



Lululemon Athletica Inc. (NASDAQ:LULU) Continues to Perform DESPITE Chip Wilson

Description

Chip Wilson is the founder of **Lululemon Athletica Inc.** ([NASDAQ:LULU](#)) and the company's third-largest shareholder, holding 17.4 million shares. No longer on the board of directors, Wilson remains a vocal opponent of the company's game plan.

Recently, in an op-ed for *Retail Insider*, Wilson highlighted the company's glaring weaknesses as part of a bigger diatribe about the outlook for athletic apparel.

"I suspect that Lululemon does not have the courage nor the vision to lower margin and reflect the natural shift to a lower-cost but more profitable e-commerce model," stated Wilson in his June 12th op-ed. "Why? Because uninformed analysts would panic over short-term lower margins and guide investors away from the stock. If the analysts are scared, then so is the Lululemon board, even though their mandate is to drive long-term value."

Wilson, who has generated unrealized gains of \$1.3 billion from LULU stock over the past year, for some reason feels it is necessary to bite the hand that feeds him.

Perhaps that's because Wilson's second foray into apparel — Kit and Ace — has been an abject failure, leaving the one-time CEO with time to ponder what's gone wrong at his old firm.

"Lululemon lacks leadership with the ability to interview and hire superior creative people to differentiate its westcoast branding position," Wilson's op-ed stated. "When Private Equity controls an innovative product company, their route to increase value is usually to buy innovation. When buying innovation, they have to arrange for the founder to join the board or management. So, look for Lululemon to start buying brands to increase value."

I'm not sure if Wilson is suggesting Lululemon should buy Kit and Ace, but if he thinks Lululemon is going to become a Canadian version of **VF Corp.**, there are much worse things in life.

The man needs to get a hobby.

Lululemon is performing just fine without you, Chip. But, hey, thanks for the free advice.

Q1 2018 earnings were stellar

After Lululemon reported its first-quarter earnings June 1 and its stock jumped 16% on the news, I'd [suggested](#) that investors let their positions ride and buy some more should the stock retrace its gains over the next two to three months.

In the 13 days of trading since then, it's gained another 5% and looks ready to move even higher.

Personally, I think Glenn Murphy, Lululemon's executive chairman, along with upper management have done a good job keeping the business on course, while it looks for an appropriate candidate to replace former CEO Laurent Potdevin who left the company under a cloud of controversy.

Wilson might think the company has trouble hiring top talent, but from what I've seen, that hardly seems the case. In April, it hired Patrick Guido as the chief financial officer. Guido just happens to come from VF Corp., so perhaps Wilson is putting two and two together regarding future brand acquisitions.

The fact is, most anyone who is a senior executive of a North American apparel company would love to be the CEO of Lululemon.

The bottom line on LULU stock

Fool contributor Stephanie Bedard-Chateauneuf recently [compared](#) LULU to **Gildan Activewear Inc.** ([TSX:GIL](#))([NYSE:GIL](#)). She came to the conclusion that Lululemon was the better stock due to its growth, but Gildan makes a nice value buy just the same.

I've been a fan of both stocks for several years and couldn't agree more with her assessment.

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