

ULTA (ULTA)

Earnings Update

Hold | Market Perform

Jenna, Logan, Ryker, Justin | March 16, 2025



Overview (Jenna)

- 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

Results (Logan)

- Revenue beat by .59%, was \$3.5B vs \$3.46B expected.
- Earnings per share beat by approx. 18% with an EPS of \$8.46 vs \$7.12 expected.
- Revenue was beat, primarily due to new store contributions and a 3% increase in average ticket. The earnings were beat due to higher average ticket as well as increased profitability/efficiency. Ulta believes most of its challenges are self-inflicted due to the business becoming more complex as it grows and launching new fulfillment choices which have had a slow start.

Key Performance Indicators (Ryker)

- **Net sales grew 1.7% YoY to \$2.5B**
- **Comparable sales growth grew 0.6%**, reflecting its ability to grow organically through existing stores and e-commerce.
- **Loyalty Program Growth was up 5% YoY to 44.4M members.** Their loyalty program is one of their biggest competitive advantages because it allows Ulta to track customer purchasing behavior, personalize marketing offers, and drive repeat visits. This growth means Ulta continues to expand its customer base and retain valuable shoppers.
- **Gross margin declined 20 bps YoY to 39.7%.** Ulta faced slight pressure on profitability due to increased promotions, higher fixed costs, and lower revenue from non-product income sources.

Guidance (Logan)

3 bullet points on the next year and quarter:

- Ulta projects net sales between \$11.5B - \$11.6B, comparable sales 0 – 1%.
- Operating profit expected to decrease by low double digits.
- Expected diluted EPS of \$22.50 - \$22.90, lower than expectations.
- Ulta has three main priorities going forward with their plan Ulta Beauty Unleashed.
 - **Core business growth** – want to have stores with easy navigation, fully stocked, and clean and inviting. As well as brand building, personalization, and digital acceleration.
 - **Scaling new accretive businesses** – focuses on accelerating focus on wellness launching in new marketplaces, introducing key enhancements to Ulta Beauty Media offerings,
 - **Realigning Ulta's foundation with the future** – Centralized all store functions under Amy Bayer Thomas, brought both digital and e commerce teams together under Monica Granato. These steps have been taken along with others, to optimize corporate and field support staff, reducing management layers, and putting resources to higher growth areas that drive the business.

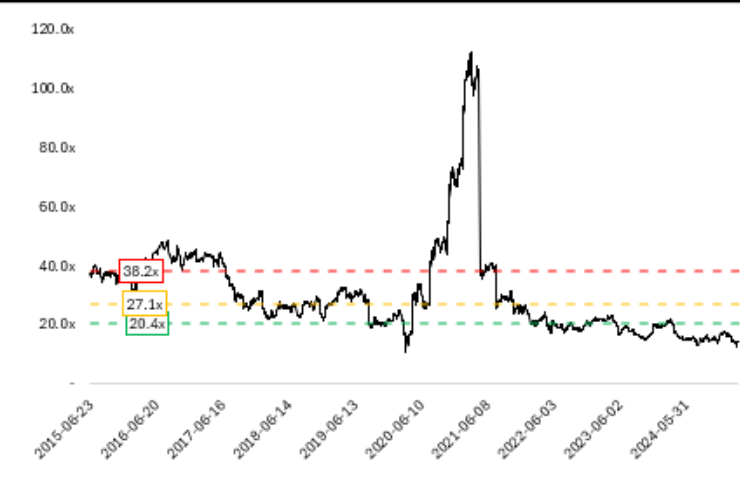
IOFS (Justin)

In Millions Except Per Share Data	2015-01	2016-01	2017-01	2018-01	2019-01	2020-01	2021-01	2022-01	2023-01	2024-01	TTM	Threshold	CAGRS		
													3-Years	5-Years	10-Years
Revenue	\$ 3,241	\$ 3,924	\$ 4,855	\$ 5,885	\$ 6,717	\$ 7,398	\$ 6,152	\$ 8,631	\$ 10,209	\$ 11,207	\$ 11,362		22.1%	10.8%	15.4%
Cost of Goods Sold	\$ 2,105	\$ 2,540	\$ 3,108	\$ 3,788	\$ 4,307	\$ 4,717	\$ 4,203	\$ 5,262	\$ 6,164	\$ 6,826	\$ 6,968		17.5%	9.6%	14.7%
Gross Profit	\$ 1,137	\$ 1,384	\$ 1,747	\$ 2,097	\$ 2,409	\$ 2,681	\$ 1,949	\$ 3,369	\$ 4,045	\$ 4,381	\$ 4,394		31.0%	12.7%	16.6%
Gross Margin %	35%	35%	36%	36%	36%	36%	32%	39%	40%	39%	39%	>	40%		
Selling, General, & Admin. Expense	\$ 712	\$ 863	\$ 1,074	\$ 1,287	\$ 1,535	\$ 1,761	\$ 1,583	\$ 2,062	\$ 2,395	\$ 2,695	\$ 2,813		19.4%	11.9%	16.3%
% of Gross Profit	63%	62%	61%	61%	64%	66%	81%	61%	59%	62%	64%	<	30%		
EBITDA	\$ 557	\$ 686	\$ 884	\$ 1,062	\$ 1,153	\$ 1,216	\$ 664	\$ 1,575	\$ 1,891	\$ 1,930	\$ 1,840		42.7%	10.9%	15.6%
Depreciation, Depletion and Amortization	\$ 132	\$ 165	\$ 210	\$ 253	\$ 279	\$ 296	\$ 298	\$ 268	\$ 241	\$ 244	\$ 260		-6.4%	-2.7%	8.7%
% of Gross Profit	12%	12%	12%	12%	12%	11%	15%	8%	6%	6%	6%	<	10%		
Operating Income	\$ 425	\$ 521	\$ 673	\$ 810	\$ 874	\$ 920	\$ 366	\$ 1,307	\$ 1,649	\$ 1,687	\$ 1,581		66.4%	14.1%	17.2%
Operating Margin %	13%	13%	14%	14%	13%	12%	6%	15%	16%	15%	14%	>	20%		
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 2	\$ -	\$ -				
% of Operating Income	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%	<	35%		
EBIT	\$ 425	\$ 521	\$ 673	\$ 810	\$ 874	\$ 920	\$ 366	\$ 1,307	\$ 1,649	\$ 1,687	\$ 1,581		66.4%	14.1%	17.2%
Tax Rate %	37%	37%	38%	29%	23%	22%	24%	24%	24%	24%	24%				
Net Income	\$ 257	\$ 320	\$ 410	\$ 555	\$ 659	\$ 706	\$ 176	\$ 986	\$ 1,242	\$ 1,291	\$ 1,202		94.4%	14.4%	20.3%
Net Margin %	8%	8%	8%	9%	10%	10%	3%	11%	12%	12%	11%	>	10%		
Shares Outstanding (Diluted Average)	64.7	64.3	62.9	62.0	60.2	58.1	56.6	54.8	51.7	49.6	47.1		-4.3%	-3.8%	-2.6%
EPS (Diluted)	\$ 3.98	\$ 4.98	\$ 6.52	\$ 8.96	\$ 10.94	\$ 12.15	\$ 3.11	\$ 17.98	\$ 24.01	\$ 26.03	\$ 24.99		103.0%	18.9%	23.5%
ROE %	21%	22%	26%	31%	36%	37%	9%	64%	63%	57%	53%	>	15%		
ROC %	21%	22%	26%	31%	36%	37%	9%	64%	63%	57%	48%	>	15%		
Net Income	\$ 257	\$ 320	\$ 410	\$ 555	\$ 659	\$ 706	\$ 176	\$ 986	\$ 1,242	\$ 1,291	\$ 1,202				
Capital Expenditure	\$ 249	\$ 299	\$ 373	\$ 441	\$ 319	\$ 299	\$ 152	\$ 172	\$ 312	\$ 435	\$ 425				
% of Net Income	97%	93%	91%	79%	48%	42%	86%	17%	25%	34%	35%	<	50%		
Free Cash Flow	\$ 148	\$ 77	\$ 261	\$ 339	\$ 637	\$ 803	\$ 658	\$ 887	\$ 1,170	\$ 1,041	\$ 996				
FCF Margin %	5%	2%	5%	6%	9%	11%	11%	10%	11%	9%	9%	>	10%		
Purchase of Business	\$ -	\$ -	\$ -	\$ -	\$ 16	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -				
Dividends Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Dividend Payout Ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	<	60%		
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Repurchase of Stock	\$ 42	\$ 169	\$ 347	\$ 372	\$ 622	\$ 691	\$ 118	\$ 1,538	\$ 907	\$ 1,018	\$ 944				
Stock Based Compensation	\$ 15	\$ 16	\$ 19	\$ 24	\$ 27	\$ 25	\$ 28	\$ 47	\$ 43	\$ 48	\$ 42				
% of Revenue	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.5%	0.4%	0.4%	0.4%				
Obligation Ratio	-2.1x	-1.5x	-1.0x	-0.7x	-0.6x	1.7x	4.1x	1.5x	1.0x	0.9x	1.7x	<	5.0x		
Short-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200				
Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Preferred Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Pension Shortfall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Leases x7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,699	\$ 1,774	\$ 1,919	\$ 1,983	\$ 1,987	\$ 1,995				
Marketable Securities	\$ 150	\$ 130	\$ 30	\$ 120	\$ -	\$ 110	\$ -	\$ -	\$ -	\$ -	\$ -				
Cash and Cash Equivalents	\$ 389	\$ 346	\$ 385	\$ 277	\$ 409	\$ 392	\$ 1,046	\$ 432	\$ 738	\$ 767	\$ 178				

- Both Revenue and Gross Profit have more than tripled over the past decade and continue to expand today.
- Brown Foreman meets the following requirements:
 - Percentage of Depreciation, Depletion, and Amortization out of Gross Profit (6% < 10%)
 - Percentage of Interest Expense out of Operating Income (0% < 35%)
 - Meets the threshold for Net Profit Margin, ROE, ROC
 - Percentage of Capital Expenditure out of Net Income (35% < 50%)
 - Dividend Payout Ratio (0% < 60%)
- Additionally, Brown Foreman is now at a 1.7x Obligation Ratio, which fulfills the threshold of less than 5.0x.

Valuation (Jenna)

Price to Earnings Ratio



Price to Sales



Price to Book Value



Enterprise Value to Revenue



Enterprise Value to EBITDA



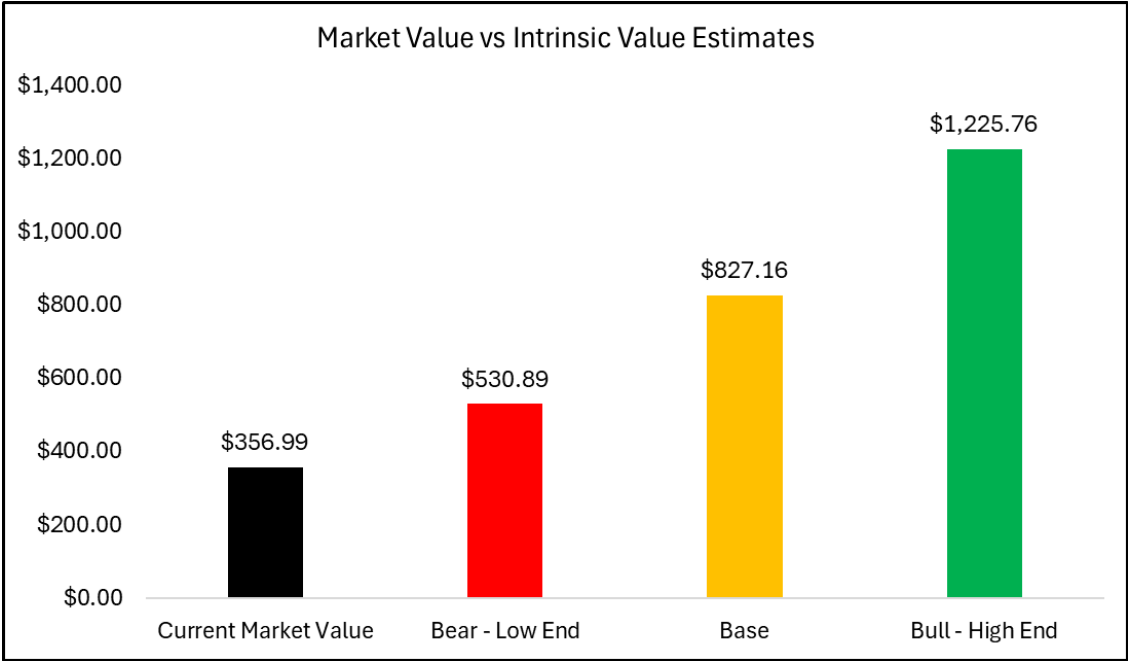
Enterprise Value to EBIT



Valuation:

	Bear	Base	Bull
Net Margin Growth	-1%	0%	1%
Revenue Growth	12%	15%	18%
Share Buybacks	0%	1%	2%
EPS Growth Rate	11%	16%	21%

Ticker:	ULTA												
Price:	\$356.99												
Discount Rate:	10.0%												
Method:	EPS												
Dividend Payout Ratio													
5 Year Discounted Cash Flow								P/E	Price	Present Value	5 YR Return	Return	Return + Dividends
Bear	EPS	2025-01	2026	2027	2028	2029	2030	20.0x	\$855.00	\$530.89	139.5%	19.1%	19.1%
		\$25.37	\$28.16	\$31.26	\$34.70	\$38.51	\$42.75	25.0x	\$1,068.75	\$663.61	199.4%	24.5%	24.5%
			11%	11%	11%	11%	11%	35.0x	\$1,496.25	\$929.05	319.1%	33.2%	33.2%
Base	EPS	2025-01	2026	2027	2028	2029	2030	20.0x	\$1,065.71	\$661.72	198.5%	24.5%	24.5%
		\$25.37	\$29.43	\$34.14	\$39.60	\$45.94	\$53.29	25.0x	\$1,332.14	\$827.16	273.2%	30.1%	30.1%
			16%	16%	16%	16%	16%	30.0x	\$1,598.57	\$992.59	347.8%	35.0%	35.0%
Bull	EPS	2025-01	2026	2027	2028	2029	2030	20.0x	\$1,316.06	\$817.17	268.7%	29.8%	29.8%
		\$25.37	\$30.70	\$37.14	\$44.94	\$54.38	\$65.80	25.0x	\$1,645.08	\$1,021.47	360.8%	35.7%	35.7%
			21%	21%	21%	21%	21%	30.0x	\$1,974.10	\$1,225.76	453.0%	40.8%	40.8%



Total RoR Sensitivity				
P / E	Est. EPS growth rate			
		11.0%	16.0%	21.0%
	20.0x	19.1%	24.5%	29.8%
	25.0x	24.5%	30.1%	35.7%
	30.0x	33.2%	35.0%	40.8%

Hold Ulta because they meet expectations and are expected to grow.