



### 10:00 AM - 12:00 PM: PRESENTATIONS AND Q&A

#### STRATEGIC IMPERATIVES PROGRESS REPORT, MARKETPLACE OPPORTUNITY AND FUTURE AREAS OF FOCUS

Mary Dillon, Chief Executive Officer

#### ACQUIRE NEW GUESTS AND DEEPEN LOYALTY WITH EXISTING GUESTS

Dave Kimbell, Chief Merchandising and Marketing Officer

#### DIFFERENTIATE BY DELIVERING A DISTINCTIVE AND PERSONALIZED GUEST EXPERIENCE ACROSS ALL CHANNELS

Kecia Steelman, Chief Store Operations Officer and Dave Kimbell

#### Q&A

Dave Kimbell, Kecia Steelman, Eric Messerschmidt, Prama Bhatt, Shelley Haus

#### OFFER RELEVANT, INNOVATIVE, AND OFTEN EXCLUSIVE PRODUCTS THAT EXCITE OUR GUESTS

Dave Kimbell

#### Q&A

Dave Kimbell, Tara Simon, Julie Tomasi

12:00 PM - 1:00 PM: LUNCH BREAK



### 1:00 PM - 3:00 PM: PRESENTATIONS AND Q&A

#### DELIVER EXCEPTIONAL SERVICES IN THREE CORE AREAS: HAIR, SKIN HEALTH, AND BROWS

Kecia Steelman

#### **GROW STORES AND E-COMMERCE TO REACH AND SERVE MORE GUESTS**

Scott Settersten, Chief Financial Officer

#### Q&A

Scott Settersten, Dave Krueger

#### INVEST IN INFRASTRUCTURE TO SUPPORT OUR GUEST EXPERIENCE AND GROWTH, AND CAPTURE SCALE EFFICIENCIES

Derek Hornsby, Chief Supply Chain Officer

#### FINANCIAL OUTLOOK

**Scott Settersten** 

#### Q&A

Management Team



#### SAFE HARBOR STATEMENT

This presentation 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 presentation 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 or expectations contemplated by us will be achieved. Such forwardlooking statements are subject to various risks and uncertainties, which include, without limitation: the impact of weakness in the economy; changes in the overall level of consumer spending; the possibility that we may be unable to compete effectively in our highly competitive markets; the possibility that cybersecurity breaches and other disruptions could compromise our information or result in the unauthorized disclosure of confidential information; the possibility that the capacity of our distribution and order fulfillment infrastructure and the performance of our newly opened distribution centers may not be adequate to support our recent growth and expected future growth plans; our ability to

gauge beauty trends and react to changing consumer preferences in a timely manner; our ability to attract and retain key executive personnel; customer acceptance of our rewards program and technological and marketing initiatives; our ability to sustain our growth plans and successfully implement our long-range strategic and financial plan; the possibility that our continued opening of new stores could strain our resources and have a material adverse effect on our business and financial performance; the possibility of material disruptions to our information systems; changes in the wholesale cost of our products; the possibility that new store openings and existing locations may be impacted by developer or co-tenant issues; weather conditions that could negatively impact sales; our ability to successfully execute our common stock repurchase program or implement future common stock repurchase programs; and other risk factors detailed in our public filings with the Securities and Exchange Commission (the "SEC"), including risk factors contained in our most recent Annual Report on Form 10-K, as such may be amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q. Our filings with the SEC are available at www.sec.gov. We undertake no obligation to update any forward-looking statements after the date of this presentation, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws and regulations.







### LONG-TERM STRATEGIC PLAN LAUNCHED IN 2014

Acquire new guests and deepen loyalty with existing guests

Differentiate by delivering a distinctive and personalized guest experience across all channels

Offer relevant, innovative, and often exclusive products that excite our guests

Deliver
exceptional
services in
three core
areas: hair, skin
health, and
brows

Grow stores and e-commerce to reach and serve more guests Invest in infrastructure to support our guest experience and growth, and capture scale efficiencies

1

2

3

4

5

6

TALENT THAT DRIVES A WINNING CULTURE: GUEST-CENTRIC, VALUES-BASED, HIGH PERFORMANCE



# PROGRESS AGAINST GROWTH OPPORTUNITIES IDENTIFIED IN 2014

INCREASING BRAND AWARENESS ACQUIRING NEW GUESTS REDUCING RELIANCE ON DISCOUNTS

IMPROVING
OMNI-CHANNEL
CAPABILITIES

BEST TALENT / CULTURE



## INCREASED BRAND AWARENESS



AIDED AWARENESS



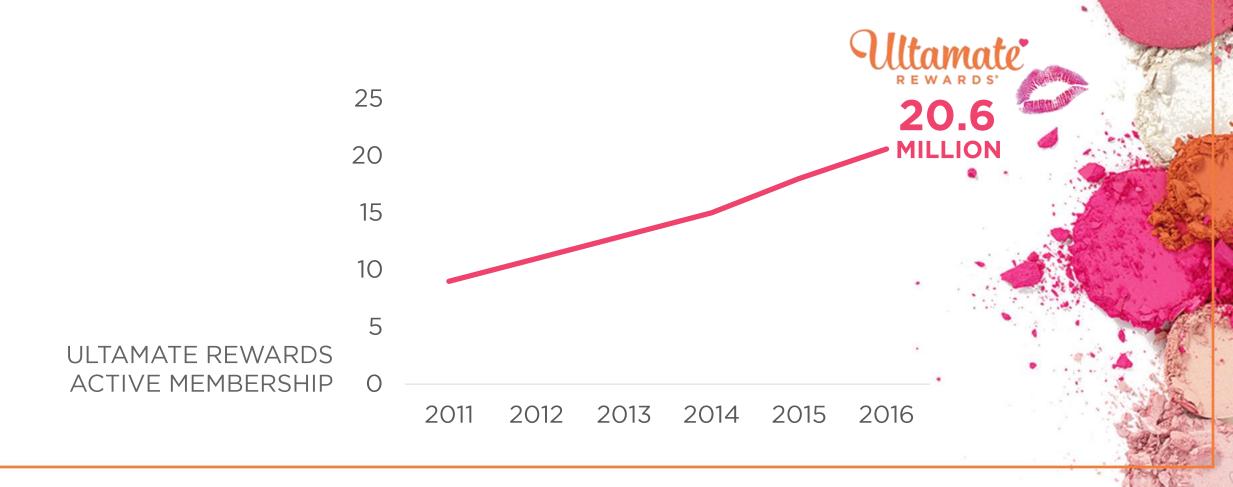
UNAIDED AWARENESS



**NOVEMBER 2011** 



## ADDED 6 MILLION ACTIVE LOYALTY PROGRAM MEMBERS SINCE 2014





# SHIFTED THE MARKETING MIX AWAY FROM BROAD DISCOUNTS TOWARD LOYALTY/CRM®

Marketing discounts and promotions

- Highly promotional
- Margin eroding
- Non-differentiated

Leveraging Ultamate Rewards and CRM

- Creates mutually beneficial relationship
- Drives differentiation
- Drives customer retention
- Increases frequency and spend

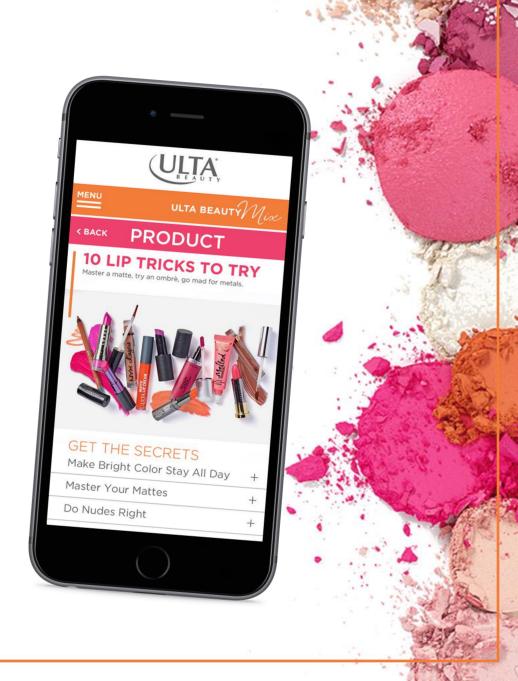






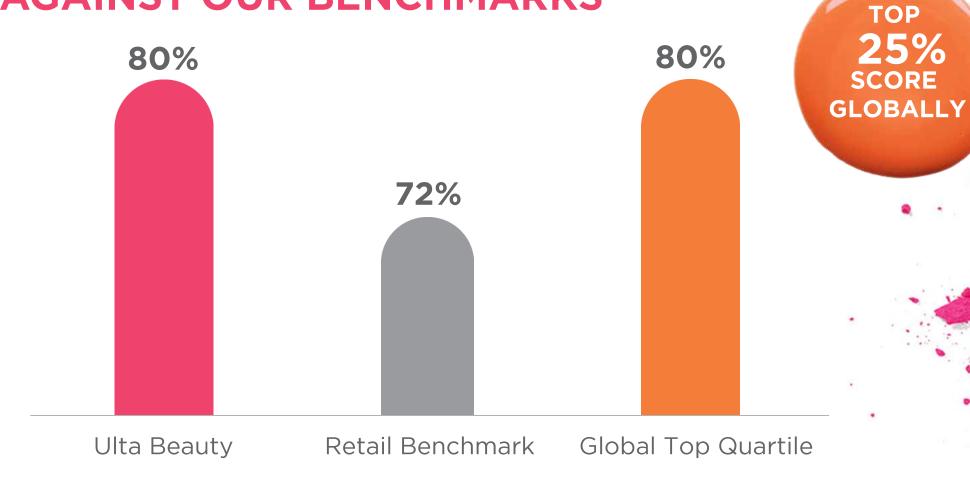
### IMPROVED OMNI-CHANNEL CAPABILITIES

- Expanded assortment online to reach SKU parity
- Implemented store inventory look-up online
- Enriched digital experience content, website, apps
- Improved order fulfillment capabilities





### HIGH ASSOCIATE ENGAGEMENT AGAINST OUR BENCHMARKS



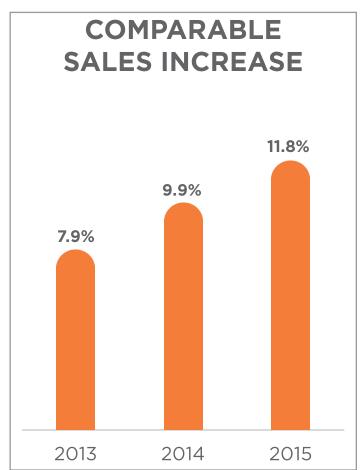
Source: BlessingWhite



#### SUPERIOR

#### **FINANCIAL RESULTS**









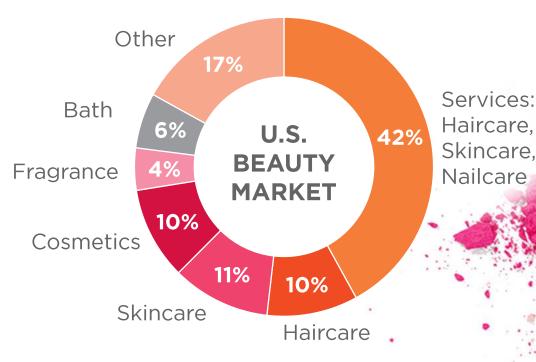


## ULTA BEAUTY SHARE OF \$127B TOTAL U.S. BEAUTY MARKET





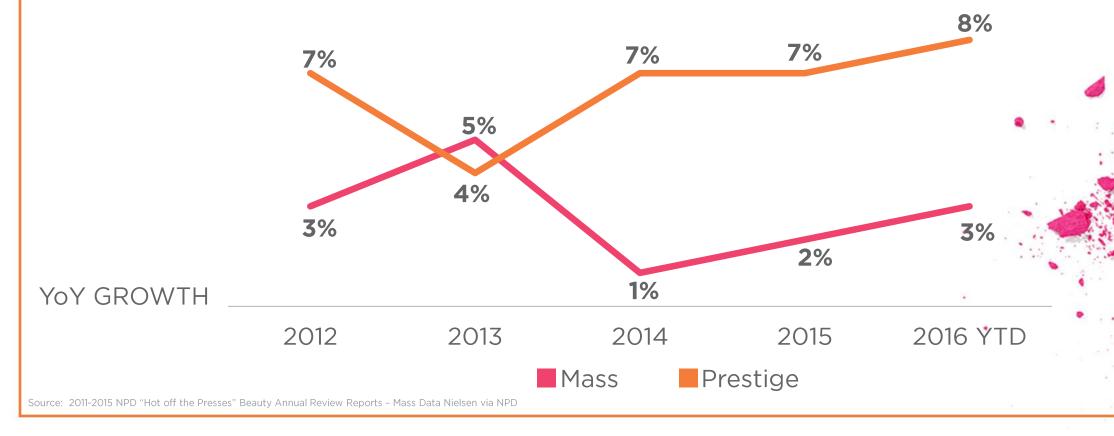




Source: Euromonitor International 2016, IBIS World 2015



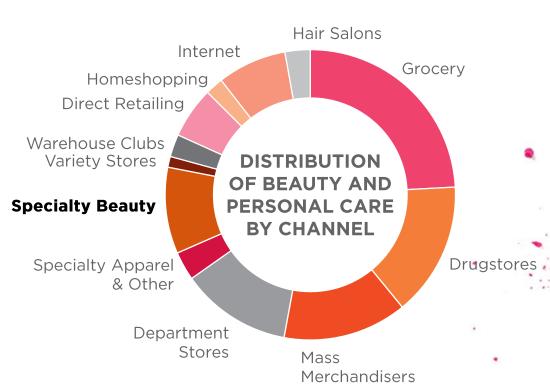
### STEADY GROWTH IN THE **BEAUTY CATEGORY**





### SHIFTING SHARE BUT BEAUTY IS STILL A HIGHLY FRAGMENTED MARKET







#### ATTRACTIVE, REPLENISHABLE CATEGORY RELEVANT TO ALMOST ALL WOMEN









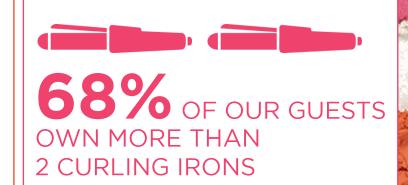




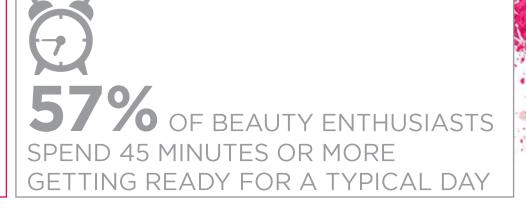
### BEAUTY ENTHUSIASTS **DO MORE THAN JUST REPLENISH**



91% OF OUR GUESTS OWN MORE THAN 5 MAKEUP BRUSHES 77% of our guests own more than 11 LIP PRODUCTS



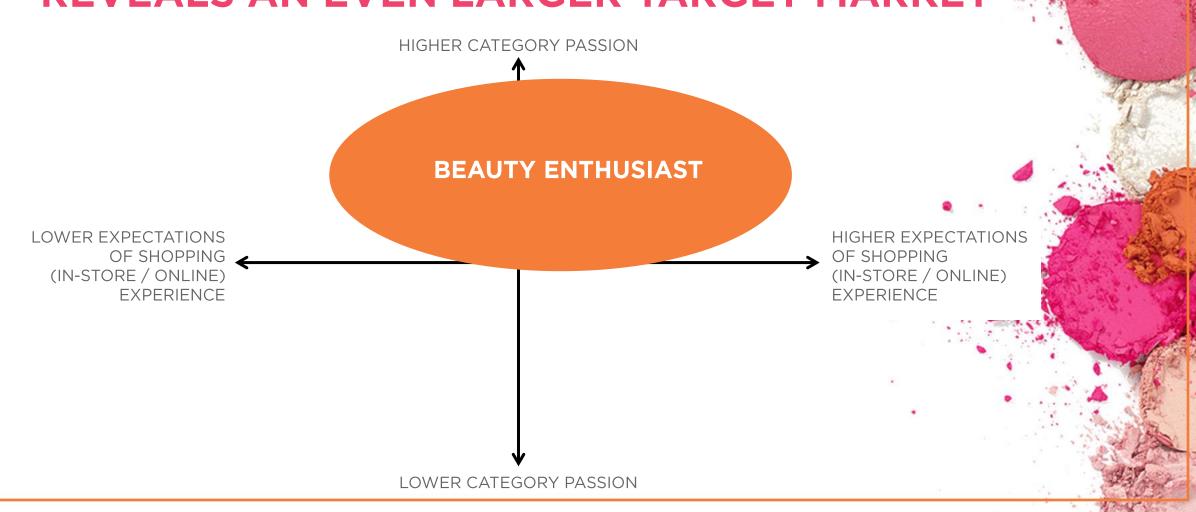
38% of our guests own 5 or more Body Lotions







### UPDATED SEGMENTATION STUDY REVEALS AN EVEN LARGER TARGET MARKET



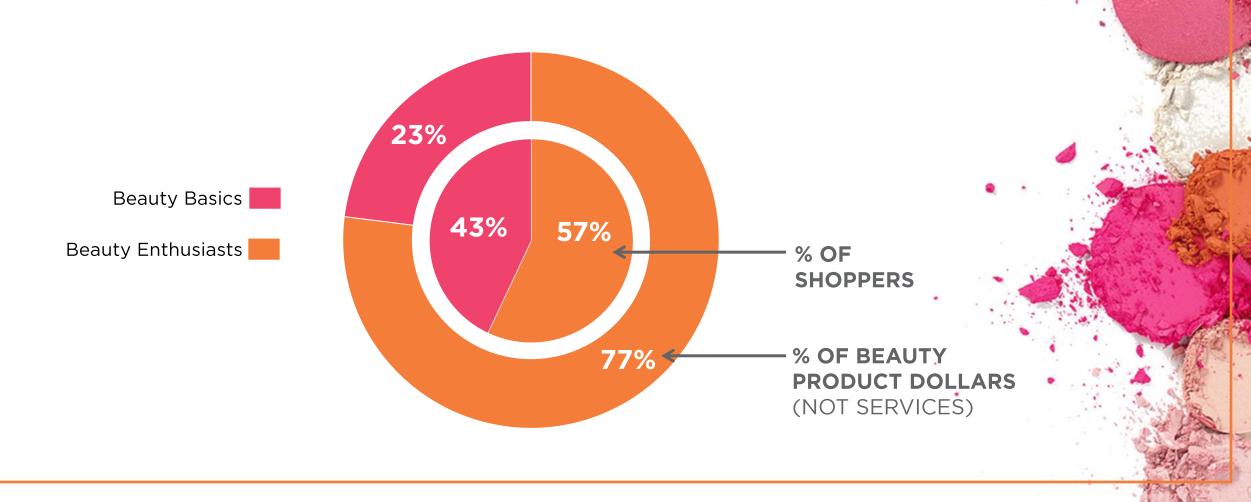


## BEAUTY ENTHUSIASTS **SEE THE WORLD DIFFERENTLY**

ATTITUDE/BEHAVIOR	BEAUTY ENTHUSIAST	NON BEAUTY ENTHUSIAST
Appearance says a lot about a person	68%	32%
Purchasing beauty products is one of my favorite things to do	60%	7%
I want easy ways to try products and brands before I buy them	52%	3%
I like to be the first person to try out new beauty products	41%	4%



### BEAUTY ENTHUSIASTS REPRESENT 57% OF WOMEN AND 77% OF SPEND







## SHARPENING FOCUS ON **KEY DEMOGRAPHICS**

#### **MILLENNIALS**



#### **LATINAS**

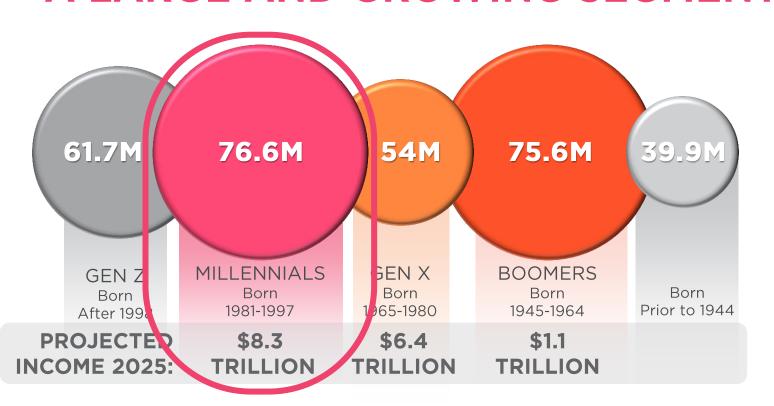


#### **TEENS**





### MILLENNIALS: A LARGE AND GROWING SEGMENT



IN TEN YEARS **MILLENNIAL INCOME WILL BE LARGER**THAN GEN-X AND BOOMERS COMBINED

Highly engaged in beauty: **SPEND 24% MORE** than average They love Ulta Beauty: **SHOP 32% MORE** than average



### U.S. LATINA CONSUMERS: A LARGE AND GROWING SEGMENT



#### 1 IN 6 AMERICANS ARE LATINO

53 million people, 17% of U.S. population



#### 1 IN 3 AMERICANS WILL BE LATINO BY 2050

133 million people, <u>65%</u> of population growth





### TEENS PREFER ULTA BEAUTY



Teens' unaided awareness of Ulta Beauty is
4 POINTS HIGHER than the general population

Teens are

16% MORE LIKELY

to shop at

Ulta Beauty

Teens are

15% MORE LIKELY

to recommend

Ulta Beauty



### OPPORTUNITY TO ADD MORE LOYALTY MEMBERS

#### **TOTAL CONSUMER OPPORTUNITY**

~127 million

U.S. females 18+

~16%

Ulta Beauty share of U.S. females 18+

#### **TOTAL BEAUTY ENTHUSIAST OPPORTUNITY**

~72 million

U.S. female Beauty Enthusiasts 18+ ~20%

Ulta Beauty share of U.S. Beauty Enthusiasts 18+





## OPPORTUNITY TO CAPTURE HIGHER SHARE OF WALLET AND SPEND IN MORE CATEGORIES

ONLY SHOPS ~25%

OF OUR CATEGORIES



WE ONLY CAPTURE

ONE THIRD OF OUR REWARDS

MEMBERS' BEAUTY WALLET





SUSTAINABLE
COMPETITIVE
DIFFERENTIATION
STRATEGY







### STRATEGIC IMPERATIVES

Acquire new guests and deepen loyalty with existing guests

Differentiate by delivering a distinctive and personalized guest experience across all channels

Offer relevant, innovative, and often exclusive products that excite our guests

Deliver
exceptional
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Grow stores and e-commerce to reach and serve more guests Invest in infrastructure to support our guest experience and growth, and capture scale efficiencies

1 2 3 4 5

TALENT THAT DRIVES A WINNING CULTURE: GUEST-CENTRIC, VALUES-BASED, HIGH PERFORMANCE



#### Imperative #1

Acquire new guests and deepen loyalty with existing guests







### MARKETING **VISION**

- Build a best in class brand
  - o Bring the brand to life in an experiential way across all touch points
  - Expand to key demographics: Millennials, Latinas and teens
  - o Dramatically transform marketing approach with a digital and social focus
- Increase brand awareness
- Increase member penetration of females 18+ in U.S.





#### **WELCOME TO THE**

# Fun Side Beauty Beauty

#### TO THE BEAUTY ENTHUSIAST —

Ulta Beauty is the only retailer that gives her a playground of possibilities **TO EXPLORE THE FUN OF BEAUTY.** 

#### **BECAUSE WE:**

have an unrivaled array of ALL THINGS BEAUTY ALL IN ONE PLACE; delight her with the NEWEST FINDS; encourage her to LOOK, TOUCH AND TRY; and guide her way and INSPIRE HER PLAY.



### FRESH

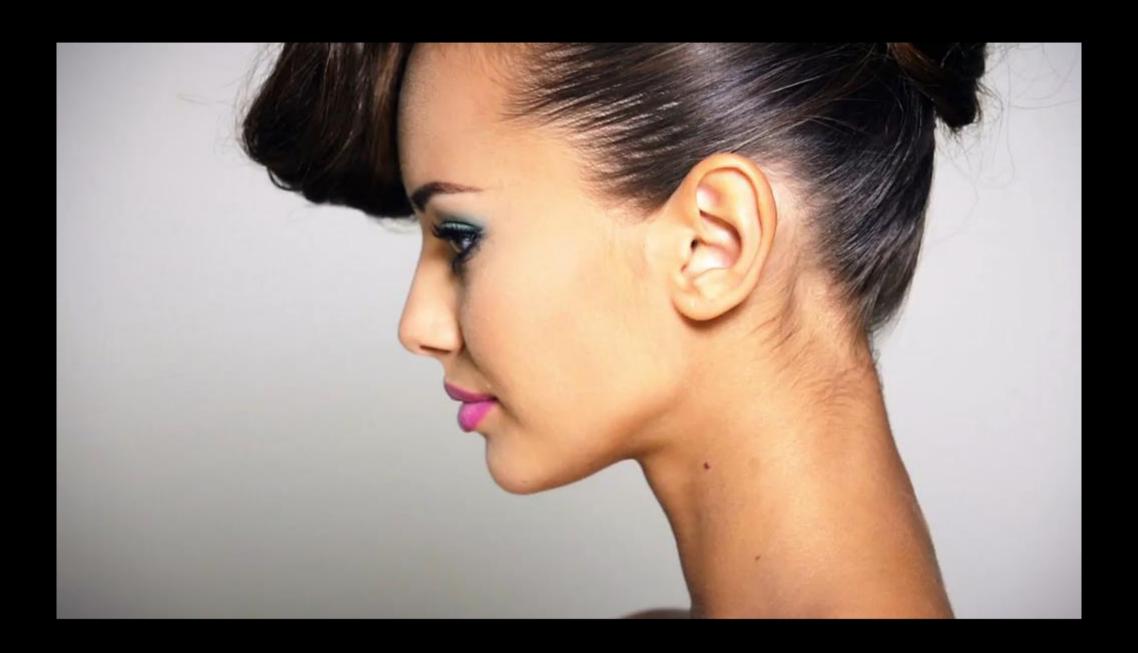
CRISP • CURRENT • MODERN • YOUTHFUL SPIRIT

### FUN

**ENJOYABLE • ENTERTAINING • LIVELY • WITTY** 

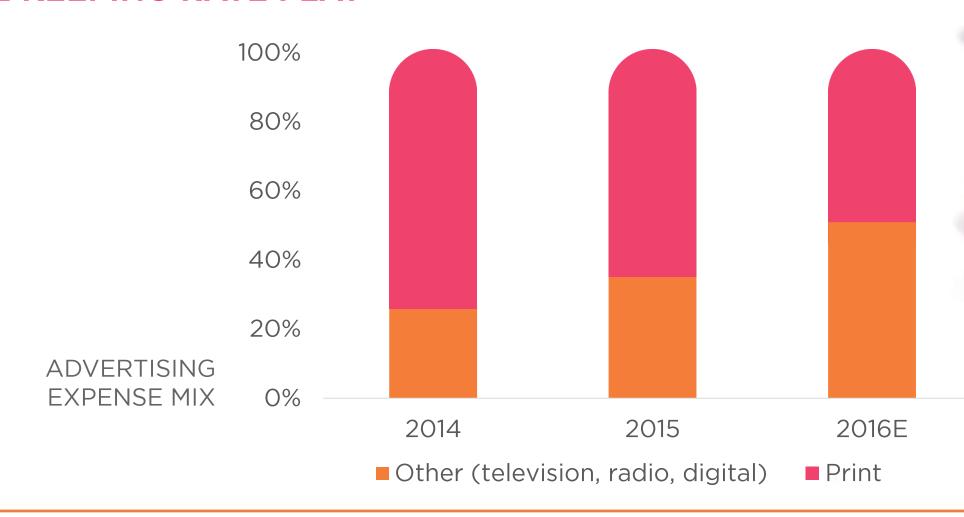
### REAL

ORIGINAL • UNPRETENTIOUS • AUTHENTIC • INVITING





### SIGNIFICANT EVOLUTION IN MARKETING SPEND ALLOCATION WHILE KEEPING RATE FLAT





#### DRAMATIC SHIFT IN MARKETING APPROACH

#### **SEPTEMBER** 2014





#### **SEPTEMBER** 2016











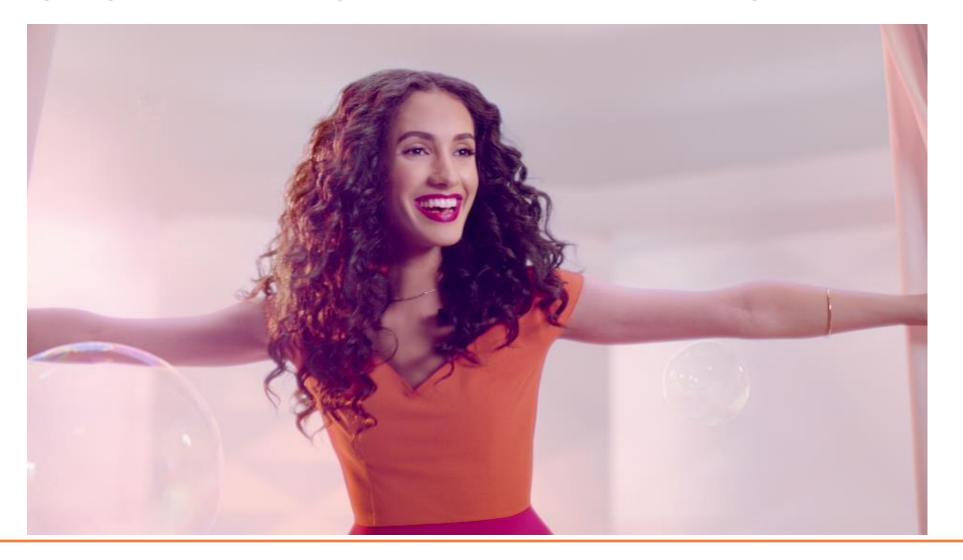






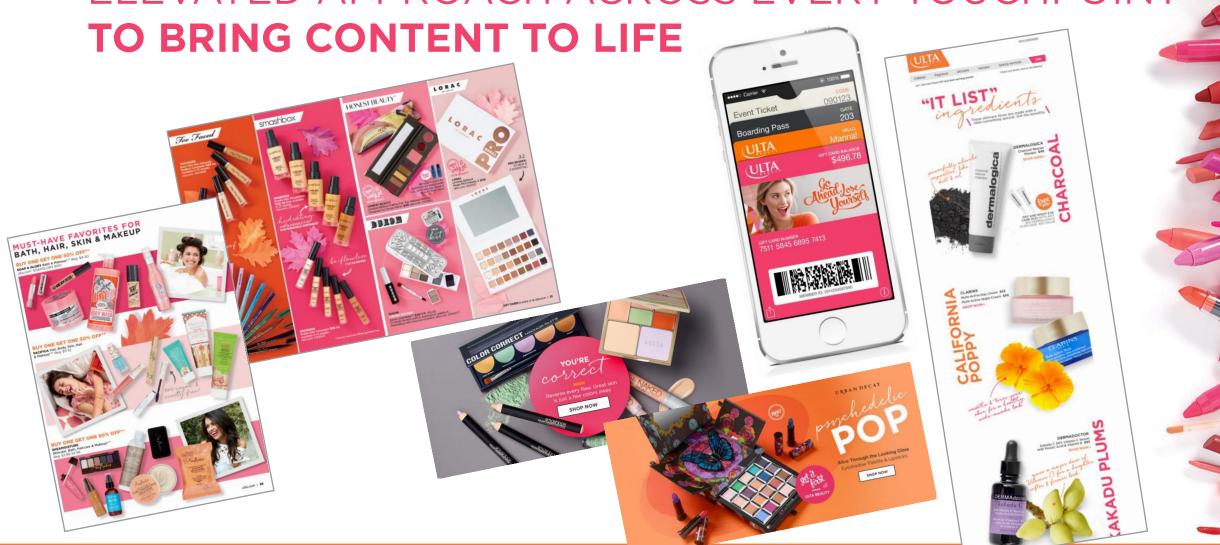


#### LAUNCHED NATIONAL TV AND RADIO





ELEVATED APPROACH ACROSS EVERY TOUCHPOINT





# COMPLETELY REVAMPED SOCIAL MEDIA STRATEGY & FOOTPRINT







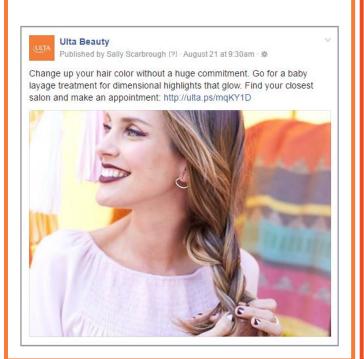






**EDUCATE** 

#### **ENTERTAIN**





**INSPIRE** 



### SOCIAL PRESENCE & INFLUENCE BUILDING WITH KEY BRAND PARTNERS



beauty with an edge \*





# ENHANCED CONTENT & EXPERIENTIAL THROUGH KEY PARTNERSHIPS

### **POPSUGAR**











# ORIGINAL CURATED CONTENT ON WEBSITE TO CREATE EMOTIONAL CONNECTIONS







#### REBRANDED KEY BRAND PILLARS

















### STRATEGIC FOCUS AREAS

- Continue to reduce reliance on traditional print
- Dramatically increase investment in digital
- Accelerate content platform and approach
- Invest heavily in key consumer groups
- Invest in Salon focusing on guest acquisition







### LOYALTY **VISION**

#### **OUTCOMES**

- Build world class loyalty program that fosters deep relationships and engagement
- Significantly grow active membership
  - Increase retention rate
  - Attract new members
  - Grow reactivation rate
- Increase wallet share of active members



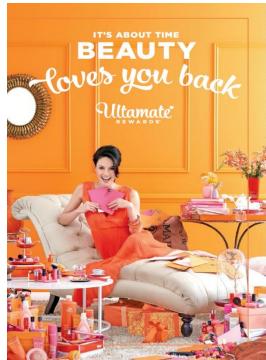
# ULTAMATE REWARDS PROVIDES **STRONG VALUE**

TO OUR GUESTS, it engages them in the world of beauty while offering them enhanced education, access to products and value

TO OUR PARTNERS, provides access to specific audiences with effective communication and promotions that builds their brand

**FOR ULTA BEAUTY,** offers rich data from each customer transaction with the ability to target offers and increase the return on investment





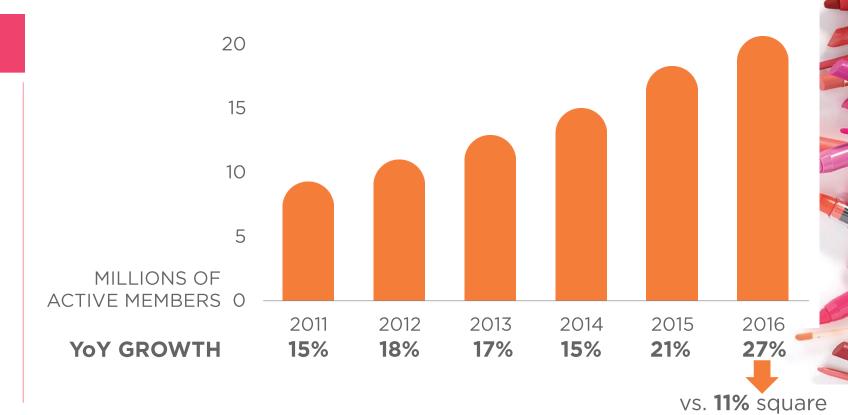


### LOYALTY GROWTH PROPELLED BY STRATEGIC INITATIVES

25

#### DRIVERS OF ACCELERATED GROWTH RATE

- 100% conversion to Ultamate Rewards (2014)
- Increased brand awareness via new marketing approach
- Rebranded program to improve breakthrough
- Dramatically higher in-store conversion rates
- Increased retention via stronger CRM and program engagement
- Enhanced brand partner engagement



footage growth



#### MULTIPLE WAYS TO

#### **DELIGHT OUR LOYALTY MEMBERS**



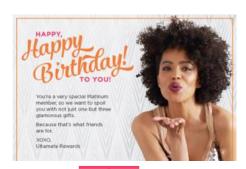




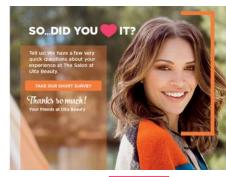


#### PLATINUM MEMBERS GET EVEN MORE PERKS















STORE SAMPLES

BONUS POINTS

BIRTHDAY

DISCOUNT

GIFTS & EVENTS

EARLY ACCESS

SURVEYS

APPRECIATION DAY



# CUSTOMIZED COMMUNICATION

I can breathe easy now, I finally made it to platinum status for 2017.



CONGRATULATIONS!

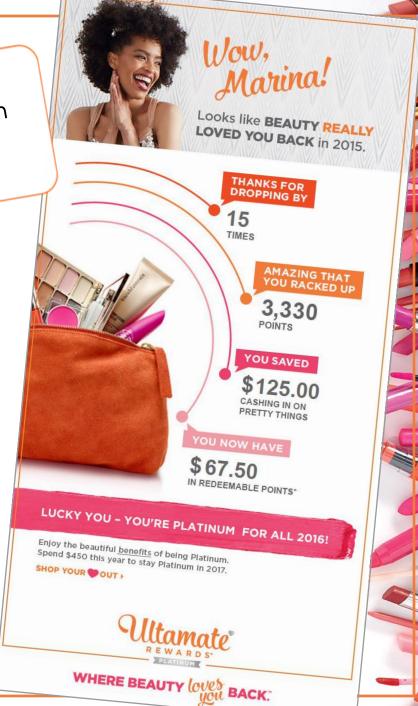
CONGRATULATIONS!

CONSTRUCTIONS!

CONSTRUCTI

Thank goodness my husband doesn't know what Platinum status is at #ulta !!!

Just got my email from ULTA that says I'm platinum for 2017 already so I guess you could say I'm awesome





### CREDIT CARD LAUNCHED IN AUGUST 2016

#### **BENEFITS FOR ULTA BEAUTY**

- Greater wallet share and loyalty from our Rewards members
- Increased consumer insights
- Attractive economics
  - Incentives
  - Lower interchange fees
  - Royalties

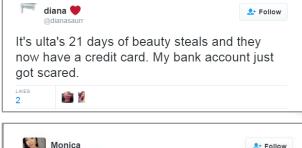
















# CREDIT CARD ENHANCES MEMBER ENGAGEMENT

WHY SHE'LL Love IT

ULTA Ultamate REWARDS
ULTA:   Ultamate
Master Card

BENEFITS	REWARDS CREDIT CARD	REWARDS MASTERCARD
20% off your first purchase at Ulta Beauty		•
No annual fee		•
1 point for every \$1 spent at Ulta Beauty	•	•
1 point for every \$3 spent outside of Ulta Beauty		
Earn 500 welcome bonus points when you spend \$500 in the first 90 days outside of Ulta Beauty		

**ULTAMATE** 

**ULTAMATE** 



### BRAND PARTNERS LEVERAGE OUR LOYALTY PROGRAM

#### **ACCESS**

- 20+ million beauty shoppers
- Digital, print, and in-store channels
- Targeted advertising and sampling













#### **INSIGHTS**

- Customer data analytics
- Customer surveys
- Campaign performance reports





#### CAMPAIGN IN ACTION



beauty with an edge \*



**Urban Decay** 

lip line and

members

launched a new

for contacting

needed a strategy

Identified two relevant groups 1) loyal Urban Decay users and 2) top lip buyers at Ulta Beauty who had not previously purchased Urban Decay

Sent 150,000 lipstick sample mailers, executed through Ulta Beauty's channels

**TARGETED** 

**MAILER** 

Drove a 41% lift in sales over the control group





# INTEGRAL TO ALL ASPECTS OF OUR BUSINESS







### STRATEGIC FOCUS AREAS

- Enhanced CRM and analytics to further personalize communication
- Explore expanded tiers and more specialized programs (i.e. teens)
- More engagement platforms with guests through social and content
- Expanded programming with external partners including brands



WHERE BEAUTY lovely BACK!



### Imperative #2

Differentiate by delivering a distinctive and personalized guest experience across all channels





### STORE EXPERIENCE VISION

#### TO ENABLE OUR ASSOCIATES TO DELIVER AN ELEVATED AND ENGAGING IN-STORE GUEST EXPERIENCE

- IMPLEMENT process improvements to better enable "ALL THINGS BEAUTY, ALL IN ONE PLACE"
- INVEST in store enhancements & technology solutions to automate manual activities to improve the guest and associate experience
- OPTIMIZE labor models to support guest service



A WELCOMING STORE ENVIRONMENT LEVEL 8 FORMAT (2016)

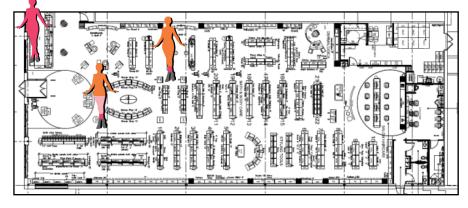
- Benefit Brow Bar located at the front center of the store
- More prestige lighted arches: 6-7 vs. 4 in prior format
- Ulta Beauty Collection enhanced wall presentation
- Updated, more elegant fragrance fixtures

STORE ENHANCEMENT





### TODAY'S **GUEST EXPERIENCE**



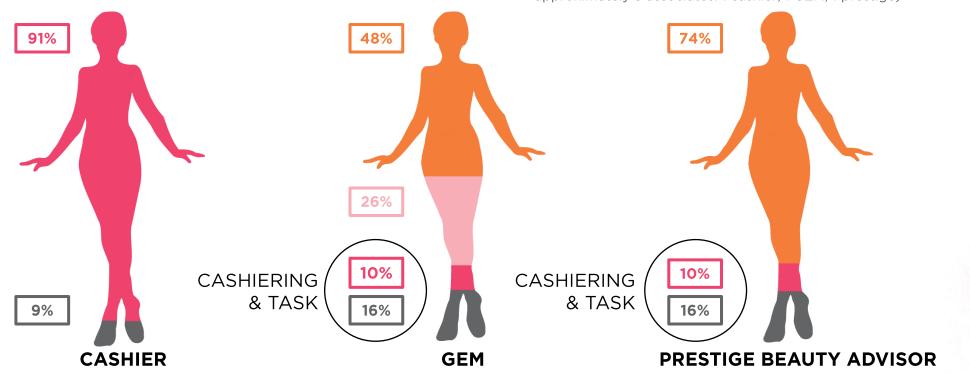
**■** GUEST SERVICE

**CASHIERING** 

**MANAGEMENT ACTIVITY** 

**OTHER TASKS** 

Note: Average volume store without boutiques (average coverage approximately 3 associates: 1 cashier, 1 GEM, 1 prestige)





PROCESS IMPROVEMENT

STORE & TECHNOLOGY ENHANCEMENTS

LABOR & STAFFING SOLUTIONS



#### STANDARD OPERATING PROCEDURES

- Measure the efficiency of all processes and tools
- Improve resources to support store processes and the guest experience
- Develop procedures that reflect current process standards
- Create reference guides and tools to support training

#### PROCESS IMPROVEMENT

#### SERVICE MODEL OF THE FUTURE

- Evolve from "greet and thank" to personalization
- Redefine the GEM and Boutique programs
- Create more time for guest service through enhanced scheduling, task, and compliance tools





STORE & TECHNOLOGY ENHANCEMENTS

#### **FOUNDATIONAL**

- Optimization of workforce management
- Task management
- Inventory management
- Access real-time information to deliver the best guest experience
- Capabilities to support the omni-channel experience

#### **DIFFERENTIATING CAPABILITIES**

- Drive higher associate engagement and knowledge through enhanced training programs
- Improve guest experience for in-store events
- Surprise and delight guests through personalized offers at the POS



LABOR & STAFFING SOLUTIONS

#### **TEST & LEARN**

- Utilize findings from the Labor Standards Study to appropriately fund payroll
- Assess standard operating procedures relative to labor standards, funded payroll, and actual labor
- Measure incremental tasks and the associated payroll cost prior to implementation

#### **TRAINING**

- Provide an enhanced training experience to both managers and associates (onboarding and ongoing)
- Expand training in three areas: operations, product, and leadership



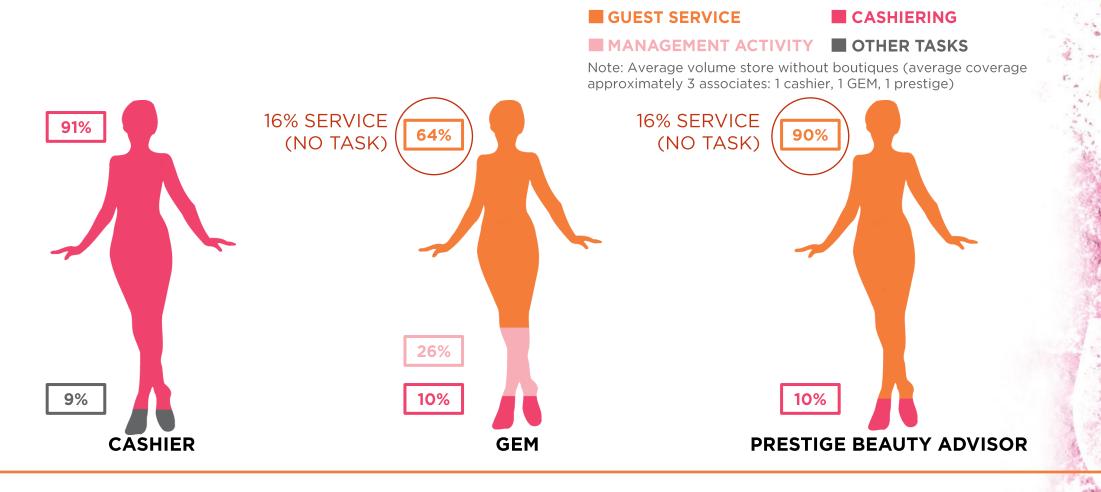
THE GUEST EXPERIENCE

### IMPROVEMENTS TO THE GUEST EXPERIENCE WILL DRIVE SALES, BUT REQUIRE INVESTMENTS IN STORE LABOR:

- Prestige boutique roll-out
- Testers in mass cosmetics
- Omni-channel initiatives (BOPUS, etc.)
- Inventory visibility



## FUTURE GUEST EXPERIENCE





### INVESTING IN OUR TEAM

### PROCESS IMPROVEMENT

"The new Daily Planner was worth the wait! This tool makes it easy for my managers to assess the store, plan coverage, and create a game plan. Pre-populated goals and automatic calculations help us to monitor sales through the day and adjust our plans as needed #DailyPlanFan."

### **GENERAL MANAGER**

### STORE & TECHNOLOGY ENHANCEMENTS

"I LOVE the AIM store walk app! I have 12 stores, so it's impossible for me to remember exactly what we talked about during my last visit. Now I have the ability to select the areas I'm going to review, take notes, generate store follow-up tasks and look back to understand trend."

### DISTRICT MANAGER

### LABOR & STAFFING SOLUTIONS

"New tools and training continue to get better and better each year. It has allowed me to spend more time on the selling floor as well as developing my team."

### AREA MANAGER



E-COMMERCE & OMNI-CHANNEL



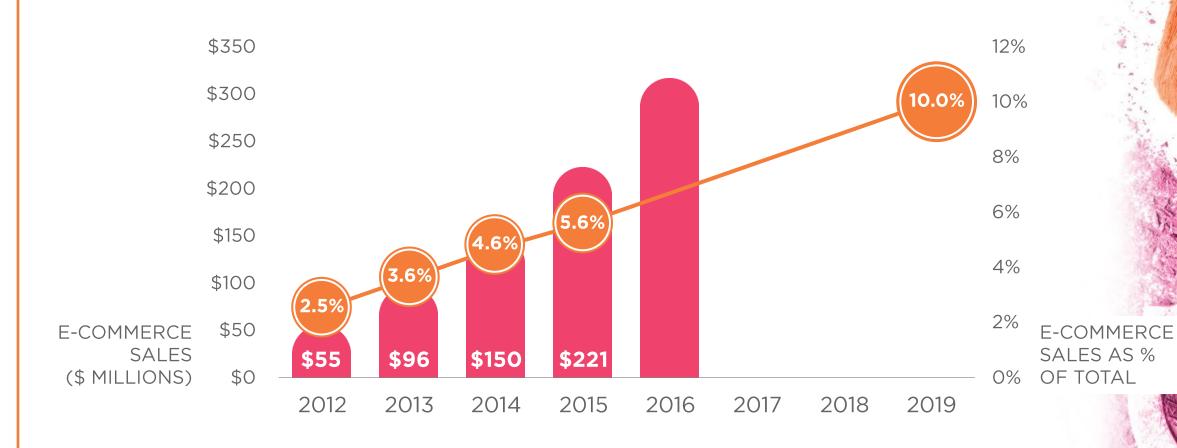


### E-COMMERCE & OMNI-CHANNEL VISION

- Mobile-first e-commerce business with strong growth
  - o Flexible, fast user experience
  - Targeted and personalized content to educate and inspire
  - Exceptional guest service: 95% of orders delivered in 3 days by 2018
  - Expand assortment online
- Seamless experience that aligns with how the Ulta Beauty guest shops
  - Buy anywhere, fill anywhere functionality
  - o Digital presence as an Ulta Beauty retail store traffic driver
  - Localized assortment



## TARGETING E-COMMERCE TO REACH 10% OF SALES BY 2019





#### E-COMMERCE AND OMNI-CHANNEL STRATEGY



Expanded Assortment

Personalized Shopping

Flawless Operations

Excellent Service Including Fast Delivery



Digital Customer Acquisition

Targeted and Personalized CRM Driven Digital Marketing

Targeted Digital Advertising



Mobile Personal Shopper

Buy Anywhere, Fill Anywhere

Informative Content to Educate and Inspire



Digital Flagship Store, 24/7 Availability

Build Brand Awareness

Drive Engagement



#### **OMNI-CHANNEL GUESTS SPEND MORE**

**ANNUAL SPEND** PER MEMBER (JULY 2016)

ONLINE ONLY \$112

STORE/ SALON ONLY

OMNI **\$137** 

\$337

\$474!

**ANNUAL TRANSACTIONS** PER MEMBER (JULY 2016)

ONLINE ONLY

STORE/ SALON ONLY

OMNI 10

■ ONLINE SPEND ■ STORE/SALON SPEND



## E-COMMERCE SALES ARE LARGELY INCREMENTAL, NOT JUST REPLENISHMENT

- Online shoppers are mostly omni-channel shoppers
  - Less than 10% of e-commerce sales comes from online only shoppers
- Online experience reflects interest in discovery, trial and newness
  - Product mix mirrors that of bricks and mortar
  - Combining needs for new and replenishment items
- E-commerce designed to complement our retail experience
  - Allows her to shop beauty at her convenience but doesn't replace in-store experience



#### ONLINE COMPETITIVE POSITION

BEAUTY IS IMPORTANT AND A PASSION

60%

of Beauty Enthusiasts say
purchasing beauty products
is one of her favorite
things to do compared to
7% of non-beauty enthusiasts



TOP DRIVERS OF BEAUTY ENTHUSIAST RETAILER PREFERENCE

Lets me **explore and experiment** with products

Knows what I like and recommends products and brands just right for me

Has beauty **expertise** 

Is somewhere that **provides an escape** from my day or 'me time'

Has **sales associates** that I can relate to







dermalogica











### SAMPLING/TRIAL ENABLED BY E-COMMERCE



#### Checkout perk! Add a free sample.

Choose your category & we'll surprise you with something special.







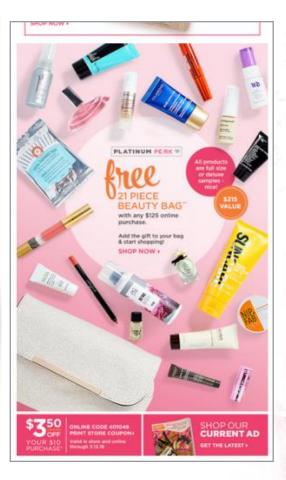




SKINCARE

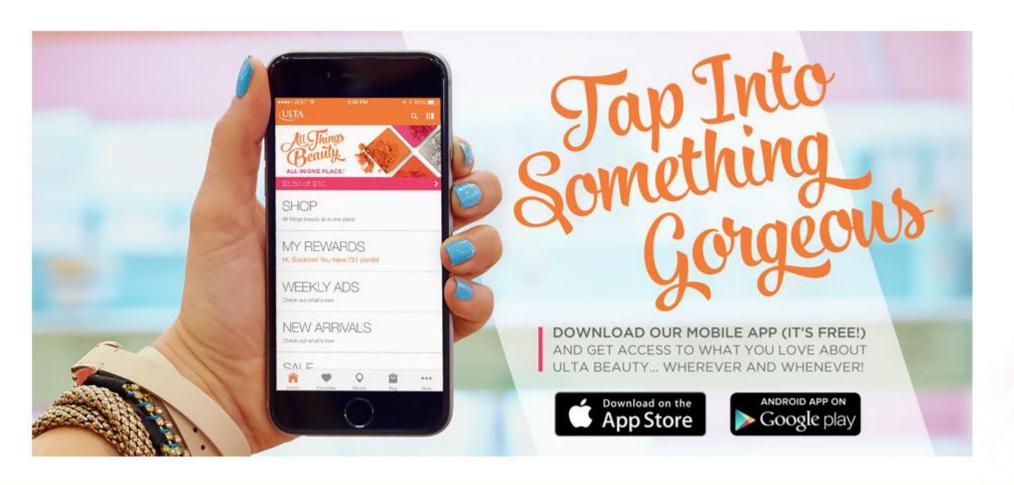
VARIETY







## MOBILE APP IS A **HELPFUL SHOPPING ASSISTANT**





## MOBILE APP IS A GREAT RESOURCE FOR ULTAMATE REWARDS MEMBERS

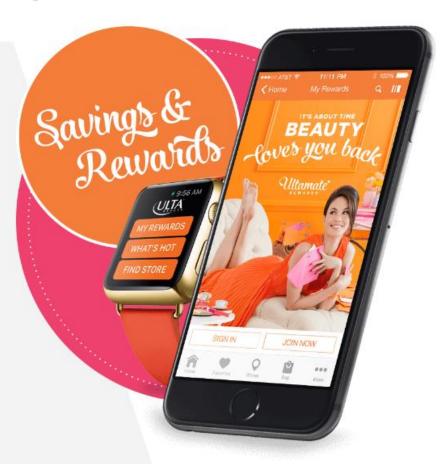
### SAVING HAPPENS

Get quick access to weekly coupons, exclusive offers and mailers. Now you can feel good about treating yourself. It's not shopping more, it's shopping smarter.

## INSTANTLY TRACK HOW BEAUTY LOVES YOU BACK

Access your Ultamate Rewards account in the app and watch your points rack up.

Plus, access your account on Apple Watch or add it to Passbook to keep it super-handy (iPhone users only).





## GUESTS CAN SCAN UPCs FOR PRODUCT INFO OR TO SAVE AN ITEM THEY LOVE



### YOUR WISH LIST, ON COMMAND

Save all your favorites for easy access so you never forget which foundation formula number (was it #101 or #1001?) is your perfect shade.

#### FIND IT NEAR, MAKE IT YOURS

See which local store has what you need now. We know you just love instant gratification.



#### LAUNCHED APPLE PAY AT CHECKOUT



NOW ACCEPTING APPLE PAY



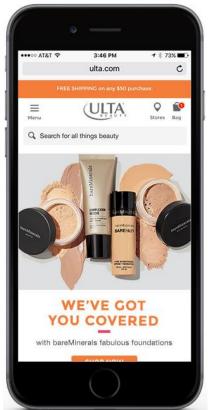
ALL THINGS BEAUTY, EVEN FASTER.

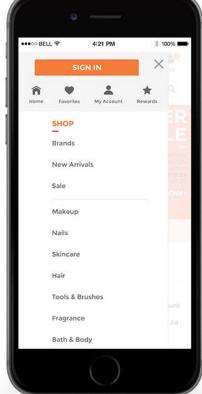
Now purchase using Apple Pay in store and within the Ulta Beauty App.





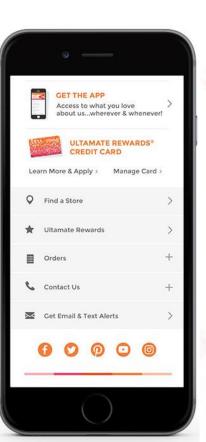
## NEW **FEATURES**











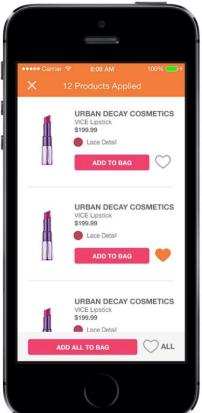


## INTRODUCING "GLAMLAB" MOBILE TRY-ON APP











#### EXPANDED ASSORTMENT ONLINE

































## BUILDING A SEAMLESS OMNI-CHANNEL EXPERIENCE

#### **BUY ANYWHERE, FILL ANYWHERE ENABLERS**

- 1 Enterprise Inventory Accuracy & Availability
- 2 Distributed Order Management System (Order Orchestration)

#### **GUEST FACING INITIATIVES - PHASE I**

- 3 Save the Sale (Buy in Store, Ship to Home)
- 4 Buy Online, Pickup in Store
- 5 Expanded Assortment
- 6 Local/Custom Assortment



#### STRATEGIC PRIORITIES

- 1 Mobile First
- 2 Flexible, Fast, User Experience Driven Design
- 3 Digital Content and Experience
- Guest Service Including 3 Day Delivery
- 5 Seamless Omni-channel Experience









Imperative#3

Offer relevant, innovative, and often exclusive products that excite our guests





#### MERCHANDISING VISION

### TO BE THE UNDISPUTED DESTINATION FOR ALL THINGS BEAUTY, ALL IN ONE PLACE

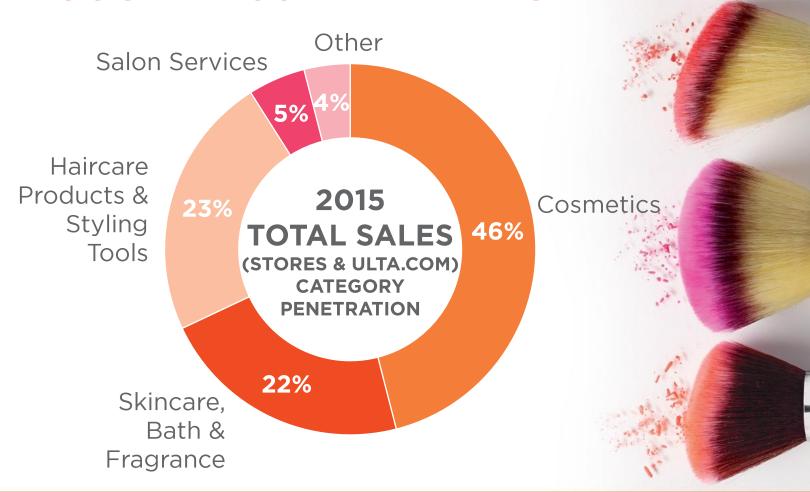
- Evolve assortment highlighting newness and exclusivity
- Emphasize cosmetics and haircare to maximize category leadership
- Upgrade and enhance Ulta Beauty Collection to increase penetration
- Grow market share in all categories





## A BALANCED PORTFOLIO, WITH DOMINANT ASSORTMENTS IN COSMETICS AND HAIRCARE

>20,000 SKUs
ACROSS
>500 BRANDS







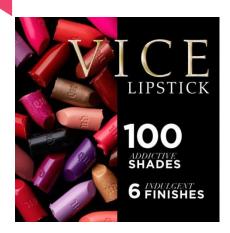
#### NEWNESS COMES IN MANY FORMS

**NEW BRANDS** 

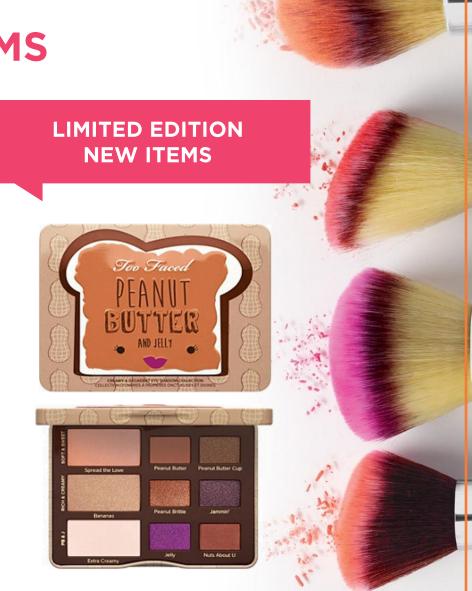




NEW ITEMS AND LINES ON EXISTING BRANDS









#### ADDED MORE THAN **30 SIGNIFICANT NEW BRANDS IN 2015**











 $\mathsf{DACI} \mathsf{FICA}^*$ 











































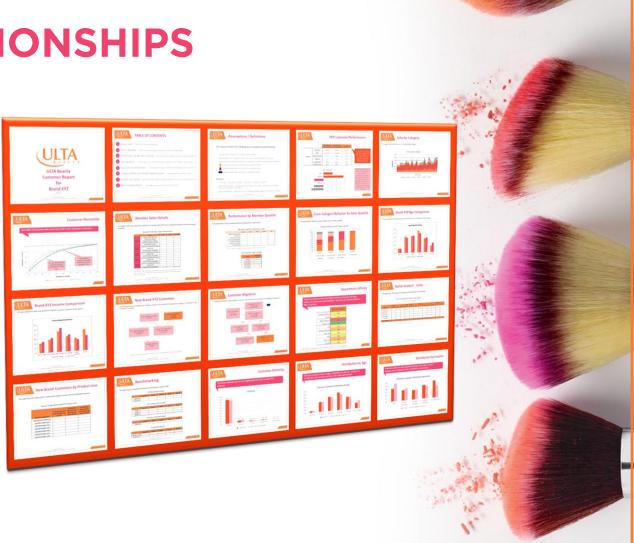






## EVOLUTION OF **BRAND PARTNER RELATIONSHIPS**

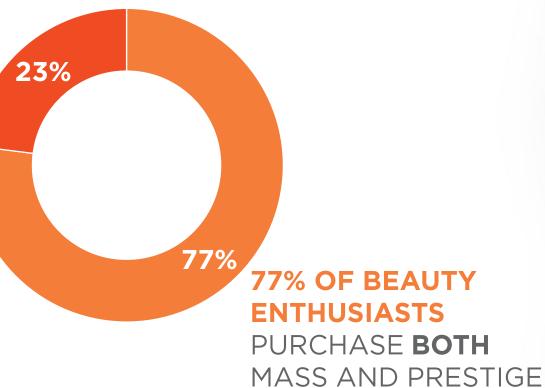
- Top to top long term joint planning sessions
- Partnerships for CRM campaigns
- Sharing loyalty data and consumer insights to drive trial and penetration across categories and brands





## TYPICAL BASKET CONTAINS A MIX OF MASS AND PRESTIGE BEAUTY PRODUCTS

23% OF BEAUTY
ENTHUSIASTS
PURCHASE ONLY
MASS OR PRESTIGE

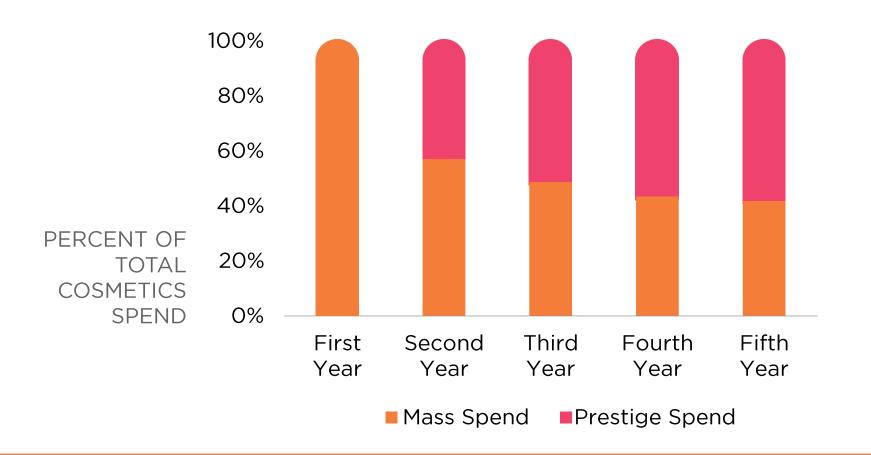






### WE DRIVE MIGRATION FROM MASS TO PRESTIGE

AND CAPTURE INCREMENTAL CONSUMERS FOR OUR PRESTIGE BRANDS







#### GROWING IMPORTANCE OF **EXCLUSIVITY**

#### **EXCLUSIVE LINES**

- Ulta Beauty Collection
- Beauty Gems
- It Brushes for Ulta Beauty
- Ultra Chi hair tools
- Tarte Double Duty Beauty cosmetics



#### **EXCLUSIVE ITEMS**

- Stash SJP fragrance (Sarah Jessica Parker)
- Lancôme mascara set
- Carli Bybel palette
- NYX holiday kits
- Exclusive colors within OPI Kerry Washington collection
- HOT Tools curling irons
- Yes To mask line
- Palettes and kits across most color brands

### BRICK & MORTAR EXCLUSIVITY

- proactiv
- Honest Beauty Make-up and Skin
- Honest Beauty Haircare
- Fiona Stiles
- Makeup Revolution

### EXCLUSIVE EARLY LAUNCH

- Lorac Mega PRO 3 palette
- Tarte Swamp Queen palette
- Urban Decay Vice lip palette
- Maui Moisture
- Beachwaver



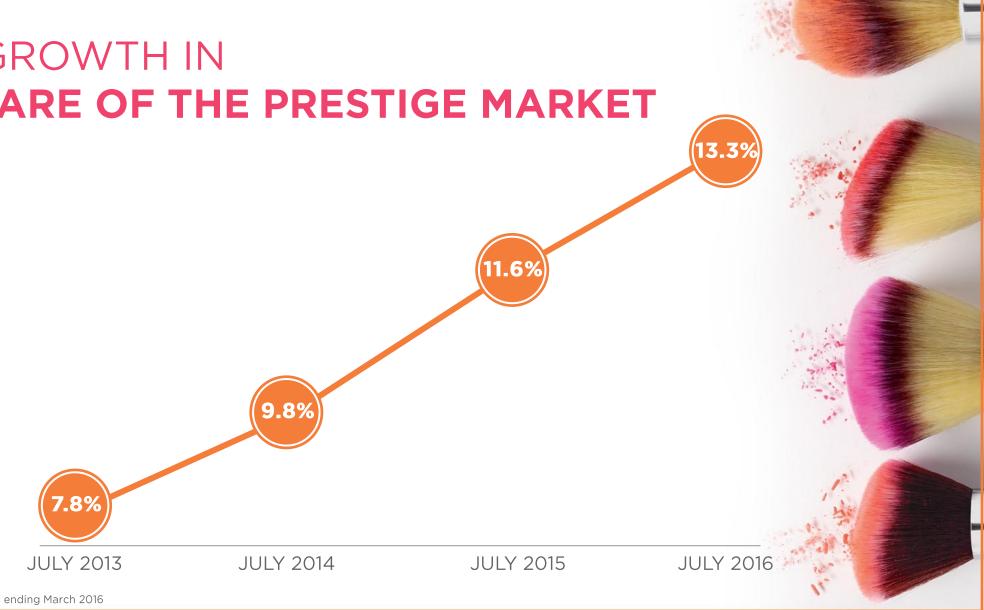






#### RAPID GROWTH IN

**OUR SHARE OF THE PRESTIGE MARKET** 



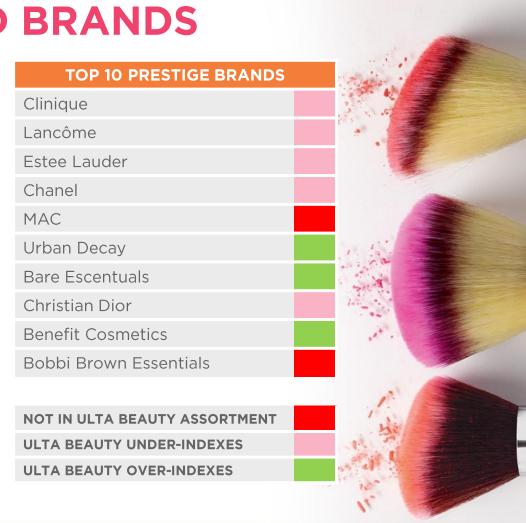
Source: NPD DecisionKey Database 12 months ending March 2016



## OPPORTUNITY TO EXPAND WITH NEW AND UNDERDEVELOPED BRANDS

Ulta Beauty currently has
 ~13% SHARE of the prestige market

 Ulta Beauty only has ~3% SHARE of the top 5 brands



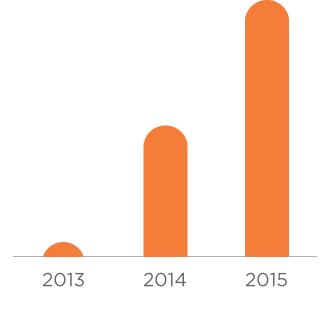


## PROVEN ABILITY TO PARTNER WITH BRANDS TO DRIVE GROWTH AND INNOVATION

SALES

#### IT COSMETICS CASE STUDY

- Launched in 2012 in 306 stores, fully rolled out by late 2013, first brick & mortar distribution for the brand
- Strong customer reception and rapid growth
- Partnered to launch exclusive
   66 SKU makeup brush
   collection in 2014







### ROLL-OUT OF **PRESTIGE BRAND BOUTIQUES**

- Adding 500+ prestige boutiques in 2016
- Hundreds more planned for 2017
- Boutiques drive sales and margin dollars and enhance our position as a beauty destination
  - Require higher investment (accelerated depreciation, custom fixtures, inventory investment, dedicated labor)
- Provide halo effect on entire store







#### **ACCELERATION OF MAJOR NEW BRAND ADDITIONS IN 2016**

ESTĒE LAUDER





Powered by Nature. Proven by Science.

# SHISEDO proactive tarte high-performance naturals.

HONEST Dior



ANASTASIA

FIONASTILES







# **ONLINE AND IN 30 STORES**







### COMPELLING NEW FRAGRANCE LAUNCHES





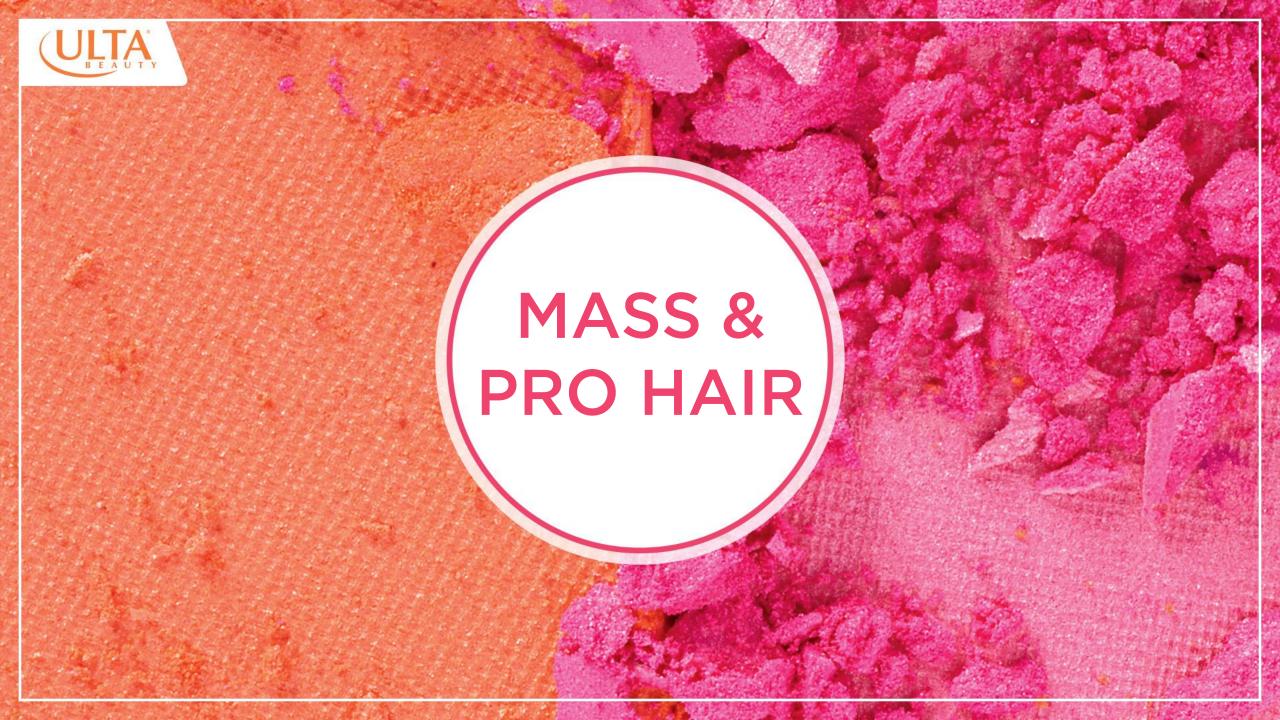














## IMPORTANCE OF PROFESSIONAL HAIRCARE CATEGORY

- Largest assortment of products and tools is a sustainable competitive differentiator
- High category retention rate
- Strong synergy with our salon services



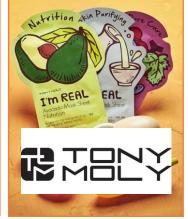


# ULTA BEAUTY'S MASS ASSORTMENT IS **HIGHLY DIFFERENTIATED**









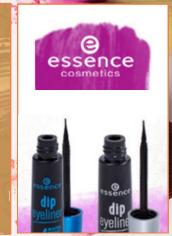














# PROVEN ABILITY TO GROW BRANDS AND NURTURE INNOVATION

#### **NYX CASE STUDY**

- Launched in 2' in 2007 first retailer of scale to see the potential of NYX
- Now in 16-28' with upgraded fixtures with testers in all stores
- Offer ~1200 SKUs
- Many exclusive to Ulta Beauty





### **ACCELERATION OF MAJOR NEW BRAND ADDITIONS IN 2016**





kate spade NEW YORK





Professional Nail Lacquer





























### **TRIAL**

Over 100 dryers and styling tools to demo in store









### **TESTERS**

Most extensive mass cosmetic tester program in country



### **LAUNCH**

Leverage salon credibility and expertise to maximize new product launches

### Living proof.®

friday night dry styling





November 11, 18, 25 from 4-8pm



#### ELEVATING OUR PRIVATE LABEL OFFERING







# REFRESHED ALL ELEMENTS OF THE ULTA BEAUTY COLLECTION

# ULTAblanty

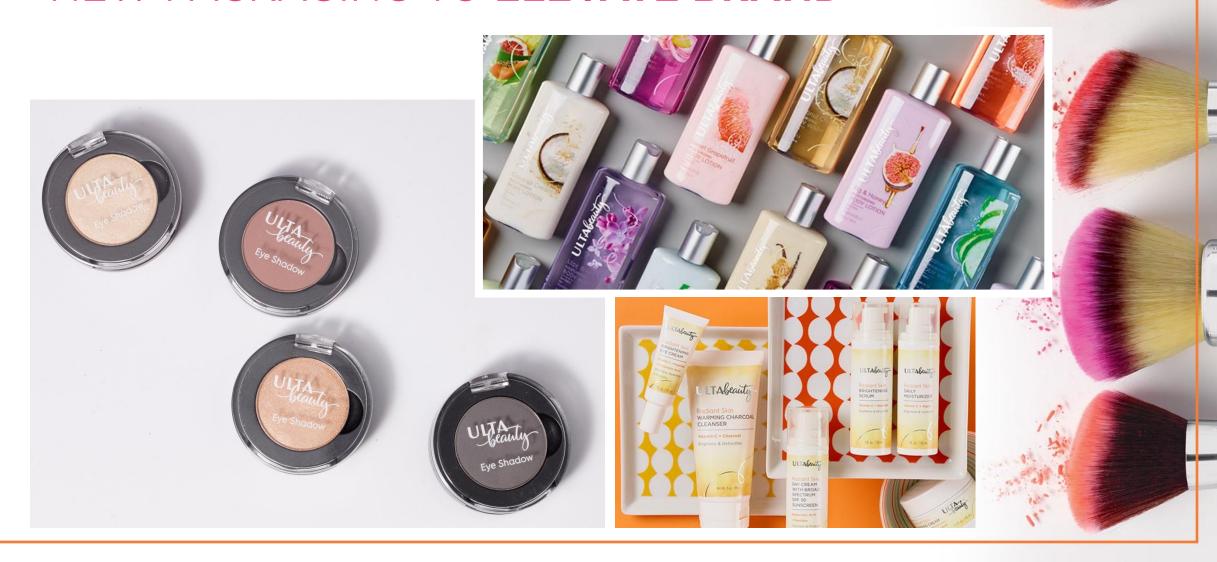
- Launch new logo and branding
- Update and elevate formulas and packaging
- Improve speed to market on trend product
- Elevate in-store graphics and presentation







### NEW PACKAGING TO ELEVATE BRAND





#### IMPROVED IN-STORE NAVIGATION









### PARTNERING WITH SOCIAL MEDIA INFLUENCERS FOR THE ULTA BEAUTY COLLECTION

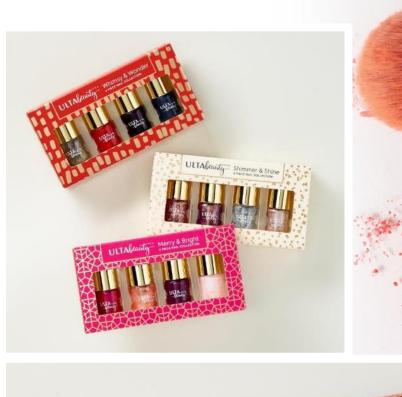
- JENNY CLAIRE FOX (MISSJENFABULOUS)
- 1 million followers on YouTube
- Launched Miss Fabulous eye shadow palette exclusively available at Ulta Beauty





# ULTA BEAUTY COLLECTION CELEBRATES HOLIDAY

















Imperative#4

Deliver exceptional services in three core areas: hair, skin health, and brows

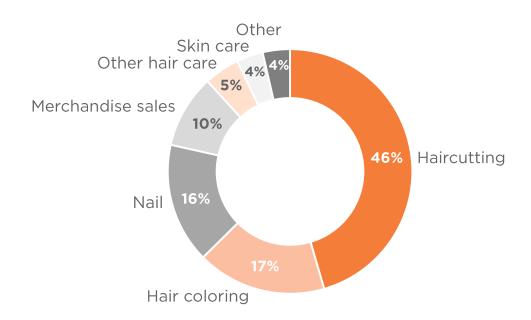




# US SALON & SPA INDUSTRY REPRESENTS A \$53B MARKET

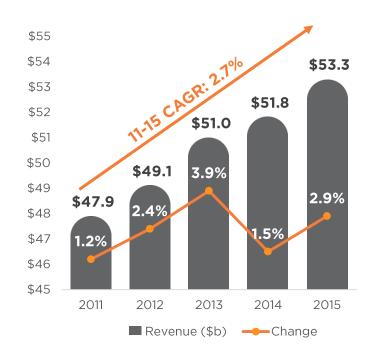
#### MIX OF BUSINESS<sup>1</sup>

The market is driven primarily by hair services, which represent a combined 68% mix of business



#### **GROWTH**<sup>1</sup>

The market has grown slowly and consistently, with annual growth in the low single digits



EXPECTED CAGR TO 2020 IS 2.5%

Source: (1) IBISWorld: Hair and Nail Salons in the US, November 2015; (2) Mintel: Beauty Retailing, January 2016
Notes: Regis includes the following sub-brands: Supercuts, Sassoon Salon, Regis Salons, MasterCuts, SmartStyle, Cost Cutter, and Cool Cuts 4 Kids



### HIGHLY FRAGMENTED MARKET WITH THE FOUR LARGEST PLAYERS COMPRISING ONLY 9%



Source: (1) IBISWorld: Hair and Nail Salons in the US, November 2015; (2) Forbes - Strip Mall Spa: How Massage Envy Create - and Dominated - A New Franchise Niche, June 2015; (3) Sport Clips franchise website - Sport Clips Hair Cuts Ranked 16<sup>th</sup> in Entrepreneur "Franchise 500," January 2016

Note: Regis includes the following sub-brands: Supercuts, Sassoon Salon, Regis Salons, MasterCuts, SmartStyle, Cost Cutter, and Cool Cuts 4 Kids



THREE PILLARS OF OUR SERVICES OFFERING



benefit
san francisco

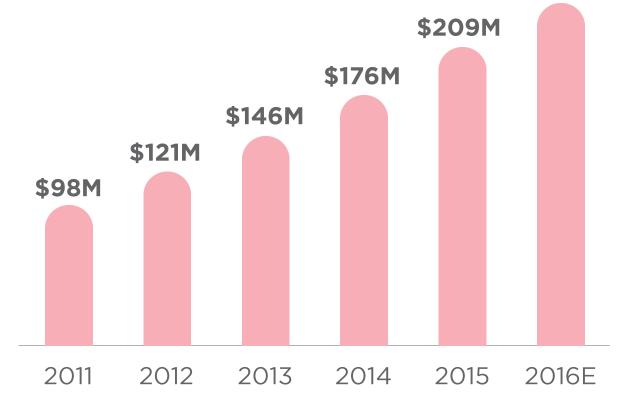
dermalogica®



# OUR SALON SALES ARE GROWING WELL ABOVE THE INDUSTRY GROWTH RATE

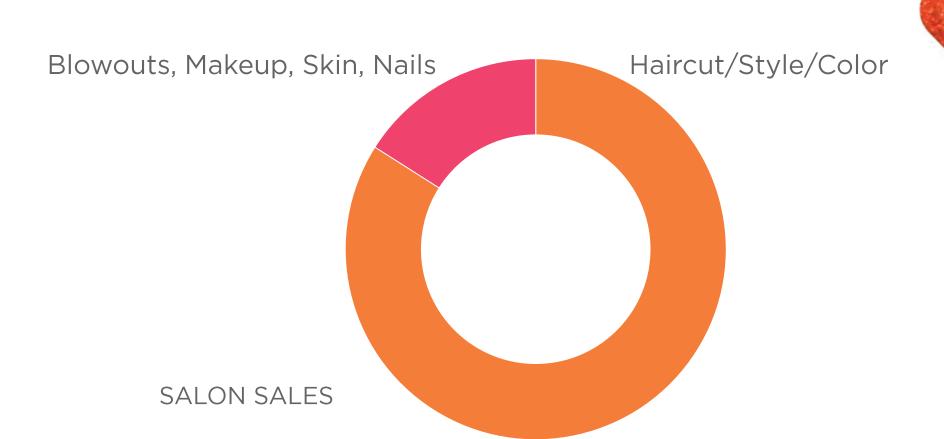
20%
5 YEAR CAGR
far exceeds
low single digit
industry
growth rate

SALON REVENUE (EXCLUDES BENEFIT BROW SERVICES)





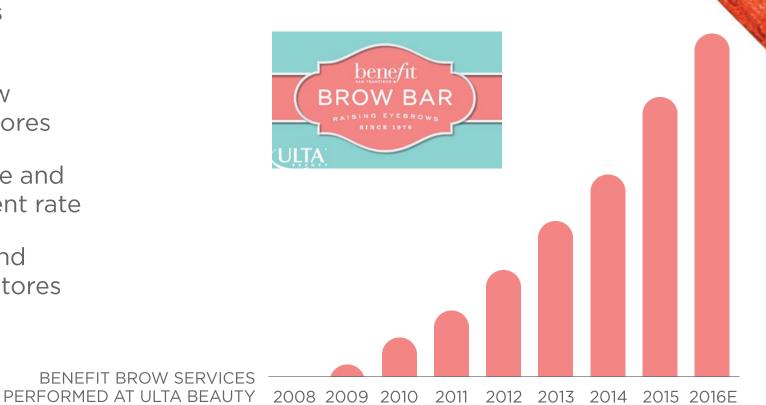
# HAIRCUT, STYLE AND COLOR REPRESENT THE MAJORITY OF THE SALON BUSINESS





### **CONTINUED RAPID GROWTH IN BROW SERVICES**

- Benefit Brow Bars launched in 2008
- Brow services now offered in ~800 stores
- High retention rate and product attachment rate
- Boutiques front and center in all new stores and remodels





# HIGHER SPEND AND FREQUENCY FOR SALON GUESTS

- Spend almost 3X MORE than non-salon guests
- Shop 2X MORE frequently than non-salon guests
- Salon guests represent ONLY ~6%
   of Ultamate Rewards membership base





# SALONS ENABLE US TO BE ALL THINGS BEAUTY... ALL IN ONE PLACE

WE
CREATE
EXPERIENCES
THAT
OUR GUESTS
LOVE









# SALONS COMPLEMENT OUR DIFFERENTIATED HAIR CARE PRODUCT ASSORTMENT



of professional haircare in the assortment - 3,100+ SKUs





#### **VISION**

### STRENGTHEN FOUNDATIONAL EXCELLENCE FOR SERVICES BUSINESS

- Maintain uncompromising standards for guest satisfaction
- Hire, inspire and retain the best talent
- Optimize business results through staffing, operational policies, and marketing
- Develop strong value proposition that resonates with Ulta Beauty guests
- Deliver "wow" experiences
- Offer innovative services, products and experiences





# OPPORTUNITY TO ACCELERATE THE SERVICES BUSINESS

- Drive higher salon comp growth
- Grow salon member penetration
- Increase salon designer productivity





### ENHANCED SALON MARKETING STRATEGY





### **5**X POINTS

on all services

Visit ulta.com to activate bonus points.\*\*

Get a haircut - earn points

Get a facial — earn points

Get a brow wax - earn points

All those points add up to free beauty products & get you closer to Platinum status!"

#### TO SHARE A GOOD THING?

When you refer a friend or family member, you each get

\$1000 your next service

#### REFER A FRIEND

Friend or family member must be a new guest of The Salon at Ulta Beauty. Current guest will receive his or her coupon once the referral guest has redeemed.



The Benefit Brow Bar is where girls in-the-know get brows on-the-go. Our licensed professionals are highly trained in the art of brow shaping, so they re always ready to wax and tweeze, primp and please. And, to keep you hair-free and carefree below the brow, we also offer a range of other signature services.









### INTEGRATING HAIR AND MAKE-UP LOOKS IN **SALON TRAINING PROGRAMS**



#### DESIGN

service value Haircut and Style starting at \$37

SEC, I CONING

Apply Address Ontineer OZ Preparing Blave-By Lation and comb from point the law to use as cutting blave. According to the permiser by preside a conside section post in permiser by preside a conside section beginning at the part sets right a tribe. Because and detending to the top of the coopstations level, so divide the top perform throughout statements and extract planting that state at the center from thanking and extract be the coopstate and according printing that state at the center from the lamb and extract be the coopstate and according printing that state at the center from the lamb and the

#### PERIMETER CUTTING

Begin the hope and cut the perimeter in natural fall using a horizontal linger angle and horizontal linger position. Work from the center back toward each side and blant out the hair. See Patren C.









#### TOP CUTTING









Move to the left top section. Divide the section in halfwith a diagonal parting that extends from the high point of the head to the parket indige. Working in the left side section, twest and out the hair in the same manner as step 3. See Picture G. Next, direct the left front section back to the left hear and twist the hair. Remove bulk by cutting into the twist in the same manner as step 3. See Picture H. Once complete, subsection and out the right





Comb the hair into natural fall. Remove any unwanted length from the interior using shallow point cutting. Add additional texture to the interior using a gentle backcombing method with your shears. Pinch a section of har between your bringers and thumb and insert your shears beneath the section. Gently close your shears as you push them towards the midstrand of the hair. Repeat as needed.

€ €A long bob or 'lob' is the must-have style for the season, the fun and flirty texture allows versatility for any hair type! 🤊 🤊 aki Hill





#### COLOR

service value

Area Highlight starting at \$75 | Toner - Glaze after-color service starting at \$20 | Strength Treatment \$20 per treatment

Begin by pre-treating the hair with Aedlen Extreme CAT Shampoo the hair with Extreme Shampoo, rince and towel dry. Apply 10-15 sprays of CAT and process for 5-15 minutes. Shanpoor rise and twenter, Apply 10-15 prays of CAT and process for 51-5 minutes. This and blook with Schreen Conditions (if messary \$8 blook of the half hold). Create the condition of the co

#### RAL AYAGE

- UPLICATION.

  Violating in the bont visingle, take approximately if horizontal subsection. Prich the ends
  by the top and the bottom of the hair to create testion. During our build possible to the hair
  and use fully treasure to supply the product to the middrand disent the product toperately
  creating a "V shape using your wrist to entains out, elicities tradies linease seturation
  and pressure any own to trease the middrand seturation. Because using your wrist to entains out, elicities tradies linease seturation
  and pressure any own to trease the first first. If the section present to
  entain benefing on the understand of the action and proce a simple ortification under the base
  of the section. See Please 0.
- Continue taking I" horizontal subsections throughout the front and back triangles. When blending product, attendate using various diagonals (See Potten E,F. 8.6) to create a natura, blended endersus. Once complete paint the right and left side sec-in the same manner using approximately I" diagonal back subsections.

#### BLONDE IDOL FREE HAND LIGHTENER HOT TIPS

- Ensuring that you have an even layer of lightener on the top of the subsection helps you
- evoid bright or dark spots in your result.

  To check the progress of the lightener, it's necessary to apply water to the product to remove it and then reapply lightener if necessary.

I T.C.P.4. Joses for up to 50 minutes at room temperature. Pines and shampoo. The at the hair with 5 pumper of Leteroic Chemistry Theothers. Process for Simulates at room temperature. The company of the pines of the company of th

10 ulta.com

#### TO FINISH REDKEN PRODUCT WARDROBE:

- Satinwear C2 Prepaing Blow-Dry Lotion Stay High 18 High-Hold Get To Mousse





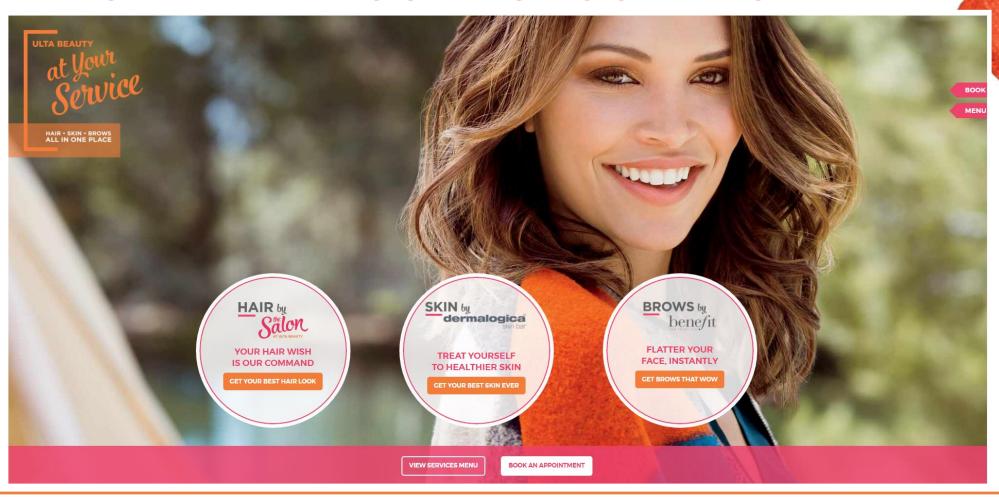


#### SHIMMERS & SPICE

- skintone and add a gorgeous glow. 9.9 Brittney Ounanian



# ROLLING OUT ENHANCED APPOINTMENT BOOKING TOOL THIS FALL





# ELITE ARTISTIC TEAM INSPIRES THE SALON ORGANIZATION AND BUILDS OUR AUTHORITY

**Desigual**®

TAORAY WANG
BEAUFILLE





FASHION WEEK NYC FALL 2016



## STRATEGIC **PRIORITIES**

- Focus on guest satisfaction, hire/retain best Beauty Gurus, and optimize business results
- Increase effectiveness of promotions
- Optimize payroll capacity





### Imperative #5

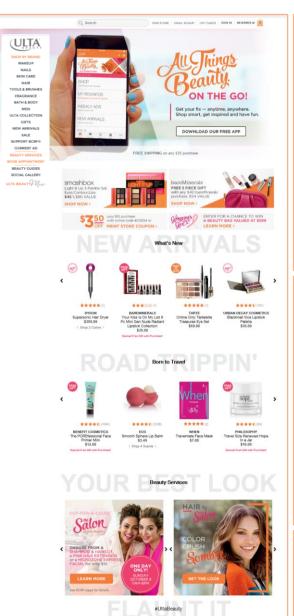
Grow stores and e-commerce to reach and serve more guests

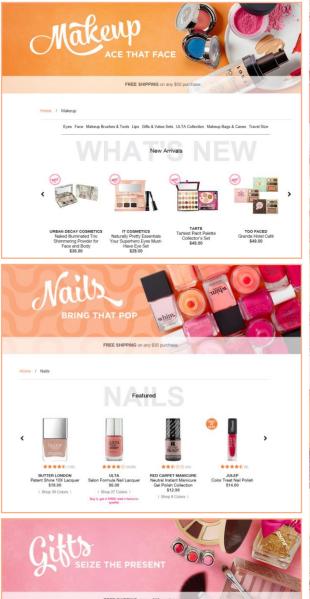




## CONTINUED RAPID E-COMMERCE GROWTH

ULTA.COM
EXPECTED TO REACH
\$1 BILLION IN SALES
OVER NEXT FIVE YEARS







#### REAL ESTATE VISION

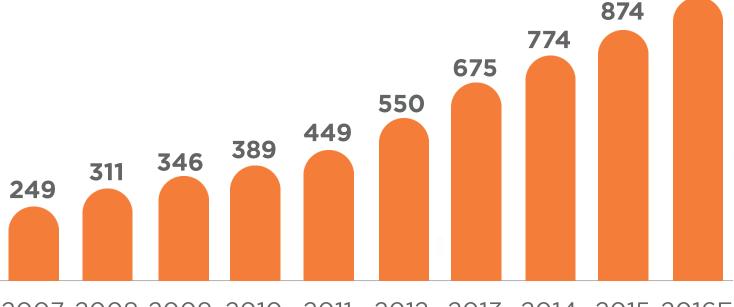
### MAKE ULTA BEAUTY ACCESSIBLE AND CONVENIENT TO MORE CONSUMERS ACROSS A VARIETY OF MARKETS

- Open ~100 high-performing stores per year
- Continue to roll out boutiques (hundreds more planned for FY 2017)
- Remodel stores to lower average store age from 6.0 to 4.5 years
- Further penetrate suburban markets
- Increase small market penetration and selective urban market presence
- Continue to "test & learn"



### CONSISTENT EXECUTION OF REAL ESTATE STRATEGY





974

STORES AT YEAR END 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016E

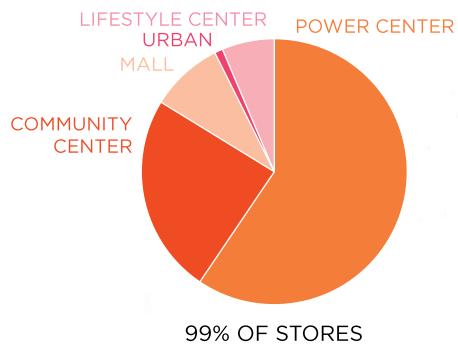


#### OVERVIEW OF REAL ESTATE FOOTPRINT

#### 907 ULTA BEAUTY STORE LOCATIONS (Q2 2016)



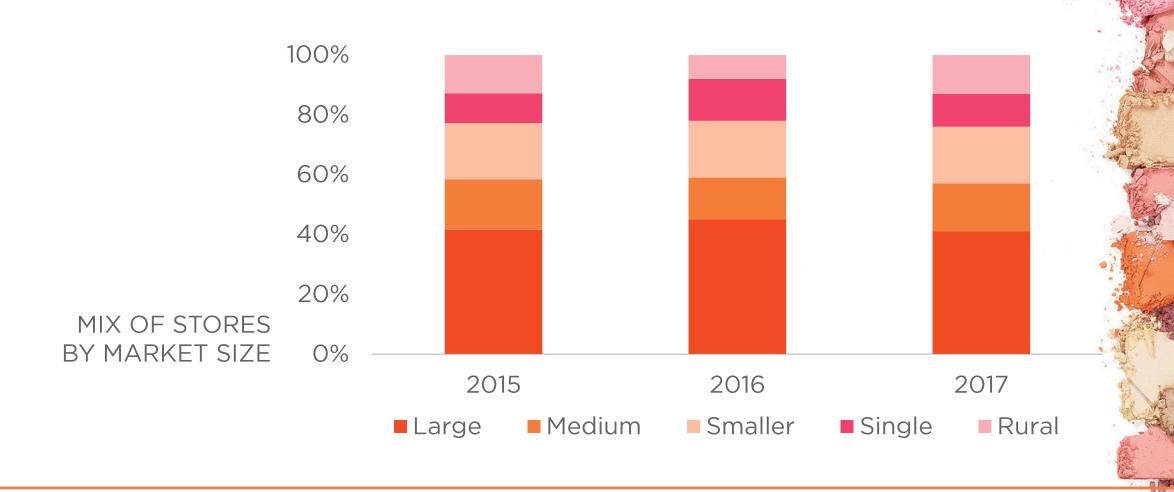
#### **STORE LOCATIONS BY TYPE**



99% OF STORES
ARE CURRENT FORMAT
(LEVEL 6 OR ABOVE)



# CONSISTENT MIX OF MARKET SIZES **EACH YEAR**





# UPDATED STORE MODEL: COST TO BUILD

#### NET COST TO OPEN A NEW 10,000 SQ FT STORE: \$1.4 MILLION

Leasehold and Fixtures	Inventory	Pre-Opening Expense	Total Investment
\$1.3M Gross	\$0.9M	\$0.1M	\$2.3M Gross
-\$0.6M Landlord allowances	-\$0.3 Accounts payable		\$0.9M
\$0.7M Net	\$0.6M Net	\$0.1M	\$1.4M Net

#### **PAYBACK PERIOD = TWO YEARS**



#### REAL ESTATE IS A CORE COMPETENCY

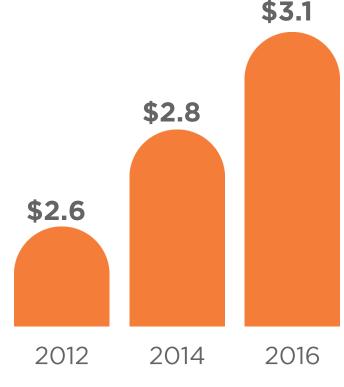
### IMPROVING ACCESS TO PREMIUM REAL ESTATE

 Ulta Beauty continues to be viewed as a highly desirable, retailer of choice within the landlord and developer community

### STRONG NEW STORE PRODUCTIVITY

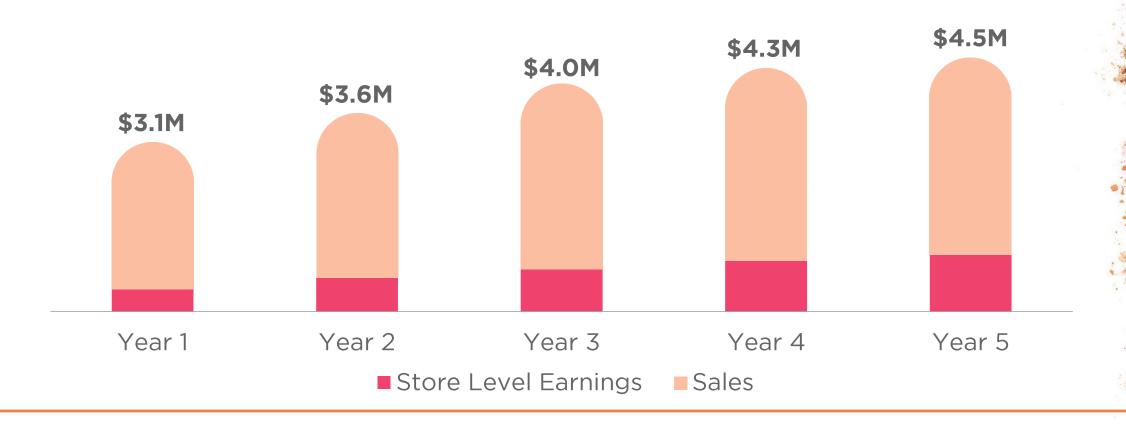
 New store performance continues to exceed first year budget and IRR hurdles







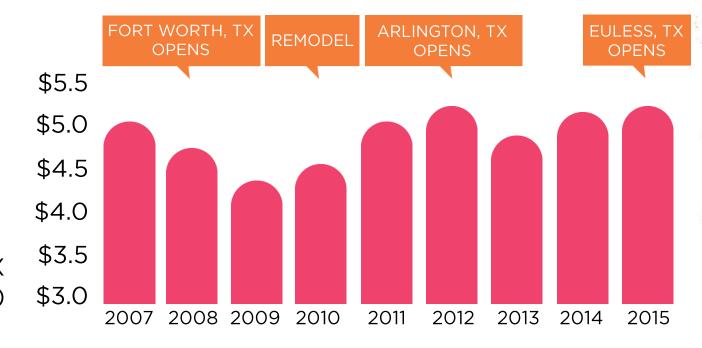
# UPDATED STORE MATURATION MODEL REFLECTS HIGHER NEW STORE PRODUCTIVITY, IMPROVING MERCHANDISE ASSORTMENT, AND STRONGER BRAND AWARENESS





# CANNIBALIZATION IS NOT SIGNIFICANT AND **DECREASING OVER TIME**

Hurst, Texas store was impacted by three new store openings in Fort Worth, Arlington and Euless but sales have recovered each time



HURST, TX SALES (\$M)



### ENGAGED THIRD PARTY TO REFRESH OUR STORE GROWTH STRATEGY

### REAL ESTATE ANALYTICS MODEL HAS THREE PRIMARY COMPONENTS:

- Site Sales Forecasting Model
- Supportable Store Site Map
- SiteIntel Tool

#### **ASSUMPTIONS INCLUDE:**

 Minimum First Year Sales, Cannibalization, Competition, New Store Comps During Maturation, Demographics, Psychographics



#### KEY EXPANSION OPPORTUNITIES

ACTION	RATIONALE	
FURTHER PENETRATE EXISTING SUBURBAN MARKETS	<ul> <li>Ulta Beauty's growing brand awareness indicates slightly fewer households required to support new store growth – cannibalization from existing stores low with strong "bounce back" year two of new store</li> </ul>	
EXPAND SMALL MARKET PENETRATION	<ul> <li>Single store markets typically have a single low rent shopping center dominating traffic</li> <li>Limited competition drives Ulta Beauty's share of wallet, despite lower income levels</li> </ul>	
BEGIN TO DEVELOP URBAN MARKETS	<ul> <li>Focus on proven, high performance retail centers and presence of complementary co-tenants to mitigate risks and maximize traffic given higher rent</li> </ul>	



# NEW MODEL PROJECTS LONG-TERM BUILD OUT OF UP TO 1,700 STORES

#### **UPDATED REAL ESTATE MODEL**

Forecasted Stores: 1,400 - 1,700

~500-800 incremental stores vs. Q2 2016

#### ADDITIONAL ANALYSES VALIDATED THIRD PARTY MODEL

BOTTOMS-UP: Localized Retail Analysis

 Local knowledge of consumer, competition, and market dynamics to determine new store opportunities TOPS-DOWN METHOD: Demographic Analysis

 Ulta Beauty household / store data applied across MSAs to approximate incremental stores

#### MSA RETAIL MARKET SHARE METHOD

Ulta Beauty share
 assuming we achieve
 current share in our
 most penetrated
 markets across the
 majority of the markets

#### RETAILER BENCHMARK METHOD

 Ulta Beauty stores benchmarked vs. other retailers per market to forecast future stores









Imperative #6

Invest in infrastructure to support our guest experience and growth, and capture scale efficiencies





# SUPPLY CHAIN VISION

EXPANDED AND OPTIMIZED END TO END SUPPLY CHAIN THAT IMPROVES OPERATIONAL EFFICIENCY, PERFORMANCE, AND GUEST EXPERIENCE.

- Enhanced systems and processes to support enterprise strategic objectives
- Improved guest order to delivery fulfillment speed
- Single view of inventory available for sale
- Optimized DC network





# REFRESHER ON SUPPLY CHAIN INVESTMENT BENEFITS - **NEW DCs AND SYSTEMS**

- Higher delivery frequency
- Shelf-ready cartonization / categorization
- Greater inventory efficiency
- Lower transportation costs
- DC labor savings
- Allocation / forecasting and replenishment accuracy and efficiency
- Faster e-commerce processing times
- Enabling of assortment segmentation





## FOUNDATIONAL IMPERATIVES FOR SUPPLY CHAIN NETWORK OF THE FUTURE

#### **CAPACITY FOR GROWTH**

More guests, stores, products and vendors

#### HIGHER SERVICE LEVELS

Faster delivery, higher quality, more consistency

#### **GREATER COST EFFICIENCIES**

Lower costs, greater inventory productivity

#### BETTER SYSTEMS, TOOLS, PROCESSES AND TRAINING

Capabilities to manage complex business more effectively

#### MORE VISIBILITY AND AGILITY

Real-time data, insights and decision support

#### **GREATER COLLABORATION AND PARTNERSHIP**

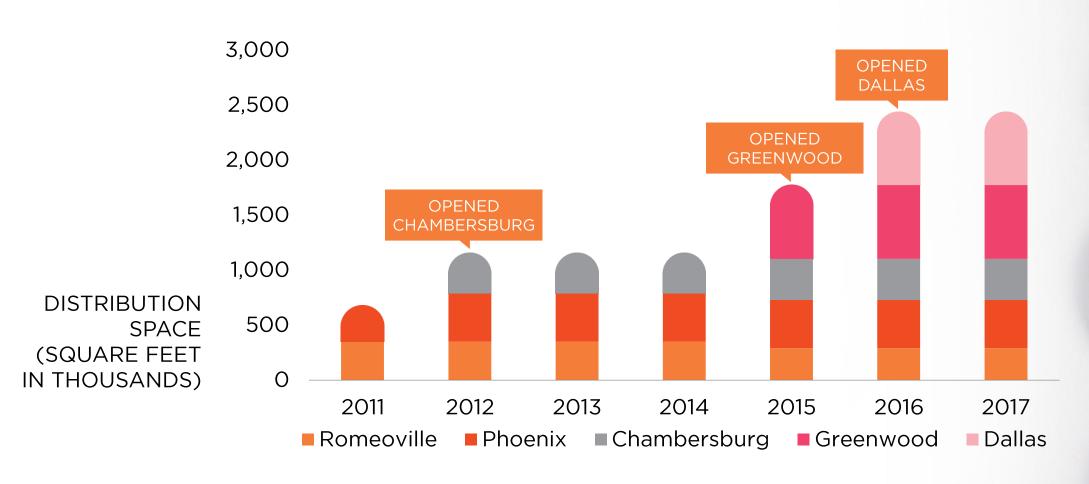
Within supply chain, across the enterprise and with vendor partners







# DRAMATICALLY INCREASED DISTRIBUTION CAPACITY IN 2015 AND 2016





# GREENWOOD DC SUCCESSFULLY RAMPING

- Opened Greenwood, Indiana Distribution Center in August 2015
- Expected to serve more than
   220 stores and 45K e-commerce
   orders per day by holiday





# NEW DALLAS DC OPENED IN JULY 2016

- Expected to serve more than 130 stores and 25K e-commerce orders per day by the end of 2016
- Benefits include more stable retail cartons, increased categorization and improved labeling







#### OPTIMIZING OUR DISTRIBUTION NETWORK

**GOING FORWARD** 

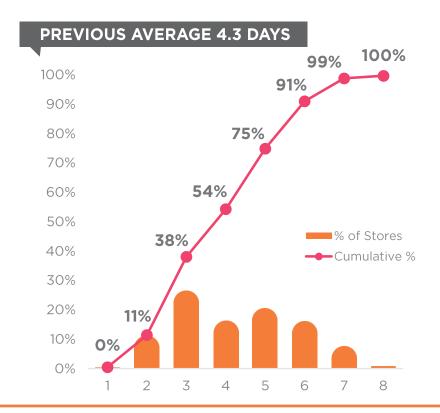


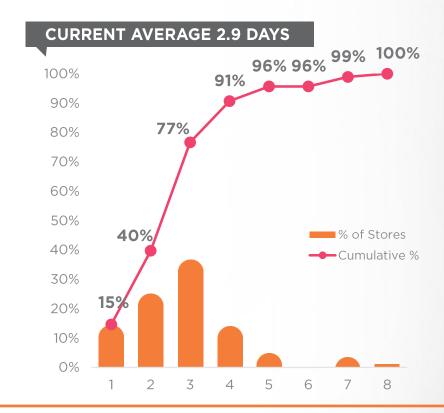




# PROCESS CHANGES HAVE DRIVEN A 75% INCREASE IN THE NUMBER OF STORES THAT ARE PICKED, SHIPPED, AND DELIVERED WITHIN THE SAME WEEK

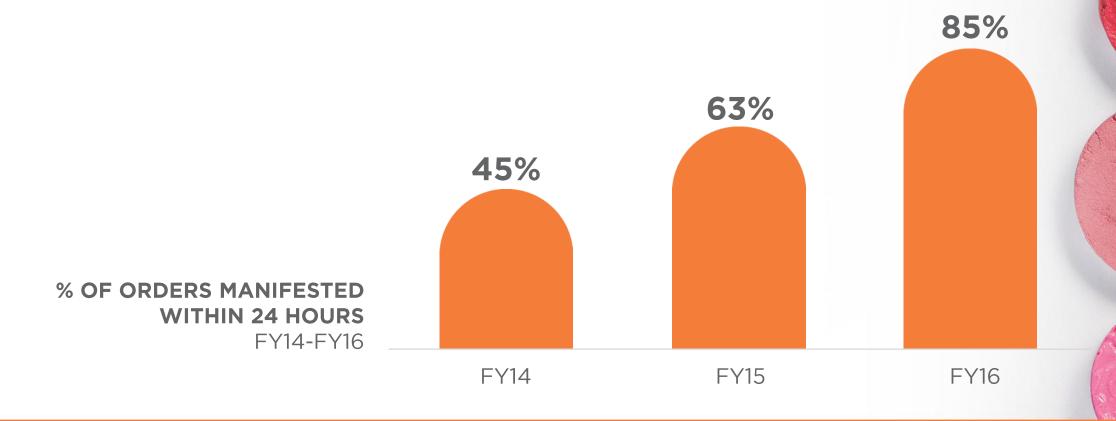
#### RETAIL ORDER TO DELIVERY LEAD TIME







# CONTINUED FOCUS ON IMPROVING E-COMMERCE ORDER DELIVERY SPEED





#### NEW **OPERATING MODEL**

### INCREASES EFFICIENCY AND LOWERS TRANSPORTATION COSTS

with more categorization and shelf-ready packaging











### FUTURE END TO END SUPPLY CHAIN COST EFFICIENCIES

- Enhanced analysis of SKU rank, contribution, and velocity to improve inventory management
- Continued optimization of new DC operating model through process and automation
- Realization of benefits from store friendly shipments
- Robust operational planning to align product flow with DC labor and capacity
- Improved understanding of total cost to serve







### IMPLEMENTING CORE MERCHANDISING SYSTEMS

TO DRIVE EFFICIENCIES IN FORECASTING, REPLENISHMENT, SPACE PLANNING, AND ASSORTMENT OPTIMIZATION





Category

Management

Assortment Optimization





# MAXIMIZING INVENTORY TO SATISY GUEST DEMAND

**SWIFT = S**tore Warehouse Inventory Fulfillment Tool

- Robust, forward looking demand forecasting and replenishment solution
- Allows Ulta Beauty to more efficiently support the flow of our unique beauty assortments
- Improves guest experience and presentation
- All categories currently live





#### **SWIFT**

#### RESULTS TO DATE / GOING FORWARD

- Store level in-stocks +30 bps vs. LY
- 72% of total inventory in stores vs. 66% LY
- DC level in-stocks +100 bps vs. LY
- Looking ahead: optimize inventory via SWIFT while protecting the business trajectory
  - Expect lower inventory per store growth and modest inventory turn improvement in 2017
  - Balancing inventory optimization with adequate visual presentation





### INTEGRATING VENDOR INFORMATION

PIM - Product Information Management

- Aligns product information across all channels
- Improves data governance
- Easier and more accurate item setup
- Pilot launched January 2016
- All brand partners have been transitioned

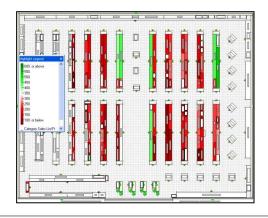


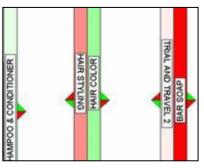


### ENHANCING SPACE PRODUCTIVITY AND CATEGORY MANAGEMENT

### FLOOR & SPACE PLANNING BENEFITS:

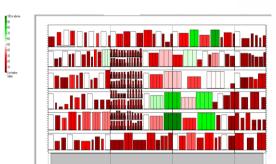
- Better assortment/adjacency decisions
- Drive collaboration with brand partners on SKU selection
- Improve accuracy and in-store execution





### ASSORTMENT OPTIMIZATION BENEFITS:

- Cluster specific assortments
- Visual view of performance
- Earlier and more productive discussion of assortment plans
- Improved customer satisfaction / sales









# INITIATIVES TO IMPROVE FUTURE **SUPPLY CHAIN VISIBILITY AND AGILITY**

- Piloting transportation management system capability focused on creating greater visibility to end-to-end inbound freight movement
- Launched a multi-year initiative to create a single view of inventory available for sale, accurate for both stores and DCs
- Enhancing internal e-commerce order tracking capabilities to support improved service levels







### SUPPLIER **COLLABORATION**

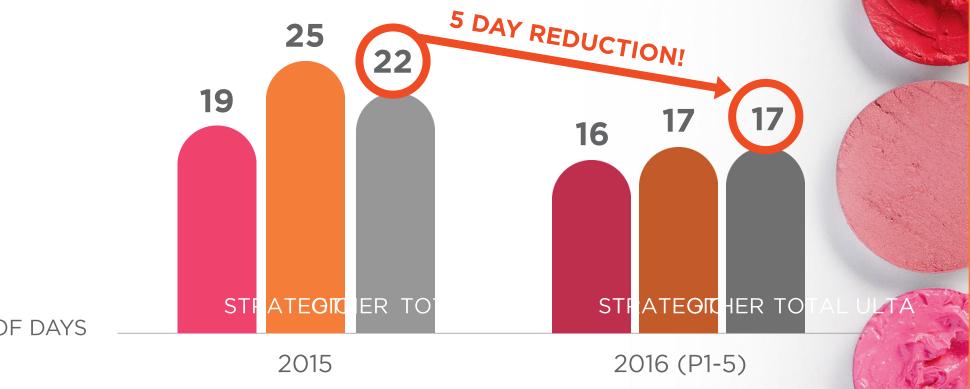
PROGRESS TO GOALS (RESULTS OF VENDOR SCORECARD)

- Vendor to DC lead time reduction
- Lead time variance goal set
- On-time delivery goal established
- Fill rate YoY improvement





### MEANINGFUL IMPROVEMENT IN BRAND PARTNER TO DC LEAD TIMES



NUMBER OF DAYS



#### SUPPLIER **COLLABORATION**

#### **LOOKING AHEAD:**

- Develop a world class vendor management program that sets us apart as the beauty retailer of choice: driving optimal performance while maintaining a win together approach with our brand partners
- Benefits for Ulta Beauty and brand partners:
  - Revenue Growth
  - Cost Reduction
  - Effectiveness





### SUPPLY CHAIN STRATEGY BENEFITS

- Ensure appropriate capacity for long term store and e-commerce growth plan and evolving guest expectations
- Enable better merchandising decisions to drive sales and margin expansion
- Drive more efficient e-commerce fulfillment and improve service levels
  - o Expect to improve e-commerce order to delivery speed to 95% within 3 days by 2018 (non peak)
- Improve in-store experience by reallocating labor hours to customer facing activities
- Increase customer facing in-stock levels
- Optimize inventory despite increased complexity of merchandise assortment





### CONTINUOUS IMPROVEMENT TO IT INFRASTRUCTURE

- Upgraded systems for stores and distribution centers
- Enhanced IT security and compliance
  - Fully deployed EMV as of May 2016
- Implemented business continuity and disaster recovery programs







### UPDATING 2H 2016 GUIDANCE TO REFLECT **STRONG BUSINESS MOMENTUM**

#### **THIRD QUARTER OF 2016**

- Comparable sales, including e-commerce sales, are expected to INCREASE 14% TO 15% (vs. +11% to 13% prior)
- Earnings per share are expected to be in the range of \$1.35 to \$1.38 (vs. \$1.25 to \$1.30 prior)

#### **FISCAL YEAR 2016**

- Comparable sales, including e-commerce sales, are expected to INCREASE 12% TO 14% (vs. +11% to 13% prior)
- Earnings per share are expected to grow in the mid twenties % (vs. low to mid twenties prior)





#### FINANCIAL TARGETS 2017 - 2019

- Deliver earnings per share GROWTH IN THE LOW 20% RANGE
  - o Despite growing from a much bigger base than in the 2014 plan
  - Reflects the core business with share repurchases to offset dilution; does NOT include more aggressive buy-backs, leverage or incremental growth opportunities such as international
- Top line drivers:
  - Deliver annual comparable sales growth between
     7% AND 9% (vs. 5% and 7% prior)
  - Open ~100 stores per year
  - Grow e-commerce to represent ~10% of sales
- Deliver ~200 BASIS POINTS OF OPERATING MARGIN EXPANSION to achieve mid-teens operating margin target by the end of 2019



### ROADMAP TO 200 BPS OF **OPERATING MARGIN EXPANSION**

- Store rent and occupancy leverage
- Supply chain efficiencies: labor savings, lower e-commerce fulfillment costs, savings driven by recently implemented core merchandising systems
- Corporate overhead efficiencies through process improvement and scale
- Modest advertising expense leverage

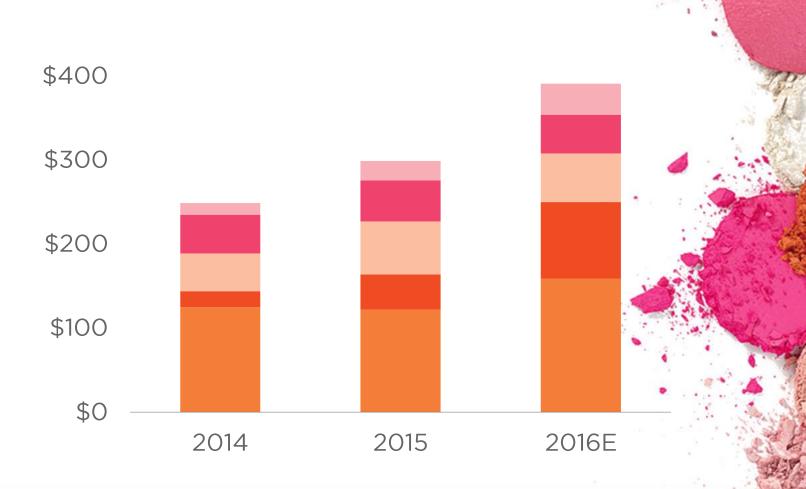




### CAPITAL EXPENDITURES FUNDING MULTIPLE STRATEGIC INITIATIVES



- Supply Chain
- IT
- Merchandising
- New, Remodeled, Relocated Stores





### MODELING **ASSUMPTIONS**

- Capex: anticipate similar levels as 2016 for 2017, declining to mid \$300M levels in 2018 and 2019
- Deprecation and amortization

2017	2018	2019
\$250M	\$270M	\$290M

Tax rate expected to remain stable at ~38%





#### WORKING CAPITAL **OUTLOOK**

## SIGNIFICANT ASSORTMENT EVOLUTION IMPACTING INVENTORY TURNS BUT DRIVING SALES AND MARGIN DOLLAR GROWTH

- Inventory per door will continue to rise with prestige brand boutiques, new brand additions
- More sophisticated supply chain capabilities will enable more customized assortments
- Inventory turns will improve modestly as access to new brands offsets supply chain efficiencies



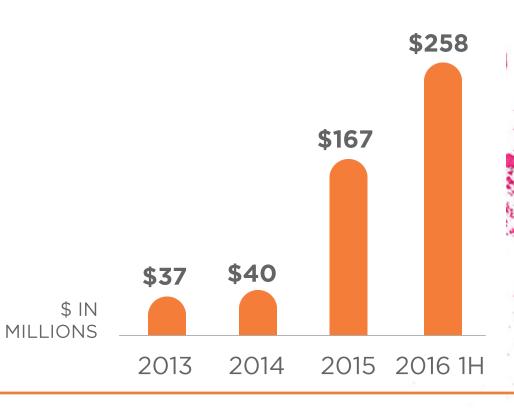


### CAPITAL ALLOCATION FOCUS REMAINS ON SHARE REPURCHASES

#### SHARE BUYBACK ACTIVITY:

- Repurchased ~1 million shares for \$167 million in FY2015
- IH 2016, including ASR and 10b5-1 plan, repurchased ~1.3 million shares at an average per share price of \$198.69
- \$193 million remaining repurchase authorization as of the end of Q2 2016
- Share repurchases expected to boost EPS by ~2% in 2016

#### **SHARE REPURCHASES**





### SUSTAINABLE LONG-TERM TOP AND BOTTOM LINE GROWTH

#### **DRIVERS**

- Sales strength: brand portfolio expansion, new member growth, new store productivity, e-commerce, share gains in key categories
- Reduction in discounts / increased focus on loyalty and CRM
- Operating efficiencies from supply chain and systems investments
- Credit card benefits supporting SG&A savings

#### **INVESTMENTS**

- Supply chain network
- E-commerce 95%3 day delivery
- Omni-channel initiatives
- Store payroll to support a richer guest experience
- IT capital for guest-facing systems
- Test and learn to drive innovation









# LEADING U.S. BEAUTY RETAILER OUTPACING EXECTATIONS AND COMPETITION SIGNIFICANT GROWTH OPPORTUNITIES STILL AHEAD

- Category and target consumer segment growth
- Clearly differentiated and relevant proposition
- Levers identified to continue to drive demand and comp growth
- Compelling unit growth plan
- Strong financial discipline
- Leadership and culture







