

LULULEMON ATHLETICA INC Management Update Conference Call

Company Participants

- John Currie, CFO
- Laurent Potdevin, CEO
- Michael Casey, Lead Director of the Board
- Therese Hayes, VP of Corporate Communications

Other Participants

- Adrienne Tennant, Analyst, Janney Capital Markets
- Howard Tubin, Analyst, RBC Capital Markets
- Jay Sole, Analyst, Morgan Stanley
- Omar Saad, Analyst, ISI Group

Presentation

Operator

Good day, ladies and gentlemen. And welcome to the lululemon ahtletica CEO announcement. (Operator Instructions) I would now like to introduce your host for today's conference, Therese Hayes. Please go ahead.

Therese Hayes {BIO 6008923 <GO>}

Good morning, everybody. And thank you for joining us. A copy of today's press release and other background material on the announcement is available in the events part of the Investor Relations section of our website at www.lululemon.com. And will be furnished on Form 8-K with the SEC and available on the Commission's website at www.SEC.gov.

Shortly after we end this morning, a recording of today's call will be available as a replay for 30 days and also available on the website. Hosting our call today is Michael Casey, lululemon's Lead Director of the Board; Laurent Potdevin, our next CEO; and just CFO, John Currie. Following our prepared remarks there will be time for a few questions. I would now like to turn the call over to Michael Casey.

Michael Casey {BIO 1453776 <GO>}

Good morning, everyone. I am very pleased to be representing lululemon's Board of Directors today to introduce you to our next CEO, Laurent Potdevin. Earlier this

morning we issued a press release announcing the Board's appointment of Laurent and we are hosting this call to add a little more color to that announcement and to give you a fuller appreciation of what Laurent brings to the position.

As many of you know, Christine Day announced her intention to resign in June. We immediately started the process to fill the CEO position with a thorough and comprehensive search. Laurent emerged through that process as the ideal candidate.

Laurent brings to lululemon more than two decades of experience in building global brands at premium technical athletic apparel and lifestyle centric companies. He is a seasoned leader with a remarkable track record of execution and will be a strong cultural fit within our team of passionate and highly skilled individuals.

Laurent comes to lululemon having most recently served as President of TOMS Shoes where he built a world-class management team, established supply chains and operations globally, led global expansion and strengthened the company's cultural identity. The company scaled its footprint during Laurent's tenure, as evidenced by the fact that TOMS gave away 10 million pairs of shoes over the past seven years and now expects to give away another 10 million in just the next 18 months.

Laurent also spearheaded expansion in 12 countries in the last 12 months, which demonstrates his ability to grow brands internationally. Prior to TOMS Laurent had a 15-year tenure at Burton Snowboards, including CEO from a 2005 to 2010. During his time at Burton he helped the Company grow far beyond its roots of snowboards to become a truly global brand, synonymous with the sport and lifestyle. Laurent encouraged technical product innovation, product diversification and international expansion. As a result Burton now offers a complete selection of equipment and technical apparel designed to meet every rider's needs.

Laurent also had significant exposure to luxury and premium brands having served at LVMH earlier in his career where we keep played a critical role in building and optimizing the supply chain between North America and Europe. And he also spent time in the company's M&A division.

During the course of the selection process the search committee recognized that Laurent has a deep understanding and enthusiasm for all functions in the business, from marketing to product innovation to supply chain and operations management.

We also found him to be a very strong leader with a proven ability to collaborate and motivate across an organization. We believe his passion for driving innovation makes him the ideal candidate to inspire the next generation of lululemon educators, ambassadors and guests. We are excited to have him join us and bring his global brand building skills and expertise to lululemon.

Laurent is expected to officially start in January at which time he will become a member of our Board. He will succeed Christine Day who has done an outstanding job building the Company and driving our financial performance over the past six years. She leaves in place a strong, vibrant business model as we enter the next phase of growth and expansion. To ensure a seamless transition, Christine will remain in place through the end of the fiscal year and support Laurent during his onboarding process.

In addition to Laurent's appointment, today we announced an upcoming change on the Board of Directors. Our Founder and current Chairman of the Board, Chip Wilson, will step down as Chairman prior to the annual general meeting in June. At that time I will transition into the position.

I have served on lululemon's Board since 2007 and am currently the lead director. I have a long tenure at Starbucks, including CFO for over a decade. And I continue to work with Starbucks in an advisory capacity. I also was a member of the Board of Directors of the NASDAQ OM/X group for 11 years serving on the audit committee and executive committee and as Chairman of the management compensation committee.

We believe the timing of this shift allows ample room for an orderly transition and continued strength of our leadership infrastructure. Chip was central to molding the Company and laying the foundation for continued success and as he transitions out of his role as Chairman he will retain his seat on the Board.

As a Founder, Chip's critical role and focus going forward will be to advise and support the culture of the Company and to educate on the original intent of the brand, product and operating principles, to ensure that the core values which make lululemon unique and successful are maintained as the Company grows.

In closing, I would like to stress how excited the Board is to welcome Laurent to the lululemon family. Working with our strong management team we have confidence in his ability to lead the global expansion of our brand. The Board and I fully support him as he leads our next phase of growth. I will now turn the call over to Laurent.

Laurent Potdevin {BIO 18481730 <GO>}

Thanks, Michael. Good morning, everyone. Let me start by saying how excited I am to be joining and leading such an exceptional Company. Its heritage of success is built on creating technical and beautiful product, its strong culture and values and authentic consumer and communities. My role will be to make sure that all of these qualities remain in place and are leveraged as we turn lululemon into a global brand and business.

One of the things I'm most passionate about and have taken great pride in over the course of my career is building global brands. And lululemon certainly has all the elements needed to continue its growth in North America and beyond, including a strong reputation for creating technical and beautiful product. And the team that is in

place today has already taken very important steps in laying the foundation for global expansion.

I have met with most of the senior team and see significant potential growth both domestically and internationally as we leverage this Company's outstanding business model. As I transition into the role I look forward to immersing myself in the culture and working with the Board, the management team across all areas of the business and in the stores to make sure we have the very best plan and all the necessary resources to fulfill the Company's potential. And that we all continue to work as a team to pursue that very goal.

I look forward to meeting most of you in the near future and now I think we have time for a few questions.

Questions And Answers

Operator

(Operator Instructions) Omar Saad, ISI Group.

Q - Omar Saad {BIO 5302683 <GO>}

Congratulations to both Laurent, you in your new role and Mike as well. Thanks for taking my question. I guess, Laurent, I would ask if you could discuss maybe how some of your experiences from your three unique past roles at LVMH and Burton and TOMS, how those are going to maybe influence and shape your long-term vision for the lululemon brand. And Mike, if you have any comments on that from the Board's perspective?

A - Laurent Potdevin {BIO 18481730 <GO>}

Well thank you, I think I have been incredibly fortunate for the past 20 years to work with global iconic brands or iconic brands being on their way to be global. Maybe to give you a couple examples, I mean earlier in my career LVMH gave me significant exposure to premier global brands in a number of product categories. And that is when I moved from Paris and came to North America to really restructure the technology and supply chain around the management of all the Louis Vuitton stores.

Later on at Burton, while we had a European platform, it was very much of an Austrian subsidiary. And having spent a lot of time in Europe we built a very, very strong pan-European multicultural group that ended up serving all of Europe and over a very short period of time the Burton subsidiary in Europe became the most successful and the most profitable subsidiary (inaudible) the Company, maintaining the premium positioning of the brand and the high-performance product that we were known to make.

Then very recently at TOMS, you know we obviously had an amazing brand and business model to work with. And over the past 12 months we expanded the brand's

reach and the movement's reach to over 10 new regions or countries.

Q - Omar Saad {BIO 5302683 <GO>}

Thanks. And Mike, if you have any insights into what you saw in Laurent and his background?

A - Michael Casey {BIO 1453776 <GO>}

Well we were primarily attracted first to his resume of being with quality companies that had premium brands and that had grown on a global scale. But then as we got to know Laurent better we became even more impressed with his passion for innovation and his demonstrated leadership skills in building strong teams wherever he worked. And we are confident that that is going to be very well received here at lululemon. The culture, as you all know, is very strong and important at lululemon and we think that Laurent will fit into that perfectly.

Q - Omar Saad {BIO 5302683 <GO>}

Thanks. Congratulations to you both.

A - Michael Casey {BIO 1453776 <GO>}

Thank you.

A - Laurent Potdevin {BIO 18481730 <GO>}

Thank you.

Operator

Adrienne Tennant, Janney Capital Markets.

Q - Adrienne Tennant

Good morning. And let me add my congratulations and welcome aboard, Laurent.

A - Laurent Potdevin {BIO 18481730 <GO>}

Thank you.

Q - Adrienne Tennant

My question is can you talk about your background in building and investing in the foundation and the infrastructure in quality, supply chain and operational execution - that whole area? Sort of everything -- getting the product, the wonderful product to the stores to really keep pace with lulu's global growth? I think that is one of the things that sort of has been an issue in the past call it 12 months. I just was wondering if you could discuss that a little bit. Thank you.

A - Laurent Potdevin {BIO 18481730 <GO>}

Well sure. I mean I think the two experiences that would be the most relevant there would be the experience at Burton and TOMS where the environment when I got involved was very high-growth mode and mostly in one region. In both organizations we were able to very quickly build the infrastructure both from a technology and from a supply chain standpoint and from a sourcing and quality standpoint to really support a global business.

So whether it is putting a platform in China and in Hong Kong in the context of TOMS to make sure that we have got the right product development, commercialization and quality assurance model or whether it is building a supply chain to fulfill the needs of our giving model at TOMS, which over the past two years probably became the most -- the largest scale gift in kind donor around the world. And building that supply chain in developing countries certainly was a challenge that we tackled.

And similarly at Burton, building an infrastructure from a technology standpoint through building a great ERP platform. But also bringing that technology all the way down to the floor to make sure that our retailers had access to all of our information and our product availability real-time. So I think in a number of experiences I have had to do that across many regions and continents.

Q - Adrienne Tennant

Wonderful. Well welcome aboard.

A - Laurent Potdevin {BIO 18481730 <GO>}

Thank you.

Operator

Kimberly Greenberger, Morgan Stanley.

Q - Jay Sole {BIO 16089358 <GO>}

Hi, this is Jay Sole on for Kimberly Greenberger. Congratulations, Laurent. Good morning.

A - Laurent Potdevin {BIO 18481730 <GO>}

Thank you. Good morning.

Q - Jay Sole {BIO 16089358 <GO>}

Just two questions. First, can you talk about what are the keys to managing high-speed global growth? Obviously lululemon has a tremendous amount of growth in front of it. What are going to be the keys to make sure that growth happens in the way you expect it to?

A - Laurent Potdevin {BIO 18481730 <GO>}

I mean I think the key -- I mean I haven't had a chance to immerse myself in the business and I really look forward to start doing that in January. But I mean I think the key is to really continue to provide the resources, both financial and human, to make sure that we can continue to leverage and capitalize on the current success and bring that success beyond North America.

Q - Jay Sole {BIO 16089358 <GO>}

Then maybe if you could just describe for us -- you have had a lot of great experiences at different places. But would you characterize your strengths -- your favorite part of the job is in operations, is it in product, is it managing a brand? How would you describe yourself to Wall Street?

A - Laurent Potdevin {BIO 18481730 <GO>}

I would probably describe myself as somebody that has a real passion for all functions across the business. And as more of a generalist that has had experience across all the functions in all the regions. So learning is what fuels me and I tend to be very curious. So I really look forward to spending some time with the team here and helping them continue to do what they have done so well.

Q - Jay Sole {BIO 16089358 <GO>}

Great. Thanks so much. Good luck.

A - Laurent Potdevin {BIO 18481730 <GO>}

Thank you.

Operator

Howard Tubin, RBC Capital Markets.

Q - Howard Tubin {BIO 6382352 <GO>}

So Laurent, my question to you would be as you look at the business today and everything you know about it, what would be your first priorities once you kind of get on board? And do you envision any sort of big picture changes in the strategic direction or are you kind of happy with the direction the Company is moving in today?

A - Laurent Potdevin {BIO 18481730 <GO>}

Again, I think the first order of business will be to really immerse myself very quickly and learn all facets of the business. I mean, I don't anticipate any major change. I mean the business model is fantastic, the brand is exceptional, the product is outstanding and beautiful so it is really a matter of understanding all facets of the business and collaborating with the team and continuing to make it better.

Q - Howard Tubin {BIO 6382352 <GO>}

That is great, thanks.

A - Laurent Potdevin {BIO 18481730 <GO>}

Thank you.

Operator

Thank you. And that is all the time that we have for questions today. I would like to now turn the call back over to management for any closing remarks.

A - John Currie {BIO 1494810 <GO>}

Hi, it is John Currie here. Thanks, everyone, for joining us today. And in closing, on behalf of the management team here at lululemon, I would just like to say that we are thrilled to welcome Laurent to the Company and look forward to a great future under his leadership.

As you know I will be back on the phone with you bright and early again on Thursday to discuss our Third Quarter earnings results and look forward to talking to you then.

A - Therese Hayes {BIO 6008923 <GO>}

Thanks, everyone.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone have a great day.

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