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Q1 Fiscal 2018 Earnings Commentary
May 31, 2018

The financial measures discussed below include both GAAP and adjusted non-GAAP financial measures. In connection with the restructuring of its ivivva operations, the Company recognized pre-tax costs totaling $17.7 million in the first quarter of fiscal 2017. The adjusted financial measures for the first quarter of fiscal 2017 exclude these charges and their related tax effects. The results for the first quarter of fiscal 2018 did not include any costs related to the restructuring of the ivivva operations.

Please see the section captioned "Reconciliation of Non-GAAP Financial Measures" included in the accompanying financial tables, which includes more detail on the GAAP financial measure that is most directly comparable to each non-GAAP financial measure, and the related reconciliations between these financial measures.

This earnings commentary should be read in conjunction with the Company's quarterly report on Form 10-Q filed with the Securities and Exchange Commission ("SEC") on, or about, May 31, 2018 and its annual report on Form 10-K filed with the SEC on March 27, 2018. These reports are available at www.sec.gov.

The below narrative compares the first quarter of fiscal 2018 to the first quarter of fiscal 2017, unless otherwise noted.

Sales

- **Total net revenue** increased 25% to $649.7 million, with the increase primarily resulting from:
    - the opening of 48 net new lululemon branded company-operated stores since Q1 2017. We opened 22 net new lululemon branded company-operated stores in the U.S., 14 in Asia, six in Canada, three in Australia/New Zealand, and three in Europe;
    - a total comparable sales increase of 19% on a constant dollar basis, comprised of a comparable store sales increase of 6% and an ecommerce increase of 60%;
    - an increase in net revenue of $9.1 million, or 2.0%, due to foreign exchange; and
    - an increase in other revenue.

    The increase in net revenue was partially offset by the closure of 48 of our ivivva branded company-operated stores as part of the restructuring of our ivivva operations.

- **Company-operated store revenue** totaled $433.1 million, or 66.7% of total revenue, compared to $379.1 million, or 72.9% of total revenue, in Q1 2017.

- **Ecommerce revenue** totaled $157.8 million, or 24.3% of total revenue, compared to $97.2 million, or 18.7% of total revenue, in Q1 2017.

- **Other revenue**, which includes outlets, temporary locations including seasonal stores, sales to wholesale accounts, showrooms, warehouse sales, and license and supply arrangements, totaled $58.7 million, or 9.0% of total net revenue, compared to $44.0 million, or 8.5% of total net revenue, in Q1 2017.

Store Count

- **New stores**: We opened seven net new company-operated stores in Q1 2018. We opened four in Asia, two in Europe, one in Australia/New Zealand.

- **Total company-operated stores**: At the end of Q1 2018, we had 411 total company-operated stores (including seven ivivva) compared to 411 (including 55 ivivva) at the end of Q1 2017. At the end of Q1 2018, of the 411 company-operated stores, 328 were in our comparable store base, including 228 stores in the U.S., 46 stores in Canada, 31 stores in Australia/New Zealand, 12 stores in Europe, and 11 stores in Asia.

- **Showrooms**: At the end of Q1 2018, we had a total of 20 showrooms compared to 48 at the end of Q1 2017. Of the 20 showrooms, we had 10 in Europe, six in the U.S., and four in Asia.

Gross Profit

- **Gross profit** was $344.7 million, or 53.1% of net revenue, compared to $256.9 million, or 49.4% of net revenue, in Q1 2017. Gross profit increased 34% compared to Q1 2017, and increased 31% compared to adjusted gross profit for Q1 2017. The increase in gross margin was primarily the result of:
  - an increase in product margin of 120 basis points which was primarily due to a favorable mix of higher margin product and lower product costs, lower markdowns, and lower inventory provision expense;
  - a decrease in fixed costs as a percentage of revenue, including occupancy and depreciation costs and costs related to our product and supply chain departments, of 120 basis points; and
  - a favorable impact of foreign exchange rates of 30 basis points; and
  - the costs incurred in Q1 2017 in connection with the restructuring of our ivivva operations, which reduced gross margin in that quarter by 100 basis points.

Selling, General and Administrative Expenses

- **SG&A expenses** were $240.4 million, or 37.0% of net revenue, compared to $199.1 million, or 38.3% of net revenue, in Q1 2017. The 130 basis points decrease in our SG&A rate was primarily the result of:
  - leverage on operating channel costs primarily driven by employee costs of 170 basis points; and
  - leverage on head office costs of 120 basis points.

  This was partially offset by foreign exchange, including both translation and revaluation impact, of 160 basis points.

Asset Impairment and Restructuring Costs

- In connection with the restructuring of its ivivva operations, the Company recognized pre-tax costs totaling $17.7 million in Q1 2017. The results for the Q1 2018 did not include any costs related to the restructuring of the ivivva operations.

Operating Income

- **Operating income** was $104.3 million, or 16.1% of net revenue, compared to $45.4 million, or 8.7% of net revenue, in Q1 2017. Adjusted operating income was $63.2 million, or 12.1% of net revenue in Q1 2017.

Income Tax Expense

- **Income tax expense** was $32.1 million, or 29.9% of pre-tax earnings, compared to 32.6% in Q1 2017. The adjusted effective tax rate was 30.8% in Q1 2017.

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Net Income

- **Net income** was $75.2 million, or $0.55 per diluted share, compared to $0.23 per diluted share in Q1 2017. Adjusted diluted earnings per share were $0.32 for Q1 2017.

Share Count

- Our diluted share count for the quarter was 135.9 million compared to 137.2 million in Q1 2017.
- During the first quarter of fiscal 2018, we repurchased 100 shares at a total cost of $7.5 thousand.

Capital Expenditures

- **Capital expenditures** were $34.3 million in Q1 2018 compared to $19.9 million in Q1 2017. The increase was primarily the result of an increase in capital expenditures related to our company-operated stores, primarily as a result of an increase in renovations and relocations of existing stores, as well as an increased number of new company-operated stores in Q1 2018 compared to Q1 2017.

Balance Sheet Highlights

- Cash and cash equivalents was $966.6 million at the end of Q1 2018.
- Inventory increased 23% to $373.4 million at the end of Q1 2018.

Forward-Looking Statements and Non-GAAP Reconciliations

Forward-Looking Statements:

This supplemental disclosure release includes estimates, projections, statements relating to our business plans, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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 also include our guidance and outlook statements. These 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: our ability to maintain the value and reputation of our brand; the acceptability of our products to our guests; our highly competitive market and increasing competition; our reliance on and limited control over third-party suppliers to provide fabrics for and to produce our products; an economic downturn or economic uncertainty in our key markets; increasing product costs and decreasing selling prices; our ability to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products; our ability to accurately forecast guest demand for our products; our ability to safeguard against security breaches with respect to our information technology systems; any material disruption of our information systems; our ability to have technology-based systems function effectively and grow our e-commerce business globally; the fluctuating costs of raw materials; our ability to expand internationally in light of our limited operating experience and limited brand recognition in new international markets; our ability to deliver our products to the market and to meet guest expectations if we have problems with our distribution system; imitation by our competitors; our ability to protect our intellectual property rights; the continued service of our senior management and our ability to identify and attract our next Chief Executive Officer;changes in tax laws or unanticipated tax liabilities; our ability to manage our growth and the increased complexity of our business effectively; our ability to cancel store leases if an existing or new store is not profitable; our ability to source our merchandise profitably or at all if new trade restrictions are imposed or existing trade restrictions become more burdensome; increasing labor costs and other factors associated with the production of our products in South and South East Asia; the operations of many of our suppliers are subject to international and other risks; our ability to successfully open new store locations in a timely manner; our ability to comply with trade and other regulations; seasonality; fluctuations in foreign currency exchange rates; conflicting trademarks and the prevention of sale of certain products; our exposure to various types of litigation; actions of activist stockholders; anti-takeover provisions in our certificate of incorporation and bylaws; and other risks and uncertainties set out in filings made from time to time with the United States Securities and Exchange Commission and available at www.sec.gov, including, without limitation, our most recent reports on Form 10-K and Form 10-Q. 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 disclosure and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as may be required by law.

Reconciliation of Non-GAAP Financial Measures

Unaudited; Expressed in thousands, except per share amounts

Constant dollar changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue

The below changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue show the net change for the first quarter of fiscal 2018 compared to the first quarter of fiscal 2017.

	Net Revenue	Total Comparable Sales[1,2]	Comparable Store Sales[2]	Direct to Consumer Net Revenue
Increase	25%	20%	8%	62%
Adjustments due to foreign exchange rate changes	(2)	(1)	(2)	(2)
Increase in constant dollars	23%	19%	6%	60%

[1]Total comparable sales includes comparable store sales and direct to consumer sales.

[2]Comparable store sales reflects net revenue from company-operated stores that have been open for at least 12 months, or open for at least 12 months after being significantly expanded.

Adjusted financial measures

The following table reconciles adjusted financial measures with the most directly comparable measures calculated in accordance with GAAP. The adjustments relate to the restructuring of our ivivva operations and its related tax effects. Please refer to Note 6 to the unaudited interim consolidated financial statements included in Item 1 of Part I of our Report on Form 10-Q to be filed with the SEC on or about May 31, 2018 for further information on these adjustments.

	Quarter Ended April 29, 2018			Quarter Ended April 30, 2017		
	GAAP Results	Adjustments	Adjusted Results (Non-GAAP)	GAAP Results	Restructuring of ivivva Operations Adjustments	Adjusted Results (Non-GAAP)
	(In thousands, except per share amounts)					
Gross profit	$ 344,733	$ —	$ 344,733	$ 256,895	$ 5,419	$ 262,314
Gross margin	53.1%	—%	53.1%	49.4%	1.0 %	50.4%
Income from operations	104,305	—	104,305	45,423	17,750	63,173
Operating margin	16.1%	—%	16.1%	8.7%	3.4 %	12.1%
Income before income tax expense	107,223	—	107,223	46,330	17,750	64,080
Income tax expense	32,070	—	32,070	15,084	4,684	19,768
Effective tax rate	29.9%	—%	29.9%	32.6%	(1.8)%	30.8%
Diluted earnings per share	$ 0.55	$ —	$ 0.55	$ 0.23	$ 0.09	$ 0.32