

Ulta Beauty, Inc.

Recommendation BUY ★★☆☆☆

Price USD 233.10 (as of Sep 06, 2019 4:00 PM ET) **12-Mo. Target Price** USD 370.00

Report Currency USD

Investment Style Mid-Cap Growth

Equity Analyst Camilla Yanushevsky

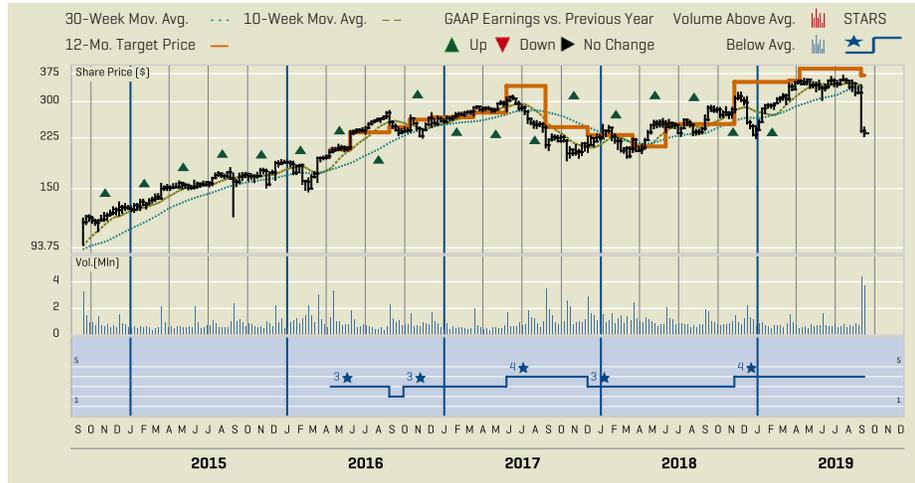
GICS Sector Consumer Discretionary
Sub-Industry Specialty Stores

Summary Ulta Beauty Inc. is one of the largest beauty retailers in the U.S., offering cosmetics, fragrance, skin care products, hair care products and salon services.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	USD 368.83 - 224.43	Oper. EPS 2020E	USD 12.12	Market Capitalization(B)	USD 13.72	Beta	1.08
Trailing 12-Month EPS	USD 11.80	Oper. EPS 2021E	USD 13.86	Yield (%)	NA	3-Yr Proj. EPS CAGR[%]	20
Trailing 12-Month P/E	20.06	P/E on Oper. EPS 2020E	19.53	Dividend Rate/Share	NA	SPGMI's Quality Ranking	B+
\$10K Invested 5 Yrs Ago	\$23,439	Common Shares Outstg.[M]	58.8	Institutional Ownership [%]	91		

Price Performance



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Camilla Yanushevsky on Aug 30, 2019 12:27 PM, when the stock traded at USD 337.45.

Highlights

- ▶ We expect sales to be up 10.8% in FY 20 (Jan.) and 9.5% in FY 21, reflecting opening of more than 80 new stores, 20 remodel projects and 270 refreshes. We forecast same-store sales growth of 6% in FY 20 and FY 21. We forecast e-commerce growth of 30% in FY 20, with continued momentum of skin and hair care as well as digitally native brands where ULTA is often the only point of distribution in brick-and-mortar. We see top-line risk from AMZN's expansion efforts to be limited. According to a CFRA analysis, AMZN's "makeup" Share of Voice stands at 1.6% compared to ULTA's 15.2%. Share of Voice, by Alexa Internet, is percentage of searches for keyword in search engine that sent organic traffic to site.
- ▶ We see gross margin expanding to 36.2% in FY 20 and 36.3% in FY 21, driven by an improved merchandising margin, partly offset by investments in salon services. We expect operating margin to stay flat at 12.7% in FY 20 and expand to 12.9% in FY 21, reflecting higher SG&A expense from investments in supply chain, IT and new fulfillment centers.
- ▶ We project capital expenditures of \$400M in FY 20 and FY 21. We expect ULTA to repurchase about \$700M in FY 20.

Investment Rationale/Risk

- ▶ Our positive view reflects co.'s unblemished fundamentals and ramp up in investment in artificial intelligence, which we see driving next frontier of loyalty: personalization and customization. ULTA cut expectations for H2 to reflect headwinds and volatility co. is seeing in the overall U.S. cosmetics market [mid-single-digit declines in H1]. That said, we see new guidance as overly conservative and expect industry-wide trends to reverse as "lipstick effect" takes its course. [In a slowing economy, we expect consumers to spend more money on cosmetics & personal care and less on luxury goods.] We remain confident in co.'s long-term prospects and see a number of innovations driving profitable growth: 1) expansion in Canada; 2) rollout of two-day shipping; 3) introduction of skin care virtual beauty adviser; 4) launch of KKW Beauty by Kim Kardashian.
- ▶ Risks to view: headwinds marketing competitively from List 1, 2, 3 and 4 tariffs. Most cosmetics are made in North America and Europe, but some items in Ulta's Beauty Collection are made in China.
- ▶ Our 12-month target is \$370, 30.5x our FY 20 estimate of \$12.12, above 3-year historical forward P/E average.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects ULTA's refined real estate strategy, broad product assortment and innovation mindset, offset by potential top-line pressure from CVS and aggressive promotions from department stores' cosmetic counters and Amazon's expansion efforts.

Revenue/Earnings Data

Revenue (Million USD)	1Q	2Q	3Q	4Q	Year
2020	1,743	1,667	--	--	--
2019	1,544	1,488	1,560	2,125	6,717
2018	1,315	1,290	1,342	1,938	5,885
2017	1,074	1,069	1,131	1,581	4,855
2016	868	877	911	1,268	3,924
2015	714	734	746	1,048	3,241

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2021	E 3.49	E 3.12	E 2.65	E 4.60	E 13.86
2020	3.26	2.76	E 2.20	E 3.90	E 12.12
2019	2.70	2.46	2.18	3.60	10.94
2018	2.05	1.83	1.70	3.40	8.96
2017	1.45	1.43	1.40	2.25	6.52
2016	1.04	1.15	1.11	1.68	4.98

Fiscal year ended Jan 31. Next earnings report expected: Early Dec. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

No cash dividends have been paid in the last year.

Ulta Beauty, Inc.**Business Summary** August 30, 2019

COMPANY OVERVIEW. Ulta Beauty Inc. (ULTA) is one of the largest beauty retailers in the U.S., offering cosmetics, fragrance, skin care products, hair care products and salon services. ULTA carries more than 20,000 products from approximately 500 beauty brands, including its own Ulta Beauty private label, across its stores and website. As of February 2, 2019, ULTA operated 1,174 retail stores across 50 states and the District of Columbia, as well as its own e-commerce platform. ULTA's portfolio can be broken down across five primary categories: Cosmetics [51% of FY 19 (Jan.) revenues]; Skincare, Bath & Fragrance [21%]; Haircare Products & Styling Tools [19%]; Salon Services [4%]; and Other [5%]. By channel, e-commerce sales represented 11.2% of total net sales in FY 19.

MARKET PROFILE. ULTA competes in the highly fragmented U.S. beauty products and salon services market. According to IBIS World Inc. and Euromonitor International, the market represents approximately \$145 billion in sales, with approximately \$86 billion generated from beauty products, including cosmetics, haircare, fragrance, bath and body, skincare, salon styling tools and other toiletries. Key differentiators include prestige, mass and salon products. The salon industry represents approximately \$59 billion in sales and consists of hair, skin and nail services. While we consider ULTA's major competitor to be Sephora USA Inc., owned by multinational luxury goods conglomerate LVMH Moët Hennessy Louis Vuitton S.E., we see ULTA facing increasing pricing competition from department store cosmetics counters, as well as drug retailer CVS, which recently announced a partnership with beauty service provider Glamsquad.

We note Amazon's entry into the beauty industry this year. In January, Amazon launched Find, a cosmetics line, and in March, Amazon launched Fast Beauty Company, an exclusive line of beauty products, including makeup wipes and face masks. According to a CFRA analysis, Amazon.com's Share of Voice in "skincare" stands at 0.7%, compared to ULTA's 7.7%. Amazon.com's "makeup" Share of Voice stands at 1.6%, compared to ULTA's 15.2%. [Share of Voice, calculated by Alexa Internet, is percentage of searches for a keyword in major search engines that sent organic traffic to respective sites.] That said, we don't see Amazon giving the beauty industry a makeover anytime soon. According to GlobalData, four out of five millennials enjoy experimenting with different products. With a wide selection of premium and indie brands and in-store testers, we see ULTA remaining the beauty provider of choice.

CORPORATE STRATEGY. ULTA aims to differentiate itself with its real estate locations [90% off-mall], product mix [20,000+ SKUs, 500+ brands] and services [full service salon with hair, skin, brow and makeup services]. As part of ULTA's long-term strategic plan, we see ULTA increasing focus on targeted customer relationship management (CRM) campaigns. ULTA recently rolled out a credit card program to gain greater wallet share and is increasing personalization of offers and content. In our view, these initiatives are imperative to acquire new customers and deepen loyalty with existing ones. Additionally, we expect ULTA to continue to drive out innovation with the higher-margin private label, exclusive brands, which represented less than 6.5% of FY 19 sales.

We view ULTA's service offerings as a key component of ULTA's differentiation strategy, with salon customers spending almost three times more and shopping twice as much as non-salon guests. We expect ULTA to rollout additional innovative services to draw traffic. On the storefront, we expect ULTA to continue to execute on improving store productivity. According to ULTA, the net cost to open a new 10,000 square foot store is \$1.6 million, with the payback period approximately two years. On the digital front, ULTA is enhancing omni-channel capabilities and expanding assortment with online-only brands. ULTA is also improving its fulfillment capabilities, targeting 95% of orders delivered in three days by 2018. ULTA is also making significant progress in improving supply chain and system capabilities, with the opening of new distribution centers, including the Greenwood center in 2015 and Dallas center in 2016. With recent supply chain enhancements, we see ULTA rolling out omnichannel capabilities such as Buy Online, Pick-up in Store and at-home delivery nationwide.

FINANCIAL TRENDS. Revenues increased 14.1% to \$6.7 billion in FY 19, after increasing 21.2% in FY 18. The gross margin expanded 30 basis points to 35.9% in FY 19, after narrowing 40 basis points in FY 18. In FY 19 and FY 18, comparable sales increased 8.1% and 11.0%, respectively. Gross margin expanded 30 basis points to 35.9% in FY 19, after narrowing 40 basis to 35.6% in FY 18, primarily due to 30 basis points deleverage in merchandise margins driven by marketing and merchandising initiatives and a 10 point deleverage due to the impact of a one-time bonus payment related to tax reform. ULTA's operating margin narrowed 60 basis points in FY 19, after narrowing 20 basis points to 13.3% in FY 18.

ULTA boasts one of the healthiest balance sheets in retail, carrying no debt. ULTA's liquidity position is strong, but has weakened over the past five years. In FY 19, ULTA's current ratio stood at 2.3x, compared to 3.5x in FY 15. Similarly, the quick ratio stood at 0.7x in FY 19, compared to 1.6x in FY 15. Looking at profitability ratios, return on assets stood at 17.5% in FY 19, compared to 14.3% in FY 15. Return on capital stood at 29.7% in FY 19, compared to 22.8% in FY 15. Return on equity stood at 36.6% in FY 19, compared to 22.9% in FY 15.

ULTA is bucking the trend of retail store closures, opening about 100 stores a year. Alongside these investments, ULTA is committed to returning cash to shareholders. On March 14, 2019, ULTA announced the authorization of a new share repurchase program that allows ULTA to repurchase up to \$875.0 million of the company's common stock.

Corporate Information**Investor Contact**

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Chairperson of the Board**

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**General Counsel, Chief
Compliance Officer &
Corporate Secretary**

J. J. Caro

CEO & Director

M. N. Dillon

**President and Chief
Merchandising &
Marketing Officer**

D. C. Kimbell

**CFO, Treasurer &
Assistant Secretary**

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Domicile

Delaware

Auditor

Ernst & Young LLP

Founded

1990

Employees

30,000

Stockholders

38

Ulta Beauty, Inc.

Sub-Industry Outlook

Our fundamental outlook for the specialty stores sub-industry is positive. While U.S.-China trade negotiations are at a gridlock following a bilateral meeting on the sidelines of the G-20 summit in Japan on June 29, specialty stores have a lot of reasons to be enthusiastic about 2019.

While apparel retailers are shutting doors, specialty store retailers are breaking new ground. Tractor Supply, for example, has announced plans to open about 100 stores per year, primarily in untapped rural areas. Generation Z-focused Five Below is also on the expansion offense, debuting its New York City Flagship store November 2, 2018, while apparel retailers such as The Gap are shuttering their expensive Fifth Avenue, Manhattan real estate.

E-commerce behemoth Amazon is even catching on to specialty stores' growing appeal and is pivoting into premium quality private labels. In January, for example, Amazon launched Find, its first ever cosmetics collection. That said, we don't see Amazon giving the cosmetics industry a makeover anytime soon. According to a CFRA analysis, Amazon.com's Share of Voice in "makeup" currently stands at 1.5%. [Share of Voice, calculated by Alexa Internet, is the percentage of searches for a keyword in major search engines over the past six months that sent organic traffic to respective sites. We rate industries in which Amazon.com had a Share of Voice greater than 10% as high risk, between 4% and 10% medium risk, and below 4% low risk.]

In the case of office & school supplies, home furnishings, and computer & electronics, Amazon's expansion efforts have significantly threatened the market share of incumbents. Among supplies, Amazon.com's "Office Supplies" Share of Voice stands at 10.1% and its "School Supplies"

Share of Voice stands at 12.2%. This compares to officedepot.com's 33.3% and 21.7% share for those respective keywords. Amazon.com's "cookware" Share of Voice stands at 23.3%, compared to bedbathandbeyond.com's 2.4%. Amazon.com's "home decor" Share of Voice stands at 10.8%, compared to bedbathandbeyond.com's 0.9%. Amazon.com's "home audio" Share of Voice stands at 18.6%, compared to bestbuy.com's 25.9%. Amazon.com's "electronics" Share of Voice stands at 8.1%, compared to bestbuy.com's 1.0%. According to our analysis, Amazon has also partly disrupted the niche of jewelry and accessories players. Amazon.com's "Jewelry" Share of Voice stands at 8.8%, compared to tiffany.com's 6.5%, kay.com's 3.7% and jared.com's 3.4%. Amazon.com's "Accessories" Share of Voice stands at 4.2%.

That said, we like the defensive features of the specialty stores sub-industry as a whole, notably amid concerns of a global economic slowdown. For top industry constituents of the S&P Composite 1500 Specialty Stores Index, we project median same-store sales growth of 0.4% in FY 20 and 0.8% in FY 21 versus a gain of 0.1% in FY 19. Looking at median gross margin, we forecast that for constituents of the S&P Composite 1500 Specialty Stores Index, it will stay flat at 32.6% in FY 20 and expand to 32.8% in FY 21, driven by a merchandising shift towards higher-margin private labels and improved inventory management discipline.

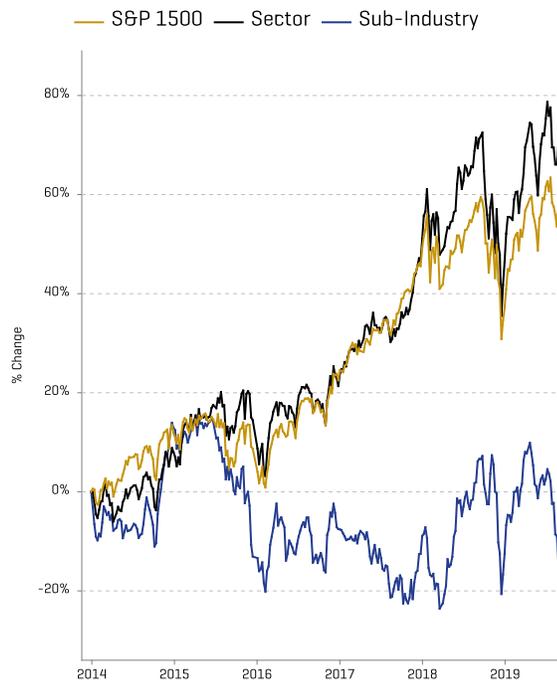
Year to date through June 28, the S&P Composite 1500 Specialty Stores Index rose 19.8%, compared to the 17.2% advance of the S&P 1500 Composite Index. In 2018, the sub-industry index declined 3.2% versus the broader market decline of 6.8%.

/Camilla Yanushevsky

Industry Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Specialty Stores

Based on S&P 1500 Indexes
Five-Year market price performance through Sep 07, 2019



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

Sub-Industry: Specialty Stores Peer Group*: Specialty Stores

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
Ulta Beauty, Inc.	ULTA	NasdaqGS	USD	233.10	13,718	-32.2	-15.4	20	332.07	Nil	36.6	NA
DICK'S Sporting Goods, Inc.	DKS	NYSE	USD	35.48	3,207	9.6	-7.5	11	48.73	3.1	16.6	2.6
Five Below, Inc.	FIVE	NasdaqGS	USD	127.18	7,080	15.5	10.1	46	129.21	Nil	27.9	NA
National Vision Holdings, Inc.	EYE	NasdaqGS	USD	27.24	2,117	-13.1	-39.5	NM	15.35	Nil	3.4	41.6
Office Depot, Inc.	ODP	NasdaqGS	USD	1.520	830	-13.6	-54.2	27	1.760	6.6	4.6	37.9
Sally Beauty Holdings, Inc.	SBH	NYSE	USD	12.84	1,542	-6.1	-19.6	6	14.54	Nil	-81.6	117.5
Signet Jewelers Limited	SIG	NYSE	USD	14.04	734	-8.6	-78.1	NM	NA	10.5	-26.7	25.5
The Michaels Companies, Inc.	MIK	NasdaqGS	USD	7.760	1,205	24.0	-51.6	4	13.86	Nil	-20.4	247.2
Tiffany & Co.	TIF	NYSE	USD	88.22	10,657	-0.7	-28.5	19	95.66	2.6	18.4	21.4
Tractor Supply Company	TSCO	NasdaqGS	USD	103.54	12,349	-2.0	15.2	23	103.27	1.4	35.7	19.0
Winmark Corporation	WINA	NasdaqGM	USD	164.52	622	-1.3	8.5	22	NA	0.6	NM	95.1

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Ulta Beauty, Inc.**Analyst Research Notes and other Company News****August 30, 2019**

08:10 am ET... CFRA Maintains Buy Opinion on Shares of Ulta Beauty, Inc. [255.75****]: We cut our 12-month target \$20 to \$370, 30.5x our FY 20 [Jan.] estimate of \$12.12 [cut from \$12.91], above 3-year historical forward P/E average. We cut FY 21's to \$13.86 from \$14.99. ULTA posts Jul-Q EPS of \$2.76 vs. \$2.46, missing consensus. Sales rose 12% to \$1.67B, missing Street, with comps up 6.2%. ULTA cut expectations for H2 to reflect headwinds and volatility co. is seeing in the overall U.S. cosmetics market [mid-single-digit declines in H1]. That said, we see new guidance as overly conservative and expect industry-wide trends to reverse as 'lipstick effect' takes its course. [In a slowing economy, we expect consumers to spend more money on cosmetics & personal care and less on luxury goods.] We remain confident in co.'s long-term prospects and see a number of innovations driving future top and bottom-line 'wows' including: 1) Expansion into Canada; 2) Rollout of two-day shipping; 3) Introduction of skincare virtual beauty adviser; 4) Launch of KKW Beauty by Kim Kardashian. /Camilla Yanushevsky

July 10, 2019

01:45 pm ET... CFRA Maintains Buy Opinion on Shares of Ulta Beauty, Inc. [347.08****]: On July 9, Amazon announced the launch of Haus, an exclusive cosmetics line in collaboration with Lady Gaga. Despite Amazon's growing penetration in the space [Fast Beauty & Find] and evident emulation of ULTA's strategy to drive exclusivity and newness by forming partnerships with key influencers, we don't see the ecommerce behemoth giving the beauty industry a makeover anytime soon. According to a CFRA analysis, Amazon.com's "makeup" Share of Voice stands at 1.6% compared to ULTA's 15.2%. Share of Voice, by Alexa Internet, is the percentage of searches for a keyword in search engines that sent organic traffic to site. We keep our 12-month ULTA target at \$390, 30.2x our FY 20 estimate of \$12.91, above ULTA's three-year historical forward P/E average, reflecting ULTA's rapidly expanding store fleet, which we see as a competitive advantage, and investments to drive the next frontier of loyalty [experimentation, personalization and customization], which we think make ULTA 'Amazon-proof'. /Camilla Yanushevsky

June 24, 2019

12:22 pm ET... CFRA Maintains Buy Opinion on Shares of Ulta Beauty, Inc. [343.48****]: Amazon launched Professional Beauty Store, according to a June 24 blog post by Steve Kann, Director at Amazon Business. The store offers professional stylist supplies usually found in spas & salons. Despite AMZN's growing penetration [Fast Beauty and Find], we don't see AMZN giving the industry a makeover anytime soon. According to CFRA, AMZN's Share of Voice in "skincare" stands at 0.7%, compared to ULTA's 7.7%. AMZN's "makeup" Share of Voice stands at 1.6%, compared to ULTA's 15.2%. Share of Voice by Alexa Internet is percentage of searches for a keyword in search engines that sent organic traffic to site. We keep our 12-month ULTA target at \$390, 30.2x our FY 20 estimate of \$12.91, above ULTA's three-year historical forward P/E average, reflecting its impressive ability to drive exclusivity and newness by forming partnerships with key influencers and investments to drive the next frontier of loyalty [personalization and customization], which we think make ULTA 'Amazon-proof'. /Camilla Yanushevsky

June 03, 2019

02:54 pm ET... CFRA Maintains Neutral Retailing Outlook [128.67****]: May's retail sell-off [SPDR Retail ETF down nearly 13%, marking worst month since November 2008] was overdone, in our view. Expectations coming out of a strong holiday season were set way too high, as evidenced by a string of disappointing earnings results. Despite lingering tariff concerns and accelerating savings rate trends, we don't see the consumer going into hibernation anytime soon. We see compelling Buy opportunities across three 'thematic' investments: [1] value; [2] expanding retail empire; and [3] social activism. [1] Value trumps tariffs in our books. We have Buys on TJX, ROST, FIVE, DG and DLTR. [2] Rapid store openers to outshine in midst of avalanche of closings. We highlight TJX, ROST, ULTA, FIVE, DG, DLTR and TSCO. [3] Social activism is a key differentiator. According to PR firm Edelman, 64% of people will buy or boycott a brand solely because of its position on social or political issues. We recommend DKS, AEO and ANF.

/Camilla Yanushevsky

May 31, 2019

08:03 am ET... CFRA Maintains Buy Opinion on Shares of Ulta Beauty, Inc. [318.9****]: We keep our 12-month target at \$390, a forward P/E of 30.2x our FY 20 [Jan.] estimate of \$12.91 [up from \$12.84], above 3-year historical forward P/E average. We lift FY 21's to \$14.99 from \$14.23. ULTA posts Apr-Q EPS of \$3.26 vs. \$2.70, beating consensus. Revenues rose 12.9% to \$1.7B, meeting consensus, with comps stellar, up 7%. Our positive investment view reflects ULTA's unblemished fundamentals and impressive ability to drive exclusivity and newness across all product categories by forming partnerships with key influencers, which ultimately positions ULTA on top in the battle for beauty enthusiasts. We see expanding margins [Apr-Q: gross +70 bps to 37%] and core retail profitability in FY 20 and FY 21, with comp gains remaining robust, as ULTA accelerates store fleet expansion [+100/year], expands internationally [Canada, announced yesterday] and ramps up investments in artificial intelligence, which we see driving the next frontier of loyalty: personalization and customization. /Camilla Yanushevsky

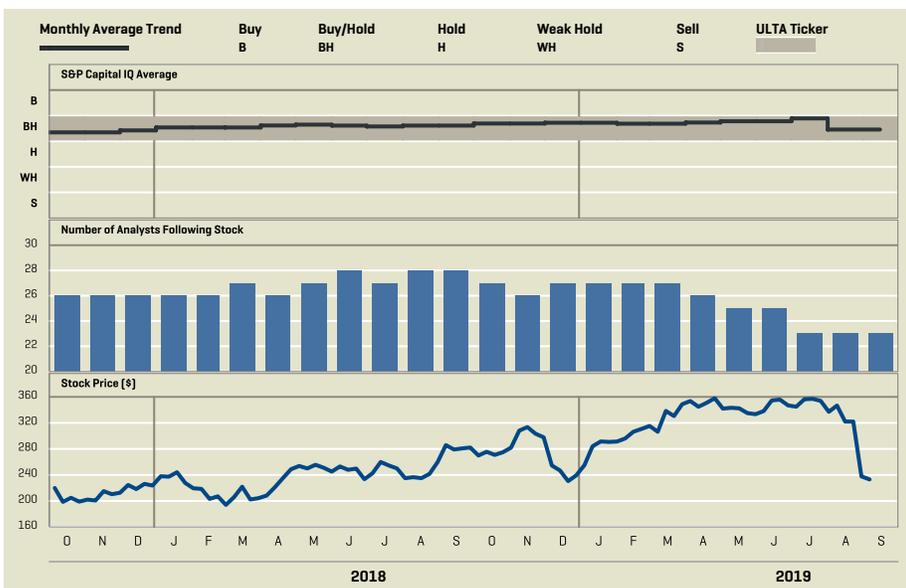
April 18, 2019

10:21 am ET... CFRA Maintains Neutral Outlook on Specialty and Multiline Retailing Industry [28.06****]: Retail sales rose 2.2% in the first quarter, with furniture down 0.9%, electronics & appliance down 3.1%, health & personal care up 3.5%, clothing & accessories down 1.2%, sporting goods down 8.2%, general merchandise up 1.0%, and department stores down 4.9%. For March, sales rose 1.6%, beating expectations for 1.1%. That said, we expect Q1 earnings results to be a mixed bag, challenged by February's tax refund delay, given consumers are sensitive to refund cycle. Beyond Q1, we see headwinds as more consumers divert disposable income into savings. According to National Retail Federation, 50% of consumers said they plan to save their tax refund, compared to 41% in 2018. We have Buys on Abercrombie & Fitch, American Eagle, TJX, Ross Stores, Dollar General, Dollar Tree, Ulta Beauty, Five Below and Tractor Supply. We have Sells on Best Buy, Bed Bath & Beyond, The Gap, Guess, Tailored Brands, GameStop, Signet Jewelers and Dillard's, and Strong Sells on Office Depot and J.C. Penney. /Camilla Yanushevsky

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Ulta Beauty, Inc.

Analysts' Recommendations



Wall Street Consensus Opinion

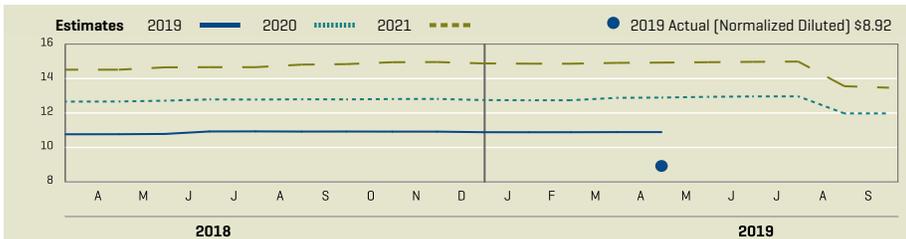
BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2020, analysts estimate that ULTA will earn USD \$11.98. For the 2nd quarter of fiscal year 2020, ULTA announced earnings per share of USD \$2.76, representing 23% of the total revenue estimate. For fiscal year 2021, analysts estimate that ULTA's earnings per share will grow by 12% to USD \$13.47.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	10	43	10	14
Buy/Hold	2	9	2	4
Hold	11	48	11	7
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	23	100	23	25

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2021	13.47	14.93	12.84	23	17.3
2020	11.98	12.05	11.85	21	19.5
2021 vs. 2020	▲12%	▲24%	▲8%	▲10%	▼-11%
Q3'21	2.55	3.11	2.36	16	91.4
Q3'20	2.15	2.20	1.99	21	NM
Q3'21 vs. Q3'20	▲19%	▲41%	▲19%	▼-24%	NA

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Ulta Beauty, Inc.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
 CAPEX - Capital Expenditures
 CY - Calendar Year
 DCF - Discounted Cash Flow
 DDM - Dividend Discount Model
 EBIT - Earnings Before Interest and Taxes
 EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
 EPS - Earnings Per Share
 EV - Enterprise Value
 FCF - Free Cash Flow
 FFO - Funds From Operations

FY - Fiscal Year
 P/E - Price/Earnings
 P/NAV - Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
 R&D - Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
 ROI - Return on Investment
 ROIC - Return on Invested Capital
 ROA - Return on Assets
 SG&A - Selling, General & Administrative Expenses
 SOTP - Sum-of-The-Parts
 WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

Ulta Beauty, Inc.

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STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of March 31, 2019

Ranking	North America	Europe	Asia	Global
Buy	35.5%	32.4%	39.4%	35.4%
Hold	54.8%	54.4%	41.7%	53.2%
Sell	9.7%	13.2%	18.9%	11.3%
Total	100.0%	100.0%	100.0%	100.0%

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