
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

December 11, 2019
Date of Report (Date of earliest event reported)

lululemon athletica inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-33608
(Commission
File Number)

20-3842867
(IRS Employer
Identification No.)

1818 Cornwall Avenue
Vancouver, British Columbia
Canada, V6J 1C7
(Address of principal executive offices, including Zip Code)

Registrant's telephone number, including area code: (604) 732-6124

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.005 per share	LULU	Nasdaq Global Select Market

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On December 11, 2019, lululemon athletica inc. (the "Company") issued a press release announcing its financial results for the third quarter ended November 3, 2019 and certain other information. A copy of the Company's press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. As previously announced, the Company has scheduled a conference call for 4:30 p.m. Eastern time on December 11, 2019 to discuss its financial results.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued on December 11, 2019.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

lululemon athletica inc.

Dated: December 11, 2019

/s/ PATRICK J. GUIDO

Patrick J. Guido

Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued on December 11, 2019.



LULULEMON ATHLETICA INC. ANNOUNCES THIRD QUARTER FISCAL 2019 RESULTS

Revenue up 23% to \$916 million
Comparable sales increase 16%, or 17% on a constant dollar basis
Diluted EPS of \$0.96 for the third quarter

Vancouver, British Columbia – December 11, 2019 – lululemon athletica inc. (NASDAQ:LULU) today announced financial results for the third quarter of fiscal 2019.

The summary below provides both GAAP and adjusted non-GAAP financial measures. The adjusted financial measures exclude the tax expense recognized during the third quarter of fiscal 2018 related to the U.S. Tax Cuts and Jobs Act.

For the third quarter ended November 3, 2019:

- Net revenue was \$916.1 million, an increase of 23% compared to the third quarter of fiscal 2018. On a constant dollar basis, net revenue increased 23%.
- Total comparable sales increased 16%, or increased 17% on a constant dollar basis.
 - Comparable store sales increased 10%, or increased 11% on a constant dollar basis.
 - Direct to consumer net revenue increased 29%, or increased 30% on a constant dollar basis.
- Direct to consumer net revenue represented 26.9% of total net revenue compared to 25.3% for the third quarter of fiscal 2018.
- Gross profit was \$505.0 million, an increase of 24% compared to the third quarter of fiscal 2018.
- Gross margin was 55.1%, an increase of 70 basis points compared to the third quarter of fiscal 2018.
- Income from operations was \$175.8 million, an increase of 29% compared to the third quarter of fiscal 2018.
- Operating margin was 19.2%, an increase of 100 basis points compared to the third quarter of fiscal 2018.
- Income tax expense was \$51.8 million compared to \$43.5 million in the third quarter of fiscal 2018 and the effective tax rate was 29.1% compared to 31.6%. The adjusted effective tax rate for the third quarter of fiscal 2018 was 27.8%.
- Diluted earnings per share were \$0.96 compared to \$0.71 in the third quarter of fiscal 2018. Adjusted diluted earnings per share for the third quarter of fiscal 2018 were \$0.75.
- The Company repurchased 44.5 thousand shares of its own common stock at an average cost of \$179.71 per share.

The Company ended the third quarter of fiscal 2019 with \$586.2 million in cash and cash equivalents compared to \$703.6 million at the end of the third quarter of fiscal 2018. Inventories at the end of the third quarter of fiscal 2019 increased 26% to \$627.1 million compared to \$496.0 million at the end of the third quarter of fiscal 2018. The Company ended the quarter with 479 stores.

Calvin McDonald, Chief Executive Officer, commented: "We're proud of the continued momentum in our business as we live into our vision to be an experiential brand. We are successfully executing on our Power of Three growth plan as we create authentic connections with new and existing guests around the world. I'd like to thank our amazing teams for achieving this strong level of performance."

Updated Outlook

For the fourth quarter of fiscal 2019, we expect net revenue to be in the range of \$1.315 billion to \$1.330 billion based on a total comparable sales increase in the low double digits on a constant dollar basis. Diluted earnings per share are expected to be in the range of \$2.10 to \$2.13 for the quarter. This guidance assumes 131 million diluted weighted-average shares outstanding and a 28.5% tax rate. The guidance does not reflect potential future repurchases of the Company's shares.

For the full fiscal 2019, we now expect net revenue to be in the range of \$3.895 billion to \$3.910 billion based on a total comparable sales increase in the mid teens on a constant dollar basis. Diluted earnings per share are expected to be in the range



of \$4.75 to \$4.78 for the full year, based on a 28% effective tax rate. The guidance assumes 131 million diluted weighted-average shares outstanding. 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 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.

Shifted Calendar for Comparable Sales

Due to the 53rd week in fiscal 2018, comparable sales are calculated on a one week shifted basis in fiscal 2019. For the third quarter of fiscal 2019, the 13 weeks ended November 3, 2019 are compared to the 13 weeks ended November 4, 2018 rather than October 28, 2018.

Conference Call Information

A conference call to discuss third quarter results is scheduled for today, December 11, 2019, at 4:30 p.m. Eastern time. Those interested in participating in the call are invited to dial 1-800-319-4610 or 1-604-638-5340, 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: <http://investor.lululemon.com/events.cfm>. 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 healthy lifestyle inspired athletic apparel company for yoga, running, training, and most other sweaty pursuits, creating transformational products and experiences which enable people to live a life they love. Setting the bar in technical fabrics and functional designs, lululemon works with yogis and athletes in local communities for continuous research and product feedback. For more information, visit www.lululemon.com.

Non-GAAP Financial Measures

Constant dollar changes in net revenue, total comparable sales, comparable store sales, direct to consumer net revenue, and adjusted financial results are non-GAAP financial measures.

A constant dollar basis assumes the average foreign exchange rates for the period remained constant with the average foreign exchange rates for the same period of the prior year. We provide constant dollar changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue because we use these measures to understand the underlying growth rate of net revenue excluding the impact of changes in foreign exchange rates. We believe that disclosing these measures on a constant dollar basis is useful to investors because it enables them to better understand the level of growth of our business.

Adjusted income tax expense, effective tax rates, and diluted earnings per share exclude the amounts recognized in connection with the U.S. tax reform. We believe these adjusted financial measures are useful to investors as the adjustments do not directly relate to our ongoing business operations and therefore do not contribute to a meaningful evaluation of the trend in our operating performance. Furthermore, we do not believe the adjustments are reflective of our expectations of our future operating performance and believe these non-GAAP measures are useful to investors because of their comparability to our historical information.

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.



Forward-Looking Statements:

This press release 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; the acceptability of our products to our guests; our highly competitive market and increasing competition; our reliance on and limited control over third-party suppliers to provide fabrics for and to produce our products; suppliers or manufacturers not complying with our Vendor Code of Ethics or applicable laws; an economic downturn or economic uncertainty in our key markets; increasing product 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 safeguard against security breaches with respect to our information technology systems; any material disruption of our information systems; our ability to have technology-based systems function effectively and grow our e-commerce business globally; changes in consumer shopping preferences and shifts in distribution channels; the fluctuating costs of raw materials; our ability to expand internationally in light of our limited operating experience and limited brand recognition in new international markets; our ability to deliver our products to the market and to meet guest expectations if we have problems with our distribution system; imitation by our competitors; our ability to protect our intellectual property rights; 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 manage our growth and the increased complexity of our business effectively; our ability to cancel store leases if an existing or new store is not profitable; increasing labor costs and other factors associated with the production of our products in South and South East Asia; the operations of many of our suppliers are subject to international and other risks; our ability to successfully open new store locations in a timely manner; our ability to comply with trade and other regulations; the service of our senior management; seasonality; fluctuations in foreign currency exchange rates; conflicting trademarks and the prevention of sale of certain products; our exposure to various types of litigation; actions of activist stockholders; anti-takeover provisions in our certificate of incorporation and bylaws; 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, 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 press release 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.



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Condensed Consolidated Statements of Operations

Unaudited; Expressed in thousands, except per share amounts

	Quarter Ended		Three Quarters Ended	
	November 3, 2019	October 28, 2018	November 3, 2019	October 28, 2018
Net revenue	\$ 916,138	\$ 747,655	\$ 2,581,805	\$ 2,120,861
Costs of goods sold	411,094	340,878	1,169,245	973,157
Gross profit	505,044	406,777	1,412,560	1,147,704
<i>As a percent of net revenue</i>	<i>55.1%</i>	<i>54.4%</i>	<i>54.7%</i>	<i>54.1%</i>
Selling, general and administrative expenses	329,215	270,874	939,937	773,288
<i>As a percent of net revenue</i>	<i>35.9%</i>	<i>36.2%</i>	<i>36.4%</i>	<i>36.5%</i>
Income from operations	175,829	135,903	472,623	374,416
<i>As a percent of net revenue</i>	<i>19.2%</i>	<i>18.2%</i>	<i>18.3%</i>	<i>17.7%</i>
Other income (expense), net	1,925	2,044	6,154	6,553
Income before income tax expense	177,754	137,947	478,777	380,969
Income tax expense	51,772	43,534	131,202	115,633
Net income	\$ 125,982	\$ 94,413	\$ 347,575	\$ 265,336
Basic earnings per share	\$ 0.97	\$ 0.71	\$ 2.67	\$ 1.98
Diluted earnings per share	\$ 0.96	\$ 0.71	\$ 2.65	\$ 1.97
Basic weighted-average shares outstanding	130,282	132,406	130,420	133,964
Diluted weighted-average shares outstanding	130,805	133,077	130,975	134,512



lululemon athletica inc.

*Condensed Consolidated Balance Sheets
Unaudited; Expressed in thousands*

	November 3, 2019	February 3, 2019	October 28, 2018
ASSETS			
Current assets			
Cash and cash equivalents	\$ 586,153	\$ 881,320	\$ 703,607
Inventories	627,102	404,842	495,991
Prepaid and receivable income taxes	126,715	49,385	76,593
Other current assets	111,706	93,735	87,276
Total current assets	1,451,676	1,429,282	1,363,467
Property and equipment, net	656,372	567,237	531,250
Right-of-use lease assets	652,492	—	—
Goodwill	24,478	24,239	24,237
Deferred income taxes and other non-current assets	70,126	63,953	62,057
Total assets	\$ 2,855,144	\$ 2,084,711	\$ 1,981,011
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 116,281	\$ 95,533	\$ 153,140
Accrued inventory liabilities	10,074	16,241	11,446
Accrued compensation and related expenses	98,442	109,181	85,446
Current lease liabilities	131,385	—	—
Current income taxes payable	12,351	67,412	24,545
Unredeemed gift card liability	75,025	99,412	63,474
Other current liabilities	131,211	112,698	105,620
Total current liabilities	574,769	500,477	443,671
Non-current lease liabilities	563,925	—	—
Non-current income taxes payable	48,226	42,099	54,112
Deferred income tax liability	14,190	14,249	1,582
Other non-current liabilities	5,298	81,911	74,889
Stockholders' equity	1,648,736	1,445,975	1,406,757
Total liabilities and stockholders' equity	\$ 2,855,144	\$ 2,084,711	\$ 1,981,011



lululemon athletica inc.

Condensed Consolidated Statements of Cash Flows
Unaudited; Expressed in thousands

	Three Quarters Ended	
	November 3, 2019	October 28, 2018
Cash flows from operating activities		
Net income	\$ 347,575	\$ 265,336
Adjustments to reconcile net income to net cash provided by operating activities	(252,469)	51,540
Net cash provided by operating activities	95,106	316,876
Net cash used in investing activities	(212,475)	(165,914)
Net cash used in financing activities	(179,555)	(406,361)
Effect of exchange rate changes on cash	1,757	(31,495)
Decrease in cash and cash equivalents	(295,167)	(286,894)
Cash and cash equivalents, beginning of period	881,320	990,501
Cash and cash equivalents, end of period	\$ 586,153	\$ 703,607



lululemon athletica inc.

Reconciliation of Non-GAAP Financial Measures

Unaudited; Expressed in thousands, except per share amounts

Constant dollar changes in net revenue

The below changes in net revenue show the change for the quarter ended November 3, 2019 compared to the quarter ended October 28, 2018.

	Net Revenue
Change	23%
Adjustments due to foreign exchange rate changes	—
Change in constant dollars	23%

Constant dollar changes in total comparable sales, comparable store sales, direct to consumer net revenue

Due to the 53rd week in fiscal 2018, the below changes in total comparable sales, comparable store sales, and direct to consumer net revenue are calculated on a one week shifted basis such that the 13 weeks ended November 3, 2019 are compared to the 13 weeks ended November 4, 2018 rather than October 28, 2018.

	Total Comparable Sales^{1,2}	Comparable Store Sales²	Direct to Consumer Net Revenue
Change	16%	10%	29%
Adjustments due to foreign exchange rate changes	1	1	1
Change in constant dollars	17%	11%	30%

¹Total comparable sales includes comparable store sales and direct to consumer sales.

²Comparable store sales reflects net revenue from company-operated stores that have been open for at least 12 full fiscal months, or open for at least 12 full fiscal months after being significantly expanded.

Adjusted financial measures

The following table reconciles adjusted financial measures with the most directly comparable measures calculated in accordance with GAAP. The adjustments relate to U.S. tax reform. Please refer to Note 8 of the unaudited interim consolidated financial statements included in Item 1 of Part I of our Report on Form 10-Q to be filed with the SEC on or about December 11, 2019 for further information on these adjustments.

	Quarter Ended October 28, 2018		
	GAAP Results	U.S. Tax Reform	Adjusted Results (Non-GAAP)
Income tax expense	\$ 43,534	\$ (5,163)	\$ 38,371
Effective tax rate	31.6%	(3.8)%	27.8%
Diluted earnings per share	\$ 0.71	\$ 0.04	\$ 0.75



lululemon athletica inc.

*Company-operated Store Count and Square Footage¹
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
4 th Quarter 2018	426	16	2	440
1 st Quarter 2019	440	15	—	455
2 nd Quarter 2019	455	5	—	460
3 rd Quarter 2019	460	21	2	479

	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
4 th Quarter 2018	1,354	77	5	1,426
1 st Quarter 2019	1,426	40	—	1,466
2 nd Quarter 2019	1,466	56	—	1,522
3 rd Quarter 2019	1,522	87	5	1,604

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

²Gross 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.