

**Lululemon: Follow A Company  
Report**

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1. Lululemon Athletica's most recent income statement for the third quarter, ending October 27, 2024, reflects strong financial performance despite challenges in the retail and luxury apparel sectors. The company reported a net revenue of \$2.4 billion, marking a 9% year-over-year increase, and achieved earnings per share (EPS) of \$2.87. More notably, Lululemon's net income surged by 41.5% to \$351.9 million, indicating substantial profitability growth. This suggests that Lululemon has successfully managed its operational costs, improved efficiency, and capitalized on high consumer demand. The fact that the company retained approximately 14.7% of its revenue as profit is a testament to its strong financial discipline, brand appeal, and pricing power in a competitive market.

These results exceeded my expectations, as I initially believed Lululemon would struggle to achieve significant financial growth due to intense market competition and ongoing public controversies. The athleisure market has become increasingly crowded with competitors such as Nike, Adidas, and Alo are making it difficult for companies to sustain rapid revenue growth. Additionally, past legal disputes and controversial remarks by founder Chip Wilson—including accusations of racial insensitivity—have posed reputation risks for the brand. However, these financial results indicate that Lululemon has successfully navigated these challenges, maintaining strong customer loyalty and demand for its premium products. This performance suggests that, despite external pressures, the company continues to resonate with consumers and execute effective growth strategies.

2. Lululemon Athletica's financial performance in fiscal year 2024 demonstrated remarkable growth, reinforcing its position as a dominant player in the athleisure market. The company reported net revenue of \$9.62 billion, a significant 18.6% increase from the \$8.11 billion recorded in 2023. Even more impressively, net income surged by 81.35%, reaching \$1.55 billion—a notable jump from \$855 million in the previous year. This substantial increase in profitability suggests that Lululemon has not only expanded its revenue base but also improved operational efficiency and cost management, resulting in a stronger bottom line.

From an investment perspective, these numbers make Lululemon an attractive stock choice. Consistent revenue and profit growth indicate strong consumer demand, effective pricing strategies, and efficient supply chain management. Additionally, the fact that no key financial metrics showed a decline reinforces investor confidence in the brand's resilience and future growth potential. If I were a financial investor, these results would certainly increase my confidence in LULU's stock, as the company appears to be on a strong upward trajectory. However, while the financials look promising, it is also essential to consider potential external risks, such as economic downturns, changes in consumer spending behavior, and increasing competition in the athletic apparel market. Nonetheless, Lululemon's consistent financial growth and market adaptability position it as a compelling investment opportunity.

3. Lululemon Athletica's fiscal year concludes on January 31, and for the fiscal year ending January 31, 2024, the company reported a diluted earnings per share (EPS) of \$12.20. On the same date, Lululemon's stock closed at \$453.82, resulting in a price-to-earnings (P/E) ratio of approximately 37.2. This P/E ratio is significantly higher than the long-term market average of 16, suggesting that investors are willing to pay a premium for Lululemon's stock based on its strong growth prospects, brand strength, and financial performance. A high P/E ratio can indicate that investors have confidence in the company's future earnings potential, but it also raises questions about whether the stock is overvalued relative to its current earnings.

While Lululemon has demonstrated consistent revenue and profit growth, its high valuation may pose a risk for potential investors. The elevated P/E ratio suggests that the stock is already priced for strong future performance, leaving less room for upside unless the company continues to exceed expectations. However, Lululemon's expansion into international markets, strong brand loyalty, and innovative product offerings support its ability to sustain growth. If I were considering an investment, I would weigh the company's long-term potential against its high valuation. While Lululemon appears to be a solid growth stock, I would also explore potential market risks, such as economic downturns, shifts in consumer spending, or increasing competition in the athleisure space.

Depending on my risk tolerance, I might wait for a more favorable entry point or consider investing as part of a diversified portfolio to mitigate potential volatility.

4. Lululemon Athletica Inc. (NASDAQ: LULU) today announced an updated outlook for the fourth quarter of fiscal 2024, reflecting stronger-than-expected performance during the holiday season. The company now expects net revenue to range between \$3.560 billion and \$3.580 billion, representing 11% to 12% growth compared to the fourth quarter of fiscal 2023 (6% to 7% growth excluding the 53rd week of 2024). This marks an upward revision from the previous guidance of \$3.475 billion to \$3.510 billion.

Meghan Frank, Chief Financial Officer, commented:

"Our guests responded enthusiastically to our product offerings this holiday season, allowing us to raise our fourth-quarter guidance. As we close out fiscal 2024, I want to express my gratitude to our teams worldwide for their dedication and commitment to delivering exceptional experiences for our guests and communities."

- **For Investors:**

- The updated guidance reassures shareholders of strong revenue performance and demand stability.
- Lululemon's ability to increase its forecast highlights resilience and effective strategic execution.

- **For Employees:**

- Acknowledgment of the team's contributions reinforces morale and commitment.
- The company could further address employee impact, such as potential hiring or operational adjustments in response to growth.

- **For Consumers:**

- While Lululemon highlights strong product engagement, more transparency on potential pricing changes, supply chain impacts, and global economic factors—such as tariffs or cost fluctuations—could help consumers understand what to expect in future seasons.

5. Recent news articles on Yahoo Finance provide valuable insights into Lululemon's financial performance, growth strategy, and potential challenges:

- Upward Revision of Annual Forecasts: Lululemon raised its full-year revenue forecast to \$10.452 billion–\$10.487 billion, up from the previous range of \$10.375 billion–\$10.475 billion.
- Strong Third-Quarter Results: The company reported a 9% year-over-year revenue increase to \$2.4 billion, along with a 7% rise in earnings per share (EPS) to \$2.87, exceeding analyst expectations
- International Market Growth: A key driver of growth was international expansion, particularly in China, where revenue surged by 36% in Q3.
- Stock Repurchase Program: Lululemon's board approved a \$1 billion increase in its stock repurchase program, bringing total authorization to \$1.8 billion.

Despite strong financial results, analysts foresee challenges in 2025 due to weakness in the luxury sector. According to the Fall 2024 Bain-Altgamma Luxury Goods Worldwide Market Study, the personal luxury goods market declined for the first time since 2008 (excluding the 2020 pandemic downturn), dropping from \$387 billion in 2023 to approximately \$381 billion. However, Bain maintains that the sector has “long-term solid fundamentals” and expects a return to growth.

While Lululemon ranks 3rd among the top 12 luxury clothing stocks to buy based on hedge fund interest, some analysts believe AI stocks offer greater potential for higher returns in a shorter time frame.

Many of these insights align with Lululemon's official announcements, but the news articles provide additional context, such as international growth figures and strategic initiatives like the stock repurchase program. However, these reports also highlight risks and market challenges that Lululemon does not explicitly address in its press releases, offering a more balanced perspective on the company's financial health and strategic direction.

In late December 2023, Lululemon founder Chip Wilson provoked significant controversy in a Forbes interview, where he openly criticized the company's diversity and inclusion (DEI) efforts, specifically in their advertising campaigns. Wilson expressed disdain for the models featured in Lululemon's advertisements, calling them "unhealthy," "sickly," and "not inspirational." Wilson contended that Lululemon was diluting its brand identity by trying to appeal to a broad audience, comparing the company's approach to Gap's attempt to cater to everyone. He asserted that a fundamental characteristic of a strong brand is its exclusivity, stating, "the definition of a brand is that you're not everything to everybody... You've got to be clear that you don't want certain customers coming in." Furthermore, he argued that the company's diversity, equity, and inclusion (DEI) initiatives were attracting an unintended customer base, thereby compromising the brand's distinctiveness, which had been integral to its identity since its founding. His words, which painted a picture of exclusion, instantly sparked outrage, drawing intense reactions from various groups, particularly on social media.

The interview quickly garnered backlash on X (formerly Twitter), where users criticized Wilson's remarks as divisive and dismissive of marginalized communities. Many particularly took issue with his comments on body types, framing them as exclusionary and harmful to consumers who had previously felt welcomed by the brand's diverse and inclusive advertising. Black consumers led the charge in calling out Wilson, voicing their frustration that they were again being told they were not welcome or considered "worthy" of the Lululemon brand. This prompted calls for an immediate boycott of the company, with social media platforms flooded with posts urging others to sever ties with the brand. In this moment of backlash, the company's reputation took a hit, as many began to question the brand's commitment to inclusivity, despite their DEI initiatives.

This was not the first time Chip Wilson found himself at the center of a controversial statement about Lululemon. In 2004, he revealed that he chose the name Lululemon in part because he found it amusing that Japanese speakers struggled to pronounce the letter 'L'. "It's funny to watch them try to say it," Wilson said, drawing criticism for what many perceived as a racially insensitive and elitist comment. His words highlighted his longstanding tendency to make statements that many viewed as tone-deaf or even offensive. In 2015, Wilson resigned from Lululemon's board of directors after another controversy arose during an interview with

Bloomberg, where he controversially stated, "Frankly, some women's bodies just don't actually work for [the pants]... it's really about the rubbing through the thighs." This comment, which suggested that only certain body types were suited for Lululemon's iconic yoga pants, once again attracted widespread condemnation. This history of controversial remarks suggests that Wilson's views often conflict with those of a modern, inclusive consumer base and leave a lasting impression on the brand's image, even when he is no longer involved in day-to-day operations.

Despite the intense backlash over Wilson's most recent comments, there is no clear evidence directly linking them to a significant drop in Lululemon's stock price in 2024. The company, for its part, continued to weather the storm, and its stock performance remained relatively stable in the wake of the controversy. However, in December 2024, a shareholder lawsuit alleged that the company's DEI shortcomings contributed to stock declines, citing a 1% decrease on January 5, 2024, following a critical article that focused on Lululemon's DEI efforts. While the lawsuit reflects concerns about the company's ability to fulfill its DEI promises, it is important to note that this decline cannot be definitively tied to Wilson's statements. Other factors, such as market conditions or broader concerns about corporate diversity efforts, may have also influenced Lululemon's stock performance. Regardless, the timing of the stock drop, following the critical article about DEI, only deepened the scrutiny surrounding the company's efforts to live up to its stated commitment to diversity and inclusion.

Lululemon was swift in distancing itself from Chip Wilson's remarks, with the company issuing a statement to CNN shortly after the controversy erupted. In the statement, the company emphasized that Wilson no longer speaks for Lululemon and that his views do not align with the company's current values or corporate beliefs. The statement reinforced the idea that since Wilson's departure from the board of directors in 2015, the company has undergone significant changes, and Wilson's personal opinions should not be associated with the brand. Lululemon was quick to reaffirm its commitment to creating and fostering an inclusive, diverse, and welcoming environment for both its internal team and its external communities. "We have made considerable progress since launching our Inclusion, Diversity, Equity, and Action (IDEA) function, and we are proud of the goals we have achieved," a company spokesperson said, underscoring that the company is deeply invested in improving its inclusivity efforts. The spokesperson further stated that building a more inclusive organization is a process that takes

time, and Lululemon is committed to fostering ongoing dialogue and continued efforts toward improvement.

Despite Lululemon's swift and clear attempt to disassociate from Wilson's controversial remarks, the company's founder continued to cast a long shadow over its reputation. While the company emphasized that it was a very different organization today, many consumers and critics still linked Wilson's controversial views to Lululemon, as his status as the company's founder remained a prominent part of its identity. Wilson's comments regarding DEI had already ignited public debate, and despite the company's best efforts to shift the focus away from him, many still saw his words as reflective of a wider issue in the company's approach to inclusivity. This created a complex public relations challenge for Lululemon, which had to reassure its customer base that despite Wilson's past influence, the company was committed to making sustained changes that aligned with a more inclusive future.

Since the controversy, Lululemon has maintained its commitment to diversity, equity, and inclusion in both internal practices and external messaging. CEO Calvin McDonald reiterated the company's focus on these issues, describing DEI as a key pillar of the company's Impact Agenda, which seeks to create lasting change in the company's culture and the broader community. McDonald emphasized that Lululemon's goals in DEI were integral to the company's long-term vision and mission. However, despite these statements, ongoing scrutiny has been placed on the company's actions. In the 2023 Business of Fashion report, there were concerns raised that Lululemon's inclusivity efforts might be more driven by public relations than by genuine efforts to create a more inclusive corporate culture. Several current and former employees claimed that Lululemon's corporate culture remained "unwelcoming of Black people," highlighting that while the company may have made public commitments to inclusivity, there were still substantial gaps in its efforts to create an environment that truly embraced diversity in every sense.

In response to these critiques, Lululemon doubled down on its commitment to diversity, pointing to the success of its IDEA function, which was designed to foster more inclusive hiring practices, company culture, and product offerings. "We have made considerable progress and are proud of the goals we have achieved, including maintaining a continuous two-way dialogue with



our people,” the company stated. This reflects the company’s understanding that real change in corporate culture doesn’t happen overnight, but through sustained effort, open conversations, and a willingness to evolve. While the company has acknowledged its challenges, its transparency and willingness to engage with criticism show a commitment to real change and improvement in its DEI practices.

Lululemon’s approach to handling the controversy demonstrates its commitment to addressing issues head-on and moving forward without getting bogged down by past comments or criticisms. The company’s responses have been measured and non-condescending, emphasizing a willingness to continue improving without being dismissive of its past shortcomings. Despite the turbulence caused by Wilson’s comments, Lululemon’s core business and loyal customer base have remained largely unchanged. Sales and brand sentiment have shown resilience, especially among African American consumers, who did not seem to retreat from the brand. Lululemon has continued to prioritize its business operations, focusing on innovation and customer satisfaction while navigating the public relations challenges that arose from the controversy.

Lululemon’s financial performance further underscores its resilience. The company’s stock has surged by nearly 55% over the past year, illustrating the strength of its brand and the trust it has maintained with investors. As of today, Lululemon’s stock is priced at \$293.06, a significant increase that highlights its ability to navigate public relations crises without derailing its growth trajectory. Despite the controversy surrounding Chip Wilson’s comments, the company’s consistent focus on quality products, innovation, and inclusivity has allowed it to not only recover but thrive. This demonstrates Lululemon’s ability to handle public challenges effectively while maintaining the loyalty of its diverse consumer base.