



Lululemon Athletica (LULU)

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**lululemon
athletica**

Consumer Discretionary A

Agenda



About Lululemon

Investment Thesis

Performance

Valuation

Risks

Peer Analysis

Questions

What is Lululemon?



Canadian Based
Athletic Retailer

- Began in 1998 -
Chip Wilson

Yoga
Apparel Brand

- Transitioned into
Athleisure Apparel

High
Performance

- High-End, High-
Quality

Currently 409
Stores

- 14 Countries
Worldwide





Investment Thesis



Competitive Advantage



1. Superior Product Quality
2. Customer Loyalty
3. Patented Materials
4. Innovation
5. Responsiveness to Customers
6. Differentiating themselves from competitors



Reaching New Customers



Newer company with room to grow

1. United States
2. New Global Markets
3. Different Types of customers (Men)



Financial Strength



Strong Financial Statements

- Debt Free, Large Cash Reserve

Altman's Z Score

- 23.54

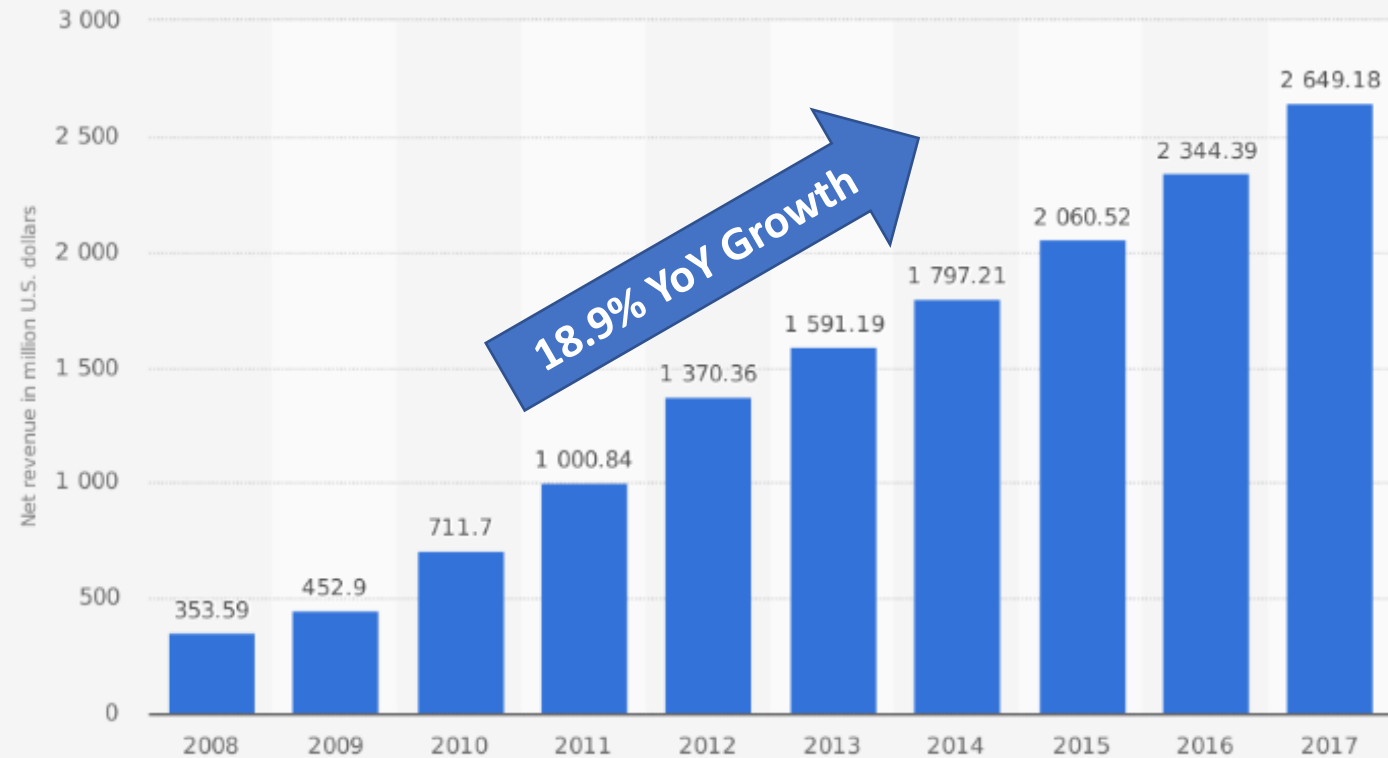
Highest Net Margin in the Industry

- 12.94%

YoY revenue and net income growth

- 18.9% and 15.3% respectively over past 5 years

Net revenue of lululemon worldwide from 2008 to 2017 (in million U.S. dollars)



Source
Lululemon Athletica
© Statista 2018

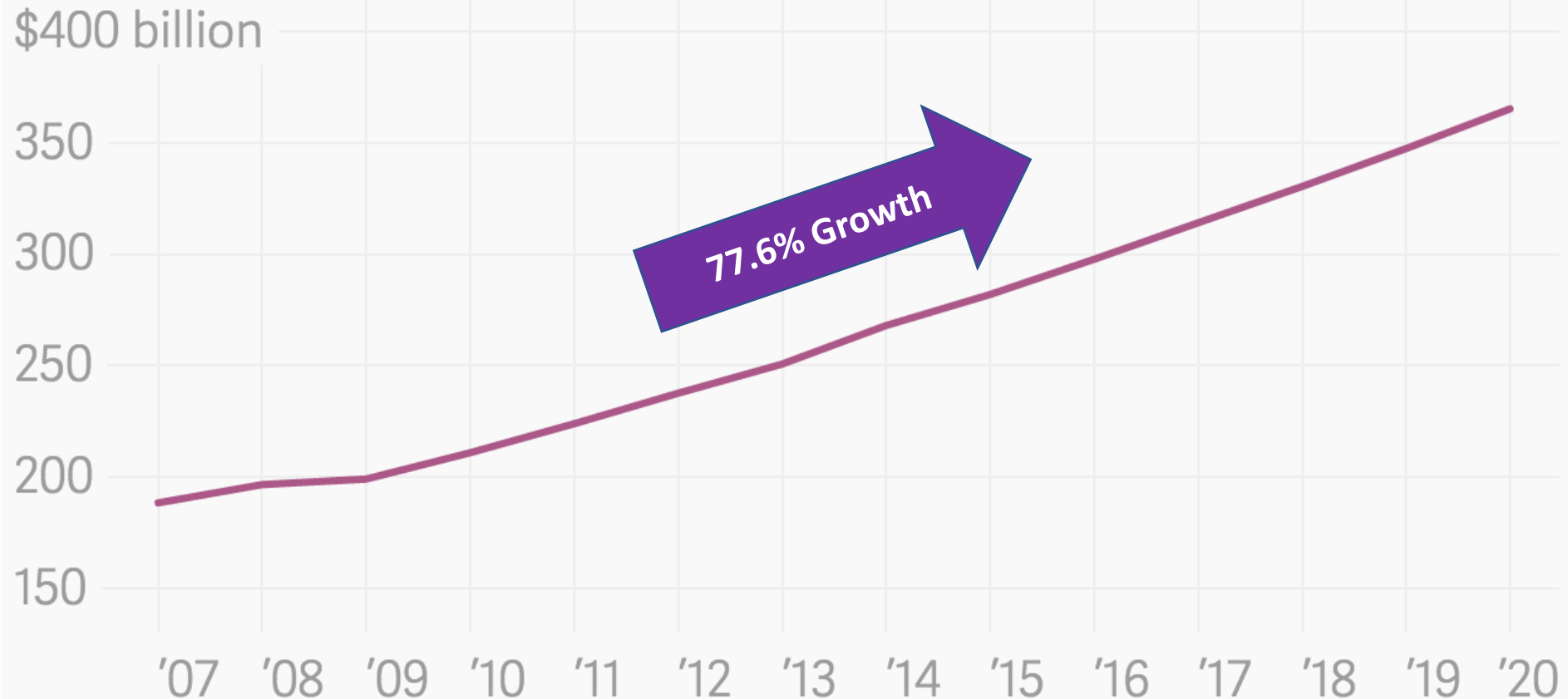
Additional Information:
Worldwide; Lululemon Athletica; 2008 to 2017



Fitness Apparel Industry



Morgan Stanley's projection for global activewear sales



Δ T L Δ S | Data: Morgan Stanley



What Makes Lulu Different?



Special fabrics

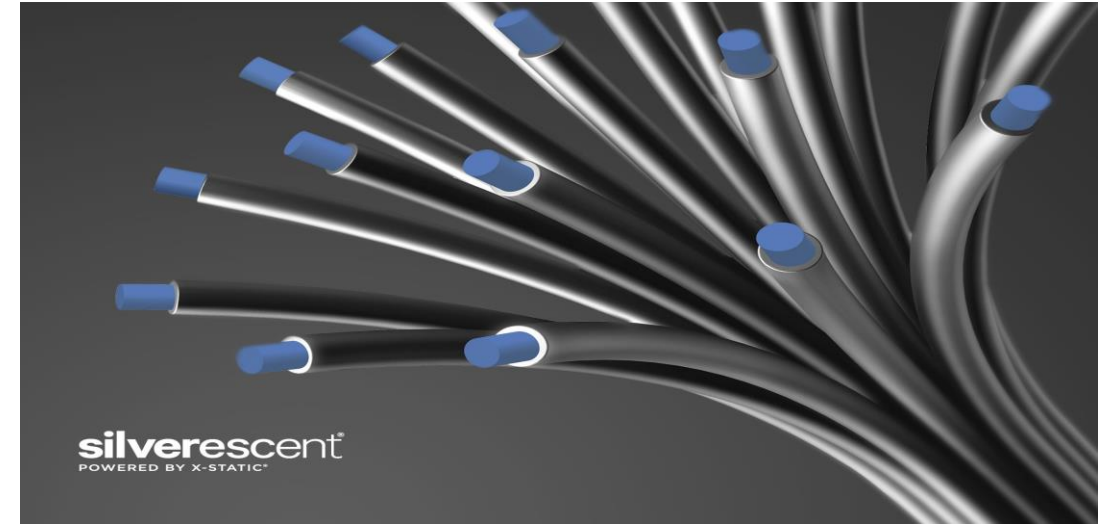
- Luon Family – Signature Yoga Fabric
- Luxtreme – Fastest Wicking Workout Fabric on Market
- Silverscent – Odor Resistant Material

45 Patents

Innovation Process

Lifetime Guarantee

E-Commerce Platform



Store Growth



Sales per Sq. Ft.

- \$1500 Sales per Sq. Ft.
- Leads peer group

Mature Stores

- Average \$2800 Sales per sq. ft.
- In operation 5 years

Target Upscale Shopping Areas

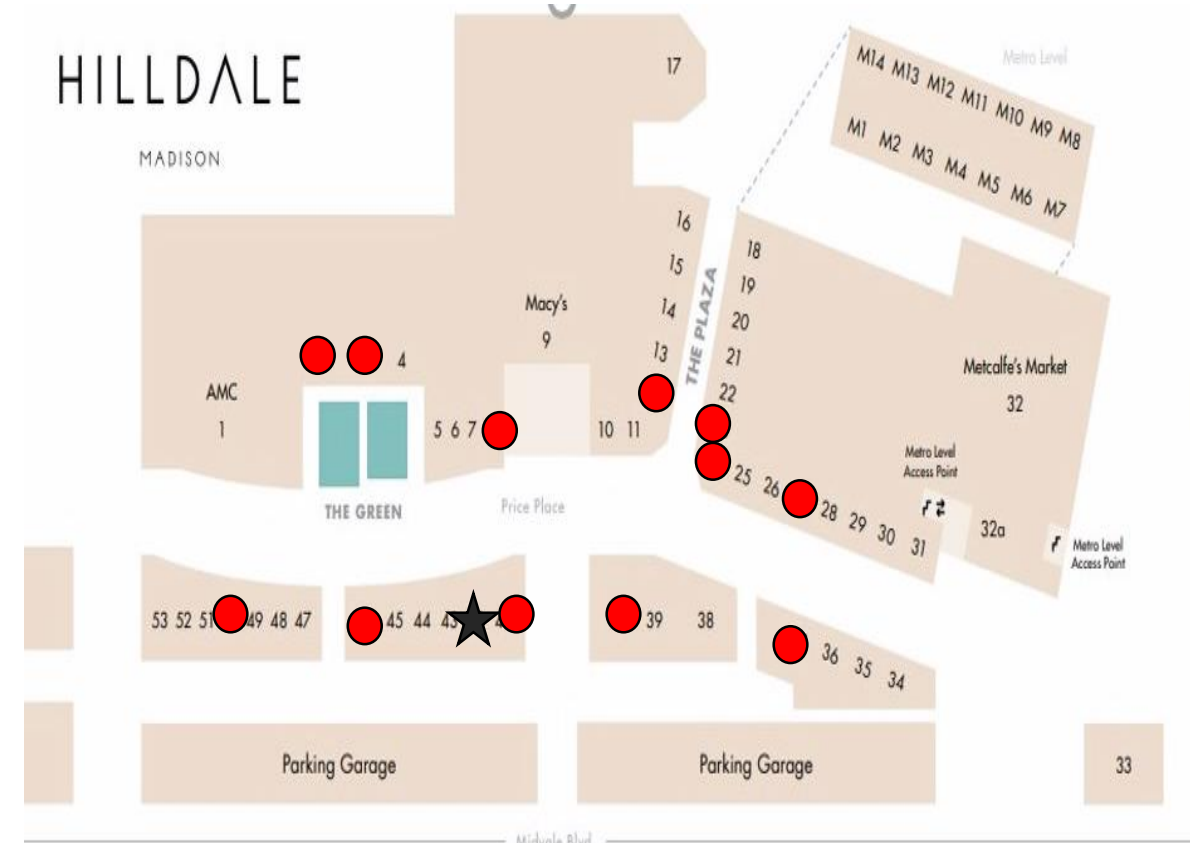
- Long research & Prospecting process

New Store Openings

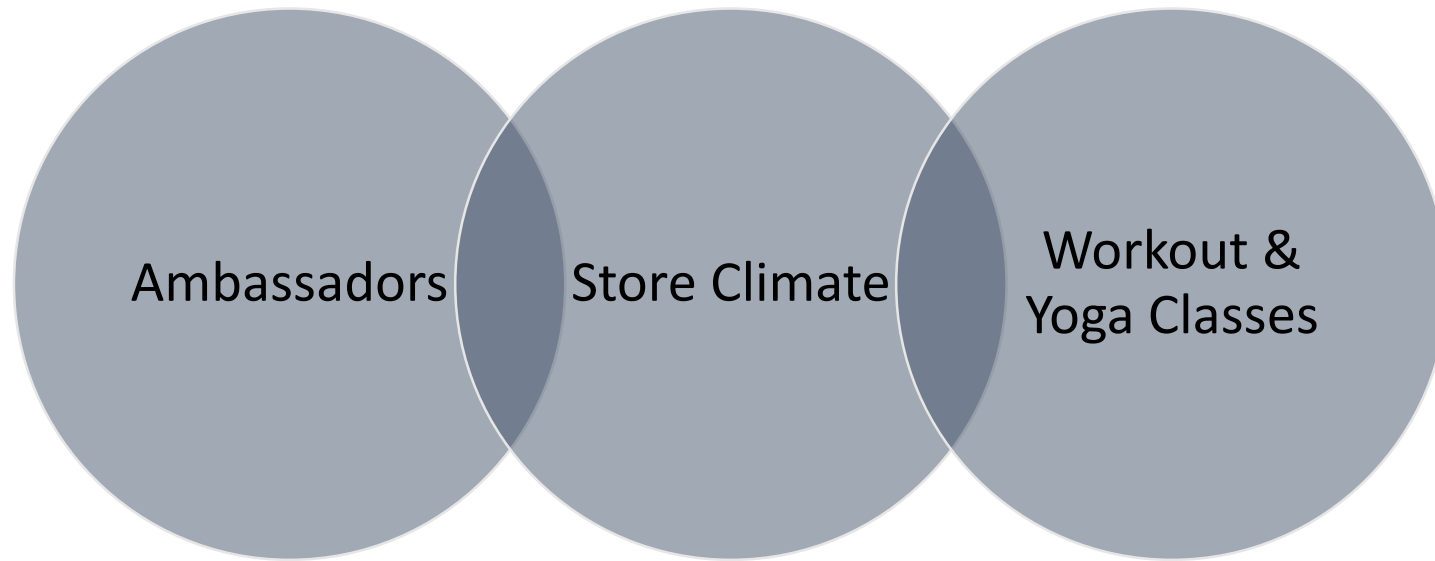
- Average 6 new stores per quarter
- 35 in 2008

Aggressive International Plan

- 25 stores within the next year



Unique In-Store Experience





Performance



Past Performance



Management



Average Tenure of C-suite:

- 3 Years

Average Age of C-suite:

- 52

Insider Ownership:

- 14.75%

Calvin McDonald

- President, CEO & Director of Lululemon Athletica
- Salary: \$1.25M with total compensation of \$6.0M

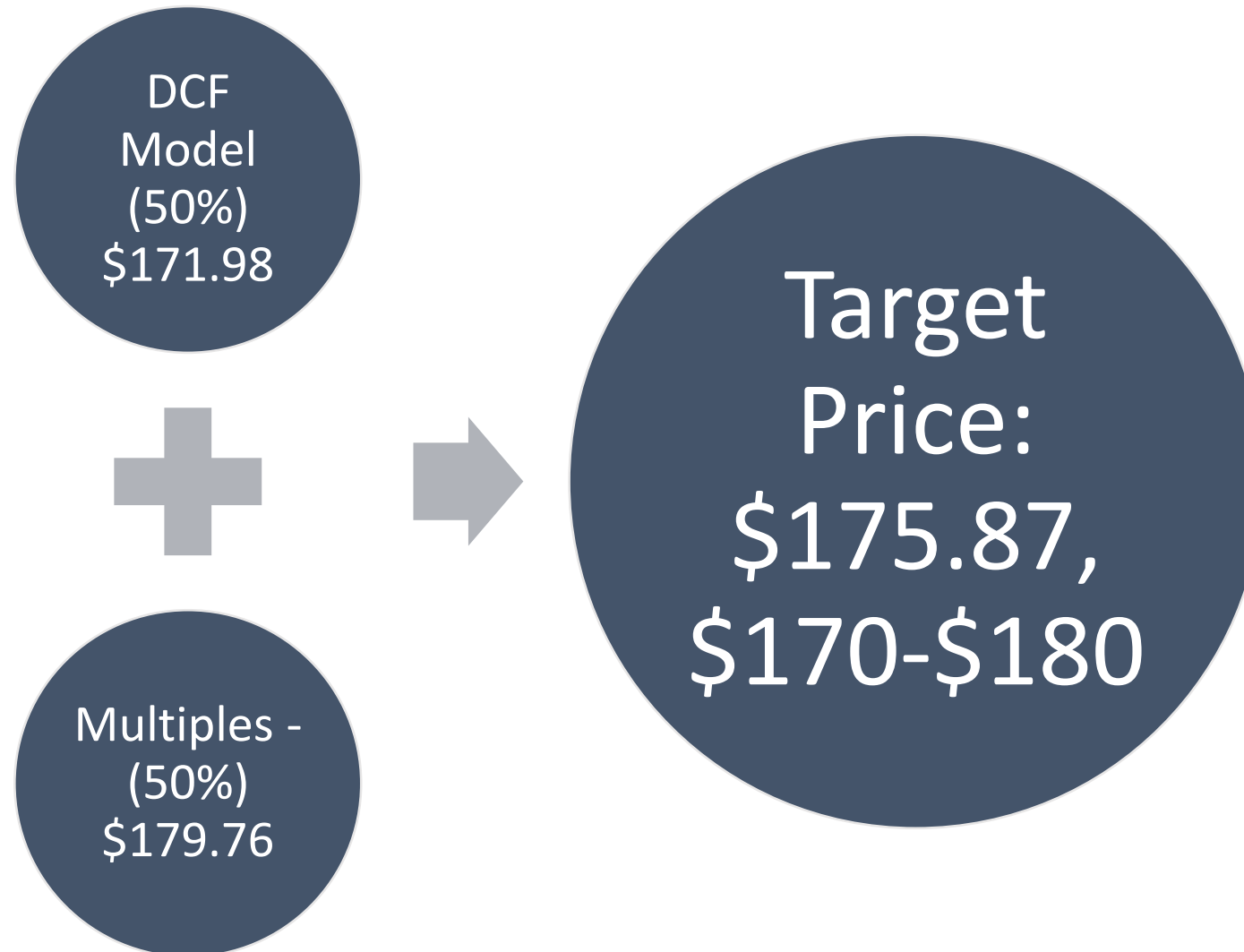




Valuation



Valuation

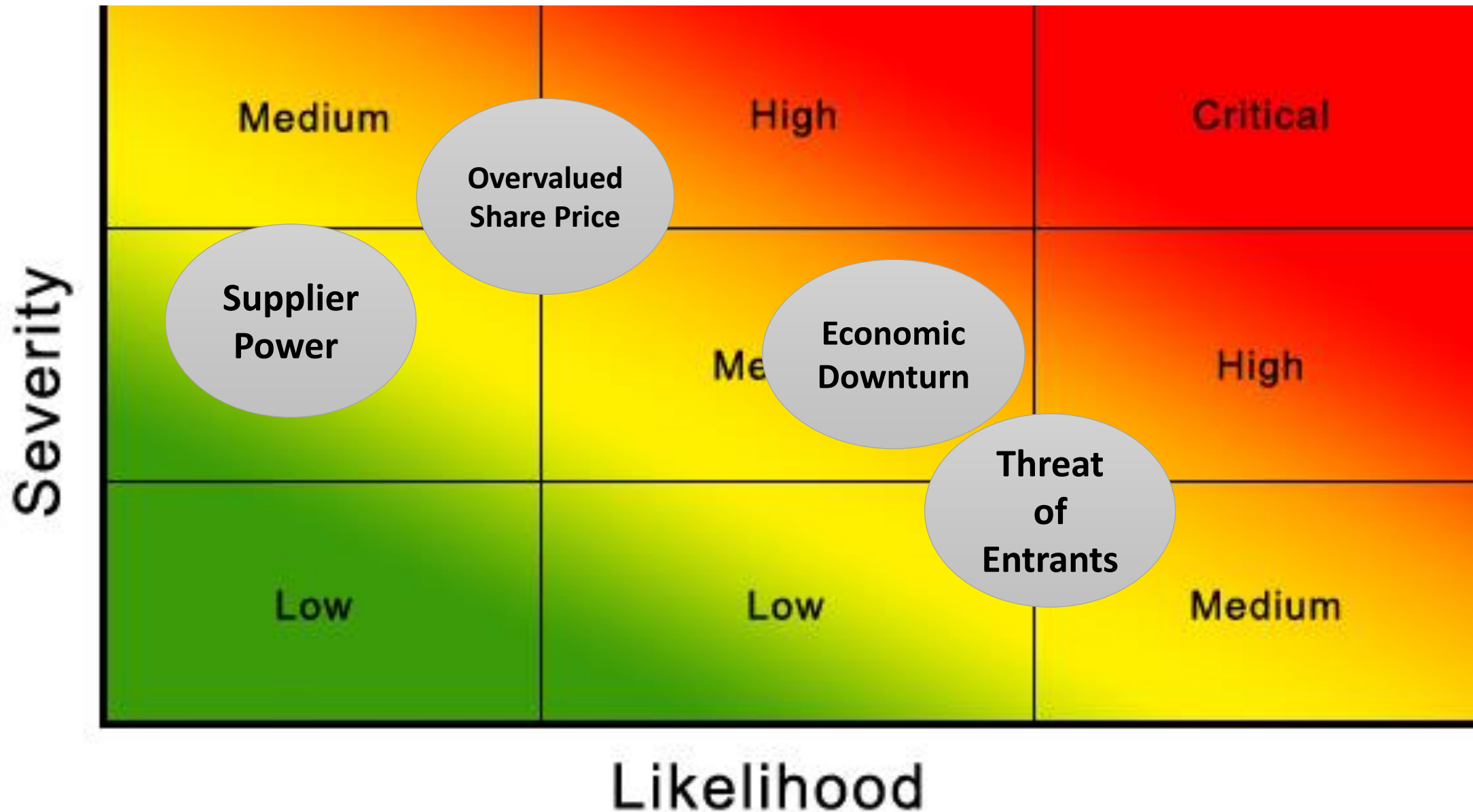




Risks



Risk Heat Map





Peer Analysis



Lululemon vs. Competitors



Name	Ticker	Market Cap	Sales	EBITDA	P/E	ROE	Gross Margin	Net Margin	PEG Ratio	Sales Per SF
<i>Lululemon Athletica</i>	LULU	17.9B	2,650	604.1	43.45	28.67	55.67	12.94	2.02	1,554
<i>NIKE</i>	NKE	119B	36,363	5,247	25.56	17.40	44.03	5.32	2.51	469
<i>GAP</i>	GPS	9.88B	15,855	2,063	11.53	26.8	38.26	4.36	1.13	347
<i>Adidas</i>	ADS	46.5B	21,218	2,328	28.33	20.91	48.47	3.37	1.65	523
<i>Under Armour</i>	UAA	9.52B	4,977	325.2	--	(2.38)	44.81	(0.97)	6.69	640
<i>Puma</i>	PUM	6.73B	4,136	299	34.67	8.15	45.55	3.28	3.09	367
<i>Peer Average</i>		38.9B	16,509	2,052	25.0	14.42	44.22	3.072	3.014	469



"Buy" for Lululemon





Questions

