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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, 2026

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	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 August 28, 2026, there were 105,594,064 shares of the registrant's common stock, par value $0.005 per share, outstanding.

Exchangeable and Special Voting Shares:

As of August 28, 2026, (1) 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; (2) there were 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 (UNAUDITED)

lululemon athletica inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited; Amounts in thousands, except per share amounts)

	August 2, 2026	February 1, 2026
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,389,737	$ 1,807,202
Accounts receivable, net	171,164	190,657
Inventories	1,711,450	1,700,753
Prepaid and receivable income taxes	479,948	352,469
Prepaid expenses and other current assets	193,288	211,620
	3,945,587	4,262,701
Property and equipment, net	2,046,363	2,033,720
Right-of-use lease assets	1,947,077	1,630,181
Goodwill	185,840	184,911
Intangible assets, net	2,530	6,283
Deferred income tax assets	24,537	24,037
Other non-current assets	332,644	314,910
	$ 8,484,578	$ 8,456,743
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 346,717	$ 331,421
Accrued liabilities and other	584,912	662,982
Accrued compensation and related expenses	122,747	187,887
Current lease liabilities	366,649	298,724
Current income taxes payable	67,375	43,948
Unredeemed gift card liability	277,318	316,632
Other current liabilities	35,933	45,954
	1,801,651	1,887,548
Non-current lease liabilities	1,774,478	1,499,717
Deferred income tax liabilities	56,987	52,278
Other non-current liabilities	60,288	55,360
	3,693,404	3,494,903
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; 5,116 and 5,116 issued and outstanding	—	—
Special voting stock, $0.000005 par value: 60,000 shares authorized; 5,116 and 5,116 issued and outstanding	—	—
Common stock, $0.005 par value: 400,000 shares authorized; 106,566 and 111,380 issued and outstanding	533	557
Additional paid-in capital	695,052	669,392
Retained earnings	4,364,017	4,522,581
Accumulated other comprehensive loss	(268,428)	(230,690)
	4,791,174	4,961,840
	$ 8,484,578	$ 8,456,743

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		Two Quarters Ended	
	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
Net revenue	$ 2,415,631	$ 2,525,219	$ 4,887,234	$ 4,895,879
Cost of goods sold	953,753	1,048,017	2,086,538	2,035,551
Gross profit	1,461,878	1,477,202	2,800,696	2,860,328
Selling, general and administrative expenses	1,006,332	951,658	2,066,320	1,894,529
Amortization of intangible assets	1,893	1,730	3,777	3,360
Income from operations	453,653	523,814	730,599	962,439
Other income (expense), net	13,698	9,737	22,829	21,523
Income before income tax expense	467,351	533,551	753,428	983,962
Income tax expense	138,128	162,646	229,157	298,485
Net income	$ 329,223	$ 370,905	$ 524,271	$ 685,477
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	$ (76,329)	$ 4,707	$ (64,342)	$ 174,479
Net investment hedge gains (losses)	25,289	790	26,604	(81,263)
Other comprehensive income (loss), net of tax	$ (51,040)	$ 5,497	$ (37,738)	$ 93,216
Comprehensive income	$ 278,183	$ 376,402	$ 486,533	$ 778,693
Basic earnings per share	$ 2.92	$ 3.10	$ 4.59	$ 5.71
Diluted earnings per share	$ 2.92	$ 3.10	$ 4.59	$ 5.70
Basic weighted-average number of shares outstanding	112,898	119,600	114,156	120,116
Diluted weighted-average number of shares outstanding	112,919	119,680	114,201	120,262

See accompanying notes to the unaudited interim consolidated financial statements

lululemon athletica inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited; Amounts in thousands)

	Quarter Ended August 2, 2026								
	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Shares	Par Value	Shares	Par Value				
Balance as of May 3, 2026	5,116	5,116	$ —	109,308	$ 547	$ 681,152	$ 4,361,290	$ (217,388)	$ 4,825,601
Net income							329,223		329,223
Other comprehensive income (loss), net of tax								(51,040)	(51,040)
Stock-based compensation expense						21,089			21,089
Common stock issued upon settlement of stock-based compensation				8	—	—			—
Shares withheld related to net share settlement of stock-based compensation				(3)	—	(350)			(350)
Repurchase of common stock, including excise tax				(2,747)	(14)	(6,839)	(326,496)		(333,349)
Balance as of August 2, 2026	5,116	5,116	$ —	106,566	$ 533	$ 695,052	$ 4,364,017	$ (268,428)	$ 4,791,174

	Quarter Ended August 3, 2025								
	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Shares	Par Value	Shares	Par Value				
Balance as of May 4, 2025	5,116	5,116	$ —	114,909	$ 574	$ 632,564	$ 3,993,154	$ (336,722)	$ 4,289,570
Net income							370,905		370,905
Other comprehensive income (loss), net of tax								5,497	5,497
Stock-based compensation expense						(1,844)			(1,844)
Common stock issued upon settlement of stock-based compensation				50	—	5,257			5,257
Shares withheld related to net share settlement of stock-based compensation				(3)	—	(873)			(873)
Repurchase of common stock, including excise tax				(1,128)	(4)	(2,729)	(278,500)		(281,233)
Balance as of August 3, 2025	5,116	5,116	$ —	113,828	$ 570	$ 632,375	$ 4,085,559	$ (331,225)	$ 4,387,279

	Two Quarters Ended August 2, 2026								
	Exchangeable Stock	Special Voting Stock		Common Stock					
	Shares	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of February 1, 2026	5,116	5,116	$ —	111,380	$ 557	$ 669,392	$ 4,522,581	$ (230,690)	$ 4,961,840
Net income							524,271		524,271
Other comprehensive income (loss), net of tax								(37,738)	(37,738)
Stock-based compensation expense						50,275			50,275
Common stock issued upon settlement of stock-based compensation				187	1	(1)			—
Shares withheld related to net share settlement of stock-based compensation				(83)	—	(12,369)			(12,369)
Repurchase of common stock, including excise tax				(4,918)	(25)	(12,245)	(682,835)		(695,105)
Balance as of August 2, 2026	5,116	5,116	$ —	106,566	$ 533	$ 695,052	$ 4,364,017	$ (268,428)	$ 4,791,174

	Two Quarters Ended August 3, 2025								
	Exchangeable Stock	Special Voting Stock		Common Stock					
	Shares	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of February 2, 2025	5,116	5,116	$ —	116,166	$ 581	$ 638,190	$ 4,109,717	$ (424,441)	$ 4,324,047
Net income							685,477		685,477
Other comprehensive income (loss), net of tax								93,216	93,216
Stock-based compensation expense						21,247			21,247
Common stock issued upon settlement of stock-based compensation				245	—	5,478			5,478
Shares withheld related to net share settlement of stock-based compensation				(92)	—	(26,514)			(26,514)
Repurchase of common stock, including excise tax				(2,491)	(11)	(6,026)	(709,635)		(715,672)
Balance as of August 3, 2025	5,116	5,116	$ —	113,828	$ 570	$ 632,375	$ 4,085,559	$ (331,225)	$ 4,387,279

See accompanying notes to the unaudited interim consolidated financial statements

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

	Two Quarters Ended	
	August 2, 2026	August 3, 2025
Cash flows from operating activities		
Net income	$ 524,271	$ 685,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	277,667	234,244
Stock-based compensation expense	50,275	21,247
Settlement of derivatives not designated in a hedging relationship	(8,295)	(11,921)
Changes in operating assets and liabilities:		
Accounts receivable	20,370	(15,929)
Inventories	(14,350)	(237,903)
Prepaid and receivable income taxes	(132,203)	(140,974)
Prepaid expenses and other current assets	16,308	69,037
Other non-current assets	(40,626)	(33,330)
Accounts payable	21,715	91,154
Accrued liabilities and other	(72,446)	(131,640)
Accrued compensation and related expenses	(63,487)	(61,249)
Current income taxes payable	22,805	(165,214)
Unredeemed gift card liability	(37,628)	(59,616)
Right-of-use lease assets and current and non-current lease liabilities	25,201	(2,776)
Other current and non-current liabilities	(299)	(30,885)
Net cash provided by operating activities	589,278	209,722
Cash flows from investing activities		
Purchase of property and equipment	(277,056)	(330,161)
Settlement of net investment hedges	(2,807)	13,451
Other investing activities	(1,939)	(3,250)
Net cash used in investing activities	(281,802)	(319,960)
Cash flows from financing activities		
Proceeds from settlement of stock-based compensation	—	5,478
Taxes paid related to net share settlement of stock-based compensation	(12,369)	(26,514)
Repurchase of common stock	(695,105)	(715,672)
Other financing activities	(4,751)	(8,115)
Net cash used in financing activities	(712,225)	(744,823)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(12,716)	26,519
Decrease in cash and cash equivalents	(417,465)	(828,542)
Cash and cash equivalents, beginning of period	$ 1,807,202	$ 1,984,336
Cash and cash equivalents, end of period	$ 1,389,737	$ 1,155,794

See accompanying notes to the unaudited interim consolidated financial statements

lululemon athletica inc.
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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. The Company organizes its operations into four regional markets: Americas, China Mainland, Asia Pacific ("APAC"), and Europe and the Middle East ("EMEA"). It conducts its business through a number of different channels in each market, including company-operated stores, e-commerce, outlets, temporary locations, wholesale, license and supply arrangements, and a re-commerce program. There were 825 and 811 company-operated stores in operation as of August 2, 2026 and February 1, 2026, respectively.

Basis of Presentation

The unaudited interim consolidated financial statements, including the financial position as of August 2, 2026 and the results of operations and cash flows for the periods disclosed, 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 February 1, 2026 is derived from the Company's audited consolidated financial statements and related notes for the fiscal year ended February 1, 2026, which are included in Item 8 in the Company's fiscal 2025 Annual Report on Form 10-K filed with the SEC on March 17, 2026. These unaudited interim consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for 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 2025 Annual Report on Form 10-K.

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 2026 will end on January 31, 2027 and will be a 52-week year. Fiscal 2025 was a 52-week year and ended on February 1, 2026. Fiscal 2026 and fiscal 2025 are referred to as "2026," and "2025," respectively. The first two quarters of 2026 and 2025 ended on August 2, 2026 and August 3, 2025, 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. Events predominantly impacting the Company's international net revenue, such as those related to Lunar New Year and Singles Day, can fall in different fiscal quarters from year to year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of net revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standard Updates ("ASUs"). ASUs recently issued not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's consolidated financial position or results of operations.

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. Entities will be required to provide disaggregated disclosures for certain income statement expense line items. This amendment is effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, and will be applied

retrospectively for periods presented in the financial statements. The Company is currently evaluating the impact that this new guidance may have on its financial statement disclosures.

In September 2025, the FASB issued ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendment replaces the previous project-stage model with a principles-based approach for capitalizing internal-use software costs. This guidance is effective for annual reporting periods beginning after December 15, 2027 and interim reporting periods within that year. The Company is currently evaluating the impact that this new guidance may have on its accounting policies and related disclosures.

Note 3. Net Revenue

Disaggregated Net Revenue

In addition to the disaggregation of net revenue by reportable segment in Note 11. Segmented Information, the following table disaggregates the Company's net revenue by geographic area.

	Second Quarter		First Two Quarters	
	2026	2025	2026	2025
	(In thousands)			
United States	$ 1,302,069	$ 1,415,002	$ 2,615,275	$ 2,777,526
Canada	285,815	321,293	569,156	614,113
Mexico	28,888	21,922	53,551	41,136
Americas	1,616,772	1,758,217	3,237,982	3,432,775
China Mainland	407,095	392,898	885,490	760,999
Hong Kong SAR, Taiwan, and Macau SAR	51,419	47,634	102,827	91,738
People's Republic of China	458,514	440,532	988,317	852,737
Other geographic areas	340,345	326,470	660,935	610,367
	$ 2,415,631	$ 2,525,219	$ 4,887,234	$ 4,895,879

The following disaggregates the Company's net revenue by category. Accessories and other categories is primarily composed of accessories, footwear, and lululemon Studio.

	Second Quarter		First Two Quarters	
	2026	2025	2026	2025
	(In thousands)			
Women's apparel	$ 1,488,241	$ 1,547,321	$ 3,091,226	$ 3,082,493
Men's apparel	621,380	624,598	1,203,258	1,169,386
Accessories and other categories	306,010	353,300	592,750	644,000
	$ 2,415,631	$ 2,525,219	$ 4,887,234	$ 4,895,879

The following disaggregates the Company's net revenue by channel.

	Second Quarter		First Two Quarters	
	2026	2025	2026	2025
	(In thousands)			
Company-operated stores	$ 1,173,747	$ 1,254,952	$ 2,366,587	$ 2,408,059
E-commerce	934,630	993,093	1,932,072	1,953,983
Other channels	307,254	277,174	588,575	533,837
	$ 2,415,631	$ 2,525,219	$ 4,887,234	$ 4,895,879

Note 4. Revolving Credit Facilities

Americas Revolving Credit Facility

On October 15, 2025, the Company entered into an amended and restated unsecured revolving credit agreement, which provides for $600.0 million in commitments under an unsecured five-year revolving credit facility. The credit facility has a maturity date of October 15, 2030, subject to two one-year extensions at the request of the Company. Subject to the conditions stated in the credit agreement, the Company may request increases in aggregate commitments thereunder up to a total of $1.0 billion. The credit facility permits prepayment of borrowings and reductions or terminations of commitments from time to time without premium or penalty, subject to customary breakage costs.

As of August 2, 2026, the Company had no borrowings outstanding under this credit facility other than $6.3 million in outstanding letters of credit and guarantee.

Borrowings made under the credit facility bear interest at variable rates based on the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York ("SOFR"), or an alternate base rate, plus applicable margin. The credit agreement contains customary financial, affirmative and negative covenants applicable to the Company and its subsidiaries, including limitations on indebtedness, liens, fundamental changes, dispositions of assets, changes in the nature of business, and restrictions on subsidiary dividends and distributions, as well as financial covenants based on leverage and fixed charge coverage ratios. The Company was in compliance with all such covenants as of August 2, 2026.

Uncommitted Revolving Credit Facilities

The Company has uncommitted revolving credit facilities, including an unsecured Chinese Yuan-denominated revolving credit facility totaling the equivalent of USD $44.4 million, which is reviewed annually and provides for short-term borrowing and the issuance of guarantees. As of August 2, 2026, there were no borrowings or guarantees outstanding, letters of credit totaling USD $13.7 million were issued, and the Company was in compliance with all applicable terms of the Chinese Yuan-denominated credit facility.

Note 5. Supply Chain Financing Program

The Company facilitates a voluntary supply chain financing ("SCF") program that allows its suppliers to elect to sell the receivables owed to them by the Company to a third-party financial institution. Participating suppliers negotiate arrangements directly with the financial institution. If a supplier chooses to participate in the SCF program it may request an invoice be paid earlier than it would by the Company, and the financial institution at its sole and absolute discretion, may elect to make an early payment to the supplier at a discount. The Company's obligations to its suppliers, including amounts due and scheduled payment terms, are not impacted by a supplier's participation in the arrangement and the Company provides no guarantees to any third parties under the SCF program.

As of August 2, 2026 and February 1, 2026, $39.6 million and $45.1 million, respectively, were outstanding under the SCF program and presented within accounts payable.

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 $49.7 million and $21.1 million for the first two quarters of 2026 and 2025, respectively. Total unrecognized compensation cost for all stock-based compensation plans was $173.3 million as of August 2, 2026, which is expected to be recognized over a weighted-average period of 2.4 years.

A summary of the balances of the Company's stock-based compensation plans as of August 2, 2026, and changes during the first two quarters of 2026, 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
	(In thousands, except per share amounts)							
Balance as of February 1, 2026	1,269	$ 287.41	220	$ 319.19	6	$ 252.28	561	$ 257.92
Granted	421	163.24	178	184.07	—	—	363	159.06
Exercised/released	—	—	71	358.82	6	252.28	116	328.01
Forfeited/expired	165	235.25	39	262.43	—	—	49	218.06
Balance as of August 2, 2026	1,525	$ 258.81	288	$ 233.81	—	$ —	759	$ 202.50
Exercisable as of August 2, 2026	552	$ 321.95						

The Company's performance-based restricted stock units ("PSUs") awarded to eligible employees during 2026 entitle the grantee to receive a maximum of 2.5 shares of common stock per PSU if the Company achieves specified performance goals and the grantee remains employed during the vesting period. These PSU awards also include a market condition based on total shareholder return ("TSR"), which limits the conversion ratio to one share of common stock per PSU if TSR over the performance period is negative. The fair value of these PSUs was determined at grant date using a Monte Carlo simulation model. Expense for PSUs is recognized when it is probable that the performance goal will be achieved.

The grant date fair value of stock options is estimated on the date of grant using a Black-Scholes model.

The following are weighted averages of the assumptions that were used during the first two quarters of 2026:

	Stock Options	Performance-Based Restricted Stock Units
Expected term	4.25 years	2.85 years
Expected volatility	43.69 %	42.40 %
Risk-free interest rate	3.79 %	3.79 %
Dividend yield	— %	— %

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.

Employee Share Purchase Plan

The Company has an Employee Share Purchase Plan ("ESPP"). 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 second quarter of 2026, there were 78.8 thousand shares purchased. As of August 2, 2026, 3.9 million shares remain authorized to be purchased under the ESPP.

Defined Contribution Pension Plans

The Company offers defined contribution pension plans to eligible employees who 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 Company's contribution is subject to a two-year vesting period. The Company's net expense for the defined contribution plans was $13.0 million and $12.2 million in the first two quarters of 2026 and 2025, respectively.

Note 7. Fair Value Measurement

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of August 2, 2026 and February 1, 2026, the Company held certain assets and liabilities that are measured at fair value on a recurring basis:

	August 2, 2026	Level 1	Level 2	Level 3	Balance Sheet Classification
			(In thousands)		
Money market funds	$ 37,349	$ 37,349	$ —	$ —	Cash and cash equivalents
Term deposits	83,328	—	83,328	—	Cash and cash equivalents
Forward currency contract assets	6,275	—	6,275	—	Prepaid expenses and other current assets
Forward currency contract liabilities	8,431	—	8,431	—	Other current liabilities

	February 1, 2026	Level 1	Level 2	Level 3	Balance Sheet Classification
			(In thousands)		
Money market funds	$ 354,731	$ 354,731	$ —	$ —	Cash and cash equivalents
Forward currency contract assets	30,996	—	30,996	—	Prepaid expenses and other current assets
Forward currency contract liabilities	36,476	—	36,476	—	Other current liabilities

The Company has short-term, highly liquid investments classified as cash equivalents, which are invested in money market funds and short-term deposits with original maturities of three months or less.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company has also recorded lease termination liabilities at fair value on a non-recurring basis, determined using Level 3 inputs based on remaining lease rentals and reduced by estimated sublease income.

Note 8. Derivative Financial Instruments

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 two quarters of 2026.

Derivatives Not Designated as Hedging Instruments

During the first two quarters of 2026, 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.

Quantitative Disclosures about Derivative Financial Instruments

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

	August 2, 2026			February 1, 2026		
	Gross Notional	Assets	Liabilities	Gross Notional	Assets	Liabilities
			(In thousands)			
Derivatives designated as net investment hedges:						
Forward currency contracts	$ 1,060,000	$ 6,218	$ —	$ 1,548,000	$ —	$ 32,510
Derivatives not designated in a hedging relationship:						
Forward currency contracts	1,386,219	57	8,431	1,832,471	30,996	3,966
Net derivatives recognized on consolidated balance sheets:						
Forward currency contracts		$ 6,275	$ 8,431		$ 30,996	$ 36,476

As of August 2, 2026, there were derivative assets of $6.3 million and derivative liabilities of $8.4 million subject to enforceable netting arrangements.

The forward currency contracts designated as net investment hedges outstanding as of August 2, 2026 mature on different dates between August 2026 and November 2026.

The forward currency contracts not designated in a hedging relationship outstanding as of August 2, 2026 mature on different dates between August 2026 and November 2026.

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

	Second Quarter		First Two Quarters	
	2026	2025	2026	2025
		(In thousands)		
Gains (losses) recognized in net investment hedge gains (losses):				
Derivatives designated as net investment hedges	$ 34,145	$ 1,065	$ 35,920	$ (64,158)

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:

	Second Quarter		First Two Quarters	
	2026	2025	2026	2025
		(In thousands)		
Gains (losses) recognized in selling, general and administrative expenses:				
Foreign currency exchange gains (losses)	$ 36,569	$ 5,280	$ 36,170	$ (67,998)
Derivatives not designated in a hedging relationship	(36,322)	(3,837)	(43,683)	59,231
Net foreign currency exchange and derivative gains (losses)	$ 247	$ 1,443	$ (7,513)	$ (8,767)

Note 9. Earnings Per Share

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

	Second Quarter		First Two Quarters	
	2026	2025	2026	2025
	(In thousands, except per share amounts)			
Net income	$ 329,223	$ 370,905	$ 524,271	$ 685,477
Basic weighted-average number of shares outstanding	112,898	119,600	114,156	120,116
Assumed conversion of dilutive stock options and awards	21	80	45	146
Diluted weighted-average number of shares outstanding	112,919	119,680	114,201	120,262
Basic earnings per share	$ 2.92	$ 3.10	$ 4.59	$ 5.71
Diluted earnings per share	$ 2.92	$ 3.10	$ 4.59	$ 5.70

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 economic equivalent of common shares in all material respects. All classes of stock have in effect the same economic rights and share equally in undistributed net income. For the first two quarters of 2026 and 2025, 0.3 million and 0.1 million 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.

The Company's board of directors approved a stock repurchase program authorizing up to $4.0 billion in aggregate, including $1.0 billion initially authorized on November 29, 2023, and additional $1.0 billion increases on May 29, 2024, December 3, 2024, and December 3, 2025. This program does not have an expiration date or require a minimum number of shares to be repurchased. Repurchases may be made on the open market at prevailing prices or through privately negotiated transactions, including under plans pursuant to Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934. The timing and amount of repurchases will depend on market conditions, trading eligibility, and other factors. As of August 2, 2026, the remaining authorized amount available under the program, excluding commissions and excise taxes, was $712.5 million.

During the first two quarters of 2026 and 2025, 4.9 million and 2.5 million shares, respectively, were repurchased under the programs at a total cost including commissions and excise taxes of $695.1 million and $715.7 million, respectively.

Subsequent to August 2, 2026, and up to August 28, 2026, 1.0 million shares were repurchased at a total cost including commissions and excise taxes of $118.8 million.

Note 10. Supplementary Financial Information

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

	August 2, 2026	February 1, 2026
	(In thousands)	
Inventories:		
Inventories, at cost	$ 1,810,976	$ 1,789,576
Inventory provisions and reserves	(99,526)	(88,823)
	$ 1,711,450	$ 1,700,753
Prepaid expenses and other current assets:		
Prepaid expenses	$ 164,179	$ 144,744
Forward currency contract assets	6,275	30,996
Other current assets	22,834	35,880
	$ 193,288	$ 211,620

	August 2, 2026	February 1, 2026
	(In thousands)	
Property and equipment, net:		
Land	$ 77,309	$ 79,390
Buildings	28,287	28,816
Leasehold improvements	1,603,493	1,400,487
Furniture and fixtures	215,291	203,882
Computer hardware	232,157	224,169
Computer software	1,673,883	1,519,840
Equipment and vehicles	68,422	61,760
Work in progress	170,009	378,226
Property and equipment, gross	4,068,851	3,896,570
Accumulated depreciation	(2,022,488)	(1,862,850)
	$ 2,046,363	$ 2,033,720
Other non-current assets:		
Cloud computing arrangement implementation costs	$ 216,619	$ 192,031
Security deposits	63,159	61,117
Other	52,866	61,762
	$ 332,644	$ 314,910
Accrued liabilities and other:		
Accrued operating expenses	$ 176,674	$ 167,052
Accrued duty	67,486	99,353
Accrued digital marketing	27,898	71,240
Sales return allowances	51,952	70,611
Accrued credit card affiliate liabilities	118,228	64,837
Forward currency contract liabilities	8,431	36,476
Accrued capital expenditures	35,323	34,860
Accrued freight	35,163	34,455
Sales tax collected	12,507	25,353
Accrued rent	17,349	20,691
Other	33,901	38,054
	$ 584,912	$ 662,982

Note 11. Segmented Information

The Company reports three segments: Americas, China Mainland, and Rest of World, which is comprised of its non-significant operating segments APAC and EMEA reported on a combined basis.

The Company's segments are based on the financial information the Chief Operating Decision Maker ("CODM") uses to evaluate performance and allocate resources. During 2025, the Company's then-chief executive officer ("CEO"), served as CODM. Effective January 31, 2026, the former CEO stepped down, and the Company's chief financial officer and its president and chief commercial officer were appointed as interim co-CEOs and together perform the CODM function during the interim period. On April 21, 2026, the Company entered into an employment agreement to appoint a new CEO effective September 8, 2026. The CODM approves the annual budget on a segment level, and regularly assesses the performance of the Company's segments using key financial metrics, including net revenue and segmented income from operations. The Company does not report capital expenditures and assets by segment as that information is not reviewed by the CODM.

The following outlines segmented information:

	Second Quarter 2026					
	Americas	China Mainland	Rest of World	Total Segments	Corporate[1]	Total
	(In thousands)					
Net revenue	$ 1,616,772	$ 407,095	$ 391,764	$ 2,415,631	$ —	$ 2,415,631
Product costs[2]	376,770	89,073	115,136	580,979	—	580,979
Other cost of sales[2]	190,694	56,326	72,554	319,574	53,200	372,774
Selling, general and administrative expenses	454,895	110,426	129,101	694,422	311,910	1,006,332
Amortization of intangible assets	—	—	—	—	1,893	1,893
Income from operations	$ 594,413	$ 151,270	$ 74,973	$ 820,656	$ (367,003)	$ 453,653
Other income (expense), net						13,698
Income before income tax expense						$ 467,351
Supplemental information:						
Depreciation and amortization[3]	$ 65,757	$ 11,144	$ 11,092	$ 87,993	$ 54,339	$ 142,332

	Second Quarter 2025					
	Americas	China Mainland	Rest of World	Total Segments	Corporate[1]	Total
	(In thousands)					
Net revenue	$ 1,758,217	$ 392,898	$ 374,104	$ 2,525,219	$ —	$ 2,525,219
Product costs[2]	515,473	92,219	108,449	716,141	—	716,141
Other cost of sales[2]	158,390	51,139	63,200	272,729	59,147	331,876
Selling, general and administrative expenses	464,960	97,050	121,212	683,222	268,436	951,658
Amortization of intangible assets	—	—	—	—	1,730	1,730
Income from operations	$ 619,394	$ 152,490	$ 81,243	$ 853,127	$ (329,313)	$ 523,814
Other income (expense), net						9,737
Income before income tax expense						$ 533,551
Supplemental information:						
Depreciation and amortization[3]	$ 54,499	$ 8,871	$ 8,574	$ 71,944	$ 47,771	$ 119,715

	First Two Quarters 2026					
	Americas	China Mainland	Rest of World	Total Segments	Corporate[1]	Total
	(In thousands)					
Net revenue	$ 3,237,982	$ 885,490	$ 763,762	$ 4,887,234	$ —	$ 4,887,234
Product costs[2]	922,329	189,631	215,464	1,327,424	—	1,327,424
Other cost of sales[2]	374,666	119,882	144,563	639,111	120,003	759,114
Selling, general and administrative expenses	938,094	221,638	259,339	1,419,071	647,249	2,066,320
Amortization of intangible assets	—	—	—	—	3,777	3,777
Income from operations	$ 1,002,893	$ 354,339	$ 144,396	$ 1,501,628	$ (771,029)	$ 730,599
Other income (expense), net						22,829
Income before income tax expense						$ 753,428
Supplemental information:						
Depreciation and amortization[3]	$ 128,011	$ 23,134	$ 21,630	$ 172,775	$ 104,892	$ 277,667

	First Two Quarters 2025					
	Americas	China Mainland	Rest of World	Total Segments	Corporate[1]	Total
	(In thousands)					
Net revenue	$ 3,432,775	$ 760,999	$ 702,105	$ 4,895,879	$ —	$ 4,895,879
Product costs[2]	996,293	174,034	198,713	1,369,040	—	1,369,040
Other cost of sales[2]	315,037	101,412	121,671	538,120	128,391	666,511
Selling, general and administrative expenses	912,720	179,428	227,622	1,319,770	574,759	1,894,529
Amortization of intangible assets	—	—	—	—	3,360	3,360
Income from operations	$ 1,208,725	$ 306,125	$ 154,099	$ 1,668,949	$ (706,510)	$ 962,439
Other income (expense), net						21,523
Income before income tax expense						$ 983,962
Supplemental information:						
Depreciation and amortization[3]	$ 105,940	$ 17,447	$ 17,286	$ 140,673	$ 93,571	$ 234,244

(1) Corporate includes centrally managed support functions including product design, raw material development, product innovation, sourcing, supply chain, and global merchandising which are included in other cost of sales. Administrative corporate expenses include technology, brand and marketing, finance, human resources, legal, and other head office costs.

(2) Cost of goods sold is made up of product costs and other cost of sales. Product costs include the cost of purchased merchandise, costs incurred to deliver inventory to the Company's distribution centers, shrink and inventory provision expenses, the cost of digital content subscription services, hemming costs and other product alteration costs, and product-related royalties paid to third parties. International Emergency Economic Power Act ("IEEPA") tariff refunds of $134.5 million during the second quarter of 2026 are included within product costs in the Americas. Other cost of sales includes occupancy and depreciation expense for company-operated stores, distribution center costs, and product department costs.

(3) The amounts of depreciation and amortization disclosed by reportable segment are included within other cost of sales and selling, general and administrative expenses.

Note 12. Legal Proceedings and Other Contingencies

Legal Proceedings

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, employment claims, product liability claims, personal injury claims, and similar matters. The Company believes the ultimate resolution of any such legal proceedings, audits, and inspections is not reasonably likely to have a material adverse effect on its consolidated balance sheets, results of operations or cash flows; however, litigation and regulatory matters are inherently uncertain, and it is possible that an adverse outcome in one or more matters could have a material impact in a particular reporting period. The Company has recognized immaterial provisions related to the expected outcome of legal proceedings.

On August 8, 2024, lululemon athletica inc. and certain officers of the Company were named as defendants in a purported securities class action (*Patel v. Lululemon Athletica Inc., et al.*, No. 1:24-cv-06033) in the United States District Court for the Southern District of New York. On March 10, 2025, plaintiffs filed an amended complaint, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on allegedly false and misleading public statements and omissions by defendants during the period December 8, 2023 to July 24, 2024 relating to lululemon's business, product offerings, and inventory allocation that plaintiffs allege artificially inflated the Company's stock price. The amended complaint currently seeks unspecified monetary damages. On May 19, 2025, defendants moved to dismiss the amended complaint. On March 31, 2026, the court granted in part and denied in part defendants' motion to dismiss the amended complaint. The Company intends to defend the action vigorously.

Since November 4, 2024, six stockholder derivative complaints have been filed in the United States Court for the Southern District of New York: *Bhavsar v. McDonald et al.*, No. 1:24-cv-08405; *Muszynski v. McDonald et al.*, No. 1:24-cv-08507; *Holtz v. McDonald et al.*, No. 1:24-cv-08572; *Wong v. McDonald et al.*, No. 1:24-cv-08752; *Kanaly v. McDonald et al.*, No. 1:24-cv-08839; and *Wasserman v. McDonald et al.*, No. 1:25-cv-02793 (collectively, the "Derivative Actions."). The complaints in the Derivative Actions are generally based on the same allegations alleged in the securities action complaint and assert claims against certain of the Company's current and former directors and officers for, among other things, alleged breaches of fiduciary duty and violations of Sections 10(b), 14(a), and 20(a) of the Exchange Act. Certain of the Derivative Actions also assert claims based on alleged false and misleading statements during the period October 28, 2020 to April 25, 2024 relating to the Company's "IDEA" program. The complaints seek, among other things, monetary damages and equitable

relief on behalf of the Company, as well as an award of attorneys' fees and costs. On May 15, 2025, plaintiff in *Bhavsar v. McDonald et al.* voluntarily dismissed the complaint and that action has been terminated. On August 1, 2025, the Derivative Actions were consolidated for all purposes under the caption *In re lululemon athletica inc. Stockholder Derivative Litigation*, Master File No. 1:24-cv-08507. Subject to the terms of the parties' stipulation, which the Court "so ordered" on May 18, 2026, the Derivative Actions are stayed pending resolution of the securities class action.

Import Tariffs and Related Legal Proceedings

On February 20, 2026, the U.S. Supreme Court invalidated tariffs imposed under the IEEPA. The U.S. Administration has initiated new tariffs at different rates under alternative legislative powers. The U.S. Administration also confirmed that the IEEPA decision does not impact the removal of the de minimis exemption. The Company has submitted refund claims for eligible IEEPA tariffs paid, including associated interest. During the second quarter of 2026, the Company received $134.5 million of IEEPA tariff refunds, which has been recognized in cost of goods sold, and $4.1 million of associated interest, which has been recognized in other income (expense), net. However, the ultimate additional amounts that it may be refunded, if any, remain uncertain, and as of August 2, 2026, it has not recognized an asset in relation to further IEEPA tariff refund claims.

On March 27, 2026, lululemon usa inc. was named as a defendant in a purported consumer class action (*Neuman, et al. v. Lululemon USA Inc.*, No. 2:26-cv-11029) in the United States District Court for the Eastern District of Michigan, asserting equitable claims relating to alleged tariff-related pricing actions and potential governmental tariff reimbursements. The complaint seeks unspecified damages or restitution for the alleged tariff-cost component of prices charged and other relief. The Company intends to defend the lawsuit.

On June 30, 2026, lululemon usa inc. was named as a defendant in a related purported consumer class action (*Alsaady, et al. v. Lululemon USA Inc.*, No. 3:26-cv-05708) in the United States District Court for the Western District of Washington, asserting claims under consumer protection statutes of Washington, Michigan, and New York and equitable claims relating to alleged tariff-related pricing action and potential government tariff reimbursements. Like the first-filed case, the complaint seeks unspecified damages or restitution for the alleged tariff-cost component of prices charged and other relief. The Company intends to defend the lawsuit.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and related notes in Item 1 of this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and MD&A in our Annual Report on Form 10-K for fiscal 2025.

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about our financial condition, results of operations, business strategies, growth opportunities, market trends, and future performance. Forward-looking statements can often be identified by words such as "may," "will," "expects," "plans," "anticipates," "believes," "estimates," "intends," and similar expressions.

These forward-looking statements are based on our current expectations and assumptions, are subject to risks and uncertainties, and may differ materially from actual results due to various factors, including those described under "Risk Factors" and elsewhere in this report. We undertake no obligation to update any forward-looking statements, except as required by applicable law.

Our 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 2026 will end on January 31, 2027 and will be a 52-week year. Fiscal 2025 was a 52-week year and ended on February 1, 2026. Fiscal 2026 and fiscal 2025 are referred to as "2026," and "2025," respectively. The first two quarters of 2026 and 2025 ended on August 2, 2026 and August 3, 2025, respectively.

Components of this MD&A include:

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

We use comparable sales as a metric to evaluate the performance of our business. Refer to the Comparable Sales section of this MD&A for further information.

We provide constant dollar changes, which is a non-GAAP financial measure, as supplemental information to help investors understand the underlying growth rate of net revenue excluding the impact of changes in foreign currency exchange rates. Refer to the Non-GAAP Financial Measures section of this MD&A for reconciliations between the non-GAAP financial measures and the most directly comparable measures calculated in accordance with GAAP.

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. Information contained on or accessible through our websites is not incorporated into, and does not form a part of, this quarterly report or any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Overview

lululemon athletica inc. is principally a designer, distributor, and retailer of technical athletic apparel, footwear, and accessories. Our mission is to inspire the world to sweat, grow, and connect. 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."

We offer a comprehensive line of technical athletic apparel, footwear, and accessories marketed under the lululemon brand which includes:

- Pants, shorts, tops, and jackets designed for a healthy lifestyle including athletic activities such as yoga, running, training, and most other activities;
- Apparel designed for being on the move; and
- Fitness-inspired accessories.

Financial Highlights

The summary below compares the second quarter of 2026 to the second quarter of 2025 and includes $134.5 million of International Emergency Economic Power Act ("IEEPA") tariff refunds and $4.1 million of associated interest received during the second quarter of 2026. Refer to the Import Tariffs section for more information.

- Net revenue decreased 4% to $2.4 billion. On a constant dollar basis, net revenue decreased 5%.
- Comparable sales decreased 9%, or 10% on a constant dollar basis.
  - Americas comparable sales decreased 12%.
  - China Mainland comparable sales decreased 2%, or 8% on a constant dollar basis.
  - Rest of World comparable sales decreased 4%, or 3% on a constant dollar basis.
- Gross profit decreased 1% to $1.5 billion, which includes $134.5 million of IEEPA tariff refunds.

- Gross margin increased 200 basis points to 60.5%, which includes an increase of 560 basis points related to IEEPA tariff refunds.
- Income from operations decreased 13% to $453.7 million, which includes $134.5 million of IEEPA tariff refunds.
- Operating margin decreased 190 basis points to 18.8%, which includes an increase of 560 basis points related to IEEPA tariff refunds.
- Income tax expense decreased 15% to $138.1 million. Our effective tax rate for the second quarter of 2026 was 29.6%, compared to 30.5% for the second quarter of 2025.
- Diluted earnings per share were $2.92 compared to $3.10 in the second quarter of 2025, including $0.86 per share related to IEEPA tariff refunds and associated interest, net of tax.

Market Conditions and Trends

Net revenue in the Americas decreased 8%, and comparable sales in the Americas decreased 12%. We experienced reduced traffic and lower conversion rates, as well as a decrease in average order value in the Americas. We have initiated an action plan to drive net revenue growth in the Americas, structured around three strategic pillars: product creation, product activation, and enterprise enablement. This includes a plan to increase the reliance of full price selling to drive sustainable revenue growth.

Net revenue in China Mainland and Rest of World increased 4% and 5%, respectively, or decreased 2% and increased 6% on a constant dollar basis, respectively. China Mainland and Rest of World comparable sales decreased by 2% and 4%, respectively. We experienced lower conversion in these markets which led to a decrease in comparable sales. We opened 15 net new stores in China Mainland and 10 net new stores in Rest of World since the second quarter of 2025.

Across all markets, our business continues to be impacted by shifting consumer demand and brand sentiment and macroeconomic conditions, including trade policies, foreign currency fluctuations, and geopolitical instability. These factors have had varying effects across our markets and are expected to continue to impact our business throughout the remainder of 2026 and beyond.

Import Tariffs

During 2025, the United States implemented a series of trade-related policies, including removing the de minimis exemption for low-value shipments imported into the United States, and implementing higher tariffs under different statutes, including under the IEEPA. These changes in tariffs, including the de minimis exemption removal, have had a significant adverse effect on our business and results of operations in 2025 and 2026.

On February 20, 2026, the U.S. Supreme Court invalidated tariffs imposed under the IEEPA. The U.S. Administration has initiated new tariffs at different rates under alternative legislative powers. The U.S. Administration also confirmed that the IEEPA decision does not impact the removal of the de minimis exemption, and this was upheld by the U.S. Court of International Trade on August 13, 2026. We paid $230 million of tariffs under the IEEPA and have submitted refund claims for eligible IEEPA tariffs paid, including associated interest. During the second quarter of 2026, we received $134.5 million of IEEPA tariff refunds, which has been recognized in cost of goods sold, and $4.1 million of associated interest, which has been recognized in other income (expense), net. However, the ultimate additional amounts that we may be refunded, if any, remain uncertain, and as of August 2, 2026, we have not recognized an asset in relation to further IEEPA tariff refund claims.

There remains significant uncertainty regarding the duration and scope of newly initiated tariffs and whether the United States will pursue additional trade actions or impose further tariffs, or currently enforced tariffs may be invalidated through legal challenges. Additionally, our U.S. operating entity was named as a defendant in purported consumer class actions relating to alleged tariff-related pricing actions and potential governmental tariff reimbursements.

Because this is an evolving area, future developments may change our expectations materially. For additional information on related risks, please see “Risk Factors” in this report.

Other Factors Affecting Our Business

Foreign currency fluctuations positively impacted our financial results during the first two quarters of 2026, increasing net revenue by $69.6 million compared to the first two quarters of 2025. We expect ongoing exchange rate volatility to continue to affect our financial results.

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

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

	Second Quarter			
	2026	2025	2026	2025
	(In thousands)		*(Percentage of net revenue)*	
Net revenue	$ 2,415,631	$ 2,525,219	100.0 %	100.0 %
Cost of goods sold	953,753	1,048,017	39.5	41.5
Gross profit	1,461,878	1,477,202	60.5	58.5
Selling, general and administrative expenses	1,006,332	951,658	41.7	37.7
Amortization of intangible assets	1,893	1,730	0.1	0.1
Income from operations	453,653	523,814	18.8	20.7
Other income (expense), net	13,698	9,737	0.6	0.4
Income before income tax expense	467,351	533,551	19.3	21.1
Income tax expense	138,128	162,646	5.7	6.4
Net income	$ 329,223	$ 370,905	13.6 %	14.7 %

Net Revenue

	Second Quarter						
	2026	2025	2026	2025	Year over year change		
	(In thousands)		*(Percentage of net revenue)*		*(In thousands)*	*(Percentage)*	*(Constant dollar change)*
Americas	$ 1,616,772	$ 1,758,217	66.9 %	69.6 %	$ (141,445)	(8) %	(8) %
China Mainland	407,095	392,898	16.9	15.6	14,197	4 %	(2) %
Rest of World	391,764	374,104	16.2	14.8	17,660	5 %	6 %
Net revenue	$ 2,415,631	$ 2,525,219	100.0 %	100.0 %	$ (109,588)	(4) %	(5) %

The decrease in net revenue was primarily due to decreased Americas net revenue, partially offset by increased Rest of World and China Mainland net revenue. Global comparable sales decreased 9%, or 10% on a constant dollar basis, primarily as a result of lower conversion rates, as well as reduced store traffic and a decrease in average order value, partially offset by higher e-commerce traffic.

Gross Margin

	Second Quarter			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Gross profit	$ 1,461,878	$ 1,477,202	$ (15,324)	(1.0) %
Gross margin	60.5 %	58.5 %	200 basis points	

The increase in gross margin was primarily due to a net increase in product margin of 430 basis points, comprised of:

- an increase of 560 basis points related to IEEPA tariff refunds;
- a net decrease of 150 basis points primarily from higher tariffs, as well as markdowns including credit card affiliate programs, partially offset by higher pricing and lower product costs; and
- a favorable impact of foreign currency exchange rates of 20 basis points.

The increase in gross margin was partially offset by a net increase in other cost of sales as a percentage of net revenue of 230 basis points, comprised of:

- an increase in occupancy and depreciation costs of 180 basis points, driven by new and expanded company-operated stores, as well as increased penetration in China Mainland and Rest of World; and
- an increase in costs related to our distribution centers and product departments of 50 basis points.

Selling, General and Administrative Expenses

	Second Quarter			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Selling, general and administrative expenses	$ 1,006,332	$ 951,658	$ 54,674	5.7 %
Selling, general and administrative expenses as a % of net revenue	41.7 %	37.7 %	400 basis points	

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

- a net increase in head office costs of $45.8 million, comprised of:
  - an increase in contractor, advisory, and professional services of $14.6 million, which includes costs associated with proxy contest matters of $13.4 million in the second quarter of 2026;
  - an increase in brand and community expenses of $14.1 million;
  - an increase in employee costs of $7.6 million primarily due to the reversal of stock-based compensation recorded in the second quarter of 2025 and higher wage rates. The increase was partially offset by lower bonus expense due to business performance;
  - an increase in technology costs, including cloud computing amortization, of $6.9 million;
  - an increase in depreciation of $6.4 million; and
  - a decrease in other head office costs of $3.8 million.
- a net increase in costs related to our operating channels of $7.7 million, comprised of:
  - an increase in employee costs of $5.1 million;
  - an increase in technology costs of $1.7 million;
  - an increase in digital marketing expenses of $0.9 million;
  - an increase in other operating costs of $4.2 million; and
  - a decrease in variable costs of $4.2 million primarily due to lower packaging costs and credit card fees.
- a decrease in net foreign currency exchange and derivative revaluation gains of $1.2 million.

Selling, general and administrative expenses as a percentage of net revenue increased 400 basis points primarily due to an increase in head office costs of 260 basis points and an increase in costs related to our operating channels of 130 basis points.

Segment Results

On a segment basis, we determine income from operations without taking into account corporate expenses. Corporate expenses include the cost of centrally managed support functions including product design, raw material development, product innovation, sourcing, supply chain, and global merchandising which are included in other cost of sales. Administrative corporate expenses include technology, brand and marketing, finance, human resources, legal, and other head office costs.

Americas

	Second Quarter			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net revenue	$ 1,616,772	$ 1,758,217	$ (141,445)	(8.0) %
Product costs	376,770	515,473	(138,703)	(26.9)
Other cost of sales	190,694	158,390	32,304	20.4
Gross profit	1,049,308	1,084,354	(35,046)	(3.2)
Selling, general and administrative expenses	454,895	464,960	(10,065)	(2.2)
Segmented income from operations	$ 594,413	$ 619,394	$ (24,981)	(4.0) %
Product margin	76.7 %	70.7 %	600 basis points	
Gross margin	64.9 %	61.7 %	320 basis points	
Selling, general and administrative expenses as a % of net revenue	28.1 %	26.4 %	170 basis points	
Segmented income from operations as a % of net revenue	36.8 %	35.2 %	160 basis points	

The decrease in net revenue was primarily due to a decrease in comparable sales, which decreased 12%. The decrease in comparable sales was primarily a result of reduced traffic and lower conversion rates, as well as a decrease in average order value. The decrease in net revenue was partially offset by a $29.5 million increase from new or expanded company-operated stores and our other channels, including from sales to wholesale accounts and outlets. We have opened 16 net new company-operated stores in the Americas since the second quarter of 2025.

The increase in gross margin was primarily due to higher product margin driven by an increase of 830 basis points related to IEEPA tariff refunds, partially offset by higher other tariffs. The increase in gross margin was partially offset by higher occupancy, depreciation, and distribution center costs as a percentage of net revenue.

The decrease in selling, general and administrative expenses was primarily due to lower employee costs as well as lower variable costs.

China Mainland

	Second Quarter			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net revenue	$ 407,095	$ 392,898	$ 14,197	3.6 %
Product costs	89,073	92,219	(3,146)	(3.4)
Other cost of sales	56,326	51,139	5,187	10.1
Gross profit	261,696	249,540	12,156	4.9
Selling, general and administrative expenses	110,426	97,050	13,376	13.8
Segmented income from operations	$ 151,270	$ 152,490	$ (1,220)	(0.8) %
Product margin	78.1 %	76.5 %	160 basis points	
Gross margin	64.3 %	63.5 %	80 basis points	
Selling, general and administrative expenses as a % of net revenue	27.1 %	24.7 %	240 basis points	
Segmented income from operations as a % of net revenue	37.2 %	38.8 %	(160) basis points	

The increase in net revenue was primarily due to a $23.0 million increase in net revenue from new or expanded company-operated stores and our other channels. We have opened 15 net new company-operated stores in China Mainland since the second quarter of 2025. The increase in net revenue was partially offset by a decrease in comparable sales, which decreased 2%, or 8% on a constant dollar basis. The decrease in comparable sales was primarily a result of lower conversion rates, partially offset by higher traffic.

The increase in gross margin was primarily due to higher product margin driven by a favorable impact of foreign currency exchange rates, partially offset by higher depreciation and occupancy costs as a percentage of net revenue.

The increase in selling, general and administrative expenses was primarily due to higher marketing expenses as well as higher employee costs.

Rest of World

	Second Quarter			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net revenue	$ 391,764	$ 374,104	$ 17,660	4.7 %
Product costs	115,136	108,449	6,687	6.2
Other cost of sales	72,554	63,200	9,354	14.8
Gross profit	204,074	202,455	1,619	0.8
Selling, general and administrative expenses	129,101	121,212	7,889	6.5
Segmented income from operations	$ 74,973	$ 81,243	$ (6,270)	(7.7) %
Product margin	70.6 %	71.0 %	(40) basis points	
Gross margin	52.1 %	54.1 %	(200) basis points	
Selling, general and administrative expenses as a % of net revenue	33.0 %	32.4 %	60 basis points	
Segmented income from operations as a % of net revenue	19.1 %	21.7 %	(260) basis points	

The increase in net revenue was primarily due to a $30.2 million increase in net revenue from new or expanded company-operated stores and our other channels, including from outlets and an increased number of locations operated by third parties under license and supply arrangements. We have opened 10 net new company-operated stores in Rest of World since the second quarter of 2025. The increase in net revenue was partially offset by a decrease in comparable sales, which decreased 4%, or 3% on a constant dollar basis. The decrease in comparable sales was primarily a result of lower conversion rates as well as reduced store traffic, partially offset by higher e-commerce traffic and an increase in average order value.

The decrease in gross margin was primarily due to higher occupancy, depreciation, and distribution center costs as a percentage of net revenue, as well as lower product margin.

The increase in selling, general and administrative expenses was primarily due to higher employee costs.

Corporate

Corporate expenses increased $37.7 million to $367.0 million in the second quarter of 2026 compared to the second quarter of 2025. The net increase was primarily due to higher employee costs, professional fees, technology costs, and depreciation. Corporate expenses also increased due to a decrease in net foreign currency exchange and derivative gains of $1.2 million.

Other Income (Expense), Net

	Second Quarter			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Other income (expense), net	$ 13,698	$ 9,737	$ 3,961	40.7 %

The increase in other income (expense), net was primarily due to an increase in interest income driven by $4.1 million in interest associated with IEEPA tariff refunds.

Income Tax Expense

	Second Quarter			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Income tax expense	$ 138,128	$ 162,646	$ (24,518)	(15.1) %
Effective tax rate	29.6 %	30.5 %	(90) basis points	

The decrease in the effective tax rate was primarily due to a decrease in non-deductible expenses in international jurisdictions, partially offset by adjustments upon the filing of income tax returns and lower research and development tax credits.

Net Income

	Second Quarter			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net income	$ 329,223	$ 370,905	$ (41,682)	(11.2) %

The decrease in net income was primarily due to an increase in selling, general and administrative expenses of $54.7 million and a decrease in gross profit of $15.3 million, which included $134.5 million of IEEPA tariff refunds. The decrease in net income was partially offset by a decrease in income tax expense of $24.5 million and an increase in other income (expense), net of $4.0 million.

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

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

	First Two Quarters			
	2026	2025	2026	2025
	(In thousands)		*(Percentage of net revenue)*	
Net revenue	$ 4,887,234	$ 4,895,879	100.0 %	100.0 %
Cost of goods sold	2,086,538	2,035,551	42.7	41.6
Gross profit	2,800,696	2,860,328	57.3	58.4
Selling, general and administrative expenses	2,066,320	1,894,529	42.3	38.7
Amortization of intangible assets	3,777	3,360	0.1	0.1
Income from operations	730,599	962,439	14.9	19.7
Other income (expense), net	22,829	21,523	0.5	0.4
Income before income tax expense	753,428	983,962	15.4	20.1
Income tax expense	229,157	298,485	4.7	6.1
Net income	$ 524,271	$ 685,477	10.7 %	14.0 %

Net Revenue

	First Two Quarters						
	2026	2025	2026	2025	Year over year change		
	(In thousands)		*(Percentage of net revenue)*		*(In thousands)*	*(Percentage)*	*(Constant dollar change)*
Americas	$ 3,237,982	$ 3,432,775	66.3 %	70.1 %	$ (194,793)	(6) %	(6) %
China Mainland	885,490	760,999	18.1	15.5	124,491	16 %	10 %
Rest of World	763,762	702,105	15.6	14.3	61,657	9 %	7 %
Net revenue	$ 4,887,234	$ 4,895,879	100.0 %	100.0 %	$ (8,645)	— %	(2) %

The decrease in net revenue was primarily due to decreased Americas net revenue, partially offset by increased China Mainland and Rest of World net revenue. Global comparable sales decreased 4%, or 6% on a constant dollar basis, primarily as a result of lower conversion rates as well as a decrease in average order value and reduced store traffic, partially offset by higher e-commerce traffic.

Gross Margin

	First Two Quarters			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Gross profit	$ 2,800,696	$ 2,860,328	$ (59,632)	(2.1) %
Gross margin	57.3 %	58.4 %	(110) basis points	

The decrease in gross margin was primarily due to a net increase in other cost of sales as a percentage of net revenue of 190 basis points, comprised of:

- an increase in occupancy and depreciation costs of 160 basis points, driven by new and expanded company-operated stores, as well as increased penetration in China Mainland and Rest of World; and
- an increase in costs related to our distribution centers and product departments of 30 basis points.

The decrease in gross margin was partially offset by a net increase in product margin of 80 basis points, comprised of:

- an increase of 280 basis points related to IEEPA tariff refunds;
- a net decrease of 240 basis points primarily from higher tariffs as well as markdowns including credit card affiliate programs, partially offset by higher pricing and lower product costs; and
- a favorable impact of foreign currency exchange rates of 40 basis points.

Selling, General and Administrative Expenses

	First Two Quarters			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Selling, general and administrative expenses	$ 2,066,320	$ 1,894,529	$ 171,791	9.1 %
Selling, general and administrative expenses as a % of net revenue	42.3 %	38.7 %	360 basis points	

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

- a net increase in head office costs of $109.0 million, comprised of:
  - an increase in employee costs of $37.3 million primarily due to higher wage rates and the reversal of stock-based compensation recorded in the second quarter of 2025. The increase was partially offset by lower bonus expense due to business performance;
  - an increase in brand and community expenses of $36.7 million;
  - an increase in contractor, advisory, and professional services of $15.7 million, which includes costs associated with proxy contest matters of $24.8 million in the first two quarters of 2026, partially offset by lower other advisory and professional fees;
  - an increase in technology costs, including cloud computing amortization, of $13.4 million;
  - an increase in depreciation of $10.9 million; and
  - a decrease in other head office costs of $5.0 million.

- an increase in costs related to our operating channels of $64.1 million, comprised of:
  - an increase in employee costs of $36.2 million primarily due to increased salaries and wages expense for retail employees;
  - an increase in variable costs of $10.1 million primarily due to increased distribution costs, partially offset by lower packaging costs;
  - an increase in technology costs of $4.6 million;
  - an increase in digital marketing expenses of $4.4 million; and
  - an increase in other operating costs of $8.8 million primarily due to increased repairs and maintenance costs and occupancy costs.

The increase in selling, general and administrative expenses was partially offset by a decrease in net foreign currency exchange and derivative revaluation losses of $1.3 million.

Selling, general and administrative expenses as a percentage of net revenue increased 360 basis points due to an increase in head office costs of 230 basis points and an increase in costs related to our operating channels of 130 basis points.

Segment Results

On a segment basis, we determine income from operations without taking into account corporate expenses. Corporate expenses include the cost of centrally managed support functions including product design, raw material development, product innovation, sourcing, supply chain, and global merchandising which are included in other cost of sales. Administrative corporate expenses include technology, brand and marketing, finance, human resources, legal, and other head office costs.

Americas

	First Two Quarters			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net revenue	$ 3,237,982	$ 3,432,775	$ (194,793)	(5.7) %
Product costs	922,329	996,293	(73,964)	(7.4)
Other cost of sales	374,666	315,037	59,629	18.9
Gross profit	1,940,987	2,121,445	(180,458)	(8.5)
Selling, general and administrative expenses	938,094	912,720	25,374	2.8
Segmented income from operations	$ 1,002,893	$ 1,208,725	$ (205,832)	(17.0) %
Product margin	71.5 %	71.0 %	50 basis points	
Gross margin	59.9 %	61.8 %	(190) basis points	
Selling, general and administrative expenses as a % of net revenue	29.0 %	26.6 %	240 basis points	
Segmented income from operations as a % of net revenue	31.0 %	35.2 %	(420) basis points	

The decrease in net revenue was primarily due to a decrease in comparable sales, which decreased 8%, or 9% on a constant dollar basis. The decrease in comparable sales was primarily a result of lower conversion rates as well as reduced store traffic and a decrease in average order value, partially offset by higher e-commerce traffic. The decrease in net revenue was partially offset by a $45.3 million increase from new or expanded company-operated stores and our other channels, including from outlets and sales to wholesale accounts. We opened 16 net new company-operated stores in the Americas since the second quarter of 2025.

The decrease in gross margin was primarily due to higher occupancy, depreciation, and distribution center costs as a percentage of net revenue. The decrease in gross margin was partially offset by higher product margin driven by an increase of 420 basis points related to IEEPA tariff refunds, partially offset by higher other tariffs.

The increase in selling, general and administrative expenses was primarily due to higher marketing expenses as well as higher variable costs.

China Mainland

	First Two Quarters			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net revenue	$ 885,490	$ 760,999	$ 124,491	16.4 %
Product costs	189,631	174,034	15,597	9.0
Other cost of sales	119,882	101,412	18,470	18.2
Gross profit	575,977	485,553	90,424	18.6
Selling, general and administrative expenses	221,638	179,428	42,210	23.5
Segmented income from operations	$ 354,339	$ 306,125	$ 48,214	15.7 %
Product margin	78.6 %	77.1 %	150 basis points	
Gross margin	65.0 %	63.8 %	120 basis points	
Selling, general and administrative expenses as a % of net revenue	25.0 %	23.6 %	140 basis points	
Segmented income from operations as a % of net revenue	40.0 %	40.2 %	(20) basis points	

The increase in net revenue was primarily due to a $68.2 million increase in net revenue from new or expanded company-operated stores and our other channels. We have opened 15 new company-operated stores in China Mainland since the second quarter of 2025. The increase in net revenue was also driven by an increase in comparable sales, which increased 8%, or 2% on a constant dollar basis. The increase in comparable sales was primarily a result of higher traffic, partially offset by lower conversion rates.

The increase in gross margin was primarily due to higher product margin driven by a favorable impact of foreign currency exchange rates, as well as lower distribution center costs as a percentage of net revenue, partially offset by higher depreciation and occupancy costs as a percentage of net revenue.

The increase in selling, general and administrative expenses was primarily due to higher employee costs as well as higher marketing expenses.

Rest of World

	First Two Quarters			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net revenue	$ 763,762	$ 702,105	$ 61,657	8.8 %
Product costs	215,464	198,713	16,751	8.4
Other cost of sales	144,563	121,671	22,892	18.8
Gross profit	403,735	381,721	22,014	5.8
Selling, general and administrative expenses	259,339	227,622	31,717	13.9
Segmented income from operations	$ 144,396	$ 154,099	$ (9,703)	(6.3) %
Product margin	71.8 %	71.7 %	10 basis points	
Gross margin	52.9 %	54.4 %	(150) basis points	
Selling, general and administrative expenses as a % of net revenue	34.0 %	32.4 %	160 basis points	
Segmented income from operations as a % of net revenue	18.9 %	21.9 %	(300) basis points	

The increase in net revenue was primarily due to a $59.7 million increase in net revenue from new or expanded company-operated stores and our other channels, including from outlets and an increased number of locations operated by third parties under license and supply arrangements. We have opened 10 net new company-operated stores in Rest of World since the second quarter of 2025. Comparable sales were flat, or decreased 1% on a constant dollar basis, compared to the first two quarters of 2025. This was primarily a result of lower conversion rates, partially offset by higher e-commerce traffic and an increase in average order value.

The decrease in gross margin was primarily due to higher occupancy, depreciation, and distribution center costs as a percentage of net revenue.

The increase in selling, general and administrative expenses was primarily due to higher employee costs as well as higher marketing expenses.

Corporate

Corporate expenses increased $64.5 million to $771.0 million in the first two quarters of 2026 compared to the first two quarters of 2025. The net increase was primarily due to higher employee costs, as well as higher technology costs and depreciation. The increase in corporate expenses was partially offset by a decrease in net foreign currency exchange and derivative losses of $1.3 million.

Other Income (Expense), Net

	First Two Quarters			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Other income (expense), net	$ 22,829	$ 21,523	$ 1,306	6.1 %

A net increase in interest income contributed to the increase in other income (expense), net. The net increase in interest income was primarily due to $4.1 million in interest associated with IEEPA tariff refunds, partially offset by lower average cash balances and lower interest rates.

Income Tax Expense

	First Two Quarters			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Income tax expense	$ 229,157	$ 298,485	$ (69,328)	(23.2) %
Effective tax rate	30.4 %	30.3 %	10 basis points	

The increase in the effective tax rate was primarily due to a decrease in tax benefits related to stock-based compensation, partially offset by a decrease in non-deductible expenses in international jurisdictions.

Net Income

	First Two Quarters			
	2026	2025	Year over year change	
	(In thousands)		*(In thousands)*	*(Percentage)*
Net income	$ 524,271	$ 685,477	$ (161,206)	(23.5) %

The decrease in net income was primarily due to an increase in selling, general and administrative expenses of $171.8 million and a decrease in gross profit of $59.6 million, which included $134.5 million of IEEPA tariff refunds. The decrease in net income was partially offset by a decrease in income tax expense of $69.3 million and an increase in other income (expense), net of $1.3 million.

Comparable Sales

We use comparable sales to evaluate the performance of our company-operated store and e-commerce businesses from an omni-channel perspective. It allows us to monitor the performance of our business without the impact of recently opened or expanded stores. We believe investors would similarly find these metrics useful in assessing the performance of our business. The comparable sales measures we report may not be equivalent to similarly titled measures reported by other companies.

Comparable sales includes comparable company-operated store and all e-commerce net revenue. E-commerce net revenue includes buy online pick up in store, back-back room, and ship from store net revenue in addition to our websites, other region-specific websites, third-party online marketplaces, and mobile apps. Our back-back room capability allows our store educators to access inventory located at our other locations and have product shipped directly to a guest's address or a store. Comparable company-operated stores have been open, or open after being significantly expanded, for at least 12 full fiscal months. Net revenue from a company-operated store is included in comparable sales beginning with the month for

which the store has a full fiscal month of sales in the prior year. Comparable sales excludes 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, from stores which have been temporarily relocated for renovations or temporarily closed, and sales from company-operated stores that have closed. Comparable sales also excludes sales from our selling channels other than company-operated stores and e-commerce.

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.

Non-GAAP Financial Measures

We report certain financial metrics on a constant dollar basis, which is a non-GAAP financial measure.

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 use constant dollar metrics to facilitate comparison of underlying performance excluding the impact of changes in foreign currency exchange rates. Management uses these constant currency metrics internally when reviewing and assessing financial performance.

These non-GAAP financial measures are provided in addition to, and not a substitute for, the corresponding financial measures calculated 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. Our non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures reported by other companies.

Constant Dollar Changes

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

	Second Quarter 2026			First Two Quarters 2026		
	Change	Foreign exchange changes	Change in constant dollars	Change	Foreign exchange changes	Change in constant dollars
Net Revenue						
Americas	(8) %	— %	(8) %	(6) %	— %	(6) %
China Mainland	4	(6)	(2)	16	(6)	10
Rest of World	5	1	6	9	(2)	7
Total net revenue	(4) %	(1) %	(5) %	— %	(2) %	(2) %
Comparable sales[(1)]						
Americas	(12) %	— %	(12) %	(8) %	(1) %	(9) %
China Mainland	(2)	(6)	(8)	8	(6)	2
Rest of World	(4)	1	(3)	—	(1)	(1)
Total comparable sales	(9) %	(1) %	(10) %	(4) %	(2) %	(6) %

(1) Comparable sales includes comparable company-operated store and e-commerce net revenue.

Seasonality

Our business is affected by the general seasonal trends common to the retail apparel industry. Net revenue is typically higher during our fourth fiscal quarter, reflecting our historical strength in sales during the holiday season in the Americas, while our operating expenses are generally more equally distributed throughout the year. As a result, a substantial portion of our operating profits are typically generated in the fourth quarter of our fiscal year. For example, we generated approximately 37% of our full year operating profit during the fourth quarter of 2025. Events predominantly impacting our international net revenue, such as those related to Lunar New Year and Singles Day, can fall in different fiscal quarters from year to year.

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. 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 Two Quarters		
	2026	2025	Year over year change
	(In thousands)		
Total cash provided by (used in):			
Operating activities	$ 589,278	$ 209,722	$ 379,556
Investing activities	(281,802)	(319,960)	38,158
Financing activities	(712,225)	(744,823)	32,598
Effect of foreign currency exchange rate changes on cash and cash equivalents	(12,716)	26,519	(39,235)
Decrease in cash and cash equivalents	$ (417,465)	$ (828,542)	$ 411,077

Operating Activities

Net income decreased $161.2 million. The increase in cash provided by operating activities was primarily due to an increase in cash flows from changes in operating assets and liabilities of $464.7 million, driven by changes in inventories and the timing of income tax payments, as well as changes in accrued liabilities and accounts receivable, partially offset by the timing of accounts payable and changes in other current assets. The increase in cash provided by operating activities was also a result of increased depreciation and stock-based compensation expense.

Investing Activities

The decrease in cash used in investing activities was primarily due to decreased capital expenditures, partially offset by the settlement of net investment hedges. The decrease in capital expenditures was primarily due to decreased investment in supply chain infrastructure and e-commerce related technology system capital expenditures, partially offset by an increase in capital expenditures for opening, remodeling, and relocating company-operated stores, primarily in the Americas and EMEA.

Financing Activities

The decrease in cash used in financing activities was primarily due to a decrease in cash paid for our stock repurchases as well as a decrease in taxes paid related to the net share settlement of stock-based compensation. During the first two quarters of 2026, we repurchased 4.9 million shares at a total cost including commissions and excise taxes of $695.1 million. During the first two quarters of 2025, we repurchased 2.5 million shares at a total cost including commissions and excise taxes of $715.7 million. 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 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 ability to access borrowings under the credit facility depends on our ongoing compliance with the covenants in the credit agreement, and a failure to maintain such compliance could adversely affect our liquidity. 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:

	August 2, 2026
	(In thousands)
Cash and cash equivalents	$ 1,389,737
Working capital excluding cash and cash equivalents [1]	754,199
Capacity under committed revolving credit facility	593,727

[1] Working capital excluding cash and cash equivalents is calculated as current assets of $3.9 billion less cash and cash equivalents of $1.4 billion and current liabilities of $1.8 billion.

We enter into standby letters of credit and guarantee to secure certain of our obligations, including leases, taxes, and duties. As of August 2, 2026, letters of credit and guarantee totaling $20.2 million had been issued, including $6.3 million under our committed revolving credit facility.

Our existing Americas credit facility provides for $600.0 million in commitments under an unsecured five-year revolving credit facility. The credit facility has a maturity date of October 15, 2030. As of August 2, 2026, no borrowings were outstanding under this facility other than letters of credit and guarantee of $6.3 million. Further information regarding our credit facilities and associated covenants is outlined in Note 4. 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 August 2, 2026 was $1.7 billion, a decrease of 1% from August 3, 2025.

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 significant 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. Management has reviewed these critical accounting policies and estimates and discussed them with the audit committee.

Our critical accounting policies, estimates, and judgments are discussed within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2025 Annual Report on Form 10-K filed with the SEC on March 17, 2026.

Operating Locations

Our company-operated stores by market as of August 2, 2026 and February 1, 2026 are summarized in the table below.

Number of company-operated stores by market	August 2, 2026	February 1, 2026
United States	380	379
Canada	74	71
Mexico	29	26
Americas	483	476
China Mainland	174	172
Australia	33	34
South Korea	23	22
Hong Kong SAR	11	11
Japan	10	10
Singapore	9	9
New Zealand	8	8
Taiwan	8	7
Thailand	7	5
Malaysia	5	5
Macau SAR	3	3
APAC	117	114
United Kingdom	22	20
Germany	9	9
France	6	6
Ireland	4	4
Spain	3	3
Netherlands	2	2
Sweden	2	2
Italy	1	1
Norway	1	1
Switzerland	1	1
EMEA	51	49
Rest of World	168	163
Total company-operated stores	825	811

Retail locations operated by third parties by market as of August 2, 2026 and February 1, 2026 are summarized in the table below.

Number of retail locations operated by third parties by market	August 2, 2026	February 1, 2026
United Arab Emirates	13	13
Israel	8	8
Saudi Arabia	8	9
Turkey	7	3
Kuwait	4	4
Qatar	4	4
Belgium	2	2
Greece	2	—
Bahrain	1	1
Denmark	1	1
Hungary	1	—
Poland	1	—
Romania	1	—
Total locations operated by third parties under license and supply arrangements	53	45

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Translation 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. As a result of the fluctuation in exchange rates compared to the U.S. dollar, our revenue was $69.6 million higher in the first two quarters of 2026 in comparison to the first two quarters of 2025.

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 (loss) within stockholders' equity. A significant portion of our net assets are held by our Canadian dollar subsidiary. We enter into forward currency contracts in order to hedge a portion of the foreign currency exposure associated with the translation of our net investment in our Canadian subsidiary. During the first two quarters of 2026, the impact to other comprehensive loss of translation of our Canadian subsidiaries was an increase in the loss of $47.3 million, inclusive of net investment hedge gains.

Transaction Risk. 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. We also hold cash and cash equivalents and other monetary assets in currencies that are different to the functional currency of our subsidiaries. As of August 2, 2026, we had certain forward currency contracts outstanding in order to economically hedge the foreign currency revaluation gains and losses recognized by our foreign subsidiaries, including our Canadian and Chinese subsidiaries, on their monetary assets and liabilities denominated in currencies other than their functional currency.

We perform a sensitivity analysis to determine the market risk exposure associated with the fair values of our forward currency contracts. The net fair value of outstanding derivatives as of August 2, 2026 was a liability of $2.2 million. As of August 2, 2026, a 10% depreciation in the U.S. dollar against the hedged currencies would have resulted in the net fair value of outstanding derivatives depreciating by $33.6 million. The hypothetical change in the fair value of the forward currency contracts would have been substantially offset by a corresponding but directionally opposite change in the underlying hedged items.

The net fair value of our outstanding forward currency contracts increased as of August 2, 2026 compared to February 1, 2026 primarily due to foreign currency exchange rate movement on the derivative financial instruments.

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.

Please refer to Note 8. Derivative Financial Instruments included in Item 1 of Part I of this report for further details on the nature of our financial instruments.

Interest Rate Risk

Our committed revolving credit facility provides us with available borrowings in an amount up to $600.0 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 August 2, 2026, there were no borrowings outstanding under this facility other than letters of credit and guarantee of $6.3 million. 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. As of August 2, 2026, we held cash and cash equivalents of $1.4 billion. Interest generated on cash balances is subject to variability as interest rates increase or decrease.

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 seek to minimize our credit risk by entering into transactions with investment-grade, creditworthy, and reputable financial institutions, by monitoring their credit standing, and by limiting exposure to any one counterparty. We have not experienced material losses related to these items, and based on information available, we do not believe credit risk exposure is significant.

Inflation

Inflationary pressures, including higher product, transportation, labor and raw material costs, may adversely affect our operating results if we are unable to offset them through pricing or operating efficiencies. Inflation could also reduce consumer discretionary spending and negatively impact the demand for our products.

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 August 2, 2026. Based on that evaluation, our principal executive officer and principal financial and accounting officer concluded that, as of August 2, 2026, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting during the quarter ended August 2, 2026 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 12. Legal Proceedings and Other Contingencies included in Item 1 of Part I of this report and in our 2025 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, employment claims, product liability claims, personal injury claims, and similar matters. We believe the ultimate resolution of any such current proceeding is not reasonably likely to 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 2025 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 the progression, resultant effects, or outcome of these risks.

Risks related to our business and industry

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

The lululemon name is integral to our business and 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. Our brand positioning, products, and marketing efforts may not be considered distinct, culturally relevant or appropriate, or desirable to guests, employees, and other stakeholders.

Our brand and reputation could be adversely affected by negative publicity, if we fail to deliver innovative and high-quality products acceptable to our guests, or if we face or mishandle a marketing event or product recall, which could be amplified by social media. Our reputation could also be impacted by adverse publicity, whether or not valid, regarding allegations that we, or persons currently or previously associated with us, have violated 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.

We operate in a highly competitive market and our competitors may 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 our products 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 global as well as regional and country-specific 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 smaller retailers and those 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. Our competitors may be able to achieve and maintain brand awareness and market share more quickly and effectively than we can.

We may fail to acknowledge or react appropriately to the entry or growth of a viable competitor or disruptive force, and could struggle to continue to innovate, differentiate, and sustain the value of our brand. Our brand presence and visibility in certain markets may encourage some guests to try or migrate to emerging competitors.

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 ours. Even when these products infringe our

intellectual property rights, we may not be able to identify all infringing parties, enforce our rights effectively, or obtain timely and meaningful relief. If "dupe" or imitation products proliferate, whether through traditional retail channels or social media-driven trends, and lead consumers to perceive less differentiation between our products and lower-priced alternatives, our ability to maintain our brand premium, drive net revenue growth, and sustain our profitability could be adversely affected.

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 preferences on a timely basis and effectively. Our products are subject to changing consumer preferences that cannot be anticipated with certainty. If we are unable to introduce new products or technologies on a timely basis, or if our new offerings are not accepted by guests, competitors may introduce similar products more quickly, which could undermine our goal to be viewed as a leader in technical athletic apparel innovation. Our new products may not meet consumer needs and consumer preferences could shift rapidly to different types of athletic apparel or away from the types of products we make altogether, and our future success depends in part on our ability to anticipate and respond to these changes. Our failure to anticipate and respond effectively to changing consumer preferences could lead to, among other things, lower sales, lower margins, and excess inventory levels. We may not have or successfully leverage relevant data to effectively understand and react to consumer preferences and expectations. 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.

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, product shipments that fail to comply with our specifications or conform to our quality standards. We have also received, and may in the future receive, products that are otherwise unacceptable to us or our guests, including if they fail to meet quality, performance, and fit expectations. 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, we could face a product recall, we could have regulatory exposure, and our results of operations could suffer and our business, reputation, and brand could be harmed.

The hardware previously sold by our lululemon Studio subsidiary, as well as services currently offered, 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 unsafe and create a risk of property damage or personal injury. The occurrence of real or perceived defects in any of our products, now or in the future, could result in negative publicity, regulatory investigations, or lawsuits filed against us.

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

Our business is subject to pressure on costs and pricing caused by many factors, including tariffs, intense competition, constrained sourcing capacity, inflationary pressure, the availability of qualified labor and wage inflation, pricing pressure from consumers, and changes in consumer demand. These and other factors have, and may in the future, cause us to experience increased costs, reduce our selling prices 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. Unionization efforts or other employee organizing activities could lead to higher people costs or reduce our flexibility to manage our employees which may negatively disrupt our operations.

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 forecast inventory needs and place orders with our manufacturers based on estimates of future demand. Our ability to forecast demand for our products could be affected by many factors, including an increase or decrease in demand for our or our competitors' products, our failure to accurately forecast guest acceptance of new products, product introductions by competitors, unanticipated changes in market conditions (for example, because of global economic conditions such as inflation, an economic downturn, or local and international shipping delays and labor

shortages), 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.

Inventory levels in excess of 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 demand, 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 the Americas. 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 have encountered, and may continue to encounter obstacles we did not face in the Americas, including cultural and linguistic differences, local customs and sensitivities, 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 growth depends in part on our ability to expand 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. Successfully selling new product categories and lines will require developing and testing different strategies. 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. We may not have the experience of selling in these new product categories and we may not be able to grow as planned. For example, we acquired MIRROR in 2020, which was rebranded as lululemon Studio, and in 2023, we discontinued selling its hardware and offering its digital app-only subscription. If we are unable to effectively and successfully further develop current 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. This may also divert the attention of management and cause additional expenses.

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.

Our future success is dependent on the service of our senior management and our ability to maintain our culture and to attract, manage, and retain highly qualified individuals.

The performance of our senior management team and other key employees and contractors may not meet our needs and expectations. Also, the loss of services of any of these key individuals, 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.

If we are unable to successfully maintain and evolve our unique culture, offer competitive compensation and benefits, and a desirable work model, we may be unable to attract and retain qualified individuals to support our business and growth. Our work model may not meet the needs and expectations of our employees and may not be perceived as favorable compared to other companies. We also face risks related to employee engagement and productivity which could result in increased headcount and labor costs.

Our former Chief Executive Officer "CEO" stepped down effective January 31, 2026, and we appointed interim co-CEOs to lead during the transition period. On April 21, 2026, we entered into an employment agreement to appoint Heidi O’Neill as CEO effective September 8, 2026. In addition, we have had other recent changes at the senior executive level. These changes may create uncertainty and divert management’s attention and resources. Our CEO transition may not align with expectations of employees, vendor partners, or other external stakeholders, and could negatively affect our operations, strategic initiatives, employee engagement, and retention. These changes may also lead to negative public perception, including among consumers and our brand community. Any resulting disruption could have a material adverse impact on our business, financial performance, or the market price of our stock.

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 may be unable to achieve our growth objectives if we do not have the right level of efficiency and scalability in our processes and operations. We may experience difficulties in obtaining sufficient raw materials and manufacturing capacity, 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 information systems and other processes and technology, and to obtain more space for our expanding workforce. Expansion could increase the strain on our resources, and we could experience operating difficulties, including in hiring, training, and managing an increasing number of employees. These difficulties could result in the erosion of our brand image and 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 operate an omni-channel retail model and aim to efficiently and effectively serve our guests in the ways most convenient to them. We operate a combination of physical retail locations and e-commerce services via our websites, other region-specific websites, third-party online marketplaces, and mobile apps. The rapid rise of artificial intelligence ("AI")-enabled shopping tools may reduce our control over consumer decision-making and brand loyalty, as third-party AI platforms increasingly influence product discovery and purchases on behalf of customers. Our physical retail locations remain a key part of our growth strategy and we view them as a valuable tool in helping us build our brand and product line as well as enabling our omni-channel capabilities. We plan to continue to expand square footage and open new company-operated stores to support our growth objectives. 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 incurring 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 brand. In addition, our channels have different operating margins and shifts to diversified distribution channels could negatively impact our overall operating margins and results of operations.

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 and many of our distribution centers, and our inability to secure appropriate real estate or lease terms could impact our operations or ability to deliver our products to the market. Our leases generally have initial terms of between two and 15 years, and generally can be extended in increments between two and five years, 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 remain obligated 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 even if current locations of our stores become unattractive as demographic patterns change. In addition, as 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.

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

Our business is affected by the seasonal trends common to the retail apparel industry. Our annual net revenue is typically weighted more heavily toward our fourth fiscal quarter, reflecting sales during the holiday season in the Americas, while our operating expenses are more equally distributed throughout the year. Events predominantly impacting our international net revenue, such as those related to Lunar New Year and Singles Day, can fall in different fiscal quarters from year to year. Seasonality, along with other factors that are beyond our control such as weather conditions and the effects of climate change, could adversely affect our business and cause our results of operations to fluctuate.

Risks related to global economic, political, and regulatory conditions

Changes to U.S. tariff and customs policy, including the elimination of the de minimis exemption, have and may further materially increase product costs and negatively affect margins.

During 2025, the United States implemented a series of trade related policies, including removing the de minimis exemption for low-value shipments imported into the United States, and implementing higher tariffs under different statutes, including under the IEEPA. These changes in the tariff landscape, including the de minimis exemption removal, had a significant adverse effect on our business and results of operations in 2025, which continues in 2026.

On February 20, 2026, the U.S. Supreme Court invalidated tariffs imposed under the IEEPA. The U.S. Administration has initiated new tariffs at different rates under alternative legislative powers. The U.S. Administration also confirmed that the IEEPA decision does not impact the removal of the de minimis exemption, and this was upheld by the U.S. Court of International Trade on August 13, 2026. We paid $230 million of tariffs under the IEEPA and have submitted refund claims for eligible IEEPA tariffs paid, including associated interest. During the second quarter of 2026, we received $134.5 million of IEEPA tariff refunds; however, the ultimate additional amounts that we may be refunded, if any, remain uncertain. Additionally, our U.S. operating entity was named as a defendant in purported consumer class actions relating to alleged tariff-related pricing actions and potential governmental tariff reimbursements.

There has been significant volatility in U.S. tariff and customs policy recently, with frequent changes in rates, sudden elimination or reinstatement of exemptions, shifts in implementation dates, and reversals of prior actions. In addition, there is uncertainty around how tariff rules will be applied to goods routed through third countries (transshipment) and potential changes to the valuation methodology used to calculate duty, including the first sale declaration program in the United States. We utilize the first sale declaration program in the United States and the amount of duties we pay to import merchandise could increase if the program is eliminated, eligibility requirements are changed, or our ability to benefit from the program is limited. Changes in tariff and customs policy and legislation could affect the level of duties imposed and our overall product costs. This volatility makes it more difficult to forecast costs, plan our global supply chain, and provide reliable financial guidance. Policy changes often require rapid operational adjustments that can increase costs and reduce efficiency. Announcements of tariff and customs policy changes, as well as our disclosures of their potential impacts, have at times contributed to fluctuations in our stock price. We expect such volatility and uncertainty to continue, posing ongoing challenges to our operations, financial planning, and investor communications.

Macroeconomic volatility, inflationary pressures, and shifts in consumer sentiment may reduce demand for our products.

Our performance depends on consumers' willingness and ability to purchase discretionary products. That willingness can be affected by general economic conditions and uncertainty regarding the overall future environment, tariffs, inflation, changes in interest rates, foreign exchange fluctuations, energy and fuel costs, employment levels, consumer debt, housing market trends, commodity price volatility, and tax policy changes. Geopolitical instability, public health crises, and other macroeconomic events can also weaken consumer confidence. In 2025, we experienced lower store traffic in the Americas, partially reflective of inflationary pressures and economic uncertainty weighing on discretionary spending. Prolonged or worsening macroeconomic volatility could reduce demand, impair our ability to achieve growth targets, and materially impact our net revenue, margins, and cash flows.

Global political and economic instability, including geopolitical conflicts and political polarization, could disrupt our operations and increase costs.

We operate and source products across multiple international markets, and our ability to manage a global supply chain depends on stable economic and political conditions. Global instability, trade disputes, changes in customs treatment including de minimis thresholds, alterations in duty or tariff levels, sanctions, embargoes, or other governmental actions may increase costs, lengthen lead times, or require us to adjust sourcing or distribution strategies. Legislation such as the Uyghur Forced Labor Prevention Act, and similar measures in other jurisdictions, increases compliance obligations, supply chain due diligence requirements, and the risk of shipment delays or detentions. If additional trade restrictions or compliance requirements are enacted, or enforcement becomes more stringent, our sourcing, importation, and delivery capabilities could be materially affected, resulting in increased costs and operational disruptions. In addition, heightened geopolitical tensions, including conflicts in the Middle East and potential conflicts involving Taiwan or other regions where our suppliers are concentrated, could disrupt our supply of raw materials and finished goods. A significant portion of our technical fabrics originates from Taiwan, and any military conflict, trade embargo, or disruption affecting that region could materially impact our ability to source materials and fulfill customer orders. Political polarization in the United States has also led to increased consumer activism, brand boycotts, and public pressure campaigns targeting companies based on their perceived political or social positions. Whether or not we take public positions on social or political issues, we could face reputational harm, reduced consumer demand, or employee relations challenges if we are perceived as aligned or misaligned with particular viewpoints. These dynamics could adversely affect our brand, guest relationships, and results of operations.

Trade restrictions, tariffs, and customs changes could disrupt our supply chain and compress margins.

Our business depends on the efficient, predictable, and cost-effective movement of goods across borders. Governments may impose new tariffs, duties, quotas, customs regulations, or other trade restrictions, or modify the application of existing measures, including reductions in de minimis thresholds, new compliance requirements, or changes in enforcement priorities. These developments can increase product costs, delay shipments, disrupt sourcing, or require changes to our supply chain. If we are unable to offset these impacts through pricing, sourcing adjustments, or other measures, our margins, operational

efficiency, and customer satisfaction could be adversely affected. Any price increases intended to offset these added costs could reduce consumer demand, negatively impact net revenue, and expose us to consumer claims, regulatory scrutiny, or litigation. Trade policy volatility, including frequent changes in rates, sudden elimination or reinstatement of exemptions, shifts in implementation dates, and uncertainty around transshipment rules, makes it more difficult to forecast costs, plan our global supply chain, and provide reliable financial guidance.

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, as well as components of our products, including chemicals, are subject to regulation by various regulatory bodies. These include federal agencies such as 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 People's Republic of China ("PRC")[(1)], General Administration of Customs of the PRC, as well as other federal, state, provincial, local, and international regulatory authorities in the countries in which our products are distributed or sold. Our ability to track and respond to regulations may not be sufficient to meet the increased number and complexity of regulations we are subject to globally. 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 negatively impact our brand regardless of the outcome, and 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, or changes in consumer perceptions of the components of our products, 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 ("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. As we expand our operations across multiple jurisdictions, we could be subject to conflicting laws, or differing consumer sentiment on application of laws, that could lead to non-compliance which could have an adverse effect on our operations. 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.

As we expand internationally, we are subject to complex employee regulations, and if we fail to comply with these regulations, we could be subject to enforcement actions or negative employee relations which could harm our results of operations.

Changes in tax laws, transfer pricing, 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, China Mainland, and other international jurisdictions. Our effective income tax rates could be unfavorably impacted by 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, and any repatriation of unremitted earnings for which we have not previously accrued applicable income taxes and withholding taxes.

Repatriations from our Canadian and Hong Kong subsidiaries may be subject to withholding taxes depending on the amount of paid-up capital available. Since 2022 and 2026, we have recognized withholding taxes on accumulated earnings from our Canadian and Hong Kong subsidiaries, respectively, which are not indefinitely reinvested and cannot be repatriated free of withholding tax. We expect to continue recognizing such taxes.

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, the profit allocation and transfer pricing terms 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. Our bilateral Advance Pricing Arrangement ("APA") with the Internal Revenue Service ("IRS") and Canada Revenue Agency ("CRA") expired at the end of 2020. During 2020, we entered into bilateral negotiations with the

[(1)] PRC includes China Mainland, Hong Kong SAR, Taiwan, and Macau SAR.

IRS and CRA to renew the APA, and in August 2026, the IRS withdrew from bilateral APA negotiations. We continue to apply our transfer pricing methodology, but this may be subject to audit, and could result in changes to our profit allocation and effective tax rate. We are also negotiating an APA with China Mainland's State Tax Administration, the outcome of which could impact our effective tax rate.

Current economic and political conditions make tax rules in any jurisdiction subject to significant change. Changes in applicable U.S., Canadian, Chinese, or other international tax laws and regulations, or their interpretation, including the possibility of retroactive effect, could affect our income tax expense and profitability. On July 4, 2025, the U.S. passed the One Big Beautiful Bill Act ("OBBBA"), which includes the permanent extension of certain provisions of the Tax Cuts and Jobs Act of 2017, the immediate expensing of domestic research and experimental expenditures, the reinstatement of accelerated depreciation for qualified property, and modifications to the international tax provisions including changes to the global intangible low-tax income ("GILTI"), the foreign-derived deduction-eligible income ("FDDEI") and the base erosion and anti-abuse tax ("BEAT") provisions. On January 5, 2026, the Organization for Economic Cooperation and Development ("OECD") released administrative guidance containing a Side-by-Side ("SbS") system which modifies the operation of the OECD's Pillar Two Global Anti-Base Erosion ("GloBE") Model Rules. The SbS system provides a safe harbor for multinational enterprise ("MNE") groups with an ultimate parent entity in the United States, which will exempt a U.S. headquartered MNE group from the application of two of the three Pillar Two top-up taxes. We are currently evaluating the impact of these tax law changes on our financial statements, and they may impact our income tax expense, profitability, and capital allocation decisions.

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 U.S. dollar exchange rates affect the reported amounts of net revenue, expenses, assets, and liabilities.

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. These 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 fully offset 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.

Our financial condition could be adversely affected by public health crises.

The occurrence of global or regional public health crises, such as pandemics or epidemics, and the related governmental and private sector responses, could reduce store traffic and consumer spending, result in temporary or permanent closures of retail locations, offices, and factories, and negatively impact the flow of goods. Such events could cause health officials to impose restrictions and recommend precautions that disrupt our operations, reduce consumer willingness to visit stores, and negatively affect employee availability. Health events may also cause long-term changes to consumer shopping behavior, preferences, and demand for our products.

Risks related to our supply chain

Disruptions of our supply chain, which is dependent on international suppliers, could have a material adverse effect on our operating and financial results.

Disruption of our supply chain capabilities due to trade restrictions, political instability, war (including the conflicts in the Middle East), terrorism, severe weather, natural disasters, public health crises, product recalls, labor supply shortages or stoppages, the financial or operational instability of key suppliers and carriers, changes in diplomatic or trade relationships (including any sanctions, restrictions, tariffs, 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.

In addition, we do not manufacture our products or raw materials and rely on suppliers and manufacturers located predominantly in APAC and China Mainland. 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 2025:

- Approximately 40% of our products were manufactured in Vietnam, 18% in Cambodia, 11% in Sri Lanka, 11% in Indonesia, and 7% in Bangladesh, and the remainder in other regions; and
- Approximately 34% of the fabric used in our products originated from Taiwan, 29% from China Mainland, 10% from South Korea, 10% from Vietnam, and the remainder from other regions. Our concentration of fabric sourcing in Taiwan exposes us to geopolitical risks, including the possibility of military conflict, trade restrictions, or disruptions affecting that region.

The entire apparel industry, including our company, could face supply chain challenges as a result of the impacts of global public health crises, 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 2025, we worked with approximately 51 vendors to manufacture our products and 65 suppliers to provide the fabric for our products. Based on cost, during 2025:

- Approximately 47% of our products were manufactured by our top five vendors, the largest of which produced approximately 15% of our products; and
- Approximately 48% of our fabrics were produced by our top five fabric suppliers, the largest of which produced approximately 20% 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 or global health conditions, 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. 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 environmental standards, we do not control their operations. If they 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 and the cost of producing our products 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, political instability, trade relations, sanctions, inflationary pressure, or other geopolitical or economic conditions could cause raw material costs to increase or impact availability 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.

A significant portion of our products are produced in South and South East Asia, and increases in the costs of labor and other costs of doing business in the countries in this region 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.

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 our product distribution. They utilize and rely on computer controlled and automated equipment, which means their operations may be subject to a number of risks related to malware, 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 shortages and disruptions, pandemics, the impacts of climate change, extreme or severe weather conditions or by floods, fires, or other natural disasters near our distribution centers. The concentration of our primary offices, several 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. 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.

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.

We receive and maintain confidential, proprietary, and personally identifiable information including, for example, 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, transmission, and safeguarding of this information. However, despite our safeguards and security processes and protections, security breaches could occur and expose us to a risk of theft or misuse of this information, and could result in litigation and potential liability.

The retail industry has been the target of recent cyberattacks. We may not have the resources or technical sophistication to anticipate, detect, or prevent rapidly evolving types of cyberattacks. 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, including our supply chain, could still be exposed to risk. Actual or anticipated attacks may cause us to incur increasing costs including to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

We have in the past experienced, and we expect to continue to experience, cyberattacks, including phishing, and other attempts to breach, or gain unauthorized access to, our systems. Although these attacks have not had a material impact on our operations to date, they may in the future. In addition, the increased use of employee-owned devices for communications as well as work-from-home arrangements present additional operational risks to our technology systems, including increased risks of cyberattacks. Advances in AI and other technological developments could increase the sophistication of cyberattacks and may result in the technology used by us to protect transaction or other data being breached or compromised. In addition, our increasing use of AI tools and technologies, including generative AI, introduces new security risks, such as the potential for adversarial manipulation of AI models, unintended data exposure through AI systems, or reliance on AI outputs that may be inaccurate or biased. Measures we implement to protect against cyberattacks may also have the potential to impact our customers' shopping experience or decrease activity on our websites by making them more difficult to use or requiring website downtime.

Data and security breaches can also occur as a result of non-technical issues including intentional or inadvertent breach, including by misusing AI, by employees or persons with whom we have commercial relationships, that result in the unauthorized release or use of personal or confidential information, and we may in some cases be held responsible for such incidents under evolving privacy laws. 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.

We are subject to an evolving cybersecurity, privacy, and AI regulatory environment, and failure to comply with new or existing requirements, including federal cybersecurity incident disclosure obligations, could result in regulatory enforcement and further financial or reputational harm. Emerging laws and regulations governing AI, including the European Union AI Act, China's generative AI regulations, and potential U.S. federal and state AI legislation, may impose new compliance obligations, restrict certain uses of AI technology, or require transparency regarding AI-driven decision-making. Data localization and sovereignty requirements in certain jurisdictions may require us to store and process data locally, increasing operational complexity and costs. Sovereign AI initiatives, under which governments require AI systems to be developed, trained, or operated within national borders using local data, could limit our ability to deploy centralized AI tools globally and may require significant investment in region-specific infrastructure. Our cybersecurity insurance may not cover all losses or liabilities related to cyberattacks. Furthermore, a sophisticated attack could persist undetected within our systems for an extended period before being discovered, potentially amplifying its impact.

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

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

We are dependent on networks, technology systems, and third parties to operate our e-commerce websites, process transactions, respond to guest inquiries, manage inventory, purchase, sell and ship goods, 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, if changes in technology cause our information systems to become obsolete, we do not effectively leverage AI, or if our information systems are inadequate to handle our operations, we could lose guests.

Our technology systems, websites, and operations of third parties on whom we rely, may encounter damage, slowdown, or disruption including complete outages caused by a failure to upgrade systems, system failures, malware, computer hackers including cyberattacks assisted by AI, 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. 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 through our e-commerce websites and mobile apps, and we use social media in addition to these websites and apps to interact with our customers and to enhance their shopping experience. We may not efficiently and effectively implement and leverage technological advancements such as AI to support these interactions, which could have an adverse impact on our results of operations if our competitors are more effective than us, if this disrupts our operations, or if this leads to increased operating costs. 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 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 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.

Risks related to legal and governance matters

Actions by stockholders, activists, or consumers could negatively affect our business.

We were recently involved in a proxy contest with Dennis J. "Chip" Wilson and may be subject to other actions or proposals from stockholders, political or consumer activists, or others that may not align with our business strategies or the interests of our other stockholders. On December 29, 2025, Mr. Wilson delivered a notice of intent to nominate three directors for election at the 2026 Annual Meeting of Stockholders and submitted a non-binding stockholder proposal requesting that our board of directors take all necessary steps to immediately declassify the board so that all directors are elected on an annual basis. On May 26, 2026, we entered into a Cooperation Agreement with Mr. Wilson and certain of his affiliates (the "Cooperation Agreement") to resolve Mr. Wilson's proxy contest in connection with the 2026 Annual Meeting of Stockholders. The Cooperation Agreement will terminate on the date that is thirty (30) calendar days prior to the deadline under the company's bylaws for the submission of stockholder nominations of director candidates for election to the board at the 2028 Annual Meeting of Stockholders, unless earlier terminated in accordance with its terms.

Responding to the prior proxy contest and related actions caused us to incur substantial costs and, if we are subject to additional proxy contests in the future, may cause us to incur additional costs and be time-consuming. Such matters have in the past and may in the future disrupt our business and operations and divert the attention of our board of directors, management, and employees from pursuing our business strategies. Stockholders, political or consumer activists, or others have in the past and may in the future 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. Other actions or proposals could include responses to geopolitical conflict, including between the PRC and other countries, or to our perceived positions on social, political, or cultural issues in the United States or elsewhere. Consumer boycotts, negative social media campaigns, or other forms of public pressure, whether based on accurate perceptions or not, could adversely affect our brand reputation, guest relationships, and sales. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

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, consumer class action 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. We are currently involved in securities and stockholder derivative litigation, as described in Note 12. Legal Proceedings and Other Contingencies to the consolidated financial statements included in this report. Litigation and other 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.

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 workarounds, 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.

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.

Risks related to environmental, social, and governance issues

Climate change and related pressures may adversely impact our business, supply chain, and financial results.

We are subject to physical and transitional risks related to climate change, as well as increasing pressure from investors, regulators, and advocacy organizations regarding climate-related disclosures and action. Physical risks, such as rising global temperatures, changing weather patterns, and increasing frequency and severity of extreme weather events, could disrupt our supply chain, increase raw material and production costs (including cotton availability and pricing), and reduce consumer demand or shift purchasing behavior. These changes may also result in water scarcity, energy constraints, and infrastructure damage affecting our facilities, vendors, or logistics. In addition, growing regulatory and stakeholder expectations around climate-related disclosures, targets, and emissions reductions may increase compliance costs and require additional resources. Climate-related regulations vary widely across jurisdictions and are evolving rapidly, creating uncertainty around our obligations. Voluntary alignment with emerging standards or initiatives may also require capital investment or operational adjustments.

We also face increasing scrutiny and conflicting pressure from institutional investors, proxy advisory firms, regulatory agencies, political groups, and other stakeholders. Some advocate for accelerated climate commitments and detailed climate-related financial disclosures, while others have challenged or opposed such actions through litigation, legislative action, or public campaigns. These conflicting expectations and potential enforcement risks, whether from taking action or choosing not to do so, could adversely impact our reputation, operations, investor relationships, or legal risk profile.

We face heightened scrutiny and legal risks from competing pressures regarding our ESG practices and disclosures.

We are increasingly subject to scrutiny from institutional investors, advocacy organizations, and other stakeholders regarding our environmental, social, and governance ("ESG") policies, disclosures, and performance. Some stakeholders advocate for greater transparency and more aggressive ESG-related commitments across areas such as human capital, labor practices, supply chain oversight, and diversity. Others, including advocacy organizations and litigation-focused groups, have criticized ESG-related initiatives and have challenged companies, through lawsuits, regulatory investigations, and public campaigns, for implementing ESG strategies they deem inconsistent with fiduciary duties or legal obligations.

We may face reputational, operational, or legal consequences if our ESG practices or disclosures are perceived as insufficient, inconsistent, misleading, or politically misaligned. We may also face additional compliance costs as regulatory requirements evolve, including potential SEC or international climate and sustainability disclosure rules. We could also incur additional costs to comply with divergent stakeholder expectations and evolving ESG disclosure frameworks, and we may be subject to increased activism, legal exposure, or reputational risk, regardless of whether our ESG practices are expanded or limited in the future.

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 second quarter of 2026 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]
May 4, 2026 - May 31, 2026	870,327	$ 126.21	870,327	$ 932,698,894
June 1, 2026 - July 5, 2026	1,209,010	117.50	1,209,010	790,637,075
July 6, 2026 - August 2, 2026	667,165	117.06	667,165	712,539,339
Total	2,746,502		2,746,502	

(1) Monthly information is presented based on our fiscal months during the second quarter of 2026.

(2) Our board of directors approved a repurchase program authorizing up to $4.0 billion in aggregate, including $1.0 billion initially authorized on November 29, 2023, and additional $1.0 billion increases on May 29, 2024, December 3, 2024, and December 3, 2025. This program does not have an expiration date or require a minimum number of shares to be repurchased. Repurchases may be made on the open market at prevailing prices or through privately negotiated transactions, including under plans pursuant to Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934. The timing and amount of repurchases will depend on market conditions, trading eligibility, and other factors.

The following table summarizes purchases of shares of our common stock during the second quarter of 2026 related to our Employee Share Purchase Plan ("ESPP"):

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]
May 4, 2026 - May 31, 2026	26,546	$ 128.68	26,546	3,991,522
June 1, 2026 - July 5, 2026	39,177	115.63	39,177	3,952,345
July 6, 2026 - August 2, 2026	13,101	116.63	13,101	3,939,244
Total	78,824		78,824	

(1) Monthly information is presented based on our fiscal months during the second quarter of 2026.

(2) 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 of directors 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 is 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 5. OTHER INFORMATION

Trading Arrangements

During the second quarter of 2026, no director or officer of lululemon (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (in each case, as defined in Item 408(a) of Regulation S-K).

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Title	Filed Herewith	Incorporated by Reference			
			Form	Exhibit No.	File No.	Filing Date
10.1*	Non-Employee Director Restricted Stock Unit Award Agreement	X				
10.2*	First Amendment to the lululemon athletica inc. 2023 Equity Incentive Plan		S-8	10.2	333-297306	7/7/2026
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 August 2, 2026, 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, and (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

Interim Co-Chief Executive Officer and Chief Financial Officer

(principal executive officer and principal financial and accounting officer)

Dated: September 3, 2026