

Lululemon Athletica Inc. (NASDAQ:LULU) Enters Menswear for Growth: Time to Buy?

Description

Lululemon Athletica Inc. (TSX:LLL)([NASDAQ:LULU](#)) is a Canadian company and ex-TSX-traded stock that investors on this side of the border are probably [missing right about now](#).

The yoga pant maker has made huge strides with its direct-to-consumer (DTC) business. Its international growth runway is clear for take off and most remarkably, the menswear segment has shown tremendous promise of late.

More men are shopping at Lululemon and no, it's not to buy their female friends a pair of yoga pants. They've been scooping up Lululemon's line of menswear like it's going out of fashion.

In the company's latest earnings call, management noted that 30% of its new customers for the quarter are men. And as Lululemon continues to move further into the menswear segment, it's not too hard to picture menswear sales outpacing that of womenswear in future quarters.

I admit that sounds really far-fetched, especially considering that Lululemon has been known for years as a manufacturer of women's yoga pants, but lately, you may have noticed there are more men are sporting articles of clothing with that iconic "omega logo" (or is it a seventies-style woman's hairdo?)

It's clear that men are willing to pay up over \$100 for a pair of pants from Lululemon, which I believe will quickly become better known as a unisex brand, not just a retailer of women's yoga pants.

Why has Lululemon's menswear segment shown so much promise?

Innovation.

Yes, Lululemon is yet another prime example of a company within a low-tech industry that's successfully leveraged innovative new tech to its advantage in order to pull ahead of the pack. Nobody has really been bold enough to innovate pants like Lululemon has and consumers are really starting to take notice.

Consider Lululemon's top-selling menswear product, the anti-ball crushing (ABC) pant. And no, I'm not making the name up. That's actually what the pant is called and it reportedly lives up to the name.

The \$138 pant is made of a sweat-wicking Warpstreme™ fabric that's been engineered to stretch four ways, allowing for impeccable comfort and freedom of movement. And they don't look half bad for a pair of men's stretchy pants! In addition to the ABC pant, Lululemon's line of men's \$88 chino shorts has also been flying off the shelves; of course, the shorts also feature Lululemon's exclusive ABC engineered fabric.

I, like many others, have been skeptical over Lululemon's venture into menswear. After all, Lululemon

isn't exactly what you'd call a masculine- sounding name!

After an witnessing the menswear segment crush it in the last quarter, however, I'm buying the story that menswear is the next frontier of explosive growth. I think the company has the capacity to grow its menswear offerings in a way such that it may eventually outpace womenswear sales in future quarters, as far-fetched as that sounds!

With Lululemon firing on all cylinders with men's offerings, I have no doubt that the company will be able to meet (or even exceed) its goal of growing the menswear segment into a \$1 billion business by 2020.

"We're probably a little ahead of schedule with men's in terms of our 2020 goals," said Stuart Haselden, Lululemon's COO. "The ABC pant in men's is probably one of the best. It's clear that our guests have an appetite for this."

Furthermore, the trend of ["athleisure"](#) is clearly driving demand for both men and women alike. With no signs of this trend slowing down, Lululemon could deliver [astronomical amounts of growth](#) to investors like a **Canada Goose Holdings Inc.** would over the next few years assuming the trend doesn't fade away.

Foolish takeaway

The men's wear segment could really send both sales (and earnings) skyrocketing into the stratosphere.

Before backing up the truck, however, I'd strongly urge investors to wait for a meaningful pullback being taking on a large position. The stock has gone parabolic over the past year and the great things are all but baked into the current share price.

For now, I'd encourage investors to just keep Lululemon stock on a watchlist. The next thing you know, the loonie may be back at US\$0.80 and Lululemon shares may snap back to the US\$100 levels.

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