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 July 31, 2021

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 (State or other jurisdiction of incorporation or organization)	**38-4022268** (I.R.S. Employer Identification No.)
1000 Remington Blvd., Suite 120 **Bolingbrook, Illinois** (Address of principal executive offices)	**60440** (Zip code)

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ 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 August 23, 2021 was 54,357,566 shares.

ULTA BEAUTY, INC.
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Part I - Financial Information

Item 1. Financial Statements

Ulta Beauty, Inc.
Consolidated Balance Sheets

(In thousands, except per share data)	July 31, 2021	January 30, 2021	August 1, 2020
Assets	(Unaudited)		(Unaudited)
Current assets:			
Cash and cash equivalents	$ 770,144	$ 1,046,051	$ 1,157,318
Receivables, net	154,416	193,109	127,992
Merchandise inventories, net	1,443,685	1,168,215	1,368,543
Prepaid expenses and other current assets	108,145	107,402	102,713
Prepaid income taxes	18,544	—	42,622
Total current assets	2,494,934	2,514,777	2,799,188
Property and equipment, net	909,507	995,795	1,077,825
Operating lease assets	1,470,166	1,504,614	1,548,239
Goodwill	10,870	10,870	10,870
Other intangible assets, net	2,001	2,465	2,927
Deferred compensation plan assets	36,396	33,223	28,789
Other long-term assets	30,711	28,225	29,283
Total assets	$ 4,954,585	$ 5,089,969	$ 5,497,121
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	$ 535,257	$ 477,052	$ 398,011
Accrued liabilities	313,372	296,334	201,754
Deferred revenue	265,462	274,383	216,545
Current operating lease liabilities	267,442	253,415	245,019
Accrued income taxes	—	42,529	—
Total current liabilities	1,381,533	1,343,713	1,061,329
Non-current operating lease liabilities	1,585,539	1,643,386	1,718,549
Long-term debt	—	—	800,000
Deferred income taxes	64,535	65,359	94,272
Other long-term liabilities	43,165	37,962	52,178
Total liabilities	3,074,772	3,090,420	3,726,328
Commitments and contingencies (Note 7)			
Stockholders' equity:			
Common stock, $0.01 par value, 400,000 shares authorized; 55,160, 56,952 and 57,014 shares issued; 54,446, 56,260 and 56,323 shares outstanding; at July 31, 2021 (unaudited), January 30, 2021, and August 1, 2020 (unaudited), respectively	551	569	570
Treasury stock-common, at cost	(44,775)	(37,801)	(37,513)
Additional paid-in capital	889,206	847,303	822,664
Retained earnings	1,034,831	1,189,422	985,042
Accumulated other comprehensive income	—	56	30
Total stockholders' equity	1,879,813	1,999,549	1,770,793
Total liabilities and stockholders' equity	$ 4,954,585	$ 5,089,969	$ 5,497,121

See accompanying notes to consolidated financial statements.

Ulta Beauty, Inc.
Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share data)	13 Weeks Ended		26 Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net sales	$ 1,967,207	$ 1,228,009	$ 3,905,726	$ 2,401,219
Cost of sales	1,169,244	899,002	2,353,975	1,768,607
Gross profit	797,963	329,007	1,551,751	632,612
Selling, general and administrative expenses	464,299	271,587	908,174	652,499
Impairment, restructuring and other costs	—	40,758	—	60,300
Pre-opening expenses	1,357	3,907	5,946	8,542
Operating income (loss)	332,307	12,755	637,631	(88,729)
Interest expense, net	425	2,617	783	3,889
Income (loss) before income taxes	331,882	10,138	636,848	(92,618)
Income tax expense (benefit)	80,989	2,086	155,666	(22,161)
Net income (loss)	$ 250,893	$ 8,052	$ 481,182	$ (70,457)
Net income (loss) per common share:				
Basic	$ 4.59	$ 0.14	$ 8.71	$ (1.25)
Diluted	$ 4.56	$ 0.14	$ 8.66	$ (1.25)
Weighted average common shares outstanding:				
Basic	54,675	56,318	55,235	56,369
Diluted	55,014	56,497	55,592	56,369

See accompanying notes to consolidated financial statements.

Ulta Beauty, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	13 Weeks Ended		26 Weeks Ended	
(In thousands)	**July 31, 2021**	**August 1, 2020**	**July 31, 2021**	**August 1, 2020**
Net income (loss)	$ 250,893	$ 8,052	$ 481,182	$ (70,457)
Other comprehensive income:				
Foreign currency translation adjustments	—	105	—	30
Comprehensive income (loss)	$ 250,893	$ 8,157	$ 481,182	$ (70,427)

See accompanying notes to consolidated financial statements.

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

(In thousands)	26 Weeks Ended July 31, 2021	26 Weeks Ended August 1, 2020
Operating activities		
Net income (loss)	$ 481,182	$ (70,457)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	139,577	154,029
Non-cash lease expense	137,521	132,808
Long-lived asset impairment charge	—	59,997
Deferred income taxes	(824)	4,905
Stock-based compensation expense	19,097	14,595
Loss on disposal of property and equipment	1,703	2,273
Change in operating assets and liabilities:		
Receivables	38,693	11,345
Merchandise inventories	(275,470)	(74,842)
Prepaid expenses and other current assets	(741)	854
Income taxes	(61,074)	(26,235)
Accounts payable	59,360	(18,486)
Accrued liabilities	17,858	(32,901)
Deferred revenue	(8,921)	(20,990)
Operating lease liabilities	(146,892)	(137,383)
Other assets and liabilities	344	16,477
Net cash provided by operating activities	401,413	15,989
Investing activities		
Proceeds from short-term investments	—	110,000
Capital expenditures	(57,305)	(77,090)
Acquisitions, net of cash acquired	—	(1,220)
Purchases of equity investments	—	(5,386)
Net cash provided by (used in) investing activities	(57,305)	26,304
Financing activities		
Proceeds from long-term debt	—	800,000
Repurchase of common shares	(635,793)	(72,981)
Stock options exercised	22,808	577
Purchase of treasury shares	(6,974)	(3,065)
Debt issuance costs	—	(1,861)
Net cash provided by (used in) financing activities	(619,959)	722,670
Effect of exchange rate changes on cash and cash equivalents	(56)	30
Net increase (decrease) in cash and cash equivalents	(275,907)	764,993
Cash and cash equivalents at beginning of period	1,046,051	392,325
Cash and cash equivalents at end of period	$ 770,144	$ 1,157,318
Supplemental information		
Cash paid for interest	$ 1,057	$ 3,132
Income taxes paid, net of refunds	216,831	2,287
Non-cash capital expenditures	18,511	19,176

See accompanying notes to consolidated financial statements.

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

	Common Stock		Treasury - Common Stock					
(In thousands)	Issued Shares	Amount	Treasury Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance – January 30, 2021	56,952	$ 569	(692)	$ (37,801)	$ 847,303	$ 1,189,422	$ 56	$ 1,999,549
Net income	—	—	—	—	—	230,289	—	230,289
Stock-based compensation	—	—	—	—	8,978	—	—	8,978
Foreign currency translation adjustments	—	—	—	—	—	—	(56)	(56)
Stock options exercised and other awards	94	1	—	—	5,031	—	—	5,032
Purchase of treasury shares	—	—	(21)	(6,766)	—	—	—	(6,766)
Repurchase of common shares	(1,243)	(12)	—	—	—	(392,297)	—	(392,309)
Balance – May 1, 2021	55,803	$ 558	(713)	$ (44,567)	$ 861,312	$ 1,027,414	$ —	$ 1,844,717
Net income	—	—	—	—	—	250,893	—	250,893
Stock-based compensation	—	—	—	—	10,119	—	—	10,119
Stock options exercised and other awards	104	1	—	—	17,775	—	—	17,776
Purchase of treasury shares	—	—	(1)	(208)	—	—	—	(208)
Repurchase of common shares	(747)	(8)	—	—	—	(243,476)	—	(243,484)
Balance – July 31, 2021	55,160	$ 551	(714)	$ (44,775)	$ 889,206	$ 1,034,831	$ —	$ 1,879,813

See accompanying notes to consolidated financial statements.

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

(In thousands)	Common Stock Issued Shares	Common Stock Amount	Treasury - Common Stock Treasury Shares	Treasury - Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance – February 1, 2020	57,285	$ 573	(676)	$ (34,448)	$ 807,492	$ 1,128,477	$ —	$ 1,902,094
Net loss	—	—	—	—	—	(78,509)	—	(78,509)
Stock-based compensation	—	—	—	—	6,182	—	—	6,182
Foreign currency translation adjustments	—	—	—	—	—	—	(75)	(75)
Stock options exercised and other awards	45	—	—	—	250	—	—	250
Purchase of treasury shares	—	—	(15)	(3,002)	—	—	—	(3,002)
Repurchase of common shares	(327)	(3)	—	—	—	(72,978)	—	(72,981)
Balance – May 2, 2020	57,003	$ 570	(691)	$ (37,450)	$ 813,924	$ 976,990	$ (75)	$ 1,753,959
Net income	—	—	—	—	—	8,052	—	8,052
Stock-based compensation	—	—	—	—	8,413	—	—	8,413
Foreign currency translation adjustments	—	—	—	—	—	—	105	105
Stock options exercised and other awards	11	—	—	—	327	—	—	327
Purchase of treasury shares	—	—	—	(63)	—	—	—	(63)
Balance – August 1, 2020	57,014	$ 570	(691)	$ (37,513)	$ 822,664	$ 985,042	$ 30	$ 1,770,793

See accompanying notes to consolidated financial statements.

Ulta Beauty, Inc.
Notes to Consolidated Financial Statements
(In thousands, except per share and store count data) (Unaudited)

1. Business and basis of presentation

The Company was founded in 1990 to operate specialty retail stores selling cosmetics, fragrance, haircare and skincare products, and related accessories and services. The stores also feature full-service salons. 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 July 31, 2021, the Company operated 1,296 stores across 50 states, as shown in the table below.

Location	Number of stores	Location	Number of stores
Alabama	24	Montana	6
Alaska	3	Nebraska	5
Arizona	30	Nevada	15
Arkansas	11	New Hampshire	8
California	162	New Jersey	43
Colorado	26	New Mexico	7
Connecticut	18	New York	51
Delaware	3	North Carolina	36
Florida	90	North Dakota	3
Georgia	39	Ohio	45
Hawaii	4	Oklahoma	21
Idaho	9	Oregon	16
Illinois	55	Pennsylvania	44
Indiana	24	Rhode Island	3
Iowa	11	South Carolina	22
Kansas	13	South Dakota	3
Kentucky	15	Tennessee	28
Louisiana	18	Texas	119
Maine	3	Utah	14
Maryland	27	Vermont	1
Massachusetts	23	Virginia	30
Michigan	49	Washington	35
Minnesota	19	West Virginia	7
Mississippi	10	Wisconsin	20
Missouri	25	Wyoming	3
		Total	**1,296**

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 26 weeks ended July 31, 2021 are not necessarily indicative of the results to be expected for the fiscal year ending January 29, 2022, or for any other future interim period or for any future year, in particular as a result of the uncertainty around the continuing effects of the COVID-19 pandemic on future periods.

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 30, 2021. 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 30, 2021. 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 second quarter in fiscal 2021 and 2020 ended on July 31, 2021 and August 1, 2020, 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, including those related to the impacts of the COVID-19 pandemic, will be reflected in the consolidated financial statements in future periods.

Impairment of long-lived tangible and right-of-use assets

The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets. The asset group identified is at the store level and includes both property and equipment and operating lease assets.

Significant estimates are used in determining future cash flows of each store over its remaining lease term including our expectations of future projected cash flows including revenues and operating expenses. An impairment loss is recorded if the carrying amount of the long-lived asset exceeds its fair value.

Long-lived tangible and right-of-use assets are evaluated for indicators of impairment quarterly or when events or changes in circumstances indicate that their carrying amounts may not be recoverable. An undiscounted cash flow analysis is performed over the asset group. Asset groups are written down only to the extent that their carrying value exceeds their respective fair value. Fair values of the asset group are determined by discounting the cash flows at a rate that approximates the cost of capital of a market participant. Management's forecast of future cash flows is based on the income approach. The fair value of individual operating lease assets is determined under the market approach using estimated market rent assessments based on broker quotes.

The determination of fair value under the income approach requires assumptions including forecasts of future cash flows (such as revenue growth rates and operating expenses) and selection of a market-based discount rate. Estimates of market rent are based on non-binding broker quotes. As these inputs are unobservable, they are classified as Level 3 inputs under the fair value hierarchy (see Note 9, "Fair value measurements"). If actual results are not consistent with estimates and assumptions used in estimating future cash flows and asset fair values, there may be exposure to additional impairment losses in a future period (see Note 4, "Impairment, restructuring and other costs").

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted. The CARES Act, among other things, includes provisions relating to refundable payroll taxes, deferral of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The most significant relief measures which the Company qualifies for are the employee retention credit, payroll tax deferral, and technical corrections to tax depreciation.

The Company recognizes government grants for which there is a reasonable assurance of compliance with grant conditions and receipt of credits. The Company believes there is a reasonable assurance that it will comply with the relevant conditions of the employee retention credit provision of the CARES Act and that it will receive the credit. The Company will continue to assess the treatment of the CARES Act to the extent additional guidance and regulations are issued, the further applicability of the CARES Act, and the potential impacts on the business.

Employee retention credit (ERC) and payroll tax deferral. The ERC allows for a refundable tax credit against certain employment taxes equal to 50% of the first ten thousand dollars in qualified wages paid to each employee commencing on March 13, 2020 through January 1, 2021 and 70% of the first ten thousand dollars, per quarter, in qualified wages paid to each employee commencing on January 1, 2021 through December 31, 2021. To be eligible, the Company must (i) have had operations fully or partially suspended because of a governmental order, or (ii) have had gross receipts decline by more than 50% in a calendar quarter in fiscal 2020 or 20% in a calendar quarter in fiscal 2021, when compared to the same quarter in 2019. Qualified wages are limited to wages paid to employees who were not providing services due to the COVID-19 pandemic. During the 13 weeks ended July 31, 2021 and August 1, 2020, there was $1,048 and $48,181, respectively, related to the ERC recognized as a reduction of the associated costs within selling, general and administrative expenses on the consolidated statements of operations. During the 26 weeks ended July 31, 2021 and August 1, 2020, there was $3,387 and $48,181, respectively, related to the ERC recognized as a reduction of the associated costs within selling, general and administrative expenses on the consolidated statements of operations. The receivable for the ERC was $55,792, $52,405, and $48,181 as of July 31, 2021, January 30, 2021, and August 1, 2020, respectively.

Additionally, the CARES Act contains provisions for the deferral of the employer portion of social security taxes incurred through the end of calendar 2020. As of July 31, 2021, January 30, 2021, and August 1, 2020, there was $43,845, $43,845, and $18,709, respectively, of social security tax payments deferred, of which 50% are required to be remitted by December 2021 and the remaining 50% by December 2022. The deferred amounts are recorded within accrued liabilities on the consolidated balance sheets.

Technical corrections to tax depreciation. The CARES Act also includes a technical correction of tax depreciation methods for qualified improvement property, which changes 39-year property to 15-year property eligible for 100% tax bonus depreciation. This provision of the CARES Act resulted in a cash tax refund of $4,600 relating to property and equipment, from filing an amendment to the Company's 2018 federal income tax return, during the 13 and 26 weeks ended August 1, 2020.

Recently adopted accounting pronouncements

Taxes – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes. The guidance removes certain exceptions for recognizing deferred taxes for equity method investments, performing intraperiod allocation, and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group, among others. This guidance is effective for interim and annual reporting periods beginning after December 15, 2020. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The transition requirements are dependent upon each amendment within this update and will be applied either prospectively or retrospectively. The Company adopted the new guidance as of January 31, 2021, and its adoption had no impact on the Company's consolidated financial position, results of operations, or cash flows.

3. Revenue

Net sales include retail stores and e-commerce merchandise sales as well as salon services and other revenue. Other revenue sources include the private label and co-branded credit card programs, as well as 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:

	13 Weeks Ended		26 Weeks Ended	
(Percentage of net sales)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Cosmetics (1)	43%	45%	44%	47%
Skincare (1)	17%	18%	18%	18%
Haircare products and styling tools (1)	21%	21%	20%	19%
Fragrance and bath	12%	9%	11%	8%
Services	4%	3%	4%	4%
Accessories and other (1)	3%	4%	3%	4%
	100%	100%	100%	100%

(1) Certain sales departments were reclassified between categories in the prior year to conform to current year presentation.

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 Rewards loyalty points and unredeemed Ulta Beauty gift cards. In addition, breakage on gift cards is recognized proportionately as redemption occurs.

The following table provides a summary of the changes included in deferred revenue during the 13 and 26 weeks ended July 31, 2021 and August 1, 2020:

	13 weeks ended		26 weeks ended	
(In thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Beginning balance	$ 253,172	$ 206,653	$ 269,032	$ 230,011
Additions to contract liabilities (1)	91,824	50,448	183,929	92,672
Deductions to contract liabilities (2)	(88,769)	(49,355)	(196,734)	(114,937)
Ending balance	$ 256,227	$ 207,746	$ 256,227	$ 207,746

(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 $9,235 and $8,799 at July 31, 2021 and August 1, 2020, respectively.

4. Impairment, restructuring and other costs

The following table provides a summary of the impairment, restructuring and other costs in the consolidated statements of operations:

	13 weeks ended	26 weeks ended
(In thousands)	August 1, 2020	August 1, 2020
Impairment of long-lived tangible and right-of-use assets (1)	$ 20,886	$ 40,428
Store closures		
Impairment of long-lived tangible and right-of-use assets (1)	$ 19,569	$ 19,569
Severance (2)	303	303
Total store closures	19,872	19,872
Total (3)	$ 40,758	$ 60,300

(1) Amount included in the non-cash $59,997 long-lived asset impairment charge on the consolidated statements of cash flows for the 26 weeks ended August 1, 2020.

(2) As of August 1, 2020, there was $303 in accrued liabilities on the consolidated balance sheets for severance related to store closures. There was no liability for severance related to store closures as of July 31, 2021.

(3) There were no impairment, restructuring and other costs recognized during the 13 and 26 weeks ended July 31, 2021.

Impairment of long-lived tangible and right-of-use assets. As a result of the COVID-19 pandemic, the Company experienced lower than projected revenues and identified indicators of impairment for certain retail stores during the 13 and 26 weeks ended August 1, 2020. The Company's analysis indicated that the carrying values of certain long-lived tangible and right-of-use assets exceeded their respective fair values. As a result, the Company recognized impairment charges related to certain retail stores during the 13 and 26 weeks ended August 1, 2020. These impairment costs were primarily driven by lower than projected revenues, lower market rate assessments, and the effect of temporary store closures as a result of the COVID-19 pandemic. The Company also recorded long-lived tangible and right-of-use asset impairment charges related to store closures during the 13 and 26 weeks ended August 1, 2020 as described below.

Store closures and other costs. During the second quarter of fiscal 2020, the Company announced that after evaluating its store portfolio, it would permanently close 19 stores in the third quarter of fiscal 2020. Accordingly, for the 13 and 26 weeks ended August 1, 2020, the Company recognized impairment, restructuring and other costs related to store closures. The impairment charges reduced the carrying value of the long-lived tangible and right-of-use assets to their fair value.

5. Goodwill and other intangible assets

Goodwill, which represents the excess of cost over the fair value of net assets acquired, was $10,870 at July 31, 2021, January 30, 2021, and August 1, 2020. No additional goodwill was recognized during the 13 and 26 weeks ended July 31, 2021. 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.

6. Leases

The Company leases retail stores, distribution centers, fast fulfillment centers, corporate offices, and certain equipment under non-cancelable operating leases with various expiration dates through 2033. 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, and fast 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 for the 13 and 26 weeks ended July 31, 2021 and August 1, 2020:

	13 weeks ended		26 weeks ended	
(In thousands)	**July 31, 2021**	**August 1, 2020**	**July 31, 2021**	**August 1, 2020**
Operating lease cost	$ 76,776	$ 75,699	$ 155,512	$ 153,232

Other information

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

	26 Weeks Ended	
(In thousands)	July 31, 2021	August 1, 2020
Cash paid for operating lease liabilities (1)	$ 182,161	$ 175,881
Operating lease assets obtained in exchange for operating lease liabilities (non-cash)	103,073	162,603

(1) Excludes $16,923 and $18,149 related to cash received for tenant incentives for the 26 weeks ended July 31, 2021 and August 1, 2020, respectively.

7. 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 consolidated financial position, results of operations or cash flows.

8. Debt

On March 11, 2020, the Company entered into Amendment No. 1 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, provides maximum revolving loans equal to the lesser of $1,000,000 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, 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% to 0.125% or the London Interbank Offered Rate plus a margin of 1.125% to 1.250%, with such margins based on the Company’s borrowing availability, and the unused line fee is 0.20% per annum.

As of July 31, 2021 and January 30, 2021, there were no borrowings outstanding under the credit facility. As of August 1, 2020, there was $800,000 outstanding under the credit facility and the weighted average interest rate was 1.59% for the 26 weeks ended August 1, 2020.

As of July 31, 2021, the Company was in compliance with all terms and covenants of the Loan Agreement.

9. Fair value measurements

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

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.

As of July 31, 2021, January 30, 2021, and August 1, 2020, there were liabilities related to the non-qualified deferred compensation plan included in other long-term liabilities on the consolidated balance sheets of $38,077, $32,909, and $27,283, 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.

Some assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. These assets can include long-lived assets and goodwill that are reduced to fair value when impaired. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs.

10. Investments

Investments in renewable energy projects are accounted for under the equity method of accounting. The balance of these investments was $3,146, $3,174, and $5,110 as of July 31, 2021, January 30, 2021, and August 1, 2020, respectively, and is included in other long-term assets on the consolidated balance sheets. The Company did not contribute capital or receive investment tax credits during the 26 weeks ended July 31, 2021. The Company contributed capital of $5,386 and received distributions including $1,291 of investment tax credits during the 26 weeks ended August 1, 2020.

11. 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:

	26 Weeks Ended	
	July 31, 2021	August 1, 2020
Volatility rate	46.9%	43.0%
Average risk-free interest rate	0.4%	0.3%
Average expected life (in years)	3.9	3.4
Dividend yield	None	None

The Company granted 61 and 248 stock options during the 26 weeks ended July 31, 2021 and August 1, 2020, respectively. Stock-based compensation expense for stock options was $3,101 and $2,872 for the 13 weeks ended July 31, 2021 and August 1, 2020, respectively. Stock-based compensation expense for stock options was $5,998 and $5,347 for the 26 weeks ended July 31, 2021 and August 1, 2020, respectively. The weighted-average grant date fair value of these stock options was $109.72 and $54.40 for the 26 weeks ended July 31, 2021 and August 1, 2020, respectively. At July 31, 2021, there was approximately $17,216 of unrecognized stock-based compensation expense related to unvested stock options.

There were 58 and 158 restricted stock units issued during the 26 weeks ended July 31, 2021 and August 1, 2020, respectively. Stock-based compensation expense for restricted stock units was $5,149 and $5,161 for the 13 weeks ended July 31, 2021 and August 1, 2020, respectively. Stock-based compensation expense for restricted stock units was $9,984 and $9,348 for the 26 weeks ended July 31, 2021 and August 1, 2020, respectively. At July 31, 2021, there was approximately $32,844 of unrecognized stock-based compensation expense related to restricted stock units.

There were 46 performance-based restricted stock units issued during the 26 weeks ended July 31, 2021. The Company did not issue any performance-based restricted stock units during the 26 weeks ended August 1, 2020. Stock-based compensation expense for performance-based restricted stock units was $1,869 and $380 for the 13 weeks ended July 31, 2021 and August 1, 2020, respectively. Stock-based compensation expense for performance-based restricted stock units was $3,115 for the 26 weeks ended July 31, 2021. Stock-based compensation benefit for performance-based restricted stock units was $100 for the 26 weeks ended August 1, 2020. At July 31, 2021, there was approximately $18,130 of unrecognized stock-based compensation expense related to performance-based restricted stock units.

12. 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 $80,989 for the 13 weeks ended July 31, 2021 represents an effective tax rate of 24.4%, compared to $2,086 of tax expense representing an effective tax rate of 20.6% for the 13 weeks ended August 1, 2020. The higher effective tax rate is primarily due to a decrease in the benefit of state tax credits compared to the 13 weeks ended August 1, 2020 as a result of an increase in pretax income.

Income tax expense of $155,666 for the 26 weeks ended July 31, 2021 represents an effective tax rate of 24.4%, compared to $22,161 of tax benefit representing an effective tax rate of 23.9% for the 26 weeks ended August 1, 2020. The higher effective tax rate is primarily due to a decrease in the benefit of state tax credits compared to the 26 weeks ended August 1, 2020 as a result of an increase in pretax income.

13. Net income (loss) per common share

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

(In thousands, except per share data)	13 Weeks Ended		26 Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Numerator:				
Net income (loss)	$ 250,893	$ 8,052	$ 481,182	$ (70,457)
Denominator:				
Weighted-average common shares – Basic	54,675	56,318	55,235	56,369
Dilutive effect of stock options and non-vested stock	339	179	357	—
Weighted-average common shares – Diluted	55,014	56,497	55,592	56,369
Net income (loss) per common share:				
Basic	$ 4.59	$ 0.14	$ 8.71	$ (1.25)
Diluted	$ 4.56	$ 0.14	$ 8.66	$ (1.25)

The denominator for diluted net income per common share for the 13 weeks ended July 31, 2021 and August 1, 2020 excludes 152 and 553 employee stock options and restricted stock units, respectively, due to their anti-dilutive effects. The denominator for diluted net income (loss) per common share for the 26 weeks ended July 31, 2021 and August 1, 2020 excludes 207 and 711 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.

14. Share repurchase program

On March 14, 2019, the Board of Directors authorized a share repurchase program (the 2019 Share Repurchase Program) pursuant to which the Company could repurchase up to $875,000 of the Company’s common stock. The 2019 Share Repurchase Program authorization revoked the previously authorized but unused amount of $25,435 from the earlier share repurchase program. The 2019 Share Repurchase Program did not have an expiration date but provided for suspension or discontinuation at any time.

On March 12, 2020, the Board of Directors authorized a share repurchase program (the 2020 Share Repurchase Program) pursuant to which the Company may repurchase up to $1,600,000 of the Company's common stock. The 2020 Share Repurchase Program authorization revoked the previously authorized but unused amount of $177,805 from the 2019 Share Repurchase Program. The 2020 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:

(In thousands)	26 Weeks Ended July 31, 2021	26 Weeks Ended August 1, 2020
Shares repurchased	1,990	327
Total cost of shares repurchased	$ 635,793	$ 72,981

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:

- The negative impacts the COVID-19 pandemic has had, and will continue to have, on our business, financial condition, profitability, cash flows, and supply chain, as well as consumer spending (including future uncertain impacts);
- epidemics, pandemics like COVID-19 or natural disasters that have and could continue to negatively impact sales;
- changes in the overall level of consumer spending and volatility in the economy, including as a result of the COVID-19 pandemic and/or government aid programs;
- a decline in operating results that has and may continue to lead to asset impairment and store closure charges;
- our ability to sustain our growth plans and successfully implement our long-range strategic and financial plan;
- 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;
- our ability to execute our Efficiencies for Growth cost optimization program;
- the possibility that cybersecurity 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;
- the possibility that the capacity of our distribution and order fulfillment infrastructure and the performance of our distribution centers and fast fulfillment centers may not be adequate to support our expected future growth plans;
- 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;
- our ability to attract and retain key executive personnel;
- 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 Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year

ended January 30, 2021, 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.

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, a compelling value proposition, 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 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.

We are the largest beauty retailer in the United States and the premier beauty destination for cosmetics, fragrance, skin care products, hair care products, and salon services. We provide unmatched product breadth, value, and convenience in a distinctive specialty retail environment. Key aspects of our business include: our ability to offer our guests a unique combination of more than 25,000 beauty products from across the categories of prestige and mass cosmetics, fragrance, haircare, prestige and mass skincare, bath and body products, and salon styling tools, as well as a full-service salon in every store featuring hair, skin, and brow services; our focus on delivering a compelling value proposition to our guests across all of our product categories; and convenience, as our stores are predominantly located in convenient, high-traffic locations such as power centers.

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) build omnichannel operations that more deeply connects guests across channels, 2) reimagine how guests experience and discover beauty, 3) drive market share growth through the deployment of winning category strategies, 4) deepen Ulta Beauty love and loyalty, 5) drive holistic cost optimization, and 6) develop our talent and strengthen our culture. We believe that the expanding U.S. beauty products and salon services industry, the shift in distribution channel of prestige beauty products from department stores to specialty retail stores, 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 increases in our comparable sales, opening new stores, and increasing omnichannel capabilities. Long term operating profit is expected to increase as a result of our ability to expand merchandise margin and leverage our fixed store costs with comparable sales increases and operating efficiencies offset by incremental investments in people, 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.

Impact of COVID-19

We continue to closely monitor the impact of COVID-19 on all facets of our business. As we navigated the impact of the COVID pandemic, we proactively took steps to optimize our cost structure, while also investing in new capabilities to support future growth. As of July 31, 2021, all our stores, salons and brow service offerings were open and operating under our Shop Safe Standards. We intend to resume skin and make-up services when it is safe to do so. Additionally, during the first half of fiscal 2021, as local restrictions lifted, we increased our operating hours and, as store traffic trends improved, we adjusted staffing levels to support the increased demand.

During the first half of fiscal 2021, we experienced an increase in sales driven primarily by the favorable impact from stronger consumer confidence, government stimulus payments and the easing of COVID-19 restrictions. While operations during the first half of fiscal 2021 did not appear to be negatively impacted, the COVID-19 pandemic had a material negative impact on fiscal 2020 operations and financial results and could have additional negative impacts in the future. The extent of the impact of pandemic on our business and financial results will depend on future developments, including, but not limited to, the potential temporary reclosing of certain stores, the potential temporary restrictions on certain store operating hours and/or in-store capacity, the duration of potential future quarantines, shelter-in-place and other travel restrictions within the U.S. and other affected countries, supply chain disruptions, the potential for increased freight costs and higher wholesale costs, the duration of the pandemic and any variants of the virus, the duration, timing and severity of the impact on consumer spending, the timing and effectiveness of vaccine distribution, vaccination rates, and how quickly and to what extent normal economic and operating conditions can resume.

Industry trends

Our research indicates that Ulta Beauty has captured meaningful market share across all categories over the last several years. However, the COVID-19 pandemic and its various impacts have changed consumer behavior and consumption of beauty products due to the closures of offices, retail stores and other businesses and the significant decline in social gatherings. Despite the overall beauty market decline in 2020, we expect the beauty category will return to growth in 2021 as consumers recover from the impacts of COVID-19, and 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.

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 sources include the private label and co-branded credit card programs, as well as 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 and salon services (including stores temporarily closed due to COVID-19), and e-commerce. 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;

- 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, including substantially all vendor allowances, which are treated as a reduction of merchandise costs;
- distribution costs including labor and related benefits, freight, rent, depreciation and amortization, real estate taxes, utilities, and insurance;
- shipping and handling costs;
- retail stores 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 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;
- 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.

Impairment, restructuring and other costs include long-lived asset impairment charges and restructuring costs associated with store closings.

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 expense (income), net includes both interest expense and income. 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 interest rates. Interest income represents interest from cash equivalents and short-term investments with maturities of twelve months or less from the date of purchase.

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 second quarter in fiscal 2021 and 2020 ended on July 31, 2021 and August 1, 2020, respectively. 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.

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

	13 Weeks Ended		26 Weeks Ended	
(Dollars in thousands)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net sales	$ 1,967,207	$ 1,228,009	$ 3,905,726	$ 2,401,219
Cost of sales	1,169,244	899,002	2,353,975	1,768,607
Gross profit	797,963	329,007	1,551,751	632,612
Selling, general and administrative expenses	464,299	271,587	908,174	652,499
Impairment, restructuring and other costs	—	40,758	—	60,300
Pre-opening expenses	1,357	3,907	5,946	8,542
Operating income (loss)	332,307	12,755	637,631	(88,729)
Interest expense, net	425	2,617	783	3,889
Income (loss) before income taxes	331,882	10,138	636,848	(92,618)
Income tax expense (benefit)	80,989	2,086	155,666	(22,161)
Net income (loss)	$ 250,893	$ 8,052	$ 481,182	$ (70,457)
Other operating data:				
Number of stores end of period	1,296	1,264	1,296	1,264
Comparable sales	56.3%	(26.7)%	60.9%	(31.1)%

	13 Weeks Ended		26 Weeks Ended	
(Percentage of net sales)	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	59.4%	73.2%	60.3%	73.7%
Gross profit	40.6%	26.8%	39.7%	26.3%
Selling, general and administrative expenses	23.6%	22.1%	23.3%	27.2%
Impairment, restructuring and other costs	0.0%	3.3%	0.0%	2.5%
Pre-opening expenses	0.1%	0.3%	0.1%	0.3%
Operating income (loss)	16.9%	1.1%	16.3%	(3.7)%
Interest expense, net	0.0%	0.2%	0.0%	0.1%
Income (loss) before income taxes	16.9%	0.9%	16.3%	(3.8)%
Income tax expense (benefit)	4.1%	0.2%	4.0%	(0.9)%
Net income (loss)	12.8%	0.7%	12.3%	(2.9)%

Comparison of 13 weeks ended July 31, 2021 to 13 weeks ended August 1, 2020

Net sales

Net sales increased $739.2 million or 60.2%, to $2.0 billion for the 13 weeks ended July 31, 2021, compared to $1.2 billion for the 13 weeks ended August 1, 2020. The net sales increase was primarily due to the favorable impact from improving consumer confidence and the easing of COVID-19 restrictions. The total comparable sales increase of 56.3% during the 13 weeks ended July 31, 2021 was driven by a 52.5% increase in transactions and a 2.5% increase in average ticket.

Gross profit

Gross profit increased $469.0 million or 142.5%, to $798.0 million for the 13 weeks ended July 31, 2021, compared to $329.0 million for the 13 weeks ended August 1, 2020. Gross profit as a percentage of net sales increased to 40.6% for the 13 weeks ended July 31, 2021, compared to 26.8% for the 13 weeks ended August 1, 2020. The increase in gross profit margin was primarily due to leverage of fixed costs, improvement in merchandise margins, favorable channel mix shifts, and leverage of salon expenses.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses increased $192.7 million or 71.0%, to $464.3 million for the 13 weeks ended July 31, 2021, compared to $271.6 million for the 13 weeks ended August 1, 2020. SG&A expenses as a percentage of net sales increased to 23.6% for the 13 weeks ended July 31, 2021, compared to 22.1% for the 13 weeks ended August 1, 2020, due to deleverage related to higher store payroll and benefits primarily due to less employee retention credits received under the CARES Act, and higher marketing expense, partially offset by leverage in corporate overhead and store expenses due to higher sales.

Impairment, restructuring and other costs

There were no impairment, restructuring and other costs recognized in the 13 weeks ended July 31, 2021, compared to $40.8 million for the 13 weeks ended August 1, 2020.

Pre-opening expenses

Pre-opening expenses decreased $2.6 million to $1.4 million for the 13 weeks ended July 31, 2021 compared to $3.9 million for the 13 weeks ended August 1, 2020.

Interest expense, net

Interest expense, net was $0.4 million for the 13 weeks ended July 31, 2021 compared to $2.6 million of interest expense, net for the 13 weeks ended August 1, 2020. Interest expense represents interest on borrowings and fees related to the credit facility. Interest income results from cash equivalents and short-term investments with maturities of twelve months or less from the date of purchase. We did not have any outstanding borrowings on our credit facility as of July 31, 2021 and January 30, 2021. We had $800.0 million outstanding under the credit facility as of August 1, 2020.

Income tax expense

Income tax expense of $81.0 million for the 13 weeks ended July 31, 2021 represents an effective tax rate of 24.4%, compared to $2.1 million of tax expense representing an effective tax rate of 20.6% for the 13 weeks ended August 1, 2020. The higher effective tax rate is primarily due to a decrease in the benefit of state tax credits compared to the 13 weeks ended August 1, 2020 as a result of an increase in pre-tax income.

Net income

Net income was $250.9 million for the 13 weeks ended July 31, 2021, compared to $8.1 million for the 13 weeks ended August 1, 2020. The increase in net income is primarily due to the $469.0 million increase in gross profit and $40.8

million decrease in impairment, restructuring and other costs, partially offset by a $192.7 million increase in SG&A expenses and a $78.9 million increase in income taxes.

Comparison of 26 weeks ended July 31, 2021 to 26 weeks ended August 1, 2020

Net sales

Net sales increased $1.5 billion or 62.7%, to $3.9 billion for the 26 weeks ended July 31, 2021, compared to $2.4 billion for the 26 weeks ended August 1, 2020. The net sales increase was primarily due to the favorable impact from stronger consumer confidence, government stimulus payments, and the easing of COVID-19 restrictions. The total comparable sales increase of 60.9% during the 26 weeks ended July 31, 2021 was driven by a 52.5% increase in transactions and a 5.5% increase in average ticket.

Gross profit

Gross profit increased $919.1 million or 145.3%, to $1.6 billion for the 26 weeks ended July 31, 2021, compared to $632.6 million for the 26 weeks ended August 1, 2020. Gross profit as a percentage of net sales increased to 39.7% for the 26 weeks ended July 31, 2021, compared to 26.3% for the 26 weeks ended August 1, 2020. The increase in gross profit margin was primarily due to leverage of fixed costs, improvement in merchandise margins, leverage of salon expenses, and favorable channel mix shifts.

Selling, general and administrative expenses

SG&A expenses increased $255.7 million or 39.2%, to $908.2 million for the 26 weeks ended July 31, 2021, compared to $652.5 million for the 26 weeks ended August 1, 2020. SG&A expenses as a percentage of net sales decreased to 23.3% for the 26 weeks ended July 31, 2021, compared to 27.2% for the 26 weeks ended August 1, 2020, due to leverage in corporate overhead and store expenses due to higher sales, partially offset by deleverage related to higher store payroll and benefits primarily due to less employee retention credits received under the CARES Act, and higher marketing expense.

Impairment, restructuring and other costs

There were no impairment, restructuring and other costs recognized in the 26 weeks ended July 31, 2021, compared to $60.3 million for the 26 weeks ended August 1, 2020.

Pre-opening expenses

Pre-opening expenses decreased $2.6 million to $5.9 million for the 26 weeks ended July 31, 2021, compared to $8.5 million for the 26 weeks ended August 1, 2020.

Interest expense, net

Interest expense, net was $0.8 million for the 26 weeks ended July 31, 2021 compared to $3.9 million of interest expense, net for the 26 weeks ended August 1, 2020. Interest expense represents interest on borrowings and fees related to the credit facility. Interest income results from cash equivalents and short-term investments with maturities of twelve months or less from the date of purchase. We did not have any outstanding borrowings on our credit facility as of July 31, 2021 and January 30, 2021. We had $800.0 million outstanding under the credit facility as of August 1, 2021.

Income tax expense (benefit)

Income tax expense of $155.7 million for the 26 weeks ended July 31, 2021 represents an effective tax rate of 24.4%, compared to $22.2 million of tax benefit representing an effective tax rate of 23.9% for the 26 weeks ended August 1, 2020. The higher effective tax rate is primarily due to a decrease in the benefit of state tax credits compared to the 26 weeks ended August 1, 2020 as a result of an increase in pre-tax income.

Net income (loss)

Net income was $481.2 million for the 26 weeks ended July 31, 2021 compared to a net loss of $70.5 million for the 26 weeks ended August 1, 2020. The increase in net income is primarily due to a $919.1 million increase in gross profit and a $60.3 million decrease in impairment, restructuring and other costs, partially offset by a $255.7 million increase in SG&A expenses and a $177.8 million increase in income taxes.

Liquidity and capital resources

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 improvement in our information technology systems.

Our primary sources of liquidity are cash and cash equivalents, short-term investments, cash flows from operations, including changes in working capital, and borrowings under our credit facility. As of July 31, 2021, January 30, 2021, and August 1, 2020, we had cash and cash equivalents of $770.1 million, $1.0 billion, and $1.2 billion, respectively.

The most significant components of our working capital are merchandise inventories and cash and cash equivalents reduced by related accounts payable and accrued expenses. 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. Based on past performance and current expectations, we believe that cash and cash equivalents, short-term investments, cash generated from operations, and borrowings under the credit facility will satisfy the Company's working capital needs, capital expenditure needs, commitments, and other liquidity requirements through at least the next twelve months.

The following table presents a summary of our cash flows for the 26 weeks ended July 31, 2021 and August 1, 2020:

	26 Weeks Ended	
(In thousands)	**July 31, 2021**	**August 1, 2020**
Net cash provided by operating activities	$ 401,413	$ 15,989
Net cash provided by (used in) investing activities	(57,305)	26,304
Net cash provided by (used in) financing activities	(619,959)	722,670
Effect of exchange rate changes on cash and cash equivalents	(56)	30
Net increase (decrease) in cash and cash equivalents	$ (275,907)	$ 764,993

Operating activities

Operating activities consist of net income (loss) adjusted for certain non-cash items, including depreciation and amortization, non-cash lease expense, long-lived asset impairment charges, 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 first 26 weeks of 2021 increase over the first 26 weeks of 2020 is mainly due to the increase in net income, and the timing of accounts payable and accrued liabilities, partially offset by decreases in merchandise inventories and long-lived asset impairment charges. The increase in net income was primarily due to an increase in gross profit resulting from higher sales and a decrease in impairment, restructuring and other costs, partially offset by an increase in SG&A expenses and income taxes.

Merchandise inventories, net were $1.44 billion at July 31, 2021, compared to $1.37 billion at August 1, 2020, representing an increase of $75.14 million or 5.5%. The increase in total inventory was primarily driven by the addition of 32 net new stores opened since August 1, 2020, the opening of the Jacksonville, FL fast fulfillment center, and increased purchases to support strong demand.

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. Investment activities for capital expenditures were $57.3 million during the 26 weeks ended July 31, 2021, compared to $77.1 million during the 26 weeks ended August 1, 2020. During the 26 weeks ended August 1, 2020, we received $110.0 million in short-term investments and we contributed $5.4 million to equity investments.

During the 26 weeks ended July 31, 2021, we opened 35 new stores, relocated two stores and remodeled five stores, compared to the 26 weeks ended August 1, 2020, when we opened 11 new stores and relocated one store.

Our future investments will depend primarily on the number of new, remodeled, and relocated stores, information technology systems, and supply chain investments we undertake and the timing of these expenditures. 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 consist principally of borrowings on our revolving credit facility, share repurchases, 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.

We had no borrowings outstanding under the credit facility as of July 31, 2021 and January 30, 2021. As of August 1, 2020, we had $800.0 million outstanding under the credit facility. The zero outstanding borrowings position at July 31, 2021 and January 30, 2021 continues to be due to a combination of factors including an improvement in sales trends as compared to the 26 weeks ended August 1, 2020, overall performance of management initiatives including expense control, as well as 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, share repurchases, and seasonal inventory needs.

Share repurchase program

On March 14, 2019, the Board of Directors authorized a share repurchase program (the 2019 Share Repurchase Program) pursuant to which the Company could repurchase up to $875.0 million of the Company’s common stock. The 2019 Share Repurchase Program authorization revoked the previously authorized but unused amount of $25.4 million from the earlier share repurchase program. The 2019 Share Repurchase Program did not have an expiration date but provided for suspension or discontinuation at any time.

On March 12, 2020, the Board of Directors authorized a share repurchase program (the 2020 Share Repurchase Program) pursuant to which the Company may repurchase up to $1.6 billion of the Company’s common stock. The 2020 Share Repurchase Program authorization revoked the previously authorized but unused amount of $177.8 million from the 2019 Share Repurchase Program. The 2020 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:

	26 Weeks Ended	
(Dollars in millions)	July 31, 2021	August 1, 2020
Shares repurchased	1,989,576	326,970
Total cost of shares repurchased	$ 635.8	$ 73.0

Credit facility

On March 11, 2020, we entered into Amendment No. 1 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, provides maximum revolving loans equal to the lesser of $1.0 billion 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, 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% to 0.125% or the London Interbank Offered Rate plus a margin of 1.125% to 1.250%, with such margins based on the Company's borrowing availability, and the unused line fee is 0.20% per annum.

As of July 31, 2021 and January 30, 2021, we had no borrowings outstanding under the credit facility. As of August 1, 2020, we had $800.0 million outstanding under the credit facility and the weighted average interest rate was 1.59%.

As of July 31, 2021, 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.

Off-balance sheet arrangements

As of July 31, 2021, we have not entered into any "off-balance sheet" arrangements, as that term is described by the SEC. We do, however, have off-balance sheet purchase obligations incurred in the ordinary course of business.

Contractual obligations

Our contractual obligations consist of operating lease obligations, purchase obligations, and our revolving line of credit. No material changes outside the ordinary course of business have occurred in our contractual obligations during the 26 weeks ended July 31, 2021.

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 30, 2021.

Recently adopted accounting pronouncements

See Note 2 to our consolidated financial statements, "Summary of significant accounting policies – Recently adopted accounting pronouncements."

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 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 did not have any outstanding borrowings on the credit facility as of July 31, 2021 or January 30, 2021. We had $800.0 million outstanding on the credit facility as of August 1, 2020.

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 July 31, 2021, 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, as amended, 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.

Changes in internal control over financial reporting

We upgraded the technology that supports our accounting for sales transactions by implementing the SAP customer activity repository platform which replaced the SAP point of sale data management platform.

Except as described above, there were no other changes to our internal controls over financial reporting during the 13 weeks ended July 31, 2021 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 7 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 30, 2021, 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 30, 2021.

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

The following table sets forth repurchases of our common stock during the second quarter of 2021:

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (2)	Approximate dollar value of shares that may yet be purchased under plans or programs (in thousands) (2)
May 2, 2021 to May 29, 2021	450,835	$ 318.27	450,737	$ 986,187
May 30, 2021 to June 26, 2021	99,656	336.51	99,392	952,738
June 27, 2021 to July 31, 2021	196,494	339.31	196,238	886,157
13 weeks ended July 31, 2021	746,985	326.23	746,367	886,157

(1) There were 746,367 shares repurchased as part of our publicly announced share repurchase program during the 13 weeks ended July 31, 2021 and there were 618 shares transferred from employees in satisfaction of minimum statutory tax withholding obligations upon the vesting of restricted stock during the period.

(2) The 2020 Share Repurchase Program authorizes the repurchase of up to $1.6 billion of the Company’s common stock and revoked the previously authorized but unused amount of $177.8 million from the 2019 Share Repurchase Program. As of July 31, 2021, $0.9 billion remained available under the 2020 Share Repurchase Program.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

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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

			Incorporated by Reference			
Exhibit Number	**Description of document**	**Filed Herewith**	**Form**	**Exhibit Number**	**File Number**	**Filing Date**
3.1	Certificate of Incorporation of Ulta Beauty, Inc.		8-K	3.1	001-33764	1/30/2017
3.2	Bylaws of Ulta Beauty, Inc., as amended through June 3, 2020		8-K	3.2	001-33764	6/8/2020
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				
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).					

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on August 25, 2021 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 M. Settersten
Scott M. Settersten
Chief Financial Officer, Treasurer and Assistant Secretary

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: August 25, 2021

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 M. Settersten, 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: August 25, 2021

By: /s/ Scott M. Settersten
Scott M. Settersten
Chief Financial Officer, Treasurer and Assistant Secretary

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 July 31, 2021 (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: August 25, 2021	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 July 31, 2021 (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: August 25, 2021	By:	/s/ Scott M. Settersten
		Scott M. Settersten
		Chief Financial Officer, Treasurer and Assistant Secretary