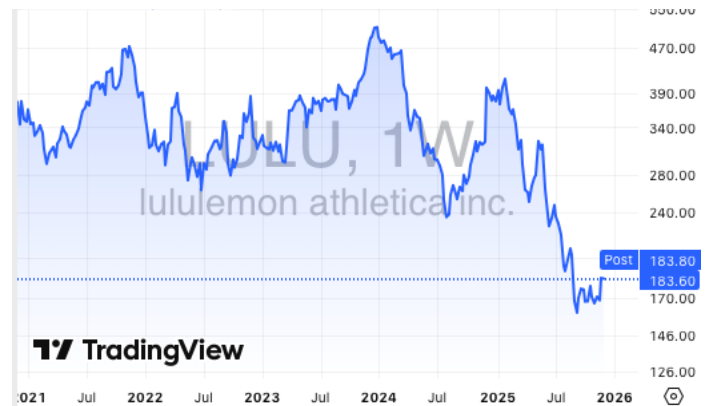


Executive Summary

We assign a BUY recommendation with a target price of US\$240.03 per share, representing an implied upside of roughly 30% from the current price of US\$183.60 as of December 4th, 2025. The valuation is based on an FCF DCF model that incorporates the group's revenue, working capital, COGS, SG&A, and capex assumptions, and cross-checks them against an economic profit framework.

On the revenue side, the projection reflects both the recent slowdown and the long-run improvement in the macro environment. After a deceleration post-pandemic, the report assumes a fading but still positive growth profile, with 4% in 2026, 6% in 2027, 8% in 2028, 6% in 2029, and 4% in 2030. The short-term years are characterized by internal and external factors impacting sales growth, leading to softened demand in the Americas segment. However, offset by continued strength in international markets, including China, APAC, and EMEA. The long-term years assumption ties directly to management's "Power of Three x2" plan, in which men's, digital, and international businesses become more dominant sales drivers as operational investment and brand-building efforts move from the growth stage into maturity.

Other operating assumptions are calibrated to be consistent with our conservative approach. Working capital is projected using historical growth rates for current assets and current liabilities, transitioning to a slower-growth environment, resulting in current assets growing at about 4.6% and current liabilities at about 2.7% annually, so that net working capital continues to grow slightly faster than revenue. SG&A and COGS assumptions account for the impact of tariffs, supply-chain diversification, and increased spending on innovation and marketing. SG&A has risen to roughly 36.5%, and fixed assets are assumed to grow at a more aggressive rate in the short term, then gradually move to a slower-growth pace. COGS growth is set equal to revenue growth in 2026 and then held below revenue growth afterward. Our cost of capital is estimated using the CAPM, resulting in a WACC of 5.4%, and the terminal growth rate is set at a conservative 2%, which aligns with the nominal GDP projection in the long run and the inflation targets. Under this set of consistent assumptions, supported by internal and external factors, the DCF produces an intrinsic value above the current share price, supporting the view that the market is underpricing LULU's long-term cash flow potential and justifying the BUY recommendation.

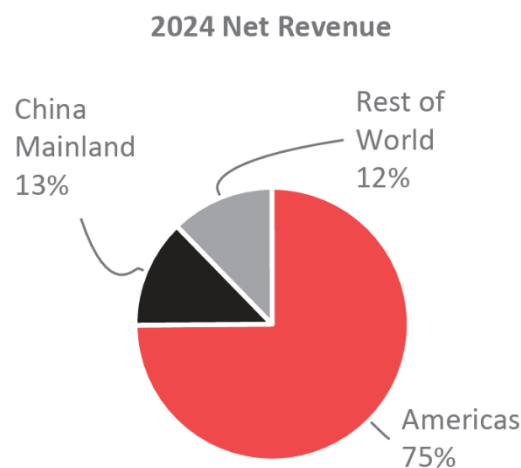


Industry Overview

Lululemon Athletica Inc. operates in the sporting goods industry, which is built around apparel and footwear designed for both physical activity and everyday use. The global sporting market is expected to grow by 6% annually between 2024 and 2029. The industry is currently affected by evolving consumer preferences, persistent inflation and geopolitical tensions between the US and China. Inflation has been easing, but shoppers remain cautious with discretionary spending and are prioritizing essentials. Consumers are seeking lower-priced alternatives, putting pressure on premium brands' customer acquisition efforts. The industry faces risks from tariffs, especially for companies that are heavily reliant on manufacturing in Vietnam and China.

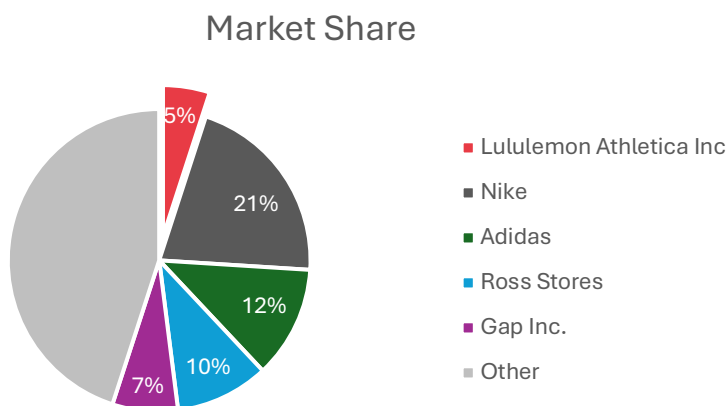
Business Description

Lululemon Athletica Inc. operates in the designer, distributor, and retailer space of premium athletic apparel. They target the high-end market for athletic wear using high-quality materials and fabric technology. Lululemon positions itself with strong brand loyalty and strong pricing power. Lululemon generates revenue by selling directly to consumers worldwide. They use an omnichannel distribution model, which helps them build strong customer loyalty. The revenue is generated by selling through e-commerce, in-store, and other channels such as wholesale agreements and pop-ups. For the fiscal year end of 2024, net revenue came from 63% women's apparel, 24% men's apparel, and 13% from others, including accessories, footwear, bags, etc. Revenue growth drivers came from three primary streams: New Customer Acquisition, Customer Retention, and Pricing Power. The operating segments are broken down into four segments: Americas, China Mainland, Asia Pacific (APAC), including key markets as Australia, South Korea, and Japan, and Europe, Middle East and Africa (EMEA).



Competitive Positioning

Lululemon competes in a highly competitive, mature market but occupies a premium, insulated subsegment with strong brand and pricing power. Competition in the athletic apparel industry, more broadly, is highly commoditized, with frequent new entrants. However, Lululemon operates in a more premium, performance-oriented niche of the market, which insulates it from some of the broader market's pressures.



Key Competitors

Nike, Adidas, Puma, Under Armour, and Columbia Sportswear are Lululemon's main competition. These firms offer diversified product lines across footwear, apparel, and accessories and leverage significant global scale, extensive wholesale networks, and athlete endorsements. While they compete for the consumer's overall athletic-wear wallet, they are less concentrated in Lululemon's core technical apparel niche and generally operate at lower price points with heavier reliance on wholesale distribution.

More Direct Competitors

Some brands compete directly on style, fit, quality, and the overall brand experience. They replicate elements of Lululemon's community-driven identity and offer similarly premium price points. These brands are Alo Yoga, Vuori Athleta, Sweaty Betty and Gymshark.

Competitive Advantages

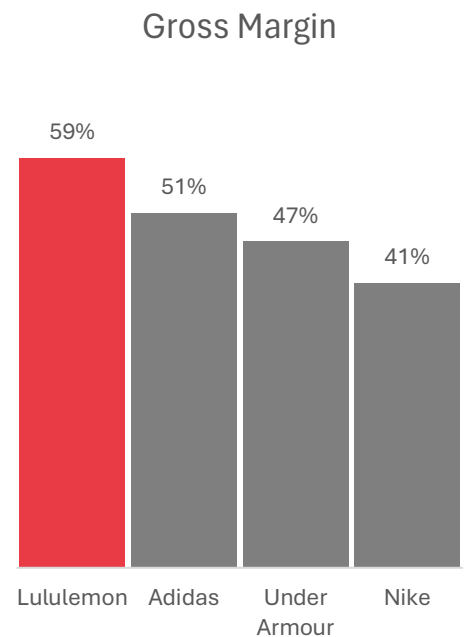
Lululemon has cultivated a brand that blends athletic performance, wellness, lifestyle, and fashion. The company's identity is aspirational and highly aligned with self-image and community, creating significant brand equity. This premium image of the brand itself has enabled them to achieve higher margins than the broader apparel industry. To support the image, the company prioritizes proprietary performance fabrics and functional design. Materials such as Nulu, Luxtreme, Everlux, and Warpstreme are engineered for specific performance attributes like breathability, stretch, sweat management, and comfort. These innovations create a meaningful quality gap that is difficult for competitors to replicate and support industry-leading gross margins near 58–59%. Without the investment in high-quality products, it would be challenging to maintain their previously highlighted reputational advantage.

Unlike many competitors that rely heavily on wholesale, Lululemon's business is built on vertical retail distribution across owned stores and e-commerce channels. This structure gives the company complete control over brand presentation, higher margins (by avoiding wholesale discounts), tighter control over inventory and pricing, and direct access to consumer data and feedback.

Lululemon integrates community engagement into its brand ecosystem through: Local ambassador programs, Fitness events and workshops, Studio partnerships, and In-store experiences. The result is a network effect-like dynamic: the brand attracts a community that reinforces its identity and stickiness.

Important Considerations

Premium brands are deeply affected by changes in their public perception, given that so much of their competitive advantage is tied to their image. A drop in quality or a public controversy can do significant damage, particularly given Lululemon's emphasis on social media. Secondly, although Lululemon currently leads in fabric



technology and fit innovation, competitors in the athleisure space like Vuori and Alo are increasing their investment in those aspects and over the long run, the difference in premium user experience may narrow. Finally, Lululemon's products remain strongly influenced by consumer preferences in silhouettes or styles, which can pressure inventory management and relevance.

Investment Summary

1. Revenue Growth

Short-term assumptions (2026-2027) are based on management’s comments released in recent annual and quarterly reports, supported by macroeconomic expectations and analyst reports. Management provides a clear view of near-term demand, pricing strategy, and operational execution outline, while analysts’ expectations can bring an external view of market conditions and risks.

Long-term assumptions (2028-2030) are based on LULU’s strategic position in its core business functions and regional expansion and should be benchmarked to external data on market size, category growth rates, and the company’s current market share and expansion plans. Overall, the five-year projection should follow a fading pattern, where the growth reaches a mid-cycle peak and then declines toward the terminal rate, consistent with the law of large numbers, where firms at a larger scale find it progressively harder to sustain high percentage growth without additional operation scaling or significant market share expansions.

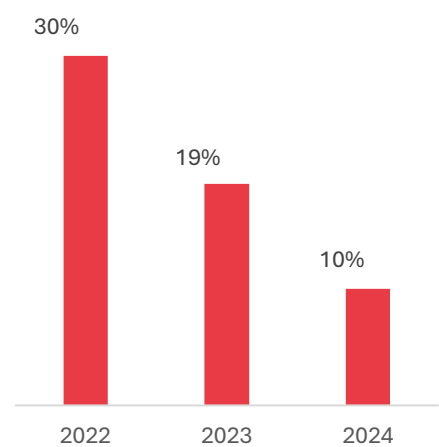
Three-year Deceleration Cycle

From 2022 to 2024, LULU’s revenue growth slowed materially. The company delivered 30% YoY growth in fiscal 2022, 19% in 2023 and about 10% in 2024 (2022 Annual Report; 2023 Annual Report; Chronicle-Journal, 2025). The deceleration from a 30% growth rate to 10% over the three years reflects the normalization of post-pandemic demand and the impact of a large revenue base. The pattern ultimately suggests business shifting from a high-growth phase to a more matured profile, where the limiting factors are scale and normalized consumer behaviour rather than poor management execution.

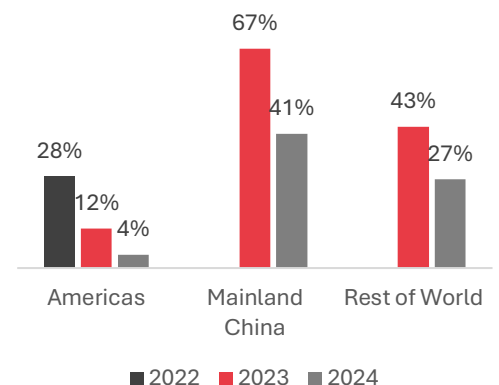
Regional Performance

The demand slowdown is not uniform across regions. The Americas segment, which represents roughly 79% of total revenue, has clearly softened, with growth falling from 28% in 2022 to 12% in 2023 and 8% in 2024. Comparable sales in the Americas moved from 4-6% in 2023 to a slight negative by Q2 of 2025, indicating that existing stores are not delivering competitive sales figures like in the past. In contrast, Mainland China has remained a key growth driver, with 67% revenue growth in 2023 and around 25% YoY in Q2 2025. APAC and EMEA also outperformed, growing 43% in 2023 and keeping that double-digit growth into 2025. The divergence in development across regions supports the view that the Americas sector is approaching maturity and is more exposed to cyclical spending, while international markets are still in an earlier expansion stage, with meaningful runaways in store openings and product line expansion.

YoY Revenue Growth



Regional YoY Revenue Growth Comparison



Market Size and Growth

LULU operates in the athletic and athleisure apparel space. Recent industry work puts the global athleisure market at roughly US\$389–432 billion in 2024, with forecasts calling for around 9–10% annual growth into the mid-2030s, implying a market close to US\$1 trillion by then (Polaris Market Research & Consulting, Inc., 2025). It sets a natural ceiling for long-term expectations. Lululemon has outpaced the category in recent years, but at today's scale, it is no longer sensible to assume it can keep growing at its historical rate indefinitely. In the United States—its largest but slowest-growing region—the athleisure market is estimated at US\$97 billion in 2024, and LULU already holds roughly 21.2% share, well ahead of Athleta, Fabletics, Vuori, and Alo Yoga (Pandey, 2025). That leadership is a strength, but it also means close to one-fifth of the domestic market is already in LULU's hands, so future growth in the U.S. will depend more on difficult incremental share gains and mix than on easy category expansion.

Year by Year Assumptions

For 2026, the revenue growth assumption is set at 4%. North American trends in the first half of fiscal 2025 show roughly 0 to 2% growth, with management warning that gross profit for 2025 will be about \$240 million lower than expected due to the impact of tariffs and the removal of the de minimis exemption, and that similar or greater pressure is scheduled for 2026. At the same time, LULU continues to expand internationally through new stores and distributions in China, APAC, and EMEA, partially offsetting weaker conditions in the Americas. Management's "Power of Three x2" plan – aiming to double men's and digital revenue and roughly quadruple international sales remains the key strategic framework, but 2026 is still a transition year in which the American consumers face rising unemployment, higher borrowing rates, tariffs impacting prices of general goods, and elevated delinquencies. These factors reduce purchasing power in the core market, which justifies a relatively conservative growth assumption.

For 2027, revenue growth is assumed to be 6%. At this point, the main elements of the "Power of Three x2" plan's results should be reflected in the financial figures, where men and digital businesses are substantially larger than in 2021, and international revenue has roughly doubled from the baseline before the plan's introduction. By 2027, the stores opened and brand-building done from 2024 to 2026 in China, APAC, and EMEA should be out of their ramp-up phase and behaving more like established locations, adding steadier, recurring revenue rather than just one-off growth. At the same time, industry forecasts still call for athleisure to grow at a high single- to low double-digit rate into the next decade, which supports continued category tailwinds for Lululemon. The 2025 tariff shock will no longer be surprising news, and management has taken its time to adjust the pricing strategy to mitigate the impact if additional government policy is suddenly announced. A 6% assumption places LULU below the athleisure market's CAGR, due to its large scale and high market share in the US, but above general apparel growth, reflecting ongoing international and men's/digital expansion.

For 2028, growth is set at 8%, the first year in which the full effect of the "Power of Three x2" plan is expected to be reflected in the financials. The men's business and the footwear business line launched around 2024 to 2025 should have moved from the test phase to established revenue streams. The digital business will be structurally large and more international, benefiting from improved logistics. Internationally, particularly in China and key EMEA and APAC markets, brand awareness and store density will reflect several years of investment. On the macro side, forecasts suggest the global athleisure market is on track to reach roughly 660 billion dollars by 2030,

with premium brands capturing a disproportionate share of growth, especially in Asia, where willingness to pay for luxury-branded apparel is on the rise. Taking all factors into consideration, an 8% growth rate is assumed for the analysis.

For 2029, growth is at 6%. By then, the implementation of the growth plan is effectively completed: doubling men's digital and scaling internationally are either achieved or failed. In either case, the growth plan is no longer an effective driver of an ongoing growth rate. International revenue accounts for a larger share of the business, and many markets are expected to have shifted from a growth stage to a mature one. Industry work still points to athleisure growing faster than the broader apparel category, but the field is getting more crowded. Newer premium players like Alo Yoga and Vuori are spending heavily on stores, marketing, and products to build their own followings, which inevitably eats into the easy share gains Lululemon once enjoyed. Against that backdrop, a 6% revenue growth assumption for 2029 treats Lululemon as a strong but no longer unchecked leader: it is still expanding faster than the overall apparel market, yet its growth is starting to settle into a more sustainable range as the brand gets larger and competition tightens. For 2030, the growth rate is set at 4%. At this stage, LULU is a fully global, scaled brand. The company can still improve efficiency and expand in China, APAC, and EMEA, and enter new markets or adjacent categories. While athleisure as a category is still expected to grow at a healthy pace, much of the incremental value is in mid-tier segments, and premium growth increasingly tracks global income and nominal GDP trends rather than outpacing the overall apparel market. Following 2030, the model transitions to a terminal growth rate.

2. Higher working capital needs in the short term

Historical data on total current assets, total current liabilities, net working capital, and current lease liabilities for 2022–2025 were used as the basis for the projections. Year-over-year growth rates were calculated for each item, and the geometric mean of these rates provided an estimate of the underlying compounding annual growth over the period. Using the geometric mean growth rates, we extend the working capital items from 2026 to 2030. In practice, this means current assets grow faster than current liabilities, so net working capital increases over the forecast period, and current lease liabilities also rise in line with experience. It is in line with how Lululemon has been operating: as it adds stores, enters new markets, and builds out its sales channels, it needs more inventory, receivables, and cash in the system to support day-to-day activity. At the same time, Lululemon maintains a relatively conservative balance sheet, with limited reliance on short-term borrowing, which allows current liabilities to expand more slowly. The assumed 13 percent annual growth in current lease liabilities reflects a business that continues to add and renew leased retail locations to support store growth. Overall, the geometric mean assumptions yield an increasing level of net working capital, aligned with Lululemon's growth objectives and its higher short-term working capital needs.

3. Increased investment in SG&A and fixed assets

Based on McKinsey's report, there are two main areas that executives must focus on going forward: revenue growth and productivity improvements. Productivity optimization may include increased investment in advanced analytics, automation systems, and process enhancements. We believe these will increase SG&A spending due to the increased levels of skill and new hires required to initiate these systems; however, we expect this

effect to be smaller than the new investment in CAPEX. Building actual plants, machinery, robotics, and modernization of manufacturing will be the primary use of funds for the first 2 years.

84% of sporting goods executives express concerns about geopolitical risks and the uncertainty around tariff policy. Since Lululemon's main manufacturing facilities are in Vietnam, we expect the company to diversify its supply chain. We believe SG&A costs will be higher due to new vendor integration, logistics restructuring, and the re-routing of production to other countries. Similarly, we expect the effect of diversification to be higher in fixed asset investments as the company builds its physical and digital infrastructure. Fixed assets currently represent 16.82% of revenue and have been trending upward since 2022. If we keep the average growth rate in fixed assets (4.29%), the current figure will be 17.60%; however, given our assumptions, we will elevate the growth rate to 7% which would result in a final figure of 18%.

Consumers are trading down and prioritizing essential items, and according to McKinsey's report, more than 8 in 10 consumers consider multiple retailers before making a purchase, suggesting decreased loyalty. Lululemon's SVP clearly states in an interview that their spending should be focused on innovation and creativity, which would directly affect SG&A spending. Although their annual report mentions strong guest relationships and pricing power, in an environment where consumers are assessing discretionary spending, we expect LULU to increase its marketing investments to stay competitive in the marketplace. The average SG&A as a percentage of revenue for 2023 was 34%, which increased by 1.32% in 2024 and again by 0.22% in 2025. Given the industry's challenges, we will gradually increase SG&A by 2% over the next 2 years. 36.5% in 2026 and 37.5% in 2027 will settle down to the historical average figure of 35.5%.

4. COGS

COGS growth assumptions are developed in parallel with the revenue outlook. In the short run, COGS is influenced primarily by tariff impacts and regional demand softness. At the same time, over the medium term, the maturation of LULU's international expansion, digital scale, and sourcing improvements supports modest gross-margin recovery. By the end of the projection window, COGS growth converges toward a stable rate consistent with a fully scaled global business.

2026: COGS Growth 4%

With revenue expected to grow 4%, COGS will likely grow at a concomitant rate due to the full-year effect of tariffs and the removal of the de minimis exemption. There is also a historical precedent of COGS growth equaling revenue growth in a period of dampened demand (COVID-19)

2027: COGS Growth 4%

We expect revenue growth to outpace COGS growth. By this point, the management "Power of Three x2" process will be in full effect. Lululemon plans to make its new distribution center in Brampton, Ontario, operational in 2026. Having its largest distribution centre in Canada will allow it to avoid significant tariff costs.

2028: COGS Growth 6%

Revenue accelerates to 8% as the “Power of Three x2” initiatives fully materialize, but COGS grows more slowly. Increasing scale in China, improved sourcing, and a more efficient digital network contribute to modest margin expansion in the first year of full strategic maturity.

2029-2030: COGS Growth 4%→3%

With revenue growth slowing to 6% in 2029 and then 4% in 2030, COGS growth trails revenue in 2029, as the cost base benefits from several years of international scaling and greater procurement leverage. By the end of the forecast, most regions outside the Americas are assumed to be past their early build-out phase and running more like established businesses. That is consistent with a 4% revenue growth rate and a cost base that is no longer shifting much, so gross margin is treated as broadly stable rather than moving meaningfully up or down.

Valuation/Financial Analysis

WACC

The cost of equity was estimated using CAPM. The risk-free rate of 4% is based on the US 10-year Treasury yield, while the company's beta is obtained from Yahoo Finance. Market rate is the average of US markets over 2021-2025. Total debt values are estimated from current lease liabilities, as Lululemon uses a \$400m revolving credit line that it generally pays down within one year. As of its 2024 annual report, Lululemon reported zero debt. The market value of debt is instead calculated as the total lease liabilities (non-current lease liabilities + current lease liabilities) (Value assumption Model). Market value of equity calculated from the current share price of \$184.18 USD as of Nov 28th, 2025. Shares outstanding figures from the Balance sheet (116,116 common stock + special voting stock 5,116 = 121,106).

Weighted average cost of capital (WACC).				
	\$ in billions	Proportion	Cost of capital	Weighted Average
Market value of equity (r_e)	22,305.30	93.4%	5.6%	5.2%
Market value of debt (r_d)	1,575.79	6.60%	3.0%	0.2%
Market value of debt & equity	23,881.09			5.4%

Cost of equity capital	
Risk free rate (r_f)	4.0%
Beta (β)	1.02
Market risk premium ($r_m - r_f$)	1.5%
Cost of equity capital $r_e = r_f + [\beta \times (r_m - r_f)]$	5.6%
After-tax cost of debt capital	
Market value of debt (r_d)	1,575,791
Interest Expense	478
Current Year Interest Bearing Debt	1,575,791
Prior Year Interest Bearing Debt	1,403,282
Average Interest Bearing Debt	1,489,537
Pretax cost of debt	4.3%
Tax rate	29.6%
$r_d = \text{Pretax cost of debt} \times (1 - \text{tax rate})$	3.0%

Terminal Growth Rate

A 2-3% range is consistent with the long-run nominal GDP projection and central bank inflation targets in mature markets, and with valuation guidance that stable companies should not be modelled as growing faster than their underlying economy indefinitely. A 2% terminal growth rate, as used in the analysis, sits at the conservative end of that range and produces the most reasonable implied share price under the tested scenarios. For the terminal period, the report uses a growth rate of 2%, at the low end of a 2–3% band that lines up with long-run nominal GDP and inflation in developed markets and with standard valuation practice. It is a conservative choice: assuming Lululemon grows roughly in line with the broader economy once it is fully mature, even though the company

still has pricing power, an expanding international base, and exposure to ongoing athleisure and health-focused demand.

DCF Results

Our valuation results were calculated using two main methods: one based on Economic Profit, and one based on Free Cash Flow. Our economic profit model primarily focused on NOA and used Sales growth as its primary driver of value. The economic profit model calculates the value Lululemon generates above its required return on invested capital. It is an excess return measure that assesses how efficiently a company manages its operations and is used as a parsimonious indicator of company value. The resulting share price in this model is inflated because we did not apply our assumptions for CapEx, SG&A, COGS, Depreciation, and NWC. This model served only as a view of profitability and efficiency, taking into account the opportunity costs of using resources the firm already owns, and was a good starting point for our further analysis(Appendix A).

Sum of PV FCFF	3042622.81
PV Terminal	28233560.79
Enterprise Value	31276183.6
Less Net Debt	1,575,791
Equity Value	29,700,393
Shares outstanding	123,735
Price per share	\$ 240.03

Our free cash flow to firm model provides a more holistic approach to evaluating Lululemon's share price. This model incorporates all our listed assumptions and calculates the company's intrinsic value. Based on our assumed rates, our expected share price for the company is \$240.03 USD, suggesting a ~30.73% upside. Given the current share price of \$183.60 USD as of Dec 4th, our recommendation for the stock is a BUY.

Factor Assumptions	2026	2027	2028	2029	2030
Current Assets YoY	5%	5%	5%	5%	5%
Current Liabilities YoY	3%	3%	3%	3%	3%
Lease Liabilities YoY	13%	13%	13%	13%	13%
Fixed assets YoY	7%	7%	-2%	-2%	-2%
Costs of goods sold YoY	4%	4%	6%	4%	3%
SG&A % of Revenue	36.5%	37.5%	35.5%	35.5%	35.5%
Sales Growth Rates	4.00%	6.00%	8.00%	6.00%	4.00%

DCF -FCF Model							
Year	Estimations						
	2025	2026	2027	2028	2029	2030	Terminal
Revenue	\$10,588,126	\$11,011,651	\$11,672,350	\$12,606,138	\$13,362,506	\$13,897,007	\$14,174,946.79
EBIT		2,557,449	2,683,973	3,244,205	3,537,853	3,730,845	
Tax Rate		27.80%	28.60%	29.40%	28.60%	27.80%	
NOPAT		1846478.225	1916356.48	2290409.008	2526027.331	2693670.306	
Depreciation		538,061	648,364	781,279	941,441	1,134,436	
ΔNWC		102,319	219,324	363,028	538,260	750,647	
CAPEX		1,905,260	2,038,628	1,997,856	1,957,899	1,918,741	
FCFF		376,960	306,768	710,804	971,310	1,158,719	34,834,585
Discount		0.948830757	0.900279806	0.900279806	0.85421317	0.81050373	
PV FCFF		357671.2759	276177.39	639922.5999	829705.4616	939146.083	

Investment Risks

Macroeconomic Risk

Lululemon sells premium discretionary products, so demand is sensitive to employment, real income, and consumer confidence. A deeper slowdown in consumer spending, or higher-for-longer interest rates, could push revenue growth below our projected 4 to 8 percent range for 2026 to 2030. In that environment, operating leverage would work in reverse, with profits and free cash flow declining more than sales.

Tariffs and Supply Chain Risk

The company is exposed to tariffs and trade policy changes, especially in the United States. Management has already highlighted the negative impact of tariffs and the loss of the de minimis exemption, and we assume only a partial recovery in gross margin. Further tariff increases, broader coverage of imported products, or execution challenges in diversifying production away from China and Vietnam could keep the cost of goods sold elevated and limit margin expansion.

Product cycle risk

Lululemon's edge rests on its brand, product quality, and fit. Missteps on any of these—such as a marketing backlash, visible quality problems, or a missed trend in styles—could damage how customers see the brand, which is amplified by social media. If that happens, the company could face more markdowns, weaker store productivity, and potential inventory write-downs, all of which would put pressure on gross margins.

Valuation Risk

Our Free Cash Flow (FCFF) model is highly sensitive to the discount rate. In our sensitivity analysis, a 1% increase in the Weighted Average Cost of Capital (from the base estimate of ~5.4% to ~6.4%) causes the estimated share price to plummet from approximately \$240 to \$170. It represents a potential downside of nearly 30% driven solely by changes in interest rates or the equity risk premium, independent of company performance.

The DCF is very sensitive to the terminal value. When the terminal growth rate is cut from 2% to 1%, the implied share price falls from about US\$240 to roughly US\$177. It shows how much of the valuation depends on the assumption that Lululemon can keep growing at a modest premium to the overall economy over the long run.

1% Higher WACC, Same G	
WACC	6.39%
Terminal Growth Rate	2.00%
Price per share	\$ 169.72
Same WACC, Lower G	
WACC	5.39%
Terminal Growth Rate	1.00%
Price per share	\$ 176.57

Conclusion

Despite our conservative assumptions such as revenue growth slowdown, tariff effects and changes in consumer sentiment towards the economy, our model predicts a 30% upside approximately under our base case. We are issuing a BUY recommendation for Lululemon Athletica Inc. and think that it is undervalued based on our intrinsic valuation results.

Appendix A - DCF Economic Value Added

Model Inputs								
3	Weighted average cost of capital (WACC)		5.4%					
4	Terminal period sales growth rate		2.0%					
5	Date of Analysis	Nov 28 2025						
6								
7								
Pars. DCF Model (Economic Profit Model)								
9		2025 Reported	2026 Estimated	2027 Estimated	2028 Estimated	2029 Estimated	2030 Estimated	Terminal Period
10	NOA	\$ 3,629,236	3,345,891.47	3,546,644.95	3,830,376.55	4,060,199.14	4222607.11	4307059.25
11	Increase in NOA		-283344.53	200753.49	283731.60	229822.59	162407.97	84452.14
12	FCFF (NOPAT - Increase in NOA)		2426619.11	2071117.56	2169889.14	2371015.38	2542463.53	2674516.78
13	Discount factor at WACC		94.9%	90.0%	85.4%	81.1%	76.9%	
14	Present value of horizon FCFF		2302450.85	1864585.32	1853547.88	1921716.81	1955232.933	
15	Cumulative PV of horizon FCFF		9897533.78					
16	Present value of terminal FCFF		60620767.49					
17	Total firm (enterprise) value		74147537.28					
18	Less Net nonoperating obligations (NNO) (Balance Sheet Tab)		-523620.00					
19	Firm equity value		74671157.28					
20	Shares outstanding (see Balance Sheet tab)		123735.00					
21	Stock price per share (Economic Profit)		\$ 603.48					
22								
23	Stock price (as of analysis date)		\$ 184.18					
24								
25	Based on this analysis, was this company's stock under- or overvalued?		Undervalued					
26								

Appendix B - Sensitivity Analysis

DCF-FCF Model								Same WACC, 1% Higher G	
Year	2025	2026	2027	Estimations			Terminal	WACC	Terminal Growth Rate
Revenue	\$10,588,126	\$11,011,651	\$11,672,350	\$12,606,138	\$13,362,506	\$13,897,007	\$14,313,916.85	5.39%	3.00%
EBIT		2,557,449	2,683,973	3,244,205	3,537,853	3,730,845			
Tax Rate		27.80%	28.60%	29.40%	28.60%	27.80%			
NOPAT		1846478.225	1916356.48	2290409.008	2526027.33	2693670.31			
Depreciation		538,061	648,364	781,279	941,441	1,134,436			
ΔNWC		102,319	219,324	363,028	538,260	750,647			
CAPEX		1,905,260	2,038,628	1,997,856	1,957,899	1,918,741			
FCFF		376,960	306,768	710,804	971,310	1,158,719	49,876,459		
Discount		0.948830757	0.900279806	0.854213117	0.81050373	0.76903087			
PV FCFF		357671.2759	276177.39	607178.2451	787250.062	891090.689			
Sum of PV FCFF	2919367.662								
PV Terminal	38356536.87								
Enterprise Value	41275904.54								
Less Net Debt	1,575,791								
Equity Value	39,700,114								
Shares outstanding	123,735								
Price per share	\$ 320.85								

DCF-FCF Model								Same WACC, Lower G	
Year	2025	2026	2027	Estimations			Terminal	WACC	Terminal Growth Rate
Revenue	\$10,588,126	\$11,011,651	\$11,672,350	\$12,606,138	\$13,362,506	\$13,897,007	\$14,035,976.72	5.39%	1.00%
EBIT		2,557,449	2,683,973	3,244,205	3,537,853	3,730,845			
Tax Rate		27.80%	28.60%	29.40%	28.60%	27.80%			
NOPAT		1846478.225	1916356.48	2290409.008	2526027.33	2693670.31			
Depreciation		538,061	648,364	781,279	941,441	1,134,436			
ΔNWC		102,319	219,324	363,028	538,260	750,647			
CAPEX		1,905,260	2,038,628	1,997,856	1,957,899	1,918,741			
FCFF		376,960	306,768	710,804	971,310	1,158,719	26,658,456		
Discount		0.948856628	0.9003289	0.854283044	0.81059213	0.76913571			
PV FCFF		357681.028	276192.4504	607227.9115	787335.924	891212.176			
Sum of PV FCFF	2919649.49								
PV Terminal	20503970.34								
Enterprise Value	23423619.83								
Less Net Debt	1,575,791								
Equity Value	21,847,829								
Shares outstanding	123,735								
Price per share	\$ 176.57								

DCF-FCF Model								1% Higher WACC, Same G	
Year	2025	2026	2027	2028	2029	2030	Terminal	WACC	Terminal Growth Rate
Revenue	\$10,588,126	\$11,011,651	\$11,672,350	\$12,606,138	\$13,362,506	\$13,897,007	\$14,174,946.79	6.39%	2.00%
EBIT		2,557,449	2,683,973	3,244,205	3,537,853	3,730,845			
Tax Rate		27.80%	28.60%	29.40%	28.60%	27.80%			
NOPAT		1,846,478	1,916,356	2,290,409	2,526,027	2,693,670			
Depreciation		538,061	648,364	781,279	941,441	1,134,436			
ΔNWC		102,319	219,324	363,028	538,260	750,647			
CAPEX		1,905,260	2,038,628	1,997,856	1,957,899	1,918,741			
FCFF		376,960	306,768	710,804	971,310	1,158,719	26,922,401		
Discount		0.939937964	0.883483376	0.830419566	0.78054288	0.73366188			
PV FCFF		354319.0482	271024.7761	590265.653	758148.797	850107.973			
Sum of PV FCFF	2823866.247								
PV Terminal	19751939.24								
Enterprise Value	22575805.49								
Less Net Debt	1,575,791								
Equity Value	21,000,014								
Shares outstanding	123,735								
Price per share	\$ 169.72								

DCF-FCF Model								1% Lower WACC, Same G	
Year	2025	2026	2027	2028	2029	2030	Terminal	WACC	Terminal Growth Rate
Revenue	\$10,588,126	\$11,011,651	\$11,672,350	\$12,606,138	\$13,362,506	\$13,897,007	\$14,507,085.25	4.39%	2.00%
EBIT		2,557,449	2,683,973	3,244,205	3,537,853	3,730,845			
Tax Rate		27.80%	28.60%	29.40%	28.60%	27.80%			
NOPAT		1,846,478	1,916,356	2,290,409	2,526,027	2,693,670			
Depreciation		538,061	648,364	781,279	941,441	1,134,436			
ΔNWC		102,319	219,324	363,028	538,260	750,647			
CAPEX		1,905,260	2,038,628	1,997,856	1,957,899	1,918,741			
FCFF		376,960	306,768	710,804	971,310	1,158,719	49,451,606		
Discount		0.957946163	0.917660852	0.879069693	0.84210144	0.80668784			
PV FCFF		361107.4196	281509.3454	624846.3635	817941.221	934724.543			
Sum of PV FCFF	3020128.892								
PV Terminal	39892009.77								
Enterprise Value	42912138.67								
Less Net Debt	1,575,791								
Equity Value	41,336,348								
Shares outstanding	123,735								
Price per share	\$ 334.07								

		WACC		
		1% lower WACC	best estimate	1% higher WACC
Terminal growth rate	1% Lower Term. Growth Rate		\$ 176.57	
	best estimate	\$334.07	\$ 240.03	\$ 169.72
	1% Higher Term. Growth Rate		\$ 320.85	

Appendix C – Complete DCF Model FCFF

DCF-FCF Model										WACC		Terminal Growth Rate	
Year	2025	2026	2027	2028	2029	2030	Terminal	WACC	Terminal Growth Rate	5.39%	2.00%	Values from (1d)	
Revenue	\$10,588,126	\$11,011,651	\$11,672,350	\$12,606,138	\$13,362,506	\$13,897,007	\$14,174,946.79						
EBIT		2,557,449	2,683,973	3,244,205	3,537,853	3,730,845							
Tax Rate		27.80%	28.60%	29.40%	28.60%	27.80%							
NOPAT		1,846,478.225	1,916,356.48	2,290,409.008	2,526,027.331	2,693,670.306							
Depreciation		538,061	648,364	781,279	941,441	1,134,436							
ΔNWC		102,319	219,324	363,028	538,260	750,647							
CAPEX		1,905,260	2,038,628	1,997,856	1,957,899	1,918,741							
FCFF		376,960	306,768	710,804	971,310	1,158,719	34,834,585						
Discount		0.948830757	0.900279806	0.900279806	0.85421317	0.81050373							
PV FCFF		357671.2759	276177.39	639922.5999	829705.4616	939146.083							
Sum of PV FCFF	3042622.81												
PV Terminal	28233560.79												
Enterprise Value	31276183.6												
Less Net Debt	1,575,791												
Equity Value	29,700,393												
Shares outstanding	123,735												
Price per share	\$ 240.03												
Current Price per share	\$183.80												
Overvalued / Undervalued	Undervalued												

Appendix D – Forecast Figures

BALANCE SHEET FIGURES - USD (\$)		Feb. 02, 2025 (Year 0)	Year 1	Year 2	Year 3	Year 4	Year 5
\$ in Thousands							
Cash and cash equivalents		\$1,984,336	\$2,281,986.40	\$2,624,284.36	\$3,017,927.01	\$3,470,616.07	\$3,991,208.48
Accounts receivable, net		120,173	138198.95	158928.7925	182768.1114	210183.3281	241710.8273
Inventories		1,442,081	1658393.15	1907152.123	2193224.941	2522208.682	2900539.984
Total current assets (less cash)		1,562,254	1,796,592	2,066,081	2,375,993	2,732,392	3,142,251
Property and equipment, net		1,780,617	\$ 1,905,260.19	\$ 2,038,628.40	\$ 1,997,855.84	\$ 1,957,898.72	\$ 1,918,740.74
Current Liabilities		1,839,630	2005196.7	2185664.403	2382374.199	2596787.877	2830498.786
Current lease liabilities (debt)		275,154	310924.02	338907.1818	369408.8282	402655.6227	438894.6287
Current liabilities (less debt)		1,564,476	1,694,273	1,846,757	2,012,965	2,194,132	2,391,604
Non-current lease liabilities		1,300,637	1469719.81	1660783.385	1876685.225	2120654.305	2396339.364

INCOME STATEMENT FIGURES		12 Months Ended					
shares in Thousands, \$ in Thousands	Feb. 02, 2025	Year 1	Year 2	Year 3	Year 4	Year 5	
Income Statement							
Net revenue		\$10,588,126	\$11,011,651.04	\$11,672,350.10	\$12,606,138.11	\$13,362,506.40	\$13,897,006.65
Cost of goods sold		4,317,315	4490007.6	4669607.904	4949784.378	5147775.753	5302209.026
Gross profit		6,270,811	\$6,521,643.44	\$7,002,742.20	\$7,656,353.73	\$8,214,730.64	\$8,594,797.63
Selling, general and administrative expenses		3,762,379	\$4,019,252.63	\$4,377,131.29	\$4,475,179.03	\$4,743,689.77	\$4,933,437.36
Income from operations		2,505,697	2,502,391	2,625,611	3,181,175	3,471,041	3,661,360
Other income (expense), net		70,380	\$55,058.26	\$58,361.75	\$63,030.69	\$66,812.53	\$69,485.03
Income before income tax expense		2,576,077	\$2,557,449.07	\$2,683,972.66	\$3,244,205.39	\$3,537,853.40	\$3,730,845.30
Income tax expense		761,461	710,970.84	767,616.18	953,796.39	1,011,826.07	1,037,174.99
Net income		1,814,616	\$1,846,478.23	\$1,916,356.48	\$2,290,409.01	\$2,526,027.33	\$2,693,670.31
Other comprehensive income (loss), net of tax:							
Basic earnings per share (in dollars per share)		\$14.67	\$14.92	\$15.49	\$18.51	\$20.41	\$21.77
Basic weighted-average number of shares outstanding (in shares)		123,735					

CASH FLOW STATEMENT FIGURES		12 Months Ended					
\$ in Thousands	Feb. 02, 2025	Year 1	Year 2	Year 3	Year 4	Year 5	
Cash flows from operating activities							
Net income		\$1,814,616	\$1,846,478	\$1,916,356	\$2,290,409	\$2,526,027	\$2,693,670
ΔNWC		-2,222	102,319	219,324	363,028	538,260	750,647
Depreciation and amortization		446,524	538,061	648,364	781,279	941,441	1,134,436
Cash flows from investing activities							
Purchase of property and equipment		-689,232	-124,643	-133,368	40,773	39,957	39,158

Appendix E – Tax and Depreciation Rates Used

Other Income, % of Revenue	0.50% Values averaged from Lululemon's 10-K, page 28				
	2026	2027	2028	2029	2030
Income Tax Rate	27.80%	28.60%	29.40%	28.60%	27.80%
Depreciation	20.50% Lululemon's Average 5 year increase in depreciation (2020-2024), 10-K				

Lululemon's average change in eff tax is 80 basis points per year. We adjusted the tax values based on decreasing/increasing revenue. Value obtained from 10-K, pg 33

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