BLUEGRASS
CAPITAL RESEARCH

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Consumer Defensive | *Cosmetics*
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e.l.f. Beauty, Inc.

The Rhode to Global Glamor

e.l.f. Beauty continues to post standout growth and market share gains despite a mixed consumer backdrop, supported by strong digital execution, expanding skincare penetration, and early contribution from Rhode. With sustained brand momentum, international expansion, and improving margin leverage following strong recent results, we see a long runway for compounding. We rate ELF buy with a $166 PT (~35% upside).

Entering Prestige Beauty with Rhode

On August 5th of 2025, e.l.f. closed a $1 billion purchase to acquire Rhode Beauty, the fast-growing lifestyle beauty brand founded by Hailey Bieber. A like-minded disruptor, Rhode generated $212 million in direct-to-consumer net sales in twelve months with only 10 products, fueled by high-quality innovation and community engagement, and achieved without traditional retail distribution. The brand also saw its consumer base double over the past year. Bieber's influence, paired with Rhode's marketing strategy and team, earned it the number 1 spot in Earned Media Value, representing 367% year-over-year growth. e.l.f.'s focus is to expand Rhode's brand awareness and distribution through a key rollout with Sephora, which will mark its first in-store partnership. Rhode debuted in Sephora's U.S. and Canada stores in September and will launch in the U.K. by the end of the year. Only two days after its highly anticipated launch, Rhode surpassed $10 million in sales at Sephora U.S., giving e.l.f. its first foothold in the prestige beauty market. The brand's partnership with Sephora, a global beauty retailer, will allow it to tap into an entirely new segment of beauty consumers worldwide. While e.l.f. is already a top brand in accessible, affordable cosmetics, the acquisition of Rhode will allow the company to enter the prestigious, exclusive market.

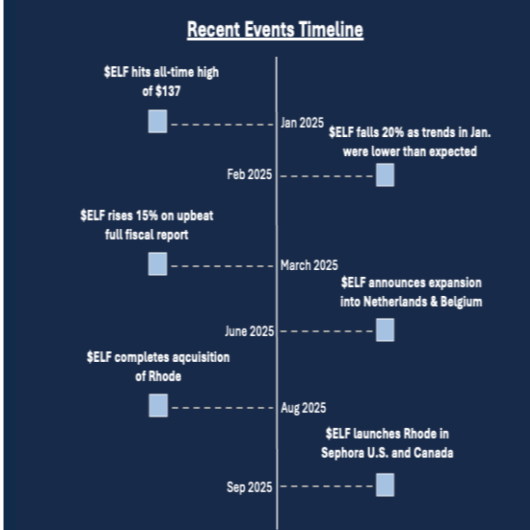
e.l.f. Goes Global

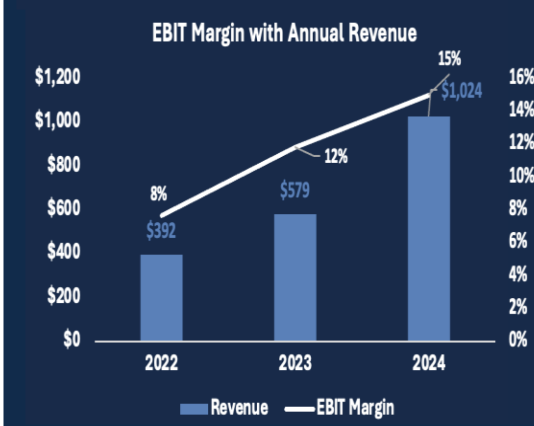
Over the last six years, e.l.f. has increased its global sales from $28 million to $266 million. With only ~20% of sales coming from international markets, e.l.f. has significant whitespace for growth abroad. Planned expansion through well-known, leading global retailers, combined with its affordable yet aspirational position, gives e.l.f. the ability to replicate its U.S. success internationally while scaling across multiple brands in its portfolio. The brand has seen a 30% growth in international sales in fiscal Q1 of 2026, fueled by its strong performance at Sephora Mexico. With current international retail presence in 14 countries, e.l.f. plans to grow its share in existing markets as well as new ones. In Germany, the brand is launching in 1,600 Rossmann stores, marking its largest international debut. In the Netherlands, E.l.f. holds the number 1 spot in mass makeup since its 2024 launch and has climbed to the number four spot in Canada. In the UK, E.l.f. outpaced overall category growth by three times and became the #3 mass makeup brand. While the brand has not issued a full-year 2026 forecast due to tariff uncertainties, its first-quarter fiscal results for 2026 and recent expansions indicate a continuation of strong international growth. Despite the anticipation of tariff resolutions with China, e.l.f. still saw earnings per share and revenue growth higher than expected.

Company Overview

Founded in 2004, e.l.f. Beauty has evolved over the past two decades from a disruptive challenger to an industry leader, now ranking as the fourth-largest mass beauty company in the U.S. e.l.f. designs, manufactures, and markets high-quality, clean, accessible cosmetics and skincare products through a multi-brand portfolio. The company leverages a digital-first, omni-channel strategy to distribute its products across global e-commerce platforms and retail channels. Product design is based in the U.S., while manufacturing in China helps maintain affordability. Known as a favorite among Gen Z and millennials, e.l.f. has built its momentum through a bold marketing strategy that capitalizes on social media, cultural relevance, and high-profile collaborations. e.l.f owns several strategic brands: e.l.f. cosmetics, e.l.f. SKIN, W3LL PEOPLE, Keys Soulcare, Naturium, and the recently acquired Rhode, enabling it to address diverse consumer needs and expand its global footprint

TICKER:	$ELF
RATING:	BUY
PRICE:	$123.11
PRICE TARGET:	$166.23
MARKET CAP:	$7.36 B
52-W RANGE:	$49.40 - $150.99
P/E:	83.4x
IMPLIED UPSIDE:	35%





e.l.f. Beauty | *NYSE: $ELF*
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Risk 1: Not So Funny Business

e.l.f. Beauty's recent marketing campaign in August featuring comedian Matt Rife sparked significant backlash across social media due to the comedian's past insensitive remarks, which were perceived as misaligned with the company's brand values. While the collaboration was intended to engage Gen Z consumers through Rife's broad online following, the campaign instead drew criticism and disappointment from the majority of the brand's customer base. This incident highlights the reputational risks associated with influencer partnerships and underscores the importance of ensuring alignment between e.l.f.'s brand values and its marketing representatives. Moving forward, maintaining brand integrity and consumer trust should remain a key focus as the company continues to pursue unconventional and high-visibility marketing strategies.

Risk 2: Beauty Meets the Trade War

Approximately 75% of e.l.f. Beauty's products are manufactured in China, leaving the company highly exposed to ongoing U.S.–China trade tensions. With no trade agreement currently in place, tariff uncertainty poses a material risk to gross margins. To offset potential cost increases, e.l.f. has implemented a modest $1 price increase across key products. However, if tariffs were to rise to the proposed 157%, the company would likely need to raise prices further, placing additional pressure on demand elasticity. While e.l.f. benefits from pricing power within its value-driven segment, prolonged tariff escalation could erode profitability and test consumer price sensitivity.

Catalysts

The acquisition of Rhode Beauty and continued international expansion position e.l.f. for strong growth. Rhode's success in North America and planned U.K. entry by late 2025 will drive incremental revenue and brand visibility. A potential U.S. China trade agreement could also ease margin pressures. Additionally, e.l.f.'s expansion into skincare through its *e.l.f. SKIN* line strengthens its presence in a high-growth category, boosting margins and customer loyalty through dermatologist-backed, affordable formulations.

Valuation

DCF Analysis ($mm)	FY2026 12/31/26	FY2027 12/31/27	FY2028 12/30/28	FY2029 12/30/29	FY2030 12/31/30
Revenue	1,733	2,258	2,902	3,680	4,600
Revenue Growth	*29%*	*30%*	*29%*	*27%*	*25%*
United States	1,383	1,781	2,271	2,867	3,583
International	350	477	632	814	1,017
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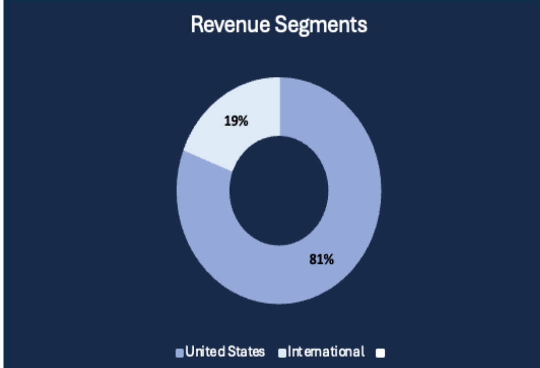
EBIT	243	339	464	626	828
EBIT Margin	*14%*	*15%*	*16%*	*17%*	*18%*
Tax Expense	84	105	129	152	174
Effective Tax Rate	*35%*	*31%*	*28%*	*24%*	*21%*
NOPAT	158.93	233.25	335.53	473.13	654.15
D&A	17	20	22	23	23
Capex	17	25	36	51	69
Changes in NWC	173	198	218	230	230
UFCF	(14)	30	103	216	378
PV of FCF	(13.73)	26.75	85.76	166.81	272.95

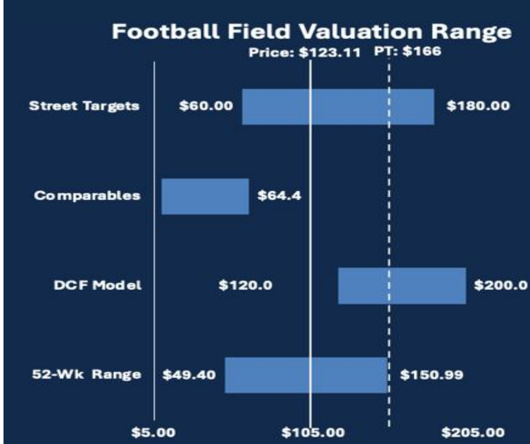
Our base DCF case assumes a 17.5x EBITDA multiple, with revenue projected to grow at a CAGR of roughly 22% through FY2030. The growth is driven by e.l.f.'s continued U.S. market share gains, international expansion, and contribution from recently acquired brands. However, EBIT margins are expected to expand modestly from 14% to 17% as operating leverage improves, but higher reinvestment and CapEx temper near-term profitability.

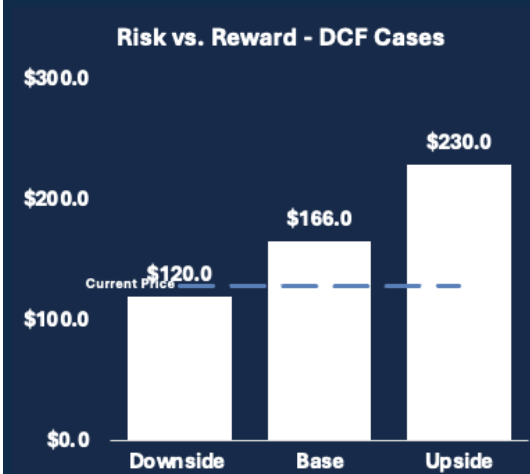
Conclusion

In e.l.f. Beauty ($ELF), investors can find a rare blend of durable growth, brand momentum, and strategic agility, a "best-of-both-worlds" opportunity in the beauty sector. e.l.f. has evolved from a value cosmetics brand into a high-ROIC, innovation-driven powerhouse, leveraging digital engagement, influencer partnerships, and data-backed product development to consistently outpace the broader industry. The company's acquisition of Rhode Beauty and accelerating international expansion further expand its addressable market and reinforce its position as a global beauty disruptor. We initiate coverage on $ELF with a BUY rating and a price target of $166, representing 35% upside over the next 12 months. Given its category leadership, disciplined execution, and growth potential, we view e.l.f. as a business to own long-term.



Terminal Value	
Perpetuity Growth Method	
2030 FCF	$273
Growth	230.00%
Terminal Value	$223
PV of Terminal Value	$161
PV of Projection Period	$622
PV of Terminal Value	$161
Implied TEV	$167
(-) Debt	$314
(+) Cash	$170
Implied Equity Value	$166
Basic Shares Outstanding	57
Implied Share Price	$166.00
Upside/Downside	35.00%





Income Statement ($mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	1,343	1,733	2,258	2,902	3,680	28.7%
EBITDA	165	260	358	358	649	40.9%
EBIT	156	243	339	464	626	41.5%
NOPAT	123	159	233	336	473	40.0%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	12.2%	15.0%	15.9%	16.8%	17.6%	15.5%
EBIT Margin	11.6%	14.0%	15.0%	16.0%	17.0%	14.7%
Revenue Growth	28.3%	2.2%	30.3%	28.6%	26.8%	23.2%
EBIT Growth	-1.5%	55.5%	39.6%	37.1%	34.7%	33.1%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	89.2x	-522.7x	250.2x	72.8x	34.9x	-15.1x
EV/Sales	12.8x	9.7x	7.4x	5.8x	4.6x	8.0x
EV/EBITDA	101.9x	101.9x	46.8x	34.5x	25.8x	62.2x
FCF Yield	1.1%	-0.2%	0.4%	1.4%	2.9%	1.1%

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
The Estée Lauder Companies Inc. (NYSE:EL	$34,331	$40,877	-30.2x	$14,326	$1,960
Interparfums, Inc. (NasdaqGS:IPAR)	$3,053	$3,344	18.9x	$1,459	$305
The Beauty Health Company (NasdaqCM:SK	$189	$356	-6.8x	$310	-$16
Nu Skin Enterprises, Inc. (NYSE:NUS)	$526	$599	5.2x	$1,626	$157
e.l.f. Beauty, Inc.	$7,953	$8,098	79.4x	$1,343	$182

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
The Estée Lauder Companies Inc. (NYSE:EL	20.9x	74.0%	13.7%	7.9%	(8.2%)
Interparfums, Inc. (NasdaqGS:IPAR)	11.0x	56.3%	20.9%	19.2%	7.0%
The Beauty Health Company (NasdaqCM:SK	-22.7x	61.5%	(5.1%)	(14.0%)	(15.3%)
Nu Skin Enterprises, Inc. (NYSE:NUS)	3.8x	69.6%	9.6%	5.9%	0.6%
e.l.f. Beauty, Inc.	44.5x	70.7%	13.6%	11.6%	18.6%
High	44.49x	74.0%	20.9%	19.2%	18.6%
75th Percentile	20.86x	70.7%	13.7%	11.6%	7.0%
Average	11.50x	66.4%	10.5%	6.1%	0.5%
Median	10.97x	69.6%	0.0%	7.9%	0.6%
25th Percentile	3.82x	61.5%	9.6%	5.9%	-8.2%
Low	-22.66x	56.3%	-5.1%	-14.0%	-15.3%

e.l.f. Beauty, Inc.		
Implied Enterprise Value (25th Percentile)	$	695
Implied Enterprise Value (Median)	**$**	**1,996**
Implied Enterprise Value (75th Percentile)	$	3,796
Implied Share Price (25th Percentile)	$	9.70
Implied Share Price (Median)	**$**	**32.65**
Implied Share Price (75th Percentile)	$	64.39

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.6%
Beta	0.79
Risk Free Rate	4.02%
Cost of Equity	7.27%
Weighted Average Cost of Debt	6%
Tax Rate	51.5%
Cost of Debt	5.96%
Total Equity	$804,850
Total Debt	$314,790
Equity/Total Capitalization	72%
Debt/Total Capitalization	28%
WACC	7.23%

Downside Case: In our downside case, we assume growth moderates with U.S. revenue rising 15% in 2026 and 20% by 2030, international growth slowing to 30% and tapering to 25%, EBIT margins expanding only from 10% to 12%, and a 17x exit multiple applied to reflect execution risk and multiple compression.

Upside Case: In our upside case, we assume sustained momentum driven by continued share gains and stronger-than-expected global adoption, with U.S. growth of 30% in 2026 moderating to 25% by 2030, international growth of 40% tapering to 25%, EBIT margins expanding from 14% to 18% as scale benefits accelerate, and a 27x exit multiple reflecting premium valuation support from outsized execution and category leadership.