

Apparel and Footwear

Lululemon Athletica, Inc. (LULU)

RATING
HOLD
PRICE TARGET
NA
PRICE
\$207.87
52-WEEK RANGE
\$159.25 - \$423.32
TOM NIKIC, CFA
(212) 705-0440
tnikic@needhamco.com

MATTHEW QUIGLEY
mquigley@needhamco.com

Activist Elliott Proposes New CEO, Nothing "Plain" About That "Jane" (Nielsen)

OUR CALL

After the close on 12/17, the WSJ reported that activist investment firm Elliott Management has taken a greater-than-\$1 billion stake in the company, and is proposing a candidate to replace outgoing CEO Calvin McDonald. They propose that LULU brings in Jane Nielsen, who we believe would be an extremely strong candidate for the role. Ms. Nielsen is one of the most well-respected and capable executives in the industry, in our opinion. She most recently served as COO and CFO of Ralph Lauren (2016-2024) and was instrumental in the turnaround efforts there. Prior to RL, she was the CFO of Coach Inc. (now Tapestry Inc.) from 2011-2016, where she led a similarly impressive turnaround of the once-flagging Coach brand. Given her immense success at RL and Coach, we think she could help reinvigorate LULU if she were to come aboard.

We would note, however, that the problems at RL and Coach were different than what LULU is facing at the moment. Coach and RL were both suffering because of aggressive pushes into downstream distribution (outlets, flash sale sites, off-price, etc.), which stifled margins and diluted the brands' images. LULU, on the other hand, has seen their domestic business struggle more because of product-related mis-steps in an increasingly competitive athleisure space (not because of a deterioration of distribution quality). So, her turnaround experience isn't perfectly aligned with LULU's current ills, but on the bright side, we believe that Coach and RL had much deeper-rooted issues than what LULU is currently facing. Said another way, we believe the degree of difficulty in turning around LULU isn't as high as what Ms. Nielsen faced at either Coach or RL. As of this writing, LULU has not commented on the news. We are eagerly awaiting further developments here.

KEY DATA

Market Cap (MM)	\$25,447.9
Price [12/17/2025]	\$207.87
52-Week Range	\$159.25 - \$423.32
Shares Outstanding	122.42
Avg. Daily Volume	4,317,136.0

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 FY27 EPS power could be ~\$15.00. At a high-teens P/E multiple, the stock could be ~\$270.

BASE CASE ASSUMPTIONS

We're modeling FY25 within current sales and EPS guidance. Next year, we expect slightly positive comps (down domestically, up internationally), with some footage growth resulting in MSD consolidated revenue growth. We assume margins decline 200-250bps due to the wrap-around of tariffs, incremental markdown pressure, and fixed-cost deleverage, resulting in FY26 EPS power of ~\$12.50. With slight margin recovery in FY27 and slight comp sales acceleration, we think LULU can resume EPS growth, to the \$13.50-\$14.00 range.

BEAR CASE ASSUMPTIONS

In our bear case, we assume FY25 comes in 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. Assuming the company continues to struggle into FY27, EPS power could fall further to \$10.00. 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



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VALUATION (PRICE TARGET: NA)

LULU shares are currently trading at ~15x our FY26 EPS estimate of \$12.54.

POTENTIAL UPSIDE DRIVERS

Potential upside drivers for LULU include:

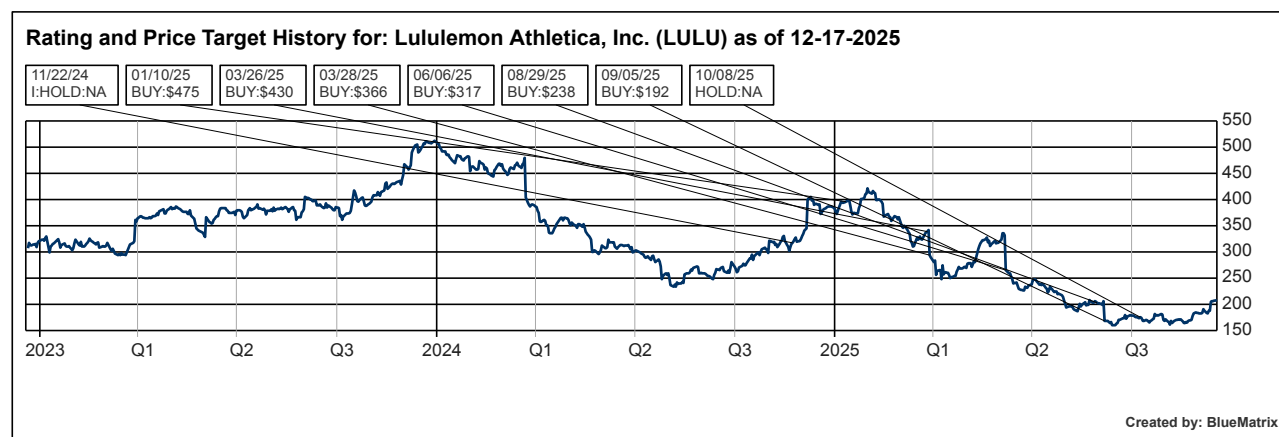
- A potential reversal of recent declines in U.S. store comps, as they roll out new product innovations and face easier compares.
- The men's business is a huge opportunity for the company, as it is less than 25% of LULU's sales, but over 50% of the athletic industry.
- The company still generates most of their revenue in North America (~70%) presenting a major opportunity for international growth.

RISKS TO TARGET

LULU

Potential downside risks to LULU shares include:

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



ANALYST CERTIFICATION

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