



Lululemon Shares Fall After Reducing Quarterly Expectations

Description

Lululemon (NYSE:LULU) saw shares continue to fall this week after announcing the Omicron variant hit the company hard. The athletic company updated its fourth-quarter earnings expectations due to the virus.

What happened?

Lululemon stated net revenue will be on the low end of its expected range between US\$2.125 billion and US\$2.165 billion. Diluted earnings per share will also be lower to between US\$3.24 and US\$3.31. This compares to net revenue of US\$1.5 billion during the third quarter, a 30% increase year over year. While the company is likely to see some growth thanks to the holidays, the virus is putting an end to any further growth.

Chief Executive Officer Calvin McDonald stated while the holiday season was strong, the variant put strain on the company. This included reduced hours, limited staff, capacity constraints, and more.

So what?

Lululemon continues to dominate the North American athletic yoga apparel category thanks to excellent branding. Health and wellness have also become a major focus during the [pandemic](#), leading to even more demand for the healthy lifestyle company.

Meanwhile, its recent MIRROR acquisition has put it in a position to make revenue and profitability in another area as well. Again, taking advantage from those staying home and wanting to keep fit.

All this is good news, if the company remains open. Lululemon received a huge increase in demand for comfy leisure wear in the work-from-home environment. So, the recent news is a major blow but perhaps one that Motley Fool investors should take advantage of.

Now what?

That's what analysts believe, at least. Many came out after the news suggesting investors [buy the dip](#) in share price. One stated there is "no cause for concern around the brand's health." Therefore, once the variant is under control and stores open once more, Lululemon is likely to soar back upwards.

In fact, Lululemon is certainly [not alone](#) in its updated guidance. Retailers across the world are likely to see softer performance due to the Omicron variant. Further, Lululemon's e-commerce business remains "robust," therefore not decreasing any of the stable demand for the company's products.

Analysts continued to recommend Lululemon as a buy, with a consensus target price of US\$454 as of writing, as the company rebounds and expands its reach further. Shares trade at US\$342 as of writing, representing a potential upside of 33% as of writing.

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