INVESTORS EDGE

Lululemon could suit some investors

"I like my money right where I can see It ... hanging in my closet." — Sarah Jessica Parker

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Some studies have shown that on average, shorter men tend to age better and outlive their taller counterparts. Being well under six feet, this is welcome news. But I refuse to shrink as I get older. So, along with a few basic yoga moves, I stretch daily.

However, you will probably never find me at a yoga studio and definitely never catch me wearing a flashy pair of yoga pants, which, needless to say, is better for everyone.

Though I am not participating, there is no denying the recent boom in popularity of yoga, at least here in the United States. This growing industry has not only transformed some of our exercise habits, but has even made cultural inroads in how we dress.

Everyday fashion, particularly amongst women, has increasingly trended towards "athleisure" wear, a combination of athletic and leisure clothing. In fact, amongst women, yoga pants are now more popular than denim, with sales surging an average of 25.7 percent per year since 2010 according to data released by the U.S. Census Bureau.

The company leading the charge is Lululemon, which has both built its retail and cultural success, based on its trendy, recognizable brand, transforming it into a dominating force in women's apparel.

With a location in Destiny USA, Lululemon (ticker symbol: LULU) is a major designer and retailer of athletic, yoga inspired clothing and accessories. The Canadian-based company boasts more than 400 stores and may become the next Nike of yoga apparel.

This year, the company is rolling out bigger-ticket items, such as jackets, sweatshirts, and sneakers.

Since going public roughly 10 years ago, Lululemon has been a powerful growth stock, both well outperforming the S&P 500 and the retail industry. In fact, at the time of this writing, the stock is up over 115 percent over the last year and 70 percent year to date.

While Lululemon markets a variety of apparel items and accessories, the driving force of its success comes from its popular line of yoga and athletic pants.

This growing trend towards athleisure wear, along with Lululemon's widely

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popular brand has set the company on fire. Last quarter, Lululemon experienced a powerful 20 percent increase in comparable sales growth along with a nearly 50 percent increase in online sales.

The company also raked in more than $700 million in revenue and reported strong results across the board, including growing market share, improvement in its menswear clothing line, and expectations for 35 percent plus earnings growth in 2019.

Lululemon's high-quality brand recognition and customer loyalty give the company greater pricing power over its competitors, and industry-leading gross margins of over 50 percent.

Despite already being a dominant leader in women's fitness apparel, Lululemon has a packed pipeline of new products and accessories on its way. This year, the company is rolling out bigger-ticket items, such as jackets, sweatshirts and sneakers.

With only 70 of its more than 400 stores located outside of North America, Lululemon sees significant international expansion opportunity. Particularly, Asia is a major market the company aims to penetrate by rolling out e-commerce sites in China, South Korea, and Japan.

On the broader e-commerce front, the company aims for digital sales to be 30 percent of overall sales by 2020.

Lululemon is a company firing on all cylinders through dominating a growing industry, expanding market share, and boasting the best in-breed products and business margins.

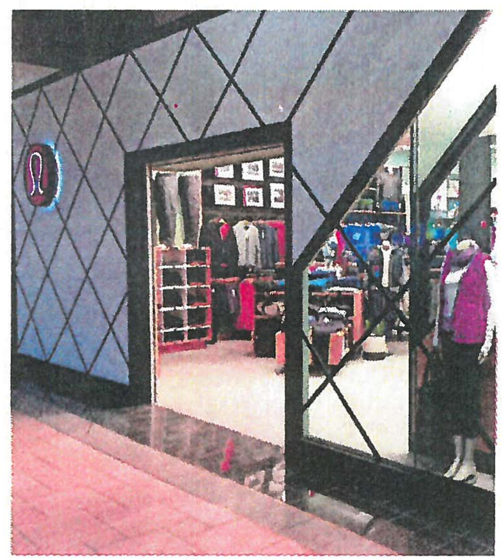
With the stock now roughly 20 percent off its all-time high, the recent dip could be an attractive buying opportunity for local investors to suit up and buy some Lululemon stock.

Finally, as you may recall, in October's column, I warned investors of the pitfalls of investing in speculative, high-flying cannabis stocks.

Well, while October has been a major down month for the market overall, focused cannabis stocks have been crushed across the board with Tilray, Cronos, and Aura Cannabis all down over 25 percent this month alone at the time of this writing.

Bottom line: keep reading Investor's Edge. We aim to send your portfolio higher!

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com.



Lululemon's Syracuse store in Destiny USA.
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