

## Lululemon Athletica Inc. (LULU)

Update: 3/10/21



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**Current price:** \$309.00 (3/11/20)

**52-week Range:** \$128.85 - \$399.90

**Market Cap:** \$37.66B

**Forward Dividend Yield:** N/A

**P/E Ratio:** 67.81

**EV/EBITDA:** 40.72

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### **PMP History (Based off of the last Account Statement)**

Acquired 11/22/19: 9 shares at \$217.78

Current Market Value: \$3,132.27

Unrealized Gain/Loss: \$1,160.25

Last Update: October, 2020 (Pitched to Buy More)

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### **Company Overview:**

Lululemon was founded by Chip Wilson in Vancouver in 1998. It is a yoga-inspired, technical athletic apparel company for men and women. The goal was to create more than just a store; they wanted to make a community where people could share and learn about healthy living and mindfulness from one another. They have grown their inventory from yoga apparel for women to yoga, running, cycling, training, and every-day clothes; they also sell fitness products and earlier this year they acquired the Mirror. It currently operates 515 stores across North America, Europe, Greater China, and Asia Pacific and has a large online store presence.

### **Q3 Fiscal 2020 Earnings**

- Net revenue increased by 22% to \$1.1 billion primarily due to an increase in DTC
- E-commerce revenue made up \$478.3 million or 42.8% of total revenue

- Other revenue (outlets, temp locations, in home fitness equipment, etc) was \$127.4 million or 11.4% of total revenue
- Opened 5 new stores in the US, 3 in Asia, and one in Europe
- At the end of Q3 202, 515 total company-operated stores compared to 479 a year ago
- The gross profit increased from \$505.0 million to \$627.4 million
  - This worked due to a decrease in occupancy costs
  - And also due to favorable foreign exchange rates

#### Q4 Announcements:

- “For the fourth quarter of fiscal 2020 compared to the fourth quarter of fiscal 2019, the company now expects the growth rate in net revenue to be at the high end of its mid-to-high teens expectation. The company also expects the growth rate in adjusted diluted earnings per share to now be at the high end of its mid-single digits expectation.”

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#### **Comps:**

<b>Brand</b>	<b>Market Cap (\$B)</b>	<b>P/E</b>	<b>EV/EBITA</b>	<b>Debt</b>	<b>Cash</b>	<b>Profit Margin</b>
Lululemon	38.33B	70.2	39.25	773.47M	481.58M	13.39%
Nike	210.22B	76.63	42.94	12.81B	11.81B	7.39%
Under Armour	9.348B	N/A	-36.18	2.01B	1.52B	-12.27%

#### Other Differences between Lulu and Nike:

- Lulu specifically focuses more on athleisure and comfiness
  - Unlike Nike and UA, Lulu is not backed by celebrity endorsements, which means if they were in the future, they could potentially grow even higher
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#### **In the News and Looking Ahead:**

- In 2019, they introduced a [Power of Three Growth Strategy](#):
  - Product innovation: expand to women’s and accessories businesses and include more office/travel/commute options; also perusing selfcare
  - Omni guest experiences: they want to honor guests that live a healthy and mindful lifestyle, host events and have more innovative membership programs
  - Market expansion: they want to quadruple their international revenues by 2023; focusing on expanding across APAC, EMEA, and China.
- In retail, they added 121,000 new jobs -- indicating a potential for better foot traffic

- In late October 2020, they launched a new plan to become a more sustainable and equitable business
  - This included areas such as diversity and inclusion, mental wellbeing and climate change
  - They have committed to investing \$75 million USD into equitable wellbeing programs
  - They also plan to make 100% of its products with sustainable materials by the end of 2030
- They recently made a couple of leadership changes as well
  - One they appointed an ex adidas executive to help lead the company's international expansion
- They released their first [Get Wellbeing report](#); focusing on asking more employees to focus on wellbeing at work and in their lives
- Surge in online sales, rose 93% over the last quarter

#### **Helping Shoppers:**

- Virtual waitlist
- Mobile point-of-sale system
- Buy online, pick up in store or curbside
- Shopping by appointment
- Digital Education Program -- assists shoppers with online shopping
- A lot of investments have been made towards the digital presence in order for the websites to handle the volume of customers

#### **Market Trends:**

- With WFH not going away, athleisure and comfort clothes are likely to stay
- The Mirror has been successful and more people have been training at home as they feel safer and easier
- As Asia and other parts of the world are getting vaccinated faster, brick to mortar shopping has started up again
- Most people are now so used to e-commerce that they would continue to shop online rather than in person

#### **Risk:**

- Competition -- more brands that are smaller have come into play, especially in the US
- COVID -- if the world starts returning to normal and people start going back to work, the demand for athleisure will likely go down
- Sales could decline as a result of increasing product costs and decreasing selling prices
- Limited international market could limit exposure compared to brands that are more global such as Nike and Adidas

- MIRROR
- Supply-Chain -- a lot of their manufacturers are in less developed countries that won't get vaccinated as fast, so this could hinder their inventory

### **Thesis: HOLD**

Lululemon's strong customer base and investment in e-commerce has allowed them to generate revenue and be successful during the pandemic. While it's too early to say how successful acquiring the MIRROR was, it is possible that they expand and generate money from, especially if they can take it overseas as well. Additionally, with their inventory growing and expansion of products, they are trying to cater to a wider consumer base (ages, genders, non-athletes) and keep this momentum going. Even though the price has come down in the past six months, it is possible that as the weather gets warmer, more people will want to be active outside boosting summer sales. Also, even though the vaccines are rolling out, a lot of companies are still letting people continue to WFH, which means that athleisure wear will continue to be bought.

[10-Q](#)

[10-K \(This is 2019 as 2020 isn't out yet\)](#)

### **Other Sources:**

<https://investor.lululemon.com/news-releases/news-release-details/lululemon-athletica-inc-releases-impact-agenda-unveiling-its>

<https://investor.lululemon.com/news-releases/news-release-details/lululemon-athletica-inc-announces-third-quarter-fiscal-2020-0>

<https://investor.lululemon.com/news-releases/news-release-details/lululemon-unveils-power-three-strategic-plan-accelerate-growth>

<https://investor.lululemon.com/news-releases/news-release-details/lululemon-establishes-global-benchmark-wellbeing-new-report>

<https://investor.lululemon.com/news-releases/news-release-details/lululemon-athletica-inc-updates-revenue-and-earnings>