

September 10, 2015

lululemon athletica inc. Announces Second Quarter Fiscal 2015 Results

VANCOUVER, British Columbia--(BUSINESS WIRE)-- lululemon athletica inc. (NASDAQ:LULU) today announced financial results for the second quarter ended August 2, 2015.

For the second quarter ended August 2, 2015:

- Net revenue for the quarter increased 16% to \$453.0 million from \$390.7 million in the second quarter of fiscal 2014.
- Total comparable sales, which includes comparable store sales and direct to consumer, increased by 11% for the second quarter on a constant dollar basis.
- Comparable store sales for the second quarter increased by 6% on a constant dollar basis and direct to consumer revenue increased 35% on a constant dollar basis.
- Direct to consumer net revenue increased 30% to \$82.2 million, or 18.2% of total Company revenue, in the second quarter of fiscal 2015, an increase from 16.2% of total Company revenues in the second quarter of fiscal 2014.
- Gross profit for the quarter increased by 7% to \$212.0 million, and as a percentage of net revenue gross profit was 46.8% for the quarter compared to 50.5% in the second quarter of fiscal 2014.
- Income from operations for the quarter decreased by 2% to \$66.6 million, and as a percentage of net revenue was 14.7% compared to 17.4% of net revenue in the second quarter of fiscal 2014.
- The effective tax rate for the quarter was 29.3% compared to 30.1% in the second quarter of fiscal 2014.
- Diluted earnings per share for the quarter were \$0.34 on net income of \$47.7 million, compared to diluted earnings per share of \$0.33 on net income of \$48.7 million in the second quarter of fiscal 2014.
- During the second quarter of fiscal 2015, the Company repurchased 1.0 million shares of the Company's common stock at an average cost of \$63.96 per share.

The Company ended the second quarter of fiscal 2015 with \$541.3 million in cash and cash equivalents compared to \$725.1 million at the end of the second quarter of fiscal 2014. Inventory at the end of the second quarter of fiscal 2015 totaled \$280.6 million compared to \$180.5 million at the end of the second quarter of fiscal 2014. The Company ended the quarter with 336 stores.

Laurent Potdevin, lululemon's CEO, stated: "We exceeded our revenue targets for the past quarter, supported by strong performance from both our store and e-commerce channels. Looking to the remainder of the year, our team is laser focused on meeting our strategic key goals: grow our global collective, relentlessly innovate our product lines and continue to create transformational experiences for our guests." Mr. Potdevin continued: "As our momentum continues to build, we are excited by the progress made with our international expansion, the launch of our new women's pant wall last week, and successful brand-building events occurring around the globe."

Updated Outlook

For the third quarter of fiscal 2015, we expect net revenue to be in the range of \$477 million to \$482 million based on total comparable sales in the high single digits on a constant dollar basis. Diluted earnings per share are expected to be in the range of \$0.35 to \$0.37 for the quarter. This guidance assumes 141.6 million diluted weighted-average shares outstanding and a 30.2% tax rate. The guidance does not reflect potential future repurchases of the Company's shares.

For the full fiscal 2015, we now expect net revenue to be in the range of \$2.025 billion to \$2.055 billion based on total comparable sales in the high single digits on a constant dollar basis. Diluted earnings per share are expected to be in the range of \$1.87 to \$1.92 for the full year. This guidance assumes 141.8 million diluted weighted-average shares outstanding and a 30.2% tax rate. The guidance does not reflect potential future repurchases of the Company's shares.

Conference Call Information

A conference call to discuss second quarter results is scheduled for today, September 10, 2015, at 9:00 a.m. Eastern time. Those interested in participating in the call are invited to dial 1-877-303-3203 approximately 10 minutes prior to the start of the call. The conference call will also be webcast live at www.lululemon.com. The webcast will be accessible on our website for

approximately 30 days after the call.

About lululemon athletica inc.

lululemon athletica inc. (NASDAQ:LULU) is a yoga-inspired athletic apparel company with products that create transformational experiences for people to live happy, healthy, fun lives. 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

Total comparable sales in constant dollars, comparable store sales in constant dollars, and changes in direct to consumer net revenue in constant dollars are not United States generally accepted accounting principle ("GAAP") performance measures.

We provide constant dollar total comparable sales, comparable store sales, and changes in 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, which are not under management's control. 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.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the table 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 contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that involve risks, uncertainties and assumptions, such as statements regarding our future financial condition or results of operations and our prospects and strategies for future growth. 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 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, including any negative publicity regarding our products or the production methods of our suppliers or manufacturers; the acceptability of our products to our guests, including receiving products that comply with our technical specifications and quality standards; our reliance on and limited control over third-party suppliers to provide fabrics for and to produce our products; an economic downturn or economic uncertainty in our key markets; our highly competitive market and increasing competition; 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 customer 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 manage our growth and the increased complexity of our business effectively; 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 customer expectations if we have problems with our distribution system; imitation by our competitors; our ability to protect our intellectual property rights; 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; our ability to successfully open new store locations in a timely manner; our ability to comply with trade and other regulations; the continued service of our senior management; seasonality; fluctuations in foreign currency exchange rates; the operations of many of our suppliers are subject to international and other risks; our ability to source our merchandise profitably or at all; our exposure to various types of litigation; actions of activist stockholders; 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

	Thirteen Weeks Ended August 2, 2015	Thirteen Weeks Ended August 3, 2014	Twenty-Six Weeks Ended August 2, 2015	Twenty-Six Weeks Ended August 3, 2014
Net revenue	\$ 453,010	\$ 390,708	\$ 876,554	\$ 775,326
Costs of goods sold	240,985	193,401	458,652	382,275
Gross profit	212,025	197,307	417,902	393,051
<i>As a percent of net revenue</i>	46.8%	50.5%	47.7%	50.7%
Selling, general and administrative expenses	145,446	129,419	283,287	255,362
<i>As a percent of net revenue</i>	32.1%	33.1%	32.3%	32.9%
Income from operations	66,579	67,888	134,615	137,689
<i>As a percent of net revenue</i>	14.7%	17.4%	15.4%	17.8%
Other income, net	842	1,890	1,371	3,533
Income before provision for income taxes	67,421	69,778	135,986	141,222
Provision for income taxes	19,753	21,030	40,508	73,493
Net income	<u>\$ 47,668</u>	<u>\$ 48,748</u>	<u>\$ 95,478</u>	<u>\$ 67,729</u>
Basic earnings per share	\$ 0.34	\$ 0.34	\$ 0.67	\$ 0.47
Diluted earnings per share	\$ 0.34	\$ 0.33	\$ 0.67	\$ 0.46
Basic weighted-average shares outstanding	141,372	145,180	141,656	145,282
Diluted weighted-average shares outstanding	141,644	145,544	141,977	145,715

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Condensed Consolidated Balance Sheets

Unaudited; Expressed in thousands

	August 2, 2015	February 1, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 541,262	\$ 664,479
Inventories	280,607	208,116
Other current assets	96,400	78,417
Total current assets	918,269	951,012
Property and equipment, net	324,093	296,008
Goodwill and intangible assets, net	25,611	26,163
Deferred income tax assets and other non-current assets	26,248	23,030
Total assets	<u>\$ 1,294,221</u>	<u>\$ 1,296,213</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,488	\$ 9,339
Accrued inventory liabilities	35,545	22,296
Accrued compensation and related expenses	33,050	29,932
Income taxes payable	1,239	20,073
Unredeemed gift card liability	36,148	46,252
Other accrued liabilities	34,638	31,989
Total current liabilities	148,108	159,881
Deferred income tax liabilities	3,545	3,633
Other non-current liabilities	47,100	43,131
Stockholders' equity	1,095,468	1,089,568
Total liabilities and stockholders' equity	<u>\$ 1,294,221</u>	<u>\$ 1,296,213</u>

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Condensed Consolidated Statements of Cash Flows

Unaudited; Expressed in thousands

	Twenty-Six Weeks Ended August 2, 2015	Twenty-Six Weeks Ended August 3, 2014
Cash flows from operating activities		
Net income	\$ 95,478	\$ 67,729
Items not affecting cash	38,152	57,209
Other, including net changes in other non-cash balances	(101,469)	(953)
Net cash provided by operating activities	32,161	123,985
Net cash used in investing activities	(65,118)	(52,102)
Net cash used in financing activities	(78,837)	(57,167)
Effect of exchange rate changes on cash	(11,423)	11,708
(Decrease) increase in cash and cash equivalents	(123,217)	26,424
Cash and cash equivalents, beginning of period	\$ 664,479	\$ 698,649
Cash and cash equivalents, end of period	\$ 541,262	\$ 725,073

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Reconciliation of Non-GAAP Financial Measures

Constant dollar total comparable sales (unaudited)

	Thirteen Weeks Ended August 2, 2015	Thirteen Weeks Ended August 3, 2014
Total comparable sales ¹	6%	(1)%
Adjustments due to foreign exchange rate changes	5	1
Total comparable sales in constant dollars ¹	11%	—%

¹ Total comparable sales includes comparable store sales and direct to consumer sales. Comparable store sales reflects net revenue at company-operated stores that have been open for at least 12 months.

Constant dollar comparable store sales (unaudited)

	Thirteen Weeks Ended August 2, 2015	Thirteen Weeks Ended August 3, 2014
Comparable store sales ¹	1%	(7)%
Adjustments due to foreign exchange rate changes	5	2
Comparable store sales in constant dollars ¹	6%	(5)%

¹ Comparable store sales reflects net revenue at company-operated stores that have been open for at least 12 months.

Constant dollar changes in direct to consumer revenue (unaudited)

Thirteen Weeks Ended August 2, 2015	Thirteen Weeks Ended August 3, 2014
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Change in direct to consumer revenue	30%	29%
Adjustments due to foreign exchange rate changes	5	1
Change in direct to consumer revenue in constant dollars	35%	30%

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Store Count and Square Footage¹

Twenty-Six Weeks Ended August 2, 2015

Square Footage Expressed in Thousands

	Number of Stores Open at the Beginning of the Quarter	Number of Stores Opened During the Quarter²	Number of Stores Closed During the Quarter²	Number of Stores Open at the End of the Quarter
1 st Quarter	302	14	—	316
2 nd Quarter	316	20	—	336

	Total Gross Square Feet at the Beginning of the Quarter	Gross Square Feet Added During the Quarter^{2,3}	Gross Square Feet Lost During the Quarter^{2,3}	Total Gross Square Feet at the End of the Quarter
1 st Quarter	894	37	—	931
2 nd Quarter	931	54	—	985

¹ Store count and square footage summary includes company-operated stores which are branded lululemon athletica or ivivva athletica.

² Number of stores opened/closed during the quarter that are branded lululemon athletica or ivivva athletica.

³ Gross square feet added/lost during the quarter includes net square foot additions for company-operated stores which have been renovated or relocated in the quarter.

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