

lululemon athletica inc.
Form 10-Q
December 09, 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 November 1, 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 December 7, 2009, there were 50,908,883 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

Exchangeable and Special Voting Shares:

At December 7, 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 December 7, 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)

	November 1, 2009 (Unaudited)	February 1, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 101,832	\$ 56,797
Accounts receivable	6,515	4,029
Inventories	52,103	52,051
Prepaid expenses and other current assets	5,618	4,111
	166,068	116,988
Property and equipment, net	59,900	61,662
Goodwill and intangible assets, net	8,257	8,160
Deferred income taxes	6,128	19,373
Other non-current assets	6,415	5,453
	\$ 246,768	\$ 211,636
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 5,866	\$ 5,269
Accrued liabilities	19,420	22,103
Accrued compensation and related expenses	7,351	5,862
Income taxes payable		2,133
Unredeemed gift card liability	6,259	9,278
Other current liabilities	551	690
	39,447	45,335
Other non-current liabilities	14,541	11,301
Deferred income taxes	181	158
	54,169	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 19,408 and 19,517 shares

Special voting stock, \$0.00001 par value, 30,000 shares authorized, issued and outstanding 19,408 and 19,517 shares

Common stock, \$0.01 par value, 200,000 shares authorized, issued and outstanding 50,908 and 50,422 shares

Additional paid-in capital

Retained earnings

Accumulated other comprehensive income (loss)

	509	504
	148,413	155,961
	39,358	9,528
	4,319	(11,151)
	192,599	154,842
	\$ 246,768	\$ 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 November 1, 2009	Thirteen Weeks Ended November 2, 2008	(Unaudited)		Thirty-Nine Weeks Ended November 1, 2009	Thirty-Nine Weeks Ended November 2, 2008
Net revenue	\$ 112,891	\$ 87,047	\$ 292,292		\$ 249,565	
Cost of goods sold	56,553	45,154	155,766		122,159	
Gross profit	56,338	41,893	136,526		127,406	
Selling, general and administrative expenses	35,412	28,838	91,415		86,886	
Income from operations	20,926	13,055	45,111		40,520	
Other income (expense), net	(3)	145	98		612	
Income before income taxes	20,923	13,200	45,209		41,132	
Provision for income taxes	6,855	4,370	15,379		11,571	
Net income from continuing operations	14,068	8,830	29,830		29,561	
Net income (loss) from discontinued operations		4			(1,136)	
Net income	\$ 14,068	\$ 8,834	\$ 29,830		\$ 28,425	
Basic earnings (loss) per share						
Continuing operations	\$ 0.20	\$ 0.13	\$ 0.42		\$ 0.44	
Discontinued operations					(0.02)	
Net basic earnings per share	\$ 0.20	\$ 0.13	\$ 0.42		\$ 0.42	
Diluted earnings (loss) per share						
Continuing operations	\$ 0.20	\$ 0.13	\$ 0.42		\$ 0.42	
Discontinued operations					(0.02)	
Net diluted earnings per share	\$ 0.20	\$ 0.13	\$ 0.42		\$ 0.40	
Basic weighted-average number of shares outstanding	70,279	69,162	70,205		68,316	
Diluted weighted-average number of shares outstanding	71,100	70,609	70,759		71,008	

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, 2019	19,517	\$	19,517	\$	50,422	\$ 504	\$ 155,961	\$9,528	\$(11,151)	\$ 154,830
Comprehensive income:								29,830		29,830
Net income										
Foreign currency translation adjustment									15,470	15,470
Comprehensive income										45,300
Stock-based compensation							4,229			4,229
Tax benefits from stock-based compensation							(12,024)			(12,024)
Common stock issued upon exchange of exchangeable debt securities	(109)		(109)		109	1	(1)			
Restricted stock issuance					15					
Stock options exercised					362	4	248			254
Balance at November 1, 2019	19,408	\$	19,408	\$	50,908	\$ 509	\$ 148,413	\$39,358	\$4,319	\$ 192,537

See accompanying notes to the interim consolidated financial statements

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	Thirty-Nine Weeks Ended November 1, 2009	Thirty-Nine Weeks Ended November 2, 2008 (Unaudited)
Cash flows from operating activities		
Net income	\$ 29,830	\$ 28,425
Net loss from discontinued operations		(1,136)
Net income from continuing operations	29,830	29,561
Items not affecting cash		
Depreciation and amortization	15,236	11,102
Stock-based compensation	4,229	5,234
Deferred income taxes	1,365	(3,470)
Excess tax benefits from stock-based compensation		(9,720)
Other, including net changes in other non-cash balances		
Prepaid expenses	(1,189)	(221)
Inventory	2,987	(16,311)
Accounts payable	842	3,051
Accrued liabilities		