



## Q3 Fiscal 2024 Earnings Commentary

The financial measures discussed below include both GAAP and adjusted non-GAAP financial measures. The adjusted non-GAAP financial measures below exclude asset impairment and other charges recognized in relation to lululemon Studio during the third quarter of 2023, and the related income tax effects of these items.

Please see the section captioned "Reconciliation of Non-GAAP Financial Measures" included in the accompanying financial table, which includes more detail on the GAAP financial measures that are most directly comparable to the non-GAAP financial measures, and the related reconciliation between these financial measures.

This earnings commentary should be read in conjunction with our quarterly report on Form 10-Q filed with the Securities and Exchange Commission ("SEC") on, or about, December 5, 2024 and our annual report on Form 10-K filed with the SEC on March 21, 2024. These reports are available at [www.sec.gov](http://www.sec.gov).

The below narrative compares the third quarter of fiscal 2024 to the third quarter of fiscal 2023, unless otherwise noted.

### Sales

- **Total net revenue** increased 9%, or 8% on a constant dollar basis. Total net revenue was \$2.4 billion in Q3 2024 compared to \$2.2 billion in Q3 2023. Global comparable sales increased 4%, or 3% on a constant dollar basis. The increase in net revenue was primarily due to increased China Mainland and Rest of World net revenue. Americas net revenue also increased.
- **Americas net revenue** increased 2% and comparable sales decreased 2%. Americas net revenue was \$1.8 billion, or 74% of total net revenue, compared to \$1.7 billion, or 79% of total net revenue, in Q3 2023.
- **China Mainland net revenue** increased 39%, or 36% on a constant dollar basis. Comparable sales increased 27%, or 24% on a constant dollar basis. China Mainland net revenue was \$318.3 million, or 13% of total net revenue, compared to \$228.6 million, or 10% of total net revenue, in Q3 2023.
- **Rest of World net revenue** increased 27%, or 23% on a constant dollar basis. Comparable sales increased 23%, or 20% on a constant dollar basis. Rest of World net revenue was \$307.9 million, or 13% of total net revenue, compared to \$243.2 million, or 11% of total net revenue, in Q3 2023.

### Store Count

- **New company-operated stores:** We added 18 new stores in the Americas, including 15 in Mexico, opened six new stores in China Mainland, and four new stores in Rest of World in Q3 2024.
- **Total company-operated stores:** At the end of Q3 2024, we had 749 total company-operated stores compared to 686 at the end of Q3 2023.

### Gross Profit

- **Gross profit** was \$1.4 billion, or 58.5% of net revenue, compared to \$1.3 billion, or 57.0% of net revenue, in Q3 2023. During Q3 2023, an inventory obsolescence provision of \$23.7 million was recognized in relation to lululemon Studio, which reduced gross margin by 110 basis points. Adjusted gross profit was \$1.3 billion, or 58.1% of net revenue, in Q3 2023.

Gross margin increased 150 basis points, or increased 40 basis points on an adjusted basis compared to Q3 2023. The increase in adjusted gross margin was primarily the result of a net increase in product margin of 50 basis points, primarily due to lower inventory provisions, as well as lower product costs, partially offset by higher freight costs in the current year. The increase was also driven by a favorable impact of foreign currency exchange rates of 10 basis points.



The increase in adjusted gross margin was partially offset by an increase in fixed costs as a percentage of net revenue of 20 basis points.

### Selling, General and Administrative Expenses

- **SG&A expenses** were \$909.8 million, or 38.0% of net revenue, compared to \$842.8 million, or 38.2% of net revenue, in Q3 2023. The leverage of 20 basis points was driven by 50 basis points of leverage from corporate SG&A as well as 20 basis points of net leverage from our operating channel costs. This was partially offset by 30 basis points of deleverage from foreign exchange translation and revaluation as well as 20 basis points of deleverage from depreciation and amortization.

### Operating Income

- **Operating income** was \$490.7 million, or 20.5% of net revenue, compared to \$338.1 million, or 15.3% of net revenue, in Q3 2023. Adjusted income from operations was \$436.3 million, or 19.8% of net revenue, in Q3 2023.

### Other Income (Expense), Net

- **Other income (expense), net** increased \$3.9 million to \$13.7 million from \$9.8 million in Q3 2023 primarily due to an increase in interest income as a result of higher cash balances.

### Income Tax Expense

- **Income tax expense** was \$152.5 million compared to \$99.2 million in Q3 2023 and the effective tax rate was 30.2%, compared to 28.5% in Q3 2023. The adjusted effective tax rate was 28.1% in Q3 2023.

### Net Income

- **Net income** was \$351.9 million, or \$2.87 per diluted share, compared to \$1.96 per diluted share in Q3 2023. Adjusted diluted earnings per share were \$2.53 in Q3 2023.

### Share Count

- Our diluted share count for the quarter was 122.8 million compared to 126.8 million in Q3 2023.
- In Q3 2024, we repurchased 1.6 million of our shares for a cost of \$408.5 million.
- On December 3, 2024, our board of directors approved a \$1.0 billion increase to our stock repurchase program. Including this increase, as of December 5, 2024, we had approximately \$1.8 billion remaining authorized on our stock repurchase program.

### Capital Expenditures

- **Capital expenditures** were \$178.5 million in Q3 2024 compared to \$162.9 million in Q3 2023. The Q3 2024 capital expenditures were primarily related to investments in distribution centers, store capital for new locations, relocations, and renovations, and technology investments.

### Balance Sheet Highlights

- **Cash and cash equivalents** were \$1.2 billion at the end of Q3 2024 and the available capacity under our committed revolving credit facility was \$393.5 million.
- **Inventories** increased 8% to \$1.8 billion at the end of Q3 2024 compared to \$1.7 billion at the end of Q3 2023.



## Forward-Looking Statements and Non-GAAP Reconciliations

### Forward-Looking Statements:

This supplemental disclosure includes estimates, projections, statements relating to our business plans, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In many cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "outlook," "believes," "intends," "estimates," "predicts," "potential" or the negative of these terms or other comparable terminology. These forward-looking statements also include our guidance and outlook statements. These statements are based on management's current expectations but they involve a number of risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of risks and uncertainties, which include, without limitation: our ability to maintain the value and reputation of our brand; changes in consumer shopping preferences and shifts in distribution channels; the acceptability of our products to guests; our highly competitive market and increasing competition; increasing costs and decreasing selling prices; our ability to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products; our ability to accurately forecast guest demand for our products; our ability to expand in light of our limited operating experience and limited brand recognition in new international markets and new product categories; our ability to manage our growth and the increased complexity of our business effectively; our ability to successfully open new store locations in a timely manner; seasonality; disruptions of our supply chain; our reliance on a relatively small number of vendors to supply and manufacture a significant portion of our products; suppliers or manufacturers not complying with our Vendor Code of Ethics or applicable laws; our ability to deliver our products to the market and to meet guest expectations if we have problems with our distribution system; increasing labor costs and other factors associated with the production of our products in South Asia and South East Asia; our ability to safeguard against security breaches with respect to our technology systems; our compliance with privacy and data protection laws; any material disruption of our information systems; our ability to have technology-based systems function effectively and grow our e-commerce business globally; climate change, and related legislative and regulatory responses; increased scrutiny regarding our environmental, social, and governance, or sustainability responsibilities; an economic recession, depression, or downturn or economic uncertainty in our key markets; global or regional health events such as the COVID-19 pandemic and related government, private sector, and individual consumer responsive actions; global economic and political conditions; our ability to source and sell our merchandise profitably or at all if new trade restrictions are imposed or existing trade restrictions become more burdensome; changes in tax laws or unanticipated tax liabilities; our ability to comply with trade and other regulations; fluctuations in foreign currency exchange rates; imitation by our competitors; our ability to protect our intellectual property rights; conflicting trademarks and patents and the prevention of sale of certain products; our exposure to various types of litigation; and other risks and uncertainties set out in filings made from time to time with the United States Securities and Exchange Commission and available at [www.sec.gov](http://www.sec.gov), including, without limitation, our most recent reports on Form 10-K and Form 10-Q. You are urged to consider these factors carefully in evaluating the forward-looking statements contained herein and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by these cautionary statements. The forward-looking statements made herein speak only as of the date of this disclosure and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as may be required by law.



## Reconciliation of Non-GAAP Financial Measures

Unaudited; Expressed in thousands, except per share amounts

### Constant dollar changes

The below changes show the change for the third quarter of 2024 compared to the third quarter of 2023.

	Net Revenue		
	Change	Foreign exchange	Change in constant dollars
United States	— %	— %	— %
Canada	9	—	9
Mexico <sup>(1)</sup>	n/a	n/a	n/a
Americas	2	—	2
China Mainland	39	(3)	36
Rest of World	27	(4)	23
Total international	33	(3)	30
Total	9 %	(1)%	8 %

	Comparable Sales <sup>(2)</sup>		
	Change	Foreign exchange	Change in constant dollars
Americas	(2)%	— %	(2)%
China Mainland	27	(3)	24
Rest of World	23	(3)	20
Total international	25	(3)	22
Total	4 %	(1)%	3 %

<sup>(1)</sup> On September 10, 2024, the Company acquired the lululemon branded retail locations and operations run by a third party in Mexico. Wholesale sales to the third party by lululemon athletica canada inc. prior to the acquisition are disclosed as net revenue recognized within Canada.

<sup>(2)</sup> Comparable sales includes comparable company-operated store and e-commerce net revenue. Comparable company-operated stores have been open for at least 12 full fiscal months, or open for at least 12 full fiscal months after being significantly expanded. Comparable company-operated stores exclude stores which have been temporarily relocated for renovations or have been temporarily closed.



### Adjusted financial measures

The following table reconciles adjusted 2023 financial measures with the most directly comparable measures calculated in accordance with GAAP. The adjustments relate to certain inventory provisions, asset impairments, and restructuring costs recognized in relation to lululemon Studio and their related tax effects. Please refer to Note 4. Impairment of Assets and Restructuring Costs included in Item 1 of Part I of the Company's Report on Form 10-Q to be filed with the SEC on or about December 5, 2024 for further information on the nature of these amounts.

	Third Quarter 2023							
	Gross Profit	Gross Margin	Income from Operations	Operating Margin	Income Tax Expense	Effective Tax Rate	Net Income	Diluted Earnings Per Share
GAAP results	\$ 1,256,664	57.0 %	\$ 338,115	15.3 %	\$ 99,243	28.5 %	\$ 248,714	\$ 1.96
lululemon Studio charges:								
lululemon Studio obsolescence provision	23,709	1.1	23,709	1.1			23,709	0.19
Impairment of assets			44,186	2.0			44,186	0.35
Restructuring costs			30,315	1.4			30,315	0.24
Tax effect of the above					26,085	(0.4)	(26,085)	(0.21)
	23,709	1.1	98,210	4.5	26,085	(0.4)	72,125	0.57
Adjusted results (non-GAAP)	\$ 1,280,373	58.1 %	\$ 436,325	19.8 %	\$ 125,328	28.1 %	\$ 320,839	\$ 2.53