



lululemon athletica inc. Announces Second Quarter Fiscal 2011 Results

Second Quarter Net Revenue Increased 39% to \$212.3 million

Second Quarter Diluted EPS of \$0.26

VANCOUVER, British Columbia--(BUSINESS WIRE)-- lululemon athletica inc. [NASDAQ:LULU; TSX:LLL] today announced financial results for the second quarter ended July 31, 2011.

For the thirteen weeks ended July 31, 2011:

- Net revenue for the quarter increased 39% to \$212.3 million from \$152.2 million in the second quarter of fiscal 2010.
- Comparable stores sales for the second quarter increased by 20% on a constant dollar basis.
- Direct to consumer revenue increased 93% to \$18.6 million, or 8.8% of total Company revenues, in the second quarter of fiscal 2011, an increase from 6.3% of total Company revenues in the second quarter of fiscal 2010.
- Gross profit for the quarter increased 52% to \$122.1 million, and as a percentage of net revenue gross profit increased to 57.5% for the quarter from 52.8% in the second quarter of fiscal 2010.
- Income from operations for the quarter increased 74% to \$59.5 million, and as a percentage of net revenue was 28.0% compared to 22.5% of net revenue in the second quarter of fiscal 2010.
- The tax rate for the quarter was 35.7% compared to 40.3% a year ago. The decrease resulted from a revision to management's plans for repatriation of unremitted earnings of the Canadian operating subsidiary.
- Presented on a post-split basis, diluted earnings per share for the quarter were \$0.26 on net income of \$38.4 million, compared to diluted earnings per share of \$0.15 on net income of \$21.8 million in the second quarter of fiscal 2010.

For the twenty-six weeks ended July 31, 2011:

- Net revenue for the first two quarters increased 37% to \$399.1 million from \$290.5 million in the same period of fiscal 2010.
- Comparable stores sales for the first two quarters increased by 18% on a constant dollar basis.
- Direct to consumer revenue increased 72% to \$32.4 million, or 8.1% of total Company revenues, in the first two quarters of fiscal 2011, an increase from 6.5% of total Company revenues in the first two quarters of fiscal 2010.
- Gross profit for the quarter increased 50% to \$231.8 million, and as a percentage of net revenue gross profit increased to 58.1% for the first two quarters from 53.2% in the same period of fiscal 2010. The increase included 140 basis points from the non-recurring adjustment for the recognition of input tax credits in the first quarter of fiscal 2011.
- Income from operations for the first two quarters increased 67% to \$111.2 million, and as a percentage of net revenue was 27.9% compared to 23.0% of net revenue in the same period of fiscal 2010.
- The tax rate for the first two quarters was 36.0% compared to 40.1% a year ago. The decrease resulted from a revision to management's plans for repatriation of unremitted earnings of the Canadian operating subsidiary.
- Presented on a post-split basis, diluted earnings per share for the first two quarters were \$0.49 on net income of \$71.8 million, compared to diluted earnings per share of \$0.29 on net income of \$41.4 million in the same period of fiscal 2010. The increase included \$0.02 in diluted earnings per share from the non-recurring adjustment for the recognition of input tax credits in the first quarter of fiscal 2011.

The Company ended the second quarter of fiscal 2011 with \$264.7 million in cash and cash equivalents compared to \$178.2 million at the end of the second quarter of fiscal 2010. Inventory at the end of the second quarter of fiscal 2011 totaled \$88.9 million compared to \$66.5 million at the end of the second quarter of fiscal 2010. The Company ended the quarter with 151 stores in North America and Australia.

Christine Day, lululemon's CEO stated: "Our business remained very healthy through the second quarter, as strong sales productivity and operating margins grew pre-tax income by more than 60%. Our success is based on running a healthy brand focused business. We are confident that we are well positioned to manage successfully through the current economic

environment while sensibly pursuing our future opportunities."

Updated Outlook

For the third quarter of fiscal 2011, we expect net revenue to be in the range of \$225 million to \$230 million based on a comparable-store sales percentage increase in the low to mid-teens on a constant-dollar basis. Diluted earnings per share are expected to be in the range of \$0.22 to \$0.24 for the quarter. This assumes 145.5 million diluted weighted-average shares outstanding and a 36% tax rate.

For the full fiscal 2011, we now expect net revenue to be in the range of \$930 million to \$950 million and diluted earnings per share are expected to be in the range of \$1.10 to \$1.14 for the full year. This assumes 145.4 million diluted weighted-average shares outstanding and a tax rate of 36%.

Conference Call Information

A conference call to discuss second quarter results is scheduled for today, September 9, 2011, at 9:00 a.m. EST. Those interested in participating in the call are invited to dial 1-877-303-3203 approximately 10 minutes prior to the start of the call. The conference call will also be webcast live at www.lululemon.com. The webcast will be accessible on our website for approximately 30 days after the call.

About lululemon athletica inc.

lululemon athletica (NASDAQ:LULU; TSX:LLL) is a yoga-inspired athletic apparel company that creates components for people to live a long, healthy and fun life. By producing products that help keep people active and stress free, lululemon believes that the world will be a better place. Setting the bar in technical fabrics and functional designs, lululemon works with yogis and athletes in local communities for continuous research and product feedback. For more information, visit www.lululemon.com.

Non-GAAP Financial Measure

Constant-dollar net revenue changes, which exclude the impact of changes in foreign exchange rates, is not a United States Generally Accepted Accounting Principle ("GAAP") performance measure. We provide constant-dollar net revenue changes because we use the measure to understand the underlying growth rate of revenue excluding the impact on a quarter-by-quarter basis of changes in foreign exchange rates, which are not under management's direct control. We believe that disclosing net revenue changes on a constant-dollar basis is useful to investors because it enables them to better understand the level of growth of our business.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. For more information on this non-GAAP financial measure, please see the table captioned "Reconciliation of Non-GAAP Financial Measure — Constant dollar changes" included in the accompanying financial tables, which includes more detail on the GAAP financial measure that is most directly comparable to non-GAAP financial measures and the related reconciliations between these financial measures.

Forward-Looking Statements:

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that involve risks, uncertainties and assumptions, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the development and introduction of new products, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "outlook," "believes," "intends," "estimates," "predicts," "potential" or the negative of these terms or other comparable terminology. These forward-looking statements are based on management's current expectations but they involve a number of risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of risks and uncertainties, which include, without limitation: an economic downturn or economic uncertainty in our key markets; increasing product costs and decreasing selling prices; our inability to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products; our inability to accurately forecast customer demand for our products; our inability to manage our growth and the increased complexity of our business effectively; the fluctuating costs of raw materials; our reliance on and limited control over third-party suppliers to provide fabrics for and to produce our products; our highly competitive market and increasing competition; an unforeseen disruption of our information systems; our inability to deliver our products to the market and to meet customer expectations due to problems with our distribution system; our inability to cancel store leases if an existing or new store is not profitable; increasing labor costs and other factors associated with the production of our products in China; our inability to successfully open new store locations in a timely manner; our failure to maintain the value and reputation of our brand; our failure to comply with trade and other regulations; our competitors manufacturing and selling products based on our fabrics and manufacturing technology at lower

prices than we can; our failure to protect our intellectual property rights; and other risk factors detailed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 and our Quarterly Reports on Form 10-Q for fiscal 2011, filed with the Securities and Exchange Commission and available at www.sec.gov. You are urged to consider these factors carefully in evaluating the forward-looking statements contained herein and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by these cautionary statements. The forward-looking statements made herein speak only as of the date of this press release and the company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

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*Condensed Consolidated Statements of Operations
Expressed in thousands, except per share amounts*

	Thirteen Weeks Ended July 31, 2011 (unaudited)	Thirteen Weeks Ended August 1, 2010 (unaudited)	Twenty-Six Weeks Ended July 31, 2011 (unaudited)	Twenty-Six Weeks Ended August 1, 2010 (unaudited)
Net revenue	\$ 212,323	\$ 152,208	\$ 399,103	\$ 290,505
Costs of goods sold	90,251	71,910	167,346	135,850
Gross profit	122,072	80,298	231,757	154,655
<i>As a percent of net revenue</i>	57.5%	52.8%	58.1%	53.2%
Selling, general and administrative expenses	62,589	46,055	120,587	87,938
<i>As a percent of net revenue</i>	29.5%	30.2%	30.2%	30.3%
Income from operations	59,483	34,243	111,170	66,717
<i>As a percent of net revenue</i>	28.0%	22.5%	27.9%	23.0%
Other income (expense), net	597	2,092	1,501	2,254
Income before provision for income taxes	60,080	36,335	112,671	68,971
Provision for income taxes	21,462	14,628	40,537	27,676
Net income	38,618	21,707	72,134	41,295
Net income (loss) attributable to non-controlling interest	239	(85)	383	(85)
Net income attributable to lululemon athletica inc.	<u>\$ 38,379</u>	<u>\$ 21,792</u>	<u>\$ 71,751</u>	<u>\$ 41,380</u>
Basic earnings per share	\$ 0.27	\$ 0.15	\$ 0.50	\$ 0.29
Diluted earnings per share	\$ 0.26	\$ 0.15	\$ 0.49	\$ 0.29
Basic weighted-average shares outstanding	143,163	141,640	142,961	141,416
Diluted weighted-average shares outstanding	145,228	143,500	145,108	143,384

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*Condensed Consolidated Balance Sheets
Expressed in thousands*

	July 31, 2011 (unaudited)	January 30, 2011 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 264,728	\$ 316,286
Inventories	88,884	57,469
Other current assets	30,360	15,524
Total current assets	<u>383,972</u>	<u>389,279</u>
Property and equipment, net	151,120	70,954

Goodwill and intangible assets, net	28,434	27,112
Deferred income taxes and other assets	22,935	11,957
Total assets	<u>\$ 586,461</u>	<u>\$ 499,302</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 4,445	\$ 6,659
Other current liabilities	60,598	60,306
Income taxes payable	-	18,399
Total current liabilities	<u>65,043</u>	<u>85,364</u>
Non-current liabilities	21,741	19,645
Stockholders' equity	499,677	394,293
Total liabilities and stockholders' equity	<u>\$ 586,461</u>	<u>\$ 499,302</u>

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*Condensed Consolidated Statements of Cash Flows
Expressed in thousands*

	<u>Twenty-Six Weeks Ended July 31, 2011</u> (unaudited)	<u>Twenty-Six Weeks Ended August 1, 2010</u> (unaudited)
Cash flows from operating activities		
Net income	\$ 72,134	\$ 41,295
Items not affecting cash	3,749	22,436
Other, including net changes in other non-cash balances	(56,354)	(29,179)
Net cash provided by operating activities	<u>19,529</u>	<u>34,552</u>
Net cash used in investing activities	<u>(87,324)</u>	<u>(24,053)</u>
Net cash provided by financing activities	12,095	6,138
Effect of exchange rate changes on cash	<u>4,142</u>	<u>1,962</u>
Increase (decrease) in cash and cash equivalents	(51,558)	18,599
Cash and cash equivalents, beginning of period	\$ 316,286	\$ 159,573
Cash and cash equivalents, end of period	<u>\$ 264,728</u>	<u>\$ 178,172</u>

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*Reconciliation of Non-GAAP Financial Measure
Constant-dollar changes*

	<u>Thirteen Weeks Ended July 31, 2011</u> % Change	<u>Thirteen Weeks Ended August 1, 2010</u> % Change
Comparable-store sales (GAAP)	25%	38%
Adjustments due to changes in foreign exchange rates	<u>(5)%</u>	<u>(7)%</u>
Comparable-store sales in constant dollars	20%	31%

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*Store Count and Square Footage¹
Quarter ended July 31, 2011
Square Footage Expressed in Thousands*

	<u>Number of Stores Open at the Beginning of the Quarter</u>	<u>Number of Stores Opened / Acquired During the Quarter</u>	<u>Number of Stores Closed During the Quarter</u>	<u>Number of Stores Open at the End of the Quarter</u>
1 st Quarter	133	5	0	138
2 nd Quarter	138	9	0	147

	<u>Total Gross Square Feet at the Beginning of the Quarter</u>	<u>Gross Square Feet Added During the Quarter²</u>	<u>Gross Square Feet Lost During the Quarter²</u>	<u>Total Gross Square Feet at the End of the Quarter</u>
1 st Quarter	374	12	0	386
2 nd Quarter	386	31	1	416

¹ Store count and square footage summary includes corporate-owned stores which are branded lululemon athletica and ivivva athletica.

² Gross square feet added/lost during the quarter includes net square foot additions for corporate-owned stores which have been renovated or relocated in the quarter.

Investor Contact:

ICR, Inc.
Joseph Teklits / Jean Fontana
203-682-8200
or

Media Contact:

ICR, Inc.
Alecia Pulman, 203-682-8224

Source: lululemon athletica inc.

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