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Subject: FW: LULU Feedback
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Subject: LULU Feedback

Janney Consumers: Thoughts around LULU situation...these are questions and feedback the desk has received...feeling is that it is a low probability that LULU gets taken out...but thought we would pass along what we have seen and heard...

LULU Feedback and Thoughts:

Knowing recent chatter on LULU...what makes sense?

Chip Wilson owns 27.9% of company...has been selling on a schedule the longer we wait the more he sells...do investors want him running things?

NO THEY DO NOT want him running things

Does Chip Wilson have a good relationship with the board?

Relationship between Chip Wilson and the Board of LULU is very strained

Chip Wilson voted against the Chairman and another board member

Does Chip Wilson want more control?

No...he was/is retired...starting new ventures...he is an entrepreneur...relatively confident that he does not want to come back and run a mature company...

If a strategic buyer is interested, how would a deal be structured?...what currency would be used?...If NKE or VFC would they use cash, stock, or combo?

assumption is all stock - it would be a HUGE cash nut so not all cash and I don't think

investors want them to use their cash for strategic acquisitions...

What would merger agreement look like?...If a stock for stock deal was structured would both shareholders need to vote..and majority only of LULU to vote in favor?

Tough know the answer..but if majority only then Chip Wilson would be forced to get on board...shareholders may not be willing to sell at low, so assume that a decent premium would have to be paid in order to get shareholders to approve

What price could possibly work?

\$50.00/shr works for VFC and still makes transaction accretive...UA committed to building womens segment and is certainly a focus...would think higher premium would be needed... could be advantageous to do a cash deal which would be more accretive using cash/debt combo

***LULU stock price...fundamentally we have a Neutral rating on the stock...Fair Value of \$35.00**

***stock trading with a premium at this point due to the chatter around speculation of a deal**

***miscues by management may attract activist investors and would probably cause stock to move higher in short term...short interest remains high(24% as of 5/30)...although shorts probably have been covering over the last week...**

***desk has been better for sale in the name with long sellers taking risk down...**

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