

lululemon athletica inc. Announces Second Quarter Fiscal 2024 Results

Aug 29, 2024

Revenue increased 7% to \$2.4 billion

Comparable sales increased 2%, or 3% on a constant dollar basis

Diluted EPS of \$3.15

VANCOUVER, British Columbia--(BUSINESS WIRE)-- lululemon athletica inc. (NASDAQ:LULU) today announced financial results for the second quarter of fiscal 2024, which ended on July 28, 2024.

Calvin McDonald, Chief Executive Officer, stated: "In the second quarter, lululemon delivered revenue and earnings growth, with ongoing strength across our international business. In the U.S., our teams continue to optimize our product assortment and remain focused on driving forward our opportunities in the market. Looking ahead, we feel confident in the long runway in front of us as we execute on our Power of Three x2 growth plan."

For the second quarter of 2024, compared to the second quarter of 2023:

- Net revenue increased 7% to \$2.4 billion, or increased 8% on a constant dollar basis.
 - Americas net revenue increased 1%, or 2% on a constant dollar basis.
 - International net revenue increased 29%, or 31% on a constant dollar basis.
- Comparable sales increased 2%, or 3% on a constant dollar basis.
 - Americas comparable sales decreased 3%, or 2% on a constant dollar basis.
 - International comparable sales increased 19%, or 22% on a constant dollar basis.
- Gross profit increased 9% to \$1.4 billion.
- Gross margin increased 80 basis points to 59.6%.
- Income from operations increased 13% to \$540.2 million.
- Operating margin increased 110 basis points to 22.8%.
- The effective income tax rate for the second quarter of 2024 was 29.6% compared to 29.8% for the second quarter of 2023.
- Diluted earnings per share were \$3.15 compared to \$2.68 in the second quarter of 2023.
- The Company repurchased 1.9 million of its shares for a cost of \$583.7 million.
- The Company opened 10 net new company-operated stores during the second quarter, ending with 721 stores.

Meghan Frank, Chief Financial Officer, stated: "Earnings per share exceeded our expectations in the second quarter, driven by better-than-expected gross margin expansion and disciplined execution. As we enter the back half of the year, we remain focused on executing on our near-term priorities, while strategically investing for long-term growth. I would like to thank our teams around the world for their commitment to lululemon."

Balance Sheet Highlights

The Company ended the second quarter of 2024 with \$1.6 billion in cash and cash equivalents and the capacity under its committed revolving credit facility was \$393.7 million.

Inventories at the end of the second quarter of 2024 decreased 14% to \$1.4 billion compared to \$1.7 billion at the end of the second quarter of 2023.

2024 Outlook

For the third quarter of 2024, the Company expects net revenue to be in the range of \$2.340 billion to \$2.365 billion, representing growth of 6% to 7%. Diluted earnings per share are expected to be in the range of \$2.68 to \$2.73 for the quarter. This assumes a tax rate of approximately 30%.

For 2024, the Company now expects net revenue to be in the range of \$10.375 billion to \$10.475 billion, representing growth of 8% to 9%, or 6% to 7% excluding the 53rd week of 2024. Diluted earnings per share are now expected to be in the range of \$13.95 to \$14.15 for the year. This assumes a tax rate of approximately 30%.

The guidance does not reflect potential future repurchases of the Company's shares.

The guidance and outlook forward-looking statements made in this press release are based on management's expectations as of the date of this press release and do not incorporate future unknown impacts, including macroeconomic trends. The Company undertakes no duty to update or to continue to provide information with respect to any forward-looking statements or risk factors, whether as a result of new information or future events or circumstances or otherwise. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of risks and uncertainties, including those stated below.

Power of Three ×2

The Company's Power of Three ×2 growth plan calls for a doubling of the business from 2021 net revenue of \$6.25 billion to \$12.5 billion by 2026. The key pillars of the plan are product innovation, guest experience, and market expansion and the growth strategy includes a plan to double men's, double e-commerce, and quadruple international net revenue relative to 2021.

Conference Call Information

A conference call to discuss second quarter results is scheduled for today, August 29, 2024, at 4:30 p.m. Eastern time. Those interested in participating in the call are invited to dial 1-844-763-8274 or 1-647-484-8814, if calling internationally, approximately 10 minutes prior to the start of the call. A live webcast of the conference call will be available online at: <https://corporate.lululemon.com/investors/news-and-events/events-and-presentations>. A replay will be made available online approximately two hours following the live call for a period of 30 days.

About lululemon athletica inc.

lululemon athletica inc. (NASDAQ:LULU) is a technical athletic apparel, footwear, and accessories company for yoga, running, training, and most other activities, creating transformational products and experiences that build meaningful connections, unlocking greater possibility and wellbeing for all. Setting the bar in innovation of fabrics and functional designs, lululemon works with yogis and athletes in local communities around the world for continuous research and product feedback. For more information, visit lululemon.com.

Non-GAAP Financial Measures

Constant dollar changes are non-GAAP financial measures. A constant dollar basis assumes the average foreign currency exchange rates for the period remained constant with the average foreign currency exchange rates for the same period of the prior year. The Company provides constant dollar changes in its results to help investors understand the underlying growth rate of net revenue excluding the impact of changes in foreign currency exchange rates. Management uses these constant currency metrics internally when reviewing and assessing financial performance.

The Company's fiscal year ends on the Sunday closest to January 31st of the following year, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. Fiscal 2023 was a 52-week year while 2024 will be a 53-week year. The expected net revenue increase excluding the 53rd week excludes the expected net revenue for the 53rd week of 2024. This enables an evaluation of the expected year-over-year increase in net revenue based on 52 weeks in each year.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or with greater prominence to, the financial information prepared and presented in accordance with GAAP. For more information on these 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 measure that is most directly comparable to each non-GAAP financial measure, and the related reconciliations between these financial measures. The Company's non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures reported by other companies.

Forward-Looking Statements:

This press release includes estimates, projections, statements relating to the Company's 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 the Company's 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: the Company's ability to maintain the value and reputation of its brand; changes in consumer shopping preferences and shifts in distribution channels; the acceptability of its products to guests; its highly competitive market and increasing competition; increasing costs and decreasing selling prices; its ability to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products; its ability to accurately forecast guest demand for its products; its ability to expand in light of its limited operating experience and limited brand recognition in new international markets and new product categories; its ability to manage its growth and the increased complexity of its business effectively; its ability to successfully open new store locations in a timely manner; seasonality; disruptions of its supply chain; its reliance on a relatively small number of vendors to supply and manufacture a significant portion of its products; suppliers or manufacturers not complying with its Vendor Code of Ethics or applicable laws; its ability to deliver its products to the market and to meet guest expectations if it has problems with its distribution system; increasing labor costs and other factors associated with the production of its products in South Asia and South East Asia; its ability to safeguard against security breaches with respect to its technology systems; its compliance with privacy and data protection laws; any material disruption of its information systems; its ability to have technology-based systems function effectively and grow its e-commerce business globally; climate change, and related legislative and regulatory responses; increased scrutiny regarding its environmental, social, and governance, or sustainability responsibilities; an economic recession, depression, or downturn or economic uncertainty in its 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; its ability to source and sell its 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; its ability to comply with trade and other regulations; fluctuations in foreign currency exchange rates; imitation by its competitors; its ability to protect its intellectual property rights; conflicting trademarks and patents and the prevention of sale of certain products; its 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, including, without limitation, its 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 press release and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as may be required by law.

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The fiscal year ending February 2, 2025 is referred to as "2024" and the fiscal year ended January 28, 2024 is referred to as "2023".

Condensed Consolidated Statements of Operations

Unaudited; Expressed in thousands, except per share amounts

	Second Quarter		First Two Quarters	
	2024	2023	2024	2023
Net revenue	\$ 2,371,078	\$ 2,209,165	\$ 4,579,969	\$ 4,209,957
Costs of goods sold	958,893	910,654	1,892,716	1,760,641
Gross profit	1,412,185	1,298,511	2,687,253	2,449,316
<i>As a percentage of net revenue</i>	59.6%	58.8%	58.7%	58.2%
Selling, general and administrative expenses	871,959	817,375	1,714,385	1,564,888
<i>As a percentage of net revenue</i>	36.8%	37.0%	37.4%	37.2%
Amortization of intangible assets	—	1,879	—	3,757
Income from operations	540,226	479,257	972,868	880,671
<i>As a percentage of net revenue</i>	22.8%	21.7%	21.2%	20.9%
Other income (expense), net	17,994	7,362	41,277	15,387
Income before income tax expense	558,220	486,619	1,014,145	896,058

Income tax expense		165,298	145,016	299,802	264,050
Net income	\$	392,922	\$ 341,603	\$ 714,343	\$ 632,008
Basic earnings per share	\$	3.15	\$ 2.69	\$ 5.70	\$ 4.97
Diluted earnings per share	\$	3.15	\$ 2.68	\$ 5.69	\$ 4.96
Basic weighted-average shares outstanding		124,721	126,969	125,358	127,108
Diluted weighted-average shares outstanding		124,857	127,263	125,600	127,442

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*Condensed Consolidated Balance Sheets
Unaudited; Expressed in thousands*

		July 28, 2024	January 28, 2024	July 30, 2023
ASSETS				
Current assets				
Cash and cash equivalents	\$	1,610,112	\$ 2,243,971	\$ 1,107,530
Inventories		1,429,043	1,323,602	1,660,753
Prepaid and receivable income taxes		210,969	183,733	224,916
Other current assets		321,620	309,271	330,734
Total current assets		3,571,744	4,060,577	3,323,933
Property and equipment, net		1,614,893	1,545,811	1,367,172
Right-of-use lease assets		1,302,947	1,265,610	1,079,198
Goodwill and intangible assets, net		23,925	24,083	42,380
Deferred income taxes and other non-current assets		230,626	195,860	179,775
Total assets	\$	6,744,135	\$ 7,091,941	\$ 5,992,458
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	\$	317,348	\$ 348,441	\$ 298,914
Accrued liabilities and other		396,423	348,555	399,178
Accrued compensation and related expenses		174,702	326,110	192,289
Current lease liabilities		278,067	249,270	216,837
Current income taxes payable		19,231	12,098	20,576
Unredeemed gift card liability		250,754	306,479	216,116
Other current liabilities		32,126	40,308	42,460
Total current liabilities		1,468,651	1,631,261	1,386,370
Non-current lease liabilities		1,180,823	1,154,012	976,736
Non-current income taxes payable		—	15,864	15,864
Deferred income tax liability		28,876	29,522	55,258
Other non-current liabilities		34,140	29,201	24,748
Stockholders' equity		4,031,645	4,232,081	3,533,482
Total liabilities and stockholders' equity	\$	6,744,135	\$ 7,091,941	\$ 5,992,458

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*Condensed Consolidated Statements of Cash Flows
Unaudited; Expressed in thousands*

First Two Quarters

	2024	2023
Cash flows from operating activities		
Net income	\$ 714,343	\$ 632,008
Adjustments to reconcile net income to net cash provided by operating activities	(143,679)	(109,795)
Net cash provided by operating activities	570,664	522,213
Net cash used in investing activities	(266,625)	(283,660)
Net cash used in financing activities	(916,543)	(305,651)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(21,355)	19,761
Decrease in cash and cash equivalents	(633,859)	(47,337)
Cash and cash equivalents, beginning of period	2,243,971	1,154,867
Cash and cash equivalents, end of period	\$ 1,610,112	\$ 1,107,530

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Reconciliation of Non-GAAP Financial Measures

Unaudited

Constant dollar changes

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

	Net Revenue		
	Change	Foreign exchange	Change in constant dollars
United States	—%	—%	—%
Canada	8	3	11
Americas	1	1	2
China Mainland	34	3	37
Rest of World	24	3	27
Total international	29	2	31
Total	7%	1%	8%

	Comparable Sales ⁽¹⁾		
	Change	Foreign exchange	Change in constant dollars
Americas	(3)%	1%	(2)%
China Mainland	21	2	23
Rest of World	17	3	20
Total international	19	3	22
Total	2%	1%	3%

(1) 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.

Expected net revenue increase excluding the 53rd week

The Company's fiscal year ends on the Sunday closest to January 31st of the following year, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. Fiscal 2023 was a 52-week year while 2024 will be a 53-week year.

	Fiscal 2024
Expected net revenue increase	8% to 9%
Impact of 53rd week	(2)%
Expected net revenue increase excluding the 53rd week (non-GAAP)	6% to 7%

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Company-operated Store Count and Square Footage⁽¹⁾
Square footage expressed in thousands

	Number of Stores Open at the Beginning of the Quarter	Number of Stores Opened During the Quarter	Number of Stores Closed During the Quarter	Number of Stores Open at the End of the Quarter
3 rd Quarter 2023	672	15	1	686
4 th Quarter 2023	686	26	1	711
1 st Quarter 2024	711	5	5	711
2 nd Quarter 2024	711	11	1	721

	Total Gross Square Feet at the Beginning of the Quarter	Gross Square Feet Added During the Quarter ⁽²⁾	Gross Square Feet Lost During the Quarter ⁽²⁾	Total Gross Square Feet at the End of the Quarter
3 rd Quarter 2023	2,691	109	3	2,797
4 th Quarter 2023	2,797	173	3	2,967
1 st Quarter 2024	2,967	35	14	2,988
2 nd Quarter 2024	2,988	90	3	3,075

(1) Company-operated store count and square footage summary excludes retail locations operated by third parties under license and supply arrangements.

(2) Gross square feet added/lost during the quarter includes net square foot additions for company-operated stores which have been renovated or relocated in the quarter.

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