

ITEM 8. FINANCIAL STATEMENTS

lululemon athletica inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of lululemon athletica inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of lululemon athletica inc. and its subsidiaries (the Company) as of February 2, 2025 and January 28, 2024, and the related consolidated statements of operations and comprehensive income, of stockholders' equity and of cash flows for the 53-week year ended February 2, 2025, the 52-week year ended January 28, 2024, and the 52-week year ended January 29, 2023, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of February 2, 2025, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 2, 2025 and January 28, 2024, and the results of its operations and its cash flows for the 53-week year ended February 2, 2025, the 52-week year ended January 28, 2024, and the 52-week year ended January 29, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 2, 2025, based on criteria established in Internal Control – Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A of the Company's 2024 Annual Report on Form 10-K. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Inventory provision

As described in Notes 2 and 3 to the consolidated financial statements, inventories are valued at the lower of cost and net realizable value, and management records a provision as necessary to appropriately value inventories that are obsolete, have quality issues, or are damaged. Provision expense is recorded in cost of goods sold. As of February 2, 2025, the Company's consolidated net inventories balance was \$1,442.1 million inclusive of the inventory provision of \$84.0 million. The amount of the inventory provision is equal to the difference between the cost of the inventory and its estimated net realizable value based on assumptions about product quality, damages, future demand, selling prices, and market conditions.

The principal considerations for our determination that performing procedures relating to the inventory provision is a critical audit matter are the significant judgment by management in determining the estimated net realizable value of inventories that are obsolete, have quality issues, or are damaged, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence relating to the inventory provision.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the review of the inventory provision including the assumptions used. These procedures also included, among others, (i) observing the physical condition of inventories during inventory counts; (ii) evaluating the appropriateness of management's process for developing the estimates of net realizable value; (iii) testing the reliability of reports used by management by agreeing to underlying records; (iv) testing the reasonableness of the assumptions about quality, damages, future demand, selling prices and market conditions by considering historical trends and consistency with evidence obtained in other areas of the audit; and (v) corroborating the assumptions with individuals within the product team.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants
Vancouver, Canada
March 27, 2025

We have served as the Company's auditor since 2006.

lululemon athletica inc.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except per share amounts)

	February 2, 2025	January 28, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,984,336	\$ 2,243,971
Accounts receivable, net	120,173	124,769
Inventories	1,442,081	1,323,602
Prepaid and receivable income taxes	182,253	183,733
Prepaid expenses and other current assets	251,459	184,502
	3,980,302	4,060,577
Property and equipment, net	1,780,617	1,545,811
Right-of-use lease assets	1,416,256	1,265,610
Goodwill	159,518	24,083
Intangible assets, net	11,673	—
Deferred income tax assets	17,085	9,176
Other non-current assets	237,841	186,684
	\$ 7,603,292	\$ 7,091,941
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 271,406	\$ 348,441
Accrued liabilities and other	559,463	348,555
Accrued compensation and related expenses	204,543	326,110
Current lease liabilities	275,154	249,270
Current income taxes payable	183,126	12,098
Unredeemed gift card liability	308,352	306,479
Other current liabilities	37,586	40,308
	1,839,630	1,631,261
Non-current lease liabilities	1,300,637	1,154,012
Non-current income taxes payable	—	15,864
Deferred income tax liabilities	98,188	29,522
Other non-current liabilities	40,790	29,201
	3,279,245	2,859,860
Commitments and contingencies		
Stockholders' equity		
Undesignated preferred stock, \$0.01 par value: 5,000 shares authorized; none issued and outstanding	—	—
Exchangeable stock, no par value: 60,000 shares authorized; 5,116 and 5,116 issued and outstanding	—	—
Special voting stock, \$0.000005 par value: 60,000 shares authorized; 5,116 and 5,116 issued and outstanding	—	—
Common stock, \$0.005 par value: 400,000 shares authorized; 116,166 and 121,106 issued and outstanding	581	606
Additional paid-in capital	638,190	575,369
Retained earnings	4,109,717	3,920,362
Accumulated other comprehensive loss	(424,441)	(264,256)
	4,324,047	4,232,081
	\$ 7,603,292	\$ 7,091,941

See accompanying notes to the consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands, except per share amounts)

	Fiscal Year Ended		
	February 2, 2025	January 28, 2024	January 29, 2023
Net revenue	\$ 10,588,126	\$ 9,619,278	\$ 8,110,518
Cost of goods sold	4,317,315	4,009,873	3,618,178
Gross profit	6,270,811	5,609,405	4,492,340
Selling, general and administrative expenses	3,762,379	3,397,218	2,757,447
Impairment of goodwill and other assets, restructuring costs	—	74,501	407,913
Amortization of intangible assets	2,735	5,010	8,752
Gain on disposal of assets	—	—	(10,180)
Income from operations	2,505,697	2,132,676	1,328,408
Other income (expense), net	70,380	43,059	4,163
Income before income tax expense	2,576,077	2,175,735	1,332,571
Income tax expense	761,461	625,545	477,771
Net income	\$ 1,814,616	\$ 1,550,190	\$ 854,800
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	\$ (253,209)	\$ (23,077)	\$ (65,571)
Net investment hedge gains (losses)	93,024	11,405	8,904
Other comprehensive income (loss), net of tax	(160,185)	(11,672)	(56,667)
Comprehensive income	\$ 1,654,431	\$ 1,538,518	\$ 798,133
Basic earnings per share			
Basic earnings per share	\$ 14.67	\$ 12.23	\$ 6.70
Diluted earnings per share			
Diluted earnings per share	\$ 14.64	\$ 12.20	\$ 6.68
Basic weighted-average number of shares outstanding			
Basic weighted-average number of shares outstanding	123,735	126,726	127,666
Diluted weighted-average number of shares outstanding			
Diluted weighted-average number of shares outstanding	123,935	127,060	128,017

See accompanying notes to the consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands)

	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Shares	Par Value	Shares	Par Value				
Balance as of January 30, 2022	5,203	5,203	\$ —	123,297	\$ 616	\$ 422,507	\$ 2,512,840	\$ (195,917)	\$ 2,740,046
Net income							854,800		854,800
Other comprehensive income (loss), net of tax								(56,667)	(56,667)
Common stock issued upon exchange of exchangeable shares	(87)	(87)	—	87	—	—			—
Stock-based compensation expense						78,075			78,075
Common stock issued upon settlement of stock-based compensation				322	2	11,702			11,704
Shares withheld related to net share settlement of stock-based compensation				(105)	—	(35,158)			(35,158)
Repurchase of common stock, including excise tax				(1,396)	(7)	(2,481)	(441,513)		(444,001)
Balance as of January 29, 2023	5,116	5,116	\$ —	122,205	\$ 611	\$ 474,645	\$ 2,926,127	\$ (252,584)	\$ 3,148,799
Net income							1,550,190		1,550,190
Other comprehensive income (loss), net of tax								(11,672)	(11,672)
Stock-based compensation expense						93,560			93,560
Common stock issued upon settlement of stock-based compensation				479	2	42,428			42,430
Shares withheld related to net share settlement of stock-based compensation				(96)	—	(32,574)			(32,574)
Repurchase of common stock, including excise tax				(1,482)	(7)	(2,690)	(555,955)		(558,652)
Balance as of January 28, 2024	5,116	5,116	\$ —	121,106	\$ 606	\$ 575,369	\$ 3,920,362	\$ (264,256)	\$ 4,232,081

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	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Shares	Par Value	Shares	Par Value				
Net income							1,814,616		1,814,616
Other comprehensive income (loss), net of tax								(160,185)	(160,185)
Stock-based compensation expense						90,011			90,011
Common stock issued upon settlement of stock-based compensation				300	1	19,812			19,813
Shares withheld related to net share settlement of stock-based compensation				(93)	—	(35,410)			(35,410)
Repurchase of common stock, including excise tax				(5,147)	(26)	(11,592)	(1,625,261)		(1,636,879)
Balance as of February 2, 2025	5,116	5,116	\$ —	116,166	\$ 581	\$ 638,190	\$ 4,109,717	\$ (424,441)	\$ 4,324,047

See accompanying notes to the consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Fiscal Year Ended		
	February 2, 2025	January 28, 2024	January 29, 2023
Cash flows from operating activities			
Net income	\$ 1,814,616	\$ 1,550,190	\$ 854,800
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	446,524	379,384	291,791
lululemon Studio obsolescence provision	—	23,709	62,928
Impairment of goodwill and other assets, restructuring costs	—	74,501	407,913
Gain on disposal of assets	—	—	(10,180)
Stock-based compensation expense	90,011	93,560	78,075
Derecognition of unredeemed gift card liability	(36,231)	(28,547)	(23,337)
Settlement of derivatives not designated in a hedging relationship	(47,763)	32,527	(38,649)
Deferred income taxes	57,451	(28,383)	3,042
Changes in operating assets and liabilities:			
Accounts receivable	1,626	6,580	(58,987)
Inventories	(156,085)	66,584	(573,438)
Prepaid and receivable income taxes	(2,031)	1,908	(66,714)
Prepaid expenses and other current assets	(71,789)	40,587	(54,833)
Other non-current assets	(73,205)	(53,280)	(36,518)
Accounts payable	(57,044)	177,367	(107,280)
Accrued liabilities and other	193,139	(71,734)	65,364
Accrued compensation and related expenses	(112,110)	70,327	47,254
Current and non-current income taxes payable	157,205	(173,196)	35,986
Unredeemed gift card liability	42,410	84,315	68,266
Right-of-use lease assets and current and non-current lease liabilities	23,501	37,535	23,905
Other current and non-current liabilities	2,488	12,230	(2,925)
Net cash provided by operating activities	2,272,713	2,296,164	966,463
Cash flows from investing activities			
Purchase of property and equipment	(689,232)	(651,865)	(638,657)
Settlement of net investment hedges	50,213	(1,609)	47,804
Acquisition, net of cash acquired	(154,146)	—	—
Other investing activities	(5,009)	(658)	20,916
Net cash used in investing activities	(798,174)	(654,132)	(569,937)
Cash flows from financing activities			
Proceeds from settlement of stock-based compensation	19,813	42,430	11,704
Taxes paid related to net share settlement of stock-based compensation	(35,410)	(32,574)	(35,158)
Repurchase of common stock	(1,636,879)	(558,652)	(444,001)
Other financing activities	(32)	(32)	(32)
Net cash used in financing activities	(1,652,508)	(548,828)	(467,487)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(81,666)	(4,100)	(34,043)
Increase (decrease) in cash and cash equivalents	(259,635)	1,089,104	(105,004)
Cash and cash equivalents, beginning of period	\$ 2,243,971	\$ 1,154,867	\$ 1,259,871
Cash and cash equivalents, end of period	\$ 1,984,336	\$ 2,243,971	\$ 1,154,867

See accompanying notes to the consolidated financial statements

lululemon athletica inc.
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lululemon athletica inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Basis of Presentation

Nature of operations

lululemon athletica inc., a Delaware corporation, ("lululemon" and, together with its subsidiaries unless the context otherwise requires, the "Company") is engaged in the design, distribution, and retail of technical athletic apparel, footwear, and accessories. The Company organizes its operations into four regional markets: Americas, China Mainland, Asia Pacific ("APAC"), and Europe and the Middle East ("EMEA"). It conducts its business through a number of different channels in each market, including company-operated stores, e-commerce, outlets, temporary locations, wholesale, license and supply arrangements, and a re-commerce program. There were 767, 711, and 655 company-operated stores in operation as of February 2, 2025, January 28, 2024, and January 29, 2023, respectively.

Basis of presentation

The consolidated financial statements have been presented in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles ("GAAP").

On September 10, 2024, the Company acquired the lululemon branded retail locations and operations run by a third party in Mexico. The Company had previously granted the third party the right to operate retail locations and to sell lululemon products in Mexico. The results of operations, financial position, and cash flows of the Mexico operations have been included in the Company's consolidated financial statements since the date of acquisition. Please refer to Note 6. Acquisition for further information.

The Company's 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. Fiscal 2023 and fiscal 2022 were each 52-week years. Fiscal 2024, 2023, and 2022 ended on February 2, 2025, January 28, 2024, and January 29, 2023, respectively, and are referred to as "2024," "2023," and "2022," respectively.

The Company's business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its operating profit in the fourth fiscal quarter of each year as a result of increased net revenue during the holiday season.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of lululemon athletica inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, money market funds, and short-term deposits with original maturities of three months or less. The Company has not experienced any losses related to these balances, and management believes the Company's credit risk to be minimal.

Accounts receivable

Accounts receivable primarily arise out of third party gift card sales, sales to wholesale accounts, online marketplaces, duty receivables, and license and supply arrangements. The allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable. Receivables are written off against the allowance when management believes that the amount receivable will not be recovered. As of February 2, 2025 and January 28, 2024, the Company had an insignificant allowance for doubtful accounts.

Inventories

Inventories, consisting of finished goods, inventories in transit, and raw materials, are stated at the lower of cost and net realizable value. Cost is determined using weighted-average costs, and includes all costs incurred to deliver inventory to the Company's distribution centers including freight, non-refundable taxes, duty, and other landing costs.

The Company periodically reviews its inventories and makes a provision as necessary to appropriately value goods that are obsolete, have quality issues, or are damaged. The amount of the provision is equal to the difference between the cost of the inventory and its net realizable value based upon assumptions about product quality, damages, future demand, selling prices, and market conditions. If changes in market conditions result in reductions in the estimated net realizable value of its inventory below its previous estimate, the Company would increase its provision in the period in which it made such a determination.

In addition, the Company provides for inventory shrinkage based on historical trends from actual physical inventory counts. Inventory shrinkage estimates are made to reduce the inventory value for lost or stolen items. The Company performs physical inventory counts and cycle counts throughout the year and adjusts the shrink provision accordingly.

Business combinations

The purchase price of an acquisition is measured as the aggregate of the fair value of the consideration transferred including the acquisition-date fair value of the Company's previously held equity interests. The purchase price is allocated to the fair values of the tangible and intangible assets acquired and liabilities assumed, with any excess recorded as goodwill. These fair value determinations require judgment and may involve the use of significant estimates and assumptions. The purchase price allocation may be provisional during a measurement period of up to one year to provide reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed. Any such measurement period adjustments are recognized in the period in which the adjustment amount is determined. Transaction costs associated with the acquisition are expensed as incurred.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree, and the acquisition-date fair value of the Company's previously held equity interest over the net assets acquired and liabilities assumed. Goodwill is allocated to the reporting unit which is expected to receive the benefit from the synergies of the combination.

Goodwill is tested annually for impairment or more frequently when an event or circumstance indicates that goodwill might be impaired. Generally, the Company first performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If factors indicate that this is the case, the Company then estimates the fair value of the related reporting unit. If the fair value is less than the carrying value, the goodwill of the reporting unit is determined to be impaired and the Company will record an impairment equal to the excess of the carrying value over its fair value.

Intangible assets

Acquired finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, and are reviewed for impairment when events or circumstances indicate that the asset group to which the intangible assets belong might be impaired. The Company revises the estimated remaining useful life of these assets when events or changes in circumstances warrant a revision. If the Company revises the useful life, the unamortized balance is amortized over the remaining useful life on a prospective basis.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Direct internal and external costs related to software used for internal purposes which are incurred during the application development stage or for upgrades that add functionality are capitalized. All other costs related to internal use software are expensed as incurred. Property and equipment carrying values are reviewed for impairment when events or circumstances indicate that the asset group to which the property and equipment belong might be impaired.

Depreciation commences when an asset is ready for its intended use. Buildings are depreciated on a straight-line basis over the expected useful life of the asset, which is individually assessed, and estimated to be up to 40 years. Leasehold improvements are depreciated on a straight-line basis over the lesser of the expected lease term and the estimated useful life of the improvement, to a maximum of 10 years for stores and 15 years for corporate offices and distribution centers. All other property and equipment are depreciated using the declining balance method as follows:

Furniture and fixtures	20%
Computer hardware and software	20% - 50%
Equipment and vehicles	20% - 30%

Cloud Computing Arrangements

The Company incurs costs to implement cloud computing arrangements hosted by third party vendors. Costs incurred to implement cloud computing service arrangements are capitalized when incurred during the application development phase, and recognized as other non-current assets. Implementation costs are subsequently amortized over the expected term of the related cloud service. The carrying value of cloud computing implementation costs are tested for impairment when an event or circumstance indicates that the asset might be impaired. Changes in cloud computing arrangement implementation costs are classified within operating activities in the consolidated statements of cash flows.

Impairment of long-lived assets

Long-lived assets, held for use are evaluated for impairment when the occurrence of events or a change in circumstances indicates that the carrying value of the assets may not be recoverable as measured by comparing their carrying value to the estimated undiscounted future cash flows generated by their use and eventual disposition. Impaired assets are recorded at fair value, determined principally by discounting the future cash flows expected from their use and eventual disposition. Reductions in asset values resulting from impairment valuations are recognized in income in the period that the impairment is determined.

Leased property and equipment

At lease commencement, which is generally when the Company takes possession of the asset, the Company records a lease liability and corresponding right-of-use asset. Lease liabilities represent the present value of minimum lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the Company's incremental collateralized borrowing rate at the lease commencement.

Minimum lease payments include base rent, fixed escalation of rental payments, and rental payments that are adjusted periodically depending on a rate or index. In determining minimum lease payments, the Company does not separate non-lease components for real estate leases. Non-lease components are generally services that the lessor performs for the Company associated with the leased asset, such as common area maintenance.

Right-of-use assets represent the right to control the use of the leased asset during the lease and are initially recognized in an amount equal to the lease liability. In addition, prepaid rent, initial direct costs, and adjustments for lease incentives are components of the right-of-use asset. Over the lease term the lease expense is amortized on a straight-line basis beginning on the lease commencement date. Right-of-use assets are assessed for impairment as part of the impairment of long-lived assets, which is performed whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable.

Variable lease payments, including contingent rental payments based on sales volume, are recognized when the achievement of the specific target is probable. A right-of-use asset and lease liability are not recognized for leases with an initial term of 12 months or less, and the lease expense is recognized on a straight-line basis over the lease term.

The Company recognizes a liability for the fair value of asset retirement obligations ("AROs") when such obligations are incurred. The Company's AROs are primarily associated with leasehold improvements which, at the end of a lease, the Company is contractually obligated to remove in order to comply with the lease agreement. At the inception of a lease with such conditions, the Company records an ARO liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. The liability is estimated based on a number of assumptions requiring management's judgment, including store closing costs, cost inflation rates and discount rates, and is accreted to its projected future value over time. The capitalized asset is depreciated using the convention for depreciation of leasehold improvement assets. Upon satisfaction of the ARO conditions, any difference between the recorded ARO liability and the actual retirement costs incurred is recognized as an operating gain or loss in the consolidated statements of operations.

The Company recognizes a liability for a cost associated with a lease exit or disposal activity when such obligation is incurred. A lease exit or disposal liability is measured initially at its fair value in the period in which the liability is incurred. The Company estimates fair value at the cease-use date of its operating leases as the remaining lease rentals, reduced by estimated sublease rentals that could be reasonably obtained for the property, even where the Company does not intend to enter into a sublease. Estimating the cost of certain lease exit costs involves subjective assumptions, including the time it would take to sublease the leased location and the related potential sublease income. The estimated accruals for these costs could be significantly affected if future experience differs from the assumptions used in the initial estimate.

The Company has entered into certain subleases, which have been classified as operating leases. Sublease income is recognized on a straight-line basis beginning on the commencement date of the sublease. Sublease income offsets the head lease expense within net lease expense.

Revenue recognition

Net revenue is comprised of company-operated store net revenue, e-commerce net revenue through websites and mobile apps, including mobile apps on in-store devices that allow demand to be fulfilled via the Company's distribution centers, and other net revenue, which includes revenue from outlets, sales to wholesale accounts, license and supply arrangement net revenue, which consists of royalties as well as sales of the Company's products to licensees, re-commerce revenue, revenue from temporary locations, and lululemon Studio revenue. All revenue is reported net of markdowns, discounts, sales taxes collected from customers on behalf of taxing authorities, and returns. lululemon Studio generates gross revenue from digital content subscriptions.

Revenue is recognized when performance obligations are satisfied through the transfer of control of promised goods or services to the Company's customers. Control transfers once a customer has the ability to direct the use of, and obtain substantially all of the benefits from, the product. This includes the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance. Revenue from company-operated stores and other retail locations is recognized at the point of sale. E-commerce revenue, sales to wholesale accounts and in-home fitness hardware sales are recognized upon receipt by the customer. In certain arrangements the Company receives payment before the customer receives the promised good. These payments are initially recorded as deferred revenue, and recognized as revenue in the period when control is transferred to the customer.

Revenue is presented net of an allowance for estimated returns. The Company's liability for sales return refunds is recognized within accrued liabilities and other, and an asset for the value of inventory which is expected to be returned is recognized within other prepaid expenses and other current assets on the consolidated balance sheets. As of February 2, 2025 and January 28, 2024, the sales return allowance was \$73.9 million and \$61.6 million, respectively.

Shipping fees billed to customers are recorded as revenue, and shipping costs are recognized within selling, general and administrative expenses in the same period the related revenue is recognized.

Proceeds from the sale of gift cards are initially deferred and recognized within unredeemed gift card liability on the consolidated balance sheets, and are recognized as revenue when tendered for payment. While the Company will continue to honor all gift cards presented for payment, to the extent management determines there is no requirement to remit unused card balances to government agencies under unclaimed property laws, the portion of card balances not expected to be redeemed are recognized in net revenue in proportion to the gift cards which have been redeemed, under the redemption recognition method. As of February 2, 2025 and January 28, 2024, the unredeemed gift card liability was \$308.4 million and \$306.5 million, respectively. During 2024, 2023, and 2022, the Company recognized net revenue of \$180.9 million, \$151.4 million, and \$126.9 million, respectively, that was included in the opening balance of the unredeemed gift card liability at the beginning of each year. For 2024, 2023, and 2022, net revenue recognized on unredeemed gift card balances was \$36.2 million, \$28.5 million, and \$23.3 million, respectively.

Cost of goods sold

Cost of goods sold includes:

Product costs

- the cost of purchased merchandise, which includes acquisition and production costs including raw material and labor, as applicable;
- the cost incurred to deliver inventory to the Company's distribution centers including freight, non-refundable taxes, duty, and other landing costs;
- shrink and inventory provision expense;
- the cost of digital content subscription services; and
- hemming costs.

Other cost of sales

- occupancy costs such as minimum rent, contingent rent where applicable, property taxes, utilities, and depreciation expense for the Company's company-operated store locations;
- the cost of the Company's distribution centers, such as labor, rent, utilities, and depreciation, as well as the cost of third-party distribution centers; and
- the cost of the Company's product design, raw materials development, product innovation, sourcing, supply chain, and merchandising departments including salaries, stock-based compensation and benefits, and other expenses.

Selling, general and administrative expenses

Selling, general and administrative expenses consist of all operating costs not otherwise included in cost of goods sold, intangible asset amortization, or acquisition-related expenses. The Company's selling, general and administrative expenses include the costs of corporate and retail employee wages and benefits, costs to transport the Company's products from the distribution facilities to the Company's retail locations and e-commerce guests, professional fees, marketing, technology, human resources, accounting, legal, corporate facility and occupancy costs, and depreciation and amortization expense other than in cost of goods sold.

For 2024, 2023, and 2022, the Company incurred costs to transport its products from its distribution facilities to its retail locations and e-commerce guests of \$349.0 million, \$374.2 million, and \$353.7 million, respectively.

Advertising and Marketing Costs

Advertising costs, including the costs to produce advertising, are expensed as incurred. Advertising expenses were \$541.5 million, \$429.7 million, and \$328.6 million for 2024, 2023, and 2022, respectively, and are included within selling, general and administrative expenses.

Store pre-opening costs

Operating costs incurred prior to the opening of new stores are expensed as incurred as selling, general and administrative expenses.

Income taxes

The Company follows the liability method with respect to accounting for income taxes. Deferred income tax assets and liabilities are determined based on the temporary differences between the carrying amounts and the tax basis of assets and liabilities, and for tax losses, tax credit carryforwards, and other tax attributes. Deferred income tax assets and liabilities are measured using enacted tax rates, for the appropriate tax jurisdiction, that are expected to be in effect when these differences are anticipated to reverse.

The Company has not recognized U.S. state income taxes and foreign withholding taxes on undistributed earnings of foreign subsidiaries which the Company has determined to be indefinitely reinvested.

Deferred income tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The evaluation as to the likelihood of realizing the benefit of a deferred income tax asset is based on the timing of scheduled reversals of deferred tax liabilities, taxable income forecasts, and tax-planning strategies. The recognition of a deferred income tax asset is based upon several assumptions and forecasts, including current and anticipated taxable income, the utilization of previously unrealized non-operating loss carryforwards, and regulatory reviews of tax filings.

The Company evaluates its tax filing positions and recognizes the largest amount of tax benefit that is considered more likely than not to be sustained upon examination by the relevant taxing authorities based on the technical merits of the position. This determination requires the use of significant judgment. Income tax expense is adjusted in the period in which an uncertain tax position is effectively settled, the statute of limitations expires, facts or circumstances change, tax laws change, or new information becomes available. The Company's policy is to recognize interest expense and penalties related to income tax matters as part of income tax expense. Accrued interest and penalties are included within the related tax liability on the Company's consolidated balance sheets.

The Company treats the global intangible low-taxed income ("GILTI") tax as a current period expense.

Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are made using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value:

- Level 1 - defined as observable inputs such as quoted prices in active markets;
- Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3 - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value measurement is categorized in its entirety by reference to its lowest level of significant input.

The Company records cash, accounts receivable, accounts payable, and accrued liabilities at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities.

The Company holds certain assets and liabilities that are required to be measured at fair value on a recurring basis, and performs certain valuations on a non-recurring basis, which are outlined in Note 16. Fair Value Measurement.

Foreign currency

The functional currency for each entity included in these consolidated financial statements that is domiciled outside of the United States is generally the applicable local currency. Assets and liabilities of each foreign entity are translated into U.S. dollars at the exchange rate in effect on the balance sheet date. Net revenue and expenses are translated at the average rate in effect during the period. Unrealized translation gains and losses are recorded as a foreign currency translation adjustment, which is included in other comprehensive income (loss), net of tax, which is a component of accumulated other comprehensive income or loss included in stockholders' equity.

Foreign currency transactions denominated in a currency other than an entity's functional currency are remeasured into the functional currency with any resulting gains and losses recognized in selling, general and administrative expenses, except for gains and losses arising on intercompany foreign currency transactions that are of a long-term investment nature, which are recorded as a net investment hedge gains (losses) in other comprehensive income (loss), net of tax.

Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to certain foreign currency exchange rate risks.

Net investment hedges. The Company enters into certain forward currency contracts that are designated as net investment hedges. The effective portions of the hedges are reported in accumulated other comprehensive income or loss, net of tax, and will subsequently be reclassified to net earnings in the period in which the hedged investment is either sold or substantially liquidated. Hedge effectiveness is measured using a method based on changes in forward exchange rates. The Company classifies the cash flows at settlement of its net investment hedges within investing activities in the consolidated statements of cash flows.

Derivatives not designated as hedging instruments. The Company also enters into certain forward currency contracts that are not designated as net investment hedges. They are designed to economically hedge the foreign exchange revaluation gains and losses of certain monetary assets and liabilities. The Company has not applied hedge accounting to these instruments and the change in fair value of these derivatives is recorded within selling, general and administrative expenses. The Company classifies the cash flows at settlement of its forward currency contracts which are not designated in hedging relationships within operating activities in the consolidated statements of cash flows.

The Company presents its derivative assets and derivative liabilities at their gross fair values within prepaid expenses and other current assets and other current liabilities on the consolidated balance sheets. However, the Company's Master International Swap Dealers Association, Inc., Agreements and other similar arrangements allow net settlements under certain conditions.

The Company does not enter into derivative contracts for speculative or trading purposes. Additional information on the Company's derivative financial instruments is included in Note 16. Fair Value Measurement and Note 17. Derivative Financial Instruments.

Concentration of credit risk

Accounts receivable primarily arise out of third party gift card sales, sales to wholesale accounts, online marketplaces, duty receivables, and license and supply arrangements. The Company generally does not require collateral to support the accounts receivable; however, in certain circumstances, the Company may require parties to provide payment for goods prior to delivery of the goods or to provide letters of credit. The accounts receivable are net of an allowance for doubtful accounts, which is established based on management's assessment of the credit risk of the underlying accounts.

Cash and cash equivalents are held with high quality financial institutions. The amount of cash and cash equivalents held with certain financial institutions exceeds government-insured limits. The Company is also exposed to credit-related losses in the event of nonperformance by the counterparties to the forward currency contracts. The credit risk amount is the Company's unrealized gains on its derivative instruments, based on foreign currency rates at the time of nonperformance. The Company has not experienced any losses related to these items, and it believes credit risk to be minimal. The Company seeks to minimize its 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 it transacts. It seeks to limit the amount of exposure with any one counterparty.

The Company's derivative contracts contain certain credit risk-related contingent features. Under certain circumstances, including an event of default, bankruptcy, termination, and cross default under the Company's Americas revolving credit facility, the Company may be required to make immediate payment for outstanding liabilities under its derivative contracts.

Stock-based compensation

The Company accounts for stock-based compensation using the fair value method. The fair value of awards granted is estimated at the date of grant. The employee compensation expense is recognized on a straight-line basis over the requisite service period with the offsetting credit to additional paid-in capital.

For awards with service and/or performance conditions, the amount of compensation expense recognized is based on the number of awards expected to vest, reflecting estimated expected forfeitures, and is adjusted to reflect those awards that do ultimately vest. The forfeiture rate is based on management's best estimate of expected forfeitures, taking into consideration historical trends and expected future behavior. For awards with performance conditions, the Company recognizes the compensation expense if and when the Company concludes that it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at each reporting date.

The grant date fair value of each stock option granted is estimated on the grant date using the Black-Scholes model. The grant date fair value of restricted shares, performance-based restricted stock units, and restricted stock units is based on the closing price of the Company's common stock on the grant date.

Earnings per share

Earnings per share is calculated using the weighted-average number of common and exchangeable shares outstanding during the period. Exchangeable shares are the economic equivalent of common shares in all material respects. All classes of stock have in effect the same economic rights and share equally in undistributed net income. Diluted earnings per share is calculated by dividing net income available to stockholders for the period by the diluted weighted-average number of shares outstanding during the period. Diluted earnings per share reflects the potential dilution from common shares issuable through stock options, performance-based restricted stock units that have satisfied their performance factor, restricted shares, and restricted stock units using the treasury stock method.

Contingencies

In the ordinary course of business, the Company is involved in legal proceedings regarding contractual and employment relationships and a variety of other matters. The Company records contingent liabilities resulting from claims against it, when a loss is assessed to be probable and the amount of the loss is reasonably estimable.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of net revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently adopted accounting pronouncements

The Company considers the applicability and impact of all Accounting Standard Updates ("ASUs"). ASUs adopted during 2024 not listed below were assessed, and determined to be either not applicable or are expected to have minimal impact on its consolidated financial position or results of operations.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. Entities are required to provide disclosures of significant segmented expenses and other categories used by the Chief Operating Decision Maker ("CODM") in order to enhance disclosure at the segment level. The Company adopted this update for 2024 and the related disclosures are included in Note 23. Segmented Information.

Recently issued accounting pronouncements

ASUs recently issued not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's consolidated financial position or results of operations.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This disclosure requires expanded disclosure within the rate reconciliation as well as disaggregation of annual taxes paid. This amendment is effective for annual periods beginning after December 15, 2024, and is applied prospectively. The Company is currently evaluating the impact that this new guidance may have on its financial statement disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. Entities will be required to provide disaggregated disclosures for certain income statement expense line items. This amendment is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, and shall be applied retrospectively for periods presented in the financial statements. The Company is currently evaluating the impact that this new guidance may have on its financial statement disclosures.

Note 3. Inventories

	February 2, 2025	January 28, 2024
	<i>(In thousands)</i>	
Inventories, at cost	\$ 1,526,055	\$ 1,465,076
Inventory provisions and reserves:		
lululemon Studio Mirror provision	—	(62,956)
Obsolescence provision	(45,840)	(42,903)
Damages provision	(36,416)	(33,836)
Shrink provision	(1,718)	(1,779)
	(83,974)	(141,474)
Inventories	\$ 1,442,081	\$ 1,323,602

During 2024, we disposed of the lululemon Studio Mirror inventories which had previously been provided for. Please refer to Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs for further details on the lululemon Studio obsolescence provision.

Note 4. Prepaid Expenses and Other Current Assets

	February 2, 2025	January 28, 2024
	<i>(In thousands)</i>	
Prepaid expenses	147,680	137,203
Forward currency contract assets	76,848	647
Other current assets	26,931	46,652
Prepaid expenses and other current assets	\$ 251,459	\$ 184,502

Note 5. Property and Equipment

	February 2, 2025	January 28, 2024
	<i>(In thousands)</i>	
Land	\$ 74,461	\$ 79,498
Buildings	27,655	29,032
Leasehold improvements	1,227,247	1,006,926
Furniture and fixtures	177,651	156,656
Computer hardware	202,479	176,597
Computer software	1,274,322	1,032,567
Equipment and vehicles	51,453	34,017
Work in progress	206,398	247,943
Property and equipment, gross	3,241,666	2,763,236
Accumulated depreciation	(1,461,049)	(1,217,425)
Property and equipment, net	\$ 1,780,617	\$ 1,545,811

Depreciation expense related to property and equipment was \$443.3 million, \$374.0 million, and \$282.7 million for 2024, 2023, and 2022, respectively.

Gain on Disposal of Assets

During the second quarter of 2022, the Company completed the sale of an administrative office building, which resulted in a pre-tax gain of \$10.2 million. The income tax effect of the gain on disposal of assets was an expense of \$1.7 million.

Note 6. Acquisition

On September 10, 2024, the Company acquired the lululemon branded retail locations and operations run by a third party in Mexico. The Company acquired all outstanding shares of the third party, and had previously granted it the right to operate retail locations and to sell lululemon products in Mexico.

The following table summarizes the fair value of the consideration transferred, as well as the calculation of goodwill based on the excess of consideration over the fair value of net assets acquired.

	September 10, 2024
	<i>(In thousands)</i>
Fair value of consideration transferred:	
Cash paid to shareholders	\$ 159,380
Contingent consideration	15,000
Settlement of intercompany balances	6,975
	181,355
Less cash acquired	(5,234)
Fair value of consideration transferred, net of cash and cash equivalents acquired	\$ 176,121
Less fair value of net assets acquired:	
Assets acquired:	
Inventories	\$ 15,275
Intangible assets	15,500
Other current and non-current assets	14,013
	44,788
Liabilities assumed	(15,668)
Net assets acquired	\$ 29,120
Goodwill	\$ 147,001

Goodwill relates to the assembled workforce and benefits expected as a result of the acquisition and has been allocated to the Americas segment. None of the goodwill is expected to be deductible for income tax purposes.

Reacquired franchise rights were valued using the future expected cash flows of the remaining contractual franchise period until November 2026. These intangible assets have a fair value of \$15.5 million, which is being amortized until November 2026. Contingent consideration of \$15.0 million relates to performance related conditions from the acquisition date to December 31, 2025, and has been recognized at fair value.

The Company has not disclosed pro forma information of the combined business as the transaction is not material to net revenue or net earnings.

During 2024, the Company recognized \$3.5 million in acquisition-related expenses within selling, general and administrative expenses primarily related to legal, accounting, valuation, and other professional services.

Note 7. Goodwill

The changes in the carrying amounts of goodwill were as follows:

	Goodwill
	<i>(In thousands)</i>
Balance as of January 29, 2023	\$ 24,144
Effect of foreign currency translation	(61)
Balance as of January 28, 2024	\$ 24,083
Acquisition of the Mexico operations	147,001
Effect of foreign currency translation	(11,566)
Balance as of February 2, 2025	\$ 159,518

Of the Company's goodwill, \$147.0 million relates to the acquisition of the Mexico operations in 2024. Goodwill relates to the assembled workforce and benefits expected as a result of the acquisition and has been allocated to the Americas segment. Please refer to Note 6. Acquisition for further information.

Note 8. Intangible Assets

A summary of the balances of the Company's intangible assets as of February 2, 2025, January 28, 2024, is presented below:

	February 2, 2025			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Remaining Useful Life (Years)
	<i>(In thousands, except in years)</i>			
Franchise rights	14,325	(2,652)	11,673	1.8
Other	270	(270)	—	n/a
Intangible assets	\$ 14,595	\$ (2,922)	\$ 11,673	1.8

	January 28, 2024			
	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount
	<i>(In thousands)</i>			
MIRROR brand	\$ 26,500	\$ (4,089)	\$ (22,411)	\$ —
Customer relationships	28,000	(7,492)	(20,508)	—
Technology	25,500	(12,632)	(12,868)	—
Content	5,000	(3,250)	(1,750)	—
Other	270	(270)	—	—
Intangible assets	\$ 85,270	\$ (27,733)	\$ (57,537)	\$ —

As part of the acquisition of the Mexico operations in 2024, the Company recognized intangible assets related to reacquired franchise rights, which are being amortized until November 2026. Please refer to Note 6. Acquisition for further information.

Amortization of intangible assets was \$2.7 million, \$5.0 million, and \$8.8 million in 2024, 2023, and 2022, respectively. Future expected amortization expense as of February 2, 2025, is \$6.4 million and \$5.2 million, for 2025 and 2026, respectively.

During 2023 and 2022, the Company recognized intangible asset impairment charges of \$17.0 million and \$40.6 million, respectively. These impairment charges related to the intangible assets that were recognized on the acquisition of MIRROR. Please refer to Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs for further information.

Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs

During 2022, the Company decided to shift its lululemon Studio strategy to focus on providing digital app-based services. The Company continued to sell the lululemon Studio Mirror hardware in 2023, and reached the decision to cease selling it during the third quarter of 2023. It also contracted with Peloton Interactive, Inc. to be the exclusive digital fitness content provider to existing lululemon Studio subscribers, and stopped producing its own digital fitness content. The Company ceased selling the lululemon Studio Mirror and new digital content subscriptions in December 2023.

These strategy shifts resulted in impairment testing and the recognition of goodwill impairment, inventory provisions, asset impairments, and restructuring costs related to the lululemon Studio reporting unit. The following table summarizes the amounts recognized:

	2024	2023	2022
	<i>(In thousands)</i>		
Costs recorded in cost of goods sold:			
lululemon Studio obsolescence provision	\$ —	\$ 23,709	\$ 62,928
Costs recorded in operating expenses:			
Impairment of assets:			
Impairment of goodwill	\$ —	\$ —	\$ 362,492
Impairment of intangible assets	—	16,951	40,585
Impairment of cloud computing arrangement implementation costs	—	16,074	—
Impairment of property and equipment	—	11,161	4,836
	\$ —	\$ 44,186	\$ 407,913
Restructuring costs	—	30,315	—
Impairment of goodwill and other assets, restructuring costs	\$ —	\$ 74,501	\$ 407,913
Total pre-tax charges	\$ —	\$ 98,210	\$ 470,841
Income tax effects of charges	\$ —	\$ (26,085)	\$ (28,171)
Total after-tax charges	\$ —	\$ 72,125	\$ 442,670

lululemon Studio obsolescence provision

During 2022, the change in strategy related to lululemon Studio to focus on digital app-based services meant the Company no longer expected to be able to sell all of the lululemon Studio hardware inventory above cost and it recognized an obsolescence provision of \$62.9 million. The net realizable value was determined based on hardware sales forecasts and assumptions regarding liquidation value.

As a result of the decision to cease selling the lululemon Studio Mirror in the third quarter of 2023, the Company recognized a further inventory obsolescence provision of \$23.7 million during 2023. The net realizable value of the lululemon Studio inventory was based on assumptions regarding liquidation value.

Impairment of goodwill and other assets

As a result of the strategy shift during 2022, it was concluded that the Company should conduct an impairment test for the goodwill, intangible assets, and property and equipment related to lululemon Studio as of January 29, 2023. The Company used a discounted cash flow model to estimate the fair value of the lululemon Studio reporting unit based on the updated strategic plans, supplemented by market comparable analysis, which indicated the fair value of lululemon Studio was lower than its carrying value, and led to a recognition of an impairment of goodwill of \$362.5 million. The key assumptions used to estimate the fair value of the lululemon Studio reporting unit were the revenue growth rates, operating profit margins, and the discount rate. The fair value of the lululemon Studio reporting unit was a Level 3 fair value measurement.

As of January 29, 2023, the undiscounted cash flows of the lululemon Studio asset group to which the intangible assets belonged were less than their carrying value, and therefore the Company calculated the fair value of the asset group, which was also less than its carrying value. This resulted in impairment of intangible assets of \$40.6 million relating to the MIRROR brand, which was associated with in-home hardware, and to the customer relationship intangible assets that were recognized as part of the acquisition.

During 2023, as a result of the Company's decision to no longer produce digital fitness content and to cease the sale of the lululemon Studio Mirror, the Company performed impairment testing for the lululemon Studio asset group as of October 29, 2023. The undiscounted cash flows of the lululemon Studio asset group were less than their carrying value, and therefore the Company calculated the fair value of the asset group, which was also less than its carrying value.

As a result of the impairment test, the Company recognized asset impairments totaling \$44.2 million during 2023. The fair value of long-lived assets was based on a discounted cash flow model, and is a Level 3 non-recurring fair value measurement. The key assumptions used to estimate the fair value were subscriber churn rates and operating costs.

Restructuring costs

During 2023, the Company recognized restructuring costs of \$30.3 million for lululemon Studio primarily related to contract termination costs, employee severance costs, and professional fees.

Note 10. Other Non-Current Assets

	February 2, 2025	January 28, 2024
	<i>(In thousands)</i>	
Cloud computing arrangement implementation costs	\$ 161,759	\$ 133,597
Security deposits	44,076	31,825
Other	32,006	21,262
Other non-current assets	\$ 237,841	\$ 186,684

As of February 2, 2025 and January 28, 2024, cloud computing arrangement implementation costs consisted of deferred costs of \$385.4 million and \$289.3 million, respectively, and associated accumulated amortization of \$223.7 million and \$155.7 million, respectively.

Note 11. Accrued Liabilities and Other

	February 2, 2025	January 28, 2024
	<i>(In thousands)</i>	
Accrued operating expenses	\$ 166,745	\$ 126,380
Forward currency contract liabilities	74,638	2,872
Sales return allowances	73,892	61,634
Accrued freight	53,121	41,241
Accrued duty	45,400	25,817
Accrued digital marketing	45,392	20,835
Accrued capital expenditures	36,690	31,936
Accrued rent	17,962	12,522
Sales tax collected	16,967	3,088
Other	28,656	22,230
Accrued liabilities and other	\$ 559,463	\$ 348,555

Note 12. Revolving Credit Facilities

Americas revolving credit facility

On December 14, 2021, the Company entered into an amended and restated credit agreement extending its existing credit facility, which 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. Borrowings under the credit facility may be prepaid and commitments may be reduced or terminated without premium or penalty (other than customary breakage costs).

As of February 2, 2025, aside from letters of credit of \$6.1 million, the Company had no other borrowings outstanding under this credit facility.

Borrowings made under the credit facility bear interest at a rate per annum equal to, at the Company's option, either (a) a rate based on the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York ("SOFR"), or (b) an alternate base rate, plus, in each case, an applicable margin. The applicable margin is determined by reference to a pricing grid, based on the ratio of indebtedness to earnings before interest, tax, depreciation, amortization, and rent ("EBITDAR") and ranges between 1.000%-1.375% for SOFR loans and 0.000%-0.375% for alternate base rate or Canadian prime rate loans. Additionally, a commitment fee of between 0.100%-0.200%, also determined by reference to the pricing grid, is payable on the average daily unused amounts under the credit facility.

The applicable interest rates and commitment fees are subject to adjustment based on certain sustainability key performance indicators ("KPIs"). The two KPIs are based on greenhouse gas emissions intensity reduction and gender pay equity, and the Company's performance against certain targets measured on an annual basis could result in positive or negative sustainability rate adjustments of 2.50 basis points to its drawn pricing and positive or negative sustainability fee adjustments of 0.50 basis points to its undrawn pricing.

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

The Company's financial covenants include maintaining an operating lease adjusted leverage ratio of not greater than 3.25:1.00 and the ratio of consolidated EBITDAR to consolidated interest charges (plus rent) of not less than 2.00:1.00. The credit agreement also contains certain customary representations, warranties, affirmative covenants, and events of default (including, among others, an event of default upon the occurrence of a change of control). If an event of default occurs, the credit agreement may be terminated, and the maturity of any outstanding amounts may be accelerated. As of February 2, 2025, the Company was in compliance with the covenants of the credit facility.

China Mainland revolving credit facility

The Company has an uncommitted and unsecured 300.0 million Chinese Yuan (\$41.4 million) revolving credit facility with terms that are reviewed on an annual basis. It is comprised of a revolving loan of up to 200.0 million Chinese Yuan (\$27.6

million) and a guarantee facility of up to 100.0 million Chinese Yuan (\$13.8 million), or its equivalent in another currency. Loans are available for a period not to exceed 12 months, at an interest rate equal to the loan prime rate plus a spread of 0.5175%. The Company is required to follow certain covenants. As of February 2, 2025, the Company was in compliance with the covenants and, aside from letters of credit of 45.8 million Chinese Yuan (\$6.3 million), there were no other borrowings or guarantees outstanding under this credit facility.

Note 13. Supply Chain Financing Program

The Company facilitates a voluntary supply chain financing ("SCF") program that allows its suppliers to elect to sell the receivables owed to them by the Company to a third party financial institution. Participating suppliers negotiate arrangements directly with the financial institution. If a supplier chooses to participate in the SCF program it may request an invoice be paid earlier than it would by the Company, and the financial institution at its sole and absolute discretion, may elect to make an early payment to the supplier at a discount. The Company's obligations to its suppliers, including amounts due and scheduled payment terms, are not impacted by a supplier's participation in the arrangement and the Company provides no guarantees to any third parties under the SCF program.

A roll-forward of the amounts outstanding under the SCF program, which are presented within accounts payable, is presented below:

	2024	2023
	<i>(In thousands)</i>	
Supply chain financing program balance, beginning of year	\$ 42,139	\$ 17,578
Amounts added during the year	509,924	533,640
Amounts settled during the year	(515,780)	(509,079)
Supply chain financing program balance, end of year	\$ 36,283	\$ 42,139

Note 14. Stockholders' Equity

Special voting stock and exchangeable shares

The holders of the special voting stock are entitled to one vote for each share held. The special voting shares are not entitled to receive dividends or distributions or receive any consideration in the event of a liquidation, dissolution, or wind-up. To the extent that exchangeable shares as described below are exchanged for common stock, a corresponding number of special voting shares will be cancelled without consideration.

The holders of the exchangeable shares have dividend and liquidation rights equivalent to those of holders of the common shares of the Company. The exchangeable shares can be converted on a one for one basis by the holder at any time into common shares of the Company plus a cash payment for any accrued and unpaid dividends. Holders of exchangeable shares are entitled to the same or economically equivalent dividend as declared on the common stock of the Company. The exchangeable shares are non-voting. The Company has the right to convert the exchangeable shares into common shares of the Company at any time after the earliest of July 26, 2047, the date on which fewer than 4.2 million exchangeable shares are outstanding, or in the event of certain events such as a change in control.

Note 15. Stock-Based Compensation and Benefit Plans

Stock-based compensation plans

The Company's eligible employees participate in various stock-based compensation plans, provided directly by the Company.

In June 2023, the Company's stockholders approved the adoption of the lululemon athletica inc. 2023 Equity Incentive Plan. The 2023 Equity Incentive Plan provides for awards in the form of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance-based restricted stock units, cash-based awards, other stock-based awards, and deferred compensation awards to employees (including officers and directors who are also employees), consultants, and directors of the Company.

The awards granted under the 2014 Equity Incentive Plan remain outstanding and continue to vest under their original conditions. No further awards will be granted under the 2014 Equity Incentive Plan.

The Company has granted stock options, performance-based restricted stock units, restricted stock units, and restricted shares. Stock options granted to date generally have a four-year vesting period and vest at a rate of 25% each year on the anniversary date of the grant. Stock options generally expire on the earlier of seven years from the date of grant, or a specified period of time following termination. Performance-based restricted stock units issued generally vest three years from the grant date and restricted shares generally vest one year from the grant date. Restricted stock units granted generally have a three-year vesting period and vest at a certain percentage each year on the anniversary date of the grant.

The Company issues previously unissued shares upon the exercise of Company options, vesting of performance-based restricted stock units or restricted stock units that are settled in common stock, and granting of restricted shares.

Stock-based compensation expense charged to income for the plans was \$88.6 million, \$92.7 million, and \$77.2 million for 2024, 2023, and 2022, respectively.

Total unrecognized compensation cost for all stock-based compensation plans was \$122.3 million as of February 2, 2025, which is expected to be recognized over a weighted-average period of 2.0 years, and was \$135.9 million as of January 28, 2024 over a weighted-average period of 2.0 years.

A summary of the balances of the Company's stock-based compensation plans as of February 2, 2025, January 28, 2024, and January 29, 2023, and changes during the fiscal years then ended is presented below:

	Stock Options		Performance-Based Restricted Stock Units		Restricted Shares		Restricted Stock Units	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value
<i>(In thousands, except per share amounts)</i>								
Balance as of January 30, 2022	789	\$ 186.10	167	\$ 225.27	4	\$ 326.70	238	\$ 265.90
Granted	192	371.04	117	274.90	5	308.66	120	364.51
Exercised/vested	93	127.68	114	170.04	4	326.70	111	241.02
Forfeited/expired	22	286.56	4	307.76	—	—	26	334.39
Balance as of January 29, 2023	866	\$ 230.78	166	\$ 295.93	5	\$ 308.66	221	\$ 323.89
Granted	213	360.00	121	296.27	4	370.59	132	364.63
Exercised/vested	264	160.45	104	201.56	5	308.66	106	294.65
Forfeited/expired	32	332.26	8	351.14	—	368.36	24	350.38
Balance as of January 28, 2024	783	\$ 285.69	175	\$ 349.84	4	\$ 370.85	223	\$ 359.12
Granted	232	383.09	125	354.40	5	319.19	146	375.99
Exercised/vested	95	209.54	100	310.86	4	371.33	101	351.61
Forfeited/expired	71	363.58	23	374.15	—	—	29	371.69
Balance as of February 2, 2025	849	\$ 314.27	177	\$ 371.83	5	\$ 317.86	239	\$ 371.09

A total of 3.5 million shares of the Company's common stock have been authorized for future issuance under the Company's 2023 Equity Incentive Plan.

The Company's performance-based restricted stock units are awarded to eligible employees and entitle the grantee to receive a maximum of two shares of common stock per performance-based restricted stock unit if the Company achieves specified performance goals and the grantee remains employed during the vesting period. The fair value of performance-based restricted stock units is based on the closing price of the Company's common stock on the grant date. Expense for performance-based restricted stock units is recognized when it is probable that the performance goal will be achieved.

The grant date fair value of the restricted shares and restricted stock units is based on the closing price of the Company's common stock on the grant date.

The grant date fair value of each stock option granted is estimated on the date of grant using the Black-Scholes model. The closing price of the Company's common stock on the grant date is used in the model. The assumptions used to calculate the fair value of the options granted are evaluated and revised, as necessary, to reflect market conditions and the Company's historical experience. The expected term of the options is based upon the historical experience of similar awards, giving consideration to expectations of future exercise behavior. Expected volatility is based upon the historical volatility of the Company's common stock for the period corresponding with the expected term of the options. The risk-free interest rate is based on the U.S. Treasury yield curve for the period corresponding with the expected term of the options. The following are weighted averages of the assumptions that were used in calculating the fair value of stock options granted in 2024, 2023, and 2022:

	2024	2023	2022
Expected term	3.75 years	3.75 years	3.75 years
Expected volatility	37.39 %	42.35 %	40.00 %
Risk-free interest rate	4.30 %	3.49 %	2.51 %
Dividend yield	— %	— %	— %

The following table summarizes information about stock options outstanding and exercisable as of February 2, 2025:

Range of Exercise Prices	Outstanding			Exercisable		
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
<i>(In thousands, except per share amounts and years)</i>						
\$85.96-\$188.84	206	\$ 169.31	1.4	206	\$ 169.31	1.4
\$198.73-\$356.93	142	306.87	3.6	85	308.49	3.2
\$358.09-\$358.09	165	358.09	5.1	39	358.09	5.0
\$368.36-\$381.86	132	376.52	4.2	60	376.70	4.1
\$388.90-\$502.74	204	390.46	6.1	4	417.71	3.4
	849	\$ 314.27	4.1	394	\$ 251.93	2.6
Intrinsic value	\$ 84,990			\$ 64,006		

As of February 2, 2025, the unrecognized compensation cost related to these options was \$38.1 million, which is expected to be recognized over a weighted-average period of 2.5 years. The weighted-average grant date fair value of options granted during 2024, 2023, and 2022 was \$130.87, \$130.75, and \$124.17, respectively.

The following table summarizes the intrinsic value of options exercised and awards that vested during 2024, 2023, and 2022:

	2024	2023	2022
<i>(In thousands)</i>			
Stock options	\$ 16,183	\$ 69,316	\$ 19,906
Performance-based restricted stock units	38,303	33,198	37,672
Restricted shares	1,163	1,661	1,152
Restricted stock units	37,972	38,016	37,275
	\$ 93,621	\$ 142,191	\$ 96,005

Employee share purchase plan

The Company has an Employee Share Purchase Plan ("ESPP"). Contributions are made by eligible employees, subject to certain limits defined in the ESPP, and the Company matches one-third of the contribution. The maximum number of shares authorized to be purchased under the ESPP is 6.0 million shares. All shares purchased under the ESPP are purchased in the open market. During each of 2024, 2023, and 2022, there were 0.1 million shares purchased. As of February 2, 2025, 4.3 million shares remain authorized to be purchased under the ESPP.

Defined contribution pension plans

The Company offers defined contribution pension plans to its eligible employees. Participating employees may elect to defer and contribute a portion of their eligible compensation to a plan up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws. The Company matches 50% to 75% of the contribution depending on the participant's length of service, and the contribution is subject to a two-year vesting period. The Company's net expense for the defined contribution plans was \$22.2 million, \$19.8 million, and \$14.0 million during 2024, 2023, and 2022, respectively.

Note 16. Fair Value Measurement

Assets and liabilities measured at fair value on a recurring basis

As of February 2, 2025 and January 28, 2024, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis:

	February 2, 2025	Level 1	Level 2	Level 3	Balance Sheet Classification
<i>(In thousands)</i>					
Money market funds	\$ 240,918	\$ 240,918	\$ —	\$ —	Cash and cash equivalents
Term deposits	8	—	8	—	Cash and cash equivalents
Forward currency contract assets	76,848	—	76,848	—	Prepaid expenses and other current assets
Forward currency contract liabilities	74,638	—	74,638	—	Other current liabilities

	January 28, 2024	Level 1	Level 2	Level 3	Balance Sheet Classification
<i>(In thousands)</i>					
Money market funds	\$ 1,102,119	\$ 1,102,119	\$ —	\$ —	Cash and cash equivalents
Term deposits	8	—	8	—	Cash and cash equivalents
Forward currency contract assets	647	—	647	—	Prepaid expenses and other current assets
Forward currency contract liabilities	2,872	—	2,872	—	Other current liabilities

The Company has short-term, highly liquid investments classified as cash equivalents, which are invested in money market funds and short-term deposits with original maturities of three months or less. The Company records cash equivalents at their original purchase prices plus interest that has accrued at the stated rate.

The fair values of the forward currency contract assets and liabilities are determined using observable Level 2 inputs, including foreign currency spot exchange rates, forward pricing curves, and interest rates. The fair values consider the credit risk of the Company and its counterparties. The Company's Master International Swap Dealers Association, Inc., Agreements and other similar arrangements allow net settlements under certain conditions. However, the Company records all derivatives on its consolidated balance sheets at fair value and does not offset derivative assets and liabilities.

Assets and liabilities measured at fair value on a non-recurring basis

The Company has also recorded lease termination liabilities at fair value on a non-recurring basis, determined using Level 3 inputs based on remaining lease rentals and reduced by estimated sublease income.

During 2023 and 2022, the Company recorded impairment charges for goodwill, intangible assets, cloud computing arrangement implementation costs, and property and equipment, as disclosed in Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs. That note includes details on the discounted cash flow model used to estimate fair value, which is a Level 3 valuation technique.

Note 17. Derivative Financial Instruments

The Company currently hedges against changes in the Canadian dollar and Chinese Yuan to the U.S. dollar exchange rate and changes in the Euro and Australian dollar to the Canadian dollar exchange rate using forward currency contracts.

Net investment hedges

The Company is exposed to foreign currency exchange gains and losses which arise on translation of its international subsidiaries' balance sheets into U.S. dollars. These gains and losses are recorded as other comprehensive income (loss), net of tax in accumulated other comprehensive income or loss within stockholders' equity.

The Company holds a significant portion of its assets in Canada and enters into forward currency contracts designed to hedge a portion of the foreign currency exposure that arises on translation of a Canadian subsidiary into U.S. dollars. These forward currency contracts are designated as net investment hedges. The Company assesses hedge effectiveness based on changes in forward rates. The Company recorded no ineffectiveness from net investment hedges during 2024.

Derivatives not designated as hedging instruments

During 2024, the Company entered into certain forward currency contracts designed to economically hedge the foreign currency exchange revaluation gains and losses that are recognized by its Canadian and Chinese subsidiaries on specific monetary assets and liabilities denominated in currencies other than the functional currency of the entity. The Company has not applied hedge accounting to these instruments and the change in fair value of these derivatives is recorded within selling, general and administrative expenses.

Quantitative disclosures about derivative financial instruments

The notional amounts and fair values of forward currency contracts were as follows:

	February 2, 2025			January 28, 2024		
	Gross Notional	Assets	Liabilities	Gross Notional	Assets	Liabilities
<i>(In thousands)</i>						
Derivatives designated as net investment hedges:						
Forward currency contracts	\$ 1,969,000	\$ 74,908	\$ —	\$ 1,242,000	\$ —	\$ 258
Derivatives not designated in a hedging relationship:						
Forward currency contracts	2,167,657	1,940	74,638	1,543,351	647	2,614
Net derivatives recognized on consolidated balance sheets:						
Forward currency contracts		\$ 76,848	\$ 74,638		\$ 647	\$ 2,872

As of February 2, 2025, there were derivative assets of \$76.8 million and derivative liabilities of \$74.6 million subject to enforceable netting arrangements.

The forward currency contracts designated as net investment hedges outstanding as of February 2, 2025 mature on different dates between February 2025 and October 2025.

The forward currency contracts not designated in a hedging relationship outstanding as of February 2, 2025 mature on different dates between February 2025 and November 2025.

The pre-tax gains and losses on foreign currency exchange forward contracts recorded in accumulated other comprehensive income or loss were as follows:

	2024	2023	2022
<i>(In thousands)</i>			
Gains (losses) recognized in net investment hedge gains (losses):			
Derivatives designated as net investment hedges	\$ 125,378	\$ 15,344	\$ 12,125

No gains or losses have been reclassified from accumulated other comprehensive income or loss into net income for derivative financial instruments in a net investment hedging relationship, as the Company has not sold or liquidated (or substantially liquidated) its hedged subsidiary.

The pre-tax net foreign currency exchange and derivative gains and losses recorded in the consolidated statement of operations were as follows:

	2024	2023	2022
<i>(In thousands)</i>			
Gains (losses) recognized in selling, general and administrative expenses:			
Foreign exchange gains (losses)	\$ 127,843	\$ (23,232)	\$ 4,410
Derivatives not designated in a hedging relationship	(118,423)	22,765	(11,945)
Net foreign exchange and derivative gains (losses)	\$ 9,420	\$ (467)	\$ (7,535)

Note 18. Leases

The Company has obligations under operating leases for its store and other retail locations, distribution centers, offices, and equipment. As of February 2, 2025, the initial lease terms of the various leases generally range from two to 15 years. The majority of the Company's leases include renewal options at the sole discretion of the Company. The lease term includes options to extend or terminate the lease when it is reasonably certain those options will be exercised.

The following table details the Company's net lease expense. Certain of the Company's leases include rent escalation clauses, rent holidays, and leasehold rental incentives. The majority of the Company's leases for store premises also include contingent rental payments based on sales volume. The variable lease expenses disclosed below include contingent rent payments and other non-fixed lease related costs, including common area maintenance, property taxes, and landlord's insurance.

	2024	2023	2022
<i>(In thousands)</i>			
Net lease expense:			
Operating lease expense	\$ 338,756	\$ 282,888	\$ 245,767
Short-term lease expense	13,588	15,289	16,790
Variable lease expense	188,358	152,791	114,441
Sublease income	(2,805)	—	—
	\$ 537,897	\$ 450,968	\$ 376,998

The following table presents future minimum lease payments by fiscal year and the impact of discounting.

	February 2, 2025
<i>(In thousands)</i>	
2025	\$ 336,521
2026	314,027
2027	299,214
2028	243,199
2029	182,854
Thereafter	469,809
Future minimum lease payments	\$ 1,845,624
Impact of discounting	(269,833)
Present value of lease liabilities	\$ 1,575,791
Balance sheet classification:	
Current lease liabilities	\$ 275,154
Non-current lease liabilities	1,300,637
	\$ 1,575,791

As of February 2, 2025, the Company's minimum 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.

The weighted-average remaining lease terms and weighted-average discount rates were as follows:

	February 2, 2025	January 28, 2024
Weighted-average remaining lease term	6.68 years	6.95 years
Weighted-average discount rate	4.3 %	4.0 %

Note 19. Income Taxes

The Company's domestic and foreign income before income tax expense and current and deferred income taxes from federal, state, and foreign sources are as follows:

	2024	2023	2022
	<i>(In thousands)</i>		
Income (loss) before income tax expense			
Domestic	\$ 479,956	\$ 458,041	\$ (98,764)
Foreign	2,096,121	1,717,694	1,431,335
	\$ 2,576,077	\$ 2,175,735	\$ 1,332,571
Current income tax expense			
Federal	\$ 86,851	\$ 140,726	\$ 34,752
State	31,983	42,476	33,369
Foreign	584,248	469,090	400,250
	\$ 703,082	\$ 652,292	\$ 468,371
Deferred income tax expense (recovery)			
Federal	\$ 61,386	\$ (14,741)	\$ 8,932
State	14,047	(3,097)	2,363
Foreign	(17,054)	(8,909)	(1,895)
	\$ 58,379	\$ (26,747)	\$ 9,400
Income tax expense	\$ 761,461	\$ 625,545	\$ 477,771

The Company's income tax expense for 2023 and 2022 include certain discrete tax amounts, as follows:

	2024	2023	2022
	<i>(In thousands)</i>		
Impairment of goodwill and other assets, restructuring costs	\$ —	\$ (26,085)	\$ (28,171)
Gain on disposal of assets	—	—	1,661
Total discrete income tax expense (recovery)	\$ —	\$ (26,085)	\$ (26,510)

Please refer to Note 5. Property and Equipment and Note 9. Impairment of Goodwill and Other Assets, Restructuring Costs for further information.

As of February 2, 2025, the Company's net investment in its Canadian subsidiaries was \$3.7 billion, of which \$1.6 billion was determined to be indefinitely reinvested. A deferred income tax liability of \$107.0 million has been recognized in relation to the portion of the Company's net investment in its Canadian subsidiaries that is not indefinitely reinvested, representing the Canadian withholding taxes and U.S. state income taxes which would be due upon repatriation. This deferred tax liability has been recorded on the basis that the Company would choose to make the repatriation transactions in the most tax efficient manner. Specifically, to the extent that the Canadian subsidiaries have paid-up-capital, any such distributions would be structured as a return of capital, and therefore not subject to Canadian withholding tax. The unrecognized deferred income tax liability on the indefinitely reinvested amount is approximately \$88.8 million. No deferred income tax liabilities have been recognized on any of the undistributed earnings of the Company's other foreign subsidiaries as these earnings are permanently reinvested outside of the United States. Excluding its Canadian subsidiaries, cumulative undistributed earnings of the Company's foreign subsidiaries as of February 2, 2025 were \$599.1 million.

As of February 2, 2025, the Company had cash and cash equivalents of \$1.3 billion outside of the United States.

A summary reconciliation of the effective tax rate is as follows:

	2024	2023	2022
	<i>(Percentage)</i>		
Federal income tax at statutory rate	21.0 %	21.0 %	21.0 %
Foreign tax rate differentials	4.3	4.1	6.8
U.S. state taxes	0.9	1.0	(0.4)
Non-deductible compensation expense	0.5	0.6	0.7
Excess tax benefits from stock-based compensation	(0.1)	(0.4)	(0.5)
Tax on unremitted foreign earnings	2.6	2.6	1.4
Impairment of goodwill and other assets, gain on disposal of assets	—	—	7.8
Permanent and other	0.4	(0.1)	(0.9)
Effective tax rate	29.6 %	28.8 %	35.9 %

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities as of February 2, 2025 and January 28, 2024 are presented below:

	February 2, 2025	January 28, 2024
	<i>(In thousands)</i>	
Deferred income tax assets:		
Net operating loss carryforwards	\$ 2,174	\$ 2,385
Inventories	33,801	43,157
Accrued bonuses	9,376	19,075
Unredeemed gift card liability	18,956	15,580
Non-current lease liabilities	308,796	286,528
Research and experimental expenditures	71,579	48,922
Stock-based compensation	20,883	20,057
Other	22,415	16,802
Deferred income tax assets	487,980	452,506
Valuation allowance	(7,902)	(2,334)
Deferred income tax assets, net of valuation allowance	\$ 480,078	\$ 450,172
Deferred income tax liabilities:		
Property and equipment, net	\$ (180,664)	\$ (162,312)
Right-of-use lease assets	(269,089)	(265,157)
Unremitted foreign earnings	(106,986)	(41,198)
Other	(4,442)	(1,851)
Deferred income tax liabilities	(561,181)	(470,518)
Net deferred income tax liabilities	\$ (81,103)	\$ (20,346)
Balance sheet classification:		
Deferred income tax assets	\$ 17,085	\$ 9,176
Deferred income tax liabilities	(98,188)	(29,522)
Net deferred income tax liabilities	\$ (81,103)	\$ (20,346)

As of February 2, 2025, the Company had net operating loss carryforwards of \$25.0 million. The majority of the net operating loss carryforwards expire, if unused, between fiscal 2030 and fiscal 2044.

There was a \$5.6 million net increase in the valuation allowance in 2024, compared to a \$1.6 million net increase in 2023, and a \$2.1 million net decrease in 2022.

The Company files income tax returns in the U.S., Canada, and various foreign and state jurisdictions. The 2021 to 2023 tax years remain subject to examination by the U.S. federal and state tax authorities. The 2017 to 2023 tax years remain subject to examination by Canadian tax authorities. The 2015 to 2023 tax years remain subject to examination by the China Mainland tax authorities. The 2017 to 2023 tax years remain subject to examination by tax authorities in certain other foreign jurisdictions. The Company does not have any significant unrecognized tax benefits arising from uncertain tax positions taken, or expected to be taken, in the Company's tax returns.

Note 20. Earnings Per Share

The details of the computation of basic and diluted earnings per share are as follows:

	2024	2023	2022
	<i>(In thousands, except per share amounts)</i>		
Net income	\$ 1,814,616	\$ 1,550,190	\$ 854,800
Basic weighted-average number of shares outstanding	123,735	126,726	127,666
Assumed conversion of dilutive stock options and awards	200	334	351
Diluted weighted-average number of shares outstanding	123,935	127,060	128,017
Basic earnings per share	\$ 14.67	\$ 12.23	\$ 6.70
Diluted earnings per share	\$ 14.64	\$ 12.20	\$ 6.68

The Company's calculation of weighted-average shares includes the common stock of the Company as well as the exchangeable shares. Exchangeable shares are the economic equivalent of common shares in all material respects. All classes of stock have in effect the same economic rights and share equally in undistributed net income. For 2024, 2023, and 2022, 64.2 thousand, 62.7 thousand, and 43.5 thousand stock options and awards, respectively, were anti-dilutive to earnings per share and therefore have been excluded from the computation of diluted earnings per share.

On January 31, 2019, the Company's board of directors approved a stock repurchase program for up to \$500.0 million of the Company's common shares. On December 1, 2020, it approved an increase in the remaining authorization from \$263.6 million to \$500.0 million, and on October 1, 2021, it approved an increase in the remaining authorization from \$141.2 million to \$641.2 million. During the first quarter of 2022, the Company completed the remaining stock repurchases under this program.

On March 23, 2022, the Company's board of directors approved a stock repurchase program for up to \$1.0 billion of the Company's common shares on the open market or in privately negotiated transactions. During the first quarter of 2024, the Company completed the remaining stock repurchases under this program.

On November 29, 2023, the Company's board of directors approved a stock repurchase program for up to \$1.0 billion of the Company's common shares on the open market or in privately negotiated transactions. On each of May 29, 2024 and December 3, 2024, the Company's board of directors approved an additional increase of \$1.0 billion to the existing stock repurchase program. The repurchase plan has no time limit and does not require the repurchase of a minimum number of shares. Common shares repurchased on the open market are 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. The timing and actual number of common shares to be repurchased will depend upon market conditions, eligibility to trade, and other factors, in accordance with Securities and Exchange Commission requirements. The authorized value of shares available to be repurchased under this program excludes the cost of commissions and excise taxes and as of February 2, 2025, the remaining authorized value was \$1.6 billion.

During 2024, 2023, and 2022, 5.1 million, 1.5 million, and 1.4 million shares, respectively, were repurchased under the programs at a total cost including commissions and excise taxes of \$1.6 billion, \$558.7 million, and \$444.0 million, respectively.

Subsequent to February 2, 2025, and up to March 21, 2025, 0.6 million shares were repurchased at a total cost including commissions and excise taxes of \$230.5 million.

Note 21. Commitments and Contingencies

Commitments

Leases. The Company has obligations under operating leases for its store and other retail locations, distribution centers, offices, and equipment. Please refer to Note 18. Leases for further details regarding lease commitments and the timing of future minimum lease payments.

License and supply arrangements. The Company has entered into license and supply arrangements with partners which grant them the right to operate lululemon branded retail locations and sell lululemon products on websites in specific countries. Under these arrangements, the Company supplies the partners with lululemon products, training, and other support. As of February 2, 2025, there were 34 licensed locations, including ten in the United Arab Emirates, eight in Saudi Arabia, seven in Israel, four in Qatar, four in Kuwait, and one in Bahrain. On September 10, 2024, we acquired the lululemon branded retail locations and operations run by a third party in Mexico. We had previously granted the third party the right to operate retail locations and to sell lululemon products in Mexico. Please refer to Note 6. Acquisition for further information.

Contingencies

Legal proceedings. In addition to the legal proceedings described below, the Company is, from time to time, involved in routine legal matters, and audits and inspections by governmental agencies and other third parties which are incidental to the conduct of its business. This includes legal matters such as initiation and defense of proceedings to protect intellectual property rights, employment claims, product liability claims, personal injury claims, and similar matters. The Company believes the ultimate resolution of any such legal proceedings, audits, and inspections will not have a material adverse effect on its consolidated balance sheets, results of operations or cash flows. The Company has recognized immaterial provisions related to the expected outcome of legal proceedings.

On July 12, 2024, lululemon and its subsidiary, lululemon usa inc., were named as defendants in a putative consumer class action (*Gyani v. Lululemon Athletica Inc., et al.*, No. 1:24-cv-22651-BB) in the United States District Court for the Southern District of Florida. On September 16, 2024, plaintiffs filed an amended complaint, asserting claims under the Florida Deceptive and Unfair Trade Practices Act, New York General Business Law, California Consumer Legal Remedies Act, California Unfair Competition Law, and for unjust enrichment based on statements by the Company relating to the sustainability and environmental impact of the Company's products and actions during the period October 28, 2020 to present. The amended complaint seeks monetary damages, as well as non-monetary relief such as an injunction to end the alleged unlawful practices. lululemon moved to dismiss the amended complaint, and on February 19, 2025, the Court granted lululemon's motion in full, dismissing the action without prejudice and without leave to amend.

On August 8, 2024, lululemon athletica inc. and certain officers of the Company were named as defendants in a purported securities class action (*Patel v. Lululemon Athletica Inc., et al.*, No. 1:24-cv-06033) in the United States District Court for the Southern District of New York. On March 10, 2025, plaintiffs filed an amended complaint, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on allegedly false and misleading public statements and omissions by Defendants during the period December 8, 2023 to July 24, 2024 relating to lululemon's business, product offerings, and inventory allocation that plaintiffs allege artificially inflated the Company's stock price. The amended complaint currently seeks unspecified monetary damages. The Company intends to defend the action vigorously.

On November 4, 2024, November 8, 2024, November 12, 2024, November 18, 2024, and November 20, 2024, stockholder derivative complaints were filed against certain of the Company's officers, and all of the Company's directors as of that date in the United States Court for the Southern District of New York: *Bhavsar v. McDonald et al.*, No. 1:24-cv-08405 (the "*Bhavsar Action*"); *Muszynski v. McDonald et al.*, No. 1:24-cv-08507 (the "*Muszynski Action*"); *Holtz v. McDonald et al.*, No. 1:24-cv-08572 (the "*Holtz Action*"); *Wong v. McDonald et al.*, No. 1:24-cv-08752 (the "*Wong Action*"); and *Kanaly v. McDonald et al.*, No. 1:24-cv-08839 (the "*Kanaly Action*," and collectively with the *Bhavsar Action*, the *Muszynski Action*, the *Holtz Action*, and the *Wong Action*, the "*Derivative Actions*."). The *Kanaly Action* additionally names certain of the Company's former directors. The Derivative Actions assert claims for (a) violating Sections 10(b), 14(a) and 20(a) of the Exchange Act, (b) breach of fiduciary duties, and (c) unjust enrichment and waste of corporate assets on allegations substantially similar to the allegations in the securities action complaint. The *Bhavsar Action* further asserts claims for abuse of control, gross mismanagement, and contribution under Sections 10(b) and 21D of the Exchange Act. The *Wong Action* also asserts a claim for contribution under Sections 10(b) and 21D of the Exchange Act. The *Kanaly Action* also asserts claims for gross mismanagement and aiding and abetting breach of fiduciary duty. The *Wong Action* and the *Kanaly Action* further bring claims based on allegedly false and misleading public statements and omissions during the period October 28, 2020 to March 21, 2024 relating to lululemon's "IDEA" program. The complaints seek monetary damages, equitable relief, and attorneys' fees and costs on behalf of the Company, as well as an order directing certain governance reforms.

Note 22. Supplemental Cash Flow Information

	2024	2023	2022
	<i>(In thousands)</i>		
Cash paid for income taxes	\$ 579,178	\$ 824,213	\$ 502,136
Cash paid for amounts included in the measurement of lease liabilities	378,250	288,934	242,758
Leased assets obtained in exchange for new operating lease liabilities	503,858	586,926	450,787
Interest paid	478	234	116

Note 23. Segmented Information

The Company's segments are based on the financial information the CODM, who is the Chief Executive Officer, uses to evaluate performance and allocate resources. The CODM approves the annual budget on a segment level, and regularly assesses the performance of the Company's segments using key financial metrics, including net revenue and segmented income from operations.

The Company reports three segments: Americas, China Mainland, and Rest of World, which is comprised of its non-significant operating segments APAC and EMEA reported on a combined basis. The Company does not report capital expenditures and assets by segment as that information is not reviewed by the CODM.

	2024					
	Americas	China Mainland	Rest of World	Total Segments	Corporate ⁽¹⁾	Total
	<i>(In thousands)</i>					
Net revenue	\$ 7,928,156	\$ 1,361,337	\$ 1,298,633	\$ 10,588,126	\$ —	\$ 10,588,126
Product costs ⁽²⁾	2,336,251	324,237	364,906	3,025,394	—	3,025,394
Other cost of sales ⁽²⁾	641,699	198,373	217,536	1,057,608	234,313	1,291,921
Selling, general and administrative expenses	1,934,649	328,868	401,245	2,664,762	1,097,617	3,762,379
Amortization of intangible assets	—	—	—	—	2,735	2,735
Income from operations	\$ 3,015,557	\$ 509,859	\$ 314,946	\$ 3,840,362	\$ (1,334,665)	\$ 2,505,697
Other income (expense), net						70,380
Income before income tax expense						\$ 2,576,077
Supplemental information:						
Depreciation and amortization ⁽³⁾	\$ 204,922	\$ 33,206	\$ 30,872	\$ 269,000	\$ 177,524	\$ 446,524

	2023					
	Americas	China Mainland	Rest of World	Total Segments	Corporate ⁽¹⁾	Total
	<i>(In thousands)</i>					
Net revenue	\$ 7,631,647	\$ 963,760	\$ 1,023,871	\$ 9,619,278	\$ —	\$ 9,619,278
Product costs ⁽²⁾	2,283,490	241,663	316,542	2,841,695	23,709	2,865,404
Other cost of sales ⁽²⁾	576,810	154,136	171,992	902,938	241,531	1,144,469
Selling, general and administrative expenses	1,834,163	230,645	333,505	2,398,313	998,905	3,397,218
Impairment of assets and restructuring costs	—	—	—	—	74,501	74,501
Amortization of intangible assets	—	—	—	—	5,010	5,010
Income from operations	\$ 2,937,184	\$ 337,316	\$ 201,832	\$ 3,476,332	\$ (1,343,656)	\$ 2,132,676
Other income (expense), net						43,059
Income before income tax expense						\$ 2,175,735
Supplemental information:						
Depreciation and amortization ⁽³⁾	\$ 170,417	\$ 25,746	\$ 23,644	\$ 219,807	\$ 159,577	\$ 379,384

	2022					
	Americas	China Mainland	Rest of World	Total Segments	Corporate ⁽¹⁾	Total
	<i>(In thousands)</i>					
Net revenue	\$ 6,817,454	\$ 576,503	\$ 716,561	\$ 8,110,518	\$ —	\$ 8,110,518
Product costs ⁽²⁾	2,236,509	134,810	235,084	2,606,403	62,928	2,669,331
Other cost of sales ⁽²⁾	501,331	101,825	136,326	739,482	209,365	948,847
Selling, general and administrative expenses	1,575,874	143,003	241,947	1,960,824	796,623	2,757,447
Impairment of goodwill and other assets	—	—	—	—	407,913	407,913
Amortization of intangible assets	—	—	—	—	8,752	8,752
Gain on disposal of assets	—	—	—	—	(10,180)	(10,180)
Income from operations	\$ 2,503,740	\$ 196,865	\$ 103,204	\$ 2,803,809	\$ (1,475,401)	\$ 1,328,408
Other income (expense), net						4,163
Income before income tax expense						\$ 1,332,571
Supplemental information:						
Depreciation and amortization ⁽³⁾	\$ 137,260	\$ 17,842	\$ 19,346	\$ 174,448	\$ 117,343	\$ 291,791

⁽¹⁾ Corporate includes 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. An inventory obsolescence provision in relation to lululemon Studio of \$23.7 million and \$62.9 million in 2023 and 2022, respectively, is included within product costs.

⁽²⁾ Please refer to Note 2. Summary of Significant Accounting Policies "Cost of goods sold" for a definition of product costs and other cost of sales.

⁽³⁾ The amounts of depreciation and amortization disclosed by reportable segment are included within other cost of sales and selling, general and administrative expenses.

Long-lived assets, including property and equipment, net and right-of-use lease assets, by geographic area as of February 2, 2025 and January 28, 2024 were as follows:

	February 2, 2025	January 28, 2024
	<i>(In thousands)</i>	
United States	\$ 1,788,554	\$ 1,597,318
Canada	675,048	671,622
People's Republic of China	326,621	284,575
Other geographic areas	406,650	257,906
	\$ 3,196,873	\$ 2,811,421

Note 24. Disaggregated Net Revenue

In addition to the disaggregation of net revenue by reportable segment in Note 23. Segmented Information, the following table disaggregates the Company's net revenue by geographic area.

Prior to the acquisition of the Mexico operations on September 10, 2024, wholesale sales to the third party under the license and supply arrangement by lululemon athletica canada inc. were disclosed as net revenue recognized within Canada.

	2024	2023	2022
	<i>(In thousands)</i>		
United States	\$ 6,483,183	\$ 6,346,392	\$ 5,654,343
Canada	1,411,673	1,285,255	1,163,111
Mexico	33,300	—	—
Americas	7,928,156	7,631,647	6,817,454
China Mainland	1,361,337	963,760	576,503
Hong Kong SAR, Taiwan, and Macau SAR	180,092	170,533	105,130
People's Republic of China	1,541,429	1,134,293	681,633
Other geographic areas	1,118,541	853,338	611,431
	\$ 10,588,126	\$ 9,619,278	\$ 8,110,518

The following table disaggregates the Company's net revenue by category. Other categories is primarily composed of accessories, footwear, and lululemon Studio.

	2024	2023	2022
	<i>(In thousands)</i>		
Women's product	\$ 6,692,630	\$ 6,147,372	\$ 5,259,803
Men's product	2,558,380	2,252,753	1,956,602
Other categories	1,337,116	1,219,153	894,113
	\$ 10,588,126	\$ 9,619,278	\$ 8,110,518

The following table disaggregates the Company's net revenue by channel.

	2024	2023	2022
	<i>(In thousands)</i>		
Company-operated stores	\$ 5,007,872	\$ 4,410,956	\$ 3,648,127
E-commerce	4,570,446	4,311,110	3,699,791
Other channels	1,009,808	897,212	762,600
	\$ 10,588,126	\$ 9,619,278	\$ 8,110,518