



lululemon  athletica

October 2009





Forward-Looking Statements

Our presentation includes, and our responses to various questions may include, forward-looking statements about the Company's revenues, earnings and financial performance and about our future plans and objectives. Any such statements are subject to risks and uncertainties that could cause the actual results and the implementation of the Company's plans and operations to vary materially. These risks include managing operations at our current size and managing growth; continuing decline in consumer spending and worsening of US and global macroeconomic conditions; maintaining comparable store sales and average sales per square foot; finding locations for new stores and attracting customers; expanding in the U.S. and other new markets; financing growth and maintaining cash flow; competition causing us to reduce prices or increase marketing efforts; our brand image; continually innovating and improving our products; timely and cost-effective delivery of products from our suppliers; our lack of long-term supplier contracts and patents or exclusive intellectual property rights; attracting and retaining management and key employees; our management information systems and other technology; changes in consumer preferences or demand; our ability to accurately forecast demand; anticipating and responding to seasonal or quarterly fluctuations in operating results; finding suitable joint venture partners and expanding outside North America; maintaining effective internal controls; and general economic or market conditions, including political or military unrest or terrorist attacks. These and other risks and uncertainties associated with our business are described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 27, 2009.

COMPANY OVERVIEW

Christine Day, CEO





Company History

- ❑ **1998:** Founded to address a void in women's athletic apparel market
- ❑ **2000:** First Canadian store opened
- ❑ **2003:** First U.S. store opened
- ❑ **2005:** Private Equity investment
- ❑ **2007:** IPO in July
- ❑ **2008:** Christine Day appointed CEO in June





Why lululemon athletica?

- ❑ Premium product with strong points of differentiation
- ❑ Unique culture, values lead
- ❑ Iconic brand representing health and women
- ❑ Company-owned, opportunity to capitalize on expertise in small box retail
- ❑ Engaged founder, strong management team
- ❑ Talented Board of Directors



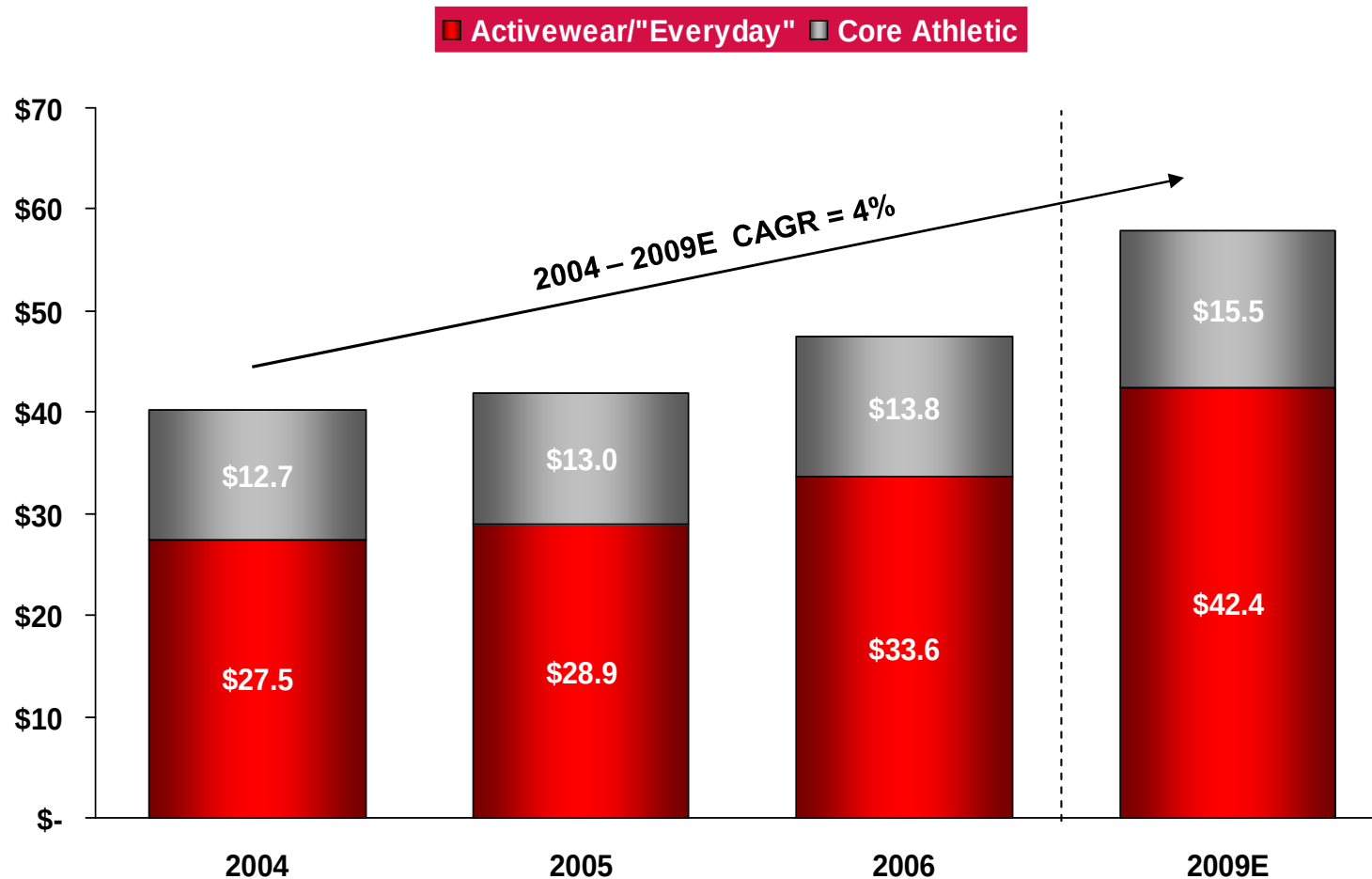
Why lululemon athletica?

- ❑ Strong balance sheet
 - ❑ No debt
 - ❑ Healthy cash balance
- ❑ Strong cash flow all four quarters - not 4th quarter dependant
- ❑ Strong gross margin with leverage opportunities
- ❑ Health trends
- ❑ Early in growth cycle
- ❑ Multi-channel opportunity with e-commerce launched in April 2009



Size of the Market

- the US active wear market



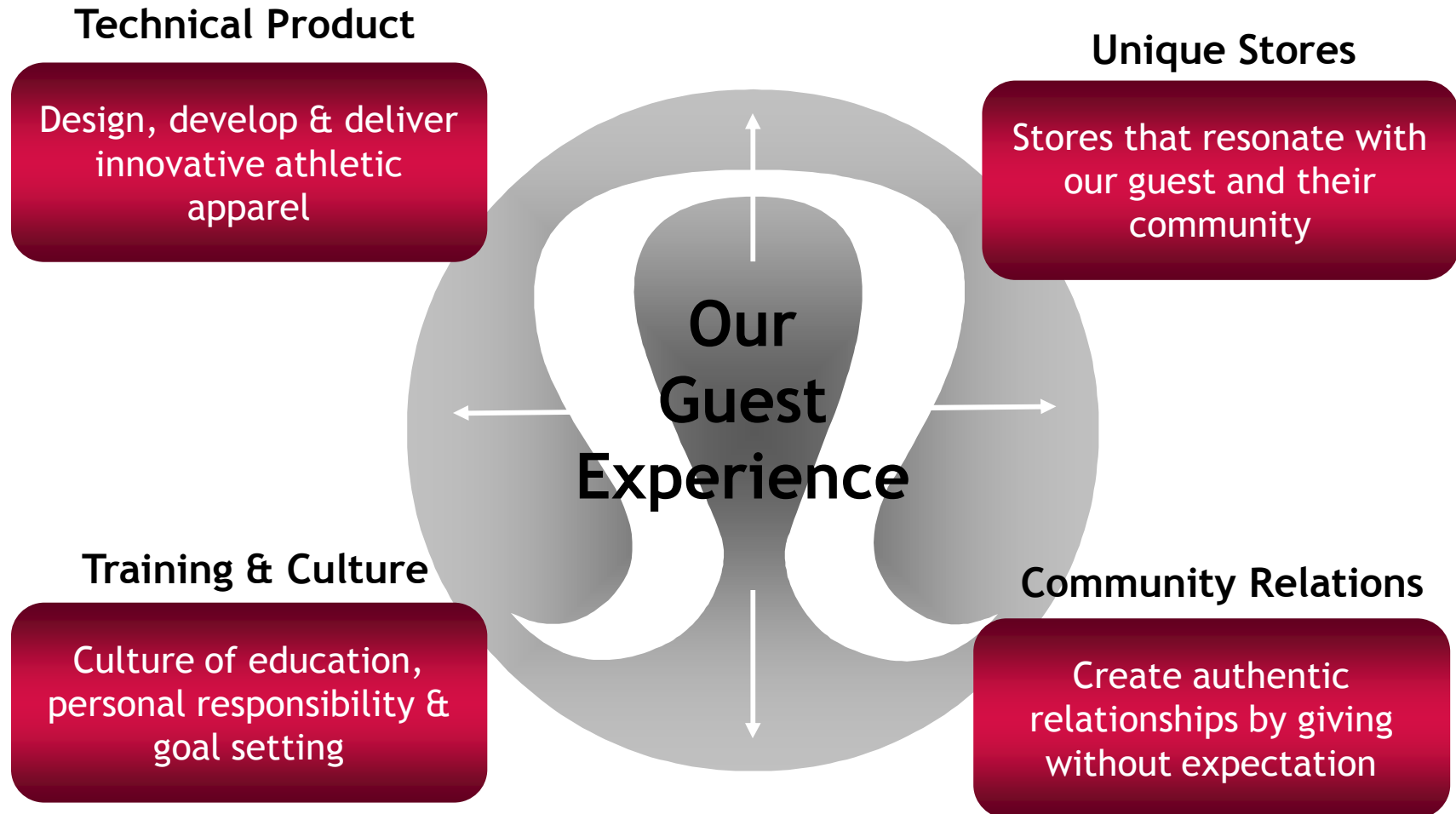
Source: NPD Equity Research

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The Keys to Our Success

“We will own her active wardrobe, be her favorite piece and her beloved brand”





Our Guests

Target Guest - 32 year old female

Core Guest - 38 - 42 year old female

Bandwidth Guest - 15 - 65 year old female





Our Target Guest

- ☐ 32 year old female
- ☐ Affluent - earns > \$85,000 per year
- ☐ Educated
- ☐ Career and goal oriented
- ☐ Works out 4-5 times per week
- ☐ Confident
- ☐ At the top of her game
- ☐ Iconic - role model
- ☐ Looks for quality
- ☐ Shops organic





Our Educators

- ❑ Live by our manifesto
- ❑ Educated
- ❑ Athletic
- ❑ Fun
- ❑ Passionate
- ❑ Influencers





Our Product

- ❑ Yoga inspired athletic wear
- ❑ “Function is fashion”
- ❑ Built to exceed expectations
- ❑ Investment in quality fabric and trims
- ❑ European couture inspired style with West Coast function and color
- ❑ Encourages healthy living
- ❑ Cross-over functionality and appeal



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Our Store

- ❑ Kitchen party feel
- ❑ Quirky
- ❑ Fun
- ❑ Energetic
- ❑ Community hub
- ❑ Authentically local





Our Community

- ❑ Grassroots marketing
- ❑ Community boards
- ❑ Complimentary yoga classes
- ❑ Ambassadors
- ❑ Online community





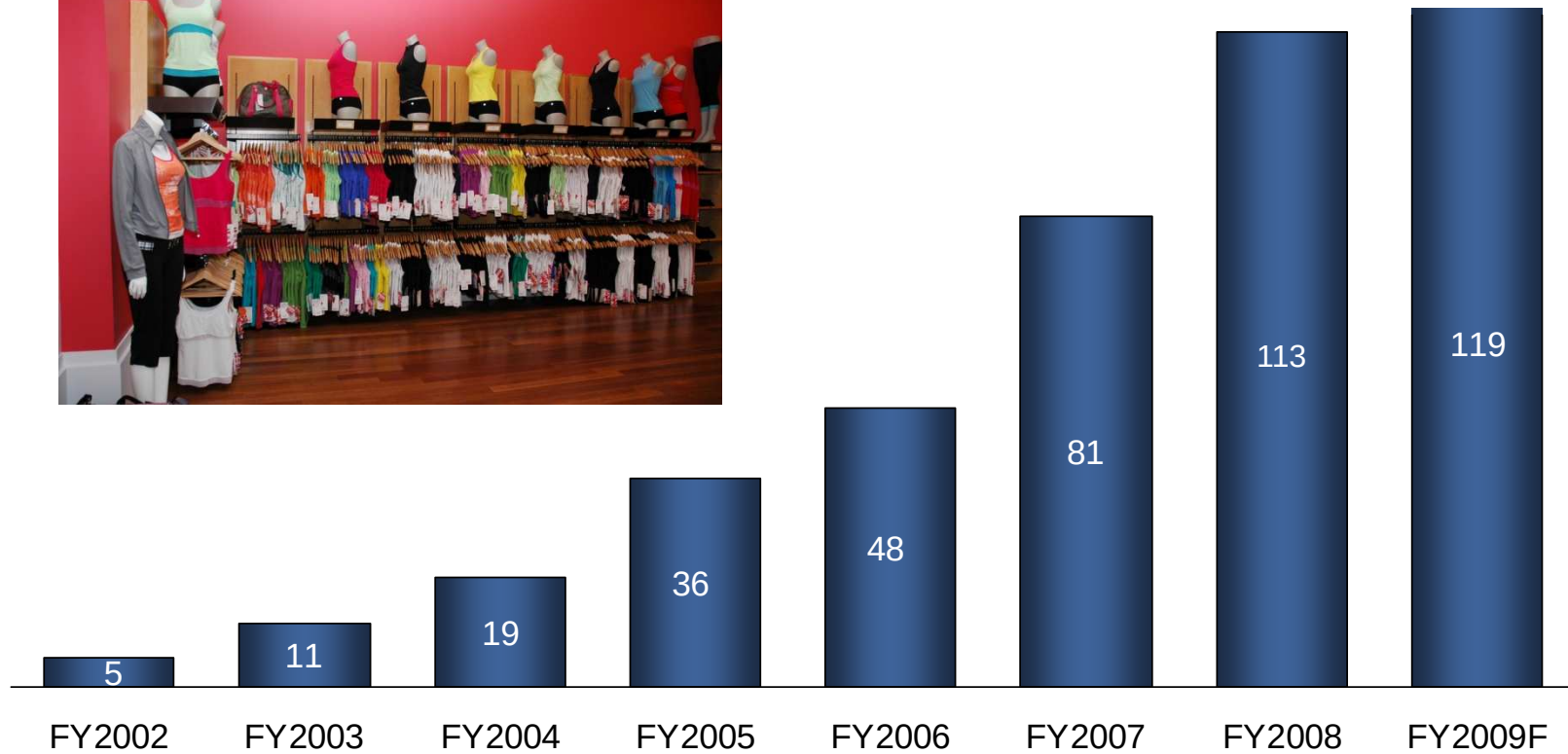
2009 Opportunities & Goals

- ❑ Build real estate pipeline for the future
- ❑ Focus on repositioning store portfolio through renewals
- ❑ Product expansion
- ❑ Launch & build e-commerce
- ❑ Focus on execution & productivity of current store base
- ❑ Deploy strategic wholesale & showroom concepts to seed new markets
- ❑ Build R&D and Innovation functions
- ❑ Get ready for growth in 2010 & beyond



US Expansion - The Opportunity

- Potential for over 300 stores in North America alone



Notes: Includes Corporate-Owned and Franchised Stores
Includes Australia



Product Innovation Opportunities

- ❑ Expand Running
- ❑ Increase use of organic cotton and sustainable fabrics
- ❑ Continue to grow natural & sustainable product lines
- ❑ Grow Outwear & Accessories
- ❑ Increase tops & layering pieces
- ❑ Continue to invest in R&D
 - ❑ - fabrics & construction



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Creating Lasting Legacies

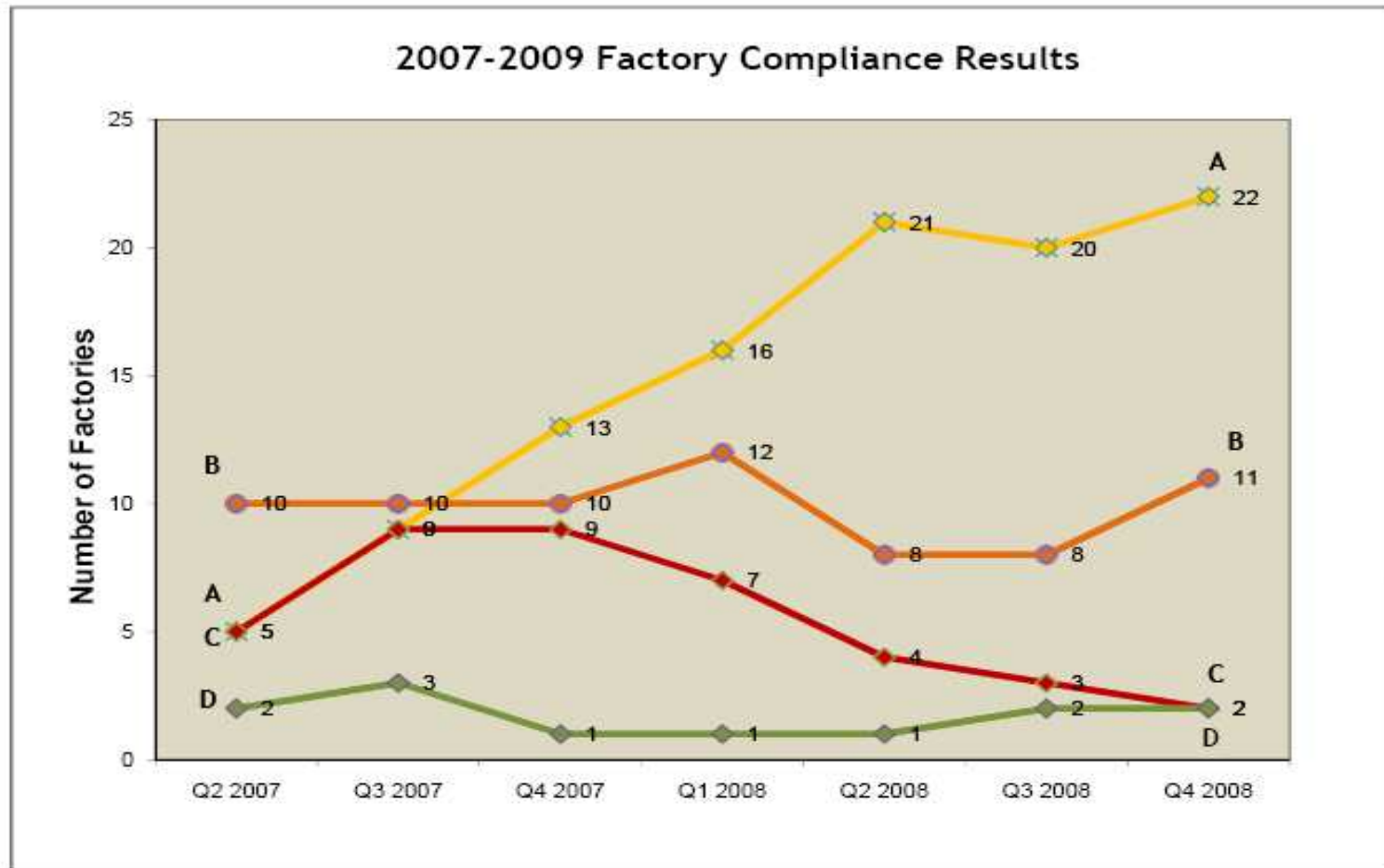
- ❑ Collaborating with top retailers on factory compliance
- ❑ Set product manufacturing goals of <1.5% defective product
- ❑ Supporting factory partners to reduce chemical and material waste
- ❑ Established waste diversion goals across the company
- ❑ Created e-waste recycling program
- ❑ Advocate program-140+ employees committed to taking personal responsibility for change





Quality Factory Environments: Our Compliance Performance

An increase from 5 to 22 top performing 'A' factories in the past 16 months (in labor, health and safety, and environmental performance criteria)





E-Commerce Strategy & Opportunity

- ❑ Launched April '09 - accelerated via outsource
 - ❑ Internal: web development, merchandizing and call centre, Canadian fulfillment
 - ❑ External: platform and U.S. fulfillment
- ❑ Keeps stores exclusive while expanding reach
- ❑ New channel with low capital expenditure
- ❑ Grow to 10-12% of revenue
- ❑ Launched with core assortment, grew to 90% of assortment by July
- ❑ High conversion rates and store traffic driver



E-Commerce

[store finder](#)
[faq](#)
[track order](#)
[login/register](#)
[change country](#)

[questions? guest education center 1.877.263.9300](#)
[shopping bag: 0 items](#)

[women](#)
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women

- wear it
- bras
- tanks
- tops
- jackets and hoodies
- pants
- crops
- shorts and skirts
- socks and undies
- headwear
- use it
- hats

women's tanks:

Looking for the perfect yoga or running tank? Want a tank with low-support, or maybe high support without the smooshed feel? Our tanks are designed with all body shapes and cup sizes in mind, and with details like adjustable straps and removable cups, we'll keep the ladies covered while you run, dance, handstand, jump and travel!

[Watch our features and benefits videos >>](#)

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[10 per page](#) | [15 per page](#) | [All](#)

[<<](#) [1](#) [2](#) [>>](#)

[Athletic Deep V Tank III](#)
[Ujjayi Y Tank II](#)
[Ujjayi Y Tank II](#)
[Tri Y Tank](#)

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community

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- original intent ambassadors
- r&d team
- charitable giving
- team wear

dance, sing, flow and travel...

[read our manifesto >>](#)

lululemon and our stores

From our first store in the Kitsilano neighbourhood of Vancouver BC, community has always meant a lot to lululemon athletica. Our stores choose **ambassadors** that embody the lululemon lifestyle and culture from their local communities to become involved with local community programs and store events. All lululemon locations hold events and classes that are unique to their neighbourhood. Find your **local lululemon** now to see what's going on!

lululemon in the community

If you don't live near a lululemon location, check our list of **strategic sales dealers** to find yoga and pilates studios that carry our products. Are you part of a sports team looking for team uniforms? Learn more about our **team wear** program. We also have a **lululemon research and development team** for athletes to provide feedback on our products.

lululemon ambassadors

The lululemon ambassador program is extended to unique individuals in our store communities who embody the lululemon lifestyle and live our culture. We value their community involvement and dedication to their area of expertise. Meet our **lululemon ambassadors** or fill out an **ambassador application**!

community legacies

Our legacies program creates change through grassroots & company actions. [Learn more >>](#)

lululemon ambassadors

Are you an athlete involved in your local community? **Yes, that's me! >>**

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Online Community Strategy

- ❑ Create online community through social media
- ❑ Social media integrated onto lululemon.com -
 - ❑ lululemon blog, Facebook, Twitter, flickr
- ❑ Use of tools to develop brand enthusiasts & build loyalty
- ❑ Real-time conversation with our guests
 - ❑ Product feedback
 - ❑ Resolution of issues
 - ❑ Transparency into culture



“Creating components for people to live longer, healthier and more fun lives”



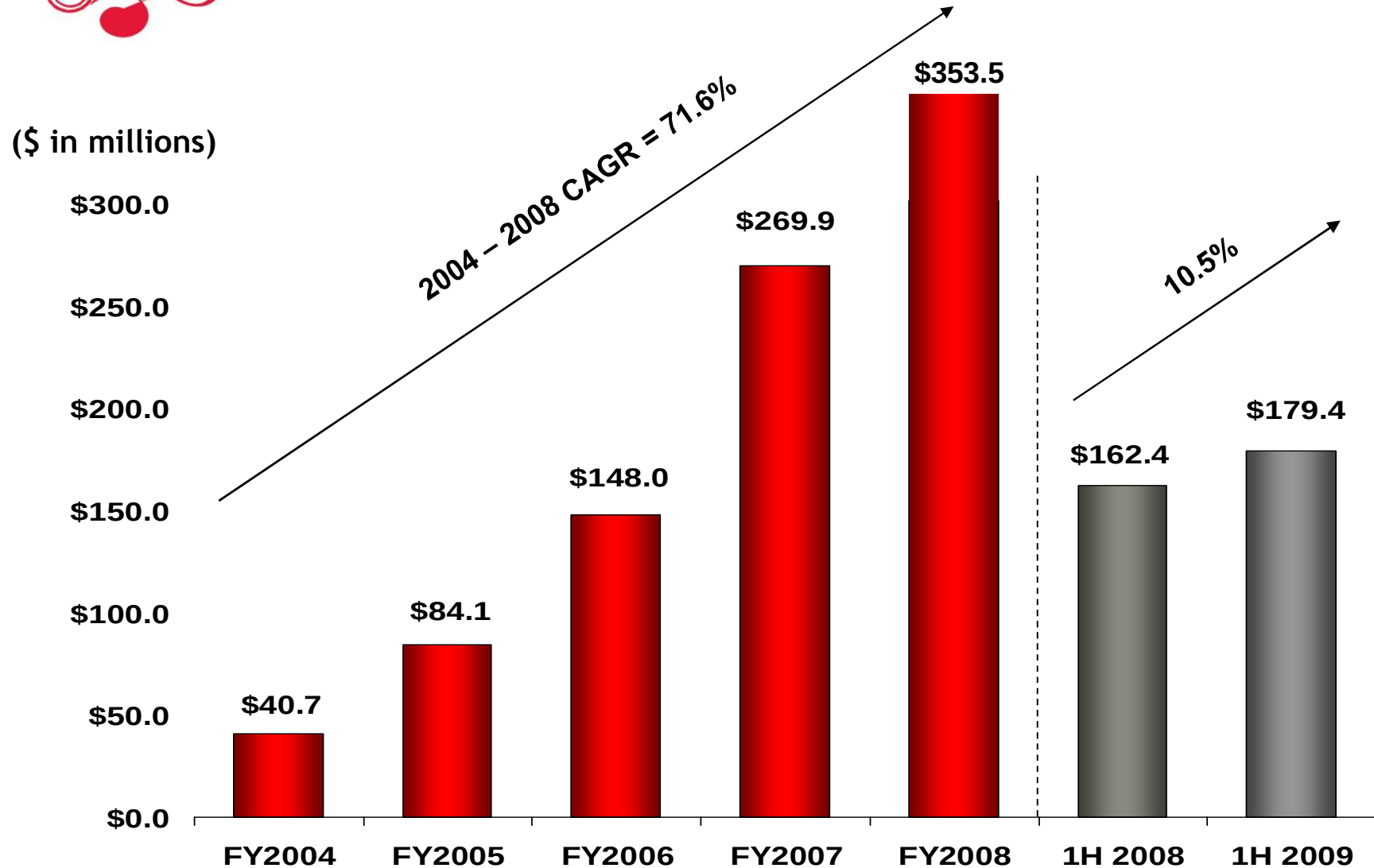
Financial Overview

John Currie, CFO





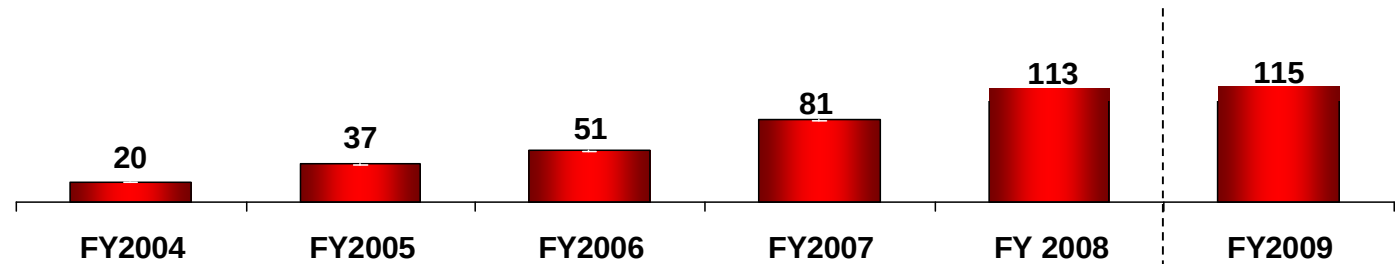
Net Revenue Growth



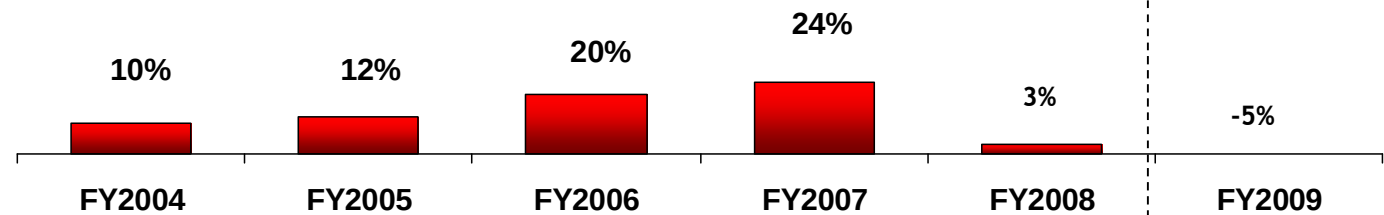


Revenue Drivers

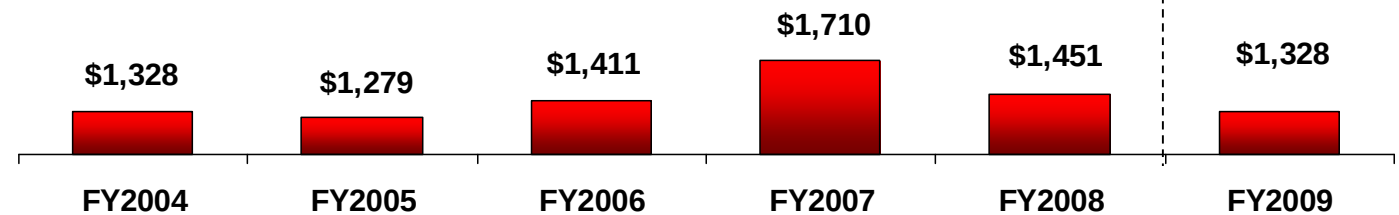
**Number
of
Stores**



**Comp
Store
Sales⁽¹⁾**



**Sales Per
Square
Foot⁽¹⁾⁽²⁾**



- (1) Corporate-owned stores only; red box represents constant dollar comps; total shaded area represents comps at actual USD
 (2) Sales Per Square Foot represents LTM performance.



Summary Income Statement

USD (in millions)	FY 2008	
Revenue	\$353.5	100.0%
Gross Profit	179.1	50.7%
Operating Expenses:		
Selling, General & Administrative	118.1	33.4%
Other Items ⁽¹⁾	4.4	
Income from Operations	56.6	16.0%
Other Income	0.8	
Provision for Tax	(16.9)	
Net Income from continuing operations	\$40.5	
Net loss from discontinued operations	(1.1)	
Net Income	\$39.4	
Diluted EPS	\$0.55	

(1) - Other Items relates to real estate impairment provision



Macro Economy Impact on Margin Profile

		<u>Q1 2009</u>	<u>Q2 2009</u>	
Gross Margin				
	Occupancy & Depreciation	- 440bp	- 140bp	Recover with return to higher sales volumes, lower new store costs
	 Pricing strategies	- 200bp	- 200bp	Recover by 2010 with volume discounts, sell through of low priced yoga mats
	 Currency FX	- 320bp	- 260bp	Cdn \$ has recovered 50% of decline
Operating Margin				
	Currency FX	330bp	200bp	Cdn \$ has recovered 50% of decline



Minimum New Store Economics

			Recession Impact	Response
Targeted Sales Contribution	Sales PSF	\$750		More selective in choosing locations
	Gross Square Footage	2,750		
	Sales	\$2,062,500		
Estimated Investment	Build-out costs	\$600,000-\$700,000		Reduced to <\$200 psf
	Pre-opening Costs	150,000		
	Initial Inventory	150,000		
	Total Investment	\$900,000		
Required Payback		18 Months		Lower rent for best locations Improved labor management



Strong Balance Sheet

(\$ in millions)

As of Aug 2, 2009

Cash and Cash Equivalents	\$83.8
Working Capital ¹	\$23.9
PPE, net	\$61.3
Total Assets	\$225.8
Long-Term Debt	\$0.0
Total Stockholders' Equity	\$177.1

(1) Current Assets less Current Liabilities (excluding cash and cash equivalents)



Q3 Earnings Guidance

Q3 2009

Guidance

Net Revenue	\$95 million to \$100 million
New Stores	4
Comp Store Sales	Flat to 2008
Tax Rate	35%
EPS	\$0.11 to \$0.13

Annual

New Stores	7
Capex	\$15 million

DRINK FRESH WATER AND AS MUCH WATER AS YOU CAN. WATER FLUSHES UNWANTED TOXINS FROM YOUR BODY AND KEEPS YOUR BRAIN SHARP.

Practice yoga so you can remain active in physical sports as you age.

No one thing
can scare
you.

Yulemon athletica
ates components for
ple to live longer,
althier and more
n lives. If we can
duce products to
ep people active and
ess-free, we believe
e world will become
much better place.

The conscious brain can only hold one thought at a time. **Choose a positive thought.**

Successful people replace the words 'wish' 'should' and 'try' with **'I WILL'.**

Nature wants us to be mediocre because we have a greater chance to survive and reproduce. Mediocrity is as close to the bottom as it is to the top, and will give you a lousy life.

YOUR OUTLOOK ON LIFE IS A DIRECT REFLECTION OF HOW MUCH YOU LIKE YOURSELF.

Jealousy works the opposite way you want it to.

Life is full of setbacks. Success is determined by how you handle setbacks.

WHAT WE DO TO THE EARTH WE DO OURSELVES.

A DAILY HIT OF ATHLETIC-INDUCED ENDORPHINS GIVES YOU THE POWER TO MAKE BETTER DECISIONS, HELPS YOU BE AT PEACE WITH YOURSELF AND OFFSETS STRESS.

NAMASTE

That which matters the most should never give way to that which matters the least.

STRESS IS RELATED TO 99% OF ALL ILLNESS.

Friends are more important than money.



Creativity is maximized when you're living in the moment.