

lululemon athletica inc.
Form 10-Q
December 11, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended November 2, 2014

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission file number 001-33608

lululemon athletica inc.
(Exact name of registrant as specified in its charter)

| | |
|-------------------------------------------------------------------|-----------------------------------------|
| Delaware | 20-3842867 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|------------------------------------------|------------|
| 1818 Cornwall Avenue | V6J 1C7 |
| Vancouver, British Columbia | (Zip Code) |
| (Address of principal executive offices) | |

Registrant's telephone number, including area code:
604-732-6124

Former name, former address and former fiscal year, if changed since last report:
N/A

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|-------------------------|---------------------------------------------------------------------|---------------------------|-----------------------|
| Large accelerated filer | <input checked="" type="radio"/> | Accelerated filer | <input type="radio"/> |
| Non-accelerated filer | <input type="radio"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input type="radio"/> |

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At December 8, 2014, there were 132,159,928 shares of the registrant's common stock, par value \$0.005 per share, outstanding.

Exchangeable and Special Voting Shares:

At December 8, 2014, there were outstanding 9,832,541 exchangeable shares of Lulu Canadian Holding, Inc., a wholly-owned subsidiary of the registrant. Exchangeable shares are exchangeable for an equal number of shares of the registrant's common stock.

In addition, at December 8, 2014, the registrant had outstanding 9,832,541 shares of special voting stock, through which the holders of exchangeable shares of Lulu Canadian Holding, Inc. may exercise their voting rights with respect to the registrant. The special voting stock and the registrant's common stock generally vote together as a single class on all matters on which the common stock is entitled to vote.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

lululemon athletica inc.

CONSOLIDATED BALANCE SHEETS

(Unaudited; Amounts in thousands, except per share amounts)

| | November 2, 2014 | February 2, 2014 |
|---------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$633,582 | \$698,649 |
| Accounts receivable | 10,719 | 11,903 |
| Inventories | 229,861 | 188,790 |
| Prepaid expenses and other current assets | 70,495 | 46,197 |
| | 944,657 | 945,539 |
| Property and equipment, net | 301,841 | 255,603 |
| Goodwill and intangible assets, net | 27,458 | 28,201 |
| Deferred income tax asset | 4,798 | 18,300 |
| Other non-current assets | 5,733 | 4,745 |
| | \$1,284,487 | \$1,252,388 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$9,545 | \$12,647 |
| Accrued inventory purchases | 42,484 | 15,415 |
| Other accrued liabilities | 31,448 | 29,595 |
| Accrued compensation and related expenses | 33,141 | 19,445 |
| Income taxes payable | 3,116 | 769 |
| Unredeemed gift card liability | 28,016 | 38,343 |
| | 147,750 | 116,214 |
| Deferred income tax liability | 11,376 | 3,977 |
| Other non-current liabilities | 40,100 | 35,515 |
| | 199,226 | 155,706 |
| Stockholders' equity | | |
| Undesignated preferred stock, \$0.01 par value, 5,000 shares authorized, none issued and outstanding | — | — |
| Exchangeable stock, no par value, 60,000 shares authorized, issued and outstanding 9,833 and 29,955 | — | — |
| Special voting stock, \$0.000005 par value, 60,000 shares authorized, issued and outstanding 9,833 and 29,955 | — | — |
| Common stock, \$0.005 par value, 400,000 shares authorized, issued and outstanding 132,478 and 115,342 | 662 | 577 |
| Additional paid-in capital | 239,500 | 240,351 |
| Retained earnings | 926,369 | 923,822 |
| Accumulated other comprehensive loss | (81,270) |) (68,068) |
| | 1,085,261 | 1,096,682 |
| | \$1,284,487 | \$1,252,388 |

See accompanying notes to the interim consolidated financial statements

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited; Amounts in thousands, except per share amounts)

| | Thirteen Weeks Ended November 2, 2014 | Thirteen Weeks Ended November 3, 2013 | Thirty-Nine Weeks Ended November 2, 2014 | Thirty-Nine Weeks Ended November 3, 2013 |
|----------------------------------------------|------------------------------------------------|------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Net revenue | \$419,396 | \$379,900 | \$1,194,722 | \$1,070,195 |
| Cost of goods sold | 208,308 | 175,294 | 590,583 | 508,909 |
| Gross profit | 211,088 | 204,606 | 604,139 | 561,286 |
| Selling, general and administrative expenses | 129,932 | 112,270 | 385,294 | 324,075 |
| Income from operations | 81,156 | 92,336 | 218,845 | 237,211 |
| Other income (expense), net | 1,814 | 1,453 | 5,347 | 4,249 |
| Income before provision for income taxes | 82,970 | 93,789 | 224,192 | 241,460 |
| Provision for income taxes | 22,519 | 27,678 | 96,012 | 71,605 |
| Net income | \$60,451 | \$66,111 | \$128,180 | \$169,855 |
| Basic earnings per share | \$0.42 | \$0.46 | | |