ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the statements contained in this Form 10-Q and any documents incorporated herein by reference constitute 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. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q are forward-looking statements, particularly statements which relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, such as statements regarding our future financial condition or results of operations, the impact of the COVID-19 pandemic on our business and results of operations, expectations related to our acquisition of MIRROR, our prospects and strategies for future growth, the development and introduction of new products, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "intends," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Form 10-Q and any documents incorporated herein by reference reflect our current views about future events and are subject to risks, uncertainties, assumptions, and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance, or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in "Risk Factors" and elsewhere in this report.

The forward-looking statements contained in this Form 10-Q reflect our views and assumptions only as of the date of this Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Form 10-Q. Except as required by applicable securities law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

This information should be read in conjunction with the unaudited interim consolidated financial statements and the notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our fiscal 2020 Annual Report on Form 10-K filed with the SEC on March 30, 2021. Fiscal 2021 and fiscal 2020 are referred to as "2021," and "2020," respectively. The first three quarters of 2021 and 2020 ended on October 31, 2021 and November 1, 2020, respectively. Components of management's discussion and analysis of financial condition and results of operations include:

We disclose material non-public information through one or more of the following channels: our investor relations website (http://investor.lululemon.com/), the social media channels identified on our investor relations website, press releases, SEC filings, public conference calls, and webcasts.

Overview

lululemon athletica inc. is principally a designer, distributor, and retailer of healthy lifestyle inspired athletic apparel and accessories. We have a vision to be the experiential brand that ignites a community of people through sweat, grow, and connect, which we call "living the sweatlife." Since our inception, we have fostered a distinctive corporate culture; we promote a set of core values in our business which include taking personal responsibility, nurturing entrepreneurial spirit, acting with honesty and courage, valuing connection and inclusion, and choosing to have fun. These core values attract passionate and motivated employees who are driven to achieve personal and professional goals, and share our purpose "to elevate the world by unleashing the full potential within every one of us."

Our healthy lifestyle inspired athletic apparel and accessories are marketed under the lululemon brand. We offer a comprehensive line of apparel and accessories. Our apparel assortment includes items such as pants, shorts, tops, and jackets designed for a healthy lifestyle including athletic activities such as yoga, running, training, and most other sweaty pursuits. We also offer apparel designed for being On the Move and fitness-related accessories. We expect to continue to broaden our merchandise offerings through expansion across these product areas.

During the second quarter of 2020, we acquired Curiouser Products Inc., dba MIRROR. MIRROR is an in-home fitness company offering connected hardware and related software products and services, with an interactive workout platform that features live and on-demand classes. The acquisition of MIRROR bolsters our digital sweatlife offerings and brings immersive and personalized in-home sweat and mindfulness content to new and existing lululemon guests.

COVID-19 Update

COVID-19 continues to impact the global economy and cause disruption and volatility. It has caused governments and public health officials to impose restrictions and recommend precautions to mitigate the spread of the virus. We believe we will continue to experience differing levels of disruption and volatility, market by market.

While most of our retail locations were open throughout the first three quarters of fiscal 2021, certain locations were temporarily closed based on government and health authority guidance. We continue to operate with precautionary measures in place, as appropriate.

The pandemic has also impacted our product manufacturers and our distribution and logistics providers. There has been disruption in transportation and port congestion, an increase in freight costs, and we have increased our use of air freight. As a result of this disruption, certain inventory receipts have been delayed, and we expect this disruption and increased costs to continue at least through to the end of 2021.

Financial Highlights

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

- Net revenue increased 30% to $1.5 billion. On a constant dollar basis, net revenue increased 28%.
- Total comparable sales, which includes comparable store sales and direct to consumer net revenue, increased 27%. On a constant dollar basis, total comparable sales increased 26%.
  - Comparable store sales increased 32% or increased 31% on a constant dollar basis.
  - Direct to consumer net revenue increased 23% to 586.5 million, or increased 21% on a constant dollar basis.
- Gross profit increased 32% to $829.4 million.
- Gross margin increased 110 basis points to 57.2%.
- Income from operations increased 26% to $257.9 million.
- Operating margin decreased 50 basis points to 17.8%.
- Income tax expense increased 16% to $70.2 million. Our effective tax rate for the third quarter of 2021 was 27.2% compared to 29.7% for the third quarter of 2020.
- Diluted earnings per share were $1.44 compared to $1.10 in the third quarter of 2020. This includes $23.5 million and $7.6 million of after-tax costs related to the MIRROR acquisition in the third quarter of 2021 and 2020, respectively, which reduced diluted earnings per share by $0.18 and $0.06 in the third quarter of 2021 and 2020, respectively.

Refer to the non-GAAP reconciliation tables contained in the "Non-GAAP Financial Measures" section of this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for reconciliations between constant dollar changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue and the most directly comparable measures calculated in accordance with GAAP.

Quarter-to-Date Results of Operations: Third Quarter Results

The following table summarizes key components of our results of operations for the periods indicated:

	Third Quarter			
	2021	2020	2021	2020
	(In thousands)		(Percentage of net revenue)	
Net revenue	$ 1,450,421	$ 1,117,426	100.0 %	100.0 %
Cost of goods sold	621,028	490,072	42.8	43.9
Gross profit	829,393	627,354	57.2	56.1
Selling, general and administrative expenses	545,124	411,708	37.6	36.8
Amortization of intangible assets	2,195	2,195	0.2	0.2
Acquisition-related expenses	24,127	8,531	1.7	0.8
Income from operations	257,947	204,920	17.8	18.3
Other income (expense), net	15	(580)	—	(0.1)
Income before income tax expense	257,962	204,340	17.8	18.3
Income tax expense	70,174	60,697	4.8	5.4
Net income	$ 187,788	$ 143,643	12.9 %	12.9 %

Net Revenue

Net revenue increased $333.0 million, or 30%, to $1.5 billion for the third quarter of 2021 from $1.1 billion for the third quarter of 2020. On a constant dollar basis, assuming the average foreign currency exchange rates for the third quarter of 2021 remained constant with the average foreign currency exchange rates for the third quarter of 2020, net revenue increased $313.6 million, or 28%.

The increase in net revenue was primarily due to increased company-operated store net revenue, including from increased comparable store sales and new company-operated stores. Direct to consumer net revenue and other net revenue also increased.

Total comparable sales, which includes comparable store sales and direct to consumer net revenue, increased 27% for the third quarter of 2021 compared to the third quarter of 2020. Total comparable sales increased 26% on a constant dollar basis.

Net revenue for the third quarter of 2021 and 2020 is summarized below.

	Third Quarter					
	2021	2020	2021	2020	Year over year change	
	(In thousands)		(Percentages)		(In thousands)	(Percentages)
Company-operated stores	$ 707,160	$ 511,756	48.8 %	45.8 %	$ 195,404	38.2 %
Direct to consumer	586,525	478,263	40.4	42.8	108,262	22.6
Other	156,736	127,407	10.8	11.4	29,329	23.0
Net revenue	$ 1,450,421	$ 1,117,426	100.0 %	100.0 %	$ 332,995	29.8 %

Company-Operated Stores. The increase in net revenue from our company-operated stores was driven by increased comparable store sales. Comparable store sales increased 32%, or increased 31% on a constant dollar basis. The increase in comparable store sales was primarily a result of increased store traffic, partially due to most of our stores having reduced operating hours and occupancy restrictions for the third quarter of 2020 as a result of COVID-19. Net revenue from company-operated stores that we opened or significantly expanded since the third quarter of 2020 contributed $37.5 million to the increase in net revenue from our company-operated stores. We opened 37 net new company-operated stores since the third quarter of 2020, including 25 stores in Asia Pacific, nine stores in North America, and three stores in Europe.

Direct to Consumer. Direct to consumer net revenue increased 23%, and increased 21% on a constant dollar basis. The increase in net revenue from our direct to consumer segment was primarily a result of increased traffic and a higher dollar value per transaction, partially offset by a decrease in conversion rates.

Other. The increase in net revenue was primarily due to increased sales at our outlet and seasonal locations as a result of COVID-19 restrictions in place for the third quarter of 2020. An increase in the number of temporary locations, including seasonal and outlet stores, that were open during the third quarter of 2021 compared to the third quarter of 2020 also contributed to the increase in other net revenue. The increase in net revenue from our other retail locations was partially offset by a decrease in net revenue from MIRROR.

Gross Profit

	Third Quarter						
	2021		2020		Year over year change		
	(In thousands)				*(In thousands)*		*(Percentage)*
Gross profit	$	829,393	$	627,354	$	202,039	32.2 %
Gross margin		57.2 %		56.1 %	110 basis points		

The increase in gross margin was primarily the result of:

- a decrease in occupancy and depreciation costs as a percentage of net revenue of 60 basis points, driven primarily by the increase in net revenue;
- a favorable impact of foreign currency exchange rates of 30 basis points; and
- an increase in product margin of 20 basis points, primarily due to lower markdowns, partially offset by higher air freight costs as a result of COVID impacts on supply chain.

Selling, General and Administrative Expenses

	Third Quarter						
	2021		2020		Year over year change		
	(In thousands)				*(In thousands)*		*(Percentage)*
Selling, general and administrative expenses	$	545,124	$	411,708	$	133,416	32.4 %
Selling, general and administrative expenses as a percentage of net revenue		37.6 %		36.8 %	80 basis points		

The increase in selling, general and administrative expenses was primarily due to:

- an increase in head office costs of $88.4 million, comprised of:
  - an increase in costs of $55.6 million primarily due to an increase in brand and community costs, professional fees, and information technology costs; and
  - an increase in employee costs of $32.8 million primarily due to an increase in salaries and wages expense and incentive compensation, primarily as a result of headcount growth;
- an increase in costs related to our operating channels of $43.2 million, comprised of:
  - an increase in employee costs of $37.8 million primarily due to an increase in salaries and wages expense and incentive compensation in our company-operated stores and other retail locations, primarily from the growth in our business;
  - an increase in variable costs of $11.1 million primarily due to an increase in credit card fees, distribution costs, and packaging costs, as a result of increased net revenue;
  - an increase in operating costs of $3.7 million primarily due to an increase in depreciation and professional fees; and
  - a decrease in brand and community costs of $9.4 million primarily due to a decrease in digital marketing expenses related to MIRROR;
- an increase in net foreign currency exchange and derivative revaluation losses of $1.8 million.

Amortization of intangible assets

	Third Quarter			
	2021	2020	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Amortization of intangible assets	$ 2,195	$ 2,195	$ —	— %

The amortization of intangible assets was primarily the result of the amortization of intangible assets recognized upon the acquisition of MIRROR during the second quarter of 2020.

Acquisition-related expenses

	Third Quarter			
	2021	2020	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Acquisition-related expenses	$ 24,127	$ 8,531	$ 15,596	182.8 %

In connection with our acquisition of MIRROR, we recognized acquisition-related compensation expenses of $23.8 million and $7.5 million in the third quarter of 2021 and 2020, respectively. We also recognized transaction and integration related costs of $0.3 million and $1.0 million in the third quarter of 2021 and 2020, respectively.

Please refer to Note 3. Acquisition included in Item 1 of Part 1 of this report for information on the nature and recognition of acquisition-related compensation expenses.

Income from Operations

On a segment basis, we determine income from operations without taking into account our general corporate expenses. Segmented income from operations is summarized below.

	Third Quarter					
	2021	2020	2021	2020	Year over year change	
	(In thousands)		(Percentage of net revenue of respective operating segment)		(In thousands)	(Percentage)
Segmented income from operations:						
Company-operated stores	$ 180,700	$ 111,780	25.6 %	21.8 %	$ 68,920	61.7 %
Direct to consumer	257,050	209,610	43.8	43.8	47,440	22.6
Other	27,450	1,304	17.5	1.0	26,146	n/a
	$ 465,200	$ 322,694			$ 142,506	44.2 %
General corporate expense	180,931	107,048			73,883	69.0
Amortization of intangible assets	2,195	2,195			—	n/a
Acquisition-related expenses	24,127	8,531			15,596	182.8
Income from operations	$ 257,947	$ 204,920			$ 53,027	25.9 %
Operating margin	17.8 %	18.3 %			(50) basis points	

Company-Operated Stores. The increase in income from operations from our company-operated stores was primarily the result of increased gross profit of $110.0 million, driven by increased net revenue, as a result of increased comparable store sales, sales from new and significantly expanded stores, as well as higher gross margin. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, primarily due to higher employee and operating costs. Employee costs increased primarily due to higher salaries and wages expense and higher incentive compensation as a result of growth in our business. Store operating costs increased primarily due to increases in packaging costs, credit card fees, and distribution costs, as a result of higher net revenue. Income from operations as a percentage of company-operated stores net revenue increased due to increased net revenue and gross margin, as well as leverage on selling, general and administrative expenses.

Direct to Consumer. The increase in income from operations from our direct to consumer segment was primarily the result of increased gross profit of $69.0 million, driven by increased net revenue as a result of increased traffic and a higher dollar value per transaction. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, primarily due to higher depreciation, digital marketing expenses, and employee costs, as well as higher variable operating costs, including distribution costs and credit card fees, as a result of higher net revenue. Income from operations as a percentage of direct to consumer net revenue was consistent for the third quarter of 2021, compared to the third quarter of 2020. The leverage on selling, general and administrative expenses was offset by lower gross margin.

Other. The increase in income from operations was primarily the result of increased gross profit of $23.0 million, driven by increased net revenue and higher gross margin. Selling, general and administrative expenses decreased, driven by decreases in digital marketing expenses and distribution costs related to MIRROR. These decreases were partially offset by increased salaries and wages and incentive compensation related to our other retail locations. Income from operations as a percentage of other net revenue increased primarily due leverage on selling, general and administrative expenses and due to higher gross margin.

General Corporate Expenses. The increase in general corporate expenses was primarily due to increased employee costs, primarily from the growth in our business, as well as increased brand and community costs, professional fees, information technology costs, and depreciation. An increase in net foreign currency exchange and derivative revaluation losses of $1.8 million also contributed to the increase in general corporate expenses.

Other Income (Expense), Net

	Third Quarter			
	2021	2020	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Other income (expense), net	$ 15	$ (580)	$ 595	(102.6)%

The increase in other income, net was primarily due to a decrease in expenses related to our credit facilities, including for the 364-day credit facility that was in place during 2020.

Income Tax Expense

	Third Quarter			
	2021	2020	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Income tax expense	$ 70,174	$ 60,697	$ 9,477	15.6 %
Effective tax rate	27.2 %	29.7 %	(250) basis points	

The decrease in the effective tax rate was primarily due to a reduction in non-deductible expenses in international jurisdictions, a net increase in tax deductions related to stock-based compensation, and a reduction in adjustments upon filing of certain income tax returns. Certain non-deductible expenses related to the MIRROR acquisition increased the effective tax rate by 210 basis points in the third quarter of 2021 compared to 80 basis points in the third quarter of 2020.

Net Income

	Third Quarter			
	2021	2020	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net income	$ 187,788	$ 143,643	$ 44,145	30.7 %

The increase in net income was primarily due to an increase in gross profit of $202.0 million and an increase in other income (expense), net of $0.6 million, partially offset by an increase in selling, general and administrative expenses of $133.4 million, an increase in income tax expense of $9.5 million, and an increase in acquisition-related expenses of $15.6 million.

Year-to-Date Results of Operations: First Three Quarters Results

The following table summarizes key components of our results of operations for the periods indicated:

	First Three Quarters			
	2021	2020	2021	2020
	(In thousands)		(Percentages)	
Net revenue	$ 4,127,504	$ 2,672,330	100.0 %	100.0 %
Cost of goods sold	1,755,111	1,221,073	42.5	45.7
Gross profit	2,372,393	1,451,257	57.5	54.3
Selling, general and administrative expenses	1,583,075	1,064,172	38.4	39.8
Amortization of intangible assets	6,585	2,965	0.2	0.1
Acquisition-related expenses	39,934	22,040	1.0	0.8
Income from operations	742,799	362,080	18.0	13.5
Other income (expense), net	338	250	—	—
Income before income tax expense	743,137	362,330	18.0	13.6
Income tax expense	202,319	103,254	4.9	3.9
Net income	$ 540,818	$ 259,076	13.1 %	9.7 %

Net Revenue

Net revenue increased $1.5 billion, or 54%, to $4.1 billion for the first three quarters of 2021 from $2.7 billion for the first three quarters of 2020. On a constant dollar basis, assuming the average foreign currency exchange rates for the first three quarters of 2021 remained constant with the average foreign currency exchange rates for the first three quarters of 2020, net revenue increased $1.4 billion, or 51%.

The increase in net revenue was primarily due to increased company-operated store net revenue, as a result of the temporary store closures and COVID operating restrictions that were in place during the first three quarters of fiscal 2020. Direct to consumer net revenue and other net revenue also increased.

Net revenue for the first three quarters of 2021 and 2020 is summarized below.

	First Three Quarters					
	2021	2020	2021	2020	Year over year change	
	(In thousands)		(Percentages)		(In thousands)	(Percentage)
Company-operated stores	$ 1,938,864	$ 1,058,927	47.0 %	39.6 %	$ 879,937	83.1 %
Direct to consumer	1,729,040	1,384,604	41.9	51.8	344,436	25.0
Other	459,600	228,799	11.1	8.6	230,801	100.9
Net revenue	$ 4,127,504	$ 2,672,330	100.0 %	100.0 %	$ 1,455,174	54.5 %

Company-Operated Stores. The increase in net revenue from our company-operated stores was primarily due to most of our stores being open for the entire first three quarters of 2021, while almost all were temporarily closed for a significant portion of the first two quarters of 2020, and open with reduced operating hours and occupancy restrictions for the third quarter of 2020 as a result of COVID-19. We opened 37 net new company-operated stores since the third quarter of 2020 which also contributed to the increase in net revenue, including 25 stores in Asia Pacific, nine stores in North America, and three stores in Europe.

Direct to Consumer. Direct to consumer net revenue increased 25%, and increased 22% on a constant dollar basis. The increase in net revenue from our direct to consumer segment was primarily a result of increased traffic and a higher dollar value per transaction, partially offset by a decrease in conversion rates. During the second quarter of 2020, we held an online warehouse sale in the United States and Canada which generated net revenue of $43.3 million. We did not hold any warehouse sales during the first three quarters of 2021.

Other. The increase in other net revenue was primarily due to most of our outlet and seasonal locations being open for the entire first three quarters of 2021, while almost all were temporarily closed for a significant portion of the first two quarters of 2020, and open with reduced operating hours and occupancy restrictions for the third quarter of 2020 as a result of COVID-19. Net revenue from MIRROR, which we acquired during the second quarter of 2020, as well as an increase in the number of temporary locations, including seasonal and outlet stores, that were open during the third quarter of 2021 compared to the third quarter of 2020 also contributed to the increase in other net revenue.

Gross Profit

	First Three Quarters			
	2021	2020	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Gross profit	$ 2,372,393	$ 1,451,257	$ 921,136	63.5 %
Gross margin	57.5 %	54.3 %	320 basis points	

The increase in gross margin was primarily the result of:

- a decrease in occupancy and depreciation costs as a percentage of net revenue of 220 basis points, driven primarily by the increase in net revenue;
- a decrease in costs related to our distribution centers and product departments as a percentage of net revenue of 70 basis points, driven primarily by the increase in net revenue; and
- a favorable impact of foreign currency exchange rates of 50 basis points.

The increase in gross margin was partially offset by a decrease in product margin of 20 basis points, primarily due to higher air freight costs as a result of COVID impacts on supply chain, partially offset by lower markdowns.

Selling, General and Administrative Expenses

	First Three Quarters			
	2021	2020	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Selling, general and administrative expenses	$ 1,583,075	$ 1,064,172	$ 518,903	48.8 %
Selling, general and administrative expenses as a percentage of net revenue	38.4 %	39.8 %	(140) basis points	

The increase in selling, general and administrative expenses was primarily due to:

- an increase in costs related to our operating channels of $242.3 million, comprised of:
  - an increase in employee costs of $126.6 million primarily due to an increase in salaries and wages expense, incentive compensation, and benefit expenses in our company-operated store and other retail locations, primarily due to the increased number of hours worked as a result of COVID-19 impacts in 2020, as well as performance and growth in our business;
  - an increase in variable costs of $63.0 million primarily due to an increase in distribution costs, credit card fees, and packaging expenses as a result of increased net revenue;
  - an increase in brand and community costs of $35.9 million primarily due to an increase in digital marketing expenses; and
  - an increase in other operating costs of $16.8 million primarily due to an increase in depreciation, information technology costs, and occupancy costs;

- an increase in head office costs of $232.4 million, comprised of:
  - an increase in costs of $134.7 million primarily due to an increase in professional fees, brand and community costs, information technology costs, and depreciation; and
  - an increase in employee costs of $97.7 million primarily due to an increase in salaries and wages expense, and incentive compensation, stock-based compensation expense, and employee benefit costs, primarily as a result of headcount growth,
- a decrease in government payroll subsidies of $36.5 million as no government payroll subsidies were recognized in the first three quarters of 2021; and
- an increase in net foreign currency exchange and derivative revaluation losses of $7.7 million.

Amortization of intangible assets

	First Three Quarters			
	2021	2020	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Amortization of intangible assets	$ 6,585	$ 2,965	$ 3,620	122.1 %

The increase in the amortization of intangible assets was the result of the amortization of intangible assets recognized upon the acquisition of MIRROR during the second quarter of 2020.

Acquisition-related expenses

	First Three Quarters			
	2021	2020	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Acquisition-related expenses	$ 39,934	$ 22,040	$ 17,894	81.2 %

In connection with our acquisition of MIRROR, we recognized acquisition-related compensation expenses of $38.1 million and $12.6 million in the first three quarters of 2021 and 2020, respectively. We also recognized transaction and integration related costs of $1.9 million and $10.3 million in the first three quarters of 2021 and 2020, respectively. Acquisition related expenses in the first three quarters of 2020 were partially offset by a $0.8 million gain recognized on our existing investment.

Please refer to Note 3. Acquisition included in Item 1 of Part 1 of this report for information on the nature and recognition of acquisition-related compensation expenses.

Income from Operations

On a segment basis, we determine income from operations without taking into account our general corporate expenses. Segmented income from operations is summarized below.

	First Three Quarters					
	2021	2020	2021	2020	Year over year change	
	(In thousands)		*(Percentage of net revenue of respective operating segment)*		*(In thousands)*	*(Percentage)*
Segmented income from operations:						
Company-operated stores	$ 464,844	$ 76,333	24.0 %	7.2 %	$ 388,511	509 %
Direct to consumer	754,231	604,152	43.6	43.6	150,079	24.8
Other	64,196	3,622	14.0	1.6	60,574	n/a
	$ 1,283,271	$ 684,107			$ 599,164	87.6 %
General corporate expense	493,953	297,022			196,931	66.3
Amortization of intangible assets	6,585	2,965			3,620	n/a
Acquisition-related expenses	39,934	22,040			17,894	81.2
Income from operations	$ 742,799	$ 362,080			$ 380,719	105.1 %
Operating margin	18.0 %	13.5 %			450 basis points	

Company-Operated Stores. The increase in income from operations from our company-operated stores was primarily the result of increased gross profit of $551.9 million, driven by higher gross margin and increased net revenue. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, primarily due to higher employee and operating costs. Employee costs increased primarily due to the increased number of hours worked as a result of COVID-19 impacts in 2020, as well as performance and growth in our business, and store operating costs increased, primarily due to government payroll subsidies that were recognized during the first three quarters of 2020. No government payroll subsidies were recognized during the first three quarters of 2021. There were also increases in credit card fees, packaging costs, and distribution as a result of higher net revenue. Income from operations as a percentage of company-operated stores net revenue increased, primarily due to higher gross margin and leverage on selling, general and administrative expenses.

Direct to Consumer. The increase in income from operations from our direct to consumer segment was primarily the result of increased gross profit of $233.2 million, driven by increased net revenue. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses primarily due to higher variable costs including distribution costs, credit card fees, and packaging, as a result of higher net revenue, as well as higher digital marketing expenses, depreciation, employee costs, and information technology costs. Income from operations as a percentage of direct to consumer net revenue was consistent for the first three quarters of 2021, compared to the first three quarters of 2020. The increase in gross margin was offset by deleverage on selling, general and administrative expenses.

Other. The increase in income from operations was primarily the result of increased gross profit of $136.1 million, driven by higher gross margin and increased net revenue. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, driven by MIRROR digital marketing expenses and professional fees. Higher overall salaries and wages expense, incentive compensation, and occupancy costs, as well as higher overall credit card fees and distribution costs as a result of higher net revenue also contributed to the increase in selling, general and administrative expenses. Income from operations as a percentage of other net revenue increased primarily due to leverage on selling, general and administrative expenses and a higher gross margin.

General Corporate Expense. The increase in general corporate expenses was primarily due to increased employee costs primarily from the growth in our business, as well as increased professional fees, brand and community costs, information technology costs, depreciation, and supplies costs. An increase in net foreign currency exchange and derivative revaluation losses of $7.7 million also contributed to the increase in general corporate expenses.

Other Income (Expense), Net

	First Three Quarters			
	2021	2020	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Other income (expense), net	$ 338	$ 250	$ 88	35.2 %

The increase in other income, net was primarily due to a decrease in expenses related to our credit facilities, including for the 364-day credit facility that was in place during 2020. This was partially offset by a decrease in interest income primarily due to lower interest rates.

Income Tax Expense

	First Three Quarters			
	2021	2020	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Income tax expense	$ 202,319	$ 103,254	$ 99,065	95.9 %
Effective tax rate	27.2 %	28.5 %	(130) basis points	

The decrease in the effective tax rate was primarily due to a net increase in tax deductions related to stock-based compensation, and adjustments upon filing of certain income tax returns, partially offset by non-deductible expenses in international jurisdictions. Certain non-deductible expenses related to the MIRROR acquisition increased the effective tax rate by 120 basis points in the first three quarters of 2021 compared to 90 basis points in the first three quarters of 2020.

Net Income

	First Three Quarters			
	2021	2020	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net income	$ 540,818	$ 259,076	$ 281,742	108.7 %

The increase in net income was primarily due to an increase in gross profit of $921.1 million, partially offset by an increase in selling, general and administrative expenses of $518.9 million, an increase in income tax expense of $99.1 million, an increase in acquisition-related expenses of $17.9 million, an increase in amortization of intangible assets of $3.6 million, and an increase in other income of $0.1 million.

Comparable Store Sales and Total Comparable Sales

We use comparable store sales to assess the performance of our existing stores as it allows us to monitor the performance of our business without the impact of recently opened or expanded stores. We use total comparable sales to evaluate the performance of our business from an omni-channel perspective. We therefore believe that investors would similarly find these metrics useful in assessing the performance of our business. However, as the temporary store closures from COVID-19 resulted in a significant number of stores being removed from our comparable store calculations during the first two quarters of 2020, we believe total comparable sales and comparable store sales on a year-to-date basis are not currently representative of the underlying trends of our business. We do not believe these year-to-date metrics are currently useful to investors in understanding performance, therefore we have not included these metrics in our discussion and analysis of results of operations. As most of our stores were open during the third quarter of fiscal 2020, and our comparable store base therefore included the majority of our stores, we have included total comparable sales and comparable store sales on a quarter-to-date basis in our discussion and analysis of results of operations.

Comparable store sales reflect net revenue from company-operated stores that have been open, or open after being significantly expanded, for at least 12 full fiscal months. Net revenue from a store is included in comparable store sales beginning with the first fiscal month for which the store has a full fiscal month of sales in the prior year. Comparable store sales exclude sales from new stores that have not been open for at least 12 full fiscal months, from stores which have not been in their significantly expanded space for at least 12 full fiscal months, and from stores which have been temporarily relocated for renovations or temporarily closed. Comparable store sales also exclude sales from direct to consumer and our other operations, as well as sales from company-operated stores that have closed.

Total comparable sales combines comparable store sales and direct to consumer net revenue.

In fiscal years with 53 weeks, the 53rd week of net revenue is excluded from the calculation of comparable sales. In the year following a 53 week year, the prior year period is shifted by one week to compare similar calendar weeks.

Opening new stores and expanding existing stores is an important part of our growth strategy. Accordingly, total comparable sales is just one way of assessing the success of our growth strategy insofar as comparable sales do not reflect the performance of stores opened, or significantly expanded, within the last 12 full fiscal months. The comparable sales measures we report may not be equivalent to similarly titled measures reported by other companies.

Non-GAAP Financial Measures

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

A constant dollar basis assumes the average foreign currency exchange rates for the period remained constant with the average foreign currency exchange rates for the same period of the prior year. We provide constant dollar changes in our results to help investors understand the underlying growth rate of net revenue excluding the impact of changes in foreign currency exchange rates.

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. A reconciliation of the non-GAAP financial measures follows, 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.

Constant dollar changes in net revenue

The below changes in net revenue show the change compared to the corresponding period in the prior year.

	Third Quarter 2021		First Three Quarters 2021	
	Net Revenue		Net Revenue	
	(In thousands)	*(Percentages)*	*(In thousands)*	*(Percentages)*
Change	$ 332,995	30 %	$ 1,455,174	54 %
Adjustments due to foreign currency exchange rate changes	(19,348)	(2)	(93,078)	(3)%
Change in constant dollars	$ 313,647	28 %	$ 1,362,096	51 %

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

The below changes in total comparable sales, comparable store sales, and direct to consumer net revenue show the change compared to the corresponding period in the prior year. As the temporary closures from COVID-19 resulted in a significant number of stores being removed from our comparable store base during the first two quarters of 2020, total comparable sales and comparable store sales are only reported on a quarter-to-date basis.

	Third Quarter 2021			First Three Quarters 2021
	Total Comparable Sales[1,2]	Comparable Store Sales[2]	Direct to Consumer Net Revenue	Direct to Consumer Net Revenue
Change	27 %	32 %	23 %	25 %
Adjustments due to foreign currency exchange rate changes	(1)	(1)	(2)	(3)
Change in constant dollars	26 %	31 %	21 %	22 %

(1) Total comparable sales includes comparable store sales and direct to consumer net revenue.

(2) Comparable 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.

Seasonality

Our business is affected by the general seasonal trends common to the retail apparel industry. Our annual net revenue is weighted more heavily toward our fourth fiscal quarter, reflecting our historical strength in sales during the holiday season, while our operating expenses are more equally distributed throughout the year. As a result, a substantial portion of our operating profits are generated in the fourth quarter of our fiscal year. For example, we generated approximately 56% and 47% of our full year operating profit during the fourth quarters of 2020 and 2019, respectively. Due to a significant number of our company-operated stores being temporarily closed due to COVID-19 during the first two quarters of 2020, we earned a higher proportion of our operating profit during the last two quarters of 2020 compared to prior years.

Liquidity and Capital Resources

Our primary sources of liquidity are our current balances of cash and cash equivalents, cash flows from operations, and capacity under our committed revolving credit facility. Our primary cash needs are capital expenditures for opening new stores and remodeling or relocating existing stores, investing in information technology and making system enhancements, funding working capital requirements, and making other strategic capital investments both in North America and internationally. We may also use cash to repurchase shares of our common stock. Cash and cash equivalents in excess of our needs are held in interest bearing accounts with financial institutions, as well as in money market funds, treasury bills, and term deposits.

We believe that our cash and cash equivalent balances, cash generated from operations, and borrowings available to us under our committed revolving credit facility will be adequate to meet our liquidity needs and capital expenditure requirements for at least the next 12 months. Our cash from operations may be negatively impacted by a decrease in demand for our products, as well as the other factors described in "Item 1A. Risk Factors". In addition, we may make discretionary capital improvements with respect to our stores, distribution facilities, headquarters, or systems, or we may repurchase shares under an approved stock repurchase program, which we would expect to fund through the use of cash, issuance of debt or equity securities or other external financing sources to the extent we were unable to fund such capital expenditures out of our cash and cash equivalents and cash generated from operations.

The following table includes certain measures of our liquidity:

	October 31, 2021
	(In thousands)
Cash and cash equivalents	$ 993,591
Working capital excluding cash and cash equivalents[(1)]	199,683
Capacity under committed revolving credit facility	396,852

(1) Working capital is calculated as current assets of $2.3 billion less current liabilities of $1.1 billion.

The following table summarizes our net cash flows provided by and used in operating, investing, and financing activities for the periods indicated:

	First Three Quarters		
	2021	2020	Year over year change
		(In thousands)	
Total cash provided by (used in):			
Operating activities	$ 658,124	$ 85,404	$ 572,720
Investing activities	(313,438)	(616,544)	303,106
Financing activities	(523,197)	(81,404)	(441,793)
Effect of foreign currency exchange rate changes on cash	21,585	620	20,965
Increase (decrease) in cash and cash equivalents	$ (156,926)	$ (611,924)	$ 454,998

Operating Activities

The increase in cash provided by operating activities was primarily as a result of:

- increased net income of $281.7 million;

- an increase in cash flows from the changes in operating assets and liabilities of $207.1 million. This increase was driven by changes in income taxes, accrued compensation, and prepaid expenses and other assets, partially offset by changes in inventories; and
- changes in adjusting items of $83.9 million, primarily driven by higher cash inflows related to derivatives not designated in a hedging relationship, as well as increased depreciation and stock-based compensation expenses.

Investing Activities

The decrease in cash used in investing activities was primarily due to the MIRROR acquisition in 2020, partially offset by increased capital expenditures and the settlement of net investment hedges. The increase in capital expenditures was primarily due to increased corporate expenditures driven by investment in information technology and business systems. There was also increased direct to consumer segment expenditures driven by investment in our distribution centers, as well as increased company-operated stores expenditures driven by opening new stores, remodeling or relocating certain stores, and ongoing store refurbishment.

Financing Activities

The increase in cash used in financing activities was primarily the result of an increase in stock repurchases. Cash used in financing activities for the first three quarters of 2021 included $491.3 million to repurchase 1.4 million shares of our common stock compared to $63.7 million to repurchase 0.4 million shares for the first three quarters of 2020. The common stock was repurchased in the open market at prevailing market prices, including under plans complying with the provisions of Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934, with the timing and actual number of shares repurchased depending upon market conditions, eligibility to trade, and other factors.

Revolving Credit Facilities

North America revolving credit facility

During 2016, we obtained a $150.0 million committed and unsecured five-year revolving credit facility with major financial institutions. On June 6, 2018, we amended the credit agreement to provide for (i) an increase in the aggregate commitments under the revolving credit facility to $400.0 million, with an increase of the sub-limits for the issuance of letters of credit and extensions of swing line loans to $50.0 million for each, (ii) an increase in the option, subject to certain conditions, to request increases in commitments from $400.0 million to $600.0 million and (iii) an extension in the maturity of the facility from December 15, 2021 to June 6, 2023. Borrowings under the facility may be made in U.S. Dollars, Euros, Canadian Dollars, and in other currencies, subject to the lenders' approval. As of October 31, 2021, aside from letters of credit of $3.1 million, we had no other borrowings outstanding under this credit facility.

Borrowings under the facility bear interest at a rate equal to, at our option, either (a) rates based on deposits on the interbank market for U.S. Dollars or the applicable currency in which the borrowings are made ("LIBOR") or (b) an alternate base rate, plus, an applicable margin determined by reference to a pricing grid, based on the ratio of indebtedness to earnings before interest, tax, depreciation, amortization, and rent ("EBITDAR") and ranges between 1.00%-1.50% for LIBOR loans and 0.00%-0.50% for alternate base rate loans. Additionally, a commitment fee of between 0.10%-0.20% is payable on the average unused amounts under the revolving credit facility, and fees of 1.00%-1.50% are payable on unused letters of credit.

The credit agreement contains negative covenants that, among other things and subject to certain exceptions, limit the ability of our subsidiaries to incur indebtedness, incur liens, undergo fundamental changes, make dispositions of all or substantially all of their assets, alter their businesses and enter into agreements limiting subsidiary dividends and distributions.

We are also required to maintain a consolidated rent-adjusted leverage ratio of not greater than 3.5:1 and to maintain the ratio of consolidated EBITDAR to consolidated interest charges (plus rent) below 2:1. The credit agreement also contains certain customary representations, warranties, affirmative covenants, and events of default (including, among others, an event of default upon the occurrence of a change of control). As of October 31, 2021, we were in compliance with the covenants of the credit facility.

Mainland China revolving credit facility

In December 2019, we entered into an uncommitted and unsecured 130.0 million Chinese Yuan revolving credit facility with terms that are reviewed on an annual basis. The credit facility was increased to 230.0 million Chinese Yuan during 2020. It is comprised of a revolving loan of up to 200.0 million Chinese Yuan and a financial guarantee facility of up to 30.0 million Chinese Yuan, or its equivalent in another currency. Loans are available for a period not to exceed 12 months, at an interest rate equal to the loan prime rate plus a spread of 0.5175%. We are required to comply with certain covenants. As of October 31, 2021, we were in compliance with the covenants and, aside from letters of credit of 3.5 million Chinese Yuan, we had no other borrowings or guarantees outstanding under this credit facility.

Off-Balance Sheet Arrangements

We enter into standby letters of credit to secure certain of our obligations, including leases, taxes, and duties. As of October 31, 2021, letters of credit and letters of guarantee totaling $4.2 million had been issued, including $3.1 million under our committed revolving credit facility.

We have not entered into any transactions, agreements or other contractual arrangements to which an entity unconsolidated with us is a party and under which we have (i) any obligation under a guarantee, (ii) any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity, (iii) any obligation under derivative instruments that are indexed to our shares and classified as equity in our consolidated balance sheets, or (iv) any obligation arising out of a variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from our estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements.

Our critical accounting policies and estimates are discussed within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2020 Annual Report on Form 10-K filed with the SEC on March 30, 2021.

Operating Locations

Our company-operated stores by country as of October 31, 2021 and January 31, 2021 are summarized in the table below.

Number of company-operated stores by country	October 31, 2021	January 31, 2021
United States	322	315
Canada	62	62
People's Republic of China(1)	71	55
Australia	30	31
United Kingdom	17	16
South Korea	12	7
Germany	8	7
New Zealand	7	7
Japan	6	6
Singapore	5	4
France	3	3
Malaysia	2	2
Sweden	2	2
Ireland	2	1
Netherlands	1	1
Norway	1	1
Switzerland	1	1
Total company-operated stores	552	521

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(1) Included within PRC as of October 31, 2021, were seven stores in Hong Kong, Special Administrative Region, three stores in Taiwan, and two stores in Macao, Special Administration Region. As of January 31, 2021, there were seven stores in Hong Kong, Special Administrative Region, two stores in Taiwan, and two stores in Macao, Special Administration Region.

Retail locations operated by third parties under license and supply arrangements are not included in the above table. As of October 31, 2021, there were 14 licensed locations, including six in Mexico, six in the United Arab Emirates, one in Kuwait, and one in Qatar.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk. The functional currency of our international subsidiaries is generally the applicable local currency. Our consolidated financial statements are presented in U.S. dollars. Therefore, the net revenue, expenses, assets, and liabilities of our international subsidiaries are translated from their functional currencies into U.S. dollars. Fluctuations in the value of the U.S. dollar affect the reported amounts of net revenue, expenses, assets, and liabilities. Foreign currency exchange differences which arise on translation of our international subsidiaries' balance sheets into U.S. dollars are recorded as a foreign currency translation adjustment in accumulated other comprehensive income or loss within stockholders' equity.

We also have exposure to changes in foreign currency exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. As a result, we have been impacted by changes in foreign currency exchange rates and may be impacted for the foreseeable future. The potential impact of currency fluctuation increases as our international expansion increases.

As of October 31, 2021, we had certain forward currency contracts outstanding in order to hedge a portion of the foreign currency exposure that arises on translation of a Canadian subsidiary into U.S. dollars. We also had certain forward currency contracts outstanding in an effort to reduce our exposure to the foreign currency exchange revaluation gains and losses that are recognized by our Canadian and Chinese subsidiaries on U.S. dollar denominated monetary assets and liabilities. Please refer to Note 7. Derivative Financial Instruments included in Item 1 of Part I of this report for further information, including details of the notional amounts outstanding.

In the future, in an effort to reduce foreign currency exchange risks, we may enter into further derivative financial instruments including hedging additional currency pairs. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

We currently generate a significant portion of our net revenue and incur a significant portion of our expenses in Canada. We also hold a significant portion of our net assets in Canada. The reporting currency for our consolidated financial statements is the U.S. dollar. A strengthening of the U.S. dollar against the Canadian dollar results in:

- the following impacts to the consolidated statements of operations:
  - a decrease in our net revenue upon translation of the sales made by our Canadian operations into U.S. dollars for the purposes of consolidation;
  - a decrease in our selling, general and administrative expenses incurred by our Canadian operations upon translation into U.S. dollars for the purposes of consolidation;
  - foreign currency exchange revaluation gains by our Canadian subsidiaries on U.S. dollar denominated monetary assets and liabilities; and
  - derivative valuation losses on forward currency contracts not designated in a hedging relationship;
- the following impacts to the consolidated balance sheets:
  - a decrease in the foreign currency translation adjustment which arises on the translation of our Canadian subsidiaries' balance sheets into U.S. dollars; and
  - an increase in the foreign currency translation adjustment from derivative valuation losses on forward currency contracts, entered into as net investment hedges of a Canadian subsidiary.

During the first three quarters of 2021, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a $35.6 million reduction in accumulated other comprehensive loss within stockholders' equity. During the first three quarters of 2020, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a $6.7 million increase in accumulated other comprehensive loss within stockholders' equity.

A 10% appreciation in the relative value of the U.S. dollar against the Canadian dollar compared to the foreign currency exchange rates in effect for the first three quarters of 2021 would have resulted in lower income from operations of approximately $12.3 million. This assumes a consistent 10% appreciation in the U.S. dollar against the Canadian dollar over the first three quarters of 2021. The timing of changes in the relative value of the U.S. dollar combined with the seasonal nature of our business, can affect the magnitude of the impact that fluctuations in foreign currency exchange rates have on our income from operations.

Interest Rate Risk. Our committed revolving credit facility provides us with available borrowings in an amount up to $400.0 million. Because our revolving credit facilities bear interest at a variable rate, we will be exposed to market risks relating to changes in interest rates, if we have a meaningful outstanding balance. As of October 31, 2021, aside from letters of credit of $3.1 million, there were no borrowings outstanding under these credit facilities. We currently do not engage in any interest rate hedging activity and currently have no intention to do so. However, in the future, if we have a meaningful outstanding balance under our revolving facility, in an effort to mitigate losses associated with these risks, we may at times enter into derivative financial instruments, although we have not historically done so. These may take the form of forward contracts, option contracts, or interest rate swaps. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Our cash and cash equivalent balances are held in the form of cash on hand, bank balances, short-term deposits and treasury bills with original maturities of three months or less, and in money market funds. We do not believe these balances are subject to material interest rate risk.

Credit Risk. We have cash on deposit with various large, reputable financial institutions and have invested in U.S. and Canadian Treasury Bills, and in AAA-rated money market funds. The amount of cash and cash equivalents held with certain financial institutions exceeds government-insured limits. We are also exposed to credit-related losses in the event of nonperformance by the financial institutions that are counterparties to our forward currency contracts. The credit risk amount is our unrealized gains on our derivative instruments, based on foreign currency rates at the time of nonperformance. We have not experienced any losses related to these items, and we believe credit risk to be minimal. We seek to minimize our credit risk by entering into transactions with credit worthy and reputable financial institutions and by monitoring the credit standing of the financial institutions with whom we transact. We seek to limit the amount of exposure with any one counterparty.

Inflation

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations for the third quarter and first three quarters of 2021, our business could be more affected by inflation in the future which could have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenue if the selling prices of our products do not increase with these increased costs.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, to allow timely decisions to be made regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. The Disclosure Committee meets on a quarterly basis, and as needed.

Our management, including our principal executive officer and principal financial and accounting officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) at October 31, 2021. Based on that evaluation, our principal executive officer and principal financial and accounting officer concluded that, at October 31, 2021, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting during the quarter ended October 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.