

Lululemon Athletica Analyst Day

Company Participants

- Andre Maestrini, EVP of International
- Calvin McDonald, CEO & Director
- Celeste Burgoyne, President of Americas & Global Guest Innovation
- Howard Tubin, VP of IR
- Meghan Frank, CFO
- Michelle Choe, Chief Product Officer
- Mike Aragon, CEO of MIRROR & Digital Fitness
- Nicole Neuburger, Chief Brand Officer
- Nikki Neuburger, Chief Brand Officer

Other Participants

- Adrienne Yih, MD, Senior eCommerce & Brand Retailing Analyst, Barclays Bank PLC
- Brooke Roach, Research Analyst, Goldman Sachs Group, Inc.
- Jay Sole, Executive Director and Equity Research Analyst of Softlines & Luxury, UBS Investment Bank
- Kimberly Greenberger, MD, Morgan Stanley
- Mark Altschwager, Senior Research Analyst, Robert W. Baird & Co. Incorporated
- Marni Shapiro, Co-Founder, The Retail Tracker
- Matt Boss, MD and Senior Analyst, JPMorgan Chase & Co
- Michael Binetti, Research Analyst, Credit Suisse AG
- Omar Saad, Senior MD and Head of Softlines, Luxury & Department Stores Team, Evercore ISI Institutional Equities
- Patrick Gadbois, Portfolio Manager, CN Rail Pension Fund
- Unidentified Participant

Presentation

Howard Tubin {BIO 6382352 <GO>}

All right. Welcome, everybody. We are super happy to be here today with you in person.

We also have a webcast going. So welcome to our friends on the web.

Really nice to see you all. I see all of my old friends in the audience. It's really exciting to be back in person with you guys. We have a great day plan for you. We've got our senior leadership team here today, they're going to tell you about our vision for the next 5 years.

Before we get started, I'm just going to give you some logistics for the day. So we've got -- we're going to be here until about 2:30 or -- what I do -- I'm going -- you guys should check this out, and you should read it and you should know it.

So we're going to be here until about 2:30 or 2:45. We've got today split up into 3 sessions. So we've got a morning session right now it's going to run from 9 -- from about now -- about now from now until 11. We'll have our leaders come up and present first parts of our vision to you. Then we're going to take a break for about 2 hours.

We've got lunch planned. We've got some activities [ph] for you guys to walk through. I'll give you the logistics of that when we get there. And then we'll come back to this room at about 1:00 to about 2:30-ish and then we'll do some more presentations, and we'll have Q&A.

So Calvin is going to come up to the stage in a second.

But first, I'm going to show you a quick video.

(presentation)

Calvin McDonald {BIO 16657186 <GO>}

Right. Good morning, everyone. I thought Howard was going to definitely at least let you know that Meghan is queued up to be the last speaker. So that's a good way of ensuring that many of you anyway, stick around with us for most of the day.

But looking forward to the entire list of speakers celebrating the vision with you as well as the activations and then the Q&A that we're going to have at the end of the day. So hopefully, we'll keep pace going, that we'll be able to answer all your questions that you have.

We have a lot to share today, a lot of exciting new initiatives, a lot of exciting plans in place. So let's get started.

So as you saw today in our press release, we have a significant runway of growth with ambitious plans to double the business again, hitting \$12.5 billion by '26. Momentum in our business in quarter 1 continues, and the guidance that we provided just a few weeks ago, we're confident in not just for the quarter, but for the full year. And we're incredibly confident in the plan, in our brand and in our leadership team. And you're going to hear from a lot of those leaders today.

So couple of familiar faces and a few new faces for this audience. So since the last time we were on this stage just 3 years ago, Sun and Celeste will be presenting. Meghan promoted to our CFO, as I mentioned, we'll share and then a few new faces. Nikki will come up as our Chief Brand Officer, really the first Chief Brand Officer that this organization has ever had and excited for her to share the work that we've done and where we're going and the opportunity we see.

You're going to hear from Mike our newest member of the team joining just 3 months ago and some exciting new initiatives behind MIRROR and the evolution of that initiative that we see. So excited with some of the news that we'll be sharing today with you, and then Andre, the first Head of International that we've had based in Europe and he's been with us for just over a year, joined during the pandemic. We went through our interviewing through the pandemic is yet to be able to get to all those markets in China, in particular, but has made a real impact both on leadership and with the team and excited to share the momentum that's happening in that business.

And the rest of the team, you'll have the opportunity over lunch and during the activations to mingle with and to reach out with Susan's here, Shannon, Julie. And Ted is the only one who's not. And as you can imagine, as Head of Supply Chain, he's busy.

So I told him to stay put, track those boats, track those airplanes. And -- but he's the only member that didn't join us today, but the rest of the team's here. So please when you have the opportunity, feel free, introduce yourself, any questions you may have, they're here to answer most of them.

So 3 years ago, as I mentioned, stood on a stage similar to this one, and we made a commitment. The commitment was to double, double, quadruple. We are going to double men's, we're going to double our digital, we're going to quadruple our international business in 5 years and the aspiration that point was to hit \$6 billion in revenue.

And we delivered that ahead of schedule. And while doubling men's within the first 3 years -- 2 years actually, we achieved that last year, we were able to grow our women's business double digit. We doubled digital within 2 years, and we continue to grow our stores double digit, and we will quadruple our international business at the end of this year, 1 year early and growing North America at a double digit.

And importantly, we grew EPS 27% on a 3-year CAGR, and that's during a 2-year pandemic when stores were closed. And as you know, and we appreciate the support of our shareholders and others, we made investments in the organization, in our people, in our culture. We were leaders in paying rent and not cutting one order and pay protecting our employees. We stood up and did the right thing and we're able to do that and still achieve these incredible results. So it's something we're incredibly proud of.

And not just hitting the \$6 billion, but exceeding that as well in a \$6.25 billion in revenue, which is a 24% annual growth rate. So the new 5-year plan. Can you believe in 2018, we are \$3.3 billion. So we've already almost doubled that in the first 3 years. And the plan, as you read this morning, is to double our business in 5 years to \$12.5 billion.

So what's the plan? Well, when you want to double the business and you have a proven formula. We're going to continue with the Power of Three x2. It actually took a lot of creative work to come up with that. I know you might just think we just instant repeat, but there's a lot of newness today. So this isn't just a headline, but we truly believe that we're in early innings of our growth.

We're going to keep innovating the core. We have such a runway. You've heard me say it many times, and I'll say it many times today, early innings of growth and our opportunity to keep doing the things that got us here are going to continue to fuel and drive this business forward around our runway for product, our runway around our guest experience and market expansion, not just in North America as we'll share, but around the world. So the opportunity, obviously, is really keep doing what we're doing. It's working, it's resonating, and we're so early in that growth potential, and it's going to lead to doubling the business.

And what are the metrics? Again, the opportunities there, we're going to double Men's. That will make Men's in '26 larger than our Women's business was in 2020. So when you start to think of the scale of this business at \$12.5 billion, but we're going to double Men's, what -- that was my mistake.

If we can go back, sorry. We're going to double Digital. Just to put that into perspective, that will make Digital almost the size of the business is today. The entire business is today. And we're going to quadruple our international business, and that makes it the size of North America in 2020. And China will be our number two market globally in '26.

So incredible scale to the business and potential as we grow into it. And all this, while we will continue via the plan to grow our Women's double-digit, to continue to grow our stores double digit and continue to grow North America double digit. So as we see these growth drivers a pop, the core, the foundational continuing to grow through the next 5 years, leading to the overall goal to double the business.

And with that -- and you'll hear more from Meghan, but growing EPS at a greater rate than we're growing revenue. So we'll talk about investments. We'll talk about how we're fueling the business and where those opportunities are, but we're going to continue to grow our EPS rate above our sales growth rate.

And underpinned -- this is new, this is different, but you've seen and many have been with us on this journey and encouraging us underpinned by our impact agenda that we proudly presented last fall, and we'll continue to lean into as we see

opportunity around not just people, the impact we can make in the community, but within the planet. So I'll share a few of those key initiatives with you.

So our time together, what I really want to share -- I want to share my perspective of why I believe we're in the early innings of growth cut across our strategy and share with you where we are in that journey and where the opportunity is. And then the leadership team is really going to come up and share how we're going to get at it.

Equally, I want to just share the confidence in the plan. Why am I confident that we can almost double the business from 2018, hit our goals 2 years early and still see a runway to be able to double the business by '26.

So let's get started with product. We're going to double Men's while we deliver double-digit growth in Women's. We have significant runway across all of the key levers of how we look at our product strategy. Starting with Science of Feel. It is, and you've heard us say it before, how we start our path of innovation. We look at solving the unmet needs of our guests. It's what drives the relationship with our guests. Product is at the center of that and we create a product that delivers on the needs that they have. That delivers more guests. It delivers a greater community that unlocks more unmet needs, fuels more product and so on and so forth.

So it really is endless in terms of the potential that we see and the obsession that our teams create. And if you're not a 100% certain, I'm not sure how many are wearing. I'm seeing a couple of our Blissfeel. I'm sure you're feeling very blissed today. But you take a category like footwear, highly contested, and our teams were able to identify an area of opportunity that we saw an unmet need and then have been, over the last many years, creating a product that not just went out and achieved that unmet need, but did it in a way in which we've received accolades across the industry, not just in delivering and identifying -- one of my favorite quotes was sort of the dirty little secret of the industry is that this was never sold for before and receiving the positive feedback in rating and review.

So although it's a test-and-learn category for us, and we're excited about how it complements and grows our core assortment being apparel and our credibility within some activities, it shows the ability to identify unmet needs even in a category like footwear and then how we innovate, how we bring that to market. So I think it's a great example to just demonstrate that there is a lot of opportunity when you focus on innovating behind unmet needs regardless of the category in which you're trying to do it in.

On activity. So we share and talk about what we call our core activities and our play activities. Our core activity is being Run, Train in yoga. What you can see here is we have a huge opportunity in terms of our association and even awareness around some of the additional activities we've added be Run and Train. Yoga is where the brand began. So we are not surprisingly most known within the Yoga activity. Still opportunity, and Nikki will share later, we still have opportunity with awareness of the brand and awareness behind activities.

But if we use that as sort of the most established within lululemon, we see a huge opportunity in Run and Train to continue to drive the awareness consideration for those activities. And we've proven through the growth in the last few years that the brand is more than just yoga. It's rooted in yoga, but the versatility of the product and the ability to achieve those unmet needs across guests are engaging in, and we are seeing new guests come in through new activities. So it is balanced in terms of why I go to lululemon and what are the activities that I think of.

And then the play activities be it tennis, golf and hiking are the key ones are ones in which we design for, but really tap into the versatility of the product. And I'll share a little bit more of that. But we know how our guests sweat. That is why we've created and focused on these key activities through our research.

Yes. We're seeing new guest acquisition by adding in these new activities, but it really is about growing share wallet, getting more closet slots, and they love the brand, they know how they sweat and they want a relationship and they want lululemon to provide the needs that they're looking for in those activities. So these core and play activities really line up to that strategy.

And as I said, one of the core strengths of our product is its versatility. How we think about what we designed for and how it is used by the guests provides us incredible flexibility, very unique around when you compare to other competitors and how our guests and it allows us to pivot and add a play activity with a small collection on top that drives credibility in the overall core business or to lean in fully like we do in Run and Train. But we are far from meeting the needs across those activities in our product development.

But those are the core activities that we're focused on and we're going to continue to focus on. And during the product activation, you'll get to see assortment across all of those. Franchises & Hero items, another big cornerstone of how we design and think of our opportunity around product. So the Align franchise is \$1 billion franchise. And it wasn't that long ago that it was just a bottoms business. I remember a few years ago being in a meeting with Sun and her team and Sun was challenging them on the opportunity of this field state that we had for a line of feeling light and free and how the guest was resonating and responding to it and saying, can we not bring that feel state across a greater part of the body, the need head-to-toe.

Then the team designed and launched the Align bra, the Align top, the Align tank, the align shirt, all incremental and grew the franchise. So proven through an incredible business and our bottoms, our ability to take that field state, to take the credibility and the equity that we built in that business and extend it into other products across the head- to-toe to deliver on, the commitment of what the guest can expect in the field state and drive incremental business, real head-to-toe solution.

So exciting to see we're just beginning in those variations across our multiple franchises. And if you link it back to the core activities and the play activities that I've

laid out before and layer the strategy, there's an opportunity really all of our core activities can have up to 2 franchises. And then those franchises can be expanded more than just the bottoms business.

And when you step back and look at the assortment and how we're fulfilling the needs of our guests today, there is an exciting runway of growth and potential. And as we've seen through Align, we can trade on the equity. We can deliver real unmet needs in that field state, and we can bring it through greater parts of the body to deliver what the guest is looking for.

And if you're looking for other examples of where and how do we see those franchises, you'll hear about them in the activation, but it still is a great example. And it's a great example where you take a category like yoga and where we're light and free and a line, the instill is more of a held in, a little more compressed through smooth cover. And again, the guest is resonating.

It's incremental. It's a different guest, it's a different field state, and it delivers to a different need within a different practice of yoga. We have the Wunder Train, which is a fabric that delivers our highest sweat for indoor cardio and sweat, so under train, License to Train. I can go through the few that we have, but think of a couple of franchises across some of the core key activities in our room to continue to develop and meet those unmet needs on a head-to-toe is an exciting opportunity.

As is OTM are on the move, and you'll hear and see a little bit more later. But with on the move, we're more developed in men's right? I'm wearing one of our very comfortable stylish yet functional jackets. But when it comes to our female guests, we have a real opportunity on OTM to deliver versatility, functional and fit into the every day. A few more blazers in the audience than I thought I would have seen. So -- but we know the workplace is going more casual and the demand that our guests have.

Life is an activity. If you have any children or just moving around, and what we've learned through the last few years of pandemic is the expectation on versatility and functional wear has only increased, and we're not going to go back. And our opportunities, we've proven in our Men's business, and our opportunity to bring that into our Women's business is another really exciting opportunity and something that the team will share with you as we think forward.

And then the power of Hero items, which really drives the versatility across our business. So we talk about franchises. They're very much designed for and rooted within the core activities, but then we have these powerful Hero items that can cut across activities, they drive the versatility with our guests. They use them for multiple activities, be it play or even those outside of our focus area of activities in a variety of ways, great examples being the Swiftly or Metal Vent that are used in multiple ways from the golf course to the gym to the evening out.

So the versatility of our product delivers incredible value to the guest. It allows them to use the product in ways in which we're not necessarily defining for, but it opens

up that engagement and value that they see it and how they choose to sweat or live in our gear. Extending categories. This is very much about growing the Core, right?

So when I talk about the core activities that we're focused on or the play or when we extend test and learn into a handful of activities be it -- or categories, be it footwear or in the accessories business, this is all about delivering on the needs and increasing the share of wallet with our guests to drive credibility back into the core, right? That's what Blissfeel is doing as we want to really be dominant in our position around Run.

And I'm sure many of you saw that the number one finisher in the Boston Marathon just a few days ago, American was wearing a lululemon singlet that he had to purchase and pay for himself. Apparently, we learned an unsponsored athlete, but we are making gains into these activities, and we are making gains with credible elite athletes and a category like footwear just helps us drive that credibility ultimately back to our core, which is incredible apparel that performs and performs better than any other alternative that's out in the marketplace today. It's all about growing the Core.

Great example is we've just launched in the last few weeks are interesting collections attached to tennis and to golf. I'm sure you've seen those in the campaigns. They performed incredibly well. About 20% of that product is designed for tennis or design for play, design for golf, for the team saw a real opportunity to create a really unique cool product that delivers on the unmet needs, but the overall initiative lifted the versatility of so many products at a multiple.

So the amount of product we sold within our core that can be used for golf by creating a handful of items that tell a story about golf and our credibility in it is the strategy of how we play and approach. So it allows us to manage our assortment, be credible in the activity, build a relationship with our guests, but still ultimately lift the core products of the business. And that's what the strategies are always doing. Everything is linking back to driving the core.

And then I just want to touch on raw materials, which is really the essence of where we start our innovation, how we achieve these field stays and what separates us from the competition. One, the talent of the team, the investment that we make into the raw materials, the price in which we're able to invest in and sell for our raw material and then how it performs. That is a very unique formula that others do not have.

Poly does not perform to the same degree as nylon and nylon cost more. So if you don't have a brand that commands a premium price point and a brand that people will pay for because they know what performs better, then you're not going to be able to compete because the makeup of the product is just a better performing product.

And nylon and many other fabrications that we use is rooted in our raw materials and it's where we start and obsess. And if you think about where we are in our runway of

growth, I really approach raw materials through 3 lens of opportunity. The first is our current. So we have product. We have incredible fabrics. And like a technology company, the team is constantly ideating and proving and dropping new versions. So 1.0, 2.0. Swiftly and Metal Vent's a great example of that a few years ago. We improved the performance of the raw material and what the commitments were to the guests. So the team is constantly looking at ways to innovate.

So even though we launch a product, launch a franchise, the team doesn't stop looking at new ways to deliver the field status technology continues to get better in that space. Second is we create raw materials for new field states, new franchises, new opportunities, new products. And examples like that is the Ventlight. If any of you have tried that, which we put out into similar silhouettes in our ABC pants, shorts or some of our shirts and it's sort of a performance linen.

incredible on hot days if you're performing on the golf course or in other activities or just every day in DrySense, which is a recent fabrication into our training category. So new sensations and again, unmet needs a lot of opportunity, and we continue to do that. And then third is the exciting advancements that are happening in the planetary sustainability efforts and our commitment to be leaders in that.

Invested in Genomatica last year, committed to launching and being the first to have a bio-based synthetic nylon product that is exciting and has the same handfeel and attributes of a petroleum-based nylon product. Again, so as we innovate and create those really distinct lanes of how we're early and we'll continue to innovate. So even if we have an incredible franchise like Align, the ability to keep ideating, improving it and growing and expanding it happens. So lots of opportunity ahead.

Our product pipeline is full, and you're going to hear shortly from Sun a lot of the initiatives and strategies of how we're going to get out of these opportunities in product. Next, I'm moving into guest experience. So we're going to double our digital business while growing our stores at double digit.

We're leaders in the omni experience with our guests with an opportunity to strengthen that even more. And that starts with product, as I said. We take a lot of pride in the relationships that we have with our guests, with the communities that our store teams build with the activations that we do, but ultimately, product and delivering on that unmet needs is where that relationship is cemented and continues as they look to us for an exciting ways in which we can help them achieve what their goals are.

Today, about 1/4 of our guests shop omni with us. So the opportunity to expand that, the opportunity for us to continue to innovate. The experience you have when you go into a store with an educator and interact with our product, when you put it on, when you feel and get the fit to how you learn about it, design for used for, help me understand, the opportunity for us to continue to innovate and lead and do more of that in our digital space is exciting and Celeste will share just some of the ideas that we have to do that.

But we really see this opportunity continuing to move forward through an omni lens, but how we can bring our product to life more through digital, knowing that the power and the opportunity that we have with that and how we can continue to move that percentage up knowing that the omni guest spends more, is more loyal and comes back more frequently.

On connection, we have 20,000 educators around the globe. How do we leverage technology to extend that relationship. Again, we are leaders in the relationship within the store within the physical, how do we continue knowing that we want to build this ecosystem, how do we leverage technology to do it. And it really is the cornerstone of our direct-to-consumer model.

I know others are looking at D2C in ways in which they can move away from wholesale and own it. And they're really looking at it through the lens of selling, owning the data, sure -- how do I eliminate others that are selling my product so I can sell.

Our D2C model really is fundamentally different, and it's based on relationship. We're in the D2C not just because we can sell direct to you because we can have a relationship with you. We get to know you, you get to know us, you're part of the community. We get that feedback. We encourage that feedback and we create unmet needs. And the more we understand and know a view, the more we can deliver.

It's a very different view around what drives our D2C ecosystem and how it fuels our business. And I think when a lot of people try to understand a little bit of what's the magic, why, help me understand. It really is based on a lot of these things of our approach is just fundamentally different. And you go into the stores, you feel it and you can sense it in our opportunity to bring that not just in the physical, but into the digital is exciting.

And no better -- well, not that we needed a pandemic to prove it. But when we look at what occurred over the last 2 years, a lot of retailers, the relationship they have with their customers is one of transaction and selling where our relationship goes so much more beyond that. And what that allowed us to do was to be in conversation to connect with them through multiple points throughout the pandemic beyond just buy, buy, buy and offering them sweat solution, in offering them well-being. It just allows us to be in relationship to the community and directly which separates the business and puts us at a very different competitive position, but most importantly, relationship with the guests to that model.

And then community. We have 1,500 ambassadors globally. We have 50 around the globe. We have 50 global ambassadors. We have exciting studio partners and our opportunity to really strengthen our approach to community and build upon that just not physically digitally is exciting as we look ahead in the next 5 years.

My last trip that I was -- I took international before we couldn't was to New Zealand. And I traveled with the team there. I was in Auckland. We have 4 stores. It's a city of 1.6 million. I think New Zealand is a country of 5 million. And it really was in the conversation with the team where I'm going store to store, and we have these incredible ambassadors on the wall, and it's like it's amazing, these 5 incredible humans in this store and then you go to this store that's a mile away and you see these incredible 4 or 5 humans.

And in the conversation, realized we can take a broader approach to our community. In the city, we have 20 incredible ambassadors. And in a country the size of 5 million, we had 35 incredible. And how we connect and think of that community differently moving forward is an exciting opportunity where we can have a bigger impact, where we can drive more engagement, more loyalty and we know that, that drives our LTV, the more they engage in the community and the deeper that relationship.

And that really leads us to innovation, the way in which we look at, well, how then can we take these pillars knowing that product is the essence in the core that drives the relationship, but we want to be in deep relationships, understand the unmet needs and then community. We want to have more engaged really get credit and awareness for this bigger community around the globe and how we can interact through both digital and physical are really exciting opportunities for us.

And in that, in the value of it is the more and deeper the relationship, the more insights you capture from your guests, the more you can do to not just drive our approach to innovation, but the more we can fuel the business because we have that data, the insights and the perspective.

So that leads us to an exciting area of innovation that you'll hear about that we'll be launching this year is our guests give us permission to lead in a membership program. So one of the things that we learned from our 4 City [ph] pilot test was that guests like to sweat with us. They like that we host sweats. They like to sweat with each other and the more they sweat, the more they spend. So we proved that out.

We also know that experiential programming more than just transactional being in relationship, being part of the community, again, drives LTV. We know that we can engage with our local partners differently, right? So when I think of what's happening at the at-home sweat space, this is an (inaudible) environment or scenario. I was motivated last year, reading about others in this space, how they very much set up a we win, you lose mentality. And it was never -- one, it's not this brand. It's not who we are. It's not how we've engaged with our partners and our studio partners locally.

But I always felt that we were stronger together and the opportunity to bring that into our ecosystem as a means to allow our guests to sweat, how they choose to sweat was a really exciting opportunity. To create a sweat platform, where we're the aggregator of curated content where a member can come in and have access digitally to a variety of ways in which they want to sweat with the local or national

studios that they know, that they trust with instructors that they love that are broader than just one lens of how do I want to sweat.

So the vision was always about connection and community with MIRROR and the opportunity to build a membership program that is truly unique and different and experiential and something that we learned from the 4 City pilot test that we could scale because we had the digital component and platform that MIRROR brings into our mix. So reimagining the future of leadership -- the future of membership begins with a (inaudible) program. Free for everyone, benefits that encourage guests to engage and the intent there would to get all of our guests that shop, the millions that shop with us engaged and in the program. Free to sign up with benefits that encourage you to participate.

And then we have our Pinnacle experience, more ways to sweat, streaming content across more partners. So MIRROR Plus launched the most immersive fitness marketplace in the world, streaming a number of national and local studio partners, so more classes, more studios, more instructors, fully integrated, so not just at home on your digital platform on MIRROR, but in your community with benefits to get you both out to the physical location of their studios as well as interacting with that studio when you're at home, and both of these will launch later this year.

So what are some of the benefits of this program? One, strong, incredible one community, which has benefits through membership that simply is unmatched. Being an aggregator of ways to sweat, an aggregator across known trusted studio content, all on one platform. I'm sure all of us have 6, 7, 8 different streaming services at home and are questioning ourselves how we got here.

This is an opportunity to aggregate how you want to sweat across the brands you know, not just MIRROR instructors, but others and do it under one membership on one platform that gives you that ability to migrate guests, so now think of our advantage where we have a base for all program with millions of lululemon guests, and they can be encouraged through free trials through other benefits to migrate and get into the Pinnacle expression.

So our ability to compete on CAC, which is really one of the fundamental challenges within this business, we have a competitive advantage and then strengthen our relationship with studios. So we are going to share the studio partners. Mike will share that later. But we already have strong relationships with them. Our ability to continue to extend that through product, through using them as influencers to drive the awareness as well.

So we're not just all in at about creating awareness behind and how do we recruit, they're engaged in doing so, and we're going to drive retention and spend per guest. We know there's through our 4 City. The more they sweat, the more they spend, and it drives retention. There's real value behind doing this, and you get the benefits of a loyalty program within an ARR sub model. So it's going to generate revenue, it's going to generate its own profitability and it's going to have the

retention and spend benefits that you have within the loyalty program and something that's truly unique within the marketplace.

So as we evolve the model, I'm incredibly excited about the future and incredibly excited about how it's coming together. As I said, it was always the vision, what we wanted to do, and it will be profitable to our business, and Meghan will share and go into more detail with you. But there's no change to what we've already provided you. It's just continuing to build upon that vision and goal and ensure that the proposition is very compelling, fits within what we do as a brand already and plays to our strengths and differentiates us, which is why it was always intended as a way of strengthening and leading back to growing the core.

Back to my point earlier, when we innovate and the things we look at, it's about driving the core and the core of the business. So we're going to remain leaders in D2C. It's about relationship that guests drive that LTV, and you're going to hear more from Celeste, Mike and Nikki shortly.

On market expansion, our goal is to quadruple the international business while we drive double-digit growth in North America. Just to put that into perspective, as I mentioned earlier, it means that in '26, the international business will be about the size of our North America business in 2020. So really exciting to think of the growth potential that we have in this market. And I know many of you know and see this. So as I go through what those opportunities are, size of the opportunity, today, we're only 1% of the total addressable market of \$650 billion and that's within a \$3 trillion wellness market. But if we carve it out to look at premium athletic wear.

If we look at it to look at the versatility, functional aspect of leisure wear, not the entire leisure wear, footwear and then fitness exercise and technology categories, that's the TAM and the opportunity for us is significant. Also in attracting new guests, we continue to not just do well with our existing guests, extend that relationship. A lot of the strategy is about growing, migrating and share of wallet, but we have a significant runway around new guest opportunities.

Our awareness, unaided awareness in the U.S. stands at 25%, 25% in the U.S., one of our most mature markets. And we know as many of the guys in the room know, even though our business and our Men's we've doubled and our plan to double it again, we are still a hidden little secret in terms of the brand, the positioning and the incredible product that we have. So our opportunity to drive and change and impact unaided awareness is, again, another real opportunity to drive and fuel that growth.

15% in the U.K., 7% in China is our unaided awareness. So lots of opportunity. And just as a comparison, many other brands in this space stand at 85% to 90% unaided brand awareness. So our opportunity of just doing what we're doing today and getting more people to know. Some of us sit in the room and we live lululemon all day, and it's like what do you mean nobody knows about us? How is that possible?

Well, it is possible, and we see that as a really exciting opportunity knowing that we can continue to drive growth and get more product into more hands. From a market expansion, we gained more market share than any other brand in the industry since 2019, and that really is growth from all levers. I've talked about this on earnings calls, right?

Again, another data point for me when we look at early innings of growth and the opportunities, the balanced growth we have across the business. I can cut growth from gender, men, women. I can cut growth from activity. I can cut growth from categories. I can cut growth from channel stores digital. I can cut growth from markets.

Everything is growing double digit, all growth drivers, the balance from the largest to the other contributor are significant. So the balance growth is very unique. And as we look in these markets and the opportunities we have it's significant. And then entering new markets.

So you saw this morning, we're going to open first stores in Spain, Italy and Thailand in the next 12 months. Andre will share more with that. We have a proven formula of leveraging a proprietary what we call the sweat index. It allows us to look at a market, not just look at it in terms of income levels, but sort of what we call sweat readiness. So we know of the opportunities of markets that we have, when are they ready, when are they ready to enter and the size of the prize, and we're excited about moving into more markets as we continue to grow the markets we're in.

And as we have done in the past, we'll continue to do manage pace as we strengthen the foundation to ensure we have the right culture, the right connections to the community, so we can build the business. It has served us well, served us well in every market we've been in, including China. We're going to continue to manage the pace that way to do it right. Again, our DC model is more than just selling. It's about rooted in relationships and we're going to continue to manage that. So overall, with new markets, we have momentum in every market. Exciting to see the possibilities. You're going to hear more from Celeste and Andre as they dive into those markets and how we're going to get at that.

I want to touch on quickly on some of the impact pillars how we're going to support not just the business, the community, but the overall strategy, starting with people critical to our success in an area that we have and will continue to invest in. We are a development-focused culture. It's why people stay at lululemon. It's what attracts some of the best talent as we've seen through engagement scores, which we're very proud of, of a plus 80%. Glassdoor recognized this as the top retailer in the U.S.

This isn't why we do what we do, but it's a confirmation that what we do is having an impact. And as we know, there's a fight for talent out there when you have a strong culture that people see themselves being invested in, in the development opportunity and have a real impact on their own journey, that is your best retention strategy and allows us to hang on to the talent and attract talent and continue to

contribute and drive the business because without great talent, we're not going to be successful and we have great talent.

Standing for Inclusion, Diversity and Equity and Action. Proud of the work we did a few years ago. We've seen improvements in how we want to reflect diversity across the community. We saw a plus 3% year-over-year increase in the organization and our representation of diversity. We saw a plus 6% increase in our retail stores. We have 100% pay equity and in the U.S., where we can report and ask for questions, we have pay equity as well across the ethnicity.

So again, leaders in this role, and we'll continue to ensure that we invest here. We created the center for social impact last year, committed to a \$75 million investment. We invested \$12.5 million last year. This is our ability to get back and make an impact with the goal to provide access to well-being tools to 10 million people.

And a lot of talk around well-being, and we continue to invest in this, not just for ourselves, our own teams, but the communities we have with the ability to offer a number of key initiatives, not just through the pandemic, as I mentioned, leaders with pay protection, but also continue to invest in that in offering mental health, first aid training to our employees. So that, again, as a community as a team, we're aware of and are able to be there for each other and help each other.

On creating a healthier planet on climate. We're going to make 100% of our products. These are the goals, 100% of our products from sustainable materials and have end-of-use solutions by 2030. So bold, ambitious goals, and we're excited about the initiatives and how we're making that impact and the work that the team is on.

From a climate perspective, we're committed to reducing our emissions as we line up with science-based targets on the Paris accord to have net zero by 2050. And we've converted all loaned [ph] and operated facilities to a 100% renewable electricity by '21. Sustainable product, really raw material is core to who we are -- we will be leaders as we are in this space. Proud of what we've done with the Mylo Consortium creating the world's first plant-based nylon through our partnership with Genomatica, and about -- we're about 30% of the way to our goal of being 100% with products made with sustained products.

And then circularity. So you saw the announcement of the like new is going to be one of our activations today. So you'll get to learn and ask a lot of questions about the benefit of that, but we're excited to expand that to 390 stores this Friday on Earth Day, and it's just one of many of the initiatives we're taking. And we're proud that Fast Company last year recognized us as the top retailer for corporate responsibility. So this does matter. It matters to us. It matters to talent, and it matters to our guests and we are and we'll continue to be leaders in this space.

So why am I confident in our ability to achieve the plan -- on premium versatile products, we have 20 years of design innovative -- designing innovative technical

products, our ability to drive the core, which we've proven time and time again, and we know where our desk go, we go, we have a front row seat to their sweat needs.

Vertical direct-to-consumer business at scale. As I've said, it's a high-margin structure with great guest loyalty, and it is a wonderful test and learn environment that allows us to invest, gauge and then go further or pivot. Proven community ecosystem, all based in relationships, all based in activations. Omni business model, who used a QR code before the pandemic, right?

You couldn't get anybody to use it. Now it's amazing. It's like we've all learned a new trick. The world is coming together, physical, digital, gas behavior pulled forward, new behaviors, our opportunity to be leaders in how we do that and really creating a true ecosystem. And then finally, a purpose-driven company. The people are up to the task. They're amazing.

One thing we learned through the pandemic is the talent that we have inside this organization, the agility, the ability to adopt any environmental stress that we put on. I have incredible confidence in the team, in the leadership and the teams that they lead. These results don't just happen and it's built on an incredible culture, focused on its people and the talent that we have.

And as we grow know that we, as a team, are laser-focused on that culture. So as we expand internationally, when you can travel, I'd encourage you to get out to the markets. The work that Andre and the team have been up to is incredible. In China, in Japan, in Australia, in the U.K., in any market, close your eyes, just hear the educators interact with the guests, get the energy level. It's amazing.

You could be anywhere in the world and you're in the same location, and we're going to continue to focus on that because it's such a powerful part of what differentiates us. So Power of Three x2, not because we weren't creative, but because it's a proven formula with a lot of innovation to grow the core, and we're going to double the business in the next 5 years. I'm looking forward to your Q&A. So let's get started.

I'd like to welcome to the stage Sun.

Michelle Choe {BIO 20508451 <GO>}

Hi. Thank you, Calvin. And hello, everyone. It is pretty great to be here today with all of you again. And if you reflect back from the last time we saw each other, it's been quite an incredible couple of years, to say the least. We have been up to a lot, and I couldn't be more excited about the future and what we're sharing with you today on product innovation.

And we really are in the early journey -- early innings of our product journey, as Calvin mentioned. Across women's, men's and accessories, our product pipeline is robust, and we continue to leverage the Science of Feel to fuel product newness and

innovation. We have ample room to gain more market share in our core activities of yoga, Run and Train, by solving from unmet needs. Franchises really are at the heart of our product growth engine. It allows us to build on the Hero items our guests know and love. Category extensions and new activities give us the ability to provide guests with head-to-toe solutions, which now includes footwear for her.

On the move leans into the versatility of our products as does our new play categories, which meets guests where they're at with products designed for activities, we know they're participating in more and more. Our raw materials, they are secret weapon. So don't tell anyone. And combined with the attention to fit, features and functionality enable our guests to feel and perform their best.

We're constantly iterating, developing new materials, and we're looking to the future and investing in sustainable solutions. Science of Feel is the lens through which we design our products. This is the truth that when you feel your best, you perform your best. Our product creation process always starts with 3 questions. What activity is our guests doing? What are their unmet needs and how do they want to feel?

Every feature we design, every fabric we create, every sensation we engineer, it's all done with one purpose to unlock our guests' full potential. The opportunities to innovate using this blueprint is quite significant. And it is what's enabling us to unlock new sensations for our guests and innovate in areas across all product categories, existing and new.

Our core performance activities of yoga, Run and Train, offer significant room to bring newness when we approach creation using Science of Feel across Women's, Men's and Accessories. Our brand association is 43% in Run, 49% in Train, among those familiar with the brand versus 68% in yoga. This is a 20-point differential, underscoring the considerable potential to grow mind share across all activities through our differentiated product solutions.

In yoga, our Hero product, Align has grown into a favorite. We introduced it in 2015 to solve for what we were hearing from our guests. They wanted to feel completely unrestricted light and free in yoga. Through our Nulu fabric, we unlocked a sensory experience for our guests that they cannot get enough of. Today, it's nearly a \$1 billion business for us with room to grow.

We continue to lean into guests and ambassador insights to create more points of access within yoga and create a balanced assortment. For example, we also heard from guests that we -- that they wanted to feel more (inaudible) during their yoga practice. Our saw for that need is represented in still our newest yoga franchise that we launched earlier this year and our proprietary new fabric smooth cover, which spans across pants and shorts.

In Men's, our new balancer franchise is the perfect addition to our assortment, designed specifically for yoga and powered by our Everlux fabric which allows for a cool and comfortable practice. We're excited to offer a pant, a short and a top in this

franchise. The same consideration of feeling translates beyond apparel and into our yoga accessories.

The Science of Feel translates from head-to-toe and extends to our equipment offerings as well in our take for met. This uses sensory cues to support our guests in their practice. As we look at Run, Run has the highest activity participation among our guests. 58% of Women Run, 72% of Men, and we have runway to grow mind share in this activity.

We applied the same thinking of solving for our guests from head-to-toe in this activity as well. We continue to see success in our core Run product. Our Fast & Free franchise offers true head-to-toe solutions, and seeing great results, especially in accessories within our Run hats and belts. This Global Running Day, we're excited to launch our new dual gender SenseKnit running collection. This is another great example of our human insight-driven solutions across our Run category.

Through years of research with our ambassadors, we understood their experiences with typical compression product which tends to deliver an all-over compression and can feel restrictive and thermally uncomfortable. SenseKnit, it's a proprietary fabric technology, which engineers zones of support where you need it, alongside movement and breathability where you don't. So the result is a next to nothing feeling and a distraction-free experience on your run.

We also continue to innovate within bras. Especially when it comes to creating solutions for our guests who need higher levels of support in running. Last year, we introduced our AirSupport Bra. This key item represents 5 years of advanced research. 2 years of design iterations, hundreds and hundreds of miles clocked by our global Run community, making this our most tested bra to date. Across Run, the growth and opportunity to innovate is significant. As we continue to offer newness in the core products that our guests know and love as well as those Pinnacle key items for our elite athletes.

And Train represents a large opportunity as well. Our product and technology innovation delivers exceptional support for our guests, while they're engaging with high sweat activities that involve a lot of dynamic movements. In Train, we're excited by the fabric and fit innovation within this category. Guests continue to respond well to our Wunder Train franchise in Women's and License to Train in Men's.

The category is largely powered by Everlux which is our fastest drying fabric, that's cool and sleek on the inside and soft and brushed on the outside, making it one of our core trained fabrics. We've also introduced abrasion-resistance technology to many of our key Train franchises, including License to Train. This makes it especially great for high-impact and dynamic movements.

We're learning from guest response within our Men's line and see an opportunity to expand the franchise to Women's offering the same abrasion resistance and dynamic movement support and products we designed for her. And we continue to

celebrate our journey with product inclusivity. We recently introduced contour fit in our Wunder Train franchise, which features an adjusted hip to waist ratio, offering guests a no-compromise solution for a snug fit in the waist and room to move in the glutes and thighs.

And as we've been sharing, franchises really is the fuel to grow our product engine. I mentioned the line, I talk about it a lot. It's an incredible model and playbook for how we want to move forward with this. But this really is our most powerful franchise and a model for how we want to create future franchises. What started as a tight has grown into different lengths, different rises, different silhouettes, tops, bras and body suits.

And the minute we introduce these new silhouettes, the demand for it is pretty powerful. So when we look at this franchise on a 3-year CAGR basis, it grew 53%. So we're really just getting started in our other core performance activities as well within this franchise lens. So if we think about the Fast & Free that features our Nulux fabric that's cool to the touch making it perfect for running, we see an opportunity to create more head-to-toe solutions within that franchise, looking at the Wunder Train that comes in tights, shorts, bras and more.

And we're also seeing the same franchise opportunities for our men's business as well, looking at our License to Train franchise and our on-the-move focused collections, including our commission and ABC franchises. We're really excited by the opportunities that category extensions and new activities provide.

What the pandemic has amplified is the importance we place on how we feel, making choices to do and wear things that make us feel good is now -- it's nonnegotiable. It's no longer enough for your clothes to just be versatile, comfortable or look good. They've got to be all 3. And this really is our sweet spot. It represents a meaningful opportunity for us to move into the on-the-move space.

And that is apparel that combines fit, feel, function and aesthetic. There is so much more addressable market that this need represents. And as Calvin shared, our Men's growth has been incredible. Over the last 3 years, we've doubled the business -- we continue to dominate in Men's bottoms, and we see continued opportunity with on the move.

Our ABC pant is a good example of how we acquire a lot of male guests into the business. And we're seeing demand for this style continue as our guests want versatility and mobility, but don't want to compromise on aesthetic, especially as they go back to the office. There is a great opportunity ahead of us for capturing more wallet share as we continue to focus on the Women's side on the move, bringing new silhouettes and styles to life and building on the immense success of Men's where we are already firmly established in this end use.

Versatility comes into play in a big way through lab. This is our space to test and learn on styles and materials with the goal to bring some of that product into the

mainline. Our Earth's Day capsule this year is a great example of this. So it features popular and more trend-forward styles in loungewear and recycled materials. Our guests are also responding really well to our outerwear.

Our Wunder Puff franchise is expanding to offer more silhouettes, more colors across both genders. We are being pulled further into this category, especially in our China and APAC markets, and our team Canada Outerwear was a real, real moment of celebration for us bringing incredible excitement for our opening and closing ceremonies coats, jackets and vests. Our accessories also offered the opportunity to outfit head-to-toe with stylish functional solutions. Our Everywhere Belt Bag has been an especially great entry price point item for new guests.

And footwear. As you know, starting March 22, we launched our Blissfeel running shoe. The response has been phenomenal. As a challenger brand in this space, we took a paradigm shifting approach on 2 fronts. The first, we grounded the development of our footwear in the Science of Feel which is our unique positioning in the space, as I've said multiple times today, and particularly in the footwear category, that tends to prioritize performance above all else.

And second, we focused our initial efforts on meeting the unmet needs of women first. Historically, most performance shoes are made for men for his activities and how he moves, then gets adapted for women. So we saw an opportunity ahead of us to truly deliver a solution for her. We're just getting started in this space and excited to launch Men's next year, with the same level of innovation and insight-driven approach.

We're really looking forward to showing you the full assortment later today and the activation for those of you in the room so you can touch and feel and interact and also get to know some of the team members. We're excited about how entering this category will further build out our head-to-toe solution for our guests.

Now moving on to Play. Our products, as Calvin has shared, are truly versatile. We know our guests are using our products for multiple activities, and this is driving significant demand. This insight is what has given us permission and motivation to play in some new categories, designing specifically into activities where we know our guests are participating, tennis, golf and hike.

40% of our guests hike and 1/4 of our male guests play golf. Within tennis and golf we wanted to offer better solutions and products to the hard core golfer and tennis player, but also gain more credibility within the activities overall.

Our existing assortment is incredibly versatile. We knew they were using them in those activities and our design for collection, which was new that we launched this year, offers nuanced solutions to really help complete those activities. We're also working with the lead ambassadors in the sport and we're very excited that we just named Leylah Fernandez, who is the top 20 in the world ranked tennis player as our global ambassador.

And with Hike [ph], we -- and I think I personally -- am incredibly, incredibly excited to introduce this collection this summer. Through Covid-19, we noticed our guests are spending more and more time outdoors. And there was an unmet need to offer technical solutions for hiko [ph] that's still focused on premium feel fit and design aesthetic.

We're bringing a fresh design perspective to the outdoors. one that marries versatility and adaptability with a stylish aesthetic that is unique to the category. The collection features adaptable, convertible and packable items that consider storage solutions and thermal comfort.

In addition, we're excited to launch a new technology in our hike bag that considers weight distribution. We'll be showing you a lot more of this capsule today in our activation. So the product innovation that I've been sharing with you really is underpinned by really one of the most important facets of our work, and that is our raw materials.

Raw materials sit at the heart of how we enable our guests to feel and perform their best. There is a science to why Align pants feel like butter and Fast & Free feel cool to the touch. We apply years and years of rigorous testing and work with our partners globally to be able to deliver and unlock new sensations to our guests through fabric innovation to softer their unmet needs.

We're constantly innovating new ways to enhance the guest experience by iterating our current raw materials, creating new ones and thus unlocking sensations that don't exist today and improving upon the impact raw materials have on the planet. Innovating in raw materials is also one of our greatest opportunities to lower the impact of our products.

We shared in our impact agenda that we are committed to making products that are better in every way, building a healthier future for ourselves, our communities and our planet. We have a number of goals to help us achieve that, including making 100% of our products with sustainable materials and end-of-use solutions by 2030 and achieving at least 75% sustainable materials for our products by 2025.

We're making progress with products that feature recycled materials and lower impact dyes. This year's Earth Day capsule, which launched this week is a great example of this. It uses recycled materials, including a plant seed-based finish to help wick sweat. Raw materials are crucial to how we innovate within the space, and our partnerships with Mylo, LanzaTech and Genomatica are created to scale this innovation.

In 2020, we joined Adidas, Stella and Kering Brands to form the Mylo Consortium to secure exclusive access to Mylo, which is the material made from mycelium. This partnership was the first of its kind in the industry, 4 companies coming together to invest in material innovation and creative solutions to reduce our environmental impact.

With feel being such a cornerstone of our brand, we're really excited about the feel and flexibility of Mylo. This yoga mat, you're seeing here, while not ready for commercialization, it's just an illustration of what is possible with this incredible material. We did launch an accessories collection for our guests earlier this summer - this spring, and the demand was really quite encouraging.

And so we see a variety of applications for Mylo in the future based on this early success demonstrating the future of materials innovation. And last year, we announced a partnership with LanzaTech, and we are very excited for the work we are doing with them to create the world's first yarn and fabric using recycled carbon emissions that would otherwise be admitted to the atmosphere is pollution.

Finally, Genomatica. Last summer, we announced we were partnering with a sustainable materials company. Together, we're creating a lower impact, plant-based nylon to replace conventional nylon to incorporate into future products. This multiyear collaboration represents lululemon's first ever equity investment in a sustainable materials company and Genomatica largest partnership within the retail industry.

The goal is to arrive at a fabric by the end of this year that's ready to be designed into a capsule collection for 2023. This is real. It's coming up soon, and it's both exciting and terrifying at the same time. But mostly exciting.

The opportunity to create positive impact is far wider than just fibers and extends to processing and manufacturing. And I couldn't be more excited about the innovation and product coming to the market in the next several years. As I shared, our product road map across Men's, Women's and accessories is significant and our investments in people, partners and technology are allowing us to scale, capture new guests and go deeper with existing ones.

And I'm really, really thrilled about the future. We've bolstered our product team, bringing on Simon Atkins as our SVP of Footwear. And this summer, Phil Dickinson joins us as our Global Creative Director. We continue to focus on the categories we intend to own yoga, Run and Train, and the versatility and credibility of our products and activity innovation with on the move, footwear, our new play categories across tennis, golf and hike. And we're making investments with vendor partners to deliver best-in-class raw materials that consider a sustainable future.

I'm excited by the incredible opportunity in our product innovation road map, I hope you are, too. And we really truly are in the early innings of our growth journey.

With that, thank you, and I will turn it over to Celeste.

Celeste Burgoyne {BIO 20012334 <GO>}

It is so good seeing you, and thank you, Sun. Great job. I am so proud to be here today. I joined lululemon over 15 years ago, which seems kind of crazy. It's turbine

the ride of a lifetime. And I am so proud not just of where lululemon is today, but maybe more importantly what we still see ahead of us.

I'm excited today to speak to you about our guest experience vision, strategy and goals. This strategy is one of our powerful differentiators and truly sets lululemon apart. And as you have heard today, we are extremely well positioned for growth given the macro trends we are seeing across the globe.

First, people around the globe are more committed and focused on living a healthy, active and mindful lifestyle than ever before. And with this, there is growing demand for fitness, both in studio and at home. And the opportunity this poses for us is significant. Our 2021 well-being report, which is focused on physical, mental and social well-being suggests that 70% of people feel exercise has a positive impact on their mental health. And we have been creating community experiences centered around fitness and well-being for over the past 2 decades.

So our past positions us well to continue to have this be a competitive advantage. Second, guests want to be in charge of their relationship with the brand, whether shopping in stores or online or through social. And our omnichannel focus has been and will continue to be key to our success. We are obsessed with ensuring that our guests can get exactly what they want from us whenever and however they want. And we are proud of how our multiple channels work seamlessly together and see nothing, but opportunity into the future.

Third, people are more focused than ever on minimizing their environmental impact and they're seeking out companies that share that same commitment. The importance of this is clear as we know that greater than 80% of our guests in our market, pay attention to social, political and environmental issues and supporting our people and the planet is central to our future.

As evidenced, we are extremely well positioned to benefit from all of these macro trends. And our strong guest relationships which are enabled by our direct-to-consumer model provide us a significant competitive advantage. Our focus on our relationship with the guest is at the center of everything we do. Across the globe, our teams are focused on creating authentic connections with our guests, whether in stores with one of our 20,000 educators or chatting online to a digital educator or in a community with one of our 1,500 lululemon ambassadors.

And we know this deep relationship with our guests has a direct correlation on our guests' long-term value. For example, when a store-only guest shops online, they become an omni guest and now they'll spend close to 30% more. When a guest uses BOPUS, which is one of our innovative omni services, they will spend 20% more in that year alone. And when a guest sweats with us at Lincoln Park or one of our other experiential stores, they shop more frequently and spend more.

So these are just a few examples of our ability to leverage our channels and our focus on the guest relationship and how it's rewarded by higher guest loyalty. From

our omni -- from our guest acquisition results to our best-in-class retention, we believe that our unique focus on our relationship with the guest, has gotten us to where we are today, and we truly believe it will ignite our future growth. And with the direct-to-consumer model, take it as a given that there is a lot of data to capture and leverage and we are being very strategic with where and how we capture this data and how we leverage it to continue to optimize the experience overall.

We remain in the early innings of our growth, and we have significant opportunities to expand our business through our focus on guest experience across the globe. Our top priorities in guest experience are celebrate product, create connection, cultivate community and innovation. We see our guest experience as interconnected and integrated. We obsess about how stores, digital and community work together.

Our goal isn't that each channel is the same or carbon copies of each other. But we look to leverage each channel for what it is most uniquely qualified to deliver for what it is best in the world at, so that the whole is better because of it.

I'm now going to take you through these key pillars of our strategy and some examples of what would be driving us going forward. When looking at product in store and online, our goal is to bring our designers vision to life, to ensure that our educators and our guests truly understand the features, the functionality, the fabrics and what makes each item so special.

In both of our channels, we are focused on making sure our product shows up even more powerfully over the next 5 years. Some things that we're focused on are franchise destinations like our women's new pant wall expression and our different key franchise destinations online. Outfitting and styling. We're doing a lot of work on reviews and recommendations and figuring out how to leverage data, machine learning and AI to continue to make that a better experience, depth of product education and storytelling, online fit and feel experiences where we believe we can be very innovative and really lead in the space and a curated assortment for each channel and touch point.

And this example of our Vancouver Airport Team Canada store shows the opportunity to truly leverage product in a curated way to create a very powerful story. We believe we have ample room to have our product continue to stand out over the next 5 years.

Okay. Now moving to connection. We believe the depth of our guest relationship is 100% correlated with our focus on creating connection. We continue to be steadfast in creating connection between our ambassadors, our guests and our educators. And we really do see this ability to create connection and this focus on it as one of our key competitive strengths.

Our educators are truly at the center of our connection ecosystem. We know the main point of connection is driven through that in-store and online. And with this understanding, we continue to make investments in our educators, creating a best-

in-class employee experience which we know in turn, helps us to create a best-in-class guest experience. We are incredibly proud to share that over 95% of our educators across the globe would recommend lululemon as a great place to work.

I am also really happy with the progress we've made in personalizing our digital experience, and we see even more opportunity in this space. Personalization is driven to our ability to capture and then leverage data at all the relevant touch points. And since we own the entire guest journey, we are able to stitch together a significant amount of data to be able to drive so much of the experience from better communications to a more relevant site experience overall, to all the different features that we're able to launch that are truly personalized, like wish list and omni closet to name a few. And this adds huge value and allows us to truly leverage personalization throughout our entire ecosystem.

And then we're continuing to leverage our omni services when it comes to connection. We know they create clear connection points with our guests.

Okay. Shifting gears now to community. We have learned over the years that you cannot have connection without a focus on community. And since inception, our goal has always been to elevate to the communities we operate in and community is a major focus for us over the next 5 years. Our care is a focus within this are our ambassador communities, our events and our experiences.

Our ambassadors are influencers within their local communities. They are passionate about connection, passionate about fitness and passionate about our brand. And we are currently in relationship with over 1,500 ambassadors across the globe.

In 2021, we launched our new City ambassador program in 9 global cities, including Seoul, Shanghai, London and New York. And this year alone, we will bring on more than 750 new ambassadors into our collective. Our events are also a huge part of how we drive community. They drive our omni approach, and they also happen to just be a lot of fun. Since 2019, we've seen over 100,000 people attend our online and virtual events and we know our guests are creating connection today more than ever, both in person and virtually.

And we are thrilled to be bringing some key events to cities across the globe this year. And although we can't announce locations for those of you in the U.S., definitely keep an eye out for a fun 10-K coming your way.

Okay. So our final approach focuses on innovation. Innovation really does remain at the core of everything we do from a guest experience perspective. And I'm excited today to share 2 key innovations that will create for us an even more powerful model. Our first focus is Like New. And for those of you who do not know about this program, our Like New program is built on a circular model where our guests can trade in the lululemon product they love in exchange for an eGift Card.

We first debuted this program in over 80 stores in Texas and California this past May. And the pilot was met with a hugely positive response. More than 200,000 pieces of items were traded in by our guests. And the majority of those were able to be categorized as good as new, which really does speak to the quality of our product and how it sets us up to continue to create unique programs, creating second and third life cycles.

And as we announced last week, we will be expanding like new to the entire U.S. this week. All of our U.S. guests will now be able to trade in their current product at a lululemon store for a gift card, and now guests will be able to purchase across the U.S. are like new gear on our site.

The pilot taught us so much. We know our current guest is loving the trade-in, and we're seeing quick redemption of our gift cards. This really shows that this is a perfect way to give our existing guests an excuse to expand their wardrobe and do good at the same time. And we're also really happy with what we're learning in the resale space.

We are currently one of the top brands in most third-party resell sites. So this gives us an opportunity to have the guests who love resale now buy directly from us. And so this really continues to strengthen our direct-to-consumer model today and into the future.

So again, this week, we will have U.S. guests to be able to participate with Like New. You'll also learn more about Like New in an activation during the break.

Okay. Our second big key innovation, and Calvin mentioned this quickly in his piece, but we are launching a 2-tiered membership program this year. And I'm going to talk to you now about our base tier program, which is called the Essential Membership Program. And as I know you would expect, we are not just having this be focused on shopping. And all those shopping will be easier, we really see this program bringing community to the forefront with our guests and giving us more ways to create more meaningful connections.

As you'll recall, we conducted a membership test in 2018 in 4 cities across North America, and we learned a ton. So we were able to take all of the learnings and insights from that test and it helped us to inform exactly what our guests would want most from us in this essential program.

Our Essential Membership will launch this fall, and it will provide our guests with a suite of benefits at no cost. These benefits will include things such as monthly events where we bring speakers and fitness experiences fueled by our MIRROR Content and MIRROR Ecosystem directly to our guests. It will bring early access to product and those are just to name a few.

Within the next 5 years, we expect 80% of our guests to be a member of one of our membership programs. This will give us more meaningful ways to create even

deeper connections with our guests as well as more data to leverage to optimize the entire experience. We are so looking forward to this launch and our pilot in 2018 really set us up to be prepared for creating something really, really special.

And our ultimate goal is to get our guests sweating and connecting together even more often. As someone who's been with lululemon for over 15 years, I am incredibly excited about the future. And I really see this moment as just the beginning. This 5-year opportunity is there for us, and I cannot wait to see what we are able to deliver.

We will double down on product, connection, community and innovation to scale our core strategies. We will continue investing in the synergies between physical and digital, and all of this will support us living into our global potential.

And so with that -- well, I will actually be up here after lunch as well to talk more about North America specifically as that is also a key piece of our 5-year plan. And now it's my pleasure to introduce the newest member of our senior leadership team, Mike, the CEO of MIRROR and lululemon Digital Fitness.

Mike Aragon {BIO 22325896 <GO>}

Thanks so much. Really excited to be up here today -- by way of introduction, I joined lululemon and MIRROR about 3 months ago, having come from Twitch, which is an Amazon-owned company. When I started at Twitch, it was known as a place where people watch other people play video games.

But in my time there, Twitch evolved from this niche service into one of the world's largest live interactive platforms that now spans across gaming, sports, music, entertainment, politics and many other verticals. Prior to Twitch, I spent some time at an interactive start-up that was sold to WarnerMedia and AT&T. And I was also one of the first employees at PlayStation Network back in 2000, 2008, where I was on the management team that led the global community or the creation of a global community that today reaches hundreds of millions of daily active users.

And so I come into this role, having spent about the last 25 years of my career leading high-growth companies of all different sizes at the intersection of streaming media, consumer tech and building community. So one of the main things I was drawn to is this combination of lululemon and MIRROR and the wonderful brands and communities that we've already built. As you heard from Celeste and Calvin, lululemon has been a pioneer in creating community in retail.

Stores were always a place where you could go take a yoga class with one of your favorite lululemon ambassadors or go listen to a lecture about living healthier lifestyles. In other words, one of lululemon strengths is being able to build communities at a local level, but also delivering outstanding products. MIRROR is one of the most flexible platforms that can adapt to the many constantly changing fitness trends.

It allows members to create meaningful connections digitally through fitness. And so I'm really eager to be here to connect these 2 brands in creating the most immersive fitness marketplace in the industry. And so let me walk you through a bit through the strategy and vision that we've been developing over the first few months.

What we've learned in Connected Fitness is that consumers are looking to blend both in real life and digital experiences, and they want to do this as part of a connected community. We know that pandemic has shifted consumer behaviors, 40% of adults say they use technology in new ways than they had prior to the pandemic. That's not a surprise.

The shift for us in fitness was almost -- was obvious. It was almost immediate shift to a pure-play digital environment that we and others in this space benefited from. But today, as we shift back to a new normal, which is a good thing, we're seeing consumers wanting both hybrid experiences as well as physical experiences. And here's some of the data to support this case. 60% of consumers prefer working out either solely in a gym or in a studio or in a hybrid environment and 81% of millennials and 66% of all consumers prefer working out at home. And these are all behaviors adopted during the pandemic as technology enabled and replicated some of the community experiences of in-person fitness classes.

The data also supports our acquisition thesis that in-home fitness can be and is a very important part of what we can do to engage with guests on a more frequent basis. This shifting consumer behavior is also significant because it impacts our studio partners and our ambassadors. And these folks are very critical parts of the lululemon ecosystem.

The pandemic forced a lot of our partners to launch their own digital services in order to retain their guests. Today, there are hundreds of these studio apps, 300% more than there were prior to the pandemic. This has obviously led to a lot of fragmentation, a little bit of confusion in the marketplace.

And so at MIRROR, one of the things that we know is running a digital service can be very challenging. You have to build tech, you have to acquire and retain subscribers. This is all a massive undertaking. And so we believe there's a big opportunity to be for Connected Fitness platform that can bridge this gap and create a connected fitness platform for studios to thrive. And I think the combination of lululemon and MIRROR makes us the perfect company to be able to be that solution.

So let's just share with you our Essential Membership Program, which is our entry-level offering at no cost. Our intent is to provide the ultimate membership experience that drives stronger engagement and a deeper connection with guests and our members.

Guests under our plan will now get more value for their membership than any other fitness membership in the market. This will build on top of the MIRROR subscription model, which today already offers over 10,000 classes across 50 different fitness

modalities, all for \$39 a month, along with the purchase of a MIRROR hardware device.

They'll have access to content from our popular MIRROR instructors and from our studio partners. Guests will receive discounts to in real-life classes and programs offered by our studio partners and guests will also receive benefits and early access to lululemon products and services, which we know that they love.

And so I'm really excited to introduce you to lululemon Studio. We are extending our relationship with our studios partners and our ambassadors to add hundreds of hours of their content on our platform, all exclusively within the lululemon Studio tier. And I'd love for you to hear a bit more directly from the studio partners ourselves, so let's watch this video.

(presentation)

So our partnership with these 8 inaugural studios will again add 800 hours of content from their services each year, along with access and discount to in-real life -- classes in real life and in their studios. And our partners are -- just give you a quick rundown of some of the Dogpound, a personal training gym that turned global lifestyle brand with a long list of celebrity clients.

Y7, founded by Sarah Larson Levey. Y7 is on a mission to break down traditional barriers to make yoga more inclusive and accessible. AARMY cofounded by our lululemon global ambassador, and former sole cycle master instructor Akin Akman, they offer one of the most intense and fun indoor cycling and bootcamp fitness classes.

Forward Space founded by celebrities dance choreographer, Kristin Sudeikis. Forward Space is a sanctuary meets club environment that's accessible to everybody at all levels. Pure Barre, one of the most established bar franchises in North America. Pure Barre has 500 studios across North America and their popular technique incorporates a range of low-impact to high-impact class offerings.

Rumble, founded by Noah Neiman. They have 15 locations across North America that offer a one-of-a-kind high-intensity boxing fitness routine. YogaSix with over 100 studios across North America, YogaSix offers a broad range of yoga, boot camp and meditation classes for everybody at all levels.

And lastly, we have AKT a full body workout that combines tone, interval, circuit and dance based workouts. We chose these partners for a variety of reasons. First, lululemon is a premium brand, and we seek premium partners who have a high degree of overlap with current and potential guests. We also seek to balance partners with larger physical footprints.

Pure Barre was a great example with those with smaller footprints, but with brands that have high potential based on social or press engagement. Dog Pound is another good example in that video.

We seek only a handful of the best brands in very specific modalities, so we can ensure we focus on helping our guests find those brands and vice versa. This studio partner content is additive to already the massive library I had mentioned. And on top of the current MIRROR classes that are top by our best-in-class trainers, who you see here.

And again, additive on top of the library that we've already built. Our goal is to build a platform that connects lululemon guests who want to live healthier lives with premium studios and ambassadors with the most dynamic content available. We've attracted the best studios, ambassadors and trainers to MIRROR so far. This will create more access to more types of premium fitness routines.

We'll continue to supplement those experiences with better products, like more personalized fitness programs, leveraging the massive library, both on-demand and live as well as the physical and digital data that we will have for our guest fitness needs.

We'll amplify these experiences through local events in realized studio experiences, more access to lululemon product. This will drive a larger base of members that will power more reach relevance and revenue for our partners. And this includes access to our extensive base of essential members that we expect.

Our goal is simple, be the go-to platform for fitness and wellness, whether it's in real life or on the MIRROR. For us, this is all just a natural next step for lululemon. Our data today shows that we're converting MIRROR members who have never shopped with lululemon before into paying guests. And we know that guests who work out more, buy more.

And we've already seen that guest who work out more on MIRROR buy significantly more lululemon product than the average guest. We also bring a level of guest data and insights that other retailers can only dream of. We'll know our members goals, who they like to train with, how often they like to work out and what motivates them. And this will help us deliver a truly personalized guest experience from special discounts to studios they love, personalized product recommendations and invitations to local experiential store events.

So what we're delivering against the strategy to create a future of hybrid fitness, we're also building a growth engine for lululemon. We will launch lululemon Studio on MIRROR later this year, and we'll follow that up with a digital experience that allows our members to enjoy their fitness content wherever and whenever they want. And we're really eager to bring on our incredible studio partners to lululemon's studio and provide our members with the ultimate community experience.

We'll be sharing more in the activation space, I'll be there to talk more a bit about this, so I'll see you there. Thank you very much, and I'd love to pass it over to Nikki now.

Nikki Neuburger {BIO 21460770 <GO>}

Mike's been very busy in this first 3 months, as you can tell. My name is Nikki Neuburger. I am the Chief Brand Officer. I'm meeting many of you for the first time. And so I thought, Howard, can I go last right before lunch because I think it will make the best first impression.

I promise to do my best to get the information out to you and on to the next thing. We've got some exciting things to show you. But what I really want you to take away from what I have to say is that people who know us love us, and there are millions more people who are not yet aware of the brand. And that's really where me and my team come in, in terms of what we are setting out to accomplish.

I am going to talk to you about how we plan to raise brand awareness today, and that's really through 4 important strategies. The first is and as spoke to expanding into new product activities and categories. The second is really going to be focused on capturing a larger audience through a more integrated marketing approach. We're also going to be focused on growing our community through the spectacular membership program, both Celeste and Mike spoke to you about. And lastly, we are going to leverage our authentic position and well-being.

So I'm going to start with the consumer because that's what I focused most of my time on. And I really wanted to talk about why that position and well-being is so important right now. There is a lot going on in the world and in the lives of consumers that's changed over the last few years, and it's important that we really understand where they are at.

A global pandemic has happened, social crisis, many of them, political tensions and now even more. Really, consumers are changing what their expectations are from brands, and they are expecting brands to take a stand on some of these issues. And so with this in mind, it was key for us and remains key for us to really get an understanding of their mindsets, their needs, their behaviors and their expectations of brands like ours.

It's become very clear that personal well-being is going to continue to be a priority now and into the future. And earlier this year, just to back that up, we released our second annual global well-being report, the results, a 10-market study that benchmarks the state of well-being around the world. This explores the drivers and barriers to being well. And while we saw rises in mental health, which indicate people are finding better coping mechanisms to deal with all that's going on in their lives. The lack of a support network and the desire for connection have emerged as top barriers.

Our index found that only 29% of the total population indicated strong well-being around the 3 dimensions that we measured, which were physical, mental and social. As a result of these factors, there is a growing demand for brands to support both consumers as well as our employees where we focused a lot of our energy with tools and motivation and opportunities for connection, whether that be physically or virtually.

The great news for us is that the increasing focus on well-being as a result of everything that folks are going through right now uniquely positions us in the marketplace against our competitors. In a category that positions wellness as gimmicky as exclusive and largely unsustainable, lululemon has the credibility and tools to ignite a key shift. What drives us at lululemon is elevating human potential to help people feel their best, and we strive to create transformative products and experiences that build meaningful connections. Connections that ultimately unlock greater possibility and well-being for all. So I feel really great about the job that I have to do.

Together, this serves as a center of gravity for every decision, everyone you've heard from today makes, and it's the truth we want more people to know about around the world. As Calvin shared, the growth we've achieved has been incredible but imagine the growth potential ahead of us as we increase brand awareness. As you can see, there is significant room to grow across the board in this area even in our most mature markets.

In North America, where the brand is most established, and we've been operating the longest. Tremendous opportunity still exists. And in our less mature international markets, the opportunity is literally enormous. In China, our unaided awareness is at 7%, demonstrating the potential that still remains in a market that large and there is also substantial runway across EMEA, where awareness currently sits around 5% across both Germany and France.

For reference, as Calvin mentioned earlier, the largest players in the industry who have also been around the longest are sitting around 85% to 90%. So it shows you the potential and the runway we have to capture a greater audience. I also wanted to highlight the outsized opportunity we have with men, which I know many of you are aware of. While we have made notable gains, our brand funnel is consistently stronger with women, regardless of our duration in market. It's a key objective for us to grow awareness in consideration with men comparable to the coveted position that we already hold with women. In the U.S., for example, men sit at about 11% unaided awareness compared to 38% for women. You get the picture here, tremendous opportunity.

The great news is that we have begun to chart our course to growth in this area, and men are already taking notice as we've made some key moves just this last year that have driven that. In Canada, the announcement of our first games for Team Canada has already made an impact. We saw consideration jump from 39% last year to 43% in 2021, and that's really just over 2 quarters. So pretty substantial growth there.

We have also seen impact by introducing a diverse range of ambassadors to our community that we now influence this audience. I want to introduce you to some of them whom you may or may not know. Joe Wicks over here on the right is out of the U.K., a fitness coach and YouTube star, who is one of the largest social followings in all of training.

Jordan Clarkson, any of you have any money on the playoffs. Stargard for the Utah Jazz was the NBA Sixth Man of the Year in 2021, known for having great skills on the court. But almost as known, if not more known for his style off of the court and what he's been wearing in time of photographs.

And finally, Matt James, a former NCAA football player. turned America's love interest, thanks to the bachelor. Who's got significant reach with both men and women. So a really powerful advocate for us there. These are just a few of the examples of the ambassadors that we've signed just this year because they're awesome people, they are great athletes and they inspire large groups of people.

I'm going to shift gears slightly now. I want to talk about another key lever we are pulling as a means to bring more guests into our brand. And that's through expansion into new products and activities. Our play categories that as mentioned as well as footwear allow us to continue to innovate while simultaneously driving awareness for our brand and our core offering.

Expanding our assortment provides us the opportunity to be a bigger part of our consumers' wardrobes. While footwear also has helped us to gain even more credibility in running and training, as you already heard. Launching a new category and innovation has also been an amazing tool for us to drive brand awareness off the back of.

I'm excited to share some of the early results from our footwear launch to help paint this picture. We generated more than 10 billion earned media impressions since the announcement of our shoes. With that announcement, we saw traffic to our site increased by 4x what was typical in a week. And we've seen a jump in overall brand awareness in just weeks since we launched this campaign.

Another product avenue we're very excited about is to both market and leverage collaborations. You've seen us dabble in this space before with success, but not only will these collections drive revenue for us, they also allow us to reach new audiences. Building cultural relevance and currency is an added bonus and benefit and we'll have more to share on that strategy soon, but suffice it to say, we're very, very excited about the potential.

Now let's talk about our integrated marketing approach. Our growth so far provides us with the ability to invest in new strategies that we believe will drive future and sustained growth. While we plan to maintain a strong commitment to our grassroots community building and efforts, we will also layer on amplification efforts, which

you've already seen us start to do, enabling us to more powerfully drive demand with a broader base of consumers.

We will be doing this through a modern marketing approach, one that is more integrated and impactful across both physical and digital touch points. This approach will drive more demand with more efficiency. So what will we specifically be focusing on over the course of the next 5 years.

First, coordinated campaign moments. We're also prioritizing earned and paid media, which I'll talk a bit more about, sports marketing and partnerships; and finally, community events and activations. We plan to show up with more impact through globally coordinated and locally relevant moments. We have now tested and proven that the impact we can have when we get behind a unified product message at the same time around the world. With smart yet deliberate investment, we can also leverage these product moments to drive brand awareness, as I spoke to, with the footwear example.

Our Q3 field campaign was our first attempt and significantly exceeded industry benchmarks with adults ages 18 to 49 across both awareness and consideration metrics. Most notably, the campaign raised awareness by 10.8 points and by design, it worked harder and faster with our male audience, raising awareness with men by 19 percentage points to 63% in key U.S. cities.

We have also been making smart investments across both earned and paid channels, creating a more efficient and cohesive guest journey. We saw investments pay off not only with the field campaign, which I spoke to, but again, with footwear where guest response has far exceeded our expectations.

A focused investment and plan that led with earned media through a considered PR reveal, set the table for owned and paid channels to convert all those exposed to the coverage, while also raising awareness at the same time. So double bonus for us.

Next, I want to talk about sports marketing. I spoke to some of our male athletes, but what I really wanted to reiterate here is that we see an opportunity to support our growth into new markets and into those new product categories through strategically building out our roster. We have been focused on expanding the diverse representation of our roster to reflect the communities that we serve enabling us to more powerfully inspire and influence a larger group of guests.

While we've continued to invest into and support our local ambassador pipeline, you've also seen us begin to welcome a handful of elite athletes who are not only at the top of their game, but who share our values and extend our reach and credibility with a large audience. Like calling quickly here, an Olympic track and field athlete and also one of the faces of our footwear campaign.

It's worth noting that while sponsoring elite athletes is not a new playbook. We are calling our own shots and we'll be taking a pretty different approach than most. It's

not our end goal to have the most athletes or to sponsor leagues or franchises, but instead to build a roster and maintain that roster of folks who share our values and who place a premium on deep, long-term relationships. Said differently, we plan to leverage a tight roster of incredible people with a large reach frequently.

And of course, we are very, very excited about the studio partners that Mike shared some of the world's best sweat studios in fact, enabling us to create a more connected community for both those partners as well as our guests.

Finally, there is no denying the power of events in driving a sense of belonging and well-being. Activating our community in powerful ways not only increases brand awareness, but it builds retention and ultimately loyalty. We have an incredible opportunity with membership to innovate on our community DNA, both through the essential tier as well as lululemon Studio, which both Celeste and Mike spoke to.

Access to community activations and larger-scale events, both physical and virtual will be a key benefit of the membership program moving forward. Strong relationships have been a critical ingredient of our secret sauce since the early days of the brand. It started in our stores and now membership will allow us to do the same digitally and at scale. Our new program is a critical tool to enable our connections, deepening our relationships with guests who engage with our brand through product, through content and ultimately through the community itself.

As Celeste mentioned, we intend for 80% of our guests to become a member of this 2-tiered program. Essential membership creates a value exchange that benefits both guest center business, gasket perks, and we get a better understanding of their preferences and behaviors. In turn, that's going to allow us to serve them more personally with product and community connections that we know are relevant and matter to them. Those who opt into Lululemon Studio will unlock access to premium content, studio partner benefits and exclusive experiences from lululemon, creating opportunity for daily engagement with our brand daily.

We believe that, that is going to fuel growth and loyalty. We know if we've got a loyal guest when it's time to buy, we will be top of mind with these folks. And of course, we'll have the opportunity to move our guests through the lululemon membership funnel, converting central members to Lululemon Studio members at a lower CAC, which Calvin spoke to.

Eventually, our Lululemon Studio digital-only experience is going to enable us to meet guests whenever and wherever they are. So I think I was pretty quick, but I'm going to sum it all up. We feel great about what lies ahead. We are building an iconic global brand that brings our purpose to life as it fuels business success. And as you can see, the runway is significant or early innings. Hopefully, that's the other thing that you've not been beat over the head with today, but we are really, really passionate about it.

Through impactful brand moments, product launches, ambassadors and the experiences we create -- we will continue to cultivate a loyal and a large community whom will now have the ability to connect with more often and more personally through all of the exciting programs that we shared with you here today.

So with that, thank you for allowing me to close this out. I'm going to hand it back over to Howard.

Howard Tubin {BIO 6382352 <GO>}

Thanks, Nikki. So we hope you guys are excited about everything you've heard this morning, and we have more for you this afternoon. So let me lay out the next couple of hours. We made our Power of Three x2 plan, very simple, if you understand the next 2 hours, you're going to have to bear with me here.

We're going to take a 2-hour break. So if you're on the webcast, you can tune off now. You can tune back in at 1:00 p.m.

If you're in the room, I'm going to split this group into 2 and each group is going to go to lunch and is going to go through our activations separately. Then to make the activations a bit more intimate and give you guys a bit more access to contact with our team members who are going to take you through the activations, we're going to split each of the larger groups into smaller groups. So if you look at your badges, you'll see a letter, and you'll see a colored circle.

We'll take -- if you have a B on your badge, if you could stand up, and you can see my friends at the door, they'll take you down to the restaurant. And while you're down there, they'll tell you how you're going to walk through the activations.

That's Group B. Group A, just hang on for a second. Yes.

Okay. So if you're still here, you should have an A on your badge. Okay. So if you have a pink or purple circle, head over to the door, and we will guide you to your activation. So that's -- yes, so that's pink and purple, head to the door.

Okay. If you have a blue circle, now head to the door. And the last group, yellow, you can head to the door now.

Mitch, do you have a circle -- do you have a yellow circle?

Unidentified Participant

I do. Lots of color now.

Howard Tubin {BIO 6382352 <GO>}

Okay. No. You're good.

(Break)

All right, everyone. We're going to -- hope you guys enjoyed lunch. Hope you guys enjoyed our activations. Our teams were so excited to talk to you guys. Hope you got to ask your questions, get your questions answered. In a little while, we'll have a Q&A session, so there's time for some more questions.

So this afternoon, we're going to get started, we have some more of our leaders coming up. But to start the afternoon session, we're going to bring Celeste up again. She's going to talk to you about our North American business.

Celeste Burgoyne {BIO 20012334 <GO>}

Thanks, Howard.

Howard Tubin {BIO 6382352 <GO>}

Yes.

Celeste Burgoyne {BIO 20012334 <GO>}

Welcome back. I hope you all had a good lunch and a good time at the activations. As you've heard from us this morning, we are in the early innings of our growth across products, channels and geographies. And while North America is our most mature region, we still see huge opportunity in both channels. In our new 2026 growth plan, North America will grow at low double-digit CAGR, getting us to more than \$8 billion over the next 5 years. And we have proven that our model works.

Since 2018, our North American store base grew 11%, from 349 to 387 mainline stores, while at the same time growing traffic to our ecommerce site on average 37%. And we grew conversion online by nearly 10% on the same basis. And in the same time frame, we have grown revenue over 80%, from \$2.9 billion to \$5.3 billion last year. This represents a CAGR of 22%, a 3-year CAGR of 22%.

And we did do all of this despite being in a global pandemic. So this speaks to our strength across our business, across our omni operating model, our incredible educators and the agility and dedication of our teams. And we still see ample opportunity to grow our North American business. We can leverage our channels even more seamlessly into the future. And we are also in the early innings of the growth in men's, footwear and our brand awareness.

So let's talk about our stores. Our stores truly are our secret sauce and a huge competitive advantage. They blend product, our incredible people and our community relationships in one. We believe this experience is more relevant than ever. Today, our store productivity and traffic levels are trending above 2019. And our

store productivity remains high at over \$1,400 per square foot. Over the next 5 years, we will grow our square footage by 5% annually, including new store openings and optimization. Yet on top of that, we will also leverage our pop-up and agile strategy to ensure we have a physical presence in communities big and small.

And it's important to note that our stores actually don't get credit for everything they do for us. Ship from store, BBR and buy online, pick up in-store are additional ways we leverage our stores and their infrastructure to drive the entire omni operating model. They also over-index on new guest acquisition year-over-year. Our stores play a critical role in the entire omni experience. Our store portfolio in different formats provide us with an opportunity to enter each market with a tailored approach that makes sense for that specific community, from small community stores to our largest experiential expression. We will continue to use all of these formats to be able to drive the best guest experience, to create community hubs and to drive the best P&L results.

Outside of our permanent store strategy, we will also continue to leverage our agile approach, which is comprised of pop-ups and cool new concepts like our campus strategy as one example. Okay. So I'm sure there's some University of Michigan fans out here. There we go. I know we have a few. This past fall, we opened our first showcase experience on the University of Michigan campus, and it had incredible results. And although I am an Ohio State fan, so OH, I was so excited to see our ability to leverage our innovative way to build relationships, connecting communities and show up in the most powerful way on one of the biggest big 10 college football weekends of the year.

Our pop-ups will also continue to be a big part of our future. They allow us to test new markets, reach new guests and to grow our overall brand awareness. We currently have 60 pop-ups operating in the U.S. or in North America. And this strategy not only allows us to capture seasonal demand, acquire new guests and it also gives us an opportunity to test and learn in new markets to help inform our permanent opening plan. We will continue to lean into exploring and testing new markets through this approach.

Okay. Our experiential stores, they remain a compelling physical manifestation of the Sweatlife. They bring together our guests in super cool ways and are very relevant to their local communities. We currently have 2 experiential stores, 1 in the Lincoln Park neighborhood in Chicago and the second in Mall of America in Minneapolis. These stores offer studio space, food and drink options as well as our Pinnacle product offering. And they truly are a connection and community hub for all of the ambassadors in that community. We are thrilled to be opening our third full expression experiential store this fall in Houston at the Houston Highland Village.

And since community is very important to us, we've also layered in a key city strategy. This strategy will help us drive growth in North America by ensuring local relevance and credibility of our brand. We currently have 5 cities in North America that fall under this key city strategy, and this program has been instrumental in helping us create an even bigger community and guest impact.

Okay. Shifting gears now to our digital business. We have the ability and opportunity to scale our digital business even greater, and we continue to make strategic investments. In our digital ecosystem, we are most focused on product storytelling, personalization and core experience optimization. Earlier, I talked to in detail about product storytelling and personalization, so now I'll spend a bit more time talking about core experience optimization. And this experience optimization will support our ability to drive conversion and AOV as well as elevate the entire experience.

Some of our key investments include implementing our next-generation commerce platform and payments infrastructure, which will make it easier for our guests to transact on our site and in our ecosystem as well as outside us. A focus on our product detail page, which is really the workhorse of the ecommerce site, this will elevate product storytelling and support increased conversion.

Scaling our omni programs, we will be replatforming our RFID program to a cloud-based solution, which will help us continue to innovate and elevate our omni experience and truly leverage our physical footprint and digital experience together. And we're also leveraging AI and machine learning across all of our key experiences to continually be able to optimize and personalize the overall experience. And these are just some key examples of our focus on optimizing our digital business as we grow. We truly believe ecomm still has a lot of growth ahead.

So as you can see, we have a lot of opportunity for the future. We will grow our North America square footage by approximately 5% CAGR over the next 5 years, driven by both new store openings and optimizations. And on top of this, as I mentioned, we will continue to use our agile strategy and pop-ups to continue to show up in communities big and small.

Our ecommerce business has continued growth opportunity as well. From product storytelling, personalization and core experience optimization, we have a clear line of sight to short-term and long-term growth opportunity within the digital ecosystem. And finally, layered on top of everything, we will constantly innovate and adapt for what is needed most by our guests to create the most relevant and deepest connection we possibly can with them.

And with that, I will now turn it over to Andre to talk about all things outside of North America.

Andre Maestrini {BIO 17609374 <GO>}

Thank you, Celeste. Hello, everyone. I'm Andre Maestrini. I joined lululemon 14 months ago to lead our international expansion. And I'm thrilled and honored to be able to share the fantastic potential that international markets are for our company.

It's great to see the momentum that we have in the business, thanks to great brand reputation, the premium positioning and the expansion of our channels. And we have great teams in place, and we are accelerating our growth, leading us to achieve our 2023 targets ahead of plan.

So in the last analyst convention, we committed in front of you to quadruple the business in international. And we look at 2021, we reached net sales of USD 957 million, which is 15% of our total enterprise net sales. And in uncertain times, it represents a 39% CAGR over these 3 years. So yes, we are on track to quadruple the business ahead of time.

In numbers, when we look since 2018, we have been driving that by both channel expansion, retail and ecommerce while expanding through geographies. So in retail, we moved from 81 stores -- 91 stores to 187 stores, more than doubling the number of stores that we have in our network. When it comes to ecommerce, we invested. And from 5 sites in 2 languages, we reached 9 ecommerce sites in 5 languages. And now we operate in 17 countries internationally, adding 4 if we account with our license partner. So all that's fueled by our team's team efforts, and we increased our international teams from 1,500 associates to 3,300 associates.

And Calvin mentioned our commitment to culture, and Celeste highlighted the importance and the role and the impact of our educators and people are at the core of who we are and what we do. And I was struck when joining the company of how strong is the culture, and it makes us special. So yes, this is so important. Because if people are at the core, for international, it means that we have people empowered in their marketplace, they know what to do and also are sensitive to the nuances of the cultures in which we operate. So it's the formula for success.

Now the vision of lululemon to unlock greater possibilities and well-being for all is a very compelling proposition for guests around the world. And Nikki mentioned, however, our brand awareness is really low compared with North America, leaving a reservoir of potential acquisition of guests almost untapped. When we go to market share, the sum of the revenues of markets U.S. and Canada, if we compare it to the total adult activewear market as measured by NPD, the share is above 5%. In the countries where we have NPD data in international, at most, we have 1%. So we are at the innings of our growth in international, and I'm highly motivated to go after it.

To do so, we have gathered a lot of information and data to fuel our proprietary sweat index model to measure market-holding capacity for each one of the countries, the potential of the premium activewear market and check the sweat readiness with our guests to prioritize our country approach and also the intensification of our investment in some of the countries. So yes, with the momentum and the knowledge we have combined, we're ready to commit to you our goals for 2026, which is, you will say again, but yes, quadruple of business of international towards the year 2026, starting from a much higher base. And I'm going to unpack now with you how we are going to do that.

And to do so, we are going to have a 3-pillar approach. So we're going to unlock the primary and the biggest opportunity, which is Mainland China. Second, we're going to double down on our core markets, which are U.K., Germany, South Korea and Australia. And I can tell you that Australia is the most mature market, but we see still the possibility to double the business in Australia. And third, to have -- to scale some

markets that we seeded the brand recently and also selectively enter new markets. So these are the 3 pillars of our strategy.

And before unpacking them, I'd like to share with you our operating model and how we go after that. And here, the idea is to build on our strength. We have a successful model. Celeste, you touched on it just in your presentation, and this is how we're going to do business. First, leverage our superior product offering powered by the Science of Feel and have our direct-to-consumer model to access directly our guests and elevate our brand presentation consistently across the globe. And then with our grassroots approach, community-based and inclusive culture, create this relevant one-to-one relationships fostered by our guests and our educators to create enduring success and strong relationships. So that's our operating model.

And in product, when it comes to product, we have the same approach. You heard Sun. We have a lot of leverage still in our core offering and recruit guests for what we are famous for. We will also leverage the pipeline of innovation, and at the same time curate assortment to be relevant in the different geographies and create capsules for cultural moments or on top need as we are building teams and capabilities in each 1 of the 3 regions. So that's the playbook.

And now I'd like to unpack the 3 pillars of our geographical plan. The first one is Mainland China, and I'd like to take the opportunity as maybe China to showcase how our global local model plays. The first element of our strategy in China, which is a 5-tiered initiative, is store expansions. We're going to open big flagship stores with the full breadth of our range at the same time then a core product, locally-based community stores, concentrating our approach to Tier 1 cities that are going to represent 40% of our network by 2026. And in total -- and then we are going to intensify our network in Tier 2 cities. In total, in China, we're going to grow from 70 stores that we have now in operation towards 220 at the end of the plan.

The second is to intensify ecommerce. And to do that, we're going to leverage the success that we have in our shopping show in Tmall. We're going to diversify by entering in JD.com and also tap into the opportunity of social commerce by WeChat Mini Programs and to develop our dot cn. This, while developing uniquely tailored omni solutions to the market, which is virtual shelf, we just launched footwear. And virtual shelf were really successful in accelerating the acquisition of guests and also tapping into the trends. And you have live commerce, which is live streaming that's becoming very popular China.

The third, I tap into that, which is product, yes, it's to build on the key stories globally and at the same time curate the assortment for the China market. Second, for the close-to-body items, to develop Asian fit, to fit the fit of the guests there. And also create local capsules for cultural moments and the unmet need and more to come on that. The fourth initiative, it's about brand amplification. You heard that in the morning, too. And it's about telling louder our stories in the market and bring the brand awareness, complemented by curated local content that resonates with the guest.

As an example, in February, the Olympics, the whole stage of the Olympics give us the opportunity to showcase our outerwear and winter products at this global stage. It created an enormous buzz in social media in China, generating a lot of traffic to our stores. But at the same time, we were activating the Chinese New Year with a locally developed capsule for the guests, showing us the way to say if we can tell these global stories loud, complemented by the local lululemon, we will be a global brand, but really meaningful for the China guest. And the fifth initiative is, of course, if you want to have a sustainable business, is to build the team, an empowered team that knows what to do to take accountability for the actions there and create this enduring relationship with the local guests.

The second pillar, when it comes to geography is to double down on our core markets. We have a big runway still in those. And it's South Korea, it's Australia, U.K. and Germany. And the approach there is to fully leverage the Power of Three that you referred to, Calvin, which is, first, product diversification, right? About the occasions, run, train, OTM. Second is also about gender and double down on men, and introducing new products like footwear, so new product types. So product as one engine. Second, ecommerce. I think you heard from Celeste we are really leveraging the best practice of North America. And some markets like Europe are going to reach soon 50% of their business done in ecommerce.

The third is market expansion through store opening. And post Covid, we see ourselves in a very good position to access primary locations with high traffic at the cost of entry much lower than prepandemic. And that allows us to be confident and keep opening and having our NSO, new store opening plan, fully operational. And it is in those markets, these 4 markets, where we're going to concentrate our amplification dollars to keep raising the awareness and complement our global stories.

And as an example, our ambassador programs. We're going to be faithful to our grassroots approach, the local coaches, instructors that are local heroes for the community, but add on global key cities' ambassadors and then global ambassadors. And Joe Wicks that we partnered with in the U.K. immediately raised the bar on brand awareness in the U.K., among men, by 10 points to reach 56%, and the consideration of the brand from 12% to 21%. So we see the potential of this global local approach when it comes to our market.

And the last and third buckets of country is the countries where we have seeded the brand already. Here we are. And we are going to scale and selectively, according to the Sweat Index, enter new markets. When it comes to Europe, the focus is going to be there in France with the Paris City approach. We're going to open a flagship in the Champs-Elysees by the end of the year while we will enter Spain with openings in Barcelona, Madrid and opening our proprietary ecommerce site, dot es. It's quite unbelievable to think of Europe as a developing market and that today, on the big 5 of Europe, we're just present in 3 out of the 5 countries. So it shows us the potential of this geography.

When it comes to Asia, we see a trend of our guest reaching for more and adopting a more active lifestyle. Well-being is higher in the agenda than ever before. And the thirst for premium brands for their quality and their status is a trend that lululemon is ideally positioned for the future. And to tap into that, yes, we're going to focus in scaling Japan with an approach specifically on Tokyo and ecommerce. And Southeast Asia is still untapped territory, and we will open Thailand quite soon.

A lot of opportunities ahead. And to bring that together, I'd like to share with you the sources of growth while we quadruple the business. As you see, store are going to be generating the majority of the growth, but it's very balanced with ecommerce. And we come to geographies, the sources of growth are, first -- if we can have the next slide, please -- it's first -- here we are -- Mainland China. But at the same time, you see that a region like APAC or even EMEA contributes highly to the plan, derisking our ability to hit the numbers and be at the rendezvous of quadrupling the business by 2026.

So to conclude, yes, quadrupling the business is our ambition. And I think you did the math, Calvin, is to nearly reach \$4 billion net sales in the course of the plan. And when you think, is just to generate a business of the size of what North America was in 2020, and we are ready for it.

Thank you for your attention. And now our CFO, Meghan Frank. Thank you very much.

Meghan Frank {BIO 21694519 <GO>}

Hi, everyone. I'm so excited to be here with you in person and not on Zoom. What a treat. As most of you know, I've been with lululemon for 5.5 years. I stepped into the CFO role a little bit over 1.5 years ago, and I'm incredibly grateful to be part of this team during this phase of our scale and growth. We're coming off of a period of incredible growth that you've heard a lot about today, achieving our overall Power of Three revenue and earnings goals 2 years early while navigating a global pandemic and ongoing supply chain and macroeconomic challenges.

We leaned into our strengths over the last 2 years, supporting our people and our partners. We do not have any layoffs, and we maintain our commitments to our merchandise orders and our rents. Our philosophy in terms of our approach was to protect against downside while positioning for growth, and we've certainly done that. We're in countless scenarios. We've reset our priorities, and I'm so proud of what this team accomplished together and really excited about what we can accomplish in the future.

We are moving into our next 5 years from a position of strength, strong momentum in the business and considerable runway in front of us. I'm going to walk through some highlights on our last 3 years in a little bit more detail and then share more details on our financial outlook for the next 5 years that underpin the strategies and initiatives that you've heard about throughout today. But before I do, let me reiterate

what Calvin said this morning. We remain comfortable with our Q1 and 2022 guidance that we just provided on our last call.

So let's start with our 2023 plan and all that we accomplished from a financial perspective. We grew revenue at a 3-year CAGR of 24% versus our plan of low teens. Adjusted operating margin grew from 21.5% to 22% in 2021. And adjusted EPS grew at a 27% 3-year CAGR.

Looking at some additional details. As you know, we're delivering on our 3 key growth pillars. We doubled men's in 2021 relative to 2018. We more than tripled ecommerce, and we're on track to deliver on quadrupling international by the end of this year. But that's not all we did. While we doubled men's, we grew women's at a 21% CAGR. We grew accessories at a 28% CAGR. While we tripled ecommerce, we grew stores at a 10% CAGR, despite pandemic impacts. And in terms of international, we grew China, Mainland at a 79% 3-year CAGR, while the rest of the world grew at a 22% 3-year CAGR.

Going a little bit deeper into stores. These, you've heard a lot about today. They remain a really important part of our ecosystem and important to our growth story. They're not only highly productive for us, but we also have sales per square foot over \$1,400. They're also highly profitable with operating margins in the mid-20s, and they are also a vehicle to acquire new guests, particularly men's. And they're a platform to enable connection and community. Since 2018, we grew square footage by 49%, adding 134 stores and ending with a total store fleet of 574 at the end of 2021. And as Celeste and Andre shared, we have significant runway in front of us in terms of store opportunity.

Before going into the details on our next 5 years, I did want to highlight the strength of our financial position. So the strength that enables our strategic initiatives powers our Impact Agenda and allows us to support our people and our communities while also returning excess cash to shareholders. In 2021, we generated \$1.4 billion in cash flow from operations. We ended the year with \$1.3 billion in cash, \$1.7 billion in total liquidity. We have no debt. We restarted our share repurchase program. We bought back a record amount of stock at \$813 million during the year. We've repurchased \$1.2 billion since 2018 and \$2.4 billion since 2014. And the Board has just approved a new \$1 billion program, which we're excited about.

The strength in our vertical omni business model and our financial flexibility have allowed us to achieve our goals early. And we've seen the strength of our results reflected in our share price performance, which is up over 200% on the 3-year time horizon. I know you've seen a few beautiful videos, but I think we can agree that this is the most beautiful slide of the day.

Okay. So looking forward, I'm switching gears. So I wanted to share a little bit about how we're thinking about macro trends that could or are potentially impacting our business as we thought about the next 5 years. We are benefiting from several tailwinds, which aren't new. They've been impacting our business over the last

several years and likely got stronger even during the pandemic. You've heard about some of these today. So they include consumers wanting to live an active and healthy lifestyle, strength in the athletic apparel segment, desire for versatile products while working out and also in everyday life and also the expectation of ease and convenience when making a purchase.

And we're also navigating some headwinds, including supply chain disruptions, inflationary pressures, the ongoing impact from the Covid-19 pandemic and then also the current geopolitical landscape. While we do believe that many of these headwinds are temporary, we are well positioned in a rising cost environment, given our growth trajectory, which sets us up well with our partners and vendors with scale. And then rising labor costs are likely less transitory in nature. However, our people-first policy positions us well from that standpoint. And as we mentioned on our earnings call, we will continue to price for innovation and take select price increases as appropriate.

Okay. So now let's take a look at our new growth plan. So what's really exciting is that we are expecting the engine, the core engine of our next 5-year plan to be what drove our success over the last 3 years. So the key components of this are omni revenue growth really fueled by existing and new guest opportunity that you heard about today across all of our markets. We've got ongoing traffic and conversion opportunities across both our ecommerce and store businesses. Another key component is the strength of our core product margin. So we've got scale efficiencies. We have high full-price sell-throughs and low markdown rates, and we expect that to continue.

And then we've got strong omni segment margins, with productive unit economics continuing to fuel our store expansion strategies. And then our ecommerce operating margins remain strong. All of this will allow us to continue to innovate in our products, including our existing and new categories, in our guest experience and then also importantly, in our foundations to make sure we can scale as well as our Impact Agenda. So this equation and the balance of our strength from our core business model augmented with innovation will allow us to deliver on our long-term goals that we've outlined.

We doubled our revenue for 2018 to 2021. And as you've heard, we're expecting another double. So our Power of Three x2 plan contemplates that over the next 5 years, representing a 15% CAGR. We do expect balanced growth across category, channel and region, and will be focus, really, on achieving these goals on a CAGR basis over this time horizon. The growth pillars, as you've heard, will remain consistent, so doubling men's, doubling ecommerce and quadrupling international.

So sharing some more key stats here. So revenue targeted to grow from \$6.25 billion to \$12.5 billion. If we look at category growth, we're expecting men's to grow at a 20% CAGR, women's at a low double-digit CAGR and accessories at a low teens CAGR. It is important to note that while footwear and our evolved lululemon studio, MIRROR model are exciting long-term opportunities for us, we have taken a conservative approach to how we've contemplated them in this plan. And over the

next 5 years, we are forecasting the combined penetration of those 2 pieces to be in the mid-single digits, lower in the near-term years and higher in the outer years.

Okay. So then within channel growth, we're approaching the business through an omni lens. We've definitely further developed that muscle over the last few years flexing between channels. And we'll continue to take that approach as guest behavior evolves. We've had tremendous growth in ecommerce. We were at a 26% penetration in 2018, and it grew to 44% by 2021. And we do expect to continue to grow off of that higher waterline. We're currently planning our channels to grow in a range of 14% to 16%, with stores on the lower end of that range and ecommerce on the higher end. And again, we will adjust based on guest behavior.

And then for regional growth. So we continue to see outsized growth in our international business, as you heard. International in 2021 remained a relatively small but profitable piece of the business at 15% of total revenue. And we are expecting, as you heard, for it to quadruple, which means a 30% CAGR over the next 5-year time horizon while we expect North America to continue to grow at a healthy low double-digit CAGR increase.

Okay. So switching over to operating margin. So over the next 5 years, we expect to see modest operating margin expansion annually. We will continue to give guidance on SG&A and gross margin. Over the course of the plan, we do expect both of those metrics to improve relative to historical levels. But given that we're taking an omni approach to the business, we are going to be looking at operating margin as a key metric within our Power of Three x2 plan.

So as we think about our investment profile over the next 5 years, we have some drivers in terms of North America business, ecommerce and then opportunities with scale and cost efficiencies as well as moderation of airfreight impacts. This will allow us to continue to invest in our long-term growth opportunities. So these would include men's, footwear, our international business as well as our lululemon studio and MIRROR model. And then importantly, again, foundational investments to ensure that we're able to scale to support our growth, which include important investments in our distribution centers and then also in technology.

On MIRROR, I wanted to give a little bit more detail here. Given the evolution of our model, in connection to our membership program, we won't be discussing MIRROR as a separate business. However, given the goals you heard around deeper guest engagement, we continue to believe that MIRROR will contribute profitably overall to our financials. And on a stand-alone basis, the path to profitability is within our control. I'd also note that the evolved model and investment in content and experience was contemplated in the 2022 guidance that we just provided. And that was to share our expectation for dilution to moderate in 2022 relative to 2021.

Providing a few additional metrics. As we navigate supply chain challenges and comparisons to being under-inventoried, we are going to be providing unit inventory CAGRs as we did on our last call, which we plan to manage in line with

revenue growth. In terms of square footage, we expect on a global basis square footage to grow in the low double digits. And this would be inclusive of new stores and expansions. Capital expenditures will be in the range of 7% to 9% of sales. Key investments, again, are in our distribution center network to support our growth as well as key investments in digital and our stores, and then also technology foundations investments. We expect our tax rate for 2023 onward to be approximately 30%. And then finally, on EPS, we expect growth in excess of sales growth over -- on average, over the 5-year time horizon.

In terms of cash flow, we expect our cash flow generation to continue to be strong. Our approach to capital allocation will remain consistent. Our top priorities are investing in our growth opportunities in the business. So fueling our growth initiatives, investing in our people, investing in our Impact Agenda. And then we'll also want to maintain financial flexibility. The strength of our balance sheet enables us to consider strategic opportunities as they arise, MIRROR being a perfect example of that. And while the guidance today doesn't include share repurchase, it does remain our preferred method to return excess cash to shareholders.

And with that, I will end by expressing my excitement and confidence in our next 5-year plan and how we're positioned to capitalize on the opportunities that are in front of us. Again, our plans are focused on growth from our proven core in our growth pillars in men's, digital and international, with modest contribution from new ventures, including footwear and our evolved lululemon studio, MIRROR model. Each of these are really supported and underpinned by our strong financial position.

And with that, I'll thank you all so much for joining us. It was a pleasure to be with you all today. I'll hand it over to Howard for our Q&A session. Thank you.

Questions And Answers

A - Howard Tubin {BIO 6382352 <GO>}

Okay. We've got some time for Q&A. We'll take questions from the room. And if I can figure out how to work this thing, we'll take some questions from the webcast as well. So if you can do me a favor, we have 2 mic runners in the audience. So if you raise your hand, I'll call on you. And if you could state your name and your firm, and then you can ask your question. Let's invite our -- let's wait for our team to get up here. All right. I can see one. Let's start with Kimberly right here in the front.

Q - Kimberly Greenberger {BIO 3277763 <GO>}

Kimberly Greenberger, Morgan Stanley. I wanted to ask about international. Obviously, that represents one of the largest future growth opportunities for lululemon. Can you reflect on the experiences that you've had internationally, where profitability has been highest and most successful and where profitability has lagged a little bit? And what were the keys to getting the profitability improvement internationally?

A - Meghan Frank {BIO 21694519 <GO>}

So I would say in terms of international profitability, we were really excited that we got Europe to profitable in 2021. I would say we've been further along in some areas of APAC, particularly China. And I would say the key to that is really scale. There are some structural differences between markets in terms of just cost structure, particularly occupancy.

But I think where we've been really pleased is when we've got scale in terms of store expansion, coupled with digital. And you've heard a lot about today how we think about that ecosystem of when we have guests that are shopping both channels and have a deeper relationship with the brand, we tend to see higher spend and view that as a key unlock, I think, to profitability in all markets. Yes.

A - Howard Tubin {BIO 6382352 <GO>}

Let's go to the -- way back.

Q - Patrick Gadbois {BIO 15822333 <GO>}

Patrick Gadbois from CN Rail Pension Fund based in Montreal. Usually, retail, I think, area -- densing up a market is very important before going to the next one, in general. But I'm wondering if you're -- if the fact that your sales per square feet is so high that you can still seed some market without losing money for too long. You do have, like, high-value items that you can ship by plane sometimes even. So just wondering your thoughts on that.

A - Meghan Frank {BIO 21694519 <GO>}

Yes. I think we can certainly benefit from our highly productive sales per square foot and view that as an important opportunity. And I think it's also about staging our growth and making sure we feel we're ready to enter markets powerfully. And I think Andre teed up some exciting new markets for us, and we have more on the radar in terms of how we move forward.

A - Howard Tubin {BIO 6382352 <GO>}

Michael?

Q - Michael Binetti {BIO 20477904 <GO>}

Michael Binetti with Credit Suisse. I think -- maybe dovetailing off Kimberly's question, last time we talked, you pointed to -- you gave some targets on what you thought of profitability in the international business could get to. I think it was 10% to 15% of earnings. Anything that you guys are shooting for with the new revenue targets you gave us in international to think about alongside the new plan?

And then, I guess, as you think about the model, it looks like it moves towards more of the growth coming from stores, the new store growth and less from same-store sales growth just relative to the old plan. Does that have a Delta on the ROI of the

stores business given how high the returns are on a -- just adding a point of sales in an existing store?

A - Meghan Frank {BIO 21694519 <GO>}

Yes. So I'd say in terms of international, you were asking -- sorry, the first one was about international, yes, operating profit. So we haven't broken out anything specifically on that, but we do see opportunity international to continue to expand. We are profitable today. We did reach our overall goal from a dollar basis. Obviously, North America outperformed a bit relative to expectations. So when you look at penetration, a little bit different, but we're really pleased overall with the profitability. We continue to see opportunity for international to expand operating margin, but we also see opportunity on the North America side. So both would be, I would say, embedded in our targets.

And then -- sorry, can you repeat the second part of the question?

A - Howard Tubin {BIO 6382352 <GO>}

Just on the ROI return of the stores (inaudible).

A - Meghan Frank {BIO 21694519 <GO>}

Yes. I'd say nothing material there in terms of differences. Still really overall pleased with the productivity of our entire store fleet. It's definitely a mixture of new stores and then expansions in that square footage growth. So we've got a nice healthy combination of particularly new stores in our international markets and then a healthy expansion number, I'd say, in North America as we continue to scale and can present a fuller presentation of men's, women's, accessories and then, importantly, footwear in those markets as well.

A - Howard Tubin {BIO 6382352 <GO>}

I'm just going to -- I'm going to take one from the web. Calvin, I think this one is going to be for you. Can you clarify the difference between lululemon studios and the essentials membership program and provide any more details on both?

A - Calvin McDonald {BIO 16657186 <GO>}

Yes. To clarify, I would look at the essential program through the lens of a traditional loyalty program, where it's free to every guest with benefits. We're not going to pursue a discount benefit at the essential level. We think there's a lot of other benefits that the brand brings that we can leverage our product, leverage our community and leverage interaction and relationship with our communities to really establish exciting benefits that we anticipate majority of our guests to participate in. That's the essential. That's how you should view that program.

The lululemon studio membership is going to replace the MIRROR membership. So if you're a MIRROR member today, when we activate and launch, you're now a lululemon studio member. The MIRROR brand continues, but it's the hardware. It's the mirror, it's a device you can purchase to interact with and experience your

lululemon studio membership. As Mike mentioned, we'll also be launching a digital app, which is another way in which you can buy and activate and participate inside the lululemon studio membership, be it on your smart TV, your iPad, your phone, on mobile.

And the notion of the 2 working together is we're excited about being able to leverage that content into the essentials to both drive engagement as well as opportunity to explore some of it and then have them want to participate and buy into the lululemon studio membership program, where there's additional benefits, not just the content for your \$39 a month, but as Mike alluded to, there will be benefits with our studio partners, discounts to participate in their live classes, how we tap into our own community events and activations as well as early access to product and other benefits across the lululemon ecosystem as well. So those are the 2 programs, and that's how they will coexist.

A - Howard Tubin {BIO 6382352 <GO>}

Okay. Great. Let's go to the other side of the room. Mark?

Q - Mark Altschwager {BIO 18088928 <GO>}

Mark Altschwager from Baird. You talked about the low global brand awareness and the opportunity there, but also a lot of the innovation is really focused on driving wallet share with your existing guests. So as we think about the double here over the next 5 years, can you help us understand the balance you're thinking of between the 2, new guest acquisition versus spend per guest?

And then a separate question but somewhat related, it seems like your approach to marketing is evolving a bit with some of the channels that you've talked about earlier. Maybe just remind us, what's your marketing percent of revenue today? And where do you see that going over the next 5 years as you pursue these growth plans?

A - Meghan Frank {BIO 21694519 <GO>}

So in terms of marketing percent, I don't think we've broken out the actual percent, but we are thinking about it as relatively consistent. So as you heard, I think we have different opportunities in different marketing programs, and we've really studied and gotten more efficient, and we feel like we're headed in the right direction there, but no material change to the penetration. And then...

A - Howard Tubin {BIO 6382352 <GO>}

Do you want to -- go for it.

A - Celeste Burgoyne {BIO 20012334 <GO>}

Yes. Maybe one nuance -- and I was alluding to it with the global coordination -- is up until pretty recently, our markets have been driving marketing entirely on their own. So that's where some of the efficiency comes in. So it does increase on an absolute

dollar basis. But as Meghan alluded to, the percentage of sales, we don't anticipate a big increase. It really is just building a more efficient and cohesive engine.

With the paid media, there's also an effort to build our media mix model. So again, we can just be smarter and more deliberate with how hard each channel is working for us and invest into those that work really hard for us and divest of those that don't. So it really is just a shift in strategy more so than a shift in spend.

A - Calvin McDonald {BIO 16657186 <GO>}

And what I'd add to the first part is all the above relative to our growth in guests. This brand, we have incredible retention with our guests. And the ability to continue to migrate them up, increase share of wallet through experiencing products and categories across different activities as we innovate is definitely a big part of the focus on what you heard from. And we continue to fuel and drive our growth through new guest acquisition. The awareness and the opportunity, there is one way we're going to continue to do that as we enter into new categories and activities or get awareness, that will naturally pull and as we enter new markets or new channels we'll naturally bring in.

So new guest acquisition is still the fundamental driver of our growth. When you look at doubling this business, new guest is going to drive it across all of our markets. And at the same point, we're excited about the opportunity to migrate and continue to expand and extend the share of wallet. But retention of that LTV and bringing more in and migrating them up is really the fundamental drivers of the doubling the business.

A - Celeste Burgoyne {BIO 20012334 <GO>}

And I think it's really important to note that our guest acquisition in stores year-over-year continues to be similar and very strong. So we don't see our new guest acquisition actually dip when a store has been in market for 3, 4, 5 years. So we still consider that store base a very healthy and organic channel to acquire new guests as we look at also migrating them through the funnel.

A - Howard Tubin {BIO 6382352 <GO>}

Let's go with Matt in the front.

Q - Matt Boss {BIO 6440523 <GO>}

Matt Boss, JPMorgan. So maybe a 2-part question. Calvin, a clear take today was growth remains in early innings. I think it was every part of the presentation. So as we think about the \$650 billion total addressable market that you laid out, I guess, maybe high level, what's your excitement in the product pipeline today relative to when you laid out the last plan?

And then Meghan, maybe second part of the question is on the profitability. So how best to think about P&L geography as we think about the modest annual operating

margin expansion maybe between gross margin and expense leverage in the 5-year plan?

A - Calvin McDonald {BIO 16657186 <GO>}

Yes. I'll go first. And I think it's just the clarity of the opportunity within our product road map and how we can drive sales through the core, through the key activities we identified has just solidified and, quite frankly, even more cemented in the time in which I've been with lululemon coming up 4 years and almost 3 years from the last Analyst Day. So I naturally get excited about product as Sun does. I mean, it's what we love to do.

But when I look at how are we going to continue the momentum and double the business, it is rooted in the opportunities we have in those 3 core activities that we identified, the opportunity around franchises. And when I just simply lay out the assortment we have today and where we know we can continue to meet unmet needs around those activities into the awareness and then the opportunity that these play categories are proving to drive the versatility of the product is where I get both confident and incredibly excited about the pipeline and what Sun and the team continue to innovate.

And then lastly, as I sort of mentioned, there's not a way in which I cut our growth across gender, activity, category, channel or market. And you can identify an area of our business where you would say, okay. It's no longer early innings. It's mid-innings of growth.

So that to me just gives the, again, validation of the confidence that says all levers of this business are growing across all aspects in way in which we can drive growth. And we know when we look at our product, with that strategy, there's more we can create than what we've created, and it's resonating and driving with the guests. So that's where I get that additional confidence and excitement.

And always confident on the last plan, and we arrived 2 years early. So...

A - Michelle Choe {BIO 20508451 <GO>}

Yes. I think we've had to build on that. We've had a chance, obviously, to see of that original plan we shared with you all a few years ago, what worked, what didn't. And I'm happy to say that most of the strategies we laid in place around really starting to look at our business through the activity lens, I know we teed up for a you all Science of Feel.

I think we did a much better job today elaborating in more detail what that means and what that means to our pipeline and innovation. So the cool thing for us is that we are multidimensional in terms of how we're looking at our product road map. We looked at activities, activities that can turn into franchises. We also look at categories that a lot of other retailers do, like tops, bottoms, dresses, men's, women, accessories and now footwear.

And so really, it sounds complicated, but it isn't. It's making sure that we're laser focused on how they each intersect. And ultimately, what I teed up for you all at the beginning, it's the 3 questions across all of those, which is, what are they doing? How do they want to feel? What are the unmet needs? And it's really just the discipline and focus on answering those questions with everything that we build that gives us incredible confidence because that really is how we've gotten to today. So yes, early innings, Science of Feel and excited about the future and growth from the core.

A - Meghan Frank {BIO 21694519 <GO>}

Okay. Then in terms of your operating margin question. We're definitely looking at the business from an omni perspective. So as I mentioned, we want to maintain the flexibility to pivot between channels based on guest preferences.

We do expect we will have gross margin and SG&A opportunity over the course of the plan. We're not putting a fine point on that today. But we will continue to give updates on guidance annually on how we see the position in gross margin and SG&A based on investments and particularly channel mix and where we see that shifting.

A - Howard Tubin {BIO 6382352 <GO>}

Let me take one more from the web. Meghan, this is for you on inventory. Obviously, this is a very difficult environment to manage inventory and given you need to order earlier and earlier. Can you talk about the leverage you can pull from an inventory management perspective if demand comes in better or worse than predicted? Are there any lessons you've learned during Covid that you can apply to the post-Covid world?

A - Meghan Frank {BIO 21694519 <GO>}

Yes. So we've definitely been leveraging airfreight. And the teams have been doing a nice job pushing into that, obviously, balancing that with sales growth. And then we've been looking at optimizing our costs just in terms of leveraging sea, airline [ph] which is slightly slower but more cost effective.

And then we're also looking at long-term opportunities. So I think it's probably early to say how long the supply chain challenges will be with us. And so just looking at opportunities to make some strategic shifts in terms of the calendar and how we place goods and making sure we're being prudent on both the cost and demand side.

A - Michelle Choe {BIO 20508451 <GO>}

And one to add on that is we do -- we have been placing early buys of our core product that really is seasonless. And so that allows us to at least ocean a portion of our inventory.

Q - Jay Sole {BIO 16089358 <GO>}

Jay Sole, UBS. Calvin, my question is on footwear. You talked a little bit about it earlier, and we saw the nice presentation during the break. Can you just talk about what your ambition is for the footwear business in terms of the sales potential in a big picture way?

And then would -- if the margins in footwear are lower, does that at all limit your enthusiasm for that business? I know, you're willing to grow the business even if it would be a lower-margin business.

A - Calvin McDonald {BIO 16657186 <GO>}

On the first, in terms of my enthusiasm behind it, I'm definitely very enthusiastic with the success of the launch and the way in which the guest has responded. We knew we had something that was truly an unmet need. And I couldn't be more proud of the work that Sun and the team did in terms of identifying it, taking the right time to create it, launch it and get credit for that innovation. And the response has been overwhelming, both from sort of the editors and the pundits and rating reviews as well as demand and performance. And it's a test and learn.

So we're leaning in on inventory. We're going to continue to manage through. We launch Chargefeel field and Strongfeel in the slides later this year. We're going to continue to see the impact they have on the run and the train categories that we have and learn and evolve it.

As Meghan shared in our guidance and in the plan, it's a small percentage, combined, they're less than 5% with the MIRROR business. And we're going to test and learn.

You know the size of the category. We have something that's pretty unique and interesting. It's not baked into the plan that we needed to accelerate it and achieve a particular number. So I think we're in a good position. We have a product that's resonating well with pretty unique innovation, launching men's next and a plan to double that's not dependent on it.

And we're going to test and learn and see what we continue to lean in on. And from a mix perspective, we take a mix across our categories from women's to men's within those categories and accessories. And footwear is no different, and that's considered into the margin that Meghan shared over the next 5 years.

Q - Marni Shapiro {BIO 1542794 <GO>}

Marni Shapiro, The Retail Tracker. I'd like to dive in a little bit to your sustainability and your goals there. Are these products more expensive to produce? Will be the products that are made from them, be more expensive? Will you be able to flow that through the margin line so you can maintain the margins with higher price points?

And then just kind of dovetailing on that. Lulu has always kind of leaned green. I mean, let's be real, you were the first grocery market bag out there, at least in New York City, for sure. But you've never really pressed the accelerator on the marketing

of that. It's always kind of been an underpinning of the brand. I think it resonates though with a lot of your consumers.

So what's the marketing plan behind this? Because this feels like a really big win on the marketing side for you and an opportunity to say, hey. We were your first grocery bag, too. Don't forget it.

A - Calvin McDonald {BIO 16657186 <GO>}

Do you want to take the first? And then.

A - Michelle Choe {BIO 20508451 <GO>}

I can take the first on the potential price increase with sustainable products. And I would say not all things are equal. So in the case of our recycled poly, that cost should remain the same. When you're looking at these future technologies like with our partner, I mean, certainly, the 3 that I mentioned today, Mylo, LanzaTech and Genomatica, we don't know yet. And so it's still early days. We want to be able to make sure we perfect the products so that there's absolutely no compromise for the guests when we do transition. And then we'll have to figure out what the costing looks like.

So it will be a bit of a journey. And first, our priority is to make sure that, that same fit, feel and function is not compromised with these solutions.

A - Nicole Neuburger {BIO 21460770 <GO>}

Yes. And then from a marketing perspective, you're exactly right. And hopefully, you've seen us start to lean more into it with specific programs like New is a big push for us in this space. We also just released our Earth Dye capsule through lab. If you're on the e-mail distribution, you would have gotten that yesterday. Very excited about that as well.

The strategy is really for us to get behind programs especially because a lot of the feedback that we hear in the marketplace, not specific to us but in general, it's just been really sensitive to greenwashing as well. So instead of just talking about it all the time, making sure that we put a stake in the ground when we had something really meaningful to get behind Genomatica and our -- the consortium around Mylo is another great example.

So what you should start to see from us in our marketing calendar is just more moments identified, where we have something important to say, something that we want to stand for, but we have some evidence of what we're actually doing.

And then with -- I did want to call out something on the bags too because they're amazing. And just to further lean into our impact goals, we've actually started piloting a program in the U.S., where we're offering folks the opportunity not to take one, which hurts a little from a marketing perspective not to have more people out in the world doing it. But you do all know we have guests who come in a lot. They don't

need probably 50 of those shopping bags. And for every one that we save, we're doing a little bit of good work there, too.

A - Howard Tubin {BIO 6382352 <GO>}

Got it. Let me take one more from the web. It's just a clarification on MIRROR. It's either Calvin or Mike. Just to clarify, will you be able to have Lululemon Studio membership via an app without having a MIRROR? For example, can you pay for the app and use it on a smart TV?

A - Mike Aragon {BIO 22325896 <GO>}

We're planning later this year. So we're going to first launch Lululemon Studio first. And then immediately after that, we'll have a digital-only app. So that's the time frame.

A - Calvin McDonald {BIO 16657186 <GO>}

You will be able to experience both ways through a MIRROR or through the app.

A - Howard Tubin {BIO 6382352 <GO>}

Let's go to the other side. Brooke?

Q - Brooke Roach {BIO 22424550 <GO>}

Brooke Roach, Goldman Sachs. I'd love to dig a little bit deeper into the long-term aspirations in China, where you see the biggest margin and growth opportunity in that region? And as you expand the fleet to 220 stores plus, how do you think about the puts and takes of that expansion plan over time?

A - Meghan Frank {BIO 21694519 <GO>}

Yes. I'd say from a margin perspective, it's a very healthy margin region for us. So I think we're thinking about it more is capitalizing on the growth opportunity. So I'll let Andre just comment on where he sees that opportunity.

A - Andre Maestrini {BIO 17609374 <GO>}

Yes. So from a margin perspective, it's covered. And we've been choiceful in terms of where we want the expansion to happen. So when I say Tier 1 cities, our first main focus is the 4 main Tier 1 cities in China, where we're going to have 90 stores in total.

And we know that these guests also are influential to our provinces to capture then the demand created and the brand awareness through online to reach the broader marketplace. And the second tier cities will provide us the breadth and the granularity, moving from flagship stores to more community-based.

And we are witnessing that the profitability per square footage in the different formats is quite even. So by tailormaking [ph] approach by tier cities and the format, we are just maintaining a high productivity of stores. We don't intend to go to Tier 3

or Tier 4 cities. Other brands went quite deep in their coverage of the market. We are cautiously making sure that we stay in purchasing power of our guests, represented by these 2-tier city to match the profitability and not be dilutive.

A - Calvin McDonald {BIO 16657186 <GO>}

And the only thing I'd add is, as Celeste laid out, we have a very agile and balanced approach to store fleet, which we have and will continue to apply. So unlike others, we're not one size fits all.

We have a very dynamic set of opportunities in terms of how we think of the physical retail location from a larger format, smaller number but in key locations through to mid, small, into seasonal to test and learn. And Andre and the team have been looking at and applying that as well as we look to expand the stores.

A - Howard Tubin {BIO 6382352 <GO>}

Omar.

Q - Omar Saad {BIO 7449087 <GO>}

It's Omar Saad from Evercore Partners. One quick clarification on the -- how much of your revenue plan it comes from ASPs? And how does that kind of compare the ASP CAGR over the last few years?

And then maybe if you could talk a little bit more about the shift or evolution in the marketing strategy. It seems like a lot of the conversation on unaided brand awareness, and some of the new marketing media that you're using. There seems to be a bit of a shift from the old school, grassroots, local influencers, local studios to some more traditional brand marketing approaches.

So a, confirm that's kind of what's happening. And b, it sounds like you're going to fund that not by cutting back on the local grassroots but just by the scale and efficiencies of just doing a better job at all of that. Is that right?

A - Celeste Burgoyne {BIO 20012334 <GO>}

Yes. So in terms of retail, we haven't taken anything meaningful in terms of pricing increases to date. We're taking some modest increases this year. So it will be more mix of business. And we have a very healthy, as I mentioned, full-price sell-through, which we expect to maintain.

A - Meghan Frank {BIO 21694519 <GO>}

Yes. And then on the marketing approach, you're exactly right. We are maintaining our strong core and grassroots efforts. I think that's something, again, that's been in the DNA for the brand for a long time. And it's something that we think is highly meaningful, especially in our local markets.

And then layering on top of that, we are leaning into, again, I mentioned earned media. So some very focused efforts around PR that you haven't seen from us before as well as paid. That's being driven mostly by the growth that we have. And therefore, we've got the room to do that on an absolute dollar basis but not percentage.

The other place I wanted to call out that we're getting some leverage is Calvin mentioned a year ago or more than a year ago when we acquired MIRROR, we were funding 2 brands and 2 membership programs. And now with the consolidation to say we've got 1 Lululemon Studio membership program, the most pinnacle way you can experience that program is through the MIRROR. I now really only need to partner with Mike on generating awareness for that under the lululemon name as opposed to spending on raising awareness for MIRROR as well.

So putting our efforts together, I think, just makes one strong connected community that also provides us with some leverage to invest into other areas of the marketing strategy.

A - Calvin McDonald {BIO 16657186 <GO>}

The only thing I'd add is I think it's hold and improve the traditional approach to grassroots in market. You heard a little bit of our city approach. The Essential Program makes more official the things that we've always done at a grassroots level and share it and invite more of our guests into it and then the Lululemon Studio membership in that local activation with the physical relationships we have with those studios in our event strategy.

So definitely not changing the approach, and I think more tools that will allow us to do it more effectively to a bigger scale an impact to drive awareness to more of our guests.

A - Howard Tubin {BIO 6382352 <GO>}

I think we'll do one more. We'll go to Adrienne.

Q - Adrienne Yih {BIO 5303791 <GO>}

Adrienne Yih, Barclays. One of your secret weapons that is clear is the innovation and ideating new products. Sun, can you tell us how many individuals are in the product development team, what percent of headquarter employees that might be? And then any sort of industry metrics relative to other competitors in that regard?

And then for Celeste, my question is a 5% square footage growth over the horizon. Is that coming from fill-in locations or expansions of stores? I know you have the 3 different models, but just wondering where the 25% incrementality comes from?

A - Michelle Choe {BIO 20508451 <GO>}

Okay. So I would say on the product development side, we have a little over 100 people in that organization. And I would say that they are mostly focused on our

mainline products, working really closely with the design team. And on the innovation side, we probably have roughly 50 people.

And as a percent of total workforce, I'm going to maybe phone in a friend, Susan, maybe she might know since she's in the audience. But if we don't have that off the top of our heads, we can certainly ask Howard to follow-up with you on that. And I think that was it for me.

A - Calvin McDonald {BIO 16657186 <GO>}

Yes. One thing I'd add to that is the other thing that Sun and the team manages that's very unique for us is our relationship with a lot of our manufacturing partners. They are an extension of our innovation and the fact that we are a premium brand that could command a particular price point.

We're in discussion and innovation with them and creating things that no other brand can actually commercialize. So we're in a lot of discussions saying our brand commands a price point and we work with them on helping them commercialize. And in doing that, we get exclusives as well as in a lot of cases, we own the patent with them.

So there's the team. There's an extension of the team and a very unique proposition, again, partly because of our go-to-market price points based on the performance of the fabric.

A - Celeste Burgoyne {BIO 20012334 <GO>}

Okay. Thanks, Adrienne. In terms of the 5%, it's a split between both, I'm not going to break it down specifically. But what I can say is both new store openings and optimizations are decently predictable for us today in terms of ROI and opportunity. So we feel really good that, that is a clear line of sight.

And then on top of that, we have our pop-ups and agile strategy, which only improve our new store opening kind of success into the future. And optimization, I'm hoping some of you have seen them. We have a decent amount of optimizations across our fleet today. And I'm really proud of the expression that those stores are creating from a store design perspective and brand experience perspective and how honestly it brings the product to life in such a beautiful way.

And the acquisition of new guests as well as the retention and spend of our current guests is something that we're really proud of in terms of what that's creating again on a decently predictable model. So we feel really good about being able to continue to leverage both and pop-ups as well to continue to see how our physical footprint can support the overall omni opportunity.

A - Howard Tubin {BIO 6382352 <GO>}

Okay. Great. You guys can take your seats. Calvin remain on the stage. Calvin is just going to close the day out for us.

A - Calvin McDonald {BIO 16657186 <GO>}

Howard was supposed to keep talking while they're taking the chairs off, so there's like this more seamless distraction. I mean, I haven't -- you've never been that quiet in like every meeting I've been in with you. I mean, usually, that's the easiest task.

But first of all, I'm just going to be a few minutes because it's been, a, appreciative of you taking the time and spending it with us today to learn more about our exciting story, where we're going and get a chance to meet some of the new members of the team and hear directly from us, not just the plan but hopefully, the energy and the enthusiasm and the confidence in where we're going as an organization and what that potential is.

So I know you have choice in your time, so I appreciate you choosing to spend it here with us today and the fact that we were able to get together.

The SLT team and myself couldn't be more excited, not just where we've been, the work that the team has done, as I alluded to, the results over the past 2 years. They just don't happen. We can point to all the macro trends of changing in the guest behavior that has definitely played to the opportunity for us. But the team that we all represent went out and got it.

They proved through very tough times, their agility, their ability to come together as an organization and make those opportunities happen. And I know we couldn't be more proud of who we represent and what they bring every day and make those opportunities because we can sit here and show you a plan, but it's not going to happen if we don't have the type of culture and the type of people that we all represent that are going to go out and create and make that happen.

So I know we're enthusiastic to represent them and to work with them to go out and create something that's pretty freaking cool. And obviously, building upon the momentum we have in the business, where we continue to see a ton of confidence in this plan.

Yes. The theme is Power of Three. Why? Because it's a proven formula, and we are early in what we are driving and growing across the very levers of the business. We do not need to create something that's not proven in order to double this business. We don't need to extend into high-risk areas that is uncertain in order to achieve what we're committing to achieve today. The opportunities are continuing to innovate.

So it's not the newness in the sense if nothing new will be created. But we know what we can innovate in product and innovation and the pipeline that we have already sidelines 2, 3 years already ahead of us and excited about those opportunities with the strategy we laid out.

When it comes to guest relationships, the program around essential, formalizing that, formalizing our community grassroots and the relationship we have. D2C is the strength of this brand, but what differentiates ours is it's rooted in relationship. And what we hopefully shared with you today is the opportunities we have of not just leveraging omni and digital to strengthen the relationship but really exciting initiatives behind Essential or Lululemon Studio to strengthen it with a proven track record of how it drives loyalty, dollars spend and the value that we see in continuing to build that out and test and learn and bring that to a number of guests.

And then from a market expansion perspective, 17 markets. But with awareness and the dollars and the percentage of our business at 15%, just getting started.

So thank you, and look forward to our next earnings call, and we'll chat then. But as I shared, unable to answer questions at that point. But we're just getting started.

I really appreciate your trust and interest in our business. Thank you.

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