

lululemon athletica inc.
Form 10-Q
September 10, 2009

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended August 2, 2009
- 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

*(State or other jurisdiction of
incorporation or organization)*

20-3842867

*(I.R.S. Employer
Identification No.)*

2285 Clark Drive,

Vancouver, British Columbia

(Address of principal executive offices)

V5N 3G9

(Zip Code)

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

At September 8, 2009, there were 50,843,956 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

Exchangeable and Special Voting Shares:

At September 8, 2009 there were outstanding 19,408,346 exchangeable shares of Lulu Canadian Holding, Inc., a wholly-owned subsidiary of the registrant. Exchangeable shares are exchangeable for an equal number of shares of the registrant's common stock.

In addition, at September 8, 2009, the registrant had outstanding 19,408,346 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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(Amounts in thousands, except per share amounts)

	August 2, 2009 (Unaudited)	February 1, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 83,797	\$ 56,797
Accounts receivable	5,789	4,029
Inventories	46,542	52,051
Prepaid expenses and other current assets	6,604	4,111
	142,732	116,988
Property and equipment, net	61,265	61,662
Goodwill and intangible assets, net	8,525	8,160
Deferred income taxes	6,974	19,373
Other non-current assets	6,330	5,453
	\$ 225,826	\$ 211,636
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 3,073	\$ 5,269
Accrued liabilities	17,936	22,103
Accrued compensation and related expenses	6,996	5,862
Income taxes payable		2,133
Unredeemed gift card liability	6,758	9,278
Other current liabilities	505	690
	35,268	45,335
Other non-current liabilities	13,298	11,301
Deferred income taxes	181	158
	48,747	56,794

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Stockholders' equity

Undesignated preferred stock, \$0.01 par value, 5,000 shares authorized, none issued and outstanding		
Exchangeable stock, no par value, 30,000 shares authorized, issued and outstanding 19,420 and 19,517 shares		
Special voting stock, \$0.00001 par value, 30,000 shares authorized, issued and outstanding 19,420 and 19,517 shares		
Common stock, \$0.01 par value, 200,000 shares authorized, issued and outstanding 50,829 and 50,422 shares	508	504
Additional paid-in capital	146,919	155,961
Retained earnings	25,290	9,528
Accumulated other comprehensive income (loss)	4,362	(11,151)
	177,079	154,842
	\$ 225,826	\$ 211,636

See accompanying notes to the interim consolidated financial statements

Table of Contents**lululemon athletica inc.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Amounts in thousands, except per share amounts)**

	Thirteen Weeks Ended August 2, 2009	Thirteen Weeks Ended August 3, 2008	Twenty-Six Weeks Ended August 2, 2009		Twenty-Six Weeks Ended August 3, 2008
			(Unaudited)		
Net revenue	\$ 97,721	\$ 85,484	\$ 179,401		\$ 162,424
Cost of goods sold	52,557	41,108	99,213		76,947
Gross profit	45,164	44,376	80,188		85,477
Selling, general and administrative expenses	30,832	28,832	56,003		57,987
Income from operations	14,332	15,544	24,185		27,490
Other income, net	23	211	101		489
Income before income taxes	14,355	15,755	24,286		27,979
Provision for income taxes	5,111	3,415	8,524		7,169
Net income from continuing operations	9,244	12,340	15,762		20,810
Net loss from discontinued operations		(1,192)			(1,186)
Net income	\$ 9,244	\$ 11,148	\$ 15,762		\$ 19,624
Basic earnings (loss) per share					
Continuing operations	\$ 0.13	\$ 0.18	\$ 0.22		\$ 0.31
Discontinued operations		(0.02)			(0.02)
Net basic earnings per share	\$ 0.13	\$ 0.16	\$ 0.22		\$ 0.29
Diluted earnings (loss) per share					
Continuing operations	\$ 0.13	\$ 0.18	\$ 0.22		\$ 0.29
Discontinued operations		(0.02)			(0.02)
Net diluted earnings per share	\$ 0.13	\$ 0.16	\$ 0.22		\$ 0.27
Basic weighted-average number of shares outstanding	69,948	68,107	70,176		67,892
Diluted weighted-average number of shares outstanding	70,401	70,376	70,473		70,800

See accompanying notes to the interim consolidated financial statements

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(Amounts in thousands)

	Exchangeable Stock		Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income (Loss)	Total
	Shares	Par Value	Shares	Par Value	Shares	Par Value				
Balance at February 1, 2009	19,517	\$	19,517	\$	50,422	\$ 504	\$ 155,961	\$9,528	\$(11,151)	\$ 154,888
Comprehensive income:								15,762		15,762
Net income										
Foreign currency translation adjustment									15,513	15,513
Comprehensive income										31,275
Stock-based compensation							2,816			2,816
Tax benefit from stock-based compensation							(12,024)			(12,024)
Common stock issued upon exchange of exchangeable debt securities	(97)		(97)		97	1	(1)			
Restricted stock issuance					15					15
Stock options exercised					295	3	167			170
Balance at August 2, 2009	19,420	\$	19,420	\$	50,829	\$ 508	\$ 146,919	\$25,290	\$4,362	\$ 177,008

See accompanying notes to the interim consolidated financial statements

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	Twenty-Six Weeks Ended August 2, 2009	Twenty-Six Weeks Ended August 3, 2008
	(Unaudited)	
Cash flows from operating activities		
Net income	\$ 15,762	\$ 19,624
Net loss from discontinued operations		(1,186)
Net income from continuing operations	15,762	20,810
Items not affecting cash		
Depreciation and amortization	9,552	7,199
Stock-based compensation	2,816	3,741
Deferred income taxes	518	(2,403)
Excess tax benefits from stock-based compensation		(2,661)
Other, including net changes in other non-cash balances		
Prepaid expenses	(2,269)	(899)
Inventory	8,514	(5,501)
Accounts payable	(1,955)	