

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and related notes in Item 1 of this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and MD&A in our Annual Report on Form 10-K for fiscal 2024.

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about our financial condition, results of operations, business strategies, growth opportunities, market trends, and future performance. Forward-looking statements can often be identified by words such as "may," "will," "expects," "plans," "anticipates," "believes," "estimates," "intends," and similar expressions.

These forward-looking statements are based on our current expectations and assumptions, are subject to risks and uncertainties, and may differ materially from actual results due to various factors, including those described under "Risk Factors" and elsewhere in this report. We undertake no obligation to update any forward-looking statements, except as required by applicable law.

Our fiscal year ends on the Sunday closest to January 31 of the following year, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. Fiscal 2025 will end on February 1, 2026 and will be a 52-week year. Fiscal 2024 was a 53-week year and ended on February 2, 2025. Fiscal 2025 and fiscal 2024 are referred to as "2025," and "2024," respectively. The first two quarters of 2025 and 2024 ended on August 3, 2025 and July 28, 2024, respectively.

Components of this MD&A include:

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- [Financial Highlights and Market Conditions and Trends](#)
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We use comparable sales as a metric to evaluate the performance of our business. Due to the 53rd week in 2024, comparable sales are calculated on a one-week shifted basis such that the 13 or 26 weeks ended August 3, 2025 is compared to the 13 or 26 weeks ended August 4, 2024 rather than July 28, 2024. Refer to the Comparable Sales section of this MD&A for further information.

We provide constant dollar changes, which is a non-GAAP financial measure, as supplemental information to help investors understand the underlying growth rate of net revenue excluding the impact of changes in foreign currency exchange rates. Refer to the Non-GAAP Financial Measures section of this MD&A for reconciliations between the non-GAAP financial measures and the most directly comparable measures calculated in accordance with GAAP.

We disclose material non-public information through one or more of the following channels: our investor relations website (<http://corporate.lululemon.com/investors>), the social media channels identified on our investor relations website, press releases, SEC filings, public conference calls, and webcasts. Information contained on or accessible through our websites is not incorporated into, and does not form a part of, this Quarterly Report or any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Overview

lululemon athletica inc. is principally a designer, distributor, and retailer of technical athletic apparel, footwear, and accessories. We have a vision to create transformative products and experiences that build meaningful connections, unlocking greater possibility and wellbeing for all. 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, acting with 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 human potential by helping people feel their best."

We offer a comprehensive line of technical athletic apparel, footwear, and accessories marketed under the lululemon brand. 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 activities. We also offer apparel designed for being on the move and fitness-inspired accessories. We expect to continue to broaden our merchandise offerings through expansion across these product areas.

Financial Highlights

The summary below compares the second quarter of 2025 to the second quarter of 2024:

- Net revenue increased 7% to \$2.5 billion. On a constant dollar basis, net revenue increased 6%.
- Comparable sales increased 1%.
 - Americas comparable sales decreased 4%, or 3% on a constant dollar basis.
 - China Mainland comparable sales increased 17%, or 16% on a constant dollar basis.
 - Rest of World comparable sales increased 12%, or 9% on a constant dollar basis.
- Gross profit increased 5% to \$1.5 billion.
- Gross margin decreased 110 basis points to 58.5%.
- Income from operations decreased 3% to \$523.8 million.
- Operating margin decreased 210 basis points to 20.7%.
- Income tax expense decreased 2% to \$162.6 million. Our effective tax rate for the second quarter of 2025 was 30.5% compared to 29.6% for the second quarter of 2024.
- Diluted earnings per share were \$3.10 compared to \$3.15 in the second quarter of 2024.

Market Conditions and Trends

Across all markets, our business continues to be negatively influenced by macroeconomic conditions, including trade policies, shifting consumer demand, inflation, foreign currency fluctuations, and geopolitical instability. These factors have had varying effects across our markets and are expected to continue to impact our business throughout 2025 and beyond.

While total net revenue increased across all regions in the second quarter of 2025, comparable sales in the Americas decreased 4%, or 3% on a constant dollar basis. We experienced lower conversion rates and store traffic in the Americas, partially reflective of economic uncertainty, lower consumer confidence, changes in discretionary spending, and certain product offerings experiencing lower demand.

Import Tariffs

On April 2, 2025, the United States announced the implementation of a 10% baseline tariff on imports from nearly all countries with higher country-specific tariff rates scheduled to begin April 9, 2025. The implementation of country-specific tariffs was subsequently delayed to allow negotiations. Certain countries, including Vietnam, have announced trade deals with the United States and most negotiated tariff rates are higher than the 10% baseline rate. There has been significant volatility in U.S. tariff and customs policy, and trade negotiations between the United States and other countries are ongoing.

The United States also approved the One Big Beautiful Bill Act on July 4, 2025, which removed the de minimis exemption for low value shipments imported into the United States in 2027. On July 30, 2025, the President of the United States issued an executive order removing the de minimis exemption for all countries beginning August 29, 2025.

These changes in the tariff landscape, including the de minimis removal, are expected to have a significant adverse effect on our business and results of operation. The countries from which we source the majority of our products are now subject to higher tariffs on imports into the United States. Further, the majority of our sales to U.S. e-commerce guests are currently fulfilled from distribution centers in Canada, and historically a significant proportion of these orders qualified for the de minimis exemption. The removal of this exemption increases the cost of fulfilling those orders. We are taking steps to mitigate the financial impact which includes vendor negotiations and selective price increases. These actions are not anticipated to fully offset the effect of higher tariffs and the removal of the de minimis exemption, and we anticipate a significant reduction in our gross margin and operating margin.

The impact of increased tariffs, net of mitigating activities, resulted in a reduction to gross profit for the first two quarters of 2025 of approximately \$10 million. We estimate, based on the information available to us today, that increased tariffs, and the removal of the de minimis exemption, will reduce gross profit for 2025 by approximately \$240 million, net of mitigation efforts.

This estimate is our best current view and may change materially as conditions evolve and new information becomes available. It reflects a number of assumptions including (i) the tariff rates and timing of implementation, (ii) the duration and scope of the de minimis exemption removal, (iii) the potential application of transshipment tariff rules, (iv) our ability to execute vendor savings, and (v) customer demand elasticity and pricing response. Actual results may differ materially from this estimate, whether because these assumptions prove inaccurate or because of subsequent changes in tariff policy, trade negotiations, sourcing conditions, consumer demand for our products, or other factors outside our control.

Because this is an evolving area, future developments may change our expectations materially. For additional information on related risks, please see “Risk Factors” in this quarterly report.

Our updated forecasts, inclusive of the trends above, have resulted in changes in the probability of achieving performance conditions of performance-based restricted stock units. Therefore, we recognized a reversal of stock-based compensation expense of \$26.3 million during the second quarter of 2025.

Foreign Currency Fluctuations

Foreign currency fluctuations negatively impacted our financial results during the first two quarters of 2025, reducing net revenue growth by \$10.7 million compared to the first two quarters of 2024, primarily due to the overall appreciation of the US dollar relative to the Canadian dollar. We expect ongoing exchange rate volatility to continue affecting our financial results.

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

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

	Second Quarter			
	2025	2024	2025	2024
	<i>(In thousands)</i>		<i>(Percentage of net revenue)</i>	
Net revenue	\$ 2,525,219	\$ 2,371,078	100.0 %	100.0 %
Cost of goods sold	1,048,017	958,893	41.5	40.4
Gross profit	1,477,202	1,412,185	58.5	59.6
Selling, general and administrative expenses	951,658	871,959	37.7	36.8
Amortization of intangible assets	1,730	—	0.1	—
Income from operations	523,814	540,226	20.7	22.8
Other income (expense), net	9,737	17,994	0.4	0.8
Income before income tax expense	533,551	558,220	21.1	23.5
Income tax expense	162,646	165,298	6.4	7.0
Net income	\$ 370,905	\$ 392,922	14.7 %	16.6 %

Net Revenue

	Second Quarter				
	2025	2024	2025	2024	Year over year change
	<i>(In thousands)</i>		<i>(Percentage of net revenue)</i>		<i>(Constant dollar change)</i>
Americas	\$ 1,758,217	\$ 1,741,433	69.6 %	73.4 %	\$ 16,784 1 % 1 %
China Mainland	392,898	314,189	15.6	13.3	78,709 25 % 24 %
Rest of World	374,104	315,456	14.8	13.3	58,648 19 % 15 %
Net revenue	\$ 2,525,219	\$ 2,371,078	100.0 %	100.0 %	\$ 154,141 7 % 6 %

The increase in net revenue was primarily due to increased China Mainland and Rest of World net revenue. Americas net revenue also increased, and global comparable sales increased 1%.

Gross Profit

	Second Quarter			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Gross profit	\$ 1,477,202	\$ 1,412,185	\$ 65,017	4.6 %
Gross margin	58.5 %	59.6 %	(110) basis points	

The decrease in gross margin was primarily due to:

- a net decrease in product margin of 70 basis points, comprised of:
 - a net decrease of 80 basis points from higher markdowns, tariffs, and other costs, partially offset by higher pricing and lower product costs; and
 - a favorable impact of foreign currency exchange rates of 10 basis points.
- a net increase in other cost of sales as a percentage of net revenue of 40 basis points, comprised of:
 - an increase in occupancy and depreciation costs of 30 basis points; and
 - an increase in distribution center and product department costs of 10 basis points.

Selling, General and Administrative Expenses

	Second Quarter			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Selling, general and administrative expenses	\$ 951,658	\$ 871,959	\$ 79,699	9.1 %
Selling, general and administrative expenses as a % of net revenue	37.7 %	36.8 %	90 basis points	

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

- an increase in costs related to our operating channels of \$62.8 million, comprised of:
 - an increase in employee costs of \$23.7 million primarily due to increased salaries and wages expense for retail employees, partially offset by decreased incentive compensation;
 - an increase in variable costs of \$13.3 million primarily due to increased distribution costs, credit card fees, and packaging costs as a result of higher net revenue;
 - an increase in other operating costs of \$11.7 million primarily due to increased depreciation and occupancy costs;
 - an increase in digital marketing costs of \$11.1 million; and
 - an increase in technology costs of \$3.0 million.

- a net increase in head office costs of \$17.2 million, comprised of:
 - an increase in technology costs, including cloud computing amortization, of \$9.0 million;
 - an increase in depreciation of \$5.4 million;
 - an increase in brand and community costs of \$4.0 million;
 - an increase in contractor, advisory, and professional services of \$3.6 million;
 - an increase in other head office costs of \$5.3 million; and
 - a net decrease in employee costs of \$10.1 million primarily due to a reversal of stock-based compensation expense due to change in the probability of achieving performance conditions, partially offset by increased salaries and wages expense.

The increase in selling, general and administrative expenses was partially offset by an increase in net foreign currency exchange and derivative revaluation gains of \$0.3 million.

Amortization of Intangible Assets

	Second Quarter		
	2025	2024	Year over year change
	<i>(In thousands)</i>		<i>(Percentage)</i>
Amortization of intangible assets	\$ 1,730	\$ —	\$ 1,730 n/a

The amortization of intangible assets in 2025 was primarily the result of the amortization of intangible assets recognized upon the September 2024 acquisition of the Mexico operations.

Segment Results

On a segment basis, we determine income from operations without taking into account corporate expenses and certain other expenses. Corporate expenses include the cost of centrally managed support functions including product design, raw material development, product innovation, sourcing, supply chain, and global merchandising which are included in other cost of sales. Administrative corporate expenses include technology, brand and marketing, finance, human resources, legal, and other head office costs.

Americas

	Second Quarter			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net revenue	\$ 1,758,217	\$ 1,741,433	\$ 16,784	1.0 %
Product costs	515,473	493,895	21,578	4.4
Other cost of sales	158,390	150,458	7,932	5.3
Gross profit	1,084,354	1,097,080	(12,726)	(1.2)
Selling, general and administrative expenses	464,960	427,653	37,307	8.7
Segmented income from operations	\$ 619,394	\$ 669,427	\$ (50,033)	(7.5)%
Product margin	70.7 %	71.6 %	(90) basis points	
Gross margin	61.7 %	63.0 %	(130) basis points	
Selling, general and administrative expenses as a % of net revenue	26.4 %	24.6 %	180 basis points	
Segmented income from operations as a % of net revenue	35.2 %	38.4 %	(320) basis points	

The increase in Americas net revenue was primarily due to a \$56.6 million increase from new or expanded company-operated stores and our other channels. We added 26 net new company-operated stores in the Americas since the second quarter of 2024, including 14 company-operated stores from the acquisition of the Mexico operations. Americas comparable sales decreased 4%, or 3% on a constant dollar basis, driven by lower conversion rates and reduced store traffic, partially offset by higher e-commerce traffic and an increase in average order value.

The decrease in gross margin was primarily due to lower product margin and higher occupancy costs and depreciation as a percentage of net revenue.

The increase in selling, general and administrative expenses was primarily due to higher employee costs, increased digital marketing expenses, and increased depreciation.

China Mainland

	Second Quarter			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net revenue	\$ 392,898	\$ 314,189	\$ 78,709	25.1 %
Product costs	92,219	71,547	20,672	28.9
Other cost of sales	51,139	46,084	5,055	11.0
Gross profit	249,540	196,558	52,982	27.0
Selling, general and administrative expenses	97,050	77,473	19,577	25.3
Segmented income from operations	\$ 152,490	\$ 119,085	\$ 33,405	28.1 %
Product margin	76.5 %	77.2 %	(70) basis points	
Gross margin	63.5 %	62.6 %	90 basis points	
Selling, general and administrative expenses as a % of net revenue	24.7 %	24.7 %	— basis points	
Segmented income from operations as a % of net revenue	38.8 %	37.9 %	90 basis points	

The increase in China Mainland net revenue was primarily due to an increase in comparable sales, which increased 17%, or 16% on a constant dollar basis. The increase in comparable sales was primarily a result of increased e-commerce traffic, partially offset by a decrease in average order value. The increase in China Mainland net revenue was also driven by a \$37.4 million increase in net revenue from new or expanded company-operated stores and our other channels. We have opened 27 new company-operated stores in China Mainland since the second quarter of 2024.

The increase in gross margin was primarily due to lower occupancy costs as a percentage of net revenue, partially offset by lower product margin.

The increase in selling, general and administrative expenses was primarily due to higher employee costs, increased digital marketing expenses, and increased technology costs.

Rest of World

	Second Quarter			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net revenue	\$ 374,104	\$ 315,456	\$ 58,648	18.6 %
Product costs	108,449	90,860	17,589	19.4
Other cost of sales	63,200	51,891	11,309	21.8
Gross profit	202,455	172,705	29,750	17.2
Selling, general and administrative expenses	121,212	98,705	22,507	22.8
Segmented income from operations	\$ 81,243	\$ 74,000	\$ 7,243	9.8 %
Product margin	71.0 %	71.2 %	(20) basis points	
Gross margin	54.1 %	54.7 %	(60) basis points	
Selling, general and administrative expenses as a % of net revenue	32.4 %	31.3 %	110 basis points	
Segmented income from operations as a % of net revenue	21.7 %	23.5 %	(180) basis points	

The increase in Rest of World net revenue was primarily due to a \$31.1 million increase in net revenue from new or expanded company-operated stores and our other channels. We have opened 10 new company-operated stores in Rest of World since the second quarter of 2024. The increase in Rest of World net revenue was also driven by an increase in comparable sales, which increased 12%, or 9% on a constant dollar basis. The increase in comparable sales was primarily a result of increased traffic, partially offset by a decrease in average order value.

The decrease in gross margin was primarily due to higher occupancy costs as a percentage of net revenue as well as lower product margin.

The increase in selling, general and administrative expenses was primarily due to higher employee costs and increased marketing expenses, as well as increased distribution costs and credit card fees driven by higher net revenue.

Corporate

Corporate expenses increased \$7.0 million to \$329.3 million in the second quarter of 2025 compared to the second quarter of 2024. The net increase was primarily due to higher technology costs and depreciation. The increase in corporate expenses was partially offset by lower employee costs driven by decreased incentive compensation as well as an increase in net foreign currency exchange and derivative gains of \$0.3 million.

Other Income (Expense), Net

	Second Quarter			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Other income (expense), net	\$ 9,737	\$ 17,994	\$ (8,257)	(45.9)%

The decrease in other income, net was primarily due to a decrease in interest income as a result of lower average cash balances and lower interest rates.

Income Tax Expense

	Second Quarter			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Income tax expense	\$ 162,646	\$ 165,298	\$ (2,652)	(1.6)%
Effective tax rate	30.5 %	29.6 %	90 basis points	

The increase in the effective tax rate was primarily due to an increase in non-deductible expenses in international jurisdictions.

Net Income

	Second Quarter			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net income	\$ 370,905	\$ 392,922	\$ (22,017)	(5.6)%

The decrease in net income was primarily due to an increase in selling, general and administrative expenses of \$79.7 million, and a decrease in other income (expense), net of \$8.3 million, partially offset by an increase in gross profit of \$65.0 million, and a decrease in income tax expense of \$2.7 million.

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

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

	First Two Quarters			
	2025	2024	2025	2024
	<i>(In thousands)</i>		<i>(Percentage of net revenue)</i>	
Net revenue	\$ 4,895,879	\$ 4,579,969	100.0 %	100.0 %
Cost of goods sold	2,035,551	1,892,716	41.6	41.3
Gross profit	2,860,328	2,687,253	58.4	58.7
Selling, general and administrative expenses	1,894,529	1,714,385	38.7	37.4
Amortization of intangible assets	3,360	—	0.1	—
Income from operations	962,439	972,868	19.7	21.2
Other income (expense), net	21,523	41,277	0.4	0.9
Income before income tax expense	983,962	1,014,145	20.1	22.1
Income tax expense	298,485	299,802	6.1	6.5
Net income	\$ 685,477	\$ 714,343	14.0 %	15.6 %

Net Revenue

	First Two Quarters						
	2025	2024	2025	2024	Year over year change		
	<i>(In thousands)</i>		<i>(Percentage of net revenue)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>	<i>(Constant dollar change)</i>
Americas	\$ 3,432,775	\$ 3,363,697	70.1 %	73.4 %	\$ 69,078	2 %	3 %
China Mainland	760,999	617,975	15.5	13.5	143,024	23 %	23 %
Rest of World	702,105	598,297	14.3	13.1	103,808	17 %	16 %
Net revenue	\$ 4,895,879	\$ 4,579,969	100.0 %	100.0 %	\$ 315,910	7 %	7 %

The increase in net revenue was primarily due to increased China Mainland and Rest of World net revenue. Americas net revenue also increased, and global comparable sales increased 1%.

Gross Profit

	First Two Quarters			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Gross profit	\$ 2,860,328	\$ 2,687,253	\$ 173,075	6.4 %
Gross margin	58.4 %	58.7 %	(30) basis points	

The decrease in gross margin was primarily due to:

- a net increase in other cost of sales as a percentage of net revenue of 40 basis points, comprised of:
 - an increase in occupancy and depreciation costs of 30 basis points; and
 - an increase in costs related to our product departments of 10 basis points.
- a net increase in product margin of 10 basis points, comprised of:
 - a net increase of 20 basis points from lower damages, as well as lower product costs and higher pricing, partially offset by higher markdowns, freight costs, and tariffs; and
 - an unfavorable impact of foreign currency exchange rates of 10 basis points.

Selling, General and Administrative Expenses

	First Two Quarters			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Selling, general and administrative expenses	\$ 1,894,529	\$ 1,714,385	\$ 180,144	10.5 %
Selling, general and administrative expenses as a % of net revenue	38.7 %	37.4 %	130 basis points	

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

- an increase in costs related to our operating channels of \$100.9 million, comprised of:
 - an increase in employee costs of \$49.1 million primarily due to increased salaries and wages expense for retail employees, partially offset by decreased incentive compensation;
 - an increase in other operating costs of \$21.2 million primarily due to increased depreciation and occupancy costs;
 - an increase in digital marketing costs of \$20.5 million;
 - an increase in technology costs of \$5.6 million; and
 - an increase in variable costs of \$4.5 million primarily due to increased credit card fees and packaging costs as a result of higher net revenue, partially offset by decreased distribution cost rates.
- an increase in head office costs of \$68.7 million, comprised of:
 - an increase in technology costs, including cloud computing amortization, of \$20.0 million;
 - an increase in brand and community costs of \$12.8 million;
 - an increase in depreciation of \$12.7 million;

- an increase in in contractor, advisory, and professional services of \$12.4 million;
 - an increase in employee costs of \$1.3 million primarily due to increased salaries and wages expense, partially offset by a reversal of stock-based compensation expense due to change in the probability of achieving performance conditions; and
 - an increase in other head office costs of \$9.5 million.
- an increase in net foreign currency exchange and derivative revaluation losses of \$10.5 million.

Amortization of Intangible Assets

	First Two Quarters		
	2025	2024	Year over year change
	<i>(In thousands)</i>		<i>(Percentage)</i>
Amortization of intangible assets	\$ 3,360	\$ —	\$ 3,360 n/a

The amortization of intangible assets in 2025 was primarily the result of the amortization of intangible assets recognized upon the September 2024 acquisition of the Mexico operations.

Segment Results

On a segment basis, we determine income from operations without taking into account corporate expenses and certain other expenses. Corporate expenses include the cost of centrally managed support functions including product design, raw material development, product innovation, sourcing, supply chain, and global merchandising which are included in other cost of sales. Administrative corporate expenses include technology, brand and marketing, finance, human resources, legal, and other head office costs.

Americas

	First Two Quarters		
	2025	2024	Year over year change
	<i>(In thousands)</i>		<i>(Percentage)</i>
Net revenue	\$ 3,432,775	\$ 3,363,697	\$ 69,078 2.1 %
Product costs	996,293	976,190	20,103 2.1
Other cost of sales	315,037	297,635	17,402 5.8
Gross profit	2,121,445	2,089,872	31,573 1.5
Selling, general and administrative expenses	912,720	855,605	57,115 6.7
Segmented income from operations	\$ 1,208,725	\$ 1,234,267	\$ (25,542) (2.1)%
Product margin	71.0 %	71.0 %	— basis points
Gross margin	61.8 %	62.1 %	(30) basis points
Selling, general and administrative expenses as a % of net revenue	26.6 %	25.4 %	120 basis points
Segmented income from operations as a % of net revenue	35.2 %	36.7 %	(150) basis points

The increase in Americas net revenue was primarily due to a \$113.6 million increase from new or expanded company-operated stores and our other channels. We added 26 net new company-operated stores in the Americas since the second quarter of 2024, including 14 company-operated stores from the acquisition of the Mexico operations. Americas comparable sales decreased 3%, or 2% on a constant dollar basis, driven by lower conversion rates and reduced store traffic, partially offset by higher e-commerce traffic and an increase in average order value.

The decrease in gross margin was primarily due to higher occupancy costs and depreciation as a percentage of net revenue.

The increase in selling, general and administrative expenses was primarily due to higher employee costs, increased digital marketing expenses, and higher depreciation, partially offset by decreased distribution cost rates.

China Mainland

	First Two Quarters			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net revenue	\$ 760,999	\$ 617,975	\$ 143,024	23.1 %
Product costs	174,034	140,222	33,812	24.1
Other cost of sales	101,412	93,592	7,820	8.4
Gross profit	485,553	384,161	101,392	26.4
Selling, general and administrative expenses	179,428	145,298	34,130	23.5
Segmented income from operations	\$ 306,125	\$ 238,863	\$ 67,262	28.2 %
Product margin	77.1 %	77.3 %	(20) basis points	
Gross margin	63.8 %	62.2 %	160 basis points	
Selling, general and administrative expenses as a % of net revenue	23.6 %	23.5 %	10 basis points	
Segmented income from operations as a % of net revenue	40.2 %	38.7 %	150 basis points	

The increase in China Mainland net revenue was primarily due to a \$75.8 million increase in net revenue from new or expanded company-operated stores and our other channels. We have opened 27 new company-operated stores in China Mainland since the second quarter of 2024. The increase in China Mainland net revenue was also driven by an increase in comparable sales, which increased 12%. The increase in comparable sales was primarily a result of increased e-commerce traffic, partially offset by a decrease in average order value.

The increase in gross margin was primarily due to lower occupancy costs and depreciation as a percentage of net revenue, partially offset by lower product margin.

The increase in selling, general and administrative expenses was primarily due to higher employee costs and increased digital marketing expenses, as well as increased distribution costs and packaging costs driven by higher net revenue.

Rest of World

	First Two Quarters			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net revenue	\$ 702,105	\$ 598,297	\$ 103,808	17.4 %
Product costs	198,713	170,934	27,779	16.3
Other cost of sales	121,671	99,633	22,038	22.1
Gross profit	381,721	327,730	53,991	16.5
Selling, general and administrative expenses	227,622	187,049	40,573	21.7
Segmented income from operations	\$ 154,099	\$ 140,681	\$ 13,418	9.5 %
Product margin	71.7 %	71.4 %	30 basis points	
Gross margin	54.4 %	54.8 %	(40) basis points	
Selling, general and administrative expenses as a % of net revenue	32.4 %	31.3 %	110 basis points	
Segmented income from operations as a % of net revenue	21.9 %	23.5 %	(160) basis points	

The increase in Rest of World net revenue was primarily due to a \$56.6 million increase in net revenue from new or expanded company-operated stores and our other channels. We have opened 10 new company-operated stores in Rest of World since the second quarter of 2024. The increase in Rest of World net revenue was also driven by an increase in comparable sales, which increased 9%, or 8% on a constant dollar basis. The increase in comparable sales was primarily a result of increased traffic, partially offset by a decrease in average order value.

The decrease in gross margin was primarily due to higher distribution center and other costs as a percentage of net revenue, partially offset by higher product margin.

The increase in selling, general and administrative expenses was primarily due to higher employee costs and increased marketing expenses, as well as increased distribution costs and credit card fees driven by higher net revenue.

Corporate

Corporate expenses increased \$65.6 million to \$706.5 million in the first two quarters of 2025 compared to the first two quarters of 2024. The net increase was primarily due to higher technology costs, depreciation, and professional fees. Corporate expenses also increased due to an increase in net foreign currency exchange and derivative losses of \$10.5 million. The increase in corporate expenses was partially offset by lower employee costs driven by decreased incentive compensation.

Other Income (Expense), Net

	First Two Quarters			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Other income (expense), net	\$ 21,523	\$ 41,277	\$ (19,754)	(47.9)%

The decrease in other income, net was primarily due to a decrease in interest income as a result of lower average cash balances and lower interest rates.

Income Tax Expense

	First Two Quarters			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Income tax expense	\$ 298,485	\$ 299,802	\$ (1,317)	(0.4)%
Effective tax rate	30.3 %	29.6 %	70 basis points	

The increase in the effective tax rate was primarily due to a decrease in tax benefits related to stock-based compensation and an increase in non-deductible expenses in international jurisdictions.

Net Income

	First Two Quarters			
	2025	2024	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net income	\$ 685,477	\$ 714,343	\$ (28,866)	(4.0)%

The decrease in net income was primarily due to an increase in selling, general and administrative expenses of \$180.1 million, and a decrease in other income (expense), net of \$19.8 million, partially offset by an increase in gross profit of \$173.1 million, and a decrease in income tax expense of \$1.3 million.

Comparable Sales

We use comparable sales to evaluate the performance of our company-operated store and e-commerce businesses from an omni-channel perspective. It allows us to monitor the performance of our business without the impact of recently opened or expanded stores. We believe investors also find these metrics useful in assessing performance.

Comparable sales includes comparable company-operated store and all e-commerce net revenue. E-commerce net revenue includes buy online pick-up in store, back-back room, and ship from store net revenue in addition to our websites, other region-specific websites, digital marketplaces, and mobile apps. Our back-back room capability allows our store educators to access inventory located at our other locations and have product shipped directly to a guest's address or a store. Comparable company-operated stores have been open, or open after being significantly expanded, for at least 12 full fiscal months. Net revenue from a company-operated store is included in comparable sales beginning with the first fiscal month for which the store has a full fiscal month of sales in the prior year.

Comparable sales excludes sales from:

- new stores that have not been open for at least 12 full fiscal months;
- stores which have not been in their significantly expanded space for at least 12 full fiscal months;

- stores which have been temporarily relocated for renovations or temporarily closed;
- sales from company-operated stores that have closed; and
- sales from our selling channels other than company-operated stores and e-commerce.

The comparable sales measures we report may not be equivalent to similarly titled measures reported by other companies.

Company-operated stores acquired as a result of the acquisition of the Mexico operations will be considered comparable beginning October 2025 after 12 full fiscal months of sales from the date of acquisition. Prior to the acquisition, wholesale sales were made to a third party under a license and supply arrangement.

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.

Non-GAAP Financial Measures

We report certain financial metrics on a constant dollar basis, which is a non-GAAP financial measure.

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 use constant dollar metrics to facilitate comparison of underlying performance excluding the impact of changes in foreign currency exchange rates. Management uses these constant currency metrics internally when reviewing and assessing financial performance.

These non-GAAP financial measures are provided in addition to, and not a substitute for, the corresponding financial measures calculated 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. Our non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures reported by other companies.

Constant Dollar Changes

The below changes in net revenue show the change compared to the corresponding period in the prior year. Due to the 53rd week in 2024, the below changes in comparable sales are calculated on a one-week shifted basis such that the 13 or 26 weeks ended August 3, 2025 is compared to the 13 or 26 weeks ended August 4, 2024 rather than July 28, 2024.

	Second Quarter 2025			First Two Quarters 2025		
	Change	Foreign exchange changes	Change in constant dollars	Change	Foreign exchange changes	Change in constant dollars
Net Revenue						
Americas	1 %	— %	1 %	2 %	1 %	3 %
China Mainland	25	(1)	24	23	—	23
Rest of World	19	(4)	15	17	(1)	16
Total net revenue	7 %	(1)%	6 %	7 %	— %	7 %
Comparable sales⁽¹⁾						
Americas	(4)%	1 %	(3)%	(3)%	1 %	(2)%
China Mainland	17	(1)	16	12	—	12
Rest of World	12	(3)	9	9	(1)	8
Total comparable sales	1 %	— %	1 %	1 %	— %	1 %

⁽¹⁾ Comparable sales includes comparable company-operated store and e-commerce net revenue.

Seasonality

Our business is affected by the general seasonal trends common to the retail apparel industry. Our annual net revenue is typically weighted more heavily toward our fourth fiscal quarter, reflecting our historical strength in sales during the holiday

season in the Americas, while our operating expenses are generally more equally distributed throughout the year. As a result, a substantial portion of our operating profits are typically generated in the fourth quarter of our fiscal year. For example, we generated approximately 42% of our full year operating profit during the fourth quarter of 2024.

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, including to fund short-term working capital requirements. Our primary cash needs are capital expenditures for opening new stores and remodeling or relocating existing stores, investing in our distribution centers, investing in technology and making system enhancements, funding working capital requirements, and making other strategic capital investments. 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 and term deposits.

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

	First Two Quarters		
	2025	2024	Year over year change
<i>(In thousands)</i>			
Total cash provided by (used in):			
Operating activities	\$ 209,722	\$ 570,664	\$ (360,942)
Investing activities	(319,960)	(266,625)	(53,335)
Financing activities	(744,823)	(916,543)	171,720
Effect of foreign currency exchange rate changes on cash and cash equivalents	26,519	(21,355)	47,874
Decrease in cash and cash equivalents	\$ (828,542)	\$ (633,859)	\$ (194,683)

Operating Activities

Net income decreased \$28.9 million. The decrease in cash provided by operating activities was primarily due to a decrease in cash flows from changes in operating assets and liabilities of \$341.8 million, primarily driven by the timing of income tax payments, accrued liabilities driven by changes in the value of forward currency contracts, and inventory purchases, partially offset by the timing of accounts payable and changes in accrued compensation. The decrease in cash provided by operating activities was partially offset by increased depreciation, partially offset by lower stock-based compensation expense.

Investing Activities

The increase in cash used in investing activities was primarily due to increased capital expenditures and the settlement of net investment hedges, partially offset by a decrease in other investing activities. The increase in capital expenditures was primarily due to increased capital expenditures for company-operated stores in the Americas, partially offset by a decrease in corporate and supply chain infrastructure capital expenditures.

Financing Activities

The decrease in cash used in financing activities was primarily due to a decrease in our stock repurchases. During the first two quarters of 2025, we repurchased 2.5 million shares at a total cost including commissions and excise taxes of \$715.7 million. During the first two quarters of 2024, we repurchased 2.6 million shares at a total cost including commissions and excise taxes of \$888.9 million. 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.

Liquidity Outlook

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 expenditures out of our cash and cash equivalents and cash generated from operations.

The following table includes certain measures of our liquidity:

	August 3, 2025
	<i>(In thousands)</i>
Cash and cash equivalents	\$ 1,155,794
Working capital ⁽¹⁾ excluding cash and cash equivalents	815,588
Capacity under committed revolving credit facility	393,242

⁽¹⁾ Working capital is calculated as current assets of \$3.5 billion less current liabilities of \$1.6 billion.

We enter into standby letters of credit and guarantee to secure certain of our obligations, including leases, taxes, and duties. As of August 3, 2025, letters of credit and guarantee totaling \$14.3 million had been issued, including \$6.8 million under our committed revolving credit facility.

Our existing Americas credit facility provides for \$400.0 million in commitments under an unsecured five-year revolving credit facility. The credit facility has a maturity date of December 14, 2026. As of August 3, 2025, no borrowings were outstanding under this facility other than letters of credit and guarantee of \$6.8 million. Further information regarding our credit facilities and associated covenants is outlined in Note 3. Revolving Credit Facilities included in Item 1 of Part I of this report.

The timing and cost of our inventory purchases will vary depending on a variety of factors such as revenue growth, assortment and purchasing decisions, product costs including freight and duty, and the availability of production capacity and speed. Our inventory balance as of August 3, 2025 was \$1.7 billion, an increase of 21% from July 28, 2024.

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 significant 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, estimates, and judgements are discussed within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2024 Annual Report on Form 10-K filed with the SEC on March 27, 2025.

Operating Locations

Our company-operated stores by market as of August 3, 2025 and February 2, 2025 are summarized in the table below.

Number of company-operated stores by market	August 3, 2025	February 2, 2025
United States	377	374
Canada	72	71
Mexico	18	17
Americas	467	462
China Mainland	159	151
Australia	33	33
South Korea	20	20
Hong Kong SAR	10	10
Japan	10	10
Singapore	9	7
New Zealand	8	8
Taiwan	8	8
Malaysia	5	5
Thailand	4	4
Macau SAR	2	2
APAC	109	107
United Kingdom	20	19
Germany	9	9
France	6	6
Ireland	4	4
Spain	3	3
Netherlands	2	2
Sweden	2	2
Italy	1	—
Norway	1	1
Switzerland	1	1
EMEA	49	47
Total company-operated stores	784	767

Retail locations operated by third parties by market as of August 3, 2025 and February 2, 2025 are summarized in the table below.

Number of retail locations operated by third parties by market	August 3, 2025	February 2, 2025
United Arab Emirates	11	10
Saudi Arabia	9	8
Israel	8	7
Kuwait	4	4
Qatar	4	4
Turkey	2	—
Bahrain	1	1
Belgium	1	—
Denmark	1	—
Total locations operated by third parties under license and supply arrangements	41	34

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Translation 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. As a result of the fluctuation in exchange rates compared to the U.S. dollar our revenue was \$10.7 million lower in the first two quarters of 2025 in comparison to the first two quarters of 2024.

Foreign currency exchange differences which arise on translation of our international subsidiaries' balance sheets into U.S. dollars are recorded as other comprehensive income (loss), net of tax in accumulated other comprehensive income (loss) within stockholders' equity. A significant portion of our net assets are held by our Canadian dollar subsidiary. We enter into forward currency contracts in order to hedge a portion of the foreign currency exposure associated with the translation of our net investment in our Canadian subsidiary. During the first two quarters of 2025, the impact to other comprehensive loss of translation of our Canadian subsidiaries was a reduction in the loss of \$57.3 million, inclusive of net investment hedge gains.

Transaction Risk. 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. We also hold cash and cash equivalents and other monetary assets in currencies that are different to the functional currency of our subsidiaries. As of August 3, 2025, we had certain forward currency contracts outstanding in order to economically hedge the foreign currency revaluation gains and losses recognized by our foreign subsidiaries, including our Canadian and Chinese subsidiaries, on their monetary assets and liabilities denominated in currencies other than their functional currency.

We perform a sensitivity analysis to determine the market risk exposure associated with the fair values of our forward currency contracts. The net fair value of outstanding derivatives as of August 3, 2025 was a liability of \$4.2 million. As of August 3, 2025, a 10% depreciation in the U.S. dollar against the hedged currencies would have resulted in the net fair value of outstanding derivatives depreciating by \$19.0 million. The hypothetical change in the fair value of the forward currency contracts would have been substantially offset by a corresponding but directionally opposite change in the underlying hedged items.

The net fair value of our outstanding forward currency contracts declined as of August 3, 2025 compared to February 2, 2025 primarily due to foreign currency exchange rate movement on the derivative financial instruments.

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.

Please refer to Note 7. Derivative Financial Instruments included in Item 1 of Part I of this report for further details on the nature of our financial instruments.

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 August 3, 2025, there were no borrowings outstanding under this facility other than letters of credit and guarantee of \$6.8 million. 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, and short-term deposits with original maturities of three months or less, and in money market funds. As of August 3, 2025, we held cash and cash equivalents of \$1.2 billion. Interest generated on cash balances is subject to variability as interest rates increase or decrease.

Credit Risk

We have cash on deposit with various large, reputable financial institutions and have invested 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 investment grade 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 pressures, including higher product, transportation, labor and raw material costs, may adversely affect our operating results if we are unable to offset them through pricing or operating efficiencies. Inflation could also reduce consumer discretionary spending and negatively impact demand for our products.

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) as of August 3, 2025. Based on that evaluation, our principal executive officer and principal financial and accounting officer concluded that, as of August 3, 2025, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting during the quarter ended August 3, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.