
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

June 3, 2021
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 June 3, 2021, lululemon athletica inc. (the "Company") issued a press release announcing its financial results for the first quarter ended May 2, 2021 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 June 3, 2021 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 June 3, 2021. |

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.

Dated: June 3, 2021

lululemon athletica inc.

/s/ MEGHAN FRANK

Meghan Frank
Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---------------------------------------|
| 99.1 | Press release issued on June 3, 2021. |



LULULEMON ATHLETICA INC. ANNOUNCES FIRST QUARTER FISCAL 2021 RESULTS

**Revenue increased 88% to \$1.2 billion
Diluted EPS of \$1.11, Adjusted EPS of \$1.16**

Vancouver, British Columbia – June 3, 2021 – lululemon athletica inc. (NASDAQ:LULU) today announced financial results for the first quarter of fiscal 2021.

Calvin McDonald, Chief Executive Officer, stated: "Our first quarter results reflected strength across all drivers of growth, fueled by the continued expansion in our e-commerce business and a rebound in brick and mortar stores. Our strong performance across categories, channels and geographies demonstrates the momentum and strength of lululemon as we shift into the new normal. All of us on the leadership team are grateful to our teams around the world who enabled these results, and who continue to focus on realizing growth."

The fiscal year ending January 30, 2022 is referred to as "2021" and the fiscal year ended January 31, 2021 is referred to as "2020". The adjusted non-GAAP financial measures below exclude certain costs incurred in connection with the acquisition of MIRROR, and the related tax effects.

For the first quarter of 2021, compared to the first quarter of 2020:

- Net revenue increased 88% to \$1.2 billion. On a constant dollar basis, net revenue increased 83%.
 - Company-operated stores net revenue increased 106% to \$536.6 million.
 - Direct to consumer net revenue increased 55% to \$545.1 million. On a constant dollar basis, direct to consumer net revenue increased 50%.
 - Net revenue increased 82% in North America, and increased 125% internationally.
- Direct to consumer net revenue represented 44.4% of total net revenue compared to 54.0% for the first quarter of 2020.
- Gross profit increased 109% to \$700.3 million and gross margin increased 580 basis points to 57.1%.
- Income from operations increased 492% to \$193.8 million. Adjusted income from operations increased 479% to \$201.5 million.
- Operating margin increased 1,080 basis points to 15.8%. Adjusted operating margin increased 1,110 basis points to 16.4%.
- Income tax expense increased 827% to \$49.1 million. The effective tax rate for the first quarter of 2021 was 25.3% compared to 15.6% for the first quarter of 2020. The adjusted effective tax rate was 24.5% for the first quarter of 2021 compared to 14.7% for the first quarter of 2020.
- Diluted earnings per share were \$1.11 compared to \$0.22 in the first quarter of 2020. Adjusted diluted earnings per share were \$1.16 compared to \$0.23 in the first quarter of 2020.
- The Company repurchased 0.3 million shares of its own common stock at an average cost of \$311.02 per share.
- The Company opened two net new company-operated stores during the quarter, ending with 523 stores.



The consolidated statement of operations for the first quarter of 2019 is included in the tables at the end of this release for reference. For the first quarter of 2021, compared to the first quarter of 2019:

- Net revenue increased by \$444.2 million, or 57%, representing a two-year compound annual growth rate of 25%.
- Gross margin increased 320 basis points.
- Operating margin decreased 70 basis points. Adjusted operating margin decreased 10 basis points.
- Diluted earnings per share were \$1.11 compared to \$0.74 in the first quarter of 2019. Adjusted diluted earnings per share were \$1.16 in the first quarter of 2021.

Meghan Frank, Chief Financial Officer, stated: "We are very pleased with our Q1 results, which reflect significant growth in the business compared to both 2020 and 2019. Our momentum remains strong as we enter the second quarter, and we are raising our estimates for the year accordingly. The strength of our financial position allows us to continue to deliver against the Power of Three growth strategies, while we leverage both near- and long-term opportunities."

Balance sheet highlights

The Company ended the first quarter of 2021 with \$1.2 billion in cash and cash equivalents and the capacity under its committed revolving credit facilities was \$397.3 million. Inventories at the end of the first quarter of 2021 increased 17% to \$732.9 million compared to \$625.8 million at the end of the first quarter of 2020.

2021 Outlook

For the second quarter of 2021, we expect net revenue to be in the range of \$1.300 billion to \$1.330 billion. Diluted earnings per share are expected to be in the range of \$1.05 to \$1.10 for the quarter and adjusted diluted earnings per share are expected to be in the range of \$1.10 to \$1.15.

For 2021, we expect net revenue to be in the range of \$5.825 billion to \$5.905 billion. Diluted earnings per share are expected to be in the range of \$6.52 to \$6.65 for the year and adjusted diluted earnings per share are expected to be in the range of \$6.73 to \$6.86.

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 does not incorporate future unknown impacts from the spread of COVID-19. While most of the Company's retail locations are currently open, the Company continues to operate its distribution centers and retail locations with restrictive and precautionary measures in place. These measures are market dependent and can include restricted occupancy levels, physical distancing, enhanced cleaning and sanitation, and reduced operating hours. Further resurgences in COVID-19, including from variants could cause additional restrictions, including temporarily closing all or some of our retail locations again, result in lower consumer demand, and cause disruption in our supply chain. 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.

Conference Call Information

A conference call to discuss first quarter results is scheduled for today, June 3, 2021, 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 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. 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 exchange rates.

Adjusted income from operations, operating margin, income tax expense, effective tax rates, net income, and diluted earnings per share exclude items related to the MIRROR acquisition. We exclude transaction, integration costs, the gain on lululemon's previous investment in MIRROR, certain acquisition-related compensation costs, and the related income tax effects of these items. We believe these adjusted financial measures are useful to investors as they provide supplemental information that enable evaluation of the underlying trend in our operating performance, and enable a more consistent comparison to our historical financial information. Further, due to the finite and discrete nature of these costs, we do not consider them to be normal operating expenses that are necessary to operate the MIRROR business and we do not expect them to recur beyond the expiry of the related vesting periods. Management uses these adjusted financial measures and constant currency metrics internally when reviewing and assessing financial performance.

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 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; the current COVID-19 coronavirus pandemic and related government, private sector, and individual consumer responsive actions; its highly competitive market and increasing competition; increasing product costs and decreasing selling prices; its ability to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products; the acceptability of its products to guests; its ability to accurately forecast guest demand for its products; changes in consumer shopping preferences and shifts in distribution channels; its ability to expand internationally in light of its limited operating experience and limited brand recognition in new international markets; its ability to realize the potential benefits and synergies sought with the acquisition of MIRROR; 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; its reliance on and limited control over third-party suppliers to provide fabrics for and to produce its products; the operations of many of its suppliers are subject to international and other risks; 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 information 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 economic and political conditions and global events such as health pandemics; 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 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.

Contacts:

Investor Contact:

lululemon athletica inc.

Howard Tubin

1-604-732-6124

or

ICR, Inc.

Joseph Teklits/Caitlin Churchill

1-203-682-8200

Media Contact:

lululemon athletica inc.

Erin Hankinson

1-604-732-6124

or

Brunswick Group

Eleanor French

1-415-671-7676



lululemon athletica inc.

*Condensed Consolidated Statements of Operations
Unaudited; Expressed in thousands, except per share amounts*

| | First Quarter | | |
|--|---------------|------------|------------|
| | 2021 | 2020 | 2019 |
| Net revenue | \$ 1,226,465 | \$ 651,962 | \$ 782,315 |
| Costs of goods sold | 526,151 | 317,560 | 360,595 |
| Gross profit | 700,314 | 334,402 | 421,720 |
| <i>As a percent of net revenue</i> | 57.1% | 51.3% | 53.9% |
| Selling, general and administrative expenses | 496,634 | 299,583 | 292,908 |
| <i>As a percent of net revenue</i> | 40.5% | 46.0% | 37.4% |
| Amortization of intangible assets | 2,195 | 23 | — |
| Acquisition-related expenses | 7,664 | 2,045 | — |
| Income from operations | 193,821 | 32,751 | 128,812 |
| <i>As a percent of net revenue</i> | 15.8% | 5.0% | 16.5% |
| Other income (expense), net | 227 | 1,174 | 2,379 |
| Income before income tax expense | 194,048 | 33,925 | 131,191 |
| Income tax expense | 49,092 | 5,293 | 34,588 |
| Net income | \$ 144,956 | \$ 28,632 | \$ 96,603 |
| Basic earnings per share | \$ 1.11 | \$ 0.22 | \$ 0.74 |
| Diluted earnings per share | \$ 1.11 | \$ 0.22 | \$ 0.74 |
| Basic weighted-average shares outstanding | 130,358 | 130,251 | 130,694 |
| Diluted weighted-average shares outstanding | 130,984 | 130,803 | 131,337 |



lululemon athletica inc.

Condensed Consolidated Balance Sheets
Unaudited; Expressed in thousands

| | May 2, 2021 | January 31, 2021 | May 3, 2020 |
|--|----------------|---------------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,179,739 | \$ 1,150,517 | \$ 823,006 |
| Inventories | 732,890 | 647,230 | 625,849 |
| Prepaid and receivable income taxes | 139,123 | 139,126 | 89,316 |
| Other current assets | 201,700 | 187,506 | 156,374 |
| Total current assets | 2,253,452 | 2,124,379 | 1,694,545 |
| Property and equipment, net | 774,685 | 745,687 | 659,265 |
| Right-of-use lease assets | 719,139 | 734,835 | 731,883 |
| Goodwill and intangible assets, net | 465,000 | 466,957 | 24,044 |
| Deferred income taxes and other non-current assets | 117,555 | 113,357 | 92,049 |
| Total assets | \$ 4,329,831 | \$ 4,185,215 | \$ 3,201,786 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | \$ 196,934 | \$ 172,246 | \$ 78,940 |
| Accrued inventory liabilities | 9,356 | 14,956 | 9,860 |
| Other accrued liabilities | 258,642 | 211,911 | 166,994 |
| Accrued compensation and related expenses | 154,729 | 130,171 | 69,455 |
| Current lease liabilities | 168,145 | 166,091 | 144,646 |
| Current income taxes payable | 7,997 | 8,357 | 28,729 |
| Unredeemed gift card liability | 141,149 | 155,848 | 105,286 |
| Other current liabilities | 27,862 | 23,598 | 27,586 |
| Total current liabilities | 964,814 | 883,178 | 631,496 |
| Non-current lease liabilities | 616,917 | 632,590 | 639,242 |
| Non-current income taxes payable | 38,073 | 43,150 | 48,226 |
| Deferred income tax liability | 60,807 | 58,755 | 40,764 |
| Other non-current liabilities | 9,365 | 8,976 | 6,271 |
| Stockholders' equity | 2,639,855 | 2,558,566 | 1,835,787 |
| Total liabilities and stockholders' equity | \$ 4,329,831 | \$ 4,185,215 | \$ 3,201,786 |



lululemon athletica inc.

Condensed Consolidated Statements of Cash Flows
Unaudited; Expressed in thousands

| | First Quarter | |
|--|---------------|------------|
| | 2021 | 2020 |
| Cash flows from operating activities | | |
| Net income | \$ 144,956 | \$ 28,632 |
| Adjustments to reconcile net income to net cash provided by operating activities | 69,153 | (149,875) |
| Net cash provided by (used in) operating activities | 214,109 | (121,243) |
| Net cash used in investing activities | (85,464) | (45,626) |
| Net cash used in financing activities | (122,235) | (90,587) |
| Effect of exchange rate changes on cash | 22,812 | (13,043) |
| Increase (decrease) in cash and cash equivalents | 29,222 | (270,499) |
| Cash and cash equivalents, beginning of period | 1,150,517 | 1,093,505 |
| Cash and cash equivalents, end of period | \$ 1,179,739 | \$ 823,006 |



lululemon athletica inc.

Reconciliation of Non-GAAP Financial Measures

Unaudited; Expressed in thousands, except per share amounts

Constant dollar changes in net revenue, and direct to consumer net revenue

The below changes show the change for the first quarter of 2021 compared to the first quarter of 2020.

| | Net Revenue | Direct to Consumer Net Revenue |
|--|-------------|--------------------------------|
| Change | 88 % | 55 % |
| Adjustments due to foreign exchange rate changes | (5) | (5) |
| Change in constant dollars | 83 % | 50 % |

Adjusted financial measures

The following tables reconcile adjusted financial measures with the most directly comparable measures calculated in accordance with GAAP. The adjustments relate to the acquisition of MIRROR and its related tax effects. Please refer to Note 3. Acquisition included in Item 1 of Part I of our Report on Form 10-Q to be filed with the SEC on or about June 3, 2021 for further information on these adjustments.

| First Quarter 2021 | | | | | | |
|-----------------------------------|------------------------|------------------|--------------------|--------------------|------------|----------------------------|
| | Income from Operations | Operating Margin | Income Tax Expense | Effective Tax Rate | Net Income | Diluted Earnings Per Share |
| GAAP results | \$ 193,821 | 15.8 % | \$ 49,092 | 25.3 % | \$ 144,956 | \$ 1.11 |
| Transaction and integration costs | 496 | — | | | 496 | — |
| Acquisition-related compensation | 7,168 | 0.6 | | | 7,168 | 0.05 |
| Tax effect of the above | | | 372 | (0.8) | (372) | — |
| Adjusted results (non-GAAP) | \$ 201,485 | 16.4 % | \$ 49,464 | 24.5 % | \$ 152,248 | \$ 1.16 |

| First Quarter 2020 | | | | | | |
|-----------------------------------|------------------------|------------------|--------------------|--------------------|------------|----------------------------|
| | Income from Operations | Operating Margin | Income Tax Expense | Effective Tax Rate | Net Income | Diluted Earnings Per Share |
| GAAP results | \$ 32,751 | 5.0 % | \$ 5,293 | 15.6 % | \$ 28,632 | \$ 0.22 |
| Transaction and integration costs | 2,045 | 0.3 | | | 2,045 | 0.01 |
| Tax effect of the above | | | — | (0.9) | — | — |
| Adjusted results (non-GAAP) | \$ 34,796 | 5.3 % | \$ 5,293 | 14.7 % | \$ 30,677 | \$ 0.23 |

Expected adjusted earnings per share

| | Second Quarter Fiscal 2021 | Fiscal 2021 |
|--|----------------------------|------------------|
| Expected diluted earnings per share range | \$1.05 to \$1.10 | \$6.52 to \$6.65 |
| MIRROR integration and acquisition-related costs, net of tax | \$0.05 | \$0.21 |
| Expected adjusted earnings per share range (non-GAAP) | \$1.10 to \$1.15 | \$6.73 to \$6.86 |



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 |
|------------------------------|---|--|--|---|
| 2 nd Quarter 2020 | 489 | 17 | — | 506 |
| 3 rd Quarter 2020 | 506 | 11 | 2 | 515 |
| 4 th Quarter 2020 | 515 | 8 | 2 | 521 |
| 1 st Quarter 2021 | 521 | 3 | 1 | 523 |

| | 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 |
|------------------------------|---|---|--|---|
| 2 nd Quarter 2020 | 1,692 | 65 | — | 1,757 |
| 3 rd Quarter 2020 | 1,757 | 54 | 3 | 1,808 |
| 4 th Quarter 2020 | 1,808 | 55 | 5 | 1,858 |
| 1 st Quarter 2021 | 1,858 | 12 | 8 | 1,862 |

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.