

lululemon athletica inc.
Form 10-Q
June 10, 2011

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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 May 1, 2011
- 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)

**400-1818 Cornwall Avenue,
Vancouver, British Columbia**

(Address of principal executive offices)

20-3842867

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

V6J 1C7

(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 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 June 6, 2011, there were 54,057,260 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

Exchangeable and Special Voting Shares:

At June 6, 2011, there were outstanding 17,492,340 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 June 6, 2011, the registrant had outstanding 17,492,340 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. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	May 1, 2011	January 30, 2011
	(Unaudited)	
	(Amounts in thousands, except per share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 260,871	\$ 316,286
Accounts receivable	12,149	9,116
Inventories	64,423	57,469
Prepaid expenses and other current assets	12,545	6,408
	349,988	389,279
Property and equipment, net	144,917	70,954
Goodwill and intangible assets, net	28,769	27,112
Deferred income taxes	8,189	7,894
Other non-current assets	4,597	4,063
	\$ 536,460	\$ 499,302
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 3,409	\$ 6,659
Accrued liabilities	29,989	25,266
Accrued compensation and related expenses	9,818	16,872
Income taxes payable		18,399
Unredeemed gift card liability	15,774	18,168
	58,990	85,364
Non-current liabilities	21,609	19,645
	80,599	105,009
Stockholders equity		
Undesignated preferred stock, \$0.01 par value, 5,000 shares authorized, none issued and outstanding		

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Exchangeable stock, no par value, 30,000 shares authorized, issued and outstanding 17,508 and 17,818		
Special voting stock, \$0.00001 par value, 30,000 shares authorized, issued and outstanding 17,508 and 17,818		
Common stock, \$0.01 par value, 200,000 shares authorized, issued and outstanding 54,026 and 53,378	540	534
Additional paid-in capital	190,751	179,870
Retained earnings	223,028	189,656
Accumulated other comprehensive income	37,494	20,329
	451,813	390,389
Non-controlling interest	4,048	3,904
	\$ 536,460	\$ 499,302

See accompanying notes to the interim consolidated financial statements

Table of Contents**lululemon athletica inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Thirteen Weeks Ended May 1, 2011	Thirteen Weeks Ended May 2, 2010
	(Unaudited)	
	(Amounts in thousands, except per share amounts)	
Net revenue	\$ 186,780	\$ 138,297
Cost of goods sold	77,096	63,940
Gross profit	109,684	74,357
Selling, general and administrative expenses	57,997	41,883
Income from operations	51,687	32,474
Other income (expense), net	904	161
Income before provision for income taxes	52,591	32,635
Provision for income taxes	19,075	13,047
Net income	33,516	19,588
Net income attributable to non-controlling interest	144	
Net income attributable to lululemon athletica inc.	\$ 33,372	\$ 19,588
Net basic earnings per share	\$ 0.47	\$ 0.28
Net diluted earnings per share	\$ 0.46	\$ 0.27
Basic weighted-average number of shares outstanding	71,380	70,599
Diluted weighted-average number of shares outstanding	72,455	71,582

See accompanying notes to the interim consolidated financial statements

Table of Contents**lululemon athletica inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

	Exchangeable Stock		Special Voting Stock		Common Stock		Additional Paid-in Capital (Unaudited)	Retained Earnings	Other Comprehensive Income	Total	Non- Controlli Interes
	Shares	Par Value	Shares	Par Value	Shares	Par Value	(Unaudited)				
ary 30,	17,818	\$	17,818	\$	53,378	\$ 534	\$ 179,870	\$ 189,656	\$ 20,329	\$ 390,389	\$ 3,90
income:								33,372		33,372	
y									17,165	17,165	
tment											
income										50,537	
mpensation							2,729			2,729	
fit from											
mpensation							2,195			2,195	
ssued upon											
hangeable	(310)		(310)		310	3	(3)				
ssuance											
ercised					338	3	5,960			5,963	
interest:											
butable to											
interests											14
1, 2011	17,508	\$	17,508	\$	54,026	\$ 540	\$ 190,751	\$ 223,028	\$ 37,494	\$ 451,813	\$ 4,04

See accompanying notes to the interim consolidated financial statements

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	Thirteen Weeks Ended May 1, 2011	Thirteen Weeks Ended May 2, 2010
	(Unaudited)	
	(Amounts in thousands)	
Cash flows from operating activities		
Net income attributable to lululemon athletica inc.	\$ 33,372	\$ 19,588
Net income attributable to non-controlling interest	144	
Net income	33,516	19,588
Items not affecting cash		
Depreciation and amortization	6,041	5,388
Stock-based compensation	2,729	1,726
Deferred income taxes	(298)	5,145
Excess tax benefits from stock-based compensation	(2,195)	(3,233)
Other, including net changes in other non-cash balances		
Accounts receivable	(2,557)	(1,225)
Prepaid expenses and other current assets	(4,286)	(1,255)
Inventories	(5,552)	(5,366)
Accounts payable	(3,104)	(2,718)
Accrued liabilities	5,740	3,584
Income taxes payable	(17,870)	(5,488)
Other non-cash balances	(6,509)	(3,574)
Net cash provided by operating activities	5,655	12,572
Cash flows from investing activities		
Purchase of property and equipment	(74,831)	(5,878)
Investments in and advances to franchises		(279)