

Lululemon Athletica Inc. (NasdaqGS:LULU)

Consumer Goods Discretionary – Apparel



This report is prepared by Fatehbir Singh Sohu

(Data provided in this report has been taken from S&P Capital IQ, Bloomberg Terminal, Company Reports, Mergent Online and Nasdaq)

STOCK OVERVIEW (in USD): Below details as on 2th November 2024

Incorporated: 1998, Canada	Ticker symbol: LULU
Market Cap: \$36,491,631,330	CMP: \$321.17
Implied Share Price: \$255	Target Price (12 month): \$280
Recommendation: SELL	

Industry: Apparel, Accessories and Luxury Goods

Number of Employees: 34,000 (Approx. Full-Time as of 01/29/2023)

Company's fiscal year: 1st February to 31st January, subsequently 10k reports are published in the late March.

RECENT NEWS

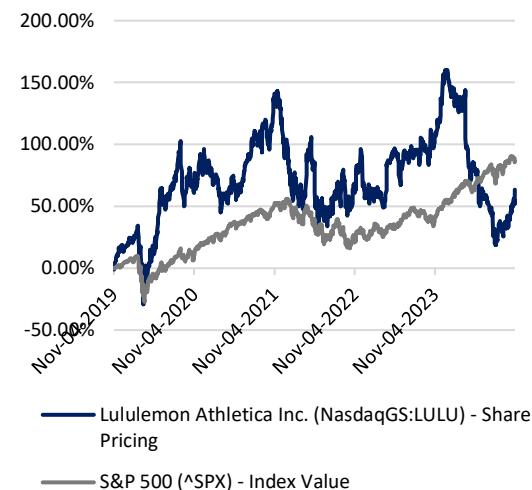
Lululemon has had some missed opportunities both in the first and second quarter of 2024.

- The Breezethrough leggings collection, made with lightweight and fast-drying fabric, was designed for hot yoga classes and sweltering summer days. Launched in early June, the collection suffered lackluster response from the customers, thus, compelling the company to stop its further production of the product. [\(Barron's\)](#)
- Since the longtime Chief Product Officer, Sun Choe stepped down earlier this year, the investors both institutional and retail have showcased their concerns for the future product offerings - R&D and innovation aspects of the company. [\(WSJ\)](#)
- The company has been facing ongoing inventory management issues causing the company to lose potential sales – especially owing to lack of colours and sizes in its leggings and out of stock trending bag styles. [\(WSJ\)](#)
- With one of the best-in-industry operating margins of above 20% and consistent international expansion with significant revamp efforts, Lululemon is in a position to turn the page and jump right back on track to competitive double-digit revenue growth rate. [\(Barron's\)](#)

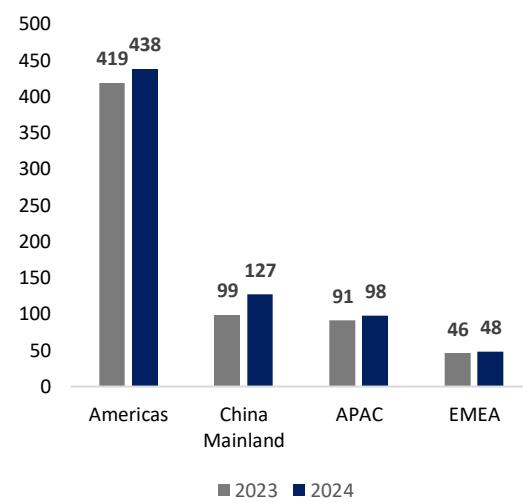
BUSINESS OVERVIEW

Lululemon Athletica Inc. (commonly known as lululemon) is a Canadian multinational athletic apparel retailer headquartered in British Columbia and incorporated in Delaware, United States. Established in 1998 by Chip Wilson in Vancouver, Canada, with its first standalone store opening in November 2000, lululemon initially specialized in yoga pants and yoga wear but has since expanded to offer a wide range of athletic wear, lifestyle apparel, accessories, and personal care products. The company operates 711 stores globally and also sells its products online. In 2019, the company invested in and later acquired MIRROR, a home exercise startup, rebranding it as lululemon Studio, which offers online workout classes. The acquisition resulted in a post-tax impairment charge of \$442.7 million at the end of the 2022 fiscal year. By the end of 2023, lululemon has entered into a 5-year strategic partnership contract with Peloton Interactive, Inc., which is an

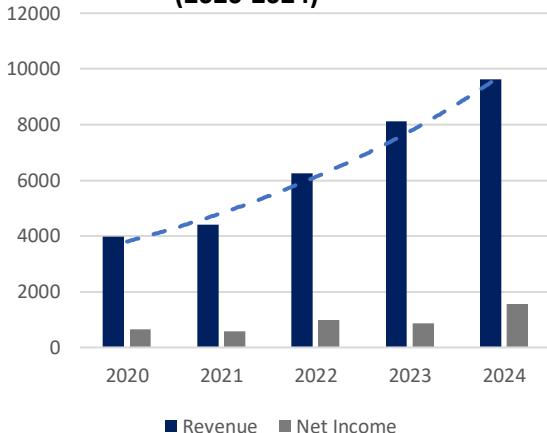
Lululemon Stock Performance (2019-2024)



Lululemon Operated Stores



Revenue and Net Income (2020-2024)



American exercise equipment and media company based in New York City. "Peloton will become Lululemon's exclusive digital fitness content provider and Lululemon will be the primary athletic apparel partner for Peloton" ([James, 2023](#)). In partnership with Peloton, Lululemon will produce digital content for continuously burgeoning members base of 17 million plus as of 2023 end, thus expanding its digital presence.

In 2024, lululemon acquired its franchise partner's operations and retail locations in Mexico. Lululemon offers a diverse range of athletic apparel, including tops, jackets, hoodies, joggers, running shoes, underwear, and its signature yoga pants. Popular products include High Rise Align Fit Mini flare leggings, dance pants, Hottie Hot shorts, scuba hoodies, and Define jacket. The brand also sells fashion and hair accessories, yoga mats, water bottles, and personal care products. The company is known for its proprietary fabrics, such as Luon, which contains a higher-than-average amount of nylon microfiber.

Products

Lululemon offers a comprehensive line of performance apparel, footwear, and accessories, including pants, shorts, tops, and jackets designed for various athletic activities and a healthy lifestyle. The brand also features fitness-inspired accessories and aims to expand its product offerings continuously. Their design and development team focuses on sourcing advanced fabrics and creating innovative features, using customer feedback to enhance product lines and maintain a direct connection with customers, referred to as guests. This approach helps Lululemon meet unique performance and fashion needs, setting them apart from competitors. In 2023, women's products accounted for 64% of net revenue, while men's products represented 23%, highlighting the men's line as a strategic growth area. Lululemon's innovation efforts include introducing new product categories and expanding accessories, contributing to 13% of net revenue in 2023. These initiatives aim to attract new customers and enhance their experience with the brand. Lululemon has increased revenue from Men's segment by 15%, Women's segment by 17% and net revenue from other categories cumulatively increased by 36%, in 2023.

KEY FINANCIALS (2023 - Current)		
Revenue growth (CAGR Over 3 years)	29.77%	<i>Declining over the past 3 years</i>
Net Income growth (CAGR over 3 years)	38.07%	<i>Inconsistent</i>
Revenue growth (Over previous year)	18.60%	<i>Declining over the past 3 years</i>
Net Income growth (Over previous year)	81.35%	<i>Inconsistent</i>
P/E	23.92	<i>P/Diluted EPS Before Extraordinary items</i>
EBIT Margin	22.95%	<i>Stable</i>
ROA	21.73%	<i>Steadily increasing over the past 5 years</i>
ROE	42.01%	<i>Steadily increasing over the past 5 years</i>
Diluted EPS before extraordinary items (\$)	12.20	<i>Steadily increasing over the past 5 years</i>
Avg. Cash Conversion Cycle (days)	106.24	<i>Increasing over the past 5 years</i>
Levered Free Cash Flow Margin (%)	15.5%	<i>for the year 2024</i>
D/E	0.33	<i>Stable (over past 4 years)</i>
Interest Coverage Ratio	N/A	<i>No interest expense on the company</i>

Target Customer Segment

Lululemon's target customer segment has evolved over time, but it can be broadly defined by these characteristics:

Demographics: People in their mid-teens to mid-thirties (16-35 years old) is the core demographic, with a skew towards women historically. However, Lululemon now caters to both men and women.

Behavioral: Lululemon targets people who are invested in their health and well-being. These customers are likely to be regular gym-goers or fitness enthusiasts who participate in various activities. They are willing to pay a premium for high-quality, functional, and stylish athletic wear.

Socioeconomic: Due to Lululemon's pricing strategy, their target customer typically has a middle to upper-class income level. They are tech-savvy and comfortable shopping online or in-store.

Business Strategy

Lululemon has been consistently at the forefront of consumers preferences and trends by being highly dynamic in forging and executing their Business Strategies over the past 5 years.

- **Premium quality of proprietary fabrics:** With premium clothing fabric and advance technical and functional designs, Lululemon has been successful in holding its position in the highest-quality athletic wears. “The science of feel” product philosophy of Lululemon is solely focused on creating the best in the industry products by continuously investing, researching, innovating and developing products with and for athletes to deliver unparalleled feel, fit, and performance. The current product in the spotlight is the Everlux knits Lycra (Patented and Trademarked) fibre with wicking yarns that pull sweat away from the body and help it evaporate, especially designed for the high intensity workouts.
- **Power of Three x2:** Lululemon drove their growth from \$3 billions to \$6.25 billions between 2018 and 2021 with this power of three strategy and is planning to extend this strategy, which will be based on the 3 pillars – Product Innovation (doubling men’s segment revenue), Guest Experience (doubling digital revenue) and International Expansion (quadrupling international revenue) to achieve the target revenue of \$12.5 billions by 2026.
- **Sustainability focus:** Lululemon product and material innovation is aiming to make 100% of the apparel products with the preferred materials and end-of-use solutions to advance a circular ecosystem by 2030 and 75% preferred materials by 2025. The company is also aiming to achieve the Net-zero status by 2030 and reducing the single-use plastic packaging by at least 50% per unit by 2025. The company has met its goal of utilising 100% renewable energy to power company facilities and manufacturing units by 2021.
- **Expansion of Omni-channel presence:** Since the impairment write-off of \$442.7 millions of the Mirror Inc. (Lululemon studios) deal, Lululemon has entered into partnership agreement with Peloton Interactive Inc. to expand its digital presence by creating and delivering digital workout related content to the existing members (17 million plus) and also to foster a sense of community for new members. Lululemon has been persistently expanding its international business operations by entering new market in APAC and EMEA, including setting up their store in Bangkok, Thailand. In total, the company has successfully opened 56 net new stores across the globe in 2023.

Suppliers and Manufacturers (*10k report, page 6*)

As of 2023, Lululemon athletica deals with 49 vendors that manufacture the products, out of which 5 vendors manufacture approximately 55% of the total product quantity with the largest vendor controlling the 17% share of total manufacturing. These vendors are placed in different low-cost incurring geographies with 42% being produced in Vietnam, 16% in Cambodia, 11% in Sri Lanka, 10% in Indonesia, and 8% in Bangladesh, and the remainder 13% in other regions. Furthermore, Lululemon has approximately 67 suppliers of the fabrics, out of which 52% of the fabric is supplied by the top 5 suppliers with the largest supplier supplying 19% of the total fabric. As of December 2023, 40% of the fabrics originated from Taiwan, 26% from China Mainland, and 12% from Sri Lanka, and the remainder of 22% from other regions. Although Lululemon ensures that it has developed long-standing relationships with its majority of vendors, it does not have any long-term contracts with either its suppliers or its vendors (i.e. manufacturers).

Management and Governance

The Board of Directors led by the Chair Marti Morfitt since 2022 have been making steady progress towards building a better delineation of Lululemon among not only the customers but also among suppliers and employees of the company. The Board Chair Ms. Marti Morfitt, who is also serving as the Board member of the Graco Inc. and Olaplex Holdings Inc., is the member of the Audit committee and the People, Culture and Compensation Committee. She has brought and consistently aiming to further build a better work environment at Lululemon, since the 2018 Toxic Workplace Culture which was led by the former CEO Laurent Potdevin, by fostering Inclusion, Diversity, Equity and Action at Lululemon. As of January 28th 2024, approximately 50% of the board of directors, 70% of the senior executive leadership team, and 50% of the vice presidents and above are women, while approximately 75% of the overall workforce are women. Since the setbacks which painted the toxic work culture image of the company under the reigns of the former CEO and raised issues about the board’s accountability and oversight for ignoring the signs of disdaining work culture, the board has taken steps to improve the accountability and governance of the management of the company under the new lead, Marti Morfitt.

The CEO Cavin McDonald, who is a growth-oriented leader with a strong and rich experience spanning from working as the president and CEO of Sephora America’s, a division of the LVMH group of luxury brands, during a period of double-digit growth to spending 17 years at Loblaw Companies Limited, the largest retailer in Canada. Under his leadership,

lululemon has delivered double-digit revenue growth annually, is on track to quadruple its international business from 2021 levels, and has accelerated initiatives to make 100% of lululemon products with sustainable materials by 2030. ([Board of Directors](#)) Furthermore, Lululemon has a staggered board (also known as Classified Board), with 3 classes of directors who are, therefore, elected at different time intervals. Although such type of board setting provides defence against hostile takeovers, they also dwindle the cumulative voting power of the minority shareholders altogether.

The non-base compensation of the management is tied to the short-term (i.e. Annual performance) and long-term goals of Lululemon Athletica Inc. The following table elaborates on the current management compensation structure:

Name	Title	Fiscal 2024 Base Salary (\$)	Fiscal 2024 Target Annual Bonus	Fiscal 2024 Annual Equity (\$)
Calvin McDonald	Chief Executive Officer	1,350,000	200%	11,000,000
Meghan Frank	Chief Financial Officer	805,000	90%	2,750,000
Celeste Burgoyne	President, Americas and Global Innovation	880,000	100%	4,000,000
Michelle Choe	Chief Product Officer	855,000	100%	3,750,000
André Maestrini	Executive Vice President	805,000	90%	2,750,000

INDUSTRY OVERVIEW

With the recent Fed rate cut of 50 basis point, the unemployment (4.3% in July 2024) and the US inflation rate (2.9% in July 2024), have assuaged down to 4.1% and 2.4% respectively, in September 2024. Owing to the cooling Inflation data and rate cuts, the clothing and accessories sales growth rate have considerably recovered from the monthly growth rate of -0.847% [from July 2024 (\$26,299 millions) to August 2024 (\$26,076 millions)] to 1.51% [from August 2024 (\$26,076 millions) to September 2024 (\$26,472)]. Further, similar basis point rate cut is expected in November 2024 contingent upon further economic indicators like inflation and employment data. Therefore, future growth expectation of the US Apparel, Accessories and Luxury Goods industry is considerably favourable.

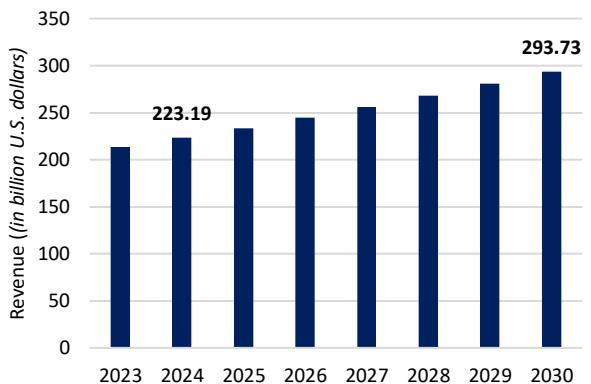
Strong future prospects of the US Economic growth

Albeit there had been significant pressure on the consumer spending and labor market owing to the high Federal Reserve's interest rates which were needed to control the burgeoning inflation, the recent rate cut of 50 basis points and similar rate cuts expected in the month of November 2024 as well, will ease the pressure. Because of these rate cuts the unemployment population has decreased to 6,834 thousand in September of 2024 from 7,115 thousand in August of 2024. Furthermore, the total US retail sales were up by 2.3% from July 2024 to September 2024. Therefore, these rate cuts are expected to provide much-needed relief, potentially revitalizing consumer spending and overall economic activity as borrowing costs decrease.

Global outlook

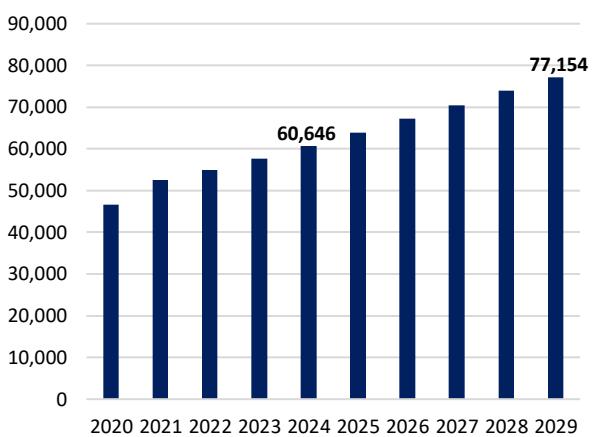
Since the outbreak of Covid-19 and the US-China trade conflicts of 2018, the international trade relations of US have been stable, ergo, promoting business expansion of various US brands across borders. Global GDP is increasing with a steady pace and is

Total revenue of the global sports apparel market 2023-2030



Source: Statista; Research and Markets

Total consumer spending worldwide from 2020 to 2029 (in billion U.S. dollars)



Source: Statista; IMF

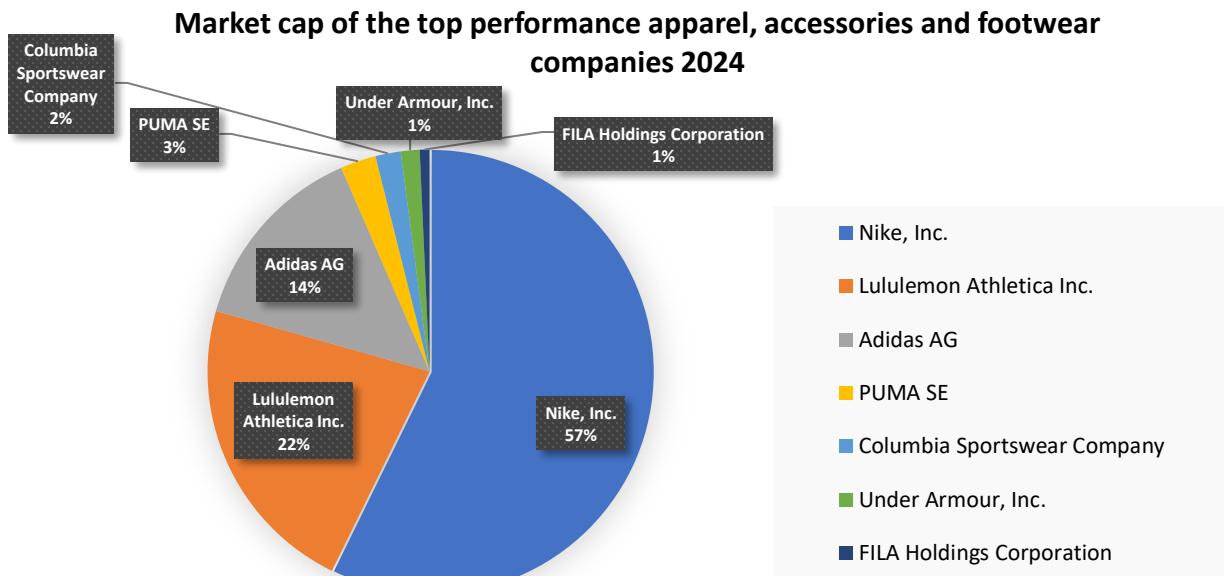
expected to touch USD 110 billion by year end and USD 139 billion by the end of 2029 as per the IMF World Economic Survey. Similarly, the Total consumer spending is expected reach USD 77 billion by the end of 2029.

Competitive Landscape

Lululemon Athletica has successfully positioned itself as a premium athletic apparel brand, particularly in the yoga and fitness segments. However, the competitive landscape is dynamic, with both established and emerging players vying for market share.

Lululemon faces stiff competition in its primary market, the US. While it holds a strong position, several types of companies are challenging its dominance. Established athletic brands like Nike, Adidas, and Under Armour offer broader product lines but are expanding into Lululemon's core categories. Fast-fashion retailers like Zara and H&M provide lower-priced alternatives, while newer DTC brands such as Gymshark and Alo Yoga focus on specific niches and digital marketing. Even premium outdoor brands like Patagonia and The North Face compete in overlapping product areas.

Lululemon faces varying competitive pressures globally. In Europe, established brands like Adidas and Puma compete fiercely, while in Asia, Nike and Adidas dominate alongside emerging local rivals. While Canada is less competitive, overall challenges include product innovation, brand image, digital capabilities, sustainability, and pricing. Lululemon's strengths lie in its strong brand, product innovation, retail experience, and digital focus. To sustain its leadership, the company must continue to differentiate its offerings, adapt to changing consumer preferences, and address competitive pressures in all markets.



Porter's Five Forces Analysis for Lululemon

“The five forces model is a framework for understanding the competitive forces at work in an industry, and which drive the way economic value is divided among industry actors.” [\(HBS\)](#)

1. Threat of New Entrants

Moderate: While the athletic apparel industry has a low barrier to entry, establishing a strong brand identity, supply chain, and distribution network, as well as developing innovative products, poses significant challenges. Lululemon's strong brand loyalty and established market position act as deterrents to new entrants.

2. Bargaining Power of Suppliers

Low: Lululemon has a diverse supplier base, reducing its reliance on any single supplier. Additionally, the company's strong brand and consistent demand for its products give it bargaining power over suppliers.

3. Bargaining Power of Buyers

Moderate: While consumers may have multiple options for athletic apparel, Lululemon's strong brand loyalty and premium pricing strategy suggest that customers have limited bargaining power. However, increased price sensitivity and the availability of substitutes can impact the company's pricing flexibility.

4. Threat of Substitute Products

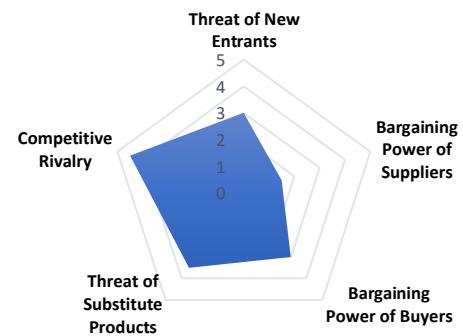
Moderate: While there are various substitutes for athletic apparel, Lululemon's focus on high-performance, technical fabrics and a strong brand image has created a degree of product differentiation. However, the availability of lower-priced alternatives and the increasing popularity of athleisure wear can pose a threat.

5. Competitive Rivalry

High: The athletic apparel industry is highly competitive, with established brands like Nike, Adidas, and Under Armour, as well as emerging competitors like Gymshark and Alo Yoga. Intense competition is driven by factors such as product innovation, brand building, pricing, and distribution channels.

Overall, Lululemon operates in a moderately competitive industry. The company's strong brand, product innovation, and customer loyalty provide a competitive advantage. However, the company must continue to invest in research and development, expand its product offerings, and maintain its brand image to sustain its market position.

Porter's Five Forces Analysis for Lululemon



COMPETITION ANALYSIS

For the purpose of relative financial analysis of Lululemon Athletica Inc. with its Industry peers, the following companies have been considered competitors of Lululemon in the Athletic Apparel and Accessories industry:

1. NIKE, INC. (XNYS:NKE)
2. Adidas AG (XFRA:ADS)
3. UNDER ARMOUR, INC. (XNYS:UAA)
4. FILA Holdings Corp. (XKRX:081660)

There are some new and rapidly burgeoning players in the market such as the Gymshark and Alo Yoga, however, they have not been included in this relative analysis because they are not Publicly traded companies.

No.	RATIOS (Standalone Basis)	Lululemon Athletica Inc.	Peer Average
1	Share price (USD)	321.17	
2	Market Cap. (USD)	39,432,130,000	
3	P/E (current)	23.02	19.93
4	EV/EBITDA	9.90	13.43
5	ROA	21.70%	4.76%
6	ROCE	28.00%	6.65%
7	ROE	42.00%	14.05%
8	Average Sales growth % (year-on-year) 5 yrs	24.40%	3.98%
9	Annual Sales per retail store (USD) Latest FY	6,203,876	5,578,616
10	Sales per employee (USD)	253,138.89	464,292
11	No. of retail outlets	711	1,116
12	Average Net Profit growth % (year-on-year) 5 yrs	31.90%	27.95%
13	EBIT Margin (%)	22.90%	6.54%
14	Gross Margin (%)	58.30%	46.81%
15	Diluted EPS excluding extra items (USD)	12.20	1.01

16	Dividend per share (USD)	NA	1.00
17	Current ratio	2.50	2.00
18	Interest coverage ratio [(EBITDA-CAPEX)/Interest expense]	NA	12.87
19	D/E	0.33	0.80
20	Avg. Cash Conversion Cycle (days)	106.20	126.31

Note: Adidas AG financial information has been converted from EUR to USD at the spot rate as on November 2th, 2024 (EUR/USD = € 1.08). And, FILA Holding Corp. financial information has been converted from KRW to USD at the spot rate as on November 2th, 2024 (KRW/USD = ₩0.00072).

Based on the above financial information, it can be stated that the company is fairly performing with an above industry Sales growth of 24.4% (Avg. past 5 yrs.) with a healthy Net profit margin of 31.90%, which is also on-par with the industry average of 27.95%. The company has relatively better EBIT and Gross Margins than those of its peers. Lululemon is almost a Debt free company with only long-term liabilities in the form of Long-term lease (ROU assets), therefore, the company's Debt-to-Equity ratio is 0.33 in comparison to the peer average of 0.80.

Albeit the company's Avg. Cash Conversion cycle is still better than the peer average of 126.31 days, it has been continuously dwindling over the past 5 years, with 82.1 days, 91.5 days, 90 days, 107.5 days and 106.2 days in 2019, 2020, 2021, 2022 and 2023 respectively. Recently, the Finished goods inventory issue has been addressed by the management of the Lululemon as well, as it has been evident from multiple public incidents when the company has run out of inventory of finished goods to support the flamboyant demand of its various new product lines while for some other products inventory has been piling-up, leading loss of potential sales ([WSJ](#)).

INVESTMENT SUMMARY

Based on the Relative valuation, Discounted Free Cash Flow to the Firm Valuations and Industry analysis, a **SELL** recommendation is issued. This valuation is supported by numerous merits, as outlined below, as well as concerns taken into consideration:

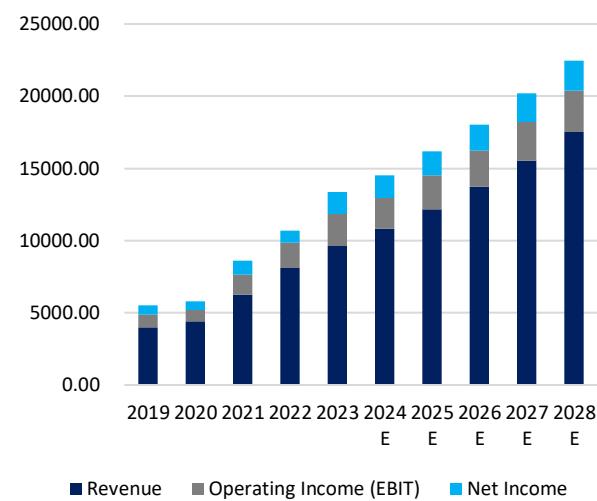
Merits

- Amidst dwindling sales, the management has planned to introduce more new colors, prints, and patterns into the company's core and seasonal styles, to reach the Historical level of newness in products by Spring 2025 ([Barron's](#)).
- The company is aiming to expand its business operations further into the international territories in the coming years to maintain and grow its market share and positioning, this can ensure consistent sale growth numbers, which have been slowing down in the Americas market.
- The company has its own patented premium fabrics for which it has been known for quite a while and by tapping further into the R&D of high-quality fabrics, the company can maintain its current customer base.

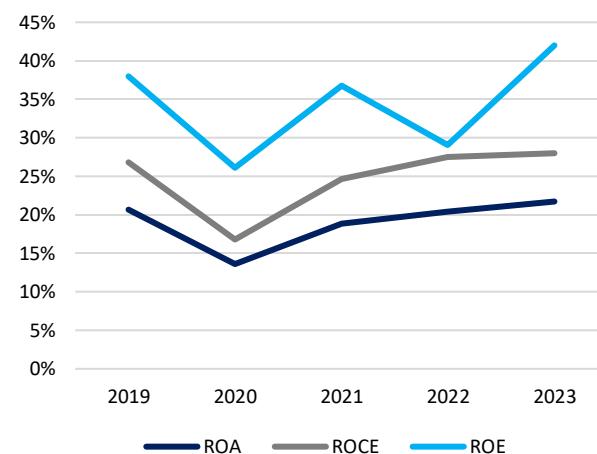
Concerns

- Rising sales of Duplicates among the College students and other younger audience. Owing to the similar level of fabric quality at relatively cheaper price, the sale of duplicate

Revenue, EBIT and EAT (Actual & Estimates) 2018-2028



ROA, ROC and ROE of Lululemon Athletica Inc.



products through Amazon and other platforms, is at the rise, subsequently, eliminating the sales of Brands such as Lululemon ([WSJ](#)).

- In the today's ephemeral clothing fashion trends and the digital era of TikTok and other media platforms, the younger audience's craze for a specific style or wear has become staggeringly fleeting, forcing the clothing brands to remain highly privy of their environment and customer preferences.
- Going forward, as the company is aiming to expand its international base, it can face considerable competition from the local brands who can cater their customers' preferences in a more precise manner.

Financial Analysis (Check Appendix 2 for detailed statements)

Particulars	Financial Analysis Key Ratios							
	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E
Profitability ratios								
Net Profit Margin	16%	13%	16%	11%	16%	14%	14%	13%
Gross Profit Margin	56%	56%	58%	55%	58%	57%	57%	57%
EBITDA Margin	26%	23%	26%	25%	27%	25%	25%	25%
EBIT Margin	22%	18%	22%	21%	23%	20%	19%	18%
EBIT/Total Assets	32%	24%	32%	36%	36%	32%	30%	30%
ROA	20%	14%	20%	15%	22%	18%	17%	16%
ROC	24%	18%	27%	20%	28%	23%	21%	19%
ROE	33%	23%	36%	27%	37%	29%	26%	23%
Liquidity Ratios								
Current ratio	2.91	2.41	1.86	2.12	2.49	2.80	3.12	3.40
Quick Ratio	1.83	1.37	0.95	0.86	1.45	1.68	1.97	2.21
Cash Ratio	1.76	1.30	0.90	0.77	1.38	1.61	1.90	2.13
Avg. Cash Conversion Cycle	82.09	91.51	89.97	107.53	106.24	93.92	99.15	99.16
Activity Ratio								
Receivable Turnover Ratio	104.71	85.79	89.76	77.28	74.66	80.64	80.44	80.44
Payable Turnover Ratio	21.30	16.39	13.03	17.54	14.91	14.19	14.67	14.67
Inventory Turnover Ratio	3.80	3.32	3.20	2.95	2.89	3.16	3.05	3.05
Total Asset Turnover Ratio	1.21	1.05	1.27	1.45	1.36	1.26	1.20	1.17
Solvency Ratios								
Total Debt/Equity	0.38	0.31	0.32	0.34	0.33	0.27	0.24	0.21
Interest Coverage Ratio	NA	NA	NA	NA	NA	NA	NA	NA

Lululemon's financial analysis reveals solid profitability, with a net profit margin consistently around 16% in 2023, up from 11% in 2022, and a gross profit margin stable at 58%, indicating strong cost management. The EBITDA margin improved to 27% in 2023. Liquidity ratios also show a healthy trend, with the current ratio rising to 2.49 in 2023, and projected to improve further, indicating strong short-term financial liquidity. The average cash conversion cycle increased to 106 days in 2023, signaling some delays in managing inventory and receivables. Activity ratios, such as receivable turnover, declined to 74.66 in 2023, suggesting a slower collection rate. Solvency is improving, with the debt-to-equity ratio decreasing from 0.34 in 2022 to 0.33 in 2023 and is expected to drop to 0.21 by 2026, reflecting a prudent approach to leveraging debt. Overall, Lululemon exhibits strong profitability and improving liquidity, though activity efficiency requires attention.

Overview

The company has been performing significantly well compared to its peers over the past years, however, the sales of the recent new product lines have been facing erratic inventory issues along with the inflating Cash Conversion Cycle. The lack of consistent and sufficient supply of new products has been costing the company the potential sales, ergo, impacting its Revenue and Profit margins. Nevertheless, the management has publicly addressed this issue and is aiming to get back on

track by the Spring of 2025. Furthermore, the company is on-track to achieve its target revenue of \$12.5 billion by 2026 owing to its enhanced focus on expanding its men's product segment and its international business operations, aiming to quadruple its international revenue. Since its last acquisition of the MIRROR Brand (Lululemon Studio) in June 2020, which turned out to be fairly poor acquisition after Covid lockdown lifted off and has been written-off completely over the subsequent years, the company has been and will be focusing on its core business operations by executing its Power of Three x2 business strategy to achieve its revenue targets.

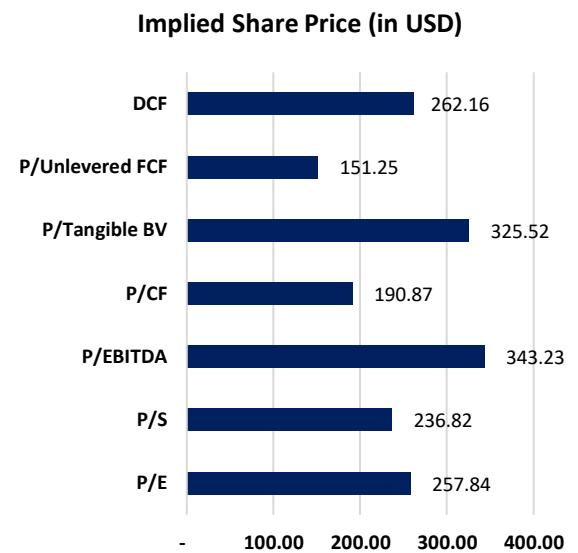
On the financial side, the company has been able to consistently deliver double digit revenue (5-year average – 24.4%) and profit (5-year average – 31.90%) growth, with the entire profits being retained for further expansion and R&D. In this financial model, the forecasted revenue growth has been kept in line with the average of Wallstreet expectations, regression values and historical growth numbers. The Gross profit, EBITDA and Net Profit margins are expected to remain around their historic averages of 57%, 25% and 14% respectively. The company's expansion is solely fueled by the retained earnings and no Debt or additional Equity capital has been raised for such purposes. The company does not have any dividend payout policy in place and is gradually repurchasing its shares in small quantities over the past few years using its cash balance, thus, reducing its outstanding shares.

Future Outlook

Albeit the short-term inventory management and product innovation challenges leading to a lack of newness in their product assortment, Lululemon Athletica Inc. remains on track to achieve its \$12.5 billion revenue target by 2026. With global expansion plans and strategies like prioritizing the "science of feel" for core product categories, along with testing product assortments, the company can sustain double-digit growth at least for the next five years. Recent changes, including the departure of the Chief Product Officer and the creation of the Chief Brand and Product Activation Officer role, reflect the company's commitment to revitalizing its product appeal. Lululemon can burgeon beyond its historical sales performance by further diversifying its product lines (e.g., increased focus on men and kids wears, which it is lacking at), introducing limited-edition premium seasonal collections to create excitement and drive repeat purchases, increasing use of sustainable materials to appeal to environmentally conscious consumers, tailor marketing strategies to resonate with cultural nuances and preferences in different regions such as in Asian markets. Therefore, by implementing the aforementioned strategies and by retaining its customer base in mature markets, expanding in emerging ones, and driving product innovation and brand loyalty, Lululemon presents a promising long-term investment opportunity.

Valuation (Check Appendix 1 for detailed valuations)

Weighted Implied Fair Price - \$255 (USD) per share (As on 2nd November 2024) with a 12-month Target Price of \$280 (USD) per share. A number of valuation methodologies were utilized in deriving a target price for LULULEMON ATHLETICA INC. (XNAS:LULU), including a 5-year DCF and a Relative Multiple Valuation using Public Comparable Company Analysis.



Relative Valuation (2 nd November 2024)			
Ratios	Peer Average	Lululemon Share price	Relative Share Price (LULU)
P/E	19.93	23.02	257.84
P/S	1.32	1.79	236.82
P/EBITDA	15.61	14.60	343.23
P/CF	10.00	16.82	190.87
P/Tangible BV	10.05	8.00	325.52
P/Unlevered FCF	11.88	25.22	151.25

DCF Model

A Discounted Cash Flow model is used to estimate the intrinsic value of the Lululemon Athletica Inc owing to the predictability of the Cash flows of the business. For revenue, thus, Free Cash flow projections, base case is used which is comprised of the Historical averages, street estimates and projections based on regression analysis on the past revenue numbers. This financial model is driven by Unlevered Free Cash flow and is calculated using the EBIT subtract Tax, add Dep. & Amm., subtract change in Capex and Net Working Capital. The historical data horizon is taken as 5 years (2019-2023) because the margins and incremental changes were observed to be consistent and reliable over the 5-year window.

The projections are done for the proceeding 5 years (2024-2028), as the Apparel industry is considerably mature with Lululemon holding a significant position in the overall Athletic Apparel market with stable revenue and cash flows. Based on the DCF model, the 12-month Target Price is \$287 (USD) per share. The results of the DCF model are dependent on multiple factors which are covered in detail in the following sections.

Weighted Average Cost of Capital (WACC)

The WACC has been used to discount the future Free Cash Flows as it is the best-known method to represent the interests of the Equity and Debt holders of the company. The Cost of Equity portion of the WACC is ascertained using the traditional Capital Asset Pricing Model (CAPM) which covers the Risk-free rate of the country in which majority of the business operations of the company takes place, Market returns and the Beta of the stock, which measures the stock's volatility in relation to the stock market.

Terminal Value

In the DCF valuation, the Terminal value of Lululemon is calculated using the Gordan Growth method which assuming perpetual growth of the company. The Terminal Value growth rate has been calculated using multiple factors, covering both Domestic and Global apparel industry prospects. These factors include US GDP growth rate average (2.5%), North American Apparel Industry current growth rate (3.98%) and the Global Apparel Industry Sales trends for the next 5 years (5.92%). To discern a conservative view of the Lululemon perpetual growth rate because it will cover a major portion of the Total Enterprise Value, I have allotted 65% weight to the US GDP growth rate, 20% to the North American Apparel Industry current growth rate and 15% to the Global Apparel Industry Sales trends for the next 5 years, thus, rendering, a Terminal growth rate of 3.31%.

INVESTMENT RISKS

The following are the major risks associated with the future performance and overall potential of the Lululemon Athletica Inc. that an investor should be wary of:

Market Competition

The Athleisure industry has been witnessing significant competition through disruption from both established sportswear giants and emerging brands. Established global leaders such as Nike and Adidas, have extensive product assortment which is in direct competition with the products of Lululemon. The products offered by these brands have enhanced features such as Temperature control, moisture management and other performance boosting characteristics ([Mordor Intelligence](#)). Ergo, with significant R&D and deep pockets, such established brands can drastically impact the future potential of Lululemon Athletica Inc. Additionally, emerging players such as the Alo Yoga, Gymshark, Fabletics and Vuori

WACC	9.67%
Terminal Growth rate	3.31%
PV of explicit period and TV (2024-2028)	31352.11
Enterprise Value	31352.11
(+) Cash	2243.97
(-) Debt	1403.28
Equity Value	32192.80
Diluted Shares	122.80
Revenue Switch	2
Implied Stock Price (Fair Value)	262.16
₹ LULULEMON ATHLETICA INC. (XNAS:LULU)	321.17
Margin of deviation range in % (+/-)	5%
Margin of deviation range in \$ (+/-)	13.11
Recommendation	SELL
Current PE Ratio	26.33
Forward PE Ratio	22.36
Target Price (12 months) based on Forward PE	378.05
Target Price (12 months) based on DCF method	287.51
WACC calculation	
Market Cap (Current)	39,432
% of Equity	96.56%
Cost of Equity	9.91%
Risk Free Rate	4.28%
Beta	1.22
Market Risk Premium (Implied ERP)	4.60%
Debt (Current)	1,403
% of Debt	3.44%
Cost of Debt	4.00%
Tax Rate	27.95%
Total	40,835
WACC	9.67%

provides fashionable and relatively more affordable athletic wears which are gaining immense social media traction, especially through the branding and marketing by collaborating with wellbeing and fitness influencers on Instagram and other similar platforms ([New York Post](#)). Therefore, any further lack of product innovation or inventory management issues can put the company on serious back footing in the race to gain competitive advantage over the competitors.

Economic Sensitivity

Lululemon's products are categorised as premium-priced athletic apparel and are considered non-essential consumer discretionary goods, rendering them highly sensitive to economic fluctuations. During economic downturns, consumers may reduce their spending on such non-essential products and may opt for more affordable alternatives. Moreover, the market for the duplicates (also referred to as the "Duplicates"), which are relatively affordable and comparable in quality and style to premium brands like Lululemon, have grown considerably over the years, thus, stringently impacting the purchasing decision of the customer base, altogether ([WSJ](#)). Significant inflation increases often lead to corresponding hikes in Federal Reserve rates, ultimately diminishing consumers' purchasing power. This reduction in purchasing power is particularly evident in the decreased sales of consumer discretionary goods.

International Expansion Risks

The international expansion plans of Lululemon, especially in the Chinese markets, pose several risks which the investors should be wary of. The economic downturns of China have been consistently pushing the consumer preferences towards more affordable local brands, owing to which, the expectations of compounded annual growth rate of 20% of Lululemon in the Chinese market is overly optimistic and the investors should be sceptical of that ([Investopedia](#)). Entering and expanding into foreign territories can also raise various issues such as labor shortages, trade and labour unions, political and regulatory challenges, thus, enhancing supply chain complexities for Lululemon. ([Nasdaq](#)). Furthermore, in order to bolster global presence and penetrate new markets, a company must build and maintain its brand awareness and reputation, which may be very subjective to the local customer base ([Business Insider Markets](#)).

Inventory and Supply Chain Risks

Over the past year, Lululemon had been seen grappling with its rising final goods inventory in relation to revenue numbers and same can be stated for the current year as well. Across various stores, over stocking and lack of demand for extensive color ranges in non-core products and lack of supply and high demand for hot selling items, have led to the conclusion of poor inventory management on behalf of the company ([Yahoo Finance](#)). Similar issues, if persisted, can tremendously affect the profit margins of the company, therefore, the investors should be cautious about them.

APPENDIX 1: DCF and Relative Valuation

LULULEMON ATHLETICA INC. (XNAS:LULU)

Date	2024-11-02
Year end date	2024-12-31

Particulars	Free Cash Flow to the Firm (in million of dollars)				
	2024 E	2025 E	2026 E	2027 E	2028 E
Revenue	10781.79	12263.58	13935.24	15787.63	17844.41
Operating Income (EBIT)	2491.60	2812.36	3163.39	3545.18	3961.30
Tax	696.48	786.14	884.26	990.98	1107.30
EBIAT	1795.13	2026.22	2279.13	2554.20	2854.00
Depreciation	(373.07)	(446.97)	(541.17)	(652.74)	(784.41)
Δ in CAPEX	542.47	810.21	950.96	1106.82	1288.60
Δ in NWC	173.11	103.95	157.32	131.78	182.72
FCFF	1452.62	1559.03	1712.03	1968.34	2167.09
Terminal value					35196.73
FCFF + Terminal value	238.07	1559.03	1712.03	1968.34	37363.82
PV of FCFF	236.27	1466.36	1468.27	1539.23	26641.98

Forecasting period	1.00	2.00	3.00	4.00	5.00
Forecasting period (adjusted)	0.08	0.66	1.66	2.66	3.66

WACC	9.67%	Relative Valuation (As of 24th October 2024)			
Terminal Growth rate	3.31%	Ratios			
PV of explicit period and TV (2024-2028)	31352.11	P/E	19.93	23.02	257.84
Enterprise Value	31352.11	P/S	1.32	1.79	236.82
(+) Cash	2243.97	P/EBITDA	15.61	14.60	343.23
(-) Debt	1403.28	P/CF	10.00	16.82	190.87
Equity Value	32192.80	P/Tangible BV	10.05	8.00	325.52
Diluted Shares	122.80	P/Unlevered FCF	11.88	25.22	151.25
Revenue Switch	2	Average Relative Share Price of Lululemon Athletica Inc.			
Implied Stock Price (Fair Value)	262.16				
₹ LULULEMON ATHLETICA INC. (XNAS:LULU)	321.17				
Margin of deviation range in % (+/-)	5%				
Margin of deviation range in \$ (+/-)	13.11				
Recommendation	SELL				
Current PE Ratio	26.33				
Forward PE Ratio	22.36				
Target Price (12 months) based on Forward PE	378.05				
Target Price (12 months) based on DCF method	287.51				

Calculation of NWC					
Particulars	2024 E	2025 E	2026 E	2027 E	2028 E
Changes in current assets	454.80	312.17	352.17	390.24	433.30
Changes in current liabilities	281.70	208.22	194.85	258.47	250.58
Δ in NWC	173.10	103.95	157.32	131.78	182.72

Athletic Apparel Industry growth expectations (Terminal Growth rate calculation)			
Particulars	US GDP growth rate	Current Industry growth rate	Global Sales trends (next 5 years)
Rates	2.50%	3.98%	5.92%
Weights	0.7	0.2	0.2
Long-term FCF growth			3.31%

₹ LULULEMON ATHLETICA INC. (XNAS:LULU)

$$WACC = (\% \text{ of equity} \times \text{cost of equity}) + (\% \text{ of debt} \times \text{cost of debt} \times (1 - \text{Tax Rate}))$$

$$\text{Cost of equity} = \text{Risk free rate} + (\text{Beta} \times \text{Market Risk Premium})$$

WACC calculation	
Market Cap (Current)	39,432
% of Equity	96.56%
Cost of Equity	9.91%
Risk Free Rate	4.28%
Beta	1.22
Market Risk Premium (Implied ERP)	4.60%
Debt (Current)	1,403
% of Debt	3.44%
Cost of Debt	4.00%
Tax Rate	27.95%
Total	40,835
WACC	9.67%

Revenue Switch	2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	3288.32	3979.30	4401.88	6256.62	8110.52	9619.28	10781.79	12263.58	13935.24	15787.63	17844.41	
% change	-	21%	11%	42%	30%	19%	12.1%	13.7%	13.6%	13.3%	13.0%	
Conservative							8.0%	8.5%	9.0%	9.5%	10.0%	
Base							12.1%	13.7%	13.6%	13.3%	13.0%	
Optimist							15.0%	16.3%	17.5%	18.8%	20.0%	

APPENDIX 2: Balance Sheet and Income Statement (Forecasted)

LULULEMON ATHLETICA INC. (XNAS:LULU)

Description	Consolidated Balance Sheet (in million USD)									
	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E	2027 E	2028 E
ASSETS										
Cash And Equivalents	1093.51	1150.52	1259.87	1154.87	2243.97	3377.90	4658.30	6020.28	7718.65	9644.92
Accounts Receivable	40.22	62.40	77.00	132.91	124.77	142.21	161.75	183.80	208.23	235.36
Inventory	518.51	647.23	1009.17	1447.37	1323.60	1627.38	1851.04	2103.35	2382.95	2693.39
Prepaid Exp.	64.57	82.16	98.25	142.00	137.20	177.61	202.02	229.56	260.08	293.96
Other Current Assets	91.13	182.07	170.56	282.31	231.03	324.21	368.76	419.03	474.73	536.58
Total Current Assets	1807.94	2124.38	2614.85	3159.45	4060.58	5649.31	7241.88	8956.02	11044.64	13404.21
Land	71.83	74.26	74.30	80.69	79.50	82.27	84.39	86.78	89.43	92.37
Right-of-use lease assets	689.66	734.84	803.54	969.42	1265.61	1293.26	1431.06	1586.51	1758.78	1950.04
Work in progress	40.93	69.85	163.42	244.90	247.94	320.75	378.30	443.23	515.19	595.07
Other Gross PP&E	1080.61	1292.17	1519.13	1931.32	2435.79	2875.03	3487.77	4215.96	5075.92	6090.43
Accumulated Depreciation	(521.70)	(690.60)	(829.10)	(987.30)	(1217.40)	(1590.47)	(2037.45)	(2578.62)	(3231.36)	(4015.77)
Net Property, Plant & Equipment	1361.36	1480.52	1731.25	2239.03	2811.42	2980.84	3344.08	3753.86	4207.95	4712.14
Goodwill	24.18	386.88	386.88	24.14	24.08	18.05	12.03	7.51	4.51	0.00
Other Intangibles	0.24	154.71	71.30	21.96	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax Assets, LT	31.44	6.73	6.09	6.40	9.18	7.10	7.10	7.10	7.10	7.10
Deferred Charges, LT	0.00	0.00	89.33	114.70	133.60	152.06	172.95	196.53	222.65	251.66
Other Long-Term Assets	56.20	32.00	42.77	41.35	53.09	45.08	42.85	45.03	45.48	46.31
Total non-current assets	1473.42	2060.84	2327.63	2447.59	3031.36	3203.12	3579.01	4010.03	4487.69	5017.21
TOTAL ASSETS	3281.35	4185.22	4942.48	5607.04	7091.94	8852.43	10820.89	12966.05	15532.33	18421.41
LIABILITIES										
Accounts Payable	80.00	172.25	289.73	172.73	348.44	351.62	399.94	454.46	514.87	581.95
Accrued Exp.	232.40	283.67	449.11	533.09	560.78	687.13	781.56	888.10	1006.15	1137.23
Curr. Port. of Leases	128.50	166.09	189.00	207.97	249.27	300.38	287.22	232.51	214.52	158.25
Curr. Income Taxes Payable	26.44	8.36	133.85	174.22	12.10	37.86	42.81	48.23	54.14	60.59
Unearned Revenue, Current	120.41	155.85	208.20	251.48	306.48	348.92	396.87	450.97	510.91	577.47
Other Current Liabilities	32.68	96.97	135.45	152.71	154.20	187.06	212.77	241.77	273.91	309.59
Total Current Liabilities	620.42	883.18	1405.33	1492.20	1631.26	1912.96	2121.18	2316.03	2574.50	2825.08
Long-Term Leases	611.46	632.59	692.06	862.36	1154.01	1173.40	1305.10	1453.67	1618.30	1801.10
Def. Tax Liability, Non-Curr.	43.43	58.76	53.35	55.08	29.52	48.03	48.03	48.03	48.03	48.03
Other Non-Current Liabilities	53.82	52.13	51.69	48.60	45.07	50.26	50.26	50.26	50.26	50.26
Total non-current liabilities	708.72	743.47	797.10	966.04	1228.60	1271.69	1403.39	1551.96	1716.59	1899.39
TOTAL LIABILITIES	1329.14	1626.65	2202.43	2458.24	2859.86	3184.65	3524.57	3867.99	4291.09	4724.47
Common Stock	0.62	0.63	0.62	0.61	0.61	0.62	0.62	0.62	0.62	0.62
Additional Paid In Capital	355.54	388.67	422.51	474.65	575.37	627.26	676.34	730.02	788.60	852.51
Retained Earnings	1820.64	2346.43	2512.84	2926.13	3920.36	5262.82	6841.95	8599.09	10690.84	13079.87
Treasury Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Comprehensive Inc. and Other	(224.60)	(177.20)	(195.90)	(252.60)	(264.30)	(222.92)	(222.58)	(231.66)	(238.81)	(236.06)
TOTAL EQUITY	1952.20	2558.52	2740.06	3148.78	4232.04	5667.77	7296.32	9098.06	11241.24	13696.94
TOTAL LIABILITIES AND EQUITY	3281.34	4185.17	4942.50	5607.02	7091.90	8852.43	10820.89	12966.05	15532.33	18421.41
Stock Repurchase	63.20	808.90	441.53	555.96	467.40	467.40	548.24	496.10	507.02	
Assumptions										
Accounts Receivable as % of revenue	1.0%	1.4%	1.2%	1.6%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Inventory as % of revenue	13.0%	14.7%	16.1%	17.8%	13.8%	15.1%	15.1%	15.1%	15.1%	15.1%
Prepaid Exp. as % of revenue	1.6%	1.9%	1.6%	1.8%	1.4%	1.6%	1.6%	1.6%	1.6%	1.6%
Other Current Assets as % of revenue	2.3%	4.1%	2.7%	3.5%	2.4%	3.0%	3.0%	3.0%	3.0%	3.0%
Deferred Charges, LT as % of revenue	0.00%	0.00%	1.43%	1.41%	1.39%	1.4%	1.4%	1.4%	1.4%	1.4%
Accounts Payable as % of revenue	2.0%	3.9%	4.6%	2.1%	3.6%	3.3%	3.3%	3.3%	3.3%	3.3%
Accrued Exp. as % of revenue	5.8%	6.4%	7.2%	6.6%	5.8%	6.4%	6.4%	6.4%	6.4%	6.4%
Curr. Port. of Leases as % of Long-term leases	21.0%	26.3%	27.3%	24.1%	21.6%	24.1%	24.1%	24.1%	24.1%	24.1%
Curr. Income Taxes Payable as % of EBT	2.9%	1.0%	10.0%	13.1%	0.6%	1.5%	1.5%	1.5%	1.5%	1.5%
Unearned Revenue, Current as % of revenue	3.0%	3.5%	3.3%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Other Current Liabilities	0.8%	2.2%	2.2%	1.9%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%
Long-Term Leases	15.4%	14.4%	11.1%	10.6%	12.0%					

LULULEMON ATHLETICA INC. (XNAS:LULU)

Particulars	Consolidated Income Statement (in million USD, except per share amount)									
	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E	2027 E	2028 E
Revenue	3979.30	4401.88	6256.62	8110.52	9619.28	10781.79	12263.58	13935.24	15787.63	17844.41
Cost of Goods Sold	1755.91	1937.89	2648.05	3618.18	4009.87	4528.35	5150.70	5852.80	6630.81	7494.65
Gross Profit	2223.39	2463.99	3608.57	4492.34	5609.41	6253.44	7112.88	8082.44	9156.83	10349.76
Selling General & Admin Exp.	1172.447	1466.003	2009.73	2474.75	3023.22	3381.84	3846.62	4370.95	4951.98	5597.11
EBITDA	1050.939	997.988	1598.831	2017.593	2586.187	2871.602	3266.257	3711.483	4204.846	4752.644
Depreciation on PP&E	161.80	180.10	215.30	282.70	374.00	373.07	446.97	541.17	652.74	784.41
Amort. of Goodwill and Intangibles	0.03	5.16	8.78	8.75	5.01	6.93	6.93	6.93	6.93	6.93
Operating Income (EBIT)	889.11	812.73	1374.75	1726.14	2207.18	2491.60	2812.36	3163.39	3545.18	3961.30
Other Non-Operating Inc. (Exp.)	8.28	(0.60)	0.51	4.16	43.06	20.44	28.19	36.43	46.70	58.36
EBT Excl. Unusual Items	897.39	812.13	1375.26	1730.30	2250.24	2512.04	2840.54	3199.81	3591.89	4019.66
Total Unusual items	0.00	7.30	(41.40)	(397.72)	(74.50)	0.00	0.00	0.00	0.00	0.00
EBT Incl. Unusual Items	897.39	819.43	1333.86	1332.58	2175.74	2512.04	2840.54	3199.81	3591.89	4019.66
Income Tax Expense	251.80	230.44	358.55	477.77	625.55	702.19	794.01	894.44	1004.04	1123.61
Net Income	645.60	588.99	975.32	854.81	1550.19	1809.85	2046.53	2305.37	2587.85	2896.05
Per Share Items										
Basic EPS	4.95	4.52	7.52	6.70	12.23	14.38	16.38	18.58	21.01	23.68
Basic EPS Excl. Extra Items	4.95	4.52	7.52	6.70	12.23	14.38	16.38	18.58	21.01	23.68
Weighted Avg. Basic Shares Out.	130.39	130.29	129.77	127.67	126.73	125.83	124.94	124.05	123.17	122.30
% Change	-0.1%	-0.4%	-1.6%	-0.7%						
Diluted EPS	4.93	4.50	7.49	6.68	12.20	14.36	16.36	18.56	20.99	23.66
Average Difference (Basic and Diluted EPS)	0.02	0.02	0.03	0.02	0.03					
Diluted EPS Excl. Extra Items	4.93	4.50	7.49	6.68	12.20	14.36	16.36	18.56	20.99	23.66
Weighted Avg. Diluted Shares Out.	130.96	130.87	130.30	128.02	127.06	126.11	125.16	124.22	123.29	122.37
% Change	-0.1%	-0.4%	-1.7%	-0.7%						
Normalized Basic EPS	4.30	3.90	6.62	8.47	11.10	14.08	16.08	18.28	20.71	23.38
Average Difference (Basic and Normalised Basic EPS)	0.65	0.62	0.90	(1.77)	1.13					
Normalized Diluted EPS	4.28	3.88	6.60	8.45	11.07	14.06	16.05	18.26	20.68	23.35
Average Difference (Diluted and Normalised Diluted EPS)	0.65	0.62	0.89	(1.77)	1.13					
Dividends per Share	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Tax rate	28%									
Assumptions and inputs										
Financial Period	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E	2027 E	2028 E
Revenue % change	21%	11%	42%	30%	19%	12%	14%	14%	13%	13%
Conservative						8%	9%	9%	10%	10%
Base (average of Historical numbers and Street estimates)						12%	14%	14%	13%	13%
Optimist						15%	16%	18%	19%	20%
Cost of Goods Sold as of % of revenue	44%	44%	42%	45%	42%	42%	42%	42%	42%	42%
Selling General & Admin Exp. as of % of revenue	29%	33%	32%	31%	31%	31%	31%	31%	31%	31%
Amort. of Goodwill and Intangibles	0.03	5.16	8.78	8.75	5.01	6.93	6.93	6.93	6.93	6.93
Other Non-Operating Inc. (Exp.)	0.8%	-0.1%	0.0%	0.4%	1.9%	0.6%	0.6%	0.6%	0.6%	0.6%
Effective Income Tax rate	28%	28%	27%	36%	29%	28%	28%	28%	28%	28%
Fixed Assets (in million USD)										
Particulars	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E	2027 E	2028 E
Land	71.83	74.26	74.30	80.69	79.50	82.27	84.39	86.78	89.43	92.37
Right-of-use lease assets	689.66	734.84	803.54	969.42	1,265.61	1293.26	1431.06	1586.51	1758.78	1950.04
Construction in Progress	40.93	69.85	163.42	244.90	247.94	320.75	378.30	443.23	515.19	595.07
Buildings	30.19	30.87	30.88	28.85	29.03	29.96	29.91	29.59	28.94	29.03
Leasehold improvements	489.20	583.31	676.76	818.07	1,006.93	1074.51	1198.21	1337.76	1492.40	1664.10
Furniture and fixtures	109.53	117.33	125.21	144.57	156.66	165.30	177.22	190.66	205.56	222.10
Computer hardware	95.40	116.24	130.39	166.77	176.60	196.95	217.54	240.77	266.51	295.09
Computer software	336.77	427.31	532.82	742.30	1,032.57	1102.73	1270.70	1460.19	1670.17	1903.32
Equipment and vehicles	19.52	17.11	23.06	30.77	34.02	37.60	41.97	46.90	52.37	58.44
Other Gross PP&E	1,080.61	1,292.17	1,519.13	1,931.32	2,435.79	2,875.03	3,487.77	4,215.96	5,075.92	6,090.43
Total Gross PP&E	1,883.04	2,171.11	2,560.39	3,226.33	4,028.84	4,571.31	5,381.53	6,332.48	7,439.31	8,727.91
Accumulated Depreciation	(521.70)	(690.60)	(829.10)	(987.30)	(1217.40)	(1590.47)	(2037.45)	(2578.62)	(3231.36)	(4015.77)
Net Property, Plant & Equipment	1,361.34	1,480.51	1,731.29	2,239.03	2,811.44	2,980.84	3,344.08	3,753.86	4,207.95	4,712.14

Weight calculations	2019	2020	2021	2022	2023 Details
Buildings	0.03	0.02	0.02	0.01	0.01 30-40 years
Leasehold improvements	0.45	0.45	0.45	0.42	0.41 10-15 years
Furniture and fixtures	0.10	0.09	0.08	0.07	0.06
Computer hardware	0.09	0.09	0.09	0.09	0.07
Computer software	0.31	0.33	0.35	0.38	0.42
Equipment and vehicles	0.02	0.01	0.02	0.02	0.01
Total	1.00	1.00	1.00	1.00	1.00

Depreciation rates	Rates	Avg. Lifetime
Buildings	3%	35.00
Leasehold improvements	8%	12.50
Furniture and fixtures	17%	6.00
Computer hardware	20%	5.00
Computer software	20%	5.00
Equipment and vehicles	14%	7.00

Time period	2019	2020	2021	2022	2023
Average depreciation rate	13.65%	13.80%	13.94%	14.32%	14.54%
Overall weighted depreciation rate	14.05%				

Method 1: Historicals (average)

Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	3288.32	3979.30	4401.88	6256.62	8110.52	9619.28	11230.03	13110.50	15305.86	17868.84	20860.98
% change	-	21%	11%	42%	30%	19%	17%	17%	17%	17%	17%

Weights

0.40 0.50 0.50 0.50 0.50 0.50

Method 2: Street estimates (no. of analysts = 30)

Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	3288.32	3979.30	4401.88	6256.62	8110.52	9619.28	10432.97	11286.07	12378.97	13573.33	14887.00
% change	-	21%	11%	42%	30%	19%	8%	8%	10%	10%	10%

Weights

0.30 0.20 0.20 0.20 0.20 0.20

Method 3: Regression

Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	3288.32	3979.30	4401.88	6256.62	8110.52	9619.28	10532.97	11844.49	13156.01	14467.53	15779.05
% change	-	21%	11%	42%	30%	19%	9%	12%	11%	10%	9%

Weights

0.30 0.30 0.30 0.30 0.30 0.30

Intercept (2643983.45)

Slope 1311.52

R^2 0.95

Slope/Revenue 2023 14%



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.976155329
R Square	0.952879227
Adjusted R Square	-1.5
Standard Error	610.0300267
Observations	1

ANOVA

	df	SS	MS	F	Significance F
Regression	6	30101481	5016913.5	80.88825	#NUM!
Residual	4	1488546.5	372136.63		
Total	10	31590028			

	Coefficients	standard Err.	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept					0	0	0	0
X Variable 1					65535	65535		
X Variable 2					1.11E-306	1.11E-306		
X Variable 3					0	0	0	0
X Variable 4					7.29E-304	7.29E-304		
X Variable 5	-2643983.45	294639.66	-8.973617	0.0008534	-3462034	-1825933	-3462034.3	-1825932.6
X Variable 6	1311.519971	145.82507	8.9937895	0.0008461	906.64467	1716.3953	906.64467	1716.3953

PROBABILITY OUTPUT

50	3288.319
Percentile	Y