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

Q4 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

KC Katten

Vice President-Corporate Development & Investor Relations, e.l.f. Beauty, Inc.

Thank you for joining us today to discuss e.l.f. Beauty's Fourth Quarter and Full Year Fiscal 2026 Results. I'm KC Katten, Vice President of Corporate Development and Investor Relations. With me today are Tarang Amin, Chairman and Chief Executive Officer; and Mandy Fields, Senior Vice President and Chief Financial Officer. We encourage you to tune in to our webcast presentation for the best viewing experience, which you can access on our website at investor.elfbeauty.com.

Since many of our remarks today contain forward-looking statements, please refer to our earnings release and reports filed with the SEC where you'll find factors that could cause actual results to differ materially from these forward-looking statements. In addition, the company's presentation today includes information presented on a non-GAAP basis. Our earnings release contains reconciliations of the differences between the non-GAAP presentation and the most directly comparable GAAP measure.

With that, let me turn the webcast over to Tarang.

Tarang P. Amin

Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

Thank you, KC, and good afternoon, everyone. I'm proud of the e.l.f. Beauty team for delivering our seventh consecutive year of industry-leading results. In fiscal 2026, we grew net sales 25% and adjusted EBITDA, 13%. Q4 marked our 29th consecutive quarter of net sales growth. We're 1 of only 6 public consumer companies out of 546 that has grown for 29 straight quarters and averaged at least 20% sales growth per quarter.

We have an incredibly strong portfolio of brands. Out of approximately 1,800 cosmetics and skincare brands tracked by Nielsen, only 14 have surpassed $200 million in retail sales. We have four brands to surpass this threshold, each built on the same winning combination: our value proposition, powerhouse innovation, and disruptive marketing engine.

Our fiscal 2026 results by brand reflect the strength of our portfolio. Starting with e.l.f. Cosmetics, e.l.f. Cosmetics delivered approximately $1.8 billion in global retail sales this year, and we continue to drive industry-leading market share gains. In fiscal 2026, we increased our US market share by 115 basis points, the largest share gain among the nearly 1,000 cosmetics brands tracked by Nielsen. This marked our 29th consecutive quarter of market share gains, a 920-basis point increase over these past 7 years.

For perspective, the next highest brand grew 240 basis points during the same period. As great as our share gains have been, we still see significant runway for growth. Nationally, e.l.f. has 13% share in mass color cosmetics. At Target, our longest standing national retail customer, we have 21% share. Our aim is to bring other retailers to this level of performance over time.

Looking to e.l.f. SKIN, e.l.f. SKIN delivered approximately $200 million in global retail sales this year. We're applying the same innovation strategy with e.l.f. SKIN that fueled e.l.f. Cosmetics, taking inspiration from our community and the best products in prestige, and bringing the market in an extraordinary value with our signature e.l.f. twist.

The strategy is working. Over the last five years, e.l.f. SKIN has risen from the number 25 mass skincare brand in the US to the number 11 brand. We believe there's plenty of opportunity further share gains as e.l.f. SKIN today holds about a 2% share of the mass skin category as compared to the number one brand holding a 13% share.

Turning to Naturium, the clinically effective biocompatible skincare brand we acquired almost three years ago, Naturium delivered nearly $250 million in global retail sales this year, double its pre-acquisition levels. In Q4, Naturium was the fastest growing among the top 50 skincare brands, and we see plenty of white space ahead.

Moving to rhode, the high-growth beauty brand founded by Hailey Bieber, which we acquired last August continues to exceed our expectations. On an annualized basis in fiscal 2026, rhode delivered over $500 million in global retail sales, and approximately $390 million in net sales, growing net sales over 80% year-over-year. In fiscal 2026, rhode achieved the number one beauty brand ranking in Sephora North America, and executed record-breaking launches with Sephora in the UK and Mecca in Australia and New Zealand. With rhode in less than 20% of Sephora's global stores, we see tremendous opportunity in the coming years.

Our acquisitions of rhode and Naturium have meaningfully diversified our business across brands, categories, and supply chain. Over the past three years, we've seen non-e.l.f. brand sales increase from 0% to 30% of our global consumption. Skincare increased from 9% to 23% of our global consumption, and manufacturing outside of China increased from 1% to over 45% of our production.

As we look to our results in fiscal 2027 to date, we continue to see strength in rhode and Naturium with slower than expected growth on the e.l.f. brand. e.l.f. brand's global consumption has moderated from high single digits in fiscal 2026 to low single digits in the last 12 weeks. Our spring 2026 innovation is off to a slower start than we expected, and as a result, we're not seeing the lift across our core items at spring innovation as historically delivered.

We're not satisfied with these results, and are taking action to further strengthen e.l.f. brand growth across four key areas: value, innovation, international, and leadership. First, value. Since our founding over 20 years ago, we have democratized access to the best of beauty by delivering exceptional value to our consumers. In August 2025, we took a dollar price increase across all e.l.f. brand SKUs in response to several factors including tariffs and inflation. As we look at the state of the consumer today, we have recently seen a more pronounced decline in units. As a result, we are keenly focused on how to deliver better value and improve unit velocity.

To that end, we recently reduced the price of e.l.f.'s Halo Glow Skin Tint from $18 to $14. Initial test results show a 38% lift on Amazon and a 36% lift across all retailers, including a triple-digit sales lift on TikTok Shop. Given these results, we're exploring other pricing opportunities to deliver value to our community.

Second, innovation. Our community-led innovation model is one of our key competitive advantages. We listen to our community and quickly translate their requests into premium quality products at extraordinary prices. We have fast-tracked innovation that was not part of our original fiscal 2027 plans, and aim to have these in market before the holidays.

Third, international. In fiscal 2026, our international net sales grew 38% behind the strength of our expanding brand portfolio. In fiscal 2026, we launched in 8 international retail customers across 14 countries. For the year ahead, we're focused on growing share for the e.l.f. brand in our largest markets, the UK, Canada, and Germany by activating our marketing efforts. We've already started to see green shoots in the UK and Germany as we exited Q4. In addition, we will continue to selectively see the e.l.f. brand in new markets.

Fourth, leadership. We recently announced key leadership changes to sharpen focus on the e.l.f. brands and accelerate our next phases of growth. Kory Marchisotto has been appointed to President of e.l.f. brands, a newly created role that will leverage Kory's ability to lead teams, scale brands, and drive cultural relevance. Kory will focus on expanding the e.l.f. brand across categories and geographies.

We're excited to welcome Oshiya Savur as Chief Marketing Officer, e.l.f. brands. Oshiya brings a combination of global perspective, omnichannel expertise, and a proven ability to build brands and drive growth across both mass and prestige.

Ekta Chopra was appointed into a newly created role of Chief Technology and AI Officer. Ekta has been instrumental in the digital transformation we've seen over the last 10 years including most recently spearheading our successful ERP upgrade to SAP. Her new role reflects how we see the future, technology and AI as core drivers of transformation and growth across every part of the business.

Finally, we recently made the decision to transfer the Keys Soulcare brand to Alicia Keys. Alicia has a genuine passion and a clear vision for this brand. This decision also allows our team to better focus on our five brands, all of which grew in fiscal 2026. We remain bullish on our overall portfolio and the white space opportunity we see across our brands, categories, and geographies.

Starting with brands, we're leaning into our disruptive marketing engine to fuel brand awareness across our portfolio and deepen the connection we have with our community. Our marketing initiatives successfully expanded e.l.f's unaided awareness from 13% in 2020 to 45% in 2025, and have supported the strength of our market share gains year after year. e.l.f. today is the most purchased brand among Gen Z, Gen Alpha, and millennials, and we continue to pick up additional households. We believe we have significant opportunity to build awareness and household penetration with rhode and Naturium.

We have a unique ability to engage our community, combining experiential moments and product innovation to drive cultural impact. e.l.f. Cosmetics and rhode took over the 2026 Coachella festival. Coachella's one of the most influential cultural events for Gen Z and millennials, serving as a launch pad for trends across beauty, fashion and social media, and creating a content pipeline far beyond the real- time event.

e.l.f. was the first beauty brand to activate across all three weekends of Coachella and Stagecoach, a companion country music festival, creating an immersive brand experience. rhode drove momentum at Coachella, connecting headline talent, Justin Bieber, with a limited edition rhode x the biebers collaboration drop, amplifying impact with its unique rhode world activation. e.l.f. Beauty was a clear leader on social conversation at Coachella.

Looking at categories, the skincare category remains a core area of focus behind rhode, Naturium, and e.l.f. SKIN, three of the fastest growing skincare brands. rhode's recent product launches in skincare, the caffeine reset mask and peptide lip boost underscore the team's ability to consistently translate focus product innovation into outsized consumer demand. Both launches followed rhode's proven playbook, tightly edited product drops, strong ingredient-led positioning, and a highly coordinated digital rollout. The combination translated into rhode's biggest skincare launch day ever on its DTC site. We're seeing strong early reads as these new products roll out into retail with Sephora and Mecca.

We're tuning into the community's signals that e.l.f. is elastic beyond the cosmetics and skincare categories. Following our first fragrance partnership with H&M in January, we took e.l.f.'s Power Grip to the haircare category for the first time in March, launching a limited edition Power Grip styling collection.

[Video Presentation] (00:12:07-00:12:35)

Tarang P. Amin

Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

The collection sold out in 48 hours, generating 95% positive consumer sentiment and the bundle attracting 65% new-to-e.l.f. consumers.

[Video Presentation] (00:12:47-00:13:36)

Tarang P. Amin

Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

And finally, geographies. Looking across our brand portfolio, we're in the early days of international expansion. For context, international drives approximately 20% of our net sales, as compared to legacy peers having over 70% of their sales outside the US. There's significant pent-up global appetite for our brands. 50% of e.l.f. brand's social followers are outside the US, and 74% of rhode's followers are outside the US.

As we look to new markets, rhode's launch in Australia and New Zealand with Mecca is another record-breaking milestone. It was Mecca's biggest launch in history. This September, we're excited to further expand rhode's global presence, launching with Sephora in Europe across 19 countries.

In summary, fiscal 2026 marked our seventh consecutive year of consistent category-leading growth, a track record that reflects the strength of our team, strategy, and portfolio of brands. We're taking targeted actions to strengthen our core e.l.f. brand, and remain confident in the growth potential of our portfolio.

I'll now turn the call over to Mandy to talk more about our fourth quarter results and our initial outlook for fiscal 2027.

Mandy Fields

Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.

Thank you, Tarang. Q4 net sales grew 35% year-over-year. The acquisition of rhode contributed $113 million, or approximately 34 percentage points, to our Q4 net sales growth. This better-than-expected performance was supported by strong retail demand and a record-breaking launch with Mecca in Australia and New Zealand.

Looking to organic sales excluding rhode, our Q4 net sales were up approximately 1% year-over-year, within the range we provided in February.

Looking to our geographic regions, US net sales grew 26% in Q4, while international net sales grew 75%. Pricing and product mix added approximately 40 points to net sales growth in Q4, while unit volumes were down approximately 5 points.

Q4 gross margin of 73% was up approximately 140 basis points compared to prior year. The year-over-year increase was largely driven by benefits from pricing, partially offset by higher tariffs.

On an adjusted basis, SG&A as a percentage of net sales was 67% in Q4, as compared to 52% in Q4 last year. The primary driver was higher marketing and digital spend, along with continued investments in team and infrastructure.

Marketing and digital investment for the quarter was 31% of net sales, in line with our expectations and as compared to 23% in Q4 last year. We ended the full year with marketing and digital investment at 24% of net sales, in line with the 24% to 26% range we outlooked.

Q4 adjusted EBITDA was $59 million as compared to $81 million in Q4 last year.

Adjusted net income was $19 million, or $0.32 per diluted share, compared to $45 million, or $0.78 per diluted share, a year ago. The decrease across profitability metrics was primarily driven by higher investment in marketing and digital spend, team, and infrastructure.

Now, let's turn to our full-year results. In fiscal 2026, we grew net sales 25% and adjusted EBITDA by 13%. We also delivered 20% adjusted EBITDA margins, a result that speaks to the underlying strength of our business despite the meaningful tariff pressure we faced this past year. In fiscal 2026, we have navigated an average tariff rate of approximately 55%, more than double the 25% rate we faced just a year ago.

Moving to the balance sheet and cash flow. Our balance sheet remains strong and, we believe, positions us well to execute our long-term growth plans. We ended the year with $290 million cash on hand, compared to a cash balance of $149 million a year ago.

During the year, we repurchased approximately $50 million of our outstanding common stock given the disconnect we see between e.l.f. Beauty's market valuation and the strength of our business fundamentals. At fiscal year-end, approximately $400 million remained available for repurchase under our previously authorized $500 million repurchase program.

Our liquidity position remained strong, with less than 2 times net debt to adjusted EBITDA. We expect our cash priorities for the year ahead to support the growth of our brands, technology investment, including AI and automation, as well as investment in infrastructure to ensure our brands show up their very best in our retailers across the globe.

Now, let's turn to our initial outlook for fiscal 2027. For the full year, we expect net sales growth of approximately 12% to 14%, adjusted EBITDA between $379 million to $385 million, adjusted net income between $198 million to $201 million, and adjusted EPS of $3.27 to $3.32 per diluted share.

We expect our fiscal 2027 adjusted tax rate to be approximately 25% to 26%, and a fully diluted average share count of approximately 60.5 million shares. Let me provide you with additional color on our planning assumptions for fiscal 2027.

Starting with the top line. For the full year, we expect net sales growth of 12% to 14% year-over-year. We expect the annualization of the rhode acquisition to contribute approximately 9 percentage points to full-year net sales growth, with rhode adding approximately $140 million in net sales in the first four months of our fiscal year. We expect organic net sales in fiscal 2026 to be up approximately 4% to 5% year-over-year. This includes rhode contributing to organic net sales growth starting in August.

Looking to the first half, we also expect organic net sales within our 4% to 5% range, with variation on a quarterly basis.

In Q1, we expect organic net sales down high single-digits as we lap a busy shipping period at the end of Q1 last year as we prepared for our ERP cutover in Q2. We expect organic net sales growth to rebound strongly in Q2 in the mid-teens range as we analyze the acquisition of rhode and lap our decision to temporarily stop shipments in Q2 last year on orders that did not reflect our price increase.

Now, turning to gross margin. In fiscal 2027, we expect our gross margin to be approximately flat year-over-year. We expect gross margin benefits from lower tariff costs and price increases, particularly in the first half of our fiscal year, to be offset by mix as rhode continues to transition further into retail.

From a tariff standpoint, our outlook assumes tariff rates remain at the 35% level we're facing today.

As we consider the conflict in the Middle East, we are starting to see some inflationary pressure on commodities and transportation costs, like many other companies have spoken about. Assuming that oil prices remain around $100 per barrel, on average, we estimate we could face $15 million to $20 million of incremental cost headwinds in fiscal 2027.

In addition to cost savings initiatives as a potential offset to these headwinds, we're also pursuing a refund on the IEEPA tariffs we paid last year, which stand at approximately $58.5 million. Our outlook does not factor in the impact of oil prices or tariff refunds, given the situation remains fluid.

From an expense standpoint, we expect to deliver leverage in adjusted SG&A in fiscal 2027. We expect marketing and digital spend at approximately 23% to 25% of net sales, and plan to thoughtfully invest in our team and infrastructure with a non-marketing SG&A to go after the whitespace opportunity ahead of us.

From a profitability perspective, our full-year fiscal 2027 outlook implies adjusted EBITDA growth of approximately 13% to 15% versus prior year, and adjusted EBITDA margins of approximately 21%, up about 20 basis points year-over-year.

From a cadence perspective, we expect high-teens adjusted EBITDA margins in the first half, with gross margin improvement offset by the timing of SG&A spend.

In summary, Q4 marked our 29th consecutive quarter of net sales growth, capping a year of strong execution across our brand portfolio. The fundamentals that have driven our results over the last seven years remain intact. Our value proposition, powerhouse innovation, and disruptive marketing engine, we believe these are durable, competitive advantages that position us well to unlock the whitespace we see on the road ahead.

With that, operator, you may open the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Sydney Wagner with Jefferies. Please go ahead.

Sydney Wagner
Analyst, Jefferies LLC

Q

Hi. Thanks for taking our question. Just wondering if you can talk a little bit more about maybe what missed on the spring innovation and kind of the steps that you're taking to make sure that the fall innovation pipeline performs better. Also curious, maybe what you're seeing on the prestige side in terms of newness that excites you the most? And then maybe just comment a little bit more on the adjacent category opportunity. Thank you.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

Hi, Sydney, this is Tarang. So, I'd say first of all on innovation, innovation is still strong relative to the category. In fact, in spring, we already have two of the top 10 innovation launches so far this year. Our lip oil sticks are off to a great start, priced at $10 relative to the only other item like it is a prestige item at $48. Continue to also see continued strength in our melting lip balms at $9 versus prestige at $24. So, this is really relative to our own expectations in terms of the offtake that we're expecting and what that does to our overall core.

We talked on the call two specific actions that we're doing regarding innovation. First of all, we have our fall innovation going out the door in the next month. And so, that fall innovation, we're feeling particularly good about. And in addition, we're known for our ability to take signals from our community, put our e.l.f. twist on to quickly bring them to market. So, we're going to be bringing additional innovation that we've previously not planned for FY 2027 into this fiscal year.

So, overall, I'd say we're feeling good about innovation going forward with the plans that we have, both in fall innovation as well as incremental innovation we're bringing.

Second, on the prestige side, I would say our model is not dependent on any given season of prestige. We have seen some softness in prestige in the spring season from an innovation standpoint. But if you take a look at some of our biggest launches ever, they took inspiration from prestige items [ph] that have (00:25:37) been around for at least a decade. If I go back to our lip oils, our lip oils were fashioned after a prestige item that had been in the market for about a decade that gone viral in the last couple years. If you look at our concealer franchise, our Camo Concealer franchise, that ended up taking inspiration from item that's been around or a franchise that's been around for over 15 years.

So, we have a broad array of inspiration from a prestige standpoint that excites us. In fact, some of the incremental innovation we're bringing into this year do have very clear frames of reference with prestige items that are doing quite well in addition to going with our consumer.

And then finally, on adjacencies, as we talked, we did a collaboration with H&M in January in the fragrance category that was very well-received, what we just did with Power Grip in March, taking into haircare, also had good signals.

What I'd tell you is our brands across our portfolio are highly elastic. We get consumer demands across multiple categories, but we're going to use the same disciplined rollout strategy across our brands. We have such a big opportunity in terms of color cosmetics as well as skincare. We now have three of the fastest-growing skincare brands, and that will be our first focus while we selectively look at additional categories going forward.

Operator: The next question comes from Olivia Tong with Raymond James. Please go ahead.

Olivia Tong
Analyst, Raymond James Financial, Inc.

Q

Great, thanks. I was wondering if you could provide some perspective on the fiscal 2027 outlook, particularly on rhode. It looks like you've embedded rhode growth fair bit below where it was this year, despite having only rolled out to about 20% of Sephora doors. So, could you give a little bit more color behind that, what you're seeing so far with the brand, particularly, I mean, Q1 is more than half in the books at this point, what you're seeing in terms of new markets?

And then similarly, on the core e.l.f. brand, if you could talk a little bit about what you're hearing with respect to the pull-forward of innovation and the retailer response to that.

And then just following up, on the tariffs, I think you said that you're not assuming any tariff refund, but the rates have obviously changed. So, to the extent that that change has gone through, what are you factoring in on the gross margin line? Thank you.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.

A

[ph] Thanks (00:28:13), Olivia. Thanks for the question. I'm going to go ahead and take the first one, on the FY 2027 outlook and what we've assumed for rhode. So, as we talked on the call, we're very excited about what we're seeing on rhode. We talked about seeing $500 million in global retail sales on the brand and are very excited for what to expect in fiscal 2027. So, what we've baked in is about 9 points from now through August really until it turns into organic sales and then it becomes a part of our organic sales growth as we move forward.

You heard that we are launching in the EU with rhode across 19 countries, very excited about that, but also want to take that a quarter at a time as we go through. And so, excited for what we have built in on rhode, but believe there could be more to come on that brand just given the momentum behind it.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

And then on your second question regarding innovation, we're hearing real excitement from our retail partners on our innovation, both the fall innovation we have planned as well as the incremental innovation. Again, all of them have been anchored on what consumers are asking us for or the relevant frame of reference from a prestige standpoint. So, there's a lot of excitement as we're taking a look at our innovation coming up, both in the fall as well as incremental we'll have before the holidays.

And then your last question, while tariff refunds are not part of our outlook, we absolutely expect refunds from tariffs. I think it was about $58.5 million that we're expecting. And our plan on those onetime tariff refunds is really to go back and invest in value and accelerating unit growth. Those are the two areas we're particularly focused on, and we feel really good between the innovation we have coming, as well as plans we have on both value and what we can do against units to be able to continue to accelerate the business.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.
A

And maybe just to add, Olivia, because you asked on the gross margin impact of tariffs this year. So, last year, on average, we were paying about a 55% tariff. What we've assumed in our outlook is a 35% tariff for this year. That's the rate that we're currently at, and we'll just continue to watch that as we go throughout the year.

Operator: The next question comes from Dara Mohsenian with Morgan Stanley. Please go ahead.

Dara Mohsenian
Analyst, Morgan Stanley & Co. LLC
Q

Hey, guys. So, it sounds like it's still early days here on the potential price adjustments in the portfolio, but can you just give us a sense for what range of the business, what percent of mix you might be considering price adjustments are, and how deep the ranges of price adjustments might be in those areas?

And then second, if we could just focus on the base e.l.f. brand, value shares come under some pressure in the US. Do you think that's just the innovation that you mentioned or are there other factors there such as a more crowded marketplace, et cetera? And just obviously, you mentioned a number of focus points going forward in driving improvement. What do you think is the most important in revitalizing dollar share for the e.l.f. brand? Thanks.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.
A

So, hi, Dara. We talked on the call, we've already started looking at various price adjustments. The experiment we did with our Halo Glow Skin Tints, taking it from $18 to $14, we saw almost a 40% unit lift. We're looking at other families. We haven't disclosed which families we're looking at, but over the next few weeks, you'll see us do some pricing actions on various families again, after driving greater unit growth on those families as we take a look. But our overall pricing strategy remains consistent and everyday great value. We take quite seriously our ability to deliver a superior consumer value to consumers. And so, you'll see us take that targeted approach across our portfolio.

And then in terms of the most recent kind of value share pressure you're seeing, think you're seeing really a couple different factors. One, spring innovation was below our expectations. So, we didn't see the same level of halo that we typically see on our core business. In addition, if you recall, last year, we moved up one of our big launches, our melting lip balms, into this period. So, you're basically lapping a period that had very strong innovation, without the commensurate innovation. That fall innovation for us will go out [ph] in about (00:32:41) another month. So, it'd be another month or so before you start seeing us actually comp innovation with innovation along those fronts.

And then what we're most excited about, I would say what we're most excited about is the consistency of what's driven our business over time. So, number one is value. Already talked about the actions within our value [ph] creation (00:33:01). Number two is innovation, talked the actions we're doing from an innovation standpoint to bring in even more innovation. And the third is our disruptive marketing engine, which we see work hand in hand with both value and innovation. And so, you'll continue to expect those three drivers to continue to propel our business, not only on e.l.f. but across the portfolio. I think one of the things that's been missing recently has been the strength of the portfolio overall.

Every one of our brands grew in fiscal 2026. Naturium and rhode in particular have very strong growth and we continue to fuel them. A big part of Naturium's growth is we put, for the first time, awareness-building advertising on Naturium. We saw a major acceleration in that business. As I mentioned in the prepared remarks, Naturium is the fastest-growing brand amongst the top 50 skincare brands, and rhode is just phenomenal with so much more potential, particularly with our expansion coming up with Sephora in Europe.

Operator: The next question comes from Andrea Teixeira with JPMorgan. Please go ahead.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

Q

Thank you. Appreciate the color on the $140 million in sales that you expect for rhode's contribution in the four months. So, and then the high single-digit organic sales decline for the first quarter. So, just to think about the cadence of the rest of the year, so assuming at the midpoint you're adding about $214 million in sales, so out of that $140 million is rhode itself for the first four months. So, embedded in that guidance, how you're thinking about organic as we go through the year, organic meaning organic e.l.f., right? Organic, obviously, you gave guidance of organic 4% to 5% positive. So, if you take out the first quarter, how we should be thinking of the sales, the pricing repositioning, and how we should be thinking the cadence of after the first quarter, the second quarter, the ERP impacts for the year. Thank you.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.

A

Yeah. Hi, Andrea. I'll take that question. So, on an organic basis, we talked about 4% to 5% for the year. Q1, we call it down high single-digits because of the SAP kind of pull-forward that we have and the base that we're cycling through. For Q2, we talked about seeing organic sales growth in the mid-teens. As a reminder, we are going to be cycling when we had certain customers we weren't shipping to, and so, we'll have that that we're cycling through in Q2. Plus, we have the addition of rhode being added to our organic growth in Q2 as well. So, that's – as we think about the first half, really still see the first half around that 4% to 5%, same as we see for the year.

And in terms of the pricing repositioning that you spoke to, the initiatives that Tarang mentioned, on the value, the additional innovations, those actually are not yet baked into our outlook. We want to see how things progress before we add those in to our numbers.

Operator: The next question comes from Anna Lizzul with Bank of America. Please go ahead.

Anna Lizzul
Analyst, BofA Securities, Inc.

Q

Hi. Good afternoon. Thank you so much for the question. I wanted to go back to the pricing discussion and was wondering if you could call out any channels that were particularly better or worse than others in fiscal Q1 so far? I know you mentioned the pricing improvement on Amazon providing a lift in sales, which outperforms some of the other retailers, but overall, it sounds like this was pretty focused on the color cosmetics side. Just wondering if you could also comment on the innovation that you've seen from Naturium and on skincare, and how that's performing versus color cosmetics? Thank you.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

Hi, Anna. So, I'd say on the overall pricing discussion. We haven't seen big changes on our main retail customers, channel by channel. We have been seeing, and we have seen this for a while now, outsized growth in our digital channels. So, if we take a look at the strength that we've had at Amazon, that's been ongoing for quite some time. We're also one of the leaders in connected commerce. If you take a look at the strength we have in TikTok Shop, in fact, the pricing action I talked about on our Halo Glow Skin Tint, we actually started on TikTok Shop and got incredible consumer response.

And part of the reason why we're using that strategy is we're seeing a lift across all of our retailers when we do that and bring the strength that we have in social and of being able to apply it to connected commerce as we're going through. Then from the balance of innovation, we have very strong innovation. Naturium has had a good cycle of innovation. It's being very well-received.

I talked about every – seems like every launch we do on rhode is the biggest launch we've ever done as we're going through. So, we're seeing good results on innovation across Naturium, rhode, even Well People as we go forward. So, we feel good about innovation for the rest of the year.

Operator: The next question comes from Steve Powers with Deutsche Bank. Please go ahead.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Thank you so much. So, Tarang, I guess, the first question, even though like I'm a little confused because it's – I know that this is based on what Mandy just said. It's not guidance. But given what you're contemplating in terms of pricing and innovation, how would you be thinking about what – when you would start to see those interventions take shape in consumption? And I guess, is there a way to think about what you have baked into guidance in terms of the consumption assumptions for the year on core e.l.f. versus what you're hoping to achieve, assuming success on pricing and innovation? That's number one.

And number two, maybe just a quick cleanup, on the IEEPA tariffs, if those refunds do come through, would that be a P&L item or is that just a cash balance sheet item? Thanks for both.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

So, I'll take the first one. I would say, the way we're thinking about the focused interventions on pricing and innovation is those would be in addition to the plan. The current assumptions we have that are baked into our outlook is that we continue to see e.l.f. consumption around the rates that we've seen really in the last 12 weeks or so. So, they definitely would be upside. And in terms of the timing of when you would expect to see them, we'll just start the pricing actions in the next few weeks here. So, I would say, it takes a few weeks to see them really take hold.

So, [ph] I'd say (00:40:01) in the next couple of months, you'd start to see kind of the impact, particularly on units with some of the pricing moves that we're going to make. And then innovation, as I mentioned, about a month from now, our fall innovation comes out, and then the incremental innovation that we have slated, we slated to get in before the holidays. So, kind of think of it in our Q2, Q3, you start seeing the impacts of a couple of those interventions, but they would be in addition to the base outlook that we've provided, which is similar to the approach we've taken in prior years, where we start with a baseline outlook and adjust that as each quarter comes in as we see the results.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.
A

And then on the IEEPA tariffs, it would be a P&L impact. So, the way that we're approaching that is as these refunds come through, we would flow through a portion through cost of goods for any inventory that has been sold through that carry those IEEPA tariffs. Anything remaining in inventory would go back into inventory and flow through as we sell through those items.

Operator: The next question comes from Peter Grom with UBS. Please go ahead.

Peter Grom
Analyst, UBS Securities LLC
Q

Great. Thank you. Good afternoon, everyone. So, two questions. One, just maybe more housekeeping. The organic sales in the quarter of 1%. Is there a way to break out what you saw in the US versus internationally? I think it's the 80/20 rule for rhode for US versus international [indiscernible] (00:41:27) this quarter, would seem international did much better. So, I just wanted to quantify that.

And then I guess just on the organic sales outlook, it sounds like you're anticipating relatively obviously a lot of movement quarter to quarter, but 4% to 5% first half versus second half pretty similar. I'm curious why the second half wouldn't be stronger just because rhode moves into organic sales growth and I would imagine the growth rate there is much stronger versus the base business. Thanks.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.
A

Yeah. All right, Peter, maybe let me start with the second question on the organic outlook of 4% to 5%. Again, this is our first guidance of the year and so we want to make sure we're taking a balanced approach. We feel great about the opportunity that rhode presents as we go through with the big EU launch slated for this fall. Again, want to see how that goes before we start to bake any additional upside in there, but like I said earlier, the momentum that we're seeing behind rhode is quite strong and so there could be some further opportunity there.

And then on the organic of 1% in the quarter, look, we talked on the call about the US and international both showing strong growth. Overall as a company, we really haven't broken out the organic piece between US and international, just focused more on the 75% growth that we saw in the quarter on international, which was quite strong.

Operator: The next question comes from Anna Andreeva with Piper Sandler. Please go ahead.

Anna Andreeva
Analyst, Piper Sandler & Co.
Q

Great. Thank you so much for taking our question. To Tarang, just I guess a kind of a philosophical one on testing the lower prices and highlighting value. What gives you guys confidence that it's about the price and not perhaps relative maturity of the brand in some of the categories you play in or a lack of that compelling innovation, which you mentioned for spring a couple of times?

And can you talk about the margin impact from that? I think, Mandy, you said it's not contemplated in the guide. So, are you thinking that would be offset by the tariff refunds? And then we had a follow-up as well. Thank you.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

So, hi, Anna. I would say the reason why we have confidence on the lower pricing is what we saw with the pricing action. From an external standpoint, the pricing action was successful. Obviously, we had 55% tariffs, even higher than that at the time we made the pricing move plus inflationary pressures that caused us to take a dollar price increase.

Overall, as everyone's seen, our dollars increased with that, but our units fell off. So, we saw a pretty big falloff on units from where before we took pricing to after we took pricing. And then as we started doing some of these tests, we've seen really strong unit recovery on, for example, the skin tints at $18 to $14, a 40% lift almost right away and across all customers that we tested that in gives us confidence. Again, we're test and learn brands. So, we will test our way into which are the right families to be able to make that action on, but we're known for our phenomenal value and value is always a place we go to first.

And then second, pricing relative to maturity, we still see tremendous white space for the e.l.f. brand even in US, our home market. And we talked our national share is 13%. At Target, our share is 21% and the only difference between Target and everyone else is at a 5- or 6-year head start. As we look across our customer base, we recently were, I think, the only beauty company that was nominated for Walmart's Excellence in Experience award that – for the work that we had done on our highest vision sets and their overall new beauty concept, which we're very excited about.

In that beauty concept, e.l.f. anchors the entire department with increased space, more points of distribution. We love what we're seeing coming off of that. We've rolled out the first phase of those highest vision sets, and over the coming years, we'd expect to roll out more on the highest vision sets. We see a massive opportunity with Walmart.

Same with Ulta. We recently expanded space in Ulta. Takes us a couple cycles to optimize that space, but we see additional opportunity there. But really across every one of our customers, our objective is how do we take that 13% share we have nationally, actually a little bit less than 13% on balance of customers and bring it up closer to the Target range of 21%.

So, even our most mature category, in our most mature market, we still see a tremendous amount of white space. You then add on the opportunity we have in skincare and international. We just see a lot of white space there.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.

A

In terms of the margin impact, Anna, yes, we would plan to use any IEEPA refunds to help offset some of those investments that we want to make behind value as we go throughout the year.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

I would say value as well as really taking a look at how we're accelerating units. Our focus is on units and pricing is just one lever. There's obviously a significant amount of one-time tariffs coming back that we really would look to invest against the consumer and the things that work with the consumer.

Operator: The next question comes from Susan Anderson with Canaccord Genuity. Please go ahead.

Alec Legg
Analyst, Canaccord Genuity LLC

Q

Hi. Good afternoon, Alec Legg on for Susan. Just a broader question. How should we think about the competitive landscape for the e.l.f. Beauty brand? Obviously, units started trending down after the price increase. I mean, where do you think that e.l.f. consumer is moving to? Are they trading up, trading across, maybe buying less often, all of the above? I guess how to get those customers to come back.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

So, I'd say first of all, even since the time of our price increase, we continued to pick up market share. In FY 2026, we picked up 115 basis points of market share in color cosmetics. So, I would say we're still a net gainer overall and that's really the 920 basis points of share we've picked up over the last 7 years. So, we're still confident of our ability to continue to build market share. You're going to see some periods where the market share doesn't grow, other periods where it's stronger, but overall, we still see the opportunity to build market share. And we're sourcing that market share across – really across the category. We usually don't call out the competitors we're sourcing from, but it's a pretty broad array of where we see that.

We also continue to pick up additional households from a consumer standpoint. Not only are we the number one brand amongst Gen Z, Gen Alpha, and millennials, but we've also picked up more Gen Xs and more households throughout the year. So, we like the core fundamental dynamics we see from a consumer standpoint, including all of our equity ratings. That gives us confidence as well.

Operator: The next question comes from Bonnie Herzog with Goldman Sachs. Please go ahead.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

All right. Thank you. I just had a quick follow-up question on the slower innovation this spring. Could you talk to space and whether you gained or possibly lost shelf space? And then are there any idiosyncratic factors to keep in mind with respect to sell-in versus sell-through trends over FY 2027, or do you expect shipments to track more in line with consumption trends? Thanks.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

So, I'd say, Bonnie, overall we continue to pick up space. The number one driver of our growth over the years has been our productivity growth dollars per linear foot, but we've had a good track record of consistently picking up space. We've never lost space. Even in this latest cycle, we talked about picking up pretty significant space at Ulta Beauty. We started rolling out those Walmart highest vision sets. We have additional space. We'll talk about some of the other space we have coming in subsequent calls and then the focus we have.

And it's not just on e.l.f., but across the portfolio. Naturium also picked up additional space at Boots. We continue to expand the Walmart, entering Walmart with Naturium in a subset of their doors. We're really pleased in Walmart as well in terms of what they're seeing. So, it gives us even greater opportunity there and certainly rhode with our big expansion coming in Europe is going to continue to pick up.

So, we do not anticipate any space. We don't see any signs of any space losses. If anything, we still are dramatically under space. When retailers take a look at their sales relative to the space allocation, e.l.f. is still dramatically under space relative to any of our competitors. So, we still see more room there.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.

A

And then on the sell-in, sell-through trends, Bonnie, we expect that to track much closer this year. As we've said, over time, the consumption and the net sales will balance out. And certainly, I know we talked about some of dynamics between Q1 and Q2, but as we go throughout the year, you should see that much closer.

Operator: The next question comes from Filippo Falorni with Citi. Please go ahead.

Filippo Falorni
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good afternoon, everyone. I wanted to ask on some of the international markets that you called out in the past, especially the UK and Germany. You had some weakness there in prior quarters. Have you seen some improvement or are you expecting some improvement in fiscal 2027?

And then Mandy, just a quick housekeeping. Between EBITDA and net income, is there any particular driver that gets you to a much lower growth in net income versus EBITDA, whether SG&A, net interest or other income? Thank you.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

Hi, Filippo. So, first, on international markets, we definitely have seen a pickup in both the UK and Germany. Recall last year, really even more than the last year, we've been facing a particularly heavy promotional environment in the UK, the state of the UK consumer. Our teams would focus action in place, including awareness-building, advertising and marketing support as well as really good retailer support across Superdrug, Boots, and other retailers. So, UK, we've definitely seen pickup.

In Germany, we were just lapping the massive launch we had with ROSSMANN Germany. Our launch into DM has gone well and we're seeing better trends in Germany overall as well. Still have further to go in both markets, but I'm encouraged by the trend that we have and where we're headed, particularly with the support that we have in both of those markets while we continue to selectively seed additional markets.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.

A

And then just on the housekeeping item, things to keep in mind, the amortization of intangibles related to the rhode acquisition and interest expense, higher interest expense as we go through now carrying a full year of the higher debt also related to the rhode acquisition.

Operator: The next question comes from Rupesh Parikh with Oppenheimer. Please go ahead.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Good afternoon. Thanks for taking my question. So, I have two questions on rhode. So, first, as you lapped some launches in markets such as the US, just curious what type of growth rates you would expect in consumption. And then second, just as you look at rhode in the intermediate term, just curious in the types of growth rates you'd expect for the brand. Thank you.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

A

So, Rupesh, we've talked about rhode growing at about an 80% year-over-year in this past fiscal year. We continue to expect very strong growth rates on rhode. We haven't disclosed the specific amount. What I'd tell you when I take a look at the US versus international markets, US, as we said in our prepared remarks, rhode is the number one brand that Sephora carries and we've continued to see very strong momentum in Sephora in North America.

And if you go into many of the Sephora doors, we're doing that with one bay relative to competitors that have as many as two or three different bays. So, it's a very similar story to e.l.f., dramatically under space relative to the productivity. The biggest issue we've had on rhode is keeping up with the consumer demand. We have enough capacity. Making sure those stores stay replenished is probably the number one complaint we get, so we still have a ton of opportunity even within the US both in terms of our footprint as well as from a replenishment standpoint to continue to fuel that.

And then particularly excited about the launch we have coming up with Europe, 19 countries. Sephora is going all-in on rhode based on the success that they've seen of the brand. We have very high expectations of that. So, you'll continue to see momentum. So, we feel good about lapping both the North American launch, UK launch at Mecca, and then having additional markets on rhode in addition.

And again, it goes back to the momentum that we're seeing on that brand. Every single launch we've done has been bigger than the prior one, and you continue to see the level of consumer demand that's unlike any other brand I've seen, or at least Sephora has ever seen.

Operator: The next question comes from Oliver Chen with TD Cohen. Please go ahead.

Oliver Chen
Analyst, TD Cowen

Q

Hi. Thank you very much. As we think about marketing spend as a percentage of sales and it moderating, what's happening there in terms of decisions you're making to optimize incremental return on ad spend yet pull back yet you're undergoing some innovation changes?

And then second question is thinking about Naturium and your skincare excellence there, are there synergies that you can leverage across the platform with that to continue to push forward with core e.l.f. skincare? Thank you.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.

A

Hey, Oliver. So, on marketing spend, we've outlooked a 23% to 25% range and last year, we spent around that 24% range. And so, it still gives us room to go up to 25% if we want it to be – lean into that. Tarang talked about maybe leaning into some more consumer-facing things and with the tariff rebate, that may be coming through here this year. And so, we feel that 23% to 25% gives us the adequate room that we need from a marketing perspective. And so, certainly an opportunity to optimize, but also room for us to lean in if we saw the need there.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.
A

And I would add to that the team is constantly optimizing. When I take a look at the mix within our marketing, a few years ago, getting into awareness-building advertising was a big unlock for us. We continue to see unlock as we go across each of our vehicles and the team's constantly taking a look at that. We feel really good about it.

Our marketing works best when it's paired with really great innovation, too. So, I think a little bit what you're seeing is us looking at marketing as we have some of these launches coming up, making sure we're putting enough support behind the key launches while protecting the core as we go through. But the ROIs continue to remain exceptionally high, multiples above the category. So, we feel great about our marketing investments, and we feel great what they've done for our businesses long-term.

And then in terms of Naturium, I would say, look, each of our brands from a consumer-facing standpoint are separate. They're unique, complementary, distinct brands, but we certainly – I think it's been really helpful having Naturium as part of the portfolio. There's a ton we've learned from Naturium on the skincare side that's benefited e.l.f. SKIN and vice versa. Same is true with rhode. As we've taken a look across each of these brands, three of the fastest growing skincare brands, there are definitely opportunities to cross-share learnings, but each brand has its own unique focus and opportunity ahead.

Operator: The next question comes from Javier Escalante with Evercore ISI. Please go ahead.

Javier Escalante
Analyst, Evercore Group LLC
Q

Hi. Good afternoon, everyone, and thank you for taking my question. I would like to double-click on rhode again, perhaps from a different perspective and perhaps Mandy could help us with this. So, basically, rhode in fiscal 2026, so because there is a pro forma versus a reported rhode, so basically what is the number that we shall use for fiscal 2026? I would imagine it would be pro forma. So, that $390 million is a pro forma. It's a reported. So, if you can help us with that.

And also trying to understand the evolution of rhode business model. So, there is a D2C, a direct-to-consumer aspect to it and then there is the wholesale aspect to it that goes to Sephora US, et cetera. So, if you can help us at least know what percentage of whatever number you're going to give me for fiscal 2026 is wholesale versus D2C. Thank you.

Mandy Fields
Chief Financial Officer & Senior Vice President, e.l.f. Beauty, Inc.
A

Yeah. So, I'll start with the fiscal 2026. So, the $390 million is a pro forma number. The incremental post-acquisition was around $290 million that rhode delivered in fiscal 2026.

Tarang P. Amin
Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.
A

Yeah. And then we haven't broken out DTC versus wholesale, but I'd tell you the DTC, we always modeled as part of our acquisition economics, what type of falloff would we see in DTC given how much retail we're going into. It's a foreign with Mecca and that's held up exceptionally well.

We continue to see real strength in our DTC business primarily because part of the strategy is we do have unique items that show up first on our DTC site that get particularly some of our new innovation. They get a disproportionate amount of attention and interest. So, DTC has actually performed quite well. Over time, we would expect – we haven't said where the percentage is right now, but over time, particularly with the footprint that we're building in Sephora and Mecca, we would expect the retail side of the business to be bigger, but both be pretty significant.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Tarang Amin for any closing remarks. Please go ahead.

Tarang P. Amin

Chairman & Chief Executive Officer, e.l.f. Beauty, Inc.

Okay. Well, thanks for joining us today. I'm so proud of our incredible team at e.l.f. Beauty for delivering another year of industry-leading growth. We look forward to seeing some of you at our upcoming investor conferences over the next few weeks, and speaking with you in August when we'll discuss our first quarter fiscal 2027 results. Thank you and be well.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.