UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☑ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended January 28, 2017

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	Name of each exchange on which registered
Common stock, par value $0.01 per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☑ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☑ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on July 29, 2016, as reported on the NASDAQ Global Select Market, was approximately $10,919,168,000. Shares of the registrant's common stock held by each executive officer and director and by each entity or person that, to the registrant's knowledge, owned 5% or more of the registrant's outstanding common stock as of July 29, 2016 have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding as of March 23, 2017 was 62,132,265 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Information required in response to Part III of Form 10-K (Items 10, 11, 12, 13 and 14) is hereby incorporated by reference from portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders to be held during 2017.

ULTA BEAUTY, INC.

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FORWARD LOOKING STATEMENTS

References in this Annual Report on Form 10-K 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.

This Annual Report on Form 10-K 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-K 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 impact of weakness in the economy;
- changes in the overall level of consumer spending;
- the possibility that we may be unable to compete effectively in our highly competitive markets;
- the possibility that cybersecurity breaches and other disruptions could compromise our information or result in the unauthorized disclosure of confidential information;
- weather conditions that could negatively impact sales;
- our ability to gauge beauty trends and react to changing consumer preferences in a timely manner;
- our ability to attract and retain key executive personnel;
- the possibility that the capacity of our distribution and order fulfillment infrastructure and the performance of our newly opened and to be opened distribution centers may not be adequate to support our recent growth and expected future growth plans;
- our ability to sustain our growth plans and successfully implement our long-range strategic and financial plan;
- the possibility that our continued opening of new stores could strain our resources and have a material adverse effect on our business and financial performance;
- the possibility of material disruptions to our information systems;
- changes in the wholesale cost of our products;
- the possibility that new store openings and existing locations may be impacted by developer or co-tenant issues;
- customer acceptance of our rewards program and technological and marketing initiatives;
- 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 this Annual Report on Form 10-K for the year ended January 28, 2017, as such may be amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q.

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.

Part I

Item 1. *Business*

Overview

Ulta Beauty is 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:

All Things Beauty, All in One Place™. Our guests can satisfy all of their beauty needs at Ulta Beauty. Our stores and website offer more than 20,000 products from approximately 500 well-established and emerging beauty brands across all categories and price points, including Ulta Beauty's own private label, the Ulta Beauty Collection. Our bright and open store environment encourages our guests to enjoy discovering new products and services. We believe we offer the widest selection of categories across prestige and mass cosmetics, fragrance, haircare, skincare, bath and body products and salon styling tools. We also offer a full-service salon in every store featuring hair, skin and brow services.

Our Value Proposition. We believe our focus on delivering a compelling value proposition to our guests across all of our product categories drives guest loyalty. We offer a comprehensive loyalty program, Ultamate Rewards, and targeted promotions through our Customer Relationship Management (CRM) platform. We also offer frequent promotions and coupons, in-store events and gifts with purchase.

Convenience. Our stores are predominantly located in convenient, high-traffic locations such as power centers. Our typical store is approximately 10,000 square feet, including approximately 950 square feet dedicated to our full-service salon. Our store design, fixtures and open layout provide the flexibility to respond to consumer trends and changes in our merchandising strategy. As of January 28, 2017, we operated 974 retail stores across 48 states and the District of Columbia, as well as an e-commerce website.

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 All Things Beauty, All in One Place™, a compelling value proposition, and a convenient and welcoming shopping environment. On January 29, 2017, we implemented a holding company reorganization (the Reorganization) pursuant to which Ulta Beauty, Inc., which was incorporated as a Delaware corporation in December 2016, became the successor to Ulta Salon, Cosmetics & Fragrance, Inc., the former publicly-traded company and now a wholly owned subsidiary of Ulta Beauty.

The following description of our business should be read in conjunction with the information contained in our Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 and our Financial Statements and Supplementary Data included in Item 8 of this Annual Report on Form 10-K.

Our strategy

We are committed to executing our strategic imperatives to drive long-term growth and sustainable competitive advantages.

Acquire new guests and deepen loyalty with existing guests. We believe there is an opportunity to use consumer insights and effective marketing tactics to acquire new guests and increase our "share of wallet" of existing guests. We have sharpened our brand positioning, and are increasing awareness of the Ulta Beauty brand by communicating our brand differentiation through broad scale advertising. We continue to leverage our direct mail advertising, catalogs and newspaper inserts to communicate with our guests. We are also deploying additional marketing tactics, such as digital, in-store events and public relations to drive brand engagement, deepen the guest connection to Ulta Beauty and strengthen our authority in the beauty category. In addition, we plan to grow and further leverage our loyalty program and CRM platform. We use this proprietary database to drive traffic, better understand our guests' purchasing patterns and support new store site selection. We have approximately 23 million active Ulta Beauty guests enrolled in our Ultamate Rewards loyalty program. Loyalty member transactions represent more than 90% of our annual total net sales, and the transaction data demonstrates that loyalty members shop with higher frequency and spend more per visit as compared to non-members. The customer data captured by our loyalty program, together with our CRM platform, enable customer segmentation and targeted marketing communications tailored to our guests' unique beauty needs. We believe our loyalty program, combined with our growing CRM capabilities, provide a significant long-term competitive advantage for Ulta Beauty.

Differentiate by delivering a distinctive and personalized guest experience across all channels. The Ulta Beauty guest experience today is differentiated by our broad array of categories, brands and price points, high quality services and friendly, well-trained, non-commissioned associates. Our opportunity is to sharpen that experience, by making it more relevant, differentiated and personalized in-store and online. Our store associates are the key to delivering a distinctive guest experience that is personal, informative and fun. To enable an elevated and engaging in-store guest experience, we are focusing on three key areas: process improvements, store and technology enhancements and labor and staffing solutions. At the same time, we are improving our e-commerce guest experience to ensure it is easy and informative with content that inspires, educates and enables sharing and social engagement. For example, we have improved our mobile app, launched a try-on app called "Glamlab" to digitally test products and expanded our online assortment. Through our loyalty and CRM capabilities, we continue to emphasize targeted communications and personalized promotions that are relevant to our guests.

Offer relevant, innovative and often exclusive products that excite our guests. We believe our broad selection of merchandise across categories, price points and brands offers a unique shopping experience for our guests. While the products we sell can be found in department stores, specialty stores, salons, drug stores and mass merchandisers, we offer approximately 500 brands in one retail format so that our guests can find everything they need in one shopping trip. Our vision is to be the undisputed destination for All Things Beauty, All in One Place™. To achieve this vision, we continue to evolve our product assortment with a focus on newness, exclusivity and category dominance and we focus on three key areas: prestige cosmetics, mass cosmetics and professional hair care in order to maximize our leadership in these categories. We also continue to upgrade and enhance the Ulta Beauty Collection, our private label, which offers products in key categories such as cosmetics, skincare and bath. Because of our broad array of categories, brand and price points, we appeal to a wide range of consumers including women of all ages, demographics and lifestyles.

Deliver exceptional services in three core areas: hair, skin health and brows. Our services offerings play an important role on delivering on our brand promise to be All Things Beauty, All in One Place™. We plan to establish Ulta Beauty as a leading salon authority by providing high quality and consistent services from our licensed stylists, with a focus on the key pillars of hair, skin health and brows. We provide haircare services in our full service salons, using high quality Redken products and offering trend-right hairstyles and color. We also offer skin services in partnership with Dermalogica in all stores and brow services through Benefit Brow Bars in most of our stores. Our strategy is to drive awareness and trial of our salon services with new guests as well as accelerate the frequency of existing guests' visits. Salon guests shop more frequently and spend almost three times more than non-salon guests based on loyalty guest data. We believe focusing on guest satisfaction, increasing effectiveness of promotions and optimizing staffing and scheduling will make our services business an even stronger differentiator in our stores.

Grow stores and e-commerce to reach and serve more guests. Our real estate vision is to make Ulta Beauty accessible and convenient to more consumers across a variety of markets, a key part of how we plan to double our market share over the next several years. We believe that over the long-term, we have the potential to grow our store base to between 1,400 to 1,700 Ulta Beauty stores in the United States. We plan to further penetrate existing suburban markets, expand our presence in small markets and begin to develop urban markets. We have a solid track record of executing an aggressive store growth program and a rigorous analytical approach to site selection that has translated into a high performing real estate portfolio. We expect to open approximately 100 new stores per year for the next several years.

In addition to store expansion, we expect to significantly grow our e-commerce sales. Our e-commerce platform has two key roles: generating direct channel sales and profits, while communicating with our guests in an interactive, enjoyable way that reinforces the Ulta Beauty brand driving traffic to our stores, website, and native applications. Our omni-channel guests are extremely valuable, spending nearly three times as much as retail only guests. We continue to develop and add new website features and functionality, marketing programs, product assortment, new brands and omni-channel integration points. We intend to establish ourselves as a leading online beauty resource by providing our guests with a rich online experience for information on key trends and products, editorial content, expanded assortments, best in class features and functionality, interactive experiences and social media content. We also continue to improve our order fulfillment capabilities with increased speed of delivery through new distribution centers and efficient processes designed for e-commerce fulfillment. Our goal is to grow our e-commerce business from approximately 7% of sales as of January 28, 2017 to approximately 10% of total sales by the end of fiscal 2019.

Invest in infrastructure to support our guest experience and growth and capture scale efficiencies. We expect to continue to grow enterprise inventory capabilities to better anticipate and respond to our guests' demand across all channels. This includes optimizing our distribution network, improving inventory turns by moving product faster and more frequently through all channels and improving inventory visibility, forecast accuracy, and managing product life cycle through investments in people, process and technology. We also plan to invest in guest-facing labor hours, training and tools to deliver a differentiated and personalized guest experience. We expect to capture operational efficiencies in new enterprise inventory capabilities to help fund investments in additional store labor and other in-store technologies. We will also pursue opportunities to optimize our marketing spend to maximize effectiveness. Finally, we plan to drive scale and cost efficiencies across the enterprise.

Attract and retain talent that drives a winning culture. Leadership, culture and engagement of our associates are key drivers of our performance. We have an experienced management team that brings a creative merchandising approach and a disciplined operating philosophy to our business. Our well-trained, non-commissioned store associates are highly engaged and delivering a differentiated guest experience. We continue to expand the depth of our team at all levels and in all functional areas to support our growth.

Our market

We operate within the large and growing U.S. beauty products and salon services industry. This market represents approximately $134 billion in sales, according to Euromonitor International and IBIS World Inc. The approximately $81 billion beauty products industry includes cosmetics, haircare, fragrance, bath and body, skincare, salon styling tools and other toiletries. Within this market, we compete across all major categories as well as a range of price points by offering prestige, mass and salon products. The approximately $53 billion salon services industry consists of hair, skin and nail services.

Competition

Our major competitors for prestige and mass products include traditional department stores, specialty stores, drug stores, mass merchandisers and the online businesses of national retailers as well as pure-play e-commerce businesses. The market for salon services and products is highly fragmented. Our competitors for salon services and products include chain and independent salons.

Stores

Our stores are predominantly located in convenient, high-traffic locations such as power centers. Our typical store is approximately 10,000 square feet, including approximately 950 square feet dedicated to our full-service salon. The average investment required to open a new Ulta Beauty store is approximately $1.4 million, which includes capital investments, net of landlord contributions, pre-opening expenses and initial inventory, net of payables. Our net investment required to open new stores and the net sales generated by new stores may vary depending on a number of factors, including geographic location. Our retail store concept, including physical layout, displays, lighting and quality of finishes, has evolved over time to match the rising expectations of our guests and to keep pace with our merchandising and operating strategies. Approximately 99% of our stores feature our most current store design. We expect in 2017, the net investment to open a new store will increase due to prestige brand expansions and several higher cost non-prototypical store locations expected to open in fiscal 2017. As of January 28, 2017, we operated 974 stores in 48 states and the District of Columbia.

We opened 104 (100 net of store closures) new stores during our fiscal year ended January 28, 2017 (fiscal 2016), representing an 11% increase in square footage growth compared to 103 (100 net of store closures) new stores in our fiscal year ended January 30, 2016 (fiscal 2015). We also remodeled twelve stores and relocated two stores in fiscal 2016. Our fiscal 2016 new store program was comprised of approximately 60% new stores opened in existing shopping centers and 40% in new shopping centers. In fiscal 2016, approximately one quarter of new stores were in new markets and three quarters were filling in existing markets.

	Fiscal Year				
	2012	2013	2014	2015	2016
Total stores beginning of period	449	550	675	774	874
Stores opened	102	127	100	103	104
Stores closed	(1)	(2)	(1)	(3)	(4)
Total stores end of period	550	675	774	874	974
Stores remodeled	21	7	9	4	12
Total square footage	5,847,393	7,158,286	8,182,404	9,225,957	10,271,184
Average square footage per store	10,632	10,605	10,572	10,556	10,545

Salon

We offer a full range of services in all of our stores, focusing on the three key pillars of hair, skin health and brow services. Our current Ulta Beauty store format includes an open and modern salon area with approximately eight to ten stations and the majority of our stores offer brow services. The entire salon area is approximately 950 square feet with a concierge desk, skin treatment room or dedicated skin treatment area, semi-private shampoo and hair color processing area. We employ licensed professional stylists and estheticians who offer highly skilled services as well as an educational experience, including consultations, styling lessons, make-up applications, skincare regimens and at-home care recommendations.

Ulta.com

Our e-commerce business represented approximately 7% of our total sales and grew 56.2% in fiscal 2016. We offer more than 20,000 beauty products from hundreds of brands. Ulta.com is also an important resource for our guests to access product and store information, beauty trends, in-depth product reviews and techniques. We continually enhance the site with a collection of tips, tutorials, videos, user generated content and social content. We expect Ulta.com to maintain rapid growth with the goal of reaching 10% of total sales by fiscal 2019. We have significantly improved our e-commerce fulfillment capabilities through new distribution centers, processes and systems.

Merchandising

Strategy

We focus on offering one of the most extensive product and brand selections in our industry, including a broad assortment of branded and private label beauty products in cosmetics, fragrance, haircare, skincare, bath and body products and salon styling tools. A typical Ulta Beauty store carries more than 20,000 prestige, mass and professional beauty products. We present these products in an assisted self-service environment using centrally produced planograms (detailed schematics showing product placement in the store) and promotional merchandising planners. Our merchandising team continually monitors current fashion trends, historical sales trends and new product launches to keep Ulta Beauty's product assortment fresh and relevant to our guests. We believe our broad selection of merchandise, from moderate-priced brands to higher-end prestige brands, offers a unique shopping experience for our guests.

We believe our private label products, the Ulta Beauty Collection, are a strategically important category for growth and profit contribution. Our objective is to provide quality, trend-right private label products to continue to strengthen our guests' perception of Ulta Beauty as a contemporary beauty destination. Ulta Beauty manages the full development cycle of these products from concept through production in order to deliver differentiated packaging and formulas to build brand image. We also offer products such as IT Brushes for Ulta Beauty, Tarte Double Duty Beauty cosmetics and CHI for Ulta Beauty hair care appliances that are exclusive to Ulta Beauty. The Ulta Beauty Collection and Ulta Beauty exclusive products represented approximately 6% of total Company sales in fiscal 2016.

Categories

We offer a balanced portfolio across five primary categories: (1) cosmetics; (2) skincare, bath and fragrance; (3) haircare products and styling tools; (4) salon services; and (5) other, which includes nail products and accessories. We have gained market shares across all categories of our business, with particular strength in cosmetics.

The following table sets forth the approximate percentage of net sales attributed to each category for the periods presented:

	Fiscal year ended		
	January 28, 2017	January 30, 2016	January 31, 2015
Cosmetics	51%	46%	42%
Skincare, Bath & Fragrance	20%	23%	24%
Haircare Products & Styling Tools	20%	22%	24%
Salon Services	5%	5%	5%
Other	4%	4%	5%
	100%	100%	100%

Organization

Our merchandising team consists of a Chief Merchandising and Marketing Officer overseeing two Senior Vice Presidents who in turn oversee a team of category Vice Presidents, Divisional Merchandise Managers and their team of buyers. Our merchandising team works with our centralized merchandise planning and forecasting group to ensure a consistent execution across our store base and e-commerce platform.

Our planogram department assists the merchants and inventory teams to keep new products flowing into stores on a timely basis. All major product categories undergo planogram revisions on a regular basis and adjustments are made to assortment mix and product placement based on current sales trends.

Our visual department works with our merchandising team on strategic placement of promotional merchandise, along with functional and educational signage and creative product presentation standards in all of our stores. All stores receive a centrally produced promotional planner to ensure consistent implementation of our marketing programs.

Planning and allocation

Our merchandising team works to ensure consistent execution across our store base and e-commerce platform. We have developed a disciplined approach to buying and a dynamic inventory planning and allocation process to support our merchandising strategy. We centrally manage product replenishment to our stores through our merchandise planning group. This group serves as a strategic partner to, and provides financial oversight of, the merchandising team. The merchandising team creates a sales forecast by category for the year. Our merchandise planning group creates an open-to-buy plan, approved by senior executives, for each product category. The open-to-buy plan is updated weekly with point-of-sale (POS) data, receipts and inventory levels and is used throughout the year to balance buying opportunities and inventory return on investment. We believe this structure maximizes our buying opportunities while maintaining organizational and financial control. Regularly replenished products are presented consistently in all stores utilizing a merchandising planogram process. POS data is used to calculate sales forecasts and to determine replenishment levels. We determine promotional product replenishment levels using sales history from similar or comparable events. To ensure our inventory remains productive, our planning and replenishment group, along with senior executives, monitor the levels of clearance and aged inventory in our stores on a weekly basis. In fiscal 2016, we implemented a new merchandising planning and forecasting system, as well as enhancements to the master data and space and floor planning systems.

Vendor partnerships

We have strong, active relationships with our more than 400 vendor partners. Our top ten vendor partners, such as Bare Minerals, Coty, Estée Lauder Companies, L'Oréal and LVMH, among others, represented approximately 50% of our total net sales in fiscal 2016. We believe our vendor partners view us as a significant distribution channel for growth and brand enhancement and we work closely with them to market both new and existing brands.

Marketing and advertising

Marketing strategy

We employ a multi-faceted marketing strategy to increase brand awareness, drive traffic to our stores and website, acquire new guests, improve guest retention and increase frequency of shopping. We communicate with our guests and prospective guests through multiple vehicles, including direct mail catalogs, newspaper inserts, television, radio and digital advertising. These vehicles highlight the breadth of our selection of prestige, mass and salon beauty products, new products and services and special offers and are designed to increase brand awareness. Our comprehensive public relations strategy enhances Ulta Beauty's reputation as a beauty destination, increases brand awareness, supports our charitable efforts on behalf of The Breast Cancer Research Foundation, and drives awareness of new products, in-store events and new store openings.

Our loyalty program, Ultamate Rewards, is an important tool to increase retention of existing guests and to enhance their loyalty to the Ulta Beauty brand. Approximately 23 million active loyalty program members generated more than 90% of Ulta Beauty's annual total net sales in fiscal 2016. Ultamate Rewards enables customers to earn points based on their purchases. Points earned are valid for at least one year and may be redeemed on any product we sell. Our CRM platform enables sophisticated mining of the customer data in our loyalty member database as well as greater personalization of our marketing campaigns. To enhance our loyalty program, we recently launched co-branded and private label credit cards. The credit cards drive higher wallet share and greater loyalty from our rewards members, provide increased consumer insights and offer attractive economics.

We are directing a growing percentage of our marketing expense toward email marketing, digital marketing, and national TV and radio advertising. We believe these channels are highly effective in communicating with existing guests, as well as reaching those who have not yet shopped with us. Our email marketing program has been effective in communicating with our existing online and retail guests in a targeted and relevant way. Our digital marketing strategy includes search engine optimization, paid search, mobile advertising, social media, display advertising, and other digital marketing channels. Digital marketing, coupled with our national TV and radio advertising, has helped us grow brand awareness among those not familiar with Ulta Beauty, which we believe has resulted in new guests and reactivation of guests who have not shopped at Ulta Beauty within the last year.

Staffing and operations

Retail

Our current Ulta Beauty store format is staffed with a general manager, a salon manager, two associate managers, a part-time manager and approximately twenty full and part-time associates; including approximately four to eight prestige consultants and eight to ten licensed salon professionals. The management team in each store reports to the general manager. The general manager oversees all store activities including salon management, inventory management, merchandising, cash management, scheduling, hiring and guest services. Members of store management receive bonuses depending on their position and based upon various metrics. Each general manager reports to a district manager, who in turn reports to a Regional Vice President of Operations, who in turn reports to the Senior Vice President of Store Operations, who in turn reports to our Chief Store Operations Officer, who in turn reports to the Chief Executive Officer. Each store team receives additional support from time to time from recruiting specialists for the retail and salon operations, regionally based human resource managers, a field loss prevention team, salon technical trainers, management trainers and vendor partners.

Ulta Beauty stores are open seven days a week, eleven hours a day, Monday through Saturday, and seven hours on Sunday. Our stores have extended hours during the holiday season.

Salon

A typical salon is staffed with eight to ten licensed salon professionals, including a salon manager, six stylists and one or two estheticians. Our most productive salons have a guest coordinator and an assistant manager. Our salon technical trainers and vendor partner education classes create a comprehensive educational program for approximately 7,600 Ulta Beauty salon professionals.

Training and development

Our success is dependent in part on our ability to attract, train, retain and motivate qualified associates at all levels of the organization. We have developed a corporate culture that enables individual store managers to make store-level operating decisions and we consistently reward high performance. We are committed to continually developing our associates and providing career advancement opportunities. Our associates and management teams are essential to our store expansion strategy. We use a combination of existing managers, promoted associates and outside hires to support our new stores.

All of our associates participate in an interactive new-hire orientation through which each associate becomes acquainted with Ulta Beauty's mission, vision and values. Training for new store managers, prestige beauty advisors and sales associates familiarizes them with our beauty products and services, opening and closing routines, guest service expectations, loss prevention practices, our policies and procedures and our culture. We provide continuing education to salon professionals and retail associates throughout their careers at Ulta Beauty. Our learning management system allows us to provide ongoing training to all associates to continually enhance their product knowledge, technical skills and guest service expertise. In contrast to the sales teams at traditional department stores, our retail sales teams are not commissioned. Our prestige beauty advisors are trained to work across all prestige lines and within our prestige boutiques (sets of custom designed fixtures configured to prominently display certain prestige brands within our stores), where guests can receive makeup demonstrations, skin analysis and assistance in selecting the products and services that suit them best.

Distribution

Our vision is to develop an expanded and optimized end-to-end supply chain that improves operational efficiency, performance and guest experience. This includes enhanced systems and processes as well as a modernized distribution center network to support our new store program and rapid e-commerce growth. We currently operate five distribution centers with plans to open a sixth distribution center in 2018.

Inventory is shipped from our suppliers to our distribution facilities. We carry more than 20,000 products and replenish our stores with such products primarily in eaches (i.e., less-than-case quantities), which allows us to ship less than an entire case when only one or two of a particular product is required. Our distribution facilities use warehouse management and warehouse control software systems to maintain and support product purchase decisions. Store replenishment order selection is performed using pick-to-light processing technologies. Product is delivered to stores using a broad network of contract and local pool (final mile) carriers.

Information technology

We are committed to using technology to enhance our competitive position. We depend on a variety of information systems and technologies to maintain and improve our competitive position and to manage the operations of our growing store base. We rely on computer systems to provide information for all areas of our business, including supply chain, merchandising, POS, e-commerce, marketing, finance, accounting and human resources. Our core business systems consist mostly of purchased software programs that integrate together and with our internally developed software solutions. Our technology also includes a company-wide network that connects all corporate users, stores and our distribution center infrastructure and provides communications for credit card and continual polling of sales and merchandise movement at the store level. We intend to leverage our technology infrastructure and systems where appropriate to gain operational efficiencies through more effective use of our systems, people and processes. We update the technology supporting our stores, distribution infrastructure and corporate headquarters on a regular basis. We will continue to make investments in our information systems to facilitate our growth and enable us to enhance our competitive position.

Intellectual property

We have registered over 50 trademarks in the United States and other countries. The majority of our trademark registrations contain the ULTA mark, including Ulta Beauty and two related designs, Ulta.com and Ulta Salon, Cosmetics & Fragrance (and design). We maintain our marks on a docket system to monitor filing deadlines for renewal and continued validity. All marks that are deemed material to our business have been applied for or registered in the United States and select foreign countries, including Canada.

We believe our trademarks, especially those related to the Ulta brand, have significant value and are important to building brand recognition.

Government regulation

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, state or local levels in the United States. Many of the products we sell in our stores, such as cosmetics, dietary supplements, food and over-the-counter (OTC) drugs, medical devices and styling tools, including our Ulta Beauty branded products, are subject to regulation by the U.S. Food and Drug Administration (FDA), the U.S. Federal Trade Commission (FTC), the Consumer Product Safety Commission (CPSC), state regulatory agencies and State Attorneys General (State AGs). Such regulations principally relate to the safety, labeling, manufacturing, advertising, packaging and distribution of the products.

Products classified as cosmetics (as defined in the Federal Food, Drug and Cosmetic Act (FDC Act)) are not subject to pre-market approval by the FDA, but the products must generally be safe and must be properly manufactured and labeled. Certain products, such as sunscreens and acne treatments, are classified as OTC drugs and certain ingestible products, such as vitamins and minerals, are classified as dietary supplements. Both OTC drugs and dietary supplements have specific ingredient, labeling and manufacturing requirements. The labeling and packaging of these products is subject to the requirements of the FDC Act and the Fair Packaging and Labeling Act. Products such as wrinkle reducing lights may be classified as medical devices and, in addition to being subject to labeling and manufacturing requirements, may also be subject to premarketing review by the FDA. Finally, products such as styling tools (e.g. blow dryers and curling irons) are regulated by the CPSC, which has strict requirements with respect to reporting possible product defects.

Further, claims we make in advertising, including claims about the safety or efficacy of products, pricing claims and environmental claims, are subject to regulation by the FTC and State AGs who generally prohibit unfair or deceptive practices.

Labor and employment and taxation laws, to which most retailers are typically subject, also impact our day-to-day operations. We are also subject to typical zoning and real estate land use restrictions and typical advertising and consumer protection laws (both federal and state). Our services business is subject to state board regulations and state licensing requirements.

In our store leases, we require our landlords to obtain all necessary zoning approvals and permits for the site to be used as a retail site and we also ask them to obtain any zoning approvals and permits for our specific use (but at times the responsibility for obtaining zoning approvals and permits for our specific use falls to us). We require our landlords to deliver a certificate of occupancy for any work they perform on our buildings or the shopping centers in which our stores are located. We are responsible for delivering a certificate of occupancy for any remodeling or build-outs that we perform and are responsible for complying with all applicable laws in connection with such construction projects or build-outs.

Employees

As of January 28, 2017, we employed approximately 11,600 people on a full-time basis and approximately 20,200 on a part-time basis. We have no collective bargaining agreements. We have not experienced any work stoppages and believe we have good relationships with our employees.

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 Mothers' Day as well as the "Back to School" season and Valentine's Day.

Available information

Our principal website address is www.ulta.com. We make available at this address under investor relations (at http://ir.ulta.com), free of charge, our proxy statement, annual report to shareholders, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Information available on our website is not incorporated by reference in and is not deemed a part of this Form 10-K. In addition, our filings with the SEC may be accessed through the SEC's website at www.sec.gov. You may read and copy any filed document at the SEC's public reference rooms in Washington, D.C. at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. All statements made in any of our securities filings, including all forward-looking statements or information, are made as of the date of the document in which the statement is included and we do not assume or undertake any obligation to update any of those statements or documents unless we are required to do so by law.

Item 1A. *Risk Factors*

Investment in our common stock involves a high degree of risk and uncertainty. You should carefully consider the following risks and all of the other information contained in this Annual Report on Form 10-K before making an investment decision. If any of the following risks occur, our business, financial condition, results of operations or future growth could suffer. In these circumstances, the market price of our common stock could decline, and you may lose part or all of your investment.

The health of the economy in the channels we serve may affect consumer purchases of discretionary items such as beauty products and salon services, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

Our results of operations may be materially affected by conditions in the capital markets and the economy generally, both in the U.S. and internationally. We appeal to a wide demographic consumer profile and offer an extensive selection of beauty products sold directly to retail consumers and premium salon services. Uncertainty in the economy could adversely impact consumer purchases of discretionary items across all of our product categories, including prestige beauty products and premium salon services. Factors that could affect consumers' willingness to make such discretionary purchases include: general business conditions, levels of employment, interest rates, tax rates, the availability of consumer credit and consumer confidence in future economic conditions. In the event of a prolonged economic downturn or acute recession, consumer spending habits could be adversely affected and we could experience lower than expected net sales.

In addition, the continued volatility and disruption to the capital and credit markets have had a significant, adverse impact on global economic conditions, resulting in recessionary pressures and declines in consumer confidence and economic growth. While these declines have moderated, the level of consumer spending is not where it was prior to the global recession, and economic conditions could lead to further declines in consumer spending in the future. Additionally, there can be no assurance that various governmental activities to stabilize the markets and stimulate the economy will restore consumer confidence or change spending habits. Reduced consumer spending could cause changes in customer order patterns and changes in the level of merchandise purchased by our customers, and may signify a reset of consumer spending habits, all of which may adversely affect our business, financial condition, profitability and cash flows.

Additionally, the general deterioration in economic conditions could adversely affect our commercial partners including our vendor partners as well as the real estate developers and landlords who we rely on to construct and operate centers in which our stores are located. A bankruptcy or financial failure of a significant vendor or a number of significant real estate developers or shopping center landlords could have a material adverse effect on our business, financial condition, profitability and cash flows.

We may be unable to compete effectively in our highly competitive markets.

The markets for beauty products and salon services are highly competitive with few barriers to entry. We compete against a diverse group of retailers, both small and large, including regional and national department stores, specialty retailers, drug stores, mass merchandisers, high-end and discount salon chains, locally owned beauty retailers and salons, e-commerce businesses, catalog retailers and direct response television, including television home shopping retailers and infomercials. We believe the principal bases upon which we compete are the breadth of merchandise, our value proposition, the quality of our guests' shopping experience and the convenience of our stores as one-stop destinations for beauty products and salon services. Many of our competitors are, and many of our potential competitors may be, larger and have greater financial, marketing and other resources and therefore, may be able to adapt to changes in customer requirements more quickly, devote greater resources to the marketing and sale of their products, generate greater national brand recognition or adopt more aggressive pricing policies than we can. As a result, we may lose market share, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

Cybersecurity breaches and other disruptions could compromise our information, result in the unauthorized disclosure of confidential guest, employee, Company and/or business partners' information, damage our reputation and expose us to liability, which could negatively impact our business.

In the ordinary course of our business, we collect, process and store sensitive and confidential data, including our proprietary business information and that of our guests, suppliers and business partners, and personally identifiable information of our guests and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential information. Despite the security measures we have in place and continual vigilance in regard to the protection of sensitive information, our systems and those of our third party service providers may be vulnerable to security breaches, attacks by hackers, acts of vandalism, computer viruses, misplaced or lost data, human errors or other similar events. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations, damage our reputation and cause a loss of confidence in our business, products and services, which could adversely affect our business, financial condition, profitability and cash flows.

Our comparable sales and quarterly financial performance may fluctuate for a variety of reasons, which could result in a decline in the price of our common stock.

Our comparable sales and quarterly results of operations have fluctuated in the past, and we expect them to continue to fluctuate in the future. A variety of factors affect our comparable sales and quarterly financial performance, including:

- general U.S. economic conditions and, in particular, the retail sales environment;
- changes in our merchandising strategy or mix;
- performance of our new and remodeled stores;
- the effectiveness of our inventory management;
- timing and concentration of new store openings, including additional human resource requirements and related pre-opening and other start-up costs;
- cannibalization of existing store sales by new store openings;
- levels of pre-opening expenses associated with new stores;
- timing and effectiveness of our marketing activities;
- seasonal fluctuations due to weather conditions; and
- actions by our existing or new competitors.

Accordingly, our results for any one fiscal quarter are not necessarily indicative of the results to be expected for any other quarter, and comparable sales for any particular future period may decrease. In that event, the price of our common stock may decline. For more information on our quarterly results of operations, see Note 13 to our consolidated financial statements, "Selected quarterly financial data (unaudited)," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

If we are unable to gauge beauty trends and react to changing consumer preferences in a timely manner, our sales may decrease.

We believe our success depends in substantial part on our ability to:

- recognize and define product and beauty trends;
- anticipate, gauge and react to changing consumer demands in a timely manner;

- translate market trends into appropriate, saleable product and service offerings in our stores and salons in advance of our competitors;
- develop and maintain vendor relationships that provide us access to the newest merchandise on reasonable terms; and
- distribute merchandise to our stores in an efficient and effective manner and maintain appropriate in-stock levels.

If we are unable to anticipate and fulfill the merchandise needs of the consumer, our net sales may decrease and we may be forced to increase markdowns of slow-moving merchandise, either of which could have a material adverse effect on our business, financial condition, profitability and cash flows.

If we fail to retain our existing senior management team or attract qualified new personnel, such failure could have a material adverse effect on our business, financial condition, profitability and cash flows.

Our business requires disciplined execution at all levels of our organization. This execution requires an experienced and talented management team. If we were to lose the benefit of the experience, efforts and abilities of key executive personnel, it could have a material adverse effect on our business, financial condition, profitability and cash flows. Furthermore, our ability to manage our retail expansion will require us to continue to train, motivate and manage our associates. We will need to attract, motivate and retain additional qualified executive, managerial and merchandising personnel and store associates. Competition for this type of personnel is intense, and we may not be successful in attracting, assimilating and retaining the personnel required to grow and operate our business profitably.

The capacity of our distribution and order fulfillment infrastructure and the performance of our newly opened and to be opened distribution centers may not be adequate to support our historical growth and expected future growth plans, which could prevent the successful implementation of these plans or cause us to incur excess costs to expand this infrastructure, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

We currently operate five distribution facilities, which house the distribution operations for Ulta Beauty retail stores together with the order fulfillment operations of our e-commerce business. In 2014, we began a multi-year supply chain project, which focused on, among other things, adding capacity and system improvements to support expanded omni-channel capabilities. In order to support our historical and expected future growth and to maintain the efficient operation of our business, it is likely additional distribution centers will be added in the future. We opened our fourth and fifth distribution centers in 2015 and 2016 and expect to open our sixth distribution center in 2018. Our failure to effectively upgrade and expand our distribution capacity on a timely basis to keep pace with our anticipated growth in stores and the performance of our newly opened distribution centers could have a material adverse effect on our business, financial condition, profitability and cash flows.

Any significant interruption in the operations of our distribution facilities could disrupt our ability to deliver merchandise to our stores in a timely manner, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

We distribute products to our stores without supplementing such deliveries with direct-to-store arrangements from vendors or wholesalers. We are a retailer carrying over 20,000 beauty products that change on a regular basis in response to beauty trends, which makes the success of our operations particularly vulnerable to disruptions in our distribution infrastructure. Any significant interruption in the operation of our supply chain infrastructure, such as disruptions in our information systems, disruptions in operations due to fire or other catastrophic events, labor disagreements or shipping and transportation problems, could drastically reduce our ability to receive and process orders and provide products and services to our stores, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

Our e-commerce business may be unsuccessful.

We offer most of our beauty products for sale through our Ulta.com website. As a result, we encounter risks and difficulties frequently experienced by internet-based businesses, including risks related to our ability to attract and retain customers on a cost-effective basis and our ability to operate, support, expand and develop our internet operations, website and software and other related operational systems. Although we believe that our participation in both e-commerce and physical store sales is a distinct advantage for us due to synergies and the potential for new customers, supporting product offerings through both of these channels could create issues that have the potential to adversely affect our results of operations. For example, if our e-commerce business successfully grows, it may do so in part by attracting existing guests, rather than new guests, who choose to purchase products from us online rather than from our physical stores, thereby reducing the financial performance of our stores. In addition, offering different products through each channel could cause conflicts and cause some of our current or potential internet customers to consider competing distributors of beauty products. Offering products through our internet channel could also cause some of our current or potential vendors to consider competing internet offerings of their products either on their own or through competing distributors. As we continue to grow our e-commerce business, the impact of attracting existing rather than new guests, conflicts between product offerings online and through our stores and opening up our channels to increased internet competition could have a material adverse effect on our business, financial condition, profitability and cash flows.

We may not be able to sustain our growth plans and successfully implement our long-range strategic and financial plans, which could have a material adverse effect on our business, financial condition, profitability and cash flows. In addition, we intend to continue to open new stores, which could strain our resources and have a material adverse effect on our business, financial condition, profitability and cash flows.

Our continued and future growth largely depends on our ability to implement our long-range strategic and financial plans and successfully open and operate new stores on a profitable basis. There can be no assurance that we will be successful in implementing our growth plans or long-range strategic imperatives, and our failure to do so could have a material adverse effect on our business, financial condition, profitability and cash flows. We intend to continue to grow our number of stores for the foreseeable future. Our continued expansion places increased demands on our financial, managerial, operational, supply-chain and administrative resources. For example, our planned expansion will require us to increase the number of people we employ, as well as to monitor and upgrade our management information and other systems and our distribution infrastructure. These increased demands and operating complexities could cause us to operate our business less efficiently and could have a material adverse effect on our business, financial condition, profitability and cash flows.

We are subject to risks relating to our information technology systems, and any failure to adequately protect our critical information technology systems or any material disruption of our information systems could negatively impact financial results and materially adversely affect our business operations, particularly during the holiday season.

We are increasingly dependent on a variety of information systems, including management, supply chain and financial information and various other processes and transactions, to effectively manage our business. We have also identified the need to expand and upgrade our information systems to support historical and expected future growth. The failure of our information systems to perform as designed or breaches of security could have an adverse effect on our business and results of our operations. Any material disruption of our systems could disrupt our ability to track, record and analyze the merchandise that we sell and could cause delays or cancellation of customer orders or impede the manufacture or shipment of products, the processing of transactions, our ability to receive and process e-commerce orders and/or the reporting of financial results.

Our e-commerce operations are increasingly important to our business. The Ulta.com website serves as an effective extension of Ulta Beauty's marketing and prospecting strategies (beyond catalogs, newspaper inserts and national advertising) by exposing potential new customers to the Ulta Beauty brand, product offerings and enhanced content. As the importance of our website and e-commerce operations to our business grows, we are increasingly vulnerable to website downtime and other technical failures. Our failure to successfully respond to these risks could reduce e-commerce sales and damage our brand's reputation.

Increased costs or interruption in our third-party vendors' overseas sourcing operations could disrupt production, shipment or receipt of some of our merchandise, which could result in lost sales and could increase our costs.

We directly source the majority of our Ulta Beauty branded product components and gifts with purchase and other promotional products through third-party vendors using foreign factories. In addition, many of our vendors use overseas sourcing to varying degrees to manufacture some or all of their products. Any event causing a sudden disruption of manufacturing or imports from such foreign countries, including the imposition of additional import restrictions, unanticipated political changes, increased customs duties, legal or economic restrictions on overseas suppliers' ability to produce and deliver products, and natural disasters, could materially harm our operations. We have no long-term supply contracts with respect to such foreign-sourced items, many of which are subject to existing or potential duties, tariffs or quotas that may limit the quantity of certain types of goods that may be imported into the United States from such countries. Our business is also subject to a variety of other risks generally associated with sourcing goods from abroad, such as political instability, disruption of imports by labor disputes and local business practices. Our sourcing operations may also be hurt by health concerns regarding infectious diseases in countries in which our merchandise is produced, adverse weather conditions or natural disasters that may occur overseas or acts of war or terrorism in the United States or worldwide, to the extent these acts affect the production, shipment or receipt of merchandise. Our future operations and performance will be subject to these factors and these factors could have a material adverse effect on our business, financial condition, profitability and cash flows or may require us to modify our current business practices and incur increased costs.

A reduction in traffic to, or the closing of, the other destination retailers in the shopping areas where our stores are located could significantly reduce our sales and leave us with excess inventory, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

As a result of our real estate strategy, most of our stores are located in off-mall shopping areas known as power centers. Power centers typically contain three to five big-box anchor stores along with a variety of smaller specialty tenants. As a consequence of most of our stores being located in such shopping areas, our sales are derived, in part, from the volume of traffic generated by the other destination retailers and the anchor stores in power centers where our stores are located. Customer traffic to these shopping areas may be adversely affected by the closing of such destination retailers or anchor stores, or by a reduction in traffic to such stores resulting from a regional or global economic downturn, a general downturn in the local area where our store is located, or a decline in the desirability of the shopping environment of a particular power center. Such a reduction in customer traffic would reduce our sales and leave us with excess inventory, which could have a material adverse effect on our business, financial condition, profitability and cash flows. We may respond by increasing markdowns, initiating marketing promotions or transferring product to other stores to reduce excess inventory, which would further decrease our gross profits and net income.

Diversion of exclusive salon products, or a decision by manufacturers of exclusive salon products to utilize other distribution channels, could negatively impact our revenue from the sale of such products, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

The retail products that we sell in our salons are meant to be sold exclusively by professional salons and authorized professional retail outlets. However, incidents of product diversion occur, which involve the selling of salon exclusive haircare products to unauthorized channels such as drug stores, grocery stores or mass merchandisers. Diversion could result in adverse publicity that harms the commercial prospects of our products (if diverted products are old, tainted or damaged), as well as lower product revenues should consumers choose to purchase diverted product from these channels rather than purchasing from one of our salons. Additionally, the various product manufacturers could, in the future, decide to utilize other distribution channels for such products, therefore widening the availability of these products in other retail channels, which could negatively impact the revenue we earn from the sale of such products.

We rely on our good relationships with vendor partners to purchase prestige, mass and salon beauty products on reasonable terms. If these relationships were to be impaired, or if certain vendor partners were to change their distribution model or are unable to supply sufficient merchandise to keep pace with our growth plans, we may not be able to obtain a sufficient selection or volume of merchandise on reasonable terms, and we may not be able to respond promptly to changing trends in beauty products, either of which could have a material adverse effect on our competitive position, business, financial condition, profitability and cash flows.

We have no long-term supply agreements with vendor partners and, therefore, our success depends on maintaining good relationships with our vendor partners. Our business depends to a significant extent on the willingness and ability of our vendor partners to supply us with a sufficient selection and volume of products to stock our stores. Some of our prestige vendor partners may not have the capacity to supply us with sufficient merchandise to keep pace with our growth plans. We also have strategic partnerships with certain core brands, which have allowed us to benefit from the growing popularity of such brands. Any of our other core brands could in the future decide to scale back or end its partnership with us and strengthen its relationship with our competitors, which could negatively impact the revenue we earn from the sale of such products. If we fail to maintain strong relationships with our existing vendor partners, or fail to continue acquiring and strengthening relationships with additional vendor partners of beauty products, our ability to obtain a sufficient amount and variety of merchandise on reasonable terms may be limited, which could have a negative impact on our competitive position.

During fiscal 2016, merchandise supplied to Ulta Beauty by our top ten vendor partners accounted for approximately 50% of our net sales. There continues to be vendor consolidation within the beauty products industry. The loss of or a reduction in the amount of merchandise made available to us by any one of these key vendors, or by any of our other vendor partners, could have a material adverse effect on our business, financial condition, profitability and cash flows.

If we are unable to protect our intellectual property rights, our brand and reputation could be harmed, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

We regard our trademarks, trade dress, copyrights, trade secrets, know-how and similar intellectual property as critical to our success. Our principal intellectual property rights include registered and common law trademarks on our name, “Ulta Beauty,” “Ulta,” “All Things Beauty, All in One Place™” and other marks incorporating our name, copyrights in our website content, rights to our domain name www.ulta.com and trade secrets and know-how with respect to our Ulta Beauty branded product formulations, product sourcing, sales and marketing and other aspects of our business. As such, we rely on trademark and copyright law, trade secret protection and confidentiality agreements with certain of our employees, consultants, suppliers and others to protect our proprietary rights. If we are unable to protect or preserve the value of our trademarks, copyrights, trade secrets or other proprietary rights for any reason, or if other parties infringe on our intellectual property rights, our brand and reputation could be impaired and we could lose customers.

If our manufacturers are unable to produce products manufactured uniquely for Ulta Beauty, including Ulta Beauty branded products and gifts with purchase and other promotional products, consistent with applicable regulatory requirements, we could suffer lost sales and be required to take costly corrective action, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

We do not own or operate any manufacturing facilities and therefore depend upon independent third-party vendors for the manufacture of all products manufactured uniquely for Ulta Beauty, including the Ulta Beauty Collection and Ulta Beauty branded gifts with purchase and other promotional products. Our third-party manufacturers of Ulta Beauty products may not maintain adequate controls with respect to product specifications and quality and may not continue to produce products that are consistent with applicable regulatory requirements. If we or our third-party manufacturers fail to comply with applicable regulatory requirements, we could be required to take costly corrective action. In addition, sanctions under various laws may include seizure of products, injunctions against future shipment of products, restitution and disgorgement of profits, operating restrictions and criminal prosecution. The FDA does not have a pre-market approval system for cosmetics, and we believe we are permitted to market our cosmetics and have them manufactured without submitting safety or efficacy data to the FDA. However, cosmetic products may become subject to more extensive regulation in the future. These events could interrupt the marketing and sale of our Ulta Beauty products, severely damage our brand reputation and image in the marketplace, increase the cost of our products, cause us to fail to meet customer expectations or cause us to be unable to deliver merchandise in sufficient quantities or of sufficient quality to our stores, any of which could result in lost sales, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

We, as well as our vendors, are subject to laws and regulations that could require us to modify our current business practices and incur increased costs, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

In our U.S. markets, numerous laws and regulations at the federal, state and local levels can affect our business. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. If we fail to comply with any present or future laws or regulations, we could be subject to future liabilities, a prohibition on the operation of our stores or a prohibition on the sale of our Ulta Beauty branded products. In particular, failure to adequately comply with the following legal requirements could have a material adverse effect on our business, financial condition, profitability and cash flows.

- Comprehensive healthcare reform legislation under the Patient Protection and Affordable Care Act and the Health Care Education and Affordability Reconciliation Act (collectively, the Acts) was signed into law in 2010. This healthcare reform legislation significantly expanded healthcare coverage and future changes could significantly impact our business.
- Our rapidly expanding workforce, growing in pace with our number of stores, makes us vulnerable to changes in labor and employment laws. In addition, changes in federal and state minimum wage laws and other laws relating to employee benefits could cause us to incur additional wage and benefits costs, which could hurt our profitability and affect our growth strategy.
- Our salon business is subject to state board regulations and state licensing requirements for our stylists and our salon procedures. Failure to maintain compliance with these regulatory and licensing requirements could jeopardize the viability of our salons.
- We operate stores in California, which has enacted legislation commonly referred to as “Proposition 65” requiring that “clear and reasonable” warnings be given to consumers who are exposed to chemicals known to the State of California to cause cancer or reproductive toxicity. Although we have sought to comply with Proposition 65 requirements, there can be no assurance that we will not be adversely affected by litigation relating to Proposition 65.

In addition, the formulation, manufacturing, packaging, labeling, distribution, sale and storage of our vendors’ products and our Ulta Beauty branded products are subject to extensive regulation by various federal agencies, including FDA, FTC, CPSC and various state and local agencies, such as State AGs and District Attorneys. If we, our vendors or the manufacturers of our Ulta Beauty branded products fail to comply with those regulations, we could become subject to significant penalties, claims or product recalls, which could harm our results of operations or our ability to conduct our business.

In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may impair the marketability of our vendors’ products or our Ulta Beauty branded products, resulting in significant loss of net sales. Our failure to comply with federal, state or local requirements when we advertise our products (including prices) or services, or engage in other promotional activities, in digital (including social media), television or print may result in enforcement actions and imposition of penalties or otherwise harm the distribution and sale of our products.

As we grow the number of our stores in new cities and states, we are subject to local building codes in an increasing number of local jurisdictions. Our failure to comply with local building codes, and the failure of our landlords to obtain certificates of occupancy in a timely manner, could cause delays in our new store openings, which could increase our store opening costs, cause us to incur lost sales and profits and damage our public reputation.

Ensuring compliance with local zoning and real estate land use restrictions across numerous jurisdictions is increasingly challenging as we grow the number of our stores in new cities and states. Our store leases generally require us to provide a certificate of occupancy with respect to the interior build-out of our stores (landlords generally provide the certificate of occupancy with respect to the shell of the store and the larger shopping area and common areas), and while we strive to remain in compliance with local building codes relating to the interior build out of our stores, the constantly increasing number of local jurisdictions in which we operate makes it increasingly difficult to stay abreast of changes in, and requirements of, local building codes and local building and fire inspectors' interpretations of such building codes. Moreover, our landlords have occasionally been unable, due to the requirements of local zoning laws, to obtain in a timely manner a certificate of occupancy with respect to the shell of our stores and/or the larger shopping centers and/or common areas (which certificate of occupancy is required by local building codes for us to open our store), causing us in some instances to delay store openings. As the number of local building codes and local building and fire inspectors to which we and our landlords are subject to increases, we may be increasingly vulnerable to increased construction costs and delays in store openings caused by our or our landlords' compliance with local building codes and local building and fire inspectors' interpretations of such building codes. Any such increased construction costs and/or delays in store openings could increase our store opening costs, cause us to incur lost sales and profits, and damage our public reputation, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

Our Ulta Beauty branded products and salon services may cause unexpected and undesirable side effects that could result in their discontinuance or expose us to lawsuits, either of which could result in unexpected costs and damage to our reputation, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

Unexpected and undesirable side effects caused by our Ulta Beauty branded products for which we have not provided sufficient label warnings or salon services, which may have been performed negligently, could result in the discontinuance of sales of our products or of certain salon services or prevent us from achieving or maintaining market acceptance of the affected products and services. Such side effects could also expose us to product liability or negligence lawsuits. Any claims brought against us may exceed our existing or future insurance policy coverage or limits. Any judgment against us that is in excess of our policy limits would have to be paid from our cash reserves, which would reduce our capital resources. These events could cause negative publicity regarding our Company, brand or products, which could in turn harm our reputation and net sales, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

Litigation and other legal or regulatory proceedings or claims and the outcome of such litigation, proceedings or claims, including possible fines and penalties, could have a material adverse effect on our business and any loss contingency accruals may not be adequate to cover actual losses.

From time to time, we are subject to litigation and other legal or regulatory proceedings or claims in the ordinary course of our business operations regarding, but not limited to, employment matters, security of consumer and employee personal information, contractual relations with suppliers, marketing and infringement of trademarks and other intellectual property rights. Litigation to defend ourselves against claims by third parties, or to enforce any rights that we may have against third parties, may be necessary, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, profitability and cash flows. We establish accruals for potential liability arising from litigation and other legal or regulatory proceedings or claims when potential liability is probable and the amount of the loss can be reasonably estimated based on currently available information. We may still incur legal costs for a matter even if we have not accrued a liability. In addition, actual losses may be higher than the amount accrued for a certain matter, or in the aggregate. An unfavorable resolution of litigation or other legal or regulatory proceedings or claims could materially adversely impact our business, financial condition, profitability and cash flows.

Specifically, our technologies, promotional products purchased from third-party vendors, and/or Ulta Beauty branded products or potential products in development may infringe rights under patents, patent applications, trademark, copyright or other intellectual property rights of third parties in the United States and abroad. These third parties could bring claims against us that would cause us to incur substantial expenses and, if successful, could cause us to pay substantial damages. Further, if a third party were to bring an intellectual property infringement suit against us, we could be forced to stop or delay development, manufacturing or sales of the product that is the subject of the suit.

As a result of intellectual property infringement claims, or to avoid potential claims, we may choose to seek, or be required to seek, a license from the third party and would most likely be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Ultimately, we could be prevented from commercializing a product or be forced to cease some aspect of our business operations if, as a result of actual or threatened intellectual property infringement claims, we are unable to enter into licenses on acceptable terms. Even if we were able to obtain a license, the rights may be non-exclusive, which would give our competitors access to the same intellectual property. The inability to enter into licenses could harm our business significantly.

In addition to infringement claims against us, we may become a party to other patent or trademark litigation and other proceedings, including interference proceedings declared by the United States Patent and Trademark Office (USPTO) proceedings before the USPTO’s Trademark Trial and Appeal Board and opposition proceedings in the European Patent Office, regarding intellectual property rights with respect to products purchased from third-party vendors or our Ulta Beauty branded products and technology. Some of our competitors may be able to bear the costs of such litigation or proceedings better than us because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of intellectual property litigation or other proceedings could impair our ability to compete in the marketplace. Intellectual property litigation and other proceedings may also absorb significant management time and resources, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

Increases in the demand for, or the price of, raw materials used to build and remodel our stores could hurt our profitability.

The raw materials used to build and remodel our stores are subject to availability constraints and price volatility caused by weather, supply conditions, government regulations, general economic conditions and other unpredictable factors. As a retailer engaged in an active building and remodeling program, we are particularly vulnerable to increases in construction and remodeling costs. As a result, increases in the demand for, or the price of, raw materials could have a material adverse effect on our business, financial condition, profitability and cash flows.

Use of social media may adversely impact our reputation.

There has been a substantial increase in the use of social media platforms, including blogs, social media websites and other forms of internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons. Negative commentary regarding us or the products we sell may be posted on social media platforms and similar devices at any time and may be adverse to our reputation or business. Customers value readily available information and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correction.

We also use social media platforms as marketing tools. For example, we maintain Facebook, Twitter, Instagram and Pinterest accounts. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our business, financial condition, profitability and cash flows.

Our secured revolving credit facility contains certain restrictive covenants that could limit our operational flexibility, including our ability to open stores.

We have a $200 million secured revolving credit facility with a term expiring in December 2018. Substantially all of our assets are pledged as collateral for outstanding borrowings under the agreement. Outstanding borrowings bear interest at the prime rate or London Interbank Offered Rate (LIBOR) plus 1.50% and the unused line fee is 0.20%. The credit facility agreement contains usual and customary restrictive covenants relating to our management and the operation of our business. These covenants, among other things, limit our ability to grant liens on our assets, incur additional indebtedness, pay cash dividends and redeem our stock, enter into transactions with affiliates and merge or consolidate with another entity. These covenants could restrict our operational flexibility and any failure to comply with these covenants or our payment obligations would limit our ability to borrow under the credit facility and, in certain circumstances, may allow the lenders thereunder to require repayment.

The market price for our common stock may be volatile.

The market price of our common stock is likely to fluctuate significantly from time to time in response to factors including:

- differences between our actual financial and operating results and those expected by investors;
- fluctuations in quarterly operating results;
- our performance during peak retail seasons such as the holiday season;
- market conditions in our industry and the economy as a whole;
- changes in the estimates of our operating performance or changes in recommendations by any research analysts that follow our stock or any failure to meet the estimates made by research analysts;
- investors’ perceptions of our prospects and the prospects of the beauty products and salon services industries;
- the performance of our key vendor partners;
- announcements by us, our vendor partners or our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;
- introductions of new products or new pricing policies by us or by our competitors;
- stock transactions by our principal stockholders;
- recruitment or departure of key personnel; and
- the level and quality of securities research analyst coverage for our common stock.

In addition, public announcements by our competitors, other retailers and vendors concerning, among other things, their performance, strategy or accounting practices could cause the market price of our common stock to decline regardless of our actual operating performance.

Increases in costs of mailing, paper and printing will affect the cost of our catalog and promotional mailings, which could reduce our profitability.

Postal rate increases and paper and printing costs affect the cost of our catalog and promotional mailings. In response to any future increases in mailing costs, we may consider reducing the number and size of certain catalog editions. In addition, we rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting by zip code and carrier routes. We are not a party to any long-term contracts for the supply of paper. The cost of paper fluctuates significantly, and our future paper costs are subject to supply and demand forces that we cannot control. Future additional increases in postal rates or in paper or printing costs could have a material adverse effect on our business, financial condition, profitability and cash flows.

Anti-takeover provisions in our organizational documents, stockholder rights agreement and Delaware law may discourage or prevent a change in control, even if a sale of the Company would be beneficial to our stockholders, which could cause our stock price to decline and prevent attempts by our stockholders to replace or remove our current management.

Our certificate of incorporation and bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and harm the market price of our common stock and diminish the voting and other rights of the holders of our common stock. These provisions include:

- dividing our Board of Directors into three classes serving staggered three-year terms;
- authorizing our Board of Directors to issue preferred stock and additional shares of our common stock without stockholder approval;
- prohibiting stockholder actions by written consent;
- prohibiting our stockholders from calling a special meeting of stockholders;
- prohibiting our stockholders from making certain changes to our certificate of incorporation or bylaws except with a two-thirds majority stockholder approval; and
- requiring advance notice for raising business matters or nominating directors at stockholders' meetings.

As permitted by our certificate of incorporation and bylaws, we have a stockholder rights agreement, sometimes known as a "poison pill," which provides for the issuance of a new series of preferred stock to holders of common stock. In the event of a takeover attempt, this preferred stock gives rights to holders of common stock other than the acquirer to buy additional shares of common stock at a discount, leading to the dilution of the acquirer's stake.

We are also subject to provisions of Delaware law that, in general, prohibit any business combination with a beneficial owner of 15% or more of our common stock for three years after the stockholder becomes a 15% stockholder, subject to specified exceptions. Together, these provisions of our certificate of incorporation, bylaws and stockholder rights agreement and of Delaware law could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock.

There can be no assurance that we will declare dividends in the future.

We paid a special cash dividend on May 15, 2012. Any future dividend payments will be within the discretion of our Board of Directors and will depend on, among other things, our financial condition, results of operations, capital requirements, capital expenditure requirements, contractual restrictions, anticipated cash needs, provisions of applicable law and other factors that our Board of Directors may deem relevant.

Our previously announced stock repurchase programs, and any subsequent stock purchase program put in place from time to time, could affect the price of our common stock and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our common stock.

We may have in place from time to time, a stock repurchase program. Any such stock repurchase program adopted will not obligate the Company to repurchase any dollar amount or number of shares of common stock and may be suspended or discontinued at any time, which could cause the market price of our common stock to decline. The timing and actual number of shares repurchased under any such stock repurchase program depends on a variety of factors including the timing of open trading windows, price, corporate and regulatory requirements and other market conditions. We may effect repurchases under any stock repurchase program from time to time in the open market, in privately negotiated transactions or otherwise, including accelerated stock repurchase arrangements. Repurchases pursuant to any such stock repurchase program could affect our stock price and increase its volatility. The existence of a stock repurchase program could also cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. There can be no assurance that any stock repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares of common stock. Although our stock repurchase program is intended to enhance stockholder value, short-term stock price fluctuations could reduce the program's effectiveness.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could affect our financial results or financial condition.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, such as revenue recognition, lease obligations, inventory valuation, vendor allowances, impairment of long-lived tangible assets, customer loyalty program, share-based compensation, tax matters and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could negatively affect our reported or expected financial performance or financial condition.

We are a holding company with no operations of our own, and we depend on our subsidiaries for cash.

Following the Reorganization, we are a holding company and we do not have any material assets or operations other than ownership of equity interests of our subsidiaries. Our operations are conducted entirely through our subsidiaries, and our ability to generate cash to meet our obligations or to repurchase stock or pay dividends (if declared by our Board of Directors in the future) is dependent on the earnings of, and receipt of funds from, our subsidiaries through dividends or intercompany loans. The ability of our subsidiaries to generate sufficient cash flow from operations to allow us and them to make scheduled payments on our obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

All of our retail stores, distribution and warehouse facilities and corporate offices are leased or subleased.

Stores

Our retail stores are predominantly located in convenient, high-traffic, locations such as power centers. Our typical store is approximately 10,000 square feet, including approximately 950 square feet dedicated to our full-service salon. Most of our retail store leases provide for a fixed minimum annual rent and generally have a 10-year initial term with options for two or three extension periods of five years each, exercisable at our option.

As of January 28, 2017, we operated 974 retail stores in 48 states and the District of Columbia, as shown in the table below:

State	Number of stores
Alabama	15
Alaska	3
Arizona	25
Arkansas	7
California	121
Colorado	20
Connecticut	12
Delaware	3
District of Columbia	1
Florida	66
Georgia	29
Idaho	7
Illinois	47
Indiana	17
Iowa	8
Kansas	9
Kentucky	10
Louisiana	16
Maine	3
Maryland	15
Massachusetts	15
Michigan	43
Minnesota	13
Mississippi	8
Missouri	16
Montana	5
Nebraska	4
Nevada	14
New Hampshire	7
New Jersey	26
New Mexico	6
New York	36
North Carolina	28
North Dakota	3
Ohio	37
Oklahoma	15
Oregon	11
Pennsylvania	36
Rhode Island	2
South Carolina	15
South Dakota	2
Tennessee	19
Texas	95
Utah	12
Virginia	24
Washington	22
West Virginia	6
Wisconsin	18
Wyoming	2
Total	**974**

Distribution Centers

We currently operate five distribution centers located in Romeoville, Illinois; Phoenix, Arizona; Chambersburg, Pennsylvania; Greenwood, Indiana; and Dallas, Texas. Our standard distribution center leases provide for a fixed minimum annual rent and generally have a 10 or 15-year initial term with three or four renewal options with terms of five years each. The general location, approximate size, and lease expiration dates, of our leased distribution centers at January 28, 2017, are set forth below:

Location	Approximate Square Feet	Lease Expiration Date
Romeoville, Illinois	317,000	April 30, 2020
Phoenix, Arizona	437,000	March 31, 2019
Chambersburg, Pennsylvania	373,000	March 31, 2027
Greenwood, Indiana	671,000	July 31, 2025
Dallas, Texas	671,000	July 31, 2026

Corporate Office

Our principal executive office is in Bolingbrook, Illinois. The corporate office is approximately 308,000 square feet with lease terms expiring from 2020 to 2028. In 2016, we opened a satellite corporate office in Chicago, Illinois. The Chicago office is approximately 23,000 square feet with lease expiration in 2024.

Item 3. ***Legal Proceedings***

See Note 4 to our consolidated financial statements, “Commitments and contingencies – General litigation,” for information on legal proceedings.

Item 4. ***Mine Safety Disclosures***

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names of our executive officers, their ages and their positions are shown below.

Name	Age	Position
Mary N. Dillon	55	Chief Executive Officer and member of the Board of Directors
Scott M. Settersten	56	Chief Financial Officer, Treasurer and Assistant Secretary
Jodi J. Caro	51	General Counsel and Corporate Secretary
Jeffrey J. Childs	59	Chief Human Resources Officer
David C. Kimbell	50	Chief Merchandising and Marketing Officer

There is no family relationship between any of the Directors or executive officers and any other Director or executive officer of Ulta Beauty.

Mary N. Dillon. Ms. Dillon was named Chief Executive Officer effective July 2013. Prior to joining Ulta Beauty, she was President and Chief Executive Officer and a director of U.S. Cellular from June 2010 to July 2013. From 2005 to 2010, Ms. Dillon served as Global Chief Marketing Officer and Executive Vice President for McDonald’s Corporation. Prior to joining McDonald’s Corporation, she held various positions at PepsiCo, including President of the Quaker Foods division. Ms. Dillon serves as a member of the Board of Directors for Starbucks Corporation and previously served on the board of Target Corporation from 2007 to 2013.

Scott M. Settersten. Mr. Settersten was named Chief Financial Officer, Treasurer and Assistant Secretary in March 2013 after having previously served as Acting Chief Financial Officer and Assistant Secretary since October 18, 2012. Prior to this role, Mr. Settersten served as Vice President of Accounting since 2010 and was responsible for accounting, tax, external reporting and investor relations. He joined Ulta Beauty in January 2005 as a Director of Financial Reporting. Prior to joining Ulta Beauty, Mr. Settersten spent 15 years with PricewaterhouseCoopers LLP as a certified public accountant serving in various senior manager roles in the assurance and risk management practices.

Jodi J. Caro. Ms. Caro was named General Counsel and Corporate Secretary in August 2015. Prior to joining Ulta Beauty, she was Vice President, General Counsel and Secretary for Integrys Energy Group, in addition to holding the role of Integrys' Chief Compliance and Ethics Officer. Prior to joining Integrys in 2008, Ms. Caro owned and operated her own law practice, which provided general counsel and corporate services to clients ranging from established multi-million dollar companies to medium and small early-stage enterprises. Prior to opening her law practice in 2006, she was co-founder and General Counsel of Looking Glass Networks, a privately held, facilities-based telecommunications company, and served as an in-house attorney with MCI/WORLDCOM.

Jeffrey J. Childs. Mr. Childs was named Chief Human Resource Officer in October 2013. Prior to joining Ulta Beauty, he was Executive Vice President and Chief Human Resource Officer at U.S. Cellular after joining as Senior Vice President of Human Resources in 2004. From 2001 to 2004, he was President and Owner of Childs Consulting Services. Previously, he served from 1979 to 2001 in a variety of human resources, marketing, sales and operations roles at AT&T, Ameritech and SBC including Vice President, Human Resources and Corporate Services.

David C. Kimbell. Mr. Kimbell was named Chief Merchandising and Marketing Officer in March 2015 after having previously served as Chief Marketing Officer since February 2014. Prior to joining Ulta Beauty, he was Chief Marketing Officer and Executive Vice President at U.S. Cellular since February 2011. From 2008 to 2011, Mr. Kimbell served as Chief Marketing Officer and Senior Vice President of Seventh Generation, a producer of environmentally friendly household and baby care products. Prior to that from 2001 to 2008, Mr. Kimbell held various positions at PepsiCo, Quaker Food Division, including Vice President of Marketing. Mr. Kimbell held a number of marketing roles for several brands at The Procter and Gamble Company from 1995 to 2001.

Part II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market information

Our common stock has traded on the NASDAQ Global Select Market under the symbol "ULTA" since October 25, 2007. Our initial public offering was priced at $18.00 per share. The following table sets forth the high and low sales prices for our common stock on the NASDAQ Global Select Market during fiscal years 2016 and 2015:

Fiscal Year 2016	High	Low
First quarter	$ 212.92	$ 146.77
Second quarter	262.12	202.28
Third quarter	278.63	230.10
Fourth quarter	273.99	225.13

Fiscal Year 2015	High	Low
First quarter	$ 158.97	$ 128.11
Second quarter	171.21	149.12
Third quarter	176.77	120.38
Fourth quarter	188.48	151.52

Holders of the registrant's common stock

The last reported sale price of our common stock on the NASDAQ Global Select Market on March 23, 2017 was $281.22 per share. As of March 23, 2017, we had 43 holders of record of our common stock. Because many shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

No cash dividends were declared on our common stock in 2016 or 2015 nor have any decisions been made to pay a dividend in the future. Our Board of Directors may determine future dividends after giving consideration to our levels of profit and cash flow, capital requirements, current and future liquidity, restrictions as part of our credit facility as well as financial and other conditions existing at the time.

Purchases of equity securities by the issuer and affiliated purchasers

The following table sets forth repurchases of our common stock during the fourth quarter of 2016:

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 to be purchased under plans or programs (in thousands)(2)
October 30, 2016 to November 26, 2016	87,925	$ 237.04	87,925	$ 127,458
November 27, 2016 to December 24, 2016	49,927	257.05	49,544	114,721
December 25, 2016 to January 28, 2017	52,163	262.68	52,163	101,019
13 weeks ended January 28, 2017	190,015	$ 249.34	189,632	$ 101,019

(1) There were 189,632 shares repurchased as part of our publicly announced share repurchase program during the three months ended January 28, 2017 and there were 383 shares transferred from employees in satisfaction of minimum statutory tax withholding obligations upon the vesting of restricted stock during the period.

(2) On March 10, 2016, we announced the 2016 Share Repurchase Program pursuant to which the Company may repurchase up to $425 million of the Company's common stock. The 2016 Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time. As of January 28, 2017, $101.0 million remained available under the $425 million 2016 Share Repurchase Program. On March 9, 2017, we announced the 2017 Share Repurchase Program. For additional information on the 2017 Share Repurchase Program see Note 15 to our consolidated financial statements, "Subsequent event."

Recent sales of unregistered securities

None.

Securities authorized for issuance under equity compensation plans

The following table provides information about Ulta Beauty common stock that may be issued under our equity compensation plans as of January 28, 2017:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(2)	Weighted-average exercise price of outstanding options, warrants and rights(3)	Number of securities remaining available for future issuance under equity compensation plans(4)
Equity compensation plans approved by security holders(1)	1,013,299	$ 120.78	3,912,453
Equity compensation plans not approved by security holders	—	—	—
Total	1,013,299	$ 120.78	3,912,453

(1) Includes options issued and available for exercise and shares available for issuance in connection with past awards under the Amended and Restated 2011 Incentive Award Plan and predecessor equity incentive plans. We currently grant awards only under the Amended and Restated 2011 Incentive Award Plan.

(2) Includes 830,072 shares issuable pursuant to the exercise of outstanding stock options, 141,922 shares issuable pursuant to restricted stock units and 41,305 shares issuable pursuant to performance-based units.

(3) Calculation of weighted-average exercise price of outstanding awards includes stock options, but does not include shares of restricted stock units or performance-based units that convert to shares of common stock for no consideration.

(4) Represents shares that are available for issuance pursuant to the Amended and Restated 2011 Incentive Award Plan. The shares available under the plan are reduced by 1.0 for each stock option awarded and by 1.5 for each restricted stock unit and performance-based unit awarded.

Stock performance graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

Set forth below is a graph comparing the cumulative total stockholder return on Ulta Beauty's common stock with the NASDAQ Global Select Market Composite Index (NQGS) and the S&P Retail Index (RLX) for the period covering January 28, 2012 through the end of Ulta Beauty's fiscal year ended January 28, 2017. The graph assumes an investment of $100 made at the closing of trading on January 28, 2012 in (i) Ulta Beauty's common stock, (ii) the stocks comprising the NQGS and (iii) stocks comprising the RLX. All values assume reinvestment

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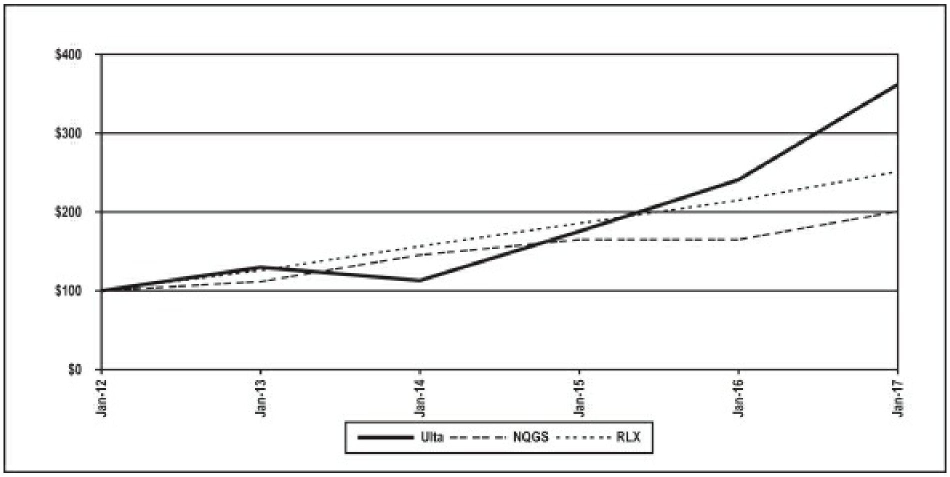
of the full amount of all dividends, if any, into additional shares of the same class of equity securities at the frequency with which dividends are paid on such securities during the applicable time period.



Company / Index	Fiscal year ended January 28, 2012	February 2, 2013	February 1, 2014	January 31, 2015	January 30, 2016	January 28, 2017
Ulta Beauty	$ 100.00	$ 129.89	$ 113.09	$ 175.20	$ 240.57	$ 361.55
NASDAQ Global Select Market Com	100.00	111.65	145.39	164.87	165.09	200.78
S&P 500 Retailing Index	100.00	125.91	156.47	185.81	214.72	250.85

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Item 6. *Selected Financial Data*

The following table presents our selected consolidated financial data. The table should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

	Fiscal year ended(1)				
	January 28, 2017	January 30, 2016	January 31, 2015	February 1, 2014	February 2, 2013
	(In thousands, except per share and per square foot data)				
Income statement:					
Net sales(2)	$ 4,854,737	$3,924,116	$3,241,369	$2,670,573	$2,220,256
Cost of sales	3,107,508	2,539,783	2,104,582	1,729,325	1,436,582
Gross profit	1,747,229	1,384,333	1,136,787	941,248	783,674
Selling, general and administrative expenses	1,073,834	863,354	712,006	596,390	488,880
Pre-opening expenses	18,571	14,682	14,366	17,270	14,816
Operating income	654,824	506,297	410,415	327,588	279,978
Interest (income) expense, net	(890)	(1,143)	(894)	(118)	185
Income before income taxes	655,714	507,440	411,309	327,706	279,793
Income tax expense	245,954	187,432	154,174	124,857	107,244
Net income	$ 409,760	$ 320,008	$ 257,135	$ 202,849	$ 172,549
Net income per common share:					
Basic	$ 6.55	$ 5.00	$ 4.00	$ 3.17	$ 2.73
Diluted	$ 6.52	$ 4.98	$ 3.98	$ 3.15	$ 2.68
Weighted average common shares outstanding:					
Basic	62,519	63,949	64,335	63,992	63,250
Diluted	62,851	64,275	64,651	64,461	64,396
Dividends declared per common share	$ —	$ —	$ —	$ —	$ 1.00
Other operating data:					
Comparable sales increase:(3)					
Retail and salon comparable sales	13.4%	10.0%	8.1%	6.1%	8.8%
E-commerce comparable sales	56.2%	47.5%	56.4%	76.6%	30.7%
Total comparable sales increase	15.8%	11.8%	9.9%	7.9%	9.3%
Number of stores end of year	974	874	774	675	550
Total square footage end of year	10,271,184	9,225,957	8,182,404	7,158,286	5,847,393
Total square footage per store(4)	10,545	10,556	10,572	10,605	10,632
Average total square footage(5)	9,641,367	8,724,581	7,690,742	6,555,960	5,315,653
Retail sales per average total square foot(6)	$ 468	$ 424	$ 402	$ 393	$ 407
Capital expenditures	373,747	299,167	249,067	226,024	188,578
Depreciation and amortization	210,295	165,049	131,764	106,283	88,233
Repurchase of common shares	344,275	167,396	39,923	37,337	—
Balance sheet data:					
Cash and cash equivalents	$ 385,010	$ 345,840	$ 389,149	$ 419,476	$ 320,475
Short-term investments	30,000	130,000	150,209	—	—
Working capital(7)	1,006,894	978,946	900,761	735,886	568,257
Property and equipment, net	1,004,358	847,600	717,159	595,736	483,059
Total assets	2,551,878	2,230,918	1,983,170	1,602,727	1,275,249
Total stockholders' equity	1,550,218	1,442,886	1,247,509	1,003,094	786,942

(1) Our fiscal year-end is the Saturday closest to January 31 based on a 52/53-week year. Each fiscal year consists of four 13-week quarters, with an extra week added onto the fourth quarter every five or six years.

(2) Fiscal 2012 was a 53-week operating year. The sales for the 53rd week of fiscal 2012 were approximately $55 million.

(3) Comparable sales increase reflects sales for stores beginning on the first day of the 14th month of operation. Remodeled stores are included in comparable sales unless the store was closed for a portion of the current or comparable prior year.

(4) Total square footage per store is calculated by dividing total square footage at end of year by number of stores at end of year.

(5) Average total square footage represents a weighted average, which reflects the effect of opening stores in different months throughout the year.

(6) Retail sales per average total square foot was calculated, for all years presented, by dividing net sales, excluding e-commerce sales, for the year by the average square footage for those stores open during each year. In prior years we calculated this metric using total net sales, including e-commerce sales. The Company believes that excluding e-commerce sales more appropriately reflects the Company's retail store productivity. Net sales per average square foot calculated using total net sales, including e-commerce sales, would have been $504, $450, $421, $407, and $418, for fiscal years 2016, 2015, 2014, 2013 and 2012, respectively. The sales for the 53rd week of fiscal 2012 were approximately $55 million.

(7) The Company prospectively adopted Accounting Standards Update No. 2015-17, Balance Sheet Classification of Deferred Taxes, in the fourth quarter of fiscal 2015. As a result of this adoption, at January 28, 2017 and January 30, 2016, current deferred tax assets were classified as non-current liabilities.

Item 7. *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 Annual Report on Form 10-K.

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 All Things Beauty, All in One Place™, a compelling value proposition and a convenient and welcoming shopping environment. We believe our strategy provides us with the competitive advantages that have contributed to our financial performance.

We are currently 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 focus on providing affordable indulgence to our guests by combining unmatched product breadth, value and convenience with a distinctive specialty retail environment and experience. Key aspects of our business include: our ability to offer our guests a unique combination of more than 20,000 beauty products across the categories of prestige and mass cosmetics, fragrance, haircare, 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 imperatives: 1) acquire new guests and deepen loyalty with existing guests, 2) differentiate by delivering a distinctive and personalized guest experience across all channels, 3) offer relevant, innovative and often exclusive products that excite our guests, 4) deliver exceptional services in three core areas: hair, skin health and brows, 5) grow stores and e-commerce to reach and serve more guests, 6) invest in infrastructure to support our guest experience and growth, and capture scale efficiencies and 7) attract and retain talent that drives a winning 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, positions 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, by opening new stores and by increasing sales in our e-commerce channel. 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 1,400 to 1,700 store chain with a successful e-commerce business and competitive omni-channel capabilities.

Basis of presentation

We have determined the operating segments on the same basis that we use to internally evaluate performance. We have combined our three operating segments: retail stores, salon services and e-commerce, into one reportable segment because they have a similar class of consumers, economic characteristics, nature of products and distribution methods.

Net sales include store and e-commerce merchandise sales as well as salon service revenue. We recognize merchandise revenue at the point of sale in our retail stores and e-commerce sales are recorded based on delivery of merchandise to the guest. Stores and e-commerce merchandise sales are recorded net of estimated returns. Salon service revenue is recognized at the time the service is provided. 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.

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 as a result of remodel activity. Remodeled stores are included in comparable sales unless the store was closed for a portion of the current or prior period. Comparable sales include the Company's e-commerce business. 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 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 (retail and e-commerce), including substantially all vendor allowances, which are treated as a reduction of merchandise costs;

- warehousing and distribution costs including labor and related benefits, freight, rent, depreciation and amortization, real estate taxes, utilities and insurance;
- shipping and handling costs;
- store occupancy costs including rent, depreciation and amortization, real estate taxes, utilities, repairs and maintenance, insurance, licenses and cleaning expenses;
- salon payroll and benefits;
- customer loyalty program expense; and
- shrink and inventory valuation reserves.

Our cost of sales may be negatively impacted as we open an increasing number of 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 and corporate employees;
- advertising and marketing costs;
- credit card program incentives;
- occupancy costs related to our corporate office facilities;
- stock-based compensation expense;
- depreciation and amortization for all assets, except those related to our retail and warehouse operations, which are included in cost of sales; and
- legal, finance, information systems and other corporate overhead costs.

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

Pre-opening expenses include non-capital expenditures during the period prior to store opening for new, remodeled and relocated stores including rent during the construction period for new and relocated stores, store set-up labor, management and employee training and grand opening advertising.

Interest income, net includes both interest income and expense. Interest income represents interest from short-term investments with maturities of twelve months or less from the date of purchase. Interest expense includes interest costs and unused 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.

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 fiscal years are the 52 or 53 week periods ending on the Saturday closest to January 31. The Company’s fiscal years ended January 28, 2017, January 30, 2016 and January 31, 2015 were 52 week years and are hereafter referred to as fiscal 2016, fiscal 2015 and fiscal 2014.

As of January 28, 2017, we operated 974 stores across 48 states and the District of Columbia. The following tables present the components of our consolidated results of operations for the periods indicated:

(Dollars in thousands)	Fiscal year ended January 28, 2017	January 30, 2016	January 31, 2015
Net sales	$4,854,737	$3,924,116	$3,241,369
Cost of sales	3,107,508	2,539,783	2,104,582
Gross profit	1,747,229	1,384,333	1,136,787
Selling, general and administrative expenses	1,073,834	863,354	712,006
Pre-opening expenses	18,571	14,682	14,366
Operating income	654,824	506,297	410,415
Interest income, net	(890)	(1,143)	(894)
Income before income taxes	655,714	507,440	411,309
Income tax expense	245,954	187,432	154,174
Net income	$ 409,760	$ 320,008	$ 257,135
Other operating data:			
Number of stores end of period	974	874	774
Comparable sales increase:			
Retail and salon comparable sales	13.4%	10.0%	8.1%
E-commerce comparable sales	56.2%	47.5%	56.4%
Total comparable sales increase	15.8%	11.8%	9.9%

(Percentage of net sales)	Fiscal year ended January 28, 2017	January 30, 2016	January 31, 2015
Net sales	100.0%	100.0%	100.0%
Cost of sales	64.0%	64.7%	64.9%
Gross profit	36.0%	35.3%	35.1%
Selling, general and administrative expenses	22.1%	22.0%	22.0%
Pre-opening expenses	0.4%	0.4%	0.4%
Operating income	13.5%	12.9%	12.7%
Interest income, net	0.0%	0.0%	0.0%
Income before income taxes	13.5%	12.9%	12.7%
Income tax expense	5.1%	4.8%	4.8%
Net income	8.4%	8.2%	7.9%

Fiscal year 2016 versus fiscal year 2015

Net sales

Net sales increased $930.6 million, or 23.7%, to $4,854.7 million in fiscal 2016 compared to $3,924.1 million in fiscal 2015. Salon service sales increased $31.9 million, or 15.2% to $241.1 million compared to $209.2 million in fiscal 2015. E-commerce sales increased $124.2 million, or 56.2%, to $345.3 million compared to $221.1 million in fiscal 2015. The net sales increases are due to the opening of 100 net new stores in 2016 and a 15.8% increase in comparable sales. Non-comparable stores, which include stores opened in fiscal 2016 as well as stores opened in fiscal 2015, which have not yet turned comparable, contributed $320.9 million of the net sales increase, while comparable stores contributed $609.8 million of the total net sales increase.

The 15.8% comparable sales increase consisted of a 13.4% increase at the Company's retail and salon stores and a 56.2% increase in the Company's e-commerce business. The inclusion of the e-commerce business resulted in an increase of approximately 240 basis points to the Company's consolidated same store sales calculation for fiscal 2016 compared to 180 basis points for fiscal 2015. The total comparable sales increase included a 5.1% increase in average ticket and a 10.7% increase in transactions. We attribute the increase in comparable sales to our successful marketing and merchandising strategies.

Gross profit

Gross profit increased $362.9 million, or 26.2%, to $1,747.2 million in fiscal 2016, compared to $1,384.3 million, in fiscal 2015. Gross profit as a percentage of net sales increased 70 basis points to 36.0% in fiscal 2016 compared to 35.3% in fiscal 2015. The increase in gross profit margin was primarily due to:

- 30 basis points improvement in merchandise margins driven by our marketing and merchandising strategies, including a reduction in year-over-year promotional levels;
- 70 basis points of leverage in fixed store costs attributed to the impact of higher sales volume, partly offset by;
- 30 basis points of planned deleverage related to supply chain investments.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses increased $210.5 million, or 24.4%, to $1,073.8 million in fiscal 2016 compared to $863.4 million in fiscal 2015. As a percentage of net sales, SG&A expense increased 10 basis points to 22.1% in fiscal 2016 compared to 22.0% in fiscal 2015. The deleverage in SG&A was primarily due to:

- 30 basis points deleverage primarily due to investments in store labor to support our growth initiatives;
- 20 basis points deleverage in corporate overhead due to higher variable compensation, depreciation expense and impairment charges related to the closure of stores in Chicago, Illinois and Denham Springs, Louisiana, partly offset by;
- 40 basis points of leverage in marketing expense attributed to strong sales growth.

Pre-opening expenses

Pre-opening expenses increased $3.9 million, or 26.5%, to $18.6 million in fiscal 2016 compared to $14.7 million in fiscal 2015. During fiscal 2016, we opened 104 new stores, remodeled 12 stores and relocated two stores. During fiscal 2015, we opened 103 new stores, remodeled four stores and relocated five stores.

Interest income, net

Interest income, net was $0.9 million in fiscal 2016, compared to $1.1 million in fiscal 2015. Interest income results from short-term investments with maturities of twelve months or less from the date of purchase. Interest expense represents various fees related to the credit facility. We did not utilize our credit facility during fiscal 2016 or 2015.

Income tax expense

Income tax expense of $246.0 million in fiscal 2016 represents an effective tax rate of 37.5%, compared to fiscal 2015 tax expense of $187.4 million and an effective tax rate of 36.9%. The fiscal 2015 tax rate included benefits from lower state taxes that did not recur in fiscal 2016.

Net income

Net income increased $89.8 million, or 28.0%, to $409.8 million in fiscal 2016 compared to $320.0 million in fiscal 2015. The increase in net income was primarily due to an increase in gross profit of $362.9 million, which was offset by a $210.5 million increase in SG&A expenses and a $58.5 million increase in income tax expense.

Fiscal year 2015 versus fiscal year 2014

Net sales

Net sales increased $682.7 million, or 21.1%, to $3,924.1 million in fiscal 2015 compared to $3,241.4 million in fiscal 2014. Salon service sales increased $33.7 million, or 19.2% to $209.2 million compared to $175.5 million in fiscal 2014. E-commerce sales increased $71.2 million, or 47.5%, to $221.1 million compared to $149.9 million in fiscal 2014. The net sales increases are due to the opening of 100 net new stores in 2015 and an 11.8% increase in comparable sales. Non-comparable stores, which include stores opened in fiscal 2015 as well as stores opened in fiscal 2014, which have not yet turned comparable, contributed $306.5 million of the net sales increase, while comparable stores contributed $376.2 million of the total net sales increase.

The 11.8% comparable sales increase consisted of a 10.0% increase at the Company's retail and salon stores and a 47.5% increase in the Company's e-commerce business. The inclusion of the e-commerce business resulted in an increase of approximately 180 basis points to the Company's consolidated same store sales calculation for fiscal 2015 and 2014. The total comparable sales increase included a 3.4% increase in average ticket and an 8.4% increase in transactions. We attribute the increase in comparable sales to our successful marketing and merchandising strategies.

Gross profit

Gross profit increased $247.5 million, or 21.8%, to $1,384.3 million in fiscal 2015, compared to $1,136.8 million, in fiscal 2014. Gross profit as a percentage of net sales increased 20 basis points to 35.3% in fiscal 2015 compared to 35.1% in fiscal 2014. The increase in gross profit margin was primarily due:

- 20 basis points improvement in merchandise margins driven by our marketing and merchandising strategies, including improvement in e-commerce profit contribution;
- 30 basis points of leverage in fixed store costs attributed to the impact of higher sales volume, offset by;
- 30 basis points of supply chain deleverage related to the addition of our new Greenwood, Indiana distribution center.

Selling, general and administrative expenses

SG&A expenses increased $151.3 million, or 21.3%, to $863.4 million in fiscal 2015 compared to $712.0 million in fiscal 2014. As a percentage of net sales, SG&A expense was 22.0% in fiscal 2015 and fiscal 2014. Compared to fiscal 2014's SG&A expense, fiscal 2015 had 10 basis points of leverage in marketing expense attributed to strong sales growth, offset by 10 basis points of deleverage in corporate overhead expense primarily driven by higher consulting expense.

Pre-opening expenses

Pre-opening expenses increased $0.3 million, or 2.2%, to $14.7 million in fiscal 2015 compared to $14.4 million in fiscal 2014. During fiscal 2015, we opened 103 new stores, remodeled four stores and relocated five stores. During fiscal 2014, we opened 100 new stores and remodeled nine stores and relocated two stores.

Interest income, net

Interest income, net was $1.1 million in fiscal 2015, compared to $0.9 million in fiscal 2014. Interest income results from short-term investments with maturities of twelve months or less from the date of purchase. Interest expense represents various fees related to the credit facility. We did not utilize our credit facility during fiscal 2015 or 2014.

Income tax expense

Income tax expense of $187.4 million in fiscal 2015 represents an effective tax rate of 36.9%, compared to fiscal 2014 tax expense of $154.2 million and an effective tax rate of 37.5%. The lower tax rate in fiscal 2015 is primarily due to a decrease in state taxes and increase in federal income tax credits compared to fiscal 2014.

Net income

Net income increased $62.9 million, or 24.5%, to $320.0 million in fiscal 2015 compared to $257.1 million in fiscal 2014. The increase in net income was primarily due to an increase in gross profit of $247.5 million, which was offset by a $151.3 million increase in SG&A expenses and a $33.3 million increase in income tax expense.

Liquidity and capital resources

Our primary cash needs are for capital expenditures for new, relocated and remodeled stores, increased merchandise inventories related to store expansion and new brand additions, in-store boutiques (sets of custom designed fixtures configured to prominently display certain prestige brands within our stores), supply chain improvements, share repurchases and for continued improvement in our information technology systems.

Our primary sources of liquidity are cash on hand, short-term investments and cash flows from operations, including changes in working capital, and borrowings under our credit facility. The most significant component of our working capital is merchandise inventories 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. This is also the time of year when we are at maximum investment levels in our new store class and may not have collected all of the landlord allowances due to us as part of our lease agreements. Based on past performance and current expectations, we believe that cash on hand, 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 12 months.

The following table presents a summary of our cash flows for fiscal years 2016, 2015 and 2014:

	Fiscal year ended		
(In thousands)	January 28, 2017	January 30, 2016	January 31, 2015
Net cash provided by operating activities	$ 634,685	$ 375,874	$ 396,592
Net cash used in investing activities	(273,747)	(278,958)	(399,276)
Net cash used in financing activities	(321,768)	(140,225)	(27,643)
Net increase (decrease) in cash and cash equivalents	$ 39,170	$ (43,309)	$ (30,327)

Operating activities

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

Merchandise inventories were $944.0 million at January 28, 2017, compared to $761.8 million at January 30, 2016, representing an increase of $182.2 million or 23.9%. Average inventory per store increased 11.2% compared to prior year. The increase in inventory is primarily due to the following:

- approximately $87 million due to the addition of 100 net new stores opened since January 30, 2016;
- approximately $82 million due to the opening of the Company’s fourth and fifth distribution centers in Greenwood, Indiana and Dallas, Texas; and
- approximately $13 million due to increased sales, new brand additions and incremental inventory for in-store prestige brand boutiques.

Deferred rent liabilities were $366.2 million at January 28, 2017, an increase of $44.4 million compared to $321.8 million at January 30, 2016. Deferred rent includes deferred construction allowances, future rental increases, free rent and rent holidays which are all recognized on a straight-line basis over their respective lease term. The increase is primarily due to the addition of 100 net new stores opened since January 30, 2016 and corporate and supply chain expansion.

Investing activities

We have historically used cash primarily for new and remodeled stores, supply chain investments, short-term investments and investments in information technology systems. Investment activities for capital expenditures were $373.7 million in fiscal 2016, compared to $299.2 million and $249.1 million in fiscal 2015 and 2014, respectively. Capital expenditures increased in fiscal 2016 compared to fiscal 2015 due to our new store program, the expansion of prestige boutiques and related in-store merchandising upgrades, and corporate office expansion. During fiscal 2016, we opened 104 new stores, remodeled 12 stores and relocated two stores, compared to 103 new stores, four remodels and five relocations during fiscal 2015 and 100 new stores, nine remodels and two relocations during fiscal 2014. During fiscal 2016, the average investment required to open a new Ulta store was approximately $1.4 million, which includes capital investment net of landlord contributions, pre-opening expenses and initial inventory net of payables. The average investment required to remodel an Ulta Beauty store was approximately $1.5 million. Purchases of short-term investments were $90 million during fiscal 2016 and consist of certificates of deposit with maturities of twelve months or less from the date of purchase.

Capital expenditures for fiscal 2016, 2015 and 2014 and planned fiscal 2017 by major category are as follows:

(In millions)	2017 Budget	Fiscal 2016	Fiscal 2015	Fiscal 2014
New, Remodeled, Relocated Stores	$ 191	$154	$122	$125
Merchandising	100	83	42	19
Information Systems	82	56	63	45
Supply Chain	49	41	49	46
Store Maintenance & Other	41	40	23	14
	$ 463	$374	$299	$249

Our future investments will depend primarily on the number of new, relocated and remodeled stores, supply chain investments and information technology systems that we undertake and the timing of these expenditures. Based on past performance and current expectations, we expect to self-fund future capital expenditures. We expect to spend approximately $463 million for capital expenditures in fiscal 2017. In 2017, new, remodeled and relocated stores and merchandising capital expenditure increases reflect the prestige brand expansions and the related in-store merchandising upgrades, as well as incremental spend related to non-prototypical store locations. We embarked on a multi-year supply chain project beginning in 2014, which included adding capacity, with fourth and fifth distribution centers opened in 2015 and 2016 and plans for a sixth distribution center in 2018, and system improvements to support expanded omni-channel capabilities.

Financing activities

Financing activities in fiscal 2016, 2015 and 2014 consist principally of capital stock transactions and the related income tax effects and our stock repurchase program. Purchase of treasury shares in fiscal 2016, 2015 and 2014 represents 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 our credit facility at the end of fiscal 2016, 2015 and 2014. The zero outstanding borrowings position is due to a combination of factors including strong sales growth, 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 to support our new store program and seasonal inventory needs.

Share repurchase plan

On September 11, 2014, we announced that our Board of Directors authorized a share repurchase program (the 2014 Share Repurchase Program) pursuant to which the Company could repurchase up to $300 million of the Company's common stock. The 2014 Share Repurchase Program authorization revoked the previously authorized, but unused amounts of $112.7 million from the share repurchase program adopted in 2013. On March 12, 2015, we announced that our Board of Directors authorized an increase of $100 million to the 2014 Share Repurchase Program effective March 17, 2015. The 2014 Share Repurchase Program did not have an expiration date, but provided for suspension or discontinuation at any time.

On March 10, 2016, we announced that our Board of Directors authorized a new share repurchase program (the 2016 Share Repurchase Program) pursuant to which the Company may repurchase up to $425 million of the Company's common stock. The 2016 Share Repurchase Program authorization revoked the previously authorized, but unused amounts of $172.4 million from the 2014 Share Repurchase Program. The 2016 Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time.

As part of the 2016 Share Repurchase Program, we entered into an Accelerated Share Repurchase (ASR) agreement with Goldman, Sachs & Co. to repurchase $200 million of the Company's common stock. Under the ASR agreement, the Company paid $200 million to Goldman, Sachs & Co. and received an initial delivery of 851,653 shares in the first quarter of 2016, which were retired and represented 80% of the total shares the Company expected to receive based on the market price at the time of the initial delivery. In May 2016, the ASR settled and an additional 153,418 shares were delivered to the Company and retired. The final number of shares delivered upon settlement was determined with reference to the average price of the Company's common stock over the term of the agreement. The transaction was accounted for as an equity transaction. The par value of shares received was recorded as a reduction to common stock with the remainder recorded as a reduction to additional paid-in capital and retained earnings. Upon receipt of the shares, there was an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share.

During fiscal year 2014, we purchased 321,113 shares of common stock for $39.9 million at an average price of $124.31. During fiscal 2015, we purchased 1,034,418 shares of common stock for $167.4 million at an average price of $161.81. During fiscal 2016, excluding the shares repurchased under the ASR, we purchased 634,155 shares of common stock for $144.3 million at an average price of $227.49.

On March 9, 2017, we announced that the Board of Directors authorized a new share repurchase program (the 2017 Share Repurchase Program) pursuant to which the Company may repurchase up to $425 million of the Company's common stock. The 2017 Share Repurchase Program authorization revokes the previously authorized but unused amounts from the 2016 Share Repurchase Program. The 2017 Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time.

Credit facility

In 2011, we entered into an Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and a Lender thereunder, Wells Fargo Capital Finance LLC as a Lender, J.P. Morgan Securities LLC as a Lender, JP Morgan Chase Bank, N.A. as a Lender and PNC Bank, National Association, as a Lender, which has been amended multiple times since 2011 (as amended, the Loan Agreement). The Loan Agreement currently matures in December 2018, provides maximum revolving loans equal to the lesser of $200 million or a percentage of eligible owned inventory, contains a $10 million subfacility for letters of credit and allows the Company to increase the revolving facility by an additional $50 million, subject to consent by each lender and other conditions. The Loan Agreement contains a requirement to maintain a minimum amount of excess borrowing availability at all times. Substantially all of the Company's assets are pledged as collateral for outstanding borrowings under the facility. Outstanding borrowings will bear interest at the prime rate or LIBOR plus 1.50% and the unused line fee is 0.20%.

As of January 28, 2017 and January 30, 2016, we had no borrowings outstanding under the credit facility and the Company was in compliance with all terms and covenants of the 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 Mothers' Day as well as the "Back to School" season 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.

Impact of inflation and changing prices

Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs. In addition, inflation could materially increase the interest rates on any future debt.

Off-balance sheet arrangements

As of January 28, 2017, 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 operating leases and purchases obligations incurred in the ordinary course of business as indicated within the contractual obligations table below.

Contractual obligations

The following table summarizes our contractual arrangements and the timing and effect that such commitments are expected to have on our liquidity and cash flows in future periods. The table below excludes variable expenses related to contingent rent, common area maintenance, insurance and real estate taxes. The table below includes obligations for executed agreements for which we do not yet have the right to control the use of the property as of January 28, 2017:

(In thousands)	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Operating lease obligations(1)	$ 2,006,041	$ 270,684	$ 534,500	$ 474,282	$ 726,575
Purchase obligations	47,463	40,518	6,945	—	—
Total	$ 2,053,504	$ 311,202	$ 541,445	$ 474,282	$ 726,575

(1) Variable operating lease obligations related to common area maintenance, insurance and real estate taxes are not included in the table above. Total expenses related to common area maintenance, insurance and real estate taxes for fiscal 2016 were approximately $59 million.

We lease retail stores, warehouses, corporate offices and certain equipment under operating leases with various expiration dates through fiscal 2032. Our store leases generally have initial lease terms of 10 years and include renewal options under substantially the same terms and conditions as the original leases. In addition to future minimum lease payments, most of our lease agreements include escalating rent provisions which we recognize straight-line over the term of the lease, including any lease renewal periods deemed to be probable. For certain locations, we receive cash tenant allowances and we report these amounts as deferred rent, which is amortized on a straight-line basis as a reduction of rent expense over the term of the lease, including any lease renewal periods deemed to be probable.

Purchase obligations reflect legally binding agreements entered into by the Company to purchase goods or services. Excluded from our purchase obligations are normal purchases and contracts entered into in the ordinary course of business. The amount of purchase obligations relates to commitments made to a third party for products and services for a future distribution center for which a lease has been signed, advertising and other goods and service contracts entered into as of January 28, 2017.

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As of January 28, 2017, the unrecognized tax benefit was $3.3 million, which is not included in the above table due to uncertainty regarding the realization and timing of the related future cash flows, if any.

Critical accounting policies and estimates

Management's discussion and analysis of financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these 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. A discussion of our more significant estimates follows. Management has discussed the development, selection and disclosure of these estimates and assumptions with the Audit Committee of the Board of Directors.

Inventory valuation

Merchandise inventories are carried at the lower of average cost or market value. Cost is determined using the weighted-average cost method and includes costs incurred to purchase and distribute goods as well as related vendor allowances including co-op advertising, markdowns and volume discounts. We record valuation adjustments to our inventories if the cost of a specific product on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand, age of inventory and analysis of historical experience. If actual demand or market conditions are different than those projected by management, future merchandise margin rates may be unfavorably or favorably affected by adjustments to these estimates.

Inventories are adjusted for the results of periodic physical inventory counts at each of our locations. We record a shrink reserve representing management's estimate of inventory losses by location that have occurred since the date of the last physical count. This estimate is based on management's analysis of historical results and operating trends.

We do not believe that there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our lower of cost or market or shrink reserves. Adjustments to earnings resulting from revisions to management's estimates of the lower of cost or market and shrink reserves have been insignificant during fiscal 2016, 2015 and 2014. An increase or decrease in the lower of cost or market reserve of 10% would have had no material impact on our pre-tax income for fiscal 2016. An increase or decrease in the shrink rate included in the shrink reserve calculation of 10% would have had no material impact on our pre-tax income for fiscal 2016.

Vendor allowances

The majority of cash consideration received from a supplier is considered to be a reduction of the cost of the related products and is reflected in cost of sales in our consolidated statements of income as the related products are sold unless it is in exchange for an asset or service or a reimbursement of a specific, incremental, identifiable cost incurred by the Company in selling the vendors' products. We estimate the amount recorded as a reduction of inventory at the end of each period, based on a detailed analysis of inventory turns and management's analysis of the facts and circumstances of the various contractual agreements with vendors. We record cash consideration expected to be received from vendors in net receivables at the amount we expect to collect. We do not believe that there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our reduction of inventory. An increase or decrease in inventory turns of five basis points would have affected pre-tax income by approximately $3.8 million in fiscal 2016.

Impairment of long-lived tangible assets

We review long-lived tangible assets whenever events or circumstances indicate these assets might not be recoverable based on undiscounted future cash flows. Assets are reviewed at the store level, which is the lowest level for which cash flows can be identified. Significant estimates are used in determining future operating results of each store over its remaining lease term. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. We do not believe that there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our impairment charges. In fiscal 2016, we recognized $3.1 million of fixed asset impairment charges related to store closures in Chicago, Illinois and Denham Springs, Louisiana. No significant impairment charges were recognized in fiscal 2015 or 2014.

Customer loyalty program

We maintain a customer loyalty program, Ultamate Rewards, in which program members earn points based on purchases. Points earned by members are valid for at least one year and may be redeemed on any product we sell. We accrue the cost of anticipated redemptions related to this program at the time of the initial purchase based on historical experience. We do not believe that there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our redemption rates. Adjustments to earnings resulting from revisions to management's estimates of the redemption rates have been insignificant during fiscal 2016, 2015 and 2014. If our redemption rate were to increase or decrease by 5%, it would have affected pre-tax income by approximately $5.7 million in fiscal 2016.

Share-based compensation

We account for share-based compensation in accordance with the Accounting Standards Codification (ASC) rules for stock compensation. Share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized on a straight-line method over the requisite service period for awards expected to vest.

We estimate the grant date fair value of stock options using a Black-Scholes valuation model. The expected volatility is based on the historical volatility of the Company's common stock. The risk free interest rate is based on the United States Treasury yield curve in effect on the date of grant for the respective expected life of the option. The expected life represents the time the options granted are expected to be outstanding. The expected life of options granted is derived from historical data on Ulta Beauty stock option exercises. The historical exercise data is updated on an annual basis and the changes have not had a material impact on the calculation in any years presented.

Forfeitures of options are estimated at the grant date based on historical rates of the Company's stock option activity and reduce the compensation expense recognized. The forfeiture rate is updated on an annual basis and the changes have not had a material impact on compensation expense recognized in any years presented. We do not believe that there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our grant date fair value of stock options or forfeiture rate.

See Note 2 to our consolidated financial statements, "Summary of significant accounting policies – Share-based compensation," for disclosure related to the Company's stock compensation expense. See Note 10 to our consolidated financial statements, "Share-based awards," for disclosure related to our stock compensation expense and related valuation model assumptions.

Recent accounting pronouncements not yet adopted

See Note 2 to our consolidated financial statements, "Summary of significant accounting policies – Recent accounting pronouncements not yet adopted."

Recently adopted accounting pronouncements

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

Item 7A. ***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 sensitivity

We are exposed to interest rate risks primarily through borrowing under our credit facility. Interest on our borrowings is based upon variable rates. We did not utilize the credit facility during fiscal 2016, 2015 or 2014. The interest expense recognized in our statement of income represents unused fees associated with the credit facility. Interest expense is offset by interest income from short-term investments with maturities of twelve months or less from the date of purchase.

Item 8. ***Financial Statements and Supplementary Data***

See the index, financial statements and notes to financial statements included under Item 15, "Exhibits and Financial Statement Schedules."

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***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 January 28, 2017, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC'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.

Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed by, or under the supervision of, the principal executive officer and principal financial officer and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Under the supervision and with the participation of our principal executive officer and our principal financial officer, management evaluated the effectiveness of our internal control over financial reporting as of January 28, 2017, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO). Based on this evaluation, our principal executive officer and principal financial officer concluded that our internal controls over financial reporting were effective as of January 28, 2017. Ernst & Young LLP, the independent registered public accounting firm that audited our financial statements included in this Annual Report on Form 10-K, has audited the effectiveness of our internal control over financial reporting as of January 28, 2017 and has issued the attestation report included in Item 15 of this Annual Report on Form 10-K.

Changes in internal control over financial reporting

There were no changes to our internal controls over financial reporting during the three months ended January 28, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. ***Other Information***

On March 24, 2017, our Board of Directors adopted an Executive Change in Control and Severance Plan (the CIC Plan), which provides for the payment of the following severance and other benefits to our executive officers and certain other officers (collectively, the executives) in the event of a termination of employment with Ulta Beauty without "cause" or by the executive for "good reason" (as each is defined in the CIC Plan), in either case (1) following the announcement of a "change in control" (as defined in the CIC Plan) or (2) on or within eighteen months following a change in control:

- a lump sum cash payment of a multiple of the sum of the executive's salary plus bonus (where "salary" is an amount equal to the greater of the executive's salary (a) on the date of termination or (b) on the consummation of the change in control and where "bonus" is an amount equal to the greater of (a) the executive's target bonus on the date of termination, (b) executive's target bonus on the consummation of the change in control or (c) the actual anticipated bonus executive would receive based on performance as of the change in control). The multiplier to be applied varies based on the executive's position (three times (3x) multiplier for the Chief Executive Officer; two times (2x) multiplier for our other executive officers, including all of our named executive officers; and a one time (1x) multiplier for other selected executives and key employees. The compensation committee of our Board of Directors will designate each year who is eligible to participate in the CIC Plan and his or her multiple level;
- accelerated vesting of all outstanding equity awards held by the executives that vest solely based on the passage of time;
- accelerated vesting of outstanding performance-based equity held by the executives based on the greater of (a) target performance levels or (b) actual shares that would have been earned for performance through the date of the change in control; and
- Company-paid COBRA premium payments for up to eighteen months following the termination date.

The executives' right to receive the severance payments and benefits described above is subject to his or her delivery and non-revocation of an effective general release of claims in favor of the Company and the executive's continued compliance with applicable restrictive covenants.

In addition, to the extent that any change in control payment or benefit would be subject to an excise tax imposed in connection with Section 4999 of the Internal Revenue Code, such payments and/or benefits may be subject to a "best net" reduction to the extent necessary so that the executive receives the greater of the (i) net amount of the change in control payments and benefits reduced such that such payments and benefits will not be subject to the excise tax and (ii) net amount of the change in control payments and benefits without such reduction.

The CIC Plan replaces in full and supersedes any other change in control protections provided to the executives, including without limitation, any individual letters or other plans. The foregoing description of the CIC Plan is qualified in its entirety by reference to the full text of the CIC Plan, a copy of which is filed herewith as Exhibit 10.16 and is incorporated herein by reference.

Part III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item with respect to our executive officers is set forth after Part I, Item 4 of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant." The additional information required by this item is included under the captions "Corporate Governance and the Board of Directors – Election of Directors," "Independent Registered Public Accounting Firm and Audit Committee –

Audit Committee" and "Stock – Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for our 2017 Annual Meeting of Stockholders (the Proxy Statement) and is hereby incorporated herein by reference.

We have a Code of Business Conduct that applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer, Controller and other persons performing similar functions. We have posted a copy of our Code of Business Conduct under "Corporate Governance" in the Investor Relations section of our website located at http://ir.ulta.com, and such Code of Business Conduct is available in print, without charge, to any stockholder who requests it from our Corporate Secretary. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, or waivers from, the Code of Business Conduct by posting such information under "Corporate Governance" in the Investor Relations section of our website located at http://ir.ulta.com. We are not including the information contained on our website as part of, or incorporating it by reference into, this Annual Report on Form 10-K.

Item 11. *Executive Compensation*

The information required by this item is included under the captions "Compensation Committee Report and Compensation Discussion and Analysis" and "Corporate Governance and the Board of Directors – Non-Executive Director Compensation for Fiscal 2016" in the Proxy Statement and is hereby incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item with respect to security ownership of certain beneficial owners and management is included under the caption "Stock – Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement and is hereby incorporated by reference. The information required by this item with respect to compensation plans under which our equity securities are authorized for issuance as of January 28, 2017 is set forth in Item 5 of this Annual Report on Form 10-K under the caption "Securities authorized for issuance under equity compensation plans."

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is included under the captions "Corporate Governance and the Board of Directors – Corporate Governance – Independence," "Compensation Committee Report and Compensation Discussion and Analysis – Compensation Committee Interlocks and Insider Participation" and "Certain Relationships and Transactions" in the Proxy Statement and is hereby incorporated by reference.

Item 14. *Principal Accountant Fees and Services*

The information required by this item is included under the caption "Independent Registered Public Accounting Firm and Audit Committee – Fees to Independent Registered Public Accounting Firm" in the Proxy Statement and is hereby incorporated by reference.

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Part IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) The following documents are filed as a part of this Form 10-K:

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Ulta Beauty, Inc.

We have audited the consolidated balance sheets of Ulta Beauty, Inc. (the Company) as of January 28, 2017 and January 30, 2016, and the related consolidated statements of income, cash flows, and stockholders' equity for each of the three years in the period ended January 28, 2017. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ulta Beauty, Inc. at January 28, 2017 and January 30, 2016, and the results of its operations and its cash flows for each of the three years in the period ended January 28, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ulta Beauty, Inc.'s internal control over financial reporting as of January 28, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 28, 2017, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
March 28, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Ulta Beauty, Inc.

We have audited Ulta Beauty, Inc.'s internal control over financial reporting as of January 28, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Ulta Beauty, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ulta Beauty, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 28, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ulta Beauty, Inc. as of January 28, 2017 and January 30, 2016, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended January 28, 2017 and our report dated March 28, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
March 28, 2017

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Ulta Beauty, Inc.
Consolidated Balance Sheets

(In thousands, except per share data)	January 28, 2017	January 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 385,010	$ 345,840
Short-term investments	30,000	130,000
Receivables, net	88,631	64,992
Merchandise inventories, net	943,975	761,793
Prepaid expenses and other current assets	88,621	72,548
Total current assets	1,536,237	1,375,173
Property and equipment, net	1,004,358	847,600
Deferred compensation plan assets	11,283	8,145
Total assets	$ 2,551,878	$ 2,230,918
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 259,518	$ 196,174
Accrued liabilities	260,854	187,351
Accrued income taxes	8,971	12,702
Total current liabilities	529,343	396,227
Deferred rent	366,191	321,789
Deferred income taxes	86,498	59,527
Other long-term liabilities	19,628	10,489
Total liabilities	1,001,660	788,032
Commitments and contingencies (note 4)		
Stockholders' equity:		
Common stock, $.01 par value, 400,000 shares authorized; 62,733 and 64,131 shares issued; 62,129 and 63,540 shares outstanding; at January 28, 2017, and January 30, 2016, respectively	627	641
Treasury stock-common, at cost	(14,524)	(11,685)
Additional paid-in capital	658,330	621,715
Retained earnings	905,785	832,215
Total stockholders' equity	1,550,218	1,442,886
Total liabilities and stockholders' equity	$ 2,551,878	$ 2,230,918

See accompanying notes to financial statements.

Ulta Beauty, Inc.
Consolidated Statements of Income

(In thousands, except per share data)	Fiscal year ended January 28, 2017	Fiscal year ended January 30, 2016	Fiscal year ended January 31, 2015
Net sales	$ 4,854,737	$ 3,924,116	$ 3,241,369
Cost of sales	3,107,508	2,539,783	2,104,582
Gross profit	1,747,229	1,384,333	1,136,787
Selling, general and administrative expenses	1,073,834	863,354	712,006
Pre-opening expenses	18,571	14,682	14,366
Operating income	654,824	506,297	410,415
Interest income, net	(890)	(1,143)	(894)
Income before income taxes	655,714	507,440	411,309
Income tax expense	245,954	187,432	154,174
Net income	$ 409,760	$ 320,008	$ 257,135
Net income per common share:			
Basic	$ 6.55	$ 5.00	$ 4.00
Diluted	$ 6.52	$ 4.98	$ 3.98
Weighted average common shares outstanding:			
Basic	62,519	63,949	64,335
Diluted	62,851	64,275	64,651

See accompanying notes to financial statements.

Ulta Beauty, Inc.
Consolidated Statements of Cash Flows

(In thousands)	Fiscal year ended January 28, 2017	January 30, 2016	January 31, 2015
Operating activities			
Net income	$ 409,760	$ 320,008	$ 257,135
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	210,295	165,049	131,764
Deferred income taxes	26,971	5,809	9,246
Non-cash stock compensation charges	19,340	15,594	14,923
Excess tax benefits from stock-based compensation	(9,053)	(9,497)	(3,229)
Loss on disposal of property and equipment	9,140	3,690	4,468
Change in operating assets and liabilities:			
Receivables	(23,639)	(12,552)	(5,391)
Merchandise inventories	(182,182)	(180,564)	(123,296)
Prepaid expenses and other current assets	(16,073)	(6,000)	(10,555)
Income taxes	5,322	2,795	7,284
Accounts payable	63,344	5,396	42,496
Accrued liabilities	71,057	37,926	37,644
Deferred rent	44,402	27,662	32,497
Other assets and liabilities	6,001	558	1,606
Net cash provided by operating activities	634,685	375,874	396,592
Investing activities			
Purchases of short-term investments	(90,000)	(130,000)	(200,209)
Proceeds from short-term investments	190,000	150,209	50,000
Purchases of property and equipment	(373,747)	(299,167)	(249,067)
Net cash used in investing activities	(273,747)	(278,958)	(399,276)
Financing activities			
Repurchase of common shares	(344,275)	(167,396)	(39,923)
Stock options exercised	16,293	19,646	10,639
Excess tax benefits from stock-based compensation	9,053	9,497	3,229
Purchase of treasury shares	(2,839)	(1,972)	(1,588)
Net cash used in financing activities	(321,768)	(140,225)	(27,643)
Net increase (decrease) in cash and cash equivalents	39,170	(43,309)	(30,327)
Cash and cash equivalents at beginning of year	345,840	389,149	419,476
Cash and cash equivalents at end of year	$ 385,010	$ 345,840	$ 389,149
Supplemental cash flow information			
Cash paid for income taxes (net of refunds)	$ 212,514	$ 179,248	$ 137,180
Noncash investing activities:			
Change in property and equipment included in accrued liabilities	$ 2,446	$ 13	$ 8,588

See accompanying notes to financial statements.

Ulta Beauty, Inc.
Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock Issued Shares	Common Stock Amount	Treasury - Common Stock Treasury Shares	Treasury - Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance — February 1, 2014	64,793	$ 647	(562)	$ (8,125)	$548,194	$ 462,378	$1,003,094
Stock options exercised and other awards	290	3	—	—	10,636	—	10,639
Purchase of treasury shares	—	—	(16)	(1,588)	—	—	(1,588)
Net income	—	—	—	—	—	257,135	257,135
Excess tax benefits from stock-based compensation	—	—	—	—	3,229	—	3,229
Stock compensation charge	—	—	—	—	14,923	—	14,923
Repurchase of common shares	(321)	(3)	—	—	—	(39,920)	(39,923)
Balance — January 31, 2015	64,762	$ 647	(578)	$ (9,713)	$576,982	$ 679,593	$1,247,509
Stock options exercised and other awards	403	4	—	—	19,642	—	19,646
Purchase of treasury shares	—	—	(13)	(1,972)	—	—	(1,972)
Net income	—	—	—	—	—	320,008	320,008
Excess tax benefits from stock-based compensation	—	—	—	—	9,497	—	9,497
Stock compensation charge	—	—	—	—	15,594	—	15,594
Repurchase of common shares	(1,034)	(10)	—	—	—	(167,386)	(167,396)
Balance — January 30, 2016	64,131	$ 641	(591)	$(11,685)	$621,715	$ 832,215	$1,442,886
Stock options exercised and other awards	241	2	—	—	16,291	—	16,293
Purchase of treasury shares	—	—	(13)	(2,839)	—	—	(2,839)
Net income	—	—	—	—	—	409,760	409,760
Excess tax benefits from stock-based compensation	—	—	—	—	9,053	—	9,053
Stock compensation charge	—	—	—	—	19,340	—	19,340
Repurchase of common shares	(1,639)	(16)	—	—	(8,069)	(336,190)	(344,275)
Balance — January 28, 2017	62,733	$ 627	(604)	$(14,524)	$658,330	$ 905,785	$1,550,218

See accompanying notes to financial statements.

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

1. Business and basis of presentation

On January 29, 2017, Ulta Salon, Cosmetics & Fragrance, Inc. implemented a holding company reorganization. Pursuant to which Ulta Beauty, Inc., which was incorporated as a Delaware corporation in December 2016, became the successor to Ulta Salon, Cosmetics & Fragrance, Inc., the former publicly-traded company and now a wholly owned subsidiary of Ulta Beauty. As used in these notes and throughout this Annual Report on Form 10-K, all references to "we," "us," "Ulta Beauty" or the "Company" refer to Ulta Beauty, Inc. and its consolidated subsidiaries.

The Company was originally 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 of January 28, 2017, the Company operated 974 stores in 48 states and the District of Columbia. All amounts are stated in thousands, with the exception of per share amounts and number of stores.

The Company has determined its operating segments on the same basis that it uses to internally evaluate performance. The Company has combined its three operating segments, retail stores, salon services and e-commerce, into one reportable segment because they have a similar class of consumer, economic characteristics, nature of products and distribution methods.

The Company offers a balanced portfolio across five primary categories: (1) cosmetics; (2) skincare, bath and fragrance; (3) haircare products and styling tools; (4) salon services; and (5) other, which includes nail products and accessories. The following table sets forth the approximate percentage of net sales attributed to each category for the periods indicated:

	Fiscal year ended		
	January 28, 2017	January 30, 2016	January 31, 2015
Cosmetics	51%	46%	42%
Skincare, Bath & Fragrance	20%	23%	24%
Haircare Products & Styling Tools	20%	22%	24%
Salon Services	5%	5%	5%
Other	4%	4%	5%
	100%	100%	100%

2. Summary of significant accounting policies

Fiscal year

The Company's fiscal year is the 52 or 53 weeks ending on the Saturday closest to January 31. The Company's fiscal years ended January 28, 2017 (fiscal 2016), January 30, 2016 (fiscal 2015) and January 31, 2015 (fiscal 2014) were 52 week years.

Consolidation

The Company's consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts, transactions and unrealized profit were eliminated in consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with maturities of three months or less from the date of purchase. Cash equivalents include amounts due from third-party credit card receivables because such amounts generally convert to cash within one to three days with little or no default risk.

Short-term investments

The Company determines the balance sheet classification of its investments at the time of purchase and evaluates the classification at each balance sheet date. Money market funds, certificates of deposit and time deposits with maturities of greater than three months but no more than twelve months are carried at cost, which approximates fair value and are recorded in the Consolidated Balance Sheets in Short-term investments (see Note 9, “Investments”).

Receivables

Receivables consist principally of amounts receivable from vendors and landlord construction allowances earned but not yet received. These receivables are computed based on provisions of the vendor and lease agreements in place and the Company’s completed performance. The Company’s vendors are producers of consumer products and landlords. The Company does not require collateral on its receivables and does not accrue interest. Credit risk with respect to receivables is limited due to the diversity of vendors and landlords comprising the Company’s vendor base. The Company performs ongoing credit evaluations of its vendors and evaluates the collectability of its receivables based on the length of time the receivable is past due and historical experience. The receivable for vendor allowances was $59,553 and $46,932 as of January 28, 2017 and January 30, 2016, respectively, and the receivable for landlord allowances was $23,186 and $10,250 as of January 28, 2017 and January 30, 2016, respectively. The allowance for doubtful receivables totaled $2,079 and $1,112 as of January 28, 2017 and January 30, 2016, respectively.

Merchandise inventories

Merchandise inventories are stated at the lower of cost or market. Cost is determined using the weighted-average cost method and includes costs incurred to purchase and distribute goods. Inventory cost also includes vendor allowances related to co-op advertising, markdowns, and volume discounts. The Company maintains reserves for lower of cost or market and shrinkage.

Fair value of financial instruments

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 Company had no outstanding debt as of January 28, 2017 and January 30, 2016.

Property and equipment

The Company’s property and equipment are stated at cost net of accumulated depreciation and amortization. Maintenance and repairs are charged to operating expense as incurred. The Company’s assets are depreciated or amortized using the straight-line method, over the shorter of their estimated useful lives or the expected lease term as follows:

Equipment and fixtures	3 to 10 years
Leasehold improvements	10 years
Electronic equipment and software	3 to 5 years

The Company capitalizes costs incurred during the application development stage in developing or purchasing internal use software. These costs are amortized over the estimated useful life of the software.

The Company periodically evaluates whether changes have occurred that would require revision of the remaining useful life of equipment and leasehold improvements or render them not recoverable. If such circumstances arise, the Company uses an estimate of the undiscounted sum of expected future operating cash flows during their holding period to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charges to be recorded are calculated based on the excess of the carrying value of the assets over the fair value of such assets, with the fair value determined based on an estimate of discounted future cash flows. The Company recognized $3,124 of fixed asset impairment charges related to store closures in Chicago, Illinois and Denham Springs, Louisiana in fiscal 2016, which is included in selling, general and administrative (SG&A) expenses in the statements of income. No significant impairment charges were recognized in fiscal 2015 or 2014.

Customer loyalty program

In early fiscal 2014, we completed the conversion of all our loyalty members to Ultamate Rewards, a points-based program. Ultamate Rewards enables customers to earn points based on their purchases. Points earned by members are valid for at least one year and may be redeemed on any product we sell. Prior to this conversion, we ran both Ultamate Rewards and our prior program, The Club at Ulta. The Club at Ulta was a certificate program offering customers reward certificates for free beauty products based on the level of purchases. The Company accrues the cost of anticipated redemptions related to these programs at the time of the initial purchase based on historical experience. The accrued liability related to these loyalty programs at January 28, 2017 and January 30, 2016 was $30,244 and $20,026 respectively. The cost of these programs, which was $77,145, $54,464 and $42,096 in fiscal 2016, 2015 and 2014, respectively, is included in cost of sales in the statements of income.

Credit Cards

During 2016, the Company entered into certain agreements (the Agreements) with third parties to provide our guests with private label and/or co-branded credit cards (collectively, the Credit Cards). The private label credit card can be used at any of our store locations and online and the co-branded credit card can be used anywhere the co-branded card is accepted. A third-party financing company is the sole owner of the accounts and underwrites the credit issued under the Credit Card programs.

The Company receives payments and reimbursements of expenses in accordance with the Agreements and based on usage of the Credit Cards. We recognize income for such cash receipts when the amounts are fixed or determinable and collectability is reasonably assured, which is generally the time at which the actual usage of the Credit Cards or specified transaction occurs. A majority of the funds received are recorded as a reduction of SG&A expenses, and the remaining portion is recognized as a reduction to cost of sales in our statements of income.

Our loyalty members earn points through purchases at Ulta Beauty and anywhere the co-branded card is accepted. Consistent with the current accounting for the customer loyalty program, the Company accrues the cost of anticipated redemptions related to these programs at the time of the initial purchase and costs are included in cost of sales in the statements of income. Other administrative costs related to the Credit Card programs, including payroll, marketing expenses, and other direct costs, are included in SG&A in the statements of income.

Deferred rent

Many of the Company’s operating leases contain predetermined fixed increases of the minimum rental rate during the lease. For these leases, the Company recognizes the related rental expense on a straight-line basis over the expected lease term and records the difference between the amounts charged to expense and the rent paid as deferred rent. The lease term commences on the earlier of the date when the Company becomes legally obligated for rent payments or the date the Company takes possession of the leased space.

As part of many lease agreements, the Company receives construction allowances from landlords for tenant improvements. These leasehold improvements made by the Company are capitalized and amortized over the shorter of the lease term or 10 years. The construction allowances are recorded as deferred rent and amortized on a straight-line basis over the lease term as a reduction of rent expense.

Revenue recognition

Net sales include merchandise sales, salon service revenue and e-commerce revenue. Revenue from merchandise sales at stores is recognized at the time of sale, net of estimated returns. The Company provides refunds for product returns within 60 days from the original purchase date. Salon revenue is recognized when services are rendered. Salon service revenue amounted to $241,105, $209,249 and $175,533 for fiscal 2016, 2015 and 2014, respectively. Company coupons and other incentives are recorded as a reduction of net sales. State sales taxes are presented on a net basis as the Company considers itself a pass-through conduit for collecting and remitting state sales tax. E-commerce sales are recorded based on delivery of merchandise to the customer. E-commerce revenue amounted to $345,342, $221,077 and $149,857 for fiscal 2016, 2015 and 2014, respectively.

The Company’s gift card sales are deferred and recognized in net sales when the gift card is redeemed for product or services. The Company’s gift cards do not expire and do not include service fees that decrease customer balances. The Company has maintained Company-specific, historical data related to its large pool of similar gift card transactions sold and redeemed over a significant time frame. The Company recognizes gift card breakage to the extent there is no requirement for remitting balances to governmental agencies under unclaimed property laws. Gift card breakage is recognized over the same performance period, and in the same proportion, that the Company’s data has demonstrated that gift cards are redeemed. Gift card breakage was $5,335 and $3,728 at January 28, 2017 and January 30, 2016, respectively, and is recorded as a decrease in SG&A expense in the statements of income. Deferred gift card revenue was $46,268 and $31,830 at January 28, 2017 and January 30, 2016, respectively, and is included in accrued liabilities – accrued customer liabilities (see Note 5, “Accrued liabilities”).

Vendor allowances

The Company receives allowances from vendors in the normal course of business including advertising and markdown allowances, purchase volume discounts and rebates, and reimbursement for defective merchandise, and certain selling and display expenses. Substantially all vendor allowances are recorded as a reduction of the vendor’s product cost and are recognized in cost of sales as the product is sold.

Advertising

Advertising expense consists principally of paper, print and distribution costs related to the Company’s advertising circulars, as well as television, radio and digital advertising. The Company expenses the production and distribution costs related to its advertising circulars in the period the related promotional event occurs. Total advertising costs, exclusive of incentives from vendors and start-up advertising expense, amounted to $212,714, $187,158 and $157,847 for fiscal 2016, 2015 and 2014, respectively. Advertising expense as a percentage of sales was 4.4%, 4.8% and 4.9% for fiscal 2016, 2015 and 2014, respectively. Prepaid advertising costs included in prepaid expenses and other current assets were $9,901 and $6,413 as of January 28, 2017 and January 30, 2016, respectively.

Pre-opening expenses

Non-capital expenditures incurred prior to the grand opening of a new, remodeled or relocated store are charged against earnings as incurred.

Cost of sales

Cost of sales includes the cost of merchandise sold (retail and e-commerce), including a majority of vendor allowances, which are treated as a reduction of merchandise costs; warehousing and distribution costs including labor and related benefits, freight, rent, depreciation and amortization, real estate taxes, utilities, and insurance;

shipping and handling costs; store occupancy costs including rent, depreciation and amortization, real estate taxes, utilities, repairs and maintenance, insurance, licenses, and cleaning expenses; salon payroll and benefits; customer loyalty program expense; and shrink and inventory valuation reserves.

Selling, general and administrative expenses

Selling, general and administrative expenses includes payroll, bonus, and benefit costs for retail and corporate employees; advertising and marketing costs; credit card program incentives; occupancy costs related to our corporate office facilities; public company expense including Sarbanes-Oxley Act of 2002 compliance expenses; stock-based compensation expense; depreciation and amortization for all assets except those related to our retail and warehouse operations, which are included in cost of sales; and legal, finance, information systems and other corporate overhead costs.

Income taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes. The amounts reported were derived using the enacted tax rates in effect for the year the differences are expected to reverse.

Income tax benefits related to uncertain tax positions are recognized only when it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. Penalties and interest related to unrecognized tax positions are recorded in income tax expense.

Share-based compensation

Share-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized on a straight-line method over the requisite service period for awards expected to vest. The Company recorded stock compensation expense of $19,340, $15,594 and $14,923 for fiscal 2016, 2015 and 2014, respectively (see Note 10, “Share-based awards”).

Insurance expense

The Company has insurance programs with third party insurers for employee health, workers compensation and general liability, among others, to limit the Company’s liability exposure. The insurance programs are premium based and include retentions, deductibles and stop loss coverage. Current stop loss coverage per claim is $350 for employee health claims, $100 for general liability claims and $250 for workers compensation claims. The Company makes collateral and premium payments during the plan year and accrues expenses in the event additional premium is due from the Company based on actual claim results.

Net income per common share

Basic net income per common share is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share includes dilutive common stock equivalents, using the treasury stock method (see Note 11, “Net income per common share”).

Recent accounting pronouncements not yet adopted

Revenue Recognition from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, issued as a new Topic, Accounting Standards Codification Topic 606 (ASU 2014-09). The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that we will recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers (Topic 606), which delayed the effective date of ASU 2014-09 by one year. With the deferral, the revenue recognition standard is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods, with early adoption permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (ASU 2016-08) which further clarifies how to implement revenue recognition guidance related to determining whether an entity is a principal or an agent in a revenue transaction. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (ASU 2016-10) which further clarifies the aspects of (a) identifying performance obligations and (b) the licensing implementation guidance. The effective date and transition requirements for ASU 2016-08 and ASU 2016-10 are the same as the effective date and transition requirements of ASU 2014-09. These standards allow for either full retrospective or modified retrospective adoption.

The Company will adopt the new guidance in fiscal 2018, and anticipates using the modified retrospective method. The Company has formed a project team to review our current accounting policies and practices, assess the effect of the standard on our revenue transactions and identify potential differences. While we will continue to evaluate possible impacts on our consolidated financial statements, ASU 2014-09 is expected to impact the recognition timing or classification of revenues and expenses for our sales refund reserve, gift card breakage and loyalty program accounting, however, the Company does not expect a significant impact to pretax income upon adoption. In addition, we are in the process of evaluating changes to our business processes and controls to support recognition and disclosure under the new standard.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This standard will change the way all leases of one year or more are treated. Under this guidance, lessees will be required to capitalize virtually all leases on the balance sheet as a right-of-use asset and recognize an associated financing lease liability or capital lease liability. The right-of-use asset represents the lessee's right to use, or control the use of, a specified asset for the specified lease term. The lease liability represents the lessee's obligation to make lease payments arising from the lease, measured on a discounted basis. Based on certain characteristics, leases are classified as financing leases or operating leases. Financing lease liabilities, those that contain provisions similar to capitalized leases, are amortized like capital leases under current GAAP as amortization expense and interest expense in the statement of operations. Operating lease liabilities are amortized on a straight-line basis over the life of the lease as lease expense in the statement of operations. ASU 2016-02 is effective for public companies for annual reporting periods beginning after December 15, 2018, including interim reporting periods.

At January 28, 2017, the Company has made a decision to early adopt the new standard in fiscal 2018. The Company has formed a project team to review our current accounting policies and practices and assess the effect of the standard on our consolidated financial statements. The team has completed a preliminary assessment of the potential impact of adopting ASU 2016-02 on its financial statements. The adoption of this ASU 2016-02 will have a material impact on the Company's financial position, however the Company does not believe adoption of this standard will have a material impact on the Company's results of operations or cash flows.

Liabilities – Extinguishments of Liabilities

In March 2016, the FASB issued ASU 2016-04, Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored – Value Products. This update entitles a company to derecognize amounts related to expected breakage to the extent that it is probable a significant reversal of the recognized breakage amount will not subsequently occur. ASU 2016-04 is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted. The adoption of ASU 2016-04 is not expected to have a material impact on the Corporation's consolidated financial position, results of operations and cash flows.

Compensation – Stock Compensation

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This guidance will change how companies account for certain aspects of share-based payments to employees. Companies will have to recognize all income tax effects of awards in the income statement when the awards vest or are settled, and additional paid-in capital pools will be eliminated. The guidance on employer's accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation and for forfeitures is changing, and two practical expedients for non-public entities have been added. ASU 2016-09 is effective for annual and interim reporting periods beginning after December 15, 2016, and early adoption is permitted.

The Company will adopt the new guidance in the first quarter of fiscal 2017. The potential impact that the adoption of ASU 2016-9 will have on the Company's financial statements during and after the period of adoption are dependent, in part, upon factors that are not fully controllable or predictable by the Company, including future vesting of stock-based awards, market price of the Company's common stock, timing of employee exercises of vested stock options and achievement of performance criteria that affect the vesting of performance-based awards. However, based on the market price of the Company's common stock and its outstanding restricted stock units and unexercised stock options as of January 28, 2017, the Company anticipates that the adoption of this pronouncement will result in lower income tax expense in fiscal year 2017 and this anticipated income tax benefit will be reported as a component of cash flows from operating activities. Additionally, the Company will continue to include the impact of estimated forfeitures when determining share-based compensation expense.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force). ASU 2016-15 provides classification guidance on certain cash receipts and cash payments, including, but not limited to, debt prepayment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of bank-owned life insurance policies and distributions received from equity method investees. The adoption of ASU 2016-15 requires a retrospective transition method applied to each period presented. ASU 2016-15 is effective for annual periods and interim periods beginning after December 15, 2017, and early adoption is permitted. The adoption of ASU 2016-15 is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the Emerging Issues Task Force), which amends ASU Topic 230. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer be required to present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. Entities will also have to disclose the nature of their restricted cash and restricted cash equivalent balances. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 and interim periods within those years and early adoption is permitted. Entities are required to apply the guidance retrospectively. The adoption of ASU 2016-18 is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Recently adopted accounting pronouncements

Stock Compensation

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This update clarifies the accounting for share-based awards with performance targets. ASU 2014-12 is effective for public companies for annual reporting periods beginning after

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December 15, 2015, including interim reporting periods. As permitted, the Company adopted this standard, prospectively, in its first quarter ended April 30, 2016 and its adoption had no impact on its consolidated financial position, results of operations and cash flows.

Goodwill and Other

In April 2015, the FASB issued ASU 2015-05, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customers' Accounting for Fees Paid in a Cloud Computing Arrangement. This standard provides guidance to determine whether a cloud-based computing arrangement includes a software license. If a cloud-based computing arrangement includes a software license, the customer must account for the software element of the arrangement consistent with the acquisition of other software licenses. Otherwise, the customer must account for the arrangement as a service contract. As permitted, the Company adopted this standard, prospectively, in its first quarter ended April 30, 2016 and its adoption had no impact on its consolidated financial position, results of operations and cash flows.

3. Property and equipment

Property and equipment consists of the following:

(In thousands)	January 28, 2017	January 30, 2016
Equipment and fixtures	$ 708,754	$ 556,499
Leasehold improvements	607,690	515,712
Electronic equipment and software	437,262	353,940
Construction-in-progress	49,411	75,804
	1,803,117	1,501,955
Less: accumulated depreciation and amortization	(798,759)	(654,355)
Property and equipment, net	$ 1,004,358	$ 847,600

The Company did not utilize the credit facility during fiscal 2016 and 2015, and therefore had no capitalized interest for the respective fiscal years.

4. Commitments and contingencies

Leases – The Company leases retail stores, distribution and office facilities, and certain equipment. Original non-cancelable lease terms range from three to ten years, and store leases generally contain renewal options for additional years. Total rent expense under operating leases was $202,942, $181,487 and $159,245 for fiscal 2016, 2015 and 2014, respectively. Future minimum lease payments under operating leases as of January 28, 2017, are as follows:

Fiscal year	Operating Leases (In thousands)
2017	$ 270,684
2018	274,625
2019	259,875
2020	246,209
2021	228,073
2022 and thereafter	726,575
Total minimum lease payments	$ 2,006,041

Included in the operating lease schedule above is $315,230 of minimum lease payments for stores that are expected to open in future periods.

Contractual obligations – As of January 28, 2017, the Company had obligations of $27,666 related to commitments made to a third party for products and services for a future distribution center for which a lease has been signed. Payments under this commitment were $11,528 for fiscal 2016. In addition, the Company has entered into various non-cancelable advertising and other goods and service contracts. A majority of these agreements expire over one year and the obligations under these agreements were $19,797 as of January 28, 2017.

General litigation – The Company is involved in various legal proceedings that are incidental to the conduct of our business, including three putative employment class action lawsuits in California, each of which has settled. Two cases have received final court approval and the remaining case has received preliminary court approval. In the opinion of management, the amount of any liability with respect to these proceedings, either individually or in the aggregate, will not have a material adverse effect on the Company's results of operations, consolidated financial position or liquidity.

5. Accrued liabilities

Accrued liabilities consist of the following:

(In thousands)	January 28, 2017	January 30, 2016
Accrued vendor liabilities (including accrued property and equipment costs)	$ 44,804	$ 27,894
Accrued customer liabilities	47,441	54,496
Accrued payroll, bonus and employee benefits	84,555	61,068
Accrued taxes, other	24,883	20,486
Other accrued liabilities	59,171	23,407
Accrued liabilities	$ 260,854	$ 187,351

6. Income taxes

The provision for income taxes consists of the following:

(In thousands)	Fiscal 2016	Fiscal 2015	Fiscal 2014
Current:			
Federal	$ 194,199	$ 163,048	$ 128,159
State	24,835	18,694	16,909
Total current	219,034	181,742	145,068
Deferred:			
Federal	24,480	6,981	8,392
State	2,440	(1,291)	714
Total deferred	26,920	5,690	9,106
Provision for income taxes	$ 245,954	$ 187,432	$ 154,174

A reconciliation of the federal statutory rate to the Company's effective tax rate is as follows:

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Federal statutory rate	35.0%	35.0%	35.0%
State effective rate, net of federal tax benefit	2.8%	2.2%	2.8%
Other	(0.3%)	(0.3%)	(0.3%)
Effective tax rate	37.5%	36.9%	37.5%

Significant components of the Company's deferred tax assets and liabilities are as follows:

(In thousands)	January 28, 2017	January 30, 2016
Deferred tax assets:		
Reserves not currently deductible	$ 33,805	$ 27,734
Employee benefits	15,206	10,594
Credit carryforwards	398	441
Accrued liabilities	10,539	10,704
Inventory valuation	3,630	257
Total deferred tax assets	63,578	49,730
Deferred tax liabilities:		
Property and equipment	73,454	48,898
Deferred rent obligation	62,252	49,548
Prepaid expenses	14,370	10,811
Total deferred tax liabilities	150,076	109,257
Net deferred tax liability	$ (86,498)	$ (59,527)

At January 28, 2017 and January 30, 2016, the Company had $398 and $441, respectively, of credit carryforwards for state income tax purposes.

The Company accounts for uncertainty in income taxes in accordance with the ASC rules for income taxes. The reserve for uncertain tax positions was $3,305 and $2,262 at January 28, 2017 and January 30, 2016, respectively. The balance is the Company's best estimate of the potential liability for uncertain tax positions. A reconciliation of the Company's unrecognized tax benefits, excluding interest and penalties, is as follows:

(In thousands)	January 28, 2017	January 30, 2016
Balance at beginning of the period	$ 2,262	$ 1,414
Increase due to a current year position	1,048	900
Decrease due to a prior period position	(5)	(52)
Balance at the end of the period	$ 3,305	$ 2,262

The Company acknowledges that the amount of unrecognized tax benefits may change in the next twelve months. However, it does not expect the change to have a significant impact on its consolidated financial statements. Income tax-related interest and penalties were insignificant for fiscal 2016 and 2015.

The Company files tax returns in the U.S. Federal and State jurisdictions. The Company is no longer subject to U.S. Federal examinations by the Internal Revenue Services for years before 2013 and is no longer subject to examinations by State authorities before 2012.

7. Notes payable

In 2011, the Company entered into an Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and a Lender thereunder, Wells Fargo Capital Finance LLC as a Lender, J.P. Morgan Securities LLC as a Lender, JP Morgan Chase Bank, N.A. as a Lender and PNC Bank, National Association, as a Lender, which has been amended multiple times since 2011 (as amended, the Loan Agreement). The Loan Agreement currently matures in December 2018, provides maximum revolving loans equal to the lesser of $200,000 or a percentage of eligible owned inventory, contains a $10,000 subfacility for letters of credit and allows the Company to increase the revolving facility by an additional $50,000, subject to consent by each lender and other conditions. The Loan Agreement contains a requirement to maintain a minimum amount of excess borrowing availability at all times. Substantially all of the Company's assets are pledged as collateral for outstanding borrowings under the facility. Outstanding borrowings will bear interest at the prime rate or London Interbank Offered Rate plus 1.50% and the unused line fee is 0.20%.

As of January 28, 2017 and January 30, 2016, the Company had no borrowings outstanding under the credit facility and the Company was in compliance with all terms and covenants of the agreement.

8. 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.

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 January 28, 2017 and January 30, 2016, the Company held financial liabilities of $10,474 and $7,491, respectively, related to its non-qualified deferred compensation plan. The liabilities have been categorized as Level 2 as they are based on third-party reported values which are based primarily on quoted market prices of underlying assets of the funds within the plan.

9. Investments

The Company's short-term investments as of January 28, 2017 and January 30, 2016, consist of $30,000 and $130,000, respectively, in certificates of deposit. These short-term investments are carried at cost, which approximates fair value and are recorded in the Consolidated Balance Sheets in Short-term investments. The contractual maturity of the Company's investments was less than twelve months at January 28, 2017.

10. Share-based awards

Equity incentive plans

The Company has had a number of equity incentive plans over the years. The plans were adopted in order to attract and retain the best available personnel for positions of substantial authority and to provide additional incentive to employees, directors, and consultants to promote the success of the Company's business. Incentive compensation was awarded under the Amended and Restated Restricted Stock Option Plan until April 2002 and under the 2002 Equity Incentive Plan through July 2007, at which time the 2007 Incentive Award Plan was adopted. All of the plans generally provided for the grant of incentive stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, and other types of awards to employees, consultants and directors. Unless provided otherwise by the administrator of the plan, options vested over four years at the rate of 25% per year from the date of grant and most must be exercised within ten years. Options were granted with the exercise price equal to the fair value of the underlying stock on the date of grant.

Amended and Restated 2011 Incentive award plan

In June 2016, the Company adopted the Amended and Restated 2011 Incentive Award Plan (the 2011 Plan). The 2011 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, performance awards, dividend equivalent rights, stock payments, deferred stock and cash-based awards to employees, consultants, and directors. Following its original adoption in June 2011, awards are only being made under the 2011 Plan, and no further awards will be made under any prior plan. As of January 28, 2017, the 2011 Plan reserves for the issuance upon grant or exercise of awards up to 3,912 shares of the Company's common stock.

The Company recorded stock compensation expense of $19,340, $15,594 and $14,923 for fiscal 2016, 2015 and 2014, respectively. Cash received from option exercises under all share-based payment arrangements for fiscal 2016, 2015 and 2014 was $16,293, $19,646 and $10,639, respectively. The total income tax benefit recognized in the income statement for equity compensation arrangements was $6,764, $5,354 and $3,526 for fiscal 2016, 2015 and 2014, respectively. The actual tax benefit realized for the tax deductions from option exercise and restricted stock vesting of the share-based payment arrangements totaled $15,868, $14,970 and $6,892, respectively, for fiscal 2016, 2015 and 2014.

Employee stock options

The Company measures share-based compensation cost on the grant date, based on the fair value of the award, and recognizes the expense on a straight-line method over the requisite service period for awards expected to vest. The Company estimated the grant date fair value of stock options using a Black-Scholes valuation model using the following weighted-average assumptions:

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Volatility rate	35.0%	37.9%	40.7%
Average risk-free interest rate	1.2%	1.6%	1.4%
Average expected life (in years)	3.5	4.9	3.8
Dividend yield	None	None	None

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

The Company granted 110 stock options during fiscal 2016. The compensation cost that has been charged against income for stock option grants was $7,983, $7,899, and $9,078 for fiscal 2016, 2015, and 2014, respectively. The weighted-average grant date fair value of options granted in fiscal 2016, 2015 and 2014 was $53.02, $56.44 and $32.38, respectively. The total fair value of stock options issued that vested during fiscal 2016, 2015 and 2014 was $5,932, $8,236 and $8,799, respectively. At January 28, 2017, there was approximately $19,938 of unrecognized compensation expense related to unvested stock options. The unrecognized compensation expense is expected to be recognized over a weighted-average period of approximately three years. The total intrinsic value of options exercised was $27,468, $36,610 and $15,032 in fiscal 2016, 2015 and 2014, respectively.

A summary of the status of the Company's stock option activity is presented in the following table (shares in thousands):

	Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Common stock options outstanding						
Beginning of year	939	$ 104.58	1,073	$ 72.12	1,090	$ 56.94
Granted	110	193.64	294	160.01	371	99.40
Exercised	(194)	83.88	(356)	55.20	(238)	44.79
Forfeited	(25)	118.97	(72)	91.74	(150)	72.57
End of year	830	$ 120.78	939	$ 104.58	1,073	$ 72.12
Exercisable at end of year	280	$ 69.69	316	$ 61.44	440	$ 43.98
Vested and Expected to vest	786	$ 119.32	890	$ 103.36	1,028	$ 71.28

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The following table presents information related to options outstanding and options exercisable at January 28, 2017, under the Company's stock option plans based on ranges of exercise prices (shares in thousands):

	Options outstanding			Options exercisable		
Range of Exercise Prices	Number of options	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number of options	Weighted-average remaining contractual life (years)	Weighted-average exercise price
$9.67 - $57.42	112	3	$ 25.13	112	3	$ 25.13
$69.96 - $96.81	119	6	82.19	81	6	80.65
$97.89 - $99.66	153	7	98.12	36	7	98.08
$101.35 - $153.87	134	8	136.78	50	8	129.41
$164.06 - $165.27	206	9	164.09	1	9	165.01
$191.76 - $249.64	106	9	193.70	—	—	—
$9.67 - $249.64	830	7	$ 120.78	280	5	$ 69.69

The aggregate intrinsic value of outstanding and exercisable options as of January 28, 2017 was $125,061 and $56,533, respectively. The last reported sale price of our common stock on the NASDAQ Global Select Market on January 28, 2017 was $271.44 per share.

Restricted stock units

The Company issued 55 restricted stock units during fiscal 2016 to certain employees and its Board of Directors. Employee grants will generally cliff vest after three years and director grants will cliff vest within one year. The grant date fair value of restricted stock units is based on the closing market price of shares of the Company's common stock on the date of grant. Restricted stock units are expensed straight-line over the requisite service period. The compensation expense recorded in fiscal 2016, 2015 and 2014 was $7,295, $6,040 and $5,845, respectively. Forfeitures of restricted stock units are estimated at the grant date based on historical rates of the Company's stock award activity and reduce the compensation expense recognized. At January 28, 2017, unrecognized compensation cost related to restricted stock units was $11,920. The unrecognized compensation expense is expected to be recognized over a weighted-average period of approximately one and a half years.

A summary of the status of the Company's restricted stock units activity is presented in the following table (shares in thousands):

	Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Number of units	Weighted-average grant date fair value	Number of units	Weighted-average grant date fair value	Number of units	Weighted-average grant date fair value
Restricted stock units outstanding						
Beginning of year	144	$ 116.42	151	$ 91.74	162	$ 87.54
Granted	55	203.40	60	154.77	71	97.73
Vested	(46)	98.06	(47)	102.36	(52)	91.91
Forfeited	(11)	138.25	(20)	96.11	(30)	82.91
End of year	142	$ 154.71	144	$ 116.42	151	$ 91.74
Expected to vest	131	$ 154.71	132	$ 116.42	140	$ 91.74

Performance-based restricted stock units

The Company issued 24 performance-based restricted stock units in fiscal 2016. These awards will cliff vest after three years based upon achievement of pre-established goals at the end of the second year of the term. Consistent with restricted stock units, the grant date fair value of performance-based restricted stock units is based on the closing market price of shares of the Company's common stock on the date of grant. Performance-based units are expensed on a straight-line basis over the requisite service period, based on the probability of achieving the performance goal, with changes in expectations recognized as an adjustment to earnings in the period of the change. If the performance goal is not met, no compensation cost is recognized and any previously recognized compensation cost is reversed. The compensation expense recorded in fiscal 2016 and 2015 was $4,062 and $1,655, respectively. Forfeitures of performance-based restricted stock awards are estimated at the grant date based on historical rates of the Company's stock award activity and reduce the compensation expense recognized. At January 28, 2017, unrecognized compensation cost related to performance-based restricted stock units was $8,610. The unrecognized compensation expense is expected to be recognized over a weighted-average period of approximately two years.

A summary of the status of the Company's performance-based restricted stock unit activity is presented in the following table (shares in thousands):

	Fiscal 2016		Fiscal 2015	
	Number of units	Weighted-average grant date fair value	Number of units	Weighted-average grant date fair value
Performance-based restricted stock units outstanding				
Beginning of year	20	$151.20	—	$ —
Granted	24	191.76	22	151.20
Vested	—	—	—	—
Forfeited	(3)	167.71	(2)	151.20
End of year	41	$173.47	20	$151.20
Expected to vest	38	$173.47	19	$151.20

The number of performance-based units presented is based on achieving the targeted performance goals as defined in the performance-based unit agreements. As of January 28, 2017, the maximum number of units that could vest under the provisions of the agreements was 82.

11. Net income per common share

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

(In thousands, except per share data)	Fiscal year ended January 28, 2017	January 30, 2016	January 31, 2015
Numerator for diluted net income per share – net income	$ 409,760	$ 320,008	$ 257,135
Denominator for basic net income per share – weighted-average common shares	62,519	63,949	64,335
Dilutive effect of stock options and non-vested stock	332	326	316
Denominator for diluted net income per share	62,851	64,275	64,651
Net income per common share:			
Basic	$ 6.55	$ 5.00	$ 4.00
Diluted	$ 6.52	$ 4.98	$ 3.98

The denominator for diluted net income per common share for fiscal years 2016, 2015 and 2014 exclude 142, 370 and 686 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.

12. Employee benefit plans

The Company provides a 401(k) retirement plan covering all employees who qualify as to age and length of service. The plan is funded through employee contributions and a Company match. In fiscal 2016, 2015 and 2014, the Company match was 100% of the first 3.0% of eligible compensation. As of January 28, 2017 and January 30, 2016, the liability for the Company match was $6,317 and $5,031, respectively.

The Company also has a non-qualified deferred compensation plan for highly compensated employees whose contributions are limited under qualified defined contribution plans. The plan is funded through employee contributions and a Company match. In fiscal 2016, 2015 and 2014, the Company match was 100% of the first 3.0% of salary. For fiscal year 2016 and 2015, the liability for the Company match was $753 and $554, respectively. Amounts contributed and deferred under the plan are credited or charged with the performance of investment options offered under the plan as elected by the participants. In the event of bankruptcy, the assets of this plan are available to satisfy the claims of general creditors. The liability for compensation deferred under the Company's plan included in other long-term liabilities was $10,474 and $7,491 as of January 28, 2017 and January 30, 2016, respectively. The Company manages the risk of changes in the fair value of the liability for deferred compensation by electing to match its liability under the plan with investment vehicles that offset a substantial portion of its exposure. The cash value of the investment vehicles included in deferred compensation plan assets was $11,283 and $8,145 as of January 28, 2017 and January 30, 2016, respectively. Total expense recorded under this plan is included in selling, general and administrative expenses and was insignificant during fiscal 2016 and 2015.

13. Selected quarterly financial data (unaudited)

The following tables set forth the Company's unaudited quarterly results of operations for each of the quarters in fiscal 2016 and fiscal 2015. The Company's quarterly periods are the 13 weeks ending on the Saturday closest to April 30, July 31, October 31 and January 31.

	2016			
(In thousands, except per share data)	First	Second	Third	Fourth
Net sales	$ 1,073,716	$ 1,069,215	$ 1,131,232	$ 1,580,574
Cost of sales	683,286	684,377	704,179	1,035,666
Gross profit	390,430	384,838	427,053	544,908
Selling, general and administrative expenses	240,724	236,380	280,464	316,266
Pre-opening expenses	2,542	4,689	6,928	4,412
Operating income	147,164	143,769	139,661	224,230
Interest income, net	(315)	(248)	(211)	(116)
Income before income taxes	147,479	144,017	139,872	224,346
Income tax expense	55,503	54,013	52,310	84,128
Net income	$ 91,976	$ 90,004	$ 87,562	$ 140,218
Net income per common share:				
Basic	$ 1.46	$ 1.44	$ 1.40	$ 2.25
Diluted	$ 1.45	$ 1.43	$ 1.40	$ 2.24

(In thousands, except per share data)	2015 First	Second	Third	Fourth
Net sales	$ 868,122	$ 876,999	$ 910,700	$ 1,268,295
Cost of sales	564,938	570,524	575,062	829,259
Gross profit	303,184	306,475	335,638	439,036
Selling, general and administrative expenses	192,485	183,937	218,763	268,169
Pre-opening expenses	3,117	4,078	6,106	1,381
Operating income	107,582	118,460	110,769	169,486
Interest income, net	(311)	(276)	(283)	(273)
Income before income taxes	107,893	118,736	111,052	169,759
Income tax expense	40,947	44,567	39,982	61,936
Net income	$ 66,946	$ 74,169	$ 71,070	$ 107,823
Net income per common share:				
Basic	$ 1.04	$ 1.16	$ 1.11	$ 1.69
Diluted	$ 1.04	$ 1.15	$ 1.11	$ 1.69

The sum of the quarterly net income per common share may not equal the annual total due to quarterly changes in the weighted average shares and share equivalents outstanding.

14. Share repurchase program

On September 11, 2014, the Company announced that the Board of Directors authorized a share repurchase program (the 2014 Share Repurchase Program) pursuant to which the Company could repurchase up to $300,000 of the Company’s common stock. The 2014 Share Repurchase Program authorization revoked the previously authorized, but unused amounts of $112,664 from the share repurchase program adopted in 2013. On March 12, 2015, the Company announced that the Board of Directors authorized an increase of $100,000 to the 2014 Share Repurchase Program effective March 17, 2015. The 2014 Share Repurchase Program did not have an expiration date, but provided for suspension or discontinuation at any time.

On March 10, 2016, the Company announced that the Board of Directors authorized a new share repurchase program (the 2016 Share Repurchase Program) pursuant to which the Company may repurchase up to $425,000 of the Company’s common stock. The 2016 Share Repurchase Program authorization revoked the previously authorized, but unused amounts of $172,386 from the 2014 Share Repurchase Program. The 2016 Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time.

As part of the 2016 Share Repurchase Program, the Company entered into an Accelerated Share Repurchase (ASR) agreement with Goldman, Sachs & Co. to repurchase $200,000 of the Company’s common stock. Under the ASR agreement, the Company paid $200,000 to Goldman, Sachs & Co. and received an initial delivery of 852 shares in the first quarter of 2016, which were retired and represented 80% of the total shares the Company expected to receive based on the market price at the time of the initial delivery. In May 2016, the ASR settled and an additional 153 shares were delivered to the Company and retired. The final number of shares delivered upon settlement was determined with reference to the average price of the Company’s common stock over the term of the agreement. The transaction was accounted for as an equity transaction. The par value of shares received was recorded as a reduction to common stock with the remainder recorded as a reduction to additional paid-in capital and retained earnings. Upon receipt of the shares, there was an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share.

During fiscal 2014, we purchased 321 shares of common stock for $39,923 at an average price of $124.31. During fiscal 2015, we purchased 1,034 shares of common stock for $167,396 at an average price of $161.81. During fiscal 2016, excluding the shares repurchased under the ASR, we purchased 634 shares of common stock for $144,275 at an average price of $227.49.

15. Subsequent event

On March 9, 2017, the Company announced that the Board of Directors authorized a new share repurchase program (the 2017 Share Repurchase Program) pursuant to which the Company may repurchase up to $425,000 of the Company’s common stock. The 2017 Share Repurchase Program authorization revokes the previously authorized but unused amounts from the 2016 Share Repurchase Program. The 2017 Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time.

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Item 15. ***Exhibits and Financial Statement Schedules***

(b) Financial Statement Schedule

Ulta Beauty, Inc.
Schedule II — Valuation and Qualifying Accounts
(In thousands)

Description	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
Fiscal 2016				
Allowance for doubtful accounts	$ 1,112	$ 1,709	$ (742)(a)	$ 2,079
Shrink reserve	15,259	35,505	(31,699)	19,065
Inventory – lower of cost or market reserve	5,003	10,691	(7,120)	8,574
Insurance:				
Workers Comp / General Liability Prepaid Asset	(1,926)(b)	9,578	(7,751)	(99)
Employee Health Care Accrued Liability	4,187	67,715	(64,705)	7,197
Fiscal 2015				
Allowance for doubtful accounts	$ 1,346	$ 2,063	$ (2,297)(a)	$ 1,112
Shrink reserve	11,598	29,894	(26,233)	15,259
Inventory – lower of cost or market reserve	5,253	3,323	(3,573)	5,003
Insurance:				
Workers Comp / General Liability Prepaid Asset	(1,789)(b)	5,935	(6,072)	(1,926)
Employee Health Care Accrued Liability	2,435	55,423	(53,671)	4,187
Fiscal 2014				
Allowance for doubtful accounts	$ 915	$ 874	$ (443)(a)	$ 1,346
Shrink reserve	9,358	22,374	(20,134)	11,598
Inventory – lower of cost or market reserve	4,861	4,368	(3,976)	5,253
Insurance:				
Workers Comp / General Liability Prepaid Asset	(1,817)(b)	6,899	(6,871)	(1,789)
Employee Health Care Accrued Liability	2,606	41,335	(41,506)	2,435

(a) Represents write-off of uncollectible accounts

(b) Represents prepaid insurance

All other financial statement schedules required by Form 10-K have been omitted because they were inapplicable or otherwise not required under the instructions contained in Regulation S-X.

(c) Exhibits

The exhibits listed in the accompanying Exhibit Index are filed as part of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bolingbrook, State of Illinois, on March 28, 2017.

ULTA BEAUTY, INC.

By: /s/ Scott M. Settersten

Scott M. Settersten
Chief Financial Officer, Treasurer and Assistant Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signatures	Title	Date
/s/ Mary N. Dillon Mary N. Dillon	Chief Executive Officer and Director (Principal Executive Officer)	March 28, 2017
/s/ Scott M. Settersten Scott M. Settersten	Chief Financial Officer, Treasurer and Assistant Secretary (Principal Financial and Accounting Officer)	March 28, 2017
/s/ Michelle L. Collins Michelle L. Collins	Director	March 28, 2017
/s/ Robert F. DiRomualdo Robert F. DiRomualdo	Director	March 28, 2017
/s/ Dennis K. Eck Dennis K. Eck	Director	March 28, 2017
/s/ Catherine Halligan Catherine Halligan	Director	March 28, 2017
/s/ Charles Heilbronn Charles Heilbronn	Director	March 28, 2017
/s/ Michael R. MacDonald Michael R. MacDonald	Director	March 28, 2017
/s/ George Mrkonic George Mrkonic	Director	March 28, 2017
/s/ Lorna E. Nagler Lorna E. Nagler	Director	March 28, 2017
/s/ Charles J. Philippin Charles J. Philippin	Chairman of the Board of Directors	March 28, 2017
/s/ Vanessa A. Wittman Vanessa A. Wittman	Director	March 28, 2017

Ulta Beauty, Inc.
Exhibit Index to Annual Report on Form 10-K
For the Fiscal Year Ended January 28, 2017

Exhibit Number	Description of document	Filed Herewith	Incorporated by Reference Form	Exhibit Number	File Number	Filing Date
2	Agreement and Plan of Merger, dated as of January 27, 2017, by and among Ulta Salon, Cosmetics & Fragrance, Inc., Ulta Beauty, Inc. and Ulta Merger Sub, Inc.		8-K	2	001-33764	1/30/2017
3.1	Certificate of Incorporation of Ulta Beauty, Inc.		8-K	3.1	001-33764	1/30/2017
3.2	Certificate of Designations of Series A Junior Participating Preferred Stock of Ulta Beauty, Inc.		8-K	3.2	001-33764	1/30/2017
3.3	Bylaws of Ulta Beauty, Inc.		8-K	3.3	001-33764	1/30/2017
4.1	Stockholder Rights Agreement		S-1	4.4	333-144405	8/17/2007
4.2	Amendment to Stockholder Rights Agreement, dated as of January 29, 2017		8-K	4	001-33764	1/30/2017
10.01	Compensation Plan Agreement, dated as of January 27, 2017 between Ulta Salon, Cosmetics & Fragrance, Inc. and Ulta Beauty, Inc.*		8-K	10.1	001-33764	1/30/2017
10.02	Amended and Restated Loan and Security Agreement, dated October 19, 2011 (as further amended through November 22, 2016), by and among Ulta Salon, Cosmetics & Fragrance, Inc., Wells Fargo Bank, National Association, Wells Fargo Capital Finance, LLC, J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A. and PNC Bank, National Association		8-K	10.2	001-33764	1/30/2017
10.03	Ulta Beauty, Inc. Second Amended and Restated Restricted Stock Option Plan*		S-1	10.7	333-144405	8/17/2007
10.04	Amendment to Ulta Beauty, Inc. Second Amended and Restated Restricted Stock Option Plan*		S-1	10.7(a)	333-144405	8/17/2007
10.05	Ulta Beauty, Inc. 2002 Equity Incentive Plan*		S-1	10.9	333-144405	8/17/2007
10.06	Ulta Beauty, Inc. 2007 Incentive Award Plan*		S-1	10.10	333-144405	9/27/2007
10.07	Amended and Restated Ulta Beauty, Inc. 2011 Incentive Award Plan*		DEF 14A	Appendix A	001-33764	4/20/2016

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Exhibit Number	Description of document	Filed Herewith	Incorporated by Reference Form	Exhibit Number	File Number	Filing Date
10.08	Form of Restricted Stock Unit Award Agreement — Performance Shares under the 2011 Incentive Award Plan*		8-K	10.1	001-33764	3/31/2015
10.09	Ulta Salon, Cosmetics & Fragrance, Inc. Non-qualified Deferred Compensation Plan*		10-K	10.17	001-33764	4/2/2009
10.10	Letter Agreement dated June 20, 2013 between Ulta Salon, Cosmetics & Fragrance, Inc. and Mary N. Dillon*		8-K	10.1	001-33764	6/24/2013
10.11	Letter Agreement dated September 13, 2013 between Ulta Inc. and Jeffrey J. Childs*		10-Q	10.1	001-33764	6/10/2014
10.12	Letter Agreement dated January 6, 2014 between Ulta Inc. and David Kimbell*		10-Q	10.1	001-33764	6/4/2015
10.13	Form of Option Agreement under the 2011 Incentive Award Plan*	X				
10.14	Form of Restricted Stock Unit Award Agreement under the 2011 Incentive Award Plan*	X				
10.15	Letter Agreement dated August 3, 2015 between Ulta Inc. and Jodi J. Caro*	X				
10.16	Ulta Beauty, Inc. Executive Change in Control and Severance Plan*	X				
21	List of Subsidiaries	X				
23	Consent of Independent Registered Public Accounting Firm	X				
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				

Exhibit Number	Description of document	Filed Herewith	Incorporated by Reference			
			Form	Exhibit Number	File Number	Filing Date
99	Proxy Statement for the 2017 Annual Meeting of Stockholders. [To be filed with the SEC under Regulation 14A within 120 days after January 28, 2017; except to the extent specifically incorporated by reference, the Proxy Statement for the 2017 Annual Meeting of Stockholders shall not be deemed to be filed with the SEC as part of this Annual Report on Form 10-K]					
101.INS	XBRL Instance	X				
101.SCH	XBRL Taxonomy Extension Schema	X				
101.CAL	XBRL Taxonomy Extension Calculation	X				
101.LAB	XBRL Taxonomy Extension Labels	X				
101.PRE	XBRL Taxonomy Extension Presentation	X				
101.DEF	XBRL Taxonomy Extension Definition	X				

* A management contract or compensatory plan or arrangement.

ULTA BEAUTY, INC.
AMENDED AND RESTATED 2011 INCENTIVE AWARD PLAN
OPTION AGREEMENT - CERTIFICATE

The following evidences a grant of an option (the "**Option**") to purchase shares of common stock of Ulta Beauty, Inc. (the "**Company**") pursuant to the Amended and Restated Ulta Beauty, Inc. 2011 Incentive Award Plan (the "**Plan**") to the following individual and upon the following terms:

Name**:** Address:

Grant Date:

Exercise Price Per Share:

Total Number of Shares Granted:

Type of Option:

If designated as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code; provided, however, that to the extent that it does not so qualify that portion which does not so qualify shall be treated as a Non-Qualified Stock Option.

Unless otherwise defined herein, capitalized terms shall have the same meanings as set forth in the Plan.

1. **Vesting Schedule**. The Option shall vest and become exercisable based on Optionee's continued service as an Employee, Director or Consultant to the Company on the following dates and according to the following schedule:

[ADD VESTING SCHEDULE]

Notwithstanding the foregoing, the Option will be fully vested and exercisable if (i) Optionee has a Termination of Service by reason of death or Disability or (ii) Optionee's Termination of Service without Cause within twelve (12) months following a Change in Control. If Optionee has a Termination of Service for Cause, then the Option will be forfeited, whether or not previously vested, and all rights Optionee may have to exercise the Option shall immediately terminate. For this purpose "Cause" shall mean, as determined in the sole discretion of the Administrator, the Optionee's (i) commission of a felony; (ii) dishonesty or misrepresentation involving the Company; (iii) serious misconduct in the performance or non-performance of his or her responsibilities to the Company (e.g. gross negligence, willful misconduct, gross insubordination or unethical conduct); and (iv) if Optionee is an employee of the Company, violation of any material condition of employment.

Award holders who terminates other than For Cause; If combined age and length of service at time of retirement are equal or greater than 70, the stock option award holder can have one year from termination date to exercise vested stock options instead of the ninety (90) days currently provided to a terminated option holder. No additional vesting of options can occur – only an extended length of time to exercise the vested option.

2. **Option Period**. The Option shall be valid for a term commencing on the Grant Date and will expire the earliest of: (i) ten (10) years from the Grant Date; (ii) the date three (3) months after the Optionee ceases to be a Service Provider for any reason other than death, or Disability; (iii) the date twelve (12) months after the Optionee ceases to be a Service Provider by reason of death, or Disability or (iv) the date Optionee ceases to be a Service Provider for reasons of Cause.

3. **Exercise**. The Option may be exercised at any time during its term to the extent vested. If Optionee has a Termination of Service any unvested portion of the Option will terminate and will no longer be exercisable. The Option may not be exercised for fractional shares. In order to exercise the Option, Optionee shall be required to execute such forms and provide such notice as the Company may require from time to time. The Option will not be deemed exercised until the Exercise Price for each share, plus any required tax withholding is delivered to the Company. The Exercise Price may be paid pursuant to any method allowable under the Plan.

4. **Non-Compete, Non-Solicitation and Confidential Information**. The grant of this Option is subject to the Optionee's either consenting to or having already consented to and abiding by the terms of the Confidential Information & Restrictive Covenants Agreement.

5. **Withholding**. The Company has the authority to deduct or withhold, or require Optionee to remit to the Company, an amount sufficient to satisfy applicable federal, state, local and foreign taxes arising from this Option. Optionee may satisfy his or her tax obligation, in whole or in part : (i) with the consent of the Company, by having the Company withhold shares otherwise to be delivered with a fair market value equal to the minimum amount of the tax withholding obligation; (ii) with the consent of the Company, by having the Optionee surrender to the Company previously owned Common Stock with a fair market value equal to the minimum amount of the tax withholding obligation; (iii) by payment in cash or check; or (iv) with the consent of the Company, by delivery of a notice that the Optionee has placed a market sell order with a broker with respect to shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the withholding amount; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale.

6. **No Additional Rights**. Participation in the Plan is voluntary. The value of the option is an extraordinary item of compensation outside the scope of Optionee's employment contract, if any. As such, the option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments,

bonuses, long-service awards, pensions or retirement benefits or similar payments unless specifically and otherwise provided in such plans. Rather, the awarding of an option under the Plan represents a mere investment opportunity.

7. **Not Transferable**. This Option is not transferable except by will or the laws of descent and distribution.

8. **Limitations on Plan Rights**. This Option is granted under and governed by the terms and conditions of the Plan. By acceptance of this Option Optionee acknowledges and agrees that the Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of an option under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of options or benefits in lieu of options in the future. Future grants of options, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of the grant, the number of stock options, vesting provisions, and the exercise price. The Plan has been introduced voluntarily by the Company and in accordance with the provisions of the Plan may be terminated by the Company at any time. By acceptance of this Option, Optionee consents to the provisions of the Plan and this Agreement. Defined terms used herein shall have the meaning set forth in the Plan, unless otherwise defined herein.

COMPANY:

ULTA BEAUTY, INC., a Delaware corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

ULTA BEAUTY, INC.
AMENDED AND RESTATED 2011 INCENTIVE AWARD PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

Ulta Beauty, Inc. (the "**Company**") pursuant to the Amended and Restated Ulta Beauty, Inc. 2011 Incentive Award Plan (the "**Plan**") hereby grants the number of Restricted Stock Units (each, an "**RSU**") set forth below to the following individual, subject to the restrictions on transfer and forfeiture and such other limitations set forth herein and in the Plan. Each RSU entitles the Holder to receive an equal number of shares of common stock, par value $0.01 per share ("**Shares**") at settlement, as described herein.

Name: **Address:**

Grant Date

Total Number of RSUs Granted

Unless otherwise defined herein, capitalized terms shall have the same meanings set forth in the Plan.

1. **Vesting Schedule**. The RSUs are subject to the restrictions on transfer set forth in Section 2 and may be forfeited as provided in Section 4, until vested. Holder shall vest in the RSUs as follows:

[ADD VESTING SCHEDULE]

Notwithstanding the foregoing, all RSUs will fully vest and become payable if (i) Holder has a Termination of Service for reasons of death or disability or (ii) Holder has a Termination of Service without Cause within twelve (12) months following a Change in Control. For this purpose "Cause" shall mean, as determined in the sole discretion of the Administrator, the Holder's (i) commission of a felony; (ii) dishonesty or misrepresentation involving the Company; (iii) serious misconduct in the performance or non-performance of his or her responsibilities to the Company (e.g., gross negligence, willful misconduct, gross insubordination or unethical conduct) or (iv) violation of any material condition of employment if Holder is an employee of the Company.

2. **Limits on Transfer**. Holder may not sell, pledge, transfer, subject to lien, assign or otherwise hypothecate the RSUs unless and until the RSUs have vested, and all other terms and conditions set forth herein and in the Plan have been satisfied. Any attempt to do so contrary to the provisions of this Award Agreement shall be null and void.

3. **Non-Compete, Non-Solicitation and Confidential Information**. The grant of the RSUs is subject to Holder either consenting to or having already consented to and abiding by the terms of the Confidential Information & Restrictive Covenants Agreement.

4. **Forfeiture**. Unless otherwise provided herein, all unvested RSUs shall be forfeited upon the Holder's Termination of Service with the Company or the Holder's violation of the Confidential Information & Restrictive Covenants Agreement.

5. **Settlement and Payment of RSUs**. The RSUs will become payable and settled in Shares equal to the number of RSUs then vesting, on the date the RSU vests as provided in Section 1 (each a "**Payment Date**"). The Company shall deliver the Shares electronically into a brokerage account designated by Holder and shall not be required to deliver actual physical Share certificates. The issuance of Shares in settlement of vested RSUs will be subject to tax withholding, as provided below.

6. **Withholding**. The Company has the authority to deduct or withhold, or require Holder to remit to the Company, an amount sufficient to satisfy applicable federal, state, local and foreign withholding taxes with respect to the Shares issued in settlement of vested RSUs. A Holder may elect to satisfy his tax obligation, in whole or in part: (i) with the consent of the Company, by surrendering Shares or having the Company withhold Shares otherwise issuable under this Award Agreement, in each case with a Fair Market Value on the date of such surrender or withholding equal to the minimum amount of the tax withholding obligation or (ii) by payment in cash or check. Notwithstanding anything to the contrary herein, if the Holder made no such election or the tax obligation arises during a period in which the Holder is prohibited from trading under any policy of the Company or by reason of the Securities Exchange Act of 1934, then the tax withholding obligation shall automatically be satisfied by the Company withholding Shares having a Fair Market Value equal to the minimum amount of the tax withholding obligation. No Shares will be delivered to Holder in settlement of vested RSUs under Section 5 unless and until all tax withholding obligations have been satisfied.

7. **Rights as Stockholder**. The RSUs awarded under this Award Agreement do not confer upon Holder any rights as a stockholder, including but not limited to any right to vote or receive dividends. To the extent that dividends are paid on Shares, Holder shall be entitled to receive with respect to the RSUs, dividend equivalent amounts equal to the regular cash dividend payable to holders of Shares (to the extent regular cash dividends are paid) as if Holder were an actual shareholder with respect to the number of Shares equal to his outstanding RSUs (the "**Dividend Equivalents**"). Participant's rights to Dividend Equivalents shall cease upon forfeiture or payment of the RSUs. The aggregate amount of such Dividend Equivalents shall be held by the Company, without interest thereon, and paid to Participant as of the next payroll period after each Payment Date applicable to the RSUs to which such Dividend Equivalents relate become payable. Any Dividend Equivalents held by the Company on RSUs which do not vest, shall be forfeited and retained by the Company.

8. **Employment**. This Award Agreement does not constitute a contract of employment, and does not confer upon Holder the right to be retained in the employ of the Company or any Subsidiary. In addition, nothing in the Plan or this Award Agreement shall be interpreted to interfere with or limit in any way the right of the Company to terminate Holder's employment or services at any time.

9. **No Additional Rights**. Participation in the Plan is voluntary. The value of the RSUs is an extraordinary item that is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pensions or retirement benefits or similar payments unless specifically and otherwise provided in such plans. Rather, the awarding of the RSUs under the Plan represents a mere investment.

10. **Limitations on Plan Rights**. The RSUs are granted under and governed by the terms and conditions of the Plan. By acceptance of the RSUs, Holder acknowledges and agrees that the Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of the RSUs under the Plan is a one-time benefit and does not create any contractual or other rights in Holder to receive a grant of stock or benefits in lieu of RSUs in the future. Future grants of RSUs, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of the grant, the number of RSUs, and vesting provisions. The Plan has been introduced voluntarily by the Company and in accordance with the provisions of the Plan may be terminated by the Company at any time. By acceptance of the Restricted Stock Unit Award, Holder consents to the provisions of the Plan and this Award Agreement.

COMPANY:

ULTA BEAUTY, INC., a Delaware corporation

By: ______________________
Name: ______________________
Title: ______________________

Exhibit 10.15

July 20, 2015

Dear Jodi:

We are very pleased to offer you a position with ULTA Incorporated. We are excited to have you join our Ulta team!

Our offer to you is summarized below. Please note that our offer is contingent upon review and ratification by the full Board of Directors of ULTA Beauty and subject to you successfully passing Ulta's pre-employment drug test and background investigation, and your confirmation that you are not subject to anon-compete or any other restrictions on your ability to work for Ulta. Prior to your start date, Ulta's Confidential Information and Protective Covenant Agreement ("CIPCA") will need to be completed, signed and returned to us. Instructions for the pre-employment drug test are attached as part of this offer package. A copy of the CIPCA is also attached.

Position: SVP – General Counsel and Corporate Secretary

Reporting Relationship: In this position you will report to Mary Dillon, Chief Executive Officer.

Start Date: Your start date is August 3, 2015 or as mutually agreed. During new hire orientation on your first day at work, you must provide us with documentation of your eligibility to work in the United States. For this purpose, please bring with you to orientation the required identification (as set forth on the attached I-9 Acceptable Document list).

New-Hire Orientation is at 9:00 AM on your start date at our offices located at 1000 Remington Boulevard, Suite 120, Bolingbrook, Illinois 60440.

Salary: Your annualized salary will be $420,000 per year. You will be paid at an exempt level payable every two weeks.

Performance and Compensation Review: You will receive a performance and compensation review in April 2016 following the end of Ulta's 2015 fiscal year.

Bonus: Your annual target bonus in this position for Ulta's 2015 fiscal year is $210,000 (i.e. 50% of your base salary). Annual bonuses are prorated based on time in position. Bonus payouts are subject to Board approval and your continued employment with Ulta. The bonus criteria includes:

1. The company meets its earnings goal, **and**

2. You have performed satisfactorily in your position.

Long Term Incentive Program: You will be eligible to participate in the Company’s long term incentive program (LTIP) valued at 65% of your base salary (i.e. $273,000) beginning in fiscal year 2016 at the same time grants are made to other participants at an equivalent job level as stated in the plan. Currently, the LTIP is structured as follows but is subject to the approval of the board:

> **Stock Options:** You will be eligible to receive stock options valued at 50% of $273,000. The number of shares granted to you will be determined by dividing stock option award value by the number derived from applying the option valuation the Company uses for financial reporting purposes as set forth in its 10-K, but using the closing stock price on the date of the grant (the “option value”). The exercise price will be the closing stock price on the date of grant. The shares vest ratably over 4 years with vesting based on the grant date.
>
> **Restricted Stock Units Grant:** You will be eligible to receive restricted stock units (RSUs) equal to 20% of $273,000, (or $54,600), divided by the closing share price on the date of the grant to determine the number of shares. The RSUs will 100% cliff vest after 3 years, with vesting based on the grant date.
>
> **Performance Based Shares:** You will be eligible to receive Performance Based Shares (PBSs) equal to 30% of $273,000. The PBS award is a contingent award of stock that can be earned in whole or in part based on degree of achievement of predetermined performance goals over the performance period. The PBS award has a two year performance period followed with a one year time vesting.

New Hire Equity Grant: An equity award valued at $200,000 will be granted to you on your employment start date.

The new hire equity grant will be delivered with 75% of the award value in stock options and 25% of the award value in RSUs. The shares vest ratably over four (4) years with vesting based on the grant date. The RSUs will cliff vest after 3 years with vesting based on the grant date. All equity grants are subject to the provisions contained in the applicable plan and grant agreement, including but not limited to your execution of and continuing compliance with all terms and conditions of the CIPCA, and are also subject to your being employed by Ulta on the grant date. The number of options and RSU’s in the new hire grant will be calculated using the same methodology as described above.

Benefits: We are pleased to offer you our benefit plans. A summary of Ulta’s benefits is attached as part of this communication package. Our associates’ personal and professional well-being is important to us. You are eligible for Ulta’s benefits on your first day of employment. If you wish to participate in some or all of Ulta’s benefit plans, you must enroll within the first thirty (30) days after your start date with us. You are eligible for 401(k) and paid time off on the first day of the month following sixty (60) days of employment. To enroll in your benefits, please log onto our Benefits website at www.ultabenefits.bswift.com for benefit elections. To obtain your username and password please contact the bSwift Customer Service Center.

Vacation: Vacation accrual begins with your first day of employment and will be accrued according to Ulta's vacation policy. You may accrue up to 4 weeks of vacation per fiscal year, prorated in your first year based on your start date. You will also accrue 5 personal days and 8 sick days per fiscal year, prorated in your first year based on your start date.

Summary of Contingencies to Ulta's Employment Offer to You: As noted, our offer is contingent on your: (1) review and approval by ULTA Beauty's Board of Directors; (2) successfully passing Ulta's pre-employment drug test and background investigation; (3) providing proof of your eligibility to work in the United States; (4) completing, signing and returning to us, prior to your start date, the CIPCA (as previously noted, a copy of the CIPCA is attached as part of this communication package); and, (5) not being subject to any pre-employment restrictions. Please return your completed, signed CIPCA to Anita Ryan via email (listed below) or mail to Ulta's address as listed above. We must receive your signed CIPCA prior to your start date with us. Please keep a signed copy of the CIPCA for your records.

Involuntary Separation from Service: If you are involuntarily separated from the Company for reasons other than cause, you will receive a termination settlement payment based upon the Company practice in place at that time generally applicable to your job level in the Company, provided that you execute a termination settlement agreement and general release at time of termination.

At Will Employment: Ulta Inc. is an at-will employer. For your review, Ulta's Home Office Associates Handbook is attached as part of this offer letter. This letter, Ulta's policies and practices and the documents attached shall not be deemed or construed for any purposes as a contract of employment.

We welcome you to our Ulta Beauty team and wish you much success in your new role!

Warmest Regards,

/s/ Mary N. Dillon

Mary Dillon
Chief Executive Office

/s/ Jodi Caro

Jodi Caro

Exhibit 10.16

ULTA BEAUTY, INC.
EXECUTIVE CHANGE IN CONTROL AND SEVERANCE PLAN

The **ULTA BEAUTY, INC. EXECUTIVE CHANGE IN CONTROL AND SEVERANCE PLAN**(the "Plan") is effective as of March 24, 2017 (the "Effective Date"), pursuant to the authorization of the Board of Directors of Ulta Beauty, Inc. (the "Company"). The Plan has been established to provide financial security to the Company's Executives (as defined below) in the event of a Change in Control (as defined below) and upon certain terminations of employment with the Company. This Plan replaces in full and supersedes any other change in control protections provided to the Executives, including without limitation, any offer letters or other plans.

I.
DEFINITIONS AND CONSTRUCTION

1.1 Definitions. Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary.

"Annual Pay" means the annual rate of base compensation of an Executive in effect immediately prior to the Change in Control or at the time of his or her termination of employment, whichever is greater.

"Board" means the Board of Directors of the Company or its successor.

"Bonus" means annual incentive compensation payable under the Company's annual incentive award plan as in effect from time to time.

"Cause" means any termination of an Executive's employment by reason of the Executive's: (i) commission of an act of fraud or embezzlement, (ii) willful and material breach of any fiduciary duty owed to the Company or any term of the Company's equity incentive plan or Executive's applicable equity award agreement, (iii) conviction of a felony or any crime involving fraud, dishonesty or moral turpitude, (iv) intentional misconduct of the Executive, including, but not limited to, knowing and intentional violation of the Company's written policies or specific directions of the board or superior officers of the Company, which policies or directives are neither illegal (or not involve illegal conduct) nor do they require the violation of reasonable business ethical standards, or (v) engaging in gross misconduct which may reasonably result in injury to the reputation or business prospectus of the Company; whether or not any such events are discovered or known by the Company at the time of the Executive's termination. If any of the foregoing events is capable of being cured, then with respect to the first occurrence of such event the Company will provide written notice to the Executive describing the nature of such event and the Executive will thereafter have thirty (30) days to cure such event.

"Change in Control" shall be deemed to have occurred for purposes of the Plan if the event set forth in any one of the following paragraphs shall have occurred:

(A) A transaction or series of transactions (other than an offering of the common stock of the Company to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(B) Within a 24-month period, individuals who were directors of the Board immediately before such period ("Incumbent Directors") cease to constitute at least a majority of the directors of the Board; provided, however, that any director who was not a director of the Board at the beginning of such period shall be deemed to be an Incumbent Director if the election or nomination for election of such director was approved by the vote of at least two-thirds of the directors of the Board then still in office (i) who were in office at the beginning of the 24-month period or (ii) whose election or nomination for election was so approved, in each case, unless such individual was elected or nominated as a result of an actual or threatened election contest or as a result of an actual or threatened solicitation of proxies or consents by or on behalf of anyone other than a Board member; or

(C) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.8(c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(D) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control must also constitute a "change in control event," as defined in Treasury Regulation 1.409A-3(i)(5) to the extent required by Section 409A.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

"Change in Control Period" means (i) for any Change in Control under clauses (A), (C) or (D) of the definition of Change in Control, the period beginning on the Signing Date and ending on the date that is 18 months after the consummation of the first instance of a Change in Control and (ii) for any Change in Control under clause (B) of the definition of Change in Control, the date beginning on the Change in Control and ending on the date that is 18 months after that Change in Control.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board, or, if no Compensation Committee exists, the Board.

"Employer" means the Company and each eligible entity designated as an Employer in accordance with the provisions of Section 4.4 of the Plan.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Executive" means any individual who, on or immediately prior to a Change in Control or at the time of his or her Involuntary Termination, if earlier, has been designated by the Committee as a Tier I Executive, Tier II Executive or Tier III Executive. The Committee will review and designate the Tier I Executives, Tier II Executives and Tier III Executives on an annual basis.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) during the applicable Change in Control Period of any one of the following acts by the Company:

(A) a material diminution (greater than 10%) in the Executive's annual base salary or annual cash incentive target opportunity;

(B) a material diminution in the Executive's authority, duties or responsibilities of the Executive as in effect immediately prior to the Change in Control Period; with it being specifically acknowledged that the failure of the Chief Executive Officer or the Chief Financial Officer to be employed as the chief executive officer or chief financial officer (as applicable) of a publicly traded company will be considered to result in a material diminution in his/her duties for purposes of this subsection (B);

(C) a material change in the geographic location at which the Executive must perform services such that Executive's one-way commute between residence and office is increased by 50 or more miles; and/or

(D) any other action or inaction that constitutes a material breach by the Company of the Executive's terms and conditions of employment or service with the Company.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. In order for a termination by the Executive to be for Good Reason, the Executive must first give written notice to the Company in writing of the Good Reason event within 90 days of the initial existence of the Good Reason event, and the Company shall then have 30 days from its receipt of such notice to remedy the event and if the Company fails to timely remedy the event, the Executive may terminate his employment for Good Reason in the seven day period following the Company's failure to remedy the event. An Involuntary Termination by the Executive for Good Reason shall be deemed to be within the applicable Change in Control Period if the initial existence of the Good Reason event occurred within the applicable Change in Control Period. Executive's failure to provide timely notice shall constitute consent to, and a waiver of rights with respect to, that act or failure to act as constituting Good Reason hereunder.

"Health Benefit Coverages" means coverage under each group health plan sponsored or contributed to by the Employer (or following the Change in Control, by any affiliate of the Employer that employs the Executive) for its similarly situated active employees.

"Involuntary Termination" means during the Change in Control Period (i) any termination of the Executive's employment by the Employer other than for Cause and (ii) any termination of the Executive's employment by the Executive for Good Reason.

"Release" means a general release, substantially in the form attached hereto, from the Executive that releases the Company and its affiliates from employment related claims.

"Signing Date" means the date of execution of a definitive agreement to effect a Change in Control.

"Target Bonus" means the greatest of (i) the Executive's target Bonus in effect immediately prior to the Change in Control, (ii) the Executive's target Bonus in effect at the time of his or her termination of employment, or (iii) the Executive's actual anticipated Bonus based on his or her performance as of the date of the Change in Control, as determined by the Committee; provided, however, that for purposes of this Plan, "Target Bonus" shall not include any special bonuses, retention awards, sign-on bonuses or other similar bonus payments.

“Tier I Executive” means an individual who is, at the relevant time, the Chief Executive Officer of the Company or is otherwise designated as a Tier I Executive by the Committee.

“Tier II Executive” means an individual who is, at the relevant time, a member of the executive committee of the Company or is otherwise designated as a Tier II Executive by the Committee.

“Tier III Executive” means an individual who is designated as a Tier III Executive by the Committee.

1.2 Number and Gender. Wherever appropriate herein, words used in the singular shall be considered to include the plural and the plural to include the singular. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender.

1.3 Headings. The headings of Articles and Sections herein are included solely for convenience and if there is any conflict between such headings and the text of the Plan, the text will control.

II.
CHANGE IN CONTROL AND SEVERANCE BENEFITS

2.1 Change in Control Benefits. Immediately prior to or upon a Change in Control, all equity awards which vest or the number of which are determined based on achievement of performance targets granted to an Executive pursuant to any of the Company’s equity incentive plans (including any equity awards granted to an Executive who had an Involuntary Termination prior to or on a Change in Control), will vest and be paid out based on the greater of (i) target performance or (ii) the actual performance through the date of the Change in Control, as determined by the Committee in its sole discretion, which determination may include the Committee’s determination to pro-rate the performance targets based on the portion of the performance period elapsed through the Change in Control.

2.2 Severance Payments. Subject to the provisions of Sections 2.3, 2.5, 2.6, 4.5 and 4.6 hereof, if an Executive incurs an Involuntary Termination, then on the date upon which his Release becomes irrevocable, the Executive shall be eligible to receive the following severance benefits:

A. Cash Severance Pay. The Company shall pay Executive cash severance equal to (i) in the case of a Tier I Executive, 3.0 times the sum of the Tier I Executive’s Annual Pay and Target Bonus; (ii) in the case of a Tier II Executive, 2.0x the sum of the Tier II Executive’s Annual Pay and Target Bonus; and (iii) in the case of a Tier III Executive, 1.0x the sum of the Tier III Executive’s Annual Pay and Target Bonus (the “Cash Severance Payment”) payable in a lump sum, subject to the requirements of Section 4.14 below. The Cash Severance Payment shall be paid on the sixtieth (60th) day following the Involuntary Termination.

B. Pro Rata Bonus. The Company shall pay Executive a pro rata share of the Executive's Bonus based on a number of days in the performance period in which Executive was employed through the date of his or her Involuntary Termination, calculated based on actual performance results and paid to Executive following the end of the applicable performance period.

C. Equity Award Acceleration. The Executive's equity awards which vest based on continued service shall fully vest on (i) the date of the Change in Control if Executive's Involuntary Termination occurs prior to a Change in Control or (ii) the date of Executive's Involuntary Termination if Executive's Involuntary Termination occurs following the Change in Control; *provided* that any stock options or time-based restricted stock units (RSUs) that vest pursuant to this Section 2.2(C) shall not become exercisable and no shares will be delivered on vesting until the Release becomes effective and irrevocable. For the sake of clarity, if an Executive incurs an Involuntary Termination after the Signing Date but before the Change in Control, then Executive's unvested equity awards (whether time or performance based) will remain outstanding subject to vesting under Section 2.1 or this Section 2.2(C) only upon the actual occurrence of the Change in Control, and such awards will not further vest, become exercisable or payable for any other reason. If the agreement entered into on the Signing Date is later terminated without consummation of the transactions contemplated thereby, then upon the termination of such agreement, such Executive's unvested equity awards will be forfeited, terminated and no longer treated as outstanding.

D. Health Benefit Coverages. Executive shall be entitled to the continuation of his or her Health Benefit Coverages and, where applicable, his or her eligible dependents for a period of up to eighteen months following the date of Involuntary Termination, at a cost to the Executive that is equal to the cost for an active employee for similar coverage. The Executive may choose to continue some or all of such Health Benefit Coverages.

If at any time on or after an Executive's Involuntary Termination any health benefit plan in which he or she has elected to continue his or her coverage either is terminated or ceases to provide coverage to the Executive's covered beneficiaries for any reason, including, without limitation, by its terms or the terms of an insurance contract providing the benefits of such plan or, with respect to a group health plan, such plan no longer being subject to the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), then Health Benefit Coverages shall mean an economically equivalent cash payment for coverage equivalent to the coverage that is provided (or if the plan has been terminated, that would have been provided but for such termination) for similarly situated active employees, plus, where applicable, a gross-up payment to the Executive to reflect the loss of tax benefits associated with his or her "lost" employer-provided health plan coverage benefit(s). With respect to the obligation of the Company to provide continued health plan coverage hereunder, the Company shall take all actions necessary such that the coverage is provided in a manner that satisfies the requirements of Sections 105 and 106 of the Code such that the health benefits received are not includible in the individual's taxable income. The subsidized COBRA Health Benefit Coverage(s) provided hereunder shall immediately end upon the Executive's obtainment of new employment and eligibility for health benefit plan coverage(s) similar to that being continued (with the Executive being obligated hereunder to promptly report such eligibility to the Employer).

E. Accrued Obligations. Without regard to the Release requirement, a lump sum amount, within 30 days of such termination, equal to (i) the earned, but unpaid, portion of the Executive's Annual Pay as of the date of his or her Involuntary Termination, (ii) Executive's earned, but unpaid Bonus, if any, for the year prior to the date of Executive's Involuntary Termination and (iii) reimbursement of any business expenses incurred by Executive through the date of Executive's Involuntary Termination.

2.3 Release and Full Settlement. Notwithstanding anything to the contrary herein, as a condition to the receipt of any severance payments or benefits under Section 2.2 (A) through (D) above, an Executive whose employment has been subject to an Involuntary Termination must, within 45 days of his Involuntary Termination, execute a Release and not revoke, in substantially the form attached hereto as Attachment A. The performance of the Employer's obligations hereunder and the receipt of any benefits provided hereunder by such Executive shall constitute full settlement of all such claims and causes of action.

2.4 No Mitigation. An Executive shall not be required to mitigate the amount of any payment or benefit provided for in this Article II by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Article II be reduced by any compensation or benefit earned by the Executive as the result of employment by another employer or by retirement benefits, except as provided in Section 2.2(D) with respect to Health Benefit Coverage and in Section 2.5 with respect to the coordination of severance benefits hereunder with other agreements providing severance benefits. Subject to the foregoing, the benefits under the Plan are in addition to any other benefits to which an Executive is otherwise entitled.

2.5 Replacement of Other Arrangements. Any Executive who is a party to an individual employment or severance agreement or covered by another similar change in control or severance plan ("Other Plan") of the Employer and who becomes eligible for severance payments and benefits as provided in Section 2.2 of this Plan, shall receive such severance payments and benefits as provided under Section 2.2 of this Plan, and such payments and benefits received under this Plan shall replace in full and supersede any payments or benefits payable to such Executive under any such Other Plan. Any notice or pay in lieu of notice, severance benefits or other benefits that are required by any federal, state or local law relating to severance, plant closures, terminations, reductions-in-force, or plant relocations will reduce the Cash Severance Payment.

2.6 Parachute Taxes. Notwithstanding anything to the contrary herein, in the event any payment, distribution or provision of a benefit to an Executive pursuant to the terms of the Plan, when aggregated with any other payment, distribution or provision of a benefit to or on behalf of such Executive outside of the Plan, would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), the Company shall reduce the payments and/or benefits (by reducing the total payments payable, if applicable, (including reducing a payment to zero) to such Executive in whole or in part so that no part of the payments or benefits received under the Plan by such Executive will be subject to the Excise Tax; provided, however, that such reduction(s) shall be made only if by reason of such reduction(s) the

Executive's net after-tax benefit (as determined in good faith by the Company), after all such reduction(s), will exceed the Executive's net after-tax benefit if such reduction(s) were not made. Such calculations shall be made by the Company's accountants and shall be binding on the Executive. In the event that the payments and/or benefits are to be reduced pursuant to this Section 2.6, such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Executive as a result of this Section 2.6 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required under this paragraph shall be made in writing and binding on all Executives and the Company for all purposes. For purposes of making the calculations required by this paragraph, the accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The accountants shall provide detailed supporting calculations both to the Company and the affected Executive within 15 business days of the receipt of notice that there has been a parachute payment, or such earlier time as is requested by the Company.

Nothing in this Section 2.6 shall require the Company to be responsible for, or have any liability or obligation with respect to, Executive's excise tax liabilities under Section 4999 of the Code.

III.
ADMINISTRATION OF PLAN

3.1 Committee's Powers and Duties. The Company shall be the named fiduciary and shall have full power to administer the Plan in all of its details, subject to applicable requirements of law. The duties of the Company shall be performed by the Committee. It shall be a principal duty of the Committee to see that the Plan is carried out, in accordance with its terms, for the exclusive benefit of persons entitled to participate in the Plan. For this purpose, the Committee's powers shall include, but not be limited to, the following authority, in addition to all other powers provided by the Plan:

A. to make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

B. to interpret the Plan and all facts with respect to a claim for payment or benefits, its interpretation thereof to be final and conclusive on all persons claiming payment or benefits under the Plan;

C. to decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

D. to make a determination as to the right of any person to a payment or benefit under the Plan (including, without limitation, to determine whether and when there has been a termination of an Executive's employment and the cause of such termination and the amount of such payment or benefit);

E. to appoint such agents, counsel, accountants, consultants, claims administrator and other persons as may be required to assist in administering the Plan;

F. to allocate and delegate its responsibilities under the Plan and to designate other persons to carry out any of its responsibilities under the Plan, any such allocation, delegation or designation to be in writing;

G. to sue or cause suit to be brought in the name of the Plan; and

H. to obtain from the Employer and from Executives such information as is necessary for the proper administration of the Plan.

3.2 <u>Member's Own Participation</u>. No member of the Committee may act or vote in a decision of the Committee specifically relating to himself as a participant in the Plan.

3.3 <u>Indemnification</u>. The Employer shall indemnify and hold harmless each member of the Committee against any and all expenses and liabilities arising out of his administrative functions or fiduciary responsibilities, including any expenses and liabilities that are caused by or result from an act or omission constituting the negligence of such member in the performance of such functions or responsibilities, but excluding expenses and liabilities that are caused by or result from such member's own gross negligence or willful misconduct. Expenses against which such member shall be indemnified hereunder shall include, without limitation, the amounts of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof.

3.4 <u>Compensation, Bond and Expenses</u>. The members of the Committee shall not receive compensation with respect to their services for the Committee. To the extent required by applicable law, but not otherwise, Committee members shall furnish bond or security for the performance of their duties hereunder. Any expenses properly incurred by the Committee incident to the administration, termination or protection of the Plan, including the cost of furnishing bond, shall be paid by the Company.

3.5 <u>Claims Procedure</u>. Any Executive that the Committee determines is entitled to a benefit under the Plan is not required to file a claim for benefits. Any Executive who is not paid a benefit and who believes that he is entitled to a benefit or who has been paid a benefit and who believes that he is entitled to a greater benefit may file a claim for benefits under the Plan in writing with the Committee. In any case in which a claim for Plan benefits by an Executive is denied or modified, the Committee shall furnish written notice to the claimant within 90 days after receipt of such claim for Plan benefits (or within 180 days if additional information requested by the Committee necessitates an extension of the 90-day period and the claimant is informed of such extension in writing within the original 90-day period), which notice shall:

A. state the specific reason or reasons for the denial or modification;

B. provide specific reference to pertinent Plan provisions on which the denial or modification is based;

C. provide a description of any additional material or information necessary for the Executive or his representative to perfect the claim, and an explanation of why such material or information is necessary; and

D. explain the Plan's claim review procedure as contained herein and describe the Executive's right to bring an action under Section 502(a) of ERISA following a denial or modification on review.

In the event a claim for Plan benefits is denied or modified, if the Executive or his representative desires to have such denial or modification reviewed, he must, within 60 days following receipt of the notice of such denial or modification, submit a written request for review by the Committee of its initial decision. In connection with such request, the Executive or his representative may review any pertinent documents upon which such denial or modification was based and may submit issues and comments in writing. Within 60 days following such request for review the Committee shall, after providing a full and fair review, render its final decision in writing to the Executive and his representative, if any, stating specific reasons for such decision and making specific references to pertinent Plan provisions upon which the decision is based. If special circumstances require an extension of such 60-day period, the Committee's decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review. If an extension of time for review is required, written notice of the extension shall be furnished to the Executive and his representative, if any, prior to the commencement of the extension period. The Committee shall give written notice of its decision on review to the Executive. In the event a claim for Plan benefits is denied or modified on review, such notice shall set forth the specific reasons for such denial or modification and provide specific references to the Plan provisions on which the denial or modification is based. The notice shall also provide that the Executive is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Executive's claim for benefits, including (i) documents, records or other information relied upon for the benefit determination, (ii) documents, records or other information submitted, considered or generated without regard to whether such documents, records or other information were relied upon in making the benefit determination, and (iii) documents, records or other information that demonstrates compliance with the standard claims procedure. The notice shall also contain a statement describing the Executive's right to bring an action under Section 502(a) of ERISA. Any legal action with respect to a claim for Plan benefits must be filed no later than one year after the later of (1) the date the claim is denied by the Committee or (2) if a review of such denial is requested pursuant to the provisions above, the date of the final decision by the Committee with respect to such request.

IV.
GENERAL PROVISIONS

4.1 <u>Funding</u>. The benefits provided herein shall be unfunded and shall be provided from the Employer's general assets.

4.2 Cost of Plan. Except as provided in Section 2.2(D), the entire cost of the Plan shall be borne by the Employer and no contributions shall be required of the Executives.

4.3 Plan Year. The Plan shall operate on the basis of the Company's fiscal year.

4.4 Other Participating Employers. The Committee may designate any entity eligible by law to participate in the Plan as an Employer by written instrument delivered to the Secretary of the Company and the designated Employer. Such written instrument shall specify the effective date of such designated participation, may incorporate specific provisions relating to the operation of the Plan which apply to the designated Employer only and shall become, as to such designated Employer and its employees, a part of the Plan. Each designated Employer shall be conclusively presumed to have consented to its designation and to have agreed to be bound by the terms of the Plan and any and all amendments thereto upon its submission of information to the Committee required by the terms of or with respect to the Plan; provided, however, that the terms of the Plan may be modified so as to increase the obligations of an Employer only with the consent of such Employer, which consent shall be conclusively presumed to have been given by such Employer upon its submission of any information to the Committee required by the terms of or with respect to the Plan.

4.5 Amendment and Termination.

A. The Plan may be terminated or amended from time to time at the discretion of the Committee; provided, however, that, subject to the provisions of Section 4.5(B), the Plan may not be amended or terminated (i) during the Change in Control Period without the prior written consent of all Executives who were designated as Executives at such time or (ii) during the period in which any Executive is eligible to receive severance and benefits provided in Section 2.2, without the prior written consent of such Executive. For purposes of this Section, a change in the designation of participating Employers by the Committee pursuant to Section 4.4 shall not be deemed to be an amendment to the Plan. Notwithstanding anything to the contrary herein, the Board, in its sole discretion, may terminate the coverage of any Executive under the Plan by giving prior written notice to the Executive at least 6 months in advance of such termination of coverage. The Employer's obligation to make all payments and provide benefits that have become payable as a result of an Involuntary Termination occurring during the existence of the Plan shall survive any termination of the Plan.

B. The provisions set forth in Section 4.5(a) that otherwise restrict amendments to the Plan during the Change in Control Period shall not apply to (i) an amendment to the administrative provisions of the Plan that is required pursuant to applicable law or (ii) an amendment that increases the benefits payable under the Plan or otherwise constitutes a bona fide improvement of an Executive's rights under the Plan, as determined by the Committee in its sole discretion.

4.6 Restrictive Covenants Agreement.

A. Existing Agreement. This Plan shall have no effect on the continued effectiveness of Executive's existing restrictive covenants agreement ("CIPCA"). Any violation of Executive's existing restrictive covenant agreement will result in forfeiture of Executive's benefits under this Plan.

B. New Agreement. For any Executive entitled to benefits under this Plan who is not already party to an existing restrictive covenants agreement, such Executive shall be required to enter into a new restrictive covenants agreement with the Company as a condition to participation in this Plan.

4.7 Not a Contract of Employment. The adoption and maintenance of the Plan shall not be deemed to be a contract of employment between the Employer and any person or to be consideration for the employment of any person. Nothing herein contained shall be deemed to give any person the right to be retained in the employ of the Employer or to restrict the right of the Employer to discharge any person at any time nor shall the Plan be deemed to give the Employer the right to require any person to remain in the employ of the Employer or to restrict any person's right to terminate his employment at any time.

4.8 Severability. Any provision in the Plan that is prohibited or unenforceable in any jurisdiction by reason of applicable law shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4.9 Nonalienation. Executives shall not have any right to pledge, hypothecate, anticipate or assign benefits or rights under the Plan, except by will or the laws of descent and distribution.

4.10 Effect of Plan. The Plan is intended to supersede all prior oral or written policies of the Employer and all prior oral or written communications to Executives with respect to the subject matter hereof, and all such prior policies or communications are hereby null and void and of no further force and effect. Further, the Plan shall be binding upon the Employer and any successor of the Employer, by merger or otherwise, and shall inure to the benefit of and be enforceable by the Employer's Executives.

4.11 Taxes. The Employer or its successor may withhold from any amounts payable to an Executive under the Plan such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

4.12 Disputes.

A. Except as otherwise specifically provided herein, all disputes, controversies and claims arising between the Company and any Executive concerning the subject matter of this Plan shall be settled by arbitration in accordance with the rules and procedures of Judicial Arbitration and Mediation Services ("JAMS") as in effect at the time that the arbitration begins, to the extent not inconsistent with this Plan. The location of the arbitration will be in Chicago, Illinois or such other place as the parties to the dispute may mutually agree. In rendering any award or ruling, the arbitrator or arbitrators shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Illinois. The arbitration shall be conducted by an arbitrator selected in accordance with the aforesaid arbitration procedures. Any arbitration pursuant to this Section 4.12 shall be final and binding on the parties, and judgment upon any award rendered in such arbitration may be entered in any court, Federal or state, having jurisdiction. The parties to any dispute shall each pay their own costs and expenses (including arbitration fees and attorneys' fees) incurred in connection with arbitration proceedings and the fees of the arbitrator shall be paid in equal amounts by the parties; provided, however, that the Company shall reimburse Executive for any legal fees or expenses incurred in connection with any arbitration proceeding in which the Executive receives a favorable judgment with respect to at least one material issue in dispute. Nothing in this Section 4.12 shall preclude the Company or any Executive from seeking temporary injunctive relief from any Federal or state court located within Illinois in connection with or as a supplement to an arbitration hereunder.

B. Without limiting the generality of Section 4.12(A), to the extent permitted by applicable law, by participating in this Plan, each Executive irrevocably waives any and all rights to trial by jury in any legal proceeding arising out of or relating to this Plan.

4.13 Governing Law. The Plan shall be interpreted and construed in accordance with the laws of the State of Illinois without regard to conflict of laws principles, except to the extent pre-empted by federal law.

4.14 Section 409A.

A. General. To the extent applicable, this Plan shall be interpreted and applies so that the payments of benefits set forth herein shall either be exempt from, or in the alternative, comply with, and incorporate the terms and conditions required by, Section 409A. Notwithstanding any provision of this Plan to the contrary, in the event that the Company determines that any amounts payable hereunder will be immediately taxable to any Executive under Section 409A, the Company reserves the right to (without any obligation to do so or to indemnify the Executive for failure to do so) (A) adopt such amendments to this Plan or adopt such other policies and procedures (including amendments, policies and procedures with retroactive effect) that it determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Plan, to preserve the economic benefits of this Plan and to avoid less favorable accounting or tax consequences for the Company and/or (B) take such other actions it determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder.

B. Separation from Service under Section 409A. Notwithstanding anything herein to the contrary: (A) no termination or other similar payments and benefits hereunder shall be payable to an Executive unless such Executive's termination of employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (B) if an Executive is deemed at the time of the Executive's separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of any termination or other similar payments and benefits to which such Executive may be entitled hereunder (after taking into account all exclusions applicable to such payments or benefits under Section 409A) is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of such payments and benefits shall not be provided to such Executive prior to the earlier of (x) the expiration of the six-month period measured from the date of the Executive's "separation from service" with the Company (as such term is defined in the Department of Treasury Regulations issued under Section 409A) and (y) the date of such Executive's death; provided that upon the earlier of such dates, all payments and benefits deferred pursuant to this Section 4.14(B) shall be paid in a lump sum to such Executive, and any remaining payments and benefits due hereunder shall be provided as otherwise specified herein; and (C) the determination of whether an Executive is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of such Executive's separation from service shall be made by the Company in accordance with the terms of Section 409A (including, without limitation, Section 1.409A-1(i) of the Department of Treasury Regulations and any successor provision thereto).

C. Reimbursements and Installments. To the extent that any reimbursements or corresponding in-kind benefits provided to an Executive under this Agreement are deemed to constitute "deferred compensation" under Section 409A, (A) such reimbursements or benefits shall be provided reasonably promptly, but in no event later than December 31 of the year following the year in which the expense was incurred, and in any event in accordance with Section 1.409A-3(i)(1)(iv) of the Department of Treasury Regulations; and (B) the amount of any such payments or expense reimbursements in one calendar year shall not affect the expenses or in-kind benefits eligible for payment or reimbursement in any other calendar year, other than an arrangement providing for the reimbursement of medical expenses referred to in Section 105(b) of the Code, and the Executive's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit. To the extent that any installment payments under this Plan are deemed to constitute "nonqualified deferred compensation" within the meaning of Section 409A, for purposes of Section 409A (including, without limitation, for purposes of Section 1.409A-2(b)(2)(iii) of the Department of Treasury Regulations), each such installment payment that an Executive may be eligible to receive under this Plan shall be treated as a separate and distinct payment.

EXECUTED this 24th day of March, 2017.

ULTA BEAUTY, INC.

By: /s/ Jeffrey J. Childs
Name: Jeffrey J. Childs
Title: Chief Human Resources Officer

<u>ATTACHMENT A</u>
TO
ULTA BEAUTY, INC.
EXECUTIVE CHANGE IN CONTROL AND SEVERANCE PLAN

FORM OF RELEASE

[The language in this Separation and Release Agreement may change based on legal developments and evolving best practices; this form is provided solely as an example]

SEPARATION AND RELEASE AGREEMENT

1. Parties. This agreement is between you, **XXXX**, (for yourself, your spouse, heirs, representatives and assigns) (jointly, “You” or “you”) and Ulta Beauty, Inc., its parent, subsidiaries, predecessors, successors, affiliates, directors, officers, fiduciaries, insurers, employees and agents (collectively, “Ulta”).

2. Separation Date. You acknowledge that your last day of employment with Ulta will be XX/XX/XX (the “Separation Date”).

3. Separation Benefits. If you sign and do not revoke this Separation and Release Agreement (“Agreement”), you will receive the severance benefits set forth in Section 2.2 of the Ulta Beauty, Inc. Executive Change in Control and Severance Plan (the “CIC Plan”).

You understand that the separation benefits under Section 2.2 of the CIC Plan are conditioned on you signing and not revoking this Agreement after your Separation Date but signing no later than 45 days after you receive this Agreement.

4. General Release. In exchange for the separation benefits described in Section 2.2 of the CIC Plan, you are waiving and releasing Ulta from any and all known or unknown claims, actions, causes of action, rights, or liabilities of any kind which have been or could be asserted against Ulta arising out of or related to your employment with or separation from employment with Ulta plus any other occurrence up to and including the day you sign this Agreement, including but not limited to:

* claims, actions, causes of action, rights or liabilities arising under Title VII of the Civil Rights Act, the Age Discrimination in Employment Act (“ADEA”), the Employee Retirement Income Security Act of 1974, as amended, the Americans with Disabilities Act, the Family and Medical Leave Act, the National Labor Relations Act, the Sarbanes-Oxley Act, Dodd-Frank Wall Street Reform and Consumer Protection Act, the Lilly Ledbetter Fair Pay Act, and any other federal, state, municipal, or local employment discrimination statutes (including, but not limited to, claims based on age, sex, race, religion, national origin, marital status, sexual orientation, ancestry, harassment, parental status, handicap, disability, retaliation, and veteran status);
* claims, actions, causes of action, rights or liabilities arising under any other federal, state, municipal, or local statute, law, ordinance or regulation;
* all claims that you have been adversely affected by a discriminatory pay decision or other discriminatory practice, including claims that compensation you received has been reduced because of discrimination based on gender, race, national origin, age, or disability, as well as any claim that the severance amount referenced in Paragraph 3 above has been reduced because of such discrimination;
* except as otherwise provided under Section 2.2 of the CIC Plan, all claims to any payment or regarding the calculation of your payment under the Ulta: (i) Corporate Management Bonus Plan (v) any other bonus, incentive compensation, or vacation program offered by Ulta;
* any rights to become a member of any class in a case in which claims are asserted against Ulta that relate in any way to your employment or your separation from

employment with Ulta. If you are made a member of a class in any proceeding, you will opt out of the class at the first opportunity; and any other claim whatsoever including, but not limited to, claims for severance pay, breach of contract, promissory estoppel, wrongful termination, defamation, intentional infliction of emotional distress, tort, personal injury, invasion of privacy, violation of public policy, negligence, plus any other common law, statutory or other claim whatsoever arising out of or relating to your employment with and separation from employment with the Company or any other releasee.

5. <u>Exclusions From General Release.</u> Excluded from the General Release above are: (i) any claims which you may make under state workers' compensation or unemployment laws; and (ii) ANY RIGHTS WHICH BY LAW YOU CANNOT WAIVE, such as but not limited to the right to enforce this Agreement or to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). You further understand that this Agreement (including the Non-Disclosure of Confidential Information, Non-Disparagement and Confidentiality provisions in Paragraphs 10, 13 and 14) does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Ulta. This Agreement also does not limit your rights to receive an award for information provided to any Government Agencies.

6. <u>Covenant Not To Sue.</u> A "covenant not to sue" is a legal term which means you promise not to file a lawsuit in court. It is different from the General Release of claims contained in Paragraph 4 above. Besides waiving and releasing the claims covered by Paragraph 4 above, you further agree never to sue Ulta in any forum for any reason covered by the General Release language in Paragraph 4 above. Notwithstanding this Covenant Not to Sue, you may bring a claim against Ulta to enforce this Agreement or to challenge the validity of this Agreement under the ADEA. If you sue Ulta in violation of this Agreement, you shall be liable to Ulta for its reasonable attorneys' fees and other litigation costs incurred in defending against such a suit. Alternatively, if you sue Ulta in violation of this Agreement, Ulta can require you to return all but $200.00 of the money and any other benefits paid to you pursuant to this Agreement. In that event, Ulta shall be excused from making any further payments or continuing any other benefits otherwise owed to you under Section 2.2 of the CIC Plan.

7. <u>Employee Acknowledgments.</u> You also agree that you: (i) have been paid all monies owed for all hours worked through the last payroll period ending before you sign this Agreement; (ii) have been paid for all unused vacation accrued through the last payroll period that ended before you sign this Agreement; (iii) have received all Family and Medical Leave Act leave or other leave which you requested and for which you were eligible under law and/or Company policy; (iv) have not suffered any on-the-job injury for which you have not already filed a claim; and (v) have communicated in writing to Ulta management any facts, theories, or other information which you believe show or may show that Ulta or its representatives have violated federal tax law, state or local tax law, or any other law.

8. <u>Return Of Employer Property.</u> On or before your Separation Date, you must return to Ulta all Ulta property in your possession or control, including but not limited to credit/calling cards, cell phone, laptop computer, information technology equipment, pager, pda/Blackberry, mobile phone, parking tag, documents and records. You further agree that you will not keep, transfer or use any copies or excerpts of the above items.

9. <u>Cessation of Benefits.</u> Except as expressly provided otherwise in this Agreement, all of your Ulta employee benefits, including but not limited to vacation accrual and disability pay, shall cease upon your Separation Date. You will be eligible to elect continued health insurance coverage under COBRA if you have chosen benefits under the company plan.

10. <u>Non-Disclosure Of Confidential Information.</u> You previously acknowledged and agreed that the terms and conditions of the Confidential Information & Protective Covenants Agreement ("CIPCA") executed by you and Ulta remain in full force effect for one year following your Separation

Date. You further agree that on or prior to the last day of your employment you will deliver to Ulta all Confidential Information (as defined in the CIPCA) that you possess or that is under your control, and that the pay and benefits provided under this Agreement shall not commence until you have delivered to Ulta all Confidential Information (as defined in the CIPCA) that you possess or is under your control.

11. Post-Separation Restrictions. You agree that, for a period of twelve (12) months following your Separation Date:

* you will not be employed in any capacity including that of consultant, by any individual or firm within the United States, Canada or Mexico in any business which is substantially similar to the business in which Ulta is engaged. As used in this Agreement, a business shall be deemed to be substantially similar to that of Ulta if it has a business strategy and product mix which is similar to that of Ulta or if it has the intent to develop such a business, but department stores, drug stores and suppliers to Ulta shall not be deemed to be in a business substantially similar to that of Ulta unless they are following or developing a marketing strategy (either generally or for a business unit) which is similar to that being pursued by Ulta. You are not otherwise prohibited from seeking employment within the retail, wholesale or manufacturing industry.
* you will not persuade, solicit or encourage, or attempt to persuade, solicit or encourage, any person who was employed by Ulta in a managerial or supervisory position as of your Separation Date to leave the employ of Ulta.
* you will not, directly or indirectly, call upon, solicit, or otherwise contact any suppliers of Ulta with whom you had contact during you employment by Ulta for purposes of introducing such supplier to a competitor of Ulta or for purposes of inducing or encouraging any such supplier to sell any such product line to any other retailer that seeks to become a competitor of Ulta.

12. Cooperation In Future Legal Matters. You further agree from and after your Separation Date to make yourself available to Ulta, its legal counsel and other advisors to provide reasonable cooperation and assistance to Ulta with respect to areas and matters in which you were involved during your employment, including any threatened or actual investigation, regulatory matter and/or litigation concerning Ulta, and to provide to Ulta, if requested, information and other assistance relating to ongoing matters of interest to Ulta. In these events, Ulta will take into consideration your personal and business commitments, give you as much advance notice as is reasonably possible, and ask that you be available only at such time or times as are reasonably convenient to you and Ulta. Ulta agrees to reimburse you for the reasonable out-of-pocket expenses you incur as a result of your complying with this provision, subject to your submission to Ulta of documentation substantiating such expenses as Ulta may require.

13. Non-Disparagement Of Employer. You further agree that from the date on which you sign this Agreement forward, you shall not take any actions or make any verbal or written statements to the public, future employers, current, former or future employees of Ulta, or any other third party which may reflect negatively on Ulta, its affiliates, or its or their officers, directors, managers, employees, products, services, or business practices, except as may be permitted by law. You also represent and warrant that you have not taken any such actions or made any such statements up until the date on which you sign this Agreement. Nothing in this paragraph or any other part of this Agreement, however, is intended to prevent you from testifying truthfully under subpoena or as may otherwise be required by law.

14. Confidentiality Of Agreement. You further agree that you will keep all terms of this Agreement confidential, including but not limited to the fact and amount(s) of the payments discussed herein, except that you may make necessary disclosures to your attorney(s) or tax advisor(s) and your spouse. The separation benefits referenced in Section 2.2 of the CIC Plan are conditioned on your keeping the confidentiality promise contained in this paragraph. You also acknowledge Ulta's right to enforce this confidentiality provision in any court of competent jurisdiction. You further agree that if you breach this confidentiality provision, Ulta will be irreparably harmed as a matter of law and will be entitled to immediate injunctive relief, plus its reasonable attorneys' fees incurred in enforcing this provision. Nothing within this paragraph shall be construed to limit your rights under Section 7 of the National Labor Relations Act, nor any state law protecting similar rights.

15. No Reemployment. You promise not to seek or accept reemployment with Ulta in any position or capacity. You also agree that in the event you inadvertently accept future employment with Ulta in any position or capacity, Ulta has the right to terminate such employment by virtue of your promises in this paragraph of the Agreement.

16. Additional Remedies for Breach. In the event of any breach of this Agreement by you, all time periods specified herein regarding your obligations and restrictions on you under this Agreement shall be extended by the time period of any such breach.

17. Non-Admissions. The fact and terms of this Agreement are not an admission by Ulta of liability or other wrongdoing under any law or otherwise.

18. Additional Employee Acknowledgments. You also agree that:

* you are entering into this Agreement knowingly and voluntarily;
* you have been advised by this Agreement to consult with an attorney before signing this Agreement;
* you understand you may take up to forty-five (45) days after receiving this Agreement to consider it before signing;
* you are not otherwise entitled to the separation pay and other benefits described in Section 2.2 of the CIC Plan.

19. Revocation/Payment. After you sign this Agreement, you will have seven (7) days to revoke it if you change your mind. If you want to revoke the Agreement, you should deliver or email a written revocation to Vice President, Human Resources, Ulta Inc., 1000 Remington Blvd., Suite 120, Bolingbrook, IL 60440 or [ADD APPLICABLE EMAIL] within 7 days after you signed it. If you do not revoke this Agreement, you will receive the separation benefits pursuant to Section 2.2 of the CIC Plan.

20. Tax Treatment and Indemnification. You understand and agree that Ulta is not providing any tax or legal advice in connection with this Agreement, and that Ulta makes no representations regarding tax obligations or consequences, if any, related to this Agreement. You agree that you shall be exclusively responsible for the payment of all federal and state taxes that may be due as the result of the payments made under this Agreement. You hereby agree to indemnify and hold harmless Ulta and any other Releasee from payment of taxes, interest or penalties that may be required by any governmental agency at any time as the result of payment of the severance pay and benefits to you as set forth herein. In addition, the parties intend that any payments contemplated by this Agreement shall constitute "short-term deferral" and are not "deferred compensation" under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). In no event will Ulta have any liability with respect to taxes for which you may become liable as a result of the application of Code Section 409A.

21. Entire Agreement. You acknowledge that this Agreement constitutes and reflects the entire agreement regarding your separation from employment with Ulta and that it supersedes any prior agreement or understanding, written or unwritten, regarding your separation from employment with Ulta, except to the extent specific sections of your Employment Agreement with Ulta are expressly referenced and thereby incorporated in this Agreement.

22. Choice of Law/Severability. This Agreement shall be governed, construed and enforced in accordance with the laws of the State of Illinois. If any part of this Agreement is found to be invalid, the rest of the Agreement will remain in full force and effect.

Name ____________________	ULTA BEAUTY, INC.
Signature:	
____________________	BY: ____________________
	TITLE: VP, Human Resources
DATE: ____________________	DATE:

Exhibit 21

ULTA BEAUTY, INC.
SUBSIDIARIES OF THE REGISTRANT

Name:	Jurisdiction of Incorporation or Organization:
Ulta Salon, Cosmetics & Fragrance, Inc.	Delaware
Ulta Inc.	Delaware
Ulta Beauty Credit Services Corporation	Delaware
Ulta Beauty Cosmetics, LLC	Florida

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-147127) pertaining to the Ulta Beauty, Inc. 2007 Incentive Award Plan, Ulta Beauty, Inc. 2002 Equity Incentive Plan and the Ulta Beauty, Inc. Second Amended and Restated Restricted Stock Option Plan, as further amended, and

(2) Registration Statement (Form S-8 No. 333-176735) pertaining to the Amended and Restated Ulta Beauty, Inc. 2011 Incentive Award Plan

of our reports dated March 28, 2017, with respect to the consolidated financial statements and schedule of Ulta Beauty, Inc. and the effectiveness of internal control over financial reporting of Ulta Beauty, Inc. included in this Annual Report (Form 10-K) for the year ended January 28, 2017.

/s/ Ernst & Young LLP
Chicago, Illinois
March 28, 2017

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, Mary N. Dillon, certify that:

1. I have reviewed this annual report on Form 10-K 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 the 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: March 28, 2017

By: /s/ Mary N. Dillon
Mary N. Dillon
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 annual report on Form 10-K 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 the 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: March 28, 2017

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 undersigned Chief Executive Officer and Director of Ulta Beauty, Inc. (the "Company"), hereby certify that the Annual Report on Form 10-K of the Company for the fiscal year ended January 28, 2017 (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: March 28, 2017

By: /s/ Mary N. Dillon
Mary N. Dillon
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 Annual Report on Form 10-K of the Company for the fiscal year ended January 28, 2017 (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: March 28, 2017

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