Lululemon raises full-year forecasts, unaffected by inflation, China curbs

By Benjamin Fitzgerald - June 2, 2022

Lululemon Athletica on Thursday raised its full-year revenue and profit forecasts on strong demand for athleisure, and said the impact from Covid-19-related lockdowns in China was modest and more than offset by strength in other regions.

Affluent U.S. customers have been helping the premium sportswear maker sustain the sales momentum it attained during the peak of the pandemic despite recent price hikes as they remain unaffected by decades-high inflation in the country.

Lululemon, like many other U.S. companies, has been raising prices on selective products to offset higher costs arising from global supply chain disruptions.

Chief Executive Officer Calvin McDonald said the company has not seen any negative impact on its sales volume as a result of price increases, but added it will "remain cautious around increasing prices in this period of uncertainty."

"We believe that they are a luxury product that is more insulated from the effects of inflation," M Science senior analyst Matthew Jacob said.

The yogawear maker said it was seeing a modest impact from lockdowns in China on its stores and some vendors, but the overall impact on first-quarter revenue was more than offset by strength in other regions.

Rival companies Under Armour, and Adidas have, however, flagged a hit to business from renewed Covid curbs in China.

Shares of Lululemon rose about 2% in extended trading after the company also forecast current-quarter revenue and profit above estimates and posted better-than-expected first-quarter earnings results.
The company expects full-year revenue between $7.61 billion and $7.71 billion, up from its prior forecast of $7.49 billion to $7.62 billion.

It also sees 2022 profit between $9.42 and $9.57 per share, compared with its previous forecast of $9.15 to $9.35.

Lululemon, meanwhile, also forecast 2022 adjusted profit between $9.35 and $9.50 per share, above analysts' average estimate of $9.28, according to IBES data from Refinitiv.

By Benjamin Fitzgerald

Copyright © 2022 FashionNetwork.com All rights reserved.