

NEW RISK ALERT: (LULU)

## Lululemon Hints Its \$500 Million Mirror Acquisition May Injure Customers

Yoga pants manufacturer warns its new home fitness device may contain defects that result in personal injury.

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*This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.*

### Lululemon Warns of Personal Injury Due to Possible Mirror Defects

Lululemon, an athleisure apparel brand, is signaling that its recent \$500 million acquisition of Mirror, a wall mounted device that streams virtual fitness classes and allows users to watch themselves work out, may contain product defects that can harm users. In its latest [10-Q](#), Lululemon added new language to its boilerplate product defect Risk Factor specific to glitches with Mirror:

*“Sophisticated operating system software and applications, such as those offered by MIRROR, **often have issues that can unexpectedly interfere with the intended operation of hardware or software products.**”*

Of particular concern is the detail Lululemon provides regarding Mirror's safety:

*“Any defects could make our products and services unsafe and **create a risk of environmental or property damage or personal injury** and we may become subject to the hazards and uncertainties of product liability claims and related litigation.”*

Lululemon then doubles down, reiterating the risk of personal injury:

*“The occurrence of real or perceived defects in any of our products, now or in the future, could result in additional negative publicity, regulatory investigations, or lawsuits filed against us, **particularly if guests or others who use or purchase our MIRROR**”*

***products are injured.*** *Even if injuries are not the result of any defects, if they are perceived to be, we may incur expenses to defend or settle any claims and our brand and reputation may be harmed.”*

Prior to this quarterly report, Lululemon issued three other quarterly reports and its annual report since it acquired Mirror on July 7, 2020. In none of these filings did Lululemon include language warning that Mirror may contain product defects or warnings about the possibility of personal injury. In its latest 10-K, Lululemon uses the word “injury” one time. In its latest quarterly filing, Lululemon uses the words “injury” or “injured” four times.

The new language is no accident. With users already beginning to [complain](#) of connectivity issues with Mirror, the warning regarding possible injury comes a month after Peloton [recalled](#) its treadmill product after dozens of injuries and the death of a child. Lululemon may be acting out of an abundance of caution due to Peloton’s initial resistance in admitting trouble. Or it may be providing inventors an early warning of terrible news to come.