BLUEGRASS
CAPITAL RESEARCH

ULTA Beauty Inc.

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Consumer Cyclical | *Cosmetics*
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ULTAmate Earnings

Amid recent macroeconomic headwinds, including geopolitical tensions in the Middle East that have contributed to market volatility and tariff concerns, ULTA's underlying fundamentals remain resilient. Despite these factors, ULTA is well-positioned to exceed expectations through its strong brand portfolio, loyal customer base, and its strategic push into international expansion through the "ULTA Beauty Unleashed" campaign. These points indicate a favorable long-term outlook. **We initiate $ULTA with a BUY rating and a 5-year PT of $721.**

Thesis Point 1

Ulta Beauty's CEO, Kelcia Steelman, unveiled the "Ulta Beauty Unleased" plan in January 2025. To kick off its efforts in global expansion, on July 10, 2025, they acquired premium beauty retailer Space NK and its 83 stores in the UK and Ireland. Space NK is a luxury retailer for some of the world's most innovative beauty brands. Ulta's acquisition of it marks its first direct entry into the British market. This acquisition will allow the company to diversify its revenue beyond the U.S. and leverage Space NK's brand and network to accelerate international growth without starting from scratch. They also opened their first store in Mexico on August 21, 2025. Since then, they have opened several other stores in various cities in Mexico. In addition to their expansion in Mexico, Ulta partnered with Alshaya Group to open the first Ulta store in the Middle East in Kuwait on November 7, 2025. The expansion continued with a store opening in the Mall of Emirates and the Dubai Mall in early 2026. Ulta's growing global presence will expand its TAM and increase the company's growth potential. It will also strengthen their brand position against competitors who already have a global footprint, like Sephora, Amazon, and Target. Ulta has already proven its successful business model; if replicated abroad, the expansion is scalable and can become a global powerhouse. This long-term growth potential will overall make the business more valuable to shareholders.

Thesis Point 2

Ulta is entering an era that is supported by its strong market position, followed by accelerating growth. Recent projections show that Ulta's earnings per share could accelerate by over 11% in the next year. In addition, there has already been a 91.7% increase in stock value over the past year. Ulta stock has more than doubled from about $300 to a high of $700 since last year. The company's shares have returned +5.5% over the past months, which is significantly higher than Zack's S&P 500 composite +0.8%. Q3 sales exceeded expectations but experienced a drop in profitability compared to Q2 due to increased SG&A expenses (selling, general, and administration), including store payroll and investments in new technology. This decrease may suggest future upside potential and increased profit as Ulta continues to invest more in new technology and incentive compensation that could drive long-term revenue growth and profitability.

Thesis Point 3

One of Ulta's strongest market strategies is its loyalty program, Ulta Beauty Rewards, which accounts for more than 95% of total sales coming from 44.6 million active loyalty members. Membership has significantly grown from 37 million to 44.6 million since 2022. This lowers revenue volatility and makes it easier to predict cash flow. Compared to other retail loyalty programs, which are sold as marketing tools, Ulta has taken a different route. Their loyalty program is treated as an operational engine that influences how the entire business functions. Their loyalty program creates a durable competitive advantage that enhances long-term earnings and increases valuation over time. The data from Ulta's loyalty program helps refine product placements and promotions, signifying higher customer numbers. They have recently been using AI as an engine and accelerator, powering recommendations and personalization to loyalty members. 56% of customers are more likely to repurchase from a company if they receive personalized loyalty rewards and programs. Ulta's loyalty concept has been the leading driver of revenue for the company. Ulta Beauty converts a customer's purchases into points that can be redeemed as discounts, which keep customers engaged. The company's most effective tool is its ability to retarget lapsed loyalty program users. They use paid advertising and communication, all powered by data collected through machine learning and AI.

Company Overview

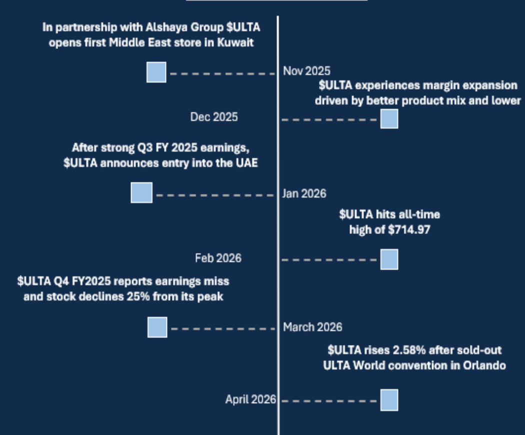
Founded in 1990 by Richard E. George and Terry Hanson, Ulta Beauty Inc. (ULTA) is the largest specialty beauty retailer in the United States and a leading destination for cosmetics, fragrance, skin care, hair care products, and salon services. Headquartered in Bolingbrook, Illinois, Ulta Beauty Inc. operates 1,516 stores across all 50 states and is currently expanding its global footprint. Ulta Beauty Inc. operates a robust e-commerce platform that enhances its omnichannel capabilities, which creates a unified brand interaction. Ulta's unique product assortment of over 25,000 luxury and drug store products, from more than 600 brands, drives the company's competitive advantage. In addition, Ulta's affiliate program serves as a valuable digital marketing channel by leveraging influencers and content creators to drive traffic and online sales through performance-based partnerships. Their mix of strategic partnerships with premier brands and their "shop-in-shop" concept are factors that have led them to be ranked as a top destination for beauty consumers.

ULTA BEAUTY

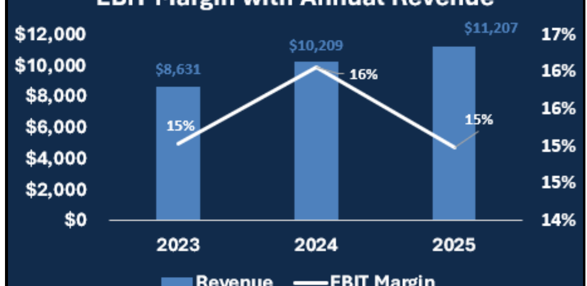
TICKER:	**$ULTA**
RATING:	**BUY**
PRICE:	**$513.69**
PRICE TARGET:	**$721.15**
MARKET CAP:	**$22.02B**
52-W RANGE:	**$402.50-$714.97**
NTM P/E:	**20.35x**
IMPLIED UPSIDE:	**43%**

1 Year Price History

Recent Events Timeline



EBIT Margin with Annual Revenue



ULTA Beauty Inc | NASDAQ: $ULTA
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05/12/26

Risk 1

On August 14th, 2025, Ulta Beauty and Target announced that they will not be renewing the "Ulta Beauty at Target shop-in-shop" partnership. The contract will conclude after five years in August 2026. This collaboration served as a meaningful customer acquisition, revenue, and traffic driver for Ulta. The termination of this partnership may result in slower revenue growth and more pressure on margins due to the loss of shared operational efficiency. The decision not to renew the contract can also raise concerns regarding Ulta's management team's ability to sustain long-term growth initiatives, which would not be ideal, especially with their recent international expansion.

Risk 2

Rising geopolitical tensions in the Middle East have created multiple headwinds for Ulta Beauty. As a result, oil prices have surged 19%, which has driven a sharp increase in inflation. Inflation rose to 3.3% year-over-year in March 2026. Higher fuel costs could reduce customers' discretionary income, which could negatively affect Ulta's gross revenue. At the same time, the spike in oil prices may increase transportation and supply chain costs for the company. These headwinds may compress both gross and operational margins.

Catalysts

On May 7th, 2026, Uber Technologies, Inc. and Ulta Beauty announced the addition of over 1,500 Ulta Beauty stores to the Uber Eats Marketplace. This partnership will allow customers across the U.S. to shop Ulta's expansive assortment of beauty and wellness products for on-demand or scheduled delivery through the Uber Eats app for convenient, same-day delivery. Jodi Williams, the Vice President of eCommerce at Ulta Beauty, stated that, "Partnering with Uber Eats allows us to extend our omnichannel experience, bringing our differentiated assortment of beauty and wellness products directly to our guests' doors with speed and convenience, whether they're planning ahead or need something in the moment." This partnership will expose Ulta's products to millions of existing Uber users who may not regularly shop through their stores, broadening their market.

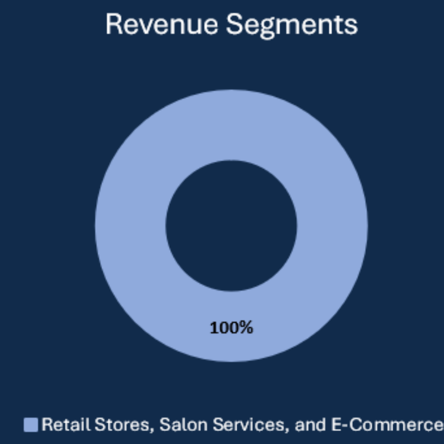
Valuation

DCF Analysis ($mm)	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/30/2030	FY2031 12/31/2031
Revenue	11,296	12,400	13,392	14,396	15,350	16,233	16,963
Revenue Growth	*1%*	*10%*	*8%*	*8%*	*7%*	*6%*	*4%*
Retail Stores, Salon Services, and E-Commerce	11,296	12,400	13,392	14,396	15,350	16,233	16,963
EBIT	1,565	1,650	1,875	1,980	2,072	2,151	2,205
EBIT Margin	*14%*	*13%*	*14%*	*14%*	*14%*	*13%*	*13%*
Tax Expense	379	390	450	476	499	519	534
Effective Tax Rate	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*
NOPAT	1,186.02	1,260.00	1,424.91	1,503.43	1,572.85	1,631.42	1,671.56
D&A	267	385	429	435	437	434	424
Capex	375	490	549	572	591	605	611
Changes in NWC	139	156	268	252	230	203	170
UFCF	940	999	1,037	1,115	1,189	1,258	1,315
PV of FCF		976	953	953	944	929	902

Our base case valuation utilized a 5yr Discounted Cash Flow Model (DCF) to support our PT of $721. This case assumes a 14.5x EBITDA multiple and a revenue CAGR of 8%. We see a spike in revenue from 2025 due to Ulta's international expansion, increasing its total addressable market and creating a new long-term revenue growth catalyst. Revenue growth levels out while EBIT margins remain broadly stable around 13–14%, supporting consistent expansion in operating profit and NOPAT over the forecast period.

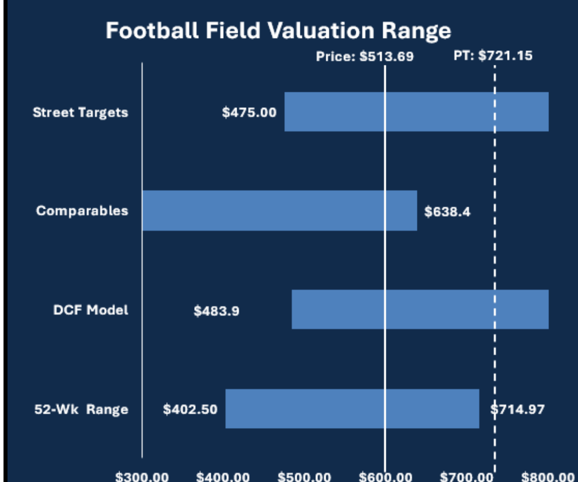
Conclusion

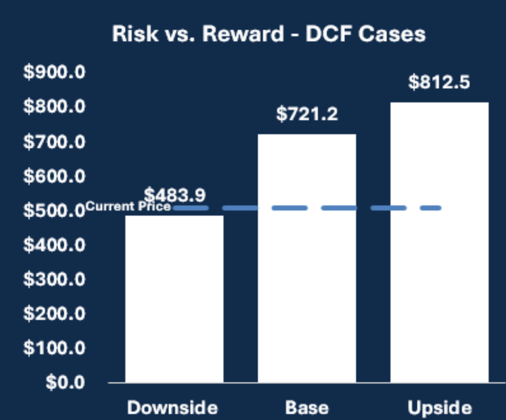
Ulta, the largest specialty beauty retailer in the U.S., is entering a new era of growth and expansion. Through their already successful "Ulta Beauty Unleashed" plan, new stores have opened in Mexico and the Middle East. Alongside the recent acquisition of Space NK from Manzanita Capital, which opens a unique and strategically compelling opportunity to enter the growing UK market with a successful and growing brand. This, paired with their strategic loyalty program, Ulta is creating a broader platform to unlock long-term, profitable growth. **We indicate $ULTA with a BUY rating and price target of $721, implying a 43% return over the next 5 years.**



Terminal Value	
Exit Multiple Method	
2034 EBITDA	$2,629
EV/EBITDA Exit Multiple	14.5x
Terminal Value	$38,125
PV of Terminal Value	$26,116
PV of Projection Period	$5,654
PV of Terminal Value	$26,116
Implied TEV	**$31,770**
(-) Debt	$851
(+) Cash	$494
Implied Equity Value	$31,413
Diluted Shares Outstanding	44
Implied Share Price	**$721.15**
Upside/Downside	42.7%

Implied PGR	2.5%





Income Statement ($mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	11,296	12,400	13,392	14,396	15,350	8.0%
EBITDA	1,832	2,035	2,303	2,415	2,510	8.2%
EBIT	1,565	1,650	1,875	1,980	2,072	7.3%
NOPAT	1,186	1,260	1,425	1,503	1,573	7.3%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	16.2%	16.4%	17.2%	16.8%	16.4%	16.6%
EBIT Margin	13.9%	13.3%	14.0%	13.8%	13.5%	13.7%
Revenue Growth	0.8%	9.8%	8.0%	7.5%	6.6%	6.5%
EBIT Growth	-6.7%	5.4%	13.6%	5.6%	4.7%	4.5%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	23.4x	22.0x	21.2x	19.7x	18.5x	21.0x
EV/Sales	2.0x	1.8x	1.7x	1.6x	1.5x	1.7x
EV/EBITDA	12.2x	11.0x	9.7x	9.3x	8.9x	10.2x
FCF Yield	4.3%	4.5%	4.7%	5.1%	5.4%	4.8%

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Bath & Body Works, Inc. (NYSE:BBWI)	$3,904	$7,907	6.2x	$7,291	$1,410
The Estée Lauder Companies Inc. (NYSE:EL)	$27,564	$33,872	-152.4x	$14,671	$2,205
Five Below, Inc. (NasdaqGS:FIVE)	$13,051	$14,151	36.5x	$4,764	$650
Sally Beauty Holdings, Inc. (NYSE:SBH)	$1,410	$2,794	8.3x	$3,707	$408
ULTA Beauty Inc	$24,202	$25,890	21.6x	$12,393	$1,834

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margir	EBIT Margin	Yr Rev Growth Rate LF
Bath & Body Works, Inc. (NYSE:BBWI)	5.6x	43.8%	19.3%	15.9%	(0.2%)
The Estée Lauder Companies Inc. (NYSE:EL)	15.4x	74.3%	15.0%	9.5%	(3.3%)
Five Below, Inc. (NasdaqGS:FIVE)	21.8x	36.0%	13.6%	9.6%	22.9%
Sally Beauty Holdings, Inc. (NYSE:SBH)	6.8x	51.7%	11.0%	8.4%	(0.5%)
ULTA Beauty Inc	14.1x	43.0%	14.8%	12.4%	9.7%
High	21.79x	74.3%	19.3%	15.9%	22.9%
75th Percentile	15.36x	51.7%	15.0%	12.4%	9.7%
Average	12.74x	49.8%	14.7%	11.2%	5.7%
Median	14.12x	43.8%	0.0%	9.6%	-0.2%
25th Percentile	6.85x	43.0%	13.6%	9.5%	-0.5%
Low	5.61x	36.0%	11.0%	8.4%	-3.3%

ULTA Beauty Inc		
Implied Enterprise Value (25th Percentile)	$	12,558
Implied Enterprise Value (Median)	**$**	**25,890**
Implied Enterprise Value (75th Percentile)	$	28,166
Implied Share Price (25th Percentile)	$	280.10
Implied Share Price (Median)	**$**	**586.16**
Implied Share Price (75th Percentile)	$	638.42

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.89
Risk Free Rate	4.41%
Cost of Equity	6.96%
Weighted Average Cost of Debt	5.51%
Tax Rate	24.00%
Cost of Debt	0.65%
Total Equity	$22,302
Total Debt	$357
Equity/Total Capitalization	84.39%
Debt/Total Capitalization	15.61%
WACC	7.61%

Downside Case: Our downside case presents a -4% downside with a PT of $484 based on a 12.5x EBITDA multiple. Revenue growth steadily decreases due to tariffs and geopolitical tension rising in the Middle East, halting ULTA's expansion and growth in that area.

Upside Case: Our upside case presents a 61% return with a PT of $812 based on a 15.5x multiple. This case assumes a large increase in international revenue growth while still outperforming in its core market by using one of its strongest market strategies, its loyalty program.

Bluegrass Capital Research