

# Lululemon (LULU): 5.6x EV/EBITDA and 10.8x EV/FCF vs. 20.2% ROIC in a Growth Reset

LULU | Lululemon Athletica Inc. | Consumer Cyclical | Apparel - Retail | FY 2025 | 2026-06-16T19:42:01.909Z

At 5.6x EV/EBITDA and 10.8x EV/FCF, the current price embeds skepticism around durability after revenue growth slowed to 4.9% and free cash flow declined -41.8%, despite ROIC of 20.2%, ROE of 31.3%, and net debt/EBITDA of 0.3x supporting a high-return, low-leverage model.

SIGNALCORE VIEW

**Mixed but researchable candidate**

Value / Quality Candidate

SIGNAL SCORE

**64 / 100**

FUNDAMENTAL QUALITY

**71 / 100**

EXPANSION POTENTIAL

**67 / 100**

Derived from growth, expectations and execution evidence

THESIS RISK

**0 / 100**

**PRIMARY DEBATE** — The investable debate centers on whether the slowdown to 4.9% revenue growth and -9.5% EPS growth represents structural deceleration in a premium brand model or a temporary reset within a business that still earns 20.2% ROIC and 31.3% ROE. Evidence: free cash flow growth of -41.8% and operating income growth of -11.8% contrast with a 5Y average EPS growth of 29.7%. Interpretation: near-term earnings pressure challenges the compounder narrative. Implication: the key question is whether the current 5.6x EV/EBITDA multiple is discounting a sustained lower-growth regime.

INVESTMENT NARRATIVE

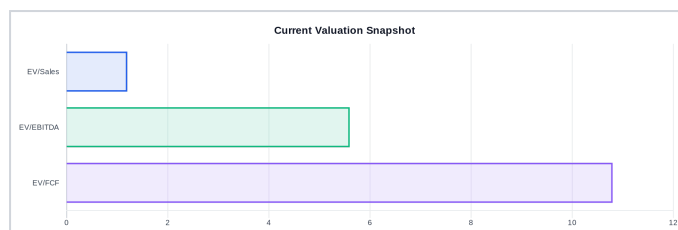
<b>Archetype</b>	<b>Quality compounder with a growth score</b>	<p><b>Core Tension:</b> Long-term high-ROIC, high-ROE brand with supported 5Y growth versus a recent slowdown in revenue and declines in EPS and FCF that raise concerns about structural deceleration and margin pressure</p> <p><b>Market Assumption:</b> Growth durability has challenged and margins/FCF are under pressure, so Lululemon merits a lower multiple despite past outperformance; near-term guidance/macro and product strategy shifts are unlikely to drive quick re-acceleration</p> <p><b>Trajectory:</b> Near-term: slower growth and pressured EPS/FCF keep valuation depressed. Medium-term: if product strategy and digital/AI efforts help re-accelerate top line and restore FCF, multiple re-rates; if not, quality metrics persist but the stock risks becoming a value trap.</p> <p><b>Mispricing Hypothesis:</b> The market is over-extrapolating the latest growth and FCF slowdown, assigning a deep discount to a high-ROIC, low-leverage, consistently beating business; any evidence of re-acceleration or FCF stabilization could drive a valuation reassessment from current low multiples.</p>
<b>Company Type</b>	<b>Premium athleisure apparel and accessories brand with global DTC and company-owned retail channels</b>	
<b>Key Monitoring Metric</b>	<b>Quarterly YoY revenue growth (watch for re-acceleration from the latest 4.9%)</b>	

EVIDENCE MAP

SUPPORTING EVIDENCE	CONTRADICTION EVIDENCE
Latest revenue growth 4.9% versus 5Y revenue growth 21.1%, indicating sharp deceleration	High returns: ROE 31.26% and ROIC 20.23% indicate supported underlying unit economics
Latest EPS growth -9.5% versus 5Y EPS growth 29.7%, suggesting margin/earnings pressure	Low leverage: Net Debt/EBITDA 0.25 suggests financial flexibility
FCF growth -41.8%, reinforcing cash flow concerns	Execution consistency: EPS beat rate 100% and revenue beat rate 75%
Low valuation multiples: EV/EBITDA 5.63 and EV/FCF 10.85; high FCF yield 9.65% and earnings yield 10.83% imply market skepticism	Diverse, scalable omnichannel model (company-owned stores, DTC/e-commerce, wholesale/other) and a global footprint (574 stores across multiple countries as of Jan 30, 2022)
Narrative coverage clusters include earnings_guidance and macro_sector, consistent with cautious outlook and sector headwinds	Narrative coverage on product_strategy and ai_technology implies active initiatives that could support future growth

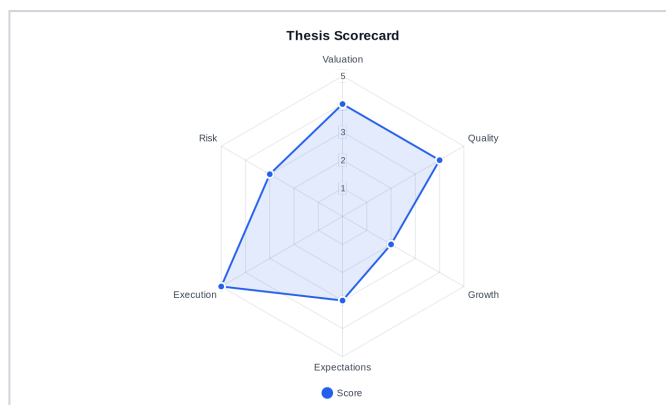
SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
<b>4</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>3</b>
SUPPORTED	SUPPORTED	CHALLENGED	MIXED	SUPPORTED	MODERATE	MIXED



#### CURRENT VALUATION SNAPSHOT

Current multiples are shown separately from historical fiscal-year trend metrics.



#### THEESIS SCORECARD RADAR

Evidence scores summarise valuation, quality, growth, expectations, execution, and risk.

### KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
<b>5.6x</b>	<b>10.8x</b>	<b>9.6%</b>	<b>20.2%</b>	<b>4.9%</b>	<b>-9.5%</b>	<b>-41.8%</b>	<b>100.0%</b>

### EXECUTIVE SUMMARY

<b>Core Tension</b>	Long-term high-ROIC, high-ROE brand with supported 5Y growth versus a recent slowdown in revenue and declines in EPS and FCF that raise concerns about structural deceleration and margin pressure
<b>Market Assumption</b>	Growth durability has challenged and margins/FCF are under pressure, so Lululemon merits a lower multiple despite past outperformance; near-term guidance/macro and product strategy shifts are unlikely to drive quick re-acceleration
<b>Current Pricing</b>	At 1.2x EV/Sales, 5.6x EV/EBITDA, and 10.8x EV/FCF, combined with an earnings yield of 10.8% and free cash flow yield of 9.6%, the current price implies that recent -41.8% free cash flow growth and -9.5% EPS growth will persist.
<b>Valuation</b>	Current EV/EBITDA of 5.6x and EV/FCF of 10.8x compare to fiscal-year latest EV/EBITDA of 7.8x and a 3Y average of 15.9x, and latest EV/FCF of 23.1x versus a 3Y average of 30.5x.
<b>Quality</b>	Quality metrics remain elevated with ROE of 31.3%, ROA of 17.1%, and ROIC of 20.2%, alongside income quality of 1.3 and net debt/EBITDA of 0.3x.
<b>Growth</b>	Growth has decelerated across the income statement: revenue growth 4.9% versus 3Y average 11.2% and 5Y average 21.1%, EPS growth -9.5% versus 3Y average 31.0% and 5Y average 29.7%, and operating income growth -11.8%.
<b>Cash Flow</b>	Latest operating cash flow growth was -29.5% and free cash flow growth was -41.8%, compared to 3Y average free cash flow growth of 118.7% and 5Y average of 72.5%.
<b>Execution</b>	Over 8 quarters, EPS beat rate was 100% and revenue beat rate was 75%, with average EPS surprise of 6.3% and average revenue surprise of 1.0%.
<b>Primary Monitor</b>	Can revenue growth re-accelerate from 4.9% toward the 5Y average of 21.1%?

### THEESIS DRIVERS

SUPPORTING DRIVERS			CONSTRAINTS / MONITORS		
1	EPS Beat Rate	<b>100.0%</b>	1	FCF Growth	<b>-41.8%</b>
2	ROIC	<b>20.2%</b>	2	EPS Growth	<b>-9.5%</b>
3	FCF Yield	<b>9.6%</b>			
4	Revenue Growth	<b>4.9%</b>			

### COMPANY & BUSINESS MODEL

Lululemon Athletica Inc., alongside its subsidiaries, specializes in the design, global distribution, and retail of athletic apparel and accessories for both women and men. Its business operations are structured into two main divisions: company-owned retail establishments and direct-to-consumer sales. The firm's offerings encompass a range of clothing such as pants, shorts, tops, and jackets, all crafted for promoting a healthy lifestyle and facilitating athletic endeavors. These activities span yoga, running, training, and other physically demanding pursuits. Beyond apparel, Lululemon also supplies fitness-related accessories and a selection of footwear. Customers can acquire Lululemon products through numerous channels. These include a global network of corporate-managed stores, outlet locations, and seasonal warehouse sales. The company also sells through an interactive digital workout platform and via wholesale partnerships with entities like yoga studios, health clubs, and fitness centers. Further sales occur through temporary pop-up shops, as well as various licensing and supply agreements. A significant

portion of sales is conducted directly with consumers through dedicated mobile applications and its primary e-commerce website, lululemon.com. By January 30, 2022, Lululemon boasted 574 stores operating under its brand name across numerous international markets. These markets span the United States, Canada, the People's Republic of China, Australia, the United Kingdom, Japan, New Zealand, Germany, South Korea, Singapore, France, Malaysia, Sweden, Ireland, the Netherlands, Norway, and Switzerland. Founded in 1998, Lululemon Athletica Inc. maintains its corporate base in Vancouver, Canada.

## INVESTMENT THESIS

Lululemon, a premium athleisure brand operating 574 stores globally alongside direct-to-consumer channels, trades at 5.6x EV/EBITDA and 10.8x EV/FCF with an earnings yield of 10.8% and free cash flow yield of 9.6% at a price of \$116.82 and market cap of \$13.3B. Evidence: latest revenue growth decelerated to 4.9% versus a 5Y average of 21.1%, EPS growth declined -9.5% versus a 5Y average of 29.7%, and free cash flow growth contracted -41.8%. Interpretation: the market is pricing that growth durability has challenged and that margin and cash flow pressure may persist. Implication: the valuation implies skepticism that the historical return profile, including ROIC of 20.2% and ROE of 31.3%, can translate into renewed earnings and cash-flow expansion. However, capital efficiency remains elevated with ROIC of 20.2% and ROE of 31.3%, while net debt/EBITDA is 0.3x and the current ratio is 2.2, supported by \$2.2B of working capital and \$1.3B of free cash flow to firm. Interpretation: the balance sheet and returns profile remain consistent with a quality compounder rather than a structurally impaired retailer. Implication: if revenue growth re-accelerates from 4.9% and free cash flow stabilizes from -41.8%, the current multiple may not be aligned with the supplied capital efficiency and cash generation metrics.

## INVESTABLE DEBATE

The investable debate centers on whether the slowdown to 4.9% revenue growth and -9.5% EPS growth represents structural deceleration in a premium brand model or a temporary reset within a business that still earns 20.2% ROIC and 31.3% ROE. Evidence: free cash flow growth of -41.8% and operating income growth of -11.8% contrast with a 5Y average EPS growth of 29.7%. Interpretation: near-term earnings pressure challenges the compounder narrative. Implication: the key question is whether the current 5.6x EV/EBITDA multiple is discounting a sustained lower-growth regime.

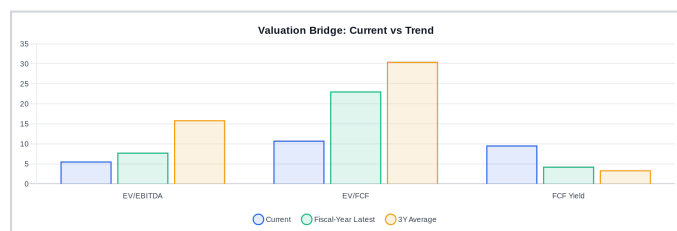
## MARKET EXPECTATIONS

At 1.2x EV/Sales, 5.6x EV/EBITDA, and 10.8x EV/FCF, combined with an earnings yield of 10.8% and free cash flow yield of 9.6%, the current price implies that recent -41.8% free cash flow growth and -9.5% EPS growth will persist. Historically, fiscal-year EV/EBITDA was 7.8x versus a 3Y average of 15.9x, while ROIC was 22.7% versus a 3Y average of 26.2%. Interpretation: multiples have compressed more than returns on capital have deteriorated. Implication: the market is assigning a lower multiple despite ROIC remaining above 20.0%.

## CURRENT VALUATION VS HISTORICAL TREND

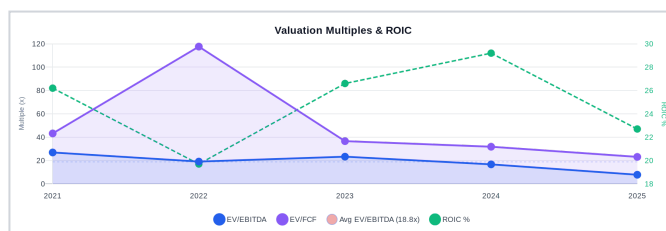
METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	5.6x	7.8x	15.9x	18.8x
EV/FCF	10.8x	23.1x	30.5x	50.5x
FCF Yield	9.6%	4.3%	3.4%	2.6%

Current EV/EBITDA is 5.6x, while fiscal-year trend data shows latest EV/EBITDA of 7.8x versus a 3Y average of 15.9x. Current EV/FCF is 10.8x, while fiscal-year trend data shows latest EV/FCF of 23.1x versus a 3Y average of 30.5x.



### VALUATION BRIDGE: CURRENT VS HISTORICAL TREND

Current EV/EBITDA is 5.6x, while fiscal-year trend data shows latest EV/EBITDA of 7.8x versus a 3Y average of 15.9x.



### VALUATION MULTIPLES & ROIC OVERLAY

Current EV/EBITDA of 5.6x and EV/FCF of 10.8x compare to fiscal-year latest EV/EBITDA of 7.8x and a 3Y average of 15.9x, and latest EV/FCF of 23.1x versus a 3Y average of 30.5x.

## VALUATION ANALYSIS

Current EV/EBITDA of 5.6x and EV/FCF of 10.8x compare to fiscal-year latest EV/EBITDA of 7.8x and a 3Y average of 15.9x, and latest EV/FCF of 23.1x versus a 3Y average of 30.5x. Evidence: ROIC is 20.2% and free cash flow to firm is \$1.3B. Interpretation: valuation multiples are below historical averages while capital efficiency remains above 20.0%. Implication: the current price is behind historical valuation norms relative to returns, but justified if -41.8% free cash flow growth persists.

**QUALITY & CAPITAL EFFICIENCY**

Quality metrics remain elevated with ROE of 31.3%, ROA of 17.1%, and ROIC of 20.2%, alongside income quality of 1.3 and net debt/EBITDA of 0.3x. Fiscal-year ROE was 31.8% versus a 3Y average of 36.8%, and ROIC was 22.7% versus a 3Y average of 26.2%. Interpretation: returns have moderated from peak levels but remain consistent with a premium retail model. Implication: the business retains characteristics of a Compounder rather than a balance-sheet-driven turnaround.



**QUALITY & RETURN PROFILE**

Quality metrics remain elevated with ROE of 31.3%, ROA of 17.1%, and ROIC of 20.2%, alongside income quality of 1.3 and net debt/EBITDA of 0.3x.

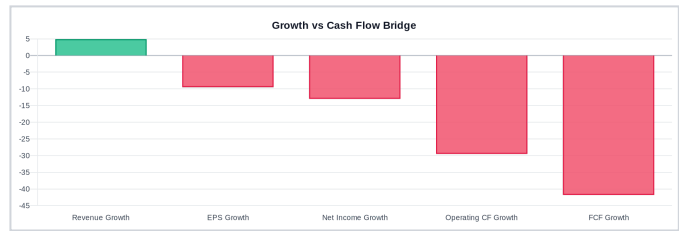
**GROWTH TRAJECTORY**

Growth has decelerated across the income statement: revenue growth 4.9% versus 3Y average 11.2% and 5Y average 21.1%, EPS growth -9.5% versus 3Y average 31.0% and 5Y average 29.7%, and operating income growth -11.8%. Interpretation: the latest fiscal year reflects contraction in profitability after multi-year expansion. Implication: absent improvement from 4.9% revenue growth and -9.5% EPS growth, the compounder classification is at risk of shifting toward a value trap profile.



**HISTORICAL GROWTH TRENDS**

Growth has decelerated across the income statement: revenue growth 4.9% versus 3Y average 11.2% and 5Y average 21.1%, EPS growth -9.5% versus 3Y average 31.0% and 5Y average 29.7%, and operating income growth -11.8%.



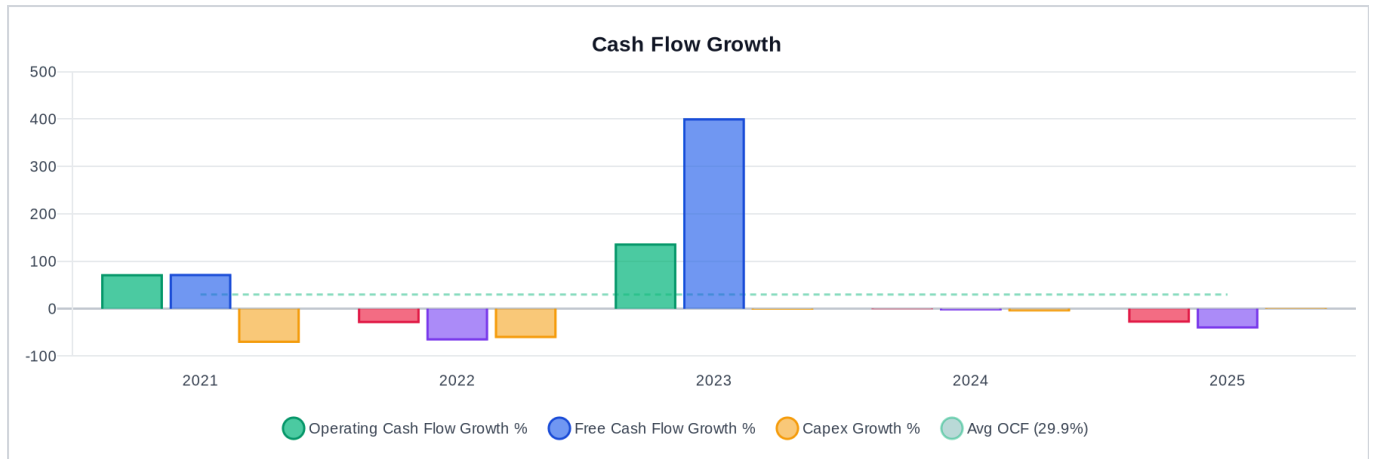
**GROWTH VS CASH FLOW BRIDGE**

Growth has decelerated across the income statement: revenue growth 4.9% versus 3Y average 11.2% and 5Y average 21.1%, EPS growth -9.5% versus 3Y average 31.0% and 5Y average 29.7%, and operating income growth -11.8%.

**CASH FLOW GROWTH & CONVERSION**

Latest operating cash flow growth was -29.5% and free cash flow growth was -41.8%, compared to 3Y average free cash flow growth of 118.7% and 5Y average of 72.5%. Capex growth was 1.2% while operating cash flow declined -29.5%. Interpretation: cash-flow trend has reversed relative to historical averages. Implication: the current 10.8x EV/FCF multiple reflects concern that free cash flow to firm of \$1.3B may not expand near term.

Operating cash flow growth of -29.5% and free cash flow growth of -41.8% indicate that cash conversion is challenged, with capex growth of 1.2% exceeding operating cash flow growth. The cash conversion cycle stands at 121.5 days and fiscal-year cash conversion cycle was 121.6 days. Interpretation: working capital intensity remains elevated while cash inflows contract. Implication: stabilization in operating cash flow growth from -29.5% is required to support the 9.6% free cash flow yield.



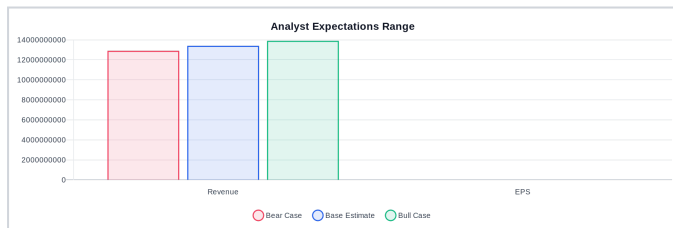
#### CASH FLOW GROWTH — OCF, FCF & CAPEX

Latest operating cash flow growth was -29.5% and free cash flow growth was -41.8%, compared to 3Y average free cash flow growth of 118.7% and 5Y average of 72.5%.

#### ANALYST EXPECTATIONS

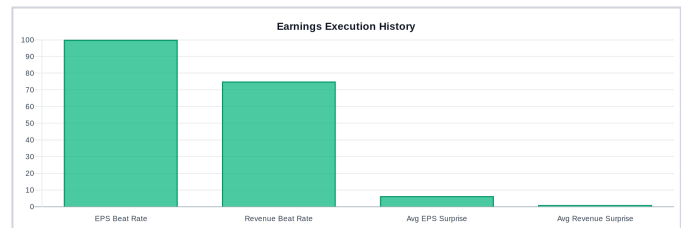
Next Revenue Estimate	<b>\$13.4B</b>
Revenue Bull Case	<b>\$13.9B</b>
Revenue Bear Case	<b>\$12.9B</b>
Next EPS Estimate	<b>15.56</b>
EPS Bull Case	<b>16.35</b>
EPS Bear Case	<b>14.89</b>
Revenue Dispersion	<b>7.23%</b>
EPS Dispersion	<b>9.4%</b>
Revenue Coverage	<b>6</b>
EPS Coverage	<b>1</b>

Next revenue estimate is \$13.4B with revenue dispersion of 7.2% across 6 analysts, while next EPS estimate is \$15.56 with EPS dispersion of 9.4% and only 1 analyst covering EPS. Interpretation: top-line expectations are relatively contained while earnings estimates have limited coverage. Implication: expectations appear Reasonable relative to 4.9% latest revenue growth, but EPS estimate credibility is constrained by analystCoverageEps of 1.



#### ANALYST EXPECTATIONS RANGE

Next revenue estimate is \$13.4B with revenue dispersion of 7.2% across 6 analysts, while next EPS estimate is \$15.56 with EPS dispersion of 9.4% and only 1 analyst covering EPS.



#### EXECUTION HISTORY

Over 8 quarters, EPS beat rate was 100% and revenue beat rate was 75%, with average EPS surprise of 6.3% and average revenue surprise of 1.0%.

#### EXECUTION QUALITY

Quarters Analysed	<b>8</b>
EPS Beat Rate	<b>100.0%</b>
Revenue Beat Rate	<b>75.0%</b>
Avg EPS Surprise	<b>6.3%</b>
Avg Revenue Surprise	<b>1.0%</b>
EPS Beats / Misses	<b>8 / —</b>
Revenue Beats / Misses	<b>6 / 2</b>

Over 8 quarters, EPS beat rate was 100% and revenue beat rate was 75%, with average EPS surprise of 6.3% and average revenue surprise of 1.0%. Interpretation: execution has been more consistent at the earnings line than the revenue line. Implication: historical performance supports the credibility of near-term EPS estimates of \$15.56 despite recent -9.5% EPS growth.

The 100% EPS beat rate over 8 quarters and average EPS surprise of 6.3% contrast with revenue beat rate of 75% and average revenue surprise of 1.0%. Interpretation: management has delivered against earnings expectations even in periods of revenue variability. Implication: while growth slowed to 4.9%, estimate dispersion of 7.2% for revenue suggests consensus stability.

## BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
<p>If revenue approaches the bull case of \$13.9B and EPS reaches \$16.35 while EV/EBITDA remains near 5.6x, then earnings durability would be supported relative to ROIC of 20.2% and free cash flow yield of 9.6%, indicating the current multiple assumes overly persistent contraction.</p> <p>Revenue Bull Case \$13.9B    EPS Bull Case \$16.35 EV/EBITDA 5.6x</p>	<p>If revenue tracks the next estimate of \$13.4B and EPS approximates \$15.56 while free cash flow yield remains 9.6%, then the current 10.8x EV/FCF reflects stable but lower growth consistent with 4.9% recent revenue growth and 20.2% ROIC.</p> <p>Next Revenue Estimate \$13.4B Next EPS Estimate \$15.56    FCF Yield 9.6%</p>	<p>If revenue declines toward the bear case of \$12.9B and EPS falls to \$14.89 while free cash flow growth remains -41.8%, then the 5.6x EV/EBITDA multiple would reflect sustained earnings contraction and declining cash generation.</p> <p>Revenue Bear Case \$12.9B    EPS Bear Case \$14.89 FCF Growth -41.8%</p>

## SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
27%	52%	21%	51 / 100

## 12-24 MONTH CONDITIONAL OUTLOOK

Revenue growth must improve from 4.9% toward the 3Y average of 11.2% to support a shift in perception around durability.

EPS growth must reverse from -9.5% toward the 3Y average of 31.0% to reinforce the 10.8% earnings yield.

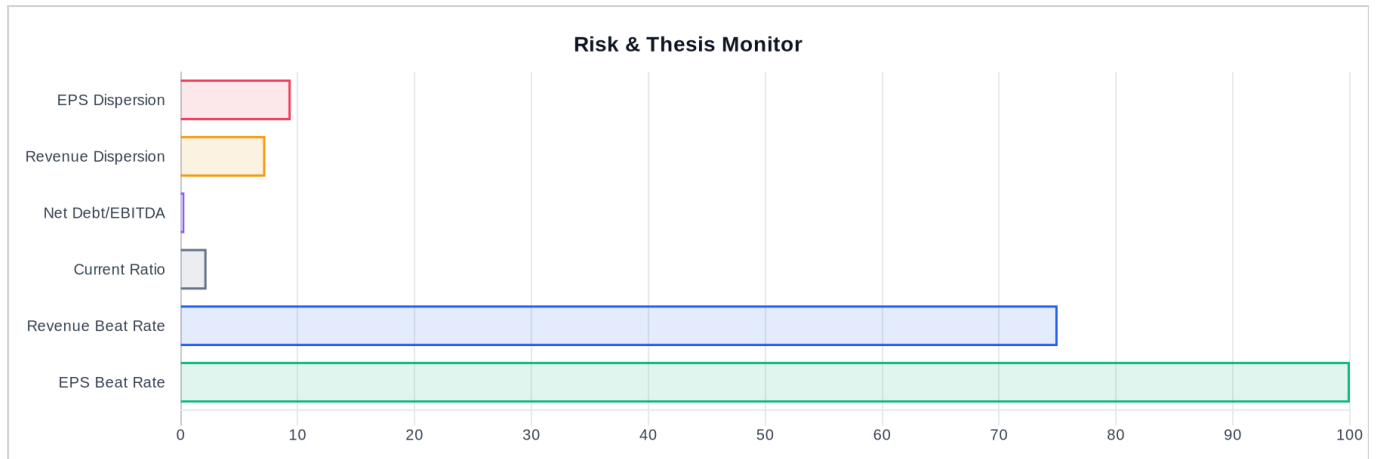
With EV/EBITDA at 5.6x versus a 3Y average of 15.9x, valuation normalization depends on stabilization in free cash flow growth from -41.8%.

A continued EPS beat rate near 100% over additional quarters would reinforce estimate credibility.

If ROIC remains near 20.2% while revenue growth exceeds 4.9%, the valuation case would be supported by alignment between returns and growth.

## THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can revenue growth re-accelerate from 4.9% toward the 5Y average of 21.1%?	If quarterly revenue growth rises above the latest 4.9% and approaches the 3Y average of 11.2%, then the deceleration concern would ease.	If ROIC falls below 20.2% and remains below the 3Y average of 26.2%, then the quality compounder classification challenged.
Will operating cash flow growth recover from -29.5% to positive territory?	If free cash flow growth improves from -41.8% to above 0.0%, then the cash-flow contraction narrative would be challenged.	If revenue growth declines below 4.9% while operating income growth remains -11.8%, then structural deceleration would be reinforced.
Can ROIC remain above 20.2% if operating income growth stays at -11.8%?	If ROIC increases from 20.2% toward the fiscal-year 22.7%, then capital efficiency would trend back toward historical norms.	If free cash flow yield falls below the fiscal-year 4.3% while free cash flow growth remains -41.8%, then cash generation would not support the current 10.8x EV/FCF.



**RISK & THESIS MONITOR**

Can revenue growth re-accelerate from 4.9% toward the 5Y average of 21.1%?

**RISK ASSESSMENT**

DIMENSION	SCORE	LEVEL
Valuation Risk	2 / 5	Low
Growth Risk	4 / 5	Elevated
Execution Risk	1 / 5	Low
Forecast Risk	3 / 5	Moderate
Quality Risk	2 / 5	Low
Overall Risk	3 / 5	Moderate

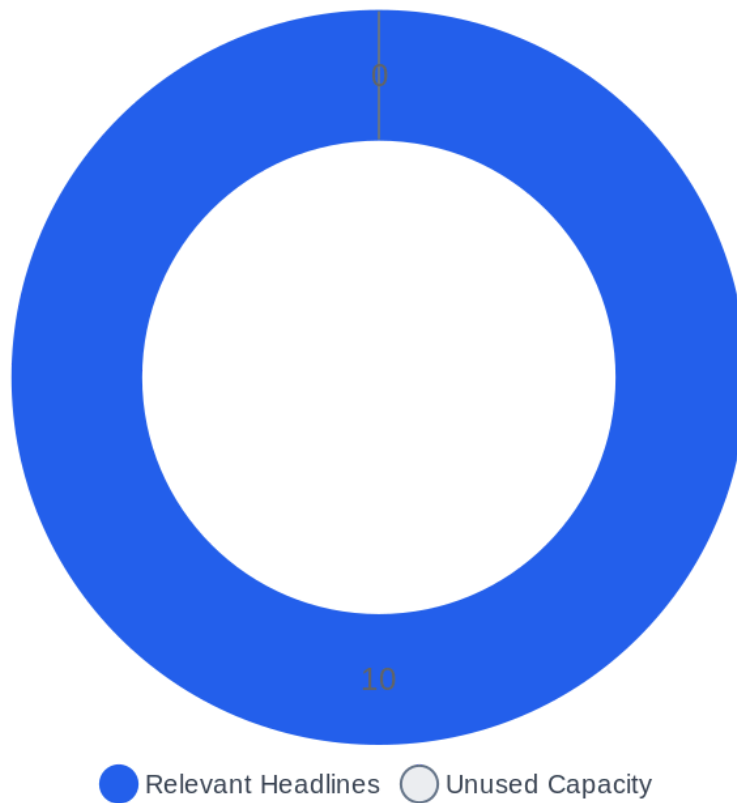
**Composite Risk Score** 2.5 / 5

- Net debt/EBITDA 0.3x limits leverage risk
- Current ratio 2.2 supports liquidity
- Cash conversion cycle 121.5 days indicates working capital intensity

**NEWS NARRATIVE**

The headline "lululemon athletica inc. Announces First Quarter Fiscal 2026 Results" is relevant to monitoring revenue growth currently at 4.9%, but additional evidence is required to determine financial impact. The headline "lululemon Enters into Cooperation Agreement with Chip Wilson; Laura Gentile and Marc Maurer to Join Company's Board of Directors" is relevant to governance oversight while ROE stands at 31.3%, but additional evidence is required to determine financial impact.

## News Context Coverage



### NEWS CONTEXT COVERAGE

Recent relevant coverage clusters around: earnings\_guidance, product\_strategy, ai\_technology, macro\_sector.

### INVESTMENT VIEW

#### EVIDENCE BALANCE

**Mixed evidence balance**

#### CONVICTION

**Medium**

#### RISK LEVEL

**Moderate**

#### CLASSIFICATION

**Value / Quality Candidate**

**Core Thesis:** At 5.6x EV/EBITDA and 10.8x EV/FCF, the current price embeds skepticism around durability after revenue growth slowed to 4.9% and free cash flow declined -41.8%, despite ROIC of 20.2%, ROE of 31.3%, and net debt/EBITDA of 0.3x supporting a high-return, low-leverage model.

**Primary Risk:** Revenue growth sustained below 4.9%

**Monitor:** Can revenue growth re-accelerate from 4.9% toward the 5Y average of 21.1%?