


lululemon (LULU) 

Recommend Buy with a 2028 price target of \$368, implying a 91% total return
It's Black Friday for LULU stock

2026/01/26

Elsa Fu

7th Annual Applied Value Investing Stock Pitch Challenge

Contact: xfu26@gsb.columbia.edu

I am happy to discuss — it is always an opportunity to learn

Why this stock is worth a closer look?

Category-defining, high-quality, cash-generative brand with meaningful growth runway

Global NPS score, 2024 Ranked **#2**, just behind Nike

ROIC, 2025E **30%**

EBIT margin, 2025E **20%**

FCF margin, 2024 **15%**

Revenue, 2025E **\$11Bn**

Revenue outside North America, 2024 **25%** vs. Nike at 56%

Stock price halved last year; valuation at historical lows

As of 1/26/2026		USD	
Price	\$192.8	Market Cap (Bn)	22.8
52 Wk High	\$423.3	EV (Bn)	23.5
52 Wk Low	\$159.3	P/E NTM	15.7x
Avg 3M Dly VIm(Mn)	4.1	EV/EBITDA NTM	9.3x
Shrt Int (% Float)	5.9%	FCF yield LTM	4.8%

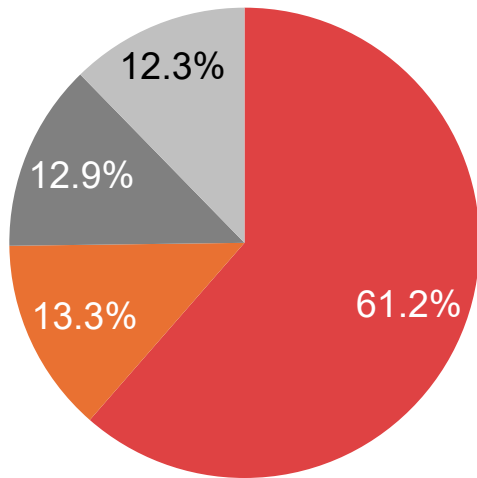
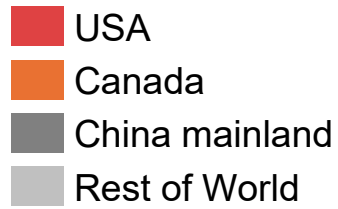
PE NTM Last 5yr avg.: 22x

PE NTM Current: 15.7x

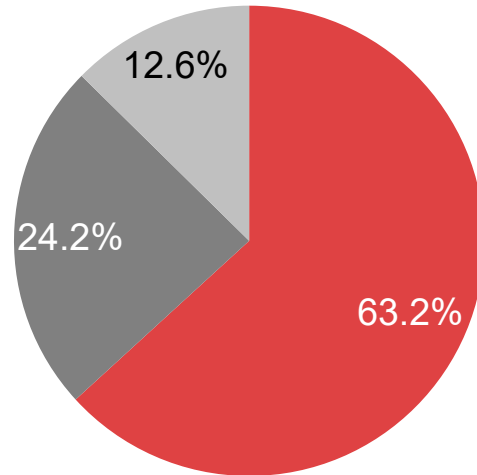
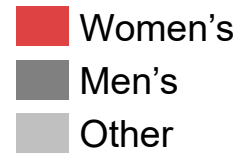
Business overview

Lululemon revenue composition, 2024

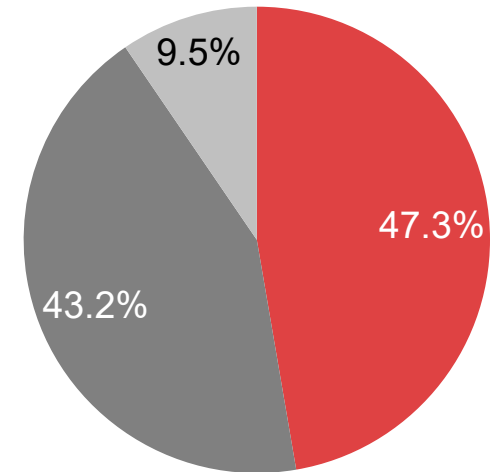
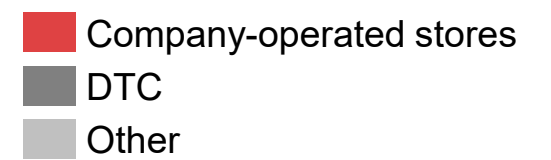
By Geography



By Category



By Channel



Investment thesis

What's embedded in current stock price

Reverse DCF implies 2028-32 revenue CAGR at **2.4%**

What this implies

- **Market share loss:** North American sportswear market is expected to grow **3-5% annually & LULU grew at 40% CAGR internationally from 21-24**
- **Margin compression:** EBIT margin around **19% (300 bps below 21.7% FY18-24 avg)**

My variant views and sources of insights

- 1** Lululemon **Americas comp sales will rebound to 3-4%** in the medium term
- 2** **International markets still present a significant runway with double-digit growth** in the next 10 years
- 3** **Margins compressed due to external shocks, not discounting, with recovery supported by initiatives and a better mix**



Patience



Proprietary survey
(N=141, 44% American, 29% Chinese, 27% RoW)



Store visits in U.S., China, and UAE

Note: Applying a 10% discount rate implies a 4.4% revenue CAGR for 2028-2032.

Source: reverse DCF analysis, Euromonitor

1. Product innovation issues are fixable, with remedies already underway

What went wrong?

North America comp sales went negative over the last three quarters

Key reasons behind

- **Lack of product innovation, partially due to the creative director gap**
 - Former CPO Sun Choe left in mid 2024 while the new Creative Director Jonathan Cheung will deliver his work this spring
- **US retail and luxury traffic turned negative, at -5% and -13% in 2025**

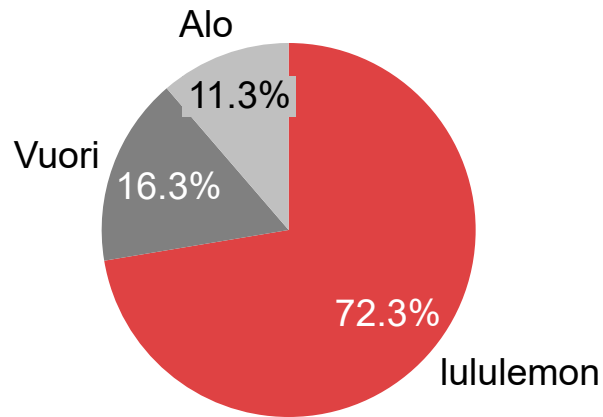
Fixable? Yes!

- **New initiatives focusing on product innovation**
- **New Creative Director Jonathan Cheung**
 - Cut his teeth in **Milan at Moschino and Armani**
 - Credited with the **resurgence of Levi's** during 2009-2020
 - **Training and career in creative design** with merchandising experience vs. Sun started as a Gap merchandiser
- **Activists' involvement from Elliott and Founder Chip Wilson**
 - CEO search underway (Jane Nielsen, former RL COO & CFO, potential candidate)
 - New board nominations incl. On former CEO Marc Maurer

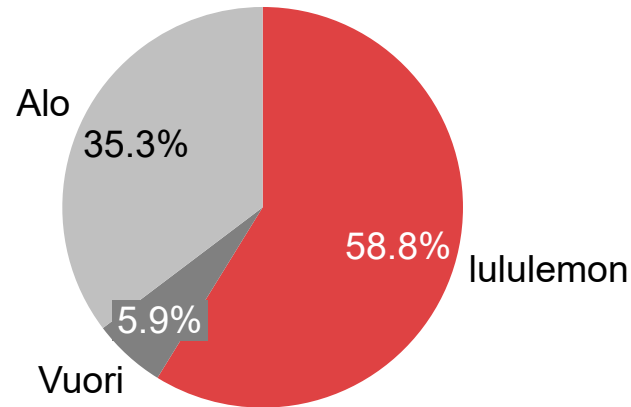
1. Lululemon has a meaningful head start over competitors

Which brand do you think offers the best comfort / design?

Best comfort and performance



Best design



Alo's surge is more like a fad

Customer retention rate at Year 4

Alo: 16.5% vs. LULU at 36.2%



LULU is really second to none in material innovation.

When I left, there were about 40 on the team were material scientists, polymer scientists, people who were specialized. It's a lot. They really invest in the space.

-- Former lululemon supply chain manager, former Gymshark CPO

1. Americas comp sales will return to 3-4% in the medium term, i.e. 2028

Industry growth, 2025-30E	Apparel retailers average SSS over 15 years, 2010-25	LULU Americas comp sales
Sportswear <ul style="list-style-type: none">▪ USA: 3.1%▪ Canada: 4.9%▪ China: 5.2%	<ul style="list-style-type: none">▪ Dick's Sporting Goods: 4.9%▪ Ralph Lauren: 3.5%▪ American Eagle Outfitters: 3.1%▪ Urban Outfitters: 2.9%▪ A&F: 1.4%▪ Gap: 0.4%	3-4% in the medium term <ul style="list-style-type: none">▪ Less fashion-driven (60% sales from performance apparel)▪ Unique technical apparel value prop▪ Only captures 3.6% market share in USA sportswear market, potential to gain share

Note: Lululemon's comp sales calculation include both stores and its online channels; 2010Q4–2025Q2 average for the referenced apparel retailers.

Source: Euromonitor, Blommborg

2. China presents a significant runway with double-digit growth in the next five years

The store penetration is very low in China

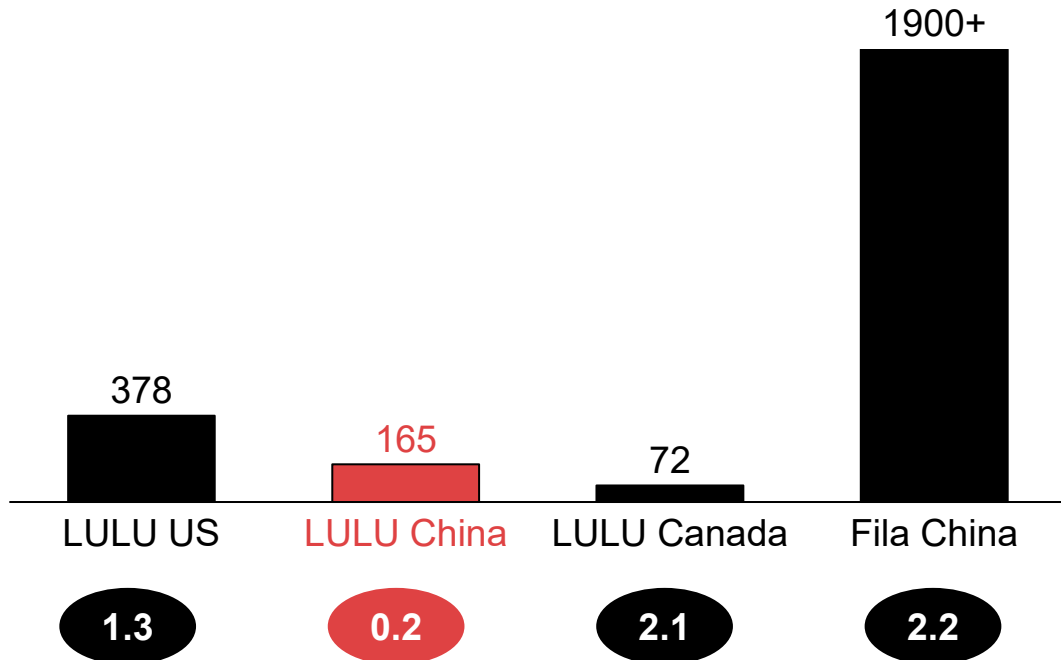
LULU can **more than double** its store counts in China

No. of stores, 2025Q3

Triangulation from three methods

xx No. of stores per Mn urban population

- Bottom-up estimate of different tiers of cities: **327**
- Reference Lacoste density: **400**
- Reference Fila density adjusted for store productivity: **458**



Given LULU's historical pace of adding 25-30 stores per year in China

- It can **sustain double-digit store growth** through 2030
- Then moderate to high-single-digit growth through 2035

EC grows at a even faster space in China, over 40% last quarter

2. RoW presents a significant runway with double-digit growth in the next 10 years

LULU has opened **161** stores in 19 RoW regions

Potential to **more than triple** RoW store base to **~560**

No. of stores, 2025Q3

Australia	34
South Korea	21
Hong Kong SAR	11
Japan	10
New Zealand	8
Taiwan	7
Singapore	9
Malaysia	5
Macau SAR	2
Thailand	5
United Kingdom	20
Germany	9
France	6
Ireland	4
Spain	3
Netherlands	2
Sweden	2
Norway	1
Switzerland	1
Italy	1

Urban population in 19 RoW regions 663 Mn



65% * Store density in USA 65% * 1.3



Store count potential in 19 RoW regions 560



This could translate into **13%** 10-year store count growth CAGR

2. Under industry veteran André's leadership, international markets are poised to unlock growth potential

Favorable feedback towards international president André Maestrini

“ **He is an amazing leader.** I would work for him any day of the week. He is extremely smart. He knows exactly what he wants to do, but he also takes time to really intentionally listen to other people.

-- **Former Head of Retail with most experience in APAC and EU markets**

Refreshed marketing and elevated store experience

2026 Be Spring Campaign features Cellist Yo-Yo Ma, Actor Yilong Zhu, and Chinese ice-dancing duo Junfei Ren and Jianing Xing



3. Margins compressed mainly due to external shocks, with recovery supported by initiatives and a better mix

What happened to EBIT margin in 2025?

Guided total 390bps decline vs. 2024

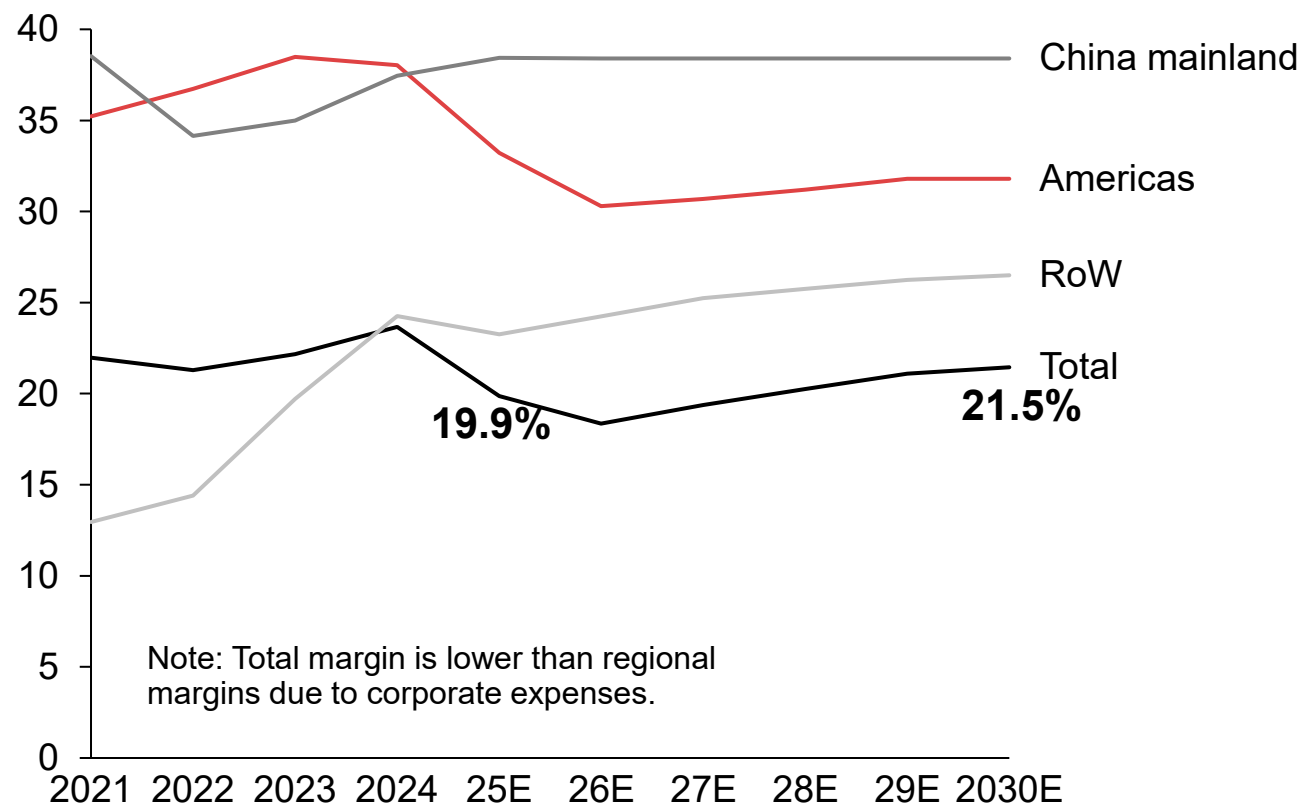
- **190bps from the end of de minimis and tariffs**
- 120bps SG&A deleverage
- 70bps markdown
- Others 10bps

Mgmt initiatives to **offset external headwinds**

- DC optimization
- Vendor negotiation
- Strategic pricing

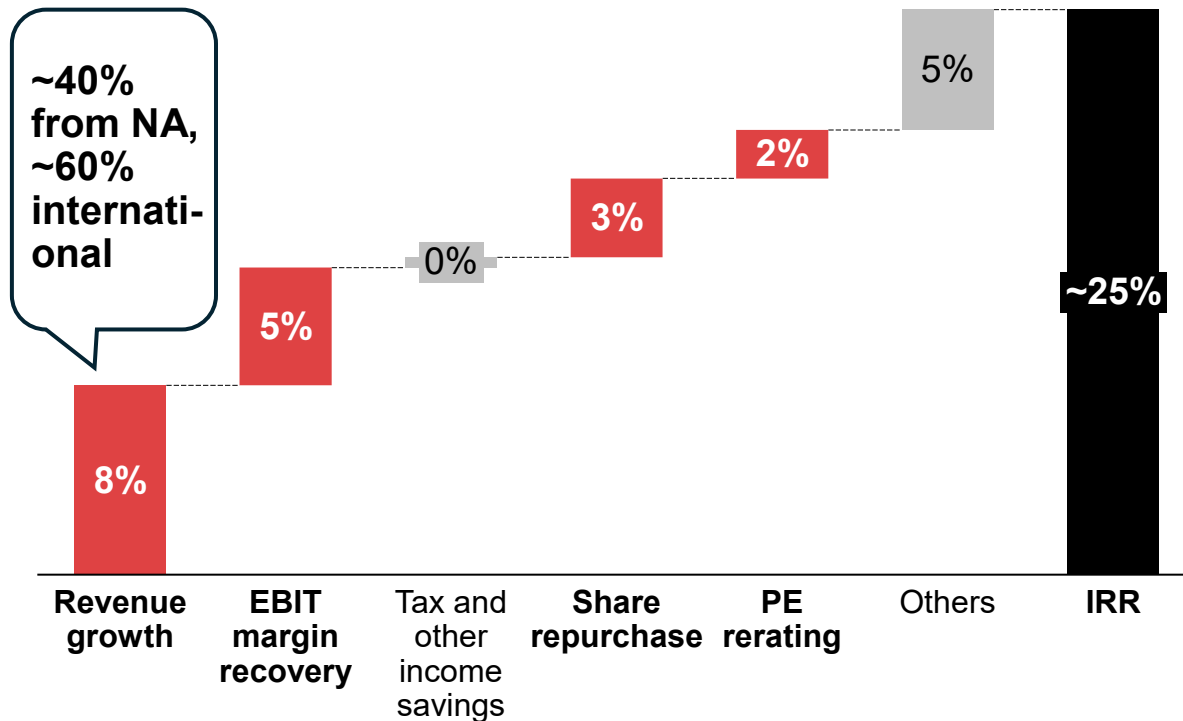
Positive mix dynamics often ignored by sellside models

EBIT margin by region, %, 2021-2030E (base case)



My variant view translated into financial forecasts

IRR bridge - base case, based on 2028TP



Difference vs. consensus - base case, Mn USD

	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	11,042.1	11,824.3	12,851.3	13,919.0	15,010.2	16,160.2
YoY growth	4.3%	7.1%	8.7%	8.3%	7.8%	7.7%
YoY growth (consensus)	4.3%	4.5%	5.7%			
VS. consensus	0.0%	2.5%	5.4%			
EBIT	2,193.1	2,170.4	2,489.8	2,820.0	3,166.9	3,467.4
YoY growth	(12.5%)	(1.0%)	14.7%	13.3%	12.3%	9.5%
EBIT margin	19.9%	18.4%	19.4%	20.3%	21.1%	21.5%
EBIT margin (consensus)	19.9%	17.8%	18.1%			
EBIT margin YoY changes (bps)	(380.4)	(150.6)	101.8	88.6	83.9	35.8
VS. consensus	0.0%	5.5%	13.1%			
Net income	1,556.2	1,556.2	1,790.5	2,036.2	2,297.7	2,530.7
YoY growth	(14.2%)	0.0%	15.1%	13.7%	12.8%	10.1%
Net income margin	14.1%	13.2%	13.9%	14.6%	15.3%	15.7%
Net income margin (consensus)	14.1%	12.7%	12.7%			
Net income margin YoY changes (bps)	(304.5)	(93.2)	77.1	69.7	67.8	35.2
VS. consensus	0.1%	6.6%	15.8%			
Diluted EPS	13.1	13.6	16.2	19.0	22.0	24.8
YoY growth	(11.0%)	4.0%	19.1%	17.1%	15.8%	12.9%
Diluted EPS (consensus)	13.0	12.6	13.7			
VS. consensus	0.3%	7.7%	18.2%			
FCF (OCF - capex)	752.9	1,232.4	1,544.3	1,831.9	2,030.7	2,201.2
FCF margin	6.8%	10.4%	12.0%	13.2%	13.5%	13.6%

Note: Others mainly measure the difference between my 2026E EPS forecast vs. N12M consensus EPS; The remaining components in the IRR bridge detail the 2026-29 CAGR of my forecasts.

Source: financial projection, Bloomberg consensus

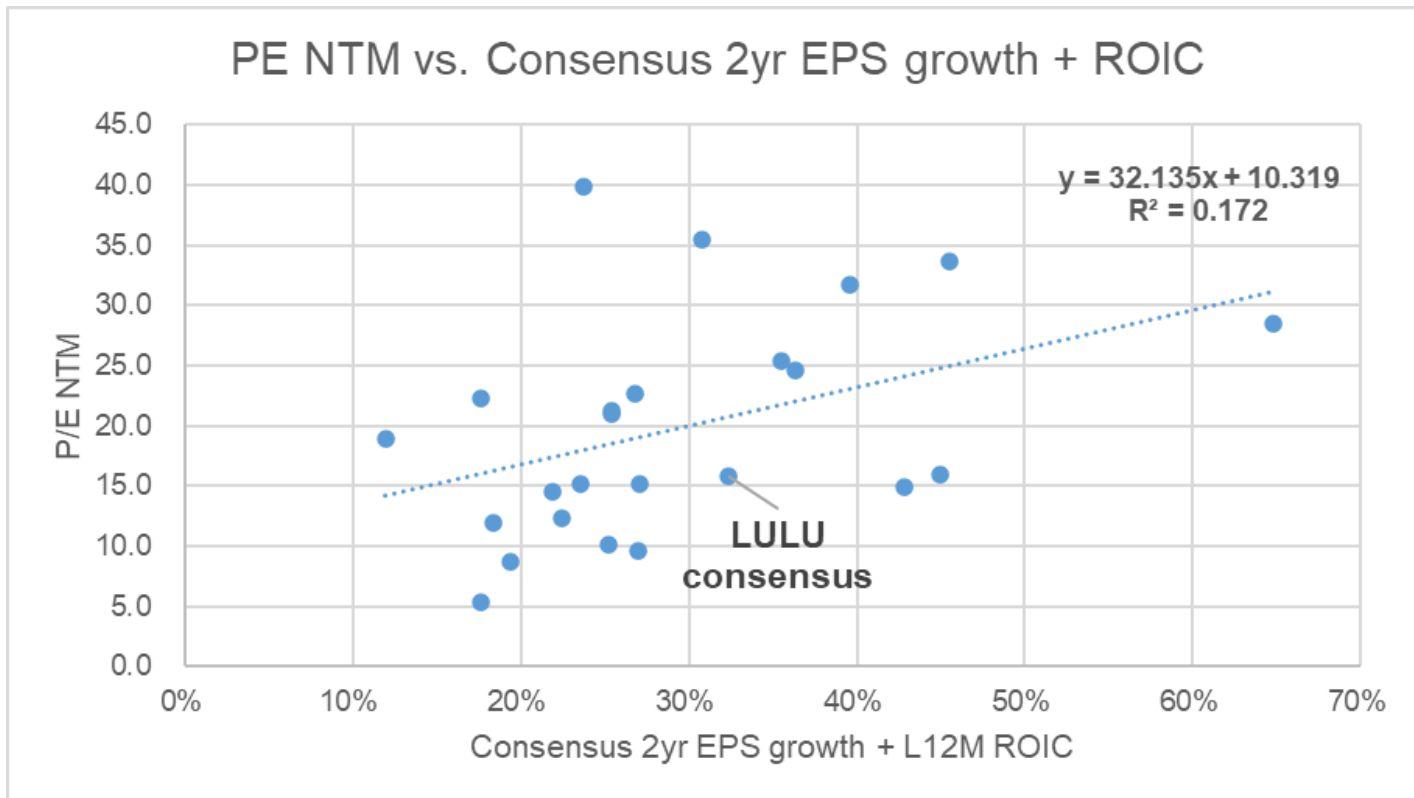
Valuation: Lululemon currently trades at ~15.7x forward PE

Lululemon P/E NTM



Valuation: Potential to rerate to 20.7x PE NTM (bull case)

I run a regression based on PE NTM and growth and profitability profile of 24 sports/apparel brands and retailers



- Lululemon is well below the regression line
- $R^2 = 0.17$
- Based on its consensus 2-yr EPS growth and LTM ROIC, the stock would trade at **~20.7x** to sit on the line

Scenario analysis

Key assumptions

▪ Bear case:

- **U.S.: Negative growth** over the next three years; **no margin recovery** as offset initiatives fail to address external shocks
- **China: Growth decelerates** to ~8%, with a **100 bps margin decline**
- **RoW: ~10% annual growth, no margin improvement**

▪ Bull case:

- **U.S.: faster growth revamp since 2026**
- **China: Stronger growth momentum and slight margin improvement (30bps)**
- **RoW: Faster annual growth (18%)**

Limited downside risks

	Bear	Base	Bull
2029EPS	\$12.5	\$22.0	\$24.8
Exit PE	12.0x	16.7x	20.7x
2028 TP	\$149.7	\$368.2	\$513.1
Return	(22.4%)	91.0%	166.2%
IRR	(8.3%)	24.7%	39.6%

Key risks and monitor plan

Risks

- **Failure of Innovation:** Failure of new styles and lack of resonating innovation
- **Execution Missteps:** Product quality issues; increasing promotional activity; over-assortment leading to declining store experience; key management turnover
- **Governance Issues:** Conflicts among activist, founder, and current board
- **Rising Competition:** Market share loss to both established and emerging rivals
- **Macro and Industry Headwinds:** Sustained weakness in consumer discretionary spending and sportswear growth
- **Supply Chain & Tariffs Turmoil:** Increasing costs due to tariffs and geopolitical uncertainty
- **Reputation Risk:** Potential brand boycott due to negative public relations or geopolitical issues

Monitor

- **Product Innovation:** Spring new product launches (Feb-March, 2026)
- **Execution issues:** Get Low investigation results; DC optimization progress; Inventory turnover; discount rate; store and APP experience (store visits at least once a month)
- **Governance:** CEO search result and board composition (June, 2026)
- **Rising Competition:** Review major competitors' websites and stores at least once a month to assess new styles and fabric qualities; monitor new entrants and VC-backed brands
- **Macro Monitor:** Check retail traffic index and consumer confidence reports once a month
- **Supply Chain & Tariffs Turmoil:** Talk to former employees or suppliers; monitor news
- **Reputation Risk:** Revisit the previous case

Appendix

- Model: P18-21
- L12M stock price: P22
- Additional insights from my November 2025 consumer survey (N=141): P23-24
- Store visits observations (Soho, New York; Wuhan, China; Dubai & Abu Dhabi): P25
- Inventory turnover: P26-27
- Board and management incentives: P28-29
- Supplemental credit card data insights from Earnest Analytics: P30
- Assessing the sales and EBIT lift from the Amex Platinum \$75 quarterly lululemon credit: P31-32
- Competitive advantages: P33-40

Valuation: Comps sheet as of 2026/1/26

	Valuation				Latest FY							Next 2yrs Consensus			EPS Growth + ROIC	
	PE NTM	EV/EBITDA NTM	EV/EBIT NTM	Market CAP	Revenue	Gross margin	EBIT margin	Net income margin	ROE	ROIC	Revenue growth	EBITDA growth	EBIT growth	EPS growth	Cons growth + ROIC	
Sportswear brand																
Nike	33.6	23.7	29.0	96.2	46,309.0	43%	8%	7%	23%	11%	4%	26%	33%	35%	46%	
adidas	15.0	8.0	12.3	31.4	25,619.8	51%	6%	3%	15%	13%	8%	18%	24%	29%	43%	
Amer Sports	35.5	17.7	23.8	21.0	5,183.3	56%	11%	1%	N/A	5%	16%	20%	22%	26%	31%	
On	28.4	18.3	23.7	15.3	2,633.2	61%	12%	10%	20%	16%	23%	26%	27%	49%	65%	
Deckers	15.9	11.0	12.0	14.8	4,985.6	58%	24%	19%	42%	36%	7%	6%	6%	9%	45%	
VF Corp	24.6	13.9	21.7	7.8	9,504.7	54%	6%	(2%)	(12%)	2%	2%	10%	38%	34%	36%	
Columbia	18.9	9.9	17.0	2.9	3,368.6	50%	8%	7%	12%	8%	2%	6%	3%	4%	12%	
Under Armour	51.4	15.5	37.5	2.7	5,164.3	48%	4%	(4%)	(10%)	(3%)	2%	30%	51%	169%	167%	
Average	27.9	14.7	22.1	24.0	12,846.1	52%	10%	5%	13%	11%	8%	18%	25%	44%	55%	
Median	26.5	14.7	22.7	15.1	5,173.8	52%	8%	5%	15%	10%	6%	19%	25%	32%	44%	
lululemon	15.7	9.3	11.7	22.8	10,588.1	59%	24%	17%	42%	30%	5%	2%	0%	3%	32%	
LULU discount to avg.	(43.6%)	(37.0%)	(47.0%)													
Sports retailer																
Dick's	15.2	9.3	15.2	18.3	13,442.8	36%	11%	9%	40%	15%	12%	15%	14%	12%	27%	
Academy	8.8	5.5	9.3	3.7	5,933.5	34%	10%	7%	21%	10%	7%	7%	6%	10%	19%	
Average	12.0	7.4	12.2	11.0	9,688.1	35%	11%	8%	31%	12%	9%	11%	10%	11%	23%	
LULU premium to avg.	31.6%	25.2%	(4.3%)													
Fashion retailer																
Inditex	25.4	13.8	19.3	201.2	41,609.1	58%	20%	15%	31%	27%	7%	7%	9%	8%	35%	
Fast Retailing	39.8	19.9	27.1	123.0	22,868.0	54%	17%	13%	20%	13%	9%	8%	10%	10%	24%	
H&M	21.2	7.7	16.4	31.6	22,311.2	53%	7%	5%	25%	12%	2%	5%	9%	14%	25%	
Taperstry	22.3	16.2	19.0	25.8	7,010.7	75%	20%	3%	10%	5%	5%	8%	9%	12%	18%	
Ralph Lauren	22.6	14.6	18.5	21.9	7,079.0	69%	14%	10%	29%	16%	5%	8%	9%	11%	27%	
Gap	11.9	5.6	11.4	9.9	15,086.0	41%	7%	6%	29%	9%	2%	6%	7%	9%	18%	
Aritzia	31.7	19.3	21.1	9.9	1,978.2	43%	13%	8%	22%	14%	15%	22%	23%	25%	40%	
Levi's	15.1	9.1	12.8	8.3	6,355.3	60%	10%	3%	10%	13%	5%	8%	9%	10%	24%	
Urban Outfitters	12.3	6.7	10.1	6.2	5,550.7	35%	9%	7%	18%	13%	7%	9%	10%	10%	22%	
Abercrombie & Fitch	9.6	4.7	7.5	4.5	4,948.6	64%	15%	11%	48%	22%	4%	1%	1%	5%	27%	
PVH	5.3	4.9	9.1	2.8	8,652.9	59%	10%	7%	12%	6%	2%	3%	2%	12%	18%	
Kontoor Brands	10.1	8.7	9.8	3.3	2,607.6	45%	15%	9%	64%	15%	7%	8%	7%	10%	25%	
American Eagle Outfitters	14.5	6.8	15.6	4.1	5,328.7	39%	8%	6%	19%	6%	3%	11%	16%	16%	22%	
Victoria's Secret	21.0	9.7	19.8	4.7	6,229.6	37%	6%	3%	31%	6%	4%	6%	12%	19%	25%	
Average	18.8	10.6	15.5	32.6	11,258.2	52%	12%	8%	26%	13%	5%	8%	9%	12%	25%	
Median	18.1	8.9	16.0	9.1	6,683.0	54%	11%	7%	23%	13%	5%	8%	9%	11%	24%	
LULU discount to avg.	(16.2%)	(12.0%)	(24.6%)													

Revenue in million USD

Market cap in Bn USD

Model – base case key financials

Summary financials - Base case, Mn USD except per share metrics	My Forecast													CAGR			
	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2018-24	2025-29	2025-30	2026-29
Revenue	3,288.3	3,979.3	4,401.9	6,256.6	8,110.5	9,619.3	10,588.1	11,042.1	11,824.3	12,851.3	13,919.0	15,010.2	16,160.2	21.5%	8.0%	7.9%	8.3%
YoY growth		21.0%	10.6%	42.1%	29.6%	18.6%	10.1%	4.3%	7.1%	8.7%	8.3%	7.8%	7.7%				
YoY growth (consensus)								4.3%	4.5%	5.7%							
VS. consensus								0.0%	2.5%	5.4%							
Gross profit	1,816.3	2,223.4	2,464.0	3,608.6	4,492.3	5,609.4	6,270.8	6,221.9	6,521.1	7,188.0	7,893.5	8,645.7	9,383.9	22.9%	8.6%	8.6%	9.9%
YoY growth		22.4%	10.8%	46.5%	24.5%	24.9%	11.8%	(0.8%)	4.8%	10.2%	9.8%	9.5%	8.5%				
Gross margin	55.2%	55.9%	56.0%	57.7%	55.4%	58.3%	59.2%	56.3%	55.2%	55.9%	56.7%	57.6%	58.1%				
Gross margin YoY changes (bps)		63.9	10.2	170.0	(228.7)	292.5	91.1	(287.8)	(119.7)	78.2	77.8	88.9	46.9				
EBITDA	828.3	1,051.0	1,035.3	1,599.0	2,017.9	2,512.1	2,952.2	2,687.6	2,728.5	3,104.0	3,493.0	3,901.3	4,265.8	23.6%	9.8%	9.7%	12.7%
YoY growth		26.9%	(1.5%)	54.4%	26.2%	24.5%	17.5%	(9.0%)	1.5%	13.8%	12.5%	11.7%	9.3%				
EBITDA margin	25.2%	26.4%	23.5%	25.6%	24.9%	26.1%	27.9%	24.3%	23.1%	24.2%	25.1%	26.0%	26.4%				
EBITDA margin YoY changes (bps)		122.3	(289.3)	203.7	(67.6)	123.4	176.8	(354.3)	(126.4)	107.8	94.2	89.6	40.6				
EBIT	705.8	889.1	849.8	1,374.7	1,726.1	2,132.7	2,505.7	2,193.1	2,170.4	2,489.8	2,820.0	3,166.9	3,467.4	23.5%	9.6%	9.6%	13.4%
YoY growth		26.0%	(4.4%)	61.8%	25.6%	23.6%	17.5%	(12.5%)	(1.0%)	14.7%	13.3%	12.3%	9.5%				
EBIT margin	21.5%	22.3%	19.3%	22.0%	21.3%	22.2%	23.7%	19.9%	18.4%	19.4%	20.3%	21.1%	21.5%				
EBIT margin (consensus)								19.9%	17.8%	18.1%							
EBIT margin YoY changes (bps)		87.8	(303.7)	266.7	(69.0)	88.8	149.4	(380.4)	(150.6)	101.8	88.6	83.9	35.8				
VS. consensus								0.0%	5.5%	13.1%							
Net income	483.8	645.6	588.9	975.3	854.8	1,550.2	1,814.6	1,556.2	1,556.2	1,790.5	2,036.2	2,297.7	2,530.7	24.6%	10.2%	10.2%	13.9%
YoY growth		33.4%	(8.8%)	65.6%	(12.4%)	81.4%	17.1%	(14.2%)	0.0%	15.1%	13.7%	12.8%	10.1%				
Net income margin	14.7%	16.2%	13.4%	15.6%	10.5%	16.1%	17.1%	14.1%	13.2%	13.9%	14.6%	15.3%	15.7%				
Net income margin (consensus)								14.1%	12.7%	12.7%							
Net income margin YoY changes (bps)		151.1	(284.5)	221.0	(504.9)	557.6	102.3	(304.5)	(93.2)	77.1	69.7	67.8	35.2				
VS. consensus								0.1%	6.6%	15.8%							
Diluted EPS	3.6	4.9	4.5	7.5	6.7	12.2	14.7	13.1	13.6	16.2	19.0	22.0	24.8	26.3%	13.8%	13.7%	17.3%
YoY growth		36.5%	(8.9%)	66.7%	(10.9%)	82.8%	20.4%	(11.0%)	4.0%	19.1%	17.1%	15.8%	12.9%				
Diluted EPS (consensus)								13.0	12.6	13.7							
VS. consensus								0.3%	7.7%	18.2%							
FCF (OCF - capex)	517.0	386.3	574.1	994.6	327.8	1,644.3	1,583.5	752.9	1,232.4	1,544.3	1,831.9	2,030.7	2,201.2	20.5%	28.2%	23.9%	18.1%
FCF margin	15.7%	9.7%	13.0%	15.9%	4.0%	17.1%	15.0%	6.8%	10.4%	12.0%	13.2%	13.5%	13.6%				

Model – base case revenue CAGR and EBIT margin by region

25-30 Revenue growth

- **CAGR 7.9%**

- Americas: 4.3%
- China mainland: 16.4%
- RoW: 13.5%

25-30 EBIT improvement driven by mix

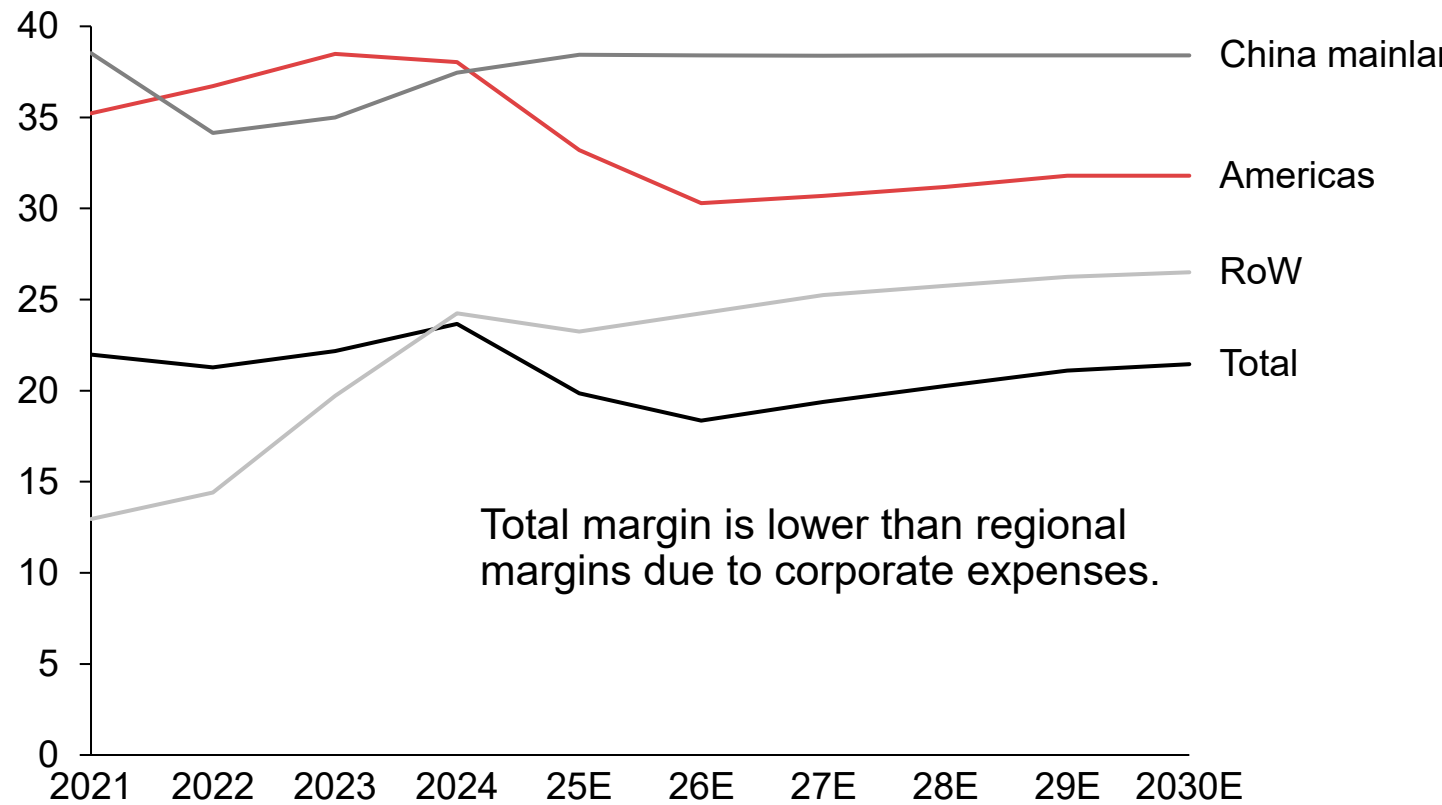
- **from 19.9% to 21.5%**

- Americas: from 33.2% to 31.8%
- China mainland: from 38.4% to 38.4%
- RoW: from 23.2% to 26.5%

- **2021-24 average: 21.7%**

- Americas: 37.1%
- China mainland: 36.3%
- RoW: 17.8%

EBIT margin by region, %, 2021-2030E



Risk/Reward: -22%, 91%, 166% total return in bear, base, and bull case

Base/Bear/Bull Case																								
	2018								Base					Bear					Bull					
	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2025E	2026E	2027E	2028E	2029E	2025E	2026E	2027E	2028E	2029E		
Total revenue	3,288.3	3,979.3	4,401.9	6,256.6	8,110.5	9,619.3	10,588.1	11,042.1	11,824.3	12,851.3	13,919.0	15,010.2	10,963.6	11,177.6	11,484.4	11,816.2	12,213.3	11,042.1	12,036.6	13,187.7	14,536.3	15,885.9		
YoY growth		21.0%	10.6%	42.1%	29.6%	18.6%	10.1%	4.3%	7.1%	8.7%	8.3%	7.8%	3.5%	2.0%	2.7%	2.9%	3.4%	4.3%	9.0%	9.6%	10.2%	9.3%		
Americas				5,299.9	6,817.5	7,631.6	7,928.2	7,823.3	8,025.2	8,378.3	8,780.4	9,193.1	7,809.4	7,575.1	7,423.6	7,349.4	7,349.4	7,823.3	8,136.3	8,543.1	9,055.7	9,508.5		
YoY growth				28.6%	11.9%	3.9%		(1.3%)	2.6%	4.4%	4.8%	4.7%	(1.5%)	(3.0%)	(2.0%)	(1.0%)	0.0%	(1.3%)	4.0%	5.0%	6.0%	5.0%		
China mainland				434.3	576.5	963.8	1,361.3	1,703.4	2,073.1	2,515.7	2,918.9	3,300.1	1,660.8	1,959.8	2,253.7	2,479.1	2,677.5	1,703.4	2,112.2	2,534.6	2,990.9	3,439.5		
YoY growth				32.8%	67.2%	41.3%		25.1%	21.7%	21.3%	16.0%	13.1%	22.0%	18%	15%	10%	8%	25.1%	24%	20%	18%	15%		
RoW				522.5	716.6	1,023.9	1,298.6	1,515.4	1,726.1	1,957.4	2,219.6	2,517.1	1,493.4	1,642.8	1,807.0	1,987.8	2,186.5	1,515.4	1,788.1	2,110.0	2,489.8	2,938.0		
YoY growth				37.2%	42.9%	26.8%		16.7%	13.9%	13.4%	13.4%	13.4%	15.0%	10%	10%	10%	10%	16.7%	18%	18%	18%	18%		
EBIT margin	21.5%	22.3%	19.3%	22.0%	21.3%	22.2%	23.7%	19.9%	18.4%	19.4%	20.3%	21.1%	19.8%	17.0%	16.0%	15.9%	15.7%	19.9%	18.6%	19.7%	20.8%	21.8%		
Americas				35.2%	36.7%	38.5%	38.0%	33.2%	30.3%	30.7%	31.2%	31.8%	33.2%	29.8%	28.5%	28.5%	28.5%	33.2%	30.3%	30.8%	31.4%	32.0%		
China mainland				38.5%	34.1%	35.0%	37.5%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	37.7%	37.4%	37.4%	37.4%	38.4%	38.4%	38.5%	38.6%	38.7%		
RoW				13.0%	14.4%	19.7%	24.3%	23.2%	24.2%	25.2%	25.7%	26.2%	23.2%	23.2%	23.2%	23.2%	23.2%	23.2%	24.2%	25.2%	25.7%	26.2%		
EBIT	705.8	889.1	849.8	1,374.7	1,726.1	2,132.7	2,505.7	2,193.1	2,170.4	2,489.8	2,820.0	3,166.9	2,167.0	1,902.8	1,837.1	1,872.9	1,920.9	2,193.1	2,234.1	2,597.6	3,027.5	3,460.9		
YoY growth		26.0%	(4.4%)	61.8%	25.6%	23.6%	17.5%	(12.5%)	(1.0%)	14.7%	13.3%	12.3%	(13.5%)	(12.2%)	(3.5%)	2.0%	2.6%	(12.5%)	1.9%	16.3%	16.5%	14.3%		
Americas				1,867.0	2,503.7	2,937.2	3,015.6	2,598.1	2,431.1	2,571.6	2,738.9	2,922.8	2,593.4	2,256.9	2,115.2	2,094.1	2,094.1	2,598.1	2,464.7	2,630.7	2,842.9	3,042.1		
China mainland				167.3	196.9	337.3	509.9	654.6	796.2	965.9	1,120.8	1,267.2	638.3	739.4	843.6	928.0	1,002.2	654.6	811.3	976.0	1,154.7	1,331.4		
RoW				67.7	103.2	201.8	314.9	352.3	418.6	494.2	571.5	660.7	347.2	381.9	420.1	462.1	508.3	352.3	433.6	532.8	641.1	771.2		
Corporate				(727.3)	(1,077.7)	(1,343.7)	(1,334.7)	(1,411.9)	(1,475.5)	(1,541.9)	(1,611.2)	(1,683.7)	(1,411.9)	(1,475.5)	(1,541.9)	(1,611.2)	(1,683.7)	(1,411.9)	(1,475.5)	(1,541.9)	(1,611.2)	(1,683.7)		
Other income (expense), net	9.4	8.3	(0.6)	0.5	4.2	43.1	70.4	37.2	52.8	68.0	88.9	115.5	37.2	52.8	68.0	88.9	115.5	37.2	52.8	68.0	88.9	115.5		
Other items	0.0	0.0	(29.8)	(41.4)	(397.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Income before income tax expense	715.3	897.4	819.3	1,333.9	1,332.6	2,175.7	2,576.1	2,230.4	2,223.2	2,557.8	2,908.9	3,282.4	2,204.3	1,955.5	1,905.1	1,961.9	2,036.4	2,230.4	2,286.9	2,665.7	3,116.4	3,576.4		
Effective tax rate	32.4%	28.1%	28.1%	26.9%	35.9%	28.8%	29.6%	30.2%	30.0%	30.0%	30.0%	30.0%	30.2%	30.0%	30.0%	30.0%	30.0%	30.2%	30.0%	30.0%	30.0%	30.0%		
Income tax expense	231.4	251.8	230.4	358.5	477.8	625.5	761.5	674.2	667.0	767.3	872.7	984.7	666.3	586.7	571.5	588.6	610.9	674.2	686.1	799.7	934.9	1,072.9		
Net income	483.8	645.6	588.9	975.3	854.8	1,550.2	1,814.6	1,556.2	1,556.2	1,790.5	2,036.2	2,297.7	1,538.0	1,368.9	1,333.6	1,373.3	1,425.5	1,556.2	1,600.8	1,866.0	2,181.5	2,503.5		
YoY growth		33.4%	(8.8%)	65.6%	(12.4%)	81.4%	17.1%	(14.2%)	0.0%	15.1%	30.8%	28.3%	(15.2%)	(11.0%)	(2.6%)	3.0%	3.8%	(14.2%)	2.9%	16.6%	16.9%	14.8%		
WASO (diluted)	134.0	131.0	130.9	130.3	128.0	127.1	123.9	118.9	114.3	110.4	107.2	104.5	119.0	117.8	116.6	115.4	114.3	119.0	114.2	109.6	105.3	101.1		
% repo/issued		(2.3%)	(0.1%)	(0.4%)	(1.7%)	(0.7%)	(2.5%)	(4.1%)	(3.8%)	(3.4%)	(2.9%)	(2.5%)	(4.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)		
Diluted EPS	3.6	4.9	4.5	7.5	6.7	12.2	14.6	13.1	13.6	16.2	19.0	22.0	12.9	11.6	11.4	11.9	12.5	13.1	14.0	17.0	20.7	24.8		
YoY growth		36.5%	(8.7%)	66.3%	(10.8%)	82.7%	20.0%	(10.6%)	4.0%	19.1%	17.1%	15.8%	(11.7%)	(10.1%)	(1.6%)	4.0%	4.8%	(10.7%)	7.2%	21.4%	21.8%	19.5%		
25-29 Revenue CAGR								8.0%					2.7%					9.5%						
Americas								4.1%					(1.5%)					5.0%						
China mainland								18.0%					12.7%					19.2%						
RoW								13.5%					10.0%					18.0%						
25-29 EPS CAGR								13.8%					(0.9%)					17.3%						

Risk / Reward																
	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
Current price	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8	192.8
Multiple	16.7x	16.7x	16.7x	16.7x	12.0x	12.0x	12.0x	12.0x	12.0x	12.0x	12.0x	12.0x	20.7x	20.7x	20.7x	20.7x
Target price	228.0	271.6	318.0	368.2	139.5	137.2	142.8	149.7	290.3	352.5	429.2	513.1	290.3	352.5	429.2	513.1
Total return	18.3%	40.9%	65.0%	91.0%	(27.7%)	(28.8%)	(26.0%)	(22.4%)	50.6%	82.8%	122.6%	166.2%	50.6%	82.8%	122.6%	166.2%
IRR (based on 2028TP)				24.7%				(8.3%)				39.6%				

Lululemon's stock is down over 40% YTD

Lululemon YTD stock price, USD



Note: CC refers to constant currency.

Source: Bloomberg

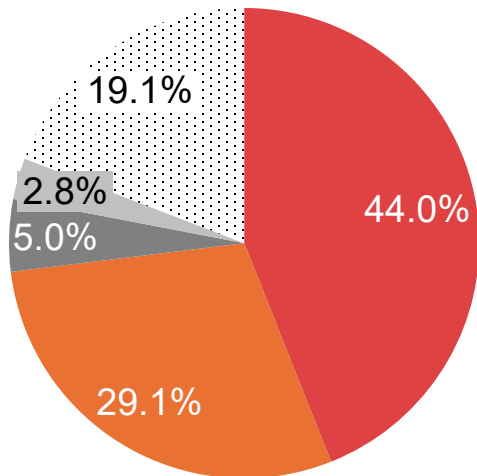
Reasons behind...

- **MGMT guided down EBIT margin** during 2025Q1 and **guided down revenue growth and EBIT margin** during 2025Q2
 - FY25E Revenue growth from **7-8%** to **4-6%** (excl. 53rd week)
 - FY25E EBIT margin down **100bps** to down **390bps**
- **Negative Americas comp sales (CC)**
 - 2025Q1, **-1%**
 - 2025Q2, **-3%**
 - 2025Q3, **-5%**

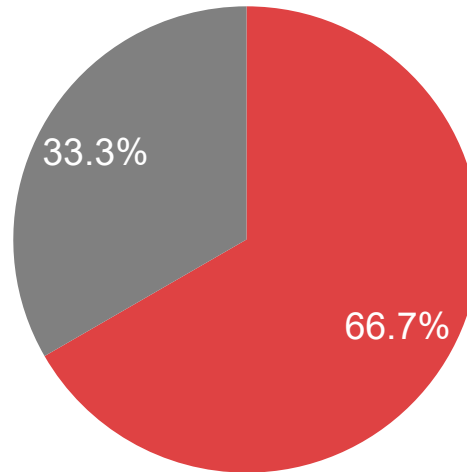
Survey sample

N=141, Columbia Business School MBA students

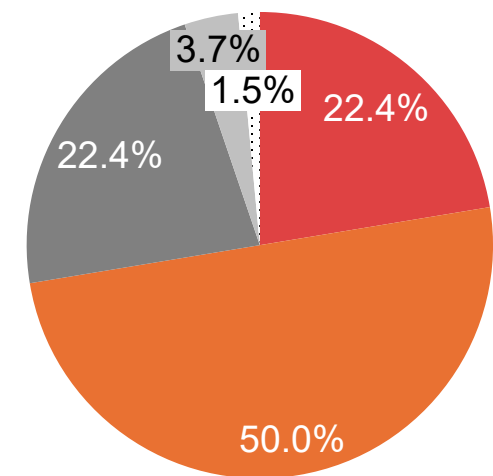
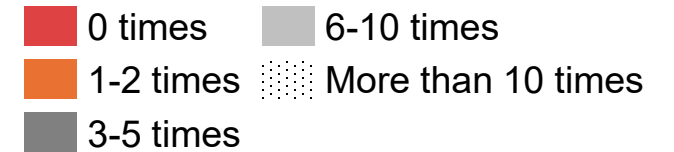
Nationality



Gender



Purchasing frequency of LULU

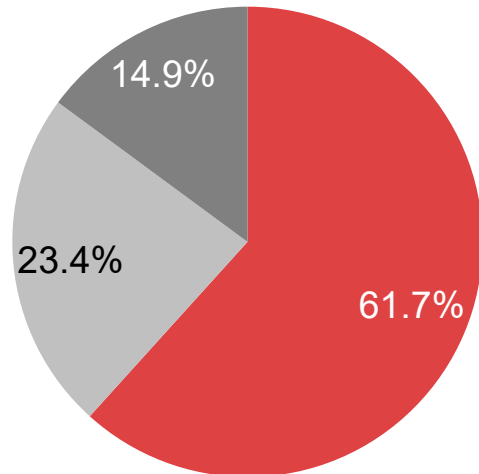


Additional survey insights

Looking ahead to the next 12 months...

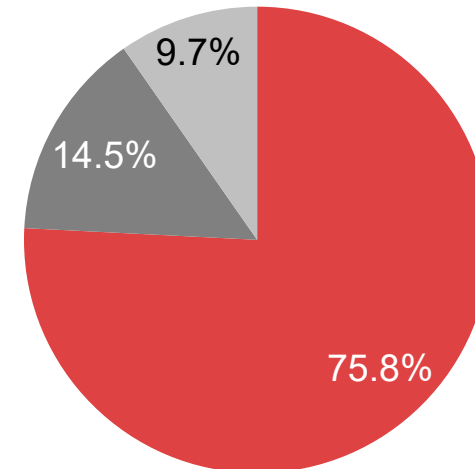
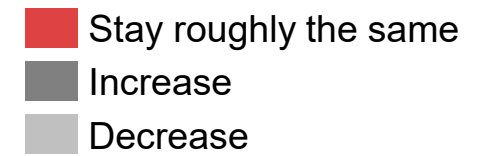
Which of the brands do you expect to spend the most on?

N=141, all respondents



How do you expect your spending on lululemon to change?

N=62, American respondents



Store visits observations

Store visits in Dubai and Abu Dhabi were encouraging: the locations are prime, adjacent to luxury brands, and I observed local customers in hijab making purchases in the store.

Soho, New York



- Lululemon has a renovated Soho store, with men's products featured on the first floor and women's on the second, **visually reinforcing the brand's growing emphasis on men's**. The store was filled with **recent launches**
- Alo and Vuori are located nearby. Alo's two-floor store prominently displays its **newly launched leather bags**, highlighting the brand's increasing focus on **fashion** and lifestyle rather than athletic apparel
- Nike store spans five floors, with the ground floor dedicated entirely to the Nike x Skims collaboration and the remaining floors focused on men's, women's, and Jordan products. **Despite the scale, Nike's apparel offerings felt less competitive relative to Lululemon, both in aesthetics (color choices, fit, and overall design) and in fabric quality (the materials did not feel meaningfully comfortable)**. Even within the multi-floor setup, the areas drawing the most attention and traffic remain the footwear sections

Wushang, Wuhan (Tier 1.5 city in China)

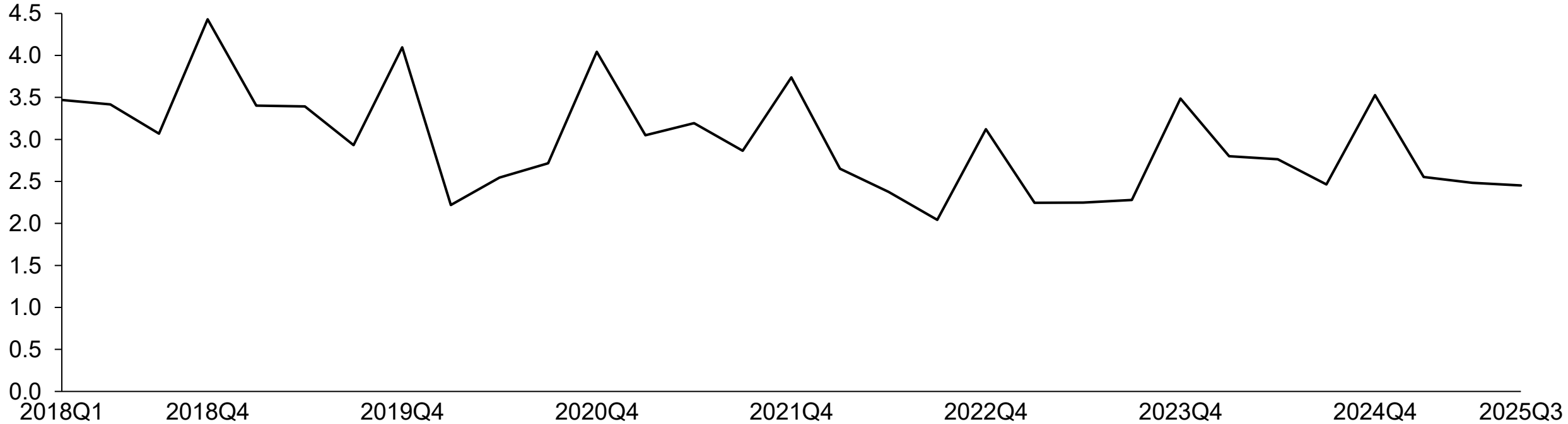


- **Premium second-floor location** in a top shopping mall, directly opposite the Apple Store
- **Visually strong merchandising**, highlighting new products and seasonal color stories
- **Brand storytelling through ambassadors**, featuring Chinese top singer Yuchun Li
- **Localized design elements**, with city-specific motifs carved into the walls
- Maia Active (local Chinese yoga brand) located on the third floor with a much smaller footprint (~1/4 of Lululemon's size)

Inventory turnover ratio

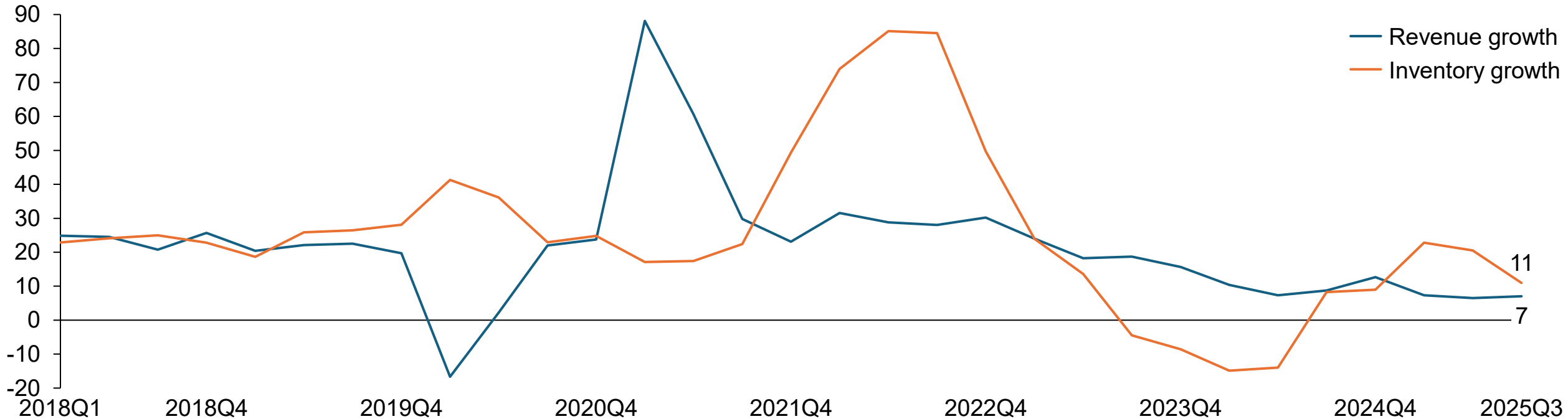
- Lululemon: 3.1 (2024)
- Nike: 3.5 (2025)
- Ralph Lauren: 2.4 (2025)
- On: 2.4 (2024)

Lululemon quarterly inventory turnover ratio



Inventory growth vs. Revenue growth

Inventory growth vs. Revenue growth, %



Lululemon's board has navigated previous CEO transitions

Current board

- **Marti Morfitt** has been a member of our board of directors since **December 2008** and has served as board chair since March 2022; leadership experience in CPG
- **David Mussafer, Advent Chariman**, has served as lead director since **September 2014** and has been a member of our board since that time and **previously from 2005 to 2010**
- Shane Grant has been a member of our board of directors since November 2023; chief operating officer, Americas for Colgate-Palmolive
- Kathryn Henry: Former chief information officer, logistics & distribution of lululemon from 2010 to 2014
- Teri List: Former CFO of GAP
- Alison Loehnis: Former interim CEO and president of Yoox Net-a-Porter (YNAP)
- Isabel Mahe: Managing director of Greater China Apple
- Jon McNeill: Chief executive officer of DVx Ventures
- Emily White: President of Anthos Capital, leadership roles at Facebook and Google

Navigated previous CEO transitions and operational challenges

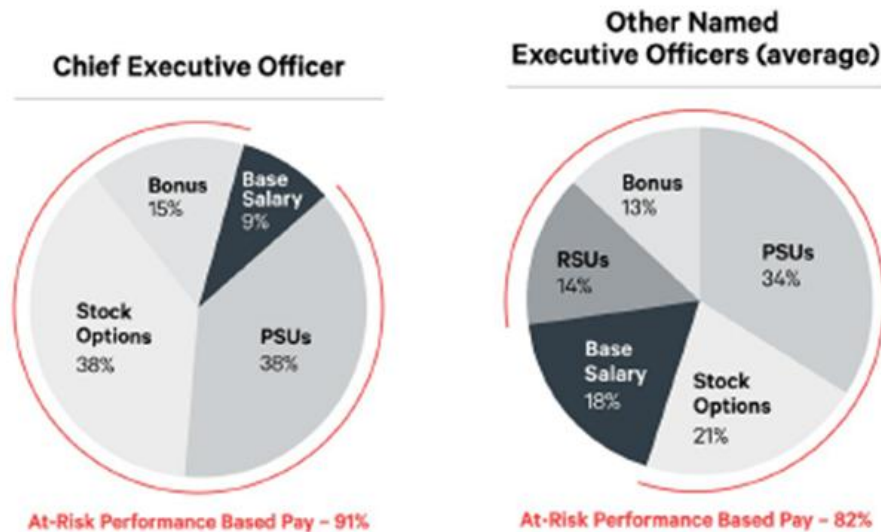
Historical CEO transitions completed in six months

- Christian Day (2008-2013): Resigned in **June 2013** due to product quality issues; Laurent joined in **Dec, 2013**
- Laurent Potdevin (2013-18): Resigned in **Feb, 2018** due to conduct violations; Calvin joined in **Aug, 2018**

Management incentives are tied to net revenue and operating income

Incentive composition: over 50% from stock options and PSUs

Cash bonus KPI (50% net revenue, 50% operating income)
PSU target (three-year operating income CAGR)



$$\text{Base Salary Earned (\$)} \times \text{Bonus Target (\%)} \times \frac{\text{Corporate Performance Rating}}{50\% \text{ Net Revenue} + 50\% \text{ Operating Income}} = \text{Individual Annual Bonus (\$)}$$

0%–200% of Target

Settlement of 2022 PSU Awards (2022-2024 Performance Period)

The committee established the following terms for the 2022 PSU awards:

- The performance period spans three fiscal years (2022 to 2024).
- Vesting was generally on the third anniversary of the grant date.
- Minimum, target and maximum performance and payout levels were set in the first quarter of the performance period.
- The performance metric is the three-year compound annual growth rate (CAGR) of operating income based on fiscal 2021 adjusted operating income of \$1,374.7 million.
- Payouts are structured with a threshold CAGR of 5%, a target CAGR of 10% and a maximum CAGR of 15%.

The committee determined our annual operating income for 2024 was \$2,505.7 million, which represented a three-year CAGR of 22.2% and resulted in a payout of 200% of the target PSU awards granted.

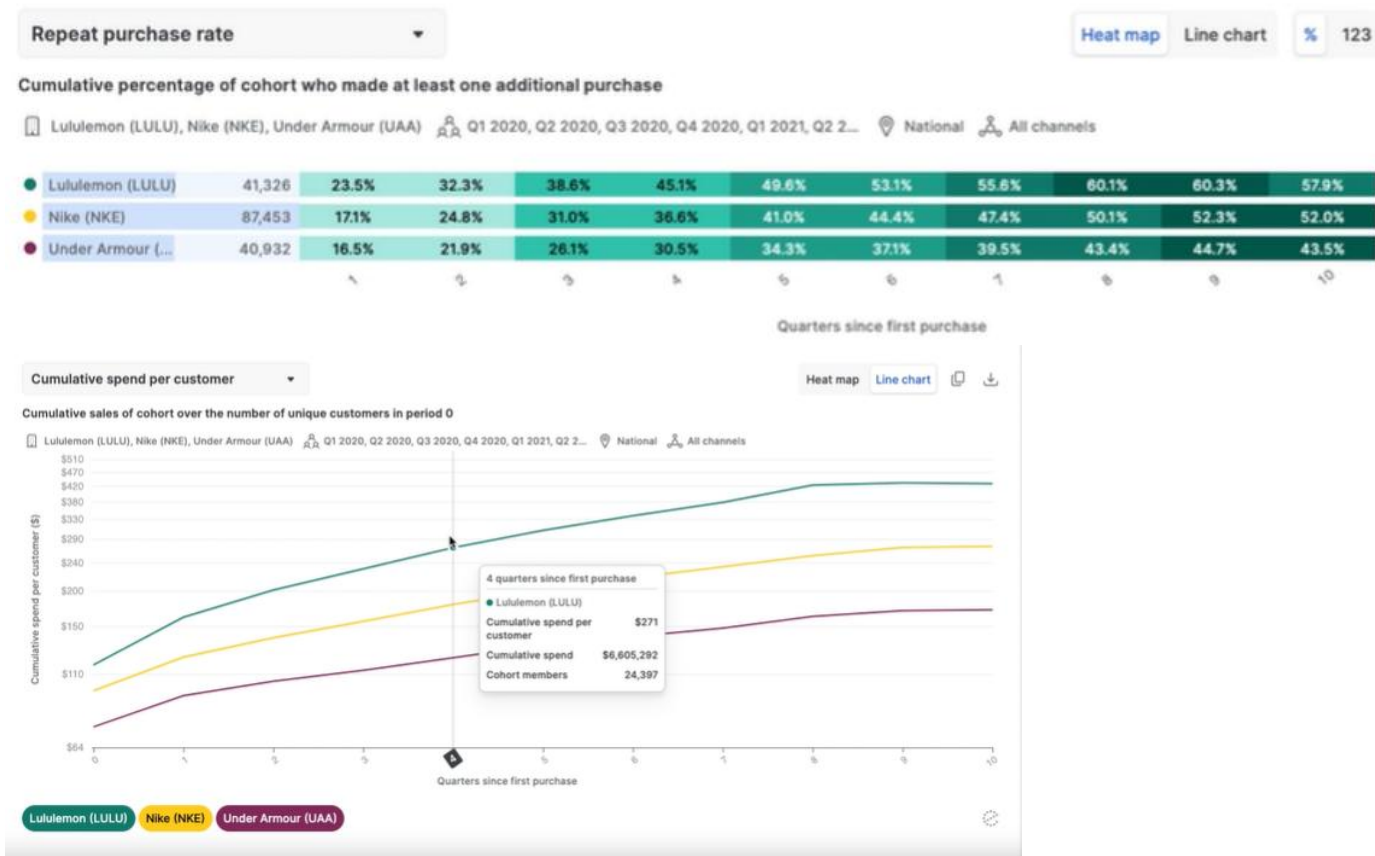
Performance Period	Pre-tax Operating Income (3 Year CAGR)	Multiplier	Fiscal 2024 Pre-tax Operating Income Goals	Fiscal 2024 Operating Income
Fiscal 2022–2024	Minimum	5.0%	50%	\$1,591 M
	Target	10.0%	100%	\$1,830 M
	Maximum	15.0%	200%	\$2,091 M

\$2,505.7 M
Operating Income

200%
Multiplier

Supplemental credit card data insights

LULU shows stronger retention and higher cumulative spend per customer than Nike



Note: I do not have direct credit card data access, so my analysis draws on Earnest's published research available for lululemon.

Source: Earnest Analytics

The Amex partnership drives customer acquisition and could deliver an estimated 2% annual revenue uplift, assuming full-year implementation

Starting September 18, 2025, Amex Platinum cardholders receive a \$75 quarterly credit for purchases at lululemon in-store (outlets excluded) or online.

~3% revenue uplift and ~4% EBIT uplift, assuming no cannibalization

Assuming no cannibalization (one-year estimate)

	#	Unit
AMEX Platinum card holders		3 Mn
Redemption rate	30%	%
Annual purchase value (4*108/legging)	432	USD
Total revenue	388.8	Mn
LULU revenue (25E)	11,042.1	Mn
% Rev increase (assuming full-year impact)	3.5%	%
% increase (half-year)	1.8%	%
COGS % of revenue (25E)	43.7%	%
Gross margin (25E)	56.3%	%
Gross profit	219.1	Mn
LULU % of costs shared out of \$300	50%	%
LULU costs	135.0	Mn
Gross profit after costs	84.1	Mn
LULU EBIT (25E)	2,193.1	Mn
% EBIT increase (assuming full-year impact)	3.8%	%
% increase (half-year)	1.9%	%

~2% revenue uplift and minimal EBIT impact under the assumption that 40% of Amex Platinum cardholders are existing LULU customers

Cannibalization estimate (one-year estimate)

	#	Unit
% of platinum card holders who are LULU customers	40%	%
Redemption rate (higher than overall cohort)	50%	%
% of credit purchases that are cannibalized	75%	%
Cannibalized value per customer	225	USD
Cannibalized revenue	135	Mn
Real revenue increase	253.8	Mn
% Rev increase (assuming full-year impact)	2.3%	
Cannibalized gross profit	76.1	
Real GP increase	8.0	
% EBIT increase (assuming full-year impact)	0.4%	

The overall economics may **look more favorable** when incorporating the lifetime value of new customers and assuming lower redemption rates and lower cannibalization (currently 75%) among Amex Platinum cardholders who are existing lululemon customers.

One-year EBIT impact sensitivity table for the Amex partnership

Annual EBIT impact sensitivity table assuming 40% of Platinum cardholders are existing Lululemon customers and LULU bears 50% of the credit cost.

- **Row variable:** redemption rate of overlapping customers
- **Column variable:** cannibalization rate (% of credit purchases that are cannibalized)

	0.4%	30%	40%	50%	60%	70%	80%	90%	100%
25%		3.1%	2.9%	2.7%	2.4%	2.2%	2.0%	1.8%	1.5%
35%		2.9%	2.5%	2.2%	1.9%	1.6%	1.2%	0.9%	0.6%
45%		2.6%	2.2%	1.8%	1.3%	0.9%	0.5%	0.1%	(0.3%)
55%		2.3%	1.8%	1.3%	0.8%	0.3%	(0.2%)	(0.7%)	(1.3%)
65%		2.0%	1.4%	0.8%	0.2%	(0.4%)	(1.0%)	(1.6%)	(2.2%)
75%		1.8%	1.1%	0.4%	(0.3%)	(1.0%)	(1.7%)	(2.4%)	(3.1%)
85%		1.5%	0.7%	(0.1%)	(0.9%)	(1.7%)	(2.5%)	(3.2%)	(4.0%)
95%		1.2%	0.3%	(0.6%)	(1.4%)	(2.3%)	(3.2%)	(4.1%)	(5.0%)

Note: This analysis does not incorporate the lifetime value of newly acquired customers. The overall economics of the partnership could look more favorable when considering incremental customer acquisition and greater activation of existing customers across stores and online.

Despite a more competitive market, LULU's differentiation and low global share support a long growth runway

Lululemon faces three main categories of competitors:

- **Incumbent sportswear brands** such as Nike and Adidas
- **Emerging premium athleisure brands** like Alo and Vuori, and loungewear brand like Skims
- **White-label products** from retailers such as Amazon and Target.

The most meaningful competitive threat comes from emerging brands like Alo and Vuori.

- **Historically, Nike and Adidas have not been able to match lululemon's strength in women's athleisure**—particularly in fabric innovation, design, and fit.
- **White-label products also pose limited risk, as they primarily target more price-sensitive consumers who are not lululemon's core audience.** I have personally ordered several Amazon options, and the fabric quality and fit remain far from comparable.

Emerging brands remain contained threats.

- Not new entrants: Alo founded in 2007; Vuori in 2014
- Primary research supports LULU's differentiation: Survey data and credit-card retention indicate LULU remains the top brand for comfort and design; Alo's recent growth appears fad-driven, with significantly lower customer retention
- Product investment gap persists: LULU's spending on product and fabric innovation materially exceeds that of Alo and Vuori. Alo appears increasingly fashion-oriented (e.g., bags), rather than performance athletic apparel

Finally, lululemon just captures ~3.6% sportswear market share in the U.S. and ~3% market share in China, and less so in RoW, I believe it still has a long runway to grow. (Reference points: Lulu captures 16.6% sportswear market share in Canada and Nike captures more than 10% market share in both U.S. and China).

Lululemon has a differentiated value proposition and durable competitive advantages that can support continued share gains

Key evidence

- A** Market share gains globally over the last 10 years
- B** High ROIC (30%) among sportswear, fashion apparel brands, and sports retailers
- C** Consumer survey rated best comfort and design vs. Alo and Vuori

Competitive advantages demystified

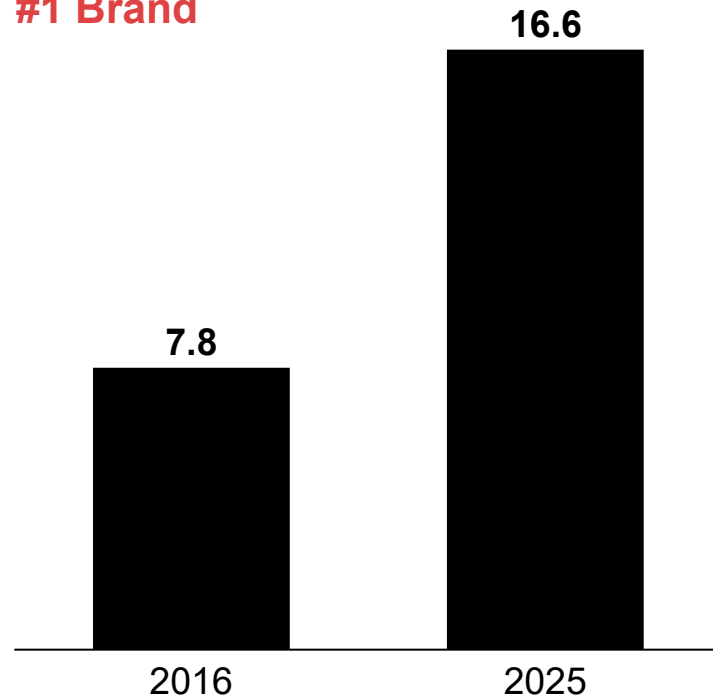
- D** Key competitive advantage lies in technical apparel innovation and its differentiated business model

A. Lululemon gained significant market share over the last 10 years

Lululemon market share in the sportswear market, %, 2016-2025

Canada

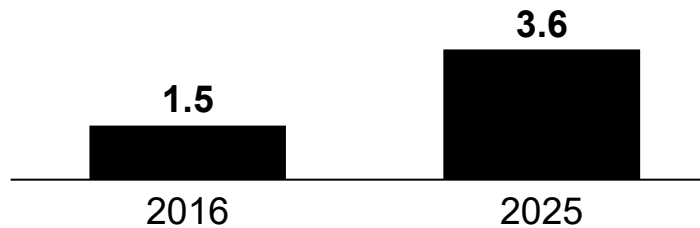
#1 Brand



USA

#3 Brand

#1 Nike at 11.8% share



China

#8 Brand

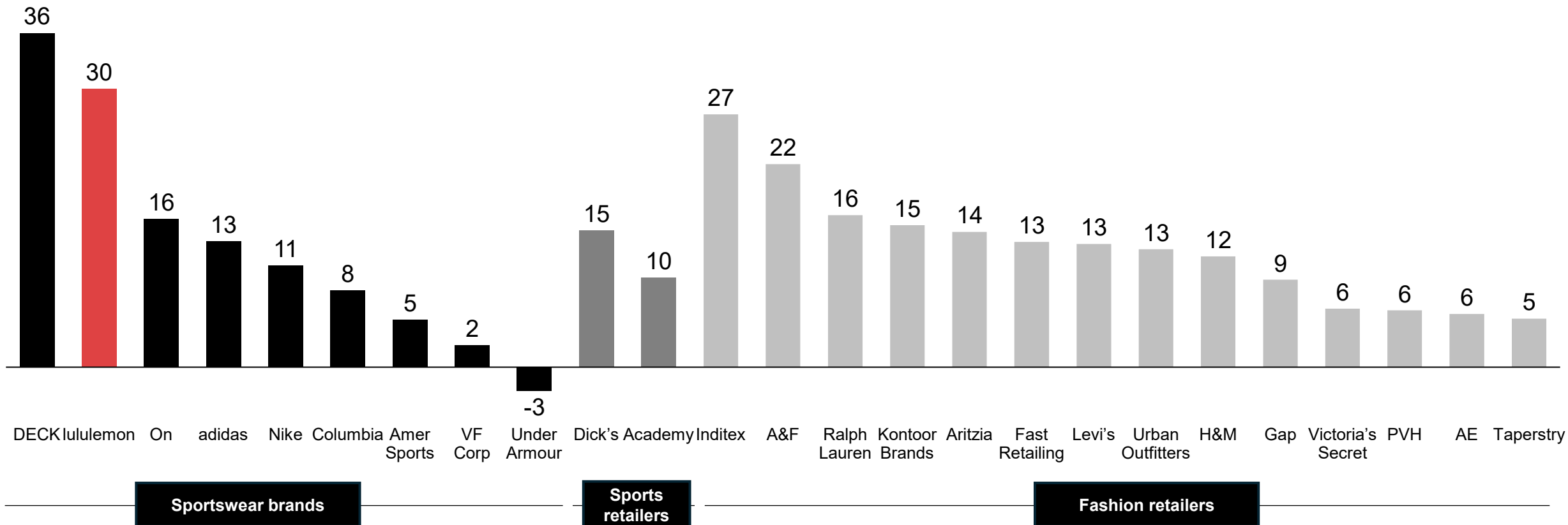
#1 Nike at 12.9% share



B. Lululemon delivers industry leading ROIC at 30%

Lululemon enjoys leading ROIC, driven by premium positioning, full-price model, and strong store economics

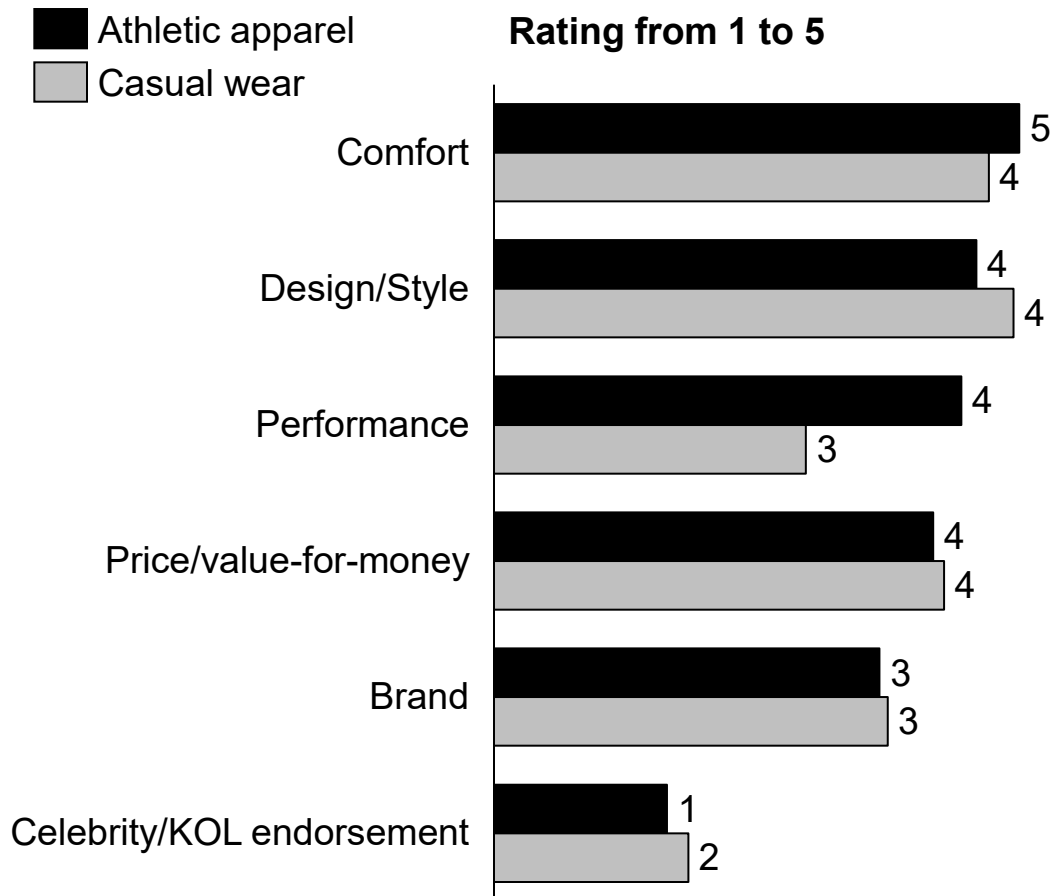
T12M ROIC from Bloomberg



C. Comfort and design matter most, and lululemon leads on both

Proprietary survey results, N=141 Columbia Business School Students

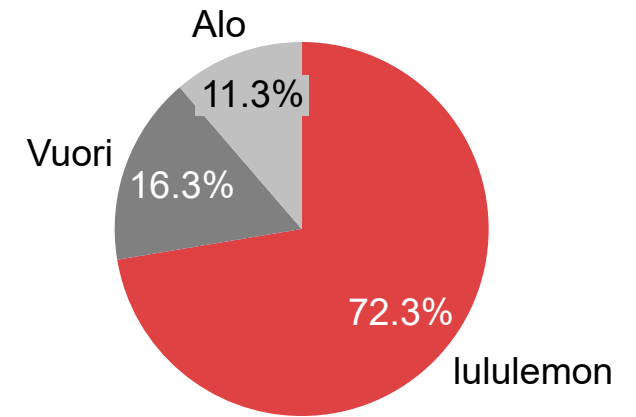
Athletic and casual apparel key buying factors



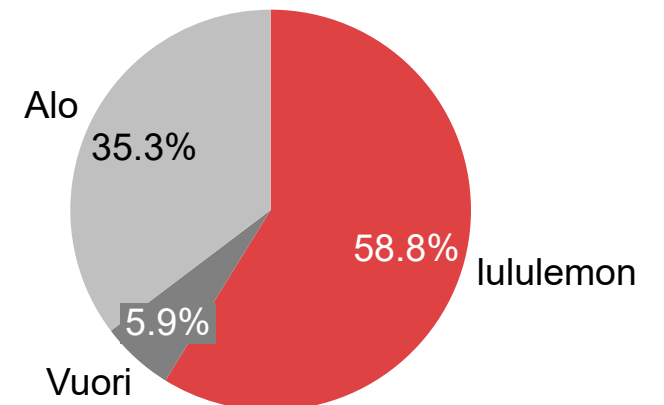
Source: proprietary survey conducted during 2025 November (N=141)

Which brand do you think offers the best comfort / design?

Best comfort and performance



Best design



D. Key competitive advantage lies in technical apparel innovation and its differentiated business model

Core strength: technical apparel innovation

The biggest market is the **\$500Bn** street technical industry, which I call “strech”, my name for athleisure. **It’s clothing for people who want to dress sharply but won’t put up with fabrics that don’t stretch**, that stink, that are too tight, or that fail to respond to temperature changes....

Now that men have abandoned ties and leather shorts, **the trend is toward sophisticated streetwear that’s actually wearable**. That’s the opposite of the luxury market where fabrics are stiff and unbreathable because the designers only think about visual appeal.

Besides making comfortable clothes, forward looking strech designers are including details, say a vintage zipper somewhere on the garment, that create fashion for the street.

-- Lululemon Founder Chip Wilson

Note: The “\$234M” refers to the other cost of sales from the corporate segment in the annual report. This suggests the company may have invested more in product if those locally incurred costs are included.

Source: Chip Wilson’s book - Lululemon and the Future of Technical Apparel, expert interviews

In more details...

Unique value prop addressing comfort & design

“Made to Feel, High function and High Style”

“LULU are really second to none in material innovation. I think the smaller companies, Vouri, Alo, they definitely don’t have as robust materials team as lulu does. **When I left, there were about 40 on the team were material scientists,** polymer scientiests, people who were specialized. It’s a lot. They really invest in the space.”

-- Former lululemon supply chain manager, former Gymshark CPO

LULU’s material innovation investment is over **20%** of Alo’s sales!

LULU: 2.2% of revenue, \$234Mn (FY2024), invested in product design, raw material development, product innovation, sourcing, supply chain, and global merchandising

D. Technical apparel innovation – recent new styles for women

New style innovation spans from performance apparel to lounge and office wear

New fabric and color of core franchises, seamlessly branding support



Paisley Lace Yoga Outfit



BeCalm in Heathered Porcelain Pink



Daydrift High-Rise Trouser



Women's **Steady State** Hoodie launched with country music artist Kelsea Ballerini interview



Define in new seasonal color Indochine Blue



New **Scuba** in Waffle



D. Technical apparel innovation – recent new styles for men



ShowZero™ Slim-Fit Polo

Our little secret. This polo's sleek fabric harnesses the power of ShowZero™ technology to virtually eliminate the appearance of sweat on the outside, keeping you confident for tee offs, takeoffs, and everything in between.

★★★★★

Best golf shirt

It does what it says. Shows no sweat! It's comfortable and I've received lots of compliments about it

★★★★★

Best Polo Ever

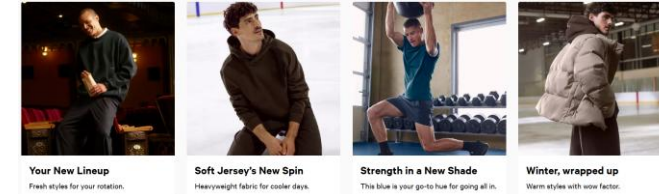
After recently moving to Miami, I purchased these polos in every color they come in. They stand up to heat & humidity: you barely sweat in them! Also, they wear well & are so comfy, you can sleep in them! They feel like a T shirt, but make you look a little more presentable! We need MORE basic colors, like white, red, or green.

★★★★★

Great Polo

Great fit and fabric. I ordered most of the colors offered after the first one. Wish they had more color options, for I would buy more.

302 new products out of 950: 32%



Your New Lineup
Fresh styles for your rotation.

Soft Jersey's New Spin
Heavyweight fabric for cooler days.

Strength in a New Shade
This blue is your go-to hue for going all in.

Winter, wrapped up
Warm styles with snow factor.

62 days ago

77 days ago

39 days ago