

Fundamental Analysis

10/20/2025

The 4 Risketeers

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Proposed Decision

| | | | |
|------------------------------|------------------------|--------------------------------|------------------|
| Company Name: | Ulta Beauty | Company Ticker: | ULTA |
| Sector: | Consumer Discretionary | Industry: | Specialty Retail |
| Price: | \$537.29 | Target Price: | \$645.57 |
| Market Capitalization | \$23.92B | Perpetuity Growth Range | 3.00% |
| Action: | Buy | Number of Shares | 18 |
| Cost: | \$9,671.22 | Funding Source: | Cash |

Business Overview

Growth Strategy:

"Drive profitable growth and market share leadership in beauty and wellness through growing our comparable sales, expanding omnichannel capabilities, and opening new stores."

- **Product and Service Mix:**

- Retail Products, 29,000 SKUs from ~600 brands
- In-Store Services
- Private Label "Ulta Beauty Collection"

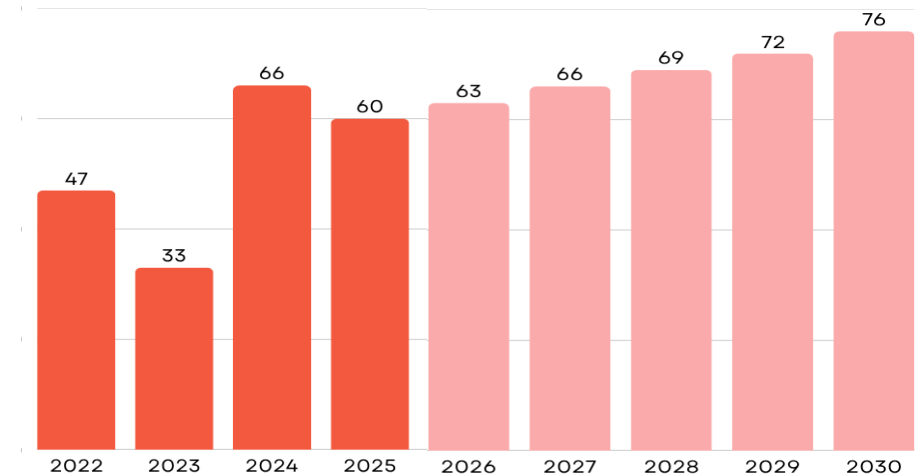
- **Channels / Distribution Access:**

- Physical Stores,
- Digital/E-Commerce,
- International (9 stores in Mexico by the end of 2025, Dubai soon)

- **Customer Loyalty / Data Insights:**

- Loyalty program enables collection of data
- Encourages repeat purchases
- Offers personalized engagement

Expected Store Growth



Industry Overview

- The Global beauty market is forecasted to grow by approximately 5% annually through 2030.
- In 2024, the U.S beauty industry represented approximately **\$118 billion in sales. Ulta had an estimated 9% share in the industry.**

| Market and Financial Data In USD Millions, except for ratios | | | | | | | | | |
|--------------------------------------------------------------|-------------|------------|----------|---------|------------|-------------|-----------|--------|--|
| 5 - 10 Companies preferred, Enterprise Value | LTM Revenue | LTM EBITDA | LTM EBIT | P / E | EV / Sales | EV / EBITDA | EV / EBIT | | |
| ULTA BEAUTY INC | 26,061.0 | 11,654.6 | 2,239.2 | 1,581.5 | 20.4 | 2.2x | 11.6x | 16.5x | |
| SALLY BEAUTY HOLDINGS I | 2,932.8 | 3,689.4 | 429.6 | 330.1 | 8.4 | 0.8x | 6.8x | 8.9x | |
| MACY'S INC | 9,318.6 | 22,702.0 | 1,738.0 | 807.0 | 8.7 | 0.4x | 5.4x | 11.5x | |
| ESTEE LAUDER COMPANIE | 37,258.4 | 14,326.0 | 1,994.0 | (785.0) | 79.1 | 2.6x | 18.7x | -47.5x | |
| INTERPARFUMS INC | 3,528.4 | 1,458.9 | 315.4 | 276.2 | 19.8 | 2.4x | 11.2x | 12.8x | |
| ELF BEAUTY INC | 7,453.4 | 1,342.8 | 236.8 | 156.0 | 65.0 | 5.6x | 31.5x | 47.8x | |
| NU SKIN ENTERPRISES INC | 632.9 | 1,626.3 | 150.2 | (14.0) | 16.6 | 0.4x | 4.2x | -45.3x | |
| UNILEVER PLC | 180,823.4 | 65,033.1 | 13,811.5 | 9,549.7 | 22.7 | 2.8x | 13.1x | 18.9x | |
| COTY INC-CL A | 7,855.3 | 5,892.9 | 1,097.0 | 241.1 | 382.1 | 1.3x | 7.2x | 32.6x | |
| KAO CORP | 20,089.9 | 11,034.7 | 1,630.3 | 1,058.2 | 26.6 | 1.8x | 12.3x | 19.0x | |
| LYKO GROUP AB-A SHARES | 337.9 | 358.5 | 30.8 | 13.8 | 32.5 | 0.9x | 11.0x | 24.5x | |

| Summary | | | | | | |
|-------------|--------|------------|----------|--------------|--------|-------------|
| Metrics | Comps | Implied EV | Net Debt | Equity Value | Shares | Share Price |
| EV / Sales | | | | | | |
| Mean | 1.90x | 22,191.5 | 1,220.0 | 20,971.5 | 46.0 | 456.2 |
| EV / EBITDA | | | | | | |
| Mean | 12.13x | 27,161.6 | 1,220.0 | 25,941.6 | 46.0 | 564.4 |
| EV / EBIT | | | | | | |
| Mean | 8.33x | 13,165.8 | 1,220.0 | 11,945.7 | 46.0 | 259.9 |
| P / E | | | | | | |
| Mean | 66.15x | 79,453.6 | 1,220.0 | 78,233.6 | 46.0 | 1,702.0 |

Investment Thesis

Ulta Beauty (ULTA) is positioned for long-term value creation through its leading market position, new marketplace platform, global expansion, and faster store growth.

Methodology

| | Model | Description | Key Assumptions | Weight |
|---|-----------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 1 | Average | Simple average of Models 2-4 | Equally weights all three methods Reduces single-model bias | 20% |
| 2 | Comparable Companies | Peer company trading multiples | 10-company peer set (Sally Beauty, ELF, Estée Lauder, etc.) Multiples: EV/Sales, EV/EBITDA, EV/EBIT, P/E Bear = 25th percentile, Bull = 75th percentile | 20% |
| 3 | Perpetuity Growth DCF | DCF with Gordon Growth terminal value | Revenue Growth: Rolling five-year CAGR with seasonal considerations Expenses (margins): As a percentage of revenue with special increase in CAPEX WACC: 8.4% | 30% |
| 4 | EBITDA Multiple DCF | DCF with exit multiple terminal value | Same cash flow assumptions as Model 3 Exit Multiple: 11.6x EV/EBITDA (peer median) Terminal Value = Year 5 EBITDA × 11.6x | 30% |

Base DCF

EBITDA Multiple Method - Base

| | |
|---------------------------------------------|-----------|
| Terminal EBITDA at Year 5 | 3,047 |
| Weighted Average Cost of Capital | 8.4% |
| Exit EV / EBITDA Multiple | 11.6x |
| Perpetuity Value at Year 5 ~ Terminal Value | 35,461 |
| Discounted Terminal Value | 23,701 |
| Present Value of Free Cash Flows | 6,071 |
| Enterprise Value | 29,772 |
| Cash, Cash Equivalents & STI | 703 |
| ST Debt | 288 |
| LT Debt | 1,635 |
| Net Debt | 1,220 |
| Minority/Non Controlling Interest | - |
| Equity Value | 28,552 |
| Shares Outstanding | 46 |
| Value Per Share | \$ 621.18 |
| Current Price | 537.29 |
| Estimated Upside | 16% |

Free Cash Flow - Perpetuity Growth Method - Base

| | |
|---------------------------------------------|-----------|
| Free Cash Flow at Year 5 | 1,770 |
| Weighted Average Cost of Capital | 8.4% |
| Perpetuity Growth Rate | 3.0% |
| Perpetuity Value at Year 5 ~ Terminal Value | 33,813 |
| Discounted Terminal Value | 22,599 |
| Present Value of Free Cash Flows | 6,071 |
| Enterprise Value | 28,670 |
| Cash, Cash Equivalents & STI | 703 |
| ST Debt | 288 |
| LT Debt | 1,635 |
| Net Debt | 1,220 |
| Minority/Non Controlling Interest | - |
| Equity Value | 27,450 |
| Shares Outstanding | 46 |
| Value Per Share | \$ 597.20 |
| Current Price | 537.29 |
| Estimated Upside | 11% |

Bull DCF

EBITDA Multiple Method - Base

| | |
|---------------------------------------------|-----------|
| Terminal EBITDA at Year 5 | 4,096 |
| Weighted Average Cost of Capital | 8.4% |
| Exit EV / EBITDA Multiple | 11.6x |
| Perpetuity Value at Year 5 ~ Terminal Value | 47,672 |
| Discounted Terminal Value | 31,862 |
| Present Value of Free Cash Flows | 7,004 |
| Enterprise Value | 38,866 |
| Cash, Cash Equivalents & STI | 703 |
| ST Debt | 288 |
| LT Debt | 1,635 |
| Net Debt | 1,220 |
| Minority/Non Controlling Interest | - |
| Equity Value | 37,646 |
| Shares Outstanding | 46 |
| Value Per Share | \$ 819.01 |
| Current Price | 537.29 |
| Estimated Upside | 52% |

Free Cash Flow - Perpetuity Growth Method - Base

| | |
|---------------------------------------------|-----------|
| Free Cash Flow at Year 5 | 2,168 |
| Weighted Average Cost of Capital | 8.4% |
| Perpetuity Growth Rate | 3.0% |
| Perpetuity Value at Year 5 ~ Terminal Value | 41,410 |
| Discounted Terminal Value | 27,677 |
| Present Value of Free Cash Flows | 7,004 |
| Enterprise Value | 34,680 |
| Cash, Cash Equivalents & STI | 703 |
| ST Debt | 288 |
| LT Debt | 1,635 |
| Net Debt | 1,220 |
| Minority/Non Controlling Interest | - |
| Equity Value | 33,460 |
| Shares Outstanding | 46 |
| Value Per Share | \$ 727.95 |
| Current Price | 537.29 |
| Estimated Upside | 35% |

Bear DCF

EBITDA Multiple Method - Base

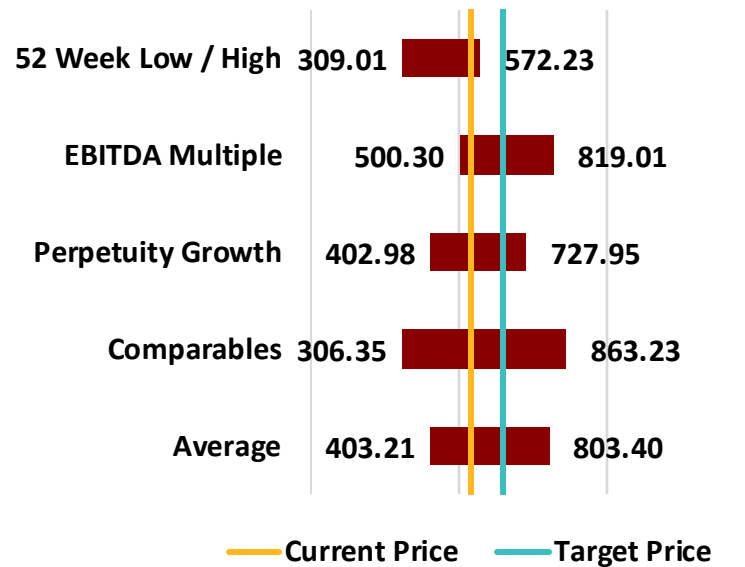
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|----------------------------------------------------|------------------|
| Terminal EBITDA at Year 5 | 2,570 |
| Weighted Average Cost of Capital | 9.0% |
| Exit EV / EBITDA Multiple | 11.6x |
| Perpetuity Value at Year 5 ~ Terminal Value | 29,912 |
| Discounted Terminal Value | 19,441 |
| Present Value of Free Cash Flows | 4,775 |
| Enterprise Value | 24,216 |
| Cash, Cash Equivalents & STI | 703 |
| ST Debt | 288 |
| LT Debt | 1,635 |
| Net Debt | 1,220 |
| Minority/Non Controlling Interest | - |
| Equity Value | 22,996 |
| Shares Outstanding | 46 |
| Value Per Share | \$ 500.30 |
| Current Price | 537.29 |
| Estimated Upside | -7% |

Free Cash Flow - Perpetuity Growth Method - Base

| | |
|----------------------------------------------------|------------------|
| Free Cash Flow at Year 5 | 1,342 |
| Weighted Average Cost of Capital | 9.0% |
| Perpetuity Growth Rate | 3.0% |
| Perpetuity Value at Year 5 ~ Terminal Value | 23,030 |
| Discounted Terminal Value | 14,968 |
| Present Value of Free Cash Flows | 4,775 |
| Enterprise Value | 19,743 |
| Cash, Cash Equivalents & STI | 703 |
| ST Debt | 288 |
| LT Debt | 1,635 |
| Net Debt | 1,220 |
| Minority/Non Controlling Interest | - |
| Equity Value | 18,523 |
| Shares Outstanding | 46 |
| Value Per Share | \$ 402.98 |
| Current Price | 537.29 |
| Estimated Upside | -25% |

Outcomes

Valuation Range and Implied Share Price



| Valuation Scenarios | | | | | |
|---------------------|---------|----------|--------|--------|------------------|
| Model | Base | Bear | Spread | Bull | Valuation Weight |
| Average | 654.67 | 403.21 | 400.19 | 803.40 | 20.0% |
| Comparables | 745.63 | 306.35 | 556.88 | 863.23 | 20.0% |
| Perpetuity Growth | 597.20 | 402.98 | 324.97 | 727.95 | 30.0% |
| EBITDA Multiple | 621.18 | 500.30 | 318.72 | 819.01 | 30.0% |
| 52 Week Low / High | 537.29 | 309.01 | 263.22 | 572.23 | |
| Target Price | 645.57 | 412.90 | | 797.42 | 100.0% |
| Upside (Downside) | | | | | |
| | Current | Bear | Base | Bull | |
| Stock Price | 537.29 | 412.90 | 645.57 | 797.42 | |
| Upside (Downside) | | (124.39) | 108.28 | 260.13 | |
| Upside (Downside) % | | -23.2% | 20.2% | 48.4% | |

WACC Calculation

| Weighted Average Cost of Capital Calculation | | | | | |
|----------------------------------------------|--------|------------------------------------------|----------------------------------|-------------------------------------|--------|
| Source: Bloomberg >>> WACC | | | | | |
| | | | Weighted Average Cost of Capital | 8.4% | |
| Equity | | + Debt | | + Preferred Equity | |
| Cost of Equity | | Cost of Debt | | Cost of Preferred Equity | |
| Risk Free Rate | 4.01% | 1 - Effective Tax Rate | 76.02% | Preferred Dividend | |
| + Equity Risk Premium | 4.80% | Effective Tax Rate | 23.98% | / Preferred Equity | |
| Beta | 0.79 | x Total Pre-Tax Cost of Debt | 3.93% | | |
| x Country / Region Premium | 6.08% | Note Rate x ST Debt as % of Total Debt | 0.52% | | |
| Expected Market Return | 10.09% | Short Term Debt as % of Total Debt | 14.98% | | |
| - Risk Free Rate | 4.01% | x Note Rate | 3.46% | | |
| | | + Bond Rate x LT Debt as % of Total Debt | 3.41% | | |
| | | Long Term Debt as % of Total Debt | 85.02% | | |
| | | Bond Rate | 4.01% | | |
| Total Cost of Common Equity | 8.81% | Total Cost of Debt | 2.99% | Total Cost of Preferred Equity | 0.0% |
| Market Cap | 24,697 | Total Debt | 1,923.23 | Total Preferred Equity | - |
| % of Total Capital | 92.8% | % of Total Capital | 7.2% | % of Total Capital | 0.0% |
| Share Price | 537.29 | ST Debt | 288.11 | Preferred Equity and Hybrid Capital | - |
| Shares Outstanding | 45.97 | LT Debt | 1,635.12 | Total Capital | 26,620 |

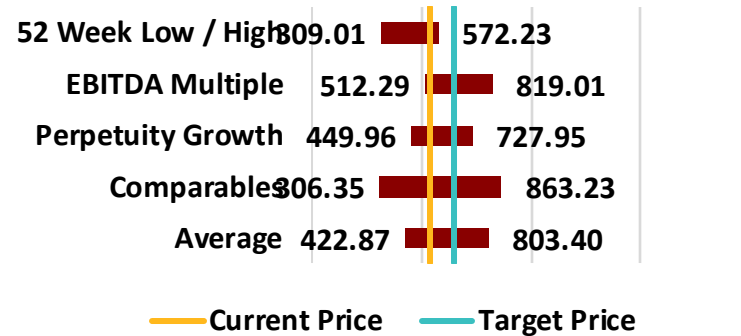
Risks and Mitigants

| Risk | Description | Mitigant |
|------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| Vendor concentration | 54% of sales come from top vendors, increasing supplier dependency | Long-term partnerships, exclusive launches, and short-term contracts to keep up with beauty trends |
| Rising costs | Inflation and wage pressure could compress margins | Omnichannel efficiency and automation investments reduce last-mile and labor costs, supporting margin resilience |
| Competition | Intensifying rivalry from Sephora, Amazon, and mass retailers | Differentiated loyalty ecosystem, salon services, and in-store experiences enhance customer stickiness |
| Discretionary spending | Beauty spend may decline during economic downturns | Wide product range across price tiers and essential beauty demand sustain sales in softer cycles |

Final Recommendation: BUY!

Ulta Beauty Valuation Metrics

Valuation Range and Implied Share Price



Investment Thesis

1

Market Dominance

- Omnichannel Ecosystem
- Mass + Prestige + Salon Services
- Loyalty Moat
- Digital and Service Integration

2

International Expansion

- Mexico and Middle East
- Scalable Infrastructure

SHARES TO BUY: 18

Current Price:
\$537.29

Target:
\$645.57

Upside:
20.15%

Bull:
48.4%

Thank You!



Jaxon Floyd



Gabriela Mostacero



Nicole Matamoros



Kevin Gong