



Q2 Fiscal 2025 Earnings Commentary

The financial measures discussed below include both GAAP and adjusted non-GAAP financial measures. 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 measures that are most directly comparable to the non-GAAP financial measures, and the related reconciliation between these financial measures.

This earnings commentary should be read in conjunction with our quarterly report on Form 10-Q filed with the Securities and Exchange Commission ("SEC") on, or about, September 4, 2025 and our annual report on Form 10-K filed with the SEC on March 27, 2025. These reports are available at www.sec.gov.

The below narrative compares the second quarter of fiscal 2025 to the second quarter of fiscal 2024, unless otherwise noted.

Sales

- **Total net revenue** increased 7%, or 6% on a constant dollar basis. Total net revenue was \$2.5 billion in Q2 2025 compared to \$2.4 billion in Q2 2024. Global comparable sales increased 1%. The increase in net revenue was primarily due to increased China Mainland and Rest of World net revenue. Americas net revenue also increased.
- **Americas net revenue** increased 1%. Comparable sales decreased 4%, or 3% on a constant dollar basis. Americas net revenue was \$1.8 billion, or 70% of total net revenue, compared to \$1.7 billion, or 73% of total net revenue, in Q2 2024.
- **China Mainland net revenue** increased 25%, or 24% on a constant dollar basis. Comparable sales increased 17%, or 16% on a constant dollar basis. China Mainland net revenue was \$392.9 million, or 16% of total net revenue, compared to \$314.2 million, or 13% of total net revenue, in Q2 2024.
- **Rest of World net revenue** increased 19%, or 15% on a constant dollar basis. Comparable sales increased 12%, or 9% on a constant dollar basis. Rest of World net revenue was \$374.1 million, or 15% of total net revenue, compared to \$315.5 million, or 13% of total net revenue, in Q2 2024.

Store Count

- **New company-operated stores:** We opened five net new stores in the Americas, five new stores in China Mainland, and four new stores in Rest of World in Q2 2025.
- **Total company-operated stores:** At the end of Q2 2025, we had 784 total company-operated stores compared to 721 at the end of Q2 2024.

Gross Profit

- **Gross profit** was \$1.5 billion, or 58.5% of net revenue, compared to \$1.4 billion, or 59.6% of net revenue, in Q2 2024. Gross margin decreased 110 basis points compared to Q2 2024. The decrease in gross margin was primarily the result of a net decrease in product margin of 70 basis points, comprised of:
 - a net decrease of 80 basis points from higher markdowns, tariffs, and other costs, partially offset by higher pricing and lower product costs; and
 - a favorable impact of foreign currency exchange rates of 10 basis points.

The decrease in gross margin was also due to a net increase in fixed costs as a percentage of net revenue of 40 basis points.



Selling, General and Administrative Expenses

- **SG&A expenses** were \$951.7 million, or 37.7% of net revenue, compared to \$872.0 million, or 36.8% of net revenue, in Q2 2024. The deleverage of 90 basis points was driven by 110 basis points of deleverage from our operating channel costs and 40 basis points of deleverage from depreciation and amortization, partially offset by 60 basis points of leverage from corporate SG&A expenses driven by a reversal of stock-based compensation expense.

Operating Income

- **Operating income** was \$523.8 million, or 20.7% of net revenue, compared to \$540.2 million, or 22.8% of net revenue, in Q2 2024.

Other Income (Expense), Net

- **Other income (expense), net** decreased \$8.3 million to \$9.7 million from \$18.0 million in Q2 2024 primarily due to a decrease in interest income as a result of lower average cash balances and lower interest rates.

Income Tax Expense

- **Income tax expense** was \$162.6 million compared to \$165.3 million in Q2 2024 and the effective tax rate was 30.5%, compared to 29.6% in Q2 2024.

Net Income

- **Net income** was \$370.9 million, or \$3.10 per diluted share, compared to \$3.15 per diluted share in Q2 2024.

Share Count

- Our diluted share count for the quarter was 119.7 million compared to 124.9 million in Q2 2024.
- In Q2 2025, we repurchased 1.1 million of our shares for a cost of \$278.5 million.

Capital Expenditures

- **Capital expenditures** were \$177.9 million in Q2 2025 compared to \$145.1 million in Q2 2024. The increase in capital expenditures was primarily related to the timing of new store openings.

Balance Sheet Highlights

- **Cash and cash equivalents** were \$1.2 billion at the end of Q2 2025 and the available capacity under our committed revolving credit facility was \$393.2 million.
- **Inventories** increased 21% to \$1.7 billion at the end of Q2 2025 compared to \$1.4 billion at the end of Q2 2024. On a unit basis, inventories increased 13%.



Forward-Looking Statements and Non-GAAP Reconciliations

Forward-Looking Statements:

This supplemental disclosure 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; our highly competitive market and increasing competition; our ability to anticipate consumer preferences and successfully develop and introduce new, innovative and differentiated products; the acceptability of our products to guests; increasing costs and decreasing selling prices; our ability to accurately forecast guest demand for our products; our ability to expand in light of our limited operating experience and limited brand recognition in new international markets and new product categories; our ability to manage our growth and the increased complexity of our business effectively; changes in consumer shopping preferences and shifts in distribution channels; our leasing of retail and distribution space; our ability to attract, manage, and retain highly qualified individuals; seasonality; our ability to safeguard against security breaches with respect to our technology systems; our compliance with privacy and data protection laws; any material disruption of our information systems; our ability to have technology-based systems function effectively and grow our e-commerce business globally; changes to U.S. tariff and customs policy, including the elimination of the de minimis exemption; macroeconomic volatility, inflationary pressures, and shifts in consumer sentiment; global political and economic instability and related trade actions; changes to tariffs, customs rules, and other trade restrictions; changes in tax laws or unanticipated tax liabilities; its ability to comply with trade and other regulations; fluctuations in foreign currency exchange rates; global or regional health events such as the COVID-19 pandemic and related government, private sector, and individual consumer responsive actions; disruptions of our supply chain; our reliance on a relatively small number of vendors to supply and manufacture a significant portion of our products; suppliers or manufacturers not complying with our Vendor Code of Ethics or applicable laws; fluctuating costs of raw materials; our ability to deliver our products to the market and to meet guest expectations if we have problems with our distribution system; increasing labor costs and other factors associated with the production of our products in South Asia and South East Asia; imitation by our competitors; our ability to protect our intellectual property rights; conflicting trademarks and patents and the prevention of sale of certain products; climate change and related pressures; heightened scrutiny and legal risks from competing pressures regarding ESG; our exposure to various types of litigation; 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

Constant dollar changes

The below changes show the change compared to the corresponding period in the prior year. Due to the 53rd week in 2024, the below changes in comparable sales are calculated on a one-week shifted basis such that the 13 weeks ended August 3, 2025 is compared to the 13 weeks ended August 4, 2024 rather than July 28, 2024.

Net Revenue	Second Quarter 2025		
	Change	Foreign exchange	Change in constant dollars
United States	— %	— %	— %
Canada	1	—	1
Mexico ⁽¹⁾	n/a	n/a	n/a
Americas	1	—	1
China Mainland	25	(1)	24
Rest of World	19	(4)	15
Total international	22	(2)	20
Total	7 %	(1)%	6 %

Comparable Sales ⁽²⁾	Second Quarter 2025		
	Change	Foreign exchange	Change in constant dollars
Americas	(4)%	1 %	(3)%
China Mainland	17	(1)	16
Rest of World	12	(3)	9
Total international	15	(2)	13
Total	1 %	— %	1 %

⁽¹⁾ On September 10, 2024, the Company acquired the lululemon branded retail locations and operations run by a third party in Mexico. Wholesale sales to the third party by lululemon athletica canada inc. prior to the acquisition are disclosed as net revenue recognized within Canada.

⁽²⁾ Comparable sales includes comparable company-operated store and e-commerce net revenue. Comparable company-operated stores have been open for at least 12 full fiscal months, or open for at least 12 full fiscal months after being significantly expanded. Comparable company-operated stores exclude stores which have been temporarily relocated for renovations or have been temporarily closed. Company-operated stores acquired as a result of the acquisition of the Mexico operations will be considered comparable beginning October 2025, after 12 full fiscal months of sales from the date of acquisition.