

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 October 30, 2022

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 , Vancouver , British Columbia V6J 1C7

(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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.005 per share	LULU	Nasdaq Global Select Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of December 2, 2022, there were 122,398,776 shares of the registrant's common stock, par value \$0.005 per share, outstanding.

Exchangeable and Special Voting Shares:

As of December 2, 2022, there were outstanding 5,115,961 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, as of December 2, 2022, the registrant had outstanding 5,115,961 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)

	October 30, 2022	January 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 352,624	\$ 1,259,871
Accounts receivable	96,179	77,001
Inventories	1,741,716	966,481
Prepaid and receivable income taxes	196,385	118,928
Prepaid expenses and other current assets	247,277	192,572
	2,634,181	2,614,853
Property and equipment, net	1,122,490	927,710
Right-of-use lease assets	946,687	803,543
Goodwill	386,515	386,880
Intangible assets, net	64,719	71,299
Deferred income tax assets	5,587	6,091
Other non-current assets	149,257	132,102
	\$ 5,309,436	\$ 4,942,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 300,870	\$ 289,728
Accrued liabilities and other	357,365	330,800
Accrued compensation and related expenses	184,122	204,921
Current lease liabilities	188,110	188,996
Current income taxes payable	80,947	133,852
Unredeemed gift card liability	171,659	208,195
Other current liabilities	39,762	48,842
	1,322,835	1,405,334
Non-current lease liabilities	850,373	692,056
Non-current income taxes payable	28,555	38,074
Deferred income tax liabilities	50,884	53,352
Other non-current liabilities	17,585	13,616
	2,270,232	2,202,432
Commitments and contingencies		
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; 5,203 and 5,203 issued and outstanding	—	—
Special voting stock, \$ 0.000005 par value: 60,000 shares authorized; 5,203 and 5,203 issued and outstanding	—	—
Common stock, \$ 0.005 par value: 400,000 shares authorized; 122,318 and 123,297 issued and outstanding	612	616
Additional paid-in capital	455,444	422,507
Retained earnings	2,874,955	2,512,840
Accumulated other comprehensive loss	(291,807)	(195,917)
	3,039,204	2,740,046
	\$ 5,309,436	\$ 4,942,478

See accompanying notes to the unaudited interim consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

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

	Quarter Ended		Three Quarters Ended	
	October 30, 2022	October 31, 2021	October 30, 2022	October 31, 2021
Net revenue	\$ 1,856,889	\$ 1,450,421	\$ 5,338,680	\$ 4,127,504
Cost of goods sold	818,037	621,028	2,373,959	1,755,111
Gross profit	1,038,852	829,393	2,964,721	2,372,393
Selling, general and administrative expenses	684,236	545,124	1,954,340	1,583,075
Amortization of intangible assets	2,189	2,195	6,579	6,585
Acquisition-related expenses	—	24,127	—	39,934
Gain on disposal of assets	—	—	(10,180)	—
Income from operations	352,427	257,947	1,013,982	742,799
Other income (expense), net	331	15	454	338
Income before income tax expense	352,758	257,962	1,014,436	743,137
Income tax expense	97,288	70,174	279,447	202,319
Net income	\$ 255,470	\$ 187,788	\$ 734,989	\$ 540,818
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	\$ (105,016)	\$ 17,481	\$ (122,149)	\$ 48,708
Net investment hedge gains (losses)	25,492	(7,207)	26,259	(18,318)
Other comprehensive income (loss), net of tax	\$ (79,524)	\$ 10,274	\$ (95,890)	\$ 30,390
Comprehensive income	\$ 175,946	\$ 198,062	\$ 639,099	\$ 571,208
Basic earnings per share	\$ 2.00	\$ 1.45	\$ 5.75	\$ 4.16
Diluted earnings per share	\$ 2.00	\$ 1.44	\$ 5.74	\$ 4.14
Basic weighted-average number of shares outstanding	127,511	129,684	127,736	130,019
Diluted weighted-average number of shares outstanding	127,820	130,189	128,089	130,557

See accompanying notes to the unaudited interim consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; Amounts in thousands)

	Quarter Ended October 30, 2022								
	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Shares	Par Value	Shares	Par Value				
Balance as of July 31, 2022	5,203	5,203	\$ —	122,334	\$ 612	\$ 433,092	\$ 2,636,377	\$ (212,283)	\$ 2,857,798
Net income							255,470		255,470
Other comprehensive income (loss), net of tax								(79,524)	(79,524)
Stock-based compensation expense						20,312			20,312
Common stock issued upon settlement of stock-based compensation				45	—	4,057			4,057
Shares withheld related to net share settlement of stock- based compensation				(6)	—	(1,917)			(1,917)
Repurchase of common stock				(55)	—	(100)	(16,892)		(16,992)
Balance as of October 30, 2022	5,203	5,203	\$ —	122,318	\$ 612	\$ 455,444	\$ 2,874,955	\$ (291,807)	\$ 3,039,204

	Quarter Ended October 31, 2021								
	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Shares	Par Value	Shares	Par Value				
Balance as of August 1, 2021	5,203	5,203	\$ —	124,644	\$ 623	\$ 381,737	\$ 2,445,845	\$ (157,039)	\$ 2,671,166
Net income							187,788		187,788
Other comprehensive income (loss), net of tax								10,274	10,274
Stock-based compensation expense						21,657			21,657
Common stock issued upon settlement of stock-based compensation				83	—	7,907			7,907
Shares withheld related to net share settlement of stock- based compensation				(9)	—	(3,914)			(3,914)
Repurchase of common stock				(583)	(2)	(974)	(235,447)		(236,423)
Balance as of October 31, 2021	5,203	5,203	\$ —	124,135	\$ 621	\$ 406,413	\$ 2,398,186	\$ (146,765)	\$ 2,658,455

	Three Quarters Ended October 30, 2022								
	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Shares	Par Value	Shares	Par Value				
Balance as of January 30, 2022	5,203	5,203	\$ —	123,297	\$ 616	\$ 422,507	\$ 2,512,840	\$ (195,917)	\$ 2,740,046
Net income							734,989		734,989
Other comprehensive income (loss), net of tax								(95,890)	(95,890)
Stock-based compensation expense						59,487			59,487
Common stock issued upon settlement of stock-based compensation				308	2	10,241			10,243
Shares withheld related to net share settlement of stock-based compensation				(104)	—	(34,695)			(34,695)
Repurchase of common stock				(1,183)	(6)	(2,096)	(372,874)		(374,976)
Balance as of October 30, 2022	5,203	5,203	\$ —	122,318	\$ 612	\$ 455,444	\$ 2,874,955	\$ (291,807)	\$ 3,039,204

	Three Quarters Ended October 31, 2021								
	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Shares	Par Value	Shares	Par Value				
Balance as of January 31, 2021	5,203	5,203	\$ —	125,150	\$ 626	\$ 388,667	\$ 2,346,428	\$ (177,155)	\$ 2,558,566
Net income							540,818		540,818
Other comprehensive income (loss), net of tax								30,390	30,390
Stock-based compensation expense						51,878			51,878
Common stock issued upon settlement of stock-based compensation				495	2	17,618			17,620
Shares withheld related to net share settlement of stock-based compensation				(152)	(1)	(49,480)			(49,481)
Repurchase of common stock				(1,358)	(6)	(2,270)	(489,060)		(491,336)
Balance as of October 31, 2021	5,203	5,203	\$ —	124,135	\$ 621	\$ 406,413	\$ 2,398,186	\$ (146,765)	\$ 2,658,455

See accompanying notes to the unaudited interim consolidated financial statements

lululemon athletica inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; Amounts in thousands)

	Three Quarters Ended	
	October 30, 2022	October 31, 2021
Cash flows from operating activities		
Net income	\$ 734,989	\$ 540,818
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	211,629	162,086
Gain on disposal of assets	(10,180)	—
Stock-based compensation expense	59,487	51,878
Settlement of derivatives not designated in a hedging relationship	(19,202)	30,427
Changes in operating assets and liabilities:		
Inventories	(832,024)	(288,821)
Prepaid and receivable income taxes	(77,458)	(883)
Prepaid expenses and other current assets	(90,512)	(43,395)
Other non-current assets	(25,725)	(8,792)
Accounts payable	26,537	50,903
Accrued liabilities and other	31,767	87,879
Accrued compensation and related expenses	(13,694)	50,437
Current and non-current income taxes payable	(54,354)	29,862
Unredeemed gift card liability	(33,481)	(18,969)
Right-of-use lease assets and current and non-current lease liabilities	15,285	6,318
Other current and non-current liabilities	(2,865)	8,376
Net cash provided by (used in) operating activities	(79,801)	658,124
Cash flows from investing activities		
Purchase of property and equipment	(431,677)	(266,991)
Settlement of net investment hedges	29,158	(36,447)
Other investing activities	15,657	(10,000)
Net cash used in investing activities	(386,862)	(313,438)
Cash flows from financing activities		
Proceeds from settlement of stock-based compensation	10,243	17,620
Shares withheld related to net share settlement of stock-based compensation	(34,695)	(49,481)
Repurchase of common stock	(374,976)	(491,336)
Net cash used in financing activities	(399,428)	(523,197)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(41,156)	21,585
Increase (decrease) in cash and cash equivalents	(907,247)	(156,926)
Cash and cash equivalents, beginning of period	\$ 1,259,871	\$ 1,150,517
Cash and cash equivalents, end of period	\$ 352,624	\$ 993,591

See accompanying notes to the unaudited interim consolidated financial statements

lululemon athletica inc.
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STATEMENTS**

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lululemon athletica inc.
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

Note 1. Nature of Operations and Basis of Presentation

Nature of operations

lululemon athletica inc., a Delaware corporation, ("lululemon" and, together with its subsidiaries unless the context otherwise requires, the "Company") is engaged in the design, distribution, and retail of technical athletic apparel, footwear, and accessories, which are sold through a chain of company-operated stores, direct to consumer through e-commerce, outlets, sales from temporary locations, sales to wholesale accounts, license and supply arrangements, and recommerce. Recommerce is the sale of repurchased product via the Company's "Like New" program. The Company operates stores in the United States, the People's Republic of China ("PRC"), Canada, Australia, the United Kingdom, South Korea, Germany, New Zealand, Singapore, Japan, Ireland, France, Malaysia, Spain, Sweden, the Netherlands, Norway, and Switzerland. There were 623 and 574 company-operated stores as of October 30, 2022 and January 30, 2022, respectively. The Company also engages in the design and retail of in-home connected fitness equipment and associated content subscriptions through lululemon Studio, which evolved from the Company's former MIRROR brand during the third quarter of fiscal 2022.

Basis of presentation

The unaudited interim consolidated financial statements as of October 30, 2022 and for the quarters and three quarters ended October 30, 2022 and October 31, 2021 are presented in U.S. dollars and have been prepared by the Company under the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial information is presented in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and, accordingly, does not include all of the information and footnotes required by GAAP for complete financial statements. The financial information as of January 30, 2022 is derived from the Company's audited consolidated financial statements and related notes for the fiscal year ended January 30, 2022, which are included in Item 8 in the Company's fiscal 2021 Annual Report on Form 10-K filed with the SEC on March 29, 2022. These unaudited interim consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. These unaudited interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and related notes included in Item 8 in the Company's fiscal 2021 Annual Report on Form 10-K. Note 2. Recent Accounting Pronouncements sets out the impact of recent accounting pronouncements.

The Company's fiscal year ends on the Sunday closest to January 31 of the following year, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. Fiscal 2022 will end on January 29, 2023 and will be a 52-week year. Fiscal 2021 was a 52-week year and ended on January 30, 2022. Fiscal 2022 and fiscal 2021 are referred to as "2022," and "2021," respectively. The first three quarters of 2022 and 2021 ended on October 30, 2022 and October 31, 2021, respectively.

The Company's business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its operating profit in the fourth fiscal quarter of each year as a result of increased net revenue during the holiday season.

Note 2. Recent Accounting Pronouncements

Recently adopted accounting pronouncements

The Company considers the applicability and impact of all Accounting Standard Updates ("ASUs"). ASUs adopted by the Company during the first three quarters of 2022 not listed below were assessed, and determined to be either not applicable or are expected to have minimal impact on its consolidated financial position or results of operations.

In November 2021, the FASB issued ASC 832, Government Assistance to require annual disclosures about the nature of certain government assistance received, the accounting policy used to account for the transactions, the location in the financial statements where such transactions were recorded and significant terms and conditions associated with such transactions. The Company adopted this update prospectively during the first quarter of 2022 and it did not have a material impact on the Company's consolidated financial statements.

Recently issued accounting pronouncements

ASUs recently issued not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on its consolidated financial position or results of operations.

In September 2022, the FASB issued ASC 405-50, Liabilities - Supplier Finance Programs, to require annual and interim disclosures about the key terms of supplier finance programs used in connection with the purchase of goods and services along with information about the obligations under these programs, including the amount outstanding at the end of each reporting period and a rollforward of those obligations. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods in those fiscal years, with early adoption permitted. The Company is currently evaluating the impact that this new guidance may have on its consolidated financial statements.

Note 3. Acquisition-Related Expenses

On July 7, 2020, the Company acquired all of the outstanding shares of MIRROR, an in-home fitness company with an interactive workout platform that features live and on-demand classes. In connection with the acquisition, the Company recognized certain acquisition-related expenses which were expensed within acquisition-related expenses in the consolidated statements of operations. The third quarter of 2021 included accelerated compensation expense related to the transition of the former MIRROR Chief Executive Officer to a temporary advisory role with the Company. The following table summarizes the acquisition-related expenses recognized:

	Third Quarter		First Three Quarters	
	2022	2021	2022	2021
(In thousands)				
Acquisition-related expenses:				
Transaction and integration costs	\$ —	\$ 328	\$ —	\$ 1,859
Acquisition-related compensation	—	23,799	—	38,075
	\$ —	\$ 24,127	\$ —	\$ 39,934
Income tax effects of acquisition-related expenses	\$ —	\$ (611)	\$ —	\$ (1,417)

Note 4. Gain on Disposal of Assets

During the second quarter of 2022, the Company completed the sale of an administrative office building, which resulted in a pre-tax gain of \$ 10.2 million. The income tax effect of the gain on disposal of assets was an expense of \$ 1.7 million. The building's carrying value of \$ 5.4 million was first classified as held for sale and recognized within other current assets as of May 1, 2022 .

Note 5. Revolving Credit Facilities

North America revolving credit facility

On December 14, 2021, the Company entered into an amended and restated credit agreement extending its existing credit facility, which provides for \$ 400.0 million in commitments under an unsecured five-year revolving credit facility. The credit facility has a maturity date of December 14, 2026, subject to extension under certain circumstances. Borrowings under the credit facility may be prepaid and commitments may be reduced or terminated without premium or penalty (other than customary breakage costs).

As of October 30, 2022, aside from letters of credit of \$ 5.2 million, the Company had no other borrowings outstanding under this credit facility.

Borrowings made under the credit facility bear interest at a rate per annum equal to, at the Company's option, either (a) a rate based on the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York ("SOFR"), or (b) an alternate base rate, plus, in each case, an applicable margin. The applicable margin is determined by reference to a pricing grid, based on the ratio of indebtedness to earnings before interest, tax, depreciation, amortization, and rent ("EBITDAR") and ranges between 1.000 %- 1.375 % for SOFR loans and 0.000 %- 0.375 % for alternate base rate or Canadian prime rate loans. Additionally, a commitment fee of between 0.100 %- 0.200 %, also determined by reference to the pricing grid, is payable on the average daily unused amounts under the credit facility.

The applicable interest rates and commitment fees are subject to adjustment based on certain sustainability key performance indicators ("KPIs"). The two KPIs are based on greenhouse gas emissions intensity reduction and gender pay equity, and the Company's performance against certain targets measured on an annual basis could result in positive or negative sustainability rate adjustments of 2.50 basis points to its drawn pricing and positive or negative sustainability fee adjustments of 0.50 basis points to its undrawn pricing.

The credit agreement contains negative covenants that, among other things and subject to certain exceptions, limit the ability of the Company's subsidiaries to incur indebtedness, incur liens, undergo fundamental changes, make dispositions of all or substantially all of their assets, alter their businesses and enter into agreements limiting subsidiary dividends and distributions.

The Company's financial covenants include maintaining an operating lease adjusted leverage ratio of not greater than 3.25 :1.00 and the ratio of consolidated EBITDAR to consolidated interest charges (plus rent) of not less than 2.00 :1.00. The credit agreement also contains certain customary representations, warranties, affirmative covenants, and events of default (including, among others, an event of default upon the occurrence of a change of control). If an event of default occurs, the credit agreement may be terminated, and the maturity of any outstanding amounts may be accelerated. As of October 30, 2022, the Company was in compliance with the covenants of the credit facility.

China Mainland revolving credit facility

In December 2019, the Company entered into an uncommitted and unsecured 130.0 million Chinese Yuan (\$ 18.1 million) revolving credit facility with terms that are reviewed on an annual basis. The credit facility was increased to 230.0 million Chinese Yuan (\$ 32.1 million) during 2020. It is comprised of a revolving loan of up to 200.0 million Chinese Yuan (\$ 27.9 million) and a financial guarantee facility of up to 30.0 million Chinese Yuan (\$ 4.2 million), or its equivalent in another currency. Loans are available for a period not to exceed 12 months, at an interest rate equal to the loan prime rate plus a spread of 0.5175 %. The Company is required to follow certain covenants. As of October 30, 2022, the Company was in compliance with the covenants and, aside from letters of credit of 11.7 million Chinese Yuan (\$ 1.6 million), there were no other borrowings or guarantees outstanding under this credit facility.

Note 6. Stock-Based Compensation and Benefit Plans

Stock-based compensation plans

The Company's eligible employees participate in various stock-based compensation plans, provided directly by the Company.

Stock-based compensation expense charged to income for the plans was \$ 58.8 million and \$ 49.6 million for the first three quarters of 2022 and 2021, respectively. Total unrecognized compensation cost for all stock-based compensation plans was \$ 132.8 million as of October 30, 2022, which is expected to be recognized over a weighted-average period of 2.2 years.

A summary of the balances of the Company's stock-based compensation plans as of October 30, 2022, and changes during the first three quarters then ended, is presented below:

	Stock Options		Performance-Based Restricted Stock Units		Restricted Shares		Restricted Stock Units	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value
<i>(In thousands, except per share amounts)</i>								
Balance as of January 30, 2022	789	\$ 186.10	167	\$ 225.27	4	\$ 326.70	238	\$ 265.90
Granted	188	371.92	117	274.63	4	307.77	105	369.91
Exercised/released	82	126.13	114	170.04	4	326.70	108	237.88
Forfeited/expired	20	282.29	4	304.22	—	—	13	313.90
Balance as of October 30, 2022	875	\$ 229.53	166	\$ 295.93	4	\$ 307.77	222	\$ 325.95
Exercisable as of October 30, 2022	403	\$ 155.62						

The Company's performance-based restricted stock units are awarded to eligible employees and entitle the grantee to receive a maximum of two shares of common stock per performance-based restricted stock unit if the Company achieves specified performance goals and the grantee remains employed during the vesting period. The fair value of performance-based restricted stock units is based on the closing price of the Company's common stock on the grant date. Expense for performance-based restricted stock units is recognized when it is probable that the performance goal will be achieved.

The grant date fair value of the restricted shares and restricted stock units is based on the closing price of the Company's common stock on the grant date.

The grant date fair value of each stock option granted is estimated on the date of grant using the Black-Scholes model. The closing price of the Company's common stock on the grant date is used in the model. The assumptions used to calculate the fair value of the options granted are evaluated and revised, as necessary, to reflect market conditions and the Company's historical experience. The expected term of the options is based upon the historical experience of similar awards, giving consideration to expectations of future employee exercise behavior. Expected volatility is based upon the historical volatility of the Company's common stock for the period corresponding with the expected term of the options. The risk-free interest rate is based on the U.S. Treasury yield curve for the period corresponding with the expected term of the options. The following are weighted averages of the assumptions that were used in calculating the fair value of stock options granted during the first three quarters of 2022:

	First Three Quarters
	2022
Expected term	3.75 years
Expected volatility	40.00 %
Risk-free interest rate	2.51 %
Dividend yield	— %

Employee share purchase plan

The Company's board of directors and stockholders approved the Company's Employee Share Purchase Plan ("ESPP") in September 2007. Contributions are made by eligible employees, subject to certain limits defined in the ESPP, and the Company matches one-third of the contribution. The maximum number of shares authorized to be purchased under the ESPP is 6.0 million shares. All shares purchased under the ESPP are purchased in the open market. During the third quarter of 2022, there were 25.6 thousand shares purchased.

Defined contribution pension plans

The Company offers defined contribution pension plans to its eligible employees. Participating employees may elect to defer and contribute a portion of their eligible compensation to a plan up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws. The Company matches 50 % to 75 % of the contribution depending on the participant's length of service, and the contribution is subject to a two year vesting period. The Company's net expense for the defined contribution plans was \$ 10.1 million and \$ 8.8 million in the first three quarters of 2022 and 2021, respectively.

Note 7. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are made using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value:

- Level 1 - defined as observable inputs such as quoted prices in active markets;
- Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3 - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis

The fair value measurement is categorized in its entirety by reference to its lowest level of significant input. As of October 30, 2022 and January 30, 2022, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis:

	October 30, 2022	Level 1	Level 2	Level 3	Balance Sheet Classification
<i>(In thousands)</i>					
Money market funds	\$ 19,600	\$ 19,600	\$ —	\$ —	Cash and cash equivalents
Term deposits	8	—	8	—	Cash and cash equivalents
Forward currency contract assets	46,813	—	46,813	—	Prepaid expenses and other current assets
Forward currency contract liabilities	24,857	—	24,857	—	Other current liabilities

	January 30, 2022	Level 1	Level 2	Level 3	Balance Sheet Classification
<i>(In thousands)</i>					
Money market funds	\$ 38,475	\$ 38,475	\$ —	\$ —	Cash and cash equivalents
Term deposits	318,698	—	318,698	—	Cash and cash equivalents
Forward currency contract assets	19,077	—	19,077	—	Prepaid expenses and other current assets
Forward currency contract liabilities	18,985	—	18,985	—	Other current liabilities

The Company records cash, accounts receivable, accounts payable, and accrued liabilities at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities.

The Company has short-term, highly liquid investments classified as cash equivalents, which are invested in money market funds and term deposits. The Company records cash equivalents at their original purchase prices plus interest that has accrued at the stated rate.

The fair values of the forward currency contract assets and liabilities are determined using observable Level 2 inputs, including foreign currency spot exchange rates, forward pricing curves, and interest rates. The fair values consider the credit risk of the Company and its counterparties. The Company's Master International Swap Dealers Association, Inc., Agreements and other similar arrangements allow net settlements under certain conditions. However, the Company records all derivatives on its consolidated balance sheets at fair value and does not offset derivative assets and liabilities.

Note 8. Derivative Financial Instruments

Foreign currency exchange risk

The Company is exposed to risks associated with changes in foreign currency exchange rates and uses derivative financial instruments to manage its exposure to certain of these foreign currency exchange rate risks. The Company does not enter into derivative contracts for speculative or trading purposes.

The Company currently hedges against changes in the Canadian dollar and Chinese Yuan to the U.S. dollar exchange rate and changes in the Euro and Australian dollar to the Canadian dollar exchange rate using forward currency contracts.

Net investment hedges

The Company is exposed to foreign currency exchange gains and losses which arise on translation of its international subsidiaries' balance sheets into U.S. dollars. These gains and losses are recorded as other comprehensive income (loss), net of tax in accumulated other comprehensive income or loss within stockholders' equity.

The Company holds a significant portion of its assets in Canada and enters into forward currency contracts designed to hedge a portion of the foreign currency exposure that arises on translation of a Canadian subsidiary into U.S. dollars. These forward currency contracts are designated as net investment hedges. The Company assesses hedge effectiveness based on

changes in forward rates. The Company recorded no ineffectiveness from net investment hedges during the first three quarters of 2022.

The Company classifies the cash flows at settlement of its net investment hedges within investing activities in the consolidated statements of cash flows.

Derivatives not designated as hedging instruments

The Company is exposed to gains and losses arising from changes in foreign currency exchange rates associated with transactions which are undertaken by its subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases. These transactions result in the recognition of certain foreign currency denominated monetary assets and liabilities which are remeasured to the quarter-end or settlement date foreign currency exchange rate. The resulting foreign currency gains and losses are recorded in selling, general and administrative expenses.

During the first three quarters of 2022, the Company entered into certain forward currency contracts designed to economically hedge the foreign currency exchange revaluation gains and losses that are recognized by its Canadian and Chinese subsidiaries on specific monetary assets and liabilities denominated in currencies other than the functional currency of the entity. The Company has not applied hedge accounting to these instruments and the change in fair value of these derivatives is recorded within selling, general and administrative expenses.

The Company classifies the cash flows at settlement of its forward currency contracts which are not designated in hedging relationships within operating activities in the consolidated statements of cash flows.

Quantitative disclosures about derivative financial instruments

The Company presents its derivative assets and derivative liabilities at their gross fair values within prepaid expenses and other current assets and other current liabilities on the consolidated balance sheets. However, the Company's Master International Swap Dealers Association, Inc., Agreements and other similar arrangements allow net settlements under certain conditions. As of October 30, 2022, there were derivative assets of \$ 46.8 million and derivative liabilities of \$ 24.9 million subject to enforceable netting arrangements.

The notional amounts and fair values of forward currency contracts were as follows:

	October 30, 2022			January 30, 2022		
	Gross Notional	Assets	Liabilities	Gross Notional	Assets	Liabilities
<i>(In thousands)</i>						
Derivatives designated as net investment hedges:						
Forward currency contracts	\$ 710,000	\$ 24,868	\$ —	\$ 1,502,000	\$ 18,468	\$ —
Derivatives not designated in a hedging relationship:						
Forward currency contracts	1,177,116	21,945	24,857	1,597,878	609	18,985
Net derivatives recognized on consolidated balance sheets:						
Forward currency contracts		\$ 46,813	\$ 24,857		\$ 19,077	\$ 18,985

The forward currency contracts designated as net investment hedges outstanding as of October 30, 2022 mature on different dates between November 2022 and August 2023.

The forward currency contracts not designated in a hedging relationship outstanding as of October 30, 2022 mature on different dates between November 2022 and May 2023.

The pre-tax gains and losses on foreign currency exchange forward contracts recorded in accumulated other comprehensive income or loss were as follows:

	Third Quarter		First Three Quarters	
	2022	2021	2022	2021
<i>(In thousands)</i>				
Gains (losses) recognized in net investment hedge gains (losses):				
Derivatives designated as net investment hedges	\$ 34,519	\$ (9,766)	\$ 35,558	\$ (24,822)

No gains or losses have been reclassified from accumulated other comprehensive income or loss into net income for derivative financial instruments in a net investment hedging relationship, as the Company has not sold or liquidated (or substantially liquidated) its hedged subsidiary.

The pre-tax net foreign currency exchange and derivative gains and losses recorded in the consolidated statement of operations were as follows:

	Third Quarter		First Three Quarters	
	2022	2021	2022	2021
<i>(In thousands)</i>				
Gains (losses) recognized in selling, general and administrative expenses:				
Foreign currency exchange gains (losses)	\$ 4,845	\$ (8,161)	\$ (11,395)	\$ (28,296)
Derivatives not designated in a hedging relationship	(11,033)	6,511	(3,325)	18,758
Net foreign currency exchange and derivative gains (losses)	\$ (6,188)	\$ (1,650)	\$ (14,720)	\$ (9,538)

Credit risk

The Company is exposed to credit-related losses in the event of nonperformance by the counterparties to the forward currency contracts. The credit risk amount is the Company's unrealized gains on its derivative instruments, based on foreign currency rates at the time of nonperformance.

The Company's forward currency contracts are entered into with large, reputable financial institutions that are monitored by the Company for counterparty risk.

The Company's derivative contracts contain certain credit risk-related contingent features. Under certain circumstances, including an event of default, bankruptcy, termination, and cross default under the Company's revolving credit facility, the Company may be required to make immediate payment for outstanding liabilities under its derivative contracts.

Note 9. Earnings Per Share

The details of the computation of basic and diluted earnings per share are as follows:

	Third Quarter		First Three Quarters	
	2022	2021	2022	2021
<i>(In thousands, except per share amounts)</i>				
Net income	\$ 255,470	\$ 187,788	\$ 734,989	\$ 540,818
Basic weighted-average number of shares outstanding	127,511	129,684	127,736	130,019
Assumed conversion of dilutive stock options and awards	309	505	353	538
Diluted weighted-average number of shares outstanding	127,820	130,189	128,089	130,557
Basic earnings per share	\$ 2.00	\$ 1.45	\$ 5.75	\$ 4.16
Diluted earnings per share	\$ 2.00	\$ 1.44	\$ 5.74	\$ 4.14

The Company's calculation of weighted-average shares includes the common stock of the Company as well as the exchangeable shares. Exchangeable shares are the equivalent of common shares in all material respects. All classes of stock have, in effect, the same rights and share equally in undistributed net income. For the first three quarters of 2022 and 2021, 50.1 thousand and 48.0 thousand stock options and awards, respectively, were anti-dilutive to earnings per share and therefore have been excluded from the computation of diluted earnings per share.

On January 31, 2019, the Company's board of directors approved a stock repurchase program for up to \$ 500.0 million of the Company's common shares. On December 1, 2020, it approved an increase in the remaining authorization from \$ 263.6 million to \$ 500.0 million, and on October 1, 2021, it approved an increase in the remaining authorization from \$ 141.2 million to \$ 641.2 million. During the first quarter of 2022, the Company completed the remaining stock repurchases under this program.

On March 23, 2022, the Company's board of directors approved a stock repurchase program for up to \$ 1.0 billion of the Company's common shares on the open market or in privately negotiated transactions. The repurchase plan has no time limit and does not require the repurchase of a minimum number of shares. Common shares repurchased on the open market are at prevailing market prices, including under plans complying with the provisions of Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934. The timing and actual number of common shares to be repurchased will depend upon market conditions, eligibility to trade, and other factors, in accordance with Securities and Exchange Commission requirements. As of October 30, 2022, the remaining authorized value of shares available to be repurchased under this program was \$ 812.5 million.

During the first three quarters of 2022 and 2021, 1.2 million and 1.4 million shares, respectively, were repurchased under the program at a total cost of \$ 375.0 million and \$ 491.3 million, respectively.

Subsequent to October 30, 2022, and up to December 2, 2022, 9.2 thousand shares were repurchased at a total cost of \$ 3.4 million.

Note 10. Supplementary Financial Information

A summary of certain consolidated balance sheet accounts is as follows:

	October 30, 2022	January 30, 2022
<i>(In thousands)</i>		
Inventories:		
Inventories, at cost	\$ 1,815,410	\$ 1,004,526
Provision to reduce inventories to net realizable value	(73,694)	(38,045)
	\$ 1,741,716	\$ 966,481
Prepaid expenses and other current assets:		
Prepaid inventories	\$ 18	\$ 42,691
Other prepaid expenses	136,608	98,254
Forward currency contract assets	46,813	19,077
Other current assets	63,838	32,550
	\$ 247,277	\$ 192,572
Property and equipment, net:		
Land	\$ 69,244	\$ 74,297
Buildings	26,834	30,880
Leasehold improvements	743,770	676,762
Furniture and fixtures	133,120	125,213
Computer hardware	148,933	130,393
Computer software	682,674	532,819
Equipment and vehicles	27,734	23,060
Work in progress	208,631	163,420
Property and equipment, gross	2,040,940	1,756,844
Accumulated depreciation	(918,450)	(829,134)
	\$ 1,122,490	\$ 927,710

	October 30, 2022	January 30, 2022
<i>(In thousands)</i>		
Other non-current assets:		
Cloud computing arrangement implementation costs	\$ 105,217	\$ 89,334
Security deposits	26,608	24,083
Other	17,432	18,685
	\$ 149,257	\$ 132,102
Accrued liabilities and other:		
Accrued operating expenses	\$ 146,342	\$ 116,822
Accrued freight	50,256	71,390
Sales return allowances	45,929	41,690
Accrued duty	37,188	27,182
Forward currency contract liabilities	24,857	18,985
Sales tax collected	10,521	13,540
Accrued rent	11,687	11,254
Accrued capital expenditures	13,685	9,616
Accrued inventory liabilities	7,587	4,005
Other	9,313	16,316
	\$ 357,365	\$ 330,800

Note 11. Segmented Information

The Company's segments are based on the financial information it uses in managing its business and comprise two reportable segments: (i) company-operated stores and (ii) direct to consumer. The remainder of its operations which includes outlets, temporary locations, lululemon Studio, sales to wholesale accounts, license and supply arrangements, and recommerce are included within Other.

	Third Quarter		First Three Quarters	
	2022	2021	2022	2021
<i>(In thousands)</i>				
Net revenue:				
Company-operated stores	\$ 903,060	\$ 707,160	\$ 2,537,741	\$ 1,938,864
Direct to consumer	767,351	586,525	2,264,029	1,729,040
Other	186,478	156,736	536,910	459,600
	\$ 1,856,889	\$ 1,450,421	\$ 5,338,680	\$ 4,127,504
Segmented income from operations:				
Company-operated stores	\$ 242,733	\$ 180,700	\$ 660,246	\$ 464,844
Direct to consumer	321,742	257,050	933,272	754,231
Other	24,911	27,450	74,064	64,196
	589,386	465,200	1,667,582	1,283,271
General corporate expense	234,770	180,931	657,201	493,953
Amortization of intangible assets	2,189	2,195	6,579	6,585
Acquisition-related expenses	—	24,127	—	39,934
Gain on disposal of assets	—	—	(10,180)	—
Income from operations	352,427	257,947	1,013,982	742,799
Other income (expense), net	331	15	454	338
Income before income tax expense	\$ 352,758	\$ 257,962	\$ 1,014,436	\$ 743,137
Capital expenditures:				
Company-operated stores	\$ 96,509	\$ 65,665	\$ 182,360	\$ 112,886
Direct to consumer	15,173	19,163	42,515	62,646
Corporate and other	63,925	37,669	206,802	91,459
	\$ 175,607	\$ 122,497	\$ 431,677	\$ 266,991
Depreciation and amortization:				
Company-operated stores	\$ 33,482	\$ 30,135	\$ 96,807	\$ 85,239
Direct to consumer	9,805	8,084	27,281	20,668
Corporate and other	35,901	19,744	87,541	56,179
	\$ 79,188	\$ 57,963	\$ 211,629	\$ 162,086

Note 12. Net Revenue by Geography and Category

The following table disaggregates the Company's net revenue by geographic area.

	Third Quarter		First Three Quarters	
	2022	2021	2022	2021
<i>(In thousands)</i>				
United States	\$ 1,268,512	\$ 982,238	\$ 3,645,202	\$ 2,828,144
Canada	271,823	244,061	785,389	628,292
Outside of North America	316,554	224,122	908,089	671,068
	\$ 1,856,889	\$ 1,450,421	\$ 5,338,680	\$ 4,127,504

In addition to the disaggregation of net revenue by reportable segment, the following table disaggregates the Company's net revenue by category. Other categories is primarily composed of accessories, lululemon Studio, and footwear.

	Third Quarter		First Three Quarters	
	2022	2021	2022	2021
<i>(In thousands)</i>				
Women's product	\$ 1,204,835	\$ 984,952	\$ 3,484,395	\$ 2,803,548
Men's product	440,564	343,263	1,276,872	980,633
Other categories	211,490	122,206	577,413	343,323
	\$ 1,856,889	\$ 1,450,421	\$ 5,338,680	\$ 4,127,504

Note 13. Legal Proceedings and Other Contingencies

In addition to the legal proceedings described below, the Company is, from time to time, involved in routine legal matters, and audits and inspections by governmental agencies and other third parties which are incidental to the conduct of its business. This includes legal matters such as initiation and defense of proceedings to protect intellectual property rights, personal injury claims, product liability claims, employment claims, and similar matters. The Company believes the ultimate resolution of any such legal proceedings, audits, and inspections will not have a material adverse effect on its consolidated balance sheets, results of operations or cash flows. The Company has recognized immaterial provisions related to the expected outcome of legal proceedings.

In April 2021, DISH Technologies L.L.C., and Sling TV L.L.C. (DISH) filed a complaint in the United States District Court for the District of Delaware and, along with DISH DBS Corporation, also with the United States International Trade Commission (ITC) under Section 337 of the Tariff Act of 1930 against the Company and its Curiouser Products subsidiary (MIRROR), along with ICON Health & Fitness, Inc., FreeMotion Fitness, Inc., NordicTrack, Inc., and Peloton Interactive, Inc., alleging infringement of various patents related to fitness devices containing internet-streaming enabled video displays. In the ITC complaint, DISH seeks an exclusion order barring the importation of MIRROR fitness devices, streaming components and systems containing components that infringe one or more of the asserted patents as well as a cease and desist order preventing the Company from carrying out commercial activities within the United States related to those products. In the District of Delaware complaint, DISH is seeking an order permanently enjoining the Company from infringing the asserted patents, an award of damages for the infringement of the asserted patents, and an award of damages for lost sales. In the ITC investigation, an Administrative Law Judge has issued an Initial Determination recommending an Exclusion Order and Cease and Desist Order be entered against the Company. The Company has filed a petition to the ITC contesting the Initial Determination. The Delaware litigation remains stayed pending resolution to the ITC investigation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the statements contained in this Form 10-Q and any documents incorporated herein by reference constitute 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. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q are forward-looking statements, particularly statements which relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, 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," "believes," "estimates," "intends," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Form 10-Q and any documents incorporated herein by reference reflect our current views about future events and are subject to risks, uncertainties, assumptions, and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance, or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in "Risk Factors" and elsewhere in this report.

The forward-looking statements contained in this Form 10-Q reflect our views and assumptions only as of the date of this Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Form 10-Q. Except as required by applicable securities law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

This information should be read in conjunction with the unaudited interim consolidated financial statements and the notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our fiscal 2021 Annual Report on Form 10-K filed with the SEC on March 29, 2022. Fiscal 2022 and fiscal 2021 are referred to as "2022," and "2021," respectively. The first three quarters of 2022 and 2021 ended on October 30, 2022 and October 31, 2021, respectively. Components of management's discussion and analysis of financial condition and results of operations include:

- [Overview](#)
- [Financial Highlights and Market Conditions and Trends](#)
- [Quarter-to-Date Results of Operations](#)
- [Year-to-Date Results of Operations](#)
- [Comparable Store Sales and Total Comparable Sales](#)
- [Non-GAAP Financial Measures](#)
- [Seasonality](#)
- [Liquidity and Capital Resources](#)
- [Critical Accounting Policies and Estimates](#)
- [Operating Locations](#)

We disclose material non-public information through one or more of the following channels: our investor relations website (<http://corporate.lululemon.com/investors>), the social media channels identified on our investor relations website, press releases, SEC filings, public conference calls, and webcasts.

Overview

lululemon athletica inc. is principally a designer, distributor, and retailer of technical athletic apparel, footwear, and accessories. We have a vision to create transformative products and experiences that build meaningful connections, unlocking greater possibility and wellbeing for all. Since our inception, we have fostered a distinctive corporate culture; we promote a set of core values in our business which include taking personal responsibility, acting with courage, valuing connection and inclusion, and choosing to have fun. These core values attract passionate and motivated employees who are driven to achieve personal and professional goals, and share our purpose "to elevate human potential by helping people feel their best."

Our performance apparel and footwear are marketed under the lululemon brand. We offer a comprehensive line of apparel and accessories. Our apparel assortment includes items such as pants, shorts, tops, and jackets designed for a healthy lifestyle including athletic activities such as yoga, running, training, and most other activities. We also offer apparel designed for being On the Move and fitness-related accessories. We expect to continue to broaden our merchandise offerings through expansion across these product areas. We also offer in-home connected fitness equipment and associated subscriptions through lululemon Studio, which evolved from our former business unit called MIRROR during the third quarter of 2022.

Financial Highlights

For the third quarter of 2022, compared to the third quarter of 2021:

- Net revenue increased 28% to \$1.9 billion. On a constant dollar basis, net revenue increased 31%.

- Total comparable sales increased 22%, or 25% on a constant dollar basis.
 - Comparable store sales increased 14%, or 17% on a constant dollar basis.
 - Direct to consumer net revenue increased 31%, or 34% on a constant dollar basis.
- Gross profit increased 25% to \$1.0 billion.
- Gross margin decreased 130 basis points to 55.9%.
- Income from operations increased 37% to \$352.4 million.
- Operating margin increased 120 basis points to 19.0%.
- Income tax expense increased 39% to \$97.3 million. Our effective tax rate for the third quarter of 2022 was 27.6% compared to 27.2% for the third quarter of 2021.
- Diluted earnings per share were \$2.00 compared to \$1.44 in the third quarter of 2021. The third quarter of 2021 includes \$23.5 million of after-tax costs related to the MIRROR acquisition, which reduced diluted earnings per share by \$0.18.

Refer to the non-GAAP reconciliation tables contained in the "Non-GAAP Financial Measures" section of this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for reconciliations between constant dollar changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue and the most directly comparable measures calculated in accordance with GAAP.

Market Conditions and Trends

Macroeconomic conditions, COVID-19, and supply chain disruption continue to impact our business and operating costs, with the impact varying by market.

Macroeconomic Conditions

Macroeconomic conditions, including foreign currency fluctuations and inflationary pressures have impacted our financial results. This includes higher air freight costs and increased wage rates during the first three quarters of 2022 compared to 2021. We have not increased the retail prices on the significant proportion of our products. Inflation and other macroeconomic factors could also impact consumer purchasing behaviors and sustained increases in costs may have an adverse effect on our operating margins.

COVID-19 Pandemic

Most of our retail locations were open throughout the first three quarters of 2022 and 2021, with certain locations temporarily closed due to COVID-19 resurgences, including certain closures during 2022 in the People's Republic of China ("PRC").

Supply chain disruption

In 2021 and 2022 we have experienced supply chain disruption, including delays in inbound delivery of our products as well as in manufacturing. This supply chain disruption caused us to use higher cost modes of transport, including increasing our use of air freight. The supply chain disruption we have experienced has contributed to the 85% increase in our inventory balance compared to October 31, 2021. We expect that the growth rate in our inventory balance will moderate in the fourth quarter of 2022 as a result of higher sales made during the holiday season, but expect the growth rate in our inventories to remain higher than the growth rate in our sales.

The use of air freight reduced our gross margin during the first three quarters of 2022, however we have begun to see improvement in the supply chain disruption and lower inbound freight costs.

Quarter-to-Date Results of Operations: Third Quarter Results

The following table summarizes key components of our results of operations for the periods indicated:

	Third Quarter			
	2022	2021	2022	2021
	(In thousands)		(Percentage of net revenue)	
Net revenue	\$ 1,856,889	\$ 1,450,421	100.0 %	100.0 %
Cost of goods sold	818,037	621,028	44.1	42.8
Gross profit	1,038,852	829,393	55.9	57.2
Selling, general and administrative expenses	684,236	545,124	36.8	37.6
Amortization of intangible assets	2,189	2,195	0.1	0.2
Acquisition-related expenses	—	24,127	—	1.7
Income from operations	352,427	257,947	19.0	17.8
Other income (expense), net	331	15	—	—
Income before income tax expense	352,758	257,962	19.0	17.8
Income tax expense	97,288	70,174	5.2	4.8
Net income	\$ 255,470	\$ 187,788	13.8 %	12.9 %

Net Revenue

Net revenue increased \$406.5 million, or 28%, to \$1.9 billion for the third quarter of 2022 from \$1.5 billion for the third quarter of 2021. On a constant dollar basis, assuming the average foreign currency exchange rates for the third quarter of 2022 remained constant with the average foreign currency exchange rates for the third quarter of 2021, net revenue increased \$455.4 million, or 31%.

The increase in net revenue was primarily due to increased company-operated store net revenue, including from new company-operated stores and increased comparable store sales, as well as due to increased direct to consumer net revenue. Other net revenue also increased.

Total comparable sales, which includes comparable store sales and direct to consumer net revenue, increased 22% for the third quarter of 2022 compared to the third quarter of 2021. Total comparable sales increased 25% on a constant dollar basis.

Net revenue for the third quarter of 2022 and 2021 is summarized below.

	Third Quarter					
	2022	2021	2022	2021	Year over year change	
	(In thousands)		(Percentages)		(In thousands)	(Percentages)
Company-operated stores	\$ 903,060	\$ 707,160	48.6 %	48.8 %	\$ 195,900	27.7 %
Direct to consumer	767,351	586,525	41.3	40.4	180,826	30.8
Other	186,478	156,736	10.0	10.8	29,742	19.0
Net revenue	\$ 1,856,889	\$ 1,450,421	100.0 %	100.0 %	\$ 406,468	28.0 %

Company-Operated Stores. The increase in net revenue from our company-operated stores was driven by net revenue from company-operated stores that we opened or significantly expanded since the third quarter of 2021 which contributed \$112.8 million to the increase. We have opened 71 net new company-operated stores since the third quarter of 2021, including 43 stores in Asia Pacific, 19 stores in North America, and nine stores in Europe. The increase in net revenue from our company-operated stores was also driven by increased comparable store sales. Comparable store sales increased 14%, or 17% on a constant dollar basis. The increase in comparable store sales was primarily a result of increased store traffic and increased dollar value per transaction, partially offset by a decrease in conversion rates.

Direct to Consumer. Direct to consumer net revenue increased 31%, or 34% on a constant dollar basis. The increase in net revenue from our direct to consumer segment was primarily a result of increased traffic, partially offset by a decrease in conversion rates and a lower dollar value per transaction.

Other. The increase in other net revenue was primarily due to increased outlet sales, sales to wholesale accounts, recommerce revenue, license and supply arrangement revenue, and revenue from our pop up locations. The increase in net revenue was partially offset by a decrease in net revenue from lululemon Studio.

Gross Profit

	Third Quarter			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Gross profit	\$ 1,038,852	\$ 829,393	\$ 209,459	25.3 %
Gross margin	55.9 %	57.2 %	(130) basis points	

The decrease in gross margin was primarily the result of:

- an increase in costs related to our product departments and distribution centers as a percentage of net revenue of 70 basis points;
- an unfavorable impact of foreign currency exchange rates of 60 basis points; and
- a net decrease in product margin of 40 basis points, primarily due to higher markdowns as well as higher damages, shrink and a reduction in inventory provisions in the prior year. This was partially offset by lower air freight costs from rate reductions and reduced usage.

The decrease in gross margin was partially offset by a decrease in occupancy and depreciation costs as a percentage of net revenue of 40 basis points, driven primarily by the increase in net revenue.

Selling, General and Administrative Expenses

	Third Quarter			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Selling, general and administrative expenses	\$ 684,236	\$ 545,124	\$ 139,112	25.5 %
Selling, general and administrative expenses as a percentage of net revenue	36.8 %	37.6 %	(80) basis points	

The increase in selling, general and administrative expenses was primarily due to:

- an increase in costs related to our operating channels of \$72.0 million, comprised of:
 - an increase in variable costs of \$27.6 million primarily due to an increase in distribution costs and credit card fees, as a result of increased net revenue;
 - an increase in employee costs of \$26.9 million primarily due to an increase in salaries and wages expense and incentive compensation in our company-operated stores and direct to consumer channels, primarily from the growth in our business as well as increased wage rates;
 - an increase in brand and community costs of \$12.8 million primarily due to an increase in digital marketing expenses related to our direct to consumer channel, partially offset by a decrease in marketing expenses related to lululemon Studio; and
 - an increase in other operating costs of \$4.7 million primarily due to increased repairs and maintenance costs, depreciation, and technology costs, partially offset by a decrease in professional fees.
- an increase in head office costs of \$62.6 million, comprised of:
 - an increase in employee costs of \$33.9 million primarily due to an increase in salaries and wages and incentive compensation, primarily as a result of headcount growth and increased wage rates, and due to increased travel costs; and

- an increase in other costs of \$28.7 million primarily due to an increase in depreciation, technology costs, and professional fees, partially offset by lower charitable donations as a result of timing.
- an increase in net foreign currency exchange and derivative revaluation losses of \$4.5 million.

Amortization of Intangible Assets

	Third Quarter			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	
			(Percentage)	
Amortization of intangible assets	\$ 2,189	\$ 2,195	\$ (6)	(0.3) %

The amortization of intangible assets was primarily the result of the amortization of intangible assets recognized upon the acquisition of MIRROR.

Acquisition-Related Expenses

	Third Quarter			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	
			(Percentage)	
Acquisition-related expenses	\$ —	\$ 24,127	\$ (24,127)	(100.0) %

In connection with our acquisition of MIRROR, we recognized acquisition-related compensation expenses of \$23.8 million and integration related costs of \$0.3 million in the third quarter of 2021. There were no acquisition-related expenses in the third quarter of 2022.

Income from Operations

On a segment basis, we determine income from operations without taking into account our general corporate expenses. Segmented income from operations is summarized below.

	Third Quarter					
	2022		2021		Year over year change	
	(In thousands)		(Percentage of net revenue of respective operating segment)		(In thousands) (Percentage)	
Segmented income from operations:						
Company-operated stores	\$	242,733	\$	180,700	26.9 %	25.6 % \$ 62,033 34.3 %
Direct to consumer		321,742		257,050	41.9	43.8 64,692 25.2
Other		24,911		27,450	13.4	17.5 (2,539) (9.2)
	\$	589,386	\$	465,200		\$ 124,186 26.7 %
General corporate expense		234,770		180,931		53,839 29.8
Amortization of intangible assets		2,189		2,195		(6) —
Acquisition-related expenses		—		24,127		(24,127) (100.0)
Income from operations	\$	352,427	\$	257,947		\$ 94,480 36.6 %
Operating margin		19.0 %		17.8 %		120 basis points

Company-Operated Stores. The increase in income from operations from our company-operated stores was primarily the result of increased gross profit of \$99.7 million, driven by increased net revenue and higher gross margin. The increase in gross margin was primarily due to leverage on occupancy and depreciation costs as a result of increased net revenue, partially offset by deleverage in costs from our distribution centers and product teams and by an unfavorable impact of foreign currency exchange rates. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, primarily due to higher employee and operating costs. Employee costs increased primarily due to higher salaries and wages expense and higher incentive compensation as a result of the growth in our business and increased wage rates. Store operating costs increased primarily due to increases in credit card fees and distribution costs, as a result of higher net revenue, as well as increased repairs and maintenance. Income from operations as a percentage of company-operated stores net revenue increased due to leverage on selling, general and administrative expenses and higher gross margin.

Direct to Consumer. The increase in income from operations from our direct to consumer segment was primarily the result of increased gross profit of \$108.5 million, driven by increased net revenue, partially offset by lower gross margin. The decrease in gross margin was primarily due to lower product margin driven by higher markdowns and an unfavorable impact of foreign currency exchange rates. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, primarily due to higher variable operating costs including distribution costs and credit card fees, as a result of higher net revenue, as well as higher digital marketing expenses, employee costs from the growth in our business and increased wage rates, technology costs, and depreciation. Income from operations as a percentage of direct to consumer net revenue decreased primarily due to lower gross margin and deleverage on selling, general and administrative expenses.

Other. The decrease in income from operations from our other channels was the result of increased selling, general and administrative expenses, primarily due to higher employee costs from the growth in our business and increased wage rates, partially offset by reduced lululemon Studio marketing expenses. The increase in selling, general and administrative expenses was partially offset by increased gross profit of \$1.3 million. Income from operations as a percentage of other net revenue decreased primarily due to lower gross margin, partially offset by leverage on selling, general and administrative expenses.

General Corporate Expense. The increase in general corporate expense was primarily due to increased employee costs, primarily from headcount growth and increased wage rates, as well as technology costs, and depreciation, partially offset by decreased charitable donations as a result of timing. The increase in general corporate expense was also due to an increase in net foreign currency exchange and derivative revaluation losses of \$4.5 million.

Other Income (Expense), Net

	Third Quarter		
	2022	2021	Year over year change
	(In thousands)	(In thousands)	(Percentage)
Other income (expense), net	\$ 331	\$ 15	\$ 316 2,106.7 %

The increase in other income, net was primarily due to an increase in interest income from higher interest rates.

Income Tax Expense

	Third Quarter		
	2022	2021	Year over year change
	(In thousands)	(In thousands)	(Percentage)
Income tax expense	\$ 97,288	\$ 70,174	\$ 27,114 38.6 %
Effective tax rate	27.6 %	27.2 %	40 basis points

Certain non-deductible expenses incurred in connection with the MIRROR acquisition increased the effective tax rate in the third quarter of 2021 by 210 basis points.

The effective tax rate for the third quarter of 2022 has increased compared to the third quarter of 2021 primarily due to the accrual of withholding taxes on unremitted foreign earnings and a decrease in deductions related to stock-based compensation. This was partially offset by favorable adjustments upon the filing of certain income tax returns.

Net Income

	Third Quarter		
	2022	2021	Year over year change
	(In thousands)	(In thousands)	(Percentage)
Net income	\$ 255,470	\$ 187,788	\$ 67,682 36.0 %

The increase in net income was primarily due to an increase in gross profit of \$209.5 million, and a decrease in acquisition-related expenses of \$24.1 million, partially offset by an increase in selling, general and administrative expenses of \$139.1 million and an increase in income tax expense of \$27.1 million.

Year-to-Date Results of Operations: First Three Quarters Results

The following table summarizes key components of our results of operations for the periods indicated:

	First Three Quarters			
	2022	2021	2022	2021
	(In thousands)		(Percentages)	
Net revenue	\$ 5,338,680	\$ 4,127,504	100.0 %	100.0 %
Cost of goods sold	2,373,959	1,755,111	44.5	42.5
Gross profit	2,964,721	2,372,393	55.5	57.5
Selling, general and administrative expenses	1,954,340	1,583,075	36.6	38.4
Amortization of intangible assets	6,579	6,585	0.1	0.2
Acquisition-related expenses	—	39,934	—	1.0
Gain on disposal of assets	(10,180)	—	(0.2)	—
Income from operations	1,013,982	742,799	19.0	18.0
Other income (expense), net	454	338	—	—
Income before income tax expense	1,014,436	743,137	19.0	18.0
Income tax expense	279,447	202,319	5.2	4.9
Net income	\$ 734,989	\$ 540,818	13.8 %	13.1 %

Net Revenue

Net revenue increased \$1.2 billion, or 29%, to \$5.3 billion for the first three quarters of 2022 from \$4.1 billion for the first three quarters of 2021. On a constant dollar basis, assuming the average foreign currency exchange rates for the first three quarters of 2022 remained constant with the average foreign currency exchange rates for the first three quarters of 2021, net revenue increased \$1.3 billion, or 32%.

The increase in net revenue was primarily due to increased company-operated store net revenue, including from new company-operated stores and increased comparable store sales, as well as due to increased direct to consumer net revenue. Other net revenue also increased.

Total comparable sales, which includes comparable store sales and direct to consumer net revenue, increased 24% for the first three quarters of 2022 compared to the first three quarters of 2021. Total comparable sales increased 26% on a constant dollar basis.

Net revenue for the first three quarters of 2022 and 2021 is summarized below.

	First Three Quarters					
	2022	2021	2022	2021	Year over year change	
	(In thousands)		(Percentages)		(In thousands)	(Percentage)
Company-operated stores	\$ 2,537,741	\$ 1,938,864	47.5 %	47.0 %	\$ 598,877	30.9 %
Direct to consumer	2,264,029	1,729,040	42.4	41.9	534,989	31.0
Other	536,910	459,600	10.1	11.1	77,310	16.8
Net revenue	\$ 5,338,680	\$ 4,127,504	100.0 %	100.0 %	\$ 1,211,176	29.3 %

Company-Operated Stores. The increase in net revenue from our company-operated stores was driven by net revenue from company-operated stores that we opened or significantly expanded since the third quarter of 2021 which contributed \$322.7 million to the increase. We have opened 71 net new company-operated stores since the third quarter of 2021, including 43 stores in Asia Pacific, 19 stores in North America, and nine stores in Europe. The increase in net revenue from our company-operated stores was also driven by increased comparable store sales. Comparable store sales increased 17%, or 19% on a constant dollar basis. The increase in comparable store sales was primarily a result of increased store traffic, partially offset by a decrease in conversion rates. Dollar value per transaction was consistent year over year.

Direct to Consumer. Direct to consumer net revenue increased 31%, or 33% on a constant dollar basis. The increase in net revenue from our direct to consumer segment was primarily a result of increased traffic, partially offset by a decrease in conversion rates and a lower dollar value per transaction.

Other. The increase in other net revenue was primarily due to increased outlet sales, sales to wholesale accounts, license and supply arrangement revenue, recommerce revenue, and revenue from our pop up locations. The increase in net revenue was partially offset by a decrease in net revenue from lululemon Studio.

Gross Profit

	First Three Quarters			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Gross profit	\$ 2,964,721	\$ 2,372,393	\$ 592,328	25.0 %
Gross margin	55.5 %	57.5 %	(200) basis points	

The decrease in gross margin was primarily the result of:

- a decrease in product margin of 180 basis points, primarily due to higher markdowns and higher air freight costs as a result of global supply chain disruption;
- an increase in costs related to our product departments and distribution centers as a percentage of net revenue of 40 basis points; and
- an unfavorable impact of foreign currency exchange rates of 40 basis points.

The decrease in gross margin was partially offset by a decrease in occupancy and depreciation costs as a percentage of net revenue of 60 basis points, driven primarily by the increase in net revenue.

Selling, General and Administrative Expenses

	First Three Quarters			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Selling, general and administrative expenses	\$ 1,954,340	\$ 1,583,075	\$ 371,265	23.5 %
Selling, general and administrative expenses as a percentage of net revenue	36.6 %	38.4 %	(180) basis points	

The increase in selling, general and administrative expenses was primarily due to:

- an increase in head office costs of \$199.1 million, comprised of:
 - an increase in employee costs of \$101.3 million primarily due to an increase in salaries and wages expense, incentive compensation, and stock-based compensation expense, primarily as a result of headcount growth and increased wage rates, as well as increased travel costs; and
 - an increase in costs of \$97.8 million primarily due to an increase in depreciation, technology costs, brand and community costs, and professional fees.
- an increase in costs related to our operating channels of \$166.9 million, comprised of:
 - an increase in variable costs of \$73.9 million primarily due to an increase in distribution costs and credit card fees, as a result of increased net revenue;
 - an increase in employee costs of \$73.4 million primarily due to an increase in salaries and wages expense and incentive compensation in our company-operated store and direct to consumer channels, primarily due to growth in our business and increased wage rates;
 - an increase in other operating costs of \$17.1 million primarily due to an increase in depreciation, repairs and maintenance costs, and technology costs, partially offset by a decrease in professional fees; and
 - an increase in brand and community costs of \$2.6 million primarily due to an increase in digital marketing expenses related to our direct to consumer channel, partially offset by a decrease in marketing expenses related to lululemon Studio.

- an increase in net foreign currency exchange and derivative revaluation losses of \$5.2 million.

Amortization of Intangible Assets

	First Three Quarters			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Amortization of intangible assets	\$ 6,579	\$ 6,585	\$ (6)	(0.1) %

The amortization of intangible assets was primarily the result of the amortization of intangible assets recognized upon the acquisition of MIRROR.

Acquisition-Related Expenses

	First Three Quarters			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Acquisition-related expenses	\$ —	\$ 39,934	\$ (39,934)	(100.0) %

In connection with our acquisition of MIRROR, we recognized acquisition-related compensation expenses of \$38.1 million and integration related costs of \$1.9 million in the first three quarters of 2021. There were no acquisition-related expenses in the first three quarters of 2022.

Gain on Disposal of Assets

	First Three Quarters			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Gain on disposal of assets	\$ (10,180)	\$ —	\$ 10,180	n/a

During the second quarter of 2022, we completed the sale of an administrative office building, which resulted in a pre-tax gain of \$10.2 million.

Income from Operations

On a segment basis, we determine income from operations without taking into account our general corporate expenses. Segmented income from operations is summarized below.

	First Three Quarters					
	2022	2021	2022	2021	Year over year change	
	(In thousands)		(Percentage of net revenue of respective operating segment)		(In thousands)	(Percentage)
Segmented income from operations:						
Company-operated stores	\$ 660,246	\$ 464,844	26.0 %	24.0 %	\$ 195,402	42.0 %
Direct to consumer	933,272	754,231	41.2	43.6	179,041	23.7
Other	74,064	64,196	13.8	14.0	9,868	15.4
	\$ 1,667,582	\$ 1,283,271			\$ 384,311	29.9 %
General corporate expense	657,201	493,953			163,248	33.0
Amortization of intangible assets	6,579	6,585			(6)	—
Acquisition-related expenses	—	39,934			(39,934)	(100.0)
Gain on disposal of assets	(10,180)	—			10,180	n/a
Income from operations	\$ 1,013,982	\$ 742,799			\$ 271,183	36.5 %
Operating margin	19.0 %	18.0 %			100 basis points	

Company-Operated Stores. The increase in income from operations from our company-operated stores was primarily the result of increased gross profit of \$298.1 million, driven by increased net revenue. The increase in gross profit was

partially offset by an increase in selling, general and administrative expenses, primarily due to higher employee and operating costs. Employee costs increased primarily due to higher salaries and wages expense and higher incentive compensation as a result of the growth in our business and increased wage rates. Store operating costs increased primarily due to increases in credit card fees and distribution costs as a result of higher net revenue, as well as increased repairs and maintenance. Income from operations as a percentage of company-operated stores net revenue increased due to leverage on selling, general and administrative expenses.

Direct to Consumer. The increase in income from operations from our direct to consumer segment was primarily the result of increased gross profit of \$290.1 million, driven by increased net revenue, partially offset by lower gross margin. The decrease in gross margin was primarily due to lower product margin driven by higher markdowns, increased air freight costs, and an unfavorable impact of foreign currency exchange rates. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses primarily due to higher variable costs including distribution costs and credit card fees as a result of higher net revenue, as well as higher digital marketing expenses, employee costs from the growth in our business and increased wage rates, depreciation and technology costs. Income from operations as a percentage of direct to consumer net revenue decreased for the first three quarters of 2022, compared to the first three quarters of 2021, primarily due to decreased gross margin, partially offset by leverage on selling, general and administrative expenses.

Other. The increase in income from operations from our other channels was primarily the result of decreased selling, general and administrative expenses driven by reduced lululemon Studio marketing expenses. The increase in income from operations from our other channels was also due to increased gross profit of \$4.2 million, driven by increased net revenue, partially offset by lower gross margin. Income from operations as a percentage of other net revenue decreased primarily due to lower gross margin, partially offset by lower selling, general and administrative expenses.

General Corporate Expense. The increase in general corporate expense was primarily due to increased employee costs, primarily from headcount growth and increased wage rates, as well as increased technology costs, brand and community costs, professional fees, and depreciation. The increase in general corporate expense was also due to an increase in net foreign currency exchange and derivative revaluation losses of \$5.2 million.

Other Income (Expense), Net

	First Three Quarters			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Other income (expense), net	\$ 454	\$ 338	\$ 116	34.3 %

The increase in other income, net was primarily due to an increase in interest income from higher interest rates, partially offset by an increase in other expenses.

Income Tax Expense

	First Three Quarters			
	2022	2021	Year over year change	
	(In thousands)		(In thousands)	(Percentage)
Income tax expense	\$ 279,447	\$ 202,319	\$ 77,128	38.1 %
Effective tax rate	27.5 %	27.2 %	30 basis points	

Certain non-deductible expenses incurred in connection with the MIRROR acquisition increased the effective tax rate in the first three quarters of 2021 by 120 basis points.

A lower tax rate on the capital gain on the sale of an administrative building reduced our effective tax rate in the first three quarters of 2022 by 20 basis points

The increase in the effective tax rate was primarily due to the accrual of withholding taxes on unremitted foreign earnings and a decrease in deductions related to stock-based compensation. This was partially offset by a reduction in non-deductible expenses in international jurisdictions and favorable adjustments upon the filing of certain income tax returns.

Net Income

	First Three Quarters		
	2022	2021	Year over year change
	(In thousands)		(Percentage)
Net income	\$ 734,989	\$ 540,818	\$ 194,171 35.9 %

The increase in net income was primarily due to an increase in gross profit of \$592.3 million, a decrease in acquisition-related expenses of \$39.9 million, and a gain on disposal of assets of \$10.2 million in the current year, partially offset by an increase in selling, general and administrative expenses of \$371.3 million, an increase in income tax expense of \$77.1 million, and an increase in other income (expense), net of \$0.1 million.

Comparable Store Sales and Total Comparable Sales

We use comparable store sales to assess the performance of our existing stores as it allows us to monitor the performance of our business without the impact of recently opened or expanded stores. We use total comparable sales to evaluate the performance of our business from an omni-channel perspective. We believe investors would similarly find these metrics useful in assessing the performance of our business.

Comparable store sales reflect net revenue from company-operated stores that have been open, or open after being significantly expanded, for at least 12 full fiscal months. Net revenue from a store is included in comparable store sales beginning with the first fiscal month for which the store has a full fiscal month of sales in the prior year. Comparable store sales exclude sales from new stores that have not been open for at least 12 full fiscal months, from stores which have not been in their significantly expanded space for at least 12 full fiscal months, and from stores which have been temporarily relocated for renovations or temporarily closed. Comparable store sales also exclude sales from direct to consumer and our other operations, as well as sales from company-operated stores that have closed.

Total comparable sales combines comparable store sales and direct to consumer net revenue.

In fiscal years with 53 weeks, the 53rd week of net revenue is excluded from the calculation of comparable sales. In the year following a 53 week year, the prior year period is shifted by one week to compare similar calendar weeks.

Opening new stores and expanding existing stores is an important part of our growth strategy. Accordingly, total comparable sales is just one way of assessing the success of our growth strategy insofar as comparable sales do not reflect the performance of stores opened, or significantly expanded, within the last 12 full fiscal months. The comparable sales measures we report may not be equivalent to similarly titled measures reported by other companies.

Non-GAAP Financial Measures

Constant dollar changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue are non-GAAP financial measures.

A constant dollar basis assumes the average foreign currency exchange rates for the period remained constant with the average foreign currency exchange rates for the same period of the prior year. We provide constant dollar changes in our results to help investors understand the underlying growth rate of net revenue excluding the impact of changes in foreign currency exchange rates.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or with greater prominence to, the financial information prepared and presented in accordance with GAAP. A reconciliation of the non-GAAP financial measures follows, 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.

Constant Dollar Changes in Net Revenue

The below changes in net revenue show the change compared to the corresponding period in the prior year.

	Third Quarter 2022			First Three Quarters 2022		
	Net Revenue			Net Revenue		
	(In thousands)	(Percentages)		(In thousands)	(Percentages)	
Change	\$ 406,468	28 %	\$	1,211,176	29 %	
Adjustments due to foreign currency exchange rate changes	48,946	3		91,338	3	
Change in constant dollars	\$ 455,414	31 %	\$	1,302,514	32 %	

Constant Dollar Changes in Total Comparable Sales, Comparable Store Sales, and Direct to Consumer Net Revenue

The below changes in total comparable sales, comparable store sales, and direct to consumer net revenue show the change compared to the corresponding period in the prior year.

	Third Quarter 2022						First Three Quarters 2022					
	Total Comparable Sales ^{1,2}		Comparable Store Sales ²		Direct to Consumer Net Revenue		Total Comparable Sales ^{1,2}		Comparable Store Sales ²		Direct to Consumer Net Revenue	
Change	22	%	14	%	31	%	24	%	17	%	31	%
Adjustments due to foreign currency exchange rate changes	3		3		3		2		2		2	
Change in constant dollars	25	%	17	%	34	%	26	%	19	%	33	%

⁽¹⁾ Total comparable sales includes comparable store sales and direct to consumer net revenue.

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

Seasonality

Our business is affected by the general seasonal trends common to the retail apparel industry. Our annual net revenue is weighted more heavily toward our fourth fiscal quarter, reflecting our historical strength in sales during the holiday season, while our operating expenses are more equally distributed throughout the year. As a result, a substantial portion of our operating profits are generated in the fourth quarter of our fiscal year. For example, we generated approximately 44% and 56% of our full year operating profit during the fourth quarters of 2021 and 2020, respectively. Due to a significant number of our company-operated stores being temporarily closed due to COVID-19 during the first two quarters of 2020, we earned a higher proportion of our operating profit during the last two quarters of 2020 compared to 2021.

Liquidity and Capital Resources

Our primary sources of liquidity are our current balances of cash and cash equivalents, cash flows from operations, and capacity under our committed revolving credit facility, including to fund short-term working capital requirements. Our primary cash needs are capital expenditures for opening new stores and remodeling or relocating existing stores, investing in our distribution centers, investing in technology and making system enhancements, funding working capital requirements, and making other strategic capital investments both in North America and internationally. We may also use cash to repurchase shares of our common stock. Cash and cash equivalents in excess of our needs are held in interest bearing accounts with financial institutions, as well as in money market funds and term deposits.

The following table summarizes our net cash flows provided by and used in operating, investing, and financing activities for the periods indicated:

	First Three Quarters		
	2022	2021	Year over year change
(In thousands)			
Total cash provided by (used in):			
Operating activities	\$ (79,801)	\$ 658,124	\$ (737,925)
Investing activities	(386,862)	(313,438)	(73,424)
Financing activities	(399,428)	(523,197)	123,769
Effect of foreign currency exchange rate changes on cash	(41,156)	21,585	(62,741)
Increase (decrease) in cash and cash equivalents	\$ (907,247)	\$ (156,926)	\$ (750,321)

Operating Activities

The increase in cash used in operating activities was primarily as a result of:

- a decrease in cash flows from the changes in operating assets and liabilities of \$929.4 million. This decrease was primarily driven by \$543.2 million from inventories, as well as changes in income taxes, accrued compensation, accrued liabilities and other, and prepaid expenses and other current assets; and
- changes in adjusting items of \$2.7 million, primarily driven by lower cash inflows related to derivatives not designated in a hedging relationship and the gain on disposal of assets, partially offset by increased depreciation and stock-based compensation expenses.

The increase in cash used in operating activities was partially offset by increased net income of \$194.2 million.

Investing Activities

The increase in cash used in investing activities was primarily due to increased capital expenditures, partially offset by the settlement of net investment hedges and other investing activities. The increase in capital expenditures was primarily due to corporate expenditures driven by investment in technology and business systems and increased expenditures on corporate office renovations. There has also been an increase in company-operated store expenditures driven by opening new stores and remodeling existing stores as well as increased investment in our new and existing distribution facilities. This was partially offset by decreased capital expenditures for our direct to consumer segment. The proceeds of the sale of an administrative office building during the second quarter of 2022 are included in other investing activities.

Financing Activities

The decrease in cash used in financing activities was primarily the result of a decrease in stock repurchases. Cash used in financing activities for the first three quarters of 2022 included \$375.0 million to repurchase 1.2 million shares of our common stock compared to \$491.3 million to repurchase 1.4 million shares for the first three quarters of 2021. The common stock was repurchased in the open market at prevailing market prices, including under plans complying with the provisions of Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934, with the timing and actual number of shares repurchased depending upon market conditions, eligibility to trade, and other factors.

Liquidity Outlook

We believe that our cash and cash equivalent balances, cash generated from operations, and borrowings available to us under our committed revolving credit facility will be adequate to meet our liquidity needs and capital expenditure requirements for at least the next 12 months. Our cash from operations may be negatively impacted by a decrease in demand for our products, as well as the other factors described in "Item 1A. Risk Factors". In addition, we may make discretionary capital improvements with respect to our stores, distribution facilities, headquarters, or systems, or we may repurchase shares under an approved stock repurchase program, which we would expect to fund through the use of cash, issuance of debt or equity securities or other external financing sources to the extent we were unable to fund such expenditures out of our cash and cash equivalents and cash generated from operations.

The following table includes certain measures of our liquidity:

		October 30, 2022
		(In thousands)
Cash and cash equivalents	\$	352,624
Working capital excluding cash and cash equivalents ⁽¹⁾		958,722
Capacity under committed revolving credit facility		394,821

(1) Working capital is calculated as current assets of \$2.6 billion less current liabilities of \$1.3 billion.

We enter into standby letters of credit to secure certain of our obligations, including leases, taxes, and duties. As of October 30, 2022, letters of credit and letters of guarantee totaling \$6.7 million had been issued, including \$5.2 million under our committed revolving credit facility.

Our committed North America credit facility provides for \$400.0 million in commitments under an unsecured five-year revolving credit facility. The credit facility has a maturity date of December 14, 2026, subject to extension under certain circumstances. As of October 30, 2022, aside from letters of credit of \$5.2 million, we had no other borrowings outstanding under this credit facility. Further information regarding our credit facilities and associated covenants is outlined in Note 5. Revolving Credit Facilities included in Item 1 of Part I of this report.

The timing and cost of our inventory purchases will vary depending on a variety of factors such as revenue growth, assortment and purchasing decisions, product costs including freight and duty, and the availability of production capacity and speed. Our inventory balance as of October 30, 2022 was \$1.7 billion, an increase of 85% from October 31, 2021. On a number of units basis, our inventory increased 80% compared to October 31, 2021.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from our estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements.

Our critical accounting policies and estimates are discussed within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2021 Annual Report on Form 10-K filed with the SEC on March 29, 2022.

Goodwill Impairment Assessment

Goodwill is tested annually for impairment on the first day of the fourth quarter, or more frequently if events or circumstances indicate it is more likely than not that an impairment may have occurred.

There is \$362.5 million of goodwill allocated to the MIRROR reporting unit, which was renamed the "lululemon Studio" reporting unit during the third quarter of 2022. As of October 30, 2022, we concluded that the deterioration in macroeconomic conditions and trends in the digital fitness industry indicated a potentially adverse change in the fair value of the lululemon Studio reporting unit, and therefore we performed a quantitative impairment analysis. The result of the analysis concluded that the fair value of the lululemon Studio reporting unit exceeded its carrying value, and no impairment has been recognized.

We used a discounted cash flow model to estimate the fair value, supplemented by market analysis, which indicated the fair value of lululemon Studio was approximately 4% higher than its carrying value. The key assumptions of the fair value of the lululemon Studio reporting unit are the revenue growth rates, operating profit margins, and the discount rate. Our ability to generate expected cash flows is dependent on several factors including, but not limited to, customer demand and trends in the connected fitness industry including the level of desire to exercise at home, our ability to attract new subscribers to grow the community, and our ability to maintain a loyal subscriber base. The fair value of lululemon Studio is also dependent on the ability of lululemon Studio to achieve long term profitability.

Failure to increase the growth rate of new subscribers in the near term, or if we are unable to reduce customer acquisition costs, or other internal or external factors, could cause a material impairment of goodwill.

Operating Locations

Our company-operated stores by country as of October 30, 2022 and January 30, 2022 are summarized in the table below.

Number of company-operated stores by country	October 30, 2022	January 30, 2022
United States	337	324
People's Republic of China ⁽¹⁾	105	86
Canada	66	63
Australia	31	31
United Kingdom	20	17
South Korea	16	12
Germany	10	9
New Zealand	8	7
Singapore	8	6
Japan	6	6
Ireland	4	3
France	3	3
Malaysia	2	2
Spain	2	—
Sweden	2	2
Netherlands	1	1
Norway	1	1
Switzerland	1	1
Total company-operated stores	623	574

⁽¹⁾ Included within PRC as of October 30, 2022, were nine stores in Hong Kong Special Administrative Region, six stores in Taiwan, and two stores in Macao Special Administration Region. As of January 30, 2022, there were nine stores in Hong Kong Special Administrative Region, five stores in Taiwan, and two stores in Macao Special Administration Region.

Retail locations operated by third parties under license and supply arrangements are not included in the above table. As of October 30, 2022, there were 22 licensed locations, including 11 in Mexico, seven in the United Arab Emirates, three in Qatar, and one in Kuwait.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk. The functional currency of our international subsidiaries is generally the applicable local currency. Our consolidated financial statements are presented in U.S. dollars. Therefore, the net revenue, expenses, assets, and liabilities of our international subsidiaries are translated from their functional currencies into U.S. dollars. Fluctuations in the value of the U.S. dollar affect the reported amounts of net revenue, expenses, assets, and liabilities. Foreign currency exchange differences which arise on translation of our international subsidiaries' balance sheets into U.S. dollars are recorded as other comprehensive income (loss), net of tax in accumulated other comprehensive income or loss within stockholders' equity.

We also have exposure to changes in foreign currency exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. As a result, we have been impacted by changes in foreign currency exchange rates and may be impacted for the foreseeable future. The potential impact of currency fluctuation increases as our international expansion increases.

As of October 30, 2022, we had certain forward currency contracts outstanding in order to hedge a portion of the foreign currency exposure that arises on translation of a Canadian subsidiary into U.S. dollars. We also had certain forward currency contracts outstanding in an effort to reduce our exposure to the foreign currency exchange revaluation gains and losses that are recognized by our Canadian and Chinese subsidiaries on U.S. dollar denominated monetary assets and liabilities. Please refer to Note 8. Derivative Financial Instruments included in Item 1 of Part I of this report for further information, including details of the notional amounts outstanding.

In the future, in an effort to reduce foreign currency exchange risks, we may enter into further derivative financial instruments including hedging additional currency pairs. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

We currently generate a significant portion of our net revenue and incur a significant portion of our expenses in Canada. We also hold a significant portion of our net assets in Canada. The reporting currency for our consolidated financial statements is the U.S. dollar. A strengthening of the U.S. dollar against the Canadian dollar results in:

- the following impacts to the consolidated statements of operations:
 - a decrease in our net revenue upon translation of the sales made by our Canadian operations into U.S. dollars for the purposes of consolidation;
 - a decrease in our selling, general and administrative expenses incurred by our Canadian operations upon translation into U.S. dollars for the purposes of consolidation;
 - foreign currency exchange revaluation gains by our Canadian subsidiaries on U.S. dollar denominated monetary assets and liabilities; and
 - derivative valuation losses on forward currency contracts not designated in a hedging relationship;
- the following impacts to the consolidated balance sheets:
 - a decrease in the foreign currency translation adjustment which arises on the translation of our Canadian subsidiaries' balance sheets into U.S. dollars; and
 - net investment hedge losses from derivative valuation losses on forward currency contracts, entered into as net investment hedges of a Canadian subsidiary.

During the first three quarters of 2022, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$83.0 million increase in accumulated other comprehensive loss within stockholders' equity. During the first three quarters of 2021, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$35.6 million reduction in accumulated other comprehensive loss within stockholders' equity.

A 10% appreciation in the relative value of the U.S. dollar against the Canadian dollar compared to the foreign currency exchange rates in effect for the first three quarters of 2022 would have resulted in lower income from operations of approximately \$26.9 million. This assumes a consistent 10% appreciation in the U.S. dollar against the Canadian dollar over the first three quarters of 2022. The timing of changes in the relative value of the U.S. dollar combined with the seasonal nature of our business, can affect the magnitude of the impact that fluctuations in foreign currency exchange rates have on our income from operations.

Interest Rate Risk. Our committed revolving credit facility provides us with available borrowings in an amount up to \$400.0 million. Because our revolving credit facilities bear interest at a variable rate, we will be exposed to market risks relating to changes in interest rates, if we have a meaningful outstanding balance. As of October 30, 2022, aside from letters of credit of \$5.2 million, there were no borrowings outstanding under these credit facilities. We currently do not engage in any interest rate hedging activity and currently have no intention to do so. However, in the future, if we have a meaningful outstanding balance under our revolving facility, in an effort to mitigate losses associated with these risks, we may at times enter into derivative financial instruments, although we have not historically done so. These may take the form of forward contracts, option contracts, or interest rate swaps. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Our cash and cash equivalent balances are held in the form of cash on hand, bank balances, and short-term deposits with original maturities of three months or less, and in money market funds. We do not believe these balances are subject to material interest rate risk.

Credit Risk. We have cash on deposit with various large, reputable financial institutions and have invested in AAA-rated money market funds. The amount of cash and cash equivalents held with certain financial institutions exceeds government-insured limits. We are also exposed to credit-related losses in the event of nonperformance by the financial institutions that are counterparties to our forward currency contracts. The credit risk amount is our unrealized gains on our derivative instruments, based on foreign currency rates at the time of nonperformance. We have not experienced any losses related to these items, and we believe credit risk to be minimal. We seek to minimize our credit risk by entering into transactions with credit worthy and reputable financial institutions and by monitoring the credit standing of the financial institutions with whom we transact. We seek to limit the amount of exposure with any one counterparty.

Inflation

Inflationary factors such as increases in the cost of our product, as well as overhead costs and capital expenditures may adversely affect our operating results. During 2021 and the first three quarters of 2022, our operating margin was impacted by higher air freight costs compared to fiscal 2021 and 2020 as a result of global supply chain disruption, as well as increased wage rates. Sustained increases in transportation costs, wages, and raw material costs, or other inflationary pressures in the future may have an adverse effect on our ability to maintain current levels of operating margin if the selling prices of our products do not increase with these increased costs, or we cannot identify cost efficiencies.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, to allow timely decisions to be made regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. The Disclosure Committee meets on a quarterly basis, and as needed.

Our management, including our principal executive officer and principal financial and accounting officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of October 30, 2022. Based on that evaluation, our principal executive officer and principal financial and accounting officer concluded that, as of October 30, 2022, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting during the quarter ended October 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In addition to the legal matters described in Note 13. Legal Proceedings and Other Contingencies included in Item 1 of Part I of this report and in our 2021 Annual Report on Form 10-K, we are, from time to time, involved in routine legal matters incidental to the conduct of our business, including legal matters such as initiation and defense of proceedings to protect intellectual property rights, personal injury claims, product liability claims, employment claims, and similar matters. We believe the ultimate resolution of any such current proceeding will not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Form 10-Q and in our 2021 Annual Report on Form 10-K, the following risk factors should be considered in evaluating our business. Our business, financial condition, or results of operations could be materially adversely affected as a result of any of these risks.

Risks related to our business and industry

Our success depends on our ability to maintain the value and reputation of our brand.

The lululemon name is integral to our business as well as to the implementation of our expansion strategies. Maintaining, promoting, and positioning our brand will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high quality product, and guest experience. We rely on social media, as one of our marketing strategies, to have a positive impact on both our brand value and reputation. Our brand and reputation could be adversely affected if we fail to achieve these objectives, if our public image was to be tarnished by negative publicity, which could be amplified by social media, if we fail to deliver innovative and high quality products acceptable to our guests, or if we face or mishandle a product recall. Our reputation could also be impacted by adverse publicity, whether or not valid, regarding allegations that we, or persons associated with us or formerly associated with us, have violated applicable laws or regulations, including but not limited to those related to safety, employment, discrimination, harassment, whistle-blowing, privacy, corporate citizenship, improper business practices, or cybersecurity. Certain activities on the part of stakeholders, including nongovernmental organizations and governmental institutions, could cause reputational damage, distract senior management, and disrupt our business. Additionally, while we devote considerable effort and resources to protecting our intellectual property, if these efforts are not successful the value of our brand may be harmed. Any harm to our brand and reputation could have a material adverse effect on our financial condition.

Changes in consumer shopping preferences, and shifts in distribution channels could materially impact our results of operations.

We sell our products through a variety of channels, with a significant portion through traditional brick-and-mortar retail channels. The COVID-19 pandemic has shifted guest shopping preferences away from brick-and-mortar and towards digital platforms. As strong e-commerce channels emerge and develop, we are evolving towards an omni-channel approach to support the shopping behavior of our guests. This involves country and region-specific websites, social media, product notification emails, mobile apps, including mobile apps on in-store devices that allow demand to be fulfilled via our distribution centers, and online order fulfillment through stores. The diversion of sales from our company-operated stores could adversely impact our return on investment and could lead to impairment charges and store closures, including lease exit costs. We could have difficulty in recreating the in-store experience through direct channels. Our failure to successfully integrate our digital and physical channels and respond to these risks might adversely impact our business and results of operations, as well as damage our reputation and brands.

If any of our products have manufacturing or design defects or are otherwise unacceptable to us or our guests, our business could be harmed.

We have occasionally received, and may in the future receive, shipments of products that fail to comply with our technical specifications or that fail to conform to our quality control standards. We have also received, and may in the future receive, products that are otherwise unacceptable to us or our guests. Under these circumstances, unless we are able to obtain replacement products in a timely manner, we risk the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if the unacceptability of our products is not

discovered until after such products are sold, our guests could lose confidence in our products or we could face a product recall and our results of operations could suffer and our business, reputation, and brand could be harmed.

Our lululemon Studio subsidiary offers complex hardware and software products and services that can be affected by design and manufacturing defects. Sophisticated operating system software and applications, such as those offered by lululemon Studio, often have issues that can unexpectedly interfere with the intended operation of hardware or software products. Defects may also exist in components and products that we source from third parties. Any defects could make our products and services unsafe and create a risk of environmental or property damage or personal injury and we may become subject to the hazards and uncertainties of product liability claims and related litigation. The occurrence of real or perceived defects in any of our products, now or in the future, could result in additional negative publicity, regulatory investigations, or lawsuits filed against us, particularly if guests or others who use or purchase our lululemon Studio products are injured. Even if injuries are not the result of any defects, if they are perceived to be, we may incur expenses to defend or settle any claims and our brand and reputation may be harmed.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our net revenue and profitability.

The market for technical athletic apparel is highly competitive. Competition may result in pricing pressures, reduced profit margins or lost market share, or a failure to grow or maintain our market share, any of which could substantially harm our business and results of operations. We compete directly against wholesalers and direct retailers of athletic apparel, including large, diversified apparel companies with substantial market share, and established companies expanding their production and marketing of technical athletic apparel, as well as against retailers specifically focused on women's athletic apparel. We also face competition from wholesalers and direct retailers of traditional commodity athletic apparel, such as cotton T-shirts and sweatshirts. Many of our competitors are large apparel and sporting goods companies with strong worldwide brand recognition. Because of the fragmented nature of the industry, we also compete with other apparel sellers, including those specializing in yoga apparel and other activewear. Many of our competitors have significant competitive advantages, including longer operating histories, larger and broader customer bases, more established relationships with a broader set of suppliers, greater brand recognition and greater financial, research and development, store development, marketing, distribution, and other resources than we do.

Our competitors may be able to achieve and maintain brand awareness and market share more quickly and effectively than we can. In contrast to our grassroots community-based marketing approach, many of our competitors promote their brands through traditional forms of advertising, such as print media and television commercials, and through celebrity endorsements, and have substantial resources to devote to such efforts. Our competitors may also create and maintain brand awareness using traditional forms of advertising more quickly than we can. Our competitors may also be able to increase sales in their new and existing markets faster than we do by emphasizing different distribution channels than we do, such as catalog sales or an extensive franchise network.

In addition, because we hold limited patents and exclusive intellectual property rights in the technology, fabrics or processes underlying our products, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrication techniques, and styling similar to our products.

Our sales and profitability may decline as a result of increasing costs and decreasing selling prices.

Our business is subject to significant pressure on costs and pricing caused by many factors, including intense competition, constrained sourcing capacity and related inflationary pressure, the availability of qualified labor and wage inflation, pressure from consumers to reduce the prices we charge for our products, and changes in consumer demand. These factors may cause us to experience increased costs, reduce our prices to consumers or experience reduced sales in response to increased prices, any of which could cause our operating margin to decline if we are unable to offset these factors with reductions in operating costs and could have a material adverse effect on our financial condition, operating results, and cash flows.

MIRROR (now known as lululemon Studio) may not achieve near or long term cash flow forecasts, or could fail to achieve the benefits and synergies sought through the acquisition, which could result in a material impairment of goodwill or other assets.

During 2020, we acquired MIRROR as part of our growth plan, which includes driving business through omni-guest experiences. During the third quarter of 2022, MIRROR evolved to become lululemon Studio. The potential benefits of enhancing our digital and interactive capabilities and deepening our roots in the sweatlife might not be realized fully, if at all, or take longer than anticipated to achieve. Further, the expected synergies between lululemon Studio and our core business,

such as those related to our connections with our guests and communities as well as our store and direct to consumer infrastructure, may not materialize. A significant portion of the purchase price was allocated to goodwill and if our acquisition does not yield expected returns, we may be required to record impairment charges, which would adversely affect our results of operations.

There has been a deterioration in macroeconomic conditions and trends in the digital fitness industry and the fair value of the lululemon Studio reporting unit as of October 30, 2022 was not significantly in excess of its carrying value. Our ability to generate expected cash flows is dependent on several factors including, but not limited to, customer demand and trends in the connected fitness industry including the level of desire to exercise at home, our ability to attract new subscribers to grow the community, and to maintain a loyal subscriber base. The fair value of lululemon Studio is also dependent on achieving long term profitability. Failure to increase the growth rate of new subscribers in the near term, or if we are unable to reduce customer acquisition costs, or other internal or external factors, could cause a material impairment of goodwill.

Our management team has limited experience in addressing the challenges of integrating management teams, strategies, cultures, and organizations of two companies. This may divert the attention of management and cause additional expenses. Management also has limited experience outside of the retail industry, including with the specialized hardware and software sold and licensed by lululemon Studio. If lululemon Studio has inadequate or ineffective controls and procedures, our internal control over financial reporting could be adversely impacted. lululemon Studio may not be well received by our customers or employees, and this could hurt our brand and result in the loss of key employees. If we are unable to manage lululemon Studio operations successfully and efficiently, including its people and technologies, it could adversely affect our results of operations. lululemon Studio may also divert management time and other resources away from our core business.

In addition, we may, from time to time, evaluate and pursue other strategic investments or acquisitions. These involve various inherent risks and the benefits sought may not be realized. The acquisition of MIRROR or other strategic investments or acquisitions may not create value and may harm our brand and adversely affect our business, financial condition, and results of operations.

If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative, and differentiated products, we may not be able to maintain or increase our sales and profitability.

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. If we are unable to introduce new products or novel technologies in a timely manner or our new products or technologies are not accepted by our guests, our competitors may introduce similar products in a more timely fashion, which could hurt our goal to be viewed as a leader in technical athletic apparel innovation. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of athletic apparel or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. Our failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales and excess inventory levels. Even if we are successful in anticipating consumer preferences, our ability to adequately react to and address those preferences will in part depend upon our continued ability to develop and introduce innovative, high-quality products. Our failure to effectively introduce new products that are accepted by consumers could result in a decrease in net revenue and excess inventory levels, which could have a material adverse effect on our financial condition.

Our results of operations could be materially harmed if we are unable to accurately forecast guest demand for our products.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in guest demand for our products or for products of our competitors, our failure to accurately forecast guest acceptance of new products, product introductions by competitors, unanticipated changes in general market conditions (for example, because of unexpected effects on inventory supply and consumer demand caused by the current COVID-19 coronavirus pandemic), and weakening of economic conditions or consumer confidence in future economic conditions (for example, because of inflationary pressures, or because of sanctions, restrictions, and other responses related to geopolitical events). If we fail to accurately forecast guest demand, we may experience excess inventory levels or a shortage of products available for sale in our stores or for delivery to guests.

Inventory levels in excess of guest demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would cause our gross margin to suffer and could impair the strength and exclusivity of our brand. Conversely, if we underestimate guest demand for our products, our manufacturers may not be able to deliver products to meet our requirements, and this could result in damage to our reputation and guest relationships.

Our limited operating experience and limited brand recognition in new international markets and new product categories may limit our expansion and cause our business and growth to suffer.

Our future growth depends in part on our expansion efforts outside of North America. We have limited experience with regulatory environments and market practices internationally, and we may not be able to penetrate or successfully operate in any new market. In connection with our expansion efforts we may encounter obstacles we did not face in North America, including cultural and linguistic differences, differences in regulatory environments, labor practices and market practices, difficulties in keeping abreast of market, business and technical developments, and international guests' tastes and preferences. We may also encounter difficulty expanding into new international markets because of limited brand recognition leading to delayed acceptance of our technical athletic apparel by guests in these new international markets. Our failure to develop our business in new international markets or disappointing growth outside of existing markets could harm our business and results of operations.

In addition, our continued growth depends in part on our ability to expand our product categories and introduce new product lines. We may not be able to successfully manage integration of new product categories or the new product lines with our existing products. Selling new product categories and lines will require our management to learn different strategies in order to be successful. We may be unsuccessful in entering new product categories and developing or launching new product lines, which requires management of new suppliers, potential new customers, and new business models. Our management may not have the experience of selling in these new product categories and we may not be able to grow our business as planned. For example, in July 2020, we acquired MIRROR, an in-home fitness company with an interactive workout platform that features live and on-demand classes. If we are unable to effectively and successfully further develop these and future new product categories and lines, we may not be able to increase or maintain our sales and our operating margins may be adversely affected.

We may not be able to grow the lululemon Studio business and have it achieve profitability.

We may be unable to attract and retain subscribers to lululemon Studio. If we do not provide the delivery and installation service that our guests expect, offer engaging and innovative classes, and support and continue to improve the technology used, we may not be able to maintain and grow the number of subscribers. This could adversely impact our results of operations.

We are dependent on technology systems to provide live and recorded classes to our customers with lululemon Studio subscriptions, to maintain its software, and to manage subscriptions. If we experience issues such as cybersecurity threats or actions, or interruptions or delays in our technology systems, the data privacy and overall experience of subscribers could be negatively impacted and could therefore damage our brand and adversely affect our results of operations.

Competition, including from other in-home fitness providers as well as in-person fitness studios, and trends of consumer preferences, could also impact the level of subscriptions and therefore our results of operations. We also may not successfully adapt the lululemon Studio strategy in response to changing market conditions and customer preferences.

If we continue to grow at a rapid pace, we may not be able to effectively manage our growth and the increased complexity of our business and as a result our brand image and financial performance may suffer.

We have expanded our operations rapidly since our inception in 1998 and our net revenue has increased from \$40.7 million in fiscal 2004 to \$6.3 billion in 2021. If our operations continue to grow at a rapid pace, we may experience difficulties in obtaining sufficient raw materials and manufacturing capacity to produce our products, as well as delays in production and shipments, as our products are subject to risks associated with overseas sourcing and manufacturing. We could be required to continue to expand our sales and marketing, product development and distribution functions, to upgrade our management information systems and other processes and technology, and to obtain more space for our expanding workforce. This expansion could increase the strain on our resources, and we could experience operating difficulties, including difficulties in hiring, training, and managing an increasing number of employees. These difficulties could result in the erosion of our brand image which could have a material adverse effect on our financial condition.

We are subject to risks associated with leasing retail and distribution space subject to long-term and non-cancelable leases.

We lease the majority of our stores under operating leases and our inability to secure appropriate real estate or lease terms could impact our ability to grow. Our leases generally have initial terms of between five and 15 years, and generally can be extended in five-year increments if at all. We generally cannot cancel these leases at our option. If an existing or new store is not profitable, and we decide to close it, as we have done in the past and may do in the future, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Similarly, we may be committed to perform our obligations under the applicable leases even if

current locations of our stores become unattractive as demographic patterns change. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could require us to close stores in desirable locations.

We also lease the majority of our distribution centers and our inability to secure appropriate real estate or lease terms could impact our ability to deliver our products to the market.

We may not be able to successfully open new store locations in a timely manner, if at all, which could harm our results of operations.

Our growth will largely depend on our ability to successfully open and operate new stores. We may be unsuccessful in identifying new locations and markets where our technical athletic apparel and other products and brand image will be accepted. In addition, we may not be able to open or profitably operate new stores in existing, adjacent, or new markets due to the impact of COVID-19, political instability, inflationary pressures, or other economic conditions, which could have a material adverse effect on us.

Our future success is substantially dependent on the service of our senior management and other key employees.

In the last few years, we have had changes to our senior management team including new hires, departures, and role and responsibility changes. The performance of our senior management team and other key employees may not meet our needs and expectations. Also, the loss of services of any of these key employees, or any negative public perception with respect to these individuals, may be disruptive to, or cause uncertainty in, our business and could have a negative impact on our ability to manage and grow our business effectively. Such disruption could have a material adverse impact on our financial performance, financial condition, and the market price of our stock.

Our business is affected by seasonality, which could result in fluctuations in our operating results.

Our business is affected by the general seasonal trends common to the retail apparel industry. Our annual net revenue is weighted more heavily toward our fourth fiscal quarter, reflecting our historical strength in sales during the holiday season, while our operating expenses are more equally distributed throughout the year. This seasonality, along with other factors that are beyond our control, including weather conditions and the effects of climate change, could adversely affect our business and cause our results of operations to fluctuate.

Risks related to our supply chain

Disruptions of our supply chain could have a material adverse effect on our operating and financial results.

Disruption of our supply chain capabilities due to trade restrictions, political instability, severe weather, natural disasters, public health crises such as the ongoing COVID-19 pandemic, war, terrorism, product recalls, labor supply or stoppages, the financial or operational instability of key suppliers and carriers, changes in diplomatic or trade relationships (including any sanctions, restrictions, and other responses such as those related to current geopolitical events), or other reasons could impair our ability to distribute our products. To the extent we are unable to mitigate the likelihood or potential impact of such events, there could be a material adverse effect on our operating and financial results.

We rely on international suppliers and any significant disruption to our supply chain could impair our ability to procure or distribute our products.

We do not manufacture our products or raw materials and rely on suppliers and manufacturers located predominantly in the Asia Pacific region, including the PRC. We also source other materials used in our products, including items such as content labels, elastics, buttons, clasps, and drawcords, from suppliers located primarily in this region. Based on cost, during 2021:

- Approximately 40% of our products were manufactured in Vietnam, 17% in Cambodia, 11% in Sri Lanka, 7% in the PRC, including 2% in Taiwan, and the remainder in other regions.
- Approximately 48% of the fabric used in our products originated from Taiwan, 19% from China Mainland, 11% from Sri Lanka, and the remainder from other regions.

The entire apparel industry, including our company, continues to face supply chain challenges as a result of the impacts of COVID-19, political instability, inflationary pressures, macroeconomic conditions, and other factors, including reduced freight availability and increased costs, port disruption, manufacturing facility closures, and related labor shortages and other supply chain disruptions.

Our supply chain capabilities may be disrupted due to these or other factors, such as severe weather, natural disasters, war or other military conflicts, terrorism, labor supply shortages or stoppages, the financial or operational instability of key suppliers or the countries in which they operate, or changes in diplomatic or trade relationships (including any sanctions, restrictions, and other responses to geopolitical events). Any significant disruption in our supply chain capabilities could impair our ability to procure or distribute our products, which would adversely affect our business and results of operations.

A relatively small number of vendors supply and manufacture a significant portion of our products, and losing one or more of these vendors could adversely affect our business and results of operations.

Many of the specialty fabrics used in our products are technically advanced textile products developed and manufactured by third parties and may be available, in the short-term, from only one or a limited number of sources. We have no long-term contracts with any of our suppliers or manufacturers for the production and supply of our raw materials and products, and we compete with other companies for fabrics, other raw materials, and production. During 2021, we worked with approximately 41 vendors to manufacture our products and 65 suppliers to provide the fabric for our products. Based on cost, during 2021:

- Approximately 57% of our products were manufactured by our top five vendors, the largest of which produced approximately 15% of our products; and
- Approximately 56% of our fabrics were produced by our top five fabric suppliers, the largest of which produced approximately 27% of fabric used.

We have experienced, and may in the future experience, a significant disruption in the supply of fabrics or raw materials and may be unable to locate alternative suppliers of comparable quality at an acceptable price, or at all. In addition, if we experience significant increased demand, or if we need to replace an existing supplier or manufacturer, we may be unable to locate additional supplies of fabrics or raw materials or additional manufacturing capacity on terms that are acceptable to us, or at all, or we may be unable to locate any supplier or manufacturer with sufficient capacity to meet our requirements or fill our orders in a timely manner. Identifying a suitable supplier is an involved process that requires us to become satisfied with its quality control, responsiveness and service, financial stability, and labor and other ethical practices. Even if we are able to expand existing or find new manufacturing or fabric sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products, and quality control standards.

Our supply of fabric or manufacture of our products could be disrupted or delayed by economic or political conditions, and by the impact of COVID-19, and the related government and private sector responsive actions such as closures, restrictions on product shipments, and travel restrictions. Delays related to supplier changes could also arise due to an increase in shipping times if new suppliers are located farther away from our markets or from other participants in our supply chain. The receipt of inventory sourced from areas impacted by COVID-19 has been slowed or disrupted and our manufacturers may also face similar challenges in receiving fabric and fulfilling our orders. In addition, freight capacity issues continue to persist worldwide as there is much greater demand for shipping and reduced capacity and equipment. Any delays, interruption, or increased costs in the supply of fabric or manufacture of our products could have an adverse effect on our ability to meet guest demand for our products and result in lower net revenue and income from operations both in the short and long term.

Our business could be harmed if our suppliers and manufacturers do not comply with our Vendor Code of Ethics or applicable laws.

While we require our suppliers and manufacturers to comply with our Vendor Code of Ethics, which includes labor, health and safety, and environment standards, we do not control their operations. If suppliers or contractors do not comply with these standards or applicable laws or there is negative publicity regarding the production methods of any of our suppliers or manufacturers, even if unfounded or not specific to our supply chain, our reputation and sales could be adversely affected, we could be subject to legal liability, or could cause us to contract with alternative suppliers or manufacturing sources.

The fluctuating cost of raw materials could increase our cost of goods sold.

The fabrics used to make our products include synthetic fabrics whose raw materials include petroleum-based products. Our products also include silver and natural fibers, including cotton. Our costs for raw materials are affected by, among other things, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable and beyond our control. Any and all of these factors may be exacerbated by global climate change. In addition, ongoing impacts of the pandemic, political instability, trade relations, sanctions, inflationary pressure, or other geopolitical or economic conditions could cause

raw material costs to increase and have an adverse effect on our future margins. Increases in the cost of raw materials, including petroleum or the prices we pay for silver and our cotton yarn and cotton-based textiles, could have a material adverse effect on our cost of goods sold, results of operations, financial condition, and cash flows.

If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet guest expectations could be harmed.

We rely on our distribution facilities for substantially all of our product distribution. Our distribution facilities include computer controlled and automated equipment, which means their operations may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power interruptions, or other system failures. In addition, our operations could also be interrupted by labor difficulties, pandemics (such as the COVID-19 pandemic), the impacts of climate change, extreme or severe weather conditions or by floods, fires, or other natural disasters near our distribution centers. If we encounter problems with our distribution system, our ability to meet guest expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies could be harmed.

Increasing labor costs and other factors associated with the production of our products in South Asia and South East Asia could increase the costs to produce our products.

A significant portion of our products are produced in South Asia and South East Asia and increases in the costs of labor and other costs of doing business in the countries in this area could significantly increase our costs to produce our products and could have a negative impact on our operations and earnings. Factors that could negatively affect our business include labor shortages and increases in labor costs, labor disputes, pandemics, the impacts of climate change, difficulties and additional costs in transporting products manufactured from these countries to our distribution centers and significant revaluation of the currencies used in these countries, which may result in an increase in the cost of producing products. Also, the imposition of trade sanctions or other regulations against products imported by us from, or the loss of "normal trade relations" status with any country in which our products are manufactured, could significantly increase our cost of products and harm our business.

Risks related to information security and technology

We may be unable to safeguard against security breaches which could damage our customer relationships and result in significant legal and financial exposure.

As part of our normal operations, we receive confidential, proprietary, and personally identifiable information, including credit card information, and information about our customers, our employees, job applicants, and other third parties. Our business employs systems and websites that allow for the storage and transmission of this information. However, despite our safeguards and security processes and protections, security breaches could expose us to a risk of theft or misuse of this information, and could result in litigation and potential liability.

The retail industry, in particular, has been the target of many recent cyber-attacks. We may not have the resources or technical sophistication to be able to anticipate or prevent rapidly evolving types of cyber-attacks. Attacks may be targeted at us, our vendors or customers, or others who have entrusted us with information. In addition, despite taking measures to safeguard our information security and privacy environment from security breaches, our customers and our business could still be exposed to risk. Actual or anticipated attacks may cause us to incur increasing costs including costs to deploy additional personnel and protection technologies, train employees and engage third party experts and consultants. Advances in computer capabilities, new technological discoveries or other developments may result in the technology used by us to protect transaction or other data being breached or compromised. Measures we implement to protect against cyber-attacks may also have the potential to impact our customers' shopping experience or decrease activity on our websites by making them more difficult to use.

Data and security breaches can also occur as a result of non-technical issues including intentional or inadvertent breach by employees or persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, and damage to our brand and reputation or other harm to our business.

In addition, the increased use of employee-owned devices for communications as well as work-from-home arrangements, such as those implemented in response to the COVID-19 pandemic, present additional operational risks to our technology systems, including increased risks of cyber-attacks. Further, like other companies in the retail industry, we have in the past experienced, and we expect to continue to experience, cyber-attacks, including phishing, and other attempts to breach, or gain unauthorized access to, our systems. To date, these attacks have not had a material impact on our operations, but they may have an impact in the future.

Privacy and data protection laws increase our compliance burden.

We are subject to a variety of privacy and data protection laws and regulations that change frequently and have requirements that vary from jurisdiction to jurisdiction. For example, we are subject to significant compliance obligations under privacy laws such as the General Data Privacy Regulation ("GDPR") in the European Union, the Personal Information Protection and Electronic Documents Act ("PIPEDA") in Canada, the California Consumer Privacy Act ("CCPA") modified by the California Privacy Rights Act ("CPRA"), and the Personal Information Protection Law ("PIPL") in the PRC. Some privacy laws prohibit the transfer of personal information to certain other jurisdictions. We are subject to privacy and data protection audits or investigations by various government agencies. Our failure to comply with these laws subjects us to potential regulatory enforcement activity, fines, private litigation including class actions, and other costs. Our efforts to comply with privacy laws may complicate our operations and add to our compliance costs. A significant privacy breach or failure or perceived failure by us or our third-party service providers to comply with privacy or data protection laws, regulations, policies or regulatory guidance might have a materially adverse impact on our reputation, business operations and our financial condition or results of operations.

Disruption of our technology systems or unexpected network interruption could disrupt our business.

We are increasingly dependent on technology systems and third-parties to operate our e-commerce websites, process transactions, respond to guest inquiries, manage inventory, purchase, sell and ship goods on a timely basis, and maintain cost-efficient operations. The failure of our technology systems to operate properly or effectively, problems with transitioning to upgraded or replacement systems, or difficulty in integrating new systems, could adversely affect our business. In addition, we have e-commerce websites in the United States, Canada, and internationally. Our technology systems, websites, and operations of third parties on whom we rely, may encounter damage or disruption or slowdown caused by a failure to successfully upgrade systems, system failures, viruses, computer "hackers", natural disasters, or other causes. These could cause information, including data related to guest orders, to be lost or delayed which could, especially if the disruption or slowdown occurred during the holiday season, result in delays in the delivery of products to our stores and guests or lost sales, which could reduce demand for our products and cause our sales to decline. The concentration of our primary offices, two of our distribution centers, and a number of our stores along the west coast of North America could amplify the impact of a natural disaster occurring in that area to our business, including to our technology systems. In addition, if changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose guests. We have limited back-up systems and redundancies, and our technology systems and websites have experienced system failures and electrical outages in the past which have disrupted our operations. Any significant disruption in our technology systems or websites could harm our reputation and credibility, and could have a material adverse effect on our business, financial condition, and results of operations.

Our technology-based systems that give our customers the ability to shop with us online may not function effectively.

Many of our customers shop with us through our e-commerce websites and mobile apps. Increasingly, customers are using tablets and smart phones to shop online with us and with our competitors and to do comparison shopping. We are increasingly using social media and proprietary mobile apps to interact with our customers and as a means to enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, user-friendly e-commerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of e-commerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our e-commerce business globally and could have a material adverse impact on our business and results of operations.

Risks related to environmental, social, and governance issues

Climate change, and related legislative and regulatory responses to climate change, may adversely impact our business.

There is increasing concern that a gradual rise in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe, an increase in the frequency, severity, and duration of extreme weather conditions and natural disasters, and water scarcity and poor water quality. These events could adversely impact the cultivation of cotton, which is a key resource in the production of our products, disrupt the operation of our supply chain and the productivity of our contract manufacturers, increase our production costs, impose capacity restraints and impact the types of apparel products that consumers purchase. These events could also compound adverse economic conditions and impact consumer confidence and discretionary spending. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations. In many countries, governmental bodies are enacting new or additional legislation and regulations to reduce or mitigate the potential impacts of climate change. If we, our suppliers, or our contract manufacturers are required to comply

with these laws and regulations, or if we choose to take voluntary steps to reduce or mitigate our impact on climate change, we may experience increased costs for energy, production, transportation, and raw materials, increased capital expenditures, or increased insurance premiums and deductibles, which could adversely impact our operations. Inconsistency of legislation and regulations among jurisdictions may also affect the costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate.

Increased scrutiny from investors and others regarding our environmental, social, governance, or sustainability, responsibilities could result in additional costs or risks and adversely impact our reputation, employee retention, and willingness of customers and suppliers to do business with us.

Investor advocacy groups, certain institutional investors, investment funds, other market participants, stockholders, and customers have focused increasingly on the environmental, social and governance ("ESG") or "sustainability" practices of companies, including those associated with climate change. These parties have placed increased importance on the implications of the social cost of their investments. If our ESG practices do not meet investor or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and employee retention may be negatively impacted based on an assessment of our ESG practices. Any sustainability report that we publish or other sustainability disclosures we make may include our policies and practices on a variety of social and ethical matters, including corporate governance, environmental compliance, employee health and safety practices, human capital management, product quality, supply chain management, and workforce inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. Also, our failure, or perceived failure, to meet the standards included in any sustainability disclosure could negatively impact our reputation, employee retention, and the willingness of our customers and suppliers to do business with us.

Risks related to global economic, political, and regulatory conditions

An economic recession, depression, downturn, periods of inflation, or economic uncertainty in our key markets may adversely affect consumer discretionary spending and demand for our products.

Many of our products may be considered discretionary items for consumers. Some of the factors that may influence consumer spending on discretionary items include general economic conditions, high levels of unemployment, health pandemics (such as the impact of the current COVID-19 coronavirus pandemic, including reduced store traffic and widespread temporary closures of retail locations), higher consumer debt levels, reductions in net worth based on market declines and uncertainty, home foreclosures and reductions in home values, fluctuating interest and foreign currency exchange rates and credit availability, government austerity measures, fluctuating fuel and other energy costs, fluctuating commodity prices, inflationary pressure, tax rates and general uncertainty regarding the overall future economic environment. Global economic conditions are uncertain and volatile, due in part to the impacts of COVID-19 and related restrictions and mitigation measures, the potential impacts of increasing inflation, the potential impacts of geopolitical uncertainties, and any potential sanctions, restrictions or responses to those conditions. As global economic conditions continue to be volatile or economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. Unfavorable economic conditions may lead consumers to delay or reduce purchases of our products. Consumer demand for our products may not reach our targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our financial condition.

The current COVID-19 coronavirus pandemic and related government, private sector, and individual consumer responsive actions have affected, and could continue to affect, our business operations, store traffic, employee availability, supply chain, financial condition, liquidity, and cash flow.

The COVID-19 pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. COVID-19 negatively impacted our business and operations in 2020. While conditions improved in 2021, the extent and duration of ongoing impacts remain uncertain. Certain stores and our third party distribution center in the PRC experienced temporary closures during the first quarter of 2022, and there is uncertainty regarding the ongoing impact of COVID-19 on our operations in the PRC.

The spread of COVID-19 has caused health officials to impose restrictions and recommend precautions to mitigate the spread of the virus, especially when congregating in heavily populated areas, such as malls and lifestyle centers. Our stores have experienced temporary closures, and we have implemented precautionary measures in line with guidance from local authorities in the stores that are open. These measures include restrictions such as limitations on the number of guests

allowed in our stores at any single time, minimum physical distancing requirements, and limited operating hours. We do not know how the measures recommended by local authorities or implemented by us may change over time or what the duration of these restrictions will be.

Further resurgences in COVID-19 cases, including from variants, could cause additional restrictions, including temporarily closing all or some of our stores again. An outbreak at one of our locations, even if we follow appropriate precautionary measures, could negatively impact our employees, guests, and brand. There is uncertainty over the impact of COVID-19 on the U.S., Canadian, PRC, and global economies, consumer willingness to visit stores, malls, and lifestyle centers, and employee willingness to staff our stores as the pandemic continues and if there are future resurgences. There is also uncertainty regarding potential long-term changes to consumer shopping behavior and preferences and whether consumer demand will recover when restrictions are lifted.

The COVID-19 pandemic also has the potential to significantly impact our supply chain if the factories that manufacture our products, the distribution centers where we manage our inventory, or the operations of our logistics and other service providers are disrupted, temporarily closed, or experience worker shortages. In particular, we have seen disruptions and delays in shipments, and we may see negative impacts to pricing of certain components of our products as a result of the COVID-19 pandemic.

The COVID-19 situation is changing rapidly and the extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and its variants and the actions taken to contain it or treat its impact, including vaccinations.

Global economic and political conditions and global events such as health pandemics could adversely impact our results of operations.

Uncertain or challenging global economic and political conditions could impact our performance, including our ability to successfully expand internationally. Global economic conditions could impact levels of consumer spending in the markets in which we operate, which could impact our sales and profitability. Political unrest, such as the turmoil related to current geopolitical events and the related sanctions, restrictions, or other responses, could negatively impact our guests and employees, reduce consumer spending, and adversely impact our business and results of operations. Health pandemics, such as the current COVID-19 coronavirus pandemic, and the related governmental, private sector and individual consumer responses could contribute to a recession, depression, or global economic downturn, reduce store traffic and consumer spending, result in temporary or permanent closures of retail locations, offices, and factories, and could negatively impact the flow of goods.

We may be unable to source and sell our merchandise profitably or at all if new trade restrictions are imposed or existing restrictions become more burdensome.

The United States and the countries in which our products are produced or sold have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty, or tariff levels. The results of any audits or related disputes regarding these restrictions or regulations could have an adverse effect on our financial statements for the period or periods for which the applicable final determinations are made. Countries impose, modify, and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us, could increase shipping times, or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition, and results of operations.

We are dependent on international trade agreements and regulations. The countries in which we produce and sell our products could impose or increase tariffs, duties, or other similar charges that could negatively affect our results of operations, financial position, or cash flows.

Adverse changes in, or withdrawal from, trade agreements or political relationships between the United States and the PRC, Canada, or other countries where we sell or source our products, could negatively impact our results of operations or cash flows. Any tariffs imposed between the United States and the PRC could increase the costs of our products. General geopolitical instability and the responses to it, such as the possibility of sanctions, trade restrictions, and changes in tariffs, including recent sanctions against the PRC, tariffs imposed by the United States and the PRC, and the possibility of additional tariffs or other trade restrictions between the United States and Mexico, could adversely impact our business. It is possible that further tariffs may be introduced, or increased. Such changes could adversely impact our business and could increase the

costs of sourcing our products from the PRC, or could require us to source more of our products from other countries. The Uyghur Forced Labor Prevention Act may lead to greater supply chain compliance costs and delays to us and to our vendors.

There could be changes in economic conditions in the United Kingdom ("UK") or European Union ("EU"), including due to the UK's withdrawal from the EU, foreign currency exchange rates, and consumer markets. Our business could be adversely affected by these changes, including by additional duties on the importation of our products into the UK from the EU and as a result of shipping delays or congestion.

Changes in tax laws or unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to the income tax laws of the United States, Canada, and several other international jurisdictions. Our effective income tax rates could be unfavorably impacted by a number of factors, including changes in the mix of earnings amongst countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, new tax interpretations and guidance, the outcome of income tax audits in various jurisdictions around the world, and any repatriation of unremitted earnings for which we have not previously accrued applicable U.S. income taxes and international withholding taxes.

Repatriations from our Canadian subsidiaries are not subject to Canadian withholding taxes if such distributions are made as a return of capital. Historically, we have not accrued any significant amounts for Canadian withholding taxes that would be payable on repatriations from our Canadian subsidiaries because the net investment in our Canadian subsidiaries is indefinitely reinvested, or could be repatriated free of withholding tax. The extent to which increases in the net assets of our Canadian subsidiaries can be repatriated free of withholding tax is dependent on, among other things, the amount of paid-up-capital in our Canadian subsidiaries and transactions undertaken by our exchangeable shareholders. As of October 30, 2022, we had 5.2 million exchangeable shares outstanding. If there are insufficient transactions by our exchangeable shareholders between now and the end of 2022, and our Canadian subsidiary continues to generate profits at historic rates, then we will be unable to repatriate all of our 2022 Canadian earnings free of withholding tax. We have therefore accrued for Canadian withholding taxes on the portion of our 2022 earnings which we expect to be unable to repatriate free of withholding tax. This has increased our effective tax rate, and absent further transactions by our exchangeable shareholders, we expect our tax rate to increase further in fiscal 2023.

We engage in a number of intercompany transactions across multiple tax jurisdictions. Although we believe that these transactions reflect the accurate economic allocation of profit and that proper transfer pricing documentation is in place, the profit allocation and transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact our mix of earnings in countries with differing statutory tax rates. At the end of 2020, our Advance Pricing Arrangement ("APA") with the Internal Revenue Service and the Canada Revenue Agency expired. This APA stipulated the allocation of certain profits between the U.S. and Canada. We are currently in the process of negotiating the renewal of this arrangement and the final agreed upon terms and conditions thereof could impact our effective tax rate.

Current economic and political conditions make tax rules in any jurisdiction, including the United States and Canada, subject to significant change. Changes in applicable U.S., Canadian, or other international tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could affect our income tax expense and profitability, as they did in fiscal 2017 and fiscal 2018 upon passage of the U.S. Tax Cuts and Jobs Act and in 2020 with the passage of the Coronavirus Aid, Relief, and Economic Security Act. Certain provisions of the recently enacted Inflation Reduction Act effective January 1, 2023, including a 1% excise tax on share repurchases and a 15% corporate alternative minimum tax, may impact our income tax expense, profitability, and capital allocation decisions.

Our failure to comply with trade and other regulations could lead to investigations or actions by government regulators and negative publicity.

The labeling, distribution, importation, marketing, and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys general in the United States, the Competition Bureau and Health Canada in Canada, the State Administration for Market Regulation of the PRC, General Administration of Customs of the PRC, as well as by various other federal, state, provincial, local, and international regulatory authorities in the countries in which our products are distributed or sold. If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant penalties or claims, which could harm our results of operations or our ability to conduct our business. In addition, any audits and inspections by governmental agencies related to these matters could result in significant settlement amounts, damages, fines, or other penalties, divert financial and management resources, and result in significant legal fees. An unfavorable outcome of any particular proceeding could have an adverse impact on our business, financial condition, and results of operations. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in

significant compliance costs or discontinuation of product sales and could impair the marketing of our products, resulting in significant loss of net revenue.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-bribery laws applicable to our operations. In many countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other U.S. and international laws and regulations applicable to us. Although we have implemented procedures designed to ensure compliance with the FCPA and similar laws, some of our employees, agents, or other partners, as well as those companies to which we outsource certain of our business operations, could take actions in violation of our policies. Any such violation could have a material and adverse effect on our business.

Because a significant portion of our net revenue and expenses are generated in countries other than the United States, fluctuations in foreign currency exchange rates have affected our results of operations and may continue to do so in the future.

The functional currency of our international subsidiaries is generally the applicable local currency. Our consolidated financial statements are presented in U.S. dollars. Therefore, the net revenue, expenses, assets, and liabilities of our international subsidiaries are translated from their functional currencies into U.S. dollars. Fluctuations in the value of the U.S. dollar affect the reported amounts of net revenue, expenses, assets, and liabilities. Foreign currency exchange differences which arise on translation of our international subsidiaries' balance sheets into U.S. dollars are recorded as other comprehensive income (loss), net of tax in accumulated other comprehensive income or loss within stockholders' equity.

We also have exposure to changes in foreign currency exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. As a result, we have been impacted by changes in foreign currency exchange rates and may be impacted for the foreseeable future. The potential impact of currency fluctuation increases as our international expansion increases.

Although we use financial instruments to hedge certain foreign currency risks, these measures may not succeed in fully offsetting the negative impact of foreign currency rate movements.

We are exposed to credit-related losses in the event of nonperformance by the counterparties to forward currency contracts used in our hedging strategies.

Risks related to intellectual property

Our fabrics and manufacturing technology generally are not patented and can be imitated by our competitors. If our competitors sell products similar to ours at lower prices, our net revenue and profitability could suffer.

The intellectual property rights in the technology, fabrics, and processes used to manufacture our products generally are owned or controlled by our suppliers and are generally not unique to us. Our ability to obtain intellectual property protection for our products is therefore limited. We hold limited patents and exclusive intellectual property rights in the technology, fabrics or processes underlying our products. As a result, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrics and styling similar to our products. Because many of our competitors have significantly greater financial, distribution, marketing, and other resources than we do, they may be able to manufacture and sell products based on our fabrics and manufacturing technology at lower prices than we can. If our competitors sell products similar to ours at lower prices, our net revenue and profitability could suffer.

Our failure or inability to protect our intellectual property rights could diminish the value of our brand and weaken our competitive position.

We currently rely on a combination of patent, copyright, trademark, trade dress, trade secret, and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our intellectual property rights. The steps we take to protect our intellectual property rights may not be adequate to prevent infringement of these rights by others, including imitation of our products and misappropriation of our brand. In addition, any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable, or our intellectual property protection may be unavailable or limited in some international countries where laws or law enforcement practices may not protect our intellectual property rights as fully as in the United States or Canada, and it may be more difficult for us to successfully challenge the use of our intellectual property rights by other parties in these countries. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished, and our competitive position may suffer.

Our trademarks, patents, and other proprietary rights could potentially conflict with the rights of others and we may be prevented from selling some of our products.

Our success depends in large part on our brand image. We believe that our trademarks, patents, and other proprietary rights have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. We have applied for and obtained some United States, Canada, and international trademark registrations and patents, and will continue to evaluate additional trademarks and patents as appropriate. However, some or all of these pending trademark or patent applications may not be approved by the applicable governmental authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these applications or registrations. Additionally, we may face obstacles as we expand our product line and the geographic scope of our sales and marketing. Third parties may assert intellectual property claims against us, particularly as we expand our business and the number of products we offer. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties, or cease using those rights altogether. Any of these events could harm our business and cause our results of operations, liquidity, and financial condition to suffer.

We have been, and in the future may be, sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in our market, and litigation, based on allegations of infringement or other violations of intellectual property, is frequent in the fitness and technology industries. Furthermore, it is common for individuals and groups to purchase patents and other intellectual property assets for the purpose of making claims of infringement to extract settlements from companies like ours. Our use of third-party content, including music content, software, and other intellectual property rights may be subject to claims of infringement or misappropriation. We cannot guarantee that our internally developed or acquired technologies and content do not or will not infringe the intellectual property rights of others. From time to time, our competitors or other third parties may claim that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon such rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our platform or services or using certain technologies, force us to implement expensive work-arounds, or impose other unfavorable terms. We expect that the occurrence of infringement claims is likely to grow as the market for fitness products and services grows and as we introduce new and updated products and offerings. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources. Any of the foregoing could prevent us from competing effectively and could have an adverse effect on our business, financial condition, and operating results.

Risks related to legal and governance matters

We are subject to periodic claims and litigation that could result in unexpected expenses and could ultimately be resolved against us.

From time to time, we are involved in litigation and other proceedings, including matters related to product liability claims, stockholder class action and derivative claims, commercial disputes and intellectual property, as well as trade, regulatory, employment, and other claims related to our business. Any of these proceedings could result in significant settlement amounts, damages, fines, or other penalties, divert financial and management resources, and result in significant legal fees. An unfavorable outcome of any particular proceeding could exceed the limits of our insurance policies or the carriers may decline to fund such final settlements and/or judgments and could have an adverse impact on our business, financial condition, and results of operations. In addition, any proceeding could negatively impact our reputation among our guests and our brand image.

Our business could be negatively affected as a result of actions of activist stockholders or others.

We may be subject to actions or proposals from stockholders or others that may not align with our business strategies or the interests of our other stockholders. Responding to such actions can be costly and time-consuming, disrupt our business and operations, and divert the attention of our board of directors, management, and employees from the pursuit of our business strategies. Such activities could interfere with our ability to execute our strategic plan. Activist stockholders or others may create perceived uncertainties as to the future direction of our business or strategy which may be exploited by our competitors and may make it more difficult to attract and retain qualified personnel and potential guests, and may affect our relationships with current guests, vendors, investors, and other third parties. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require

significant time and attention by management and our board of directors. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

Anti-takeover provisions of Delaware law and our certificate of incorporation and bylaws could delay and discourage takeover attempts that stockholders may consider to be favorable.

Certain provisions of our certificate of incorporation and bylaws and applicable provisions of the Delaware General Corporation Law may make it more difficult or impossible for a third-party to acquire control of us or effect a change in our board of directors and management. These provisions include:

- the classification of our board of directors into three classes, with one class elected each year;
- prohibiting cumulative voting in the election of directors;
- the ability of our board of directors to issue preferred stock without stockholder approval;
- the ability to remove a director only for cause and only with the vote of the holders of at least 66 2/3% of our voting stock;
- a special meeting of stockholders may only be called by our chairman or Chief Executive Officer, or upon a resolution adopted by an affirmative vote of a majority of the board of directors, and not by our stockholders;
- prohibiting stockholder action by written consent; and
- our stockholders must comply with advance notice procedures in order to nominate candidates for election to our board of directors or to place stockholder proposals on the agenda for consideration at any meeting of our stockholders.

In addition, we are governed by Section 203 of the Delaware General Corporation Law which, subject to some specified exceptions, prohibits "business combinations" between a Delaware corporation and an "interested stockholder," which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation's voting stock, for a three-year period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring, or preventing a change in control that our stockholders might consider to be in their best interests.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information regarding our purchases of shares of our common stock during the third quarter of 2022 related to our stock repurchase program:

Period ⁽¹⁾	Total Number of Shares Purchased ⁽²⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
August 1, 2022 - August 28, 2022	31,504	\$ 317.15	31,504	\$ 819,488,363
August 29, 2022 - October 2, 2022	23,092	303.09	23,092	812,489,434
October 3, 2022 - October 30, 2022	—	—	—	812,489,434
Total	54,596		54,596	

⁽¹⁾ Monthly information is presented by reference to our fiscal periods during our third quarter of 2022.

⁽²⁾ On March 23, 2022, our board of directors approved a stock repurchase program of up to \$1.0 billion of our common shares on the open market or in privately negotiated transactions. The repurchase plan has no time limit and does not require the repurchase of a minimum number of shares. Common shares repurchased on the open market are at prevailing market prices, including under plans complying with the provisions of Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934. The timing and actual number of common shares to be repurchased will depend upon market conditions, eligibility to trade, and other factors.

The following table provides information regarding our purchases of shares of our common stock during the third quarter of 2022 related to our Employee Share Purchase Plan:

Period⁽¹⁾	Total Number of Shares Purchased⁽²⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽²⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs⁽²⁾
August 1, 2022 - August 28, 2022	6,697	\$ 319.42	6,697	4,540,279
August 29, 2022 - October 2, 2022	11,512	313.63	11,512	4,528,767
October 3, 2022 - October 30, 2022	7,439	308.03	7,439	4,521,328
Total	25,648		25,648	

⁽¹⁾ Monthly information is presented by reference to our fiscal periods during our third quarter of 2022.

⁽²⁾ The ESPP was approved by our board of directors and stockholders in September 2007. All shares purchased under the ESPP are purchased on the Nasdaq Global Select Market (or such other stock exchange as we may designate). Unless our board terminates the ESPP earlier, it will continue until all shares authorized for purchase have been purchased. The maximum number of shares authorized to be purchased under the ESPP was 6,000,000.

Excluded from this disclosure are shares withheld to settle statutory employee tax withholding related to the vesting of stock-based compensation awards.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Title	Filed Herewith	Incorporated by Reference			
			Form	Exhibit No.	File No.	Filing Date
10.1*	Form of Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement (with clawback provision)	X				
31.1	Certification of principal executive officer Pursuant to Exchange Act Rule 13a-14(a)	X				
31.2	Certification of principal financial and accounting officer Pursuant to Exchange Act Rule 13a-14(a)	X				
32.1**	Certification of principal executive officer and principal financial and accounting officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					
101	The following unaudited interim consolidated financial statements from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 30, 2022, formatted in iXBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows (v) Notes to the Unaudited Interim Consolidated Financial Statements	X				
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)	X				

* Denotes a compensatory plan, contract, or arrangement, in which our directors or executive officers may participate.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

lululemon athletica inc.

By: /s/ MEGHAN FRANK

Meghan Frank

Chief Financial Officer

(principal financial and accounting officer)

Dated: December 8, 2022

LULULEMON ATHLETICA INC.

NOTICE OF GRANT OF RESTRICTED STOCK UNITS

The Participant has been granted an award of Restricted Stock Units (the "**Award**") pursuant to the lululemon athletica inc. 2014 Equity Incentive Plan (the "**Plan**") and the Restricted Stock Units Agreement attached hereto (the "**Agreement**"), as follows:

Participant: _____ **Employee ID:** _____

Grant Date: _____ **Grant No.:** _____

Target Number of Units: _____, subject to adjustment as provided by the Agreement.

Settlement Date: Except as otherwise provided in the Agreement or a separate written employment or other agreement between a Participating Company and the Participant, as soon as practicable on or after each Unit Vesting Date (or such other date on which the Award vests pursuant to Sections 4 or 7 of the Agreement), but in any event no later than seventy four (74) days following such date.

Vested Units: Except as provided in the Restricted Stock Units Agreement or a separate written employment or other agreement between a Participating Company and the Participant and provided that the Participant's Service has not terminated prior to the applicable Unit Vesting Date set forth below, the percentage of the Total Number of Units which become Vested Units on each Unit Vesting Date Shall be as follows:

Unit Vesting Date	Percentage of Total Number of Units Vesting:
[Insert vesting dates]	[Insert vesting percentages]

Clawback: The Company may require the Participant to deliver or otherwise repay to the Company all or any portion of the Award (whether vested or unvested) and any shares of Stock or other amount of property that may be issued, delivered or paid in respect of the Award, as well as any consideration that may be received in respect of a sale or other disposition of any such shares of Stock or property, in accordance with (1) any applicable securities, tax or stock exchange laws, rules or regulations relating to the recoupment or clawback of incentive compensation, as in effect at any time; or (2) the Company's Policy for Recovery of Incentive-Based Compensation, as approved by the Committee and in effect on the Grant Date, or such other policy for clawback or recoupment of incentive compensation as may subsequently be approved at any time by the Committee.

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges the conditions of this Award and recognizes that the terms of the Plan and the Agreement contain provisions which may result in the termination, expiration or forfeiture of the Award, including, without limitation, with respect to the treatment of the Award and the Participant's rights in respect thereof upon the cessation of the Participant's Service as described in sections 4 and 7 of the Agreement and 6 and 14 of the Plan. The Participant acknowledges receipt of a

copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of their terms and conditions. The Participant understands and acknowledges that the purpose of the Award, the Plan and the Agreement is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent and Subsidiaries by offering them an opportunity to participate in the Company's future performance through awards of Restricted stock units (RSUs).

By: _____

LULULEMON ATHLETICA INC.

Address:

1818 Cornwall Avenue
Vancouver, British Columbia
Canada, V6J 1C7

ATTACHMENT:

Restricted Stock Units Agreement

LULULEMON ATHLETICA INC.
RESTRICTED STOCK UNITS AGREEMENT

lululemon athletica inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “**Grant Notice**”) to which this Restricted Stock Units Agreement (the “**Agreement**”) is attached an Award consisting of Restricted Stock Units subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the lululemon athletica inc. 2014 Equity Incentive Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan, and a prospectus for the Plan (the “**Plan Prospectus**”) in the form most recently prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Plan, (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.¹

1. DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

(a) “**Dividend Equivalent Units**” mean additional Restricted Stock Units credited pursuant to the Dividend Equivalent Right described in Section 3.3.

(b) “**Units**” means the Restricted Stock Units originally granted pursuant to the Award and the Dividend Equivalent Units credited pursuant to the Award, as both shall be adjusted from time to time pursuant to Section 8.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. ADMINISTRATION.

2.1 **Award Administration.** All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award. Any executive officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided such executive officer has apparent authority with respect to such matter, right, obligation, or election. The Company intends that the Award comply with, or be exempt from, Section 409A (including any amendments or replacements of such section), and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent.

3. THE AWARD.

3.1 **Grant of Units.** On the Grant Date, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Units set forth in the Grant Notice, subject to adjustment as provided in Section 3.3 and 8. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or Stock issued upon settlement of the Units, the consideration for which shall be past Services actually rendered and/or future Services to be rendered to a Participating Company. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past Services having a value not less than the par value of the Stock issued upon settlement of the Units.

3.3 **Dividend Equivalent Units.** This Agreement also constitutes the award of a Dividend Equivalent Right to the Participant. On the date that the Company pays a cash dividend to holders of Stock generally, the Participant shall be credited with a number of additional whole Dividend Equivalent Units determined by dividing (a) the product of (i) the dollar amount of the cash dividend paid per share of Stock such date and (ii) the sum of the Total Number of Units and the number of Dividend Equivalent Units previously credited to the Participant pursuant to the Award and which have not been settled or forfeited as of such date, by (b) the Fair Market Value per share of Stock on such date. Any resulting fractional Dividend Equivalent Units shall be rounded down to the nearest whole number. Such additional Dividend Equivalent Units shall be subject to the same terms and conditions and shall be settled or forfeited in the same manner and at the same time as the Units originally subject to the Award with respect to which they have been credited.

4. VESTING OF UNITS.

4.1 **In General.** Except as provided by this Section 4 and Section 7, the Units shall vest and become Vested Units as provided in the Grant Notice. Additionally, the termination and vesting provisions outlined in this Section 4 are ultimately subject to specified country regulations as outlined in the Additional Terms and Conditions of Lululemon Athletica Inc. section of this document.

4.2 **Effect of Leave of Absence.** In the event that the Participant takes a statutory or an approved leave or leaves of absence during the period beginning on the Grant Date and ending on the applicable Unit Vesting Date, the Units shall continue to vest during such leave or leaves of absence. If the Participant fails to return to Service at the end of the statutory or approved leave period, then, except to the extent required by applicable law, the Participant's Service shall be treated as having terminated on the last day of such statutory or approved leave.

4.3 **Termination for Any Reason Other Than Retirement, Death or Disability.** In the event of the termination of the Participant's Service for any reason other than Death or Disability (whether voluntary or involuntary and with or without Cause, and including without limitation in the case of wrongful or unlawful dismissal by the Company; constructive dismissal; resignation by the Participant, or termination of Service pursuant to the terms of an applicable employment agreement) prior to a Unit Vesting Date, the Participant shall, subject to applicable laws, forfeit and the Company shall automatically reacquire all of the unvested Units subject to the Award. The Participant shall not be entitled to any payment for such forfeited Units. Termination of Service shall be deemed to be the last day of employment as an Employee or service relationship as a Director or Consultant, as the case may be (whether voluntary or involuntary and with or without Cause and including without limitation in the

case of wrongful or unlawful dismissal by the Company; constructive dismissal; resignation by the Participant; or termination of Service pursuant to the terms of an applicable employment agreement), except only to the minimum extent required by applicable employment standards legislation, and not during or as of the end of any period following such date during which the Participant is in receipt of, or entitled to receive, contractual or common law notice of termination or any compensation in lieu of such notice in excess of the Participant's minimum statutory entitlements., and not during or as of the end of any period following such date during which the Participant is in receipt of, or entitled to receive, statutory, contractual or common law/civil law notice of termination or any compensation in lieu of such notice, except only to the minimum extent that such period following the termination of Service must be included in order to comply with applicable statutory requirements regarding termination of employment. **For clarity, the Participant is not entitled to and waives any right to claim common law damages for loss of an Award stemming from the Company's failure to provide the Participant with adequate notice of termination.**

4.4 Termination by Reason of Retirement. In the event of the termination of the Participant's Service by reason of Retirement prior to any Unit Vesting Date, then unvested Units shall continue to vest for 12 months following the date of such Retirement.

4.5 Termination by Reason of Death. In the event of the death prior to any Unit Vesting Date, then on the date of such death unvested Units shall become Vested Units.

4.6 Termination by Reason of Disability. In the event of the termination of the Participant's Service by reason of Disability prior to any Unit Vesting Date, then on the date of such termination all unvested Units shall become Vested Units.

4.7 Forfeiture For Violations of Non-Compete and/or Non-Solicitation Agreements. Notwithstanding anything above to the contrary, if, during the Participant's Service, or following the Participant's termination of Service, the Participant violates any provision contained in a written service or other agreement applicable to the Participant (or any other written policy of the Participating Company Group of general application) relating to the prohibition of the Participant from engaging in activities which would violate any legally enforceable non-compete or non-solicitation clause or rule prior to any Unit Vesting Date, then all of the Units shall be treated as unvested and forfeited as of the date on which such violation occurs, except only to any minimum extent required to comply with the minimum standards of applicable employment standards legislation. In addition, effective upon any violation described above, any Units which have become Vested Units during the Participant's Service, or following the Participant's termination of Service shall be forfeited by the Participant and any shares of Stock retained by such Participant shall be returned to the Company or, if the Participant no longer retains such shares because the Participant has disposed of the shares, then the Participant shall remit the Fair Market Value of the shares on the date the Participant disposed of them.

5. SETTLEMENT OF THE AWARD.

5.1 Issuance of Stock. Subject to the provisions of Section 5.3 below, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit one (1) share of Stock. Shares of Stock issued in settlement of Units shall be subject to any restrictions as may be required pursuant to Section 5.3, Section 6, or the Trading Compliance Policy.

5.2 Beneficial Ownership of Shares of Stock; Certificate Registration. The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all shares

of Stock acquired by the Participant pursuant to the settlement of the Award. Except as otherwise provided by this Section 5.2, a certificate for the shares of Stock as to which the Award is settled shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant. In addition, shares of Stock settled as a result of this Agreement may be held in book entry form.

5.3 Restrictions on Grant of the Award and Issuance of Shares of Stock The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state law or foreign law with respect to such securities. No share of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations, including, without limitation, the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares of Stock subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

5.4 Fractional Shares. The Company shall not be required to issue fractional shares of Stock upon the settlement of the Award. Any fractional share resulting from the determination of the number of Vested Units shall be rounded down to the nearest whole number.

6. TAX MATTERS.

6.1 Responsibility for Taxes. Notwithstanding any contrary provision of this Agreement, the Company shall have no obligation to process the settlement of the Award or to deliver shares of Stock unless and until satisfactory arrangements (as determined by the Company) will have been made by Participant with respect to the payment of income, employment, social insurance, National Insurance Contributions, payroll tax, fringe benefit tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant including, without limitation, in connection with the grant, vesting or settlement of the Award, the subsequent sale of shares of Stock acquired under the Plan and/or the receipt of any dividends on such shares of Stock which the Company determines must be withheld ("**Tax-Related Items**"). Participant authorizes the Company and/or the Affiliate to withhold any Tax-Related Items legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Company and/or the Affiliate or from proceeds of the sale of shares of Stock. Further, if Participant is subject to tax in more than one jurisdiction between the date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or Affiliate employer, or former employer, as applicable, may be required to withhold or account for tax in more than one jurisdiction. Regardless of any action of the Company or the Affiliate, Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Affiliate. Participant further acknowledges that the Company and the Affiliate (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result.

6.2 **Withholding in Shares.** Subject to applicable law, in the event the Participant has not satisfied the tax withholding obligations described in Section 6.1 in accordance with Section 6.1, the tax withholding obligations shall be satisfied in the following manner:

(a) the Participant shall dispose of such portion of the Vested Units that represents rights to receive shares of Stock having a Fair Market Value equal to the Withholding Amount to the Company on the Settlement Date in consideration for cash in an amount equal to the Withholding Amount, and the full amount of such cash shall be withheld by the Company and remitted to the relevant taxing authority to satisfy the tax withholding obligations; and

(b) the portion of the Vested Units not disposed of in accordance with Section 6.2(a) shall be settled in accordance with Section 5.1.

6.3 **Non-Qualified Securities.** All restricted stock units granted under this agreement shall be designated as “non-qualified securities” under subsection 110(1.4) of the Income Tax Act (the “Act”). For greater certainty, all designated restricted stock units will be considered to be non-qualified securities for the purposes of section 110 of the Act, including the calculation of the “annual vesting limit” under subsection 110(1.31). The employer will provide notice of this designation to the employee and the Canada Revenue Agency as required by subsection 110(1.9) of the Tax Act.

7. CHANGE IN CONTROL.

7.1 **Acceleration of Vesting Upon a Change in Control.** In the event of the consummation of a Change in Control prior to any Unit Vesting Date, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the “**Acquiror**”), may assume or continue the Company’s rights and obligations with respect to outstanding Awards or substitute for outstanding Awards substantially equivalent rights with respect to the Acquiror’s stock. For purposes of this Section 7.1, an Award shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, for each Unit subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock of the Company on the effective date of the Change in Control was entitled for each Unit subject to an Award. In the event that the Acquiror elects not to assume, continue or substitute for the outstanding Awards in connection with a Change in Control, the vesting of 100% of the then unvested Units shall be accelerated in full and such Units shall be deemed Vested Units effective as of the date of the Change in Control, provided that the Participant’s Service has not terminated prior to the Change in Control. In settlement of the Award, the Company shall issue to the Participant one (1) share of Stock for each Vested Unit determined in accordance with this Section 7.1. The vesting of Units and settlement of the Award that was permissible solely by reason of this Section 7.1 shall be conditioned upon the consummation of the Change in Control. Notwithstanding the foregoing, the Committee may, in its discretion, determine that upon a Change in Control, each Award outstanding immediately prior to the Change in Control shall be canceled in exchange for payment with respect to 100% of the Units which are subject to accelerated vesting in (a) cash, (b) stock of the Company or the Acquiror, or (c) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of stock in the Change in Control for each such Unit (subject to any required tax withholding). Such payment shall be made as soon as practicable following the Change in Control.

7.2 **Termination After Change in Control.** Notwithstanding anything in this Agreement to the contrary, if the Award is assumed or continued following a Change in Control, and if the Participant’s

Service ceases as a result of a Termination After Change in Control (as defined below), the surviving Units shall become Vested Units and the Award shall be settled promptly following such event.

(a) **“Termination After Change in Control”** shall mean either of the following events occurring within two (2) years after a Change in Control:

(i) Termination of the Participant's Service with the Participating Company Group or such successor without Cause; or

(ii) The Participant's resignation for Good Reason (as defined below) within ninety (90) days of the Participant first becoming aware of the event constituting Good Reason provided the Participant has provided the Company (or its successor) notice of such condition and the opportunity to cure the event.

Notwithstanding any provision herein to the contrary, Termination After Change in Control shall not include any termination of the Participant's Service which (A) is for Cause; (B) is a result of the Participant's voluntary termination of such relationship other than for Good Reason; or (C) occurs prior to the effectiveness of a Change in Control.

(b) **“Good Reason”** shall mean any one or more of the following:

(i) Without the Participant's written consent, a material adverse change in the Participant's duties and responsibilities as compared to the Participant's duties and responsibilities immediately prior to the Change in Control;

(ii) Without the Participant's written consent, the relocation of the Participant's principal place of Service to a location that is more than fifty (50) miles from the Participant's principal place of Service immediately prior to the date of the Change in Control, or the imposition of travel requirements substantially more demanding of the Participant than such travel requirements existing immediately prior to the date of the Change in Control; or

(iii) Any failure by the Participating Company Group (or its successor) to pay, or any material reduction by the applicable Participating Company Group of, (A) the Participant's base salary in effect immediately prior to the date of the Change in Control (unless reductions comparable in amount and duration are concurrently made for all other similarly situated persons with responsibilities, organizational level and title comparable to the Participant's), or (B) the Participant's target bonus opportunity, if any, in effect immediately prior to the date of the Change in Control (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned by the Participant).

8. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” Any and all new, substituted or additional securities or other property to which the

Participant is entitled by reason of the grant of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

9. RIGHTS AS A STOCKHOLDER.

The Participant shall have no rights as a stockholder with respect to any shares of Stock which may be issued in settlement of this Award until the date of the issuance of a certificate for such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 8.

10. LEGENDS.

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

11. COMPLIANCE WITH SECTION 409A.

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for noncompliance. In connection with effecting such compliance with Section 409A, the following shall apply:

11.1 Separation from Service; Required Delay in Payment to Specified Employee. Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

11.2 Other Changes in Time of Payment. Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits which constitute a "deferral of compensation" within the meaning of the Section 409A Regulations in any manner which would not be in compliance with the Section 409A Regulations.

11.3 Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

11.4 Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

12. SERVICE CONDITIONS. In accepting the Award, the Participant acknowledges and agrees that:

(a) The Participant's right to vesting of shares of Stock in settlement of the Award will end on the date of the Participant's termination of Service, such date to be determined in accordance with Sections 4 and 7, will not be extended by any additional statutory, contractual, or common law or civil law period of notice of termination or compensation in lieu of such notice to which the Participant may be entitled, except only to the minimum extent that such period following the termination of Service must be included in order to comply with applicable statutory requirements regarding termination of employment. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement.

(c) The grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past.

(d) All decisions with respect to future Award grants, if any, will be at the sole discretion of the Company.

(e) The Participant's participation in the Plan shall not create a right to further Service with the Company or an Affiliate and shall not interfere with the ability of with the Company or Affiliate to terminate the Participant's Service at any time, with or without cause, subject to applicable laws.

(f) The Participant is voluntarily participating in the Plan.

(g) The Award is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to the Company or Affiliate and which is outside the scope of the Participant's employment contract, if any.

(h) The Award is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(i) In the event that the Participant is not an employee of the Company or Affiliate, the Award grant will not be interpreted to form an employment contract or relationship with such entity that does not otherwise exist.

(j) The future value of the underlying shares of Stock is unknown and cannot be predicted with certainty. The value of the shares of Stock may increase or decrease.

(k) No claim or entitlement to compensation or damages arises from termination of the Award or diminution in value of the Award or shares of Stock and the Participant irrevocably releases the Company and Affiliates from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

13. DATA PRIVACY.

The following provisions shall only apply to the Participant if he or she resides outside the US, the EU, EEA, and UK:

(a) The Participant voluntarily consents to the collection, use, disclosure and transfer to the United States and other jurisdictions, in electronic or other form, of his or her personal data as described in this Agreement and any other award materials ("**Data**") by and among, as applicable, the Participating Company Group for the exclusive purpose of implementing, administering, and managing his or her participation in the Plan. If the Participant does not choose to participate in the Plan, his or her employment status or service with the Participating Company Group will not be adversely affected.

(b) The Participant understands that the Participating Company Group may collect, maintain, process and disclose, certain personal information about him or her, including, but not limited to, his or her name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all equity awards or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in his or her favor, for the exclusive purpose of implementing, administering and, managing the Plan.

(c) The Participant understands that Data will be transferred to one or more service provider(s) selected by the Company, which may assist the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different, including less stringent, data privacy laws and protections than his or her country. The Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the Company and any other possible recipients that may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan.

(d) The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan, including to maintain records regarding participation. The Participant understands that if he or she resides in certain jurisdictions, to the extent required by applicable law, he or she may, at any time, request access to Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents given by accepting these Awards, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Participant understands that he or she is providing these consents on a purely voluntary basis. If the Participant does not consent or if he or she later seeks to revoke his or her consent, his or her engagement as a service provider with the Participating Company Group will not be adversely affected; the only consequence of refusing or withdrawing his or her consent is that the Company will not be able to grant him or her Award under the Plan or administer or maintain Award. Therefore, the Participant understands that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan (including the right to retain the Award). The Participant understands that he or she may contact his or her local human resources representative for more information on the consequences of his or her refusal to consent or withdrawal of consent.

The following provisions shall only apply to the Participant if he or she resides in the EU, EEA, UK, or EU privacy laws are otherwise applicable:

(a) Data Collected and Purposes of Collection. The Participant understands that the Company, acting as controller, as well as the employing Participating Company, will process, to the extent permissible under applicable law, certain personal information about the Participant, including name, home address and telephone number, information necessary to process the Award (e.g., mailing address for a check payment or bank account wire transfer information), date of birth, social insurance number or other identification number, salary, nationality, job title, employment location, details of all Awards granted, canceled, vested, unvested or outstanding in the Participant's favor, and where applicable service termination date and reason for termination, any capital shares or directorships held in the Company (where needed for legal or tax compliance), and any other information necessary to process mandatory tax withholding and reporting (all such personal information is referred to as "Data"). The Data is collected from the Participant, and from the Participating Company Group, for the purpose of implementing, administering and managing the Plan pursuant to its terms. The legal bases (that is, the legal justification) for processing the Data is that it is necessary to perform, administer and manage the Plan and in Company's legitimate interests, which means the Company is using the relevant Data to conduct and develop its business activities, subject to the Participant's interest and fundamental rights. The Data must be provided in order for the Participant to participate in the Plan and for the parties to this Agreement to perform their respective obligations thereunder. If the Participant does not provide Data, he or she will not be able to participate in the Plan and become a party to this Agreement.

(b) Transfers and Retention of Data. The Participant understands that the Data will be transferred to and among the Participating Company Group, as well as service providers (such as stock administration providers, brokers, transfer agents, accounting firms, payroll processing firms or tax firms), for the purposes explained above. The Participant understands that the recipients of the Data may be located in the United States and in other jurisdictions outside of the European Economic Area where we or our service providers have operations. The United States and some of these other jurisdictions have not been found by the European Commission to have adequate data protection safeguards. If the Participating Company Group transfer Data outside of the European Economic Area, we will take steps as required and recognized by the European Commission to provide adequate safeguards for the transferred Data. The Participant has a right to obtain details of the mechanism(s) under which the Participant's Data is

transferred outside of the European Economic Area, or the United Kingdom, which the Participant may exercise by contacting julieaverill@lululemon.com.

(c) **The Participant's Rights in Respect of Data.** The Participant has the right to access the Participant's Data being processed by the Company as well as understand why Company is processing such Data. Additionally, subject to applicable law, the Participant is entitled to have any inadequate, incomplete or incorrect Data corrected (that is, rectified). Further, subject to applicable law, the Participant may be entitled to the following rights in regard to his or her Data: (i) to object to the processing of Data; (ii) to have his or her Data erased, under certain circumstances, such as where it is no longer necessary in relation to the purposes for which it was processed; (iii) to restrict the processing of the Participant's Data so that it is stored but not actively processed (e.g., while the Company assesses whether the Participant is entitled to have Data erased) under certain circumstances; (iv) to port a copy of the Data provided pursuant to this Agreement or generated by the Participant, in a common machine-readable format; and (v) to obtain a copy of the appropriate safeguards under which Data is transferred to a third country or international organization. To exercise his or her rights, the Participant may contact the applicable human resources representative. The Participant may also contact the relevant data protection supervisory authority, as he or she has the right to lodge a complaint.

14. MISCELLANEOUS PROVISIONS.

14.1 Termination or Amendment. The Committee may terminate or amend the Plan at any time. No amendment or addition to this Agreement shall be effective unless in writing and, to the extent such amendment is necessary to comply with applicable law or government regulation (including, but not limited to Section 409A), may be made without the consent of the Participant.

14.2 Nontransferability of the Award. Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

14.3 Further Instruments. The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

14.4 Binding Effect. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

14.5 Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 14.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 14.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third-party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 14.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 14.5(a).

14.6 **Country-Specific Terms and Conditions.** Notwithstanding any other provision of this Agreement to the contrary, the Award shall be subject to the specific terms and conditions, if any, set forth in the Appendix to this Agreement which are applicable to the Participant's country of residence, the provisions of which are incorporated in and constitute part of this Agreement. Moreover, if the Participant relocates to one of the countries included in the Appendix, the specific terms and conditions applicable to such country will apply to the Award to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with applicable laws or facilitate the administration of the Plan or this Agreement.

14.7 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with any employment, service or other agreement between the Participant and a Participating Company referring to the Award, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

14.8 **Severability.** Each section and subsection of this Agreement are separate, distinct and severable from each other. If a section or subsection of this Agreement is determined to be invalid or unenforceable, such invalidity or unenforceability shall apply to the section or subsection only to the extent of that invalidity or unenforceability and shall not affect the validity or enforceability of any other section or subsection.

14.9 **Applicable Law.** This Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

14.10 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.11 **Language.** Participant acknowledges that he or she has expressly requested and is satisfied that this Agreement or any other document related to the Plan be drafted in English only. *Le Participant reconnaît avoir expressément demandé et est satisfait(e) que cette entente et tout document relatif au régime soient rédigés uniquement en anglais.*

ADDITIONAL TERMS AND CONDITIONS OF

LULULEMON ATHLETICA INC.

RESTRICTED STOCK UNITS AGREEMENT

UNDER THE

LULULEMON ATHLETICA INC. 2014 EQUITY INCENTIVE PLAN

This Appendix includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan if the Participant resides in one of the countries listed below. Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

The Participant understands and agrees that the Company strongly recommends that the Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because applicable rules and regulations regularly change, sometimes on a retroactive basis, and the information may be out of date at the time the Restricted Stock Units vests or the shares of Stock are issued under the Plan.

The Participant further understands and agrees that if the Participant is a citizen or resident of a country other than the one in which the Participant is currently working, transfer employment after grant of the Participant, or is considered a resident of another country for local law purposes, the information contained herein may not apply to the Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

AUSTRALIA

Terms and Conditions

Foreign Exchange

Participant acknowledges and agrees that it is the Participant's sole responsibility to investigate and comply with any applicable exchange control laws in connection with the inflow of funds from the vesting of the Restricted Stock Units or subsequent sale of the shares of Stock and any dividends (if any) and that the Participant shall be responsible for any reporting of inbound international fund transfers required under applicable law. The Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to the Participant's specific situation.

Offer of Award

The Board, in its absolute discretion, may make a written offer to an eligible person who is an Australian resident it chooses to accept the Award.

The offer shall specify the maximum number of shares of Stock the Participant may accept under the Award, the Grant Date, Unit Vesting Date, the Settlement Date, the vesting conditions (if any), any applicable holding period and any disposal restrictions attached to the Award or the resulting shares of Stock (all of which may be set by the Board in its absolute discretion).

The offer is intended to receive tax-deferred treatment under Subdivision 83A-C of the Income Tax Assessment Act 1997(Cth). The conditions to receive such treatment are contained in this Agreement.

The offer shall be accompanied by an acceptance form and a copy of the Plan and this Agreement or, alternatively, details on how the Participant may obtain a copy of the Plan and this Agreement.

Where the Board is to make an offer to a casual employee or a consultant, it will do so where:

(1) For a casual employee, the individual who performs the work under or in relation to the contract is or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Company;

(2) For a contractor:

(a) if an individual with whom the Company has entered into a contract for the provision of services under which the individual performs work for the Company; or

(b) if a Company with whom the Company has entered into a contract for the provision of services under which an individual, who is a director of the Company or their spouse, performs work for the Company;

where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Company.

Grant of Award

If the Participant validly accepts the Board's offer of Award, the Board must grant the Participant the Award for the number of shares of Stock for which the Award was accepted. However, the Board must *not* do so if the Participant has ceased to be an eligible person at the date when the Award is to be granted

or the Company is otherwise prohibited from doing so under the *Corporations Act 2001* (Cth) without a disclosure document, product disclosure statement or similar document.

The Company must provide a copy of this Agreement in respect of the Award granted to the Participant to be executed by the Participant as part of the offer to the Participant.

Notifications

Securities Law Information

The offering of Restricted Stock Units and resale of shares of Stock acquired under the Plan to a person or entity resident in Australia may be subject to disclosure requirements under Australian law. The Participant should obtain legal advice regarding any applicable disclosure requirements prior to making any such offer.

No Advice or Recommendation

This Agreement is not intended to provide the sole or principal basis of any investment or credit decision or any other risk evaluation. The information contained in this Agreement is not a recommendation by the Company or any other person that any investor subscribes for shares of Stock in the Company. Each Participant must conduct his or her own investigations and analysis of the operations and prospects of the Company that it considers necessary or desirable and should determine for itself its interest in acquiring shares of Stock in the Company on the basis of such independent assessment and investigation.

CANADA

Notification

Tax Matters

All Awards granted under this Agreement shall be designated as “non-qualified securities” under subsection 110(1.4) of the Canadian Income Tax Act (the “Act”). For greater certainty, all designated Awards (i.e., Restricted Stock Units) will be considered non-qualified securities for the purposes of section 110 of the Act, including the calculation of the “annual vesting limit” under subsection 110(1.31). The employer will provide notice of this designation to the Participant and the Canada Revenue Agency as required by subsection 110(1.9) of the Act.

CHINA

Terms and Conditions

Termination of Service

All vested Restricted Stock Units shall be settled and all shares of Stock issued in settlement of vested Restricted Stock Units shall be sold within ninety (90) days from the termination of the Participant's Service subject to the following:

- Upon the end of the aforesaid 90-day period, if there are any unsettled Restricted Stock Units, on the first trading day following the expiry of the 90-day period, all such Restricted Stock Units will automatically be settled and all shares of Stock subject to such Restricted Stock Units will automatically be sold on behalf of the Participant.
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- Upon the end of the aforesaid 90-day period, if there are any remaining shares of Stock issued to the Participant in settlement of vested Restricted Stock Units, all such shares of Stock will automatically be sold on behalf of the Participant on the first trading day after the expiry of the 90-day period.

Notification

Special Administration in China.

The participation in the Plan by the Participant shall be subject to the China Subsidiary Corporation obtaining approval from the State Administration of Foreign Exchange ("SAFE") for the related foreign exchange transaction and the establishment of a SAFE-approved bank account. The receipt of funds by the Participant from the sale of the shares and the conversion of those funds to the local currency must be registered with the SAFE. In order to comply with the SAFE regulations, the proceeds from the sale of the shares must be repatriated into China through the SAFE-approved bank account set up and monitored by the China Subsidiary Corporation. The Participant may contact his or her local HR office for more details about the SAFE-approved bank account.

The Participant hereby acknowledges and agrees that such proceeds (net of applicable China tax) will be transferred to the SAFE-approved account prior to being delivered to China Participant's personal account and that neither the China Subsidiary Corporation, the Company nor any Parent Corporation or Subsidiary Corporation shall be liable for any delays or foreign exchange rate fluctuation that may happen in this process.

Data Privacy Consent

China Participant hereby consents to the Company, any Parent Corporation or Subsidiary Corporation or any third party, collecting China Participant's personal information (including sensitive information) necessary to administer and operate the Plan and disclosing any personal information necessary to administer and operate the Plan to the Company, any Parent Corporation or Subsidiary Corporation or any third party engaged to assist in implementing the Plan, who may be situated in or outside China.

DENMARK

Terms and Conditions

Stock Option Act

By accepting this Award, the Participant acknowledges that he or she received an Employer Statement (attached immediately below), translated into Danish, which is being provided to comply with the Danish Stock Option Act (the "Act"), to the extent that the Act applies to the Option. If applicable, to the extent more favorable and required to comply with the Act, the terms set forth in the Employer Statement will apply to the Participant's participation in the Plan.

Please be aware that as set forth in Section 1 of the Act, the Act only applies to "employees" as that term is defined in Section 2 of the Act. If the Participant is a member of the registered management of a Participating Company or affiliate in Denmark or otherwise does not satisfy the definition of employee, the Participant will not be subject to the Act and the Employer Statement will not apply to him or her.

Notifications

Securities Law Information

The grant of Award under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Denmark.

Securities/Tax Reporting Information

The Participant may hold shares of Stock acquired under the Plan in a safety-deposit account (e.g., a brokerage account) with either a Danish bank or with an approved foreign broker or bank. If the shares of Stock are held with a foreign broker or bank, the Participant is required to inform the Danish Tax Administration about the safety-deposit account. For this purpose, the Participant must file a Form V (*Erklæring V*) with the Danish Tax Administration. The Participant must sign the Form V and the broker or bank may sign the Form V. By signing the Form V, the broker or bank undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the shares of Stock in the safety-deposit account. In the event that the applicable broker or bank with which the account is held does not wish to, or, pursuant to the laws of the country in question, is not allowed to assume such obligation to report, the Participant will be solely responsible for providing certain details regarding the foreign brokerage or bank account and any shares of Stock acquired in connection with the Plan and held in such account to the Danish Tax Administration as part of the Participant's annual income tax return. By signing the Form V, the Participant authorizes the Danish Tax Administration to examine the account. A sample of the Form V can be found at the following website: www.skat.dk/getFile.aspx?Id=47392.

In addition, if the Participant opens a brokerage account (or a deposit account with a U.S. bank), the brokerage account (or bank account, as applicable) will be treated as a deposit account because cash can be held in the account. Therefore, the Participant must also file a Form K (*Erklæring K*) with the Danish Tax Administration. Both the Participant and the broker must sign the Form K unless an exemption from the broker/bank signature requirement is granted by the Danish Tax Administration. It is possible to seek the exemption on the Form K, which the Participant should do at the time the Participant submits the Form K. By signing the Form K, the broker or bank, as applicable, undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the content of the deposit account. In the event that the applicable financial institution (broker or bank) with which the account is held does not wish to, or, pursuant to the laws of the country in question, is not allowed to assume such obligation to report, the Participant will be solely responsible for providing certain details regarding the foreign brokerage or bank account to the Danish Tax Administration as part of the Participant's annual income tax return. By signing the Form K, the Participant authorizes the Danish Tax Administration to examine the account. A sample of Form K can be found at the following website: www.skat.dk/getFile.aspx?Id=42409&newwindow=true.

Foreign Asset/Account Reporting Information

If the Participant establishes an account holding shares or cash outside of Denmark, the Participant must report the account to the Danish Tax Administration. The form which should be used to make the report can be obtained from a local bank. (Please note that these obligations are separate from and in addition to the obligations described above.)

FRANCE

Terms and Conditions

Awards Not Tax-Qualified

The Award is not intended to be a tax-qualified or tax-preferred award, including without limitation, under Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code. The Participant is encouraged to consult with a personal tax advisor to understand the tax and social insurance implications of the Award.

Language Consent

By accepting the French Award, the Participant confirms having read and understood the documents relating to this grant (the Plan and the Agreement) which were provided in the English language. The Participant accepts the terms of those documents accordingly. The Participant confirms that the Participant has a good knowledge of the English language.

En acceptant l'Attribution, le Bénéficiaire confirme avoir lu et compris les documents relatifs à cette attribution (le Plan et ce Contrat) qui ont été fournis en langue anglaise. Le Bénéficiaire accepte les dispositions de ces documents en connaissance de cause. Etant précisé que le Titulaire a une bonne maîtrise de la langue anglaise.

Notifications

Securities Law Information

The grant of Award under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in France.

Foreign Asset/Account Information

The Participant may hold shares of Stock acquired upon vesting/settlement of the Award, any proceeds resulting from the sale of shares of Stock or any dividends paid on such shares of Stock outside of France, provided the Participant declares all foreign bank and brokerage accounts (including any accounts that were opened or closed during the tax year) with his or her annual income tax return. Failure to complete this reporting may trigger penalties for the Participant.

GERMANY

Notifications

Exchange Control Information

If Participant remits proceeds in excess of €12,500 out of or into Germany, such cross-border payment must be reported monthly to the State Central Bank. In the event that Participant makes or receives a payment in excess of this amount, Participant is responsible for obtaining the appropriate form from a German bank and complying with applicable reporting requirements. In addition, Participant must also report on an annual basis in the unlikely event that Participant holds shares of Stock exceeding 10% of the total voting capital of the Company.

Securities Law Information

The grant of Restricted Stock Units under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Germany.

Terms and Conditions

Prohibition on Insider Dealing

The Participant should be aware of the insider dealing rules of the Regulation (EU) No 596/2014 of the European Parliament and Council (Market Abuse Regulation) apply in Germany, which may affect

transactions under the Plan such as e.g. the subscription or participation, the suspension, the cancellation or an amending order, the acquisition or sale of shares of Stock acquired under the Plan, if the Participant has inside information regarding the Company. The Participant is advised to determine carefully whether he or she has inside information in respect of the Company and whether and to what extent insider dealing rules can apply to him or her. In case of uncertainty, the Company recommends that the Participant consults with a legal advisor.

Limitation of Liability

The Participant is responsible for compliance with any laws to be observed by the Participant in person in conjunction with the participation in the Plan. The Company cannot be held liable if the Participant violates German law or any other applicable rules to be complied with by the Participant in conjunction with the participation in the Plan including but not limited to insider dealing restrictions under the Market Abuse Regulation.

HONG KONG

Notification

Securities Law Notice

WARNING: The Restricted Stock Units and shares of Stock issued upon settlement of the Restricted Stock Units do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company. The Agreement, including this Appendix, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The Restricted Stock Units are intended only for the personal use of each eligible employee of the Company or its Participating Companies and may not be distributed to any other person. If the Participant is in any doubt about any of the contents of the Agreement, including these additional terms, or the Plan, the Participant should obtain independent professional advice.

Occupational Retirement Schemes Ordinance Alert

The Company specifically intends that neither the Award nor the Plan will be considered or deemed an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance (“ORSO”).

Terms and Conditions

Sale of Shares

Any shares of Stock received at grant or vesting are accepted as a personal investment. In the event that any portion of this Award vests within six months of the grant date, the Participant agrees that he or she will not offer to the public or otherwise dispose of the shares of Stock acquired prior to the six-month anniversary of the grant date.

INDIA

Terms and Conditions

Tax Withholding

The following provision supplements Section 6 of this Agreement:

The Participant agrees that under the provisions of the (Indian) Income Tax Act, 1961, the employer and/or the Company would be required to withhold Tax-Related Items on the value of the benefit earned by the Participant as a result of the Participant's participation in the Plan. Such benefit shall be computed according to the provisions of the (Indian) Income Tax Act, 1961, read with the (Indian) Income Tax Rules, 1962.

The Participant agrees that the employer and/or the Company may calculate the Tax-Related Items to be withheld and accounted for by reference to the maximum applicable rates, without prejudice to any right that the Participant may have to recover any overpayment from the relevant tax authorities. The Participant agrees that the employer and/or the Company may withhold the Tax-Related Items from the Participant's wages or other cash compensation paid to the Participant by the Company and/or the employer. The Participant agrees to pay to the Company or the employer the Tax-Related Items that the Company or the employer may be required to withhold or account, if such Tax-Related Items cannot be satisfied by the means previously described.

The Participant acknowledges that, regardless of any action taken by the Company or the employer, the ultimate liability for all Tax-Related Items is and remains the responsibility of the Participant and may exceed the amount actually withheld by the Company or the employer.

Notifications

Exchange Control Information

The Participant understands and agrees that he or she must repatriate any proceeds from the sale of shares of Stock acquired under the Plan to India and convert the proceeds into local currency within 90 days of receipt. The Participant will receive a foreign inward remittance certificate ("FIRC") from the bank where he or she deposits the foreign currency. The Participant should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or his or her employer requests proof of repatriation.

Foreign Asset/Account Reporting Information

Indian residents are required to declare the following items in their annual tax return: (i) any foreign assets held by them (including shares of Stock acquired under the Plan), and (ii) any foreign bank accounts for which they have signing authority. It is the Participant's ability to comply with applicable foreign asset tax laws in India and the Participant should consult with his or her personal tax advisor to ensure that the Participant is properly reporting his or her foreign assets and bank accounts. The Participant's local employer will issue a Form 16 to the Participant and report perquisites in Form 12BA after the end of the Financial Year.

IRELAND

Notifications

Director Notification Requirement

If the Participant is a director, shadow director or secretary of an Irish Affiliate, the Participant is required to notify such Irish Affiliate in writing within five business days of (i) receiving or disposing of an interest in the Company (e.g., Award, shares of Stock, etc.), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director, shadow director or secretary of an Irish Affiliate if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary, as the case may be).

Securities Law Information

The grant of Award under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Ireland.

ITALY

Terms and Conditions

Plan Document Acknowledgment

In accepting the Award, the Participant acknowledges that he or she has received a copy of the Plan and the Agreement and has reviewed the Plan and the Agreement in their entirety and fully understands and accepts all provisions of the Plan and the Agreement. The Participant further acknowledges that he or she has read and specifically and expressly approves the following sections of the Agreement: Section 3: The Award; Section 4: Vesting of Units; Section 5: Settlement of the Award; Section 6: Tax Matters; Section 7: Change in Control; Section 11: Compliance with Section 409A; Section 12: Service Conditions; Section 13: Data Privacy; Section 14: Miscellaneous Provisions.

Notifications

Foreign Asset/Account Reporting Information

If the Participant holds investments abroad or foreign financial assets (e.g., cash, shares, Restricted Stock Units) that may generate income taxable in Italy, the Participant is required to report them on his or her annual tax returns (UNICO Form, RW Schedule) or on a special form if no tax return is due, irrespective of their value. The same reporting duties apply to the Participant if he or she is a beneficial owner of the investments, even if the Participant does not directly hold investments abroad or foreign assets.

Foreign Asset Tax Information

The value of financial assets held outside of Italy by Italian residents is subject to a foreign asset tax, subject to an exemption. The taxable amount will be the fair market value of the financial assets (e.g., shares) assessed at the end of the calendar year.

Securities Law Information

The grant of Award under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Italy.

JAPAN

Notifications

Foreign Exchange

Under certain circumstances, Participant may be required to file a report with the Ministry of Finance if Participant intends to acquire shares of Stock whose value exceeds a certain amount. The reporting, if required, is due within 20 days from the acquisition of the shares of Stock. The reporting requirements vary depending on whether the relevant payment is made through a bank in Japan.

The participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to his or her specific situation. Please note that laws and regulations change frequently and occasionally on a retroactive basis.

Foreign Asset/Account Reporting Information

Japanese residents holding assets outside of Japan with a total net fair market value exceeding ¥50,000,000 (as of December 31 each year) are required to comply with annual tax reporting obligations with respect to such assets. The participant is advised to consult with a personal tax advisor to ensure that he or she is properly complying with applicable reporting requirements.

Securities Law Information

The Award and the shares of Stock have not been registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948), as amended (the "FIEA"). The Award and the shares of Stock issuable upon the exercise of Award may not be offered or sold in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan. As used herein, the term "resident of Japan" means any natural person having his place of domicile or residence in Japan, or any corporation or other entity organized under the laws of Japan or having its main office in Japan.

KOREA

Notifications

Exchange Control Notification

If the Participant realizes US\$500,000 or more from the Award, including from sales of the shares of Stock, in a single transaction, he or she must repatriate the proceeds to Korea within eighteen months of the payment. Accordingly, the Participant is strongly encouraged to consult his or her personal legal advisor if the sum from the Award exceeds this threshold.

Foreign Assets Reporting Information

Korean residents must declare all foreign financial accounts (e.g., non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 1 billion (or an equivalent amount in foreign currency). The Participant should consult with his or her personal tax advisor to determine how to value his or her foreign accounts for purposes of this reporting requirement and whether he is she is required to file a report with respect to such accounts.

MALAYSIA

Notifications

Securities Law Notice

The grant of the Award has been made in compliance with applicable Malaysian securities requirements including, as appropriate, filing an Information Memorandum with the Malaysian Securities Commission.

Malaysian Insider Trading Notification

The Participant should be aware of the Malaysian insider-trading rules, which may impact the Participant's acquisition or disposal of shares or rights to shares under the Plan. Under the Malaysian insider-trading rules, the Participant is prohibited from acquiring or selling shares or rights to shares (e.g., an award under the Plan) when the Participant is in possession of information which is not generally

available and which the Participant knows or should know will have a material effect on the price of shares once such information is generally available.

Director Notification Obligation

If the Participant is a director of the Company's Malaysian Participating Company, the Participant is subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Participating Company in writing when the Participant receives or disposes of an interest (e.g., an award under the Plan or shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

NETHERLANDS

Notifications

Prohibition Against Insider Trading

The Participant should be aware of the Dutch insider trading rules, which may affect the sale of shares acquired under the Plan. In particular, the Participant may be prohibited from effecting certain share transactions if the Participant has insider information regarding the Company. Below is a discussion of the applicable restrictions. The Participant is advised to read the discussion carefully to determine whether the insider rules could apply to him or her. If it is uncertain whether the insider rules apply, the Company recommends the Participant consult with a legal advisor. The Company cannot be held liable if you violate the Dutch insider trading rules. The Participant is responsible for ensuring compliance with these rules.

Dutch securities laws prohibit insider trading. As of 3 July 2016, the European Market Abuse Regulation (MAR), is applicable in the Netherlands. For further information, the Participant is referred to the website of the Authority for the Financial Markets (AFM): <https://www.afm.nl/en/professionals/onderwerpen/marktmisbruik>.

Given the broad scope of the definition of inside information, certain employees of the Company working at its Dutch Participating Company may have inside information and thus are prohibited from making a transaction in securities in the Netherlands at a time when they have such inside information. By entering into the Agreement and participating in the Plan, the Participant acknowledges having read and understood the notification above and acknowledges that it is his or her responsibility to comply with the Dutch insider trading rules, as discussed herein.

Securities Law Information

The grant of Award under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in the Netherlands.

NEW ZEALAND

Notification

Securities Law Notice

The Participant is being offered an opportunity to participate in the Plan. In compliance with New Zealand securities law, the Participant is hereby notified that all documents related to the Plan have either been provided to the Participant or are available via website or hard copy.

A copy of the above documents will be provided to the Participant, free of charge, on written request to the Company.

Notwithstanding any other provisions of the Plan, every covenant or other provisions set out in an exclusion under Schedule 1 of the New Zealand Financial Markets Conduct Act 2013 ("**FMCA**") or in an exemption or modification granted from time to time by the Financial Markets Authority in respect of the Plan or which applies to the Plan pursuant to its powers under the FMCA and required to be included in the Plan in order for that exclusion, exemption or modification to have full effect, is deemed to be contained in the Plan. To the extent that any covenant or other provision deemed by this clause to be contained in the Plan is inconsistent with any other provision in the Plan, the deemed covenant or other provision will prevail.

The Participant is encouraged to read the provided materials carefully before making a decision on whether to participate in the Plan. When reading these materials, the Participant should note that all references to the exercise price are listed in U.S. dollars. In addition, the Participant should consult a tax advisor for specific information concerning the personal tax situation with regard to Plan participation.

Warning

If the Company runs into financial difficulties and is wound up, you will be paid only after all creditors and holders of preference shares have been paid. You may lose some or all of your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share option purchase scheme.

As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

You have a right, upon request, to receive from lululemon athletica inc., free of charge, a copy (or electronic copy) of the Company's relevant financial statements for the most recently completed financial year and the auditor's report. The relevant financial statements are those of lululemon athletica inc. and its subsidiaries prepared in accordance with US GAAP for the most recently completed accounting period. Please address any such requests to lululemon athletica inc., Attn: HR, [1818 CORNWALL AVENUE, Vancouver, British Columbia V6J 1C7]

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

Financial Information Notice

You have a right to receive the following financial information, free of charge, upon request:

- A copy of the Company's latest annual report prepared under any enactment or overseas law (if any); and
- A copy of the Company's relevant financial statements and either the auditor's report on them or a statement that they are not audited.

NORWAY

Notifications

Securities Law Information

The grant of Award under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Norway.

Limitation of liability

The Participant is responsible for compliance with any laws to be observed by the Participant in person in conjunction with the participation in the Plan. The Company cannot be held liable if the Participant violates Norwegian law or any other applicable rules to be complied with by the Participant in conjunction with the participation in the Plan including but not limited to insider dealing restrictions under any applicable law.

Tax Consultation

The Participant understands that he or she may suffer adverse tax consequences as a result of the Participant's acquisition or disposition of the shares of Stock. The Participant is encouraged to seek personal tax advice in connection with the acquisition or disposition of shares of Stock. The Participant acknowledges that the Participant is not relying on the Company or any Participating Company for any tax advice.

SINGAPORE

Notifications

Securities Law Information

The grant of the Restricted Stock Units is being made pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The participant should note that the Restricted Stock Units are subject to section 257 of the SFA and Participant will not be able to make any subsequent sale in Singapore of the shares of Stock acquired through the vesting of the Restricted Stock Units or any offer of such sale in Singapore unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

Director Notification Obligation

If Participant is a director, associate director or shadow director of a Singapore Affiliate, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore Affiliate in writing when Participant receives an interest (e.g., Restricted Stock Units or shares of Stock) in the Company or any Affiliate. In addition, Participant must notify the Singapore Affiliate when Participant sells shares of Stock of the Company or any Affiliate (including when Participant sells shares of Stock acquired through the vesting of Restricted Stock Units). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any Affiliate. In addition, a notification must be made of the Participant's interests in the Company or any Affiliate within two business days of becoming a director.

SPAIN

Terms and Conditions

Service Conditions

This provision supplements Section 12 of the Agreement:

In accepting this Award, the Participant consents to participate in the Plan and acknowledges that he or she has received a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously and discretionally decided to grant Award under the Plan to individuals who may be employees of the Company or a Participating Company throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any Participating Company. Consequently, the Participant understands that this Award is granted on the assumption and condition that this Award and any restricted stock units acquired upon exercise of this Award are not part of any employment contract (either with the Company or any Participating Company) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Participant understands that this Award would not be granted to the Participant but for the assumptions and conditions referred to herein; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of this Award shall be null and void.

This Award is a conditional right to restricted stock units and will be forfeited in the case of the Participant's termination of employment. This will be the case even if (1) the Participant is considered to be unfairly dismissed without good cause; (2) the Participant is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) the Participant terminates employment due to a change of work location, duties or any other employment or contractual condition; (4) the Participant terminates employment due to unilateral breach of contract of the Company or any of its Participating Companies; or (5) the Participant's employment terminates for any other reason whatsoever. Consequently, upon termination of the Participant's employment for any of the reasons set forth above, the Participant will automatically lose any rights to the unvested Award granted to him or her as of the date of the Participant's termination of employment, as described in the Plan and the Agreement.

Notifications

Exchange Control Information

The Participant must declare the acquisition and sale of shares to the *Dirección General de Comercio y Inversiones* (the "DGCI") for statistical purposes. Because the Participant will not purchase or sell the shares through the use of a Spanish financial institution, the Participant must make the declaration himself or herself by filing a D-6 form with the DGCI. Generally, the D-6 form must be filed each January while the shares are owned as of December 31 of each year; however, if the value of the shares or the sale proceeds exceed a certain legally designated amount, a declaration must be filed within one month of the acquisition or sale, as applicable. Therefore, the Participant should consult his or her personal advisor regarding whether he or she will be required to file an informational tax report for assets and rights that he or she holds abroad.

Securities Law Information

The grant of Award under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Spain.

The Award does not qualify under Spanish Law as securities. No "offer to the public," as defined under Spanish Law, has taken place or will take place in the Spanish territory. Neither the Plan nor this

Agreement have been registered with the Comisión Nacional del Mercado de Valores and do not constitute a public offering prospectus.

Foreign Asset/Account Reporting Information

To the extent that the Participant holds shares and/or has bank accounts outside Spain with a value in excess of a certain legally designated amount (for each type of asset) as of December 31, the Participant will be required to report information on such assets on his or her tax return (tax form 720) for such year. After such shares and/or accounts are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously-reported shares or accounts increases by more than a certain legally designated amount. The Participant should consult his or her personal advisor in this regard. Further, the Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the shares held in such accounts if the value of the transactions during the prior tax year or the balances in such accounts as of December 31 of the prior tax year exceed a certain legally designated amount. Therefore, the Participant should consult his or her personal advisor in this regard.

SWEDEN

Notifications

Securities Law Information

The grant of Award under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Sweden.

Terms and Conditions

Exchange Control.

The Participant understands and agrees that foreign and local banks or financial institutions (including brokers) engaged in cross-border transactions generally may be required to report any payments to or from a foreign country exceeding a certain amount to The National Tax Board, which receives the information on behalf of the Swedish Central Bank (Sw.Riksbanken). This requirement may apply even if the Participant has a brokerage account with a foreign broker.

SWITZERLAND

Notifications

Securities Law Notification

The grant of the Restricted Stock Units is considered a private offering and therefore is not subject to securities registration in Switzerland.

TAIWAN

Terms and Conditions

Data Privacy Acknowledgement

The Participant hereby acknowledges that the Participant has read and understood the terms regarding the collection, processing and transfer of Data contained in the Data Privacy section of this Agreement and, by participating in the Plan, the Participant agrees to such terms. In this regard, upon request of the Participating Company Group retaining the Participant's Service, the Participant agrees to provide an

executed data privacy consent form to the Participating Company Group retaining the Participant's Service (or any other agreements or consents that may be required by the Participating Company Group retaining the Participant's Service) that the Participating Company Group retaining the Participant's Service may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. the Participant understands that the Participant will not be able to participate in the Plan if the Participant fails to execute any such consent or agreement.

Notifications

Securities Law Information

The Award and any shares of Stock acquired pursuant to the Plan are available only for Employees or directors of the Participating Company Group. The offer is not a public offer of securities by a Taiwanese company.

Neither the Plan nor the Restricted Stock Units are registered in Taiwan with the Securities and Futures Bureau or subject to the securities laws of Taiwan.

Exchange Control Information

The Participant may remit and acquire up to a legally designated amount (currently US\$5,000,000) per year in foreign currency (including proceeds from the sale of shares of Stock or the receipt of any dividends) without justification.

If the transaction amount exceeds a legally designated amount (currently TWD500,000) in a single transaction, Taiwanese residents must submit a Foreign Exchange Transaction Form and provide supporting documentation to the satisfaction of the remitting bank. In addition, if the transaction amount exceeds a legally designated amount (currently US\$500,000), the Participant may be required to provide additional supporting documentation to the satisfaction of the bank involved in the transaction. the Participant should consult with the Participant's personal advisor to ensure compliance with applicable exchange control laws in Taiwan.

THAILAND

Notifications

Exchange Control Information.

Thai residents realizing cash proceeds in excess of a certain legally designated amount in a single transaction from the sale of shares of Stock or dividends paid on such shares of Stock must immediately repatriate all cash proceeds to Thailand and convert such proceeds to Thai Baht within 360 days of repatriation or deposit the funds in an authorized foreign exchange account in Thailand. The inward remittance must also be reported to the Bank of Thailand on a foreign exchange transaction form. Failure to comply with these obligations may result in penalties assessed by the Bank of Thailand. The Participant should consult with his or her personal advisor prior to taking any action with respect to the remittance of proceeds into Thailand.

Because exchange control regulations change frequently and without notice, the Participant should consult his or her personal advisor before selling shares to ensure compliance with current regulations. It is the Participant's sole responsibility to comply with exchange control laws in Thailand.

UNITED ARAB EMIRATES

Notifications

Securities Law Information

Participation in the Plan is being offered only to selected Participants and is in the nature of providing equity incentives to Participants in the United Arab Emirates. The Plan and the Agreement are intended for distribution only to such Participants and must not be delivered to, or relied on by, any other person. Prospective acquirers of the securities offered, including the Participant, should conduct their own due diligence on the securities. The Participant is encouraged to consult a legal or financial advisor if the Participants does not understand the contents of the Agreement or the Plan or any aspect of the Award.

If the Participant does not understand the contents of the Plan and the Agreement, the Participant should consult an authorized financial adviser. The Emirates Securities and Commodities Authority and the Dubai Financial Services Authority have no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development has approved the Plan or the Agreement nor taken steps to verify the information set out therein and have no responsibility for such documents.

UNITED KINGDOM

Terms and Conditions

Tax Reporting and Payment Liability.

The following provision supplements Section 6 of the Agreement:

The Participant agrees that the Company or the employer may calculate the Tax-Related Items to be withheld and accounted for by reference to the maximum applicable rates, without prejudice to any right the Participant may have to recover any overpayment from relevant U.K. tax authorities. If payment or withholding of any income tax liability arising in connection with the Participant's participation in the Plan is not made by the Participant to the employer within ninety (90) days of the event giving rise to such income tax liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), The Participant understands and agrees that the amount of any uncollected income tax will constitute a loan owed by the Participant to the employer, effective on the Due Date. The Participant understands and agrees that the loan will bear interest at the then-current official rate of Her Majesty's Revenue and Customs, it will be immediately due and repayable by the Participant, and the Company and/or the employer may recover it at any time thereafter by any of the means referred to in the Plan and/or this Agreement. Notwithstanding the foregoing, the Participant understands and agrees that if they are a director or an executive officer of the Company (within the meaning of such terms for purposes of Section 13(k) of the Exchange Act), they will not be eligible for such a loan to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by the Participant by the Due Date, The Participant understands that the amount of any uncollected income tax will constitute an additional benefit to the Participant on which additional income tax and National Insurance Contributions will be payable. The Participant understands and agrees that they will be responsible for reporting and paying any income tax due on this additional benefit directly to Her Majesty's Revenue and Customs under the self-assessment regime and for reimbursing the Company or the employer (as appropriate) for the value of any primary and (to the extent legally possible) secondary class 1 national insurance contributions due on this additional benefit which the Company or the employer may recover from the Participant by any of the means referred to in the Plan and/or this Agreement.

Notwithstanding the foregoing, if Participant is an executive officer or director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the provision above will not apply. In the event that Participant is an executive office or director and income tax is not

collected from or paid by Participant by the Due Date, the amount of any uncollected income tax will constitute a benefit to Participant on which additional income tax and National Insurance Contributions ("**NICs**") (including employer's NICs, as defined below) may be payable. Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company and/or the employer (as appropriate) for the value of any NICs due on this additional benefit.

Notification

Securities Law Information

The grant of Award under the Plan is exempt from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in the United Kingdom.

Neither this Agreement nor Appendix is an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 ("**FSMA**") and no offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection with the Plan. The Plan and the Restricted Stock Units are exclusively available in the UK to bona fide employees and former employees and any other UK Affiliate.

Non-Qualified Grants

The Award is not intended to be tax-qualified or tax-preferred under current tax rules and regulations in the United Kingdom.

Tax Consultation

The Participant understands that he or she may suffer adverse tax consequences as a result of the Participant's acquisition, holding, or disposition of the shares of Stock. The Participant represents that he or she will consult with any tax advisors that the Participant deems appropriate in connection with the acquisition, holding, or disposition of the shares of Stock and that the Participant is not relying on the Participating Company Group for any tax advice.

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Prohibition Against Insider Dealing

The Participant should be aware of:

1. the insider dealing rules of the Regulation (EU) No 596/2014 of the European Parliament and Council (Market Abuse Regulation) which apply in the UK; and
2. the UK's insider dealing rules under the Criminal Justice Act 1993,

each of which may affect transactions under the Plan such as the acquisition or sale of shares of Stock acquired under the Plan, if the Participant has inside information regarding the Company. If the Participant is uncertain whether the insider dealing rules apply, the Company recommends that the Participant consults with a legal advisor. The Company cannot be held liable if the Participant violates the

UK's insider dealing rules. The Participant is responsible for ensuring his or her compliance with these rules.

I, Calvin McDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of lululemon athletica inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ CALVIN McDONALD

Calvin McDonald

Chief Executive Officer and Director

(principal executive officer)

Date: December 8, 2022

I, Meghan Frank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of lululemon athletica inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ MEGHAN FRANK

Meghan Frank

Chief Financial Officer

(principal financial and accounting officer)

Date: December 8, 2022

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of lululemon athletica inc. (the "Company") on Form 10-Q for the third quarter of fiscal 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ CALVIN McDONALD

Calvin McDonald

Chief Executive Officer and Director

(principal executive officer)

Date: December 8, 2022

By: /s/ MEGHAN FRANK

Meghan Frank

Chief Financial Officer

(principal financial and accounting officer)

Date: December 8, 2022

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.