

REFINITIV

DELTA REPORT

10-Q

ULTA - ULTA BEAUTY, INC.

10-Q - MAY 04, 2024 COMPARED TO 10-Q - OCTOBER 28, 2023

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TOTAL DELTAS 787

█ CHANGES 214

█ DELETIONS 321

█ ADDITIONS 252

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended **October 28, 2023** **May 4, 2024**

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 001-33764

ULTA BEAUTY, INC.

(Exact name of Registrant as specified in its charter)

Delaware **38-4022268**

(State or other jurisdiction of
incorporation or organization)
(I.R.S. Employer
Identification No.)

1000 Remington Blvd., Suite 120 **60440**

Bolingbrook, Illinois
(Zip code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (630) 410-4800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ULTA	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, par value \$0.01 per share, outstanding as of **November 27, 2023** **May 24, 2024** was **48,561,517** **47,716,365** shares.

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Part I - Financial Information

Item 1. Financial Statements

Ulta Beauty, Inc.
Consolidated Balance Sheets

(In thousands, except per share data)	October 28,	January 28,	October 29,	May 4,	February 3,	April 29,
	2023 (Unaudited)	2023	2022 (Unaudited)	2024 (Unaudited)	2024	2023 (Unaudited)
Assets						
Current assets:						
Cash and cash equivalents	\$ 121,811	\$ 737,877	\$ 250,628	\$ 524,596	\$ 766,594	\$ 636,449
Receivables, net	202,868	199,422	200,304	203,463	207,939	190,282
Merchandise inventories, net	2,321,306	1,603,451	2,114,669	1,906,040	1,742,136	1,751,235
Prepaid expenses and other current assets	117,282	130,246	137,642	126,529	115,598	108,014
Prepaid income taxes	28,773	38,308	42,572	—	4,251	—
Total current assets	<u>2,792,040</u>	<u>2,709,304</u>	<u>2,745,815</u>	<u>2,760,628</u>	<u>2,836,518</u>	<u>2,685,980</u>
Property and equipment, net	1,117,874	1,009,273	967,039	1,195,658	1,182,335	1,019,978
Operating lease assets	1,578,316	1,561,263	1,556,940	1,561,767	1,574,530	1,559,560
Goodwill	10,870	10,870	10,870	10,870	10,870	10,870
Other intangible assets, net	591	1,312	844	434	510	1,015
Deferred compensation plan assets	38,371	35,382	31,529	45,718	43,516	37,002
Other long-term assets	56,946	43,007	18,512	56,864	58,732	61,314
Total assets	<u>\$ 5,595,008</u>	<u>\$ 5,370,411</u>	<u>\$ 5,331,549</u>	<u>\$ 5,631,939</u>	<u>\$ 5,707,011</u>	<u>\$ 5,375,719</u>
Liabilities and stockholders' equity						
Current liabilities:						
Accounts payable	\$ 597,373	\$ 559,527	\$ 647,117	\$ 463,777	\$ 544,001	\$ 621,272
Accrued liabilities	405,443	444,278	462,773	332,692	382,468	308,583
Deferred revenue	350,937	394,677	312,132	398,729	436,591	357,217
Current operating lease liabilities	287,786	283,293	275,749	284,815	283,821	288,133
Short-term debt	195,400	—	—			
Accrued income taxes				92,711	11,310	58,695
Total current liabilities	<u>1,836,939</u>	<u>1,681,775</u>	<u>1,697,771</u>	<u>1,572,724</u>	<u>1,658,191</u>	<u>1,633,900</u>
Non-current operating lease liabilities	1,616,747	1,619,883	1,621,252	1,607,953	1,627,271	1,610,256
Deferred income taxes	56,874	55,346	38,627	89,556	85,921	57,490
Other long-term liabilities	55,906	53,596	51,644	60,963	56,300	56,005
Total liabilities	<u>3,566,466</u>	<u>3,410,600</u>	<u>3,409,294</u>	<u>3,331,196</u>	<u>3,427,683</u>	<u>3,357,651</u>
Commitments and contingencies (Note 6)						
Stockholders' equity:						

Common stock, \$0.01 par value, 400,000 shares authorized; 49,458, 51,120, and 51,785 shares issued; 48,659, 50,364, and 51,029 shares outstanding; at October 28, 2023 (unaudited), January 28, 2023, and October 29, 2022 (unaudited), respectively	495	511	517		
Common stock, \$0.01 par value, 400,000 shares authorized; 48,688, 49,123, and 50,729 shares issued; 47,845, 48,324, and 49,932 shares outstanding; at May 4, 2024 (unaudited), February 3, 2024, and April 29, 2023 (unaudited), respectively				487	491
Treasury stock-common, at cost	(82,798)	(60,470)	(60,218)	(106,315)	(83,032)
Additional paid-in capital	1,058,969	1,023,997	998,816	1,091,822	1,075,104
Retained earnings	1,051,876	995,773	983,140	1,314,749	1,286,765
Total stockholders' equity	2,028,542	1,959,811	1,922,255	2,300,743	2,279,328
Total liabilities and stockholders' equity	\$ 5,595,008	\$ 5,370,411	\$ 5,331,549	\$ 5,631,939	\$ 5,707,011
					\$ 5,375,719

See accompanying notes to consolidated financial statements.

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Ulta Beauty, Inc.						
Consolidated Statements of Income						
(Unaudited)						
(In thousands, except per share data)						
Net sales	\$ 2,488,933	\$ 2,338,793	\$ 7,653,005	\$ 6,981,807	\$ 2,725,848	\$ 2,634,263
Cost of sales	1,496,866	1,375,976	4,612,469	4,149,800	1,656,068	1,579,406
Gross profit	992,067	962,817	3,040,536	2,832,007	1,069,780	1,054,857
Selling, general and administrative expenses	661,380	597,164	1,874,201	1,632,593	665,913	612,129
Pre-opening expenses	3,460	3,797	5,396	8,422	2,919	658
Operating income	327,227	361,856	1,160,939	1,190,992	400,948	442,070
Interest income, net	(2,497)	(849)	(14,294)	(556)	(6,900)	(7,348)
Income before income taxes	329,724	362,705	1,175,233	1,191,548	407,848	449,418
Income tax expense	80,241	88,120	278,597	289,891	94,735	102,367
Net income	\$ 249,483	\$ 274,585	\$ 896,636	\$ 901,657	\$ 313,113	\$ 347,051
Net income per common share:						
Basic	\$ 5.09	\$ 5.37	\$ 18.08	\$ 17.45	\$ 6.51	\$ 6.92
Diluted	\$ 5.07	\$ 5.34	\$ 17.99	\$ 17.35	\$ 6.47	\$ 6.88
Weighted average common shares outstanding:						
Basic	49,007	51,131	49,592	51,663	48,125	50,153
Diluted	49,226	51,418	49,846	51,962	48,381	50,469

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Ulta Beauty, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	39 Weeks Ended				13 Weeks Ended			
	October 28, 2023		October 29, 2022		May 4, 2024		April 29, 2023	
	\$	\$	\$	\$	\$	\$	\$	\$
Operating activities								
Net income	\$ 896,636	\$ 901,657	\$ 313,113	\$ 347,051				
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	181,273	182,182	64,739	57,949				
Non-cash lease expense	232,772	222,548	77,938	75,478				
Deferred income taxes	1,528	(1,066)	3,635	2,144				
Stock-based compensation expense	33,477	32,554	10,082	9,721				
Loss on disposal of property and equipment	6,310	3,892	2,975	1,451				
Change in operating assets and liabilities:								
Receivables	(3,446)	33,378	4,476	9,140				
Merchandise inventories	(717,855)	(615,451)	(163,904)	(147,784)				
Prepaid expenses and other current assets	12,964	(26,828)	(10,931)	22,232				
Income taxes	9,535	(49,446)	85,652	97,003				
Accounts payable	41,817	94,214	(74,069)	62,257				
Accrued liabilities	(34,955)	64,164	(43,846)	(98,515)				
Deferred revenue	(43,740)	(41,447)	(37,862)	(37,460)				
Operating lease liabilities	(248,469)	(246,988)	(83,500)	(78,562)				
Other assets and liabilities	(9,836)	20,063	10,842	(17,204)				
Net cash provided by operating activities	358,011	573,426	159,340	304,901				
Investing activities								
Capital expenditures	(311,030)	(203,961)	(91,024)	(109,766)				
Other investments	(4,870)	(3,068)	(2,563)	(314)				
Net cash used in investing activities	(315,900)	(207,029)	(93,587)	(110,080)				
Financing activities								
Borrowings from credit facility	195,400	—						
Repurchase of common shares	(840,551)	(571,908)	(289,431)	(283,517)				
Stock options exercised	9,302	31,319	8,913	8,927				
Purchase of treasury shares	(22,328)	(6,740)	(23,283)	(21,659)				
Debt issuance costs	(3,950)	—						

Net cash used in financing activities	(658,177)	(547,329)	(307,751)	(296,249)
Net decrease in cash and cash equivalents	(616,066)	(180,932)	(241,998)	(101,428)
Cash and cash equivalents at beginning of period	737,877	431,560	766,594	737,877
Cash and cash equivalents at end of period	<u>\$ 121,811</u>	<u>\$ 250,628</u>	<u>\$ 524,596</u>	<u>\$ 636,449</u>
Supplemental information				
Income taxes paid, net of refunds	\$ 266,802	\$ 339,290	\$ 5,057	\$ 2,818
Non-cash capital expenditures	53,936	33,982	51,695	29,634

See accompanying notes to consolidated financial statements.

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Ulta Beauty, Inc.
Consolidated Statements of Stockholders' Equity
(Unaudited)

(In thousands)	Treasury -							
	Common Stock		Common Stock		Additional		Total	
	Issued	Treasury	Issued	Treasury	Paid-In	Retained	Stockholders'	
Balance – January 28, 2023	51,120	\$ 511	(756)	\$ (60,470)	\$ 1,023,997	\$ 995,773	\$ 1,959,811	
Net income	—	—	—	—	—	347,051	347,051	
Stock-based compensation	—	—	—	—	9,721	—	9,721	
Stock options exercised and other awards	150	1	—	—	8,926	—	8,927	
Purchase of treasury shares	—	—	(41)	(21,659)	—	—	(21,659)	
Repurchase of common shares, including excise tax	(541)	(5)	—	—	(2,266)	(283,512)	(285,783)	
Balance – April 29, 2023	50,729	\$ 507	(797)	\$ (82,129)	\$ 1,040,378	\$ 1,059,312	\$ 2,018,068	
Net income	—	—	—	—	—	300,102	300,102	
Stock-based compensation	—	—	—	—	11,818	—	11,818	
Stock options exercised and other awards	4	—	—	—	220	—	220	
Purchase of treasury shares	—	—	(1)	(100)	—	—	(100)	
Repurchase of common shares, including excise tax	(594)	(6)	—	—	(2,737)	(275,488)	(278,231)	
Balance – July 29, 2023	50,139	\$ 501	(798)	\$ (82,229)	\$ 1,049,679	\$ 1,083,926	\$ 2,051,877	
Net income	—	—	—	—	—	249,483	249,483	
Stock-based compensation	—	—	—	—	11,938	—	11,938	
Stock options exercised and other awards	5	1	—	—	154	—	155	
Purchase of treasury shares	—	—	(1)	(569)	—	—	(569)	
Repurchase of common shares, including excise tax	(686)	(7)	—	—	(2,802)	(281,533)	(284,342)	
Balance – October 28, 2023	49,458	\$ 495	(799)	\$ (82,798)	\$ 1,058,969	\$ 1,051,876	\$ 2,028,542	

See accompanying notes to consolidated financial statements.

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Ulta Beauty, Inc.
Consolidated Statements of Stockholders' Equity
(Unaudited)

(In thousands)	Treasury -										Treasury -									
	Common Stock		Common Stock		Additional		Total		Common Stock		Common Stock		Additional		Total					
	Issued	Shares	Amount	Shares	Amount	Paid-In	Capital	Earnings	Stockholders' Equity	Issued	Shares	Amount	Shares	Amount	Paid-In	Capital	Earnings	Stockholders' Equity		
Balance -	53,049	\$ 530		(738)	\$ (53,478)	934,945		\$ 653,376	\$ 1,535,373											
January 29, 2022																				
Balance -										51,120	\$ 511		(756)	\$ (60,470)	1,023,997	\$ 995,773	\$ 1,955			
January 28, 2023																				
Net income	—	—	—	—	—	—	331,395	331,395		—	—	—	—	—	—	347,051	347,051			
Stock-based compensation	—	—	—	—	—	10,356		—	10,356	—	—	—	—	—	—	9,721	—			
Stock options exercised and other awards	73	1	—	—	—	6,501		—	6,502	150	1	—	—	—	—	8,926	—			
Purchase of treasury shares	—	—	(14)	(5,172)		—	—	—	(5,172)	—	—	(41)	(21,659)		—	—	(22,659)			
Repurchase of common shares	(332)	(3)	—	—	—	—	(132,831)	(132,834)												
Balance -	52,790	\$ 528		(752)	\$ (58,650)	951,802		\$ 851,940	\$ 1,745,620											
April 30, 2022																				
Repurchase of common shares, including excise tax										(541)	(5)	—	—	—	(2,266)	(283,512)	(285,778)			
Balance -										50,729	\$ 507		(797)	\$ (82,129)	1,040,378	\$ 1,059,312	\$ 2,011			
April 29, 2023																				
Balance -																				
February 3, 2024										49,123	\$ 491		(799)	\$ (83,032)	1,075,104	\$ 1,286,765	\$ 2,274			
Net income	—	—	—	—	—	—	295,677	295,677		—	—	—	—	—	—	313,113	313,113			

Stock-based compensation	—	—	—	—	12,519	—	12,519	—	—	—	—	10,082	—	1
Stock options exercised and other awards	95	1	—	—	18,018	—	18,019	—	153	2	—	—	8,911	—
Purchase of treasury shares	—	—	(3)	(1,153)	—	—	(1,153)	—	—	(44)	(23,283)	—	—	(2)
Repurchase of common shares	(798)	(8)	—	—	—	(301,606)	(301,614)	—	—	—	—	—	—	—
Balance	—	52,087	\$ 521	(755)	\$(59,803)	\$982,339	\$ 846,011	\$ 1,769,068						
July 30, 2022														
Net income	—	—	—	—	—	—	274,585	—	274,585					
Stock-based compensation	—	—	—	—	—	9,679	—	—	9,679					
Stock options exercised and other awards	38	—	—	—	—	6,798	—	—	6,798					
Purchase of treasury shares	—	—	(1)	(415)	—	—	—	(415)	—	—	—	—	—	—
Repurchase of common shares	(340)	(4)	—	—	—	—	(137,456)	(137,460)	—	—	—	—	—	—
Balance	—	51,785	\$ 517	(756)	\$(60,218)	\$998,816	\$ 983,140	\$ 1,922,255						
October 29, 2022														
Repurchase of common shares, including excise tax	—	—	—	—	—	—	(588)	(6)	—	—	—	(2,275)	(285,129)	(285,129)
Balance	—													
May 4, 2024							48,688	\$ 487	(843)	\$(106,315)	\$1,091,822	\$1,314,749	\$ 2,301	\$ 2,301

See accompanying notes to consolidated financial statements.

1. Business and basis of presentation

Ulta Beauty, Inc. was founded in 1990 to operate specialty retail stores selling cosmetics, fragrance, haircare and skincare products, and related accessories and services. Nearly every store features a full-service salon. As used in these notes and throughout this Quarterly Report on Form 10-Q, all references to "we," "us," "our," "Ulta Beauty," or the "Company" refer to Ulta Beauty, Inc. and its consolidated subsidiaries.

As of **October 28, 2023** **May 4, 2024**, the Company operated **1,374** **1,395** stores across 50 states, as shown in the table below.

Location	Number of stores		Location	Number of stores		Location	Number of stores	
	stores	stores		stores	stores		stores	stores
Alabama	25		Montana	6		Montana	6	
Alaska	3		Nebraska	5		Nebraska	5	
Arizona	35		Nevada	16		Nevada	16	
Arkansas	11		New Hampshire	8		New Hampshire	8	
California	169		New Jersey	44		New Jersey	45	
Colorado	27		New Mexico	7		New Mexico	7	
Connecticut	19		New York	55		New York	56	
Delaware	4		North Carolina	44		North Carolina	45	
Florida	94		North Dakota	4		North Dakota	4	
Georgia	43		Ohio	46		Ohio	46	
Hawaii	4		Oklahoma	22		Oklahoma	22	
Idaho	9		Oregon	18		Oregon	19	
Illinois	55		Pennsylvania	45		Pennsylvania	45	
Indiana	26		Rhode Island	4		Rhode Island	4	
Iowa	11		South Carolina	24		South Carolina	25	
Kansas	13		South Dakota	3		South Dakota	3	
Kentucky	16		Tennessee	31		Tennessee	32	
Louisiana	18		Texas	129		Texas	131	
Maine	3		Utah	15		Utah	15	
Maryland	28		Vermont	1		Vermont	1	
Massachusetts	26		Virginia	33		Virginia	35	
Michigan	49		Washington	37		Washington	37	
Minnesota	20		West Virginia	7		West Virginia	7	
Mississippi	12		Wisconsin	21		Wisconsin	21	
Missouri	25		Wyoming	4		Wyoming	4	
	Total			1,374			Total	1,395

The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and the U.S. Securities and Exchange Commission's Article 10, Regulation S-X. These financial statements were prepared on a consolidated basis to include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts, transactions, and unrealized profit were eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary to fairly state the financial position and results of operations and cash flows for the interim periods presented.

The Company's business is subject to seasonal fluctuation, with significant portions of net sales and net income being realized during the fourth quarter of the fiscal year due to the holiday selling season. The results for the 13 and 39 weeks ended **October 28, 2023** **May 4, 2024** are not necessarily indicative of the results to be expected for the fiscal year ending **February 3, 2024** **February 1, 2025**, or for any other future interim period or for any future year.

These unaudited interim consolidated financial statements and the related notes should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended **January 28, 2023** **February 3, 2024**. All amounts are stated in thousands, with the exception of per share amounts and number of stores.

2. Summary of significant accounting policies

Information regarding significant accounting policies is contained in Note 2, "Summary of significant accounting policies," to the consolidated financial statements in the Annual Report on Form 10-K for the year ended **January 28, 2023** **February 3, 2024**. Presented below and in the following notes is supplemental information that should be read in conjunction with "Notes to Consolidated Financial Statements" in the Annual Report.

Fiscal quarter

The Company's quarterly periods are the 13 weeks ending on the Saturday closest to April 30, July 31, October 31, and January 31. The **third** **first** quarter in fiscal **2023** **2024** and **2022** **2023** ended on **October 28, 2023** **May 4, 2024** and **October 29, 2022** **April 29, 2023**, respectively.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates. The Company considers its accounting policies relating to inventory valuations, vendor allowances, impairment of long-lived tangible and right-of-use assets, loyalty program and income taxes to be the most significant accounting policies that involve management estimates and judgments. Significant changes, if any, in those estimates and assumptions resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent accounting pronouncements not yet adopted

Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure. The guidance updates reportable segment disclosure requirements, primarily through requiring enhanced disclosures about significant segment expenses and information used to assess segment performance. The ASU is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-07 on related disclosures.

Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The guidance includes amendments requiring enhanced income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2024 and should be applied either prospectively or retrospectively. Early adoption is permitted. The Company is currently evaluating the impact of adopting this ASU on related disclosures.

SEC Climate-Related Disclosures

In March 2024, the SEC adopted rules intended to enhance and standardize climate-related disclosures in registration statements and annual reports. The new rules will require disclosure of material climate-related risks, including disclosure of Board of Directors' oversight and risk management activities, the material impacts of these risks to us and the quantification of material impacts to us as a result of severe weather events and other natural conditions. The rules also require disclosure of material greenhouse gas emissions and any material climate-related targets and goals. The new rules will be effective for annual reporting periods beginning in fiscal year 2025, except for the greenhouse gas emissions disclosures which will be effective for annual reporting periods beginning in fiscal year 2026. The Company is currently evaluating the impact of these new rules.

3.3 Revenue

Net sales include retail stores and e-commerce merchandise sales as well as salon services and other revenue. Other revenue includes the private label and co-branded credit card programs, royalties derived from the partnership with Target Corporation, and deferred revenue related to the loyalty program and gift card breakage.

Disaggregated revenue

The following table sets forth the approximate percentage of net sales by primary category:

<u>(Percentage of net sales)</u>	13 Weeks Ended		39 Weeks Ended	
	October 28, 2023		October 29, 2023	
	2023	2022	2023	2022
Cosmetics	42%	44%	42%	43%
Haircare products and styling tools	19%	21%	20%	21%
Skincare	19%	16%	19%	17%
Fragrance and bath	13%	12%	12%	12%
Services	4%	4%	4%	4%
Accessories and other	3%	3%	3%	3%
	100%	100%	100%	100%

<u>(Percentage of net sales)</u>	13 Weeks Ended	
	May 4, April 29,	
	2024	2023
Cosmetics	42%	44%
Skincare	23%	22%
Haircare	19%	19%
Fragrance	10%	9%
Services	4%	4%
Other	2%	2%
	100%	100%

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[Table of Contents](#) Certain sales departments were reclassified between categories in the prior year to conform to current year presentation, including moving the bath category from Fragrance to Skincare.

Deferred revenue

Deferred revenue primarily represents contract liabilities for the obligation to transfer additional goods or services to a guest for which the Company has received consideration, such as unredeemed Ultamate Ulta Beauty Rewards loyalty points and unredeemed Ulta Beauty gift cards. In addition, breakage on gift cards is recognized proportionately as redemption occurs.

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The following table provides a summary of the changes included in deferred revenue during the 13 and 39 weeks ended **October 28, 2023** **May 4, 2024** and **October 29, 2022**; **April 29, 2023**:

<u>(In thousands)</u>	13 Weeks Ended		39 Weeks Ended		13 Weeks Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022	May 4, 2024	April 29, 2023
Beginning balance	\$ 346,067	\$ 305,913	\$ 388,583	\$ 345,206	\$ 428,788	\$ 388,583
Additions to contract liabilities (1)	107,628	97,521	250,121	224,938	133,495	124,024
Deductions to contract liabilities (2)	(109,304)	(99,443)	(294,313)	(266,153)	(170,837)	(162,484)
Ending balance	\$ 344,391	\$ 303,991	\$ 344,391	\$ 303,991	\$ 391,446	\$ 350,123

(1) Loyalty points and gift cards issued in the current period but not redeemed or expired.

(2) Revenue recognized in the current period related to the beginning liability.

Other amounts included in deferred revenue were **\$6,546** **\$7,283** and **\$8,141** **\$7,094** at **October 28, 2023** **May 4, 2024** and **October 29, 2022** **April 29, 2023**, respectively.

4. Goodwill and other intangible assets

Goodwill, which represents the excess of cost over the fair value of net assets acquired, was \$10,870 at **October 28, 2023** **May 4, 2024**, **January 28, 2023** **February 3, 2024**, and **October 29, 2022** **April 29, 2023**. No additional goodwill was recognized during the 13 and 39 weeks ended **October 28, 2023** **May 4, 2024**. The recoverability of goodwill is reviewed annually during the fourth quarter or more frequently if an event occurs or circumstances change that would indicate that impairment may exist.

Other definite-lived intangible assets are amortized over their useful lives. The recoverability of intangible assets is reviewed whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

5. Leases

The Company leases retail stores, distribution centers, fast fulfillment centers, market fulfillment centers, corporate offices, and certain equipment under non-cancelable operating leases with various expiration dates through 2036. All leases are classified as operating leases and generally have initial lease terms of 10 years and, when determined applicable, include renewal options under substantially the same terms and conditions as the original leases. Leases do not contain any material residual value guarantees or material restrictive covenants.

Lease cost

The majority of operating lease cost relates to retail stores, distribution centers, fast fulfillment centers, and market fulfillment centers and is classified within cost of sales. Operating lease cost for corporate offices is classified within selling, general and administrative expenses. Operating lease cost from the control date through store opening date is classified within pre-opening expenses.

The following table presents a summary of operating lease costs:

(In thousands)	13 Weeks Ended	
	May 4,	April 29,
	2024	2023
Operating lease cost	\$ 88,155	\$ 85,128

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The following table presents a summary of operating lease costs:

(In thousands)	13 Weeks Ended		39 Weeks Ended	
	October 28,	October 29,	October 28,	October 29,
	2023	2022	2023	2022
Operating lease cost	\$ 84,074	\$ 80,371	\$ 252,323	\$ 240,366

Other information

The following table presents supplemental disclosures of cash flow information related to operating leases:

(In thousands)	39 Weeks Ended		13 Weeks Ended	
	October 28,	October 29,	May 4,	April 29,
	2023	2022	2024	2023
Cash paid for operating lease liabilities (1)	\$ 296,115	\$ 286,016	\$ 101,646	\$ 98,055
Operating lease assets obtained in exchange for operating lease liabilities (non-cash)	249,826	297,232	65,176	73,775

(1) Excludes \$27,682 \$7,791 and \$21,347 \$9,593 related to cash received for tenant incentives for the 39 13 weeks ended October 28, 2023 May 4, 2024 and October 29, 2022, April 29, 2023, respectively.

6. Commitments and contingencies

The Company is involved in various legal proceedings that are incidental to the conduct of the business including both class action and single plaintiff litigation. In the opinion of management, the amount of any liability with respect to these proceedings, either individually or in the aggregate, will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

7. Debt

On **February 27, 2023** **March 13, 2024**, the Company entered into Amendment No. **23** to the Second Amended and Restated Loan Agreement (as so amended, the Loan Agreement) with Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and a Lender thereunder; Wells Fargo Bank, National Association and JPMorgan Chase Bank, N.A., as Lead Arrangers and Bookrunners; JPMorgan Chase Bank, N.A., as Syndication Agent and a Lender; PNC Bank, National Association, as Documentation Agent and a Lender; and the other lenders party thereto. The Loan Agreement matures on **March 11, 2025** **March 13, 2029**, provides maximum revolving loans equal to the lesser of **\$1,000,000** **\$800,000** or a percentage of eligible owned inventory and eligible owned receivables (which borrowing base may, at the election of the Company and satisfaction of certain conditions, include a percentage of qualified cash), contains a \$50,000 subfacility for letters of credit and allows the Company to increase the revolving facility by an additional **\$100,000**, **\$200,000**, subject to the consent by each lender and other conditions. The Loan Agreement contains a requirement to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 during such periods when availability under the Loan Agreement falls below a specified threshold. Substantially all of the Company's assets are pledged as collateral for outstanding borrowings under the Loan Agreement. Outstanding borrowings bear interest, at the Company's election, at either a base rate plus a margin of **0%** **0.5%** to **0.125%** **1.0%** or the Term Secured Overnight Financing Rate plus a margin of **1.125%** **1.5%** to **1.250%** **2.0%**, and a credit spread adjustment of 0.10%, with such margins based on the Company's borrowing availability, and the unused line fee is **0.20%** **0.25%** to **0.375%** per annum.

As of **October 28, 2023** **May 4, 2024**, the Company had **\$195,400** outstanding under the credit facility, **February 3, 2024**, and the weighted average interest rate was **8.21%** for the 39 weeks ended **October 28, 2023**. As of **January 28, 2023** and **October 29, 2022** **April 29, 2023**, there were no borrowings outstanding under the credit facility.

As of **October 28, 2023** **May 4, 2024**, the Company was in compliance with all terms and covenants of the Loan Agreement.

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8. Fair value measurements

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable and short-term debt approximates their estimated fair values due to the short maturities of these instruments.

Fair value is measured using inputs from the three levels of the fair value hierarchy, which are described as follows:

- Level 1 – observable inputs such as quoted prices for identical instruments in active markets.
- Level 2 – inputs other than quoted prices in active markets that are observable either directly or indirectly through corroboration with observable market data.
- Level 3 – unobservable inputs in which there is little or no market data, which would require the Company to develop its own assumptions.

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As of **October 28, 2023** **May 4, 2024**, **January 28, 2023** **February 3, 2024**, and **October 29, 2022** **April 29, 2023**, there were liabilities related to the non-qualified deferred compensation plan included in other long-term liabilities on the consolidated balance sheets of **\$41,633**, **\$37,501**, **\$47,849**, **\$42,653**, and **\$34,839**, **\$40,374**, respectively. The liabilities are categorized as Level 2 as they are based on third-party reported values, which are based primarily on quoted market prices of underlying assets of the funds within the plan.

9. Stock-based compensation

Stock-based compensation expense is measured on the grant date based on the fair value of the award. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period for awards expected to vest. The estimated grant date fair value of stock options was determined using a Black-Scholes valuation model using the following weighted-average assumptions for the periods indicated:

	39 Weeks Ended		13 Weeks Ended	
	October 28, 2023		October 29, 2022	
	May 4, 2024	April 29, 2023		
Volatility rate	45.0%	49.0%	33.0%	45.0%
Average risk-free interest rate	3.8%	2.4%	4.4%	3.8%
Average expected life (in years)	3.4	3.4	3.5	3.4
Dividend yield	—	—	—	—

The expected volatility is based on the historical volatility of the Company's common stock. The risk-free interest rate is based on the United States Treasury yield curve in effect on the date of grant for the respective expected life of the option. The expected life represents the time the options granted are expected to be outstanding. The expected life of options granted is derived from historical data on Ulta Beauty stock option exercises. Forfeitures of stock options are estimated at the grant date based on historical rates of stock option activity and reduce the stock-based compensation expense recognized. The Company does not currently pay a regular dividend.

The Company granted 42,56 and 48,41 stock options during the 39 weeks ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, respectively. Stock-based compensation expense for stock options was \$1,742 \$1,680 and \$1,646 \$1,470 for the 13 weeks ended October 28, 2023 May 4, 2024 and October 29, 2022, respectively. Stock-based compensation expense for stock options was \$4,961 and \$6,152 for the 39 weeks ended October 28, 2023 and October 29, 2022 April 29, 2023, respectively. The weighted-average grant date fair value of these stock options was \$199.15 \$157.66 and \$149.14 \$200.67 for the 39 weeks ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, respectively. At October 28, 2023 May 4, 2024, there was approximately \$13,028 \$16,803 of unrecognized stock-based compensation expense related to unvested stock options.

There were 48,44 and 58,38 restricted stock units issued during the 39 weeks ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, respectively. Stock-based compensation expense for restricted stock units was \$4,959 \$4,388 and \$4,544 \$4,359 for the 13 weeks ended October 28, 2023 May 4, 2024 and October 29, 2022, respectively. Stock-based compensation expense for restricted stock units was \$14,252 and \$13,983 for the 39 weeks ended October 28, 2023 and October 29, 2022 April 29, 2023, respectively. At October 28, 2023 May 4, 2024, there was approximately \$32,630 \$43,539 of unrecognized stock-based compensation expense related to restricted stock units.

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There were 33,71 and 37,32 performance-based restricted stock units issued during the 39 weeks ended October 28, 2023 May 4, 2024 and October 29, 2022, respectively April 29, 2023. Stock-based compensation expense for performance-based restricted stock units was \$5,237 \$4,014 and \$3,489 \$3,892 for the 13 weeks ended October 28, 2023 May 4, 2024 and October 29, 2022, respectively. Stock-based compensation expense for performance-based restricted stock units was \$14,264 and \$12,419 for the 39 weeks ended October 28, 2023 and October 29, 2022 April 29, 2023, respectively. At October 28, 2023 May 4, 2024, there was approximately \$28,755 \$34,998 of unrecognized stock-based compensation expense related to performance-based restricted stock units.

10. Income taxes

Income tax expense reflects the federal statutory tax rate and the weighted average state statutory tax rate for the states in which the Company operates stores. Income tax expense of ~~\$80,241~~ \$94,735 for the 13 weeks ended ~~October 28, 2023~~ May 4, 2024 represents an effective tax rate of ~~24.3%~~ 23.2%, compared to ~~\$88,120~~ \$102,367 of income tax expense representing an effective tax rate of ~~24.3%~~ 22.8% for the 13 weeks ended ~~October 29, 2022~~.

Income tax expense of \$278,597 for the 39 weeks ended October 28, 2023 represents an effective tax rate of 23.7%, compared to \$289,891 of tax expense representing an effective tax rate of 24.3% for the 39 weeks ended October 29, 2022 ~~April 29, 2023~~. The ~~lower~~ higher effective tax rate is primarily due to ~~benefits~~ a reduced benefit from income tax accounting for stock-based compensation.

On August 16, 2022, the Inflation Reduction Act of 2022 was enacted into law, which, among other things, introduced a 15% corporate alternative minimum tax on book income of certain large corporations and created a 1% excise tax on net share repurchases. The corporate alternative minimum tax ~~will be~~ is effective beginning in fiscal 2024 and ~~is~~ did not expected to have a

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material impact on the consolidated financial ~~statements~~ statements for the 13 weeks ended May 4, 2024. The excise tax applies to share repurchases made after December 31, 2022.

11. Net income per common share

The following is a reconciliation of net income and the number of shares of common stock used in the computation of net income per basic and diluted common share:

<u>(In thousands, except per share data)</u>	13 Weeks Ended		39 Weeks Ended		13 Weeks Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022	May 4, 2024	April 29, 2023
Numerator:						
Net income	\$ 249,483	\$ 274,585	\$ 896,636	\$ 901,657	\$313,113	\$347,051
Denominator:						
Weighted-average common shares – Basic	49,007	51,131	49,592	51,663	48,125	50,153
Dilutive effect of stock options and non-vested stock	219	287	254	299	256	316
Weighted-average common shares – Diluted	49,226	51,418	49,846	51,962	48,381	50,469
Net income per common share:						
Basic	\$ 5.09	\$ 5.37	\$ 18.08	\$ 17.45	\$ 6.51	\$ 6.92
Diluted	\$ 5.07	\$ 5.34	\$ 17.99	\$ 17.35	\$ 6.47	\$ 6.88

The denominator for diluted net income per common share for the 13 weeks ended ~~October 28, 2023~~ May 4, 2024 and ~~October 29, 2022~~ April 29, 2023 excludes 124 150 and 50 employee stock options and restricted stock units, respectively, due to their anti-dilutive effects. The denominator for diluted net income per common share for the 39 weeks ended October 28, 2023 and October 29, 2022 excludes 144 and 119 79 employee stock options and restricted stock units, respectively, due to their anti-dilutive effects. Outstanding performance-based restricted stock units are included in the computation of dilutive shares only to the extent that the underlying performance conditions are satisfied prior to the end of the reporting period or would be considered satisfied if the end of the reporting period were the end of the related contingency period and the results would be dilutive under the treasury stock method.

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12. Share repurchase program

In March 2022, the Board of Directors authorized a share repurchase program (the 2022 Share Repurchase Program) pursuant to which the Company ~~may could~~ repurchase up to \$2,000,000 of the Company's common stock. The 2022 Share Repurchase Program ~~revokes~~ authorization revoked the previously authorized but unused amounts from the earlier share repurchase program. The 2022 Share Repurchase Program did not have an expiration date but provided for suspension or discontinuation at any time.

In March 2024, the Board of Directors authorized ~~value~~ a new share repurchase program (the 2024 Share Repurchase Program) pursuant to which the Company may repurchase up to \$2,000,000 of ~~shares available to be repurchased under~~ the Company's common stock. The 2024 Share Repurchase Program authorization revoked the previously authorized but unused amounts from the 2022 Share Repurchase Program ~~excludes excise tax~~. The 2022²⁰²⁴ Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time.

A summary of common stock repurchase activity is presented in the following table:

	39 Weeks Ended	
	October 28, 2023	October 29, 2022
(In thousands)		
Shares repurchased	1,821	1,470
Total cost of shares repurchased, including excise tax	\$ 848,356	\$ 571,908

	13 Weeks Ended	
	May 4, 2024	April 29, 2023
(In thousands)		
Shares repurchased	588	541
Total cost of shares repurchased, including excise tax	\$ 287,410	\$ 285,783

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included elsewhere in this quarterly report. This discussion contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as "outlook," "believes," "expects," "plans," "estimates," "targets," "strategies," or other comparable words. Any forward-looking statements contained in this Form 10-Q are based upon our historical performance and on current plans, estimates, and expectations. The inclusion of this forward-looking information should not be regarded as a representation by

us or any other person that the future plans, estimates, targets, strategies, or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties, which include, without limitation:

- macroeconomic conditions, including inflation, **rising elevated** interest rates and recessionary concerns, as well as **ongoing continuing** labor cost pressures, **and** transportation and shipping cost pressures, **and the COVID-19 pandemic**, have had, and may continue to have, a negative impact on our business, financial condition, profitability, and cash flows (including future uncertain impacts);
- changes in the overall level of consumer spending and volatility in the economy, including as a result of macroeconomic conditions and geopolitical events;
- our ability to sustain our growth plans and successfully implement our long-range strategic and financial plan;
- the ability to execute our operational excellence priorities, including continuous improvement, Project SOAR (**our** (**the** replacement of **our** enterprise resource planning platform), and supply chain optimization;
- our ability to gauge beauty trends and react to changing consumer preferences in a timely manner;
- the possibility that we may be unable to compete effectively in our highly competitive markets;
- the possibility of significant interruptions in the operations of our distribution centers, fast fulfillment centers, and market fulfillment centers;
- the possibility that cybersecurity or information security breaches and other disruptions could compromise our information or result in the unauthorized disclosure of confidential information;
- the possibility of material disruptions to our information systems, including our Ulta.com website and mobile applications;
- the failure to maintain satisfactory compliance with applicable privacy and data protection laws and regulations;
- changes in the good relationships we have with **our brand partners**, **our ability to continue to obtain sufficient merchandise from our brand partners**, and/or our ability to continue to offer permanent or temporary exclusive products of our brand partners;
- **our ability to effectively manage our inventory and protect against inventory shrink**;
- changes in the wholesale cost of our products and/or interruptions at our brand partners' or third-party vendors' operations;

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- **future** epidemics, pandemics or natural disasters, **which** could negatively impact sales;
- the possibility that new store openings and existing locations may be impacted by developer or co-tenant issues;
- our ability to attract and retain key executive personnel;
- the impact of climate change on our business operations and/or supply chain;
- our ability to successfully execute our common stock repurchase program or implement future common stock repurchase programs;
- a decline in operating results **may** **which could** lead to asset impairment and store closure charges; and
- other risk factors detailed in our public filings with the Securities and Exchange Commission (the SEC), including risk factors contained in Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended **January 28, 2023** **February 3, 2024**, as such may be amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q (including this report).

Except to the extent required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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References in the following discussion to "we," "us," "our," "Ulta Beauty," the "Company," and similar references mean Ulta Beauty, Inc. and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires.

Overview

We were founded in 1990 as a beauty retailer at a time when prestige, mass, and salon products were sold through distinct channels – department stores for prestige products; drug stores and mass merchandisers for mass products; and salons and authorized retail outlets for

professional hair care products. We developed a unique specialty retail concept that offers a broad range of brands and price points, select beauty services, and a convenient and welcoming shopping environment. We define our target consumer as a beauty enthusiast, a consumer who is passionate about the beauty category, uses beauty for self-expression, experimentation, and self-investment, and has high expectations for the shopping experience. We believe our strategy provides us with the competitive advantages that have contributed to our financial performance.

Today, we are the largest specialty beauty retailer in the United States and the premier beauty destination for cosmetics, fragrance, skin care products, hair care products, and salon services. Key aspects of our business include: a differentiated assortment of **more than approximately** 25,000 beauty products across a variety of categories and price points as well as a variety of beauty services, including salon services, in more than 1,350 stores predominantly located in convenient, high-traffic locations; engaging digital experiences delivered through our website, Ulta.com, and our mobile applications; our best-in-class loyalty program that enables members to earn points for every dollar spent on products and beauty services and provides us with deep, proprietary customer insights; and our ability to cultivate human connection with warm and welcoming guest experiences across all of our channels.

The continued growth of our business and any future increases in net sales, net income, and cash flows is dependent on our ability to execute our strategic priorities: 1) drive breakthrough and disruptive growth through an expanded definition of All Things Beauty; 2) evolve the omnichannel experience through connected physical and digital ecosystems, All In Your World; 3) expand and deepen our presence across the beauty journey, **solidifying positioning** Ulta Beauty at the Heart of the Beauty Community; 4) drive operational excellence and optimization; 5) protect and cultivate our world-class culture and talent; and 6) expand our environmental and social impact. We believe the attractive and growing U.S. beauty products and salon services industry, the expanding definition of beauty and the role that omnichannel capabilities play in consumers' lives, coupled with Ulta Beauty's competitive strengths, position us to capture additional market share in the industry.

Comparable sales is a key metric that is monitored closely within the retail industry. Our comparable sales have fluctuated in the past, and we expect them to continue to fluctuate in the future. A variety of factors affect our comparable sales, including general U.S. economic conditions, changes in merchandise strategy or mix, and timing and effectiveness of our marketing activities, among others.

Over the long term, our growth strategy is to increase total net sales through growing our comparable sales, expanding omnichannel capabilities, and opening new stores. Long-term operating profit is expected to increase as a result of our

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efforts to optimize our real estate portfolio, expand merchandise margin, and leverage our fixed store costs with comparable sales increases and operating efficiencies, partially offset by incremental investments in people, guest experiences, systems, and supply chain required to support a 1,500 to 1,700 store chain in the U.S. with successful e-commerce and competitive omnichannel capabilities.

Current Trends

Industry trends

Our research indicates that Ulta Beauty has captured meaningful market share across all categories over the last several years. The overall beauty market expanded in **2022** **2023** and into the first **39 weeks** quarter of **fiscal 2023, 2024**, supported by healthy consumer engagement with the beauty category. We remain confident that our differentiated and diverse business model, our commitment to strategic investments, and our highly engaged associates will continue to drive market share gains over the long term.

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Impact of inflation and other macroeconomic trends

Although we do not believe inflation had a material impact on our sales during the first 39 weeks quarter of fiscal 2023, continued pressure from inflation or other evolving macroeconomic conditions could have an adverse impact on consumer spending and could lead to a recession. Furthermore, inflationary pressures, as well as other macroeconomic trends, could negatively impact our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with higher costs. In addition, inflation could materially increase cause the interest rates on any outstanding debt. future debt to remain at an elevated level or increase.

Basis of presentation

The Company has one reportable segment, which includes retail stores, salon services, and e-commerce.

We recognize merchandise revenue at the point of sale in our retail stores. E-commerce sales are recognized upon shipment or guest pickup of the merchandise based on meeting the transfer of control criteria. Retail store and e-commerce sales are recorded net of estimated returns. Shipping and handling are treated as costs to fulfill the contract and not a separate performance obligation. Accordingly, we recognize revenue for our single performance obligation related to online sales at the time control of the merchandise passes to the customer, which is at the time of shipment or guest pickup. We provide refunds for merchandise returns within 60 days from the original purchase date. State sales taxes are presented on a net basis as we consider our self a pass-through conduit for collecting and remitting state sales tax. Salon service revenue is recognized at the time the service is provided to the guest. Gift card sales revenue is deferred until the guest redeems the gift card. Company coupons and other incentives are recorded as a reduction of net sales. Other revenue includes the private label and co-branded credit card programs, royalties derived from the partnership with Target Corporation, and deferred revenue related to the loyalty program and gift card breakage.

Comparable sales reflect sales for stores beginning on the first day of the 14th month of operation. Therefore, a store is included in our comparable store base on the first day of the period after one year of operations plus the initial one-month grand opening period. Non-comparable store sales include sales from new stores that have not yet completed their 13th month of operation and stores that were closed for part or all of the period in either year. Remodeled stores are included in comparable sales unless the store was closed for a portion of the current or prior period. Comparable sales include retail sales, salon services, and e-commerce. In fiscal years with 53 weeks, the 53rd week of comparable sales is included in the calculation. In the year following a 53-week year, the prior year period is shifted by one week to compare similar calendar weeks. There may be variations in the way in which some of our competitors and other retailers calculate comparable or same store sales.

Measuring comparable sales allows us to evaluate the performance of our store base as well as several other aspects of our overall strategy. Several factors could positively or negatively impact our comparable sales results:

- the general national, regional, and local economic conditions and corresponding impact on customer spending levels;

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- the introduction of new products or brands;
- the location of new stores in existing store markets;
- competition;
- our ability to respond on a timely basis to changes in consumer preferences;
- the effectiveness of our various merchandising and marketing activities; and
- the number of new stores opened and the impact on the average age of all of our comparable stores.

Cost of sales includes:

- the cost of merchandise sold, offset by vendor income that is not a reimbursement of specific, incremental, and identifiable costs;

- distribution costs including labor and related benefits, freight, rent, depreciation and amortization, real estate taxes, utilities, and insurance;

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- shipping and handling costs; costs for e-commerce orders;
- retail store occupancy costs including rent, depreciation and amortization, real estate taxes, utilities, repairs and maintenance, insurance, and licenses;
- salon services payroll and benefits; and
- shrink and inventory valuation reserves.

Our cost of sales may be negatively impacted as we open new stores. Changes in our merchandise or channel mix may also have an impact on cost of sales. This presentation of items included in cost of sales may not be comparable to the way in which our competitors or other retailers compute their cost of sales.

Selling, general and administrative expenses include:

- payroll, bonus, and benefit costs for retail store and corporate employees;
- advertising and marketing costs, offset by vendor income that is a reimbursement of specific, incremental, and identifiable costs;
- occupancy costs related to our corporate office facilities;
- stock-based compensation expense;
- depreciation and amortization for all assets, except those related to our retail stores and distribution operations, which are included in cost of sales; and
- legal, finance, information systems, and other corporate overhead costs.

This presentation of items in selling, general and administrative expenses may not be comparable to the way in which our competitors or other retailers compute their selling, general and administrative 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.

Interest income, net represents interest primarily from cash equivalents, which include highly liquid investments such as money market funds and certificates of deposit with an original maturity of three months or less from the date of purchase. Interest expense includes interest costs and facility fees associated with our credit facility, which is structured as an asset-based lending instrument. Our credit facility interest is based on a variable interest rate structure which can result in increased cost in periods of rising or elevated interest rates.

Income tax expense reflects the federal statutory tax rate and the weighted average state statutory tax rate for the states in which we operate stores.

Results of operations

Our quarterly periods are the 13 weeks ending on the Saturday closest to April 30, July 31, October 31, and January 31. The Company's third first quarter in fiscal 2023 2024 and 2022 2023 ended on October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, respectively.

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Our quarterly results of operations have varied in the past and are likely to do so again in the future. As such, we believe that period-to-period comparisons of our results of operations should not be relied upon as an indication of our future performance.

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The following tables present the components of our consolidated results of operations for the periods indicated:

(Dollars in thousands)	13 Weeks Ended		39 Weeks Ended		13 Weeks Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022	May 4, 2024	April 29, 2023
Net sales	\$ 2,488,933	\$ 2,338,793	\$ 7,653,005	\$ 6,981,807	\$ 2,725,848	\$ 2,634,263
Cost of sales	1,496,866	1,375,976	4,612,469	4,149,800	1,656,068	1,579,406
Gross profit	992,067	962,817	3,040,536	2,832,007	1,069,780	1,054,857
Selling, general and administrative expenses	661,380	597,164	1,874,201	1,632,593	665,913	612,129
Pre-opening expenses	3,460	3,797	5,396	8,422	2,919	658
Operating income	327,227	361,856	1,160,939	1,190,992	400,948	442,070
Interest income, net	(2,497)	(849)	(14,294)	(556)	(6,900)	(7,348)
Income before income taxes	329,724	362,705	1,175,233	1,191,548	407,848	449,418
Income tax expense	80,241	88,120	278,597	289,891	94,735	102,367
Net income	<u>\$ 249,483</u>	<u>\$ 274,585</u>	<u>\$ 896,636</u>	<u>\$ 901,657</u>	<u>\$ 313,113</u>	<u>\$ 347,051</u>
Other operating data:						
Number of stores end of period	1,374	1,343	1,374	1,343	1,395	1,359
Comparable sales	4.5%	14.6%	7.3%	15.6%	1.6%	9.3%

(Percentage of net sales)	13 Weeks Ended		39 Weeks Ended		13 Weeks Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022	May 4, 2024	April 29, 2023
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.1%	58.8%	60.3%	59.4%	60.8%	60.0%
Gross profit	39.9%	41.2%	39.7%	40.6%	39.2%	40.0%
Selling, general and administrative expenses	26.6%	25.5%	24.5%	23.4%	24.4%	23.2%
Pre-opening expenses	0.1%	0.2%	0.1%	0.1%	0.1%	0.0%
Operating income	13.1%	15.5%	15.2%	17.1%	14.7%	16.8%
Interest income, net	(0.1%)	0.0%	(0.2%)	0.0%	(0.3%)	(0.3%)
Income before income taxes	13.2%	15.5%	15.4%	17.1%	15.0%	17.1%
Income tax expense	3.2%	3.8%	3.6%	4.2%	3.5%	3.9%
Net income	<u>10.0%</u>	<u>11.7%</u>	<u>11.7%</u>	<u>12.9%</u>	<u>11.5%</u>	<u>13.2%</u>

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Comparison of 13 weeks ended October 28, 2023 May 4, 2024 to 13 weeks ended October 29, 2022 April 29, 2023

Net sales

Net sales increased \$150.1 million \$91.6 million or 6.4% 3.5%, to \$2.5 billion \$2.7 billion for the 13 weeks ended October 28, 2023 May 4, 2024, compared to \$2.3 billion \$2.6 billion for the 13 weeks ended October 29, 2022 April 29, 2023. The net sales increase was primarily due to increased comparable sales, **strong** new store performance, contribution, and an increase of \$9.1 million in other revenue compared to the 13 weeks ended October 29, 2022. The total comparable sales increase of 4.5% during the 13 weeks ended October 28, 2023 1.6% was driven by a 5.9% 1.3% increase in transactions and a 1.4% decrease 0.3% increase in average ticket.

Gross profit

Gross profit increased \$29.3 million \$14.9 million or 3.0% 1.4%, to \$992.1 million \$1.07 billion for the 13 weeks ended October 28, 2023 May 4, 2024, compared to \$962.8 million \$1.05 billion for the 13 weeks ended October 29, 2022 April 29, 2023. Gross profit as a percentage of net sales decreased to 39.9% 39.2% for the 13 weeks ended October 28, 2023 May 4, 2024, compared to 41.2% 40.0% for the 13 weeks ended October 29, 2022 April 29, 2023. The decrease in gross profit margin was primarily due to lower merchandise margin, margins and higher inventory shrink, and higher supply chain costs, partially offset by **strong** growth in other revenue.

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Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses increased \$64.2 million \$53.8 million or 10.8% 8.8%, to \$661.4 million \$665.9 million for the 13 weeks ended October 28, 2023 May 4, 2024, compared to \$597.2 million \$612.1 million for the 13 weeks ended October 29, 2022 April 29, 2023. SG&A expenses as a percentage of net sales increased to 26.6% 24.4% for the 13 weeks ended October 28, 2023 May 4, 2024, compared to 25.5% 23.2% for the 13 weeks ended October 29, 2022 April 29, 2023, primarily due to higher corporate overhead for strategic investments, higher store expenses, higher store payroll and benefits, and higher marketing expenses, partially offset by lower incentive compensation, store expenses.

Pre-opening expenses

Pre-opening expenses were \$3.5 million \$2.9 million for the 13 weeks ended October 28, 2023 May 4, 2024 compared to \$3.8 million \$0.7 million for the 13 weeks ended October 29, 2022 April 29, 2023.

Interest income, net

Net interest **interest** income, net was \$2.5 million \$6.9 million for the 13 weeks ended October 28, 2023 May 4, 2024 compared to \$0.8 million \$7.3 million for the 13 weeks ended October 29, 2022, due to higher average interest rates on cash balances. As of October 28, 2023, we had \$195.4 million outstanding under the credit facility, April 29, 2023. We did not have any outstanding borrowings on the credit facility as of January 28, 2023 May 4, 2024, February 3, 2024, and October 29, 2022.

Income tax expense

Income tax expense of \$80.2 million for the 13 weeks ended October 28, 2023 represents an effective tax rate of 24.3%, compared to \$88.1 million of income tax expense representing an effective tax rate of 24.3% for the 13 weeks ended October 29, 2022.

Net income

Net income was \$249.5 million for the 13 weeks ended October 28, 2023, compared to \$274.6 million for the 13 weeks ended October 29, 2022. The decrease in net income is primarily related to the \$64.2 million increase in SG&A expenses, partially offset by the \$29.3 million

increase in gross profit, the \$7.9 million decrease in income taxes, and the \$1.6 million increase in interest income.

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Comparison of 39 weeks ended October 28, 2023 to 39 weeks ended October 29, 2022

Net sales

Net sales increased \$671.2 million or 9.6%, to \$7.7 billion for the 39 weeks ended October 28, 2023, compared to \$7.0 billion for the 39 weeks ended October 29, 2022. The net sales increase was primarily due to increased comparable sales, strong new store performance, and an increase in other revenue compared to the 39 weeks ended October 29, 2022. The total comparable sales increase of 7.3% during the 39 weeks ended October 28, 2023 was driven by an 8.7% increase in transactions and a 1.4% decrease in average ticket.

Gross profit

Gross profit increased \$208.5 million or 7.4%, to \$3.0 billion for the 39 weeks ended October 28, 2023, compared to \$2.8 billion for the 39 weeks ended October 29, 2022. Gross profit as a percentage of net sales decreased to 39.7% for the 39 weeks ended October 28, 2023, compared to 40.6% for the 39 weeks ended October 29, 2022. The decrease in gross profit margin was primarily due to lower merchandise margin, higher inventory shrink, higher supply chain costs, and deleverage of salon expenses, partially offset by strong growth in other revenue and leverage of store fixed costs.

Selling, general and administrative expenses

SG&A expenses increased \$241.6 million or 14.8%, to \$1.9 billion for the 39 weeks ended October 28, 2023, compared to \$1.6 billion for the 39 weeks ended October 29, 2022. SG&A expenses as a percentage of net sales increased to 24.5% for the 39 weeks ended October 28, 2023, compared to 23.4% for the 39 weeks ended October 29, 2022, primarily due to higher corporate overhead due to strategic investments, higher store payroll and benefits, higher marketing expenses, and higher store expenses, partially offset by lower incentive compensation.

Pre-opening expenses

Pre-opening expenses were \$5.4 million for the 39 weeks ended October 28, 2023 compared to \$8.4 million for the 39 weeks ended October 29, 2022.

Interest income, net

Net interest income was \$14.3 million for the 39 weeks ended October 28, 2023 compared to \$0.6 million for the 39 weeks ended October 29, 2022 due to higher average interest rates on cash balances. As of October 28, 2023, we had \$195.4 million outstanding under the credit facility. We did not have any outstanding borrowings on the credit facility as of January 28, 2023 and October 29, 2022 April 29, 2023.

Income tax expense

Income tax expense of \$278.6 million \$94.7 million for the 39 weeks ended October 28, 2023 May 4, 2024 represents an effective tax rate of 23.7% 23.2%, compared to \$289.9 million \$102.4 million of income tax expense representing an effective tax rate of 24.3% 22.8% for the 39 weeks ended October 29, 2022 April 29, 2023. The lower effective higher income tax rate is primarily due to benefits a reduced benefit from income tax accounting for stock-based compensation.

Net income

Net income was \$896.6 million \$313.1 million for the 39 weeks ended October 28, 2023 May 4, 2024, compared to \$901.7 million \$347.1 million for the 39 weeks ended October 29, 2022 April 29, 2023. The decrease in net income is primarily related to the \$241.6 million \$53.8 million increase in SG&A expenses and the \$0.4 million decrease in interest income, net, partially offset by the \$208.5 million \$14.9 million increase in gross profit the \$13.7 million increase in interest income, and the \$11.3 million \$7.6 million decrease in income taxes tax expense.

Liquidity and capital resources

Our primary sources of liquidity are cash and cash equivalents, cash flows from operations, and borrowings under our credit facility. The most significant components of our working capital are merchandise inventories, **receivables**, and

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cash and cash equivalents, **and receivables**, reduced by accounts payable, deferred revenue, and accrued **liabilities**, and **deferred revenue**, **liabilities**. As of **October 28, 2023** **May 4, 2024**, **January 28, 2023** **February 3, 2024**, and **October 29, 2022** **April 29, 2023**, we had cash and cash equivalents of **\$121.8 million** **\$524.6 million**, **\$737.9 million** **\$766.6 million**, and **\$250.6 million** **\$636.4 million**, respectively.

Our primary cash needs are for rent, capital expenditures for new, remodeled, and relocated stores, increased merchandise inventories related to store expansion and new brand additions, supply chain improvements, share repurchases, and continued investment in our information technology systems.

Our most significant ongoing short-term cash requirements relate primarily to funding operations (including expenditures for lease expenses, inventory, labor, distribution, advertising and marketing, and tax liabilities) as well as periodic spend for capital expenditures, investments, and share repurchases. Our working capital needs are greatest from August through November each year as a result of our inventory build-up during this period for the approaching holiday season.

Long-term cash requirements primarily relate to funding lease expenses and other purchase commitments.

We generally fund short-term and long-term cash requirements with cash from operating **activities** and supplement with borrowings under our **credit facility**, as necessary. **activities**. We believe our primary sources of liquidity will satisfy our cash requirements over both the **short-term** **short term** (the next twelve months) and **long-term** **long term**.

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Cash flows

We believe our ability to generate substantial cash from operating activities and readily secure financing at competitive rates are key strengths that give us significant flexibility to meet our short and long-term financial commitments.

The following table presents a summary of our cash **flows for the 39 weeks ended October 28, 2023 and October 29, 2022**; **flows**:

(In thousands)	39 Weeks Ended		13 Weeks Ended	
	October 28,		May 4,	
	2023	2022	2024	2023
Net cash provided by operating activities	\$ 358,011	\$ 573,426	\$ 159,340	\$ 304,901
Net cash used in investing activities	(315,900)	(207,029)	(93,587)	(110,080)
Net cash used in financing activities	(658,177)	(547,329)	(307,751)	(296,249)

Operating activities

Operating activities consist of net income adjusted for certain non-cash items, including depreciation and amortization, non-cash lease expense, deferred income taxes, stock-based compensation expense, realized gains or losses on disposal of property and equipment, and the effect of working capital changes.

The decrease in net cash provided by operating activities in the first 39 weeks quarter of fiscal 2023 2024 compared to the first 39 weeks quarter of fiscal 2022 2023 was mainly due to the timing of accounts payable, accrued liabilities, accrued income taxes, and prepaid expenses and other current assets, the decrease in net income, and a larger increase in merchandise inventories in the first 39 weeks quarter of fiscal 2023, the timing of accrued liabilities and accounts payable, and the timing of receivable collections, 2024, partially offset by the net decrease in other assets and liabilities.

The decrease in net income was primarily due to an increase in SG&A expenses and a decrease in prepaid interest income, taxes partially offset by an increase in gross profit resulting from higher sales and prepaid expenses.

a decrease in income taxes.

Merchandise inventories, net were \$2.3 billion \$1.9 billion at October 28, 2023 May 4, 2024, compared to \$2.1 billion \$1.8 billion at October 29, 2022 April 29, 2023, representing an increase of \$206.6 million \$154.8 million or 9.8% 8.8%. The increase in total inventory is primarily due to the following:

- \$76.72 million increase due to support increased demand and product cost increases; new brand launches;
- \$49.46 million increase due to the addition of 31 36 net new stores opened since October 28, 2022 April 29, 2023; and
- \$43.22 million increase in distribution center inventory primarily due to our new the opening of the market fulfillment center in Greer, South Carolina; and
- \$40 million increase due to new brand launches, SC.

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Investing activities

We have historically used cash primarily for new, remodeled, relocated, and refreshed stores, supply chain investments, short-term investments, and investments in information technology systems. Investing activities for capital expenditures were \$311.0 million \$91.0 million during the 39 13 weeks ended October 28, 2023, May 4, 2024 compared to \$204.0 million \$109.8 million during the 39 13 weeks ended October 29, 2022 April 29, 2023.

During the 39 13 weeks ended October 28, 2023 May 4, 2024, we opened 20 12 new stores, relocated five closed two stores, and remodeled 16 stores, relocated one store, compared to the 39 13 weeks ended October 29, 2022 April 29, 2023, when we opened 35 five new stores, relocated 11 closed one store, remodeled two stores, and remodeled eight stores, relocated one store.

The increase decrease in net cash used in investing activities in the first 39 weeks quarter of fiscal 2023 2024 compared to the first 39 weeks quarter of fiscal 2022 2023 was primarily due to lower capital expenditures for information technology systems and supply chain investments, partially offset by higher capital expenditures, expenditures for merchandising fixtures, compared to the first quarter of fiscal 2023.

Our future investments will depend primarily on the number of new, remodeled, and relocated stores, information technology systems investments, and supply chain investments that we undertake and the timing of these expenditures.

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Based on past performance and current expectations, we believe our sources of liquidity will be sufficient to fund future capital expenditures.

Financing activities

Financing activities include share repurchases, borrowing and repayment of our revolving credit facility, and capital stock transactions. Purchases of treasury shares represent the fair value of common shares repurchased from plan participants in connection with shares withheld to satisfy minimum statutory tax obligations upon the vesting of restricted stock.

The increase in net cash used in financing activities in the first 39 weeks quarter of fiscal 2023 2024 compared to the first 39 weeks quarter of fiscal 2022 2023 was primarily due to an increase in share repurchases, partially offset by borrowings on our revolving credit facility, repurchases.

As of October 28, 2023, we had \$195.4 million outstanding under the credit facility, and we We had no borrowings outstanding under the credit facility as of January 28, 2023 May 4, 2024, February 3, 2024, and October 29, 2022 April 29, 2023. The zero outstanding borrowings position is due to a combination of factors including sales demand, overall performance of management initiatives including expense control, and inventory and other working capital reductions. We may require borrowings under the facility from time to time in future periods for unexpected business disruptions, to support our new store program, seasonal inventory needs, or share repurchases.

Share repurchase program

In March 2022, the Board of Directors authorized a share repurchase program (the 2022 Share Repurchase Program) pursuant to which the Company may could repurchase up to \$2.0 billion of the Company's common stock. The 2022 Share Repurchase Program revokes authorization revoked the previously authorized but unused amounts from the earlier share repurchase program. The 2022 Share Repurchase Program did not have an expiration date but provided for suspension or discontinuation at any time.

In March 2024, the Board of Directors authorized value a new share repurchase program (the 2024 Share Repurchase Program) pursuant to which the Company may repurchase up to \$2.0 billion of shares available to be repurchased under the Company's common stock. The 2024 Share Repurchase Program authorization revokes the previously authorized but unused amounts from the 2022 Share Repurchase Program excludes excise tax. Program. The 2022 2024 Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time.

A summary of common stock repurchase activity is presented in the following table:

(Dollars in millions)	39 Weeks Ended		13 Weeks Ended	
	October 28, 2023	October 29, 2022	May 4, 2024	April 29, 2023
Shares repurchased	1,821,426	1,470,099	588,004	541,108
Total cost of shares repurchased, including excise tax	\$ 848.4	\$ 571.9	\$ 287.4	\$ 285.8

Credit facility

On February 27, 2023 March 13, 2024, we entered into Amendment No. 23 to the Second Amended and Restated Loan Agreement (as so amended, the Loan Agreement) with Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and a Lender thereunder; Wells Fargo Bank, National Association and JPMorgan Chase Bank, N.A., as Lead Arrangers and Bookrunners; JPMorgan Chase Bank, N.A., as Syndication Agent and a Lender; PNC Bank, National Association,

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as Documentation Agent and a Lender; and the other lenders party thereto. The Loan Agreement matures on March 11, 2025 March 13, 2029, provides maximum revolving loans equal to the lesser of \$1.0 billion \$800.0 million or a percentage of eligible owned inventory and eligible owned receivables (which borrowing base may, at the election of the Company and satisfaction of certain conditions, include a percentage of qualified cash), contains a \$50.0 million subfacility for letters of credit and allows the Company to increase the revolving facility by an additional \$100.0 million \$200.0 million, subject to the consent by each lender and other conditions. The Loan Agreement contains a requirement to

maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 during such periods when availability under the Loan Agreement falls below a specified threshold. Substantially all of the Company's assets are pledged as collateral for outstanding borrowings under the Loan

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Agreement. Outstanding borrowings bear interest, at the Company's election, at either a base rate plus a margin of 0% 0.5% to 0.125% 1.0% or the Term Secured Overnight Financing Rate plus a margin of 1.125% 1.5% to 1.250% 2.0%, and a credit spread adjustment of 0.10%, with such margins based on the Company's borrowing availability, and the unused line fee is 0.20% 0.25% to 0.375% per annum.

As of **October 28, 2023** **May 4, 2024**, we had \$195.4 million outstanding under the credit facility **February 3, 2024**, and the weighted average interest rate was 8.21%. As of **January 28, 2023** and **October 29, 2022**, **April 29, 2023** we had no borrowings outstanding under the credit facility.

As of **October 28, 2023** **May 4, 2024**, we were in compliance with all terms and covenants of the Loan Agreement.

Seasonality

Our business is subject to seasonal fluctuation. Significant portions of our net sales and profits are realized during the fourth quarter of the fiscal year due to the holiday selling season. To a lesser extent, our business is also affected by Mother's Day and Valentine's Day. Any decrease in sales during these higher sales volume periods could have an adverse effect on our business, financial condition, or operating results for the entire fiscal year. Our quarterly results of operations have varied in the past and are likely to do so again in the future. As such, we believe that period-to-period comparisons of our results of operations should not be relied upon as an indication of our future performance.

Critical accounting policies and estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements required the use of estimates and judgments that affect the reported amounts of our assets, liabilities, revenues, and expenses. Management bases estimates on historical experience and other assumptions it believes to be reasonable under the circumstances and evaluates these estimates on an on-going basis. Actual results may differ from these estimates. There have been no significant changes to the critical accounting policies and estimates included in our Annual Report on Form 10-K for the fiscal year ended **January 28, 2023** **February 3, 2024**.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates. We continually monitor this risk and may develop strategies to manage it. We do not hold or issue financial instruments for trading purposes.

Interest rate risk

We are exposed to interest rate risks primarily through borrowings under our credit facility. Interest on our borrowings is based upon variable rates. We had \$195.4 million outstanding on the credit facility as of **October 28, 2023**. We did not have any outstanding borrowings on the credit facility as of **January 28, 2023** **May 4, 2024**, **February 3, 2024**, and **October 29, 2022**, **April 29, 2023**.

A hypothetical 1% increase in interest rates on variable rate debt would have increased interest expense for the 39 weeks ended **October 28, 2023** by approximately \$0.04 million.

Item 4. Controls and Procedures**Evaluation of disclosure controls and procedures over financial reporting**

We have established disclosure controls and procedures to ensure that material information relating to the Company is made known to the officers who certify our financial reports and to the members of our senior management and Board of Directors.

Based on management's evaluation as of **October 28, 2023** **May 4, 2024**, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), are effective to ensure that the information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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Changes in internal control over financial reporting

There were no changes to our internal controls over financial reporting during the 13 weeks ended **October 28, 2023** **May 4, 2024** that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II - Other Information**Item 1. Legal Proceedings**

See Note 6 to our consolidated financial statements, "Commitments and contingencies," for information on legal proceedings.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended **January 28, 2023** **February 3, 2024**, which could materially affect our business, financial condition, financial results, or future performance. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended **January 28, 2023** **February 3, 2024**.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth repurchases of our common stock during the **third** **first** quarter of **fiscal 2023** **2024**:

Period	Total number of shares purchased as part of publicly announced plans or programs			Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under plans or programs (in thousands)
	Total number of shares purchased (1)	Average price paid per share	plans or programs	(in thousands)	
	157,996	\$ 445.62	157,960	\$ 471,262	
July 30, 2023 to August 26, 2023	157,996	\$ 445.62	157,960	\$ 471,262	
August 27, 2023 to September 23, 2023	294,931	416.89	294,489	349,768	
September 24, 2023 to October 28, 2023	235,191	389.25	234,240	259,417	

13 weeks ended October 28, 2023	<u>688,118</u>	414.04	<u>686,689</u>	259,417
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Period				Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased
	Total number of shares purchased (1)		Average price paid per share	announced plans or programs	(in thousands) (2)
	February 4, 2024 to March 2, 2024	79,161	\$ 537.86	79,161	\$ 57,777
March 3, 2024 to March 30, 2024	197,316	533.98	154,269	1,943,440	
March 31, 2024 to May 4, 2024	355,055	458.38	354,574	1,782,494	
13 weeks ended May 4, 2024	<u>631,532</u>	491.97	<u>588,004</u>	<u>1,782,494</u>	

(1) There were **686,689** 588,004 shares repurchased as part of our publicly announced share repurchase program during the 13 weeks ended **October 28, 2023** **May 4, 2024** and there were **1,429** 43,528 shares transferred from employees in satisfaction of minimum statutory tax withholding obligations upon the vesting of restricted stock during the period.

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(2) In March 2024, we announced the 2024 Share Repurchase Program pursuant to which the Company may repurchase up to \$2.0 billion of the Company's common stock. The 2024 Share Repurchase Program revoked the previously authorized but unused amounts from the 2022 Share Repurchase Program. As of May 4, 2024, \$1.8 billion remained available under the 2024 Share Repurchase Program.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

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Item 5. Other Information

During the 13 weeks ended **October 28, 2023** **May 4, 2024**, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

The exhibits listed in the Exhibit Index below are filed as part of this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

Exhibit Number	Description of document	Filed Herewith	Incorporated by Reference			
			Form	Exhibit Number	File Number	Filing Date
3.1	Certificate of Incorporation of Ulta Beauty, Inc., as amended through June 1, 2023		8-K	3.1	001-33764	6/07/2023
3.2	Bylaws of Ulta Beauty, Inc., as amended through June 1, 2023		8-K	3.3	001-33764	6/07/2023
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002	X				
32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	Inline XBRL Instance	X				
101.SCH	Inline XBRL Taxonomy Extension Schema	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation	X				
101.LAB	Inline XBRL Taxonomy Extension Labels	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation	X				

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Exhibit Number	Description of document	Filed Herewith	Incorporated by Reference			
			Form	Exhibit Number	File Number	Filing Date
101.DEF	Inline XBRL Taxonomy Extension Definition	X				
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).					

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on **November 30, 2023** **May 30, 2024** on its behalf by the undersigned, thereunto duly authorized.

ULTA BEAUTY, INC.

By: /s/ David C. Kimbell

David C. Kimbell
Chief Executive Officer and Director

By: /s/ Scott Paula M. SetterstenOyibo

Scott Paula M. SetterstenOyibo
Chief Financial Officer **Treasurer** and **Assistant Secretary** **Treasurer**

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Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David C. Kimbell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ulta Beauty, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2023 May 30, 2024

By: /s/ David C. Kimbell

David C. Kimbell
Chief Executive Officer and Director

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott Paula M. Settersten, Oyibo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ulta Beauty, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2023

By: /s/ Scott Paula M. Settersten Oyibo

Scott Paula M. Settersten Oyibo

Chief Financial Officer Treasurer and Assistant Secretary Treasurer

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the Chief Executive Officer and Director of Ulta Beauty, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended October 28, 2023 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 30, 2023

By: /s/ David C. Kimbell

David C. Kimbell

Chief Executive Officer and Director

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Financial Officer, Treasurer and Assistant Secretary of Ulta Beauty, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended October 28, 2023 May 4, 2024 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November May 30, 2023 2024

By: /s/ Scott David C. Kimbell

David C. Kimbell

Chief Executive Officer and Director

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the Chief Financial Officer and Treasurer of Ulta Beauty, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended May 4, 2024 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 30, 2024

By: /s/ Paula M. Settersten Oyibo

Scott Paula M. Settersten Oyibo

Chief Financial Officer Treasurer and Assistant Secretary Treasurer

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