



## 2 Key Metrics to Watch When Lululemon Athletica Reports Earnings

### Description

You don't need to be a yogi to know **Lululemon Athletica** (TSX: LLL)([NASDAQ: LULU](#)).

Even if you've never been in one of the company's community-minded stores, attended a yoga retreat, or worn one of its expensive hoodies, the public relations nightmare caused by the way-too-sheer Luon fabric makes it a near certainty that you know Lululemon.

But what about Lululemon as an investment?

Since the summer of last year, when the company began recalling its defective yoga pants, the stock has lost nearly 45%. From its all-time high of just above \$80, Lululemon stock now trades for around \$43. The stock still carries a premium valuation however, with a price-to-earnings ratio of nearly 23.

Lululemon's performance for its last fiscal year, which ended in February, was well received by the market. Net revenue increased 16% and earnings per share rose 3%, pushing the stock nearly 15% higher during February before giving back those gains over the past three months.

Vancouver-based Lululemon is scheduled to announce its first-quarter results next week. Here are two metrics that investors should be watching closely.

### Same-store sales

Lululemon generates revenue of around \$1,900 per square foot annually from its physical stores, more than any of its competitors — even more in its well-established Canadian stores, but less in U.S. locations.

As Lululemon implements its plans for international expansion, investors need to watch this figure closely and see if the productivity of Canadian stores can be replicated in those outside of the country.

Comparable same-store sales figures are also worth watching. During its last fiscal year, Lululemon grew same-store sales by 4%, but during the latest quarter, same-store sales contracted by 2%. Since the company reports in American dollars, the weaker Canadian dollar made matters worse. Same-

store sales growth in the second quarter will do a lot to reassure investors and analysts that Lululemon is moving in the right direction.

### Online sales

Direct-to-consumer revenue from products sold on its website increased 33% last year and accounted for 16.5% of total company revenue. Lululemon has a goal of achieving 20% of total company revenue from its online shopping platform.

The company does not break down the operating margin for products sold online, but a safe assumption is that it's higher than what's achieved in brick and mortar stores. If Lululemon discovers that its online presence is simply taking existing customers out of physical stores, it better be.

Investors should be watching the success of Lululemon's online merchandising strategy — its higher margin should provide a boost to the company's earnings per share growth.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NASDAQ:LULU (Lululemon Athletica Inc.)

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