security, because there is not a sufficient fundamental basis for determining a rating or price target. The previous rating and price target, if any, are no longer in effect and should not be relied upon.

Restricted: Needham & Company, LLC policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Needham & Company, LLC's engagement in an investment banking transaction and in certain other circumstances.

For disclosure purposes, in accordance with FINRA requirements, Buy ratings most closely correspond to a "Buy" recommendation. Hold ratings mostly correspond to a "Hold/Neutral" recommendation; while our Underperform rating closely corresponds to the "Sell" recommendation required by the FINRA.

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a security and its implied price appreciation may not correspond to the stated 12-month price target. For valuation methods used to determine our price targets and risks related to our price targets, please contact your Needham & Company, LLC salesperson for a copy of the most recent research report.

Price charts and rating histories for companies under coverage and discussed in this report are available at http://www.needhamco.com/ . You may also request this information by writing to: Needham & Company, LLC, Attn: Compliance/Research, 250 Park Ave., New York, NY 10177

By issuing this research report, each Needham & Company, LLC analyst and associate whose name appears within this report hereby certifies that (i) the recommendations and opinions expressed in the research report accurately reflect the research analyst's and associate's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's or associate's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the research report.

DISCLOSURES

The research analyst and research associate have received compensation based upon various factors, including quality of research, investor client feedback, and the Firm's overall revenues, which includes investment banking revenues for the following: Lululemon Athletica, Inc.

The Firm, at the time of publication, makes a market in the subject company Lululemon Athletica, Inc. .