

## lululemon athletica (LULU)

**\$190.01** (Stock Price as of 12/05/2025)

Price Target (6-12 Months): **\$193.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 11/04/25)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank: (1-5)**

**3-Hold**

Zacks Style Scores:

VGM: B

Value: B

Growth: B

Momentum: D

### Summary

Shares of lululemon have lagged the industry in the past three months, as a weak second-quarter and slashed fiscal 2025 guidance rattled investors. While EPS topped estimates, revenue missed, dragged by persistent softness in North America, mainly the U.S., where comps declined. Gross margin was pressured by heavy markdowns, higher tariffs, and fixed cost deleverage. Management warned of deeper 300 bps gross margin declines due to tariff-related costs, including the removal of the de minimis exemption. Tariffs are projected to hurt margins by \$240 million in fiscal 2025 and \$320 million in fiscal 2026. However, lululemon continues to gain from the progress with its Power of Three X2 growth strategy, with notable success in its International and men's businesses. lululemon's e-commerce business also remains a significant growth driver.

### Data Overview

52 Week High-Low	\$423.32 - \$159.25
20 Day Average Volume (sh)	2,868,923
Market Cap	\$21.8 B
YTD Price Change	-52.0%
Beta	1.01
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<a href="#">Textile - Apparel</a>
Zacks Industry Rank	Top 32% (77 out of 243)

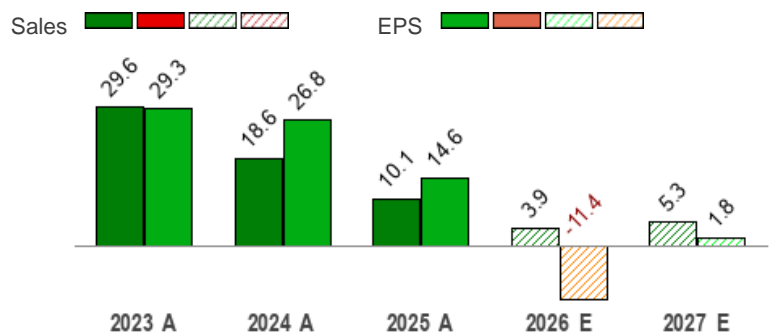
Last EPS Surprise	9.2%
Last Sales Surprise	-0.4%
EPS F1 Est- 4 week change	-0.1%
Expected Report Date	12/11/2025
Earnings ESP	-0.3%

P/E TTM	12.5
P/E F1	14.7
PEG F1	-2.9
P/S TTM	2.0

### Price, Consensus & Surprise<sup>(1)</sup>



### Sales and EPS Growth Rates (Y/Y %)<sup>(2)</sup>



### Sales Estimates (millions of \$)<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2027	2,470 E	2,623 E	2,656 E	3,833 E	11,581 E
2026	2,371 A	2,525 A	2,491 E	3,611 E	10,997 E
2025	2,209 A	2,371 A	2,397 A	3,612 A	10,588 A

### EPS Estimates<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2027	2.46 E	3.01 E	2.37 E	5.35 E	13.20 E
2026	2.60 A	3.10 A	2.23 E	5.04 E	12.97 E
2025	2.54 A	3.15 A	2.87 A	6.14 A	14.64 A

\*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, except the estimates, is as of 12/05/2025.

(2) The report's text, the analyst-provided estimates, and the price target are as of 11/27/2025.

## Overview

Founded in 1998 and based in Vancouver, Canada, lululemon athletica inc. is a yoga-inspired athletic apparel company that creates lifestyle components. The company designs, manufactures and distributes athletic apparel and accessories for women, men and female youth.

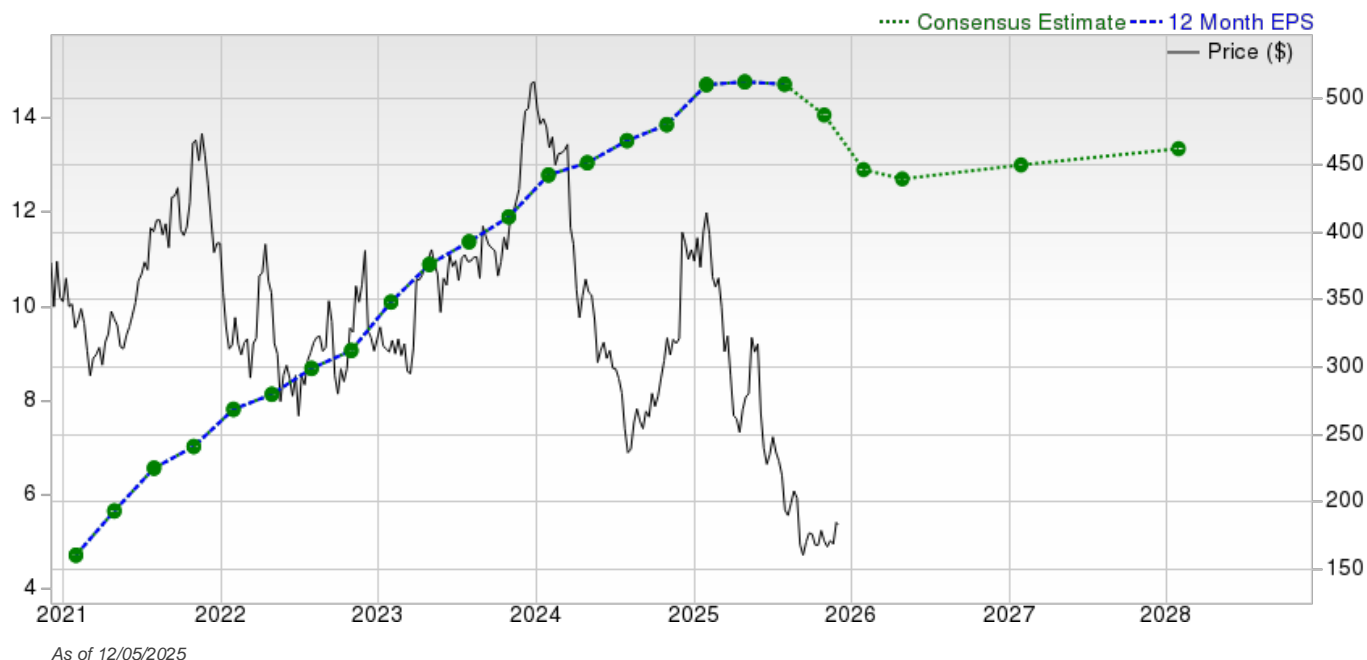
The company offers a line of apparel assortment, including fitness pants, shorts, tops and jackets designed for healthy lifestyle and athletic pursuits, such as yoga, training, and running as well as other sweaty and general fitness under the lululemon athletica brand name. Its fitness-related items comprise an array of accessories like bags, socks, underwear, yoga mats, instructional yoga DVDs, water bottles and other equipments.

The company sells its products primarily in North America through a chain of corporate-owned and retail stores, outlets and warehouse sales, independent franchises, and a network of wholesale accounts. The company has an e-commerce site with an aim to rapidly expand its online business.

The company has entered into license and supply agreements with partners in the Middle East and Mexico, through which they are permitted to operate lululemon branded retail locations in the United Arab Emirates, Kuwait, Qatar, Oman, Bahrain, and Mexico. They also have the rights to sell lululemon products via the company's e-commerce websites in these countries.

Under these arrangements, the company supplies its license partners with lululemon products, training and other support. While the initial agreement term for the Middle East expires in January 2020, the term for Mexico expires in November 2026.

The company conducts its business through two segments: company-operated stores and direct to consumer. As of Aug. 3, 2025, the company operated 784 stores.



## Reasons To Buy:

▲ **Power of Three X2 Growth Strategy:** lululemon continues to benefit from the progress with its Power of Three X2 growth strategy. As part of the Power of Three X2 growth plan, LULU estimates net revenues of \$12.5 billion by 2026, implying significant growth from the 2021 reported figure of \$6.25 billion. The plan focuses on three key growth drivers, product innovation, guest experience, and market expansion. The five-year plan is expected to quadruple international net revenue relative to 2021, and double digital and menswear sales. Also, the women's business and North America operations are each anticipated to witness a low-double-digit CAGR in revenues, with store channel growth in the mid-teens between 2021 and 2026. As part of its strategy, the company intends to expand in China and European markets, with plans to open stores in Spain and Italy. For 2021-2026, the total net revenue CAGR is expected to be 15%, with a slight expansion in the operating margin on an annual basis. Since 2021, the plan's base year, it has witnessed a 19% revenue CAGR, expanded adjusted operating margin by 170 basis points (bps) and grown the adjusted EPS at a 23% CAGR.

lululemon is witnessing strong business momentum in its international markets, including Mainland China and the Rest of the World, as the brand connects well with customers globally.

▲ **International Business:** lululemon is witnessing strong business momentum in its international markets, including Mainland China and the Rest of the World, as the brand connects well with customers globally. In second-quarter fiscal 2025, the company's total international revenues increased 22% year over year and 20% in constant-currency, reflecting the brand's accelerating global momentum and untapped market potential. Revenue in Mainland China, the company's second-largest market, rose 25% (24% in constant-currency), supported by new store openings and robust brand activations, including the fifth annual Summer Sweat Games. Meanwhile, the Rest of World segment grew 19% (15% in constant-currency), fueled by new market entries in Italy, Turkey, and Belgium. International comparable sales increased 15% and 13% in constant currency. Comps improved 16% in Mainland China and 9% in the Rest of the World in the fiscal second quarter. Looking ahead, lululemon is preparing to launch in India through a franchise partnership in fiscal 2026, further expanding its global footprint. The company continues to gain brand awareness and market share internationally, with a loyal and growing guest base. The company also expects the momentum in the international business to continue in fiscal 2025. Internationally, revenues are expected to increase 20-25% in Mainland China and 20% in the Rest of the World for fiscal 2025.

Management emphasized that product innovations and a reset in lifestyle offerings will also benefit global markets, positioning international growth as a key driver of long-term momentum. lululemon expects international markets to contribute nearly 50% of total revenue in the long term and is on track to quadruple international revenue from 2021 levels by the end of 2026.

▲ **Strong Men's Category:** As a part of the Power of Three X2 growth strategy, lululemon is on track to expand the men's category, doubling its sales relative to 2021. In second-quarter fiscal 2025, the men's category remained a key growth driver, underscoring the brand's successful diversification beyond women's apparel. Men's revenue rose 6% year-over-year, outpacing women's growth and reinforcing lululemon's ability to capture market share in an expanding segment. Strength was broad-based across core performance categories, run, train, golf, and tennis, where innovation and technical fabrics continue to differentiate the brand. Management highlighted that men are responding strongly to both new product introductions and updated classics, a reflection of the brand's innovation pipeline and its "Science of Feel" design platform. The category also benefits from rising brand awareness, aided by targeted marketing and growing participation in lululemon's community-driven initiatives. Importantly, men's wear has become a powerful entry point for new guest acquisition, helping balance the portfolio while driving incremental sales. With innovation momentum and strong guest loyalty, lululemon sees the men's business as a multi-year growth engine and a vital pillar of its long-term strategy.

▲ **E-commerce Investments:** lululemon continues to position e-commerce as a core growth driver, ramping up investments in digital infrastructure to capture rising online demand. Key priorities include site enhancements, improved omnichannel functionality, and expanded fulfillment capabilities. The brand is scaling services such as curbside pickup, same-day delivery, and buy-online-pickup-in-store (BOPUS), while strengthening its mobile app to support these features. At the same time, store associates are being equipped with tools and training to better integrate digital and in-store transactions. lululemon's e-commerce business remained a significant contributor to overall performance in second-quarter fiscal 2025, reinforcing its omnichannel strength and ability to engage guests online.

Digital revenue grew 9% year-over-year in the fiscal second-quarter, reaching \$1 billion and accounting for 39% of total sales. The increase was supported by healthy guest engagement, improved conversion, and the brand's ability to integrate digital initiatives with its in-store experiences. Management highlighted that higher markdowns contributed to clearance activity online, helping optimize inventory, while e-commerce also benefited from targeted marketing and membership-driven traffic. Importantly, the digital channel has become a powerful driver of guest acquisition and retention, with lululemon continuing to enhance personalization and leverage data to strengthen customer relationships. Despite tariff-related pressures that have increased costs on U.S. e-commerce orders, the company is actively optimizing its distribution strategy to preserve efficiency. With digital penetration near 40%, lululemon views the channel as a key growth engine, enabling scalability and deepening global brand reach.

▲ **Growth in Store Business:** Stores remain a key pillar of the company's growth strategy, not only as high-performing sales channels, but also as community hubs that deepen guest engagement. lululemon's store business delivered steady growth in second-quarter fiscal 2025, reinforcing the strength of its community-driven retail model. Store revenue rose 3% year-over-year on a constant-dollar basis, supported by continued expansion and optimization initiatives. LULU continues expanding its store base. The company ended the quarter with 784 stores globally, reflecting a 14% increase in square footage from the prior year, driven by 63 net new openings since second-quarter fiscal 2024. In second-quarter fiscal 2025, lululemon added 14 new stores and completed six optimizations, with a strong pipeline focused on international markets such as China and Mexico.

Management noted that new store productivity remains healthy, with expansions and remodels enhancing the shopping experience,

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improving guest engagement, and driving higher traffic. The brand's emphasis on integrating stores with its digital ecosystem, through services like BOPUS and enhanced app functionality, continues to boost omnichannel strength. With plans for low double-digit square footage growth in fiscal 2025, lululemon's stores remain a vital growth engine and an effective platform for brand awareness. Store openings in fiscal 2025 are expected to include 15 stores in the Americas, with nearly half of this planned for Mexico. The rest of the store openings in fiscal 2025 are expected to occur in the international markets, primarily in China.

▲ **Strong Financial Position:** lululemon remains well-positioned financially to navigate a tough landscape. It ended second-quarter fiscal 2025 with cash and cash equivalents of \$1.6 billion, down from \$1.6 billion reported at the end of second-quarter fiscal 2024. At the end of the fiscal second quarter, the company had no debt, which provides it with significant financial flexibility. The company had \$393.2 million of capacity under its committed revolving credit facility. The capital expenditure was \$178 million in the quarter. In the fiscal second quarter, lululemon repurchased 1.13 million shares at an average price of \$247. As of Aug. 3, 2025, LULU had \$860 million remaining under its current \$1-billion share repurchase authorization. To retain its financial strength, management is evaluating expense structure and capital investments for store opening and remodeling projects. lululemon expects a capital expenditure of \$700-\$720 million for fiscal 2025, compared with \$740-\$760 mentioned earlier.

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## Reasons To Sell:

▼ **Mixed Q2 Performance & Bleak Fiscal 2025:** Shares of lululemon have lost 12.9% in the past three months compared with the industry's 6.2% decline. Most of this decline resulted from investors' concerns about the company's weak second-quarter fiscal 2025 performance, followed by a bleak revenue and earnings per share (EPS) guidance for fiscal 2025. lululemon's second-quarter fiscal 2025 results reflected an EPS beat, while revenues missed estimates. The company's top line improved year-over-year, while the bottom line declined, driven by soft margins. Although revenues improved year-over-year, the company's performance in the Americas, predominantly the U.S. business, reflected soft trends.

Tariffs and the removal of the de minimis exemption are squeezing LULU's margins, driving a \$240 million hit in fiscal 2025 and a \$320 million drag in fiscal 2026, despite mitigation efforts.

LULU lowered its revenue and EPS guidance for fiscal 2025 due to the expectations of increased tariff-related costs, retaliatory tariff measures, and the removal of the de minimis exemption. For fiscal 2025, LULU anticipates net revenues of \$10.85-\$11 billion compared with the \$11.15-\$11.3 billion stated earlier. This indicates 2-4% year-over-year growth versus the previously mentioned growth rate of 5-7%. Excluding the 53rd week in 2024, revenues are expected to rise 4-6% compared with 7-8% growth mentioned earlier. The company projects an EPS of \$12.77-\$12.97, suggesting an increase from the \$14.64 reported in fiscal 2024. The revised EPS view marks a decline from \$14.95-\$14.78 projected earlier. For the third quarter of fiscal 2025, management anticipates net revenues of \$2.47-\$2.5 billion, indicating 3-4% year-over-year growth. EPS for the fiscal third quarter is expected to be \$2.18-\$2.23, whereas it reported EPS of \$2.87 in the prior-year quarter.

▼ **Soft North America Performance:** lululemon has faced persistent headwinds in its Americas business, primarily due to a challenging macroeconomic environment marked by elevated inflation and higher interest rates. These factors have weighed on discretionary spending, particularly impacting the women's category, a core segment for the brand. This slowdown has been especially pronounced in the United States, where consumer caution continues to pressure luxury and premium retailers. lululemon's North America business, particularly the United States, remained a drag in the second-quarter fiscal 2025, driving the company's revenue miss despite an EPS beat. Revenue in the Americas was up just 1% year-over-year on both a reported and constant-dollar basis, with flat sales in the United States, pressured by weaker consumer demand and product challenges. Comps in the Americas declined 4% on a reported basis and 3% in constant dollars.

Management acknowledged that its casual and lounge categories, roughly 40% of the assortment, have become stale, with core franchises like Scuba, Softstreme, and Dance Studio losing appeal among long-time customers. Consumers have grown more selective, seeking fresh styles and innovation, while macro pressures, including inflation and tariffs, have further weighed on spending. Although lululemon has maintained strength in performance apparel and continued market share gains in yoga, run, and training categories, weakness in lifestyle offerings has offset this growth. The company noted that product cycles have run too long and acknowledged sluggish traffic trends through the quarter. Although new style introductions are planned, meaningful recovery is not expected until 2026, underscoring persistent near-term weakness in the U.S. business and raising concerns about lululemon's ability to reaccelerate growth. For fiscal 2025, the company expects revenues in the Americas to be flat to down 1%, including a 1-2% decline in the United States and nearly flat revenues in Canada.

▼ **Weak Gross Margin:** lululemon's second-quarter fiscal 2025 gross margin performance highlighted mounting pressures on profitability. The gross profit improved 5% year over year in the fiscal second quarter, and gross margin contracted 110 bps year-over-year to 58.5%. The decline was primarily driven by an 80-bps hit from lower product margins, led by higher markdowns and tariff costs. Markdowns alone contributed 60 bps of pressure, exceeding expectations of 20-40 bps, as the company struggled to clear seasonal inventory amid softer U.S. demand. In addition, a fixed cost deleverage added 40 bps of pressure, partially offset by a 10-bps tailwind from foreign exchange.

Management cited the impact of new tariffs and the removal of the de minimis provision as structural headwinds that will intensify in the second half of 2025, leading to a projected 300 bps gross margin decline for fiscal 2025, compared with the previously mentioned 110-bps decline. The variance from the prior guidance is mainly due to an additional 190 bps of deleverage, led by increased tariffs, including the removal of the de minimis exemption, offset by its cost mitigation efforts. Additionally, the company anticipated markdowns of 50 bps compared with the prior stated 10-20 bps, reflecting higher seasonal clearance. For the third quarter of fiscal 2025, the company expects a 410-bps year-over-year decline in the gross margin due to a 230-bps impact from higher tariff rates and the removal of the de minimis exemption, along with fixed cost deleverage and continued investment in its multi-year distribution center project. The company expects an 80-bps year-over-year increase in markdowns, driven by higher seasonal clearance. The weakness underscores near-term profitability challenges despite solid international growth and resilient brand health.

▼ **SG&A Deleverage:** lululemon continues to witness SG&A expense deleverage due to planned investments in strategies and initiatives to fuel long-term growth. These investments include digital marketing and seasonal store openings to drive guest acquisition, build brand awareness and expanded testing for longer-term growth opportunities. In addition to external cost pressures, SG&A expenses increased 9.1% year over year in second-quarter fiscal 2025, outpacing revenue growth and resulting in operating margin decline. SG&A expenses, as a percentage of net revenues, of 37.7% rose 90 bps from 36.8% in the prior-year quarter. The company's operating income declined 3% year over year in the fiscal second quarter and operating margin of 20.7% contracted 210 bps year-over-year.

For fiscal 2025, the company expects SG&A expense rate to increase 80-90 bps year over year, above the previously mentioned 50 bps. The increase in deleverage is led by softer top-line projections, currency headwinds and ongoing investments in its Power of Three x2 plan, despite several enterprise-wide cost savings initiatives in place. Throughout fiscal 2025, the company will continue to allocate resources to support market growth, advance international expansion and strengthen technology capabilities. LULU expects the fiscal 2025 operating margin to contract 390 bps year over year. For the third quarter of fiscal 2025, SG&A, as a percentage of sales, is expected to deleverage 150 bps year over year, driven by higher foundational investments, including related depreciation and strategic initiatives to enhance brand awareness and support growth. The operating margin for the fiscal third quarter is expected to decline 560 bps year over year, including a 230-bps impact of tariffs and de minimis.

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▼ **Tariff-Related Costs:** Tariffs have emerged as a significant headwind for lululemon in fiscal 2025, pressuring profitability and forcing management to cut guidance. The company highlighted that higher reciprocal tariff rates, combined with the removal of the U.S. de minimis exemption, are expected to have a material impact on margins. For fiscal 2025, lululemon now anticipates a 220-bps gross margin hit (or nearly \$240 million of mitigated impacts), with about 170 bps directly tied to the de minimis change. The tariff and de minimis impacts are expected to be 230 bps on gross margin in the fiscal third quarter. Historically, the company had benefited from shipping a large portion of U.S. e-commerce orders through Canada under the \$800 exemption, but its removal has significantly raised costs. Additionally, the company noted that in fiscal 2025, it will only realize half a year of mitigation strategies, limiting the offset.

Looking ahead to fiscal 2026, while the company will not fully recover the incremental de minimis costs, it expects to benefit from a full year of mitigation measures. Management expects the combined tariff and de minimis impact to rise further to a net of \$320 million on the operating margin, even after mitigation efforts such as vendor negotiations, supply chain adjustments, and modest pricing actions. These pressures underscore a challenging cost environment that will weigh on near-term profitability.

▼ **Unfavorable Inventory Levels:** lululemon's second-quarter fiscal 2025 results revealed ongoing pressure from elevated inventory levels, raising concerns about near-term margin risks. Inventory rose 21% year-over-year to \$1.7 billion, with inventory units improving 13%, in line with expectations but notably outpacing sales growth of just 6%. The gap between dollar and unit inventory growth was largely attributed to higher tariff costs and foreign exchange impacts, which inflated the value of goods on hand. Elevated inventory also contributed to heavier markdowns, which contributed a 60-bps impact on gross margin, versus the company's initial plan of 20-40 bps.

Management acknowledged that seasonal and end-of-life product clearance would continue through normal channels, including outlets and e-commerce, but admitted that bloated levels would persist into the second half of fiscal 2025. Looking ahead, lululemon anticipates dollar inventory to increase in the low double-digits and inventory per unit to increase in the low 20s in the fiscal third quarter, driven by higher tariffs and adverse currency rates. The company expects inventory growth for the rest of the fiscal year to follow a similar pattern, reflecting a cautious approach amid uncertain U.S. demand.

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## Last Earnings Report

### lululemon Q2 Earnings Beat Estimates, Downbeat View

lululemon reported second-quarter fiscal 2025 results, wherein EPS beat the Zacks Consensus Estimate, while revenues lagged the same. The company's top-line improved year-over-year, while the bottom-lines declined, led by soft margins.

lululemon's fiscal second-quarter EPS of \$3.10 declined 1.6% compared with \$3.15 in the prior-year quarter. However, the bottom line surpassed the Zacks Consensus Estimate of \$2.53.

The company's quarterly revenues rose 7% year over year to \$2.5 billion and missed the Zacks Consensus Estimate of \$2.84 billion. On a constant-dollar basis, net revenues improved 6% year over year in the fiscal second quarter. Net revenues grew 1% in the Americas on both reported and constant-dollar basis, and 22% internationally (up 20% on a constant-dollar basis).

Total comparable sales (comps) rose 1% year over year. Comps in the Americas declined 4% on a reported basis and 3% in constant dollars. Internationally, comps increased 15% and rose 13% on a constant-dollar basis.

Within the Americas segment, revenues increased 1% year over year in Canada on both a reported and constant-currency basis, and were flat in the United States. In the International segment, revenues rose 25% in Mainland China (24% in constant currency) and 19% in the Rest of the World (15% in constant currency). Comps improved 16% in Mainland China and 9% in the Rest of the World in the fiscal second quarter.

In the store channel, the company's total sales increased 3% on a constant-dollar basis. Digital revenues improved 9% year over year, contributing \$1 billion, or 39%, to the total revenues.

The gross profit improved 5% year over year to \$1.48 billion. The gross margin contracted 110 basis points (bps) to 58.5%, primarily affected by an 80-basis-point (bps) decline in the product margin, led by increased markdowns and tariff impacts. Notably, markdowns increased 60 bps, well above the company's expectations of 20-40 bps, while fixed cost deleverage added 40 bps of pressure. These headwinds were partly offset by a 10-bps benefit from favorable foreign exchange.

However, management noted that gross margin in the quarter was stronger than its guidance of a 200-210 bps decline, fueled by favorable product mix, lower ocean freight costs, disciplined expense management and smaller-than-expected tariff impacts due to timing. Additionally, a reversal of stock-based compensation accruals contributed further relief.

SG&A expenses of \$951.7 million increased 9.1% from the year-ago quarter. SG&A expenses, as a percentage of net revenues, of 37.7% rose 90 bps from 36.8% in the prior-year quarter. The increase in SG&A expense rate was favorable versus the company's guidance of a 170-190 bps increase. The better-than-expected SG&A rate was driven by the stock-based compensation accrual reversal.

The operating income declined 3% year over year to \$523.8 million in the fiscal second quarter. The operating margin of 20.7% contracted 210 bps year over year. Our model predicted a 10.9% year-over-year decline in adjusted operating income.

### Snapshot of lululemon's Store Plans

In second-quarter fiscal 2025, LULU opened 14 net new stores, including 15 store openings and one closure. Additionally, the company completed six optimizations. As of Aug. 3, 2025, it operated 784 stores.

In the third quarter of fiscal 2025, the company expects to open 14 net new company-operated stores and complete 18 store optimizations. For fiscal 2025, lululemon reiterated its guidance of 40-45 net new company-operated stores, anticipating store openings at the higher end of the view. It expects to complete 35 co-located optimizations compared with 40 optimizations mentioned earlier.

LULU expects overall square footage growth in the low-double digits for fiscal 2025. Store openings in fiscal 2025 are expected to include 15 stores in the Americas, with nearly half of this planned for Mexico. The rest of the store openings in fiscal 2025 are expected to occur in the international markets, primarily in China.

### LULU's Other Financial Details

lululemon exited second-quarter fiscal 2025 with cash and cash equivalents of \$1.6 billion. The company had \$393.2 million of capacity under its committed revolving credit facility and stockholders' equity of \$4.4 billion. Its inventories rose 21% year over year to \$1.7 billion, with inventory units improving 13%. The capital expenditure was \$178 million in the fiscal second quarter.

In the fiscal third quarter, the company anticipates dollar inventory to increase in the low double-digits and inventory per unit to increase in the low 20s, driven by higher tariffs and adverse currency rates. The company expects inventory growth for the rest of the fiscal year to follow a similar pattern.

In the fiscal second quarter, lululemon repurchased 1.13 million shares at an average price of \$247. As of Aug. 3, 2025, LULU had \$860 million remaining under its current \$1-billion share repurchase authorization.

### lululemon's Targets for Q3 & FY25

**FY Quarter Ending** **1/31/2025**

Earnings Reporting Date	Sep 04, 2025
Sales Surprise	-0.36%
EPS Surprise	9.15%
Quarterly EPS	3.10
Annual EPS (TTM)	14.71

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LULU lowered its revenue and EPS guidance for fiscal 2025 due to the expectations of increased tariff-related costs and the removal of the de minimis exemption.

For fiscal 2025, LULU anticipates net revenues of \$10.85-\$11 billion compared with the \$11.15-\$11.3 billion stated earlier. This indicates 2-4% year-over-year growth versus the previously mentioned growth rate of 5-7%. Excluding the 53rd week in 2024, revenues are expected to rise 4-6% compared with 7-8% growth mentioned earlier.

On a segmental basis, the company's guidance assumes revenues in the Americas to be flat to down 1%, including a 1-2% decline in the United States and nearly flat revenues in Canada. On the international front, revenues are expected to increase 20-25% in Mainland China and 20% in the Rest of the World.

lululemon expects a 300-bps year-over-year decline in the gross margin compared with the previously mentioned 110-bps decline. The variance from the prior guidance is mainly due to an additional 190 bps of deleverage, led by increased tariffs, including the removal of the de minimis exemption, offset by its cost mitigation efforts. Additionally, the company anticipated markdowns of 50 bps compared with the prior stated 10-20 bps, reflecting higher seasonal clearance.

The company also provided additional details on tariff-related expenses, which now reflect two key components: higher reciprocal rates and the removal of the de minimis exemption. The company's earlier guidance assumed mitigated impacts of roughly 40 bps for fiscal 2025, based on 10% incremental tariffs across most sourcing countries and 30% on China.

However, with tariff rates trending higher and the de minimis exemption now eliminated, the company projects a 220-bps impact on the gross margin for fiscal 2025 (or nearly \$240 million of mitigated impacts). Of this, about 170 bps of impact stemmed directly from the de minimis change. Previously, the company's Canadian distribution infrastructure allowed it to ship e-commerce orders under \$800 to U.S. customers, qualifying for the exemption and generating meaningful duty savings. That advantage has now been removed, significantly pressuring margins.

Additionally, the company noted that in fiscal 2025, it will only realize half a year of mitigation strategies, limiting the offset. By fiscal 2026, while the company will not fully recover the incremental de minimis costs, it expects to benefit from a full year of mitigation measures, leading to an estimated \$320-million net impact on the operating margin tied to both higher tariffs and the exemption removal. This outlook underscores the near-term headwinds but also highlights its proactive approach to managing through evolving trade dynamics.

The SG&A expense rate is expected to rise 80-90 bps year over year for fiscal 2025, above the prior mentioned 50 bps. The increase in deleverage is led by softer top-line projections, currency headwinds and ongoing investments in its Power of Three x2 plan despite several enterprise-wide cost savings initiatives in place. Throughout fiscal 2025, the company will continue to allocate resources to support market growth, advance international expansion and strengthen technology capabilities.

LULU expects the fiscal 2025 operating margin to contract 390 bps year over year. The company projects an EPS of \$12.77-\$12.97, suggesting an increase from the \$14.64 reported in fiscal 2024. The revised EPS view marks a decline from \$14.95-\$14.78 projected earlier. The company anticipates an effective tax rate of 30% for fiscal 2025. lululemon expects a capital expenditure of \$700-\$720 million for fiscal 2025 compared with \$740-\$760 mentioned earlier.

For the third quarter of fiscal 2025, management anticipates net revenues of \$2.47-\$2.5 billion, indicating 3-4% year-over-year growth. The company expects a 410-bps year-over-year decline in the gross margin due to higher tariff rates and the removal of the de minimis exemption, along with fixed cost deleverage and continued investment in its multi-year distribution center project. The tariff and de minimis impacts are expected to be 230 bps. Additionally, the company expects an 80-bps year-over-year increase in markdowns, driven by higher seasonal clearance.

SG&A, as a percentage of sales, is expected to deleverage 150 bps year over year, driven by higher foundational investments, including related depreciation and strategic initiatives to enhance brand awareness and support growth. The operating margin for the fiscal third quarter is expected to decline 560 bps year over year, including a 230-bps impact of tariffs and de minimis. EPS for the fiscal third quarter is expected to be \$2.18-\$2.23, whereas it reported EPS of \$2.87 in the prior-year quarter. LULU estimates an effective tax rate of 30.5% for the fiscal third quarter.



## Valuation

lululemon shares are down 52.1% in the year-to-date period and nearly 48% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 18.9% but the Zacks Consumer Discretionary sector is up 2.5%, in the year-to-date period. Over the past year, the Zacks sub-industry is down 21% but the sector is up 3.4%.

The S&P 500 index is up 18% in the year-to-date period and 16.9% in the past year.

The stock is currently trading at 16.75X forward 12-month earnings, which compares to 16.32X for the Zacks sub-industry, 18.72X for the Zacks sector and 23.29X for the S&P 500 index.

Over the past five years, the stock has traded as high as 74.84X and as low as 11.25X, with a 5-year median of 29.72X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$193 price target reflects 17.29X forward 12-month earnings.

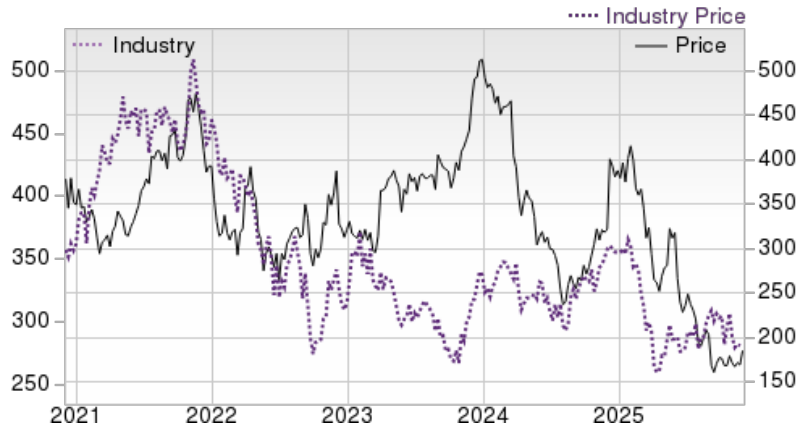
The table below shows summary valuation data for LULU

Valuation Multiples - LULU					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.75	16.32	18.72	23.29
	5-Year High	74.84	30.57	39.34	23.81
	5-Year Low	11.25	12.54	15.38	15.73
	5-Year Median	29.72	17.59	19.1	21.2
P/S F12M	Current	3.59	2.81	2.4	5.4
	5-Year High	10.34	3.25	3.3	5.52
	5-Year Low	1.67	1.78	1.64	3.84
	5-Year Median	3.55	2.54	2.26	5.06
EV/EBITDA TTM	Current	12.45	15.32	12.1	18.55
	5-Year High	51.04	33.89	18.47	22.36
	5-Year Low	5.98	13.83	8.81	13.97
	5-Year Median	12.21	15.41	11.52	18.08

As of 11/26/2025

Source: Zacks Investment Research

## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Top 32% (77 out of 243)



## Top Peers<sup>(1)</sup>

Company (Ticker)	Rec	Rank
Ralph Lauren Corpora... (RL)	Outperform	2
Hugo Boss (BOSSY)	Neutral	3
Cintas Corporation (CTAS)	Neutral	4
PVH Corp. (PVH)	Neutral	4
Under Armour, Inc. (UAA)	Neutral	3
V.F. Corporation (VFC)	Neutral	3
Teijin Ltd. (TINLY)	NA	
Under Armour, Inc. (UA)	NA	

## Industry Comparison<sup>(1)</sup> Industry: Textile - Apparel

	LULU	X Industry	S&P 500	CTAS	PVH	VFC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	3
VGM Score	B	-	-	B	A	F
Market Cap	21.77 B	1.40 B	38.59 B	73.96 B	3.71 B	7.26 B
# of Analysts	13	3	22	9	4	9
Dividend Yield	0.00%	0.00%	1.44%	0.98%	0.19%	1.94%
Value Score	B	-	-	F	A	C
Cash/Price	0.05	0.07	0.04	0.00	0.06	0.06
EV/EBITDA	6.82	5.92	14.40	26.66	5.30	10.18
PEG Ratio	-2.90	2.70	2.20	3.18	2.43	1.87
Price/Book (P/B)	4.96	1.18	3.38	15.59	0.76	4.91
Price/Cash Flow (P/CF)	9.85	8.57	15.03	32.22	4.53	7.30
P/E (F1)	14.66	18.25	20.02	38.13	7.13	26.07
Price/Sales (P/S)	2.00	0.71	3.01	7.01	0.42	0.76
Earnings Yield	7.03%	4.78%	4.96%	2.62%	14.02%	3.82%
Debt/Equity	0.00	0.32	0.57	0.51	0.46	2.40
Cash Flow (\$/share)	18.64	1.97	8.99	5.71	17.03	2.54
Growth Score	B	-	-	B	A	F
Hist. EPS Growth (3-5 yrs)	28.68%	5.50%	8.16%	NA	47.06%	-25.86%
Proj. EPS Growth (F1/F0)	-11.41%	-8.35%	8.48%	9.77%	-7.75%	-4.05%
Curr. Cash Flow Growth	12.96%	1.79%	7.00%	13.71%	-1.08%	-33.03%
Hist. Cash Flow Growth (3-5 yrs)	22.87%	5.68%	7.31%	12.94%	-1.76%	-13.35%
Current Ratio	2.27	1.69	1.18	2.24	1.47	1.36
Debt/Capital	0.00%	24.12%	38.15%	33.78%	31.52%	70.57%
Net Margin	16.38%	4.09%	12.82%	17.54%	3.87%	0.95%
Return on Equity	42.05%	11.49%	17.00%	40.41%	11.44%	20.34%
Sales/Assets	1.47	1.16	0.53	1.09	0.79	0.94
Proj. Sales Growth (F1/F0)	3.90%	0.00%	5.75%	7.70%	1.90%	-0.70%
Momentum Score	D	-	-	A	A	F
Daily Price Chg	0.71%	-0.37%	0.11%	-0.37%	-11.87%	-0.54%
1 Week Price Chg	9.51%	3.27%	0.65%	0.12%	10.62%	7.96%
4 Week Price Chg	12.26%	4.40%	2.04%	-0.47%	1.54%	30.22%
12 Week Price Chg	10.75%	-6.14%	4.09%	-10.01%	-5.93%	19.96%
52 Week Price Chg	-46.75%	-8.66%	12.87%	-17.56%	-29.12%	-9.10%
20 Day Average Volume	2,868,923	335,385	2,738,986	2,114,047	754,266	5,155,061
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	1.15%	0.00%
(F1) EPS Est 4 week change	-0.06%	0.00%	0.06%	0.09%	1.15%	-3.23%
(F1) EPS Est 12 week change	0.03%	0.00%	0.62%	-0.14%	0.98%	-4.69%
(Q1) EPS Est Mthly Chg	-0.15%	0.00%	0.00%	0.30%	-10.68%	-2.92%

## Analyst Earnings Model<sup>(2)</sup>

### Lululemon Athletica Inc. (LULU)

In \$MM, except per share data

	2023A	2024A	2025A	2026E					2027E					2028E
	FY	FY	FY	1QA	2QA	3QE	4QE	FY	1QE	2QE	3QE	4QE	FY	FY
FY Ends January 31st	Jan-23	Jan-24	Jan-25	30-Apr-25	31-Jul-25	31-Oct-25	31-Jan-26	Jan-26	30-Apr-26	31-Jul-26	31-Oct-26	31-Jan-27	Jan-27	Jan-28
<b>Income Statement</b>														
Total Revenue	\$8,110.5	\$9,619.3	\$10,588.1	\$2,370.7	\$2,525.2	\$2,490.5	\$3,610.7	\$10,997.1	\$2,469.6	\$2,622.7	\$2,655.8	\$3,833.3	\$11,581.4	\$12,517.0
Cost of Revenues, Non-GAAP	\$3,555.3	\$3,986.2	\$4,317.3	\$987.5	\$1,048.0	\$1,134.5	\$1,650.5	\$4,820.6	\$1,067.5	\$1,128.3	\$1,219.8	\$1,757.4	\$5,173.0	\$5,610.9
Cost of Revenues, GAAP	\$3,618.2	\$4,009.9	\$4,317.3	\$987.5	\$1,048.0	\$1,134.5	\$1,650.5	\$4,820.6	\$1,067.5	\$1,128.3	\$1,219.8	\$1,757.4	\$5,173.0	\$5,610.9
Gross Profit, Non-GAAP	\$4,555.3	\$5,633.1	\$6,270.8	\$1,383.1	\$1,477.2	\$1,356.0	\$1,960.2	\$6,176.5	\$1,402.1	\$1,494.4	\$1,436.0	\$2,075.9	\$6,408.4	\$6,906.1
Gross Profit, GAAP	\$4,492.3	\$5,609.4	\$6,270.8	\$1,383.1	\$1,477.2	\$1,356.0	\$1,960.2	\$6,176.5	\$1,402.1	\$1,494.4	\$1,436.0	\$2,075.9	\$6,408.4	\$6,906.1
Selling, General & Administrative Expenses	\$2,757.4	\$3,397.2	\$3,762.4	\$942.9	\$951.7	\$984.9	\$1,115.1	\$3,994.5	\$1,001.5	\$1,005.7	\$1,060.1	\$1,213.9	\$4,281.2	\$4,647.4
Impairment of Goodwill & Other Assets, Restructuring Costs	\$407.9	\$74.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Amortization of Intangible Assets	\$8.8	\$5.0	\$2.7	\$1.6	\$1.7	\$0.0	\$0.0	\$3.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Acquisition-Related & Other Expenses	\$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
Gain on Disposal of Assets	\$10.2	\$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
EBITDA, Non-GAAP	\$2,080.9	\$2,610.3	\$2,952.2	\$553.2	\$643.5	\$497.9	\$988.1	\$2,682.7	\$526.2	\$621.2	\$519.7	\$1,028.0	\$2,695.1	\$2,914.7
EBITDA, GAAP	\$1,620.2	\$2,512.1	\$2,952.2	\$553.2	\$643.5	\$497.9	\$988.1	\$2,682.7	\$526.2	\$621.2	\$519.7	\$1,028.0	\$2,695.1	\$2,914.7
Depreciation & Amortization	\$291.8	\$379.4	\$446.5	\$114.5	\$119.7	\$126.8	\$143.0	\$504.1	\$125.5	\$132.6	\$143.8	\$166.0	\$567.9	\$656.1
Operating Income, Non-GAAP	\$1,789.1	\$2,230.9	\$2,505.7	\$438.6	\$523.8	\$371.1	\$845.1	\$2,178.6	\$400.6	\$488.7	\$375.9	\$862.0	\$2,127.2	\$2,258.6
Operating Income, GAAP	\$1,328.4	\$2,132.7	\$2,505.7	\$438.6	\$523.8	\$371.1	\$845.1	\$2,178.6	\$400.6	\$488.7	\$375.9	\$862.0	\$2,127.2	\$2,258.6
Other Income (Expense), Net	\$4.2	\$43.1	\$70.4	\$11.8	\$9.7	\$9.2	\$7.9	\$38.7	\$9.1	\$8.8	\$12.6	\$11.5	\$42.0	\$54.6
Pre-Tax Income, Non-GAAP	\$1,793.2	\$2,273.9	\$2,576.1	\$450.4	\$533.6	\$380.3	\$853.0	\$2,217.3	\$409.7	\$497.5	\$388.4	\$873.5	\$2,169.1	\$2,313.2
Pre-Tax Income, GAAP	\$1,332.6	\$2,175.7	\$2,576.1	\$450.4	\$533.6	\$380.3	\$853.0	\$2,217.3	\$409.7	\$497.5	\$388.4	\$873.5	\$2,169.1	\$2,313.2
Income Tax, Non-GAAP	\$504.3	\$651.6	\$761.5	\$135.8	\$162.6	\$116.0	\$260.2	\$674.7	\$122.9	\$149.2	\$116.5	\$262.0	\$650.7	\$694.0
Income Tax, GAAP	\$477.8	\$625.5	\$761.5	\$135.8	\$162.6	\$116.0	\$260.2	\$674.7	\$122.9	\$149.2	\$116.5	\$262.0	\$650.7	\$694.0
Tax Rate, Non-GAAP	28.1%	28.7%	29.6%	30.2%	30.5%	30.5%	30.5%	30.4%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Tax Rate, GAAP	35.9%	28.8%	29.6%	30.2%	30.5%	30.5%	30.5%	30.4%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Net Income, Non-GAAP	\$1,289.0	\$1,622.3	\$1,814.6	\$314.6	\$370.9	\$264.3	\$592.9	\$1,542.7	\$286.8	\$348.2	\$271.9	\$611.4	\$1,518.4	\$1,619.2
Net Income, GAAP	\$854.8	\$1,550.2	\$1,814.6	\$314.6	\$370.9	\$264.3	\$592.9	\$1,542.7	\$286.8	\$348.2	\$271.9	\$611.4	\$1,518.4	\$1,619.2
Basic Shares Outstanding	127.7	126.7	123.7	120.6	119.6	118.6	117.6	119.1	116.6	115.6	114.6	114.2	115.3	114.2
Diluted Shares Outstanding	128.0	127.1	123.9	120.8	119.6	118.6	117.6	119.2	116.6	115.6	114.6	114.2	115.3	114.2
Basic EPS	\$6.70	\$12.23	\$14.67	\$2.61	\$3.10	\$2.23	\$5.04	\$12.98	\$2.46	\$3.01	\$2.37	\$5.35	\$13.20	\$14.18
Diluted EPS, Non-GAAP	\$10.07	\$12.77	\$14.64	\$2.60	\$3.10	\$2.23	\$5.04	\$12.97	\$2.46	\$3.01	\$2.37	\$5.35	\$13.20	\$14.18
Diluted EPS, GAAP	\$6.68	\$12.20	\$14.64	\$2.60	\$3.10	\$2.23	\$5.04	\$12.97	\$2.46	\$3.01	\$2.37	\$5.35	\$13.20	\$14.18

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	<b>B</b>
Growth Score	<b>B</b>
Momentum Score	<b>D</b>
VGM Score	<b>B</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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