

## Jefferies Consumer Conference

### Company Participants

- Stuart Haselden, CFO

### Other Participants

- Eddie Plank, Analyst, Jefferies LLC

### Presentation

#### Eddie Plank {BIO 18838583 <GO>}

Okay. Good morning everyone. I'm Eddie Plank. I cover footwear here at Jefferies and also I support the specialty retail team.

Very pleased to introduce our next presenter is lululemon. With us today are CFO Stuart Haselden.

After his comments we'd be happy to open it up for Q&A. So I'll be happy to turn it over to Stuart now.

#### Stuart Haselden {BIO 17615686 <GO>}

Thanks, Ed. Great to be here in Nantucket, definitely worst places you can hold a conference. My congratulations to Jefferies for their selection.

So we'll just run through a few slides and we'll save some time toward the end for Q&A. So this slide just tees up the basic concepts of how we compete and how we create competitive advantage. Certainly our focus on innovation is a big part of the story, feeding the pipeline with innovative products that continue to take our assortments forward.

The obsession over our guests is something that is a key part of how we continue to stay relevant and ensure that every touch point that we have with the guest reflects the brand in a way we'd like to convey it. The quality, focus on quality, we believe we have the highest quality products with the most innovative designs in the marketplace and that will remain a key tenet of how we compete.

And finally the vertical business model. So we control all points of distribution. And that's important for again that guest experience so that we're able to ensure that we're engaging with our guests in a way that supports the education around the technical aspects of our product.

So this chart illustrates how we think about the grand operating model. And you've heard us talk about this on our conference calls over the last year and it really focus is on these three areas. And there's a few quotes here from our CEO Laurent Potdevin. And really on the product side reigniting that product engine has been a big focus over the last 18 months, investing in the teams to again build that pipeline of new and innovative products.

We firmly believe if we stand still our competition will catch us. So we have to continue to move forward and build new and innovative product offerings.

The guest experience is and our educators in particular is really the secret weapon that really what makes the business model run at the levels that we've seen. Investing in the teams and that in-store experience as well as how those other points of contact that we have with our guests, the website, the call center, to ensure that we're offering a seamless experience to our guests that again reinforces that brand image that we're building.

Then lastly brand and community which begins with our showrooms and how we engage with communities at the grassroots level to really build an understanding and a relationship with our guests in those communities in a pretty innovative way. Before we open the stores, building that understanding with the guests, building that demand, building that awareness for our products and our offerings is really another key part of the business model.

So just drilling down on product. So it's something that we've made meaningful investments in over the last 12 to 18 months. Tara Poseley has built out a tremendous team that has developed new and exciting products. We're going to see some examples of that later in the year, later in the Second Quarter we'll see some new offerings as part of our tank wall lineup.

Then in the second half of Q3 we'll see a pretty meaningful reintroduction of key elements of our pant wall. And so we're excited about that.

And again that's all related to this idea that we have to continue to innovate and move forward and build a pipeline that will differentiate us and help us maintain our advantage as we see it from a technical standpoint, from a performance standpoint. And I'll say that we will continue to have a focus on solving problems for athletes. The technical aspect and the performance aspect of our products will remain the chief element of how we think about our assortments and how we innovate.

I love this slide. I mentioned this at the Chicago conference. It's the slide on guest experience with no people in it.

But this is a shot of our Robson Street store which we've spoken about previously. This was a store that we had relocated.

It's in Vancouver. It's one of our most productive stores. We had relocated it in order to expand it.

We increased the size of the box by about 50% and the sales productivity increased about 60%. So we saw a nice improvement in the overall sales productivity of the store.

This included a men's expansion specifically. You can't really see it in this shot but to the left there as you enter the store is a new and enhanced men's environment that includes a separate entrance and just an enhanced overall shopping environment for our male guests. And so we doubled the size of the square footage for the men's business at Robson and we saw about the same amount of improvement in sales.

And so that's an exciting element of the overall story. As our men's assortments have become more impactful and broader we're seeing a nice acceleration in that part of the business that we've noted on the call.

So this is a shot of our holiday party in Vancouver -- actually it's not. It's a shot of Singapore. Shortly before the opening of our first store we held an outdoor yoga event and you can see this is actually Orchard Road in Singapore if anyone's familiar with that.

It's the main shopping thoroughfare. We had over 1,000 participants come out for that. We closed the road and I love this shot because it illustrates the level of excitement that we're seeing in Asia in particular.

And not to diminish the excitement in Europe. But I visited the Singapore store a couple of months ago and it was just really exciting to talk to the store associates, to meet some of the guests. It's really palpable the excitement around the brand and so we're really looking forward to continuing to grow our footprint in Asia.

We opened our second store in Singapore a couple of weeks ago and it's doing fantastic. Both stores are well ahead of our expectations at this point.

We actually opened our first store in Hong Kong last week in the IFC Center in Hong Kong. Fantastic opening. Really exciting amount of traffic and just the performance out of the gates is really exciting.

This is a shot of our head of FP&A, Chris Tham. I don't know if any of you all know Chris -- I'm kidding -- it's not Chris. I'm sure Chris could compete with this guy.

As we think about what's going to grow the business and what are the growth drivers, this slide tries to summarize what those are. So as we think about as I just mentioned the geographies, the international expansion is very exciting. It's in the early days.

We're focused with an owned or company-operated strategy in Asia and in Europe and we're in the early innings of that. We're very happy and excited about the momentum that we've seen so far in both of those geographies and we have new openings planned in both this year.

We're still on track to achieve our goal of 20 stores in both regions by 2017. And we would expect this business will be breakeven from an earnings of standpoint within two to three years.

Additionally we still have a lot of opportunity within the US. There's a meaningful amount of runway left and it's something we're continuing to pursue with the model that we've had. We're now also evaluating the opportunity for expanded additional expanded store locations similar to what we did at Robson.

We did three of those last year, Robson, Santa Monica and Lincoln Road. We're doing 10 more in 2015, 3 in Canada, 7 in the US. And so that will help us again unlock the potential of that men's business by adding square footage and just the ability to present that part of the assortment in a more compelling manner.

And that kind of leads us into this next bullet, demographics for lack of a better term is just really how we think about our women's product line, our men's assortment and our kids line, ivivva. And so I see a lot of upside and potential, particularly in the latter two. But we're seeing with the rebuilding of the pipeline for our women's business we're able to reinvigorate, reignite the sales momentum in our core women's business and that's related to the areas I mentioned earlier with some of the exciting new product launches that we'll see later this year.

Men's has been growing double digits for the last couple of quarters. No reason that should slow down as has ivivva. So strong comps from our ivivva business with a meaningful amount of new unit growth potential for that business.

Then category extensions will continue to be part of how we evolve the assortments across all of those areas. As we look to enter into new categories much as we had entered into the run category we're looking at other areas such as tennis for our women's business, cycling for men's. So we'll continue to evaluate where we think the brand can extend successfully.

Then channels and I've touched on this already. Certainly our store business will remain a centerpiece of how we think about the brand and interpret it but certainly we've seen tremendous growth from our e-commerce business. We're planning later this year an important new website redesign that will enhance the shopability, the look and feel of the website, how we integrate product functionality and storytelling with the commercial aspects of the website.

We're also have some meaningful improvements in the checkout process. Then integrating that with the store business from an omnichannel standpoint we've made some important investments this year. We will complete the rollout of RFID to our

North American fleet which will give us important foundational capabilities to build that omnichannel business model.

So we've got a couple of slides here that just hit the headlines that you're probably all aware of from our recent Q1 financial results report. So on this slide we just again hit some of the headlines.

I'll just call out we were able to deliver a 6% combined comp in the First Quarter. And that was with all of the issues related to the West Coast port delays. And so we're happy to have that more or less behind us at this point.

And also you see the e-comm penetration I'll call that out as well. At 19.7% that's a healthy level of penetration as you look across the industry. We don't see any reason why that can't be higher than that.

Then finally our guidance, for the Second Quarter and then for the fiscal year outlook I'm not going to rehash all of this. It should look familiar to you.

I would say it's worth noting in the Second Quarter we have guided to a high single-digit combined comp for the Second Quarter following the 6% that we had in the First Quarter. And we had mentioned the call and it's worth reiterating that we have seen a nice acceleration in our business as our inventory positions have improved at the end of the First Quarter into the Second Quarter. So in the first five weeks of the Second Quarter we saw a nice improvement in our store and our website performance sequentially.

So with that, we're going to conclude the webcast portion of our discussion and we'll then pick it up here for Q&A. So where's Jody? Okay. All right, thank you.

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