

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. Components of management's discussion and analysis of financial condition and results of operations include:

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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 2024 was a 53-week year. Net revenue includes results from the 53rd week; however, comparable sales exclude the 53rd week. Fiscal 2023 was a 52-week year.

This discussion and analysis contains forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations, and intentions included in the "Special Note Regarding Forward-Looking Statements." Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described in the "Item 1A. Risk Factors" section and elsewhere in this Annual Report on Form 10-K.

We use comparable sales as a metric to evaluate the performance of our business. Refer to the Comparable Sales and Sales Per Square Foot section of this management's discussion and analysis of financial condition and results of operations for further information.

We provide constant dollar changes and adjusted financial results which exclude certain inventory provisions, asset impairments, and restructuring costs recognized in relation to lululemon Studio and their related tax effects. The constant dollar changes and adjusted financial results are non-GAAP financial measures, and we provide them as supplemental information that enable evaluation of the underlying trend in our operating performance, and enable a comparison to our historical financial information. Refer to the Non-GAAP Financial Measures section of this management's discussion and analysis of financial condition and results of operations for reconciliations between the adjusted 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 annual 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

Fiscal 2024 was another year of growth for lululemon. Net revenue increased 10%, operating margin expanded 150 basis points, or 50 basis points on an adjusted basis, and diluted earnings per share grew 20%, or 15% on an adjusted basis. Our teams continued to execute against our Power of Three x2 growth plan and the compound annual growth rate in net revenue was 19% between fiscal 2021 and 2024.

We saw growth across our regions, merchandise categories, and channels as we continue to engage with guests and provide them with innovative products that help enable their wellness journey. In the Americas, revenue grew 4% driven by strength in Canada. In the United States, we have been working to increase the level of seasonal newness within our assortment mix. In China Mainland, revenue increased 41%, and in Rest of World, revenue grew 27%. By category, we saw a 9% increase in women's, 14% growth in men's, and an 10% increase in other categories. We expanded our retail presence by adding 56 net new company-operated stores, contributing to a 14% increase in square footage. These metrics include our stores in Mexico which we now operate directly, the result of the acquisition of the Mexico operations from our license and

supply partner in September 2024. Company-operated store net revenue increased 14% and e-commerce net revenue increased 6%.

We repurchased 5.1 million shares for \$1.6 billion in 2024, and our board of directors approved increases in our stock repurchase authorization totaling \$2.0 billion during 2024.

Brand Campaigns and Activations

Deepening our relationship with existing guests while also bringing new guests into the lululemon brand remains an important priority for us. We believe our unaided brand awareness is relatively low across most of the regions where we operate. In 2024, we brought several activations to life aimed at increasing loyalty with existing guests while, at the same time, attracting new guests into our brand.

Our partnership with the Canadian Olympic Committee and Canadian Paralympic Committee was on full display during the Paris Olympics, as we outfitted the athletes for their off-field activities. In the Americas, we continued to grow our membership program and began offering new benefits including our Partner Perks program which provides members with exclusive experiences and perks from select partner brands.

In China Mainland, we expanded our Summer Sweat Games to over 70 stores across nearly 40 cities and for World Mental Health Day, we hosted activities in nine cities across China Mainland, anchored by our event along the West Bund in Shanghai. We also extended our World Mental Health Day activations to additional countries, including South Korea, Germany, the United Kingdom, and the United States.

In 2024, we also welcomed additional new ambassadors to the brand, including six-time PGA tour winner Max Homa, Chinese director, actress, and screenwriter Jia Ling, and Frances Tiafoe our newest tennis ambassador.

Product Innovation

We continue to seek to create product that solves the unmet needs of our guests. We believe our technical product is a key competitive advantage for us, and our positioning as a premium athletic brand, with high style and high performance product, helps differentiate us from our peers.

In 2024, we remained focused on our core activities of yoga, run, and train and also our newer "play" activities including golf and tennis. In women's, Align, Define, and Scuba continued to be key product franchises for us, and towards the end of the year, we launched our Daydrift trouser; a refined, casual pant to be worn all day into night. For men, guests continued to respond to our lounge franchises including Steady State, Soft Jersey, and Smooth Spacer, and our performance franchises including Pacebreaker and Zeroed In. In footwear, we expanded our offering with new casual and performance styles including our first collection for men. And in accessories, we continued to bring innovation across our offering of bags, which drove good response from our guests.

Financial Highlights

The summary below compares 2024 to 2023 and provides both GAAP and non-GAAP financial measures. The adjusted financial measures for 2023 exclude \$72.1 million of post-tax asset impairment and other charges recognized in relation to lululemon Studio. There were no adjusted financial measures for 2024.

- Net revenue increased 10% to \$10.6 billion. On a constant dollar basis, net revenue increased 11%.
- Comparable sales, which excludes net revenue from the 53rd week of 2024, increased 4%.
 - Americas comparable sales decreased 1%.
 - China Mainland comparable sales increased 25%, or 27% on a constant dollar basis.
 - Rest of World comparable sales increased 19%, or 20% on a constant dollar basis.
- Gross profit increased 12% to \$6.3 billion. Adjusted gross profit increased 11%.
- Gross margin increased 90 basis points to 59.2%. Adjusted gross margin increased 60 basis points.
- Income from operations increased 17% to \$2.5 billion. Adjusted income from operations increased 12%.
- Operating margin increased 150 basis points to 23.7%. Adjusted operating margin increased 50 basis points.

- Income tax expense increased 22% to \$761.5 million. Our effective tax rate for 2024 was 29.6% compared to 28.8% for 2023. The adjusted effective tax rate was 28.7% for 2023.
- Diluted earnings per share were \$14.64 for 2024 compared to \$12.20 in 2023. Adjusted diluted earnings per share were \$12.77 in 2023.

Market Conditions and Trends

Macroeconomic conditions, government actions and policies, consumer confidence and purchasing behaviors, and foreign currency fluctuations impact our business. Such factors are expected to continue to impact our business throughout 2025, with the impact varying by market.

Consumer confidence, purchasing behaviors, and their propensity to spend in our sector have been impacted by uncertain economic conditions including inflation, fluctuating interest rates, and other factors. We continue to monitor the economic environment, including in the US, Canada, and China Mainland.

We experienced revenue and traffic growth in 2024 compared to 2023 in all regions, but have experienced a reduction in our revenue growth rate in the Americas compared to the growth we had in previous years, driven by our operations in the United States. During 2024, Americas comparable sales decreased 1%. We are monitoring government policies in the Americas, including changes in tariffs, and while we do not expect current changes to have a material impact on the cost of our products, tariffs and related uncertainties could impact consumer confidence, traffic, and demand for our products.

Foreign currency fluctuations have adversely impacted our financial results. Foreign currency fluctuations reduced the growth of our net revenue by \$75.3 million when comparing 2024 to 2023, primarily due to the overall appreciation of the US dollar. We expect future exchange rate volatility to impact our results.

Results of Operations

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

	2024	2023	2024	2023
	<i>(In thousands)</i>		<i>(Percentage of net revenue)</i>	
Net revenue	\$ 10,588,126	\$ 9,619,278	100.0 %	100.0 %
Cost of goods sold	4,317,315	4,009,873	40.8	41.7
Gross profit	6,270,811	5,609,405	59.2	58.3
Selling, general and administrative expenses	3,762,379	3,397,218	35.5	35.3
Impairment of goodwill and other assets, restructuring costs	—	74,501	—	0.8
Amortization of intangible assets	2,735	5,010	—	0.1
Income from operations	2,505,697	2,132,676	23.7	22.2
Other income (expense), net	70,380	43,059	0.7	0.4
Income before income tax expense	2,576,077	2,175,735	24.3	22.6
Income tax expense	761,461	625,545	7.2	6.5
Net income	\$ 1,814,616	\$ 1,550,190	17.1 %	16.1 %

Comparison of 2024 to 2023

Net Revenue

	2024	2023	2024	2023	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	\$ 7,928,156	\$ 7,631,647	74.9 %	79.3 %	\$ 296,509	4 %	4 %
China Mainland	1,361,337	963,760	12.9	10.0	397,577	41	43
Rest of World	1,298,633	1,023,871	12.3	10.6	274,762	27	29
Net revenue	\$ 10,588,126	\$ 9,619,278	100.0 %	100.0 %	\$ 968,848	10 %	11 %

The increase in net revenue was primarily due to increased China Mainland net revenue. Americas and Rest of World net revenue also increased. We had total net revenue of \$163.2 million during the 53rd week of 2024 which contributed to the total increase in net revenue in 2024. Comparable sales, which excludes net revenue from the 53rd week of 2024, increased 4%.

Gross Profit

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Gross profit	\$ 6,270,811	\$ 5,609,405	\$ 661,406	11.8 %
Gross margin	59.2 %	58.3 %	90 basis points	

Gross margin increased 90 basis points. As a result of our decision to cease selling the lululemon Studio Mirror, we recognized an inventory obsolescence provision of \$23.7 million during 2023, which reduced gross margin by 30 basis points. Adjusted gross margin increased 60 basis points. Please refer to Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs included in Item 8 of Part II of this report.

The increase in gross margin was primarily the result of a net increase in product margin of 120 basis points, comprised of:

- a net increase of 120 basis points from lower product costs and lower inventory provision expense, partially offset by higher freight costs;
- an increase of 30 basis points due to the lululemon Studio obsolescence provision recognized during 2023; and
- an unfavorable impact of foreign currency exchange rates of 30 basis points.

The increase in product margin was partially offset by a net increase in other cost of sales as a percentage of net revenue of 30 basis points, comprised of:

- an increase in occupancy and depreciation costs of 60 basis points;
- an increase in distribution center costs of 30 basis points;
- a decrease in costs related to our product departments of 50 basis points; and
- a favorable impact of foreign currency exchange rates of 10 basis points.

Selling, General and Administrative Expenses

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Selling, general and administrative expenses	\$ 3,762,379	\$ 3,397,218	\$ 365,161	10.7 %
Selling, general and administrative expenses as a % of net revenue	35.5 %	35.3 %	20 basis points	

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

- an increase in costs related to our operating channels of \$196.0 million, comprised of:
 - an increase in employee costs of \$84.2 million primarily due to increased salaries and wages expense and benefit costs for retail employees primarily from the growth in our business, partially offset by decreased incentive compensation;
 - an increase in brand and community costs of \$54.2 million primarily due to increased digital marketing expenses;
 - an increase in other operating costs of \$41.9 million primarily due to increased depreciation costs and repairs and maintenance costs; and
 - an increase in technology costs of \$18.7 million.

The increase in costs related to our operating channels was partially offset by a decrease in variable costs of \$2.9 million primarily due to decreased distribution costs driven by lower rates, partially offset by increased credit card fees as a result of increased net revenue.

- an increase in head office costs of \$179.0 million, comprised of:
 - an increase in brand and community costs of \$64.5 million primarily due to increased marketing expenses as well as increased charitable donations;
 - an increase in advisory and professional fees of \$42.9 million;
 - an increase in technology costs, including cloud computing amortization, of \$27.6 million;
 - an increase in other head office costs of \$25.7 million; and
 - an increase in depreciation of \$20.2 million.

The increase in costs related to our head office was partially offset by a net decrease in employee costs of \$1.9 million primarily due to decreased incentive compensation, 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 \$9.9 million.

Impairment of Goodwill and Other Assets, Restructuring Costs

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Impairment of goodwill and other assets, restructuring costs	\$ —	\$ 74,501	\$ (74,501)	(100.0)%

During 2023, we recognized certain asset impairments and restructuring costs related to lululemon Studio. Please refer to Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs included in Item 8 of Part II of this report for further information.

Amortization of Intangible Assets

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Amortization of intangible assets	\$ 2,735	\$ 5,010	\$ (2,275)	(45.4)%

The amortization of intangible assets in 2024 was primarily the result of the amortization of intangible assets recognized upon the acquisition of the Mexico operations. The amortization of intangible assets in 2023 was primarily the result of the amortization of intangible assets recognized upon the acquisition of MIRROR, which we rebranded as lululemon Studio.

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

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net revenue	\$ 7,928,156	\$ 7,631,647	\$ 296,509	3.9 %
Product costs	2,336,251	2,283,490	52,761	2.3
Other cost of sales	641,699	576,810	64,889	11.2
Gross profit	4,950,206	4,771,347	178,859	3.7
Selling, general and administrative expenses	1,934,649	1,834,163	100,486	5.5
Segmented income from operations	\$ 3,015,557	\$ 2,937,184	\$ 78,373	2.7 %
Product margin	70.5 %	70.1 %	40 basis points	
Gross margin	62.4 %	62.5 %	(10) basis points	
Selling, general and administrative expenses as a % of net revenue	24.4 %	24.0 %	40 basis points	
Segmented income from operations as a % of net revenue	38.0 %	38.5 %	(50) basis points	

The increase in Americas net revenue was primarily due to a \$263.5 million increase from new or expanded company-operated stores and our other channels. We added 24 net new company-operated stores in the Americas since 2023, including 14 company-operated stores from the acquisition of the Mexico operations. Americas net revenue during the 53rd week of 2024 was \$118.0 million, which contributed to the increase in Americas net revenue in 2024. Americas comparable sales, which excludes net revenue from the 53rd week of 2024, decreased 1%. The decrease in comparable sales was primarily a result of decreased conversion rates, partially offset by an increase in traffic and a higher dollar value per transaction.

The decrease in gross margin was primarily due to deleverage on distribution center and occupancy costs, partially offset by higher product margin.

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

China Mainland

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net revenue	\$ 1,361,337	\$ 963,760	\$ 397,577	41.3 %
Product costs	324,237	241,663	82,574	34.2
Other cost of sales	198,373	154,136	44,237	28.7
Gross profit	838,727	567,961	270,766	47.7
Selling, general and administrative expenses	328,868	230,645	98,223	42.6
Segmented income from operations	\$ 509,859	\$ 337,316	\$ 172,543	51.2 %
Product margin	76.2 %	74.9 %	130 basis points	
Gross margin	61.6 %	58.9 %	270 basis points	
Selling, general and administrative expenses as a % of net revenue	24.2 %	23.9 %	30 basis points	
Segmented income from operations as a % of net revenue	37.5 %	35.0 %	250 basis points	

The increase in China Mainland net revenue was primarily due to an increase in comparable sales, which increased 25%, or 27% on a constant dollar basis. China Mainland comparable sales excludes net revenue from the 53rd week of 2024. The increase in comparable sales was primarily a result of increased traffic, partially offset by a lower dollar value per transaction. The increase in China Mainland net revenue was also driven by a \$156.5 million increase in net revenue from new or expanded company-operated stores and our other channels. We have opened 24 net new company-operated stores since 2023. China Mainland net revenue during the 53rd week of 2024 was \$23.6 million, which contributed to the increase in China Mainland net revenue in 2024.

The increase in gross margin was primarily due to higher product margin as well as leverage on occupancy and other costs.

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 packaging costs driven by higher net revenue.

Rest of World

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net revenue	\$ 1,298,633	\$ 1,023,871	\$ 274,762	26.8 %
Product costs	364,906	316,542	48,364	15.3
Other cost of sales	217,536	171,992	45,544	26.5
Gross profit	716,191	535,337	180,854	33.8
Selling, general and administrative expenses	401,245	333,505	67,740	20.3
Segmented income from operations	\$ 314,946	\$ 201,832	\$ 113,114	56.0 %
Product margin	71.9 %	69.1 %	280 basis points	
Gross margin	55.1 %	52.3 %	280 basis points	
Selling, general and administrative expenses as a % of net revenue	30.9 %	32.6 %	(170) basis points	
Segmented income from operations as a % of net revenue	24.3 %	19.7 %	460 basis points	

The increase in Rest of World net revenue was primarily due to an increase in comparable sales, which increased 19%, or 20% on a constant dollar basis. Rest of World comparable sales excludes net revenue from the 53rd week of 2024. The increase in comparable sales was primarily a result of increased traffic and a higher dollar value per transaction, partially offset by a decrease in conversion rates. The increase in Rest of World net revenue was also driven by a \$95.8 million increase in net revenue from new or expanded company-operated stores and our other channels. We have opened eight net new company-operated stores since 2023. Rest of World net revenue during the 53rd week of 2024 was \$21.7 million, which contributed to the increase in Rest of World net revenue in 2024.

The increase in gross margin was primarily due to 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 decreased \$9.0 million to \$1.3 billion in 2024 compared to 2023. The net decrease was primarily due to an inventory obsolescence provision of \$23.7 million and certain asset impairments and restructuring costs of \$74.5 million in relation to lululemon Studio recognized in 2023. Please refer to Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs included in Item 8 of Part II of this report for further information. Corporate expenses also decreased due to an increase in net foreign currency exchange and derivative gains of \$9.9 million, as well as a decrease in employee costs. The decrease in corporate expenses was partially offset by increased professional fees and technology costs, as well as increased depreciation and marketing expenses.

Other Income (Expense), Net

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Other income (expense), net	\$ 70,380	\$ 43,059	\$ 27,321	63.5 %

The increase in other income, net was primarily due to an increase in interest income as a result of higher average cash balances.

Income Tax Expense

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Income tax expense	\$ 761,461	\$ 625,545	\$ 135,916	21.7 %
Effective tax rate	29.6 %	28.8 %	80 basis points	

The increase in the effective tax rate was primarily due to an increase in non-deductible expenses in international jurisdictions, a decrease in tax benefits related to stock-based compensation, adjustments upon the filing of certain income tax returns, and an increase in net revenue outside of the United States. The increase in the effective tax rate was partially offset by an increase in tax credits, and the income tax impact of certain non-deductible impairment and other charges related to lululemon Studio, which increased the effective tax rate by 10 basis points in 2023.

Excluding the income tax effects of the impairment and other charges recognized in relation to lululemon Studio in 2023, the adjusted effective tax rate was 28.7% in 2023.

Net Income

	2024	2023	Year over year change	
	<i>(In thousands)</i>		<i>(In thousands)</i>	<i>(Percentage)</i>
Net income	\$ 1,814,616	\$ 1,550,190	\$ 264,426	17.1 %

The increase in net income in 2024 was primarily due to an increase in gross profit of \$661.4 million, impairment and restructuring charges recognized in 2023 of \$74.5 million, an increase in other income (expense), net of \$27.3 million, partially offset by an increase in selling, general and administrative expenses of \$365.2 million, and an increase in income tax expense of \$135.9 million.

Excluding the impairment and other charges recognized in relation to lululemon Studio in 2023, and their tax effects, adjusted net income increased \$192.3 million or 12%.

Comparable Sales and Sales Per Square Foot

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 would similarly find these metrics useful in assessing the performance of our business.

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, from stores which have not been in their significantly expanded space for at least 12 full fiscal months, from stores which have been temporarily relocated for renovations or temporarily closed, and sales from company-operated stores that have closed. Comparable sales also excludes 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.

Sales Per Square Foot

We use sales per square foot to assess the performance of our company-operated stores relative to their square footage. We believe that sales per square foot is useful in evaluating the performance of our company-operated stores. Sales per square foot is calculated using total net revenue from all company-operated stores divided by the average ending square footage of the stores for each period during the year. In fiscal years with 53 weeks, the 53rd week of net revenue is excluded from the calculation of sales per square foot. The square footage of our company-operated stores includes all retail related space, including selling space as well as storage and back-office areas. The sales per square foot metric we report may not be equivalent to similarly titled metrics reported by other companies.

Non-GAAP Financial Measures

Constant dollar changes and adjusted financial results 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.

For 2023, adjusted gross profit, gross margin, income from operations, operating margin, income tax expense, effective tax rates, net income, and diluted earnings per share exclude certain inventory provisions, asset impairments, and restructuring costs recognized in relation to lululemon Studio, and the related income tax effects of these items.

We believe these adjusted financial measures are useful to investors as they provide supplemental information that enable evaluation of the underlying trend in our operating performance, and enable a comparison to our historical financial information. Further, due to the finite and discrete nature of these items, we do not consider them to be normal operating expenses that are necessary to run our business, or impairments that are expected to arise in the normal course of our operations. Management uses these adjusted financial measures and constant currency metrics internally when reviewing and assessing financial performance.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or with greater prominence to, the financial information prepared and presented in accordance with GAAP. 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 and comparable sales show the change compared to the corresponding period in the prior year. Comparable sales exclude net revenue from the 53rd week of 2024.

	2024 Compared to 2023		
	Change	Foreign exchange changes	Change in constant dollars
Net Revenue			
Americas	4 %	— %	4 %
China Mainland	41	2	43
Rest of World	27	2	29
Total net revenue	10 %	1 %	11 %
Comparable sales ⁽¹⁾			
Americas	(1)%	— %	(1)%
China Mainland	25	2	27
Rest of World	19	1	20
Total comparable sales	4 %	— %	4 %

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

Adjusted Financial Measures

The following table reconciles the most directly comparable measures calculated in accordance with GAAP with the adjusted financial measures for 2023. The adjustments relate to certain inventory provisions, asset impairments, and restructuring costs recognized in relation to lululemon Studio and their related tax effects. Please refer to Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs included in Item 8 of Part II of this report for further information on the nature of these amounts. There were no adjusted financial measures for 2024.

	2023							
	Gross Profit	Gross Margin	Income from Operations	Operating Margin	Income Tax Expense	Effective Tax Rate	Net Income	Diluted Earnings Per Share
	<i>(In thousands, except per share amounts)</i>							
GAAP results	\$ 5,609,405	58.3 %	\$ 2,132,676	22.2 %	\$ 625,545	28.8 %	\$ 1,550,190	\$ 12.20
lululemon Studio charges:								
lululemon Studio obsolescence provision	23,709	0.3	23,709	0.2			23,709	0.19
Impairment of assets			44,186	0.5			44,186	0.35
Restructuring costs			30,315	0.3			30,315	0.24
Tax effect of the above					26,085	(0.1)	(26,085)	(0.21)
	23,709	0.3	98,210	1.0	26,085	(0.1)	72,125	0.57
Adjusted results (non-GAAP)	\$ 5,633,114	58.6 %	\$ 2,230,886	23.2 %	\$ 651,630	28.7 %	\$ 1,622,315	\$ 12.77

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:

	2024	2023	Year over year change
<i>(In thousands)</i>			
Total cash provided by (used in):			
Operating activities	\$ 2,272,713	\$ 2,296,164	\$ (23,451)
Investing activities	(798,174)	(654,132)	(144,042)
Financing activities	(1,652,508)	(548,828)	(1,103,680)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(81,666)	(4,100)	(77,566)
Increase (decrease) in cash and cash equivalents	\$ (259,635)	\$ 1,089,104	\$ (1,348,739)

Operating Activities

Net income increased \$264.4 million. The decrease in cash provided by operating activities was primarily as a result of a decrease in cash flows from changes in operating assets and liabilities of \$251.1 million, primarily driven by changes in accounts payable, inventories, accrued compensation, and other assets, partially offset by changes in income taxes and accrued liabilities. The decrease in cash provided by operating activities was also a result of changes in impairment and other charges recognized in relation to lululemon Studio in 2023, and lower cash inflows related to derivatives, partially offset by increased deferred incomes taxes and depreciation.

Investing Activities

The increase in cash used in investing activities was primarily due to the acquisition of the lululemon branded retail locations and operations run by a third party in Mexico. Please refer to Note 6. Acquisition included in Item 8 of Part II of this Annual Report on Form 10-K for further information. The increase in cash used in investing activities was also due to increased capital expenditures primarily due to an increase in supply chain infrastructure, company-operated stores expenditures, and system initiatives, partially offset by a decrease in corporate infrastructure capital expenditures. The increase in cash used in investing activities was partially offset by the settlement of net investment hedges.

Financing Activities

The increase in cash used in financing activities was primarily the result of an increase in our stock repurchases. During 2024, we repurchased 5.1 million shares at a total cost including commissions and excise taxes of \$1.6 billion. During 2023, we repurchased 1.5 million shares at a total cost including commissions and excise taxes of \$558.7 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 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:

	February 2, 2025
	<i>(In thousands)</i>
Cash and cash equivalents	\$ 1,984,336
Working capital ⁽¹⁾ excluding cash and cash equivalents	156,336
Capacity under committed revolving credit facility	393,935

⁽¹⁾ Working capital is calculated as current assets of \$4.0 billion less current liabilities of \$1.8 billion.

Capital expenditures are expected to range between \$740.0 million and \$760.0 million in 2025.

Our current commitments with respect to inventory purchases are included within our purchase obligations outlined below. 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 February 2, 2025 was \$1.4 billion, an increase of 9% from January 28, 2024. We expect that our inventories will continue to grow in 2025, and we expect the growth rate will exceed net revenue growth in 2025.

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 February 2, 2025, aside from letters of credit of \$6.1 million, we had no other borrowings outstanding under this credit facility. Further information regarding our credit facilities and associated covenants is outlined in Note 12. Revolving Credit Facilities included in Item 8 of Part II of this report.

Contractual Obligations and Commitments

Leases. We lease certain store and other retail locations, distribution centers, offices, and equipment under non-cancellable operating leases. Our leases generally have initial terms of between two and 15 years, and generally can be extended in increments between two and five years, if at all. The following table details our future minimum lease payments. Minimum lease commitments exclude variable lease expenses including contingent rent payments, common area maintenance, property taxes, and landlord's insurance.

Purchase obligations. The amounts listed for purchase obligations in the table below represent agreements (including open purchase orders) to purchase products and for other expenditures in the ordinary course of business that are enforceable and legally binding and that specify all significant terms. In some cases, values are subject to change, such as for product purchases throughout the production process. The reported amounts exclude liabilities included in our consolidated balance sheets as of February 2, 2025.

The following table summarizes our contractual arrangements due by fiscal year as of February 2, 2025, and the timing and effect that such commitments are expected to have on our liquidity and cash flows in future periods:

	Total	2025	2026	2027	2028	2029	Thereafter
	<i>(In thousands)</i>						
Operating leases (minimum rent)	\$1,845,624	\$ 336,521	\$ 314,027	\$ 299,214	\$ 243,199	\$ 182,854	\$ 469,809
Purchase obligations	803,579	725,155	22,982	16,807	25,635	13,000	—

As of February 2, 2025, our minimum operating lease commitment for distribution center operating leases which have been committed to, but not yet commenced, was \$274.8 million, which is not reflected in the table above.

We enter into standby letters of credit to secure certain of our obligations, including leases, taxes, and duties. As of February 2, 2025, letters of credit and letters of guarantee totaling \$12.6 million had been issued, including \$6.1 million under our committed revolving credit facility.

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 as follows, and see Note 2. Summary of Significant Accounting Policies included in Item 8 of Part II for additional information:

Inventory provision

Inventory is valued at the lower of cost and net realizable value. We periodically review our inventories and make a provision for obsolescence and goods that have quality issues or that are damaged. We record a provision at an amount that is equal to the difference between the inventory cost and its net realizable value. As of February 2, 2025, the net carrying value of our inventories was \$1.4 billion, which included provisions for obsolete and damaged inventory of \$82.3 million. The provision is determined based upon assumptions about product quality, damages, future demand, selling prices, and market conditions.

Deferred taxes on undistributed net investment of foreign subsidiaries.

We have not recognized U.S. state income taxes and foreign withholding taxes on the net investment in our subsidiaries which we have determined to be indefinitely reinvested. This determination is based on the cash flow projections and operational and fiscal objectives of each of our foreign subsidiaries. Such estimates are inherently imprecise since many assumptions utilized in the projections are subject to revision in the future.

For the portion of our net investment in our Canadian subsidiaries that is not indefinitely reinvested, we have recorded a deferred tax liability for the taxes which would be due upon repatriation. For distributions made by our Canadian subsidiaries, the amount of tax payable is partially dependent on how the repatriation transactions are made. The deferred tax liability has been recorded on the basis that we would choose to make the repatriation transactions in the most tax efficient manner. Specifically, to the extent that the Canadian subsidiaries have sufficient paid-up-capital, any such distributions would be made as a return of capital, rather than as a dividend, and therefore would not be subject to Canadian withholding tax.

As of February 2, 2025, the net investment in our Canadian subsidiaries was \$3.7 billion, of which \$1.6 billion was determined to be indefinitely reinvested. The paid-up-capital balance of the Canadian subsidiaries was approximately \$165.2 million.

We have recognized a deferred tax liability of \$107.0 million as of February 2, 2025 which represents the Canadian withholding taxes payable on the portion of our Canadian earnings that are not indefinitely reinvested and cannot be repatriated as a return of capital, and U.S. state income taxes payable upon repatriation of the amounts which are not indefinitely reinvested.

In future periods, if the net investment in our Canadian subsidiaries continues to grow, whether due to the accumulation of profits by these subsidiaries or due to a change in the amount that is indefinitely reinvested, we will record additional deferred tax liabilities, including both Canadian withholding taxes for the amount in excess of the paid-up capital balance and U.S. state income taxes.

Contingencies

We are involved in legal proceedings regarding contractual and employment relationships and a variety of other matters. We record contingent liabilities when a loss is assessed to be probable and its amount is reasonably estimable. If it is reasonably possible that a material loss could occur through ongoing litigation, we provide disclosure in the footnotes to our financial statements. Assessing probability of loss and estimating the amount of probable losses requires analysis of multiple factors, including in some cases judgments about the potential actions of third-party claimants and courts. Should we experience adverse court judgments or should negotiated outcomes differ to our expectations with respect to such ongoing litigation it could have a material adverse effect on our results of operations, financial position, and cash flows.

ITEM 7A. 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 \$75.3 million lower in 2024 in comparison to 2023.

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 2024, the impact to other comprehensive loss of translation of our Canadian subsidiaries was an increase in the loss of \$134.8 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 February 2, 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 February 2, 2025 was an asset of \$2.2 million. As of February 2, 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 \$11.0 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.

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 17. Derivative Financial Instruments included in Item 8 of Part II 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 February 2, 2025, aside from letters of credit of \$6.1 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, and short-term deposits with original maturities of three months or less, and in money market funds. As of February 2, 2025, we held cash and cash equivalents of \$2.0 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 factors such as increases in the cost of our product, as well as overhead costs and capital expenditures may adversely affect our operating results. Sustained increases in transportation costs, wages, and raw material costs, or other inflationary pressures in the future may have an adverse effect on our ability to maintain current levels of operating margin if the selling prices of our products do not increase with these increased costs, or we cannot identify cost efficiencies. Inflationary pressures could also reduce consumer spending and impact the demand for our products.