



## Q3 Fiscal 2025 Earnings Commentary

The financial measures discussed below include both GAAP and adjusted non-GAAP financial measures. Please see the section captioned "Reconciliation of Non-GAAP Financial Measures" included in the accompanying financial tables, 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 11, 2025 and our annual report on Form 10-K filed with the SEC on March 27, 2025. These reports are available at [www.sec.gov](http://www.sec.gov).

The below narrative compares the third quarter of fiscal 2025 to the third quarter of fiscal 2024, unless otherwise noted.

### Sales

- **Total net revenue** increased 7%. Total net revenue was \$2.6 billion in Q3 2025 compared to \$2.4 billion in Q3 2024. Global comparable sales increased 1%, or 2% on a constant dollar basis. The increase in net revenue was primarily due to increased China Mainland and Rest of World net revenue, partially offset by decreased Americas net revenue.
- **Americas net revenue** decreased 2%. Comparable sales decreased 5%. Americas net revenue was \$1.7 billion, or 68% of total net revenue, compared to \$1.8 billion, or 74% of total net revenue, in Q3 2024.
- **China Mainland net revenue** increased 46%, or 47% on a constant dollar basis. Comparable sales increased 24%, or 25% on a constant dollar basis. China Mainland net revenue was \$465.4 million, or 18% of total net revenue, compared to \$318.3 million, or 13% of total net revenue, in Q3 2024.
- **Rest of World net revenue** increased 19%. Comparable sales increased 9%. Rest of World net revenue was \$367.2 million, or 14% of total net revenue, compared to \$307.9 million, or 13% of total net revenue, in Q3 2024.

### Store Count

- **New company-operated stores:** We opened six new stores in China Mainland, three net new stores in the Americas, and three net new stores in Rest of World in Q3 2025.
- **Total company-operated stores:** At the end of Q3 2025, we had 796 total company-operated stores compared to 749 at the end of Q3 2024.

### Gross Profit

- **Gross profit** was \$1.4 billion, or 55.6% of net revenue, compared to \$1.4 billion, or 58.5% of net revenue, in Q3 2024. Gross margin decreased 290 basis points compared to Q3 2024. The decrease in gross margin was primarily the result of a net decrease in product margin of 300 basis points, comprised of:
  - a net decrease of 290 basis points primarily from higher tariffs as well as markdowns and credit card affiliate programs, partially offset by higher pricing and lower product costs; and
  - an unfavorable impact of foreign currency exchange rates of 10 basis points.

The decrease in gross margin was also due to a net decrease in fixed costs as a percentage of net revenue of 10 basis points.



### Selling, General and Administrative Expenses

- **SG&A expenses** were \$988.3 million, or 38.5% of net revenue, compared to \$909.8 million, or 38.0% of net revenue, in Q3 2024. The deleverage of 50 basis points was driven by 110 basis points of deleverage from our operating channel costs driven by increased employee costs and 30 basis points of deleverage from depreciation and amortization, partially offset by 90 basis points of leverage from corporate SG&A expenses driven by decreased incentive compensation.

### Operating Income

- **Operating income** was \$435.9 million, or 17.0% of net revenue, compared to \$490.7 million, or 20.5% of net revenue, in Q3 2024.

### Other Income (Expense), Net

- **Other income (expense), net** decreased \$7.9 million to \$5.9 million from \$13.7 million in Q3 2024 primarily due to a decrease in interest income as a result of lower average cash balances and lower interest rates.

### Income Tax Expense

- **Income tax expense** was \$134.9 million compared to \$152.5 million in Q3 2024 and the effective tax rate was 30.5%, compared to 30.2% in Q3 2024.

### Net Income

- **Net income** was \$306.8 million, or \$2.59 per diluted share, compared to \$2.87 per diluted share in Q3 2024.

### Share Count

- Our diluted share count for the quarter was 118.6 million compared to 122.8 million in Q3 2024.
- In Q3 2025, we repurchased 1.0 million of our shares for a cost of \$189.0 million.
- On December 3, 2025, our board of directors approved a \$1.0 billion increase to our stock repurchase program. Including this increase, as of December 11, 2025, we had approximately \$1.6 billion remaining authorized on our stock repurchase program.

### Capital Expenditures

- **Capital expenditures** were \$167.4 million in Q3 2025 compared to \$178.5 million in Q3 2024. The Q3 2025 capital expenditures primarily relate to investments that support business growth including our multi-year distribution center project, store capital for new locations, relocations, and renovations, and technology investments.

### Balance Sheet Highlights

- **Cash and cash equivalents** were \$1.0 billion at the end of Q3 2025 and the available capacity under our committed revolving credit facility was \$593.0 million.
- **Inventories** increased 11% to \$2.0 billion at the end of Q3 2025 compared to \$1.8 billion at the end of Q3 2024. On a unit basis, inventories increased 4%.



## 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; our highly competitive market and increasing competition; our ability to anticipate consumer preferences and successfully develop and introduce new, innovative and differentiated products; the acceptability of our products to guests; increasing costs and decreasing selling prices; 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 attract, manage, and retain highly qualified individuals; our ability to manage our growth and the increased complexity of our business effectively; changes in consumer shopping preferences and shifts in distribution channels; our leasing of retail and distribution space; seasonality; 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; changes to U.S. tariff and customs policy, including the elimination of the de minimis exemption; macroeconomic volatility, inflationary pressures, and shifts in consumer sentiment; global political and economic instability and related trade actions; changes to tariffs, customs rules, and other trade restrictions; changes in tax laws or unanticipated tax liabilities; our ability to comply with trade and other regulations; fluctuations in foreign currency exchange rates; global or regional health events such as the COVID-19 pandemic and related government, private sector, and individual consumer responsive actions; 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; fluctuating costs of raw materials; 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; imitation by our competitors; our ability to protect our intellectual property rights; conflicting trademarks and patents and the prevention of sale of certain products; climate change and related pressures; heightened scrutiny and legal risks from competing pressures regarding ESG; 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

### Constant dollar changes

The below changes show the change compared to the corresponding period in the prior year. Due to the 53rd week in 2024, the below changes in comparable sales are calculated on a one-week shifted basis such that the 13 weeks ended November 2, 2025 is compared to the 13 weeks ended November 3, 2024 rather than October 27, 2024.

Net Revenue	Third Quarter 2025		
	Change	Foreign exchange	Change in constant dollars
United States	(3)%	— %	(3)%
Canada	(1)	1	—
Mexico <sup>(1)</sup>	95	(9)	86
Americas	(2)	—	(2)
China Mainland	46	1	47
Rest of World	19	—	19
Total international	33	—	33
Total	7 %	— %	7 %

Comparable Sales <sup>(2)</sup>	Third Quarter 2025		
	Change	Foreign exchange	Change in constant dollars
Americas	(5)%	— %	(5)%
China Mainland	24	1	25
Rest of World	9	—	9
Total international	18	—	18
Total	1 %	1 %	2 %

<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. Company-operated stores acquired as a result of the acquisition of the Mexico operations were considered comparable beginning October 2025, after 12 full fiscal months of sales from the date of acquisition.