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## Lululemon

### Equity Research Division

**Target Price: \$ 239.50**

**Current Price: \$ 323.25**

*Downside Potential: 26.9%*

**Recommendation: SELL**

**Investment Horizon: 1 Year**

Vienna, June 12<sup>th</sup>, 2020

# Team Overview

Team work makes the dream work



**Viktoria  
Weissova**

Head of  
Equity Research

- Task Distribution
- Story Guideline



**Jakob  
Ludescher**

Associate

- Multiple Analysis
- Company Analysis



**Albert  
Neuner**

Analyst

- Industry Analysis
- Company Analysis



**Laura  
Bachman**

Analyst

- Business Strategy
- Company Analysis



**Beatrice  
Gosio**

Analyst

- DCF
- Key Financials



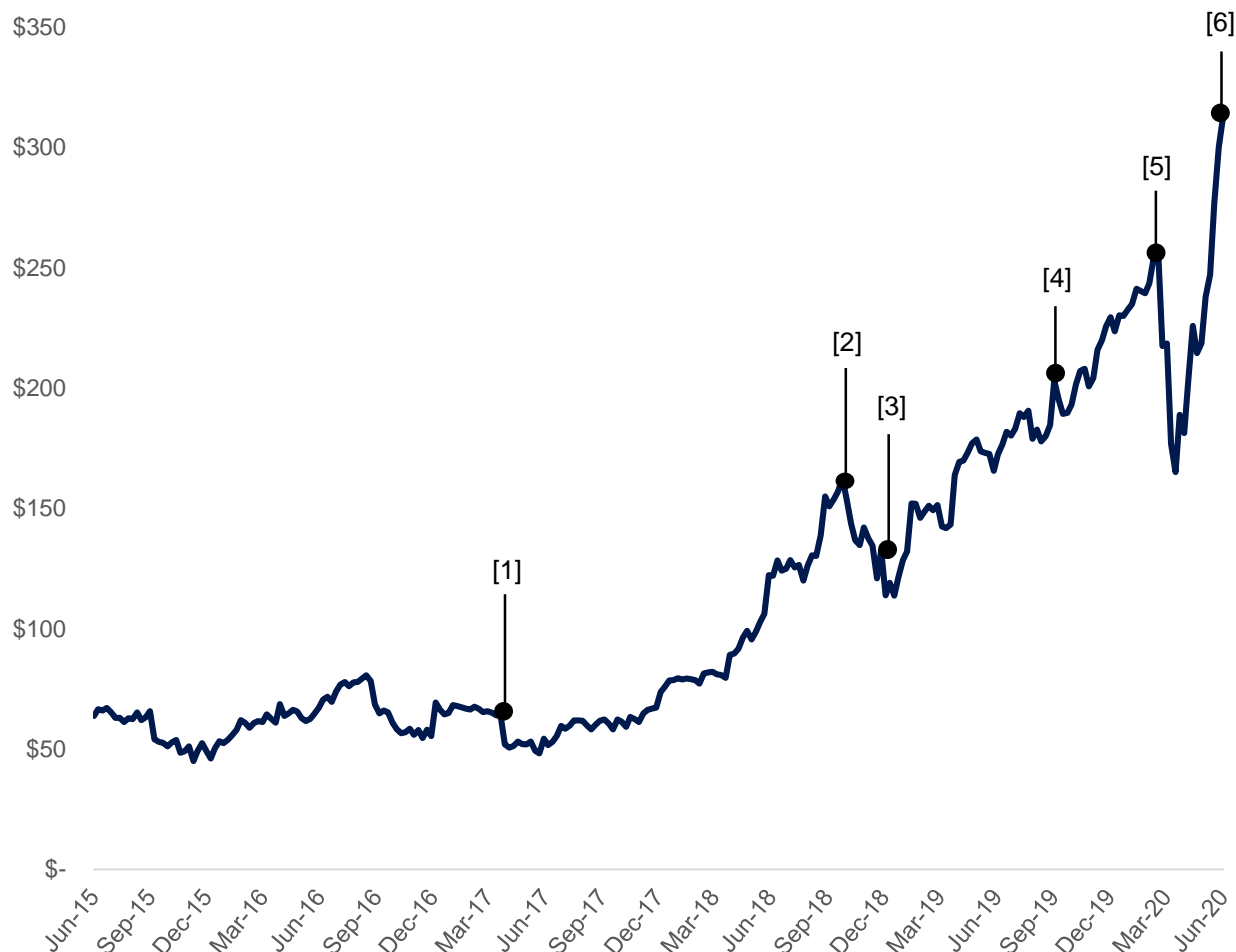
- BSc. (WU) – 4<sup>th</sup> Semester
- BSc. (WU) – 8<sup>th</sup> Semester
- MSc. (WU) – 4<sup>th</sup> Semester
- BSc. (WU) - 8th Semester
- BSc. (WU)

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# Share Price Performance

Unjustifiable increase of 131% since mid-March amid COVID-19 crisis

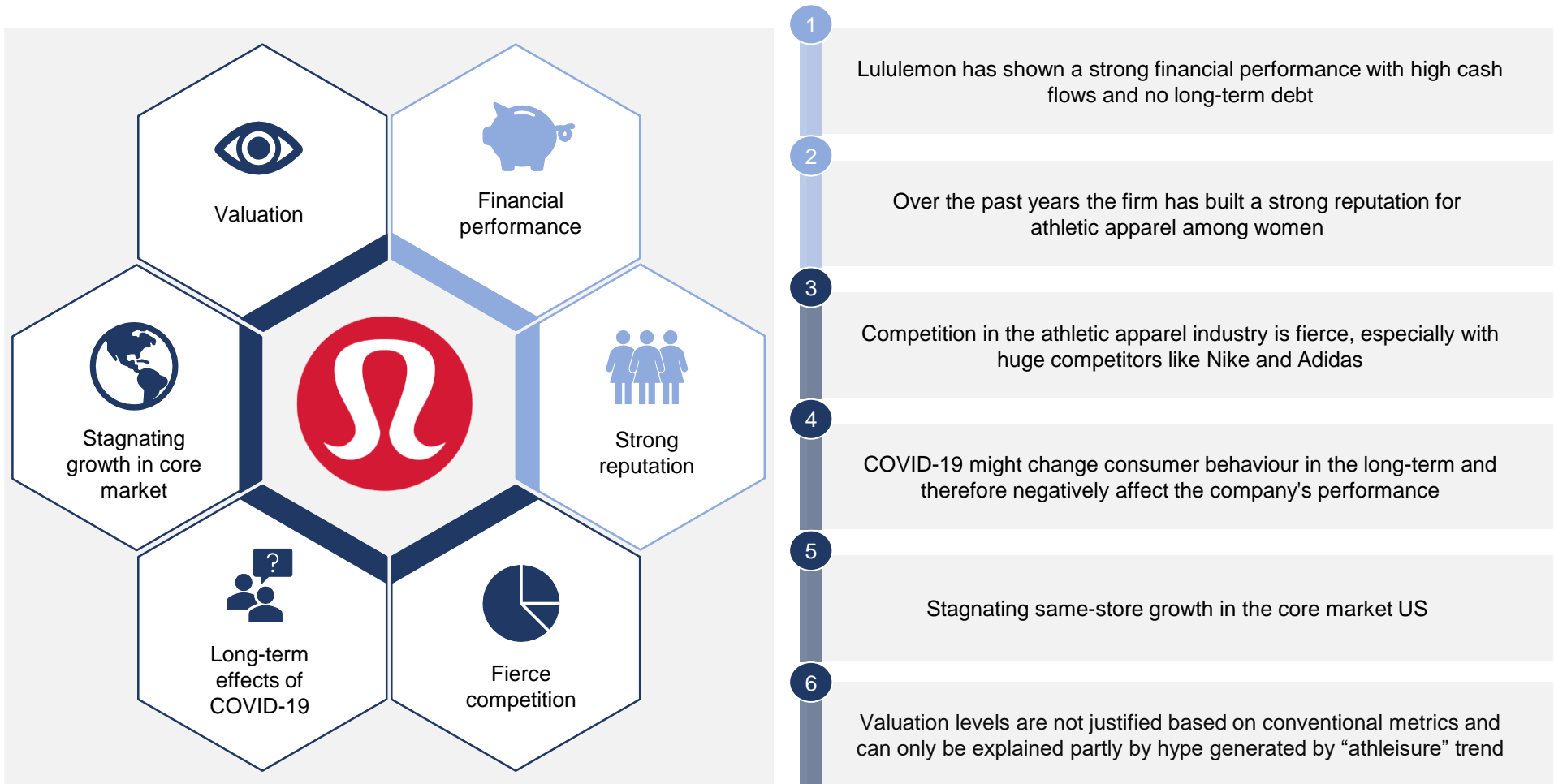


## Share Price – Major Events

- [1] March 2017 (-22.5%) - Lululemon warned that first-quarter sales would fall by 7%
- [2] August 2018 (+29.2%) - released impressive quarterly results with 25% y-o-y revenue growth and increased its full-year guidance
- [3] November 2018 (-13%) – Decline coincided with a sharp drawdown of the broader market
- [4] September 2019 (+6%) - Beating analyst expectations by 5% in sales growth for its second-quarter earnings and 35% growth in men's sales
- [5] March 2020 (-45%) – COVID-19 related drop, closed all of its 353 stores in North America and Europe, from March 16 through March 27
- [6] March/April (+53%) Growing optimism on the part of investors that COVID-19 effect won't be that large

# Investment Thesis

Lululemon has to deliver outstanding results to meet investor expectations





## Business Overview


# Company Overview I


Lululemon designs, distributes and retails athletic apparel

## Business Description

- Lululemon athletica inc. is a **designer, distributor, and retailer** of healthy, lifestyle-inspired athletic apparel and accessories with a market capitalization of approx. USD 40bn
- The company operates **around the globe** and offers products for women and men

 **Headquarters:** Vancouver, Canada

 **Established:** 1998, Vancouver, Canada

 **Employees:** approx. 19,000 employees as of February 2020

 **IPO:** 2007 at Nasdaq stock exchange

## Key Financial Metrics

In \$ millions	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	2,344.4	2,649.2	3,288.3	3,979.3
% YoY growth	13.78%	13.00%	24.12%	21.01%
COGS	1,144.8	1,250.4	1,472.0	1,755.9
% margin	48.83%	47.20%	44.76%	44.13%
EBITDA	517.2	600.4	826.9	1,052.6
% EBITDA margin	22.06%	22.66%	25.15%	26.45%
Net Profit	<b>303.4</b>	<b>258.7</b>	<b>483.8</b>	<b>645.6</b>
% margin	12.94%	9.77%	14.71%	16.22%
Net debt	(734.8)	(990.5)	(881.3)	(353.5)
Equity	1,360.0	1,597.0	1,446.0	1,952.2

## Founder & Management Team



**Dennis J. Wilson**  
Founder



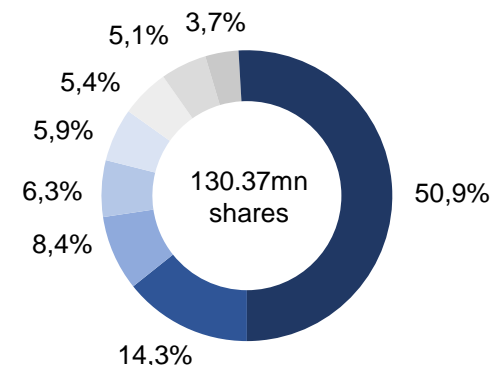
**Calvin McDonald**  
CEO & Director



**Julie Averill**  
Executive VP & CTO

## Shareholder Structure

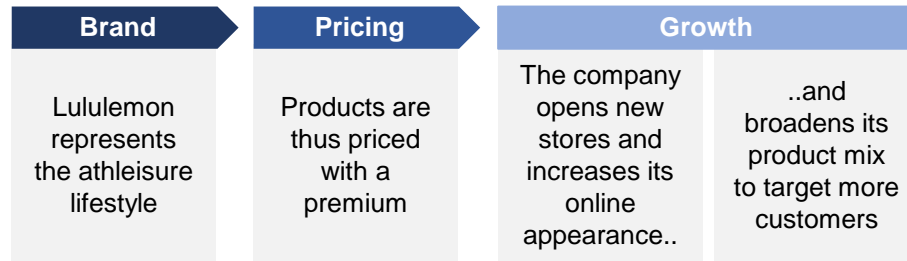
- Fidelity Investments
- Vanguard Group
- T. Rowe Price
- Jennison Associates
- Black Rock
- WCM Investment
- Dennis J. Wilson**
- Other



# Company Overview II

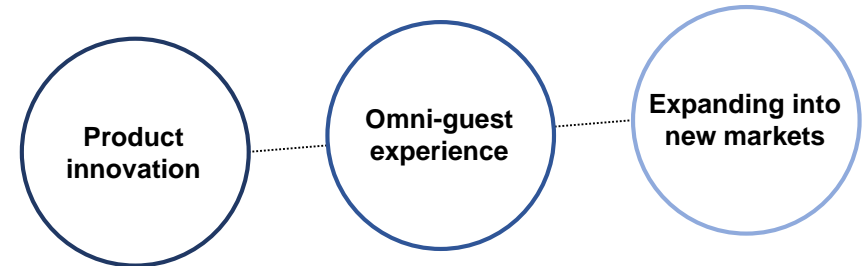
The firm offers premium priced products, sold mainly in their own stores to women

## Business Model






→ Lululemon's business model is built on the **"athleisure trend"**

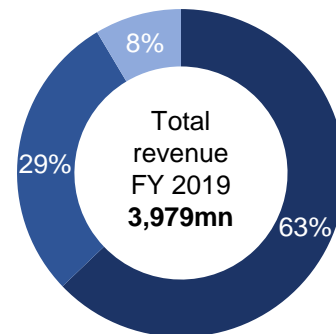
## Strategy



The **Power of Three** is the company's growth strategy until 2023

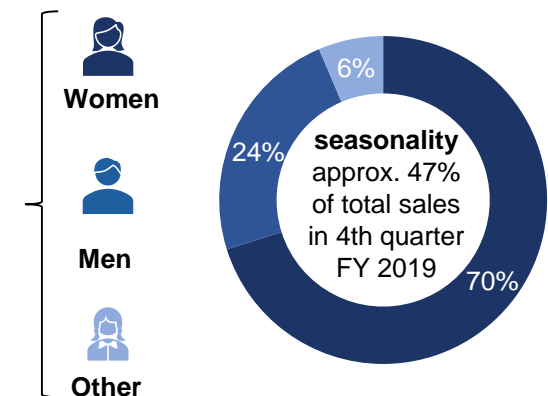
## Sales Segment Split

-  **Company-operated stores:** 491 stores in 17 countries located in lifestyle centers, street locations and malls
-  **Direct to consumer:** Strong online appearance through online shop, apps and online sports classes
-  **Other:** Consists of outlet and warehouse sales, temporary locations, wholesale, license and supply arrangements



## Product Split

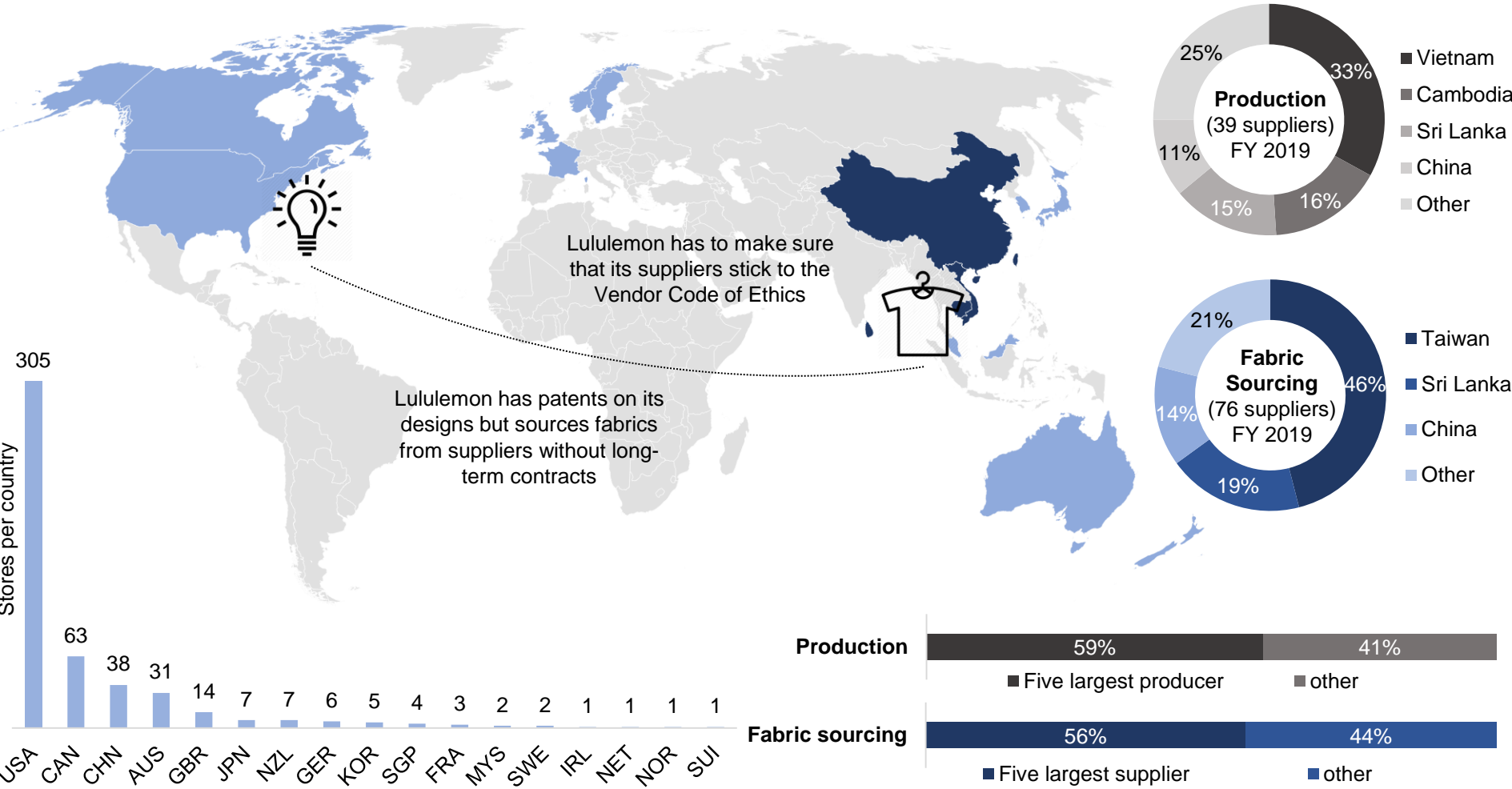
Lululemon offers apparel such as leggings, shorts, tops, jackets, and fitness-related accessories





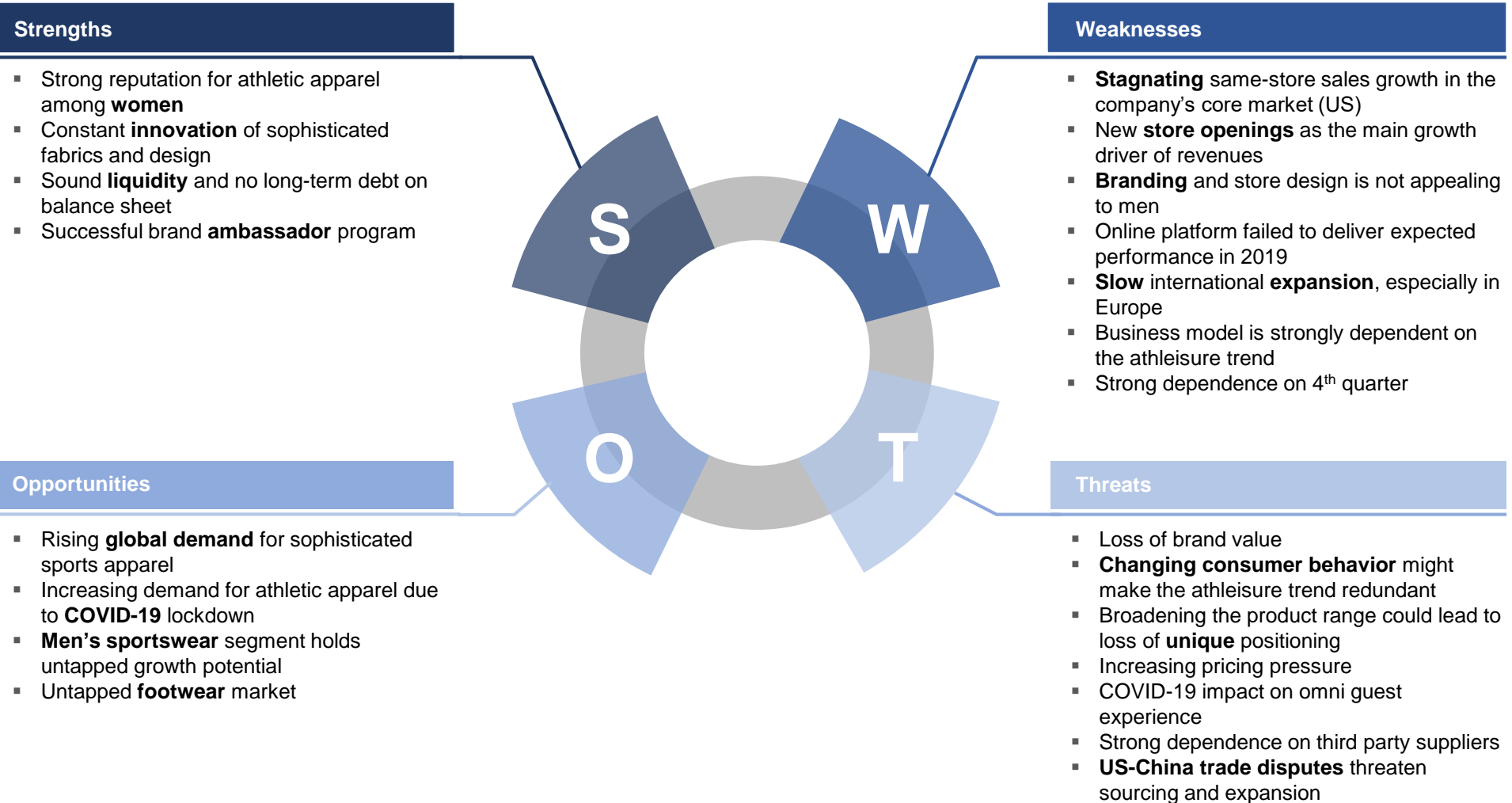
# Business Operations

High dependence on the US market as well as suppliers in Asia



# Company Analysis

Lululemon – a successful company with underestimated weaknesses and threats





## Market & Industry Overview

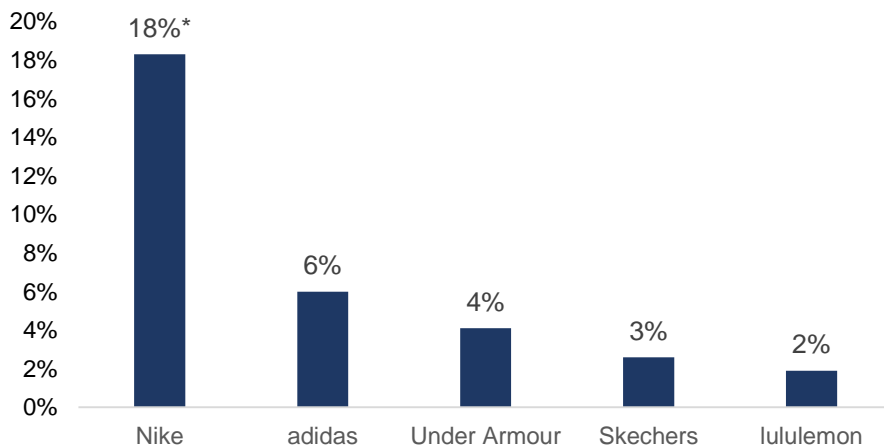
# Industry Overview I

The sports apparel market is mainly driven by trends yet showing a declining growth rate

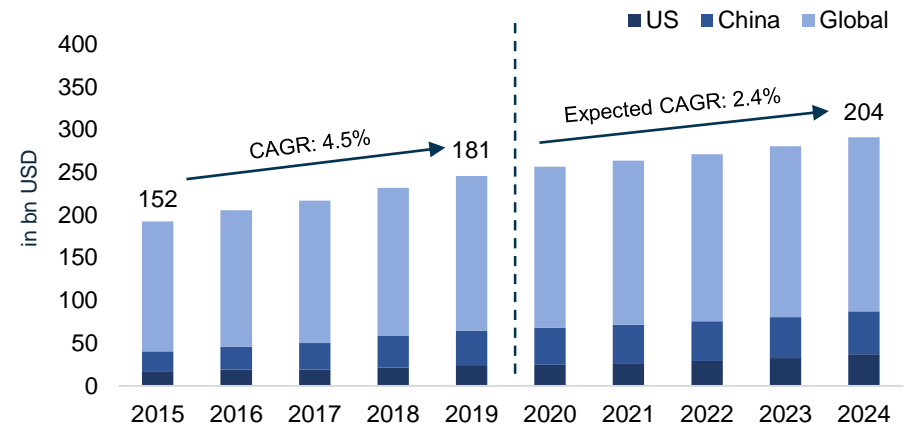
## Sports Apparel Industry Description

- With **30%**, **North America** accounts for the largest portion of the market
- Premium** athleisure is one of the biggest segments, consumers are demanding high quality and innovation
- In the entire industry, more than **75% of sales** were generated **offline** in 2018
- Marketing efforts focus strongly on **celebrity endorsement** on social media
- The Asian and especially the **Chinese market** offer huge growth potentials for western brands. It is however a highly **fragmented market**
- Therefore, **brand** positioning is key to success in the industry

## Market share of sports apparel brands in the US



## Development of the Sports Apparel Industry



## Growth Drivers of the Sports Apparel Industry



**COVID-19:** Worldwide fashion and luxury sales are expected to decrease by 28-38% in 2020

# Industry Overview II

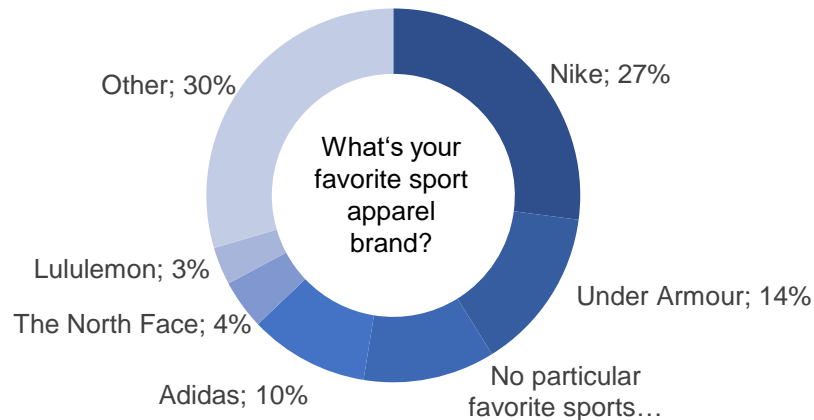
The industry has been profiting from the global athleisure trend

## The Athleisure Trend

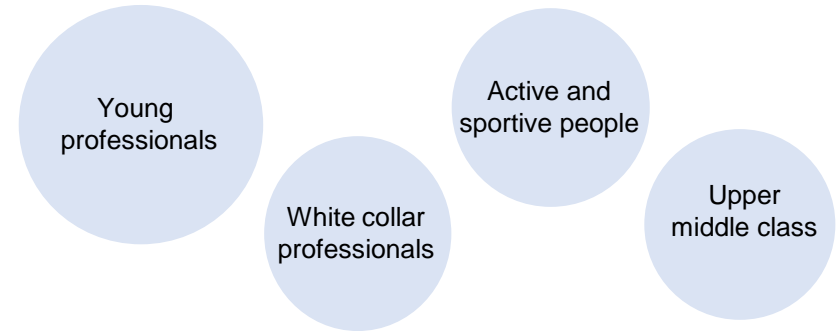


The **athleisure trend** is a mix of sports and everyday clothes and represents an active a healthy lifestyle

## Outcome of Customer Survey in the US (2018)



## Target Group of Athleisure Trend



Size of figures correlates with importance of customer group

## Industry and Trend at a Glance

Lululemon tries to expand their (relatively narrow) target group continuously, targeting new customer groups like men

The athleisure trend is an important growth driver of the sports apparel industry

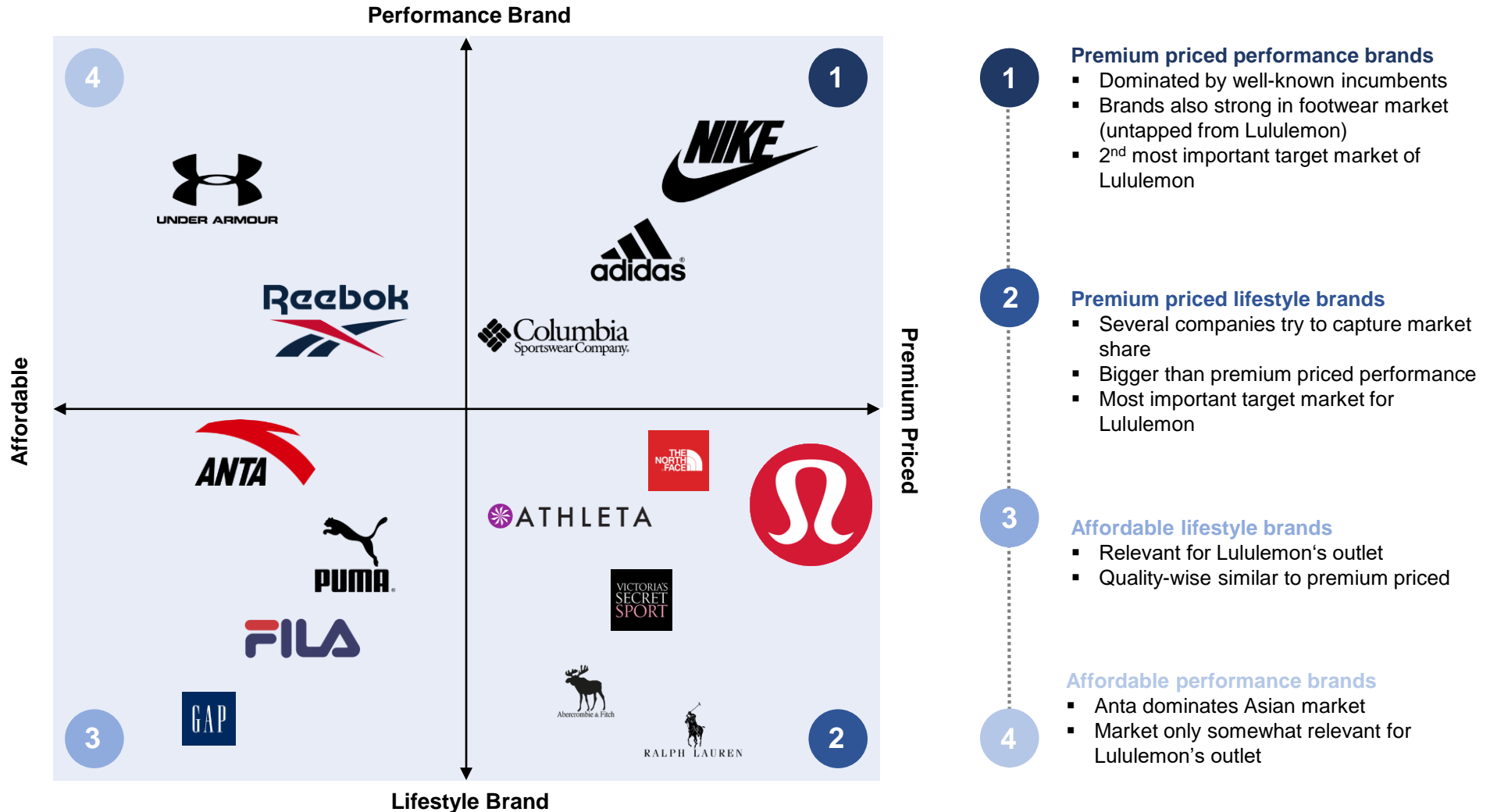
The industry is dominated by Nike, Adidas and Under Amour, which are the favorite brands of US customers

The market is growing and arguably the trend is here to last, but fierce competition makes future double-digit growth extremely difficult

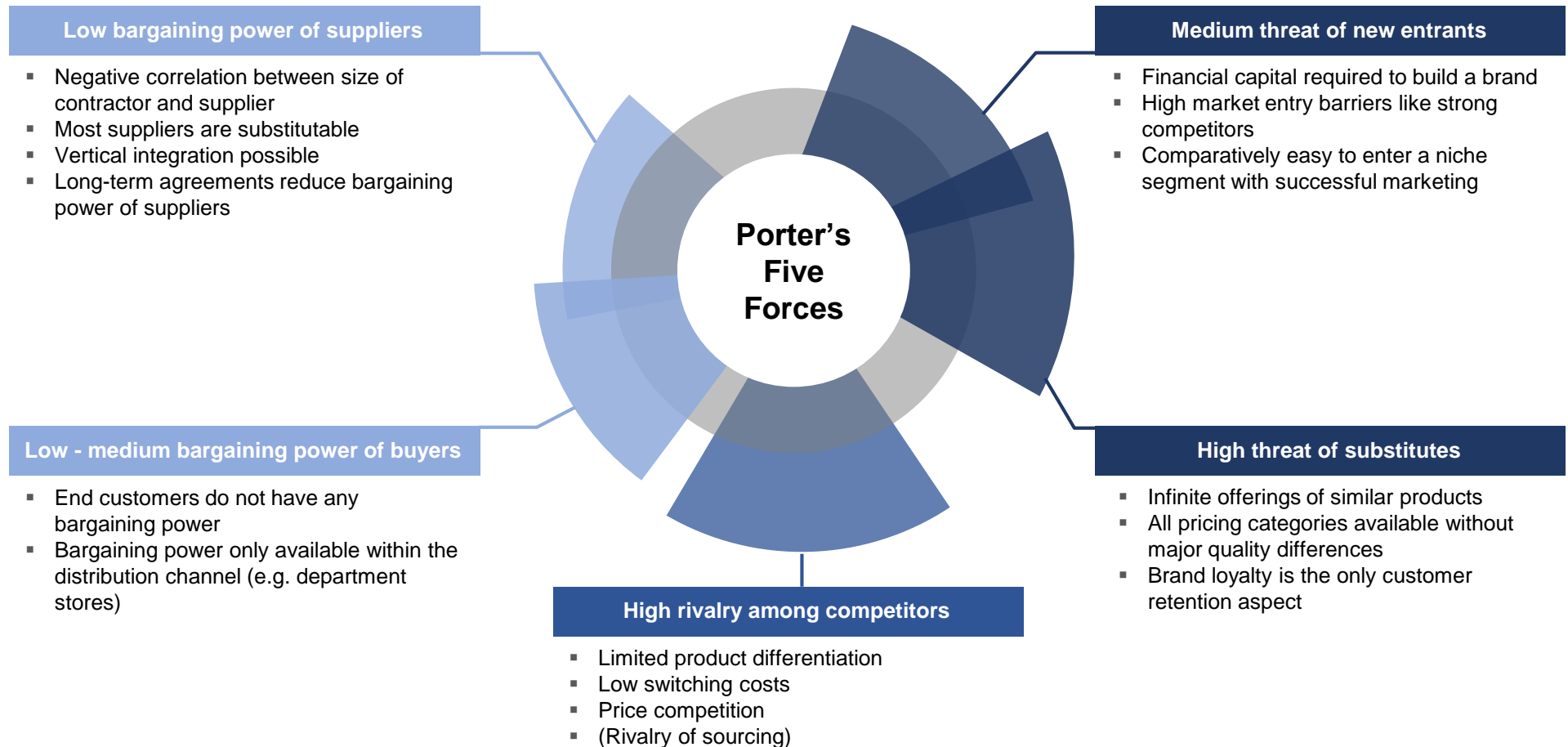


# Competitor Analysis

Competition in the premium priced sector makes double-digit growth difficult



Fierce competition in the industry, yet strong brands have a competitive advantage





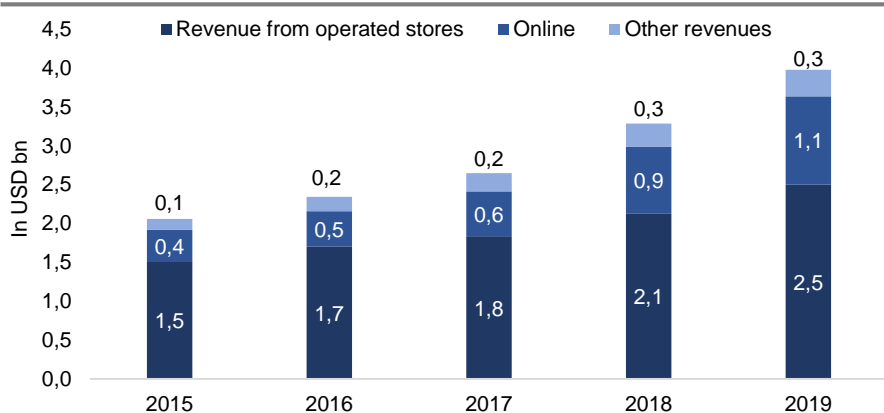
## Financial Analysis



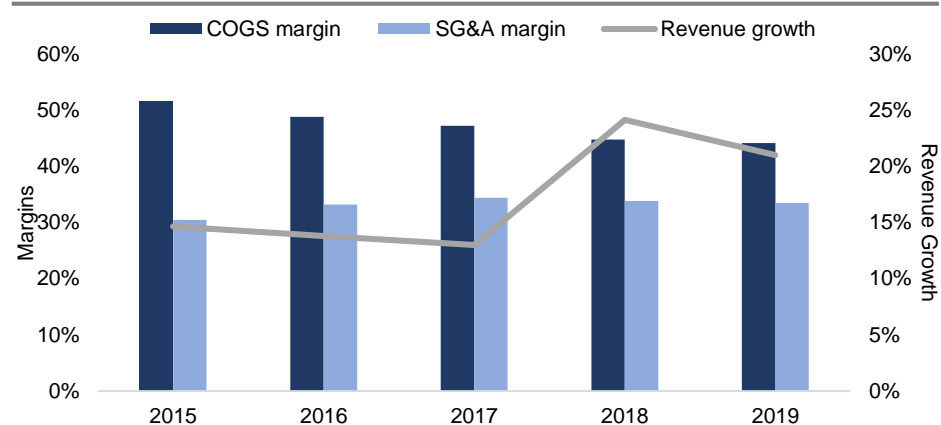
# Key Financials

Revenues are strongly dependent on in-store sales as well as the fourth quarter

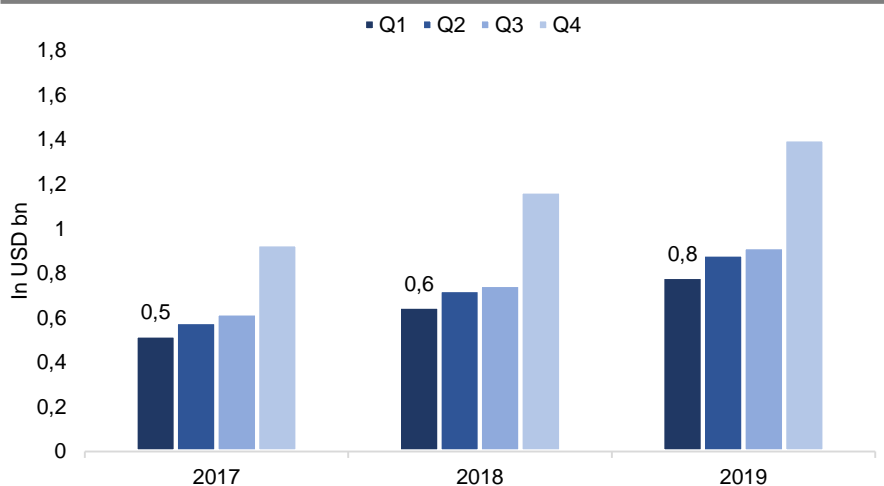
## Revenue Development by Segment



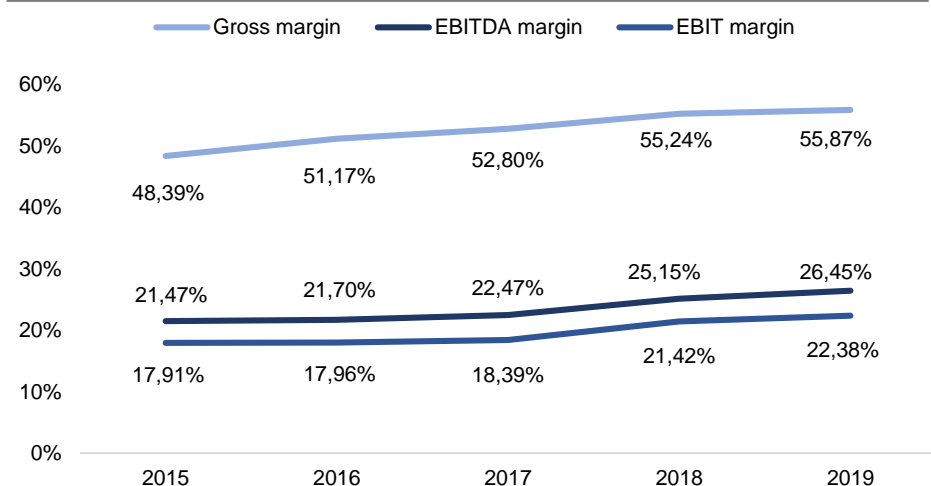
## Development of Cost Margins

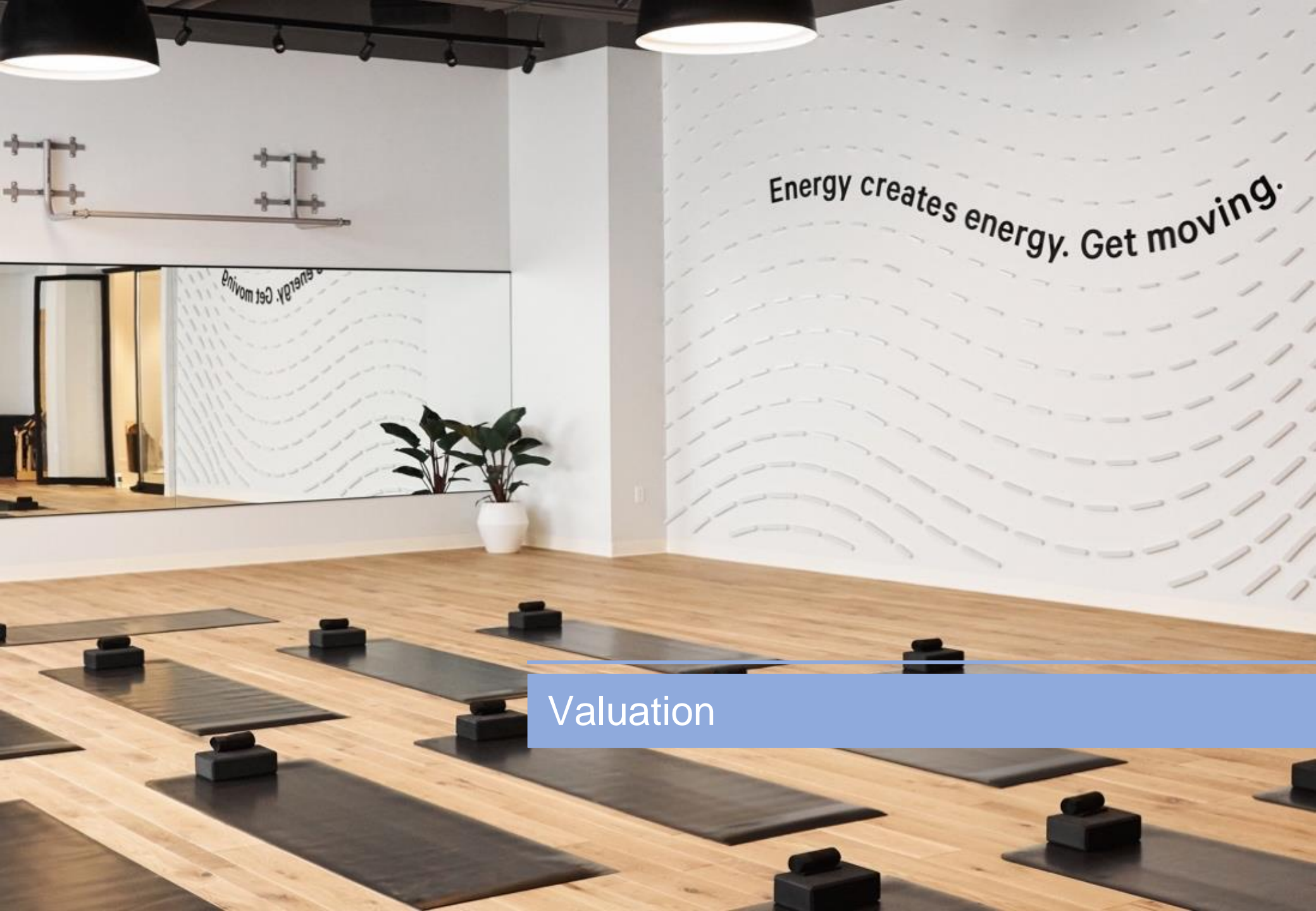


## Revenue Development by Quarter



## Development of Profitability Margins





Energy creates energy. Get moving.

Valuation

# Valuation Summary

The intrinsic value derived from the DCF analysis concludes the target price of \$ 239.50

## Valuation Distribution



## Decision Back-Up

No similar publicly-listed athletic apparel companies in the same stage of company life-cycle could be found

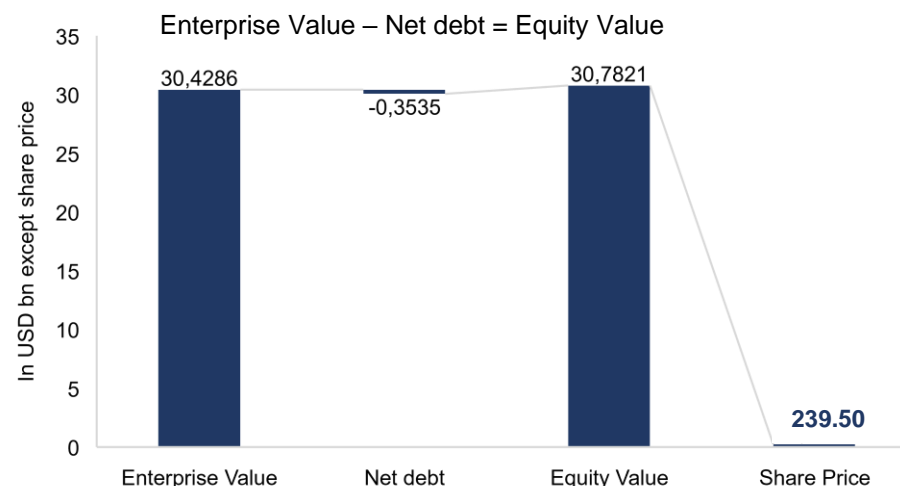
Therefore the CCA analysis concluded in significantly lower valuations as multiples correlate with the expected growth rate of a company

Within the DCF analysis different scenarios could be modeled which makes the target price more accurate

## Sensitivity Analysis

		WACC				
		5.4%	5.6%	5.8%	6.0%	6.2%
Growth rate	2.5%	247.8	230.1	214.6	200.9	188.8
	2.7%	263.6	243.6	226.3	211.1	197.7
	2.9%	282.0	259.2	239.5	222.5	207.6
	3.1%	303.6	277.2	254.8	235.5	218.8
	3.3%	329.3	298.4	272.5	250.5	231.6

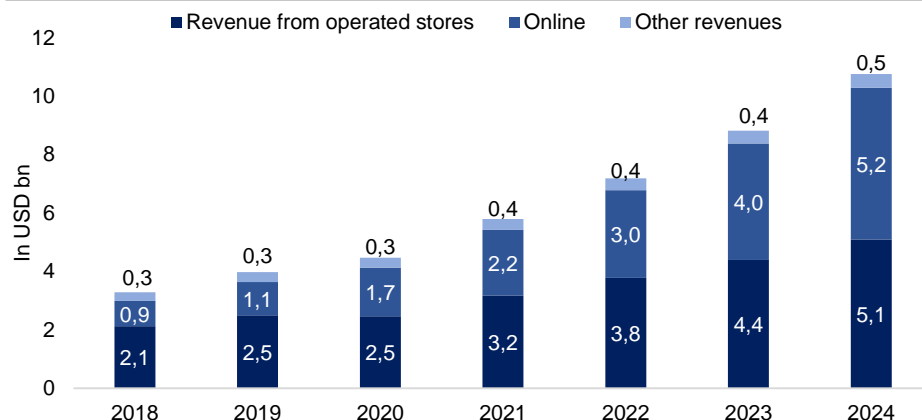
## Equity Bridge



# DCF Analysis

With optimistic assumptions, the intrinsic value is still lower than the current price

## Revenue Development



## Free cash-flow analysis

	2020	2021	2022	2023	2024
Operating Profit	982,7	1.304,0	1.689,7	2.206,5	2.797,1
Unlevered Taxes	(290,3)	(376,7)	(467,4)	(573,7)	(699,3)
<b>Net Operating Profit</b>	<b>692,4</b>	<b>927,3</b>	<b>1.222,3</b>	<b>1.632,8</b>	<b>2.097,8</b>
+D&A	148,3	155,8	180,8	213,0	262,3
+Non-Cash Expenses	22,8	29,1	36,1	43,7	53,3
- Capex	(223,3)	(405,7)	(503,3)	(706,1)	(860,6)
- Delta NWC	(23,5)	(161,6)	(150,4)	(151,4)	(191,4)
<b>Unlevered FCF</b>	<b>616,5</b>	<b>544,9</b>	<b>785,5</b>	<b>1.032,0</b>	<b>1.361,3</b>

## Key Assumptions

### Revenue development:

- Online sales grow considerably, making up 45% of the revenue in 2024
- The in-store revenue increases due to new stores all around the world
- Overall growth based on expansion in Asia & EU and exploitation of US market with experiential stores

### EBIT-margin:

- Slow improvement due to reduction in COGS as a result of better economies of scale
- Minimal improvement of SG&A since the expansion into new market causes additional costs, compensating the low cost of the online segment

## Key Inputs

### WACC (5.8%):

- Cost of Debt: 2.4%
- Cost of Equity: 6.4%
- Financing structure: 70% equity
- Terminal growth rate: 2.9%

### Capex:

- In 2020 the company reduces capex to limit the impact of the COVID-19 crisis on its margins; in the long-term, capex will grow due to its store-based expansion strategy

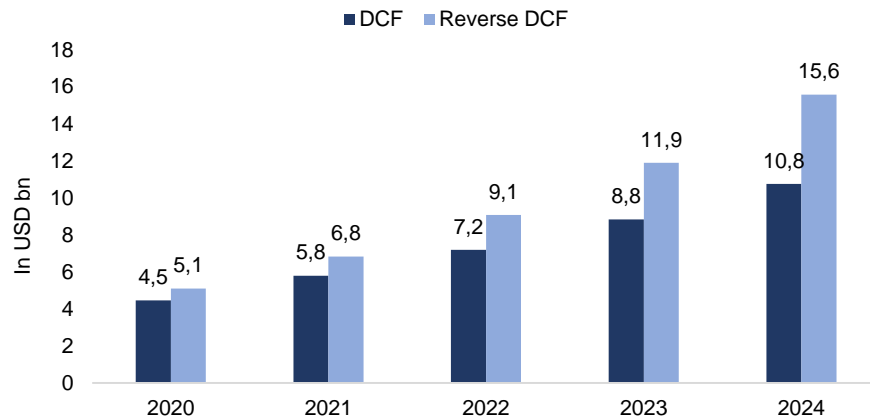
### Net Cash:

- Lululemon has large cash reserves, (>1 bn FY 2019) and will manage to maintain them in the future

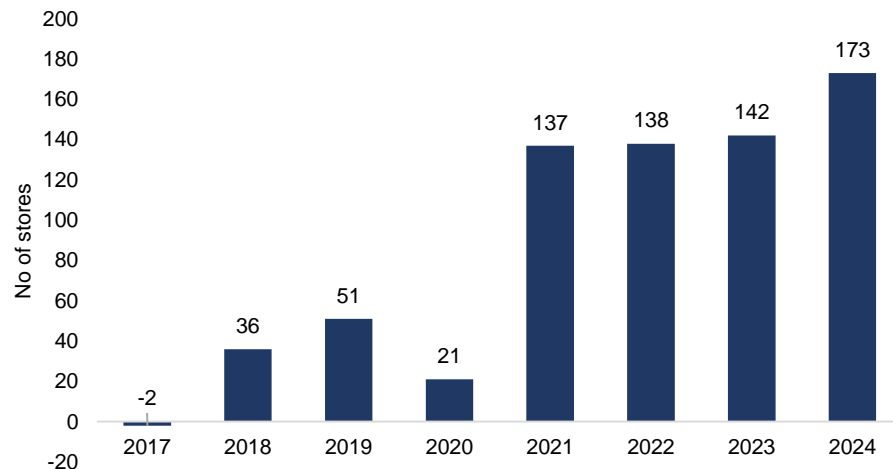
# Reverse DCF

The company needs to open 610 stores to be in line with investors' expectations

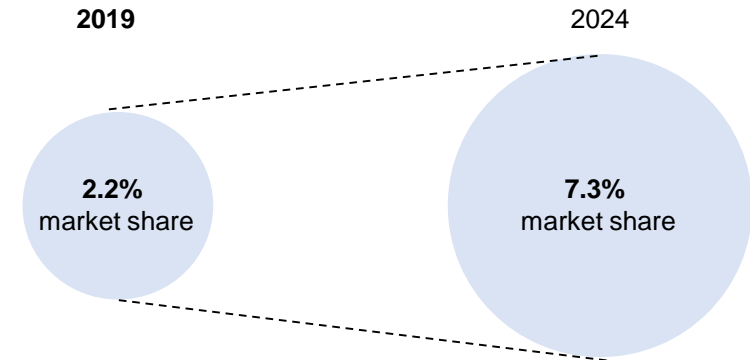
## Revenue Base Case vs Reverse DCF



## Required Store Openings



## Market Share Assumption



## Store Comparison to Peers



491 stores opened from 1998-2019



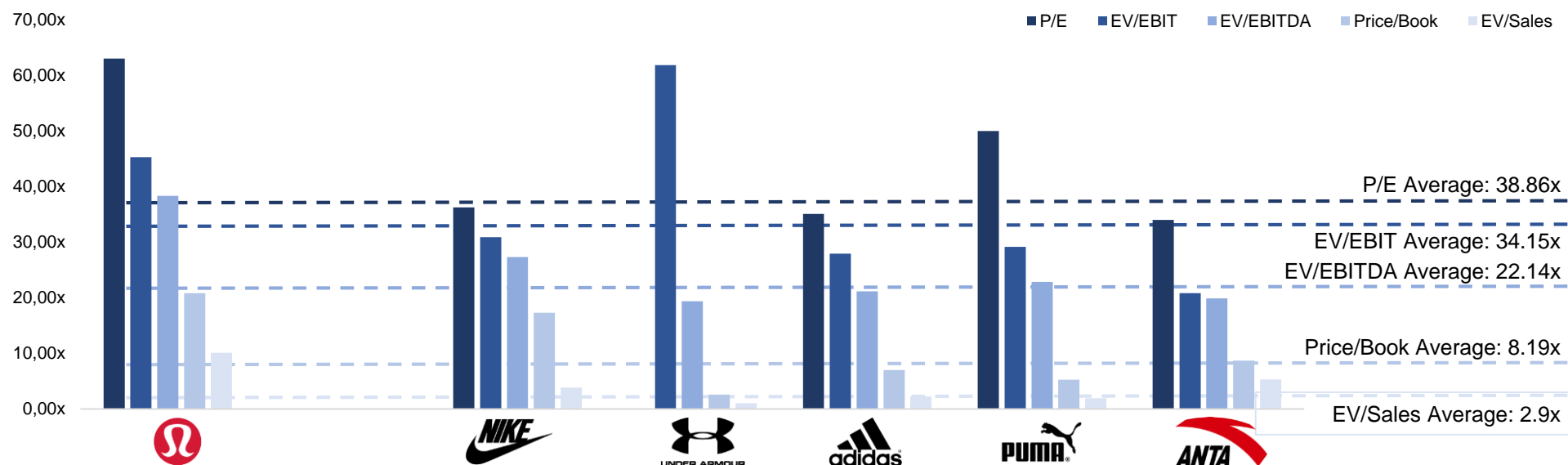
610 stores operating by 2024

Nike 1152 stores in 2019

**Lululemon has to achieve the level of Nike to meet investors expectations**

# Multiple Ratios

Lululemon's multiple ratios are substantially higher than those of its peers



Name	Country	Description	Enterprise Value (000)	P/E	EV/EBIT	EV/EBITDA	Price/Book	EV/Sales
Lululemon Athletica Inc.	CAN	Apparel, Accessories and Luxury Goods	\$40,713,100.00	63.06x	45.32x	38.34x	20.85x	10.14x
NIKE, Inc.	USA	Footwear Producers	\$156,654,200.00	36.28x	30.91x	27.33x	17.32x	3.88x
Under Armour, Inc.	USA	Apparel, Accessories and Luxury Goods	\$4,041,800.00	0.00x	61.86x	19.38x	2.61x	1.07x
adidas AG	GER	Apparel, Accessories and Luxury Goods	\$53,620,300.00	35.09x	27.97x	21.20x	7.04x	2.28x
PUMA SE	GER	Footwear Producers	\$11,352,600.00	50.03x	29.16x	22.88x	5.28x	1.95x
ANTA Sports Products Limited	CHN	Footwear Producers	\$26,337,400.00	34.04x	20.87x	19.93x	8.71x	5.32x

Note: P/E multiple for Under Armour excluded because of a negative value

# CCA

The CCA concluded a significantly lower share price than the status quo



## Implied Share price for Lululemon (Core Peer Group)

Equity Value calculated with	EV/EBITDA (000)	Equity Value (000)	# of shares (000)	Price per share
Mean	\$23,303,315.97	\$23,656,859.97	130365.377	<b>\$181.47</b>
Median	\$22,309,669.54	22663213.54	130365.377	<b>\$173.84</b>

Equity Value calculated with	EV/EBIT (000)	Equity Value (000)	# of shares (000)	Price per share
Mean	\$30,418,680.51	\$30,772,224.51	130365.377	<b>\$236.05</b>
Median	\$25,973,011.68	\$26,326,555.68	130365.377	<b>\$201.94</b>

Equity Value calculated with	EV/Sales (000)	Equity Value (000)	# of shares (000)	Price per share
Mean	\$11,532,018.74	\$11,885,562.74	130365.377	<b>\$91.17</b>
Median	\$9,078,918.05	\$9,432,462.05	130365.377	<b>\$72.35</b>

Ticker	Name	Market Cap.	Enterprise Value	EBITDA LTM	EBIT LTM	Sales LTM	EV/EBITDA	EV/EBIT	EV/Sales
LULU	Lululemon	\$40,713,100.00	\$40,359,600.00	\$1,052,551.00	\$890,618.00	\$3,979,296.00	38.34x	45.32x	10.14x
NKE	Nike	\$156,654,200.00	\$160,128,200.00	\$5,860,000.00	\$5,180,000.00	\$41,274,000.00	27.33x	30.91x	3.88x
UAA	Under Armour	\$4,041,800.00	\$5,319,300.00	\$274,520.00	\$85,994.00	\$4,992,650.00	19.38x	61.86x	1.07x
ADS	Adidas	\$53,620,300.00	\$57,073,000.00	\$2,692,655.00	\$2,040,328.00	\$25,015,135.00	21.20x	27.97x	2.28x
PUM	Puma	\$11,352,600.00	\$11,867,700.00	\$518,806.00	\$406,945.00	\$6,092,869.00	22.88x	29.16x	1.95x
SEHK	Anta	\$26,337,400.00	\$26,113,700.00	\$1,310,532.00	\$1,251,370.00	\$4,912,636.00	19.93x	20.87x	5.32x
Average		\$50,401,260.0	\$52,100,380.00	\$2,131,302.6	\$1,792,927.4	\$16,457,458.0	22.14x	34.15x	2.90x
Median		\$11,352,600.0	\$26,113,700.00	\$1,310,532.0	\$1,251,370.0	\$6,092,869.0	21.20x	29.16x	2.28x





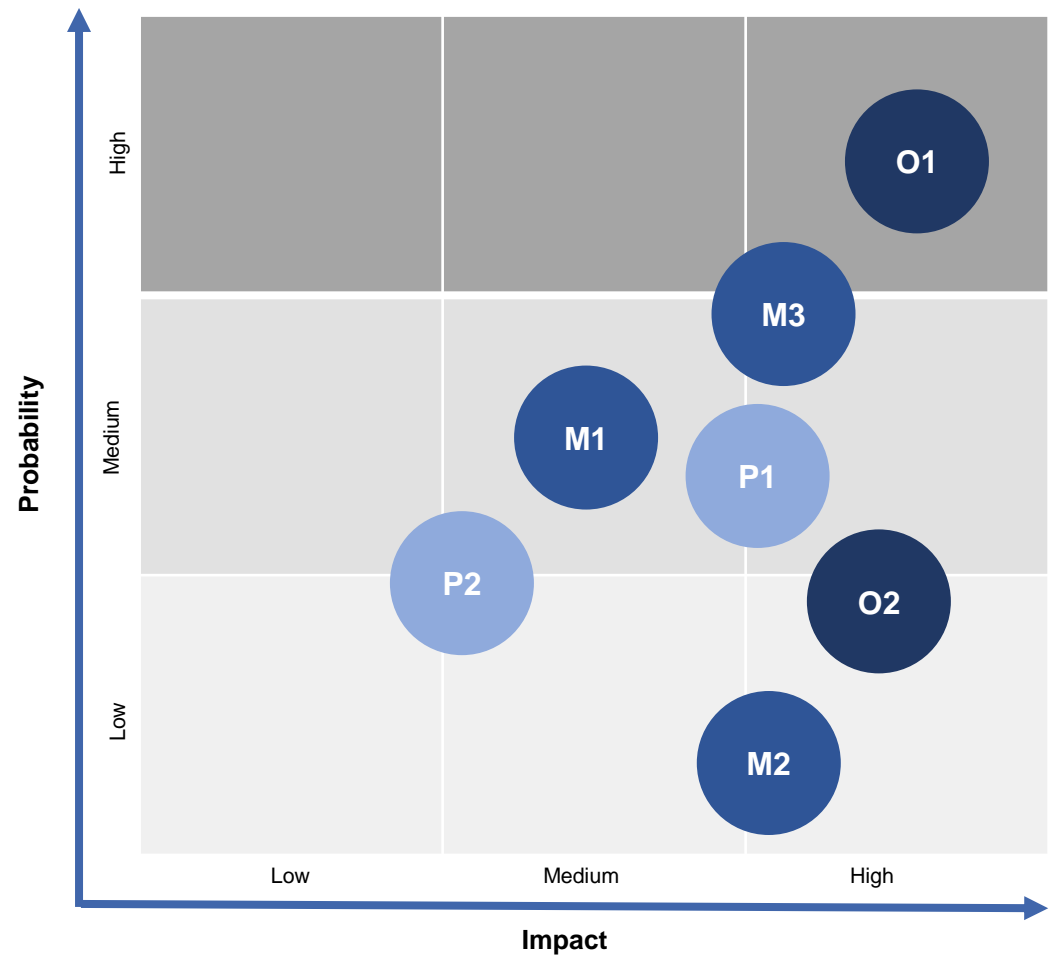
## Risk Analysis



# Risks

Main Risk Categories: Operational (O) – Market (M) – Political (P)

O1	Ability to maintain the value and reputation of the brand
O2	Changing fashion and lifestyle trends
M1	Fabrics and manufacturing technology are not patented and can be easily imitated
M2	Competitors withdrawing market share
M3	Impact of COVID-19 on business activity
P1	Trade restrictions hindering exporting and importing
P2	Suppliers mainly located outside core market (USA)

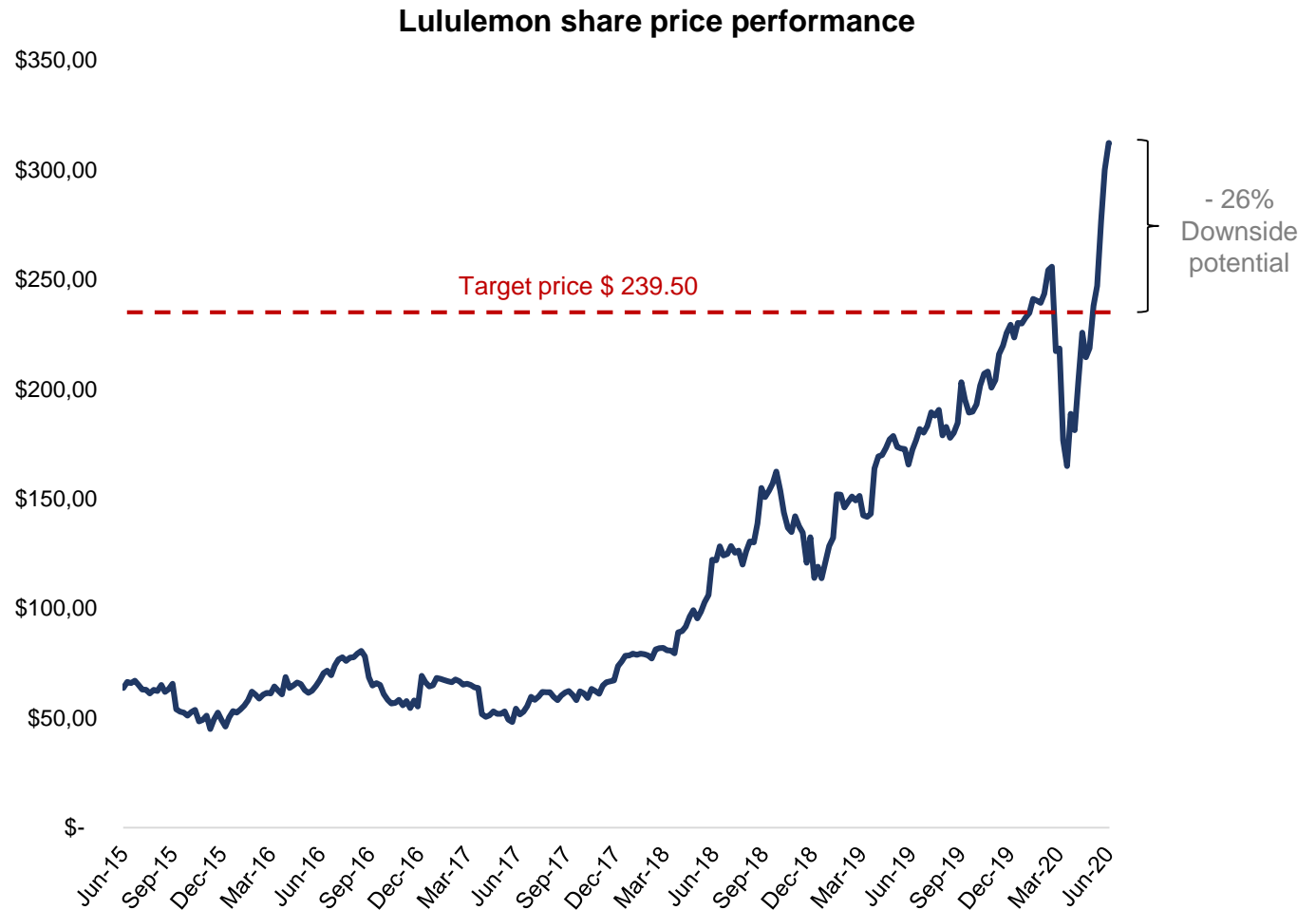
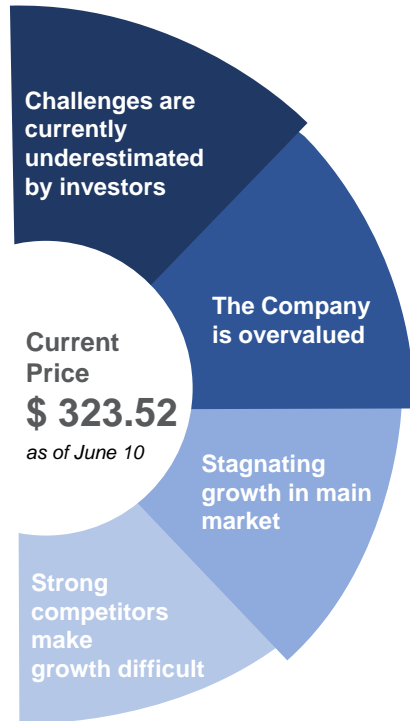




Conclusion

# Conclusion: Sell

Despite promising developments, the current share price can only be justified by unrealistic growth





## Appendix

# Appendix

## Revenue forecast & DCF base scenario

Lululemon Athletica inc.	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022	2023	2024
Annual Standardized in Millions of U.S. Dollars														
Company operated stores	1 516	1 704	1 837	2 126	2 501	300	567	627	972	2 466	3 179	3 778	4 389	5 092
% Growth		12%	8%	16%	18%	-40%	3%	9%	11%	-1%	29%	19%	16%	16%
% Share of Revenue	74%	73%	69%	65%	63%					55%	55%	53%	50%	47%
Direct to consumer	402	453	578	859	1 138	455	350	345	510	1 661	2 242	3 004	3 996	5 194
% Growth		13%	27%	49%	32%	100%	40%	32%	28%	46%	35%	34%	33%	30%
% Share of Revenue	19%	19%	22%	26%	29%					37%	39%	42%	45%	48%
Other	143	187	235	303	340	44	79	85	132	340	375	408	441	472
% Growth		31%	26%	29%	12%	-35%	5%	9%	11%	0%	10%	9%	8%	7%
% Share of Revenue	7%	8%	9%	9%	9%					8%	6%	6%	5%	4%
Total	2 061	2 344	2 649	3 288	3 979	800	996	1 058	1 614	4 467	5 795	7 190	8 826	10 758
						0%	14%	16%	16%	12%	625%	24%	23%	22%

Average square footage per store	2 968	2 941	3 012	3 030	3 127					3 158	3 269	3 383	3 485	3 589
% Change		-0,91%	2,41%	0,60%	3,20%					1,00%	3,50%	3,00%	3,00%	2,70%
Average					1,51%									
Sales per Square Foot	1 541	1 521	1 554	1 579	1 657					0	0	0	0	0
% Change		-1,30%	2,17%	1,61%	4,94%					-100,00%	9,00%	3,00%	2,00%	2,00%
Average					1,89%									
Number of stores	363	406	404	440	491					511	584	651	720	795
Store Growth	61	43	-2	36	51					20	73	67	69	75
Lululemon	40	31	46	36	51									
Iiviva	21	12	-48	0	-2									
Revenue in mn	1 660	1 816	1 891	2 105	2 544					2 466	3 179	3 778	4 389	5 092

Lululemon Athletica inc.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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### DCF Model

Discounted Cash Flow Analysis

WACC

5,789%

Terminal Growth Rate

2,9%

### Free Cash Flow to Firm (FCFF)

Operating Profit		369,0	421,1	487,2	704,5	890,6	982,7	1.304,0	1.689,7	2.206,5	2.797,1
Unlevered Taxes		(102,4)	(119,3)	(142,0)	(224,0)	(251,8)	(290,3)	(376,7)	(467,4)	(573,7)	(699,3)
Net Operating Profit		266,6	301,8	345,2	480,5	638,8	692,4	927,3	1.222,3	1.632,8	2.097,8
+D&A		73,4	87,7	108,2	122,5	161,9	148,3	155,8	180,8	213,0	262,3
+Non-Cash Expenses		6,7	12,3	29,2	6,8	31,7	22,8	29,1	36,1	43,7	53,3
-Capex		(143,5)	(149,5)	(157,9)	(225,8)	(283,0)	(223,3)	(405,7)	(503,3)	(706,1)	(860,6)
-Delta NWC		(286,7)	3,9	(41,4)	(20,9)	(133,6)	(23,5)	(161,6)	(150,4)	(151,4)	(191,4)
Unlevered Free Cash Flow		(83,5)	256,2	283,3	363,1	415,8	616,5	544,9	785,5	1.032,0	1.361,3

Year	1	2	3	4	5	Terminal value
UFCF	616,5	544,9	785,5	1.032,0	1.361,3	35.566,99
PV FCF	582,76	486,87	663,50	824,02	1.027,46	26.843,988

Enterprise value	30.428,59
+Cash	1093,5
-Debt	(152,00)
Equity Value	31.370,1
Shares Outs.	131,0
NPV/share	239,5



# Appendix

## DCF model base scenario

W U T I S

Lululemon Athletica inc.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Income Statement</b>											
Annual Standardised in Millions of U.S. Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>Period End Date</i>		31-Jan-2016	29-Jan-2017	28-Jan-2018	03-Feb-2019	02-Feb-2020					
Revenue	1797,2	2 060,5	2 344,4	2 649,2	3 288,3	3 979,3	4 466,8	5 795,4	7 190,2	8 826,1	10 758,1
Growth		14,65%	13,78%	13,00%	24,12%	21,01%	12,25%	29,74%	24,07%	22,75%	21,89%
Cost of Revenue	883	1 063,4	1 144,8	1 250,4	1 472,0	1 755,9	1 965	2 550	3 092	3 707	4 411
% of revenue	49,13%	51,61%	48,83%	47,20%	44,76%	44,13%	44,00%	44,00%	43,00%	42,00%	41,00%
Gross Profit	914,2	997,1	1 199,6	1 398,8	1 816,3	2 223,4	2 501,4	3 245,4	4 098,4	5 119,1	6 347,3
% of revenue	50,87%	48,39%	51,17%	52,80%	55,24%	55,87%	56,00%	56,00%	57,00%	58,00%	59,00%
Selling/General/Admin. Expenses, Total	538,1	628,1	778,5	911,6	1 111,8	1 332,8	1 518,71	1 941,47	2 408,71	2 912,60	3 550,18
% of revenue	29,94%	30,48%	33,21%	34,41%	33,81%	33,49%	34,00%	33,50%	33,50%	33,00%	33,00%
EBIT	376,1	369,0	421,1	487,2	704,5	890,6	982,7	1 304,0	1 689,7	2 206,5	2 797,1
Interest/Investment Income - Operating	0,0	0,0	0,0	(7,3)	(1,4)	1,5	0,0	0,0	0,0	0,0	0,0
% of revenue	0,00%	0,00%	0,00%	-0,28%	-0,04%	0,04%	0,00%	0,00%	0,00%	0,00%	0,00%
Unusual Expense (Income)	0,0	0,0	0,0	38,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0
% of revenue	0,00%	0,00%	0,00%	1,45%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Operating Income	376,1	369,1	421,2	456,0	705,8	889,1	938,0	1 217,0	1 509,9	1 853,5	2 259,2
% of revenue	20,93%	17,91%	17,97%	17,21%	21,46%	22,34%	21,00%	21,00%	21,00%	21,00%	21,00%
Other Non-Operating Income (Expense)	7,1	(0,6)	1,6	4,0	9,4	8,3	8,3	5,8	7,2	8,8	10,8
% of revenue	0,40%	-0,03%	0,07%	0,15%	0,29%	0,21%	0,10%	0,10%	0,10%	0,10%	0,10%
Net Income Before Taxes	383,2	368,5	422,7	460,0	715,3	897,4	960,4	1 246,0	1 545,9	1 897,6	2 313,0
% of revenue	21,32%	17,88%	18,03%	17,36%	21,75%	22,55%	21,50%	21,50%	21,50%	21,50%	21,50%
Provision for Income Taxes	144,1	102,4	119,3	142,0	224,0	251,8	290,3	376,7	467,4	573,7	699,3
% of revenue	8,02%	4,97%	5,09%	5,36%	6,81%	6,33%	6,50%	6,50%	6,50%	6,50%	6,50%
Net Income After Taxes	239,1	266,0	303,4	318,0	491,3	645,6	670,0	869,3	1 078,5	1 323,9	1 613,7
% of revenue	13,30%	12,91%	12,94%	12,00%	14,94%	16,22%	15,00%	15,00%	15,00%	15,00%	15,00%
Minority Interest	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
% of revenue	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Net Income Before Extra. Items	239,1	266,0	303,4	318,0	491,3	645,6	670,0	869,3	1 078,5	1 323,9	1 613,7
% of revenue	13,30%	12,91%	12,94%	12,00%	14,94%	16,22%	15,00%	15,00%	15,00%	15,00%	15,00%
Extraordinary Item	0	0,0	0,0	(59,3)	(7,5)	0,0	0,0	0,0	0,0	0,0	0,0
% of revenue	0,00%	0,00%	0,00%	-2,24%	-0,23%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Net Income	239,1	266,0	303,4	258,7	483,8	645,6	670,0	869,3	1 078,5	1 323,9	1 613,7
% of revenue	13,30%	12,91%	12,94%	9,77%	14,71%	16,22%	15,00%	15,00%	15,00%	15,00%	15,00%

# Appendix

## DCF model base scenario

### Balance Sheet

Annual Standardised in Millions of U.S. Dollars

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Period End Date	31-Jan-2016	29-Jan-2017	28-Jan-2018	03-Feb-2019	02-Feb-2020						
<b>Assets (\$ Millions)</b>											
Cash and Short Term Investments	664,5	501,5	734,8	990,5	881,3	1 093,5	1543,7	2001,3	2607,1	3286,2	4110,4
Cash & Equivalents	664,5	501,5	734,8	990,5	881,3	1 093,5	1543,7	2001,3	2607,1	3286,2	4110,4
% of total current assets	69,87%	54,69%	63,20%	68,96%	61,66%	60,48%	67,63%	68,41%	70,38%	72,07%	73,34%
Accounts Receivable - Trade, Net	13,7	13,1	9,2	19,2	35,8	40,2	36,7	47,6	59,1	72,5	88,4
Total Receivables, Net	13,7	13,1	9,2	19,2	35,8	40,2	36,7	47,6	59,1	72,5	88,4
% of total current assets	1,44%	1,43%	0,79%	1,34%	2,50%	2,22%	1,61%	1,63%	1,60%	1,59%	1,58%
Total Inventory	208,1	284,0	298,4	329,6	404,8	518,5	546,3	721,0	882,2	1045,4	1249,9
% of total current assets	21,88%	30,97%	25,66%	22,95%	28,32%	28,68%	23,94%	24,64%	23,82%	22,93%	22,30%
Prepaid Expenses	40,5	118,4	120,3	89,2	106,8	155,5	155,5	155,5	155,5	155,5	155,5
% of total current assets	4,26%	12,91%	10,35%	6,21%	7,47%	8,60%	9,00%	9,01%	9,01%	9,01%	9,01%
Other Current Assets, Total	24,1	--	--	7,9	0,5	0,2	0,2	0,2	0,2	0,2	0,2
% of total current assets	2,53%	0,00%	0,00%	0,55%	0,03%	0,01%	0,01%	0,01%	0,01%	0,00%	0,00%
<b>Total Current Assets</b>	<b>951</b>	<b>917,0</b>	<b>1 162,7</b>	<b>1 436,3</b>	<b>1 429,3</b>	<b>1 807,9</b>	<b>2 282,4</b>	<b>2 925,6</b>	<b>3 704,1</b>	<b>4 559,9</b>	<b>5 604,4</b>
Property/Plant/Equipment, Total - Gross	354,4	553,4	701,8	817,4	972,5	1 883,0	1 557,6	1 807,5	2 130,1	2 623,1	3 221,5
% of total asset	27,34%	42,11%	42,34%	40,90%	46,65%	57,38%	39,41%	37,30%	35,82%	35,96%	36,04%
Property/Plant/Equipment, Total - Net	296	349,6	423,5	473,6	567,2	1 361,4	1 012,4	1 138,7	1 278,0	1 573,9	1 932,9
% of total asset	22,84%	26,60%	25,55%	23,70%	27,21%	41,49%	60,64%	59,32%	57,00%	57,54%	57,98%
Accumulated Depreciation, Total	58,4	(203,8)	(278,3)	(343,7)	(405,2)	(521,7)	(545,2)	(668,8)	(852,0)	(1 049,3)	(1 288,6)
% of PPE gross	-16,48%	36,83%	39,66%	42,05%	41,67%	27,71%	35,00%	37,00%	40,00%	40,00%	40,00%
Goodwill, Net	26,2	23,8	24,2	24,6	24,2	24,4	24,4	24,4	24,4	24,4	24,4
% of total asset	2,02%	1,81%	1,46%	1,23%	1,16%	0,74%	1,46%	1,27%	1,09%	0,89%	0,73%
Intangibles, Net	0,0	0,9	0,3	0,1	0,0	0,0	0,0	0,2	0,0	0,3	0,0
% of total asset	0,00%	0,07%	0,02%	0,01%	0,00%	0,00%	0,00%	0,01%	0,00%	0,01%	0,00%
Deferred income tax asset	16	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
% of total asset	30,65%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Other Long Term Assets, Total	7	22,7	46,7	63,9	64,0	87,6	87,6	87,6	87,6	87,6	87,6
% growth	0,54%	1,73%	2,82%	3,20%	3,07%	2,67%	5,25%	4,56%	3,91%	3,20%	2,63%
<b>Total long term assets</b>	<b>345,2</b>	<b>600,8</b>	<b>773,0</b>	<b>906,0</b>	<b>1 060,7</b>	<b>1 995,0</b>	<b>1 669,6</b>	<b>1 919,7</b>	<b>2 242,1</b>	<b>2 735,4</b>	<b>3 333,5</b>
<b>Total Assets</b>	<b>1296,2</b>	<b>1 314,1</b>	<b>1 657,5</b>	<b>1 998,5</b>	<b>2 084,7</b>	<b>3 281,4</b>	<b>3 951,97</b>	<b>4 845,33</b>	<b>5 946,15</b>	<b>7 295,33</b>	<b>8 937,93</b>
<b>Liabilities (\$ Millions)</b>											
Accounts Payable	9,3	10,4	24,8	24,6	95,5	80,0	80,8	104,8	127,1	152,3	181,3
Accrued Expenses	52,2	111,6	107,1	141,5	210,1	359,1	359,1	359,1	359,1	359,1	359,1
Income Taxes payable	20,1										
Notes Payable/Short Term Debt	46,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other Current liabilities, Total	32	103,6	109,5	126,5	194,9	181,3	181,3	181,3	181,3	181,3	181,3
<b>Total Current Liabilities</b>	<b>159,9</b>	<b>225,5</b>	<b>241,4</b>	<b>292,6</b>	<b>500,5</b>	<b>620,4</b>	<b>621,2</b>	<b>645,2</b>	<b>667,5</b>	<b>692,7</b>	<b>721,7</b>
Total Long Term Debt	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Deferred Income Tax	3,6	10,8	7,3	1,3	14,2	43,4	43,4	43,4	43,4	43,4	43,4
Deferred Income Tax - LT Liability	3,6	10,8	7,3	1,3	14,2	43,4	43,4	43,4	43,4	43,4	43,4
Other Liabilities, Total	43,1	50,3	48,9	107,6	124,0	665,3	665,3	665,3	665,3	665,3	665,3
Other Long Term Liabilities	43,1	50,3	48,9	107,6	124,0	665,3	665,3	665,3	665,3	665,3	665,3
<b>Total Liabilities</b>	<b>206,6</b>	<b>286,6</b>	<b>297,6</b>	<b>401,5</b>	<b>638,7</b>	<b>1 329,1</b>	<b>1 329,9</b>	<b>1 353,9</b>	<b>1 376,2</b>	<b>1 401,4</b>	<b>1 430,4</b>
<b>Shareholders Equity (\$ Millions)</b>											
Preferred Stock - Non Redeemable, Net	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Common Stock, Total	0,7	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Additional Paid-In Capital	241,7	245,5	266,6	284,3	315,3	355,5	355,5	355,5	355,5	355,5	355,5
Retained Earnings (Accumulated Deficit)	1020,6	1 019,5	1 294,2	1 455,0	1 346,9	1 820,6	2 490,6	3 359,9	4 438,5	5 762,4	7 376,1
Other Equity, Total	-173,4	(238,2)	(201,5)	(142,9)	(216,8)	(224,6)	(224,6)	(224,6)	(224,6)	(224,6)	(224,6)
<b>Total Equity</b>	<b>1 089,6</b>	<b>1 027,5</b>	<b>1 360,0</b>	<b>1 597,0</b>	<b>1 446,0</b>	<b>1 952,2</b>	<b>2 622,12</b>	<b>3 491,43</b>	<b>4 569,96</b>	<b>5 893,87</b>	<b>7 507,59</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>1 296,2</b>	<b>1 314,1</b>	<b>1 657,5</b>	<b>1 998,5</b>	<b>2 084,7</b>	<b>3 281,4</b>	<b>3 951,99</b>	<b>4 845,33</b>	<b>5 946,12</b>	<b>7 295,31</b>	<b>8 937,95</b>

Sources:

# Appendix

## DCF model base scenario

### Cash Flow

Annual Standardised in Millions of U.S. Dollars

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Period End Date	31-Jan-2016	29-Jan-2017	28-Jan-2018	03-Feb-2019	02-Feb-2020						
<b>Cash Flow-Operating Activities (\$ Millions)</b>											
Net Income/Starting Line	239,0	266,0	303,4	258,7	483,8	645,6	670,0	869,3	1 078,5	1 323,9	1 613,7
Depreciation/Depletion	58,4	73,4	87,7	108,2	122,5	161,9	148,3	155,8	180,8	213,0	262,3
Deferred Taxes	2,1	11,1	(17,6)	(11,4)	16,8	24,1					
Non-Cash Items	6,801	6,7	12,3	29,2	6,8	31,7	22,8	29,1	36,1	43,7	53,3
Unusual Items		0,0	0,0	17,8	(14,9)	(1,9)					
Other Non-Cash Items	6,8	6,7	12,3	11,4	21,7	33,7					
Changes in Working Capital	8,655	(59,7)	0,6	104,6	112,9	(194,1)	(23,5)	(161,6)	(150,4)	(151,4)	(191,4)
<b>Cash from Operating Activities</b>	<b>315,0</b>	<b>297,5</b>	<b>386,4</b>	<b>489,3</b>	<b>742,8</b>	<b>669,3</b>	<b>817,50</b>	<b>892,59</b>	<b>1 145,03</b>	<b>1 429,21</b>	<b>1 737,87</b>
<b>Cash Flow-Investing Activities (\$ Millions)</b>											
Capital Expenditures	-119,7	(143,5)	(149,5)	(157,9)	(225,8)	(283,0)	(223,3)	(405,7)	(503,3)	(706,1)	(860,6)
Other Investing Cash Flow Items, Total	0	0,0	0,0	(15,5)	(17,0)	4,6	0,0	0,0	0,0	0,0	0,0
<b>Cash from Investing Activities</b>	<b>-119,7</b>	<b>(143,5)</b>	<b>(149,5)</b>	<b>(173,4)</b>	<b>(242,8)</b>	<b>(278,4)</b>	<b>(223,3)</b>	<b>(405,7)</b>	<b>(503,3)</b>	<b>(706,1)</b>	<b>(860,6)</b>
<b>Cash Flow-Financing Activities (\$ Millions)</b>											
Financing Cash Flow Items	-2,059	1,7	2,7	2,4	8,1	(3,8)	2,0	2,0	2,0	2,0	2,0
Issuance (Retirement) of Stock, Net	-147,4	(274,2)	(29,3)	(100,3)	(598,3)	(173,4)	(147,0)	(30,9)	(36,2)	(43,7)	(50,1)
<b>Cash from Financing Activities</b>	<b>-149,459</b>	<b>(272,5)</b>	<b>(26,6)</b>	<b>(97,9)</b>	<b>(590,2)</b>	<b>(177,2)</b>	<b>(145,0)</b>	<b>(28,9)</b>	<b>(34,2)</b>	<b>(41,7)</b>	<b>(48,1)</b>
Foreign Exchange Effects	-79,8	(44,6)	23,1	37,6	(19,0)	(1,6)	1,0	(0,4)	(1,7)	(2,3)	(4,9)
Net Change in Cash	-34,2	(163,0)	233,4	255,7	(109,2)	212,2	450,2	457,6	605,8	679,1	824,2
Net Cash - Beginning Balance	698,6	664,5	501,5	734,8	990,5	881,3	1 093,5	1 543,7	2 001,3	2 607,1	3 286,2
Net Cash - Ending Balance	664,5	501,5	734,8	990,5	881,3	1 093,5	1 543,7	2 001,3	2 607,1	3 286,2	4 110,4
Cash Interest Paid		0,1	5,2	0,0	1,4	0,3					
Cash Taxes Paid		113,5	132,4	137,8	177,0	305,5					
<b>Net Changes in Working Capital</b>		<b>(59,7)</b>	<b>0,6</b>	<b>104,6</b>	<b>112,9</b>	<b>(194,1)</b>					
<b>Schedules</b>											
<b>PP&amp;E Schedule</b>											
Opening Balance	296,0	349,6	423,5	473,6	567,2	1 361,4	1 482,5	1 557,6	1 807,5	2 130,1	2 623,1
Less: Depreciation	(58,4)	(73,4)	(87,7)	(108,2)	(122,5)	(161,9)	(148,3)	(155,8)	(180,8)	(213,0)	(262,3)
Plus: Capex	119,7	143,5	149,5	157,9	225,8	283,0	223,3	405,7	503,3	706,1	860,6
Plus: Other Net Additions	(7,7)	3,8	(11,7)	43,9	690,9						
<b>Closing Balance</b>	<b>349,6</b>	<b>423,5</b>	<b>473,6</b>	<b>567,2</b>	<b>1 361,4</b>	<b>1 482,5</b>	<b>1 557,6</b>	<b>1 807,5</b>	<b>2 130,1</b>	<b>2 623,1</b>	<b>3 221,5</b>
<b>PP&amp;E on Balance Sheet</b>	<b>349,6</b>	<b>423,5</b>	<b>473,6</b>	<b>567,2</b>	<b>1 361,4</b>	<b>1 482,5</b>	<b>1 557,6</b>	<b>1 807,5</b>	<b>2 130,1</b>	<b>2 623,1</b>	<b>3 221,5</b>
<b>Debt Schedule</b>											
Debt Opening	-	-	-	-	-	-	-	-	-	-	-
Issuance (repayment)	-	-	-	-	-	-	-	-	-	-	-
<b>Debt Closing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest Expense	-	-	-	-	-	-	-	-	-	-	-
Interest Rate	-	-	-	-	-	-	-	-	-	-	-
<b>Net Working Capital</b>											
Receivables		13,1	9,2	19,2	35,8	40,2	36,7	47,6	59,1	72,5	88,4
Inventory		284,0	298,4	329,6	404,8	518,5	546,3	721,0	882,2	1 045,4	1 249,9
Payables		10,4	24,8	24,6	95,5	80,0	80,8	104,8	127,1	152,3	181,3
Net Working Capital		286,7	282,8	324,2	345,1	478,7	502,2	663,9	814,2	965,6	1 157,0
<b>Change in NWC</b>		<b>286,7</b>	<b>(3,9)</b>	<b>41,4</b>	<b>20,9</b>	<b>133,6</b>	<b>23,5</b>	<b>161,6</b>	<b>150,4</b>	<b>151,4</b>	<b>191,4</b>
Change in Accounts receivables			3,90	(10,00)	(16,60)	(4,40)	3,49	(10,92)	(11,46)	(13,45)	(15,88)
Change in Inventories			(14,40)	(31,20)	(75,20)	(113,70)	(27,80)	(174,71)	(161,18)	(163,23)	(204,47)
Change in payables			14,40	(0,20)	70,90	(15,50)	0,77	24,02	22,27	25,28	28,93
Change in NWC			3,90	(41,40)	(20,90)	(133,60)	(23,55)	(161,60)	(150,38)	(151,39)	(191,42)



# Appendix

## DCF optimistic scenario & WACC calculation

Lululemon Athletica inc.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
Discounted Cash Flow Analysis													
WACC	5,789%												
Terminal Growth Rate	2,9%												
Free Cash Flow to Firm (FCFF)													
Operating Profit		369,0	421,1	487,2	704,5	890,6	1 098,3	1 432,5	1 790,7	2 405,5	3 186,3		
Unlevered Taxes		(102,4)	(119,3)	(142,0)	(224,0)	(251,8)	(310,4)	(388,0)	(485,0)	(601,4)	(739,7)		
Net Operating Profit		266,6	301,8	345,2	480,5	638,8	787,9	1 044,6	1 305,7	1 804,1	2 446,7		
+D&A		73,4	87,7	108,2	122,5	161,9	148,3	166,9	191,9	225,0	276,5		
+Non-Cash Expenses		6,7	12,3	29,2	6,8	31,7	23,6	28,7	35,8	44,4	52,9		
-Capex		(143,5)	(149,5)	(157,9)	(225,8)	(283,0)	(334,3)	(417,8)	(522,3)	(740,1)	(910,4)		
-Delta NWC		(286,7)	3,9	(41,4)	(20,9)	(133,6)	(58,2)	(146,8)	(179,4)	(149,1)	(211,7)		
Unlevered Free Cash Flow		(83,5)	256,2	283,3	363,1	415,8	567,3	675,4	831,8	1 184,3	1 654,0		

Valuation Date						Terminal Value	
Year	Frac	1,00	2,00	3,00	4,00	5,00	5,00
UFCF		567,3	675,4	831,8	1 184,3	1 654,0	
PV FCFF		536,3	603,5	702,6	945,6	1 248,3	29 400,5
Enterprise V:		33 436,7					
+Cash		1093,5					
-Debt		0					
Equity Value		34 530,2					
Shares Outs:		131 000 000,0					
NPV/share		263,6					

### Financial Ratios

Revenue Growth (% Change)	14,65%	13,78%	13,00%	24,12%	21,01%	20,00%	25,00%	25,00%	24,00%	23,00%		
Gross Profit Growth	20,43%	7,65%	9,22%	17,72%	19,29%	19,66%	25,00%	25,00%	18,36%	20,07%		
EBITDA Growth												
EBIT Growth	-1,89%	14,12%	15,70%	44,60%	26,42%	23,32%	30,43%	25,00%	34,33%	32,46%		
Net Profit Growth	11,25%	14,06%	-14,73%	87,01%	33,44%	10,95%	25,00%	25,00%	24,00%	23,00%		
Gross Margin	50,87%	48,39%	51,17%	52,80%	55,24%	55,87%	54%	54%	54%	54%		
EBITDA Margin												
EBIT Margin	20,93%	17,91%	17,96%	18,39%	21,42%	22,38%	21,00%	21,00%	21,00%	21,00%		
GOGS Margin	49,13%	51,61%	48,83%	47,20%	44,76%	44,13%	46,00%	46,00%	46,00%	46,00%		
SG&A Margin	29,94%	33,21%	34,41%	33,81%	33,49%	33,50%	33,50%	33,50%	33,50%	33,50%		
Other Operating Income Margin	20,93%	17,91%	17,97%	17,21%	21,46%	22,34%	20,00%	20,00%	20,00%	20,00%		
Financial Income Margin (% of ST Investments)												
Financial Costs Margin (% of adj. Liabilities)												
Depreciation & Amortization (% of PP&E Opening)	16,48%	13,24%	12,49%	13,24%	12,60%	8,60%	10%	10%	10%	10%		
Non-Cash items (% SG&A)	1,26%	1,07%	1,58%	3,20%	0,61%	2,38%	2%	2%	2%	2%		
Tax Rate (% GOG)	37,60%	27,79%	28,22%	30,87%	31,32%	28,06%	28%	28%	28%	28%		
Accounts Receivable Days	2,78	2,32	1,43	2,65	3,97	3,69	3,00	3,00	3,00	3,00	2,81	
Inventory Days	86,02	97,48	95,14	96,21	100,38	107,78	101,46	103,20	104,15	102,94	99,40	
Accounts Payable Days	3,84	3,57	7,91	7,18	23,68	16,63	15,00	15,00	15,00	15,00	11,79	
Change in Goodwill			40,00%	40,00%	-40,00%	20,00%	20%	0%	20%	0%	20%	
Change in ST Assets			26,79%	23,53%	-0,49%	26,49%	20%	20%	20%	20%	20%	
Change in LT Other Assets			105,73%	36,83%	0,16%	36,88%	30,00%	30,00%	30,00%	30,00%	30,00%	
Change in Intangible Assets			-67%	-67%	-100%	#DIV/0!	0%	0%	0%	0%	0%	
Cash Capex (% of Revenue)	6,66%	6,96%	6,38%	5,96%	6,87%	7,11%	7,00%	7,00%	7,00%	8,00%	8,00%	

Lululemon Athletica inc.	
Cost of Equity	
Risk-free	0,66%
beta	0,89
Equity premium	6,01%
Cost of Equity	6,04%
Unlevered Beta	
Levered Beta	0,89
Cost of Debt	
Senior Note	3,57%
After Tax	3%
Debt	152 000 000,0
Equity	1 952 218 000,0
Cost of debt	2,61%
% of Debt	7,22%
Cost of equity	6,04%
% of Equity	92,78%
WACC	5,79%
	5,00%

# Appendix

## Reverse DCF

Lululemon Athletica inc.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
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### DCF Model

Discounted Cash Flow Analysis

WACC

5,789%

Terminal Growth Rate

2,9%

	2 016,0	2 017,0	2 018,0	2 019,0	2 020,0	2 021,0	2 022,0	2 023,0	2 024,0	2 025,0
Free Cash Flow to Firm (FCFF)										
Operating Profit	369,0	421,1	487,2	704,5	890,6	1 171,5	1 638,1	2 178,6	3 091,8	4 361,9
Unlevered Taxes	(102,4)	(119,3)	(142,0)	(224,0)	(251,8)	(331,1)	(443,6)	(590,0)	(773,0)	(1 012,6)
Net Operating Profit	266,6	301,8	345,2	480,5	638,8	840,4	1 194,4	1 588,6	2 318,9	3 349,3
+D&A	73,4	87,7	108,2	122,5	161,9	148,3	169,1	199,9	243,5	314,3
+Non-Cash Expenses	6,7	12,3	29,2	6,8	31,7	25,2	32,8	43,6	57,1	72,4
-Capex	(143,5)	(149,5)	(157,9)	(225,8)	(283,0)	(356,5)	(477,8)	(635,4)	(951,3)	(1 246,3)
-Delta NWC	(286,7)	3,9	(41,4)	(20,9)	(133,6)	(94,0)	(209,1)	(268,3)	(250,9)	(374,4)
Unlevered Free Cash Flow	(83,5)	256,2	283,3	363,1	415,8	563,3	709,4	928,4	1 417,2	2 115,4

Valuation Date	Terminal Value					
Year Frac	1,0	2,0	3,0	4,0	5,0	5,0
UFCF	563,3	709,4	928,4	1 417,2	2 115,4	
PV FCFF	633,9	784,1	1 131,6	1 596,6	1 099,9	38 388,9
Enterprise \	43001,128					
+Cash	1093,5					
-Debt	740,0					
Equity Value	42117,68					
Shares Out:	131000000					
NPV/share	321,5					

# Appendix

## Reverse DCF

Lululemon Athletica inc.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Financial Ratios</b>											
Revenue Growth (% Change)		14,65%	13,78%	13,00%	24,12%	21,01%	28,00%	34,00%	33,00%	31,00%	31,00%
Gross Profit Growth		20,43%	7,65%	9,22%	17,72%	19,29%	27,63%	34,00%	33,00%	25,05%	27,88%
EBITDA Growth											
EBIT Growth		-1,89%	14,12%	15,70%	44,60%	26,42%	31,54%	39,83%	33,00%	41,92%	41,08%
Net Profit Growth		11,25%	14,06%	-14,73%	87,01%	33,44%	18,34%	34,00%	33,00%	31,00%	31,00%
Gross Margin	50,87%	48,39%	51,17%	52,80%	55,24%	55,87%	54%	54%	54%	54%	54%
EBITDA Margin											
EBIT Margin	20,93%	17,91%	17,96%	18,39%	21,42%	22,38%	21,00%	21,00%	21,00%	21,00%	21,00%
GOGS Margin	49,13%	51,61%	48,83%	47,20%	44,76%	44,13%	46,00%	46,00%	46,00%	46,00%	46,00%
SG&A Margin	29,94%	30,48%	33,21%	34,41%	33,81%	33,49%	33,50%	33,50%	33,50%	33,50%	33,50%
Other Operating Income Margin	20,93%	17,91%	17,97%	17,21%	21,46%	22,34%	20,00%	20,00%	20,00%	20,00%	20,00%
Financial Income Margin (% of ST Investments)											
Financial Costs Margin (% of adj. Liabilities)											
Depreciation & Amortization (% of PP&E Opening)	16,48%	13,24%	12,49%	13,24%	12,60%	8,60%	10%	10%	10%	10%	10%
Non-Cash items (% SG&A)	1,26%	1,07%	1,58%	3,20%	0,61%	2,38%	2%	2%	2%	2%	2%
Tax Rate (% GOG)	37,60%	27,79%	28,22%	30,87%	31,32%	28,06%	28%	28%	28%	28%	28%
Accounts Receivable Days	2,78	2,32	1,43	2,65	3,97	3,69	3,00	3,00	3,00	3,00	3,00
Inventory Days	86,02	97,48	95,14	96,21	100,38	107,78	101,46	103,20	104,15	102,94	103,43
Accounts Payable Days	3,84	3,57	7,91	7,18	23,68	16,63	15,00	15,00	15,00	15,00	15,00
Change in Goodwill			40,00%	40,00%	-40,00%	20,00%	20%	0%	20%	0%	20%
Change in ST Assets			26,79%	23,53%	-0,49%	26,49%	20%	20%	20%	20%	20%
Change in LT Other Assets			105,73%	36,83%	0,16%	36,88%	30,00%	30,00%	30,00%	30,00%	30,00%
Change in Intangible Assets			-67%	-67%	-100%	#DIV/0!	0%	0%	0%	0%	0%
Cash Capex (% of Revenue)	6,66%	6,96%	6,38%	5,96%	6,87%	7,11%	7,00%	7,00%	7,00%	8,00%	8,00%

# Appendix

## Reverse DCF

### Income Statement

Annual Standardised in Millions of U.S. Dollars

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>Period End Date</i>		<i>31-Jan-2016</i>	<i>29-Jan-2017</i>	<i>28-Jan-2018</i>	<i>03-Feb-2019</i>	<i>02-Feb-2020</i>					
Revenue	1797,2	2 060,5	2 344,4	2 649,2	3 288,3	3 979,3	5 093,5	6 825,3	9 077,6	11 891,7	15 578,1
Growth		14,65%	13,78%	13,00%	24,12%	21,01%	28,00%	34,00%	33,00%	31,00%	31,00%
Cost of Revenue	883	1 063,4	1 144,8	1 250,4	1 472,0	1 755,9	2 241	3 003	3 994	4 995	6 387
% of revenue	49,13%	51,61%	48,83%	47,20%	44,76%	44,13%	44,00%	44,00%	44,00%	42,00%	41,00%
Gross Profit	914,2	997,1	1 199,6	1 398,8	1 816,3	2 223,4	2 852,4	3 822,2	5 083,5	6 897,2	9 191,1
% of revenue	50,87%	48,39%	51,17%	52,80%	55,24%	55,87%	56,00%	56,00%	56,00%	58,00%	59,00%
Selling/General/Admin. Expenses, Total	538,1	628,1	778,5	911,6	1 111,8	1 332,8	1 680,9	2 184,1	2 904,8	3 805,3	4 829,2
% of revenue	29,94%	30,48%	33,21%	34,41%	33,81%	33,49%	33,00%	32,00%	32,00%	32,00%	31,00%
EBIT	376,1	369,0	421,1	487,2	704,5	890,6	1 171,5	1 638,1	2 178,6	3 091,8	4 361,9
Interest/Investment Income - Operating	0,0	0,0	0,0	(7,3)	(1,4)	1,5	0,0	0,0	0,0	0,0	0,0
% of revenue	0,00%	0,00%	0,00%	-0,28%	-0,04%	0,04%	0,00%	0,00%	0,00%	0,00%	0,00%
Unusual Expense (Income)	0,0	0,0	0,0	38,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0
% of revenue	0,00%	0,00%	0,00%	1,45%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Operating Income	376,1	369,1	421,2	456,0	705,8	889,1	1 069,6	1 433,3	1 906,3	2 497,3	3 271,4
% of revenue	20,93%	17,91%	17,97%	17,21%	21,46%	22,34%	21,00%	21,00%	21,00%	21,00%	21,00%
Other Non-Operating Income (Expense)	7,1	(0,6)	1,6	4,0	9,4	8,3	8,3	6,8	9,1	11,9	15,6
% of revenue	0,40%	-0,03%	0,07%	0,15%	0,29%	0,21%	0,10%	0,10%	0,10%	0,10%	0,10%
Net Income Before Taxes	383,2	368,5	422,7	460,0	715,3	897,4	1 095,1	1 467,4	1 951,7	2 556,7	3 349,3
% of revenue	21,32%	17,88%	18,03%	17,36%	21,75%	22,55%	21,50%	21,50%	21,50%	21,50%	21,50%
Provision for Income Taxes	144,1	102,4	119,3	142,0	224,0	251,8	331,1	443,6	590,0	773,0	1 012,6
% of revenue	8,02%	4,97%	5,09%	5,36%	6,81%	6,33%	6,50%	6,50%	6,50%	6,50%	6,50%
Net Income After Taxes	239,1	266,0	303,4	318,0	491,3	645,6	764,0	1 023,8	1 361,6	1 783,8	2 336,7
% of revenue	13,30%	12,91%	12,94%	12,00%	14,94%	16,22%	15,00%	15,00%	15,00%	15,00%	15,00%
Minority Interest	0	0,0	0,0	0,0	0,0	0,0	0	0	0	0	0
% of revenue	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Net Income Before Extra. Items	239,1	266,0	303,4	318,0	491,3	645,6	764,0	1 023,8	1 361,6	1 783,8	2 336,7
% of revenue	13,30%	12,91%	12,94%	12,00%	14,94%	16,22%	15,00%	15,00%	15,00%	15,00%	15,00%
Extraordinary Item	0	0,0	0,0	(59,3)	(7,5)	0,0	0,0	0,0	0,0	0,0	0,0
% of revenue	0,00%	0,00%	0,00%	(0,0)	(0,0)	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Net Income	239,1	266,0	303,4	258,7	483,8	645,6	764,0	1 023,8	1 361,6	1 783,8	2 336,7
% of revenue	13,30%	12,91%	12,94%	9,77%	14,71%	16,22%	15,00%	15,00%	15,00%	15,00%	15,00%

# Appendix

## CCA – core peer group

Name	Market Cap.	Net debt	Enterprise Value	Net income	EBITDA LTM	EBIT LTM	Sales LTM	Equity	EV/EBITDA	EV/EBIT	EV/Sales	P/E	Price/Book
Lululemon	\$40,713,100.00	-\$353,544.00	\$40,359,600.00	\$645,596.00	\$1,052,551.00	\$890,618.00	\$3,979,296.00	\$1,952,218.00	38.34x	45.32x	10.14x	63.06x	20.85x
Nike	\$156,654,200.00	\$3,474,000.00	\$160,128,200.00	\$4,318,000.00	\$5,860,000.00	\$5,180,000.00	\$41,274,000.00	\$9,045,000.00	27.33x	30.91x	3.88x	36.28x	17.32x
Under Armour	\$4,041,800.00	\$1,277,475.00	\$5,319,300.00	-\$520,019.00	\$274,520.00	\$85,994.00	\$4,992,650.00	\$1,550,180.00	19.38x	61.86x	1.07x	n.a.	2.61x
Adidas	\$53,620,300.00	\$3,115,385.00	\$57,073,000.00	\$1,528,024.00	\$2,692,655.00	\$2,040,328.00	\$25,015,135.00	\$7,614,286.00	21.20x	27.97x	2.28x	35.09x	7.04x
Puma	\$11,352,600.00	\$508,681.00	\$11,867,700.00	\$226,925.00	\$518,806.00	\$406,945.00	\$6,092,869.00	\$2,150,989.00	22.88x	29.16x	1.95x	50.03x	5.28x
Anta	\$26,337,400.00	-\$368,806.00	\$26,113,700.00	\$773,814.00	\$1,310,532.00	\$1,251,370.00	\$4,912,636.00	\$3,024,761.00	19.93x	20.87x	5.32x	34.04x	8.71x
Average									22.14x	34.15x	2.90x	38.86x	8.19x
Median									21.20x	29.16x	2.28x	35.69x	7.04x
Implied Enterprise Value									\$22,309,669.54	\$25,973,011.68	\$9,078,918.05	\$22,684,746.32	\$13,394,102.83
Net debt									-\$353,544.00	-\$353,544.00	-\$353,544.00	-\$353,544.00	-\$353,544.00
Equity Value									\$22,663,213.54	\$26,326,555.68	\$9,432,462.05	\$23,038,290.32	\$13,747,646.83
Shares outstanding									130365.377	130365.377	130365.377	130365.377	130365.377
Equity Value per share									\$173.84	\$201.94	\$72.35	\$176.72	\$105.45

# Appendix

## CCA – extended peer group

Name	Market Cap.	Net debt	Enterprise Value	Net income	EBITDA LTM	EBIT LTM	Sales LTM	Equity	EV/EBITDA	EV/EBIT	EV/Sales	P/E	Price/Book
Lululemon	\$40,713,100.00	-\$353,544.00	\$40,359,600.00	\$645,596.00	\$1,052,551.00	\$890,618.00	\$3,979,296.00	\$1,952,218.00	38.34x	45.32x	10.14x	63.06x	20.85x
Nike	\$156,654,200.00	\$3,474,000.00	\$160,128,200.00	\$4,318,000.00	\$5,860,000.00	\$5,180,000.00	\$41,274,000.00	\$9,045,000.00	27.33x	30.91x	3.88x	36.28x	17.32x
Under Armour	\$4,041,800.00	\$1,277,475.00	\$5,319,300.00	-\$520,019.00	\$274,520.00	\$85,994.00	\$4,992,650.00	\$1,550,180.00	19.38x	61.86x	1.07x	n.a.	2.61x
Adidas	\$53,620,300.00	\$3,115,385.00	\$57,073,000.00	\$1,528,024.00	\$2,692,655.00	\$2,040,328.00	\$25,015,135.00	\$7,614,286.00	21.20x	27.97x	2.28x	35.09x	7.04x
GAP	\$3,968,600.00	\$6,023,000.00	\$9,991,600.00	\$351,000.00	\$1,593,000.00	\$1,036,000.00	\$16,383,000.00	\$3,316,000.00	6.27x	9.64x	0.61x	11.31x	1.20x
Abercrombie	\$741,800.00	\$1,229,810.00	\$1,979,400.00	-\$185,635.00	\$146,536.00	-\$6,778.00	\$3,374,460.00	\$798,066.00	13.51x	n.a.	0.59x	n.a.	0.93x
Puma	\$11,352,600.00	\$508,681.00	\$11,867,700.00	\$226,925.00	\$518,806.00	\$406,945.00	\$6,092,869.00	\$2,150,989.00	22.88x	29.16x	1.95x	50.03x	5.28x
Columbia	\$5,052,200.00	-\$67,909.00	\$4,984,200.00	\$256,525.00	\$371,822.00	\$305,026.00	\$2,956,098.00	\$1,696,591.00	13.40x	16.34x	1.69x	19.69x	2.98x
Anta	\$26,337,400.00	-\$368,806.00	\$26,113,700.00	\$773,814.00	\$1,310,532.00	\$1,251,370.00	\$4,912,636.00	\$3,024,761.00	19.93x	20.87x	5.32x	34.04x	8.71x
Ralph Lauren	\$5,695,700.00	-\$1,057,600.00	\$6,806,500.00	\$430,900.00	\$973,900.00	\$706,700.00	\$6,313,000.00	\$3,287,200.00	6.99x	9.63x	1.08x	13.22x	1.73x
Average									18.92x	27.97x	2.86x	32.84x	6.86x
Median									19.65x	27.97x	1.82x	34.56x	4.13x
Implied Enterprise Value									\$20,684,079.85	\$24,912,779.28	\$7,230,133.34	\$21,960,544.31	\$7,704,924.03
Net debt									-\$353,544.00	-\$353,544.00	-\$353,544.00	-\$353,544.00	-\$353,544.00
Equity Value									\$21,037,623.85	\$25,266,323.28	\$7,583,677.34	\$22,314,088.31	\$8,058,468.03
Shares outstanding									130365.377	130365.377	130365.377	130365.377	130365.377
Equity Value per share									\$161.37	\$193.81	\$58.17	\$171.17	\$61.81

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# BACKUP SLIDES

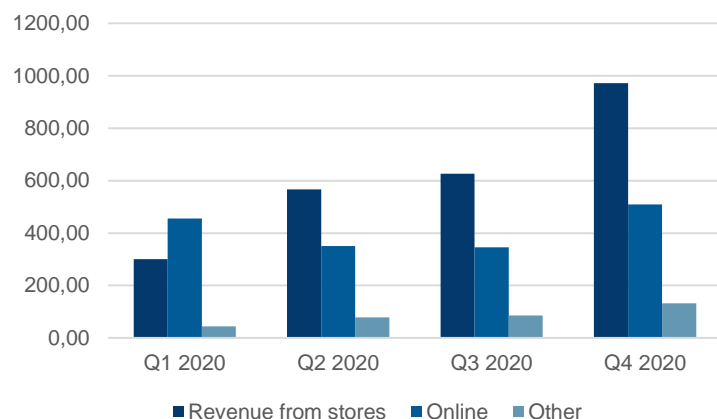


# DCF additional information

The COVID-19 impact on the company was mild, however it harmed its strategy goals

## Key Financials

### Revenue forecast 2020 and COVID-19 impact on revenue



### The company is highly dependent on seasonal sales

	2020	2021	2022	2023	2024
Operating Profit	982,7	1.304,0	1.689,7	2.206,5	2.797,1
Unlevered Taxes	(290,3)	(376,7)	(467,4)	(573,7)	(699,3)
<b>Net Operating Profit</b>	<b>692,4</b>	<b>927,3</b>	<b>1.222,3</b>	<b>1.632,8</b>	<b>2.097,8</b>
+D&A	148,3	155,8	180,8	213,0	262,3
+Non-Cash Expenses	22,8	29,1	36,1	43,7	53,3
- Capex	(223,3)	(405,7)	(503,3)	(706,1)	(860,6)
- Delta NWC	(23,5)	(161,6)	(150,4)	(151,4)	(191,4)
<b>Unlevered FCF</b>	<b>616,5</b>	<b>544,9</b>	<b>785,5</b>	<b>1.032,0</b>	<b>1.361,3</b>

### Key assumptions about COVID-19

- The in-store revenue **strongly impacted in Q1** due to lock-down;
- The **online sale** make up for the loss: with an +200% in April; we foreseen that the trend will continue through out the year due to a **change in the customers habits**.
- During the corona lockdown, many people start practicing sport at home, **boosting the sport wear industry**. Lululemon is among the company which perform better in this segment according to the available data.
- **Q1** usually makes up just the **20%** of the total revenue. 35% of the lululemon products are usually sold in Q4. Therefore, the company has **still time to recover** the in-store revenue lost due to COVID-19;
- The company has a **flexible costs structure**, therefore, the margins won't be considerably impacted (COGS +0,2%; SG&A +0,5%)

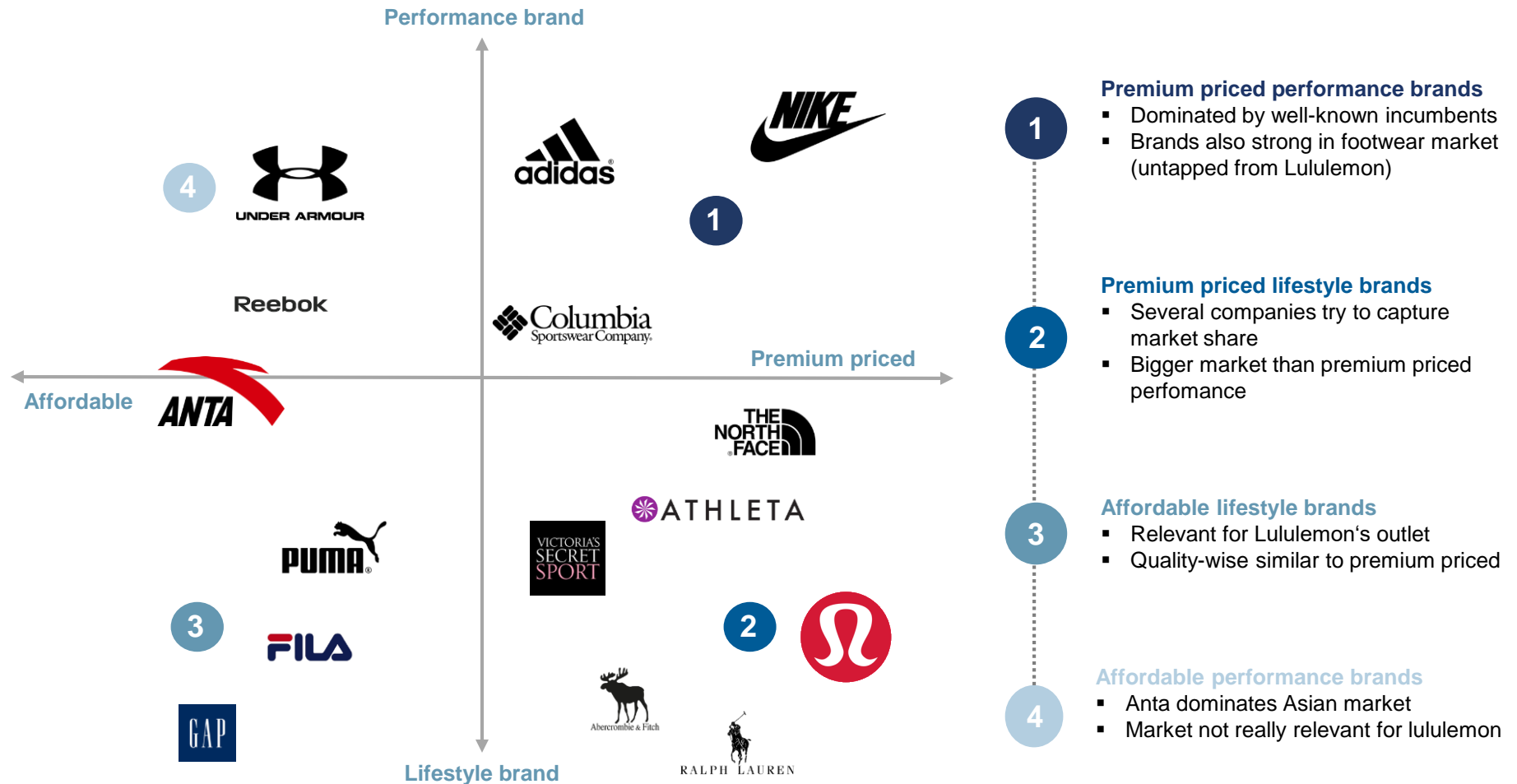
### Profitability margins increased but a slow pace

- Sources

Source Name	Link	Date of Retrieval	Used for
		05.10.2019	Business Model
Statista	<a href="https://www.statista.com/topics/2975/lululemon-athletica/">https://www.statista.com/topics/2975/lululemon-athletica/</a>	28.05.2020	Industry Analysis
FBCI Group	<a href="https://www.fbcigroup.com/sites/default/files/Apparel_Industry_Series_2019_Part1.pdf">https://www.fbcigroup.com/sites/default/files/Apparel_Industry_Series_2019_Part1.pdf</a>	04.06.2020	Industry Analysis
Morningstar	Morningstar Lululemon Equity Research Report	03.06.2020	Industry Analysis

# However, fierce competition in the premium priced apparel sector is present, making continuous growth for lululemon extremely difficult

## Competitive Landscape



Size of the logo correlates with the competition

# Industry Overview II

The athleisure trend is a crucial growth driver of the sports apparel industry

## The Athleisure Trend



The **athleisure trend** is a mix of sports and everyday clothes and represents an active and healthy lifestyle

## Outcome of Survey in the US (2018)



10% of people surveyed had **no preference** at all

## Target Group of Athleisure Trend



Size of figures correlates with importance of customer group

## Industry and Trend at a Glance

Lululemon tries to expand their (relatively narrow) target group continuously, targeting new customer groups like men

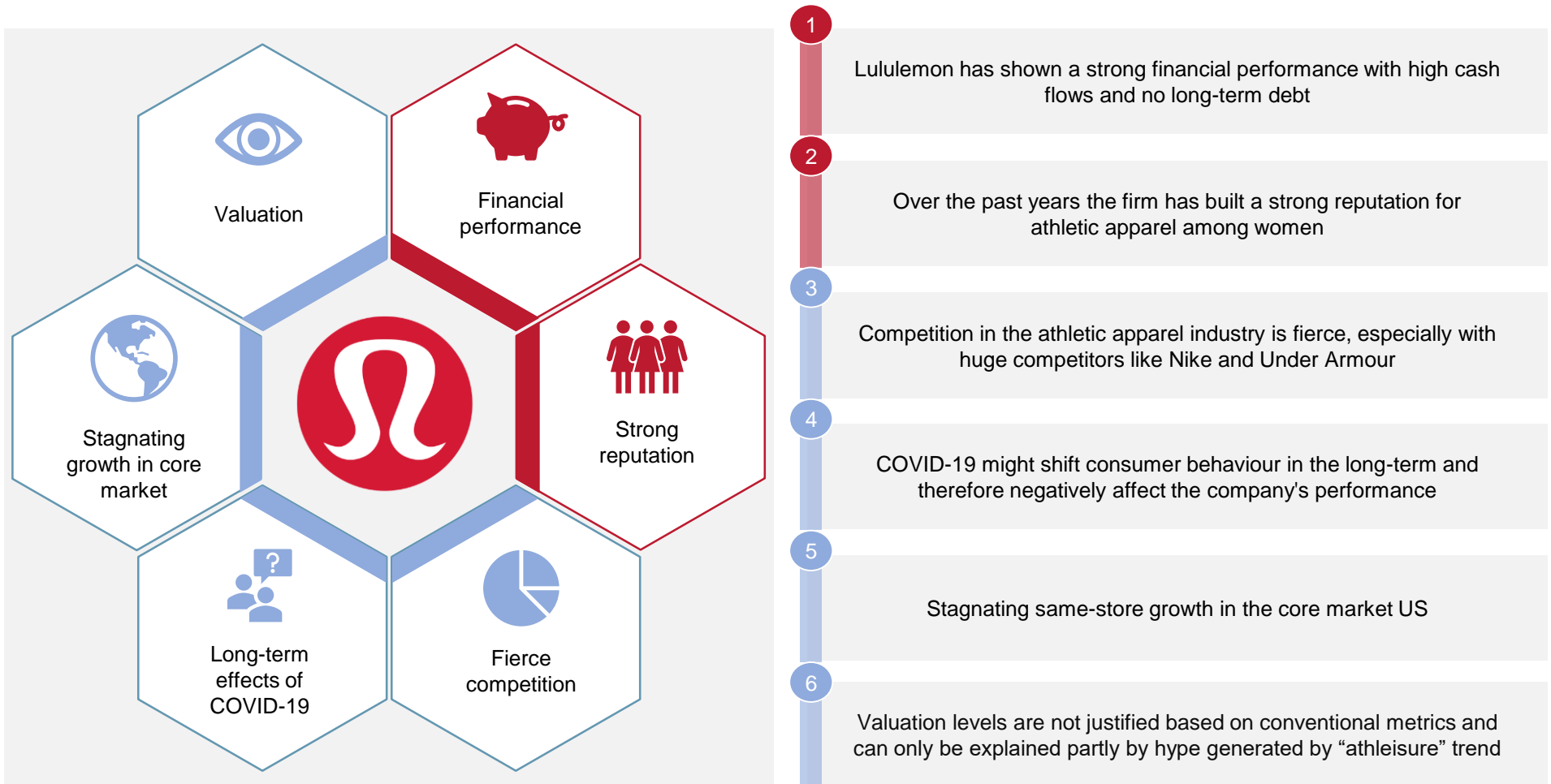
The athleisure trend is an important growth driver of the sports apparel industry, and especially for lululemon

The industry is dominated by Nike, Adidas and Under Armour, which are also US customers most favorite brands

**The sport apparel market is a growing and arguable the trend here to last, but fierce competition among competitors exists, making future double-digit growth extremely difficult**

# Investment Thesis

Lululemon is facing various challenges to achieve long-term growth




# Company Overview I


Lululemon designs, distributes and retails athletic apparel

## Business Description

- Lululemon athletica inc. is a **designer, distributor, and retailer** of healthy, lifestyle-inspired athletic apparel and accessories with a market capitalization of approx. USD 40bn
- The company operates **around the globe** and offers products for women and men

 **Headquarters:** Vancouver, Canada

 **Established:** 1998, Vancouver, Canada

 **Employees:** approx. 19,000 employees as of February 2020

 **IPO:** 2007 at Nasdaq stock exchange

## Key Financial Metrics

In \$ millions	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	2,344.4	2,649.2	3,288.3	3,979.3
% YoY growth	13.78%	13.00%	24.12%	21.01%
COGS	1,144.8	1,250.4	1,472.0	1,755.9
% margin	48.83%	47.20%	44.76%	44.13%
EBITDA	517.2	600.4	826.9	1,052.6
% EBITDA margin	22.06%	22.66%	25.15%	26.45%
Net Profit	<b>303.4</b>	<b>258.7</b>	<b>483.8</b>	<b>645.6</b>
% margin	12.94%	9.77%	14.71%	16.22%
Net debt	(734.8)	(990.5)	(881.3)	(353.5)
Equity	1,360.0	1,597.0	1,446.0	1,952.2

## Founder & Management Team



**Dennis J. Wilson**  
Founder



**Calvin McDonald**  
CEO & Director



**Julie Averill**  
Executive VP & CTO

## Shareholder Structure

- Fidelity Investments
- Vanguard Group
- T. Rowe Price
- Jennison Associates
- Black Rock
- WCM Investment
- Dennis J. Wilson**
- Other

