

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission File No. 1-33145

**SALLY BEAUTY HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**3001 Colorado Boulevard**  
**Denton, Texas**  
(Address of principal executive offices)

**36-2257936**  
(I.R.S. Employer Identification No.)

**76210**  
(Zip Code)

**(940) 898-7500**  
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class  
Common Stock, \$0.01 par value

Trading Symbol  
SBH

Name of each exchange on which registered  
The New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                           |                                     |                         |                          |                       |                          |
|---------------------------|-------------------------------------|-------------------------|--------------------------|-----------------------|--------------------------|
| Large accelerated filer   | <input checked="" type="checkbox"/> | Accelerated filer       | <input type="checkbox"/> | Non-accelerated filer | <input type="checkbox"/> |
| Smaller reporting company | <input type="checkbox"/>            | Emerging growth company | <input type="checkbox"/> |                       |                          |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of common stock outstanding as of May 3, 2024: 103,514,140

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In this Quarterly Report, references to “the Company,” “Sally Beauty,” “our company,” “we,” “our,” “ours” and “us” refer to Sally Beauty Holdings, Inc. and its consolidated subsidiaries unless otherwise indicated or the context otherwise requires.

#### **CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

Statements in this Quarterly Report on Form 10-Q and in the documents incorporated by reference herein which are not purely historical facts or which depend upon future events may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “target,” “can,” “could,” “may,” “should,” “will,” “would” or similar expressions may also identify such forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements as such statements speak only as of the date they were made and involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements. The most important factors which could cause our actual results to differ from our forward-looking statements are set forth in our description of risk factors in Item 1A contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, which should be read in conjunction with the forward-looking statements in this report. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.

The events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. As a result, our actual results may differ materially from the results contemplated by these forward-looking statements.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

SALLY BEAUTY HOLDINGS, INC. AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets  
(In thousands, except par value data)

|   | March 31,<br>2024<br>(Unaudited) | September 30,<br>2023 |
|---|----------------------------------|-----------------------|
| <b>Assets</b>   |                                  |                       |
| Current assets:   |                                  |                       |
| Cash and cash equivalents   | \$ 97,174                        | \$ 123,001            |
| Trade accounts receivable, net  | 34,693                           | 33,421                |
| Accounts receivable, other  | 52,868                           | 42,454                |
| Inventory   | 1,039,752                        | 975,218               |
| Other current assets  | 55,836                           | 53,903                |
| Total current assets  | 1,280,323                        | 1,227,997             |
| Property and equipment, net of accumulated depreciation of \$833,581 at March 31, 2024, and \$780,212 at September 30, 2023   | 273,175                          | 297,779               |
| Operating lease assets  | 562,770                          | 570,657               |
| Goodwill  | 534,494                          | 533,081               |
| Intangible assets, excluding goodwill, net of accumulated amortization of \$31,821 at March 31, 2024, and \$30,587 at September 30, 2023                                    | 54,088                           | 55,171                |
| Other assets  | 41,692                           | 40,565                |
| Total assets  | <u>\$ 2,746,542</u>              | <u>\$ 2,725,250</u>   |
| <b>Liabilities and Stockholders' Equity</b>   |                                  |                       |
| Current liabilities:  |                                  |                       |
| Current maturities of long-term debt  | \$ 66,164                        | \$ 4,173              |
| Accounts payable  | 289,606                          | 258,884               |
| Accrued liabilities   | 150,002                          | 163,366               |
| Current operating lease liabilities   | 137,631                          | 150,479               |
| Income taxes payable  | 366                              | 2,355                 |
| Total current liabilities   | 643,769                          | 579,257               |
| Long-term debt  | 978,360                          | 1,065,811             |
| Long-term operating lease liabilities   | 458,030                          | 455,071               |
| Other liabilities   | 21,626                           | 23,139                |
| Deferred income tax liabilities, net  | 93,907                           | 93,224                |
| Total liabilities   | 2,195,692                        | 2,216,502             |
| Stockholders' equity:   |                                  |                       |
| Common stock, \$0.01 par value. Authorized 500,000 shares; 103,514 and 106,266 shares issued and shares outstanding at March 31, 2024, and September 30, 2023, respectively | 1,035                            | 1,063                 |
| Preferred stock, \$0.01 par value. Authorized 50,000 shares; none issued  | —                                | —                     |
| Additional paid-in capital  | —                                | 5,677                 |
| Accumulated earnings  | 666,647                          | 624,772               |
| Accumulated other comprehensive loss, net of tax  | (116,832)                        | (122,764)             |
| Total stockholders' equity  | 550,850                          | 508,748               |
| Total liabilities and stockholders' equity  | <u>\$ 2,746,542</u>              | <u>\$ 2,725,250</u>   |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SALLY BEAUTY HOLDINGS, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Earnings

(In thousands, except per share data)

(Unaudited)

|  | Three Months Ended<br>March 31, |            | Six Months Ended<br>March 31, |              |
|--|---------------------------------|------------|-------------------------------|--------------|
|  | 2024                            | 2023       | 2024                          | 2023         |
| Net sales                                    | \$ 908,361                      | \$ 918,712 | \$ 1,839,663                  | \$ 1,875,767 |
| Cost of goods sold                           | 445,289                         | 450,373    | 909,415                       | 918,854      |
| Gross profit                                 | 463,072                         | 468,339    | 930,248                       | 956,913      |
| Selling, general and administrative expenses | 403,435                         | 389,657    | 801,573                       | 781,237      |
| Restructuring                                | 63                              | 7,274      | (22)                          | 17,680       |
| Operating earnings                           | 59,574                          | 71,408     | 128,697                       | 157,996      |
| Interest expense                             | 20,523                          | 16,685     | 37,837                        | 34,608       |
| Earnings before provision for income taxes   | 39,051                          | 54,723     | 90,860                        | 123,388      |
| Provision for income taxes                   | 9,807                           | 13,862     | 23,226                        | 32,190       |
| Net earnings                                 | \$ 29,244                       | \$ 40,861  | \$ 67,634                     | \$ 91,198    |
| Earnings per share:                          |                                 |            |                               |              |
| Basic  | \$ 0.28                         | \$ 0.38    | \$ 0.64                       | \$ 0.85      |
| Diluted                                      | \$ 0.27                         | \$ 0.37    | \$ 0.63                       | \$ 0.83      |
| Weighted-average shares:                     |                                 |            |                               |              |
| Basic  | 104,276                         | 107,453    | 105,117                       | 107,294      |
| Diluted                                      | 107,080                         | 109,706    | 107,881                       | 109,499      |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SALLY BEAUTY HOLDINGS, INC. AND SUBSIDIARIES**  
Condensed Consolidated Statements of Comprehensive Income  
(In thousands)  
(Unaudited)

|   | Three Months Ended<br>March 31, |                  | Six Months Ended<br>March 31, |                   |
|---|---------------------------------|------------------|-------------------------------|-------------------|
|   | 2024                            | 2023             | 2024                          | 2023              |
| Net earnings                                  | \$ 29,244                       | \$ 40,861        | \$ 67,634                     | \$ 91,198         |
| Other comprehensive income (loss):            |                                 |                  |                               |                   |
| Foreign currency translation adjustments      | (6,928)                         | 9,445            | 7,449                         | 35,386            |
| Interest rate swap, net of tax                | 1,584                           | —                | (1,504)                       | —                 |
| Interest rate caps, net of tax                | —                               | (2,163)          | —                             | (1,960)           |
| Foreign exchange contracts, net of tax        | 468                             | (1,017)          | (13)                          | (1,927)           |
| Other comprehensive income (loss), net of tax | (4,876)                         | 6,265            | 5,932                         | 31,499            |
| Total comprehensive income                    | <u>\$ 24,368</u>                | <u>\$ 47,126</u> | <u>\$ 73,566</u>              | <u>\$ 122,697</u> |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SALLY BEAUTY HOLDINGS, INC. AND SUBSIDIARIES**  
Condensed Consolidated Statements of Stockholders' Equity  
(In thousands)  
(Unaudited)

|   | Common Stock   |                 | Additional<br>Paid-in<br>Capital | Accumulated<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Stockholders'<br>Equity |
|---|----------------|-----------------|----------------------------------|-------------------------|---|----------------------------------|
|   | Shares         | Amount          |                                  |                         |   |                                  |
| <b>Balance at September 30, 2023</b>                            | <b>106,266</b> | <b>\$ 1,063</b> | <b>\$ 5,677</b>                  | <b>\$ 624,772</b>       | <b>\$ (122,764)</b>                           | <b>\$ 508,748</b>                |
| Net earnings  | —              | —               | —                                | 38,390                  | —   | 38,390                           |
| Other comprehensive income                                      | —              | —               | —                                | —                       | 10,808  | 10,808                           |
| Share-based compensation  | —              | —               | 5,118                            | —                       | —   | 5,118                            |
| Stock issued for equity awards                                  | 722            | 7               | 209                              | —                       | —   | 216                              |
| Employee withholding taxes paid related to net share settlement | (192)          | (2)             | (1,738)                          | —                       | —   | (1,740)                          |
| Repurchases and cancellations of common stock                   | (1,939)        | (19)            | (9,266)                          | (10,915)                | —   | (20,200)                         |
| <b>Balance at December 31, 2023</b>                             | <b>104,857</b> | <b>\$ 1,049</b> | <b>\$ —</b>                      | <b>\$ 652,247</b>       | <b>\$ (111,956)</b>                           | <b>\$ 541,340</b>                |
| Net earnings  | —              | —               | —                                | 29,244                  | —   | 29,244                           |
| Other comprehensive loss  | —              | —               | —                                | —                       | (4,876)                                       | (4,876)                          |
| Share-based compensation  | —              | —               | 3,964                            | —                       | —   | 3,964                            |
| Stock issued for equity awards                                  | 184            | 2               | 1,396                            | —                       | —   | 1,398                            |
| Employee withholding taxes paid related to net share settlement | (1)            | (1)             | (19)                             | —                       | —   | (20)                             |
| Repurchases and cancellations of common stock                   | (1,526)        | (15)            | (5,341)                          | (14,844)                | —   | (20,200)                         |
| <b>Balance at March 31, 2024</b>                                | <b>103,514</b> | <b>\$ 1,035</b> | <b>\$ —</b>                      | <b>\$ 666,647</b>       | <b>\$ (116,832)</b>                           | <b>\$ 550,850</b>                |

  

|   | Common Stock   |                 | Additional<br>Paid-in<br>Capital | Accumulated<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Stockholders'<br>Equity |
|---|----------------|-----------------|----------------------------------|-------------------------|---|----------------------------------|
|   | Shares         | Amount          |                                  |                         |   |                                  |
| <b>Balance at September 30, 2022</b>                            | <b>106,970</b> | <b>\$ 1,070</b> | <b>\$ 4,241</b>                  | <b>\$ 440,172</b>       | <b>\$ (151,847)</b>                           | <b>\$ 293,636</b>                |
| Net earnings  | —              | —               | —                                | 50,337                  | —   | 50,337                           |
| Other comprehensive income                                      | —              | —               | —                                | —                       | 25,234  | 25,234                           |
| Share-based compensation  | —              | —               | 5,135                            | —                       | —   | 5,135                            |
| Stock issued for equity awards                                  | 404            | 4               | 78                               | —                       | —   | 82                               |
| Employee withholding taxes paid related to net share settlement | (90)           | (1)             | (1,125)                          | —                       | —   | (1,126)                          |
| <b>Balance at December 31, 2022</b>                             | <b>107,284</b> | <b>\$ 1,073</b> | <b>\$ 8,329</b>                  | <b>\$ 490,509</b>       | <b>\$ (126,613)</b>                           | <b>\$ 373,298</b>                |
| Net earnings  | —              | —               | —                                | 40,861                  | —   | 40,861                           |
| Other comprehensive income                                      | —              | —               | —                                | —                       | 6,265   | 6,265                            |
| Share-based compensation  | —              | —               | 3,838                            | —                       | —   | 3,838                            |
| Stock issued for equity awards                                  | 266            | 3               | 1,638                            | —                       | —   | 1,641                            |
| Employee withholding taxes paid related to net share settlement | (1)            | —               | (15)                             | —                       | —   | (15)                             |
| <b>Balance at March 31, 2023</b>                                | <b>107,549</b> | <b>\$ 1,076</b> | <b>\$ 13,790</b>                 | <b>\$ 531,370</b>       | <b>\$ (120,348)</b>                           | <b>\$ 425,888</b>                |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SALLY BEAUTY HOLDINGS, INC. AND SUBSIDIARIES**  
Condensed Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)

|   | Six Months Ended March 31, |                  |
|---|----------------------------|------------------|
|   | 2024                       | 2023             |
| <b>Cash Flows from Operating Activities:</b>  |                            |                  |
| Net earnings  | \$ 67,634                  | \$ 91,198        |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                            |                  |
| Depreciation and amortization   | 55,017                     | 50,347           |
| Share-based compensation expense  | 9,082                      | 8,973            |
| Amortization of deferred financing costs  | 1,272                      | 1,311            |
| Loss on early extinguishment of debt  | 2,037                      | 601              |
| Impairment of long-lived assets, including operating lease assets                   | —                          | 1,765            |
| Loss on disposal of equipment and other property                                    | 3                          | 2                |
| Deferred income taxes   | 171                        | 862              |
| Changes in (exclusive of effects of acquisitions):                                  |                            |                  |
| Trade accounts receivable   | (1,054)                    | 4,632            |
| Accounts receivable, other  | (10,141)                   | (5,805)          |
| Inventory   | (59,741)                   | (68,355)         |
| Other current assets  | (1,412)                    | 6,053            |
| Other assets  | (1,792)                    | 2,201            |
| Operating leases, net   | (2,072)                    | (14,286)         |
| Accounts payable and accrued liabilities  | 32,314                     | 108              |
| Income taxes payable  | (1,842)                    | 434              |
| Other liabilities   | (1,516)                    | (393)            |
| Net cash provided by operating activities   | <u>87,960</u>              | <u>79,648</u>    |
| <b>Cash Flows from Investing Activities:</b>  |                            |                  |
| Payments for property and equipment, net of proceeds                                | (44,659)                   | (42,181)         |
| Acquisitions, net of cash acquired  | (218)                      | —                |
| Net cash used by investing activities   | <u>(44,877)</u>            | <u>(42,181)</u>  |
| <b>Cash Flows from Financing Activities:</b>  |                            |                  |
| Proceeds from issuance of long-term debt  | 1,056,000                  | 853,000          |
| Repayments of long-term debt  | (1,076,054)                | (898,093)        |
| Debt issuance costs   | (8,332)                    | (4,726)          |
| Proceeds from equity awards   | 1,614                      | 1,723            |
| Payments for common stock repurchased   | (40,400)                   | —                |
| Employee withholding taxes paid related to net share settlement of equity awards    | (1,760)                    | (1,141)          |
| Net cash used by financing activities   | <u>(68,932)</u>            | <u>(49,237)</u>  |
| Effect of foreign exchange rate changes on cash and cash equivalents                | 22                         | 2,832            |
| Net decrease in cash and cash equivalents   | <u>(25,827)</u>            | <u>(8,938)</u>   |
| Cash and cash equivalents, beginning of period                                      | 123,001                    | 70,558           |
| Cash and cash equivalents, end of period  | <u>\$ 97,174</u>           | <u>\$ 61,620</u> |
| <b>Supplemental Cash Flow Information:</b>  |                            |                  |
| Interest paid   | \$ 48,253                  | \$ 35,191        |
| Income taxes paid   | \$ 32,007                  | \$ 32,077        |
| Capital expenditures incurred but not paid  | \$ 16,992                  | \$ 5,466         |

The accompanying notes are an integral part of these condensed consolidated financial statements.



**Sally Beauty Holdings, Inc. and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

**1. Significant Accounting Policies**

**Basis of Presentation**

The unaudited condensed consolidated interim financial statements of Sally Beauty Holdings, Inc. and its subsidiaries included herein have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and pursuant to the rules and regulations of the SEC. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC, although we believe that the disclosures included herein are adequate for the interim period presented. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments that are of a normal recurring nature and which are necessary to present fairly our consolidated financial position as of March 31, 2024, and September 30, 2023, our consolidated results of operations, consolidated comprehensive income and consolidated statements of stockholders’ equity for the three and six months ended March 31, 2024 and 2023, and consolidated cash flows for the six months ended March 31, 2024 and 2023.

**Principles of Consolidation**

The unaudited condensed consolidated interim financial statements include all accounts of Sally Beauty Holdings, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. All amounts are in U.S. Dollars.

**Accounting Policies**

We adhere to the same accounting policies in the preparation of our condensed consolidated interim financial statements as we do in the preparation of our full year consolidated financial statements. As permitted under GAAP, interim accounting for certain expenses, including income taxes, is based on full-year assumptions. For interim financial reporting purposes, income taxes are recorded based upon our estimated annual effective income tax.

**Use of Estimates**

In order to present our financial statements in conformity with GAAP, we are required to make certain estimates and assumptions that impact our interim financial statements and supplementary disclosures. These estimates may use forecasted financial information based on reasonable information available, however are subject to change in the future. Significant estimates and assumptions are part of our accounting for sales allowances, deferred revenue, valuation of inventory, amortization and depreciation, intangibles and goodwill, and other reserves. We believe these estimates and assumptions are reasonable; however, they are based on management’s current knowledge of events and actions, and changes in facts and circumstances may result in revised estimates and impact actual results.

**2. Recent Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board (“FASB”) issued accounting standards update (“ASU”) No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to enhance segment disclosures for annual and interim consolidated financial statements, including significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”). For public companies, the amendments in the update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of this update, but do not expect the update to impact our consolidated results of operations or financial position.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to expand disclosures in an entity’s income tax rate reconciliation table and the disaggregation of taxes paid in U.S. and foreign jurisdictions. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of this update, but do not expect the update to impact our consolidated results of operations or financial position.

### 3. Revenue Recognition

Substantially all of our revenue is derived through the sale of merchandise at the point-of-sale. Revenue is recognized net of estimated sales returns and sales taxes. We estimate sales returns based on historical data. Changes to our contract liabilities, which are included in accrued liabilities in our condensed consolidated balance sheets, for the periods were as follows (in thousands):

|  | Six Months Ended March 31, |           |
|--|----------------------------|-----------|
|  | 2024                       | 2023      |
| Beginning Balance  | \$ 14,038                  | \$ 13,460 |
| Loyalty points and gift cards issued but not redeemed, net of estimated breakage | 8,700                      | 9,327     |
| Revenue recognized from beginning liability                                      | (9,997)                    | (8,370)   |
| Ending Balance   | \$ 12,741                  | \$ 14,417 |

See Note 11, *Segment Reporting*, for additional information regarding the disaggregation of our sales revenue.

### 4. Fair Value Measurements

We measure on a recurring basis and disclose the fair value of our financial instruments under the provisions of ASC Topic 820, Fair Value Measurement, as amended ("ASC 820"). We define "fair value" as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level hierarchy for measuring fair value and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. This valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date.

The three levels of that hierarchy are defined as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities;

Level 2 - Pricing inputs are other than quoted prices in active markets, included in Level 1, that are either directly or indirectly observable; and

Level 3 - Unobservable pricing inputs in which little or no market activity exists, therefore requiring an entity to develop its own model with estimates and assumptions.

*Financial instruments measured at fair value on recurring basis*

Consistent with the fair value hierarchy, we categorized our financial assets and liabilities as follow:

| (in thousands)                  | Classification       | Fair Value Hierarchy Level | March 31,<br>2024 | September 30,<br>2023 |
|---------------------------------|----------------------|----------------------------|-------------------|-----------------------|
| <b>Financial Assets:</b>        |                      |                            |                   |                       |
| Foreign exchange contracts      |                      |                            |                   |                       |
| Non-designated cash flow hedges | Other current assets | Level 2                    | \$ 483            | \$ 1,160              |
| Interest rate swap              | Other assets         | Level 2                    | 2,920             | 4,668                 |
| Total assets                    |                      |                            | \$ 3,403          | \$ 5,828              |
| <b>Financial Liabilities:</b>   |                      |                            |                   |                       |
| Foreign exchange contracts      |                      |                            |                   |                       |
| Designated cash flow hedges     | Accrued liabilities  | Level 2                    | \$ 1,301          | \$ —                  |
| Non-designated cash flow hedges | Accrued liabilities  | Level 2                    | 685               | 397                   |
| Total liabilities               |                      |                            | \$ 1,986          | \$ 397                |

The fair value of each asset and liability were measured using widely accepted valuation techniques, such as discounted cash flow analyses and observable inputs, such as market interest rates and foreign exchange rates.

#### Other fair value disclosures

The carrying amounts of cash equivalents, trade and other accounts receivable, and accounts payable and borrowing under our ABL facility approximate their respective fair values due to the short-term nature of these financial instruments. Carrying amounts and the related estimated fair value of our long-term debt, excluding finance lease obligations, debt issuance costs and original issue discounts, are as follows:

| (in thousands)                                      | Fair Value Hierarchy Level | March 31, 2024    |                   | September 30, 2023  |                     |
|---|----------------------------|-------------------|-------------------|---------------------|---------------------|
|   |                            | Carrying Value    | Fair Value        | Carrying Value      | Fair Value          |
| Long-term debt, excluding finance lease obligations |                            |                   |                   |                     |                     |
| Senior notes  | Level 1                    | \$ 600,000        | \$ 593,250        | \$ 679,961          | \$ 662,962          |
| Term loan B due 2030                                | Level 2                    | 396,000           | 395,505           | 398,000             | 398,000             |
| Total long-term debt                                |                            | <u>\$ 996,000</u> | <u>\$ 988,755</u> | <u>\$ 1,077,961</u> | <u>\$ 1,060,962</u> |

The fair values of our term loans were measured using quoted market prices for similar debt securities in active markets or widely accepted valuation techniques, such as discounted cash flow analyses, using observable inputs, such as market interest rates.

#### 5. Stockholders' Equity

##### Share Repurchases

In August 2017, our Board of Directors ("Board") approved a share repurchase program authorizing us to repurchase up to \$1.0 billion of our common stock, subject to certain limitations governed by our debt agreements. In July 2021, our Board approved a term extension of our share repurchase program to September 30, 2025. As of March 31, 2024, we had approximately \$540.8 million of additional share repurchase authorizations remaining under our share repurchase program. For the three and six months ended March 31, 2024, we repurchased 1.5 million and 3.5 million shares of our common stock at a total cost of \$20.0 million and \$40.0 million, respectively, excluding the impact of excise taxes. For the three and six months ended March 31, 2023, we did not repurchase shares under our share repurchase program.

##### Accumulated Other Comprehensive Loss

The change in accumulated other comprehensive loss ("AOCL") was as follows (in thousands):

|   | Foreign Currency Translation Adjustments | Interest Rate Swap | Foreign Exchange Contracts | Total               |
|---|--|--------------------|----------------------------|---------------------|
| Balance at September 30, 2023   | \$ (124,846)                             | \$ 3,716           | \$ (1,634)                 | \$ (122,764)        |
| Other comprehensive income (loss) before reclassification, net of tax | 7,449                                    | 152                | (2,042)                    | 5,559               |
| Reclassification to net earnings, net of tax                          | —  | (1,656)            | 2,029                      | 373                 |
| Balance at March 31, 2024   | <u>\$ (117,397)</u>                      | <u>\$ 2,212</u>    | <u>\$ (1,647)</u>          | <u>\$ (116,832)</u> |

The tax impact for the changes in other comprehensive income (loss) and the reclassifications to net earnings was not material.

#### 6. Weighted-Average Shares

The following table sets forth the reconciliation of basic and diluted weighted-average shares (in thousands):

|   | Three Months Ended March 31, |                | Six Months Ended March 31, |                |
|---|------------------------------|----------------|----------------------------|----------------|
|   | 2024                         | 2023           | 2024                       | 2023           |
| Weighted-average basic shares   | 104,276                      | 107,453        | 105,117                    | 107,294        |
| Dilutive securities:  |                              |                |                            |                |
| Stock option and stock award programs                                 | 2,804                        | 2,253          | 2,764                      | 2,205          |
| Weighted-average diluted shares                                       | <u>107,080</u>               | <u>109,706</u> | <u>107,881</u>             | <u>109,499</u> |
| Anti-dilutive options excluded from our computation of diluted shares | 1,733                        | 1,964          | 1,754                      | 1,964          |

## 7. Goodwill and Intangible Assets

During the three months ended March 31, 2024, we completed our annual assessments for impairment of goodwill and indefinite-lived intangible assets. For our goodwill testing, we performed a qualitative analysis and determined that there was no indication of impairment requiring further quantitative testing. No material impairment losses were recognized in the current or prior periods presented in connection with our goodwill and intangible assets.

At September 30, 2023, we determined that due to the recent decline in the Company's share price and market capitalization, among other factors, a quantitative assessment was required. Based on our September 30, 2023, quantitative assessment using a discounted cash flow, we estimated the fair value for our BSG reporting unit to be approximately 18% more than its carrying value. The critical assumptions used as part of our evaluation included a projected long-term revenue growth rate of 2.0% and a discount rate of 11.25%, based on a weighted-average cost of capital analysis (adjusted for company specific risk). Our September 30, 2023, quantitative assessment indicated that the fair value of our SBS segment was substantially higher than its carrying value. Goodwill allocated to our SBS and BSG reporting units, which are also defined as our SBS and BSG segment, was \$84.9 million and \$449.6 million, respectively, as of March 31, 2024.

| (in thousands)                         | Three Months Ended<br>March 31, |        | Six Months Ended<br>March 31, |          |
|--|---------------------------------|--------|-------------------------------|----------|
|  | 2024                            | 2023   | 2024                          | 2023     |
| Intangible assets amortization expense | \$ 791                          | \$ 866 | \$ 1,651                      | \$ 1,875 |

For the six months ended March 31, 2024, changes in goodwill reflects the effects of foreign currency exchange rates of \$1.8 million and adjustments of \$0.4 million from the completion of our Goldwell of NY, Inc. acquisition fair value assessment. Additionally, the changes to other intangibles included effects of foreign currency exchange rates of \$0.8 million.

## 8. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

|                              | March 31,<br>2024 | September 30,<br>2023 |
|------------------------------|-------------------|-----------------------|
| Compensation and benefits    | \$ 63,758         | \$ 69,915             |
| Deferred revenue             | 17,874            | 18,259                |
| Rental obligations           | 10,677            | 11,266                |
| Insurance reserves           | 6,931             | 6,656                 |
| Interest payable             | 4,758             | 13,447                |
| Property and other taxes     | 1,379             | 2,617                 |
| Operating accruals and other | 44,625            | 41,206                |
| Total accrued liabilities    | \$ 150,002        | \$ 163,366            |

## 9. Short-term and Long-term Debt

At March 31, 2024, our ABL facility had \$62.0 million in outstanding borrowings and \$420.6 million available for borrowing, including the Canadian sub-facility, subject to borrowing base limitation, as reduced by outstanding letters of credit.

On February 12, 2024, we announced a registered public offering of 6.75% senior notes due 2032 ("2032 Senior Notes"). This offering was made pursuant to a shelf registration statement on Form S-3 filed with the SEC on May 10, 2021. On February 27, 2024, we closed on the 2032 Senior Notes and received \$594.0 million in cash proceeds net of underwriter fees. The proceeds were used to repay the outstanding \$680.0 million principal balance on the 5.625% Senior Notes due 2025 (the "2025 Senior Notes"). The 2032 Senior Notes were issued at par and bear interest at a fixed interest rate of 6.75%. Interest is paid semi-annually during our second and fourth fiscal quarters. The 2032 Senior Notes are guaranteed on a senior secured basis by the guarantors who have guaranteed obligations under our senior secured credit facilities and our existing notes. In connection with the issuance, we incurred approximately \$8.8 million in debt issuance costs that is being amortized using the effective interest rate method through the life of the notes.

Additionally on February 12, 2024, we issued a notice to redeem the entire \$680.0 million aggregate outstanding principal amount of the 2025 Senior Notes that remained outstanding on March 13, 2024, at a redemption price equal to 100.00% of the principal amount of the 2025 Senior Notes, plus accrued and unpaid interest to, but not including, the redemption date. On March 13, 2024, we redeemed the 2025 Senior Notes with the proceeds of our newly-issued 2032 Senior Notes, cash on hand prior to the new 2032 Senior Notes, and ABL borrowings. In connection with this redemption, we recognized a \$2.0 million loss on the extinguishment of debt within interest expense related to unamortized debt issuance costs.

## 10. Derivative Instruments and Hedging Activities

During the six months ended March 31, 2024, we did not purchase or hold any derivative instruments for trading or speculative purposes. See Note 4, *Fair Value Measurements*, for the classification and fair value of our derivative instruments.

### Designated Cash Flow Hedges

#### *Foreign Currency Forwards*

We regularly enter into foreign currency forwards to mitigate our exposure to exchange rate changes on forecasted inventory purchases in U.S. dollars by our foreign subsidiaries. At March 31, 2024, we held forwards, which expire ratably through September 30, 2024, with a notional amount, based upon exchange rates at March 31, 2024, as follows (in thousands):

| <u>Notional Currency</u> | <u>Notional Amount</u> |
|--------------------------|------------------------|
| Mexican Peso             | \$ 11,490              |
| Euro                     | 5,597                  |
| Canadian Dollar          | 5,505                  |
| Total                    | \$ 22,592              |

Quarterly, the changes in fair value related to these foreign currency forwards are recorded into AOCL. As the forwards are exercised, the realized value is recognized into cost of goods sold, based on inventory turns, in our condensed consolidated statements of earnings. For the three months ended March 31, 2024 and 2023, we recognized a loss of \$0.6 million and a loss of \$0.2 million, respectively. For the six months ended March 31, 2024 and 2023, we recognized a loss of \$2.0 million and a gain of \$0.1 million, respectively. Based on March 31, 2024, valuations and exchange rates, we expect to reclassify losses of approximately \$1.8 million out of AOCL and into cost of goods sold over the next 12 months.

#### *Interest Rate Swap*

In April 2023, we entered into a three-year interest rate swap with an initial notional amount of \$200 million (the "interest rate swap") to mitigate the exposure to higher interest rates in connection with our Term Loan B due in 2030. The interest rate swap involves fixed monthly payments at the contract rate of 3.705%, and in return, we will receive a floating interest payment based on the 1-month Adjusted Term SOFR Rate. The interest rate swap will mature in April 2026 and is designated as a cash flow hedge. Changes in the fair value of the interest rate swap are recorded quarterly, net of income tax, and included in AOCL.

For the three and six months ended March 31, 2024, we recognized income of \$0.8 million and \$1.7 million, respectively, into interest expense on our condensed consolidated statements of earnings related to the interest rate swap. At March 31, 2024, we expect to reclassify gains of approximately \$2.4 million out of AOCL and into interest expense over the next 12 months.

#### *Interest Rate Caps*

In July 2017, we purchased two interest rate caps with an initial aggregate notional amount of \$550 million (the "interest rate caps") to mitigate the exposure to higher interest rates in connection with our prior term loan due 2024. The interest rate caps were comprised of individual caplets and were designated as cash flow hedges. Accordingly, the changes in fair value of the interest rate caps were recorded quarterly, net of income tax, and included in AOCL. During fiscal year 2023, we early settled both interest rate caps due to the forecasted transactions being hedged no longer occurring as a result of the repayment of our prior term loan. The effects of our interest rate caps on our condensed consolidated statements of earnings were not material for the three months ended March 31, 2023. For the six months ended March 31, 2023, we recognized income of \$2.8 million into interest expense on our condensed consolidated statements of earnings related to the caps.

### Non-Designated Derivative Instruments

We also use foreign exchange contracts to mitigate our exposure to exchange rate changes in connection with certain intercompany balances not permanently invested. At March 31, 2024, we held forwards, which settle on various dates in the first month of the next two fiscal quarters, with a notional amount, based upon exchange rates at March 31, 2024, as follows (in thousands):

| <u>Notional Currency</u> | <u>Notional Amount</u> |
|--------------------------|------------------------|
| British Pound            | \$ 44,761              |
| Mexican Peso             | 22,547                 |
| Euro                     | 20,928                 |
| Canadian Dollar          | 17,009                 |
| Total                    | \$ 105,245             |

We record changes in fair value and realized gains or losses related to these foreign currency forwards into selling, general and administrative expenses. For the three months ended March 31, 2024 and 2023, the effects of these foreign exchange contracts on our condensed consolidated financial statements were losses of \$0.3 million and losses of \$1.5 million, respectively. For the six months

ended March 31, 2024 and 2023, the effects of these foreign exchange contracts on our condensed consolidated financial statements were losses of \$1.6 million and losses of \$1.1 million, respectively.

## 11. Segment Reporting

Segment data for the three and six months ended March 31, 2024 and 2023, is as follows (in thousands):

|  | Three Months Ended<br>March 31, |                   | Six Months Ended<br>March 31, |                     |
|--|---------------------------------|-------------------|-------------------------------|---------------------|
|  | 2024                            | 2023              | 2024                          | 2023                |
| <b>Net sales:</b>                                  |                                 |                   |                               |                     |
| Sally Beauty Supply ("SBS")                        | \$ 513,241                      | \$ 530,246        | \$ 1,036,479                  | \$ 1,079,718        |
| Beauty Systems Group ("BSG")                       | 395,120                         | 388,466           | 803,184                       | 796,049             |
| Total  | <u>\$ 908,361</u>               | <u>\$ 918,712</u> | <u>\$ 1,839,663</u>           | <u>\$ 1,875,767</u> |
| <b>Earnings before provision for income taxes:</b> |                                 |                   |                               |                     |
| <b>Segment operating earnings:</b>                 |                                 |                   |                               |                     |
| SBS  | \$ 76,820                       | \$ 92,134         | \$ 154,449                    | \$ 191,308          |
| BSG  | 43,015                          | 37,260            | 87,642                        | 86,907              |
| Segment operating earnings                         | 119,835                         | 129,394           | 242,091                       | 278,215             |
| Unallocated expenses                               | 60,198                          | 50,712            | 113,416                       | 102,539             |
| Restructuring                                      | 63                              | 7,274             | (22)                          | 17,680              |
| Consolidated operating earnings                    | 59,574                          | 71,408            | 128,697                       | 157,996             |
| Interest expense                                   | 20,523                          | 16,685            | 37,837                        | 34,608              |
| Earnings before provision for income taxes         | <u>\$ 39,051</u>                | <u>\$ 54,723</u>  | <u>\$ 90,860</u>              | <u>\$ 123,388</u>   |

Sales between segments, which are eliminated in consolidation, were not material during the three and six months ended March 31, 2024 and 2023.

### Disaggregation of net sales by segment

Periodically, we make minor adjustments to our product hierarchy, that impacts the roll-up of our merchandise categories. As a result, certain prior year amounts have been reclassified to conform to current year presentation. The following tables disaggregate our segment revenues by merchandise category.

| SBS                        | Three Months Ended<br>March 31, |        | Six Months Ended<br>March 31, |        |
|----------------------------|---------------------------------|--------|-------------------------------|--------|
|                            | 2024                            | 2023   | 2024                          | 2023   |
| Hair color                 | 39.6%                           | 39.8%  | 39.2%                         | 39.2%  |
| Hair care                  | 25.2%                           | 24.3%  | 24.6%                         | 23.9%  |
| Styling tools and supplies | 17.0%                           | 17.9%  | 17.6%                         | 18.7%  |
| Nail                       | 9.9%                            | 10.0%  | 10.0%                         | 10.2%  |
| Skin and cosmetics         | 7.9%                            | 7.5%   | 8.0%                          | 7.4%   |
| Other beauty items         | 0.4%                            | 0.5%   | 0.6%                          | 0.6%   |
| Total                      | 100.0%                          | 100.0% | 100.0%                        | 100.0% |

| BSG                        | Three Months Ended<br>March 31, |        | Six Months Ended<br>March 31, |        |
|----------------------------|---------------------------------|--------|-------------------------------|--------|
|                            | 2024                            | 2023   | 2024                          | 2023   |
| Hair care                  | 41.8%                           | 42.0%  | 42.4%                         | 42.8%  |
| Hair color                 | 41.5%                           | 40.6%  | 40.4%                         | 39.4%  |
| Styling tools and supplies | 10.6%                           | 10.8%  | 10.7%                         | 10.8%  |
| Skin and cosmetics         | 3.5%                            | 3.7%   | 3.9%                          | 4.1%   |
| Nail                       | 2.3%                            | 2.7%   | 2.4%                          | 2.7%   |
| Other beauty items         | 0.3%                            | 0.2%   | 0.2%                          | 0.2%   |
| Total                      | 100.0%                          | 100.0% | 100.0%                        | 100.0% |

The following tables disaggregate our segment revenue by sales channels:

| SBS                     | Three Months Ended<br>March 31, |        | Six Months Ended<br>March 31, |        |
|-------------------------|---------------------------------|--------|-------------------------------|--------|
|                         | 2024                            | 2023   | 2024                          | 2023   |
| Company-operated stores | 93.4%                           | 93.6%  | 93.3%                         | 93.6%  |
| E-commerce              | 6.6%                            | 6.4%   | 6.7%                          | 6.4%   |
| Total                   | 100.0%                          | 100.0% | 100.0%                        | 100.0% |

| BSG                           | Three Months Ended<br>March 31, |        | Six Months Ended<br>March 31, |        |
|-------------------------------|---------------------------------|--------|-------------------------------|--------|
|                               | 2024                            | 2023   | 2024                          | 2023   |
| Company-operated stores       | 67.8%                           | 67.5%  | 68.2%                         | 66.9%  |
| E-commerce                    | 14.1%                           | 13.7%  | 13.9%                         | 13.7%  |
| Distributor sales consultants | 10.5%                           | 11.4%  | 10.6%                         | 12.0%  |
| Franchise stores              | 7.6%                            | 7.4%   | 7.3%                          | 7.4%   |
| Total                         | 100.0%                          | 100.0% | 100.0%                        | 100.0% |

## 12. Restructuring

Restructuring expenses, included in Cost of Goods Sold (“COGS”) and Restructuring for the three and six months ended March 31, 2024 and 2023, are as follows (in thousands):

|   | Three Months Ended<br>March 31, |            | Six Months Ended<br>March 31, |            |
|---|---------------------------------|------------|-------------------------------|------------|
|   | 2024                            | 2023       | 2024                          | 2023       |
| <b>Included in COGS</b> <sup>(a)</sup>                        |                                 |            |                               |            |
| Distribution Center Consolidation and Store Optimization Plan | \$ —                            | \$ (2,362) | \$ —                          | \$ (5,042) |
| <b>Included in Restructuring</b> <sup>(b)</sup>               |                                 |            |                               |            |
| Distribution Center Consolidation and Store Optimization Plan | \$ 63                           | \$ 7,274   | \$ (22)                       | \$ 17,680  |

(a) Amounts included in COGS relate to adjustments to our expected obsolescence reserve related to the Plan (as defined below).

(b) For the three and six months ended March 31, 2023, restructuring consisted of closing costs related to lease terminations and employee termination benefits. The six months ended March 31, 2023, also includes \$2.1 million in impairment charges.

### ***Distribution Center Consolidation and Store Optimization Plan***

In the fourth quarter of fiscal year 2022, our Board approved the Distribution Center Consolidation and Store Optimization Plan (“the Plan”) authorizing the closure of 330 SBS stores and 35 BSG stores, and the closure of two BSG distribution centers in Clackamas, Oregon and Pottsville, Pennsylvania. Stores identified for early closure were part of a strategic evaluation which included a market analysis of certain locations where we believed we would be able to recapture demand and improve profitability.

The Plan has been substantially completed, as the remaining two BSG stores were closed earlier this fiscal year. However, we may still incur future immaterial charges related to store closures such as exit costs, lease negotiation penalties and adjustments to estimates. As of March 31, 2024, there were no material outstanding liabilities for exit costs or involuntary employee termination benefits.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section discusses management's view of the financial condition, results of operations and cash flows of Sally Beauty for the periods covered by this Quarterly Report. This section should be read in conjunction with the information contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, including the Risk Factors sections therein, and information contained elsewhere in this Quarterly Report, including the condensed consolidated interim financial statements and notes to those financial statements.

### Financial Summary for the Three Months Ended March 31, 2024

- Consolidated net sales for the three months ended March 31, 2024, decreased \$10.4 million, or 1.1%, to \$908.4 million, compared to the three months ended March 31, 2023. Consolidated net sales included a net favorable impact from changes in foreign currency exchange rates of \$4.6 million;
- Consolidated comparable sales decreased 1.5% for the three months ended March 31, 2024;
- Consolidated gross profit for the three months ended March 31, 2024, decreased \$5.3 million, or 1.1%, to \$463.1 million, compared to the three months ended March 31, 2023. Consolidated gross margin remained unchanged at 51.0% for the three months ended March 31, 2024, compared to the three months ended March 31, 2023;
- Consolidated operating earnings for the three months ended March 31, 2024, decreased \$11.8 million, or 16.6%, to \$59.6 million, compared to the three months ended March 31, 2023. Operating margin decreased 120 bps to 6.6% for the three months ended March 31, 2024, compared to the three months ended March 31, 2023;
- For the three months ended March 31, 2024, our consolidated net earnings decreased \$11.6 million, or 28.4%, to \$29.2 million, compared to the three months ended March 31, 2023;
- For the three months ended March 31, 2024, our diluted earnings per share was \$0.27 compared to \$0.37 for the three months ended March 31, 2023;
- Cash provided by operations was \$36.9 million for the three months ended March 31, 2024, compared to \$24.7 million for the three months ended March 31, 2023; and
- During the quarter, we issued \$600.0 million in 2032 Senior Notes and used the proceeds, along with ABL borrowings and cash, to repay in full our \$680.0 million in 2025 Senior Notes.

### Comparable Sales

We believe that comparable sales is an appropriate performance indicator to measure our sales growth compared to the prior period. Our comparable sales include sales from stores that have been operating for 14 months or longer as of the last day of a month and from e-commerce revenue. Additionally, comparable sales include sales to franchisees and full service sales. Our comparable sales excludes the effect of changes in foreign exchange rates and sales from stores relocated until 14 months after the relocation. Revenue from acquired stores are excluded from our comparable sales calculation until 14 months after the acquisition. Our calculation of comparable sales might not be the same as other retailers as the calculation varies across the retail industry.

## Overview

### Key Operating Metrics

The following table sets forth, for the periods indicated, information concerning key measures we rely on to evaluate our operating performance (dollars in thousands):

|  | Three Months Ended March 31, |            |                     |         | Six Months Ended March 31, |              |                     |         |
|--|------------------------------|------------|---------------------|---------|----------------------------|--------------|---------------------|---------|
|  | 2024                         | 2023       | Increase (Decrease) |         | 2024                       | 2023         | Increase (Decrease) |         |
| <b>Net sales:</b>  |                              |            |                     |         |                            |              |                     |         |
| SBS  | \$ 513,241                   | \$ 530,246 | \$ (17,005)         | (3.2)%  | \$ 1,036,479               | \$ 1,079,718 | \$ (43,239)         | (4.0)%  |
| BSG  | 395,120                      | 388,466    | 6,654               | 1.7%    | 803,184                    | 796,049      | 7,135               | 0.9%    |
| Consolidated   | \$ 908,361                   | \$ 918,712 | \$ (10,351)         | (1.1)%  | \$ 1,839,663               | \$ 1,875,767 | \$ (36,104)         | (1.9)%  |
| <b>Gross profit:</b>   |                              |            |                     |         |                            |              |                     |         |
| SBS  | \$ 307,578                   | \$ 317,117 | \$ (9,539)          | (3.0)%  | \$ 614,138                 | \$ 640,592   | \$ (26,454)         | (4.1)%  |
| BSG  | 155,494                      | 151,222    | 4,272               | 2.8%    | 316,110                    | 316,321      | (211)               | (0.1)%  |
| Consolidated   | \$ 463,072                   | \$ 468,339 | \$ (5,267)          | (1.1)%  | \$ 930,248                 | \$ 956,913   | \$ (26,665)         | (2.8)%  |
| <b>Segment gross margin:</b>                                     |                              |            |                     |         |                            |              |                     |         |
| SBS  | 59.9%                        | 59.8%      | 10                  | bps     | 59.3%                      | 59.3%        | —                   | bps     |
| BSG  | 39.4%                        | 38.9%      | 50                  | bps     | 39.4%                      | 39.7%        | (30)                | bps     |
| Consolidated   | 51.0%                        | 51.0%      | —                   | bps     | 50.6%                      | 51.0%        | (40)                | bps     |
| <b>Net earnings:</b>   |                              |            |                     |         |                            |              |                     |         |
| <b>Segment operating earnings:</b>                               |                              |            |                     |         |                            |              |                     |         |
| SBS  | \$ 76,820                    | \$ 92,134  | \$ (15,314)         | (16.6)% | \$ 154,449                 | \$ 191,308   | \$ (36,859)         | (19.3)% |
| BSG  | 43,015                       | 37,260     | 5,755               | 15.4%   | 87,642                     | 86,907       | 735                 | 0.8%    |
| Segment operating earnings                                       | 119,835                      | 129,394    | (9,559)             | (7.4)%  | 242,091                    | 278,215      | (36,124)            | (13.0)% |
| Unallocated expenses and restructuring <sup>(a)</sup>            | 60,261                       | 57,986     | 2,275               | 3.9%    | 113,394                    | 120,219      | (6,825)             | (5.7)%  |
| Consolidated operating earnings                                  | 59,574                       | 71,408     | (11,834)            | (16.6)% | 128,697                    | 157,996      | (29,299)            | (18.5)% |
| Interest expense   | 20,523                       | 16,685     | 3,838               | 23.0%   | 37,837                     | 34,608       | 3,229               | 9.3%    |
| Earnings before provision for income taxes                       | 39,051                       | 54,723     | (15,672)            | (28.6)% | 90,860                     | 123,388      | (32,528)            | (26.4)% |
| Provision for income taxes                                       | 9,807                        | 13,862     | (4,055)             | (29.3)% | 23,226                     | 32,190       | (8,964)             | (27.8)% |
| Net earnings   | \$ 29,244                    | \$ 40,861  | \$ (11,617)         | (28.4)% | \$ 67,634                  | \$ 91,198    | \$ (23,564)         | (25.8)% |
| <b>Comparable sales growth (decline):</b>                        |                              |            |                     |         |                            |              |                     |         |
| SBS  | (4.0)%                       | 9.1%       | (1,310)             | bps     | (3.0)%                     | 5.9%         | (890)               | bps     |
| BSG  | 2.0%                         | 1.3%       | 70                  | bps     | 1.3%                       | (0.2)%       | 150                 | bps     |
| Consolidated   | (1.5)%                       | 5.7%       | (720)               | bps     | (1.1)%                     | 3.3%         | (440)               | bps     |
| <b>Number of stores at end-of-period (including franchises):</b> |                              |            |                     |         |                            |              |                     |         |
| SBS  | 3,134                        | 3,143      | (9)                 | (0.3)%  |                            |              |                     |         |
| BSG  | 1,334                        | 1,341      | (7)                 | (0.5)%  |                            |              |                     |         |
| Consolidated   | 4,468                        | 4,484      | (16)                | (0.4)%  |                            |              |                     |         |

- (a) Unallocated expenses consist of corporate and shared costs and are included in selling, general and administrative expenses in our condensed consolidated statements of earnings. Additionally, unallocated expenses include costs associated with our Fuel for Growth initiative.

## Results of Operations

### The Three Months Ended March 31, 2024, compared to the Three Months Ended March 31, 2023

#### Net Sales

SBS. The decrease in net sales for SBS was primarily driven by the following (in thousands):

|   |    |                 |
|---|----|-----------------|
| Comparable sales                              | \$ | (21,210)        |
| Sales outside comparable sales <sup>(a)</sup> |    | (341)           |
| Foreign currency exchange                     |    | 4,546           |
| Total   | \$ | <u>(17,005)</u> |

(a) Includes closed stores, including stores closed under the Plan, net of stores opened for less than 14 months.

SBS's net sales decrease was primarily driven by a decline in comparable sales, partially offset by favorable impacts from foreign currency exchange rates. SBS's decline in comparable sales was driven by a result of fewer transactions.

BSG. The increase in net sales for BSG was primarily driven by the following (in thousands):

|   |    |              |
|---|----|--------------|
| Comparable sales                              | \$ | 7,624        |
| Sales outside comparable sales <sup>(a)</sup> |    | (1,067)      |
| Foreign currency exchange                     |    | 97           |
| Total   | \$ | <u>6,654</u> |

(a) Includes closed stores, including stores closed under the Plan, net of stores opened for less than 14 months and sales from acquired stores.

BSG's net sales increase was primarily driven by an increase in comparable sales, reflecting expanded distribution, new brand innovation and improving salon demand trends.

#### Gross Profit

SBS. SBS's gross profit decreased for the three months ended March 31, 2024, as a result of a decrease in net sales, partially offset by a higher gross margin on units sold. SBS's gross margin improvement was driven primarily by lower distribution and freight costs from supply chain efficiencies, partially offset by the impact of favorable adjustments to our expected obsolescence reserve related to the Plan in the prior year.

BSG. BSG's gross profit increased for the three months ended March 31, 2024, as a result of an increase in net sales and a higher gross margin on units sold. BSG's gross margin improvement was driven by lower distribution and freight costs from supply chain efficiencies, partially offset by lower product margins primarily from higher take rate on promotions and brand mix.

#### Selling, General and Administrative Expenses

SBS. SBS's selling, general and administrative expenses increased \$5.8 million, or 2.6%, for the three months ended March 31, 2024, and included an unfavorable impact from foreign exchange rates of \$1.8 million. As a percentage of SBS net sales, selling, general and administrative expense for the three months ended March 31, 2024, was 45.0% compared to 42.4% for the three months ended March 31, 2023. The increase as a percentage of sales was primarily due to higher labor and rent costs.

BSG. BSG's selling, general and administrative expenses decreased \$1.5 million, or 1.3%, for the three months ended March 31, 2024. As a percentage of BSG net sales, selling, general and administrative expense for the three months ended March 31, 2024, was 28.5% compared to 29.3% for the three months ended March 31, 2023. The decrease as a percentage of sales was primarily due to lower delivery expense.

Unallocated. Unallocated selling, general and administrative expenses, which represent certain corporate costs that have not been charged to our reporting segments, increased \$9.5 million, or 18.7%, for the three months ended March 31, 2024, primarily due to expenses in connection with our Fuel for Growth initiative in the current year and higher health insurance costs, partially offset by lower accrued bonus expense.

#### Restructuring

The decrease in restructuring was primarily due to the lapping of expenses incurred in connection with our Distribution Center Consolidation and Store Optimization Plan in the prior year for \$7.3 million. See Note 12, *Restructuring*, in Item 1 of this quarterly report for more information on the Plan.

### Interest Expense

The increase in interest expense is primarily due to higher interest rates on our variable rate debt and an increase in our losses on debt extinguishment, partially offset by lower average outstanding borrowings on our ABL facility during the current quarter. See Note 9, *Short-term and Long-term Debt*, and Note 10, *Derivative Instruments and Hedging Activities*, in Item 1 of this quarterly report for more information on our debt and interest rate swap that has helped mitigate some of the additional interest costs resulting from higher interest rates.

### The Six Months Ended March 31, 2024, compared to the Six Months Ended March 31, 2023

#### Net Sales

SBS. The decrease in net sales for SBS was primarily driven by the following (in thousands):

|   |    |                 |
|---|----|-----------------|
| Comparable sales                              | \$ | (31,089)        |
| Sales outside comparable sales <sup>(a)</sup> |    | (25,442)        |
| Foreign currency exchange                     |    | 13,292          |
| Total   | \$ | <u>(43,239)</u> |

(a) Includes closed stores, including stores closed under the Plan, net of stores opened for less than 14 months.

SBS's net sales decrease was primarily driven by the impact of lower comparable sales and store closures primarily in connection with the Plan in an amount of approximately \$23.6 million, partially offset by a significant portion of these sales being recaptured in other locations included within comparable sales and a favorable impact from foreign currency exchange rates. SBS's comparable sales decline was a result of fewer transactions, partially offset by growth in our average unit retail, driven by inflationary impacts and pricing leverage.

BSG. The increase in net sales for BSG was primarily driven by the following (in thousands):

|   |    |              |
|---|----|--------------|
| Comparable sales                              | \$ | 10,497       |
| Sales outside comparable sales <sup>(a)</sup> |    | (3,362)      |
| Foreign currency exchange                     |    | —            |
| Total   | \$ | <u>7,135</u> |

(a) Includes closed stores, including stores closed under the Plan, net of stores opened for less than 14 months and sales from acquired stores.

BSG's net sales increase was primarily driven by an increase in comparable sales, reflecting expanded distribution, new brand innovation and improving salon demand trends, partially offset by the impact of store closures.

#### Gross Profit

SBS. SBS's gross profit decreased for the six months ended March 31, 2024, as a result of a decrease in net sales. SBS's gross margin was flat due to lower distribution and freight costs from supply chain efficiencies, offset by the impact of favorable adjustments to our expected obsolescence reserve related to the Plan in the prior year.

BSG. BSG's gross profit was flat for the six months ended March 31, 2024, as a result of a lower gross margin on units sold, offset by an increase in net sales. BSG's gross margin decline was driven by unfavorable fixed cost absorption, shrink expense, and adjustments to our expected obsolescence reserve related to the Plan in the prior year, partially offset by lower distribution and freight costs from supply chain efficiencies and higher product margins primarily from higher take rate on promotions and brand mix.

#### Selling, General and Administrative Expenses

SBS. SBS's selling, general and administrative expenses increased \$10.4 million, or 2.3%, for the six months ended March 31, 2024, and included an unfavorable impact from foreign exchange rates of \$5.1 million and cost savings from store closures in connection with the Plan. As a percentage of SBS net sales, selling, general and administrative expense for the six months ended March 31, 2024, was 44.4% compared to 41.6% for the six months ended March 31, 2023. The increase as a percentage of sales was due to higher labor costs, rent costs, and advertising expenses.

BSG. BSG's selling, general and administrative expenses decreased \$0.9 million, or 0.4%, for the six months ended March 31, 2024. As a percentage of BSG net sales, selling, general and administrative expense for the six months ended March 31, 2024, was 28.4% compared to 28.8% for the six months ended March 31, 2023. The decrease as a percentage of sales was driven primarily by lower delivery expense.

Unallocated. Unallocated selling, general and administrative expenses, which represent certain corporate costs that have not been charged to our reporting segments, increased \$10.9 million, or 10.6%, for the six months ended March 31, 2024, primarily due to expenses in connection with our Fuel for Growth initiative in the current year, partially offset by lower accrued bonus expense.

### **Restructuring**

The decrease in restructuring was primarily due to the lapping of expenses incurred in connection with our Distribution Center Consolidation and Store Optimization Plan in the prior year for \$17.7 million. See Note 12, *Restructuring*, in Item 1 of this quarterly report for more information on the Plan.

### **Interest Expense**

The increase in interest expense is primarily due to higher interest rates on our variable rate debt and an increase in our losses on debt extinguishment, partially offset by lower average outstanding borrowings on our ABL facility during the current year. See Note 9, *Short-term and Long-term Debt*, and Note 10, *Derivative Instruments and Hedging Activities*, in Item 1 of this quarterly report for more information on our debt and interest rate swap that has helped mitigate some of the additional interest costs resulting from higher interest rates.

### **Liquidity and Capital Resources**

#### **Overview**

Our principal sources of liquidity are cash from operations, cash and cash equivalents and borrowings under our ABL facility. A substantial portion of our liquidity needs arise from funding the costs of our operations, working capital, capital expenditures, debt interest and principal payments. Additionally, under our share repurchase program (see below for more details) we will from time-to-time repurchase shares of our common stock on the open market to return value to our shareholders. At March 31, 2024, we had \$517.8 million in our liquidity pool, which includes \$420.6 million available for borrowing under our ABL facility and cash and cash equivalents of \$97.2 million.

Our working capital (current assets less current liabilities) decreased \$12.1 million, to \$636.6 million at March 31, 2024, compared to \$648.7 million at September 30, 2023. The decrease was primarily driven by the impacts of our debt activity during the quarter, resulting in higher borrowings under our ABL facility and a decrease in cash and cash equivalents, and due to the timing of AP payments. These impacts were partially offset by an increase in inventory, as a result of expanded distribution rights in BSG, vendor price increases, the impact of foreign exchange rates of \$4.7 million, and by fewer accrued liabilities, driven by the timing of interest and payroll payments.

We anticipate that existing cash balances (excluding certain amounts permanently invested in connection with foreign operations), cash expected to be generated by operations, and funds available under our ABL facility will be sufficient to fund our working capital and capital expenditure requirements over the next twelve months.

#### **Cash Flows**

| (in thousands)                            | Six Months Ended March 31, |           |
|---|----------------------------|-----------|
|   | 2024                       | 2023      |
| Net cash provided by operating activities | \$ 87,960                  | \$ 79,648 |
| Net cash used by investing activities     | (44,877)                   | (42,181)  |
| Net cash used by financing activities     | (68,932)                   | (49,237)  |

#### *Net Cash Provided by Operating Activities*

The increase in cash provided by operating activities was driven by the timing of account payables payments and inventory purchases and lease contract termination and severance payments in connection with the Plan in the prior year, partially offset by the timing of cash receipts from customers.

#### *Net Cash Used by Investing Activities*

The increase in cash used by investing activities was driven by higher capital expenditures related to store improvements.

#### *Net Cash Used by Financing Activities*

The increase in cash used by financing activities was primarily due to shares repurchased in the current year under our share repurchases program, partially offset by fewer reductions in our debt outstanding in the current year compared to the prior year.

#### **Debt and Guarantor Financial Information**

During the three months ending March 31, 2024, we issued \$600.0 million in 2025 Senior Notes and used the proceeds, together with cash on hand and borrowings under our ABL facility, to repay in full our 2025 Senior Notes. See Note 9, *Short-term and Long-term Debt*, in Item 1 of this quarterly report for more information on the issuance and repayment of debt.

At March 31, 2024, we had \$1.1 billion in outstanding debt principal, excluding finance lease obligations, unamortized debt issuance costs and debt discounts, in the aggregate, of \$13.7 million. Our debt consists of \$600.0 million in 2032 Senior Notes outstanding, \$396.0 million remaining on our term loan and \$62.0 million in outstanding borrowings under our ABL facility.

We utilize our ABL facility for the issuance of letters of credit, certain working capital and liquidity needs, and to manage normal fluctuations in our operational cash flow. In that regard, we may from time to time draw funds under the ABL facility for general corporate purposes including funding of capital expenditures, acquisitions, paying down other debt and share repurchases. Amounts drawn on our ABL facility are generally paid down with cash provided by our operating activities. During the six months ended March 31, 2024, the weighted average interest rate on our borrowings under the ABL facility was 7.73%.

We are currently in compliance with the agreements and instruments governing our debt, including our financial covenants.

#### *Guarantor Financial Information*

Our 2032 Senior Notes were issued by our wholly-owned subsidiaries, Sally Holdings LLC and Sally Capital Inc. (the “Issuers”). The notes are unsecured debt instruments guaranteed by us and certain of our wholly-owned domestic subsidiaries (together, the “Guarantors”) and have certain restrictions on the ability of our subsidiaries to make certain restrictive payments to Sally Beauty. The guarantees are joint and several, and full and unconditional. Certain other subsidiaries, including our foreign subsidiaries, do not serve as guarantors.

The following summarized consolidating financial information represents financial information for the Issuers and the Guarantors on a combined basis. All transactions and intercompany balances between these combined entities has been eliminated.

The following table presents the summarized balance sheets information for the Issuers and the Guarantors as of March 31, 2024, and September 30, 2023:

| <b>(in thousands)</b>     | <b>March 31, 2024</b> |                  | <b>September 30, 2023</b> |                  |
|---------------------------|-----------------------|------------------|---------------------------|------------------|
| Cash and cash equivalents | \$                    | 32,784           | \$                        | 66,148           |
| Inventory                 | \$                    | 787,351          | \$                        | 735,853          |
| Intercompany receivable   | \$                    | —                | \$                        | 1,658            |
| Current assets            | \$                    | 915,327          | \$                        | 890,462          |
| <b>Total assets</b>       | <b>\$</b>             | <b>2,073,759</b> | <b>\$</b>                 | <b>2,076,413</b> |
| Current liabilities       | \$                    | 524,496          | \$                        | 468,202          |
| Intercompany payable      | \$                    | 2,611            | \$                        | —                |
| <b>Total liabilities</b>  | <b>\$</b>             | <b>1,984,754</b> | <b>\$</b>                 | <b>2,011,075</b> |

The following table presents the summarized statement of earnings information for the Issuers and the Guarantors for six months ended March 31, 2024 (in thousands):

|  |    |           |
|--|----|-----------|
| Net sales                                  | \$ | 1,479,062 |
| Gross profit                               | \$ | 757,827   |
| Earnings before provision for income taxes | \$ | 72,048    |
| Net Earnings                               | \$ | 54,377    |

#### **Share Repurchase Programs**

Under our current share repurchase program, we may from time-to-time repurchase our common stock on the open market. During the three and six months ended March 31, 2024, we repurchased 1.5 million and 3.5 million shares of our common stock for \$20.0 million and \$40.0 million, respectively, under our share repurchase program, excluding the impact of excise taxes. During the three and six months ended March 31, 2023, no shares were repurchased in connection with our share repurchase program. See Note 5, *Stockholders' Equity*, for more information about our share repurchase program.

#### **Contractual Obligations**

Other than our debt, as discussed above, there have been no material changes outside the ordinary course of our business to our contractual obligations since September 30, 2023.

#### **Off-Balance Sheet Financing Arrangements**

At March 31, 2024, and September 30, 2023, we had no off-balance sheet financing arrangements other than outstanding letters of credit related to inventory purchases and self-insurance programs.

#### **Critical Accounting Estimates**

There have been no material changes to our critical accounting estimates or assumptions since September 30, 2023.

**Recent Accounting Pronouncements**

See Note 2 of the Notes to Condensed Consolidated Financial Statements in Item 1 – “Financial Statements” in Part I – Financial Information.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As a multinational corporation, we are subject to certain market risks including foreign currency fluctuations, interest rates and government actions. There have been no material changes to our market risks from September 30, 2023. See our disclosures about market risks contained in Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” in Part II of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

### **Item 4. Controls and Procedures**

*Controls Evaluation and Related CEO and CFO Certifications.* Our management, with the participation of our principal executive officer (“CEO”) and principal financial officer (“CFO”), conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2024. The controls evaluation was conducted by our Disclosure Committee, comprised of senior representatives from our finance, accounting, internal audit, and legal departments under the supervision of our CEO and CFO.

Certifications of our CEO and our CFO, which are required in accordance with Rule 13a-14 of the Exchange Act, are attached as exhibits to this Quarterly Report. This “Controls and Procedures” section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

*Limitations on the Effectiveness of Controls.* We do not expect that our disclosure controls and procedures will prevent all errors and all fraud. A system of controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Because of the limitations in all such systems, no evaluation can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Furthermore, the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how unlikely. Because of these inherent limitations in a cost-effective system of controls and procedures, misstatements or omissions due to error or fraud may occur and not be detected.

*Scope of the Controls Evaluation.* The evaluation of our disclosure controls and procedures included a review of their objectives and design, our implementation of the controls and procedures and the effect of the controls and procedures on the information generated for use in this Quarterly Report. In the course of the evaluation, we sought to identify whether we had any data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, was being undertaken if needed. This type of evaluation is performed on a quarterly basis so that conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K. Many of the components of our disclosure controls and procedures are also evaluated by our internal audit department, by our legal department and by personnel in our finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures on an ongoing basis and to maintain them as dynamic systems that change as conditions warrant.

*Conclusions regarding Disclosure Controls.* Based on the required evaluation of our disclosure controls and procedures, our CEO and CFO have concluded that, as of March 31, 2024, we maintain disclosure controls and procedures that are effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control over Financial Reporting.* During our most recent fiscal quarter, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

We are involved, from time to time, in various claims and lawsuits incidental to the conduct of our business in the ordinary course. We carry insurance coverage in such amounts in excess of our self-insured retention as we believe to be reasonable under the circumstances and that may or may not cover any or all of our liabilities in respect of these matters. We do not believe that the ultimate resolution of these matters will have a material adverse impact on our consolidated financial position, cash flows or results of operations.

We are subject to a number of U.S., federal, state and local laws and regulations, as well as the laws and regulations applicable in each foreign country or jurisdiction in which we do business. These laws and regulations govern, among other things, the composition, packaging, labeling and safety of the products we sell, the methods we use to sell these products and the methods we use to import these products. We believe that we are in material compliance with such laws and regulations, although no assurance can be provided that this will remain true going forward.

### Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors contained in Item 1A. "Risk Factors" in Part I of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, which could materially affect our business, financial condition or future results. There have been no material changes from the risk factors disclosed in such Annual Report. The risks described in such Annual Report and herein are not the only risks facing our company.

### Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Information regarding shares of common stock we repurchased during the second quarter of fiscal year 2024, excluding the impact of excise taxes, is as follows:

| Fiscal Period        | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)(2) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|----------------------|--------------------------------------|------------------------------|---|--|
| Jan 1 - Jan 31, 2024 | —                                    | \$ —                         | —   | \$ 560,792,432   |
| Feb 1 - Feb 29, 2024 | 1,209,241                            | 13.22                        | 1,209,241   | 544,801,708  |
| Mar 1 - Mar 31, 2024 | 317,227                              | 12.64                        | 317,227   | 540,792,435  |
| Total this quarter   | <u>1,526,468</u>                     | <u>\$ 13.10</u>              | <u>1,526,468</u>  | <u>\$ 540,792,435</u>  |

- (1) The table above does not include 1,378 shares of the Company's common stock surrendered by grantees during the quarter to satisfy tax withholding obligations due upon the vesting of equity-based awards under the Company's share-based compensation plans.
- (2) In July 2021, we announced that our Board of Directors had approved a term extension to our share repurchase program authorizing us to repurchase up to \$1.0 billion of our common stock over an approximate four-year period expiring on September 30, 2025.

### Item 5. Other Information

During the quarter ended March 31, 2024, no director or officer of the Company adopted, modified, or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408(a) of Regulation S-K.

**Item 6. Exhibits**

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 3.1                | <a href="#"><u>Third Restated Certificate of Incorporation of Sally Beauty Holdings, Inc., dated January 30, 2014, which is incorporated herein by reference from Exhibit 3.3 to the Company's Current Report on Form 8-K filed on January 30, 2014</u></a>   |
| 3.2                | <a href="#"><u>Amended and Restated Bylaws of Sally Beauty Holdings, Inc., dated April 26, 2017, which is incorporated herein by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 28, 2017</u></a>   |
| 4.1                | <a href="#"><u>Fifth Supplemental Indenture, dated as of February 27, 2024, by and among Sally Holdings LLC, Sally Capital Inc., the guarantors listed therein and Computershare Trust Company, N.A., which is incorporated herein by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on February 27, 2024</u></a>   |
| 22                 | <a href="#"><u>List of Subsidiary Guarantors*</u></a>   |
| 31.1               | <a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Denise Paulonis*</u></a>   |
| 31.2               | <a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Marlo M. Cormier*</u></a>  |
| 32.1               | <a href="#"><u>Section 1350 Certification of Denise Paulonis*</u></a>   |
| 32.2               | <a href="#"><u>Section 1350 Certification of Marlo M. Cormier*</u></a>  |
| 101                | The following financial information from our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Earnings; (iii) the Condensed Consolidated Statements of Comprehensive Income; (iv) the Condensed Consolidated Statements of Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to Condensed Consolidated Financial Statements. |
| 104                | The cover page from our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2024, formatted in iXBRL (contained in Exhibit 101).   |

\* Included herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SALLY BEAUTY HOLDINGS, INC.  
(Registrant)

Date: May 9, 2024

By: /s/ Marlo M. Cormier  
Marlo M. Cormier  
Senior Vice President, Chief Financial Officer  
For the Registrant and as its Principal Financial Officer

## LIST OF SUBSIDIARY GUARANTORS

As of March 31, 2024, each of the following subsidiaries of Sally Beauty Holdings, Inc. is a guarantor of our unsecured 6.75% Senior Notes due 2032. The guarantees are joint and several, and full and unconditional. Sally Beauty Holdings, Inc. owns, directly or indirectly, 100% of each guarantor subsidiary.

| <u>Exact Name of Registrant as Specified in Its Charter</u> | <u>State of Incorporation or Organization</u> |
|---|---|
| Arcadia Beauty Labs LLC                                     | Delaware                                      |
| Arcadia Beauty Labs II LLC                                  | Delaware                                      |
| Armstrong McCall Holdings, Inc.                             | Texas   |
| Armstrong McCall Holdings, L.L.C.                           | Delaware                                      |
| Armstrong McCall, L.P.                                      | Texas   |
| Armstrong McCall Management, L.C.                           | Texas   |
| Beauty Holding LLC  | Delaware                                      |
| Beauty Systems Group LLC                                    | Virginia                                      |
| Diorama Services Company, LLC                               | Delaware                                      |
| Innovations-Successful Salon Services                       | California                                    |
| Loxa Beauty LLC   | Indiana                                       |
| Neka Salon Supply, Inc.                                     | New Hampshire                                 |
| Procure Laboratories, Inc.                                  | Delaware                                      |
| Sally Beauty Holdings, Inc.                                 | Delaware                                      |
| Sally Beauty International Finance LLC                      | Delaware                                      |
| Sally Beauty Military Supply LLC                            | Delaware                                      |
| Sally Beauty Supply LLC                                     | Virginia                                      |
| Sally Investment Holdings LLC                               | Delaware                                      |
| Salon Success International, LLC                            | Florida                                       |

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**CERTIFICATION**  
**PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),**  
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Denise Paulonis, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 of Sally Beauty Holdings, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

By:           /s/ Denise Paulonis            
Denise Paulonis  
Chief Executive Officer

**CERTIFICATION**  
**PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),**  
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marlo M. Cormier, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 of Sally Beauty Holdings, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(c)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

By: /s/ Marlo M. Cormier  
Marlo M. Cormier  
Senior Vice President, Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Sally Beauty Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Denise Paulonis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:           /s/ Denise Paulonis            
Denise Paulonis  
Chief Executive Officer

Date: May 9, 2024

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Sally Beauty Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marlo M. Cormier, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Marlo M. Cormier  
Marlo M. Cormier  
Senior Vice President, Chief Financial Officer

Date: May 9, 2024

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