CONSUMER STAPLES & DISCRETIONARY

STOCK PITCH

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HOLDINGS RECOMMENDATION

Currently ~$8.5k underweight position

Current Price: $520.38
Price Target: $570 (1 Year)
Upside: 9.53%
Allocate: 75% ($6,400)

Fidelity ETFs
15% to FDIS (Disc.)
10% to FSTA (Staples)

ULTA BEAUTY

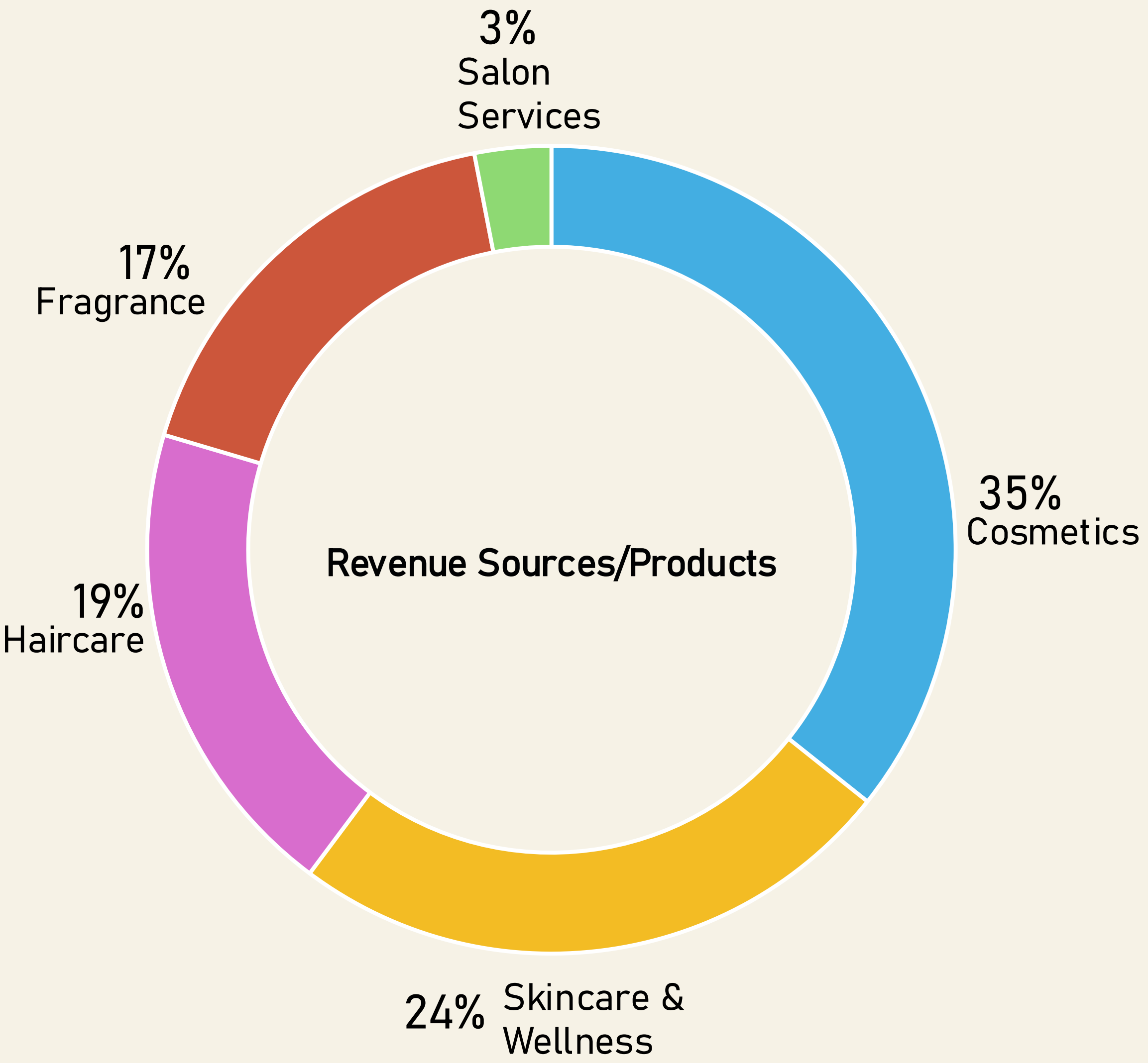
Largest specialty beauty retailer in the U.S.

Customers / Demographics

- Broad customer base across teens to adults
- Targets both mass and prestige beauty consumers
- Loyalty program drives repeat purchases and customer engagement
- Operates 1,500+ stores across the U.S. with international expansion

Competitive Strengths

- Omnichannel model integrating stores, e-commerce, and mobile app
- First major beauty retailer to launch TikTok Shop integration
- Strong brand partnerships and exclusive products
- No dividends, reinvests earnings into growth
- Over 40 million active loyalty program members



INVESTMENT THESIS

MI Company Advantages

Mass + Prestige brands under one roof

- 40m loyalty members -> repeat purchases and data
- High margin services (salons, skincare) bring foot traffic
- Exclusive brand partnerships & vendor access
- Multi-channel retail: stores, e-commerce, TikTok Shop

GROW Growth Outlook

Store expansion into underpenetrated U.S. markets

- Salon & skincare services bring customers in-store and boost profits
- Digital personalization & loyalty data monetization
- Social media + influencer driven demand

MA Macro Tailwinds

Beauty spending holds up even in a bad economy

- Older population growing -> more demand for skincare and anti-aging
- GLP-1 drugs (Ozempic) cause hair loss -> more people buying hair products
- More people prioritizing self-care and wellness overall
- People treating beauty products as a necessity rather than luxury

NOW Why Now?

The market is undervaluing Ulta right now

- Our model puts fair value at $570 (stock currently at $526)
- Strong company fundamentals being overlooked due to broader economic fears
- Adds consumer defensive exposure to balance our current portfolio

COMPARING COMPETITORS

Ulta Beauty (ULTA)		
Metric	**ULTA**	**Industry (Median)**
Price	**$526.76**	—
EV/EBITDA	**13.37x**	11.6x
EPS	**$25.64**	—
P/E	**20.30x**	14.1x
P/B	**8.20x**	4.6x
P/M	**9.31%**	—
Operating Margin	**12.50%**	10.2%
Current Ratio	**1.41x**	1.8x
Dividend Yield	**N/A**	—

Selected Comparable Companies		
Company	**Ticker**	**Description**
Ulta Beauty	ULTA	One-stop beauty destination with 1,400+ stores, salon services & loyalty program
Bath & Body Works	BBWI	Specialty retailer focused on personal care, fragrance, and home products
Estée Lauder	EL	Global beauty leader with premium skincare, makeup, and fragrance brands
e.l.f. Beauty	ELF	Fast-growing cosmetics company known for affordable, digitally driven products
Sally Beauty Holdings	SBH	Professional salon supply and specialty beauty chain

STRONG TRENDS

Sales per share growth ~13% YoY

EBIT/Share has grown ~34% since end of 2021

Has continually bought back shares (4-6% every year)

Low leverage use compared to competitors (7-12% debt)

Seeing decline on ROE, but remains strong compared to competitors

	DEC '25	DEC '24	DEC '23	DEC '22	DEC '21	DEC '20	DEC '19	DEC '18
Liquidity								
Coverage (x)								
Leverage								
LT Debt/Total Equity	38.24	39.92	41.03	42.02	51.05	66.10	42.29	18.60
LT Debt/Total Capital	24.87	24.90	25.16	25.67	29.49	33.02	25.02	13.87
LT Debt/Total Assets	18.17	18.06	17.42	17.20	19.19	22.76	16.03	8.08
Total Debt/Total Assets	25.54	27.30	26.78	26.06	27.49	34.49	26.17	14.82
Net Debt/Total Equity	33.75	40.19	44.61	43.97	50.70	44.82	51.52	17.77
Total Debt/Equity	53.77	60.32	63.07	63.67	73.12	100.19	69.03	34.10
Net Debt/Total Capital	21.95	25.07	27.36	26.87	29.28	22.39	30.48	13.25
Total Debt/Total Capital	34.97	37.62	38.68	38.90	42.24	50.05	40.84	25.43
Total Debt/Enterprise Value	0.11	0.12	0.10	0.10	0.09	0.14	0.11	0.08

Asset Turnover	0.55	0.58	0.62	0.61	0.55	0.44	0.63
x Pretax Margin (%)	20.57	21.36	25.09	25.35	26.78	16.59	19.91
= Pretax Return on Assets (%)	11.42	12.35	15.53	15.45	14.70	7.22	12.51
x Tax Rate Complement (1-Tax Rate)	67.06	71.49	73.76	73.29	73.77	67.47	72.56
= Return on Assets (%)	7.47	8.57	10.90	10.84	10.29	4.58	8.40
x Equity Multiplier (Assets/Equity)	2.16	2.28	2.40	2.54	2.77	2.77	2.48
= Return on Equity (%)	16.12	19.53	26.13	27.55	28.48	12.71	20.82
x Earnings Retention (1-Payout)	40.53	48.27	57.16	57.22	58.16	35.73	66.32
= Reinvestment Rate (%)	6.18	9.02	14.72	15.12	19.60	6.13	11.39
Note: EBIT Return on Assets (%)	12.14	13.35	16.38	16.17	14.64	8.11	13.42
Note: Interest as % Assets	0.81	0.79	0.68	0.28	0.19	0.34	0.46

DCF

	Outcome	WACC	Growth	EBITDA	CAGR
Conservative:	$463.28 (-10.98%)	9.18%	2%	11x	6.60%
Base	$555.34 (6.72%)	8.75%	3.50%	12.5x	7.68%
Optimistic	$578.14 (11.1%)	8.55%	3.50%	12.5x	7.90%

Unlevered Free Cash Flows								
		Actual	Forecasts					
Fiscal year ended		2/1/2026	2/28/2027	2/29/2028	2/28/2029	2/28/2030	2/28/2031	**CAGR**
Revenue		12,393.82	13,361	14,396	15,512	16,691	17,942	**7.68%**
% growth			7.80%	7.75%	7.75%	7.60%	7.50%	
EBITDA (GAAP Adjusted)		1,849.60	2004.08	2188.19	2326.75	2470.20	2646.50	
% margin		14.92%	15.00%	15.20%	15.00%	14.80%	14.75%	
EBIT (GAAP Adjusted)		1,548.80	1683.43	1842.69	1954.47	2069.63	2215.88	
% margin		12.50%	12.60%	12.80%	12.60%	12.40%	12.35%	
Tax on EBIT		377.9072	410.756379	447.7725511	472.9817829	498.7805411	534.0270289	
Tax rate		24.40%	24.40%	24.30%	24.20%	24.10%	24.10%	
Net Operating Profit After Taxes (NOPAT)		**1170.8928**	**1272.671404**	**1394.912844**	**1481.488394**	**1570.84826**	**1681.852759**	
Depreciation & amortization		300.8	320.652911	345.5035116	372.2800338	400.5733164	430.6163151	
Changes in net working capital		58	-33	-33	-43	-54	-31	
Capital expenditures		434.83	-467.6188286	-505.2988858	-542.9083826	-585.8384752	-629.7763608	
as % of revenue		3.51%	3.50%	3.51%	3.50%	3.51%	3.51%	
Unlevered free cash flows (UFCF)			**1,092**	**1,202**	**1,268**	**1,332**	**1,452**	
	546.1	487.8						
Net working capital (WC Assets - WC liabilities)	546.1	487.8	521	554	597	651	682	
as % of revenue		3.94%	3.90%	3.85%	3.85%	3.90%	3.80%	

Present Value for UFCF							
		Val date	Yr 1 - Stub	Year 2	Year 3	Year 4	Year 5
Date for discounting cash flows	Stub %	4/12/2026	2/28/2027	2/29/2028	2/28/2029	2/28/2030	2/28/2031
Unlevered free cash flows (UFCF) stub adjusted	81.00%		881.245452	959.9904335	1000.977455	1040.193871	1122.868809
Present value of of unlevered free cash flows			**815.6892274**	**813.6678413**	**777.0723435**	**739.6195071**	**731.2737681**

RISKS

1. Consumer Spending Slowdown
Risk Management: Broad product mix supports trade-down behavior

2. Increased Competition
Risk Management: Strong loyalty program and omnichannel strategy

3. Supply Chain Disruptions
Risk Management: Inventory planning and supplier diversification

4. Margin Pressure
Risk Management: Pricing flexibility and cost control

CONCLUSION

Final Recommendations

Purchase Ulta:
Target Price of $570 within 1 year

Increase Fidelity ETF:
15% to FDIS, 10% to FSTA

Greatest Company Strengths

- Industry-leading loyalty program (~95% of sales) creates powerful customer retention
- Strong financial performance with double-digit sales growth, expanding EBIT per share, and disciplined share repurchases
- Expectations to grow in performance due to social media (TikTok, influencers), expanding physical channels
- Larger consumer and market trends proves favorable conditions