EQUITY RESEARCH

May 10th, 2025 09:00 AM GMT

eyes.lips.face.

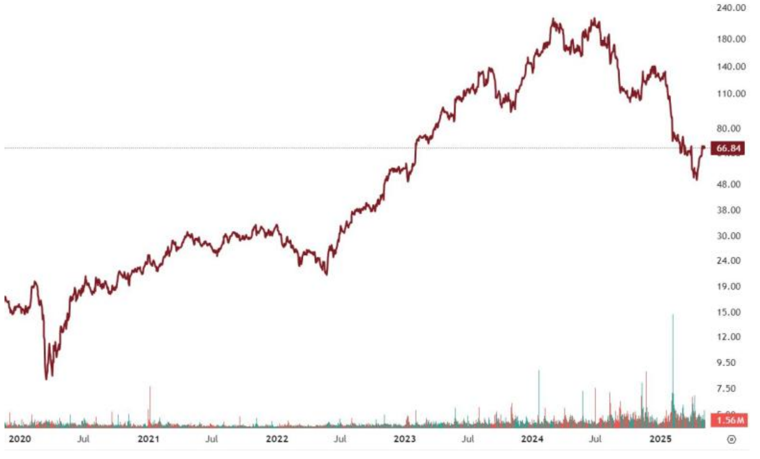
E.L.F Beauty, Inc.

Recommendation: STRONG BUY | *Price Target: $108.93*

E.L.F Beauty has shown to be a fierce competitor, aiming to take down the big players of the beauty industry. The company has achieved 23 consecutive quarters of revenue and market share growth, indicating above-market growth and strong margins that have still a big room for improvement. This outperformance is largely driven by its digital-first strategy.

With a strong balance sheet with very little debt, good cashflow creation and an amazing brand recognition all around the world, we believe E.L.F is set to continue to expand, particularly to outside the USA in the long-term.

Based on our DCF analysis, we arrive at a fair value estimate of $108,93, significantly above the current trading level. Although Tariffs, specially those imposed on China by the US, pose a threat to their business, we believe the company has ways to prosper by adapting to the circumstances. We see this big descend in stock price in response to global trade uncertainty as a big buying opportunity, therefore posing a buy recommendation on this stock.



Source: Tradingview

Business Overview

E.L.F Beauty is a fast-growing U.S.-based cosmetics company, offering a broad range of affordable, high-quality makeup, skincare, and beauty tools with a focus on clean, cruelty-free, and vegan formulations. The brand differentiates itself through its mission to make beauty accessible to every eye, lip, and face, leveraging data-driven innovation, digital-first marketing, and rapid product development to connect with a diverse, Gen Z and millennial consumer base.

As of 2024, E.L.F does not operate any company-owned retail stores and relies primarily on national retail partnerships (Target, Walmart, Ulta Beauty - 58% of revenues). Despite that, they have a digital-first strategy, with approximately 25–30% of sales being digital, driven by a highly engaged Gen Z and Millennial audience, its loyalty program, and strong social media presence, particularly on TikTok and Instagram.

The company benefits from modern trends such as the rise of social media usage and influencer popularity and also gains by standing out as a sustainable and diverse company, something that is increasingly important nowadays. E.L.F has a strong marketing program that has been proven to work wonders.

E.L.F maintains a solid financial position, fostering surprising revenue growth in the past years, with very little debt and an amazing gross margin for the industry, solid profitability margins (specially for a growing company) and is currently trading at its history's lowest valuation multiples.

LISBON INVESTMENT SOCIETY

NYSE: ELF
Price (May 10): $66.84
Upside (Downside): +62.97%

Miguel Wever, *ER Team Leader*
Bachelor's in Management
l61728@aln.iseg.ulisboa.pt

Mariana Gomes, *ER Analyst*
Bachelor's in Applied Mathematics
l63852@aln.iseg.ulisboa.pt

José Godinho, *ER Analyst*
Bachelor's in Economics
l61474@aln.iseg.ulisboa.pt

Statistics	
Beta	1.24
% Float	97.93%
% Held by Insiders	2.64%
% Held by Institutions	96.16%
Short % of Float	18.37%

Major Holders	
Baillie Gifford & Co	14.22%
Vanguard Group Inc.	9.76%
BlackRock Inc.	9.48%
JPMorgan Chase & Co.	5.05%
William Blair Inv. Man LLC.	4.09%
Wellington Management Group LLP	3.97%
Champlain Investment Partners LLC	3.95%
Clearbridge Investments LLC	3.25%
State Street Corporation	3.10%
Morgan Stanley	2.11%

Board of Directors

T. Amin (Chairman, CEO 2014–present) [Non-Indep.], Nom. & Gov. **T. Daniele** [Indep.], Audit & Risk. **L. Keith** [Indep.], Comp. **L. Cooks Levitan** [Indep.], Chair Comp. **K. Mitchell** [Indep.], Nom. & Gov. **B. Pritchard** [Indep.], Lead Indep. Dir., Audit & Risk. **G. Tait** [Indep.], Chair Audit & Risk. **M. Watson** [Indep.], Nom. & Gov. **M. Ferreras** [Indep.], Comp.

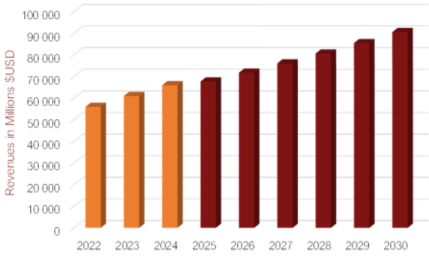
ESG Traffic Light	
LSEG ESG Score	**45**
E-Score	49
S-Score	50
G-Score	39
S&P Global ESG Score	**26**
Environmental	16
Social	28
Governance & Economic	33
Sustainalytics	**21.5**
ISS ESG Corporate Rating	**C-**
SDG Impact Rating	0.2
Governance Quality Score	7
MSCI ESG Ratings	**BBB**

For inquiries about this report, feel free to contact our team

CONTACT US

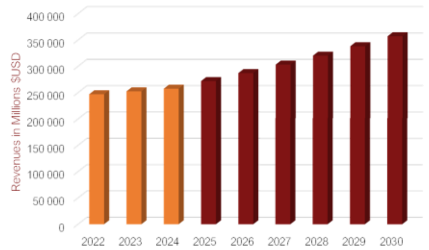
Industry Overview and Competitive Positioning

U.S. Beauty Industry Forecast



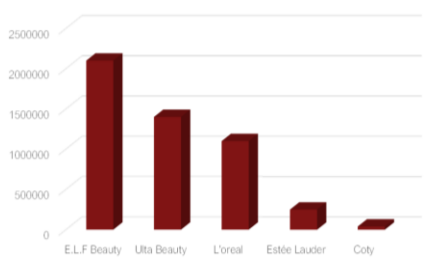
Source: Statista

Global Beauty Industry Forecast



Source: Statista

TikTok Follower Count



Source: Tiktok

Source: Google

The beauty industry is a rapidly growing segment of the consumer discretionary market, driven by changing consumer preferences, technological advancements, and evolving social trends. This segment serves diverse beauty needs across multiple price points, with products spanning makeup, skincare, tools, and fragrance categories. 78.3% (82.1% in females vs. 56.4% in males) reported at least one beauty product purchase in the past month. **U.S beauty industry** is expected to reach USD 90 Billion in revenues by 2030, with a **CAGR of 5.98%** while the **global beauty industry** is projected to reach revenues of USD 357 Billion by 2030, with a **CAGR of 5.6%.** Key drivers for the industry include the **rise in social media influence**, which, according to recent studies, directly **impacts 72% of beauty purchasing decisions** among consumers under 35. Emerging trends show consumers increasingly prioritizing **clean ingredients, sustainability, and inclusivity**. Demand is rising for cruelty-free and vegan formulations, supporting a shift toward ethical consumption. Additionally, the democratization of beauty through **affordable luxury brands** is enabling wider access to high-quality products across price tiers. Since the pandemic, the adoption of digital shopping experiences, including virtual try-on technology and social commerce, has transformed the beauty retail landscape, driving growth in direct-to-consumer sales. This reflects a shift toward omnichannel convenience, where technology enhances product discovery and purchase confidence. However, supply chain disruptions, ingredient cost inflation, and market saturation may temper industry growth over the next two years.

Competitive Analysis

e.l.f. Beauty operates in a highly competitive environment, with a core strength in delivering prestige-quality products at mass market prices. The company focuses on two primary segments: **cosmetics** (the main one) and **skincare** (the new growth segment).

Key competitors include legacy mass-market players like Maybelline (L'Oréal) and CoverGirl (Coty). Prestige beauty conglomerates including Estée Lauder Companies and L'Oreal have also introduced lower-priced offerings to compete in the "masstige" segment where e.l.f. dominates.

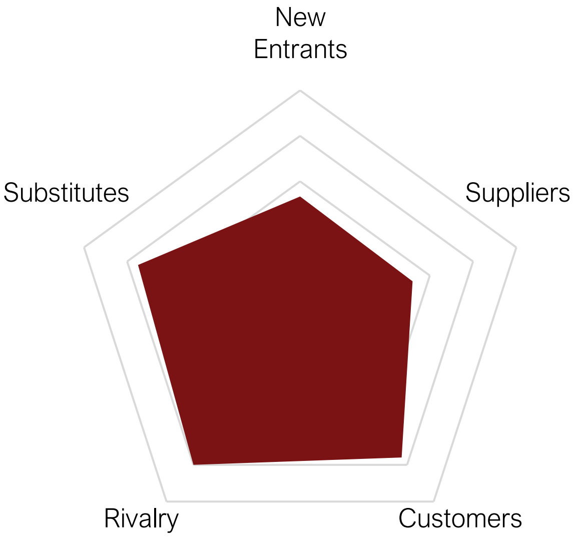
Economic Moat

e.l.f. Beauty has developed substantial competitive advantages that create meaningful barriers to entry in the crowded beauty market. The company's **digital-first approach** has established it as **the most viral beauty brand** in the mass market segment/ This social media dominance drives organic customer acquisition at minimal marketing cost while creating a **self-reinforcing cycle of brand awareness and loyalty**. The company further leverages this advantage through its direct-to-consumer platform, which now represents 35% of sales and is growing at **50% year-over-year**, significantly above the industry average of 20% e-commerce penetration.

e.l.f.'s operational model provides another layer of competitive protection through vertical integration that delivers industry-leading **71% gross margins**. This compares favorably to the **60% average** among mass market peers and stems from direct sourcing relationships and minimalist packaging strategies. The company demonstrates **remarkable agility in product development**, launching over 100 new SKUs annually compared to just 12-24 for traditional competitors, while maintaining an **asset-light business model** that requires only 3% of sales in capital expenditures versus 8% for larger players like L'Oréal.

The company has cultivated exceptional brand loyalty through its uncompromising commitment to **100% vegan and cruelty-free products**, which resonates strongly with the Gen Z demographic where 60% prioritize ethical consumption. This positioning, combined with consistent top-quartile rankings in consumer trust surveys, provides pricing power that allows e.l.f. to maintain its accessible **$6-20 price range** even as competitors face inflationary pressures. While the economic moat faces potential risks from private label competition and ingredient cost inflation, e.l.f.'s unique combination of digital scale, operational efficiency, and brand equity creates durable advantages that support its higher valuation compared to its peers.

Porter's Five Forces



Bargaining Power of Buyers – High

Millions of consumers purchase cosmetics daily, but individual transaction sizes are small, limiting customer influence on pricing or operations. Switching costs are low, as consumers aren't bound by contracts and can easily shift to alternatives. This is intensified by price sensitivity, with decisions often driven by discounts and promotions. Abundant online information enables consumers to compare offerings and prices, enhancing their ability to make informed choices. Brand loyalty is crucial but easily challenged by new trends and influencer marketing.

Bargaining Power of Suppliers – Moderately Low

Supplier power is generally limited by a broad and competitive supplier base. Most raw materials are readily available, allowing larger chains to negotiate favorable terms due to economies of scale. Brands such as e.l.f. Beauty, which focus on vegan and cruelty-free ingredients, face somewhat higher dependency on specific suppliers, slightly increasing supplier leverage. Most suppliers rely on long-term contracts and steady demand from major chains, preventing forward integration into direct retail and containing their overall influence.

Threat of New Entrants – Moderate

While digital platforms and contract manufacturing have lowered some barriers to entry, scaling a beauty brand to high level requires significant investment in brand-building, distribution, and regulatory compliance. Established players like e.l.f. benefit from strong brand recognition, economies of scale, and robust relationships with both online and brick-and-mortar retailers. New entrants face challenges in achieving similar reach and credibility, particularly in the clean and ethical beauty segment where consumer trust is paramount. Nonetheless, the industry's low switching costs and the viral potential of social media mean that innovative newcomers can still gain traction, keeping the threat of new entrants at a moderate level.

Threat of Substitutes – High

Consumers have a wide array of substitute options, ranging from other **affordable and premium cosmetics brands** to DIY and natural beauty solutions. The low price points and frequent product launches in the industry make it easy for consumers to experiment with new products or switch brands based on trends, recommendations, or perceived value. e.l.f.'s focus on vegan, cruelty-free, and sustainable products helps mitigate substitution risk, but does not eliminate it, as these attributes are increasingly adopted by competitors across the market.

Competitive Rivalry – Very High

Competitive intensity is extremely high in the cosmetics industry, with a **saturated market** featuring large, well-capitalized national and international players, as well as a constant influx of indie brands and celebrity lines. These players compete for market share through aggressive pricing, promotions, branding, and social media engagement. Products tend to overlap significantly, placing added importance on brand identity, service quality, and customer experience. The industry is further pressured by high marketing costs, which can compress margins and increase sensitivity to trend cycles. Innovation, operational efficiency, and customer loyalty are critical to maintaining profitability and long-term viability.

LIS | EQUITY RESEARCH

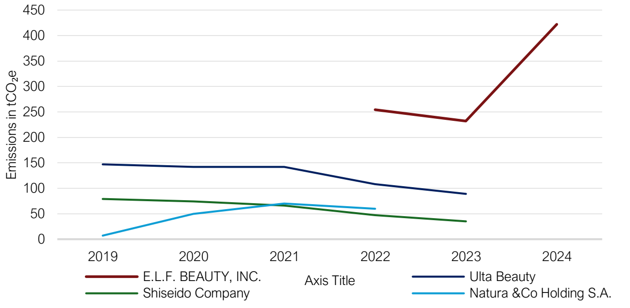
e.l.f. eyes.lips.face.

ESG Analysis

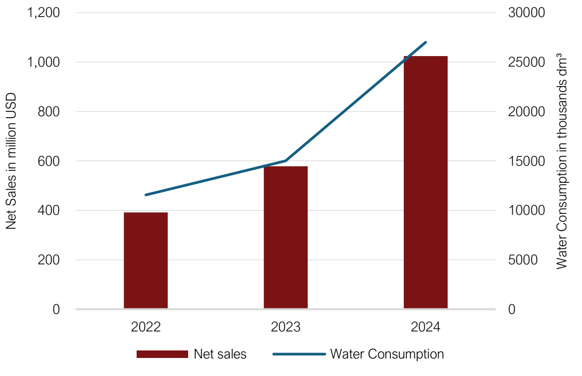
Environmental

E.L.F. Beauty Inc. has set a target to **reduce Scope 1 and 2 greenhouse gas emissions by 42% by 2030** (vs. 2022 baseline). The company operates with **100% renewable electricity** in all the offices and US retail distribution centre. It is making many progresses in water consumption and waste management as well. It has already eliminated over 2.5 million pounds of excess packaging and it plans on achieving a reduction of 20% in packaging intensity by 2030. However, the company only started reporting these values in 2022, meaning it can't be said there has been an evolution.

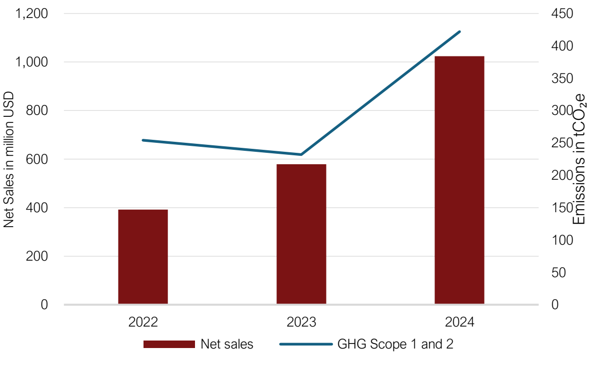
GHG Scope 1 and 2 Emissions



Water Consumption vs Net Sales



GHG Scope 1 and 2 Emissions vs Net Sales



Social

E.L.F. Beauty Inc. reveals a high percentage of overall **employee engagement** – 90%. It also stands out in the Discrimination area and involvement with communities, promoting diversity and inclusion through projects in different areas and partnerships and **donating 2% of prior year profits**. It is currently facing **allegations of securities' fraud and financial misreporting**, leaving some room for improvement in transparency when reporting.

Governance

On this front, the company is on the top regarding diversity, as it in 2024 was revealed it is **1 of only 4** US public companies with a board of directors made of at least 2/3 women and 1/3 diverse. Although there has been stability on the team and the % of independent directors is high (89%), some questions may rise about the **CEO/Chairman Duality**. E.L.F. can also improve its **time when reporting**, especially the Impact reports.

Director	Independent	Age	Years on Board
Tarang Amin — *Chairman*		59	10.4
Tiffany Daniele	Yes	42	2.2
Lori Keith	Yes	55	4
Lauren Cooks Levitan	Yes	58	7.9
Kenny Mitchell	Yes	48	3.7
Beth Pritchard — *Lead Independent Director*	Yes	77	6.7
Gayle Tait	Yes	47	1.7
Maureen Watson	Yes	56	8.9
Richard Wolford	Yes	79	9.9
Percentage/Average	89%	58	6.2

Peer Analysis and Relative Valuation

Peers	Ticker	Revenue Growth 2022-2023	Revenue Growth 2023-2024	EBITDA Margin 2023	EBITDA Margin 2024	Profit Margin 2022-2023	Profit Margin 2023-2024
E.L.F. BEAUTY, INC.	ELF	47.6%	76.9%	11.8%	14.6%	10.6%	12.5%
L'Oreal S.A.	OR	7.6%	5.6%	21.8%	22.2%	15.0%	17.6%
Estée Lauder Companies Inc.	EL	-10.3%	-1.9%	18.9%	18.4%	7.8%	6.0%
Coty Inc.	COTY	4.7%	10.2%	16.2%	17.3%	3.5%	1.6%
Ulta Beauty	ULTA	18.3%	9.8%	21.6%	20.3%	12.2%	11.6%
Shiseido Company	4911	-15.1%	-5.7%	11.6%	11.1%	2.9%	0.8%
Natura &Co Holding SA	NTCO3Q	-29.9%	12.9%	19.9%	15.9%	5.7%	2.3%
Average		3.3%	15.4%	17.4%	17.1%	8%	7%
Deviation from Average		-44.3%	-61.5%	5.6%	2.5%	2.4%	5.0%

E.L.F Beauty (ELF) demonstrates a **noticeable lead in terms of revenue growth** in the beauty industry having managed to **continuously gain market share** from the "big players", proving its expansion strength and showing no signs of stopping. The company showed a staggering **76.9% increase in revenues in 2024**, driven by affordable pricing, strong digital marketing, and successful product innovation. Although **gross margins are amazing (~71%),** we believe the company has still a **long room for improvement on the bottom-line** by becoming more cost efficient, which will gradually become more of a company's focus. EBITDA margins expanded to 14.6% in 2024 from 11.8% in 2023 but are still **below the peer average**. The **profit margin (12.5% in 2024)** shows a stronger view for E.L.F, only being matched by the giant L'Oréal (OR). This being said, along with E.L.F, L'Oréal (OR) and Ulta Beauty (ULTA) prove to be the stronger peers with higher margins and respectable revenue growth while Shiseido (SSDOY) is falling short of the competition with weaker margins and negative revenue growth. It is important to note that **Ulta Beauty is a major retailer of E.L.F's products**, meaning that **one's success influences the other** and both companies have been growing along in a very positive way.

Peers	Ticker	EV / Revenue 2023	EV / Revenue 2024	EV / EBITDA 2023	EV / EBITDA 2024	Price / Earnings 2023	Price / Earnings 2024
E.L.F. BEAUTY, INC.	ELF	6.65	3.76	56.56	25.73	61.30	29.52
L'Oreal S.A.	OR	4.98	4.71	22.85	21.26	32.43	31.30
Estée Lauder Companies Inc.	EL	1.89	1.92	9.98	10.46	17.58	23.47
Coty Inc.	COTY	1.42	1.29	8.81	7.46	21.20	41.75
Ulta Beauty	ULTA	1.85	1.68	8.54	8.28	14.19	13.62
Shiseido Company	4911	1.17	1.24	10.04	11.09	32.63	126.12
Natura &Co Holding SA	NTCO3Q	1.01	0.90	5.09	5.63	15.46	33.77
Average		2.71	2.22	17.41	12.85	27.83	42.79
Deviation from Average		3.94	1.55	39.15	12.88	33.47	-13.27

As expected given the explosive growth profile of E.L.F Beauty (ELF), there is a **bigger premium to be paid compared to its peers,** as the company poses higher valuation multiples than the industry's average. This comes as **no surprise** as we believe E.L.F is considered a **disruptor in this market** and as the stock has previously been trading at a much higher valuation before the tariff situation. It is important to note that **E.L.F's valuation has hugely adjusted itself from 2024 to 2023** because of the massive jump in revenues and margins despite the stock considerably moved to the upside. Currently, E.L.F has a **forward P/E ratio of 18.52** (as of May 2025) which seems really impressive giving the type of company it is. This reenforces our stance that **we are upon a good time to invest in this stock, taking in mind the business attraction on a fundamental basis**.

LISBON INVESTMENT SOCIETY | **EQUITY RESEARCH**

e.l.f. eyes.lips.face.

Valuation - FCFF

Elf Beauty's revenue is projected to experience significant growth over the next decade, driven by both **market expansion** and an **increase in market share**. The beauty industry is anticipated to grow at a steady rate, with a compound annual growth rate (CAGR) close to 6% (on average, based on Statista and Fortune Business Insights), and Elf Beauty is well-positioned to capitalize on this growth. Our conservative estimate is that Elf Beauty's market share is expected to double over the next 10 years, from 0.35% in 2024 to 0.58% in 2034 on a global scale. In the **US market**, the company's share is projected to increase from **1.32% in 2024 to 2% in 2034**. This growth will be supported by a strong focus on digital sales and strategic expansions, including a **robust online presence on social media** platforms such as TikTok, further solidifying its **brand name**.

Operating Assumptions		2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	
Global:															
Market Size (Fortune Business Insights)				335950	354,680	368,302	394,496	422,554	452,607	484,798	519,278	556,210	593,142	632,527	
Growth Rate					5.58%	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	7.11%	6.64%	6.64%	
Market Size (Statista)		*247,000*	*252,500*	*257,540*	271,962	287,192	303,275	320,258	338,193	357,132	377,131	398,250	420,552	444,103	
Growth Rate			*2.2%*	*2.0%*	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	
Average		247,000	252,500	296,745	313,321	327,747	348,886	371,406	395,400	420,965	448,204	477,230	506,847	538,315	
Average (%)					5.59%	6.12%	6.12%	6.12%	6.12%	6.12%	6.12%	6.36%	6.12%	6.12%	
Market Share		0.16%	0.23%	0.35%	0.42%	0.46%	0.48%	0.50%	0.52%	0.53%	0.54%	0.55%	0.55%	0.58%	
						Prediction of market share results									
US:															
Market Size (Fortune Business Insights)	Doesn't say nominal numbers, but growth is close				-	-	-	-	-	-	-	-	-	-	
Growth Rate						6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	
Market Size (Statista)		56,000	61,000	66,000	67,730	71,780	76,073	80,622	85,443	90,553	95,968	101,706	107,788	114,234	
Growth Rate			8.93%	8.20%	2.62%	5.98%	5.98%	5.98%	5.98%	5.98%	5.98%	5.98%	5.98%	5.98%	
Average					67,730	71,780	76,073	80,622	85,443	90,553	95,968	101,706	107,788	114,234	
Average (%)						6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
Market Share (US revenue only)		0.62%	0.83%	1.32%	1.64%	1.71%	1.77%	1.81%	1.85%	1.88%	1.91%	1.92%	1.94%	2.00%	
						Prediction of market share									
Global "Minus" US															
Market Size (based on averages)		191000	191500	191540	245,591	255,967	272,813	290,784	309,957	330,412	352,237	375,524	399,059	424,081	
Growth Rate			0.3%	0.0%	28.2%	4.2%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.3%	6.3%	
Market Share (non-US revenue only)		0.02%	0.04%	0.08%	0.08%	0.10%	0.12%	0.14%	0.15%	0.16%	0.17%	0.18%	0.18%	0.20%	
						Prediction of market share									
Weighted Average of expected revenue:					*$ 1,308.90*	*$ 1,496.45*	*$ 1,683.46*	*$ 1,867.75*	*$ 2,051.29*	*$ 2,235.86*	*$ 2,423.08*	*$ 2,614.42*	*$ 2,808.90*	*$ 3,132.85*	Prediction:
Current Average is:	US =	88.60%	87.55%	84.78%	1,110	1,228	1,345	1,463	1,582	1,704	1,828	1,957	2,090	2,285	72.93%
	Rest of the World =	11.40%	12.45%	15.22%	199	269	338	405	469	532	595	657	719	848	27.07%

E.L.F. rarely acquires new companies; instead, its **strong brand** presence on social media serves as the **primary driver of growth**. This approach positions the company not as a manufacturing giant seeking to acquire famous brands to boost sales, but as a **sales powerhouse** that capitalizes on its brand name to **market a wide array of products effectively**

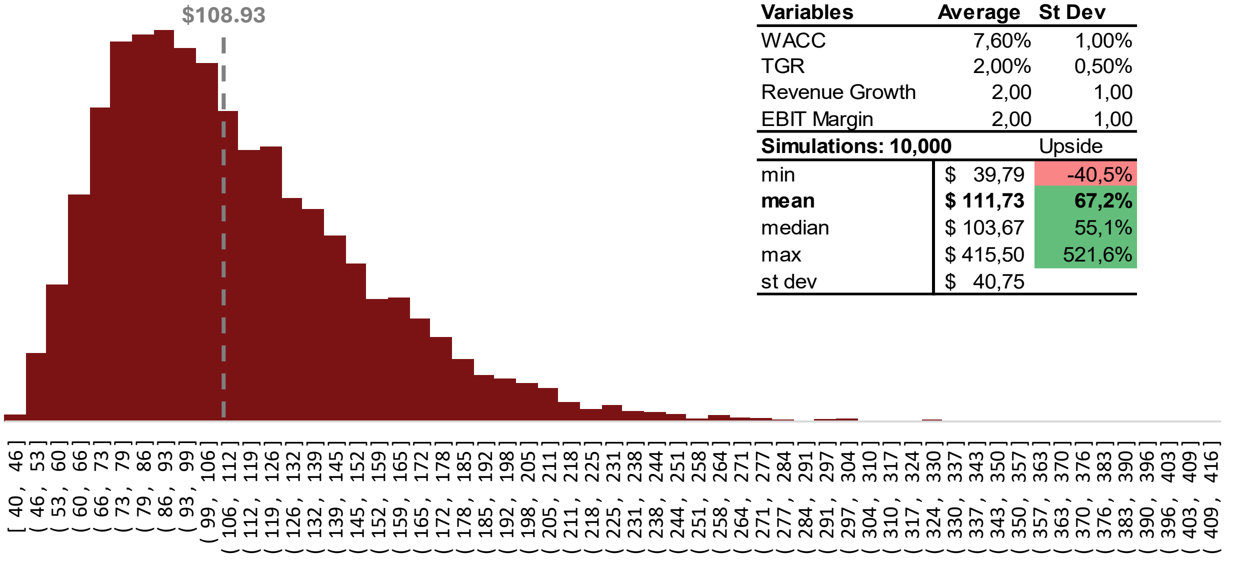
FCFF Valuation	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	79	132	174	207	237	235	261	287	313	357
% of revenue	*6.0%*	*8.8%*	*10.3%*	*11.1%*	*11.5%*	*10.5%*	*10.8%*	*11.0%*	*11.1%*	*11.4%*
NOPAT	72	120	156	186	212	210	233	255	277	312
Depreciation & Amortization	37	38	39	41	42	72	73	75	77	78
Stock Based Compensation	61	68	74	85	92	100	109	118	126	141
Changes in NWC	(153)	(0)	(23)	(45)	(26)	(35)	(38)	(35)	(38)	(60)
Net CapEx	(9)	(9)	(10)	(10)	(11)	(11)	(11)	(11)	(11)	(12)
FCFF	9	216	236	256	309	336	366	401	431	459
Present Value of FCFF	8	196	199	200	225	227	230	234	233	231

WACC	
Market Cap *(in millions)*	$ 3,788
% of Equity	92.88%
Cost of Equity	7.91%
Risk-Free Rate	4.50%
Unlevered Beta	0.75
Beta	0.805068392
Equity Risk Premium	4.24%
Unlevered Cost of Equity	7.69%
Debt *(in millions)*	291
% of Debt	7.12%
Cost of debt	4.83%
Tax Rate	9.32%
Total	4,079
WACC	**7.66%**

By adopting a free cash flow to firm DCF model, NOPAT is found assuming a fixed **effective tax rate converging to 12.5%**. For 2025, the free cash flow is expected to be lower than the year prior. Higher operational and product costs are expected to affect negatively the firm's profitability and cash generating capacity for 2025. Tariffs are the main driver, as **cost of goods sold** are expected to increase by 5 p.p. compared to previous year, but only **2.5 p.p.** compared to the average (converging to 30% in the long-run). Discount periods were defined by accounting for the stub period alongside the mid-year convention. The chosen **terminal growth rate is 2%**, as Elf Beauty is expected to **grow internationally**. The company is also not expected stabilize its growth by 2034. Those two factors combined justify the chosen perpetuity growth. The DCF model indicates Elf Beauty is currently very undervalued, with an expected **upside of 62.97%** and a **fair price of $108.93**. This upside is aligned with the trading multiples valuation.

Sensitivity Analysis

Assessing the sensitivity of the DCF model, we have ran **10,000 Monte-Carlo simulations** with a mean WACC of 7,60% with a standard deviation of 1%, alongside with a terminal growth rate of 2.00%, with 0.50% standard deviation. Also took into consideration Revenue Growth and EBIT margin ranging from our 3 different scenarios.The average price found with the simulations is **$111,73**, basically **on par with our target price**. That being said, the Monte-Carlo indicates a **big upside of 67.16%,** reenforcing our buy rating on this stock.



Variables	**Average**	**St Dev**
WACC	7,60%	1,00%
TGR	2,00%	0,50%
Revenue Growth	2,00	1,00
EBIT Margin	2,00	1,00
Simulations: 10,000		Upside
min	$ 39,79	-40,5%
mean	**$ 111,73**	**67,2%**
median	$ 103,67	55,1%
max	$ 415,50	521,6%
st dev	$ 40,75	

Investment Risks

The beauty industry is **intensely competitive**. e.l.f. competes against both large multinational brands with greater resources and fast-moving indie or influencer-led companies. These rivals may outpace e.l.f. in trends, shelf space, digital presence, or pricing power—forcing the brand to lower prices or lose market share. Expanding retail presence may also be difficult if shelf space is limited or retailers prioritize their own brands.

The company relies heavily on **third-party manufacturers**, primarily in **China**, making it vulnerable to geopolitical tensions, regulatory changes, supply chain disruptions and mainly **tariffs**. Inflation and rising costs for raw materials, packaging, and labor may pressure margins, especially given e.l.f.'s value-driven pricing strategy.

Brand reputation is also a critical risk. As a clean, vegan, and cruelty-free brand, any misstep in product integrity, sustainability claims, or influencer partnerships could harm consumer trust, particularly among its Gen Z core audience.

Additionally, e.l.f.'s fast-paced innovation cycle and digital-first approach carry execution risks. If new **product launches underperform** or **digital engagement declines**, sales growth could slow. Global expansion introduces further complexity, as the company must navigate new regulations and consumer behaviors.

Equity Research Team

This report was prepared by the Equity Research team at the Lisbon Investment Society. Our analysts combine rigorous financial modeling, critical thinking, and collaborative research to deliver high-quality, student-led investment analysis.
We welcome your feedback, discussion, and questions regarding this report or our research process. Feel free to reach out to our team, we're always open to engagement.


Miguel Wever
ER Team Leader


Mariana Gomes
ER Analyst


José Godinho
ER Analyst

CONTACT US

You can reach us at lis@iseg.ulisboa.pt
Subject line: *NYSE:ELF – Equity Research Inquiry*
Visit us at: www.lisiseg.com

Disclaimer

About the Lisbon Investment Society

The Lisbon Investment Society (LIS) is a non-profit academic association headquartered at ISEG – Lisbon School of Economics & Management. Founded in 2016, LIS is committed to fostering student interest in finance and investment through applied research, skill development, and institutional engagement.
The Society operates independently and autonomously from any political, religious, or commercial affiliation. It is composed of selected students and collaborators who are invited through a rigorous recruitment process and share a commitment to excellence, analytical rigor, and ethical standards. Its activities include equity research, portfolio management, macroeconomic analysis, and investment education.