

WESTPEAK RESEARCH ASSOCIATION

e.l.f. Beauty (NYSE: ELF)

Consumer Staples – Personal Care and Cosmetics

Beauty on a Budget, Built to Scale

February 12, 2026

e.l.f. Beauty is a multi-brand beauty platform spanning color cosmetics, skincare, and tools, with core brands e.l.f. Cosmetics, e.l.f. SKIN, Well People, Keys Soulcare, Naturium, and most recently acquired Rhode. They position themselves as providers of prestige performance at affordable price points, anchored in vegan and cruelty-free formulas and rapid product iteration. The company sells primarily through large U.S. retailers such as Target, Walmart, and Ulta, supplemented by direct-to-consumer channels.

Industry Overview

The global beauty market (skincare, makeup, fragrance, and hair care) generated approximately USD 446 billion in retail sales in 2023 and is projected to grow at a 6% CAGR to reach about USD 590 billion by 2029. Growth is being driven by rising consumer interest in affordable “clean” beauty and digital retail strategies that integrate social media and e-commerce.

Thesis

We rate e.l.f. Beauty a **BUY** as the market is pricing a worst-case tariff and integration cost scenario while underestimating management’s ability to protect margins through pricing, mix and supply-chain diversification. Near-term dilution from Rhode reflects deliberate reinvestment and purchase-accounting noise rather than weak unit economics, and we see multi-year upside as Rhode scales and international/multi-channel expansion remains structurally faster than the U.S. core sales.

Valuation – BUY

We arrive at a target price of \$91.10, resulting in a 22.6% upside after assigning a 40% weight on the DCF exit multiple method, a 10% weight on the DCF perpetuity growth method, and 25% weights on the P/E and EV/EBITDA comparables.

Analyst: Joanna Zhang, BCom. '28
contact@westpeakresearch.com

Equity Research US

Price Target	USD\$ 91.10
Rating	BUY
Share Price (Feb. 12 Close)	USD\$ 74.33
Total Return	22.6%

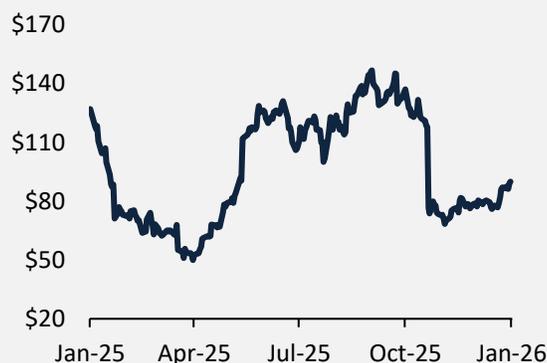
Key Statistics

52 Week H/L	\$49.40 / \$150.99
Market Capitalization	\$4.39B
Average Daily Trading Volume	\$2.03M
Net Debt	\$649.9M
Enterprise Value	\$5.04B
Net Debt/EBITDA	3.2x
Diluted Shares Outstanding	59.1M
Free Float	97.6%
Dividend Yield	N/A

Analyst Forecast

	<u>2024A</u>	<u>2025A</u>	<u>2026E</u>
Revenue	\$1.02B	\$1.31B	\$1.6B
EBITDA	\$172M	\$180M	\$339M
Net Income	\$128M	\$112M	\$96M
EPS	\$2.21	\$1.92	\$2.83
P/E	33.6x	38.7x	26.3x
EV/EBITDA	29.4x	28.0x	14.9x

1-Year Price Performance



Company Overview

Founded in 2004 and headquartered in Oakland, California, e.l.f. operates a hybrid distribution model anchored in large mass retailers (e.g. Target, Walmart, Ulta, Amazon), which is complemented by a growing direct-to-consumer channel through its own websites. The company's brand portfolio includes e.l.f. Cosmetics and e.l.f. SKIN, as well as Well People, Keys Soulcare, Naturium, and most recently, its acquisition of Rhode, which broadens its reach into the "accessible prestige" segment. Unlike many traditional beauty houses that emphasize slow and seasonal launches, e.l.f. differentiates itself through rapid product iteration and social-first marketing, enabling fast responses to trends and high consumer repeat.

Revenue Breakdown

e.l.f. Beauty generates nearly all its revenue from the sale of cosmetics, skincare, and beauty tools across both retail and direct-to-consumer channels. The company's retail segment, which includes product sales through mass retailers such as Target, Walmart, Ulta Beauty, and Amazon, accounts for approximately 84% of total revenue. These retail partnerships are the primary engine of e.l.f.'s growth, allowing it to reach a broad customer base and maintain high product velocity on store shelves.

Face Cosmetics: As e.l.f.'s largest category, face cosmetics accounts for approximately 44% of category dollar mix, driven by strong velocity in complexion products such as foundations, concealers, and powders.

Lip Cosmetics and Eye Cosmetics: Together, both categories contribute roughly 35% of dollar mix, reflecting e.l.f.'s strength in trend-driven, high-velocity products that frequently benefit from social media exposure and rapid product refresh cycles.

Skincare: As of October 2025, the skincare segment made up around 7% of e.l.f.'s total sales but has exhibited consistent unit share growth and pricing improvement. Industry premium skincare gross margins are on average ~900 bps higher than mass color cosmetics (mass colour cosmetics GM: ~63-66% vs. premium skincare GM: ~72-75%+), and given management's strategic emphasis on expanding higher-margin skincare offerings, this category is expected to become an increasing focus for the company and make up a larger share of revenue as e.l.f. expands deeper into the "skin-first" beauty trend through Rhode.

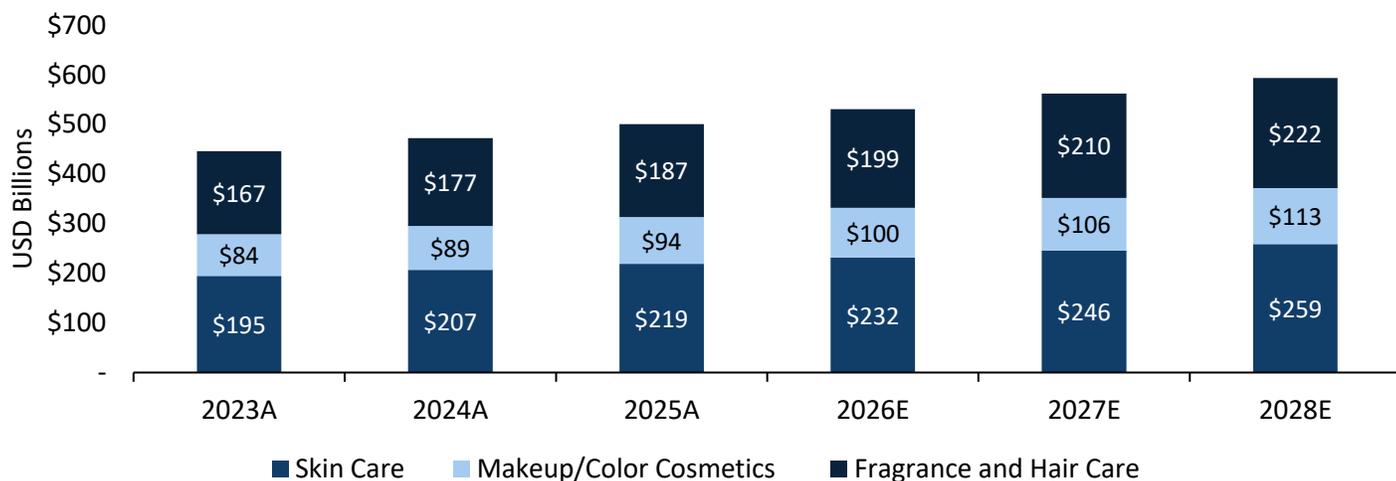
Industry Analysis

Industry Overview

The global beauty industry as defined in this report encompasses categories such as makeup (colour cosmetics), skincare, hair care, and fragrance. Within this ecosystem, color cosmetics includes products for the face, eyes, and lips, such as foundation, mascara, and lipstick, while the skincare category is comprised of moisturizers, serums, cleansers, and treatments designed to improve skin health and appearance.

Beyond these core beauty categories, the broader personal care market also covers bath and shower, oral care, and other personal hygiene products; those are out of scope for the market sizing cited here.

Global Beauty Industry by Segment



The global beauty industry (skincare, makeup, fragrance, and hair care) reached about USD 446B in retail sales in 2023 and is expected to grow to roughly USD 594B by 2028, implying ~6% annual growth over the forecast period. Skincare is the largest segment at roughly 44% of the market (~USD 195B in 2023) and is expected to grow at around 6% annually, while makeup remains a meaningful portion of the market at ~19% share.

Industry Trends

Digital influence is one of the most defining growth drivers of the industry. Social commerce, which includes influencer partnerships and user-generated content on platforms such as TikTok and Instagram, continues to shorten product cycles and amplify discoverability. e.l.f. has been a leading beneficiary of this shift, frequently mentioned among top beauty brands by earned media value and social engagement metrics. However, this environment also intensifies brand risk as e.l.f. must balance authenticity with cultural sensitivity, as evidenced by backlash across the sector to controversial marketing campaigns, namely their recent campaign with Matt Rife in August of 2025, who has been previously criticized for insensitive domestic violence jokes.

Consumers are becoming more skeptical, and beauty demand is increasingly results-driven: consumers want products framed around ingredients, clinical testing, and measurable outcomes (e.g. barrier repair, acne, hyperpigmentation, anti-aging), not just branding. Now that consumers have unprecedented access to ingredient breakdowns and peer reviews, they are more willing to challenge claims and favor products that feel “proven.” Changing consumer motivations favour brands that demonstrate value, focusing on science-backed, skin-first beauty solutions.

Demand is replenishment-driven with retailer seasonality, particularly in skincare and everyday cosmetics. Beauty spend is supported by repeat purchase behaviour as consumers often replenish their staple products, which sustains baseline demand even when growth in discretionary categories slows. Seasonality is also present at the wholesale level, as e.l.f. net sales typically tend to be higher in fiscal Q3 and Q4, driven by retailer purchases for the holiday and the customer shelf reset activity that follows.

The global beauty industry is currently experiencing a renewed emphasis on in-store shopping, which has reshaped consumer behavior since the pandemic recovery. While online channels remain an important part of discovery and purchase, physical retail is equally important as 55% of U.S. consumers purchase beauty products exclusively in-store, and fewer than one-third rely solely on online channels for product research. This shift reflects consumers' desire for personalized experiences and sensory engagement, aspects that digital platforms often cannot replicate.

Competitor Breakdown

Global Beauty Conglomerates: *L'Oréal S.A., The Estée Lauder Companies Inc., and Shiseido Company, Ltd.* represent the multi-category scale and competitive intensity in the beauty industry. Deep R&D/innovation pipelines and global distribution relationships allow for mass exposure and a diversified brand portfolios spanning cosmetics, skincare, haircare, and fragrance. These players can defend their share through sustained marketing investment, shelf-space leverage, and frequent launches, which matters for e.l.f. because it competes against their mass and "masstige" offerings while also taking share from prestige players through "dupe" (duplicate) behavior and social-led product cycles.

Skincare-focused leaders: *Beiersdorf* is a key benchmark on skincare brand equity and global execution outside the U.S., with performance often driven by disciplined brand-building and international scale. Similarly, *Amorepacific* adds international and Asia exposure, providing context on premium skincare positioning and cross-border brand building. Although these peers are less comparable on growth and geographic mix, this bucket is relevant as e.l.f. expands skincare and integrates Rhode, because skincare tends to be more "routine-based" and can demand stronger clinical credibility and more sustained marketing investment than color cosmetics.

U.S. Specialty Beauty Retail Platform: *Ulta Beauty, Inc.* serves as the best channel-level benchmark for mass-to-prestige beauty demand in North America. While Ulta operates a different business model than e.l.f. (retailer vs. brand owner), its category performance helps contextualize shifts in consumer wallet allocation, promotional intensity, and sell-through conditions within specialty retail: an important distribution channel for e.l.f. and a key venue where brand momentum translates into shelf space and velocity.

Prestige Fragrance Platforms: *Interparfums, Inc.* offers perspective on prestige fragrance spend and category growth, but operates a licensing/asset-light model with structurally different economics from e.l.f.'s owned-brand approach. While e.l.f.'s core is color cosmetics and accessible skincare, fragrance companies influence retail store and specialty channel dynamics, promotional schedules, and consumer wallet allocation within prestige beauty, particularly when fragrance growth crowds out discretionary spend in adjacent categories.

Investment Theses

Rhode Acquisition Catalyst Underappreciated

Market Focus: While the street was originally enthusiastic about the acquisition of Hailey Bieber's Rhode, sentiments were dampened when there was limited immediate profit boost. It's important to note that Rhode drove a record Sephora launch and is expected to add ~\$200 million to FY2026 sales (roughly 15% of revenue). Pre-acquisition, Rhode had 30%+ EBITDA margins, well above e.l.f.'s 23% in FY2025, yet this didn't translate in management's FY2026 EPS guidance, which came in

20% below prior consensus: implying margin dilution. This led to the stock sell off, as investors are questioning why Rhode's high margins aren't translating into higher near-term profits.

Thesis view: The market is undervaluing Rhode's long-term growth, attributing the near-term margin disconnect to weak synergies and overfocusing on near-term costs. Purchase accounting can depress reported earnings through intangibles such as amortization and other non-cash adjustments that don't affect EBITDA. e.l.f. is intentionally treating FY2026 as an investment year for Rhode: ramping marketing and headcount to scale distribution and brand awareness, so near-term operating leverage is deferred. The deal's cash-funded portion of financing increases interest expense, further muting EPS even if the acquired business carries attractive unit economics. In other words, near-term dilution does not imply the asset is underperforming; it largely reflects accounting timing and upfront scaling spend.

Additionally, Rhode runaway is likely under-modeled due to reporting and timing cutoffs: because e.l.f. completed the Rhode acquisition on August 5, 2025, early financials captured only a partial integration window. It is important to note that e.l.f.'s fiscal Q2 ends September 30, and Rhode's Sephora expansion began on September 4, 2025, only allowing for 28 days for those earnings to be accounted for. Results around that quarter also inherently exclude the bulk of holiday demand and any later international rollout, including Rhode's U.K. expansion followed with Sephora UK offering the brand online and in-store starting November 10, 2025, which extended distribution into a new geography during a peak gifting season.

Management's actions also indicate confidence: Rhode is expected to be on track for 40% YoY growth to \$300 million in revenue (FY2026), and it contributed \$110 million in the first post-acquisition quarter alone via its Sephora rollout. The thesis view is that e.l.f. is purposely reinvesting Rhode's strong unit economics to scale globally, leveraging e.l.f.'s retail relationships and operating infrastructure, which will expand the payoff. Notably, Rhode's U.S. brand awareness is only ~20% (vs ~40% for comparable prestige skincare), leaving substantial room for demand upside as distribution broadens. e.l.f. has already been fast-tracking Rhode into all U.S. and Canadian Sephora stores (Sept 2025) and the U.K. by year-end, indicating strong confidence in Rhode's appeal.

Consensus ultimately underestimates Rhode's trajectory: As integration costs and launch spending normalize and accounting headwinds annualize, Rhode's scale and margin profile should become more visible. In aggregate, the market's short-term lens on Rhode's margin impact overlooks how accretive this asset can be as investment intensity tapers and the portfolio benefits from a higher-margin skincare engine with expanding distribution.

Overstated Tariff Headwinds: Margin Pressures Manageable

Market focus: Investors are fixated on surging import tariffs from China which are squeezing e.l.f.'s gross margin and earnings outlook. The company warned of >\$50 million in annual tariff costs for FY2026, as about 75% of its production is China-sourced. Gross margin fell ~165 bps to 69% last quarter primarily due to higher tariffs, resulting in a weaker profit outlook and a 25% stock drop.

Thesis view: The market is overestimating the lasting impact of tariffs. e.l.f. has already enacted countermeasures: a rare \$1 across-the-board price increase (only the third in its 21-year history) took effect August 1, which consumers and retailers have largely accepted. Even after this hike, ~75% of e.l.f.'s items remain under \$10, preserving its core value appeal.

Management is also aggressively diversifying the supply chain: reliance on China is down from 100% to 75% since 2019, with new manufacturing capacity in Europe, Thailand, the U.S., South Korea and Italy.

The mitigation strategy which focuses on pricing, sourcing, and product mix is already blunting the tariff effect. Should trade tensions ease or further supplier shifts occur, margin pressure could alleviate faster than consensus expects. In short, the thesis maintains that the market has priced in a worst-case tariff scenario, underestimating e.l.f.'s flexibility to protect margins over the next 1-2 years.

International and Multi-Channel Expansion

Market Focus: e.l.f. is often viewed as a predominantly U.S.-centric, mass-market brand, and investors question whether it can replicate its success abroad. The U.S. made up ~85% of revenue in FY2024, and investors are cautious about international execution and competition in new markets.

Thesis View: The market is underestimating e.l.f.'s international expansion opportunity and multi-channel strength relative to peers. International sales now account for ~20% of total revenue, up from 10% six years ago, and grew +30% YoY in Q1 FY2026, which far outpaced the +5% in the US. This can be attributed to e.l.f.'s strategic global launches, like entering 1,600 Rossmann drugstores in Germany and debuting e.l.f. and Rhode in Poland, Mexico, and the Middle East through Sephora partnerships. These early results suggest that e.l.f.'s value proposition of prestige quality at affordable prices can travel well, even in markets where giants like L'Oréal and Estee Lauder dominate. At the same time, the company's e-commerce channel is scaling: online sales grew ~20% in the latest quarter and now represent roughly one-fifth of the business, with Amazon rising to one of e.l.f.'s largest accounts.

e.l.f.'s multi-channel approach means it has both a strong brick-and-mortar presence plus growing digital presence, which is a competitive advantage that many indie brands lack. Consensus underappreciates how these channels together can drive sustained growth: rolling out Rhode in Sephora UK/Canada and Naturium in Sephora Australia will add new revenue streams in FY2026, and e.l.f. Cosmetics entering Sephora Middle East in 2026 opens an entirely new geography. If execution holds, overseas growth could contribute high-teens growth for several years, an upside that isn't fully reflected in consensus models focused only on U.S. trends.

Valuation

Revenue Build and Projections

Domestic Core e.l.f. (excludes Rhode): Domestic growth is stepping down to mid-single digits based on the normalization off a multi-year hyper-growth base, with near-term demand sensitivity showing up in the company's FY2026 outlook and commentary around pressures from tariffs and a more muted consumer environment. Management's FY2026 view as net sales ~\$1.55–\$1.57B and highlighted tariff costs and a softer backdrop as key driver, supporting a conservative U.S. core growth rate.

International Core e.l.f.: Keeping international growth structurally higher than U.S. is directionally consistent with the company's ongoing retail expansion and mix shift narrative. The historical 60%+ growth is unlikely to persist at scale, hence the 25% growth rate projection which gradually tapers down for future years.

Rhode (US + International mix): Splitting Rhode into U.S. and international is the cleanest way to highlight the thesis of distribution expansion driving a mix shift. The mix step from 80/20 to 70/30 over time coherently expresses internationalization, driven by retail rollout and market entry cadence.

Comparable Company Rationale

Comparable companies were selected using a business-model lens to avoid letting structurally different economics distort the multiple applied to e.l.f. The valuation set includes (1) globally scaled beauty platforms that set marketing intensity and innovation pace that anchor long term beauty multiples (*L'Oréal, Estée Lauder, Shiseido*), (2) skincare-led and international benchmarks that contextualize e.l.f.'s mix shift into routine-based categories (*Beiersdorf, Amorepacific*), (3) a U.S. Specialty Beauty Retail Platform acting as a channel proxy that reflects the health of the U.S. beauty retail ecosystem in which e.l.f. sells (*Ulta*), and (4) an asset-light fragrance peer which influences specialty retail dynamics and discretionary wallet allocation (*Interparfums*).

Within our peer set, weights are assigned based on similarity to e.l.f.'s brand-owner economics, relevance to its U.S. retail-led distribution, and stability of underlying earnings used to compute multiples. We therefore concentrate weight in scaled beauty brand owners and a U.S. channel proxy, while down-weighting names with structurally different business models (such as fragrance licensing), or heightened earnings noise due to restructuring cycles or region-specific dynamics.

SG&A and Marketing Spend

SG&A is modeled to step up in FY26E as management shifts into an investment year across marketing, talent, and infrastructure to support Rhode integration and accelerated international/multi-channel execution. Management has explicitly highlighted marketing as the largest SG&A component, and disclosed that marketing and digital spend was \$318.8M (~24% of FY25 sales). For FY26E, we assume marketing intensity increases to ~26% of sales, reflecting incremental brand investment to scale Rhode distribution and maintain e.l.f.'s social-first demand creation engine even amid a tougher macro and higher competitive intensity. Beyond FY26E, we forecast gradual SG&A leverage as integration costs normalize and scale benefits accrue, with marketing remaining elevated relative to traditional peers but improving in efficiency as brand awareness and retailer distribution broaden over the next five years.

WACC

The Weighted Average Cost of Capital (WACC) was estimated at 8.2%, derived from a risk-free rate of 4.2%, an expected market return of 10.6%, and a levered beta of 0.78x, which yielded a cost of equity of 9.2%. The pre-tax cost of debt was determined to be 4.1%, and with an effective tax rate of 23.8%, the overall cost of debt was calculated at 3.1%. The WACC is aligned with street consensus.

Tariff Mitigation

Management has already reduced China supply chain exposure meaningfully over time from essentially all production in 2019 to a substantially lower share in 2025 of ~75%, and we expect continued diversification as e.l.f. scales globally and strengthens supplier flexibility. To reflect this, we model a gradual reduction in tariff exposure by assuming the portion of the supply chain tied to China declines ~3.5 percentage points per year, consistent with a practical pace of supplier diversification for a scaled consumer brand. Mechanically, we apply this annual step-down to our estimated ~\$50M of tariff expense, resulting in a steadily declining tariff drag over the forecast period.

Target Price Weighting

We apply a blended valuation framework to balance intrinsic value (DCF) with market-implied pricing (comps), while recognizing meaningful uncertainty around near-term costs such as tariffs and the margin profile post-integration. The blended approach also helps mitigate sensitivity to any single terminal assumption.

DCF - Exit Multiple (40%) receives the largest weight because it best captures e.l.f.'s steady-state earnings power once tariffs and integration costs normalize, while anchoring terminal value to observable trading multiples in the beauty sector. This method is also more intuitive for investors in consumer/beauty where terminal value is often benchmarked to forward EV/EBITDA rather than a single perpetuity growth assumption.

DCF - Perpetuity Growth (10%) is assigned a lower weight given the method's higher sensitivity to terminal growth and discount rate assumptions. In our base case, our assumed market return (and therefore cost of equity / WACC) may be higher than Street consensus, which mechanically compresses long-duration cash flows and terminal value. As a result, we rely on perpetuity growth primarily as a gut check rather than the primary determinant of fair value.

We complement intrinsic valuation with market-based methods to reflect how beauty names are priced in practice. **Comps: P/E (25%)** is weighted the same as **Comps: EV/EBITDA (25%)**. Because consumer equities are frequently discussed and screened on earnings multiples, and P/E captures value accrual to equity holders as the company scales operating leverage. EV/EBITDA remains important for capital-structure-neutral comparison and to triangulate results.



Catalysts

Social Media Virality and Platform Exposure

e.l.f.'s algorithm-driven platforms can create increased awareness and demand faster than traditional media, and e.l.f. has repeatedly proven it can convert that exposure into sales. The clearest proof point is its #EyesLipsFace campaign, which is widely cited as one of the most viral TikTok campaigns in the U.S., generating roughly 7B views and about 5M user-generated videos: a scale of reach that's hard to replicate via paid media. That matters because social media acts like a distribution accelerator: a product can go from a new launch to a "must-try" in days, helping e.l.f. quickly scale trend-led innovation (e.g. affordable "dupes" like Halo Glow) and sustain share gains versus slower-moving incumbents. In other words, platform virality reduces time-to-awareness and improves the odds that newness becomes a hit. Most importantly, it can drive growth even without incremental store expansion, which makes social media exposure a real external catalyst e.l.f. is structurally positioned to capture.

Rise of Social Commerce Channels and Relevance among Gen Z

Gen Z, the heaviest beauty-discovery cohort, is increasingly buying inside the same platforms where trends start. e.l.f. is already the #2 cosmetics brand among U.S. female teens with a 38% market penetration rate, indicating strong cultural relevance and resonance with the demographic that most drives trend adoption. At the same time, social platforms are rapidly becoming transactional: TikTok Shop is forecast to surpass ~\$20B in sales in 2026 and exceed ~\$30B by 2028. The catalyst here is that viral discovery can convert directly to checkout via shoppable content, improving conversion and potentially lowering customer acquisition friction. As social commerce scales, brands that already "win" Gen Z's attention are better positioned to turn views into revenue quickly, making this a tailwind for e.l.f.'s growth algorithm.

Holiday Sales Momentum

Holiday spending and share momentum can re-accelerate reported results and expected seasonality growth will likely be amplified through the trade down effect. Weekly channel data suggests e.l.f. entered late December with improving momentum, as their tracked-channel sales were +17% y/y in the week ending 12/27/25, up from +13% the prior week. Rolling average y/y growth statistics also remain constructive, with 4-week +14%, 12-week +15%, and 52-week +13% trends highlighting their continued gains. Importantly, Q2's earnings report only captured sales through September 30th, excluding the substantial spending that happened during the holiday season close in November and December and subsequent retailer replenishment, which could support a higher run-rate into Q3 and Q4.

Value-Conscious Consumer Shift

Broad economic and consumer trends are favoring affordable, quality beauty brands. With inflation pinching budgets, many shoppers are trading down from prestige to mass cosmetics. In the past year, about 24% of consumers have switched to cheaper beauty products or "dupes" (duplicates of luxury equivalents), seeking comparable quality at lower price points. The "Recession Glam" phenomenon (Euromonitor) highlights how consumers worldwide are shifting toward cost-effective routines and mass brands that deliver value. As a leader in the masstige segment (high-quality at accessible prices), e.l.f.

stands to benefit disproportionately from this trend. In a downturn scenario, the “lipstick effect” may further boost affordable little luxuries like makeup, driving new customers to e.l.f. who might otherwise forego purchases from higher-priced competitors.

Risks

Tariff Policy Volatility

Tariff policy volatility remains the key external risk, reflected in management’s expectation of \$50M in tariff costs in FY 2026. Although efforts have been made to blunt the effect, e.l.f. Beauty remains exposed to U.S.-China trade tensions. U.S. import tariffs on Chinese cosmetics have surged far beyond initial expectations and reached an effective 55% rate in mid-2025 (25% base tariff from 2019 + an extra 30% imposed recently). At one point earlier in 2025, tariffs briefly spiked as high as 145% on certain shipments, illustrating the unpredictable nature of this risk. Although our base case assumes e.l.f.’s mitigation strategy can keep margin pressure manageable, additional step-up in tariffs or a longer than expected period of elevated duties can delay gross margin stabilization and compress near-term earnings more than our forecast assumes.

Social Media Regulation

e.l.f.’s marketing engine is heavily tied to TikTok and similar platforms, so any regulatory crackdown or shift in social media usage is a major risk. For example, a ban or severe restriction on TikTok in the U.S. would cut off a vital channel to reach young consumers. Nearly half (46%) of American teens cite TikTok as their favorite app, and e.l.f.’s brand awareness among youth has been fueled by TikTok challenges and influencers. If TikTok were banned, or its algorithm changed to disadvantage brand content, e.l.f. would likely face higher customer acquisition costs and weaker organic buzz until it rebuilds that audience elsewhere. Similarly, stricter data privacy rules or social platform policy changes could reduce the efficacy of targeted ads and organic reach for e.l.f., posing a headwind outside the company’s control. However, it is important to note that platform access risk has eased near-term following the January 2026 restructuring that averted a U.S. ban of TikTok.

Recommendation

BUY

Across methods, we arrive at a \$91.10 implied share price, representing a 22.6% upside. The implied upside reflects our explicit tariff assumptions, which compress intrinsic valuation despite strong operating momentum. However, we believe investors remain overly fixated on tariff headlines and are underweighting e.l.f.’s ability to maintain demand through their pricing strategy and product mix, as well as their strong retailer and channel execution.

In our view, the risk/reward is favourable as expectations are low after tariff-driven margin pressures, yet our underlying demand indicators suggest that the business can actually sustain its growth and stabilize profitability faster than general market sentiment implies.

Appendix 1: Income Statement

Operating Model											
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
All Figures in mm USD	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	318.1	392.2	578.7	1,023.9	1,313.5	1,618.5	1,930.1	2,161.3	2,394.5	2,628.6	2,842.0
Cost of Goods Sold	(111.9)	(140.4)	(188.4)	(299.8)	(377.8)	(481.7)	(556.7)	(615.0)	(676.8)	(740.6)	(800.9)
Gross Profit	206.2	251.8	390.3	724.1	935.7	1,136.8	1,373.4	1,546.3	1,717.7	1,888.0	2,041.1
Depreciation	(1.0)	(0.4)	(0.4)	(0.2)	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-	-	-
SG&A	(193.2)	(221.5)	(321.8)	(570.8)	(777.3)	(974.4)	(1,142.7)	(1,262.3)	(1,379.3)	(1,498.4)	(1,605.9)
R&D	-	-	-	-	-	-	-	-	-	-	-
Operating Profit	12.0	29.9	68.1	153.1	158.4	162.4	230.7	284.0	338.3	389.6	435.2
Net Interest Expense	(4.1)	(2.4)	(2.0)	(7.0)	(13.9)	(21.2)	(33.0)	(33.0)	(33.0)	(33.0)	(33.0)
Currency Exchange Gains/Losses	(1.6)	(1.4)	(1.9)	1.2	1.3	0.2	0.2	-	-	-	-
Other Unusual Items	(2.6)	(0.6)	(0.2)	(6.3)	(0.4)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Tax Expense	2.5	(3.7)	(2.5)	(13.3)	(33.4)	(43.7)	(62.8)	(75.4)	(88.4)	(100.6)	(111.4)
Net Income	6.2	21.8	61.5	127.7	112.0	95.6	133.1	173.6	215.0	254.0	288.8
Tax Rate	-15.5%	11.5%	3.6%	8.3%	19.4%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%

Appendix 2: Balance Sheet

Operating Model											
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
All Figures in mm USD	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Assets											
Cash and Equivalents	57.8	43.4	120.8	108.2	148.7	161.4	264.6	427.3	637.0	892.1	1,192.0
Inventory	56.8	84.5	81.3	191.5	187.2	231.9	268.0	296.1	325.8	356.5	385.6
Accounts Receivable	40.2	45.6	67.9	123.8	126.0	175.5	209.3	234.3	259.6	285.0	308.1
Prepaid Expenses	15.4	19.6	33.3	53.6	78.7	88.9	106.1	118.8	131.6	144.4	156.2
Total Current Assets	170.2	193.1	303.3	477.1	540.6	657.7	847.9	1,076.4	1,354.0	1,678.1	2,041.8
Property, Plant and Equipment (Net)	37.6	29.5	22.2	41.4	82.9	90.4	100.5	112.0	124.5	138.1	152.3
Goodwill	171.6	171.6	171.6	340.6	340.6	898.3	898.3	898.3	898.3	898.3	898.3
Other Intangibles	104.0	96.3	93.7	266.2	277.0	291.0	310.7	333.8	360.2	389.7	421.6
Long-Term Investments	2.9	2.9	-	-	-	-	-	-	-	-	-
Other Long-Term Assets	1.2	1.4	4.7	4.0	7.1	87.5	87.5	87.5	87.5	87.5	87.5
Total Assets	487.5	494.8	595.5	1,129.3	1,248.2	2,024.9	2,244.8	2,508.0	2,824.5	3,191.7	3,601.5
Liabilities											
Accounts Payable	15.7	19.2	31.4	81.1	72.2	87.2	100.8	111.4	122.5	134.1	145.0
Accrued Expenses	32.1	31.5	60.9	101.0	84.0	133.3	154.0	170.2	187.3	204.9	221.6
Current Portion of Long-Term Debt	15.5	5.0	5.0	100.3	-	30.0	30.0	37.5	744.2	-	-
Current Portion of Leases	5.1	5.2	5.1	7.1	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Current Income Taxes Payable	-	2.1	2.9	5.8	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Other Current Liabilities	5.0	2.0	2.7	3.9	2.2	5.7	6.6	7.3	8.0	8.8	9.5
Current Liabilities	73.4	65.0	108.0	299.2	177.0	274.8	310.0	344.9	1,080.6	366.4	394.7
Long Term Debt	108.9	90.4	60.8	161.8	256.7	810.4	810.4	802.9	96.2	840.4	840.4
Long Term Leases	21.5	16.4	11.3	21.5	48.7	48.7	48.7	48.7	48.7	48.7	48.7
Deferred Tax Liability (Non-Current)	13.5	9.6	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Other Non- Current Liabilities	0.6	0.8	0.8	0.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Total Liabilities	217.9	182.2	184.6	486.8	487.3	1,138.8	1,174.0	1,201.4	1,230.4	1,260.3	1,288.7
Shareholders Equity											
Common Stock	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Additional Paid in Capital	774.4	795.4	832.5	936.4	942.0	1,022.1	1,123.7	1,235.8	1,358.4	1,491.6	1,634.3
Retained Earnings	(505.3)	(483.5)	(422.0)	(294.3)	(182.2)	(136.6)	(53.4)	70.1	235.1	439.1	677.9
Comprehensive Income and Other	-	-	-	(0.1)	0.5	-	-	-	-	-	-
Total Equity	269.6	312.4	411.0	642.6	760.9	886.1	1,070.9	1,306.6	1,594.1	1,931.3	2,312.8

Appendix 3: Cash Flow Statement

Operating Model											
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
All Figures in mm USD	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E
Cash from Operating Activities											
Net income	6.2	21.8	61.5	127.7	112.0	95.6	133.1	173.6	215.0	254.0	288.8
Depreciation of PPE	6.7	7.9	4.3	3.5	4.4	11.3	12.3	13.7	15.3	17.0	18.9
Other Depreciation and Amortization	5.2	5.2	-	0.3	-	-	-	-	-	-	-
Amortization of Goodwill and Intangibles	8.1	8.1	8.1	15.0	17.4	20.7	21.8	23.3	25.0	27.0	29.2
Other Amortization	6.0	6.3	5.5	11.8	22.8	-	-	-	-	-	-
(Gain) Loss on Sale of Investment	-	-	-	2.9	-	-	-	-	-	-	-
Asset Writedown and Restructuring Costs	2.6	0.1	-	-	-	-	-	-	-	-	-
Stock-Based Compensation	19.7	19.6	29.1	40.6	71.8	86.6	101.6	112.2	122.6	133.2	142.7
Other Operating Activities	(8.2)	(2.7)	(1.5)	(6.9)	10.3	-	-	-	-	-	-
Change in Comprehensive Incomes and Others						(0.5)	-	-	-	-	-
Working Capital Items											
Change in Accounts Receivable	(10.5)	(5.6)	(22.4)	(49.6)	(2.7)	(49.5)	(33.8)	(25.1)	(25.3)	(25.4)	(23.1)
Change in Inventories	(10.9)	(27.7)	3.2	(93.9)	4.9	(44.7)	(36.1)	(28.1)	(29.8)	(30.7)	(29.0)
Change in Accounts Payable	17.5	1.5	43.0	81.2	(23.4)	15.0	13.6	10.6	11.2	11.5	10.9
Change in Prepaid Expenses	-	-	-	-	-	(10.2)	(17.1)	(12.7)	(12.8)	(12.9)	(11.7)
Change in Accrued Expenses	-	-	-	-	-	49.3	20.7	16.1	17.1	17.6	16.7
Change in Other Current Liabilities	-	-	-	-	-	3.5	0.9	0.7	0.7	0.8	0.7
Change in Other Net Operating Assets	(12.9)	(14.9)	(29.0)	(61.4)	(83.8)	-	-	-	-	-	-
CFO	29.5	19.5	101.8	71.2	133.8	177.2	217.0	284.3	339.0	392.2	444.0
Cash from Investing Activities											
Capital Expenditures	(6.5)	(4.8)	(1.7)	(8.7)	(18.5)	(18.8)	(22.5)	(25.2)	(27.9)	(30.6)	(33.1)
Cash Acquisitions	-	-	-	(275.0)	-	(580.6)	-	-	-	-	-
Addition of Intangibles						(34.7)	(41.4)	(46.4)	(51.4)	(56.4)	(61.0)
Change in Other Long-Term Assets						(80.4)	-	-	-	-	-
Investments in Marketable & Equity Securities	-	-	-	(1.0)	(0.6)	-	-	-	-	-	-
CFI	(6.5)	(4.8)	(1.7)	(284.7)	(19.1)	(714.6)	(63.9)	(71.6)	(79.3)	(87.0)	(94.1)
Cash from Financing Activities											
Short Term Debt Issued	20.0	-	-	-	-	-	-	-	-	-	-
Long Term Debt Issued	-	52.1	-	204.5	256.7	630.0	30.0	30.0	37.5	744.2	-
Short Term Debt Repaid	(20.0)	-	-	-	-	-	-	-	-	-	-
Long Term Debt Repaid	(11.8)	(81.0)	(30.0)	(7.9)	(262.9)	(30.0)	(30.0)	(30.0)	(37.5)	(744.2)	-
Issuance of Common Stock	1.5	1.7	8.1	5.6	1.0	-	-	-	-	-	-
Repurchase of Common Stock	-	-	-	-	(67.1)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Other Financing Activities	(1.1)	(1.8)	(0.8)	(1.2)	(2.1)	-	-	-	-	-	-
CFE	(11.4)	(29.1)	(22.7)	200.9	(74.4)	550.0	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Foreign Exchange Rate Adj						0.2					
Total Cash Flow	11.6	(14.4)	77.4	(12.6)	40.5	12.6	103.1	162.7	209.7	255.1	299.9
Starting Cash Balance	46.2	57.8	43.4	120.8	108.3	148.8	161.4	264.6	427.3	637.0	892.1
Ending Cash Balance	57.8	43.4	120.8	108.3	148.8	161.4	264.6	427.3	637.0	892.1	1,192.0

Appendix 4: Discounted Cash Flow Analysis

WACC	
Market Value of Equity	4,393
Market Value of Debt	847
Total Capitalization	5,240
Cost of Equity	9.2%
Cost of Debt	3.1%
WACC	8.2%

Cost of Debt	
Pre-tax Cost of Debt	4.1%
Effective Tax Rate	23.8%
Cost of Debt	3.1%
Cost of Equity	
Risk-free Rate	4.2%
Expected Market Return	10.6%
Market Risk Premium	6.4%
Levered Beta	0.8x
Cost of Equity	9.2%

Free Cash Flow											
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
All Figures in mm USD	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E
EBIT	12.0	29.9	68.1	153.1	158.4	162.4	230.7	284.0	338.3	389.6	435.2
Less: Tax Expense	2.5	(3.7)	(2.5)	(13.3)	(33.4)	(43.7)	(62.8)	(75.4)	(88.4)	(100.6)	(111.4)
Add: Depreciation and Amortization	20.0	21.2	12.4	18.8	21.8	32.1	34.1	37.0	40.3	44.0	48.0
Less: Capital Expenditures	(6.5)	(4.8)	(1.7)	(8.7)	(18.5)	(18.8)	(22.5)	(25.2)	(27.9)	(30.6)	(33.1)
Less: Change in Net Working Capital	-	(37.4)	9.5	(95.4)	(50.6)	(36.6)	(51.8)	(38.4)	(38.8)	(39.0)	(35.6)
Unlevered Free Cash Flow	28.0	5.2	85.8	54.5	77.7	95.3	127.8	181.9	223.5	263.4	303.2
Discount Factor						0.92	0.85	0.79	0.73	0.67	0.62
Present Value of Unlevered Free Cash Flow						88	109	144	163	178	189

Valuation		WACC				
		10.2%	9.2%	8.2%	7.2%	6.2%
Perpetuity Growth Rate	2.3%	39.82	48.08	59.19	74.88	98.70
	2.8%	42.52	51.82	64.62	83.29	113.03
	3.3%	45.61	56.20	71.16	93.86	132.31
	3.8%	49.19	61.39	79.19	107.53	159.62
4.3%	53.37	67.64	89.27	125.93	201.32	
Exit Multiple (EV / EBITDA)	14.7x	69.89	74.16	78.71	83.55	88.71
	16.7x	79.02	83.80	88.90	94.33	100.11
	18.7x	88.15	93.45	99.09	105.10	111.51
	20.7x	97.29	103.10	109.28	115.88	122.91
	22.7x	106.42	112.74	119.48	126.66	134.31

Appendix 5: Comparable Company Analysis

Comparable Company Analysis

All Figures in mm USD										
		Balance Sheet Data		EV / EBITDA			Price / Earnings			
Company	Ticker	Equity Value	Enterprise Value	2024A EV/EBITDA	2025A EV/EBITDA	2026E EV/EBITDA	2024A P/E	2025A P/E	2026E P/E	
L'Oreal S.A.	ENXTPA: OR	242,879	247,599	21.8x	19.8x	18.8x	37.4x	30.2x	28.4x	
The Estee Lauder Companies Inc.	NYSE: EL	36,411	43,704	18.2x	22.9x	19.0x	43.5x	65.6x	46.8x	
Ulta Beauty, Inc.	NASDAQ: ULTA	30,265	32,635	17.0x	17.8x	17.8x	26.2x	26.9x	26.7x	
Beiersdorf	XTRA: BEI	24,166	21,622	11.5x	10.7x	10.3x	24.9x	21.3x	20.0x	
Shiseido Company, Ltd.	TSE: 4911	6,272	8,040	18.8x	13.4x	9.7x	N/A	N/A	26.6x	
Amorepacific Corp.	KOSE: A090430	5,767	5,443	16.8x	12.5x	11.1x	23.2x	26.6x	21.1x	
Interparfums, Inc.	NasdaqGS: IPAR	2,670	2,946	9.7x	9.9x	10.5x	20.4x	16.2x	17.2x	
e.l.f. Beauty, Inc	NYSE: ELF	4,393	5,043	29.4x	28.0x	14.9x	33.6x	38.7x	26.3x	
High		242,879	247,599	21.8x	22.9x	19.0x	43.5x	65.6x	46.8x	
75th Percentile		36,411	43,704	18.8x	19.8x	18.8x	39.0x	39.0x	28.4x	
Median		24,166	21,622	17.0x	13.4x	11.1x	25.5x	26.8x	26.6x	
Mean		49,776	51,713	16.3x	15.3x	13.9x	29.3x	31.1x	26.7x	
25th Percentile		5,767	5,443	11.5x	10.7x	10.3x	22.5x	20.0x	20.0x	
Low		2,670	2,946	9.7x	9.9x	9.7x	20.4x	16.2x	17.2x	

	EV / EBITDA Implied Price		P / E Implied Price	
High	\$58.9	\$97.9	\$126.0	\$132.3
75th Percentile	\$49.4	\$97.2	\$74.9	\$80.2
Median	\$30.0	\$52.6	\$51.4	\$75.3
Mean	\$35.7	\$68.7	\$59.8	\$75.4
75th Percentile	\$21.6	\$48.1	\$38.4	\$56.6
Low	\$19.3	\$44.8	\$31.2	\$48.6

Weighted Comparables		2024A EV/EBITDA	2025A EV/EBITDA	2026E EV/EBITDA	2024A P/E	2025A P/E	2026E P/E
Company	Weighting						
L'Oreal S.A.	30%	18.2x	18.7x	17.0x	34.7x	39.3x	32.1x
The Estee Lauder Companies Inc.	30%						
Ulta Beauty, Inc.	20%	Implied Price			Implied Price		
Beiersdorf	5%	46.05	86.53		75.41	90.85	
Shiseido Company, Ltd.	5%						
Amorepacific Corp.	5%	Implied Return			Implied Return		
Interparfums, Inc.	5%	-38.0%	16.4%		1.5%	22.2%	

Weighted Comparables		
Company	Weighting	Justification
L'Oreal S.A.	30%	Best-in-class global beauty reference for scale, innovation cadence, and portfolio management; weighted as the highest-quality long-term anchor
The Estee Lauder Companies Inc.	30%	Global prestige brand-owner anchor with strong brand equity and marketing intensity; weighted higher to reflect brand-owner economics
Ulta Beauty, Inc.	20%	Best channel / ecosystem proxy for U.S. beauty demand and consumer wallet trends across mass + prestige
Beiersdorf	5%	Skincare-led benchmark for routine-based demand and durable category economics; kept at a low weight given its mature growth profile and defensive investor base
Shiseido Company, Ltd.	5%	Prestige brand owner included for global comparability and international execution context; low weight given restructuring/earnings noise that can distort trading multiples
Amorepacific Corp.	5%	International beauty peer offering Asia exposure and premium skincare context; small weight due to region-specific dynamics and different growth/volatility profile
Interparfums, Inc.	5%	Asset-light fragrance licensing model included as a context check on beauty/fragrance spend, but weighted minimally due to structurally different economics

Appendix 6: Summary

Valuation Method	Weight	Implied Value
DCF Perpetuity Growth Method	10.0%	\$71.16
DCF Exit Multiple Method	40.0%	\$99.09
Comps: EV/EBITDA	25.0%	\$86.53
Comps: P/E	25.0%	\$90.85
Blended Valuation		\$91.10
Current Share Price		\$74.33
Implied Upside		22.6%

Legal Disclaimer

The content, opinions, estimates, and projections contained in this report are those of WestPeak Research Association (known as “WestPeak” or “WestPeak Research”) and its directors, analysts, and affiliates and are subject to change without notice. The content, opinions, estimates, and projections on this report may not have been updated directly by WestPeak and its directors, analysts, and affiliates and may also have been altered or without your or our knowledge. WestPeak and its directors, analysts, and affiliates, without exception, do not accept any liability for factual, typographical, and grammatical errors, omissions, or content in this report. WestPeak and its directors, analysts, and affiliates do not accept any liability for damages arising from the use of or reliance on any of the content, opinions, estimates, and projections on this report. WestPeak and its directors, analysts, and affiliates endeavor to ensure that the content, opinions, estimates, and projections have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. Information may be available to WestPeak and its directors, analysts, and affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This report is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. WestPeak and its directors, analysts, and affiliates may have a personal long or short position in any of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that WestPeak and its directors, analysts, and affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The reader, by the viewing of and use of the content, opinions, estimates, and projections contained in this report is assumed by WestPeak and its directors, analysts, and affiliates to have fully read, understood, and unconditionally agreed to all the terms and conditions set forth in this legal disclaimer.

Joanna Zhang
Analyst

WestPeak Research Association
contact@westpeakresearch.com