

## Equity Research

WELLS  
FARGO

Price Target Change — December 11, 2025

## Retailing, Specialty Softlines, and E-commerce

## lululemon athletica, inc.

## CEO Succession Announced, Embracing Change as NA Trends Slow Further; Remain Sidelined

## Our Call

While we expect a NT "pop" as **1)** LULU nicely beat their recently lowered 3Q plan and **2)** CEO changes are underway, we remain fairly concerned on the trajectory of the US and future margin visibility. Remain sidelined, PT \$175.

**3Q Thoughts.** Clearly, the announcement of McDonald's departure tonight overshadows NT operating results (US comps slowed further). On the fundamentals, 3Q did *beat*; however, US comps fell further (NA -5%) and markdown pressure is building (guided worse). While we'd expect a pop in the NT (CEO change a catalyst), we remain cautious given the work that remains, plus no visibility into the impact of newness (*do customers respond?*) or margins (*ominous comments on 2026...*).

**New Environment + New Challenges = New CEO.** While McDonald was initially successful and helped to create the mkt, competitors and dynamics have changed - loungewear outpacing athletic apparel and new marketing channels (requiring fresh perspective). In the interim, LULU will run a dual-CEO model with CCO (Maestrini) leading NA, while CFO (Frank) will lead merchandise and design. Importantly - most decisions around design and merch are set through 1H26, with teams completing winter 2026 buys now.

**US Slows Further.** The heart of the matter - NA comps have slowed from -1% (1Q) to -3% (2Q) to -5% (3Q) despite **1)** a significant increase in SKU count, **2)** higher markdowns (-90bps 3Q vs -60bps 2Q) and more recently, the Amex deal. Trends deiced thru the Q (Aug best, Oct worst), and while BF was solid, traffic has pulled back since (in tandem w/ promos). LULU's current mix does not reflect its go-fwd strategy (no newness until Spring '26), thus NA visibility remains very clouded.

**3Q "Good" but Outlook Still a Concern.** Despite the 3Q beat, the low quality shows (NA issues worsened). Our 4Q numbers are coming down on both revs and margin. LULU spoke to NA weakness essentially persisting into 4Q (though US better than 3Q), while they also talked to markdown rates accelerating (planned up ~100bps in 4Q). Not surprisingly, when asked about 2026, management spoke to further pressure on margin expected and no timetable on top-line turning.

**Change Comes at a Cost.** Point-blank, margins have now fallen ~350bps in 3Q and planned down ~700bps in 4Q. Further, LULU discussed the "negatives outweighing the positives" for 2026 margins - with 3 areas of spend: **1)** Product (engaging a "higher value" guest), **2)** Marketing (where LULU has historically under-spent) and **3)** Expense reset (stock comp). These come on top of tariff wrap-around (incl de minimis) into 1H26 - which we estimate ~75bps additional pressure. We model FY26 margins -175bps.

Equal Weight  
Price Target: \$175.00

Notable Changes			
\$ (Jan)	Current	Prior	% Chg
Price Target	\$175.00	\$160.00	9.4% ▲
EPS 2025	13.05	12.85	1.5% ▲
EPS 2026	12.50	12.10	3.3% ▲
Rev. (MM) 2025	11.01B	11.00B	0.0% ▲
Rev. (MM) 2026	11.38B	11.39B	-0.1% ▼

Ticker	LULU
Upside/(Downside) to Target	(6.4)%
Price (12/11/2025)	\$187.01
52 Week Range	\$159.25 - 423.32
Market Cap (MM)	\$22,381
Enterprise Value (MM)	\$20,397
Average Daily Value (MM)	\$786
Dividend Yield	0.0%

\$ (Jan)	Q1	Q2	Q3	Q4	FY
EPS					
2025E	2.60 A	3.10 A	2.59 A	4.78 E	13.05 E
Prior	NC	NC	2.25 E	4.91 E	12.85 E
2026E	2.15 E	2.78 E	2.61 E	4.98 E	12.50 E
Prior	2.08 E	2.77 E	2.33 E	4.92 E	12.10 E

Source: Company Data, Wells Fargo Securities estimates, and Factset.  
NA = Not Available, NC = No Change, NE = No Estimate

## Ike Boruchow

Equity Analyst | Wells Fargo Securities, LLC  
Ike.Boruchow@wellsfargo.com | 212-214-8024

## Adam Sindler

Associate Equity Analyst | Wells Fargo Securities, LLC  
Adam.Sindler@wellsfargo.com | 212-214-4837

## Robert Bischoff

Associate Equity Analyst | Wells Fargo Securities, LLC  
Robert.Bischoff@wellsfargo.com | 305-329-6777

## Juliana Duque

Associate Equity Analyst | Wells Fargo Securities, LLC  
Juliana.Duque@wellsfargo.com | 305-329-6767

## Wells Fargo Express Takeaways

**lululemon athletica, inc. (LULU) | Rating: Equal Weight | Price Target: \$175.00**

**Analyst: Ike Boruchow**

### Financials

FY (Jan)	2024A	2025E	2026E
<b>\$</b>			
<b>ESTIMATES</b>			
<b>EPS</b>			
Q1	2.54 A	2.60 A	2.15 E
Q2	3.15 A	3.10 A	2.78 E
Q3	2.87 A	2.59 A	2.61 E
Q4	6.14 A	4.78 E	4.98 E
AN	14.64 A	13.05 E	12.50 E
<b>Rev. (MM)</b>	10.59B A	11.01B E	11.38B E
<b>EBIT (MM)</b>	2,505.7 A	2,199.2 E	2,071.5 E
<b>EBITDA (MM)</b>	2.95B A	2.69B E	2.60B E
<b>FCF (MM)</b>	1,583.5 A	1,336.1 E	1,304.9 E

### WELLS FARGO vs. CONSENSUS

Consensus Estimate	14.01 A	12.85 E	12.70 E
Difference from Consensus		15.2%	15.2%

### VALUATION

P/E	12.8x	14.3x	15.0x
EV/Revenue	1.9x	1.9x	1.8x
EV/EBIT	8.1x	9.3x	9.8x
EV/EBITDA	6.9x	7.6x	7.8x
EV/FCF	12.9x	15.3x	15.6x
FCF Yield	7.1%	6.0%	5.8%

Consensus Estimate: EPS; Source: FactSet

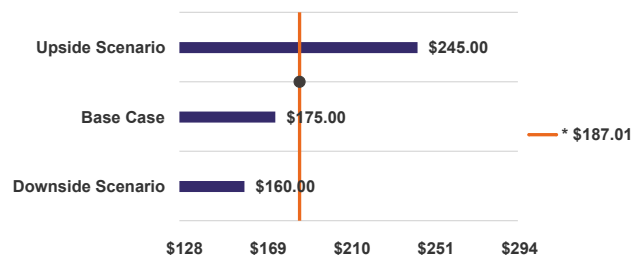
Source: Company Data, Wells Fargo Securities estimates, and Factset.

NA = Not Available, NE = No Estimate

### Investment Thesis

LULU is an industry leader in an attractive market (athletic apparel). We believe the company has ample white space overseas and will continue to post outsized international growth. However, the slowdown in North America along with an "over earning" P&L are a concern and keep us cautious over the next 12 months. We are Equal Weight rated.

### Risk vs. Reward – Upside/Downside Price Target Scenarios



\*As of 12/11/25

Source: Wells Fargo Securities, LLC estimates and Factset.

### Base Case | \$175.00

Our \$175 price target reflects a 14x FY26E P/E.

We believe a discount to history is warranted given that LULU is dealing with merchandising issues domestically, while operating at record margins as competition around them is heating up while US comps are trending negative with margin pressures growing.

### Upside Scenario | \$245.00

Our \$245 Bull Case reflects an 18x P/E on ~\$13.50 in FY26E EPS (*above our forecasts*).

Factors that would contribute to the Bull Case scenario include:

- 1) NA comps re-accelerate with newness back to historical levels and solid reaction to Spring 2026 product
- 2) Tariffs mitigation better than expected
- 3) China momentum continues
- 4) Markdown issues are short-lived as newness improves rapidly and drives engagement

### Downside Scenario | \$160.00

Our \$160 Bear Case reflects a 14x P/E on ~\$11.50 in FY26E EPS (*below our forecasts*).

Factors that would contribute to the Bear Case scenario include:

- 1) NA comps remain pressured, as competitive pressures build
- 2) Product resets drive GM erosion and pricing pressure, while competition requires more ad spend
- 3) China moving from a point of strength to neutrality
- 4) Tariffs have outsized impact on EBIT

### Upcoming Catalysts

- Credit card/traffic data in North America
- Reads out of China

### Company Description

Lululemon is a retailer of premium athletic apparel, whose core customer is an affluent and active female. A growing part of LULU's business is its men's and "outside of the gym" product.

## Investment Thesis

Key themes surrounding the name include:

1. **Slowing Trends in North America Creating Concern.** Investors continue to focus on the slowdown in North America (NA). LULU's business in NA has been one of the strongest and most consistent in the softlines space over the past 10+ years—with comps averaging 10-15% over that time as the brand took share in a rapidly growing "athleisure" space. However, the brand is in uncharted waters today, unable to comp positive in 12+ months with the US market negative and struggling due to a lack of innovation on core product and increasing competition from new entrants (namely Alo Yoga and Vuori, as well as others). As their highest-margin geography, the lack of comp visibility is creating a clear issue for the story.
2. **CEO Change Announced.** In connection with its 3Q25 earnings report (12/11/25) LULU announced long-time CEO Calvin McDonald would be stepping down from the company in January 2026. While he'd been very successful for many years, especially into and out of COVID, and while he in fact helped to create the strong athleisure market in the US, the environment has changed considerably in recent years w/ strong competitors who have a differentiated sartorial view and a differentiated take on marketing. Thus, with the US under ongoing pressure (US comps hit -5% in 3Q25 - whereas +5% would have once been worrisome) and the environment different, we'd believe both bulls and bears would agree that a fresh perspective is needed to help LULU turn its business around.
3. **International Remains a Bright Spot.** While North America slowdown is worrisome, LULU continues to deliver outsized growth in higher-margin overseas regions. China comps, in particular, continue to grow well above average, growing 40% in 2024 and expected to grow at least +LDD over the next few years. Rest of the World was strong, up 27% in FY24, and we expect a +HT in FY25.
4. **Emerging Competition.** While competition concerns have always surrounded LULU, there are signs that emerging brands are perhaps eating into LULU's dominant position in athleisure. Alo has carved a niche in the premium/fashion segment of athleisure and is opening stores at a significant pace. Vuori is a brand that is beginning to take real market share from LULU in regions such as Southern California (where Vuori is headquartered). We also believe Fabletics is re-accelerating growth to the mid to high teens range. Notably many LULU alums have joined competitors in the past several years, driven by: **1)** the changing culture at LULU and **2)** a similar ethos to when LULU was in its early days. Further, the increased competition may force LULU to begin spending heavier on marketing, which could weigh on margins—notably LULU's marketing spend as a % of sales (4-5%) is one of the lowest among brands in our coverage (avg. 8-10%).

## The Bull vs. Bear "Tug of War"

Below, we illustrate how we think the buy-side is positioning its thesis—detailing the current Bull and Bear arguments on LULU shares.

### Exhibit 1 - The Bull vs. Bear "Tug of War"



Source: © iStockphoto.com

#### *The Bull Case....*

We believe that investors who are bullish on LULU shares are focused on: **(1)** LULU implements a stringent re-focus on the US market and overhauls virtually every aspect of the business - driven by a new CEO, **(2)** international growth (led by MLC) should enable LULU to continue hitting their top-line algo, **(3)** issues in N. Amer are finally addressed and LULU has already signaled weakness into 2026 - thus lowering the 2H bar; and **(4)** valuation is at all-time lows and creates a compelling risk/reward.

#### *The Bear Case....*

On the other hand, investors who are bearish on LULU shares are likely focused on: **(1)** their core NA market continues to underperform and is not easily fixed by new management (which will weigh on LULU's industry-leading margins); **(2)** inventory has become an issue with 20%+ growth exiting each of the last two quarters (1Q25, 2Q25), **(3)** the business pushes into international markets with higher operating costs, and investors question the trajectory of markdowns go-forward; and **(4)** competition remains strong, and could pressure margins if LULU needed to ramp their industry-low demand creation dollars (marketing spend).

## Financial Outlook

FY25E: Our FY25E EPS estimate of \$13.05 (raise from \$12.85) represents EPS down -10.9% YoY. We project net sales up +4% on comps up +1% and +LDD footage growth. We expect GMs to contract ~220bps to 56.7% and SG&A % to de-lever ~115bps, resulting in an operating margin of 20%, down 370bps YoY.

FY26E: Our FY26E EPS estimate of \$12.50 represents EPS down -4.2% YoY. We project net sales up +3.4% on comps up +1% and +MSD footage growth. We expect GM to contract ~145bps to 55.4% and SGA % to de-lever by ~50bps, resulting in an operating margin of 18.2%, down 178bps YoY.

## Financials

## Exhibit 2 - LULU Income Statement

(\$ millions except per share amounts, FYE Jan)

	<u>FY24</u>	<u>1Q25</u>	<u>2Q25</u>	<u>3Q25</u>	<u>4Q25E</u>	<u>FY25E</u>	<u>1Q26E</u>	<u>2Q26E</u>	<u>3Q26E</u>	<u>4Q26E</u>	<u>FY26E</u>	<u>FY27E</u>
<b>Net Sales</b>	<b>10,588.1</b>	<b>2,370.7</b>	<b>2,525.2</b>	<b>2,565.9</b>	<b>3,545.7</b>	<b>11,007.4</b>	<b>2,461.2</b>	<b>2,593.3</b>	<b>2,659.8</b>	<b>3,666.9</b>	<b>11,381.3</b>	<b>11,861.4</b>
<b>COGS</b>	<b>4,317.3</b>	<b>987.5</b>	<b>1,048.0</b>	<b>1,140.0</b>	<b>1,594.9</b>	<b>4,770.5</b>	<b>1,117.6</b>	<b>1,123.0</b>	<b>1,191.0</b>	<b>1,645.8</b>	<b>5,077.4</b>	<b>5,356.9</b>
Gross profit	6,270.8	1,383.1	1,477.2	1,425.9	1,950.7	6,236.9	1,343.6	1,470.4	1,468.8	2,021.1	6,303.8	6,504.5
<b>SG&amp;A</b>	<b>3,762.4</b>	<b>942.9</b>	<b>951.7</b>	<b>988.3</b>	<b>1,152.9</b>	<b>4,035.7</b>	<b>991.9</b>	<b>1,011.4</b>	<b>1,037.3</b>	<b>1,191.7</b>	<b>4,232.3</b>	<b>4,424.3</b>
<b>Operating income</b>	<b>2,505.7</b>	<b>438.6</b>	<b>523.8</b>	<b>435.9</b>	<b>800.8</b>	<b>2,199.2</b>	<b>351.7</b>	<b>459.0</b>	<b>431.5</b>	<b>829.3</b>	<b>2,071.5</b>	<b>2,080.2</b>
<b>EBITDA</b>	<b>2,952.2</b>					<b>2,686.5</b>					<b>2,601.3</b>	<b>2,658.6</b>
Other income, net	70.4	11.8	9.7	5.9	5.0	32.4	10.0	8.0	6.0	6.0	30.0	30.0
<b>Income before taxes</b>	<b>2,576.1</b>	<b>450.4</b>	<b>533.6</b>	<b>441.7</b>	<b>805.8</b>	<b>2,231.5</b>	<b>361.7</b>	<b>467.0</b>	<b>437.5</b>	<b>835.3</b>	<b>2,101.5</b>	<b>2,110.2</b>
Taxes	761.5	135.8	162.6	134.9	241.7	675.1	108.5	140.1	131.2	250.6	630.4	633.1
<b>Net Income</b>	<b>1,814.6</b>	<b>314.6</b>	<b>370.9</b>	<b>306.8</b>	<b>564.1</b>	<b>1,556.4</b>	<b>253.2</b>	<b>326.9</b>	<b>306.2</b>	<b>584.7</b>	<b>1,471.0</b>	<b>1,477.2</b>
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income attributable to LULU</b>	<b>1,814.6</b>	<b>314.6</b>	<b>370.9</b>	<b>306.8</b>	<b>564.1</b>	<b>1,556.4</b>	<b>253.2</b>	<b>326.9</b>	<b>306.2</b>	<b>584.7</b>	<b>1,471.0</b>	<b>1,477.2</b>
<b>Operating EPS</b>	<b>\$14.64</b>	<b>\$2.60</b>	<b>\$3.10</b>	<b>\$2.59</b>	<b>\$4.78</b>	<b>\$13.05</b>	<b>\$2.15</b>	<b>\$2.78</b>	<b>\$2.61</b>	<b>\$4.98</b>	<b>\$12.50</b>	<b>\$12.70</b>
Diluted shares outstanding	124.0	120.8	119.7	118.6	118.1	119.3	118.0	117.7	117.5	117.4	117.7	116.4
<b>MARGIN ANALYSIS</b>												
Gross Margin	59.2%	58.3%	58.5%	55.6%	55.0%	56.7%	54.6%	56.7%	55.2%	55.1%	55.4%	54.8%
y/y change (bps)	70	62	(106)	(291)	(540)	(219)	(375)	(180)	(35)	10	(144)	(55)
SG&A/sales	35.5%	39.8%	37.7%	38.5%	32.5%	36.7%	40.3%	39.0%	39.0%	32.5%	37.2%	37.3%
y/y change (bps)	22	163	91	55	100	113	53	131	49	(2)	52	11
<b>Operating Margin</b>	<b>23.7%</b>	<b>18.5%</b>	<b>20.7%</b>	<b>17.0%</b>	<b>22.6%</b>	<b>20.0%</b>	<b>14.3%</b>	<b>17.7%</b>	<b>16.2%</b>	<b>22.6%</b>	<b>18.2%</b>	<b>17.5%</b>
Pre-Tax Income	24.3%	19.0%	21.1%	17.2%	22.7%	20.3%	14.7%	18.0%	16.4%	22.8%	18.5%	17.8%
Tax Rate	29.6%	30.2%	30.5%	30.5%	30.0%	30.3%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Net Income	17.1%	13.3%	14.7%	12.0%	15.9%	14.1%	10.3%	12.6%	11.5%	15.9%	12.9%	12.5%
<b>GROWTH ANALYSIS</b>												
<b>Total Comp (constant-currency)</b>	<b>4.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>-0.1%</b>	<b>1.0%</b>	<b>0.5%</b>	<b>0.3%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>1.0%</b>	<b>2.5%</b>
Total Sales	10.1%	7.3%	6.5%	7.1%	-1.8%	4.0%	3.8%	2.7%	3.7%	3.4%	3.4%	4.2%
<b>Gross Profit</b>	<b>11.3%</b>	<b>8.5%</b>	<b>4.6%</b>	<b>1.7%</b>	<b>-10.6%</b>	<b>-0.5%</b>	<b>-2.9%</b>	<b>-0.5%</b>	<b>3.0%</b>	<b>3.6%</b>	<b>1.1%</b>	<b>3.2%</b>
SG&A	10.7%	11.9%	9.1%	8.6%	1.3%	7.3%	5.2%	6.3%	5.0%	3.4%	4.9%	4.5%
Operating Income	12.3%	1.4%	-3.0%	-11.2%	-23.2%	-12.2%	-19.8%	-12.4%	-1.0%	3.6%	-5.8%	0.4%
Pre-Tax Income	13.3%	-1.2%	-4.4%	-12.4%	-23.8%	-13.4%	-19.7%	-12.5%	-1.0%	3.7%	-5.8%	0.4%
Net Income	11.9%	-2.1%	-5.6%	-12.8%	-24.6%	-14.2%	-19.5%	-11.9%	-0.2%	3.7%	-5.5%	0.4%
Shares outstanding	-2.4%	-4.3%	-4.1%	-3.5%	-3.1%	-3.8%	-2.4%	-1.6%	-0.9%	-0.6%	-1.4%	-1.1%
<b>EPS</b>	<b>14.6%</b>	<b>2.3%</b>	<b>-1.5%</b>	<b>-9.7%</b>	<b>-22.2%</b>	<b>-10.9%</b>	<b>-17.5%</b>	<b>-10.4%</b>	<b>0.7%</b>	<b>4.2%</b>	<b>-4.2%</b>	<b>1.5%</b>

Source: Company data and Wells Fargo Securities, LLC Estimates

## Investment Thesis, Valuation and Risks

### lululemon athletica, inc. (LULU)

#### Investment Thesis

LULU is an industry leader in an attractive market (athletic apparel). We believe the company has ample white space overseas and will continue to post outsized international growth. However, the slowdown in North America along with an "over earning" P&L are a concern and keep us cautious over the next 12 months. We are Equal Weight rated.

#### Target Price Valuation for LULU: \$175.00 from \$160.00

Our \$175 price target reflects a 14x FY26E P/E.

We believe a discount to history is warranted given that LULU is dealing with merchandising issues domestically, while operating at record margins as competition around them is heating up while US comps are trending negative with margin pressures growing.

#### Risks to Our Price Target and Rating for LULU

Upside risks **(1)** SSS accelerate; **(2)** North America slowdown is not as drastic as expected, and **(3)** international growth (particularly in China) is better than expected.

Downside risks **(1)** increasing competition within athleisure market; **(2)** slowing comps, and **(3)** international growth stalls

## Companies Mentioned in Report

Company Name	Ticker	Last Price (12/11/25)	Rating
lululemon athletica, inc.	LULU	\$187.01	Equal Weight

Source: Wells Fargo Securities LLC Estimates, FactSet

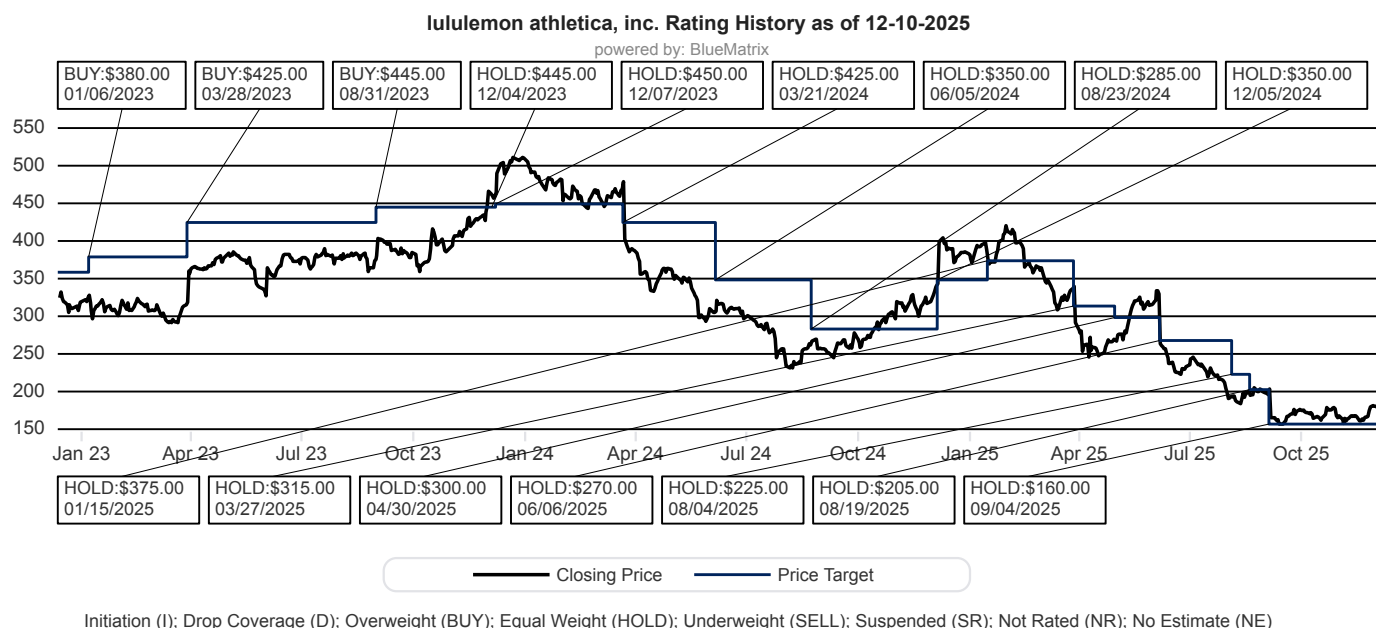
## Required Disclosures

I, Ike Boruchow, certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

## Additional Information Available Upon Request



Wells Fargo Securities, LLC, maintains a market in the common stock of lululemon athletica, inc..

Wells Fargo Securities, LLC, or any of its affiliates, intends to seek or expects to receive compensation for investment banking services from lululemon athletica, inc. in the next three months.

Wells Fargo Securities, LLC, or its affiliates has a significant financial interest in lululemon athletica, inc..

### STOCK RATING

**OW=Overweight:** Total return on stock expected to be 10%+ over the next 12 months. (BUY)

**EW=Equal Weight:** Total return on stock expected to be -10% to +10% over the next 12 months. (HOLD)

**UW=Underweight:** Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. (SELL)

**NR=Not Rated:** The rating and price target has been removed due to lack of fundamental basis to support the recommendation or due to legal, regulatory or company policy considerations.

FINRA regulation requires member firms to assign ratings to one of three rating categories: Buy, Hold and Sell. In accordance with FINRA regulation and solely to satisfy those disclosure requirements in the ratings distribution table and ratings history chart contained in these Required Disclosures, our rating of Overweight corresponds to a Buy rating; Equal Weight corresponds to a Hold rating; and Underweight corresponds to a Sell rating.

### As of December 11, 2025

52.2% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight. (BUY)

40.5% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight. (HOLD)

7.2% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight. (SELL)

Wells Fargo Securities, LLC has provided investment banking services for 43.6% of its Equity Research Overweight-rated companies. (BUY)



Wells Fargo Securities, LLC has provided investment banking services for 39.4% of its Equity Research Equal Weight-rated companies. (HOLD)  
Wells Fargo Securities, LLC has provided investment banking services for 30.6% of its Equity Research Underweight-rated companies. (SELL)

#### Important Disclosure for U.S. Clients

This report was prepared by Wells Fargo Securities Global Research Department ("WFS Research") personnel associated with Wells Fargo Securities, LLC ("Wells Fargo Securities").

WFS Research may, from time to time, provide clients with short-term trading views in its research reports regarding subject companies on which Wells Fargo Securities currently has equity research coverage. A short-term trading view offers a view on how the market price of a subject company's common equity may trend in absolute terms during the 30 days following the date of the short-term trading view. A short-term trading view on a subject company's common equity does not impact our fundamental investment rating or price target for that company, which reflect our view of how the subject company's common equity may perform over a one-year period. A short-term trading view may reach a different conclusion than the firm's fundamental investment rating and price target for a subject company and, therefore, short-term trading views could result in short-term price movements that are contrary to our fundamental investment rating and price target. Short-term trading views are not ratings and the firm does not intend, nor undertakes any obligation, to maintain, update or close out short-term trading views. Short-term trading views may not be suitable for all investors and have not been tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any short-term trading views discussed in WFS Research reports.

#### Important Disclosure for International Clients

**United Kingdom** – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a UK incorporated investment firm authorised and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the "Act"), the content of this report has been approved by WFSIL, an authorised person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. For the purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research.

**EEA** – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the EEA, this report is distributed by WFSIL or Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

**Australia** – Wells Fargo Securities, LLC and Wells Fargo Securities International Limited are exempt from the requirements to hold an Australian financial services license in respect of the financial services they provide to wholesale clients in Australia. Wells Fargo Securities, LLC is regulated under the laws of the United States and Wells Fargo Securities International Limited is regulated under laws of the United Kingdom. All such laws differ from Australian laws. Any offer or documentation provided to Australian recipients by Wells Fargo Securities, LLC or Wells Fargo Securities International Limited in the course of providing the financial services will be prepared in accordance with the laws of the United States or United Kingdom and not Australian laws.

**Canada** – This report is distributed in Canada by Wells Fargo Securities Canada, Ltd., a registered investment dealer in Canada and member of the Canadian Investment Regulatory Organization (CIRO) and, Member – Canadian Investor Protection Fund (CIPF). Wells Fargo Securities, LLC's research analysts may participate in company events such as site visits but are generally prohibited from accepting payment or reimbursement by the subject companies for associated expenses unless pre-authorized by members of Research Management.

**China** – Strictly Private and Confidential. For the sole use of the recipient only. Not to be copied or redistributed within the People's Republic of China.

**Brazil** - This report was not created for distribution to investors resident in Brazil or to the Brazilian public in general. Wells Fargo Securities, LLC is a broker-dealer registered in United States of America with and regulated by the U.S. Securities and Exchange Commission. Wells Fargo Securities, LLC is not registered in Brazil and its products, including this report and the securities mentioned in this report, have not been and will not be publicly issued, placed, distributed, offered or negotiated in the Brazilian capital markets, and, as a result, have not been and will not be registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários, the CVM). The offer of Wells Fargo Securities, LLC's products, including this report and any securities mentioned in this report, is intended only for residents in the countries in which Wells Fargo Securities, LLC is authorized to operate.

#### About Wells Fargo Securities

Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of NYSE, FINRA, NFA and SIPC, Wells Fargo Prime Services, LLC, a member of FINRA, NFA and SIPC, Wells Fargo Securities Canada, Ltd., a member of IIROC and CIPF, Wells Fargo Bank, N.A. and Wells Fargo Securities International Limited, authorized and regulated by the Financial Conduct Authority.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in the report. This report, including any ratings it contains, does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should seek professional advice, including tax advice, to determine whether any advice or recommendation in the attached research report is suitable for their particular circumstances. The information in this report is provided as of the date of the report and has been obtained or derived from sources believed by WFS Research to be reliable, but WFS Research does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of WFS Research, at the time that the report was published, and are subject to change without notice.

All Wells Fargo Securities research reports published by WFS Research are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Clients may also receive our research via third party vendors. Not all research content is redistributed to our clients or available to third-party aggregators, nor is WFS Research responsible for the redistribution of our research by third-party aggregators.

Equity Strategists focus on investment themes across the equity markets and sectors. Any discussion within an Equity Strategy report of specific securities is not intended to provide a fundamental analysis of any individual company described therein. The information provided in Equity Strategy reports is subject to change without notice, and investors should not expect continuing information or additional reports relating to any security described therein.

Clients of WFS Research are permitted to store, display, analyze, modify, reformat, copy, duplicate and reproduce this report and the information contained within it for their own internal use and for no other purpose. Without the prior written consent of Wells Fargo Securities, no part of this report may be copied, duplicated or reproduced in any form by any other means. In addition, this report and its contents may not be redistributed or transmitted to any other party in whole or in part, directly or indirectly, including by means of any AI Technologies (defined below) through which this report or any portion thereof may be accessible by any third-party. "AI Technologies" means any deep learning, machine learning, and other artificial intelligence technologies, including without limitation any and all (a) proprietary algorithms, software, or systems that make use of or employ neural networks, statistical learning algorithms (such as linear and logistic regression, support vector machines, random forests or k-means clustering) or reinforcement learning, or curated data sets accessible by any of the foregoing or (b) proprietary embodied artificial intelligence and related hardware or equipment.

In addition, certain text, images, graphics, screenshots and audio or video clips included in this report are protected by copyright law and owned by Wells Fargo Securities, its affiliates or one or more third parties (collectively, "Protected Content"). Protected Content is made available to clients by Wells Fargo under license or otherwise in accordance with applicable law. Any use or publication of Protected Content included in this report for purposes other than fair use requires permission from Wells Fargo Securities or, in the case of content attributed to any third party, the third-party copyright owner. You may not alter, obscure, or remove any copyright, trademark or any other notices attached to or contained within this report. These Conditions of Use are not intended to, and will not, transfer or grant any rights in or to the report or the information contained within it other than those rights that are specifically described herein. All rights not expressly granted herein are reserved by Wells Fargo Securities or the third-party providers from whom Wells Fargo Securities has obtained the applicable information.

Any external website links included in this publication are not maintained, controlled or operated by Wells Fargo Securities. Wells Fargo Securities does not provide the products and services on these websites and the views expressed on these websites do not necessarily represent those of Wells Fargo Securities. Please review the applicable privacy and security policies and terms and conditions for the website you are visiting.

Copyright © 2025 Wells Fargo Securities, LLC

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE