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ULTA BEAUTY (ULTA) 3Q16 RESULTS: BEATS EXPECTATIONS; RAISES FY16 OUTLOOK

	3Q16	3Q15	YoY Change
Revenues (USD Bil.)	\$1.13	\$0.91	24.3%
Gross Margin	37.8%	36.9%	90 bps
SG&A/Sales	24.8%	24.0%	80 bps
Operating Margin	12.3%	12.2%	10 bps
EPS	\$1.40	\$1.11	26.1%

Source: Company reports/Fung Global Retail & Technology

- **ULTA Beauty reported 3Q16 EPS of \$1.40, ahead of the \$1.37 consensus estimate, and up 26.1% year over year. Revenues rose 24.3% from the year-ago quarter to \$1.13 billion, also beating the consensus estimate of \$1.11 billion.**
- **Comp sales, including the impact from ecommerce sales, increased 16.7% year over year, beating the 14.8% consensus estimate. That growth was driven by an 11.1% gain in transaction volume and a 5.6% higher average ticket sale. Total ecommerce sales increased 59.1% year over year to \$73.6%, contributing 240 basis points of the total company comp sales increase.**
- **ULTA Beauty raised its FY16 guidance and now expects EPS growth in the high 20% range versus previous guidance of mid-twenties percentage. The company projects comps to be up 13%–15%, versus previous guidance of 12%–14% and the 13.8% consensus estimate.**

3Q16 RESULTS

ULTA Beauty reported 3Q16 revenues of \$1.13 billion, up 24.3% year over year, and above the \$1.11 billion consensus estimate.

Comps (including the impact of ecommerce sales) were up 16.7% year over year in the quarter, ahead of the 14.8% consensus estimate. The comp increase was driven by 11.1% growth in transaction volume and 5.6% growth in average ticket sale.

Retail comparable sales increased 14.3%, including salon comparable growth of 10.3%. Salon sales increased 16.7% year over year to \$60.4 million. Ecommerce increased 59.1% year over year to \$73.6 million, which represents 240 bps of the total company comp sales increase of 16.7%.

Gross profit increased 90 bps to 37.8%, from 36.9% in the year-ago quarter. The increase was due to product margin expansion and leverage in fixed store costs.

SG&A as a percentage of sales increased 80 bps to 24.8%, primarily driven by investments to support growth initiatives and deleverage corporate overhead costs.

EPS was \$1.40, ahead of the \$1.37 consensus estimate, and up 26.1% year over year.

OUTLOOK

The company raised its FY16 guidance, and now expects EPS growth in the high 20% range versus previous guidance of mid-twenties percentage, which includes the impact of the new Dallas distribution center, the accelerated rollout of prestige brand boutiques, the accelerated share repurchase program and continued open market share



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repurchases. The consensus calls for EPS of \$6.31, an increase of 26% from last year's total of \$4.98.

ULTA Beauty expects full-year comps of 13%–15% (including the impact of the ecommerce business), versus previous guidance of 12%–14% and the 13.8% consensus estimate.

Full-year revenue is projected to increase in the low 20% range versus previous guidance of high-teens percentage. The consensus estimate expects revenues of \$4.76 billion, representing a 21.4% year-over-year increase from last year's total of \$3.92 billion.

The company plans to expand store square footage by 11%, opening 100 net new stores and remodeling 12 locations.



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