

# ULTA Beauty (ULTA)

Earnings Update  
Hold | Outperform  
Jenna | April 11, 2024



## Overview

Ulta Beauty is a one stop shop for all things beauty. They are known for their open concept shopping experience and their best-in-class loyalty program. Ulta provides quality shopping experience with knowledgeable and hard-working employees. Ulta can offer a variety of products, with a variety of price points. The moat is the intangible assets associated with the customers' loyalty, trademarks, in-store experience, and the rewards program.

Ulta beat the estimates for both revenue and earnings per share. **EPS was \$8.08**, which included the 53<sup>rd</sup> week. This week accounted for \$.46 of eps. The EPS was .68% better than estimates. **Revenue** came in at **\$3.55 Billion** and was also .68% better than estimates. EPS was \$26.19 for the year and revenue was 11.8 billion.

The fourth quarter results are as stated. Net sales had a **10.2%** increase from 2022. Operating income was **15.5%**. Comparable Sales had an increase of **2.5%**. Sales, general, and administrative increased by **7.6%**. There were **13 stores opened** and 2 stores closed. The 2023 results were as stated. Net sales had a **9.8%** increase from 2022 to \$11.2 billion. Operating income increased by **2.4%**. Comparable Sales had an increase of **5.7%**. Sales, general, and administrative increased by **12.5%**. There were **33 stores opened and relocation of 25 stores**.

The Loyalty program is best in class. There are more than 95% of sales coming from members of the loyalty program. Ulta Beauty Rewards enables members to earn points and redeem discounts. Store count total was 1,385 stores across the 50 states in February.

The stock repurchases for the quarter were 352,000 common shares bought for \$159 million. Repurchases for the year were about **\$1 billion worth of stock**. There was a **tax rate decline from 24.6% to 24.2%**, due to a decrease in state income taxes. As previously mentioned, the data from the year was affected by the **53<sup>rd</sup> week**. The Sales General & Administrative increase is due largely to the **transformational agenda investments**. It will increase in the next quarter due to moving projects to the new year.

Ulta offered guidance with estimates for the next year. Share repurchases authorized will increase to \$2 billion. Net sales to \$11.7 billion. Comparable Sales growth of 4-5%. Sales, general, and administrative growth in high single-digits. EPS to \$26.2 to \$27. Gross margin down modestly. Plans to expand into more targets in the next year. Also, expand into Mexico through a joint venture starting in 2025.

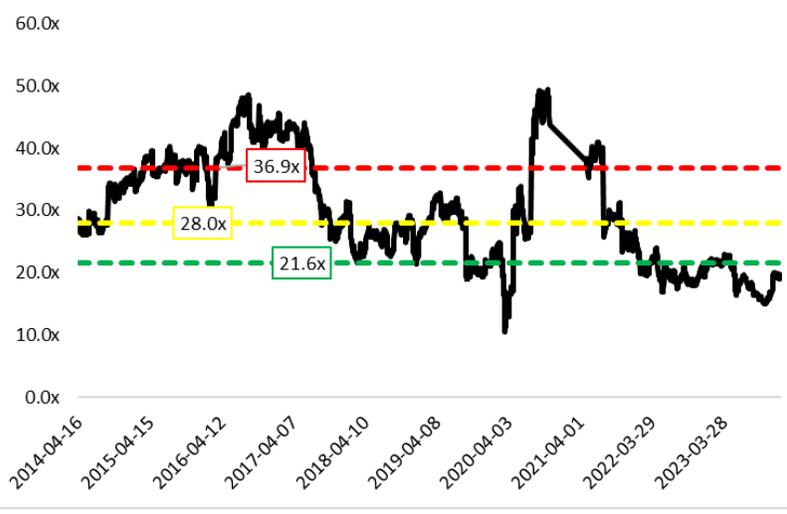
We bought 100 shares of Ulta at \$204.9. The weight in the portfolio is 2.2%. Return is currently 117% return on our investment.

The gross margin is improving and is very close to our threshold. Operating margin improving. Most of the financial measurements meet or exceed our threshold. The obligation ratio is around 2 years.

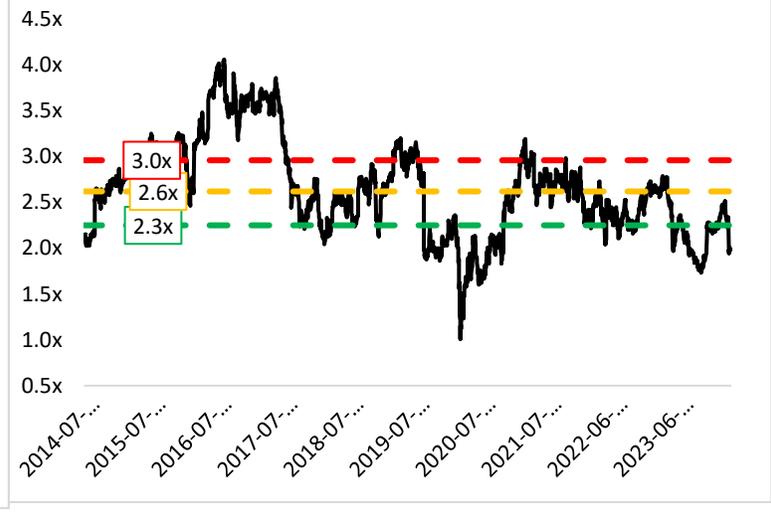
	2015-01	2016-01	2017-01	2018-01	2019-01	2020-01	2021-01	2022-01	2023-01	2024-01	TTM	Trend
<b>IOFS</b>												
Revenue	\$ 3,241	\$ 3,924	\$ 4,855	\$ 5,885	\$ 6,717	\$ 7,398	\$ 6,152	\$ 8,631	\$ 10,209	\$ 11,207	\$ 11,207	Predic
Gross profit	\$ 1,137	\$ 1,384	\$ 1,747	\$ 2,097	\$ 2,409	\$ 2,681	\$ 1,949	\$ 3,369	\$ 4,045	\$ 4,381	\$ 4,381	Predic
Operating Income	\$ 425	\$ 521	\$ 673	\$ 810	\$ 874	\$ 920	\$ 366	\$ 1,307	\$ 1,649	\$ 1,687	#NAME?	Predic
Net Income	\$ 257	\$ 320	\$ 410	\$ 555	\$ 659	\$ 706	\$ 176	\$ 986	\$ 1,242	\$ 1,291	\$ 1,291	Predic
Free Cash Flow	\$ 148	\$ 77	\$ 261	\$ 339	\$ 637	\$ 803	\$ 658	\$ 887	\$ 1,170	\$ 1,041	\$ 2,292	Predic
EBIT	\$ 425	\$ 521	\$ 673	\$ 810	\$ 874	\$ 920	\$ 366	\$ 1,307	\$ 1,649	\$ 1,687	\$ 1,687	Predic
EBITDA	\$ 557	\$ 686	\$ 884	\$ 1,062	\$ 1,153	\$ 1,216	\$ 664	\$ 1,575	\$ 1,891	\$ 1,930	#VALUE!	Predic
Dividend Yield %	0	0	0	0	0	0	0	0	0	0	0	Predic
Gross Margin	35.1%	35.3%	36.0%	35.6%	35.9%	36.2%	31.7%	39.0%	39.6%	39.1%	39.1%	>40%
Operating Margin	13.1%	13.3%	13.9%	13.8%	13.0%	12.4%	6.0%	15.1%	16.2%	15.0%	#NAME?	>20%
Net Margin	7.9%	8.2%	8.4%	9.4%	9.8%	9.5%	2.9%	11.4%	12.2%	11.5%	11.5%	>10%
FCF Margin	4.6%	2.0%	5.4%	5.8%	9.5%	10.9%	10.7%	10.3%	11.5%	9.3%	10.8%	>10%
D&A/ Gross Profit	11.6%	11.9%	12.0%	12.1%	11.6%	11.0%	15.3%	8.0%	6.0%	5.6%	5.6%	<60%
R&D/ Gross Profit	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	<60%
SG&A/ Gross Profit	62.6%	62.4%	61.5%	61.4%	63.7%	65.7%	81.2%	61.2%	59.2%	61.5%	61.5%	<80%
SBC/ Revenue	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.5%	0.4%	0.4%	0.4%	<5%
Capex/ Net Income	96.9%	93.5%	91.1%	79.4%	48.5%	42.3%	86.4%	17.5%	25.1%	33.7%	0.337154631	<25%
Dividend Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	#BUSY!	<60%
Shares Outstanding	64.7	64.3	62.9	62.0	60.2	58.1	56.6	54.8	51.7	49.6	565.3	Decre
<b>Returns %</b>												
ROE	#VALUE!										62.4	>15%
ROTE	22.9	23.8	27.4	33.4	36.8	38.2	9.1	56.2	71.6	61.2	62.8	>15%
ROIC	26.6	26.9	28.4	31.8	32.4	24.5	8.0	30.0	35.5	33.7	#NAME?	>15%
ROCE	28.7	30.1	34.9	37.8	37.7	30.2	9.8	37.6	47.8	43.6	44.4	>15%
ROA	14.3	15.2	17.1	20.3	21.6	17.5	3.5	20.0	24.5	23.3	23.7	>15%
ROC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#NAME?	>15%
<b>Leverage &amp; Liquidity</b>												
LT Debt	0	0	0	0	0	1699	1643	1573	1620	1627	1627	
ST Debt	0	0	0	0	0	0	0	0	0	0	#VALUE!	
PF Stock	0	0	0	0	0	0	0	0	0	0	#VALUE!	
Leases*7	0	0	0	0	0	1677	1774	1919	1983	1987	1987	
Pension SF	#CALCULATION?										#CALCULATION?	
Cash	\$ 389	\$ 346	\$ 385	\$ 277	\$ 409	\$ 392	\$ 1,046	\$ 432	\$ 738	\$ 767	\$ 1,817	
Obligation Ratio 1M	(1.5)x	(1.1)x	(0.9)x	(0.5)x	(0.6)x	4.2x	13.5x	3.1x	2.3x	2.2x	#NAME?	<5
Cash/ Revenue	12.0%	8.8%	7.9%	4.7%	6.1%	5.3%	17.0%	5.0%	7.2%	6.8%	8.6%	
<b>Per Share Data</b>												
Revenue	\$ 50.14	\$ 61.05	\$ 77.24	\$ 94.95	\$ 111.61	\$ 127.32	\$ 108.77	\$ 157.38	\$ 197.31	\$ 225.97	#VALUE!	Predic
Owners Earnings	\$ 3.44	\$ 2.64	\$ 5.91	\$ 7.39	\$ 10.34	\$ 7.97	\$ 2.33	\$ 8.75	\$ 17.50	\$ 16.81	\$ 16.81	Predic
Earnings	\$ 3.98	\$ 4.98	\$ 6.52	\$ 8.96	\$ 10.94	\$ 12.15	\$ 3.11	\$ 17.98	\$ 24.01	\$ 26.03	#VALUE!	Predic
Operating Cash Flow	\$ 6.13	\$ 5.85	\$ 10.09	\$ 12.58	\$ 15.89	\$ 18.95	\$ 14.33	\$ 19.32	\$ 28.64	\$ 29.77	#VALUE!	Predic
Free Cash Flow	\$ 2.28	\$ 1.19	\$ 4.15	\$ 5.46	\$ 10.58	\$ 13.82	\$ 11.64	\$ 16.18	\$ 22.61	\$ 20.99	#VALUE!	Predic
Dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	#VALUE!	
Book Value	\$ 19.44	\$ 22.71	\$ 24.95	\$ 29.17	\$ 31.07	\$ 33.60	\$ 35.54	\$ 29.35	\$ 38.91	\$ 47.17	#NAME?	Predic
Tangible Book Value	\$ 19.44	\$ 22.71	\$ 24.95	\$ 29.17	\$ 30.81	\$ 33.35	\$ 35.30	\$ 29.11	\$ 38.67	\$ 46.93	#VALUE!	Predic
<b>Valuation</b>												
PIE	33.2x	36.4x	41.8x	24.8x	26.7x	22.1x	90.0x	20.2x	21.4x	19.3x	17.2x	
P/S	2.6x	3.0x	3.5x	2.3x	2.6x	2.1x	2.6x	2.3x	2.6x	2.2x	2.0x	
P/FCF	57.8x	151.9x	65.6x	40.7x	27.6x	19.4x	24.0x	22.5x	22.7x	23.9x	21.4x	
P/B	6.8x	8.0x	10.9x	7.6x	9.4x	8.0x	7.9x	12.4x	13.2x	10.6x	9.5x	
PEG	1.0x	1.3x	1.7x	1.0x	1.1x	1.1x	11.6x	3.6x	1.5x	0.9x	0.9x	
EV/EBIT	18.7x	21.2x	24.5x	16.2x	19.1x	18.0x	45.3x	15.6x	16.4x	15.1x	13.6x	

## Valuation

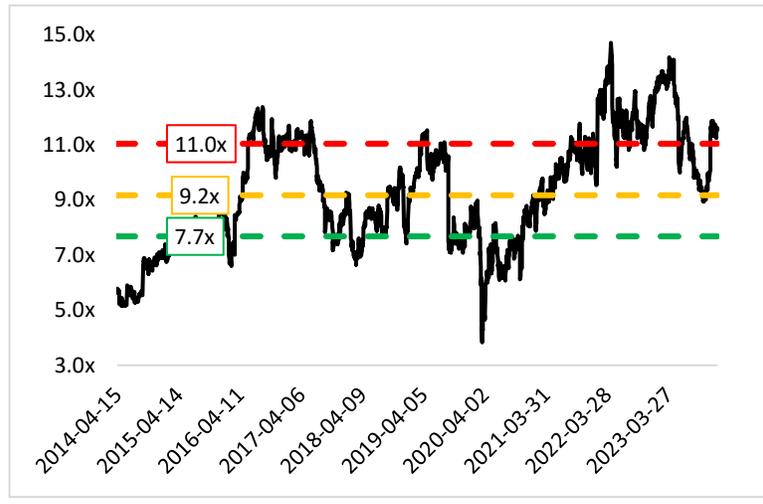
### Price to Earnings



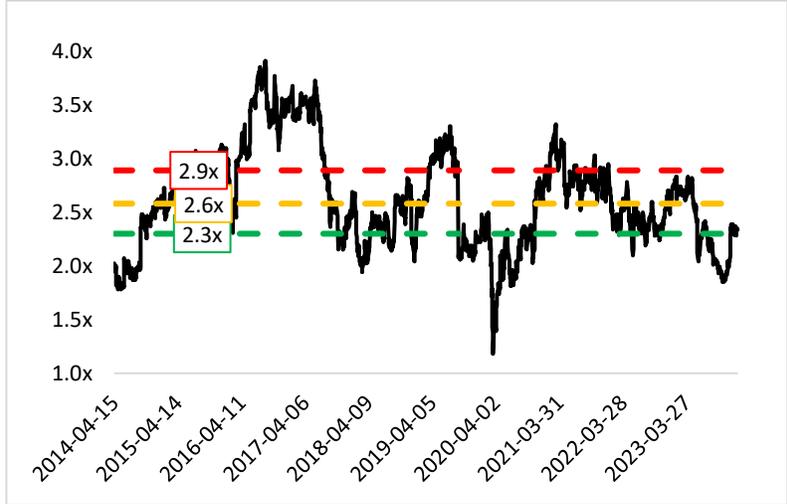
### Price to Sales



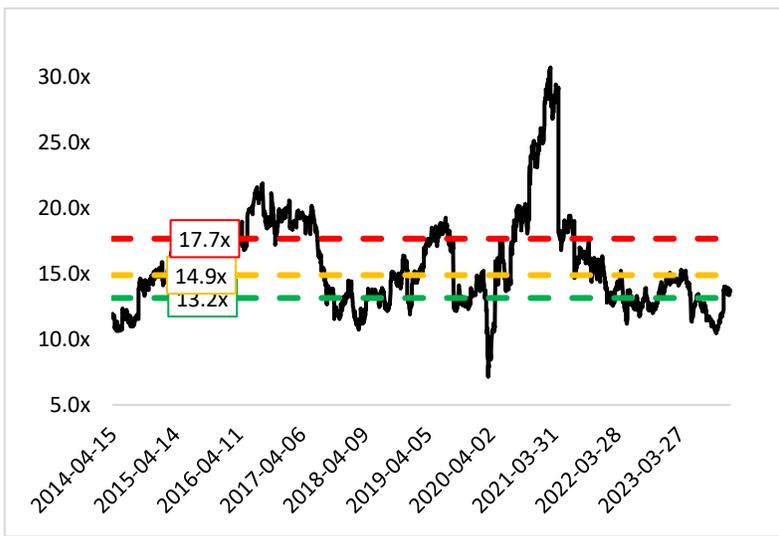
### Price to Book Ratio



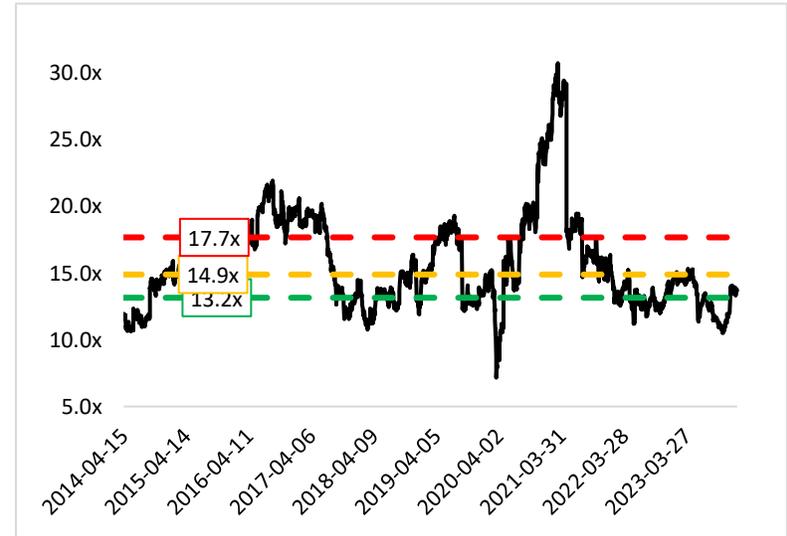
### Enterprise Value/ Revenue



### EV/ EBITA

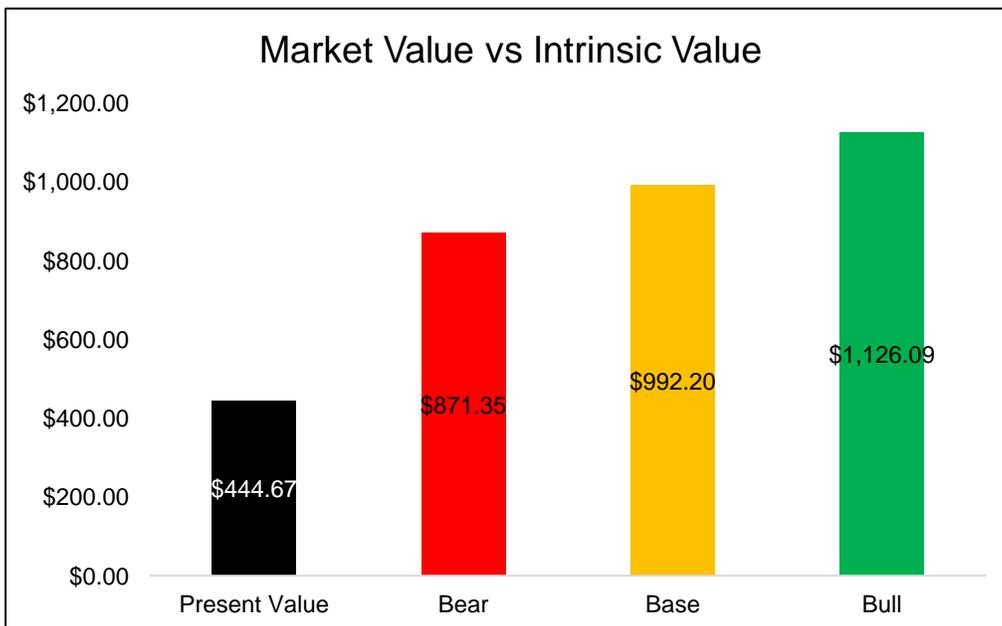


### EV/ EBIT



Ticker: ULTA		5 Year Discounted Cash Flow										
Price: \$444.67								Total Return		5 YR		Annual
								P/E	Price	PV	Return	Return
Bear		<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	25.0x	\$1,252.96	\$777.99	181.8%	<b>23.0%</b>
	EPS	\$26.03	\$29.67	\$33.83	\$38.56	\$43.96	\$50.12	27.0x	\$1,353.20	\$840.23	204.3%	<b>24.9%</b>
			14%	14%	14%	14%	14%	29.0x	\$1,453.44	\$902.47	226.9%	<b>26.7%</b>
Base		<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	25.0x	\$1,426.74	\$885.89	220.9%	<b>26.3%</b>
	EPS	\$26.03	\$30.46	\$35.63	\$41.69	\$48.78	\$57.07	27.0x	\$1,540.87	\$956.76	246.5%	<b>28.2%</b>
			17%	17%	17%	17%	17%	29.0x	\$1,655.01	\$1,027.63	272.2%	<b>30.1%</b>
Bull		<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	25.0x	\$1,619.27	\$1,005.44	264.2%	<b>29.5%</b>
	EPS	\$26.03	\$31.24	\$37.48	\$44.98	\$53.98	\$64.77	27.0x	\$1,748.82	\$1,085.88	293.3%	<b>31.5%</b>
			20%	20%	20%	20%	20%	29.0x	\$1,878.36	\$1,166.31	322.4%	<b>33.4%</b>

Total RoR Sensitivity				
		Est. EPS growth rate		
		14%	17%	20%
P/E	25.0x	23.0%	26.3%	29.5%
	27.0x	24.9%	28.2%	31.5%
	29.0x	26.7%	30.1%	33.4%



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**Outlook on oper Margin** not above 15%, q4 sg&a spend was shifted to q1, manage expenses more tightly **SG&A** due largely to transformational agenda investments