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ULTA BEAUTY: GLOBAL EXPANSION
AS THE KEY TO GROWTH

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Abstract

Ulta Beauty is the largest specialty beauty retailer in the United States, with a business model that integrated both mass and prestige cosmetics with in-store salon services. After several years of growth in the domestic market, the company is currently expanding into new locations, notably through Space NK in the UK and Ireland, a partnership with Grupo Axo in Mexico and a franchise agreement with Alshaya in the Middle East.

From a financial perspective, Ulta exhibits a highly attractive profitability and capital efficiency profile. In FY 2024, the company reported revenues of \$11.3 billion and an operating margin close to 14%, positioning itself among the top performers within its peers' group. At the store level, new openings are estimated to deliver roughly \$472 thousand in annual economic profit and a lifetime net present value of approximately \$5 million, assuming a required return of 9.4%.

The company operates with minimal traditional financial debt, relying mainly on leases, which keeps financial risk low and gives substantial flexibility to fund growth and shareholder returns.

Using an Adjusted Present Value framework with a WACC of 9.4% and a terminal growth rate of 4.3%, the analysis results in an intrinsic value of \$859 per share as of December 2026. This valuation implies an upside potential of approximately 43% relative to the reference price and supports a Buy investment recommendation.

Specialty Retailer, Expansion, Minimum Leverage, Strong ROIC

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This report is part of the Ulta Beauty: Global expansion as the key for growth report (annexed), developed by Beatriz Silva Contente and Matilde Henriques Carneira and should be read as an integral part of it.

Table of Contents

- INTRODUCTION..... 5**
- COMPANY OVERVIEW 6**
 - STORE EXPANSION AND STRATEGIC LOCATIONS 6
 - PHYSICAL FOOTPRINT..... 6
 - CORPORATE GOVERNANCE 7
 - COMPETITIVE LANDSCAPE 7
- INDUSTRY OVERVIEW 9**
 - SEGMENT ANALYSIS 9
 - REGIONAL ANALYSIS..... 10
 - GROWTH DRIVERS..... 11
- HISTORICAL FINANCIALS..... 12**
 - RESILIENT SALES 12
 - CONSISTENT MARGINS..... 13
 - SUSTAINED INVESTMENT 13
 - WORKING CAPITAL EFFICIENCY 14
 - HIGH-RETURN BUSINESS MODEL 14
 - SHARE REPURCHASE PROGRAM 15
- VALUATION RESTATEMENTS 16**
- VALUATION 16**
 - TERMINAL VALUE FRAMEWORK..... 16
 - INTRINSIC VALUE ESTIMATION..... 17
 - SENSITIVITY ANALYSIS..... 17
- RISKS AND MITIGATION 18**

Introduction

This joint equity research report provides a detailed analysis of Ulta Beauty, Inc. by evaluating the company's strategic positioning and estimating its intrinsic value. Historically, Ulta has operated predominantly in the United States as a specialty beauty retailer with a mature physical footprint, but the company is currently commencing its international expansion, namely in the UK and Ireland, Mexico and the Middle East. This report also assesses whether this strategy adds significant economic value and if it is reflected in Ulta's current market valuation.

The joint report is composed of five core sections.

It begins with a **Company Overview**, presenting Ulta's business model, product categories, store formats, customer base, governance structure, management involvement, competitive landscape, shareholder structure and historical stock performance.

This is followed by an **Industry Overview**, which analyses the industry in which Ulta operates by revenues, segments and regions as well as its growth drivers.

The third section analyses Ulta's **Historical Financial Performance**, focusing on profitability, store productivity, working capital efficiency, capital intensity and value creation metrics, such as ROIC, RONIC and store-level economic value added.

The fourth section includes **Forecasts and Valuation**, covering store-driven revenue projections, operating cost assumptions, capital expenditures, cost of capital, an APV based valuation method as well as scenario, sensitivity and relative valuation analyses.

Finally, the report concludes with an evaluation of the key **Risks and Mitigation**.

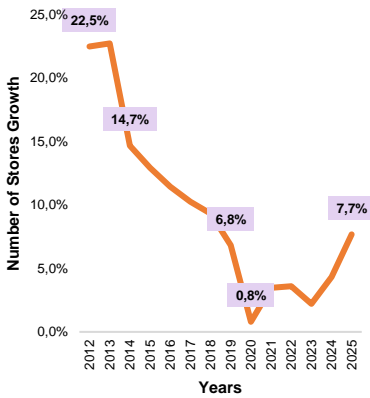
Within this overall structure, this individual report places greater emphasis on the Industry Overview, Historical Financials, Intrinsic Value Estimation and Risks and Mitigation, while my colleague, Beatriz Contente, focused on the Company Overview, Forecasts and Valuation. Nonetheless, it is important to note that all sections of the joint report were developed collaboratively.

Company Overview

Store Expansion and Strategic Locations

- Physical Footprint

From an early start, Ulta Beauty’s focus was to **expand its physical footprint**, growing from **449 stores in 2011** to **1,556 stores currently**, in the United States. Store growth accelerated at the beginning of Ulta’s first major expansion and over 6 years, growth was in double digits. In 2018, total number of stores started to stagnate as existing stores started to mature in key locations. However, in 2023, Ulta resumed its store expansion and by August 2025, store growth already reached **7.7% year-over-year**.



Graph 1: Number of Stores Growth from 2012 to 2025

Source: Annual Reports

Looking ahead, store growth is expected to increase in the next couple years, due to **Ulta’s first major international expansion**, which started in July 2025 with the acquisition of Space NK, in the UK. Besides this first acquisition, Ulta Beauty plans to open 200 new stores until 2027 in Mexico and in the Middle East. This is a major step for Ulta to keep up with its competitors and to gain market share in new regions.

Ulta’s typical stores are approximately **10,000 square feet**, including approximately 950 square feet dedicated to their full-service salon. They were strategically located in convenient, high-traffic locations such as **power centers**. This large store format aligns with US consumers’ preferences for spacious, convenient retail stores. Additionally, Ulta’s in-store salons increase revenues, as service appointments increase store visits, which may result in additional product purchases.

When analyzing Ulta’s geographic distribution, **California, Texas and Florida** stand out as the states with the highest store concentration. These states offer favorable conditions for Ulta, such as **higher population density, higher disposable income and higher concentration of beauty-conscious consumers**. Additionally, in these states, there is a large concentration of **suburban retail hubs**, often alongside other big retailers like Target and Walmart, where rents are lower and foot traffic is high. Moreover, **competition** from other beauty retailers, such as Sephora, is **often lower** in these suburban areas, as Sephora’s smaller physical stores are typically positioned in urban centers and premium malls.

Nevertheless, Ulta also has a **smaller footprint store prototype** ranging between approximately 5,000 and 7,500 square feet which provides increased flexibility to enter smaller markets or shopping centers. This format still allows Ulta to capture

some market share from major players in these areas, such as Sephora, showing Ulta's adaptability when expanding into new markets.

Corporate Governance

ESG

Ulta focuses on establishing strong employee retention rates and inclusivity programs, reducing turnover costs. This leads to operational efficiency and brand reputation. Additionally, Ulta wants to reduce absolute Scope 1 and 2 emissions¹ by 90% by 2030, from which 33% were already reduced in 2024, resulting in lower utility expenses and greater efficiency. Furthermore, Ulta wants to ensure that 50% of consumer packaging will be made from recycled or bio-sourced materials by 2025, with 36% reached in 2024. This may increase packaging costs in the beginning, but part of that cost will be passed on to customers, minimizing margin pressure. Nevertheless, Ulta Beauty Collection and permanent Ulta Beauty exclusive products represented approximately 4% of their net sales in fiscal 2024, which means most of the products sold are third-party's brands, whose packaging Ulta cannot influence. Hence, this measure does not have a great impact on the company's financials and on its overall ESG footprint.

Competitive Landscape

Ulta operates in the retail distribution segment of the broader Beauty & Personal Care industry and competes primarily against **Sephora, Bath & Body Works, Sally Beauty Holdings and e.l.f. Beauty.**

Business Model

Sephora, owned by LVMH, is a global retailer known for its luxurious and trendy products. With over 700 stores in North America, Sephora focuses on prestige makeup, skincare and fragrance, making it less accessible to everyone. **Bath & Body Works** is a vertical retailer in personal care and home fragrance, with more than 1800 locations in the US and Canada. **Sally Beauty Holdings** is a global retailer and distributor, serving both consumers and professionals and with a large presence in the US. Their focus is professional products for hair color and hair care; hence their main target is professional salons. Lastly, **e.l.f. Beauty** is a brand manufacturer, but also a retailer, which sells clean, vegan and cruelty-free cosmetics at a usually lower price than most of its competitors.

Of all these beauty retailers, **Ulta Beauty** stands out for its **broader assortment of products** across **various categories**. Besides, it offers **salon services in their**

¹Scope 1 emissions result from sources directly controlled by the company, while Scope 2 emissions result from purchased electricity, steam, heat or cooling.

stores, allowing customers to have the full beauty experience.

Global Presence

With over 1400 stores, **Ulta Beauty** is the **largest beauty retailer in the US**, surpassing its most fierce peer, Sephora, and well above Bath & Body and Sally Beauty national footprint. However, **outside the US, Ulta is the smallest beauty retailer among its peers**, since it had no international exposure until 2025.

Looking at its peers, **Sephora** is by far the **largest beauty retailer outside the US**, with over **3000 stores** in more than **35 countries** and a strong presence in Europe, Asia and the Middle East. Moreover, **Bath & Body** has more than **530 international locations** within 6 continents and over **40 countries**, while **Sally Beauty** distributes its supplies across **11 countries**. Lastly, **e.l.f. beauty** is present in more than **20 countries**.

Profitability

In terms of profitability, **Ulta** was one of the most profitable beauty retailers among its peers, with an operating margin of around **14% in FY2024**, outperforming **Sephora (7.8%)**, **Sally Beauty (7.6%)** and **e.l.f. Beauty (12%)**. **Bath & Body** was the most profitable one with a **17% margin**, mostly due to its agile supply chain, which is predominantly U.S.-based, and proactive cost management strategies.

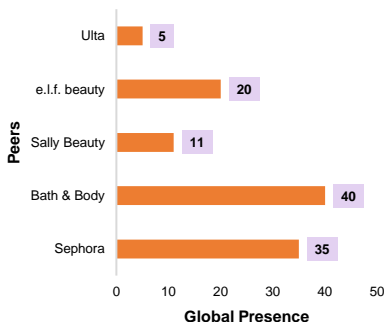
Leverage

Furthermore, when comparing leverage ratios among peers, only Financial Debt was considered, excluding lease liabilities. **Ulta Beauty stands out as the least levered company** in the group, reporting zero outstanding debt in FY2024. **e.l.f. Beauty** also has a low leverage ratio (0.68x), followed by **Bath & Body (2.07x)** and finally by **Sally Beauty** with the highest leverage ratio (3.13x).

Ulta's debt-free profile coupled with its large cash reserves, results in very **low financial risk**. Besides, with a strong balance sheet, Ulta has a lot of flexibility to strategically allocate its capital. This can be seen, for instance, with Ulta's acquisition of Space NK being made with cash on hand and capacity under Ulta Beauty's existing credit facility.

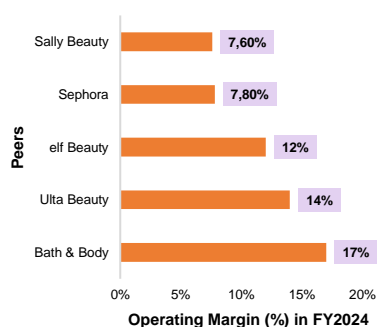
Revenue Growth

Regarding revenue turnover, **e.l.f. Beauty** recorded the highest revenue growth, with **28.0%**, followed by **Sephora** with **5.1%**, **Ulta Beauty** with **0.8%**, and lastly, **Sally Beauty** and **Bath & Body**, both with annual **negative growth of 0.3% and 1.6%**, respectively. Moreover, Ulta's comparable sales only increased 0.7% in FY2024, which is still above Sally Beauty, with only a 0.3% increase.



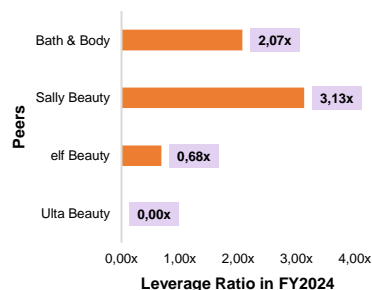
Graph 2: Peers' Global Presence

Source: Annual Reports



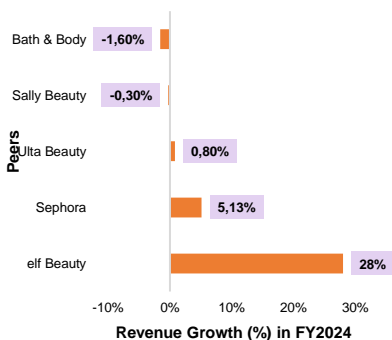
Graph 3: Ulta's peers Operating Margins for FY2024 in %

Source: Annual Reports and Own Calculations



Graph 4: Ulta's peers Leverage Ratios for FY2024

Source: Annual Reports and Own Calculations



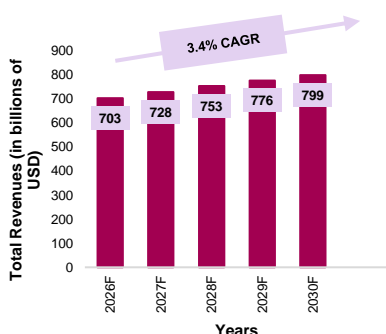
Graph 5: Peers Revenue Growth in % for FY2024

Source: Annual Reports and Own Calculations

Despite Ulta’s broader business model and dominant presence in the US, the company **underperformed relative to its peers in 2024**. One reason may be its **limited international exposure**, leaving the company confined to the macroeconomic conditions of the US market, which, in 2024, was marked by **instability and uncertainty**.

Nevertheless, in 2025, Ulta Beauty started its **international expansion**, entering promising markets, such as **Latin America and the Middle East**, a strategy that will hopefully allow the company to catch up with its peers or even outperform them, given its strong operational track record and brand reputation.

Industry Overview



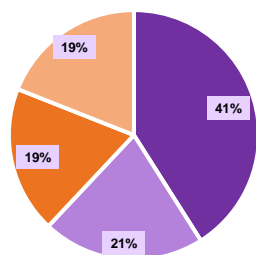
Graph 6: Beauty & Personal Care industry total revenues evolution (in billions of USD)

Source: Statista

Ulta Beauty’s products and services are integrated in the **Beauty & Personal Care Industry**, one of the most dynamic and resilient consumer industries, which continues to show robust growth even amidst economic and geopolitical headwinds. **Global revenues** are projected to reach **\$677.19 billion in 2025**, which represents a **3.9%** increase in 2025, slightly above the projected **3.2%** growth in the global economy.

Historically, the Beauty & Personal Care Industry has shown resilience in moments of economic downturns, which can be explained by the **Lipstick Effect**. According to this theory, consumers still **spend money on small luxury items**, such as lipstick, **during recessions**, since they do not have enough to spend on big-ticket luxury items. Consequently, beauty retailers, such as Ulta, will still benefit from economic downturns.

Furthermore, revenues will grow at a **3.4% CAGR**, from 2025 to 2030 and the **US market**, where Ulta Beauty operates almost exclusively, will **lead in revenue generation with \$105 billion in 2025**. Despite economic instability in the US market, the **Beauty & Personal Care industry will continue to thrive** with a strong focus on organic and natural products.



• Skincare • Haircare • Colour Cosmetics • Fragrance

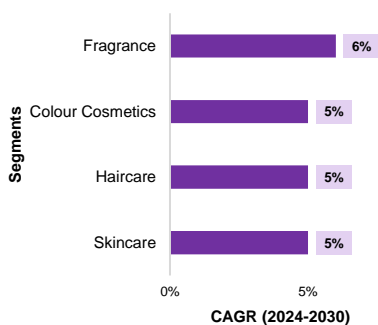
Graph 7: Beauty & Personal Care segments' market share

Source: McKinsey

Segment Analysis

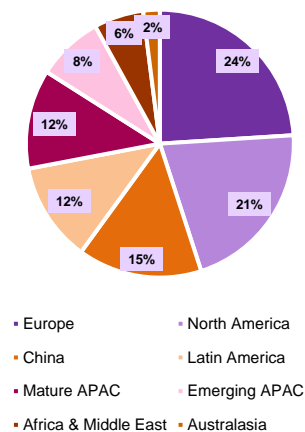
The main segments of this industry, in terms of revenue contribution, include **Skincare (41%)**, **Haircare (21%)**, **Color Cosmetics (19%)** and **Fragrance (19%)**.

Skincare products, the largest category, will witness a steady growth at a **5% CAGR (2024-2030)**, driven primarily by dermo cosmetics and facial care. This category is witnessing a shift from demand from older consumers to a growing younger consumer base, which starts using skincare at an increasingly young age in a bid to delay the signs of aging. The **Haircare** segment, also expected to grow at a **5% CAGR**, will experience ongoing appetite for sophistication and innovation,



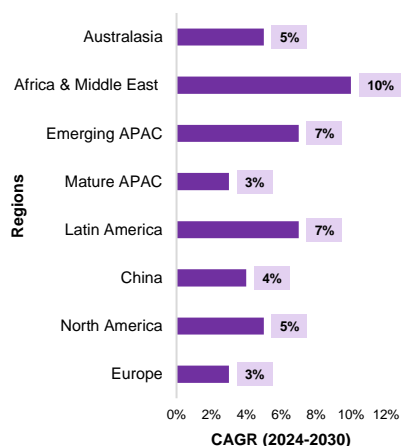
Graph 8: Segments CAGR (2024-2030)

Source: McKinsey



Graph 9: Beauty & Personal Care by Regions

Source: McKinsey



Graph 10: Regions CAGR (2024-2030)

Source: McKinsey

which may result in more elaborate routines and drive sales up. The **color cosmetics** segment (**5% CAGR**) also has white space to grow, given the increased demand for formulations with skin health benefits.

Of all four segments, **Fragrance** is the one expected to lead growth through 2030 at a **6% CAGR**, mainly due to a significant increase in younger demographic penetration and growth from high-end niche fragrances, such as Sol de Janeiro, Tom Ford and Gucci, which are driving strong sales.

Nevertheless, this industry is witnessing the rise of **other high-potential categories**, such as aesthetic injectables, men’s shaving, sun care, bath and shower, beauty supplements and spa services, as the line between beauty, wellness and health continues to blur.

Regional Analysis

Regarding industry sales across the globe, **Europe** is the region that takes the lead with a 24% market share, followed by **North America** (21%), **China** (15%), **Latin America** (12%), **Mature APAC** (12%), **Emerging APAC** (8%), **Africa & Middle East** (6%) and **Australasia** (2%).

The Beauty & Personal Care industry is expected to **grow the most** in the **Middle East & Africa**, at a **10% CAGR (2024-2030)**, where wealth is growing. According to the McKinsey Global Institute, the number of households with annual income over \$250k will triple in the UAE and double in KSA between 2025 and 2050. Moreover, around 90% of consumers consider beauty products affordable, presenting a strong opportunity for prestige and luxury brands to expand and build loyalty.

In the United States, where the industry will grow **5% CAGR**, beauty habits are changing due to wealth gaps, with more US consumers saying they are spending less on beauty in 2025 than in 2023. However, high-net worth individuals continue to splurge, emphasizing wealth disparities. This poses a crucial issue for beauty retailers, which must adapt their price strategies to supply both premium and value-conscious consumers.

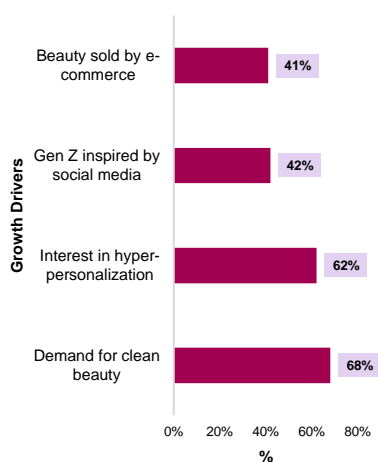
Europe, despite being the region with the largest market share, will only grow at **3% CAGR**, due to the increase in price sensitivity. Today, 1 in 4 consumers say beauty is unaffordable, thus, premium specialty and department stores may face headwinds.

The Chinese market, which will grow at a **4% CAGR**, shows signs of recovery as consumers adapt. 76% of consumers perceive skincare and color cosmetics to be affordable, and around 50% have increased their spending in these categories in

the last 12 months. Besides, domestic brands still account for around half of consumers' beauty bags, hence, while foreign brands continue to lead in the premium tier, they must find new ways to appeal to more conscious consumers in the long-term and compete with local players that are more affordable.

Growth Drivers

In the upcoming years, the Beauty & Personal Care industry will be impacted by a notable **shift towards clean and natural products**, since consumers, specifically Gen Z and Millennials, increasingly seek transparency in ingredient sourcing and demand ethically produced items that align with their values. A recent report by the NPD Group revealed that 68% of consumers are now actively seeking out clean products. Ulta recently relaunched its private label brand, Ulta Beauty Collection, which has been certified in the **Clean Ingredients and Cruelty Free pillars** within the **Conscious Beauty at Ulta Beauty®** program. With this relaunch, Ulta plans to provide quality, trend-right private label products to continue to strengthen their guest's perception of Ulta, while attracting new customers from younger generations. This is an important opportunity that Ulta needs to continue to explore to grow in this industry.



Graph 11: Beauty & Personal Care Industry Growth Drivers

Source: NPD Group, Mintel, Forbes, Nielsen IQ

Moreover, the industry will witness a **rising demand for hyper-personalized beauty solutions**, due to technology that allows brands to offer tailored recommendations based on individual preferences. Mintel reported that 62% of US consumers are interested in hyper-personalized products and 28% are willing to pay extra for them. Ulta already took a lead on this one and it is possible to try, in their stores, a variety of unique digital experiences, including virtual try-on and skin analysis tools, which leverage augmented reality capabilities and artificial intelligence tools to provide guests with personalized experiences, leading to increased store visits and, consequently, store revenues.

Additionally, **social media** will continue to play a pivotal role, promoting diverse beauty standards and fostering community engagement, which compels brands to adapt their strategies to remain relevant and connect authentically with consumers. For instance, according to Forbes, 42% of 18–24-year-olds are inspired by social media when it comes to make-up. Ulta has already taken advantage of this growth opportunity, by directing a growing percentage of their marketing expenses towards digital, social media and streaming advertising.

Finally, the **rise of e-commerce and digital marketing** will also drive industry growth as consumers increasingly seek convenient shopping experiences and personalized product recommendations. According to NielsenIQ, in 2024, e-commerce accounted for 41% of all beauty and personal care sales, remaining the

powerhouse of beauty retail. On October 14, 2025, Ulta launched UB Marketplace to expand its e-commerce presence, offering guests a broader and more complementary assortment that features 100 innovative new brands. This marketplace will allow Ulta to meet customers' demand, while delivering greater product newness and achieving faster entry into emerging, all while keeping the guest experience unmistakably.

Hence, given the industry's **steady growth** and **strong fundamentals**, coupled with **Ulta's position** and **diversified model**, Ulta is well positioned to sustain its competitive advantage and **capture future growth opportunities** within the industry and internationally.

Historical Financials

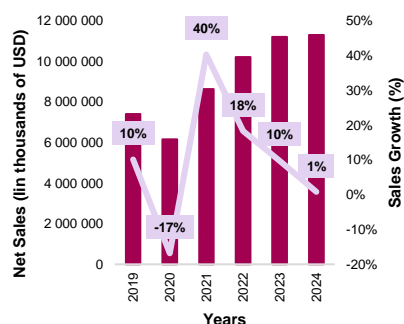
Resilient Sales

Since FY2019, **Ulta Beauty's net sales** have had constant growth, with exception to FY2020 which suffered large losses due to the COVID-19 pandemic and the consequent closure of physical stores. As a result, Ulta net sales decreased from \$7.4 billion in 2019 to \$6.1 billion in 2020, a 16.84% negative growth. Nevertheless, in 2021, Ulta recovered quickly with net sales surpassing pre-pandemic levels and, since then, revenue growth has been positive despite the industry slowdown and increased competition.

Like-for-like sales have followed a **similar growth trajectory to total net sales**, meaning that most of the company's growth comes from **existing stores and not from new ones**. Comparable sales can be affected for various reasons, such as US economic conditions, changes in merchandise strategy or mix or even timing and effectiveness of Ulta's marketing activities. Besides, transaction growth and average ticket are also two crucial factors. In FY2023, the total like-for-like sales increase of 5.7% was driven by a **7.4% increase in transactions** and **1.5% decrease in average ticket**.

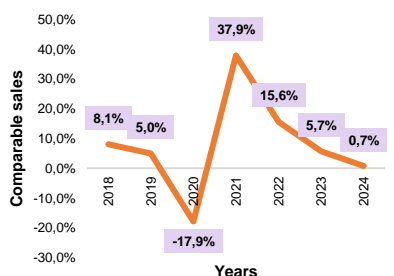
Looking at the historical numbers of new stores, on average, **Ulta has opened around 45 new stores per year**, which is significant for a specialty retailer, but modest relative to its current scale of over 1500 stores, which is why growth comes primarily from existing stores. Moreover, over the last 6 years, only 2 have recorded a number above average of new stores, which shows **Ulta has been capitalizing its existing stores in the US, while preparing its international expansion**.

Nevertheless, in contrast to the number of new stores, **sales per square footage have been increasing over time, having reached \$748 per square foot in 2024**.



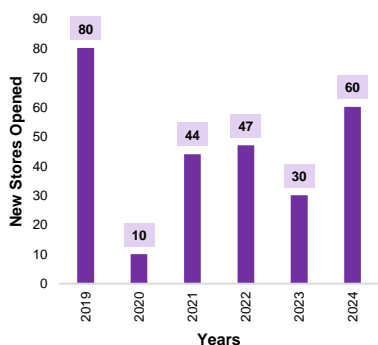
Graph 12: Ulta's Net Sales and Sales Growth evolution

Source: Annual Report and Own Calculations



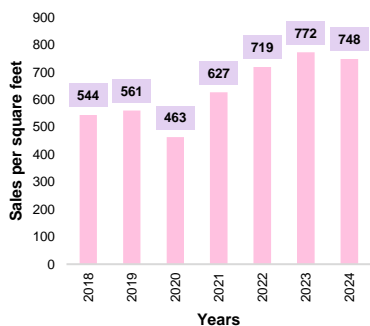
Graph 13: Ulta's Comparable Sales Growth evolution

Source: Annual Report and Own Calculations



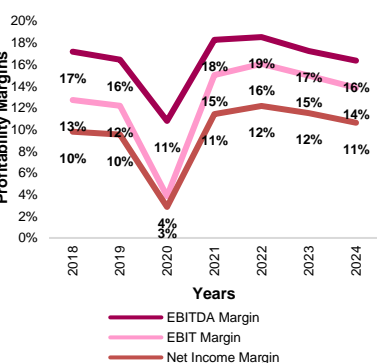
Graph 14: Ulta's New Stores evolution

Source: Annual Report



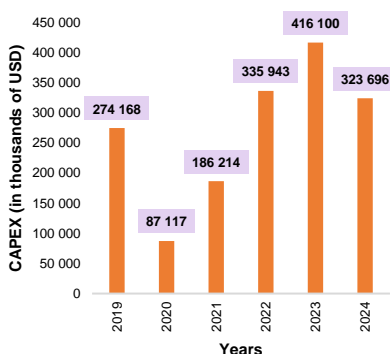
Graph 15: Ulta's Sales per square foot evolution

Source: Annual Report and Own Calculations



Graph 16: Ulta's EBITDA, EBIT and Net Income margins evolution

Source: Annual Report and Own Calculations



Graph 17: Ulta's CAPEX evolution in thousands of USD

Source: Annual Report

However, in 2024 this number decreased due to the macroeconomic slowdown the industry is facing. Looking ahead, both sales and total square footage are expected to increase in the next couple years, due to the international expansion Ulta is undertaking, thus **sales per square foot will probably increase significantly**.

When looking at industry peers, **Ulta Beauty has the least sales per square foot among its peers**. In 2024, **Sally Beauty** registered **\$1,034 sales per square foot**, while **Bath & Body** registered **\$1,041**. While this may strike as a surprise, Ulta Beauty's average store (10,000 square feet) is substantially larger in comparison to peers (Sally's average store has 2,700 square feet and Bath & Body's average store has 2,843 square feet) and most of them have a designated salon service space, which is approximately 950 square feet. Hence, **not all Ulta's square footage is selling square footage**. Additionally, Ulta Beauty sells a broader assortment of beauty products with a broader price range, while its peers sell more specialized products with higher turnover and narrower assortments. Therefore, **Ulta's lower sales per square foot do not imply a weaker performance**.

Consistent Margins

Gross margin, which has fluctuated around **39 to 40%**, is a key strength of its business model. This resilience is driven by Ulta's product category mix, loyal customers and an efficient supply chain structure.

The **EBITDA margin** has remained between **16 to 18%** over the past years, except for FY2020, with a 10.8% margin. Additionally, the **EBIT margin** shows a **similar trajectory**, implying that depreciation, amortization and cost structure have been constant over time, proportionally. **Net Income** has also had positive and constant growth over the past years, increasing from **\$658M in 2018 to \$1.2 billion in 2024**.

As mentioned before, **Ulta is one of the most profitable among its peers**. This reflects Ulta's hybrid assortment, large physical footprint and investment in in-store services, which drive store traffic and loyalty.

Sustained Investment

Ulta Beauty does not own the real asset of its stores, instead, it operates almost entirely through **long-term operating leases**.

Consequently, **CAPEX** is not deployed to acquire property, but rather to fund the **fit-out of new stores** and to **refurbish, relocate and maintain existing ones**. Besides, CAPEX also includes investments in its supply chain and technology infrastructures.

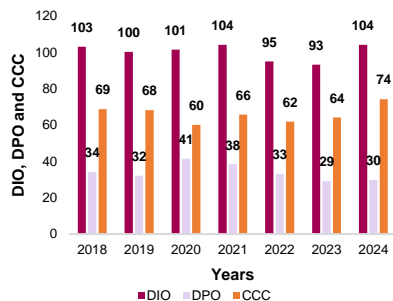
Hence, **its growth is highly correlated with the growth of new store openings**. Nevertheless, the average investment required to open a new store has increased

over time, from **\$1 million in FY2018** to **\$2.1 million in FY2024**, which reflects higher construction costs and increased store experience standards. This may constrain Ulta’s expansion into new locations.

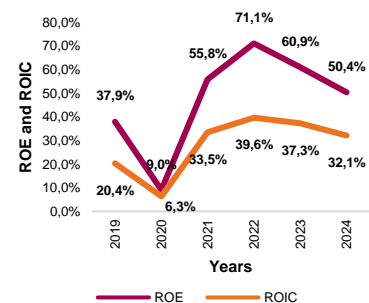
Working Capital Efficiency

Looking at Ulta’s historical working capital profile, the **Cash Conversion Cycle exhibits relatively high values** which remain in accordance with industry levels. It is important to note that specialty retailers like Ulta have longer inventory holding periods than retailers like Walmart or Target due to the nature of their assortment, which is a mix of fast-moving categories and slower-turning premium products.

Consequently, a higher CCC **reflects the structural characteristics of the business model rather than liquidity pressures**. Moreover, Ulta’s Days Payables Outstanding have remained stable, meaning that the company is not facing constraints in meeting supplier obligations.



Graph 18: Ulta’s DIO, DPO and CCC evolution
Source: Annual Report and Own Calculations



Graph 19: Ulta’s ROE and ROIC evolution
Source: Annual Report and Own Calculations

High-Return Business Model

Except for FY2020, Ulta has consistently delivered a **strong ROE and ROIC** over the past years. Since 2021, **ROE** has been over 50%, peaking in 2022 at 71%, implying strong profitability and strong value creation for shareholders. Ulta’s **ROIC** has also remained well above industry averages. This means that despite macroeconomic downturns and increased competition in this industry, Ulta can maintain high levels of profitability.

After **decomposing Ulta’s ROIC** of FY2024, it was concluded that **for every \$100 sales**, Ulta needed to **invest \$33.3** in operating assets and **generated \$10.5** of after-tax operating profit. This yielded **31.6% Core ROIC**.

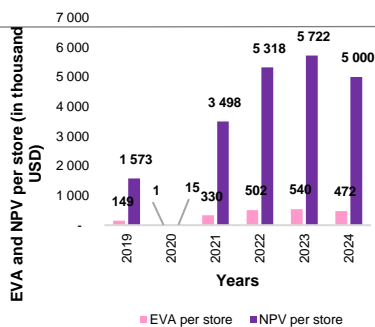
Regarding the newly Ulta’s acquisition, **Space NK**, it was concluded that in FY2024, **for every \$100 of sales**, Space NK needed to **invest \$56.1** in operating assets and **generated only \$4**, which yielded **7.1% Core ROIC**. This level of return is below Ulta’s cost of capital, meaning that the company is currently destroying economic value. It is important to note that this conclusion does not incorporate any potential synergies arising from its integration into Ulta. Hence, improving Space NK’s profitability must be one of Ulta’s priorities to ensure that the acquisition becomes value creative over time.

Furthermore, it was computed the economic value added and the net present value of an Ulta Beauty’s store. In FY2024, a **new store generated \$472 thousand** more than Ulta’s required return (9.4%) on the \$2.1 million invested to open it. Moreover, **over its lifetime, this new store will generate \$5 million** more than the cost of opening and operating it, after discounting future profits.

ROIC Components (In thousands)	Ulta Beauty (\$)	Space NK (£)
COGS/Sales	61.2%	56.7%
SG&A expenses/Sales	24.9%	37.9%
Pre-opening expenses/Sales	0.1%	0.1%
EBIT Margin	13.9%	5.3%
Tax Rate	24%	25%
After-Tax EBIT Margin	10.5%	4.0%
NWC/Sales	7.4%	44.4%
PPE/Sales	11%	10.0%
Non-current operating lease assets/sales	14.3%	
Intangibles/Sales	0.1%	1.7%
Others/Sales	0.6%	
Operating Invested Capital/Sales	33.3%	56.1%
Core ROIC	31.6%	7.06%

Table 1: Ulta’s and Space NK’s FY2024 ROIC decomposition

Source: Annual Reports and Own Calculations



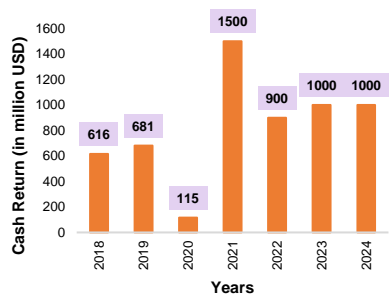
Graph 20: EVA and NPV per store (in thousands of USD)

Source: Annual Reports and Own Calculations

ROE Components (in thousands)	Ulta Beauty (\$)	Space NK (£)
Net Income	1,201,118	7,453
Sales	11,295,654	196,515
Net Profit Margin	11%	4%
Sales	11,295,654	196,515
Total Assets	6,001,693	21,999
Asset Turnover	1.9	8.9
Total Assets	6,001,693	21,999
Equity	2,488,353	17,596
Equity Multiplier	2.4	1.3
ROE	48.3%	42.4%

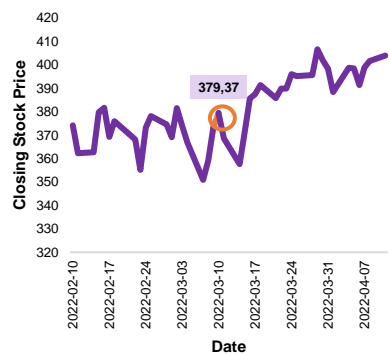
Table 2: Ulta's and Space NK's FY2024 ROE decomposition

Source: Annual Reports and Own Calculations



Graph 21: Cash Return via Share Repurchase (in million USD)

Source: Annual Reports



Graph 22: Ulta Beauty's stock price evolution from February to April 2022

Source: Yahoo Finance

Additionally, Ulta must ensure that the **ROIC of new store openings** remains above the company's **current consolidated ROIC**. When the ROIC of new investments exceeds the consolidated ROIC, the company's overall ROIC increases over time, meaning that those **new investments are generating economic value**. Conversely, if the returns on new stores fall below Ulta's current ROIC, expansion would dilute profitability and reduce value creation, even if the consolidated ROIC remains above the WACC.

Afterwards, both **Ulta's and Space NK's ROE were decomposed**. When comparing the most recent filing, both companies appear to have similarly high ROE levels (48.3% vs 42.4%), but for different reasons.

Ulta's ROE is stronger, driven by high margins and a stable capital structure, while **Space NK's ROE is weaker**, driven by high asset turnover but with low profitability. This poses a risk for Ulta Beauty, as the consolidated ROE may decline unless Ula successfully improves Space NK's margins.

Share Repurchase Program

Historically, Ulta Beauty has used share repurchases as its primary method of returning capital to shareholders.

In **March 2020**, the Board of Directors authorized that Ulta Beauty could repurchase up to **\$1.6 billion** of its common stock. However, this share repurchase program was suspended to strengthen liquidity during the COVID-19 pandemic. When the economy improved, Ulta continued its buybacks and in the earnings release of March 10th, 2022, Ulta Beauty announced that during fiscal year 2021, it had repurchased \$1.5 billion of common stock. This explains why in 2020 cash return was so low, but in 2021, it increased significantly. This was positive news for investors as Ulta's share price spiked to \$379.37 around that date.

More recently, in October 2024, Ulta Beauty announced a new **\$3 billion share repurchase program**, reflecting the company's ongoing commitment to returning capital to shareholders, while still investing in store expansion. As of August 2, 2025, **\$2.2 billion** remained available, showing how cautious and selective Ulta Beauty has been about its capital allocation.

All things considered, Ulta Beauty depicts **stable profitability, efficient capital allocation, steady returns and concern with shareholders' capital return**, showing that the company is a mature and strong company within the industry. Moreover, these solid fundamentals provide a strong foundation for our optimistic assumptions and valuation results.

Valuation Restatements

To conduct a more accurate valuation, **all three financial statements were restated** to differentiate Ulta’s **core, non-core and financial activities**.

In the **Income Statement**, core activities include all revenues and operating costs related to Ulta Beauty’s retail and service operations, leading to the calculation of the **After-tax Operating Profit (NOPAT)**. Non-core activities include non-occurring items, such as costs associated with impairment, restructuring and pre-opening of physical stores, while financial activities include Ulta’s interest earned from its cash and cash equivalents reserves.

In the **Balance Sheet**, core activities include net working capital, property and equipment; right-of-use assets, and other long-term operating assets net of operating liabilities, resulting in the **Operating Invested Capital**. Non-core activities include short-term investments, deferred compensation plan assets, deferred income taxes, and other long-term liabilities. Financial activities include deferred rent, current and non-current operating lease liabilities, which were assumed to be part of Ulta Beauty’s **Gross Financial Debt**.

In the **Cash Flow Statement**, core activities include NOPAT plus all non-cash items minus changes in working capital and capital expenditures, resulting in **Operating Unlevered free cash flows**, the key output of the restatements and the main input for the valuation models.

Valuation

Terminal Value Framework

To project Ulta Beauty’s value beyond the explicit forecast horizon, a **perpetuity growth model** was applied. The **Terminal Growth Rate** was set equal to the expected **US nominal GDP growth rate**, which is a reasonable proxy, given Ulta’s maturity and large presence in the US. By summing up the expected US real GDP growth and the long-term inflation forecast, it results in a **4.3%** terminal growth rate.

Afterwards, the model computed the **Reinvestment Rate** required to sustain this perpetual growth. Using the formula:

$$Reinvestment\ Rate = \frac{Growth\ rate}{ROIC}$$

A **10.39%** reinvestment rate was obtained. This implies that, in a steady state, Ulta must reinvest 10.39% of its terminal after-tax operating profit to grow to 4.3%.

Then, the **NOPAT** for 2032 was obtained using the formula:

In Thousands, except for %	Value
Real GDP growth (2031)	2.1%
Inflation (2031)	2.2%
Terminal growth (g)	4.3%
Core ROIC (2032)	42.47%
Reinvestment rate	10.13%
Operating invested capital (2031)	6,812,825
NOPAT (2032)	2,893,098
Terminal FCF	2,600,147
Terminal Value	50,570,516

Table 3: Terminal Value and Terminal Growth Rate components

Source: IMF and Own Calculations

$$NOPAT_{2032} = ROIC_{2031} \times ROIC_{2032}$$

This yielded a NOPAT of approximately **\$2.9 billion**.

Next, the **Terminal Free Cash Flow** for 2032 was computed using the formula:

$$Terminal\ FCF = NOPAT_{2032} \times (1 - Reinvestment\ Rate)$$

Resulting in a value of approximately **\$2.6 billion**.

Finally, the **Terminal Value** was computed using the perpetuity formula, which yielded a value of approximately **\$50.6 billion**.

Intrinsic Value Estimation

To compute Ulta Beauty’s intrinsic value, the **Adjusted Present Value (APV)** method was applied.

Under the **APV framework**, the value of the company is decomposed into two

components: the present value of the unlevered free cash flows discounted at the **unlevered cost of equity** and the present value of the interest tax shields generated by debt financing. By valuing operations independently from financing effects and adding the tax benefits of debt separately, the APV provides a transparent view of the value created by Ulta’s core business relative to the benefits of its capital structure.

After obtaining the **Core Enterprise Value** from both methods, the expected non-core invested capital was deducted and Ulta’s **Net Debt** was incorporated to derive the Ulta Beauty’s **Equity Value** as of December 2026.

Finally, Ulta’s equity value was divided by the current number of shares which are outstanding, yielding the company’s share price of **\$859**.

- **Sensitivity Analysis**

Two sensitivity tables were developed to capture possible share prices under different economic scenarios.

The range for the **WACC of 9.44% to 10.78%** was chosen to reflect the difference between Ulta’s cost of capital (9.44%) and the cost of capital implied by its peers (10.78%). The lower bound reflects a valuation closer to Ulta’s standalone fundamentals and the upper bound reflects a more conservative scenario aligned with peer risk levels and industry discount rates. These variations are realistic since discount rates are highly sensitive to changes in Treasury yields, market risk premiums and macroeconomic volatility, which Ulta cannot control.

The range for the **TGR of 3.9% to 4.7%** was determined by varying both the values

In thousands, except per share data	APV
Core Enterprise Value	40,036,880
Non-Core Invested Capital	-65,409
Total Enterprise Value	39,971,471
Net Debt	-1,417,664
Equity Value	38,553,807
# Shares Outstanding	44,875
Share Price	859

Table 4: APV framework

Source: Own Calculations

of US inflation (2.0% - 2.4%) and real GDP growth (1.9% - 2.3%). These variations are less likely because long-term GDP and inflation trends tend to remain stable.

Finally, the range for the **ROIC of 37.9% to 47.1%** was defined based on Ulta's historical and projected performance between FY2018 and FY2031. These variations are also plausible, since they reflect both Ulta's historical profitability and expected profitability in the future.

The results show that Ulta's valuation is **more sensitive to changes in the WACC** than changes in the TGR or the ROIC. A **0.5 pp increase** in the WACC **reduces the estimated share price by approximately 9%** and an increase of 0.5 pp in the TGR **raises it by approximately 7%**. Within the range analyses, changes in ROIC have a comparatively smaller effect on valuation.

Risks and Mitigation

Even though Ulta is a mature and well-established company, it remains exposed to several external risks. Furthermore, Ulta's ongoing international expansion poses additional risks to the company if not managed proactively.

Shift in Consumer Preferences

In some regions of the world, consumers are becoming **more price sensitive** as inflation continues to outpace wage growth, reducing discretionary spending, particularly in premium beauty products. Moreover, the rise of trends such as "**skin minimalism**" and concerns around **ingredient safety** are shifting demand towards fewer and high-quality products. This uncertain consumer appetite for spending is one of the most crucial risks that the beauty industry is facing. It is of utmost importance that Ulta acknowledges this risk and tries to mitigate it by strengthening value-oriented assortments and deepen personalization within the Ulta Beauty Rewards loyalty program to drive sales.

Disrupted Trade Policies

The current tariff situation may signal a fundamental shift in global trade relationships that could alter how beauty products are manufactured, priced and distributed. The **145% tariffs** imposed on most imports from China, the **15% tariff** on most imports from the EU and the **50% aluminum tariffs** are driving up packaging costs, forcing beauty brands to weigh prestige and sustainability against harsh new economics. One way that Ulta can overcome this risk could be by diversifying sourcing to lower-tariff regions, securing long-term agreements with suppliers and by optimizing Ulta's private label sourcing and packaging efficiency.

Increased Competition

The beauty industry is **highly competitive** with **low barriers** to enter. While international players, such as Japanese and Korean beauty begin gaining traction in the US, Ulta Beauty still faces competitive pressures from Sephora, Bath & Body and Sally Beauty. By curating exclusive brand partnerships, by accelerating new-brand incubation and by leveraging Ulta's scale and loyalty to maintain unique value, Ulta may be able to overcome these challenges.

Supply Chain and Sourcing Disruptions

The increased demand for beauty products and the entry of new players into the industry may cause **disruptions in supply chains**, resulting in longer lead times, higher warehousing costs and higher raw material costs. Besides, Ulta's dependency on third-party brands further limits supply certainty. Ulta could undertake this risk by diversifying their supplier base geographically.

Geopolitical and International Expansion Risk

As Ulta expands to new geographies, such as Mexico and the Middle East, new risks may arise, such as **currency, regulatory and logistics risk**. Additionally, there is **competition** in these new markets that may be unknown to Ulta as well as **cultural differences** and what resonates with US consumers may not be the best choice for consumers in these new locations. To circumvent these challenges, Ulta must acquaint themselves with regional preferences and purchasing powers to deliver an adequate strategy. Besides, Ulta should consider partnering with regional operators, if it wants to capture market share rapidly.

Acquisition Risk

The acquisition of Space NK introduces **integration and profitability risks**. As Space NK's ROIC and ROE are currently below Ulta's, failure to improve its operating performance could dilute consolidated returns. Despite Space NK's representing a small share of Ulta's profitability it is still a risk that Ulta could prevent by aligning Space NK with Ulta's assortment strategy, loyalty program and supply-chain efficiency.

ULTA BEAUTY, INC

BEAUTY RETAIL

BEATRIZ SILVA CONTENTE

MATILDE HENRIQUES CARDEIRA

COMPANY REPORT

17 DECEMBER 2025

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Global expansion as the key to growth

Market leader fueled by ambition and resilience

- Ulta Beauty is the leading specialty retailer in the United States, combining mass, prestige and salon services in a differentiated “one-stop shop” model. After a period of largely domestic, mature-store-driven growth, Ulta is entering a new phase led by international expansion (UK/Ireland via Space NK, Mexico with Grupo Axo and the Middle East with Alshaya).
- Financially, Ulta is a very profitable and capital-efficient business. In FY2024, it generated \$11.3 billion in revenues with an operating margin of about 14%, placing it among the most profitable players in the peer group. Core ROIC reached 31.6%, and each new store is estimated to create approximately \$472 thousand of economic value per year and a lifetime NPV of around \$5 million at a 9.4% required return.
- The company operates with minimal traditional financial debt, relying mainly on leases, which keeps financial risk low and gives substantial flexibility to fund growth and shareholder returns.
- Based on a APV with a WACC of 9.4% and a terminal growth rate of 4.3%, the intrinsic valuation yields a target price of \$859 per share for FY26, implying a 43% upside from the current price.

Company description

Ulta Beauty, Inc., is a U.S. specialty beauty retailer headquartered in Bolingbrook, Illinois. The company operates a nationwide chain of stores offering cosmetics, skincare, fragrances, haircare and salon services. Ulta is publicly traded on NASDAQ under the ticket ULTA and is currently trading at a market capitalization of around \$17 billion.

Recommendation: BUY

Price Target FY26: \$859

Upside +43%

Price (as of 5-Dec-25) \$601.50

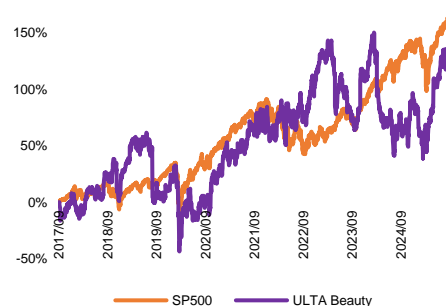
Bloomberg: ULTA:US

52-week range (\$) \$309.01-\$611.90

Market Cap (\$ thousand) 16 789 493

Outstanding Shares (m) 45 309

Source: Bloomberg & Ulta Beauty's Annual Reports



Source: Bloomberg and Ulta Beauty's Annual Reports

(Values in \$ thousands)	2024	2025E	2026F
Revenues	11 295 654	12 588 236	13 839 433
Equity	2 488 353	2 541 427	3 024 667
Net Debt	1 445 946	1 417 664	1 417 664
EBITDA	1 845 703	2 057 040	2 373 751
EBITDA Margin	16%	16%	17%
ROIC	32.1%	35.4%	38.2%

Source: Bloomberg & Ulta Beauty's Annual Reports & Own calculations

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY BEATRIZ SILVA CONTENTE AND MATILDE HENRIQUES CARDEIRA, A MASTER IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL.

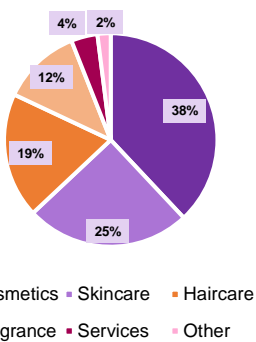
(PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

Table of Contents

COMPANY OVERVIEW	3
INTRODUCTION	3
PRODUCTS	3
STORES	3
CUSTOMERS	4
CEO IMPACT AND TIMELINE	4
STORE EXPANSION AND STRATEGIC LOCATIONS	5
PHYSICAL FOOTPRINT	5
INTERNATIONAL ACQUISITION	6
CORPORATE GOVERNANCE	8
COMPETITIVE LANDSCAPE	10
SHAREHOLDER STRUCTURE	11
STOCK PERFORMANCE	12
 INDUSTRY OVERVIEW	 12
SEGMENT ANALYSIS	13
REGION ANALYSIS	13
GROWTH DRIVERS	14
 HISTORICAL FINANCIALS	 15
RESILIENT SALES	15
CONSISTENT MARGINS	16
SUSTAINED INVESTMENT	17
WORKING CAPITAL EFFICIENCY	17
HIGH-RETURN BUSINESS MODEL	17
SHARE REPURCHASE PROGRAM	18
 VALUATION RESTATEMENTS	 19
 FORECASTS	 20
NET SALES	20
COSTS	21
NET WORKING CAPITAL	23
CAPITAL EXPENDITURES	24
 VALUATION	 25
COST OF CAPITAL	25
CAPITAL STRUCTURE	25
COST OF EQUITY	25
COST OF DEBT	26
WACC	26
TERMINAL VALUE FRAMEWORK	26
INTRINSIC VALUE ESTIMATION	27
SENSITIVITY ANALYSIS	27
SCENARIO ANALYSIS	28
MULTIPLES VALUATION	28
PEERS	28
ANALYSIS	2
 RISKS & MITIGATION	 30
 APPENDIX	 32
 REFERENCES	 36

Company Overview

Introduction



Graph 1: Revenues per Segment as a % of Total Revenues as of August 2025, Q3

Source: Annual Reports from Ulta Beauty

Ulta Beauty, Inc., is an American chain of cosmetic stores headquartered in Bolingbrook, Illinois. Founded in **1990**, at a time where salon products were sold through distinct channels (department stores for prestige products, drug stores and mass retailers for mass product and salons and authorized retail outlets for professional hair care products), Ulta’s value proposition was to revolutionize the beauty retail market with the concept of **merging the luxury of high-end products with the accessibility of drugstore items, making it accessible to all consumers, regardless of their budget.**

Founded by Terry Hanson and Richard George, it is considered the largest specialty beauty retailer in the **United States** and the **premier beauty destination** for cosmetics, skin care products, hair care products, fragrances and salon services.

▪ Products

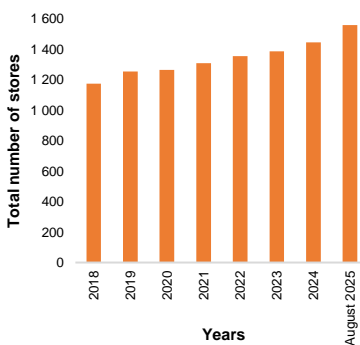
The company’s assortment is broad and differentiated, with **nearly 30,000 products from around 600 brands**, covering all prices and categories – from drugstore products, such as Maybelline and L’Oréal, to prestige cosmetics, such as Fenty Beauty, MAC Cosmetics and Estée Lauder, professional haircare and salon styling tools. Ulta also has its own private-label products (*Ulta Beauty Collection*) and partners with emerging brands.

▪ Stores

Currently, Ulta operates **1,556 stores** worldwide – 1,473 stores in 50 states in the **United States**, 81 stores in the **United Kingdom** and 2 stores in **Ireland**.

In addition, Ulta has expanded its reach through a partnership with **Target**, creating more than 600 “Ulta Beauty at Target” shop-in-shops which strengthens Ulta’s exposure and gives it access to a large and diverse customer base. Nevertheless, in August 2025, Ulta Beauty and Target announced that they would **not renew their partnership** when the current agreement concludes in **August 2026**, falling short of their original goal of 800 locations. For Ulta, the exit is expected to have **limited consequences**. In fact, it will allow Ulta to redirect resources toward more **pressing priorities**.

Moreover, as of September 2025, Ulta Beauty debuted in **Mexico**, with the opening of 2 stores, marking a milestone in its international growth strategy.



Graph 2: Number of Stores from 2018 to August 2025

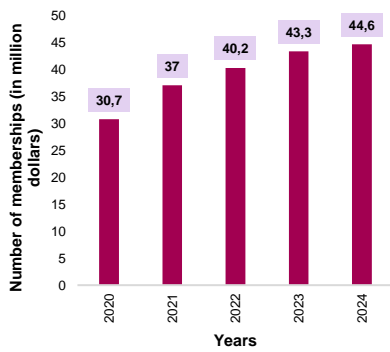
Source: Annual Reports from Ulta Beauty

In addition, on the 7th of November, Ulta opened its first store in the Middle East, specifically in **Kuwait**. This begins the beauty retailer’s expansion across the Middle East, with plans for multiple store openings over the next six months.

▪ **Customers**

Ulta’s customer base is broad and highly engaged, reflecting the company’s ability to serve multiple demographics across mass and prestige categories. The mix of beauty enthusiasts, routine shoppers and high-value prestige consumers creates a large recurring demand.

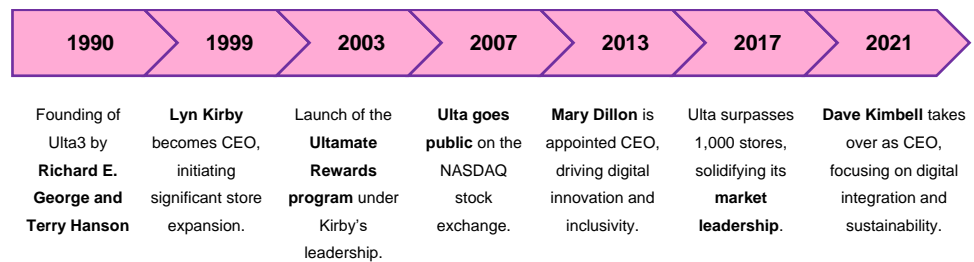
Ulta’s loyalty program, Ulta Beauty Rewards, has been a key driver of growth, with **more than 95% of total sales** coming from its members, which usually spend more per visit as compared to non-members. According to recent Ulta’s earnings calls, total **memberships grew 3% every year** to a record 44.6 million members in 2024, further increasing to **45 million active loyalty members** by Q1 2025. The company aims to achieve 50 million loyalty program members by 2028.



Graph 3: Number of Loyalty members from 2020 to 2024

Source: Annual Reports

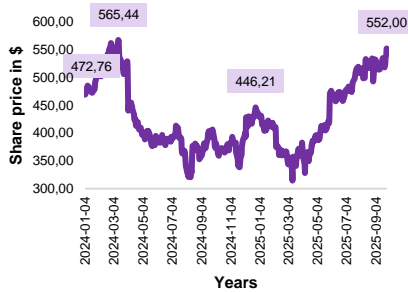
CEO Impact & Timeline



Lyn Kirby assumed the leadership of Ulta in a period marked by an aggressive store expansion strategy, doubling Ulta’s footprint and strengthening its market visibility. A defining milestone during her tenure was the launch of the Ulta Beauty Rewards loyalty program, which became one of the most successful customer retention platforms in the US retail industry. During this period, Ulta also went public on the NASDAQ with a \$18 share price.

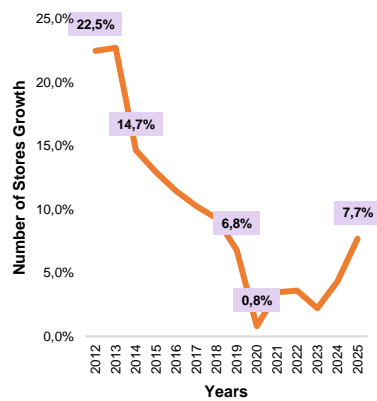
In 2013, **Mary Dillon** was appointed and with her came digital transformation. With a background in marketing and telecommunications, Dillon prioritized omnichannel integration, blending e-commerce, mobile and in-store experiences. Under her leadership, Ulta invested heavily in technology, personalized and supply chain modernization, enabling faster inventory turnover and improved customer service.

Dave Kimbell assumed the position and focused on the commitment to sustaining growth through digital integration and sustainability, ensuring that Ulta remains at the forefront of the beauty industry.



Graph 4: Share price of Ulta Beauty in dollars from January 2024 to September 2025

Source: Finance Yahoo



Graph 5: Number of Stores Growth from 2012 to 2025

Source: Annual Reports

Most recently, David Kimbell retired as CEO after 11 years with Ulta Beauty and was succeeded by **Kecia Steelman**. Since Steelman started as CEO of Ulta, the stock price has risen 24%.

Ulta Beauty’s leadership has played a **central role in the company’s sustained growth and competitive success**.

Store Expansion and Strategic Locations

Physical Footprint

From an early start, Ulta Beauty’s focus was to **expand its physical footprint**, growing from **449 stores in 2011** to **1,556 stores currently**, in the United States. Store growth accelerated at the beginning of Ulta’s first major expansion and over 6 years, growth was in double digits. In 2018, total number of stores started to stagnate as existing stores started to mature in key locations. However, in 2023, Ulta resumed its store expansion and by August 2025, store growth reached **7.7% year-over-year**.

Looking ahead, store growth is expected to increase in the next couple years, due to **Ulta’s first major international expansion**, which started in July 2025 with the acquisition of Space NK, in the UK. Besides this first acquisition, Ulta Beauty plans to open 200 new stores until 2027 in Mexico and in the Middle East. This is a major step for Ulta to keep up with its competitors and to gain market share in new regions.

Ulta’s typical stores are approximately **10,000 square feet**, including approximately 950 square feet dedicated to their full-service salon. They were strategically located in convenient, high-traffic locations such as **power centers**. This large store format aligns with US consumers’ preferences for spacious, convenient retail stores. Additionally, Ulta’s in-store salons increase revenues, as service appointments increase store visits, which may result in additional product purchases.

When analyzing Ulta’s geographic distribution, **California, Texas and Florida** stand out as the states with the highest store concentration. These states offer favorable conditions for Ulta, such as **higher population density, higher disposable income and higher concentration of beauty-conscious consumers**. Additionally, in these states, there is a large concentration of **suburban retail hubs**, often alongside other big retailers like Target and Walmart, where rents are lower and foot traffic is higher. Moreover, **competition** from other beauty retailers, such as Sephora, is **often lower** in these suburban areas, as

Sephora’s smaller physical stores are typically positioned in urban centers and premium malls.

Nevertheless, Ulta also has a **smaller footprint store prototype** ranging between approximately 5,000 and 7,500 square feet which provides increased flexibility to enter smaller markets or shopping centers. This format still allows Ulta to capture some market share from major players in these areas, such as Sephora, showing Ulta’s adaptability when expanding into new markets.

▪ **International Acquisition**

United Kingdom & Ireland – Acquisition of Space NK Limited

Ulta Beauty acquired the British luxury beauty retailer **Space NK Limited** in July 2025, marking Ulta’s first step into its international expansion strategy.

The company will operate as a standalone subsidiary of Ulta Beauty and will continue to be led by its existing management team.

As a complementary note, the acquisition of Space NK of around \$408.2 million did not increase Ulta’s leverage profile. The company noted that the transaction is not expected to have a material impact on its fiscal 2025 financial results or on its capital allocation plans, including its ongoing share repurchase program.

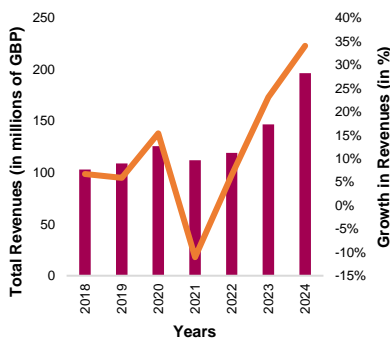
Acquisition Benefit

Space NK has grown significantly in recent years, due to a strategy focused on attracting younger consumers, expanding its store and online presence, and creating a selection of popular and exclusive brands.

The company’s investment in store experience and technology to improve both online and in-store sales has resulted in four consecutive years of strong revenue growth, with a particularly strong momentum in the most recent two years with **increases of 23% and 34%**. For Ulta, this means it is acquiring a business with **proven demand**, operational improvements already in place and a loyal prestige-oriented customer base.

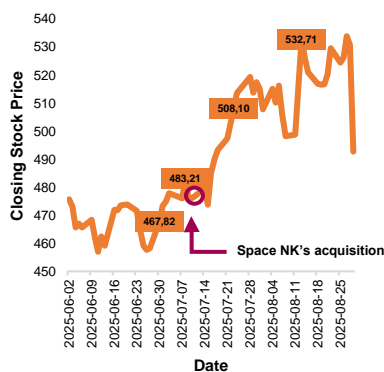
Furthermore, this acquisition will allow Ulta to enter the **European market** benefiting from Space NK’s established presence, brand recognition and deep understanding of local consumer preferences. By leveraging Space NK’s network of stores across the UK and Ireland, **Ulta can gain immediate access to a mature market without “starting from scratch”**. The deal also provides Ulta with valuable operational insights into European retail dynamics and supplier relationships which can also be benefited from in the American market.

In a general way, shareholders view the acquisition as a **positive strategic move with low risk**. However, a guaranteed value-creation event cannot be ensured as



Graph 6: Space NK’s Total Revenues (in millions of GBP) and Growth Rate (in %) from 2018 to 2024

Source: Space NK’s Annual Reports



Graph 7: Ulta Beauty’s Stock Price Evolution from June 2025 to August 2025

Source: Finance Yahoo

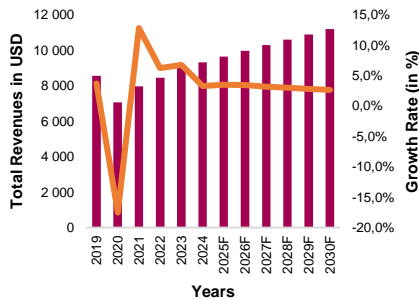
it depends on, for instance, Ulta’s ability to apply US capacities in the UK market, macroeconomic factors in the UK (for example, inflation, consumer spending and retail-rental costs), among others.

Stock Performance

After the announcement of this acquisition on the 10th of July of 2025, **Ulta’s stock price did not change drastically**. In fact, the verified stronger stock movement happened when Ulta reported strong Q2 results (post-acquisition). Therefore, the acquisition alone did not trigger a large stock move, but it helped underpin a favorable environment that contributed to later positive sentiment. This can be a sign that investors believe that Ulta is capable of succeeding in the long term without the inorganic expansion being a much significant factor.

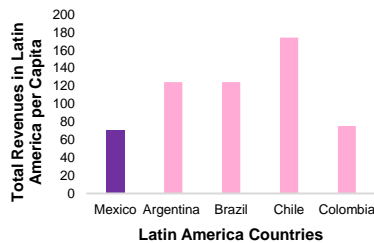
Mexico – New Partnership with Grupo Axo

In August 2025, **Ulta Beauty entered the Mexican market through a partnership with Grupo Axo**, opening its first stores in Mexico City and Metepec, with additional locations planned in major cities. The stores feature a mix of global brands and local Mexican brands, reflecting a strategy to localize offerings while maintaining Ulta’s signature.



Graph 8: Revenues (in million USD) and growth rate (in %) of the beauty & personal care market in Mexico 2019-2030

Source: Statista



Graph 9: Revenues in the beauty & personal care market per capita in Latin America for 2024 (in millions of USD)

Source: Statista



Graph 10: Revenues in the beauty & personal care market per capita in Latin America for 2024 (in millions of USD)

Source: Statista

Acquisition Benefit

Mexico represents a **high-growth beauty market** (~\$10 billion in 2025) with an expected **annual growth rate of 3.1%** (CAGR 2025-2030).

It is for a fact that the expansion into Mexico offers Ulta an **opportunity to diversify beyond its mature US market**. However, recent data indicates that while Mexico ranks among the highest in total beauty and personal care revenues in Latin America for 2024, its per capita spending in this sector remains lower than countries such as Argentina, Brazil, Chile and Colombia.

Despite this, **Mexico represents a strategically sound first step for Ulta’s entry into Latin America** due to its geographic proximity to the United States and the advantages provided by the USMCA trade agreement which significantly reduce logistical complexity and cross-border costs.

Another factor to take into consideration is the **GDP per capita in Mexico** which has been increasing, especially since 2023 with a visible growth rate increase. However, it is forecasted to decrease in 2025 but followed by an approximately constant increase in the following years. Therefore, it is concluded that the Mexican economy is **not rapidly accelerating but it is consistently improving**. In conclusion, while the market does not appear to offer explosive growth, the gradual increase in per-capita income provides a reasonable foundation for Ulta’s choice.

Middle East - New Partnership with Alshaya Group

On January 29, 2025, Ulta Beauty and Alshaya Group, the leading international retail franchise operator, announced their franchise partnership to bring Ulta Beauty stores to the Middle East.

The first Ulta Beauty store in the Middle East opened on November 7, 2025, in Kuwait, with 15,000 square feet. Their regional expansion will continue with new stores in United Arab Emirates in January 2026 and in Saudi Arabia in March 2026.

Worth mentioning that the termination of the partnership with Target and the beginning of this new one with Alshaya Group demonstrates that Ulta Beauty takes its partnerships very seriously and acts when it sees a potential opportunity of growth. This move reflects the company’s courage to change and pursue better opportunities, as Target currently faces operational challenges, while the beauty market in the Middle East is expanding rapidly. Therefore, Ulta Beauty is strategically **taking advantage of the market momentum**.

Acquisition Benefit

The **Middle East** is recognized as **one of the fastest-growing beauty markets** (having grown around **11% in the last two years, in terms of revenue**) globally with consumers who are passionate about beauty and deeply engaged with global trends.

By entering the region via a strong local partner, Ulta gains access to expertise in retail operations, local market knowledge, real estate and consumer behavior. In addition, the franchise model offers scalability and lower capital commitment compared to building wholly owned stores from scratch across multiple countries.

On another note, the company confirmed that store layouts will include localized sections for regional founders and brands which alongside international ones gives Ulta a chance to localize the offering and resonate with regional consumer preferences.

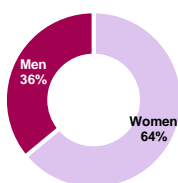


Graph 11: Revenues (in billions of USD) and growth (in %) in the beauty & personal care market in MENA

Source: Statista

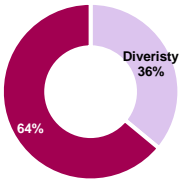
Corporate Governance

Ulta’s **governance structure is relatively strong for a specialty retailer**, with a few characteristics that differentiate it within the sector. The Board is fully independent, meaning that neither the CEO nor any other members of the management team sit on the Board. The Chair of the Board is also an independent director, not part of the executive team. In addition, there are no significant shareholders with seats on the Board. The more notable feature is the **constant change of board members**. In fact, six new directors have joined over the past six years, resulting in a **Board that is unusually diverse for the industry**, with a



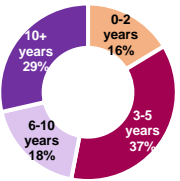
Graph 12: Board Member Gender Diversity

Source: SEC Filings



Graph 13: Board Member Ethnic Diversity

Source: SEC Filings



Graph 14: Board Member Tenure

Source: SEC Filings

high share of female and racially or ethnically diverse members. For a company focused on expansion into other countries, this may come as significantly relevant.

This company has also **removed several structural protections that often limit shareholder influence**. Supermajority requirements have been eliminated; directors must receive majority support in uncontested elections and proxy access¹ is available. Together, these elements create a **governance framework that is more accessible to shareholders and reduce the risk of managerial entrenchment** – an important consideration in a business where strategic misalignment can quickly affect performance.

Director incentives are also aligned through a meaningful equity ownership requirement. **All eligible directors currently meet the standard of holding shares worth at least five times their annual retainer**, signaling direct financial exposure to long-term value creation.

On the oversight side, Ulta’s committees operate in line with normal practice, but with two elements of note. **Cybersecurity** is explicitly incorporated into Audit Committee oversight, which is material given Ulta’s dependence on loyalty-program and customer-data infrastructure. Ulta also maintains **consistent engagement with shareholders** on governance and compensation topics which helps reduce information asymmetry and lowers the risk of external pressure or activist intervention.

ESG

Ulta focuses on establishing **strong employee retention rates and inclusivity programs**, reducing turnover costs. This leads to operational efficiency and brand reputation. Additionally, Ulta wants to **reduce absolute Scope 1 and 2 emissions²** by 90% by 2030, from which 33% were already reduced in 2024, resulting in lower utility expenses and greater efficiency. Furthermore, Ulta wants to ensure that 50% of consumer packaging will be made from **recycled or bio-sourced materials** by 2025, with 36% reached in 2024. This may increase packaging costs in the beginning, but part of that cost will be passed on to customers, minimizing margin pressure. Nevertheless, Ulta Beauty Collection and permanent Ulta Beauty exclusive products represented approximately 4% of their net sales in fiscal 2024, which means most of the products sold are third-party’s brands, whose packaging Ulta cannot influence. Hence, this measure does not have a great impact on the company’s financials and on its overall ESG footprint.

¹A provision that allows shareholders to **nominate directors on the company’s proxy card**, instead of running an expensive separate proxy contest.
²Scope 1 emissions result from sources directly controlled by the company, while Scope 2 emissions result from purchased electricity, steam, heat or cooling.

Competitive Landscape

Ulta operates in the retail distribution segment of the broader Beauty & Personal Care industry and competes primarily against **Sephora, Bath & Body Works, Sally Beauty Holdings and e.l.f. Beauty.**

Business Model

Sephora, owned by LVMH, is a global retailer known for its luxurious and trendy products. With over 700 stores in North America, Sephora focuses on prestige makeup, skincare and fragrance, making it less accessible to everyone. **Bath & Body Works** is a vertical retailer in personal care and home fragrance, with more than 1800 locations in the US and Canada. **Sally Beauty Holdings** is a global retailer and distributor, serving both consumers and professionals and with a large presence in the US. Their focus is professional products for hair color and hair care; hence their main target is professional salons. Lastly, **e.l.f. Beauty** is a brand manufacturer, but also a retailer, which sells clean, vegan and cruelty-free cosmetics at a usually lower price than most of its competitors.

Of all these beauty retailers, **Ulta Beauty** stands out for its **broader assortment of products across various categories.** Besides, it offers **salon services in their stores**, allowing customers to have the full beauty experience.

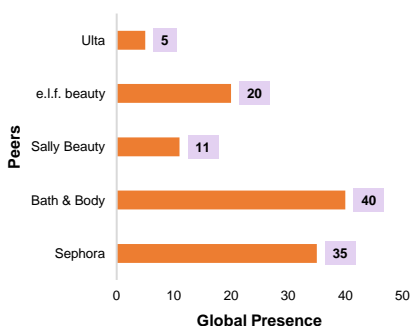
Global Presence

With over 1400 stores, **Ulta Beauty** is the **largest beauty retailer in the US**, surpassing its most fierce peer, Sephora, and well above Bath & Body and Sally Beauty national footprint. However, **outside the US, Ulta is the smallest beauty retailer among its peers**, since it had no international exposure until 2025.

Looking at its peers, **Sephora** is by far the **largest beauty retailer outside the US**, with over **3000 stores** in more than **35 countries** and a strong presence in Europe, Asia and the Middle East. Moreover, **Bath & Body** has more than **530 international locations** within 6 continents and over **40 countries**, while **Sally Beauty** distributes its supplies across **11 countries**. Lastly, **e.l.f. beauty** is present in more than **20 countries**.

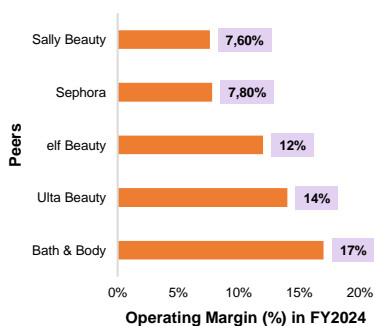
Profitability

In terms of profitability, **Ulta** was one of the most profitable beauty retailers among its peers, with an operating margin of around **14% in FY2024**, outperforming **Sephora (7.8%)**, **Sally Beauty (7.6%)** and **e.l.f. Beauty (12%)**. **Bath & Body** was the most profitable one with a **17% margin**, mostly due to its agile supply chain, which is predominantly U.S.-based, and proactive cost management strategies.



Graph 15: Peers' Global Presence

Source: Annual Reports



Graph 16: Ulta's peers Operating Margins for FY2024 in %

Source: Annual Reports and Own Calculations

Leverage

Furthermore, when comparing leverage ratios among peers, only Financial Debt was considered, excluding lease liabilities. **Ulta Beauty stands out as the least levered company** in the group, reporting zero outstanding debt in FY2024. **e.l.f. Beauty** also has a low leverage ratio (0.68x), followed by **Bath & Body** (2.07x) and finally by **Sally Beauty** with the highest leverage ratio (3.13x).

Ulta’s debt-free profile coupled with its large cash reserves, results in very **low financial risk**. Besides, with a strong balance sheet, Ulta has a lot of flexibility to strategically allocate its capital. This can be seen, for instance, with Ulta’s acquisition of Space NK being made with cash on hand and capacity under Ulta Beauty’s existing credit facility.

Revenue Growth

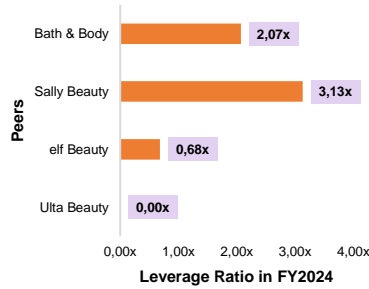
Regarding revenue turnover, **e.l.f. Beauty** recorded the highest revenue growth, with **28.0%**, followed by **Sephora** with **5.1%**, **Ulta Beauty** with **0.8%**, and lastly, **Sally Beauty** and **Bath & Body**, both with annual **negative growth of 0.3% and 1.6%**, respectively. Moreover, Ulta’s comparable sales only increased 0.7% in FY2024, which is still above Sally Beauty, with only a 0.3% increase.

Despite Ulta’s broader business model and dominant presence in the US, the company **underperformed relative to its peers in 2024**. One reason may be its **limited international exposure**, leaving the company confined to the macroeconomic conditions of the US market, which, in 2024, was marked by **instability and uncertainty**.

Nevertheless, in 2025, Ulta Beauty started its **international expansion**, entering promising markets, such as **Latin America** and **the Middle East**, a strategy that will hopefully allow the company to catch up with its peers or even outperform them, given its strong operational track record and brand reputation.

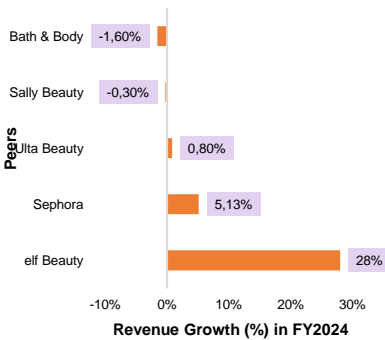
Shareholder Structure

As of April 14, 2025, Ulta Beauty, dominated by **institutional ownership**, which accounts for **99.4%** of the outstanding shares, has 45 310 shares of common stock outstanding as of March 2025, with The Vanguard Group, Inc., BlackRock Inc. and State Street Corporation being the major institutional shareholders. Note that, the dominance of Index funds and large asset managers means Ulta’s share price can become more sensitive to broad market flows rather than company-specific activism.



Graph 17: Ulta’s peers Leverage Ratios for FY2024

Source: Annual Reports and Own Calculations



Graph 18: Peers Revenue Growth in % for FY2024

Source: Annual Reports and Own Calculations

% of Shares Held by Insider	0.26%
% of Shares Held by Institutions	99.45%
% of Float Held by Institutions	99.71%
% Number of Institutions Holding Shares	1,496

Table 1: Ulta Beauty’s Shareholder Structure

Source: Yahoo Finance

The Vanguard Group	11.94%
BlackRock Inc.	8.90%
State Street Corporation	4.31%
Morgan Stanley	2.98%
JPMORGAN CHASE & CO	2.73%

Table 2: Ulta Beauty’s Institutional Ownership

Source: Yahoo Finance

On the other hand, the **minimal insider shareholding of 0.3%**, composed of executives and directors suggests that management has limited direct equity control relative to institutional investors.

Stock Performance

Between **2017 and mid-2019**, Ulta Beauty’s stock strongly outperformed the S&P500, with cumulative returns exceeding 50% by mid-2019 which can be explained by the company’s acceleration in comparable sales as well as significant gain in share across all major categories, particularly with digitally native brands.

The pandemic in **early 2020** caused a sharp decline in Ulta’s stock, mirroring the market-wide crash, but more deeply felt by Ulta due to its **retail exposure**.

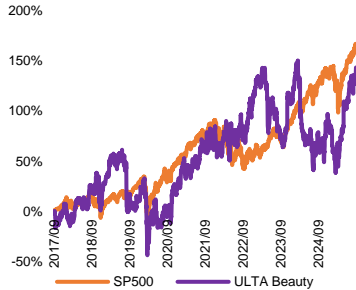
From **mid-2020 through mid-2022**, the S&P500 experienced strong performance, consistently rising and eventually surpassing 100% cumulative return. Ulta Beauty also showed consistent growth, gradually catching up and even briefly outperforming the S&P500 in **late 2021 to early 2022**. This period suggests a successful adaptation by Ulta to the post-pandemic environment, perhaps through enhanced e-commerce or a resurgence in consumer demand for beauty products.

In general, Ulta Beauty’s stock generally moves in line with the S&P500 but with a slightly stronger reaction to shifts in sentiment – rising a bit more in up markets and falling a bit more in down markets, typical of consumer discretionary stocks. Once again, this may be due to Ulta’s retail exposure.

Industry Overview

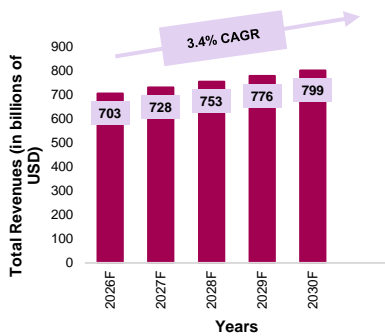
Ulta Beauty’s products and services are integrated in the **Beauty & Personal Care Industry**, one of the most dynamic and resilient consumer industries, which continues to show robust growth even amidst economic and geopolitical headwinds. **Global revenues** are projected to reach **\$677.19 billion in 2025**, which represents a **3.9%** increase in 2025, slightly above the projected **3.2%** growth in the global economy.

Historically, the Beauty & Personal Care Industry has shown resilience in moments of economic downturns, which can be explained by the **Lipstick Effect**. According to this theory, consumers still **spend money on small luxury items**, such as lipstick, **during recessions**, since they do not have enough to spend on big-ticket luxury items. Consequently, beauty retailers, such as Ulta, will still benefit from economic downturns.



Graph 19: Ulta Beauty Stock Performance comparing with the S&P500

Source: Finance Yahoo



Graph 20: Beauty & Personal Care industry total revenues evolution (in billions of USD)

Source: Statista

Furthermore, revenues will grow at a **3.4% CAGR**, from 2025 to 2030 and the **US market**, where Ulta Beauty operates almost exclusively, will **lead in revenue generation with \$105 billion in 2025**. Despite economic instability in the US market, the **Beauty & Personal Care industry will continue to thrive** with a strong focus on organic and natural products.

▪ **Segment Analysis**

The main segments of this industry, in terms of revenue contribution, include **Skincare (41%)**, **Haircare (21%)**, **Color Cosmetics (19%)** and **Fragrance (19%)**.

Skincare products, the largest category, will witness a steady growth at a **5% CAGR (2024-2030)**, driven primarily by dermo cosmetics and facial care. This category is witnessing a shift from demand from older consumers to a growing younger consumer base, which starts using skincare at an increasingly young age in a bid to delay the signs of aging. The **Haircare** segment, also expected to grow at a **5% CAGR**, will experience ongoing appetite for sophistication and innovation, which may result in more elaborate routines and drive sales up. The **color cosmetics** segment (**5% CAGR**) also has white space to grow, given the increased demand for formulations with skin health benefits.

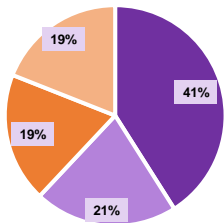
Of all four segments, **Fragrance** is the one expected to lead growth through 2030 at a **6% CAGR**, mainly due to a significant increase in younger demographic penetration and growth from high-end niche fragrances, such as Sol de Janeiro, Tom Ford and Gucci, which are driving strong sales.

Nevertheless, this industry is witnessing the rise of **other high-potential categories**, such as aesthetic injectables, men’s shaving, sun care, bath and shower, beauty supplements and spa services, as the line between beauty, wellness and health continues to blur.

▪ **Regional Analysis**

Regarding industry sales across the globe, **Europe** is the region that takes the lead with a 24% market share, followed by **North America (21%)**, **China (15%)**, **Latin America (12%)**, **Mature APAC (12%)**, **Emerging APAC (8%)**, **Africa & Middle East (6%)** and **Australasia (2%)**.

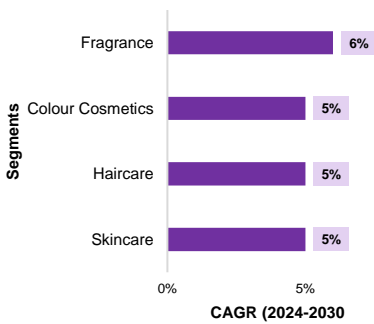
The Beauty & Personal Care industry is expected to **grow the most** in the **Middle East & Africa**, at a **10% CAGR (2024-2030)**, where wealth is growing. According to the McKinsey Global Institute, the number of households with annual income over \$250k will triple in the UAE and double in KSA between 2025 and 2050. Moreover, around 90% of consumers consider beauty products affordable, presenting a strong opportunity for prestige and luxury brands to expand and build loyalty.



• Skincare • Haircare • Colour Cosmetics • Fragrance

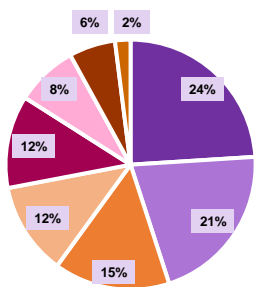
Graph 21: Beauty & Personal Care segments' market share

Source: McKinsey



Graph 22: Segments CAGR (2024-2030)

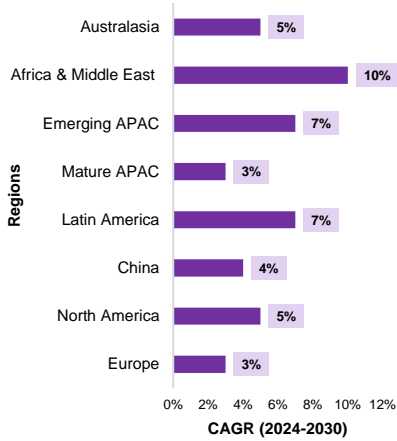
Source: McKinsey



• Europe • North America
• China • Latin America
• Mature APAC • Emerging APAC
• Africa & Middle East • Australasia

Graph 23: Beauty & Personal Care by Regions

Source: McKinsey



Graph 24: Regions CAGR (2024-2030)

Source: McKinsey

In the United States, where the industry will grow **5% CAGR**, beauty habits are changing due to wealth gaps, with more US consumers saying they are spending less on beauty in 2025 than in 2023. However, high-net worth individuals continue to splurge, emphasizing wealth disparities. This poses a crucial issue for beauty retailers, which must adapt their price strategies to supply both premium and value-conscious consumers.

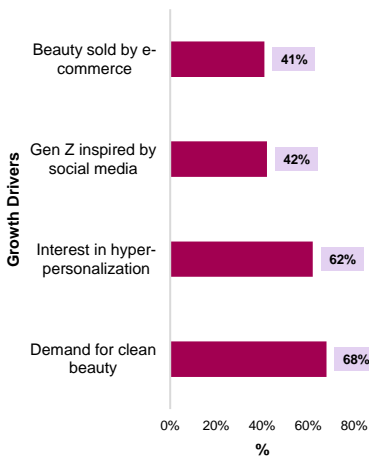
Europe, despite being the region with the largest market share, will only grow at **3% CAGR**, due to the increase in price sensitivity. Today, 1 in 4 consumers say beauty is unaffordable, thus, premium specialty and department stores may face headwinds.

The Chinese market, which will grow at a **4% CAGR**, shows signs of recovery as consumers adapt. 76% of consumers perceive skincare and color cosmetics to be affordable, and around 50% have increased their spending in these categories in the last 12 months. Besides, domestic brands still account for around half of consumers' beauty bags, hence, while foreign brands continue to lead in the premium tier, they must find new ways to appeal to more conscious consumers in the long-term and compete with local players that are more affordable.

▪ **Growth Drivers**

In the upcoming years, the Beauty & Personal Care industry will be impacted by a notable **shift towards clean and natural products**, since consumers, specifically Gen Z and Millennials, increasingly seek transparency in ingredient sourcing and demand ethically produced items that align with their values. A recent report by the NPD Group revealed that 68% of consumers are now actively seeking out clean products. Ulta recently relaunched its private label brand, Ulta Beauty Collection, which has been certified in the **Clean Ingredients and Cruelty Free pillars** within the **Conscious Beauty at Ulta Beauty®** program. With this relaunch, Ulta plans to provide quality, trend-right private label products to continue to strengthen their guest's perception of Ulta, while attracting new customers from younger generations. This is an important opportunity that Ulta needs to continue to explore to grow in this industry.

Moreover, the industry will witness a **rising demand for hyper-personalized beauty solutions**, due to technology that allows brands to offer tailored recommendations based on individual preferences. Mintel reported that 62% of US consumers are interested in hyper-personalized products and 28% are willing to pay extra for them. Ulta already took a lead on this one and it is possible to try, in their stores, a variety of unique digital experiences, including virtual try-on and skin analysis tools, which leverage augmented reality capabilities and artificial



Graph 25: Beauty & Personal Care Industry Growth Drivers

Source: NPD Group, Mintel, Forbes, Nielsen IQ

intelligence tools to provide guests with personalized experiences, leading to increased store visits and, consequently, store revenues.

Additionally, **social media** will continue to play a pivotal role, promoting diverse beauty standards and fostering community engagement, which compels brands to adapt their strategies to remain relevant and connect authentically with consumers. For instance, according to Forbes, 42% of 18–24-year-olds are inspired by social media when it comes to make-up. Ulta has already taken advantage of this growth opportunity, by directing a growing percentage of their marketing expenses towards digital, social media and streaming advertising.

Finally, the **rise of e-commerce and digital marketing** will also drive industry growth as consumers increasingly seek convenient shopping experiences and personalized product recommendations. According to NielsenIQ, in 2024, e-commerce accounted for 41% of all beauty and personal care sales, remaining the powerhouse of beauty retail. On October 14, 2025, Ulta launched UB Marketplace to expand its e-commerce presence, offering guests a broader and more complementary assortment that features 100 innovative new brands. This marketplace will allow Ulta to meet customers’ demand, while delivering greater product newness and achieving faster entry into emerging, all while keeping the guest experience unmistakably.

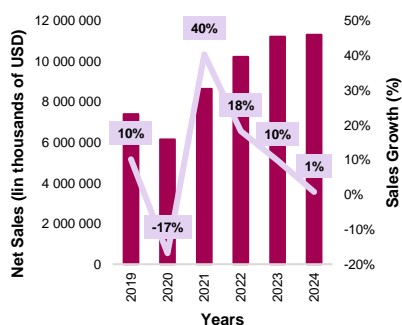
Hence, given the industry’s **steady growth** and **strong fundamentals**, coupled with **Ulta’s position** and **diversified model**, Ulta is well positioned to sustain its competitive advantage and **capture future growth opportunities** within the industry and internationally.

Historical Financials

▪ Resilient Sales

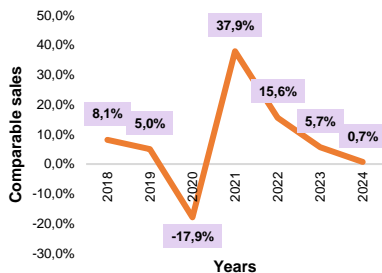
Since FY2019, **Ulta Beauty’s net sales** have had constant growth, with exception to FY2020 which suffered large losses due to the COVID-19 pandemic and the consequent closure of physical stores. As a result, Ulta net sales decreased from \$7.4 billion in 2019 to \$6.1 billion in 2020, a 16.84% negative growth. Nevertheless, in 2021, Ulta recovered quickly with net sales surpassing pre-pandemic levels and, since then, revenue growth has been positive despite the industry slowdown and increased competition.

Like-for-like sales have followed a **similar growth trajectory to total net sales**, meaning that most of the company’s growth comes from **existing stores and not from new ones**. Comparable sales can be affected for various reasons, such as US economic conditions, changes in merchandise strategy or mix or even timing



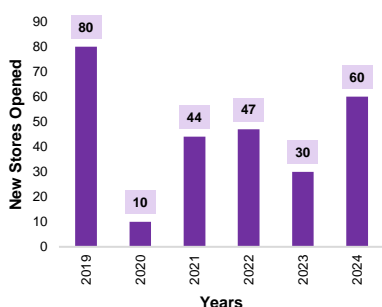
Graph 26: Ulta’s Net Sales and Sales Growth evolution

Source: Annual Report and Own Calculations



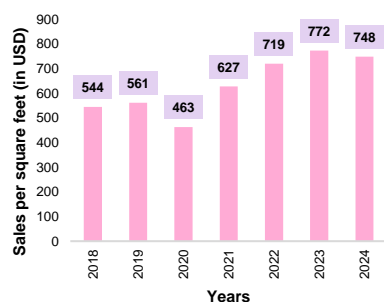
Graph 27: Ulta's Comparable Sales Growth evolution

Source: Annual Report and Own Calculations



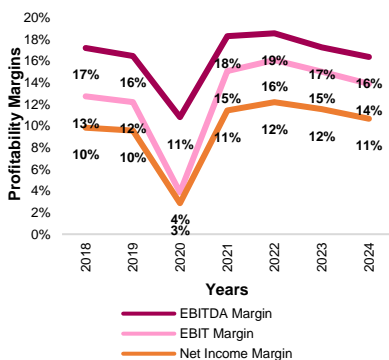
Graph 28: Ulta's New Stores evolution

Source: Annual Report



Graph 29: Ulta's Sales per square foot evolution

Source: Annual Report and Own Calculations



Graph 30: Ulta's EBITDA, EBIT and Net Income margins evolution

Source: Annual Report and Own Calculations

and effectiveness of Ulta's marketing activities. Besides, transaction growth and average ticket are also two crucial factors. In FY2023, the total like-for-like sales increase of 5.7% was driven by a **7.4% increase in transactions** and **1.5% decrease in average ticket**.

Looking at the historical numbers of new stores, on average, **Ulta has opened around 45 new stores per year**, which is significant for a specialty retailer, but modest relative to its current scale of over 1500 stores, which is why growth comes primarily from existing stores. Moreover, over the last 6 years, only 2 have recorded a number above average of new stores, which shows **Ulta has been capitalizing its existing stores in the US, while preparing its international expansion**.

Nevertheless, in contrast to the number of new stores, **sales per square footage have been increasing over time, having reached \$748 per square foot in 2024**. However, in 2024 this number decreased due to the macroeconomic slowdown the industry is facing. Looking ahead, both sales and total square footage are expected to increase in the next couple years, due to the international expansion Ulta is undertaking, thus **sales per square feet will probably increase significantly**.

When looking at industry peers, **Ulta Beauty has the least sales per square foot among its peers**. In 2024, **Sally Beauty** registered **\$1,034 sales per square foot**, while **Bath & Body** registered **\$1,041**. While this may strike as a surprise, Ulta Beauty's average store (10,000 square feet) is substantially larger in comparison to peers (Sally's average store has 2,700 square feet and Bath & Body's average store has 2,843 square feet) and most of them have a designated salon service space, which is approximately 950 square feet. Hence, **not all Ulta's square footage is selling square footage**. Additionally, Ulta Beauty sells a broader assortment of beauty products with a broader price range, while its peers sell more specialized products with higher turnover and narrower assortments. Therefore, **Ulta's lower sales per square foot do not imply a weaker performance**.

▪ **Consistent Margins**

Gross margin, which has fluctuated around **39 to 40%**, is a key strength of its business model. This resilience is driven by Ulta's product category mix, loyal customers and an efficient supply chain structure.

The **EBITDA margin** has remained between **16 to 18%** over the past years, except for FY2020, with a 10.8% margin. Additionally, the **EBIT margin** shows a **similar trajectory**, implying that depreciation, amortization and cost structure have been constant over time, proportionally. **Net Income** has also had positive and constant growth for the past years, increasing from **\$658M in 2018 to \$1.2 billion in 2024**.

As mentioned before, **Ulta is one of the most profitable among its peers**. This reflects Ulta’s hybrid assortment, large physical footprint and investment in in-store services, which drive store traffic and loyalty.

▪ **Sustained Investment**

Ulta Beauty does not own the real asset of its stores, instead, it operates almost entirely through **long-term operating leases**.

Consequently, **CAPEX** is not deployed to acquire property, but rather to fund the **fit-out of new stores** and to **refurbish, relocate and maintain existing ones**. Besides, CAPEX also includes investments in its supply chain and technology infrastructures.

Hence, **its growth is highly correlated with the growth of new store openings**. Nevertheless, the average investment required to open a new store has increased over time, from **\$1 million in FY2018** to **\$2.1 million in FY2024**, which reflects higher construction costs and increased store experience standards. This may constrain Ulta’s expansion into new locations.

▪ **Working Capital Efficiency**

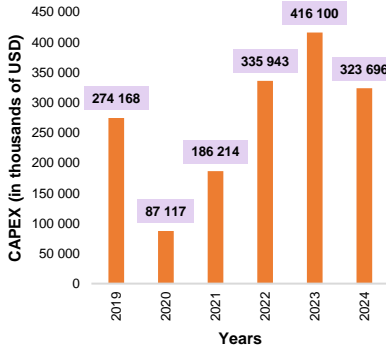
Looking at Ulta’s historical working capital profile, the **Cash Conversion Cycle exhibits relatively high values** which remain in accordance with industry levels. It is important to note that specialty retailers like Ulta have longer inventory holding periods than retailers like Walmart or Target due to the nature of their assortment, which is a mix of fast-moving categories and slower-turning premium products.

Consequently, a higher CCC **reflects the structural characteristics of the business model rather than liquidity pressures**. Moreover, Ulta’s Days Payables Outstanding have remained stable, meaning that the company is not facing constraints in meeting supplier obligations.

▪ **High-Return Business Model**

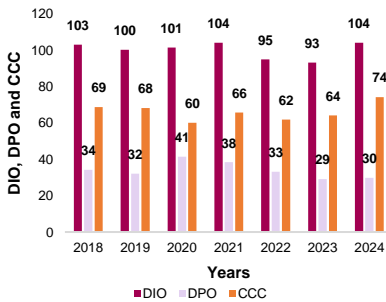
Except for FY2020, Ulta has consistently delivered a **strong ROE and ROIC** over the past years. Since 2021, **ROE** has been over 50%, peaking in 2022 at 71%, implying strong profitability and strong value creation for shareholders. Ulta’s **ROIC** has also remained well above industry averages. This means that despite macroeconomic downturns and increased competition in this industry, Ulta can maintain high levels of profitability.

After **decomposing Ulta’s ROIC** of FY2024, it was concluded that **for every \$100 sales**, Ulta needed to **invest \$33.3** in operating assets and **generated \$10.5** of after-tax operating profit. This yielded **31.6% Core ROIC**.



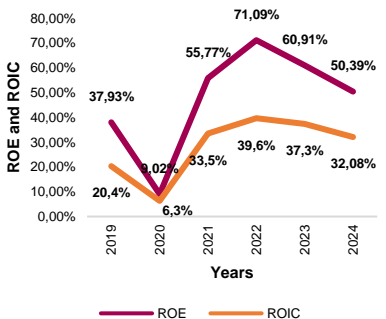
Graph 31: Ulta’s CAPEX evolution in thousands of USD

Source: Annual Report



Graph 32: Ulta’s DIO, DPO and CCC evolution

Source: Annual Report and Own Calculations



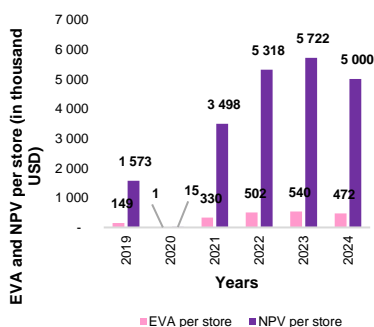
Graph 33: Ulta’s ROE and ROIC evolution

Source: Annual Report and Own Calculations

ROIC Components (in thousands)	Ulta Beauty (\$)	Space NK (£)
COGS/Sales	61.2%	56.7%
SG&A expenses/Sales	24.9%	37.9%
Pre-opening expenses/Sales	0.1%	0.1%
EBIT Margin	13.9%	5.3%
Tax Rate	24%	25%
After-Tax EBIT Margin	10.5%	4.0%
NWC/Sales	7.4%	44.4%
PPE/Sales	11%	10.0%
Non-current operating lease assets/sales	14.3%	
Intangibles/Sales	0.1%	1.7%
Others/Sales	0.6%	
Operating Invested Capital/Sales	33.3%	56.1%
Core ROIC	31.6%	7.06%

Table 3: Ulta's and Space NK's FY2024 ROIC decomposition

Source: Annual Reports and Own Calculations



Graph 34: EVA and NPV per store (in thousands of USD)

Source: Annual Reports and Own Calculations

ROE Components (in thousands)	Ulta Beauty (\$)	Space NK (£)
Net Income	1,201,118	7,453
Sales	11,295,654	196,515
Net Profit Margin	11%	4%
Sales	11,295,654	196,515
Total Assets	6,001,693	21,999
Asset Turnover	1.9	8.9
Total Assets	6,001,693	21,999
Equity	2,488,353	17,596
Equity Multiplier	2.4	1.3
ROE	48.3%	42.4%

Table 4: Ulta's and Space NK's FY2024 ROE decomposition

Source: Annual Reports and Own Calculations

Regarding the newly Ulta's acquisition, **Space NK**, it was concluded that in FY2024, **for every \$100 of sales**, Space NK needed to **invest \$56.1** in operating assets and **generated only \$4**, which yielded **7.1% Core ROIC**. This level of return is below Ulta's cost of capital, meaning that the company is currently destroying economic value. It is important to note that this conclusion does not incorporate any potential synergies arising from its integration into Ulta. Hence, improving Space NK's profitability must be one of Ulta's priorities to ensure that the acquisition becomes value creative over time.

Furthermore, it was computed the economic value added and the net present value of an Ulta Beauty's store. In FY2024, a **new store generated \$472 thousand** more than Ulta's required return (9.4%) on the \$2.1 million invested to open it. Moreover, **over its lifetime, this new store will generate \$5 million** more than the cost of opening and operating it, after discounting future profits.

Additionally, Ulta must ensure that the **ROIC of new store openings** remains above the company's **current consolidated ROIC**. When the ROIC of new investments exceeds the consolidated ROIC, the company's overall ROIC increases over time, meaning that those **new investments are generating economic value**. Conversely, if the returns on new stores fall below Ulta's current ROIC, expansion would dilute profitability and reduce value creation, even if the consolidated ROIC remains above the WACC.

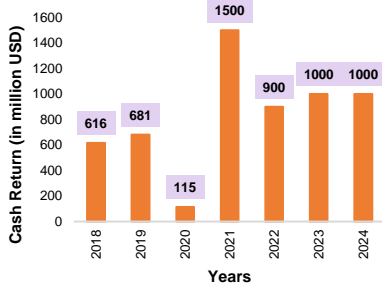
Afterwards, both **Ulta's and Space NK's ROE were decomposed**. When comparing the most recent filing, both companies appear to have similarly high ROE levels (48.3% vs 42.4%), but for different reasons.

Ulta's ROE is stronger, driven by high margins and a stable capital structure, while **Space NK's ROE is weaker**, driven by high asset turnover but with low profitability. This poses a risk for Ulta Beauty, as the consolidated ROE may decline unless Ula successfully improves Space NK's margins.

▪ **Share Repurchase Program**

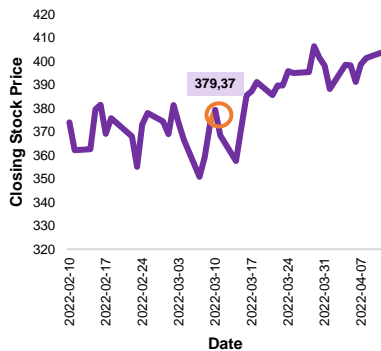
Historically, Ulta Beauty has used share repurchases as its primary method of returning capital to shareholders.

In **March 2020**, the Board of Directors authorized that Ulta Beauty could repurchase up to **\$1.6 billion** of its common stock. However, this share repurchase program was suspended to strengthen liquidity during the COVID-19 pandemic. When the economy improved, Ulta continued its buybacks and in the earnings release of March 10th, 2022, Ulta Beauty announced that during fiscal year 2021, it had repurchased \$1.5 billion of common stock. This explains why in 2020 cash



Graph 35: Cash Return via Share Repurchase (in million USD)

Source: Annual Reports



Graph 36: Ulta Beauty's stock price evolution from February to April 2022

Source: Yahoo Finance

return was so low, but in 2021, it increased significantly. This was positive news for investors as Ulta's share price spiked to \$379.37 around that date.

More recently, in October 2024, Ulta Beauty announced a new **\$3 billion share repurchase program**, reflecting the company's ongoing commitment to returning capital to shareholders, while still investing in store expansion. As of August 2, 2025, **\$2.2 billion** remained available, showing how cautious and selective Ulta Beauty has been about its capital allocation.

All things considered, Ulta Beauty depicts **stable profitability, efficient capital allocation, steady returns** and **concern with shareholders' capital return**, showing that the company is a mature and strong company within the industry. Moreover, these solid fundamentals provide a strong foundation for our optimistic assumptions and valuation results.

Valuation Restatements

To conduct a more accurate valuation, **all three financial statements were restated** to differentiate Ulta's **core, non-core** and **financial activities**.

In the **Income Statement**, core activities include all revenues and operating costs related to Ulta Beauty's retail and service operations, leading to the calculation of the **After-tax Operating Profit (NOPAT)**. Non-core activities include non-occurring items, such as costs associated with impairment, restructuring and pre-opening of physical stores, while financial activities include Ulta's interest earned from its cash and cash equivalents reserves.

In the **Balance Sheet**, core activities include net working capital, property and equipment; right-of-use assets, and other long-term operating assets net of operating liabilities, resulting in the **Operating Invested Capital**. Non-core activities include short-term investments, deferred compensation plan assets, deferred income taxes, and other long-term liabilities. Financial activities include deferred rent, current and non-current operating lease liabilities, which were assumed to be part of Ulta Beauty's **Gross Financial Debt**.

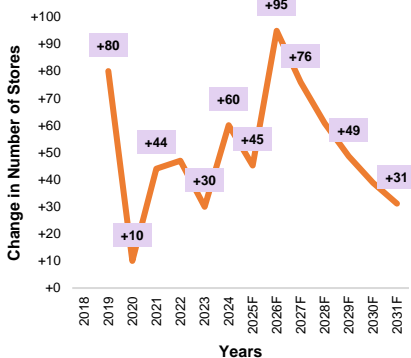
In the **Cash Flow Statement**, core activities include NOPAT plus all non-cash items minus changes in working capital and capital expenditures, resulting in **Operating Unlevered free cash flows**, the key output of the restatements and the main input for the valuation models.

Forecasts

The key variable used for the forecast was the **number of stores expected to open in the coming years**. Note that the assumption lies in the fact that the difference between closed and opened stores per year would never be negative.

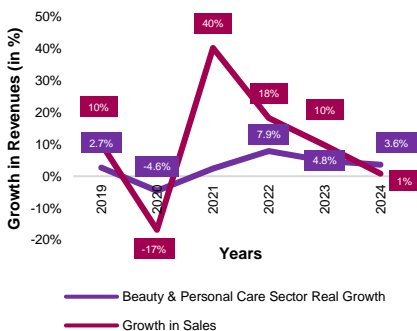
Historically, the change in the number of stores of our company, especially in the last 4 years, did not vary significantly, staying between the values of 44 and 60. For this reason, it was assumed that the increase in the number of stores for 2025 to be 45 (the average of the last 4 years).

For this purpose, current company announcements were considered such as the expansion for Mexico, Middle East and the acquisition of Space NK. According to Ulta Beauty’s press release on October 16, 2024, the company planned to open 200 new stores over the following three years. Following this goal, it was assumed that in **2026 the increase in the number of stores would double, marking the peak of expansion** and that for the following years, the increase in the number of new stores would account for 80% of the prior year increase in the number of stores. With this, Ulta is able to meet the press release objectives of between 2025 and 2027, to have 216 new stores. **Following years of strong expansion both international and in-house, a decrease in this change was assumed to stabilize operations.**



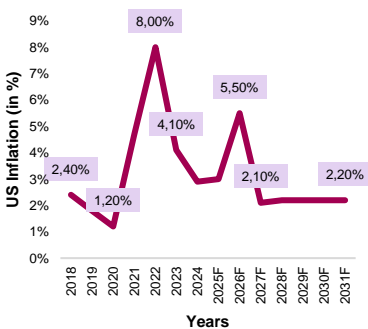
Graph 37: Change in Number of stores

Source: Annual Reports and Own Calculations



Graph 38: Growth in Revenues (in %) for Ulta Beauty vs the sector

Source: Statista



Graph 39: US Inflation rate (in %) for the period

Source: Statista

Net Sales

It was assumed that the nominal growth in the **Beauty & Personal Care industry would be a good proxy** for Ulta’s net sales per store growth, since it **encompasses the various product categories sold in Ulta Beauty’s stores** such as cosmetics, personal care, fragrances, beauty tech and skin care.

As presented in *Graph 36*, Ulta’s revenue growth tends to move in the same direction as the overall market but with stronger swings. The sector is relatively stable, typically growing between 1-5% annually (outside of the pandemic), reflecting steady consumer demand. On the other hand, Ulta’s sales typically fall more sharply and when the sector rebounds, Ulta often outperforms significantly, for instance, in 2021, while the market experienced a 3.2% increase compared with the previous year’s revenue growth, Ulta saw a 23% increase in revenue growth.

Overall, without being the most ideal, to follow a more conservative approach, considering the **Beauty & Personal Care industry as a proxy is a suitable decision**. For the forecasted period, *Statista* values were used which ranged from 2.50% to 3.40% keeping a stable outlook.

Thus, summing up the US expected inflation rate for the forecasted period and the real growth rate of the *Beauty & Personal Care Sector*, it yielded the industry’s nominal growth which was used to forecast the revenues per store of Ulta Beauty for the period between 2025 and 2031.

For a more precise result, total net sales were divided into **Mature Store Sales and New Stores Sales** as new locations are expected to experience a ramp-up effect and therefore cannot be modelled in the same way as established stores.

Specifically, **revenues from existing stores** were calculated based on prior year’s values as it predicted no major breakdowns from already existing stores. For **new stores**, a **gradual ramp-up** was assumed – stores opened in the current year achieve 70% of average revenue per store and stores opened in the previous year reach 90%. This pattern continues each year, reflecting the time needed for new locations to build consumer awareness and stabilize sales.

In general, mature store sales account for approximately 95 to 97% of total revenues which are around **\$12 to \$19 billion** and new stores’ sales account for around 5 to 2% which is around **\$600 to \$1 billion**. In general, new stores’ sales grow by a more significant pass of around 33% and then eventually decrease, while existing stores remain at stable values of around 9% throughout the whole period. This goes along with the fact that while new stores contribute to Ulta’s success, the mature stores are the ones that significantly contributed to Ulta’s strong financials in the long term.

Altogether, net sales increase every year at an **initial growth rate of around 11%** but eventually **decrease to around 4%**, which is according to our assumption of moderation after expansion.

Costs

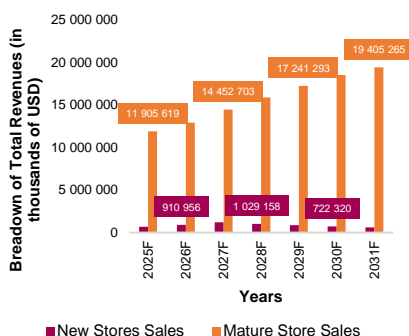
Cost of Sales

The Cost of Sales is projected as a fixed percentage of Net Sales using the seven-year historical average. Therefore, our gross margin was considered 63% for the forecasted period.

As observed in *Graph 41*, the cost of net sales has remained stable in the past seven years with values around **61% and 68%**, therefore, it is reasonable to assume this percentage will not change drastically in the next years.

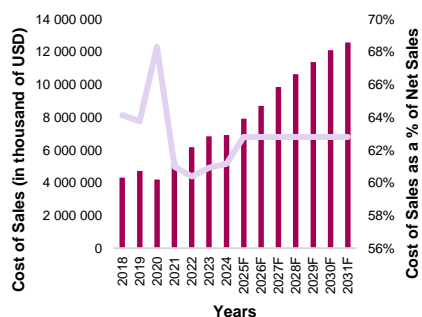
Selling, General and Administrative Expenses

SG&A includes associate expenses, advertising expenses and other segment expenses.



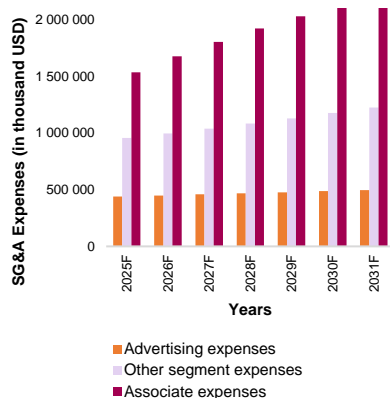
Graph 40: Total Net Sales breakdown for the forecasted period

Source: Own Calculations



Graph 41: Cost of sales in thousands of USD and Cost of Sales as a % of Net Sales

Source: Annual Reports and Own Calculations



Graph 42: SG&A Expenses breakdown for the forecasted period

Source: Annual Reports and Own Calculations

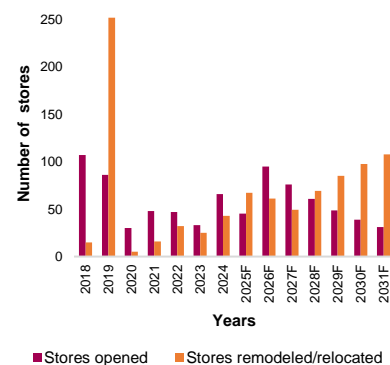
For the forecast of the **associate expenses**, it was assumed that it depended on the number of associates which is dependent on the number of stores that exist per year. With the forecasted significant growth in stores number, it is consistent to assume the staff values will increase as well. For the **advertising expenses**, a growth of 2.1% was assumed which is consistent with the historical pattern and the company’s increasing reliance on digital and loyalty-based marketing channels. The same was done for the **other segment expenses**, but with a growth of 4.2% every year.

SG&A represents around 24% of Ulta’s expenses, which does not come as a surprise as Ulta depends on **continuous marketing** to maintain brand visibility and promote new product launches. These costs also reflect **expenses on associates**, common for retail businesses, but especially important in beauty, where in-store services, beauty advisors, and salon stylists play a central role in guiding customers and enhancing the overall shopping experience.

Pre-opening Expenses

Pre-opening expenses include non-capital expenditures during the period prior to **store opening for new, remodeled, and relocated stores including rent** during the construction period for new and relocated stores, **store set-up labor, management and employee training**, and **grand opening advertising**.

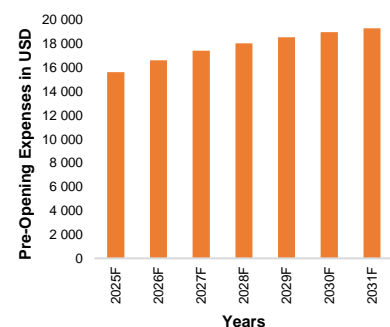
The **number of new store openings each year as well as the number of remodeled and relocated stores has fluctuated**. However, recent company data show a clear **trend towards increasing** remodels/relocations alongside continued expansion of store count. As a result, the remodeling and relocating activity is expected to continue rising as Ulta adapts existing stores to new retail formats, updates interiors and improves the overall customer experience while the number of new stores will increase significantly but then eventually decreases to stabilize.



Graph 43: Number of stores opened, and stores remodeled/relocated

Source: Annual Reports and Own Calculations

Taking this into consideration, and that pre-opening expenses are majorly dependent on the total number of stores opened, remodeled and reallocated, pre-opening expenses are **expected to rise steadily from 2025 to 2031**, mirroring the gradual increase in total stores projects over the same period. This is consistent with Ulta’s strategy of expanding its footprint while enhancing productivity of existing locations. Eventually, towards the end of the forecast horizon, the pace of new openings begins to stabilize.

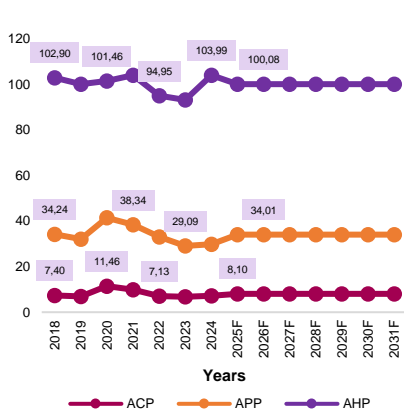


Graph 44: Pre-opening expenses in USD for the forecasted period

Source: Own Calculations

Pre-opening expenses represent around **0.1% of total costs**, therefore while important for Ulta’s growth, it is not a significant cost that the company must incur.

Net Working Capital



Graph 45: AHP, ACP and APP from 2018 to 2031 in days

Source: Annual Reports and Own Calculations

The change in Net Working Capital varies according to Receivables, Merchandise inventories, Prepaid expenses and other current assets and Prepaid income taxes as well as Accounts payable, Deferred revenues, accrued liabilities, accrued income taxes and Working cash.

For the forecasted period, **average holding period, average payable period and average collection period** were assumed to remain constant at levels consistent with the average for the last seven years. This assumption is justified by the historical stability of Ulta Beauty’s for the following reasons:

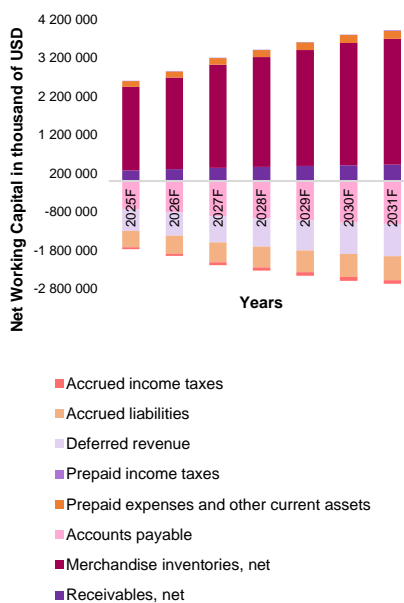
Average Collection Period: Ulta’s business model is largely based on direct, in-store sales and online transactions with **immediate payment**. As stated in the company’s annual reports, receivables “typically settle in five days or less with little or no default risk” which aligns closely with the historical range of 6 to 11 days observed.

Average Payable Period: Ulta has long-standing partnerships with major beauty brands and suppliers such as Estée Lauder, L’Oréal and Coty. These suppliers typically operate under **well-defined, recurring contracts** which can provide some level of assurance that the **payments will be consistent**. In fact, in the last seven years, days payable showed low volatility with values ranging from 29 to 41 days.

Average Holding Period: Ulta’s inventory turnover has remained consistent for several years, ranging from 93 to 104 days, which suggests a mature supply-chain system and stable sales speed. As there are no announced strategic changes to Ulta’s inventory policy, assuming stable days inventory is consistent with its historical behavior.

Prepaid expenses and other current assets and Accrued liabilities were estimated based on operating expenses (of 1% and 4%, respectively, equal to 2024) while Prepaid income and Accrued income taxes were estimated based on total Income Taxes (of 1% and 12%, respectively, equal to 2024). Lastly, Deferred revenues were forecasted based on net sales (of 4% equal to 2024).

As a result, Ulta Beauty’s Net Working Capital is expected to remain **positive and stable** over the forecasted period. While a positive NWC indicates that current assets exceed current liabilities, it also implies higher investment in working capital. This increases the company’s invested capital and, consequently, puts downward pressure on ROIC.



Graph 46: Net Working Capital

Source: Own Calculations

Capital Expenditures

Growth CAPEX

Growth CAPEX reflects investments related to store expansion, **including new stores opening and store relocations or refurbishments**.

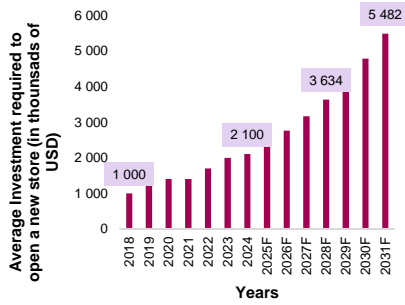
As disclosed in the Annual Reports, the **average investment required to open a new store** in 2024 was around **\$2,1 million**, a value that has grown in +110% since 2018. This implies an estimated build-out cost of around **\$100 to \$200 per square meter**, which has trended upward as materials, labor and fixture requirements have become capital intensive. For forecasting purposes, per store CAPEX is assumed to **grow 15% annually**, capturing inflation as well as Ulta's strategy of investing in higher-quality infrastructure and more modernized store environments. This results in values between **2,4 to \$5,5 million in the next 6 years**.

Remodeled and relocation projects are assumed to require approximately 60% of the cost of a new store, yielding an **estimated refurbishment cost of around \$1,4 million** in 2025 and an increase from then onwards, which is consistent with Ulta's historical store-refresh spending patterns of values around **\$780 thousand to \$1,3 million**. Therefore, from 2025 to 2031, these values should be around **\$1,4 and \$3,3 million**.

Maintenance CAPEX

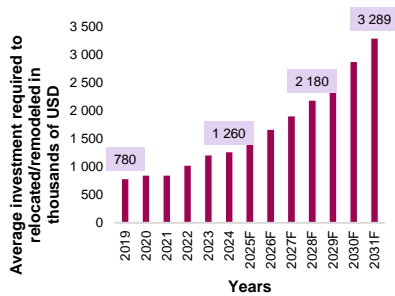
Maintenance CAPEX covers ongoing investments necessary to sustain operations, including refurbishments, merchandising updates, IT systems, supply chain infrastructure and general store maintenance. This expenditure is projected to scale proportionally with the total number of stores in operation each year, reflecting the ongoing costs required to maintain the existing store base.

Overall, Ulta's CAPEX allocation remains balanced between investment in new-store growth and ongoing reinvestment in the core of the business. As shown in *Graph 46*, total CAPEX over the forecasted period is **expected to have a steady increase**, which is consistent with expanding store openings, larger refurbishment programs, and continued investment in supply-chain and digital capacities (included in the so-called Maintenance CAPEX). Note that **Maintenance Capital Expenditures represent the biggest percentage of CAPEX** with values around 37% to 55%, which shows Ulta's resilience in not only investing in expansion but also in keeping the existing investments profitable.



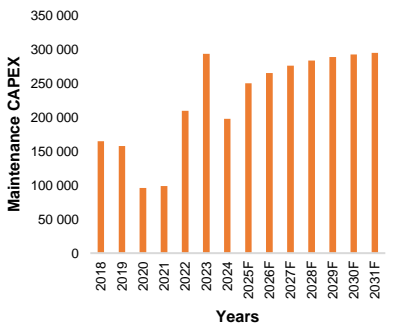
Graph 47: Average investment required to open a new store in thousands of USD

Source: Annual Reports and Own Calculations



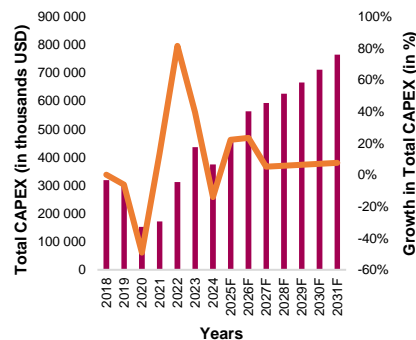
Graph 48: Average investment required to relocated/remodeled in thousands of USD

Source: Annual Reports and Own Calculations



Graph 49: Total Maintenance CAPEX

Source: Annual Reports and Own Calculations



Graph 50: Total CAPEX in thousands of USD and Growth in CAPEX in %

Source: Annual Reports and Own Calculations

Valuation

Cost of Capital

▪ Capital Structure

Ulta Beauty maintains a conservative capital structure, with minimal leverage. For the market **D/E ratio**, the current market value of equity (*Number of Outstanding Shares * Price per Share*) and the net debt forecasted for 2024 were considered, which resulted in **8.4%**. This reflects Ulta's historically **low reliance on debt financing**. The near absence of debt reduces financial risk but also means that equity dominates the company's cost of capital, lower tax shield and lower ROE in new openings (if not financed by debt). Therefore, as there is no evidence that Ulta intends to make any major changes to its capital structure, it was assumed that the **D/E will remain stable** during the forecasted period.

▪ Cost of Equity

The **Capital Asset Pricing Model (CAPM)** was resorted to calculating the cost of equity. The **risk-free rate** was assumed to be the same as the yield of the US 10-Year Treasury which is equal to 4.2%. For the **market risk premium**, a value of 5.5% was considered based on *McKinsey's Valuation* book.

Based on Ulta Historical Data

Ulta Beauty's **beta** was estimated to be based on a regression of the company's historical returns against the S&P500 index for the same period of years chosen for the research. This regression resulted in a **beta of 1.06 with a confidence interval of [0.99, 1.14]** suggesting Ulta's stock exhibits slightly higher systematic risk than the overall market.

After inserting all these inputs into the CAPM, it yielded an estimated **cost of equity of 10.03%**.

Based on Peers

To benchmark Ulta's equity risk, a second analysis considered **the average beta of comparable companies** in the specialty retail sector. This approach provides context for the company's systematic risk relative to its peers, though differences in store formats, geographies and customer base may limit the comparability.

Starting by excluding from the selected group of companies the effects of different capital structures, we unlevered each company's beta³. Afterwards, we considered

³The raw betas were taken from *Bloomberg*.

the **average of the peer’s unlevered beta** (attributing an equal weight to each company) which is **1.24**.

In this scenario, and after **releveling the unlevered beta, which results in a value of 1.31**, by applying Ulta’s market debt-to-equity ratio, a **levered cost of equity of 11.41%** was obtained.

The first option against a beta based on our peers group sounded more realistic as our company has specificities that no other company in this sector has.

▪ **Cost of Debt**

Ulta Beauty’s estimated cost of debt is **4.2%**, based on the weighted-average discount rate for operating leases disclosed in the FY2024 Annual Report. While this reflects lease obligations rather than external borrowing, it serves as a practical proxy given the company’s minimal debt level. Applying the effective tax rate of 24%, the **after-tax cost of debt is 3.2%**.

▪ **WACC**

Combining all together, Ulta Beauty’s **Weighted Average Cost of Capital is 9.4%**. Considering the option of a cost of equity based on our peers, the **Weighted Average Cost of Capital was 10.7%**.

Terminal Value Framework

To project Ulta Beauty’s value beyond the explicit forecast horizon, a **perpetuity growth model** was applied. The **Terminal Growth Rate** was set equal to the expected **US nominal GDP growth rate**, which is a reasonable proxy, given Ulta’s maturity and large presence in the US. By summing up the expected US real GDP growth and the long-term inflation forecast, it results in a **4.3%** terminal growth rate.

Afterwards, the model computed the **Reinvestment Rate** required to sustain this perpetual growth. Using the formula:

$$Reinvestment\ Rate = \frac{Growth\ rate}{ROIC}$$

A **10.39%** reinvestment rate was obtained. This implies that, in a steady state, Ulta must reinvest 10.39% of its terminal after-tax operating profit to grow to 4.3%.

Then, the **NOPAT** for 2032 was obtained using the formula:

$$NOPAT_{2032} = ROIC_{2031} \times ROIC_{2032}$$

This yielded a NOPAT of approximately **\$2.9 billion**.

Next, the **Terminal Free Cash Flow** for 2032 was computed using the formula:

Inputs	Historical	Peers
Debt-to-Equity	8.4%	8.4%
Risk-free rate	4.2%	4.2%
Tax rate	24.0%	24.0%
MRP	5.5%	5.5%
Levered Equity Beta	1.06	-
Unlevered Equity Beta	1.00	1.24
Re-Levered Beta	-	1.29
Cost of Equity	10.0%	11.41%
Cost of Debt (after tax)	3.2%	3.2%
WACC	9.4%	10.7%

Table 5: Inputs for Weighted Average Cost of Capital

Source: Own Calculations

In Thousands, except for %	Value
Real GDP growth (2031)	2.1%
Inflation (2031)	2.2%
Terminal growth (g)	4.3%
Core ROIC (2032)	42.47%
Reinvestment rate	10.13%
Operating invested capital (2031)	6,812,825
NOPAT (2032)	2,893,098
Terminal FCF	2,600,147
Terminal Value	50,570,516

Table 6: Terminal Value and Terminal Growth Rate components

Source: IMF and Own Calculations

$$\text{Terminal FCF} = \text{NOPAT}_{2032} \times (1 - \text{Reinvestment Rate})$$

Resulting in a value of approximately **\$2.6 billion**.

Finally, the **Terminal Value** was computed using the perpetuity formula, which yielded a value of approximately **\$50.6 billion**.

Intrinsic Value Estimation

To compute Ulta Beauty’s intrinsic value, the **Adjusted Present Value (APV)** method was applied.

In thousands, except per share data	APV
Core Enterprise Value	40,036,880
Non-Core Invested Capital	-65,409
Total Enterprise Value	39,971,471
Net Debt	-1,417,664
Equity Value	38,553,807
# Shares Outstanding	44,875
Share Price	859

Table 7: APV framework

Source: Own Calculations

Under the **APV framework**, the value of the company is decomposed into two components: the present value of the unlevered free cash flows discounted at the **unlevered cost of equity** and the present value of the interest tax shields generated by debt financing. By valuing operations independently from financing effects and adding the tax benefits of debt separately, the APV provides a transparent view of the value created by Ulta’s core business relative to the benefits of its capital structure.

After obtaining the **Core Enterprise Value** from both methods, the expected non-core invested capital was deducted and Ulta’s **Net Debt** was incorporated to derive the Ulta Beauty’s **Equity Value** as of December 2026.

Finally, Ulta’s equity value was divided by the current number of shares which are outstanding, yielding the company’s share price of **\$859**.

- **Sensitivity Analysis**

Two sensitivity tables were developed to capture possible share prices under different economic scenarios.

The range for the **WACC of 9.44% to 10.78%** was chosen to reflect the difference between Ulta’s cost of capital (9.44%) and the cost of capital implied by its peers (10.78%). The lower bound reflects a valuation closer to Ulta’s standalone fundamentals and the upper bound reflects a more conservative scenario aligned with peer risk levels and industry discount rates. These variations are realistic since discount rates are highly sensitive to changes in Treasury yields, market risk premiums and macroeconomic volatility, which Ulta cannot control.

The range for the **TGR of 3.9% to 4.7%** was determined by varying both the values of US inflation (2.0% - 2.4%) and real GDP growth (1.9% - 2.3%). These variations are less likely because long-term GDP and inflation trends tend to remain stable.

Finally, the range for the **ROIC of 37.9% to 47.1%** was defined based on Ulta’s historical and projected performance between FY2018 and FY2031. These

variations are also plausible, since they reflect both Ulta’s historical profitability and expected profitability in the future.

The results show that Ulta’s valuation is **more sensitive to changes in the WACC** than changes in the TGR or the ROIC. A **0.5 pp increase** in the WACC **reduces the estimated share price by approximately 9%** and an increase of 0.5 pp in the TGR **raises it by approximately 7%**. Within the range analyses, changes in ROIC have a comparatively smaller effect on valuation.

▪ **Scenario Analysis**

Two other scenarios were considered to project Ulta Beauty’s future net sales: a best case and a worst case with the key variable differentiating the scenarios, the **number of stores expected to open in the coming years**.

In general, the **best-case scenario** reflects a more aggressive expansion followed by a progressively lower increase, while the **worst-case scenario** assumes a more conservative outlook with the assumption of a failed ability to expand to other countries and a general worsening of Ulta’s performance.

On the best-case scenario, the assumption lies in doubling the stores opened in 2026 marking the peak of Ulta’s international (and domestic) expansion and then opening 10% of stores than in the year before. For the worst-case scenario, it is predicted that the number of stores opened will also double in 2026 but eventually decrease to 30% of the stores opened in the year before.

Once again, the difference between the scenarios comes from solely the number of stores opened. For that reason, the values for these two scenarios will be proportional to the ones for the base scenario but in different scales - higher (in the case of the best scenario) or lower (in the case of the worst case).

For the **best scenario**, the stock price is **\$916** while in the **worst scenario** it is **\$815**. Compared to the stock price of the 5th of December of 2025, of **\$602**, this results in an **upside of 48%** for the **best case** and of **32%** for the **worst case**.

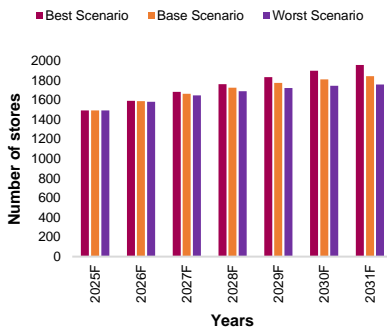
Multiples Valuation

▪ **Peers**

For our multiples valuation, we selected three industries peers – **e.l.f. Beauty Inc**, **Bath & Body Works Inc** and **Sally Beauty Holdings Inc**.

e.l.f. Beauty

This peer is based and **originated from the United States** and is **exposed to the same industry driver’s factors as Ulta**. In addition, the two share meaningful overlap in product categories, customer demographics and market trends.



Graph 51: Total number of stores per scenario for the forecasted period

Source: Own Calculations

Scenario	Best	Base	Worst
APV	\$916	\$859	\$815
Upside	52%	43%	35%

Table 8: Stock price in USD per scenario

Source: Own Calculations

However, while e.l.f. Beauty is primarily a **brand**, Ulta is a **retailer**. Moreover, e.l.f. beauty **does not include salons in its store**.

Being considered a smaller scale brand compared to Ulta, according to its Annual Report for 2024, e.l.f. Beauty registered **total revenues of \$1.0 billion** while **Ulta registered \$11.3 billion**. **EBITDA** for our selected peer was **\$149 million** in comparison with **\$1.6 billion for Ulta**. The value for Net Income was **\$127 million for e.l.f** and **\$1.2 billion for Ulta**. When comparing **market capitalization**, **e.l.f. Beauty** has a value of **\$15.1 billion** compared with a not so different, **\$18.6 billion for Ulta Beauty**.

Bath & Body Works Inc.

Bath offers some similarity to Ulta by being one of the **largest US retailers in the beauty sector**. Whatsoever, Bath and Body Works have a **limited product span**, which only includes fragrances, soaps, lotions and candles (which represents only around 31% of Ulta’s total revenues). In addition, the company **does not offer prestige products**, instead focusing on more **moderately priced products**.

Total revenues for this peer were **around \$7.3 billion** which is once again lower than Ulta Beauty. **EBITDA** was **\$1.3 billion** and **Net Income \$798 million**. In terms of **market capitalization**, Bath and Body registered a value of **\$9.8 billion**.

Sally Beauty Holdings Inc.

Sally Beauty has a **large presence in the US** and operates in the **beauty retail industry**. Like Ulta, this company has its **own products brand but also sells third-party brands**. However, Sally Beauty **focuses more on skin, nail and hair products** with the latest accounting for 80% of its revenues (in opposition with Ulta which has around 19% of its revenues deriving from this segment).

In relation to **total revenues**, this company registered **\$3.7 billion for FY2024**. **EBITDA** of **\$282 million** and **Net Income** of **\$163 million**. **Market capitalization** for Sally Beauty was **around \$911 million**.

▪ **Analysis**

The focus of the analysis was on the **EV/Revenue**, **EV/EBITDA** and **P/E** for the last filling year, **2024**.

Based on our multiple’s valuation for Ulta Beauty, the **EV/Revenue multiple for 2024** is **2.2x** which is slightly below the average of the selected peers (of 3.0x). Applying the peer multiple to Ulta’s financials implies a share price of approximately **\$788**. For beauty product stores, revenue multiples can be particularly useful in **assessing the market’s perception of a company’s growth prospects**. In Ulta’s

2024	EV/Revenue	EV/EBITDA	P/E
Ulta Beauty	2.2x	15.9x	15.5x
e.l.f Beauty	7.0x	48.1x	56.4x
Bath & Body	1.4x	8.3x	12.2x
Sally Beauty	0.6x	8.2x	5.6x
Average	3.0x	21.5x	24.8x
Median	1.4x	8.3x	12.2x

Table 9: Multiples of Ulta and its peers for 2024

Source: Bloomberg and own calculations

case, the low EV/Revenue ratio may indicate a lack of confidence in the company's ability to generate sales, which could be attributed to factors such as increased competition, changing consumer preferences or operational challenges. For instance, Ulta's vision of expansion may come across as riskier to investors who may be uncertain about the company's ability to execute its growth strategy efficiently and profitably.

Using the **EV/EBITDA metric for 2024**, Ulta trades at **15.9x** versus the peer average of 21.5x, resulting in an implied share price of roughly **\$776**.

Finally, based on the 2024 **P/E multiple**, Ulta's valuation of **15.5x** generates a lower implied share price of **\$656**. The P/E multiple captures investor expectations for net income growth, and Ulta's relative discount to peers may reflect concerns about margin pressure from ongoing store expansion, competitive pressures from both traditional and online beauty retailers, and potential shifts in consumer spending. While the company has historically delivered strong earnings growth, the lower P/E may indicate that investors may be reserving judgement on whether future expansion and investments will translate into sustained net income growth.

In conclusion, Ulta is trading below peer averages, reflecting **cautious optimism** about the company's ability to turn growth initiatives into stable earnings.

Risks and Mitigation

Even though Ulta is a mature and well-established company, it remains exposed to several external risks. Furthermore, Ulta's ongoing international expansion poses additional risks to the company if not managed proactively.

Shift in Consumer Preferences

In some regions of the world, consumers are becoming **more price sensitive** as inflation continues to outpace wage growth, reducing discretionary spending, particularly in premium beauty products. Moreover, the rise of trends such as "**skin minimalism**" and concerns around **ingredient safety** are shifting demand towards fewer and high-quality products. This uncertain consumer appetite for spending is one of the most crucial risks that the beauty industry is facing. It is of utmost importance that Ulta acknowledges this risk and tries to mitigate it by strengthening value-oriented assortments and deepen personalization within the Ulta Beauty Rewards loyalty program to drive sales.

Disrupted Trade Policies

The current tariff situation may signal a fundamental shift in global trade relationships that could alter how beauty products are manufactured, priced and distributed. The **145% tariffs** imposed on most imports from China, the **15% tariff** on most imports from the EU and the **50% aluminum tariffs** are driving up packaging costs, forcing beauty brands to weigh prestige and sustainability against harsh new economics. One way that Ulta can overcome this risk could be by diversifying sourcing to lower-tariff regions, securing long-term agreements with suppliers and by optimizing Ulta's private label sourcing and packaging efficiency.

Increased Competition

The beauty industry is **highly competitive** with **low barriers** to enter. While international players, such as Japanese and Korean beauty begin gaining traction in the US, Ulta Beauty still faces competitive pressures from Sephora, Bath & Body and Sally Beauty. By curating exclusive brand partnerships, by accelerating new-brand incubation and by leveraging Ulta's scale and loyalty to maintain unique value, Ulta may be able to overcome these challenges.

Supply Chain and Sourcing Disruptions

The increased demand for beauty products and the entry of new players into the industry may cause **disruptions in supply chains**, resulting in longer lead times, higher warehousing costs and higher raw material costs. Besides, Ulta's dependency on third-party brands further limits supply certainty. Ulta could undertake this risk by diversifying their supplier base geographically.

Geopolitical and International Expansion Risk

As Ulta expands to new geographies, such as Mexico and the Middle East, new risks may arise, such as **currency, regulatory and logistics risk**. Additionally, there is **competition** in these new markets that may be unknown to Ulta as well as **cultural differences** and what resonates with US consumers may not be the best choice for consumers in these new locations. To circumvent these challenges, Ulta must acquaint themselves with regional preferences and purchasing powers to deliver an adequate strategy. Besides, Ulta should consider partnering with regional operators, if it wants to capture market share rapidly.

Acquisition Risk

The acquisition of Space NK introduces **integration and profitability risks**. As Space NK's ROIC and ROE are currently below Ulta's, failure to improve its operating performance could dilute consolidated returns. Despite Space NK's representing a small share of Ulta's profitability it is still a risk that Ulta could prevent by aligning Space NK with Ulta's assortment strategy, loyalty program and supply-chain efficiency.

Appendix

Appendix 1 – Income Statement

In Thousands, Except Per Share Data & Stores Related Info	Historicals							Forecast						
	02/02/2019 2018	01/02/2020 2019	30/01/2021 2020	29/01/2022 2021	28/01/2023 2022	03/02/2024 2023	01/02/2025 2024	2025F	2026F	2027F	2028F	2029F	2030F	2031F
INCOME STATEMENT														
CORE BUSINESS														
Net Sales	6 716 615	7 398 068	6 151 953	8 630 889	10 208 580	11 207 303	11 295 654	12 588 236	13 839 433	15 677 646	16 915 845	18 104 312	19 247 702	20 004 571
Cost of Sales	-4 307 304	-4 717 004	-4 202 794	-5 262 335	-6 164 070	-6 826 203	-6 908 401	-7 905 880	-8 691 678	-9 846 144	-10 623 779	-11 370 180	-12 088 272	-12 563 614
Selling, General and Administrative Expenses	-1 535 464	-1 760 716	-1 583 017	-2 061 545	-2 395 299	-2 694 561	-2 808 592	-2 933 423	-3 125 128	-3 304 687	-3 474 986	-3 638 423	-3 796 996	-3 952 372
Core Business Before Tax	873 847	920 348	366 142	1 307 009	1 649 211	1 686 539	1 578 661	1 748 933	2 022 627	2 526 815	2 817 080	3 095 708	3 362 434	3 488 585
Effective Tax Rate	-204 015	-203 342	-87 541	-312 667	-402 519	-402 472	-378 611	-419 744	-485 430	-606 436	-676 099	-742 970	-806 984	-837 260
Core Business After Tax	669 832	717 006	278 601	994 342	1 246 692	1 284 067	1 200 050	1 329 189	1 537 196	1 920 380	2 140 981	2 352 738	2 555 450	2 651 325
NON-CORE BUSINESS														
Impairment, Restructuring and Other Costs	0	0	-114 322	0	0	0	0	0	0	0	0	0	0	0
Pre-opening Expenses	-19 767	-19 254	-15 000	-9 517	-10 601	-8 510	-13 689	-15 602	-16 595	-17 390	-18 025	-18 534	-18 941	-19 266
Non-Core Business Before Tax	-19 767	-19 254	-129 322	-9 517	-10 601	-8 510	-13 689	-15 602	-16 595	-17 390	-18 025	-18 534	-18 941	-19 266
Effective Tax Rate	4 615	4 254	30 920	2 277	2 587	2 031	3 283	3 745	3 983	4 174	4 326	4 448	4 546	4 624
Foreign currency translation adjustments	0	0	56	-56	0	0	0	0	0	0	0	0	0	0
Non-Core Business After Tax	-15 152	-15 000	-98 346	-7 296	-8 014	-6 479	-10 406	-11 858	-12 612	-13 216	-13 699	-14 086	-14 395	-14 642
FINANCIAL														
Interest Income	5 061	5 056	-5 735	-1 663	4 934	17 622	15 094	27 428	28 001	24 400	24 221	25 923	27 560	28 643
Financial Before Tax	5 061	5 056	-5 735	-1 663	4 934	17 622	15 094	27 428	28 001	24 400	24 221	25 923	27 560	28 643
Effective Tax Rate	-1 182	-1 117	1 371	398	-1 204	-4 205	-3 620	-6 583	-6 720	-5 856	-5 813	-6 221	-6 614	-6 874
Financial After Tax	3 879	3 939	-4 364	-1 265	3 730	13 417	11 474	20 846	21 281	18 544	18 408	19 701	20 945	21 769
Total Comprehensive Income	658 559	705 945	175 891	985 781	1 242 408	1 291 005	1 201 118	1 338 177	1 545 864	1 925 707	2 145 689	2 358 353	2 562 000	2 658 452

Appendix 2 – Balance Sheet

In Thousands, Except Per Share Data & Stores Related Info	Historicals							Forecast						
	02/02/2019 2018	01/02/2020 2019	30/01/2021 2020	29/01/2022 2021	28/01/2023 2022	03/02/2024 2023	01/02/2025 2024	2025F	2026F	2027F	2028F	2029F	2030F	2031F
BALANCE SHEET														
CORE BUSINESS														
Core Current Assets														
Operating Cash (2% of Net Sales)	134 332	147 961	123 039	172 618	204 172	224 146	225 913	251 765	276 789	313 553	338 317	362 086	384 954	400 091
Receivables, net	136 168	139 337	193 109	233 682	199 422	207 939	223 334	279 518	307 300	348 117	375 611	402 001	427 389	444 195
Merchandise inventories, net	1 214 329	1 293 701	1 168 215	1 499 218	1 603 451	1 742 136	1 968 214	2 167 665	2 383 118	2 699 654	2 912 869	3 117 520	3 314 409	3 444 740
Prepaid expenses and other current assets	138 116	103 567	107 402	110 814	130 246	115 598	129 113	144 026	157 014	174 740	187 335	199 424	211 073	219 454
Prepaid income taxes	16 997	16 387	0	5 909	38 308	4 251	4 946	5 516	6 372	7 937	8 844	9 720	10 560	10 957
Core Current Liabilities														
Accounts payable	404 016	414 009	477 052	552 730	559 527	544 001	563 761	736 581	809 793	917 353	989 804	1 059 346	1 126 249	1 170 536
Deferred revenue	199 054	237 535	274 383	353 579	394 677	436 591	500 585	557 868	613 317	694 780	749 653	802 322	852 993	886 535
Accrued liabilities	220 666	246 088	296 334	364 797	444 278	382 468	380 241	424 159	462 410	514 612	551 707	587 310	621 615	646 296
Accrued income taxes	0	0	42 529	12 786	0	11 310	46 777	52 163	60 259	75 066	83 641	91 930	99 869	103 628
Net Working Capital	681 874	655 360	378 428	565 731	572 945	695 554	834 243	825 953	908 025	1 028 637	1 109 855	1 187 758	1 262 705	1 312 351
Core Non-Current Assets														
Property and equipment, net	1 226 029	1 205 524	995 795	914 476	1 009 273	1 182 335	1 239 295	1 387 631	1 661 699	1 871 272	2 077 229	2 312 703	2 786 137	3 266 237
Non-Current Operating lease assets	0	1 537 565	1 504 614	1 482 256	1 561 263	1 574 530	1 609 870	1 726 824	1 836 737	1 924 668	1 995 013	2 051 288	2 096 309	2 132 325
Goodwill	10 870	10 870	10 870	10 870	10 870	10 870	10 870	10 870	10 870	10 870	10 870	10 870	10 870	10 870
Other intangible assets, net	4 317	3 391	2 465	1 538	1 312	510	204	0	0	0	0	0	0	0
Other long-term assets	14 584	23 356	28 225	35 647	43 007	58 732	64 695	67 570	71 986	76 122	80 045	83 810	87 463	91 042
Operating Invested Capital	1 937 674	3 436 066	2 920 397	3 010 518	3 198 670	3 522 531	3 759 177	4 018 848	4 489 318	4 911 569	5 273 012	5 646 429	6 243 484	6 812 825
NON-CORE BUSINESS														
Non-Core Assets														
Short-term investments	0	110 000	0	0	0	0	0	0	0	0	0	0	0	0
Deferred compensation plan assets	20 511	27 849	33 223	38 409	35 382	43 516	47 951	45 012	47 877	50 169	52 003	53 470	54 643	55 582
Non-Core Liabilities														
Deferred income taxes	83 864	89 367	65 359	39 693	55 346	85 921	42 593	47 497	54 869	68 351	76 159	83 708	90 936	94 359
Other long-term liabilities	28 374	36 432	37 962	58 665	53 596	56 300	56 149	57 272	58 417	59 586	60 777	61 993	63 233	64 498
Non-Operating Invested Capital	-91 727	12 050	-70 098	-59 949	-73 560	-98 705	-50 791	-59 757	-65 409	-77 768	-84 934	-92 231	-99 526	-103 275
Total Invested Capital	1 845 947	3 448 116	2 850 299	2 950 569	3 125 110	3 423 826	3 708 386	3 959 091	4 423 908	4 833 802	5 188 078	5 554 198	6 143 958	6 709 550
FINANCIAL														
Deferred rent	434 980	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating lease liabilities	0	239 629	253 415	274 118	283 293	283 821	288 114	292 960	297 888					
Non-Current Operating lease liabilities	0	1 698 718	1 643 386	1 572 638	1 619 883	1 627 271	1 635 120	1 656 609	1 678 380					
Gross Financial Debt	434 980	1 938 347	1 896 801	1 846 756	1 903 176	1 911 092	1 923 234	1 949 569	1 976 268					
Excess Cash	274 919	244 364	923 012	258 942	533 705	542 448	477 288	531 905	584 773					
Net Debt	160 061	1 693 983	973 789	1 587 814	1 369 471	1 368 644	1 445 946	1 417 664	1 417 664	3 115 852	3 277 144	3 438 407	3 616 814	3 802 768
EQUITY														
Equity	1 820 218	1 902 094	1 999 549	1 535 373	1 959 811	2 279 328	2 488 353	2 541 427	3 006 244	1 717 950	1 910 933	2 115 791	2 527 144	2 906 782

Appendix 3 – Cash Flow Statement

In Thousands, Except Per Share Data & Stores Related Info	Historicals							Forecast						
	02/02/2019 2018	01/02/2020 2019	30/01/2021 2020	29/01/2022 2021	28/01/2023 2022	03/02/2024 2023	01/02/2025 2024	2025F	2026F	2027F	2028F	2029F	2030F	2031F
CASH FLOW STATEMENT														
CORE BUSINESS														
After-Tax Operating Profit	669 832	717 006	278 601	994 342	1 246 692	1 284 067	1 200 050	1 329 189	1 537 196	1 920 380	2 140 981	2 352 738	2 555 450	2 651 325
Depreciation and Amortization	279 472	295 599	297 772	268 460	241 372	243 840	267 042	308 107	355 479	403 935	454 799	476 927	296 281	353 922
Gross Cash Flows	949 304	1 012 605	576 373	1 262 802	1 488 064	1 527 907	1 467 092	1 637 296	1 892 675	2 324 315	2 595 779	2 829 665	2 851 731	3 005 247
Change in Net Working Capital	26 514	276 932	-187 303	-7 214	-122 609	-138 689	8 290	-82 072	-120 612	-81 218	-77 903	-74 947	-49 646	-49 646
Capex	-274 168	-87 117	-186 214	-335 943	-416 100	-323 696	-456 443	-629 547	-613 509	-660 756	-712 401	-769 715	-834 023	-834 023
Changes in other long-term assets	-8 772	-4 869	-7 422	-7 360	-15 725	-5 963	-2 875	-4 416	-4 136	-3 923	-3 765	-3 653	-3 579	-3 579
Change in Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Operating lease assets	-1 537 565	32 951	22 358	-79 007	-13 267	-35 340	-116 954	-109 913	-87 931	-70 345	-56 276	-45 021	-36 016	-36 016
Operating Unlevered Free Cash Flows	-781 386	794 270	904 221	1 058 540	960 206	963 404	1 069 314	1 066 727	1 498 128	1 779 538	1 979 321	1 958 395	2 081 983	2 081 983
NON-CORE BUSINESS														
After-Tax Non-Operating Profit	-15 152	-15 000	-98 346	-7 296	-8 014	-6 479	-10 406	-11 858	-12 612	-13 216	-13 699	-14 086	-14 395	-14 642
Change in other long-term liabilities	8 058	1 530	20 703	-5 069	2 704	-151	1 123	1 145	1 168	1 192	1 216	1 240	1 265	1 265
Change in Deferred compensation plan assets	-7 338	-5 374	-5 186	3 027	-8 134	-4 435	2 939	-2 865	-2 292	-1 834	-1 467	-1 174	-939	-939
Change in ST Investments	-110 000	110 000	0	0	0	0	0	0	0	0	0	0	0	0
Change in Deferred Income taxes	5 503	-24 008	-25 666	15 653	30 575	-43 328	4 904	7 372	13 482	7 808	7 548	7 228	3 423	3 423
Non-Operating Unlevered Free Cash Flows	-118 777	7 810	8 221	-10 056	-11 909	-14 992	-7 796	-14 332	-14 340	-14 341	-14 337	-14 329	-14 316	-14 316
Total Unlevered Free Cash Flows	-900 163	802 080	912 442	1 048 484	948 297	948 412	1 061 518	1 052 395	1 483 788	1 765 197	1 964 984	1 944 067	2 067 667	2 067 667
FINANCIAL														
After-Tax Financial Profit	3 879	3 939	-4 364	-1 265	3 730	13 417	11 474	20 846	21 281	18 544	18 408	19 701	20 945	21 769
Change in Deferred rent	-434 980	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Current Operating lease liabilities	239 629	13 786	20 703	9 175	528	4 293	4 846	4 928	-297 888	0	0	0	0	0
Change in Non-Current Operating lease liabilities	1 698 718	-55 332	-70 748	47 245	7 388	7 849	21 489	21 771	-1 678 380	0	0	0	0	0
Change in Cash & Cash Equivalents	-16 926	653 726	-614 491	306 317	28 717	-63 393	80 469	77 892	114 436	77 083	73 987	71 181	47 118	47 118
Cash Flow to Debt Holders	1 507 306	-45 910	-51 310	60 150	21 333	23 616	47 181	47 979	-1 957 724	18 408	19 701	20 945	21 769	21 769
Cash Flow to Shareholders	-624 069	-78 436	-1 449 957	-817 970	-971 488	-992 093	-1 285 103	-1 081 047	-3 214 002	-1 952 706	-2 153 496	-2 150 647	-2 278 813	-2 278 813
Financing Cash Flows	883 237	-124 346	-1 501 267	-757 820	-950 155	-968 477	-1 237 923	-1 033 068	-5 171 726	-1 934 298	-2 133 795	-2 129 702	-2 257 044	-2 257 044

Appendix 4 – Financial Analysis

In Thousands, Except Per Share Data & Stores Related Info	Historicals							Forecasts						
	02/02/2019 2018	01/02/2020 2019	30/01/2021 2020	29/01/2022 2021	28/01/2023 2022	03/02/2024 2023	01/02/2025 2024	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Value Creation Analysis														
Net Sales	6 716 615	7 398 068	6 151 953	8 630 889	10 208 580	11 207 303	11 295 654	12 588 236	13 839 433	15 677 646	16 915 845	18 104 312	19 247 702	20 004 571
Sales Growth	10%	10%	-17%	40%	18%	10%	1%	11%	10%	13%	8%	7%	6%	4%
Comparable Sales	8,1%	5,0%	-17,9%	37,9%	15,6%	5,7%	0,7%							
Gross Profit	2 409 311	2 681 064	1 949 159	3 368 554	4 044 510	4 381 100	4 387 253	4 682 356	5 147 755	5 831 502	6 292 066	6 734 131	7 159 430	7 440 957
Gross Margin	36%	36%	32%	39%	40%	39%	39%	37%	37%	37%	37%	37%	37%	37%
EBITDA	1 153 319	1 215 947	663 914	1 575 469	1 890 583	1 930 379	1 845 703	2 057 040	2 378 106	2 930 750	3 271 879	3 572 635	3 658 715	3 842 507
EBITDA Margin	17%	16%	11%	18%	19%	17%	16%	16%	17%	19%	19%	20%	19%	19%
EBIT	854 080	901 094	236 820	1 297 492	1 638 610	1 678 029	1 564 972	1 733 331	2 006 031	2 509 425	2 799 055	3 077 174	3 343 493	3 469 319
EBIT Margin	13%	12%	4%	15%	16%	15%	14%	14%	14%	16%	17%	17%	17%	17%
Core EBIT	873 847	920 348	366 142	1 307 009	1 649 211	1 686 539	1 578 661	1 748 933	2 022 627	2 526 815	2 817 080	3 095 708	3 362 434	3 488 585
Core EBIT Margin	13%	12%	6%	15%	16%	15%	14%	14%	15%	16%	17%	17%	17%	17%
Net Income	658 559	705 945	175 891	985 781	1 242 408	1 291 005	1 201 118	1 338 177	1 545 864	1 925 707	2 145 689	2 358 353	2 562 000	2 658 452
Net Income Margin	10%	10%	3%	11%	12%	12%	11%	11%	11%	12%	13%	13%	13%	13%
Investment Analysis														
CAPEX	279 472	274 168	87 117	186 214	335 943	416 100	323 696	456 443	629 547	613 509	660 756	712 401	769 715	834 023
D&A	279 472	295 599	297 772	268 460	241 372	243 840	267 042	308 107	355 479	403 935	454 799	476 927	296 281	353 922
D&A as a % of CAPEX	107,82%	107,82%	341,81%	144,17%	71,85%	58,60%	82,50%	67,50%	56,47%	65,84%	68,83%	66,95%	38,49%	42,44%
Activity Analysis														
ACP	7,40	6,87	11,46	9,88	7,13	6,77	7,22	8,10	8,10	8,10	8,10	8,10	8,10	8,10
APP	34,24	32,04	41,43	38,34	33,13	29,09	29,79	34,01	34,01	34,01	34,01	34,01	34,01	34,01
AHP	102,90	100,11	101,46	103,99	94,95	93,15	103,99	100,08	100,08	100,08	100,08	100,08	100,08	100,08
Net Working Capital	681 874	655 360	378 428	565 731	572 945	695 554	834 243	825 953	908 025	1 028 637	1 109 855	1 187 758	1 262 705	1 312 351
Current Ratio	1,99	1,89	1,46	1,58	1,56	1,67	1,71	1,61	1,61	1,61	1,61	1,61	1,61	1,61
Quick Ratio	0,33	0,32	0,29	0,32	0,29	0,31	0,30	0,30	0,30	0,30	0,30	0,30	0,30	0,30
Cash Ratio	0,16	0,16	0,11	0,13	0,15	0,16	0,15	0,14	0,14	0,14	0,14	0,14	0,14	0,14
DIO	103	100	101	104	95	93	104	100	100	100	100	100	100	100
DPO	34	32	41	38	33	29	30	34	34	34	34	34	34	34
DCC	69	68	60	66	62	64	74	66	66	66	66	66	66	66
Financing Analysis														
Net Debt	160 061	1 693 983	973 789	1 587 814	1 369 471	1 368 644	1 445 946	1 417 664	1 417 664	3 115 852	3 277 144	3 438 407	3 616 814	3 802 768
Equity	1 820 218	1 902 094	1 999 549	1 535 373	1 959 811	2 279 328	2 488 353	2 541 427	3 006 244	1 717 950	1 910 933	2 115 791	2 527 144	2 906 782
Leverage D/E	8,79%	89,06%	48,70%	103,42%	69,88%	60,05%	58,11%	55,78%	47,16%	181,37%	171,49%	162,51%	143,12%	130,82%
Leverage D/(D+E)	8,08%	47,11%	32,75%	50,84%	41,13%	37,52%	36,75%	35,81%	32,05%	64,46%	63,17%	61,91%	58,87%	56,68%
Debt coverage	0,2x	1,8x	2,7x	1,2x	0,8x	0,8x	0,9x	0,8x	0,7x	1,2x	1,2x	1,1x	1,1x	1,1x

Profitability Analysis														
Core NOPAT	669 832	717 006	278 601	994 342	1 246 692	1 284 067	1 200 050	1 329 189	1 537 196	1 920 380	2 140 981	2 352 738	2 555 450	2 651 325
Core Invested Capital	1 937 674	3 436 066	2 920 397	3 010 518	3 198 670	3 522 531	3 759 177	4 018 848	4 489 318	4 911 569	5 273 012	5 646 429	6 243 484	6 812 825
Core ROIC	34,6%	20,9%	9,5%	33,0%	39,0%	36,5%	31,92%	35,4%	38,2%	42,8%	43,6%	44,6%	45,3%	42,5%
Net Income	658 559	705 945	175 891	985 781	1 242 408	1 291 005	1 201 118	1 338 177	1 545 864	1 925 707	2 145 689	2 358 353	2 562 000	2 658 452
Equity	1 820 218	1 902 094	1 999 549	1 535 373	1 959 811	2 279 328	2 488 353	2 541 427	3 006 244	1 717 950	1 910 933	2 115 791	2 527 144	2 906 782
ROE		37,9%	9,0%	55,8%	71,1%	60,9%	50,4%	53,2%	55,7%	81,5%	118,3%	117,1%	110,4%	97,8%
NOPAT	654 680	702 006	180 255	987 046	1 238 678	1 277 588	1 189 644	1 317 332	1 524 584	1 907 163	2 127 282	2 338 652	2 541 055	2 636 683
Invested Capital	1 937 674	3 448 116	2 850 299	2 950 569	3 125 110	3 423 826	3 708 386	3 959 091	4 423 908	4 831 802	5 188 078	5 554 198	6 143 958	6 709 550
ROIC	33,8%	20,4%	6,3%	33,5%	39,6%	37,3%	32,1%	35,5%	38,5%	43,1%	44,0%	45,1%	45,8%	42,9%
Change in NOPAT	47 326	-521 751	806 791	251 632	38 910	-87 944	127 688	207 252	382 580	220 118	211 371	202 402	95 638	
Change in Invested Capital	1 510 442	-597 837	100 270	174 541	298 716	284 560	250 705	464 817	409 893	354 276	366 120	589 760	565 592	
RONIC	3,1%	87,3%	804,6%	144,2%	13,0%	-30,9%	50,9%	44,6%	93,3%	62,1%	57,7%	34,3%	16,9%	
Change in Invested Capital	1 510 442	-597 817	100 270	174 541	298 716	284 560	250 705	464 817	409 893	354 276	366 120	589 760	565 592	
NOPAT	702 006	180 255	987 046	1 238 678	1 277 588	1 189 644	1 317 332	1 524 584	1 907 163	2 127 282	2 338 652	2 541 055	2 636 683	
Reinvestment Rate	215,2%	-331,7%	10,2%	14,1%	23,4%	23,9%	19,0%	30,5%	21,5%	16,7%	15,7%	23,2%	21,5%	

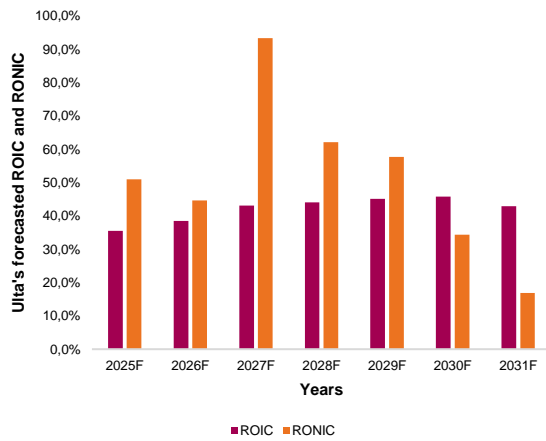
Appendix 5 – Adjusted Present Value

Adjusted Present Value															
In Thousands, Except Per Share Data & Stores Related Info	Historicals							Expectations		Forecasts					TV
	02/02/2019	01/02/2020	30/01/2021	29/01/2022	28/01/2023	03/02/2024	01/02/2025	2025E	2026E	2027F	2028F	2029F	2030F	2031F	2032F
Operating UFCF										1 498 128	1 779 538	1 979 321	1 958 395	2 081 983	2 600 147
Unlevered Enterprise Value										39 581 031	41 633 285	43 684 433	45 955 077	48 321 950	
Levered Enterprise Value										40 036 880	42 109 395	44 181 530	46 473 955	48 863 353	
Net Debt										3 115 852	3 277 144	3 438 407	3 616 814	3 802 768	3 966 287
Annual Interest										0	-99 458	-104 606	-109 754	-115 449	-121 384
Annual Tax Shield										0	23 870	25 106	26 341	27 708	29 132
Tax Shield Value										455 850	476 110	497 096	518 879	541 403	
Check										0	0	0	0	0	0
Core Enterprise Value										40 036 880					
Non-Core Invested Capital										-65 409					
Total Enterprise Value										39 971 471					
Net Debt										-1 417 664					
Equity Value										38 553 807					
Number of Shares Outstanding										44 875					
Share Price										859					

Appendix 6 – Multiples Valuation

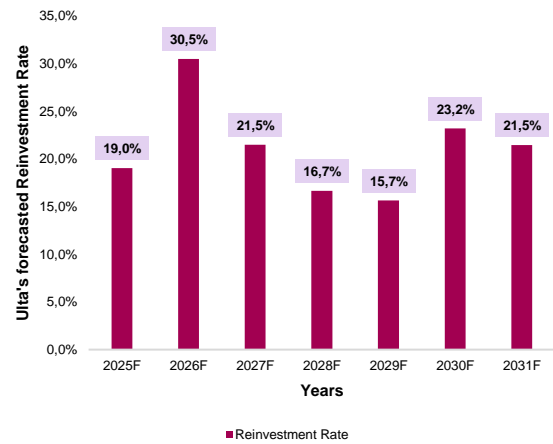
Company	Market Data 2024			Financials			Multiples		
	Country	Market Cap	EV	Revenues 2024	EBITDA 2024	Net Income 2024	EV/Revenue 2024	EV/EBITDA 2024	P/E 2024
Ulta Beauty Inc	USA	18 674 305	24 829 467	11 295 654	1 564 972	1 201 118	2.2x	15.9x	15.5x
elf Beauty Inc	USA	15 162 907	7 204 854	1 023 932	149 678	127 663	7.0x	48.1x	56.4x
Bath & Body Works Inc	USA	9 775 126	10 490 360	7 307 000	1 266 000	798 000	1.4x	8.3x	12.2x
Sally Beauty Holdings Inc	USA	911 073	2 318 958	3 717 031	282 733	163 009	0.6x	8.2x	5.6x
High							7.0x	48.1x	56.4x
75th Percentile							4.2x	29.2x	34.3x
Average							3.0x	21.5x	24.8x
Median							1.4x	8.3x	12.2x
25th Percentile							1.0x	8.2x	8.5x
Low							0.6x	8.2x	5.6x

Method	EV/Revenue A	EV/Revenue A	EV/EBITDA A	EV/EBITDA A	P/E A	P/E A
Multiple Choice	Average	Median	Average	Median	Average	Median
Corresponding Metric	Revenues 2024	Revenues 2024	EBITDA 2024	EBITDA 2024	Net Income 2024	Net Income 2024
	Actual	Actual	Actual	Actual	Actual	Actual
Corresponding Metric Value	11 295 654	11 295 654	1 564 972	1 564 972	1 201 118	1 201 118
Multiple (Peers)	3.0x	1.4x	21.5x	8.3x	24.8x	12.2x
Enterprise Value	34 248 387	16 216 707	33 711 507	12 967 709		
Net Debt 2024	1 445 946	1 445 946	1 445 946	1 445 946		
Equity Value	35 694 333	17 662 653	35 157 453	14 413 655	29 737 735	14 713 133
Number of Shares 2024	45 309	45 309	45 309	45 309	45 309	45 309
Share Price	788	390	776	318	656	325
Net Debt 2024					1 445 946	1 445 946
Enterprise Value					31 183 681	16 159 079



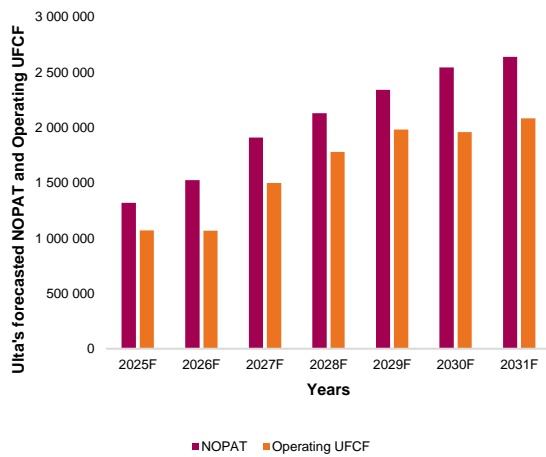
Graph 52: Ulta's forecasted ROIC and RONIC

Source: Own Calculations



Graph 53: Ulta's forecasted Reinvestment Rate

Source: Own Calculations



Graph 53: Ulta's forecasted NOPAT and Operating UFCF

Source: Own Calculations

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Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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