

Equity Research Report



e.l.f. Beauty, Inc. (ELF)
Consumer Staples | Personal Care
Products

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Investment Overview

e.l.f. Beauty, Inc. (ELF)

Sector: Consumer Staples | Industry: Personal Care Products | Price: \$67.21

Thesis:

e.l.f. Beauty has delivered exceptional revenue growth over three consecutive fiscal years, reaching \$1.31B in FY2025. The company's value-innovation strategy - delivering premium-quality products at accessible price points - is resonating strongly with Gen Z and millennial consumers. With the pending acquisition of rhode, an accelerating international expansion, and a high-margin advertising and e-commerce mix, e.l.f. is positioned to sustain double-digit growth.

Key Drivers:

- **Revenue Growth Engine:** 28% YoY net sales growth to \$1.31B; e-commerce up 42% in FY2025.
- **Brand Portfolio Expansion:** Pending rhode acquisition expected to add ~\$200M in revenue.
- **International Opportunity:** International sales only 19% of revenue - significant runway in UK, Canada, and beyond.

Key Risks:

- **Tariff Exposure:** ~80%+ of products sourced from China; US tariff escalation is a material risk.
- **Customer Concentration:** Top 4 retailers (Target, Walmart, Ulta, Amazon) represent 63% of net sales.
- **Execution Risk:** Integrating rhode while sustaining growth momentum requires disciplined management.

Haven Rating:

Recommendation: BUY

Time Horizon: 12 – 24 months

Risk Level: Moderate-High

Catalyst Driven: Yes

Catalysts (Next 1-6 Months):

- **rhode Acquisition Close:** Expected completion of the rhode brand acquisition, anticipated to add ~\$200M revenue in FY2026.
- **FY2025 Q4 Earnings:** Next earnings release May 27, 2026 - guidance raised to 22-23% net sales growth.
- **International Expansion:** Continued rollout into new European markets and Asia-Pacific.

Quick Stats:

- **Price:** \$67.21
- **P/E Ratio:** 40x
- **Market Cap:** \$3.97B
- **Enterprise Value:** \$4.1B
- **Revenue (TTM):** \$1.31B
- **Cash:** \$148M
- **FCF:** \$115M
- **Beta (5Y):** 1.78

Business Overview

Company Snapshot

Business Description:

e.l.f. Beauty, Inc. is a multi-brand, digitally native beauty company offering inclusive, accessible, clean, vegan and cruelty-free cosmetics and skin care products. Operating under the e.l.f. Cosmetics, e.l.f. SKIN, Naturium, Well People, and Keys Soulcare brands, the company is known for delivering prestige-quality formulations at mass-market prices. e.l.f. has been the #1 mass cosmetics brand in the US for 26 consecutive quarters and is rapidly expanding internationally.

Revenue Model:

- **Retail Sales:** Products sold through Target, Walmart, Ulta Beauty, Amazon and thousands of domestic and international retail doors.
- **E-Commerce:** Direct-to-consumer site plus third-party platforms; e-commerce grew 42% YoY to represent 17% of net sales.
- **International Retail:** Primarily UK, Canada, and Germany; 19% of net sales with significant expansion runway.
- **Subscription & Loyalty:** Beauty Squad loyalty program drives repeat purchasing and consumer insights.

Operating Segments

Segment	Revenue	% of Revenue
United States	\$1063M	- 69%
International	\$250M	- 16%
E-Commerce Channels	\$223M	- 15%

Key Operating Metrics

- **Gross Margin:** 71.2% in FY2025 (vs 70.7% in FY2024).
- **Marketing Spend:** \$318.8M in FY2025, representing ~24% of net sales; primarily digital and social channels.
- **Operating Margin:** 12% of net sales in FY2025 (\$158M operating income).
- **E-Commerce Growth:** +42% YoY - outpacing retailer channel growth of +26%, reflecting brand momentum online.
- **Dollar/Linear Foot:** Most productive mass cosmetics brand per linear foot at its largest retail customers globally.

Industry & Competition

Industry Overview

The global beauty industry generates over \$600 billion in annual retail sales and is growing at approximately 5-6% per annum. The US mass beauty market - e.l.f.'s core - is a \$20B+ segment growing mid-single digits. A structural shift toward value-oriented, clean beauty products is accelerating as consumers trade down from prestige and seek ingredient transparency. Digital-first brands with strong social media engagement are gaining shelf space at the expense of legacy incumbents. The global colour cosmetics market is projected to exceed \$100B by 2030.

Trends

- **Value Beauty Tailwind:** Economic uncertainty is driving consumers toward affordable alternatives; e.l.f. is a primary beneficiary as shoppers trade down from prestige brands.
- **Gen Z & Social Commerce:** TikTok, Instagram, and YouTube are reshaping beauty discovery; digitally native brands with authentic creator partnerships outperform legacy marketing models.
- **Clean Beauty Expansion:** Consumer demand for vegan, cruelty-free, and ethically sourced products continues to grow, aligning directly with e.l.f.'s product philosophy.

Main Competitors

Firm	Ticker	Market Cap	Additional Notes
L'Oreal	OR.PA	200B	World's largest beauty company; mass & prestige across all categories
Ulta Beauty	ULTA	14B	Key retail partner and indirect competitor via private label.
LVMH (Beauty div.)	MC.PA	300B	Prestige beauty; different price point but competes for wallet share.

Company Positioning

e.l.f. Beauty occupies a structurally advantaged position in mass beauty: it delivers clinically validated, prestige-quality formulations at a fraction of competitor prices. This value-innovation model has driven 26 consecutive quarters as the #1 mass cosmetics brand in the US. The company's digitally-led marketing approach (24% of revenue invested in digital/social) creates outsized brand affinity among younger demographics. The pending rhode acquisition expands e.l.f.'s premium skincare credentials and celebrity brand equity.

Valuation

Current Valuation			
	Prev. Year	Current Year	Next Year (Projected)
EV/Revenue	2.1X	3.1X	2.7X
P/S	2.0X	2.8X	2.5X
Net Income	\$61.5M	\$127.7M	\$112.1M
Peer Comparison			
	EV/Revenue	P/S	Gross Margin
Company			
Coty Inc	1.8X	0.9X	62%
Revlon	2.0X	1.5X	58%
Estee Lauder	2.4X	2.2X	73%
Valuation Scenarios			
Scenario	Assumption	Implied Value	Upside/Downside
Bull Case	rhode acquisition adds \$200M+ ; international revenue.	\$6.5B Market Cap	+64%
Base Case	22-23% revenue growth FY2026 ; margin expansion.	\$5.0B Market Cap	+26%
Bear Case	Tariff headwinds compress margins; growth slows.	\$3.0B Market Cap	-24%

Fundamental Analysis

Quantitative Analysis (Financial Health)

e.l.f. Beauty generated \$1.31B in net sales in FY2025, a 28% increase year-over-year, and \$112.1M in net income. Gross margin expanded 50 basis points to 71.2%, reflecting FX tailwinds and ongoing supply chain optimisation. The company holds approximately \$148M in cash and \$115M in free cash flow (TTM). Total debt stands at ~\$313M, primarily related to the Naturium acquisition financing. Operating cash flow generation is strong, supporting continued investment in marketing, international expansion, and the pending rhode acquisition. A \$500M share repurchase programme was authorised in August 2024, with \$450M remaining.

Key Ratios

- P/E Ratio: 40x
- Profit Margin: 8.5%, Return on Equity: 18%, Return on Assets: 7%
- Debt-to-Equity Ratio: 43%, Current Ratio: 1.2
- Revenue Growth YoY: 28%, EPS Growth: 31% YoY

Quantitative Analysis (Business Fundamentals)

CEO Tarang Amin has led e.l.f. since 2014, overseeing a decade of consistent execution and revenue compounding from under \$200M to over \$1.3B. The leadership team has a strong track record of brand-building, supply chain efficiency, and capital allocation. e.l.f. benefits from powerful competitive moats: its value-innovation model is structurally difficult for legacy incumbents to replicate without cannibalising their own pricing. The Beauty Squad loyalty programme (over 4 million active members) generates proprietary consumer data used to optimise product assortment annually. Revenue diversification across retail, e-commerce, and international reduces single-channel dependency. The pending rhode acquisition - Hailey Bieber's cult skincare brand - represents a significant expansion into premium skincare with strong Gen Z brand equity.

Technical Analysis

Price Action and Charts

- ELF has experienced significant price volatility over the past 52 weeks, ranging from a high of \$150.99 (Sep 2025) to a low of \$49.40 (Apr 2025), before recovering to current levels of ~\$67.
- The stock has declined approximately 56% from its 52-week high, reflecting concerns over slowing growth, margin pressure from tariffs, and a reset in valuation multiples.
- Support Level: Approx. \$55-60, representing the FY2025 earnings trough zone.
- Resistance Level: Approx. \$85-90, near the 200-day moving average on a multi-month recovery trajectory.

Common Technical Indicators

- 52-Week High: \$150.99 | 52-Week Low: \$49.40
- Current Price (~\$67) sits ~56% below 52-week high, indicating significant correction from peak.
- Beta (5Y): 1.78 - ELF is considerably more volatile than the broad market; carries meaningful downside risk in risk-off environments.
- Average Daily Volume: ~2.1M shares, providing adequate liquidity for institutional participation.
- Analyst Consensus: BUY rating from 12 of 12 analysts; average price target of \$111.71 (~+66% upside from current).

Core Assumption

- ELF's current valuation (~\$67) prices in significant near-term risk (tariffs, slowing growth rate) while embedding limited credit for the rhode acquisition uplift and international expansion.
- The stock historically trades at 3-5x EV/Revenue on growth consensus; a re-rating to 3.5x on FY2026E revenue of ~\$1.6B implies a price target of ~\$95.

Conclusion/Recommendation

Investment Recommendation

BUY

Core Thesis Summary

e.l.f. Beauty is a rare consumer growth story: a brand that has compounded revenue at 50%+ CAGR over three years while expanding gross margins and maintaining superior value positioning. The pending rhode acquisition opens a new premium skincare vertical with significant Gen Z brand equity. International expansion (only 19% of current sales) represents a multi-year growth runway. Trading at ~\$67 vs. a consensus analyst target of \$111+, the stock appears materially undervalued relative to its structural growth drivers. Near-term tariff risk is a genuine headwind, but management has demonstrated capability in navigating supply chain challenges. The risk-reward at current levels is favourable for a 12-24 month holding period.

Stock Type

Asset Class: Growth
Size: Small-Mid Cap
Dividend: No

Company Snapshot

Ticker: ELF
Current Price: \$67

Target Price & Potential Returns

Target Price: \$95
Potential Upside: +41%

Key Catalysts

- rhode Acquisition Completion
- FY2025 Q4 Earnings Release (May 27, 2026)
- International Revenue Acceleration
- Tariff Resolution / Supply Chain Adaptation
- New Product Innovation Cycle

Key Financial Metrics

Revenue: \$1.53B
Gross Margin: 71.2%
Cash Balance: \$148M
Market Cap: \$3.97B
P/E Ratio: 40x
EPS: \$1.77

Key Risks:

- **Tariff Risk:** Material exposure to China-sourced goods; US tariff escalation could compress gross margins by 200-400 bps.
- **Slowing Growth:** Post-hypergrowth normalisation; FY2025 growth moderated to 28% from 77% in FY2024.
- **Execution Risk:** rhode integration, international ramp, and marketing investment must all deliver simultaneously.

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