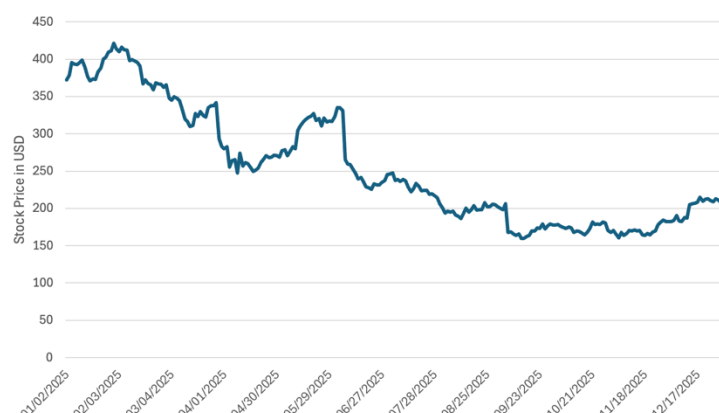


# Lululemon Athletica Inc



Investment View: Buy | Current Price: \$210 | 12-Mo Target Price : \$225 | Risk Rating: Medium

LULU Stock Price



Market Cap: **25.6 B**

LTM EPS: **14.35**

P/E: **14.6**

EV/EBIDTA LTM: **8.33x**

EV/EBIT LTM: **9.98x**

Beta: **1.01**

Revenue 2024: **10,588**

Revenue LTM: **11,073**

NI 2024: **1,814**

NI LTM: **1,740**

All in millions USD

## Overview

### Q2 Results

The company reported **Q3 FY2025 net revenue growth of 7% year over year to \$2.6 billion**, driven entirely by **strong international performance**, which increased **33%**, while **Americas revenue declined 2%**. Comparable sales rose **1%(or 2% on a constant-currency basis)**, reflecting a **5% decline in the Americas** offset by **18% growth internationally**. Despite top-line growth, **profitability weakened**. Gross profit increased **2% to \$1.4 billion**, but **gross margin contracted 290 basis points to 55.6%**, indicating elevated cost pressures. Operating income declined **11% to \$435.9 million**, with **operating margin compressing 350 basis points to 17.0%**. The effective tax rate increased modestly to **30.5%**, and **diluted EPS declined to \$2.59 from \$2.87** in the prior-year period. During the quarter, the company continued its physical expansion, opening **12 net new company-operated stores**, bringing the total store count to **796**.

### FY Guidance

For full-year fiscal 2025, the company expects **net revenue of \$10.96–\$11.05 billion**, representing **reported growth of approximately 4%**, or **5–6% growth excluding the impact of the 53rd week in FY2024**. **Diluted earnings per share are guided to \$12.92–\$13.02**, based on an assumed **effective tax rate of approximately 30%**. Guidance incorporates an estimated **\$210 million reduction in operating income**, net of mitigation efforts, reflecting management's assumptions around **higher U.S. import tariffs and the elimination of the de minimis exemption**. Mitigation initiatives include **vendor savings and pricing actions**, though management cautioned that results remain sensitive to tariff levels, sourcing savings, consumer demand, and the timing of regulatory changes. The outlook **excludes any potential future share repurchases** and reflects management's expectations as of the date of the release, with actual results subject to macroeconomic, regulatory, and execution-related uncertainties.

### Investment Thesis

Lululemon's recent stock decline is driven by cyclical weakness product cycles rather than structural issues. The company remains a leader in premium athletic apparel with strong brand power, margins, and customer loyalty. International markets—especially China—and the underpenetrated men's segment offer significant long-term growth opportunities, while recent management changes support a positive medium-term outlook.

# Company Summary

Lululemon athletica inc. is principally a designer, distributor, and retailer of technical athletic apparel, footwear, and accessories. The company offers a comprehensive line of technical athletic apparel, footwear, and accessories marketed under the lululemon brand. Its apparel assortment includes items such as pants, shorts, tops, and jackets designed to support a healthy lifestyle, including athletic activities such as yoga, running, training, and other physical activities. The company also offers apparel designed for being on the move and fitness-inspired use, as well as accessories.

## Omnichannel operating model

lululemon operates through an integrated omnichannel model that connects online and in-store operations. Customers can purchase products online or through a digital app and pick them up at a physical store. Store educators are able to access inventory across other locations and arrange for products to be shipped directly to a customer's home or to another store.

E-commerce orders can be fulfilled using inventory from both distribution centers and retail locations, increasing product availability. Customers may return online purchases either online or in-store. All inventory is managed through a single, unified pool, allowing products

## Omnichannel operating model

lululemon operates in over 25 countries worldwide and organizes its operations into four regional markets: Americas, Mainland China, Asia Pacific (APAC), and Europe and the Middle East (EMEA). For reporting purposes, the company reports three operating segments: Americas, Mainland China, and Rest of World, with Rest of World comprising the APAC and EMEA regions on a combined basis.

The Americas segment represents the company's core business, accounting for approximately 75% of net revenue. The Mainland China market has experienced strong growth, with a sales compound annual growth rate (CAGR) of 37.8% over the past three years.

## Strategy

Lululemon's strategy focuses on **premium product innovation, brand-led demand, and international expansion**, supported by an **omni-channel retail model** and an **asset-light operating structure**.

The company differentiates itself through technically advanced fabrics, functional design, and a strong connection with its customer community, which supports premium pricing and brand loyalty. Product innovation remains central to maintaining relevance and driving repeat purchases, particularly in core categories.

Geographically, Lululemon is prioritizing **international growth**, with **China Mainland** identified as a key long-term growth engine. Management expects a significant portion of future store openings and revenue growth to come from international markets, while the Americas remain the primary profit base.

The company also highlights the **men's category** as a meaningful growth opportunity, alongside expansion into adjacent categories such as accessories and footwear to increase addressable market size.

Lululemon operates an **outsourced manufacturing model**, retaining control over design and quality while limiting capital intensity, which supports high margins and strong returns on invested capital as the business scales globally

Lululemon operates in the luxury athletic apparel (athleisure) sector, a segment that has grown significantly in popularity over the past several years. The company faces competitive pressure from two primary directions. On one side are established athletic brands that offer similar-quality products at lower price points, such as Nike and adidas. On the other side are newer competitors positioned in the premium segment that offer comparable products at similar price levels, including Vuori, Alo Yoga, and Athleta. (Source: CNN)

The global athleisure market was estimated at USD 393.7 billion in 2024 and is expected to reach USD 902.4 billion by 2033, reflecting strong long-term growth prospects. (Source: Yahoo Finance)

## US Market

In the United States, the athleisure market generated **USD 93.5 billion in revenue in 2022** and is projected to reach **USD 176.5 billion by 2030**. The U.S. market is expected to grow at a **compound annual growth rate (CAGR) of 8.3%** from 2023 to 2030, with premium athleisure representing a significant portion of this growth. (Source: Grand View Research)

## US-Macro

- Macroeconomic conditions continued to pressure discretionary consumer spending toward the end of 2025, though the impact remains uneven across income groups. The University of Michigan Consumer Sentiment Index stood at **52.9 in December 2025**, slightly above November levels but still well below pre-pandemic norms, signaling ongoing consumer caution. Lower- and middle-income households remain most affected, while higher-income consumers—lululemon’s core demographic—have shown greater resilience.
- Cost pressures remain elevated across the apparel industry due to higher tariff rates implemented earlier in 2025 and continued labor and input cost inflation in major Asian sourcing regions. While global supply chains have largely normalized, these structural pressures limit margin expansion. For lululemon, cost inflation represents a near-term margin headwind, although the company has historically mitigated these pressures through selective pricing, product mix, and supply chain efficiencies.
- Inflation trends improved modestly into year-end. According to the U.S. Bureau of Labor Statistics, **core CPI for November 2025 was 2.6%**.
- Labor market conditions softened further by year-end. U.S. unemployment reached approximately **4.2% in December 2025**, up from **3.7% in early 2024**, while long-term unemployment remained elevated at roughly **1.9 million individuals**. Although the labor market remains relatively stable, this trend suggests slower

China’s athleisure market has expanded rapidly, supported by urbanization, rising disposable incomes, and an increasing focus on health and wellbeing. Athleisure, which combines athletic functionality with everyday wear, has become a mainstream category, particularly among urban consumers. The broader Chinese sportswear market was projected to reach approximately **USD 82.8 billion by 2024**, while the yoga apparel segment alone is expected to reach **USD 3 billion by 2028**, growing at a CAGR of over **9%**.

Consumer Behavior and Preferences

- Chinese consumers typically purchase athleisure products every **three to six months** and exhibit notable price sensitivity, with most spending **under USD 55 per purchase**. Comfort is the most important purchase factor, followed by price and design. Despite this price sensitivity, demand for premium athleisure continues to grow in **Tier 1 and Tier 2 cities**, where consumers have higher disposable incomes. Athleisure has become integrated into daily life, with over **two-thirds of consumers** wearing it regularly beyond exercise. There is also a strong preference for domestic brands, reflecting increased confidence in local product quality and fit.

Channels and Omnichannel Retail

- Physical stores remain the primary purchasing channel, followed closely by e-commerce platforms. Consumers value the ability to touch and assess comfort in-store, while online channels support convenience and price comparison. Successful brands typically operate strong direct-to-consumer (DTC) models that integrate offline stores, brand websites, and major Chinese e-commerce platforms such as **Tmall** and **JD.com**.

Product and Design Trends

- Chinese consumers favor simple, modern designs with bright or bold colors, alongside functional features associated with professional sports. Popular categories include ball-sport-related apparel (e.g., basketball and soccer), running, and outdoor sports. Fabric performance is critical, with expectations for softness, elasticity, breathability, moisture-wicking, and body-enhancing fits tailored to Asian body types.

Competitive Landscape

- The Chinese athleisure market includes both global and domestic competitors. lululemon operates in the premium segment, leveraging community-based marketing, immersive in-store experiences, and strong brand identity, and has experienced rapid revenue growth in China. In contrast, domestic brand **Maia Active** competes through more affordable pricing, Asian-specific fits, and strong digital and social-media engagement, supported by its acquisition by **Anta Sports**. This dynamic highlights a broader trend in which global brands succeed through premium positioning, while domestic brands gain share through localization and value.

Outlook

China’s athleisure market is expected to continue growing, supported by lifestyle changes, increased fitness participation, and ongoing omnichannel retail development. Brands that balance functionality, comfort, localized design, and community engagement while offering a clear value proposition are best positioned for continued success.

- Alo Yoga is a **premium activewear and lifestyle brand** positioned at the intersection of performance, fashion, and wellness, targeting **affluent, style-conscious consumers**. The brand operates **~100+ company-owned stores globally**, concentrated in **major U.S. metropolitan areas** with a growing international presence, and maintains a strong **direct-to-consumer digital channel** that supports high brand engagement and margins.
- Vuori is a **performance-lifestyle activewear brand** focused on versatility, comfort, and sustainability, targeting **young professionals and active adults**. The company operates **~50–60 stores**, primarily in the **United States**, with locations concentrated in **coastal and lifestyle-oriented markets**, complemented by a rapidly growing DTC business that represents the majority of sales.
- Maia Active is a **China-based women's activewear brand** focused on fit, functionality, and inclusive sizing for **Asian female consumers**. The brand operates **dozens of stores across major Chinese cities** and maintains a strong **online presence through domestic e-commerce platforms**, positioning it as a leading local competitor in China's premium women's activewear segment.
- Athleta, a subsidiary of **Gap Inc.**, is a **women's performance and lifestyle apparel brand** emphasizing inclusivity, sustainability, and wellness. The brand operates **~250 stores**, primarily in the **United States**, with a smaller international footprint, and targets **adult women** seeking functional yet stylish activewear across fitness, work, and everyday use.
- Nike is a **global athletic apparel and footwear leader** with unmatched brand scale, innovation capabilities, and marketing reach. The company operates **~1,000+ Nike-owned retail locations worldwide**, with a significant presence across **North America, Europe, and Asia**, supported by a vast wholesale network and robust digital ecosystem. Nike targets a broad demographic spanning **elite athletes to everyday consumers**, positioning it as a dominant competitor across performance and lifestyle categories.

## Financial Statements

Figure 1 – Income Statement

lululemon athletica inc.	JAN '05	JAN '06	JAN '07	JAN '08	JAN '09	JAN '10	JAN '11	JAN '12	JAN '13	JAN '14	JAN '15	JAN '16	JAN '17	JAN '18	JAN '19	JAN '20	JAN '21	JAN '22	JAN '23	JAN '24	JAN '25	OCT '25
																						LTM
<b>Sales</b>	\$41	84	149	270	353	453	712	1,001	1,370	1,591	1,797	2,061	2,344	2,649	3,288	3,979	4,402	6,257	8,111	9,619	10,588	11,073
<b>YoY % Growth</b>		106.5%	77.0%	81.3%	30.9%	28.1%	57.1%	40.6%	36.9%	16.1%	12.9%	14.7%	13.8%	13.0%	24.1%	21.0%	10.6%	42.1%	29.6%	18.6%	10.1%	
Americas																		3,778	5,300	6,817	7,632	7,928
YoY growth																			40%	29%	12%	4%
China Mainland																		297.7	520.4	681.7	963.8	1,361.3
YoY growth																			79%	31%	41%	41%
Rest of World																		326.4	436.3	611.4	1,023.9	1,298.6
YoY growth																			34%	40%	67%	27%
COGS excluding D&A a partir de jan 16 cogs con parte de d&a	\$18	39	68	117	159	209	292	401	565	702	825	1,063	1,145	1,250	1,471	1,756	1,938	2,648	3,618	4,010	4,317	4,117
<b>Gross Profit</b>	\$22	45	81	153	195	244	420	600	806	889	973	997	1,200	1,399	1,817	2,223	2,464	3,609	4,492	5,609	6,271	6,957
<b>Gross Profit Margin</b>	55%	54%	54%	57%	55%	54%	59%	60%	59%	56%	54%	48%	51%	53%	55%	56%	56%	58%	55%	58%	59%	63%
Depreciation & Amortization Expense	\$1	2	5	8	16	21	25	30	43	49	58	73	88	108	122	162	185	224	292	374	447	495
Depreciation	\$1	2	4	8	15	20	24	29	42	48	57	73	87	108	122	162	180	215	283	374	444	489
Amortization of Intangibles	\$0	0	0		1	1	1	2	1	1	1	1	1	1			5	9	9	5	3	7
SG&A Expense	\$11	26	53	93	118	136	213	282	386	449	538	628	778	904	1,110	1,334	1,609	2,225	2,757	3,397	3,762	4,017
Other Operating Expense	\$12	13																				
EBITDA	(\$1)	6	21	60	72	107	205	317	419	440	434	442	509	564	828	1,051	1,005	1,558	1,620	2,512	2,952	2,940
YoY Growth			243%	182%	21%	48%	91%	55%	32%	5%	-1%	2%	15%	11%	47%	27%	-4%	58%	4%	55%	18%	0%
EBITDA Margin	-1.4%	7.4%	14.3%	22.2%	20.5%	23.7%	28.8%	31.7%	30.6%	27.7%	24.2%	21.5%	21.7%	21.3%	25.2%	26.4%	22.8%	24.9%	20.0%	26.1%	27.9%	26.5%
<b>EBIT (Operating Income)</b>	(\$2)	4	17	52	57	87	180	287	376	391	376	389	421	456	706	889	820	1,333	1,328	2,133	2,506	2,448
EBIT Margin	-4%	4.4%	11.2%	19.1%	16.0%	19.1%	25.3%	28.7%	27.5%	24.6%	20.9%	17.9%	18.0%	17.2%	21.5%	22.3%	18.6%	21.3%	16.4%	22.2%	23.7%	22.1%
Pretax Income	(\$2)	4	16	53	57	87	183	289	381	397	383	368	423	460	715	897	819	1,334	1,333	2,176	2,576	2,483
Consolidated Net Income	(\$1)	1	8	32	41	58	122	185	271	280	239	266	303	259	484	646	589	975	855	1,550	1,815	1,741
Minority Interest	\$0	-	(0)	-	-	-	0	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income</b>	(\$1)	1	8	32	41	58	122	184	271	280	239	266	303	259	484	646	589	975	855	1,550	1,815	1,741
Net Income Margin												12.9%	12.9%	9.8%	14.7%	16.2%	13.4%	15.6%	10.8%	16.1%	17.1%	15.7%
Discontinued Operations				(1)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income available to Common	(\$1)	1	8	31	39	58	122	184	271	280	239	266	303	259	484	646	589	975	855	1,550	1,815	1,741

Figure 2 – Income Statement Quarters

lululemon athletica inc.	JAN '23 FY	JAN '24 FY	APR '24 Q1	JUL '24 Q2	OCT '24 Q3	JAN '25 Q4	JAN '25 FY	APR '25 Q1	JUL '25 Q2	OCT '25 Q3
<b>Sales</b>	\$8,111	9,619	2,209	2,371	2,397	3,611	10,588	2,371	2,525	2,566
<b>QoQ growth %</b>			11.0%	8.0%	8.0%		10.07%	7.32%	6.50%	7.06%
<b>Comparable Sales growth %</b>			7.0%	3.0%	3.0%			1.0%	1.0%	2.0%
Americas			1,622	1,741	1,770	6,158	7,928	1,675	1,758	1,733
<b>QoQ growth %</b>			4.0%	2.0%	2.0%			3.22%	0.96%	-2.09%
<b>Comparable Sales growth %</b>			0.0%	-2.0%	-2.0%			-1.0%	-3.0%	-5.0%
China Mainland			304	314	318	1,043	1,361	368	393	465
<b>QoQ growth %</b>			52.0%	37.0%	36.0%			21.17%	25.05%	46.18%
<b>Comparable Sales growth %</b>			33.0%	23.0%	24.0%			8.0%	16.0%	25.0%
Rest of World			283	315	308	991	1,299	328	374	367
<b>QoQ growth %</b>			30.0%	27.0%	23.0%			15.97%	18.59%	19.24%
<b>Comparable Sales growth %</b>			26.0%	20.0%	20.0%			7.0%	9.0%	9.0%
COGS	\$3,335	3,635	838	855	883	1,298		875	930	1,014
							6.55%	4.36%	8.73%	14.93%
<b>Gross Profit</b>	\$4,775	5,984	1,371	1,516	1,514	2,314	6,715	1,496	1,595	1,552
<b>Gross Profit Margin</b>	59%	62%	62%	64%	63%	64%	63%	63%	63%	60%
Depreciation & Amortization Expense	\$292	379	96	104	114	134	447	115	120	127
Depreciation	\$283	374	96	104	112	132	444	113	118	126
Amortization of Intangibles	\$9	5	-	-	1	2	3	2	2	2
Gross Income	\$4,484	5,604	1,275	1,412	1,400	2,180	6,268	1,381	1,475	1,424
<b>Gross Income Margin</b>	55%	58.3%	57.7%	59.6%	58.4%	60.4%	59.2%	58.3%	58.4%	55.5%
<b>QoQ growth %</b>								8.3%	4.5%	1.7%
SG&A Expense	\$2,750	3,397	842	872	910	1,152	3,768	943	952	988
<b>% of rev</b>	34%	35.31%	38.14%	36.77%	37.96%	31.89%	35.59%	39.77%	37.69%	38.51%
YoY growth %								11.92%	9.14%	8.62%
EBITDA	\$2,025	2,587	528	644	604	1,162	2,946	553	644	563
EBITDA QoQ growth							13.9%	4.7%	0.0%	-6.8%
EBITDA Margin	25%	27%	24%	27%	25%	32%	28%	23%	25%	22%
<b>EBIT (Operating Income)</b>	\$1,734	2,208	433	540	491	1,029	2,500	439	524	436
<b>Margin</b>	21.4%	23.0%	19.6%	22.8%	20.5%	28.5%	23.6%	18.5%	20.7%	17.0%
<b>QoQ growth %</b>								1.4%	-3.0%	-11.2%
Pretax Income	\$1,333	2,176	456	558	504	1,058	2,576	450	534	442
<b>QoQ growth %</b>								-1.2%	-4.4%	-12.4%
Income Taxes	\$478	626	135	165	153	309	761	136	163	135
Consolidated Net Income	\$855	1,550	321	393	352	748	1,815	315	371	307
<b>Net Income</b>	\$855	1,550	321	393	352	748	1,815	315	371	307
Net Income Margin	11%	16.1%	14.6%	16.6%	14.7%	20.7%	17.1%	13.3%	14.7%	12.0%
Net Income available to Common	\$855	1,550	321	393	352	748	1,815	315	371	307
Per Share										
EPS (recurring)	\$9	12	3	3	3	6	15	2	3	3
EPS (basic)	\$7	12	3	3	3	6	15	3	3	3

Figure 3 – Balance Sheet Quarters

lululemon athletica inc.										
	JAN '23 FY	JAN '24 FY	APR '24 Q1	JUL '24 Q2	OCT '24 Q3	JAN '25 Q4	JAN '25 FY	APR '25 Q1	JUL '25 Q2	OCT '25 Q3
<b>Assets</b>										
Cash & Short-Term Investments	\$1,155	2,244	1,901	1,610	1,188	1,984	1,984	1,325	1,156	1,036
Short-Term Receivables	\$133	125	126	126	143	120	120	141	139	250
Inventories	\$1,447	1,324	1,345	1,429	1,801	1,442	1,442	1,652	1,723	1,998
Other Current Assets	\$424	368	396	406	473	434	434	464	511	640
<b>Total Current Assets</b>	<b>\$3,159</b>	<b>4,061</b>	<b>3,768</b>	<b>3,572</b>	<b>3,605</b>	<b>3,980</b>	<b>3,980</b>	<b>3,583</b>	<b>3,529</b>	<b>3,924</b>
Net Property, Plant & Equipment	\$2,239	2,811	2,825	2,918	3,058	3,197	3,197	3,396	3,522	3,552
Intangible Assets	\$46	24	24	24	178	171	171	178	182	183
Deferred Tax Assets	\$6	9	9	9	9	17	17	18	21	22
Other Assets	\$156	187	202	222	233	238	238	256	269	275
Deferred Charges	\$115	134	144	153	155	162	162	169	176	183
Tangible Other Assets	\$41	53	58	69	77	76	76	88	92	
<b>Total Assets</b>	<b>\$5,607</b>	<b>7,092</b>	<b>6,828</b>	<b>6,744</b>	<b>7,084</b>	<b>7,603</b>	<b>7,603</b>	<b>7,431</b>	<b>7,523</b>	<b>7,955</b>
<b>Liabilities &amp; Shareholders' Equity</b>										
<b>Current</b>										
ST Debt & Curr. Portion LT Debt	\$208	249	254	278	290	275	275	282	298	317
Accounts Payable	\$173	348	262	317	386	271	271	304	373	352
Income Tax Payable	\$174	12	53	19	97	183	183	31	27	63
Other Current Liabilities	\$937	1,021	814	854	1,030	1,110	1,110	955	859	1,110
<b>Total Current Liabilities</b>	<b>\$1,492</b>	<b>1,631</b>	<b>1,384</b>	<b>1,469</b>	<b>1,804</b>	<b>1,840</b>	<b>1,840</b>	<b>1,572</b>	<b>1,557</b>	<b>1,842</b>
<b>Long-Term</b>										
Long-Term Debt	\$862	1,154	1,148	1,181	1,224	1,301	1,301	1,425	1,465	1,445
Deferred Tax Liabilities	\$55	30	29	29	33	98	98	98	62	112
Other Liabilities	\$49	45	48	34	37	41	41	45	52	54
<b>Total Liabilities</b>	<b>\$2,458</b>	<b>2,860</b>	<b>2,609</b>	<b>2,712</b>	<b>3,098</b>	<b>3,279</b>	<b>3,279</b>	<b>3,141</b>	<b>3,136</b>	<b>3,453</b>
<b>Equity</b>										
Common Equity	\$3,149	4,232	4,220	4,032	3,986	4,324	4,324	4,290	4,387	4,502
Common Stock Par/Carry Value	\$1	1	1	1	1	1	1	1	1	1
Additional Paid-In Capital/Capital Surplus	\$475	575	570	589	610	638	638	633	632	646
Retained Earnings	\$2,926	3,920	3,944	3,752	3,695	4,110	4,110	3,993	4,086	4,204
Cumulative Translation Adjustment/Unrealized For. Exch. Gain	(\$253)	(264)								
Other Appropriated Reserves			(295)	(310)	(320)	(424)	(424)	(337)	(331)	(349)
<b>Total Shareholders' Equity</b>	<b>\$3,149</b>	<b>4,232</b>	<b>4,220</b>	<b>4,032</b>	<b>3,986</b>	<b>4,324</b>	<b>4,324</b>	<b>4,290</b>	<b>4,387</b>	<b>4,502</b>
<b>Total Equity</b>	<b>\$3,149</b>	<b>4,232</b>	<b>4,220</b>	<b>4,032</b>	<b>3,986</b>	<b>4,324</b>	<b>4,324</b>	<b>4,290</b>	<b>4,387</b>	<b>4,502</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$5,607</b>	<b>7,092</b>	<b>6,828</b>	<b>6,744</b>	<b>7,084</b>	<b>7,603</b>	<b>7,603</b>	<b>7,431</b>	<b>7,523</b>	<b>7,955</b>



Figure 4 – Balance Sheet

lululemon athletica inc.	JAN '06	JAN '07	JAN '08	JAN '09	JAN '10	JAN '11	JAN '12	JAN '13	JAN '14	JAN '15	JAN '16	JAN '17	JAN '18	JAN '19	JAN '20	JAN '21	JAN '22	JAN '23	JAN '24	JAN '25
			Restate																	
<b>Assets</b>																				
Cash & Short-Term Investments	\$4	16	53	57	160	316	409	590	699	665	502	735	991	881	1,094	1,151	1,260	1,155	2,244	1,984
Cash Only	\$4	16	53	57	160	316	409	590	699	665	502	735	991	818	890	968	941	1,155	2,244	1,984
Total Short-Term Investments	\$0	-	-	-	-	-	-	-	-	-	-	-	-	-	64	203	183	319	-	-
Short-Term Receivables	\$2	3	4	4	8	9	5	6	12	14	13	9	19	36	40	76	77	133	125	120
Accounts Receivables, Net	\$1	2	4	4	-	9	5	6	12	14	13	9	19	36	40	62	77	133	125	120
Other Receivables	\$0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	13	-	-	-	-
Inventories	\$21	27	38	52	44	58	104	155	186	208	284	298	330	405	519	647	967	1,447	1,324	1,442
Other Current Assets	\$1	3	6	4	5	6	8	35	46	65	118	120	97	107	156	251	312	424	368	434
Prepaid Expenses	\$1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	82	141	142	137	148
Miscellaneous Current Assets	\$0	3	6	4	5	6	8	35	46	65	118	120	97	107	156	169	171	282	231	286
<b>Total Current Assets</b>	<b>\$27</b>	<b>49</b>	<b>100</b>	<b>117</b>	<b>216</b>	<b>389</b>	<b>527</b>	<b>787</b>	<b>943</b>	<b>951</b>	<b>917</b>	<b>1,163</b>	<b>1,436</b>	<b>1,429</b>	<b>1,808</b>	<b>2,124</b>	<b>2,615</b>	<b>3,160</b>	<b>4,061</b>	<b>3,980</b>
% of Total current assets excluding cash & i	<b>28%</b>	<b>22%</b>	<b>18%</b>	<b>17%</b>	<b>13%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>	<b>15%</b>	<b>16%</b>	<b>20%</b>	<b>18%</b>	<b>17%</b>	<b>17%</b>	<b>18%</b>	<b>22%</b>	<b>22%</b>	<b>25%</b>	<b>19%</b>	<b>19%</b>
Net Property, Plant & Equipment combi	\$10	19	44	62	62	71	163	215	256	296	350	424	474	567	1,361	1,481	1,731	2,239	2,811	3,197
Property and equipment, net																				
Right-of-use lease assets																				
Property, Plant & Equipment - Gr	\$14	26	59	88	107	138	254	306	375	454	553	702	817	973	1,883	2,171	2,560	3,226	4,029	4,658
Accumulated Depreciation	\$3	7	16	27	46	67	92	92	119	158	204	278	344	405	522	691	829	987	1,217	1,461
Machinery & Equipment	\$0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software and Equipm	\$1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased Property	\$2	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation Equipment	\$0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Property, Plant & Equipm	\$0	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long-Term Investments</b>					4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Long-Term Investments					4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	\$3	3	8	8	8	27	32	30	28	26	25	25	25	24	24	467	458	46	24	171
Deferred Tax Assets	\$0	1	1	19	15	8	9	15	18	16	12	26	33	27	31	7	6	6	9	17
Other Assets	\$1	0	2	6	2	4	4	4	5	7	11	21	31	37	56	107	132	156	187	238
<b>Total Assets</b>	<b>\$42</b>	<b>71</b>	<b>155</b>	<b>212</b>	<b>307</b>	<b>499</b>	<b>735</b>	<b>1,051</b>	<b>1,250</b>	<b>1,296</b>	<b>1,314</b>	<b>1,658</b>	<b>1,999</b>	<b>2,085</b>	<b>3,281</b>	<b>4,185</b>	<b>4,943</b>	<b>5,607</b>	<b>7,092</b>	<b>7,603</b>
<b>Liabilities &amp; Shareholders' Equity</b>																				
<b>Current</b>																				
ST Debt & Curr. Portion LT Debt			-	-	-	-	-	-	-	-	-	-	-	-	129	166	189	208	249	275
Accounts Payable	\$6	5	5	5	11	13	15	1	13	9	10	25	25	96	80	172	290	173	348	271
Income Tax Payable	\$1	9	6	2	8	18	9	40	1	20	38	30	16	67	26	8	134	174	12	183
Other																				
Accrued Payroll		-	8	6	11	17	23	28	19	30	44	55	70	109	134	130	205	248	326	205
accrued liabilities and others											25	9	13	16	113	212	331	399	349	559
unredeemed gift card liability											58	70	83	99	120	156	208	251	306	308
other current liabilities											51	52	86	113	12	24	49	38	40	38
Miscellaneous Current Liabiliti	\$6	17	17	32	29	37	57	65	81	101										
<b>Total Current Liabilities</b>	<b>\$12</b>	<b>31</b>	<b>36</b>	<b>45</b>	<b>59</b>	<b>85</b>	<b>103</b>	<b>133</b>	<b>114</b>	<b>160</b>	<b>226</b>	<b>241</b>	<b>293</b>	<b>501</b>	<b>620</b>	<b>883</b>	<b>1,405</b>	<b>1,492</b>	<b>1,631</b>	<b>1,840</b>
% of current liabilities excluding short	<b>32%</b>	<b>46%</b>	<b>31%</b>	<b>29%</b>	<b>28%</b>	<b>29%</b>	<b>26%</b>	<b>24%</b>	<b>16%</b>	<b>19%</b>	<b>21%</b>	<b>21%</b>	<b>23%</b>	<b>34%</b>	<b>28%</b>	<b>37%</b>	<b>46%</b>	<b>35%</b>	<b>34%</b>	<b>36%</b>
<b>Long-Term</b>																				
Long-Term Debt	\$0	-	-	-	-	-	-	-	-	-	-	-	-	-	612	633	692	862	1,154	1,301
Capital and Operating Lease Obligations															612	633	692	862	1,154	1,301
Deferred Tax Liabilities	\$1	0	0	0	-	-	-	-	4	4	11	7	1	14	43	59	53	55	30	96
Other Liabilities	\$1	2	7	11	16	20	25	30	36	43	50	49	108	124	54	52	52	49	45	41
<b>Total Liabilities</b>	<b>\$14</b>	<b>33</b>	<b>43</b>	<b>57</b>	<b>74</b>	<b>105</b>	<b>129</b>	<b>164</b>	<b>153</b>	<b>207</b>	<b>287</b>	<b>298</b>	<b>402</b>	<b>639</b>	<b>1,329</b>	<b>1,627</b>	<b>2,202</b>	<b>2,458</b>	<b>2,860</b>	<b>3,279</b>
<b>Equity</b>																				
Prefered Stock (Carrying Value)	\$0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Equity	\$28	37	112	155	233	390	601	887	1,097	1,090	1,028	1,360	1,597	1,446	1,952	2,559	2,740	3,149	4,232	4,324
Total Shareholders' Equity	\$28	37	112	155	233	390	601	887	1,097	1,090	1,028	1,360	1,597	1,446	1,952	2,559	2,740	3,149	4,232	4,324
Accumulated Minority Interest	\$0	1	-	-	-	4	5	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Equity</b>	<b>\$28</b>	<b>38</b>	<b>112</b>	<b>155</b>	<b>233</b>	<b>394</b>	<b>606</b>	<b>887</b>	<b>1,097</b>	<b>1,090</b>	<b>1,028</b>	<b>1,360</b>	<b>1,597</b>	<b>1,446</b>	<b>1,952</b>	<b>2,559</b>	<b>2,740</b>	<b>3,149</b>	<b>4,232</b>	<b>4,324</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$42</b>	<b>71</b>	<b>155</b>	<b>212</b>	<b>307</b>	<b>499</b>	<b>735</b>	<b>1,051</b>	<b>1,250</b>	<b>1,296</b>	<b>1,314</b>	<b>1,658</b>	<b>1,999</b>	<b>2,085</b>	<b>3,281</b>	<b>4,185</b>	<b>4,943</b>	<b>5,607</b>	<b>7,092</b>	<b>7,603</b>
<b>Per Share</b>																				
Book Value per Share	\$0	0	1	1	2	3	4	6	8	8	7	10	12	11	15	20	21	25	34	36
Tangible Book Value per Share	\$0	0	1	1	2	3	4	6	7	7	7	10	12	11	15	16	18	24	33	34

All figures in millions of U.S. Dollar except per share items.

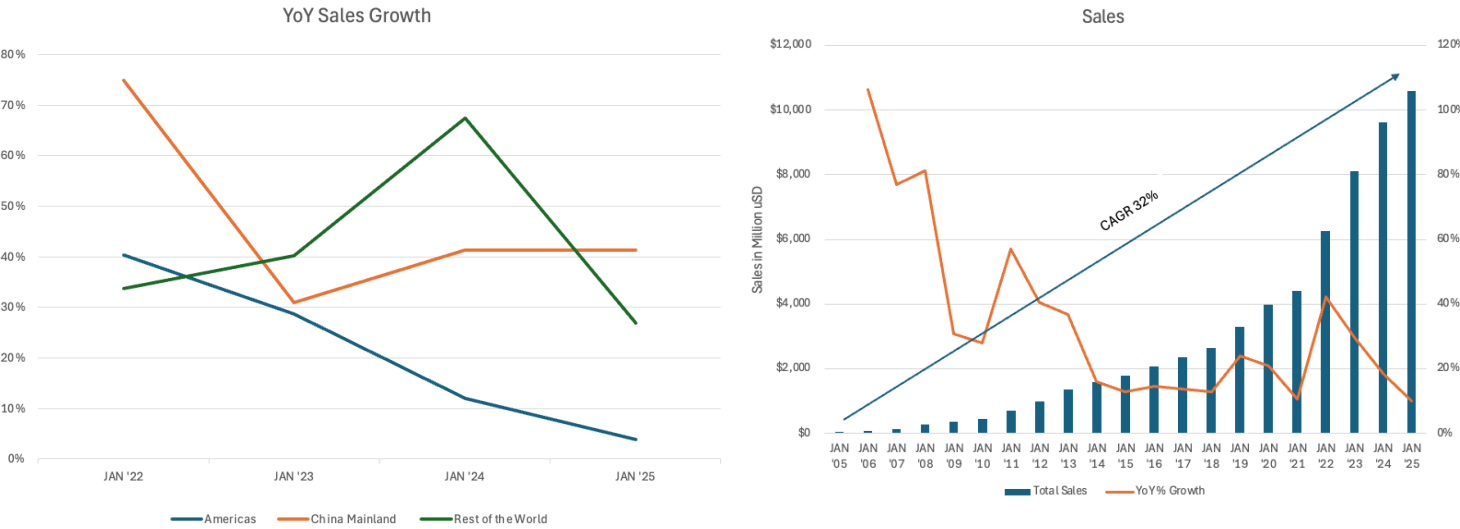


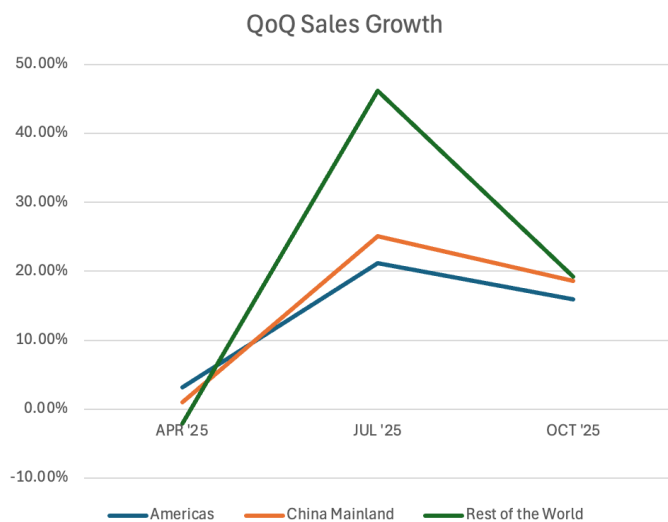
Figure 5 – Cash Flow Statement

lululemon athletica inc.	JAN '05	JAN '06	JAN '07	JAN '08	JAN '09	JAN '10	JAN '11	JAN '12	JAN '13	JAN '14	JAN '15	JAN '16	JAN '17	JAN '18	JAN '19	JAN '20	JAN '21	JAN '22	JAN '23	JAN '24	JAN '25	OCT '25 LTM
Operating Activities																						
Net Income / Starting Line	(\$1)	1	8	32	41	58	122	184	271	280	239	266	303	259	484	646	589	975	855	1,550	1,815	1,741
Depreciation & Amortization	\$1	2	5	8	16	21	25	30	43	49	58	73	88	108	122	162	185	224	292	379	447	495
Amortization of Intangible Assets	\$1	2	5	8	15	20	24	29	42	48	57	73	87	108	122	162	185	215	283	374	444	489
Deferred Taxes & Investment Tax Credit	(\$0)	(0)	(3)	2	(6)	0	11	(1)	(6)	1	2	11	(18)	(11)	17	24	35	(5)	3	(28)	57	57
Deferred Taxes	(\$0)	(0)	(3)	2	(6)	0	11	(1)	(6)	1	2	11	(18)	(11)	17	24	35	(5)	3	(28)	57	57
Other Funds	\$0	3	4	3	(0)	8	(2)	4	5	(1)	6	8	10	29	7	32	42	66	414	196	6	(26)
Funds from Operations	(\$0)	6	13	46	50	87	156	217	312	328	306	358	384	385	630	863	851	1,260	1,563	2,097	2,325	2,267
Changes in Working Capital	\$6	(17)	13	(9)	(3)	31	24	(14)	(32)	(50)	9	(60)	1	105	113	(194)	(48)	129	(597)	199	(52)	(406)
Receivables	(\$0)	(0)	(2)	1	1	(3)	1	7	(8)	(46)	(51)	(37)	(27)	(83)	(5)	(21)	(86)	(87)	(324)	(511)	67	(156)
Inventories	(\$4)	(11)	(5)	(11)	(20)	11	(8)	(46)	(51)	(37)	(27)	(83)	(2)	14	(2)	72	(15)	83	118	(107)	177	(57)
Accounts Payable	\$0	5	(1)	1	5	6	(5)	8	(13)	12	(2)	1	14	(2)	72	(15)	83	118	(107)	177	(57)	(30)
Income Taxes Payable	(\$0)	0	9	(3)	(2)	6	15	(4)	31	(35)	19	19	(10)	(16)	53	40	(24)	121	36	(173)	157	(40)
Other Accruals	\$9	(11)	12	(0)	14	(4)	7	1	4	7	23	40	(8)	47	46	16	92	179	113	(1)	81	91
Other Assets/Liabilities	\$1	1	1	5	(1)	15	13	21	(3)	3	(5)	(37)	10	96	28	(37)	(102)	35	(128)	130	(79)	(105)
Net Operating Cash Flow	\$5	(10)	26	36	46	118	180	204	280	278	314	299	384	489	743	669	803	1,389	966	2,296	2,273	1,861
Investing Activities																						
Capital Expenditures	(\$4)	(8)	(12)	(35)	(44)	(15)	(43)	(122)	(93)	(106)	(120)	(143)	(150)	(158)	(226)	(283)	(229)	(395)	(639)	(652)	(689)	(733)
% of rev	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditures (Fixed Assets)	(\$4)	(8)	(12)	(29)	(41)	(15)	(30)	(117)	(93)	(106)	(120)	(143)	(150)	(158)	(226)	(283)	(229)	(395)	(639)	(652)	(689)	(733)
Capital Expenditures (Other Assets)	\$0	-	-	(6)	(3)	-	(12)	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets from Acquisitions	\$0	(0)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	(453)	-	-	-	(154)	(23)
Purchase/Sale of Investments	\$0	-	-	-	(3)	(1)	-	-	-	-	-	-	-	(7)	-	-	-	-	-	-	-	-
Purchase of Investments	\$0	-	-	-	3	1	-	-	-	-	-	-	-	7	-	-	-	-	-	-	-	-
Other Funds	\$0	-	-	(1)	-	-	-	-	-	-	-	-	-	(8)	(17)	5	(14)	(33)	69	(2)	45	44
Other Uses	\$0	-	-	(1)	-	-	-	-	-	-	-	-	-	(8)	(17)	-	(15)	(33)	-	(2)	(5)	(4)
Net Investing Cash Flow	(\$4)	(8)	(13)	(35)	(47)	(16)	(43)	(122)	(93)	(106)	(120)	(143)	(150)	(173)	(243)	(278)	(696)	(428)	(670)	(654)	(798)	(712)
Financing Activities																						
Cash Dividends Paid	\$0	(69)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Dividends	\$0	(69)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Capital Stock	\$0	93	0	31	1	1	6	10	11	8	(145)	(269)	(22)	(95)	(581)	(155)	(48)	(794)	(432)	(516)	(1,617)	(1,224)
Repurchase of Common & Preferred Stk.	\$0	-	-	-	-	-	-	-	-	-	(147)	(274)	(29)	(100)	(598)	(173)	(64)	(813)	(444)	(559)	(1,637)	(1,242)
Sale of Common & Preferred Stock	\$0	93	0	31	1	1	6	10	11	8	3	5	7	6	18	18	15	18	12	42	20	18
Proceeds from Sale of Stock	\$0	93	0	31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Stock Options	\$0	-	-	0	1	1	6	10	11	8	3	5	7	6	18	18	15	18	12	42	20	18
Issuance/Reduction of Debt, Net	\$1	(4)	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Current Debt	(\$0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Long-Term Debt	\$1	(4)	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Long-Term Debt	\$4	8	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reduction in Long-Term Debt	(\$3)	(12)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Funds	\$0	-	-	-	12	(4)	8	6	(17)	1	(5)	(4)	(3)	(3)	(10)	(22)	(32)	(51)	(35)	(33)	(35)	(39)
Other Uses	\$0	-	-	-	-	-	-	-	(26)	(6)	(5)	(4)	(3)	(3)	(10)	(22)	(32)	(51)	(35)	(33)	(35)	(39)
Other Sources	\$0	-	-	-	12	(4)	8	6	10	6	0	-	1	-	-	-	-	-	-	-	-	-
Net Financing Cash Flow	\$1	20	1	31	13	(3)	14	15	(5)	9	(149)	(274)	(25)	(98)	(590)	(177)	(81)	(845)	(467)	(549)	(1,653)	(1,263)
All Activities																						
Exchange Rate Effect	(\$0)	(0)	(1)	4	(9)	4	6	(4)	(1)	(72)	(80)	(45)	23	38	(19)	(2)	30	(7)	(34)	(4)	(82)	(39)
Net Change in Cash	\$3	1	12	37	4	103	157	93	181	108	(34)	(163)	233	256	(109)	212	57	109	(105)	1,089	(260)	(153)
Free Cash Flow	\$2	(18)	13	7	6	102	150	87	187	172	195	155	235	331	517	386	574	995	328	1,644	1,583	1,128
Free Cash Flow per Share	\$0	(0)	0	0	0	1	1	1	1	1	1	1	2	2	4	3	4	8	3	13	13	10
Free Cash Flow Yield (%)																						

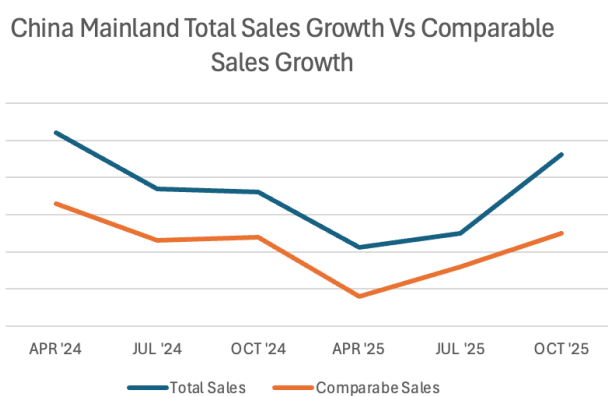
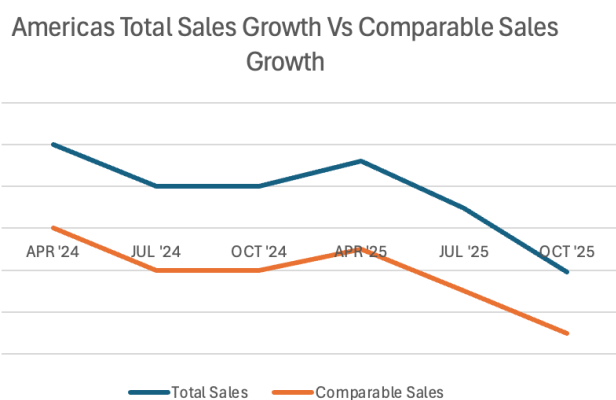
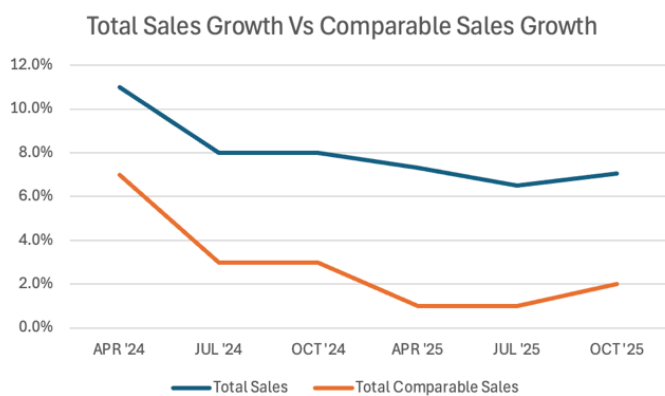
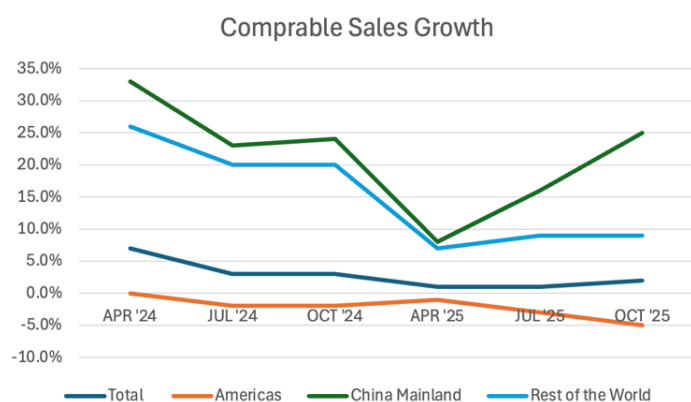
All figures in millions of U.S. Dollar except per share items.

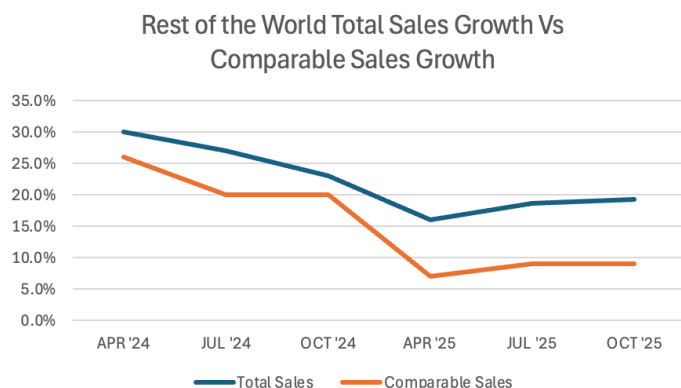
Figure 6 & 7 - Sales





Figures 8,9,10,11 & 12 – Comparables Sales





Over the past 20 years, the company has delivered a strong sales CAGR of approximately 32%, demonstrating its ability to consistently acquire new customers and drive top-line growth over an extended period.

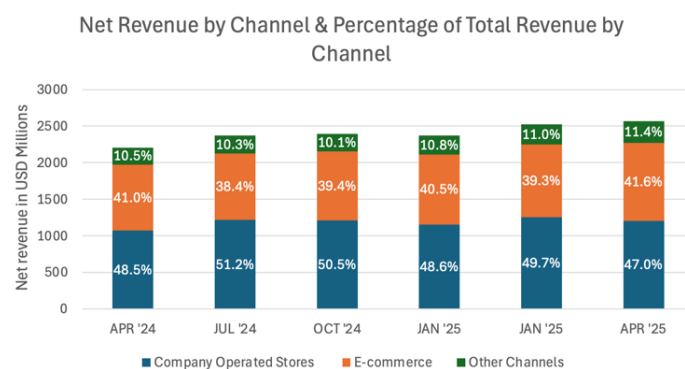
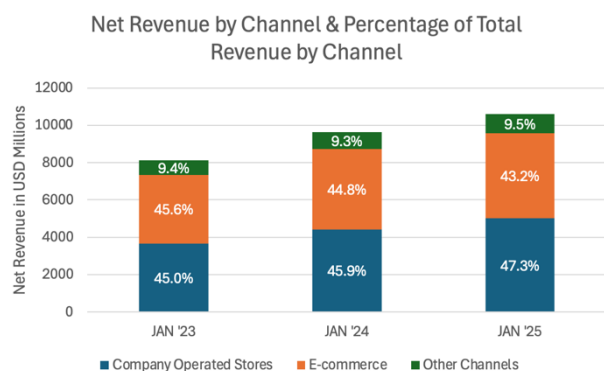
More recently, growth in the Americas has decelerated. In fiscal years 2023 and 2024, sales in the region increased by approximately 12% and 4% year-over-year, respectively, reflecting a slowdown in the company's largest market. This deceleration is also evident in comparable sales performance, which has declined in six of the past seven quarters. The weakest performance occurred in Q3 2025, when comparable sales in the Americas declined by approximately 5%.

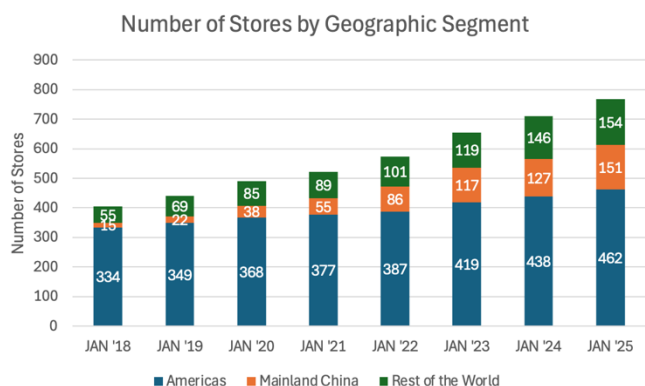
In contrast, international markets have continued to deliver robust growth. Mainland China and the Rest of the World segments have achieved sales CAGRs of approximately 37.8% and 43.8%, respectively, over the past three years. Unlike the Americas, comparable sales growth in these regions has tracked closely with total sales growth over the past six quarters, indicating that expansion has been driven primarily by underlying demand rather than store openings alone.

Overall, the divergence between the Americas and international markets highlights the company's increasing reliance on global growth to offset near-term softness in its core U.S. business.

## Revenue Channels & Geography

Figures 13, 14 & 15 – Revenue by channels & by geography





Revenue continues to be well diversified across channels, with **company-operated stores** representing the largest share of total revenue, followed by **e-commerce**, which remains a meaningful and stable contributor. While e-commerce's percentage of total revenue has moderated slightly, absolute revenue across all channels continues to grow, indicating balanced omnichannel demand rather than channel substitution.

Geographically, store expansion has been broad-based, with the **Americas** remaining the largest footprint while **Mainland China** and the **rest of the world** account for a growing share of total stores. This expansion highlights **Lululemon Athletica Inc.**'s continued focus on international growth, particularly in higher-growth markets, while maintaining a strong and stable domestic base.

## Margins

Figure 16 & 17 – Gross Profit

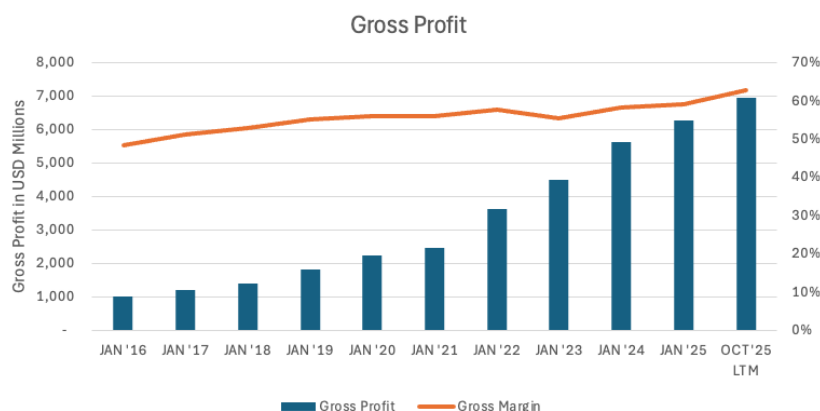
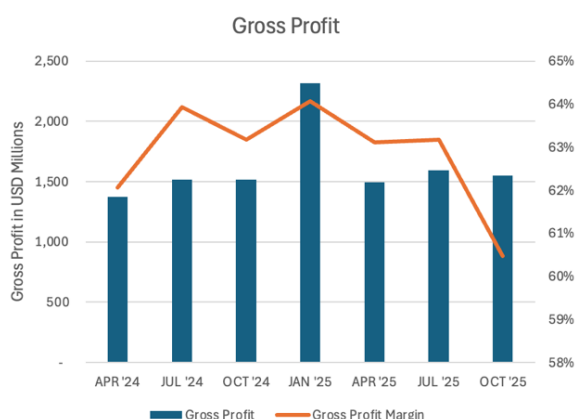


Figure 18 & 19 - EBITDA

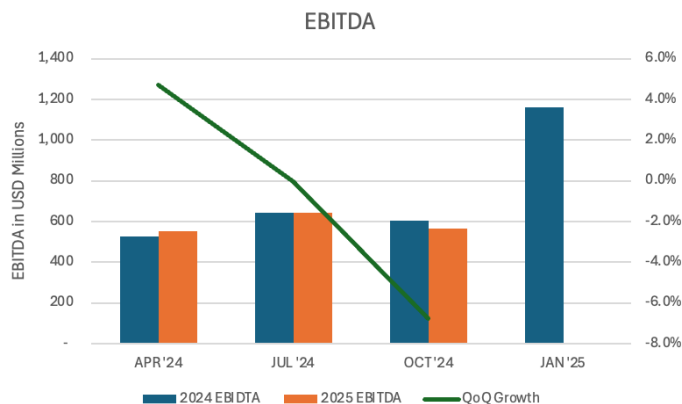
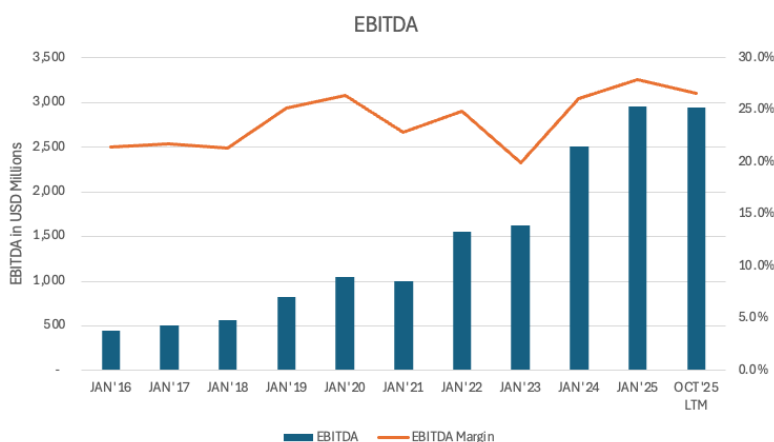


Figure 20 & 21 – EBIT



Lululemon has demonstrated strong long-term profitability expansion, supported by consistent gross margin improvement and operating leverage. Over the past decade, gross profit has increased steadily, reflecting both sustained revenue growth and the company's ability to maintain premium pricing. Gross margin has trended upward over time, underscoring Lululemon's pricing power, disciplined inventory management, and favorable product mix.

In the most recent quarters, gross profit growth has moderated alongside slower sales momentum, particularly in the Americas. While gross margin remains structurally elevated, recent quarter-to-quarter fluctuations reflect the impact caused by the tariffs as COGS have increased at a higher rate than sales. Lululemon's suppliers and manufacturers are primarily located in APAC and China Mainland. Tariff hit on income from operations is expected to be of 210 million for 2025 net of mitigation efforts. Nevertheless, margins remain well above industry averages, reinforcing the strength of Lululemon's brand positioning.

EBITDA growth over the long term has been robust, highlighting the scalability of the business model. However, near-term EBITDA growth has shown increased volatility, with quarter-over-quarter growth turning negative in recent periods. This reflects slower revenue growth combined with ongoing higher COGS. Despite these headwinds, absolute EBITDA levels remain near historical highs, suggesting margin compression is cyclical rather than structural.

EBIT performance mirrors EBITDA trends, with long-term operating income expansion driven by revenue growth and operating leverage. Recent quarters show pressure on EBIT growth, particularly on a quarter-over-quarter basis, as fixed costs weigh more heavily amid softer top-line growth. That said, EBIT margins remain healthy relative to historical levels, indicating the company retains meaningful operating flexibility. Selling, general and administrative (SG&A) expenses increased by 8.6% year-over-year, rising from \$909.8M to \$988.3M, and now represent 38.5% of net revenue. This increase was primarily driven by higher employee costs, increased digital marketing spend, and other operating expenses, as well as growth in head office costs, particularly related to brand and community investments and technology spending. Net income has continued to trend upward over the long term, supported by strong operating performance and disciplined cost control. While net income growth has fluctuated in recent quarters, margins remain resilient, reflecting Lululemon's ability to convert revenue into earnings despite a more challenging demand environment.

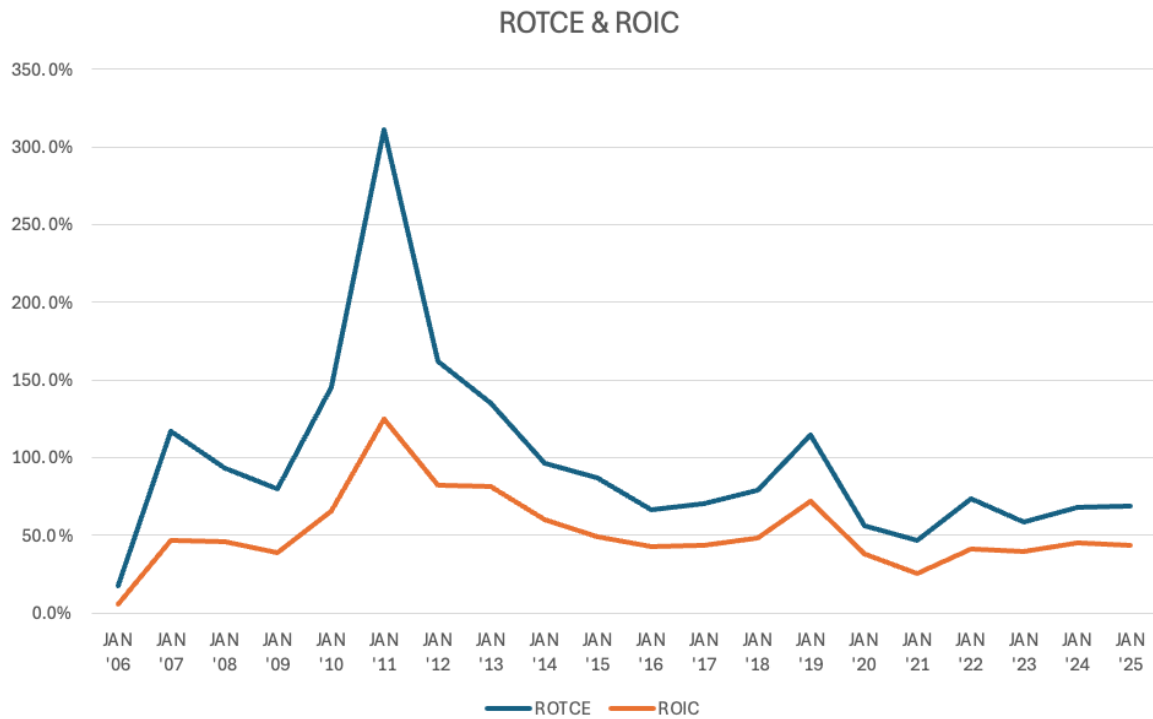
Overall, the profitability profile reinforces the view that Lululemon remains a high-quality, structurally profitable business. Near-term margin volatility appears driven by cyclical pressures.

## ROTCE & ROIC Overtime

- $ROTCE = EBIT / (NWC + NFA)$ 
  - $NWC = \text{current asset (exc. Cash)} - \text{current liabilities (exc. Short term debt)}$
- $ROIC = (EBIT * (1 - \text{Tax Rate})) / ((\text{Assets} - \text{Cash}) - (\text{non-interest bearing current liabilities}))$

Lululemon has consistently generated strong returns on capital, highlighting the efficiency of its business model and its ability to convert operating performance into value creation. Returns peaked in the early 2010s and have since normalized as the company scaled its store base and international operations. Despite this moderation, both ROTCE and ROIC remain structurally attractive and well above typical retail benchmarks.

In recent years, returns have stabilized at lower, but still elevated levels, reflecting a more mature growth profile and increased investment to support long-term expansion. Importantly, current return levels remain comfortably above the company's cost of capital, indicating continued value creation despite near-term operational headwinds.

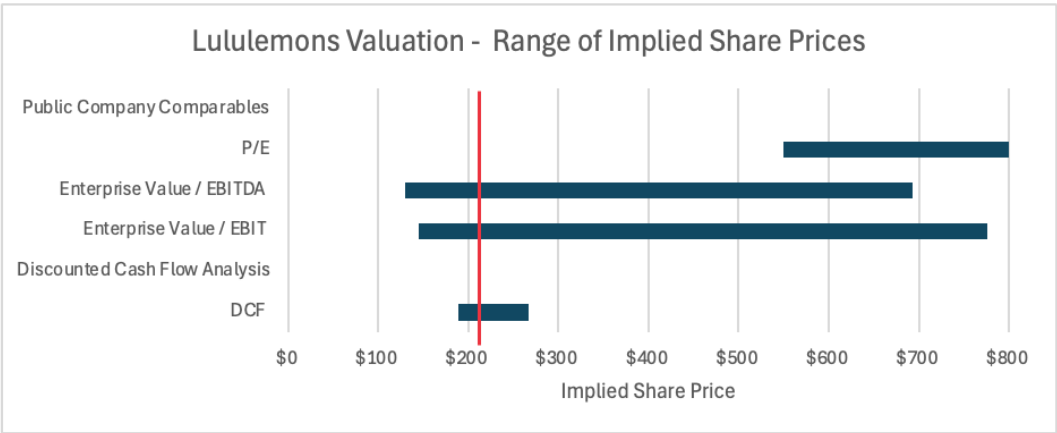


# Valuation

## Sumamry

Our target Price per Share:

- Public Company Comparables: \$534
- Discounted Cash Flow: \$225



- The assumed acquisition price is of \$225
- The target price is primarily based upon DCF analysis.



Company Name	Market Cap	Price	52 Week High	P/E Ratio	Revenue	2023	2024	Revenue CAGR Past 3 years	Revenue CAGR past 5 years
lululemon athletica	25,440.3		210	423	15.07x	9,619	10,588	19.17%	21.6%
On Holding A	17,293.0		49	64	60.68x	51,386	2,632	49.23%	57.9%
NIKE B	97,442.3		64	82	38.32x	5,694	46,402	-0.28%	4.4%
Under Armour A	2,517.6		6	9		1,994	5,165	-3.17%	-0.3%
Average	39,084.3				49.5	19,691	18,066	15%	21%

Company Name	EV	EBITDA LTM-Oct	EBIT LTM-Oct	Enterprise Value/ EBITDA LTM	Enterprise Value/EBIT D/E LTM
lululemon athletica	24,404	2,940	2,445	8.30x	9.98x
On Holding A	16,094	558	415	28.84x	38.83x
NIKE B	97,112	3,634	2,868	26.72x	33.86x
Under Armour A	2,703	495	369	5.46x	7.33x
Average	38,636	1,562	1,217	20.34x	26.67x

EBITDA Multiple Valuation	493
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The public company comparables analysis implies a target price of approximately **\$534**. This target price is calculated using **average valuation multiples**, given the high dispersion across peer multiples and the limited number of comparable companies, which makes the median less representative. However, I do not view this valuation as the most appropriate indicator of fair value, given limitations in the peer group selection. Several of Lululemon’s most direct competitors, such as **Alo** and **Vuori**, are privately held and therefore not suitable for direct valuation comparison.

The publicly traded peers included in the analysis operate within the broader athletic apparel category but differ meaningfully in positioning and product mix. **Nike** and **Under Armour**, for example, are more focused on mass-market athletic apparel rather than premium or luxury athletic wear, which limits their comparability to Lululemon’s brand positioning and pricing strategy. **On Holding**, while relevant as a premium performance brand, is more heavily concentrated in footwear and appears to be at an earlier stage of its growth cycle, which likely explains its elevated valuation multiples.

As a result of these differences, the implied valuation from the comparable analysis likely overstates fair value and should be interpreted with caution. Accordingly, greater weight is placed on the discounted cash flow analysis, which more directly reflects company-specific fundamentals and long-term growth assumptions.

Discounted Cash Flow Analysis

Unlevered DCF														
	2021	2022	2023	2024	2025									
					Q1+Q2+Q3	Q4E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	TV
Total Sales	\$6,257	8,111	9,619	10,589	7,462	3,500	11,561	12,198	12,925	13,757	14,306	14,905	15,558	
Americas	\$5,300	6,817	7,632	7,928	5,166		8,007	8,088	8,168	8,250	8,333	8,416	8,500	
YoY % Growth		29%	12%	4%										
China Mainland	\$520	682	964	1,361	1,226		1,896	2,237	2,639	3,114	3,270	3,434	3,605	
YoY % Growth		31%	41%	41%										
Rest of the world	\$436	611	1,024	1,299	1,069		1,658	1,874	2,117	2,393	2,704	3,055	3,452	
YoY % Growth		40%	67%	27%										
COGS	\$2,648	3,618	4,010	4,320	2,819	1,383	5,000	5,276	5,590	5,950	6,188	6,446	6,729	
Gross Profit	\$3,609	4,492	5,609	6,269	4,643		6,561	6,922	7,335	7,807	8,119	8,458	8,829	
D&A	\$224	292	379	447	362	170	496	523	552	582	615	648	682	
SG&A	(\$395)	(639)	(652)	3,768	2,883	1,018	4,010	4,230	4,483	4,771	4,962	5,169	5,396	
EBIT	\$1,333	1,328	2,133	2,500	1,398	930	2,551	2,692	2,852	3,036	3,157	3,289	3,433	
EBIT Margin							22%	22%	22%	22%	22%	22%	22%	
EBIT * (1-Tax Rate)	\$939	935	1,501	1,760	984	651	1,796	1,895	2,008	2,137	2,223	2,316	2,417	
D&A	\$224	292	379	447	362	170	496	523	552	582	615	648	682	
Current assets	\$1,355	2,005	1,817	1,996	2,888	2,150	2,267	2,392	2,535	2,698	2,805	2,923	3,051	
Current liabilities	\$1,216	1,284	1,382	1,564	1,525	1,525	1,884	1,988	2,107	2,242	2,332	2,429	2,536	
NW	\$139	720	435	431	1,363	625	383	404	428	456	474	494	515	
CNW		582	(286)	(3)	932	(738)	20	21	24	28	18	20	22	
CapEx	(\$395)	(639)	(652)	(689)	(497)	(229)	(766)	(808)	(856)	(911)	(948)	(987)	(1,030)	
FCF	\$768	7	1,515	1,520	(82)	1,330	1,507	1,589	1,680	1,781	1,872	1,957	2,047	28,803
DGCF						1,316	1,432	1,392	1,356	1,325	1,284	1,237	1,192	16,777
EV														27,228
Implied Equity Value														27,509
per share														225

For the discounted cash flow analysis, I assume **1% revenue growth** in the **Americas**, reflecting the recent decline in comparable-store sales and the ongoing challenges with innovation experienced over the past two years. For **Mainland China**, I model **18% revenue growth** over the next five years, followed by **5% growth** in years six and seven, capturing continued expansion while allowing for a gradual normalization of growth after the past three years, during which growth ranged between 30% and 40%, supported by both increases in comparable sales and store expansion. For the **rest of the world**, although this segment has seen similar growth rates to Mainland China, growth has slowed over the past two years. Given current geopolitical tensions and global tariffs, I have adopted a more conservative approach and assume a **growth rate of 13%**.

In addition, the valuation applies a weighted average cost of capital (WACC) of **8.5%** and a terminal growth rate of **1%**.

Based on these assumptions, the DCF analysis results in a target price of approximately **\$225** per share.

Revenue Assumptions		Year	Discount Rate
americas	1%	2025 Q4	0.125
china	18%	2026	0.625
china after 5 years	5%	2027	1.625
rest	13%	2029	3.625
CapEx	6.6%	2031	5.625
tax Rate	30%	2032	6.625
WACC	8.50%	TV	6.625
Growth rate	3%		
Terminal growth rate	1%		
D&A % of rev	90%		
	10%		
	40%		
number of shares	122		

# Sensitivity Analysis

Americas Next Five Years Growth Rate								
W A C C	235.73	-2%	-1%	0%	1%	2%	3%	4%
	7%	274	281	287	295	302	310	318
	7.50%	253	259	265	272	279	286	293
	8%	235	241	246	252	259	265	272
	8.50%	220	225	230	236	241	247	254
	9%	207	211	216	221	226	232	238
	9.50%	195	199	204	208	213	219	224
	10%	185	189	193	197	202	207	212

China Next Five Years Growth Rate								
W A C C	235.73	12%	14%	16%	18%	20%	22%	24%
	7%	283	287	290	295	299	304	309
	7.50%	261	265	268	272	276	280	285
	8%	243	246	249	252	256	260	264
	8.50%	227	230	233	236	239	243	247
	9%	213	216	218	221	224	228	231
	9.50%	201	203	206	208	211	215	218
	10%	190	192	195	197	200	203	206

Terminal Growth Rate						
W A C C	225.5	0%	0.50%	1%	1.50%	2%
	7%	244.9	257.5	282.3	289.6	310.5
	7.50%	229.1	239.7	260.3	266.3	283.2
	8%	215.2	224.3	241.6	246.6	260.5
	8.50%	203.0	210.8	225.5	229.7	241.3
	9%	192.1	198.9	211.5	215.1	224.9
	9.50%	182.4	188.3	199.2	202.3	210.7
	10%	173.7	178.8	188.3	191.0	198.2

# Investment Thesis, Catalysts & Investments Risks

## Investment Thesis

Lululemon’s stock has experienced a significant decline over the past year, driven primarily by a slowdown in comparable sales in the Americas, the company’s largest market. While this weakness has weighed on recent stock performance, I view the current period as cyclical rather than structural and believe the company is well positioned to reaccelerate growth over the medium term.

I believe Lululemon remains the market leader in premium athletic apparel, having played a central role in shaping and expanding the luxury athleisure category. Despite increased competition and recent concerns around product innovation, the company continues to benefit from a powerful global brand, industry-leading margins, and strong customer loyalty. I believe these advantages position Lululemon to defend its leadership and maintain pricing power over time.

I view international expansion as a key long-term growth driver. In particular, the China market has delivered a sales CAGR of 37.8% over the past three years, significantly outpacing the broader company average. The premium athletic apparel segment in China continues to exhibit strong secular growth, with industry forecasts projecting approximately 9% annual growth over the coming years. Additionally, Lululemon’s “Rest of World” segment has achieved a three-year CAGR of 43.8%, highlighting substantial growth potential outside North America.

I believe recent management changes further strengthen the long-term outlook. Management’s willingness to acknowledge recent innovation gaps and take decisive action gives me confidence in the company’s commitment to restoring product leadership and sustaining growth over time.

Finally, I see the men’s apparel segment as an underpenetrated opportunity with meaningful upside. Continued expansion in men’s offerings should support incremental revenue growth and further diversify the company’s revenue base.

## Catalysts

- **Management Transition** - Appointment of a new CEO with a proven track record of driving operational turnarounds could act as a positive sentiment catalyst, particularly if accompanied by a credible strategic roadmap.
- **Tariff Headwinds Normalization** - A reduction in market concern around tariffs and their impact on Lululemon's cost structure could support valuation multiple expansion, especially if input cost pressures continue to ease.
- **Reacceleration of Comparable Sales in the Americas** -Improvement in Americas comparable sales driven by successful new product launches and increased penetration in the men's category would represent a meaningful upside catalyst.

## Investment Risks

- **Macroeconomic Sensitivity** - Any deterioration in U.S. economic conditions that negatively affects consumer spending could materially impact Sprouts. Organic food is typically priced at a premium relative to conventional food, and demand may decline during periods of economic slowdown or recession as consumers trade down to lower-cost alternatives
- **Slower New Store Expansion** - If Sprouts' management reduces its focus on new store openings, this could significantly lower the company's forecasted long-term growth. Additionally, underperformance of newly opened stores relative to sales expectations would negatively impact revenue growth and profitability.
- **Competitive Pressure** - As organic and health-focused food becomes more mainstream, increased competition is likely, both from existing grocery chains expanding their organic offerings and from new entrants. Moreover, Whole Foods' recent price reductions reduce one of Sprouts' historical competitive advantages. While Sprouts' exclusive focus on health-oriented products may partially offset this pressure, intensified competition remains a key risk.