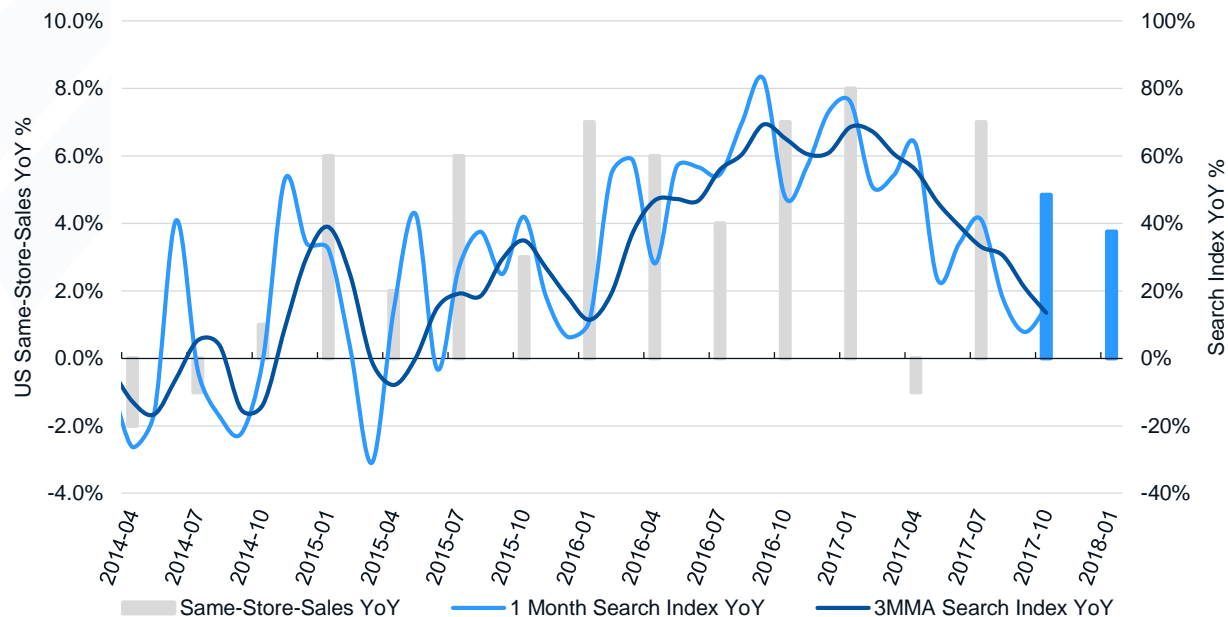


Lululemon: Growth Outlook Weakening



Summary:

There is evidence of weakening momentum for Lululemon. Growth in total online job listings (sourced from Eagle Alpha's data partner), has been on a multiquarter downward trend, and Eagle Alpha's Search Signals indicator also shows negative trends since the beginning of 2017. Both have been early indicators of revenue inflections in the past.

Eagle Alpha Insight:

Two separate longer term oriented datasets are pointing to slowing revenue growth for Lululemon.

Signal: Negative
Conviction: Moderate

See appendix 1 for definitions



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Email: **Ronan.crosson@eaglealpha.com**

Sector: **Consumer Discretionary**
Sub-Sector: **Apparel, Accessories & Luxury Goods**

Companies mentioned: • **Lululemon (LULU)**

1. Datasets

- **Search Signals:** Indicators built from Google Trends that is related to company specific terms associated with company sales.
- **Job Listings:** A unique dataset that indexes greater than 4m jobs directly from over 30,000 employer websites globally on a daily basis.

[See Appendix 1](#) →

2. Backtesting/Significance

- **Search Signals:** The indicator correctly predicted the QoQ direction of YoY revenue growth 80% of the time in in-sample testing.
- **Job Listing:** In recent years, inflections in job listings growth has preempted inflections in revenue growth.

[See Appendix 1](#) →

3. Key Insights

Job listings and search interest both negative for Lululemon

Tracking US active job listings on Lululemon's website has been a valuable indicator of momentum in global revenue growth for Lululemon in the past. Listings growth has been on a downward trend since early 2016, and has actually accelerated to the downside and turned negative in recent months.

Eagle Alpha's Search Signals indicator for Lululemon has also been an indicator of SSS momentum in the past and has been trending down since the beginning of 2017.

[See page 3 & 4](#) →

4. Implications

Both datasets point to the potential for Lululemon to post weaker revenue growth in coming quarters

Negative trends in job listings and search interest are both ominous signals for revenue growth for Lululemon. However, it could take a number of quarters for these trends to play out given our experience of the lead time between inflections in these indicators and revenue growth inflections.

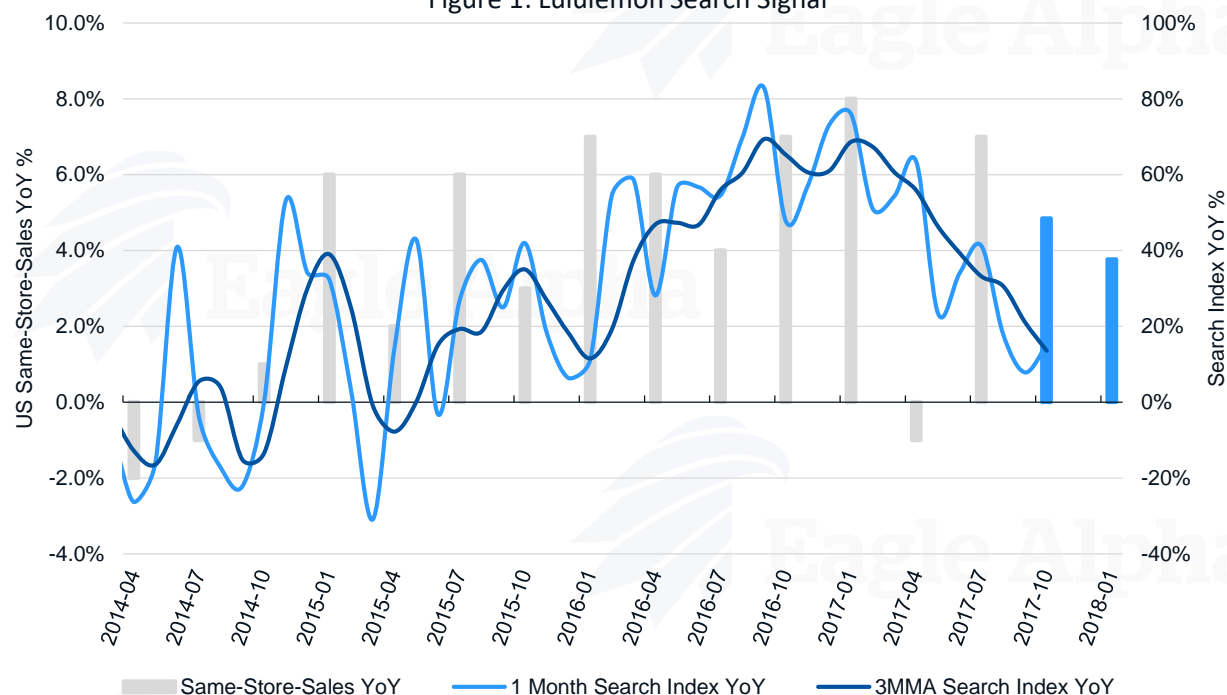
Key Insights

Search Signals continuing the downward trend

Eagle Alpha's Search Signal indicator, built using Lululemon specific terms from Google Trends, peaked in early 2017 and has been on an downward trend since. The 1 month moving average (MMA) crossed below the 3 MMA moving average in February and has been generally below the 3 MMA since then.

The slowing search interest in Lululemon products supports market expectations for US SSS to slow down in the coming quarters.

Figure 1: Lululemon Search Signal



Source: Eagle Alpha Analysis, Google Data ([click here](#) for live chart)

Key Insights

Lululemon job listings data on downward trend

Growth in US active jobs listings from Eagle Alpha's job listings data partner has been trending down since early 2016, in line with the slowdown in Lululemon's revenue growth. The jobs listing data previously stabilized in 2014-2015, tracking stabilizing revenue growth over the same period.

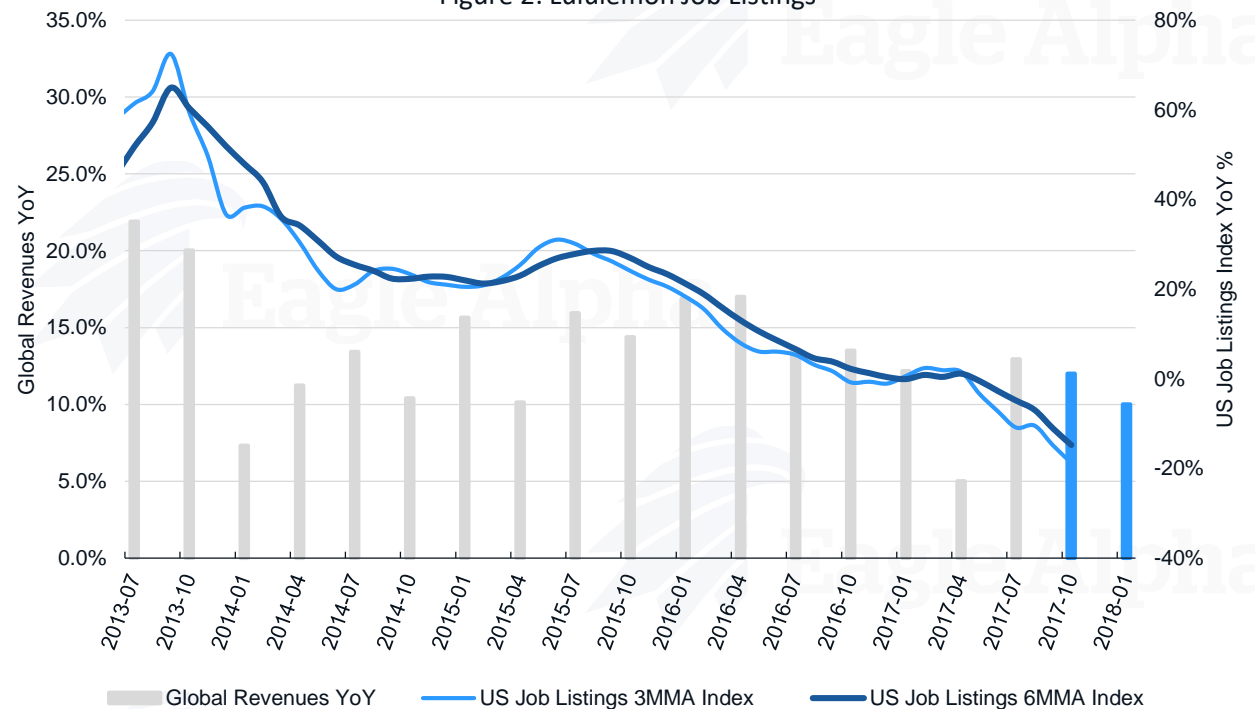
Growth in active jobs listings turned negative in the middle of 2017, and the gap between the 3MMA and 6MMA has also widened in recent months.

Lululemon management appear to be taking a more conservative approach to hiring in the US, a negative omen for future revenue growth for the company.

For more on Eagle Alpha's offering contact:

enquires@eaglealpha.com

Figure 2: Lululemon Job Listings



Source: Eagle Alpha Analysis, Job Listings Data ([click here](#) for underlying data)

Appendix 1:

Data Sources, Methodology and Backtesting



Google Trends Data

[Click here](#) for live charts

Google Trends is a public web facility based on Google Search that shows how often a particular search-term is entered relative to the total search-volume over time across various regions of the world.

The process for constructing indicators for each company using Google Trends includes:

- Research analyst spends time identify relevant terms specific to each company.
- Used third part tools to aid process.
- Examine significance of terms using Adwords.
- Research analyst refines terms for inclusion.
- Build Google Trends index with relevant terms.
- Plot 12, 6, 3 or 1 month moving averages of the index. Chart YoY% move in index to sales or same store sales (SSS).
- Examine chart to see if index leads future changes in revenue or SSS and observe the time lag from a change in the moving average indicator to any change in relevant metrics in future quarters.

Over the last 20 quarters the Lululemon indicator has demonstrated a three-quarter hit rate of 80% in in-sample testing. This means that 80% of the time the three-month moving average has moved in the same direction as same store sales over a three-quarter period.

For more information please [click here](#).

Job Listings Data

Please [click here](#) for more info or contact enquiries@eaglealpha.com.

Completely unique in the industry, the job listing dataset only indexes jobs directly from employer websites. Updated daily with over 4 million jobs from more than 30,000 employers, the platform eliminates duplicate and expired job listings, as well as job pollution. From the core platform, the company has developed an array of products and services and achieved significant market traction in two primary business units: Candidate Sourcing and Job Market Data and Analytics.

Backtesting of the dataset demonstrated alpha in the dataset, with “Jobs Active” producing the highest and most consistent returns. Yearly hedge returns were between 6-8%. For more information please [click here](#).

Isolating company specific job listings data we found use cases where quarterly year over year growth in job listings has demonstrated a strong relationship with year over year revenue growth.

Appendix 2:

Related Eagle Alpha Content



China Autos: Bank Card Spending Signals Potential Weakness

13 November 2017 by DAVID JELLY



Express Inc: Alternative Data Shows Improving Trends

08 November 2017 by RONAN CROSSON



Cracker Barrel: Search Data Suggests Improving Momentum

07 November 2017 by RONAN CROSSON



[TJX: Improving Search Trends Imply Stronger Sales Growth](#)

06 November 2017 by BRENDAN FURLONG



Ross Stores: Search Momentum Positive Into Quarter End

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Dicks Sporting Goods: Indicator Pointing to Further Weakness

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Foot Locker: Search Indicator Inflecting Upwards

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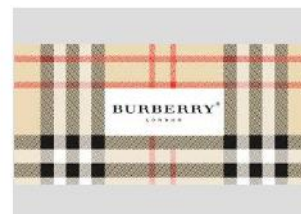
China Autos: Higher Incentives Sign of Caution for Audi China

02 November 2017 by DAVID JELLY



Pandora: Expected Revenue Acceleration in Doubt

20 October 2017 by RONAN CROSSON



Burberry: Online Data Signals Improving Momentum

20 October 2017 by RONAN CROSSON



Fitbit: Data Shows Marginal Improvement in Q3

19 October 2017 by DAVID JELLY

Appendix 3:

About Eagle Alpha



Company Overview

Eagle Alpha is focused on solving the challenges that asset managers face when working with alternative data. The Eagle Alpha solution has six parts:

Teach In

Teach-ins educate our clients to enable them to catch up with the innovators and early adopters in alternative data field.

Thought Leadership

Thought Leadership ensures that our clients do not fall behind the curve regarding how to obtain value from alternative data.

Bespoke Projects

Bespoke Projects enable clients, who don't have the skillset and/or capacity to work with alternative data, to commission specific projects.

Data Insights

Data Insights reports and indicators give clients actionable ideas and demonstrate, based on 4 years of experience, how different types of alternative datasets can be leveraged.

Analytical Tools

Analytical Tools enable clients to obtain proprietary analytics on 90 million data sources for research into items like product launches and elections. In addition, we have a proprietary algorithm that enables clients to build databases of experts.

Data Sources

Data Sourcing keeps clients on top of the world's alternative datasets and ensures they do not miss out on the best datasets.

Appendix 4:

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