

# SALLY BEAUTY HOLDINGS, INC.



## Baird 2013 Growth Stock Conference

Gary Winterhalter, Chairman, CEO & President  
May 7, 2013

**Sally Beauty Holdings** is a leading international specialty retailer and distributor of professional beauty products

- ◆ Annual consolidated sales of over \$3.5 billion
- ◆ Strong cash flow generation
- ◆ Approximately 4,560 stores located in 11 countries <sup>(1)</sup>
- ◆ Experienced and motivated leadership team
- ◆ Industry leading position with ~32% channel share
- ◆ Proven resilience in recessionary cycles
- ◆ Well-positioned for long-term growth
- ◆ Two distinct business segments

<sup>(1)</sup> As of March 31, 2013

# Overview of Our Business

## Consolidated Fiscal 2012 Results

<p><b>Net Sales</b></p> <p>Surpassed <b>\$3.5b</b> growth of <b>7.8%</b></p>	<p><b>Gross Margin</b></p> <p>Expansion of <b>70 bps</b> to reach <b>49.5%</b></p>	<p><b>EBITDA</b></p> <p>Adj. EBITDA of <b>\$591m</b> growth of <b>17.6%</b></p>
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### Segments



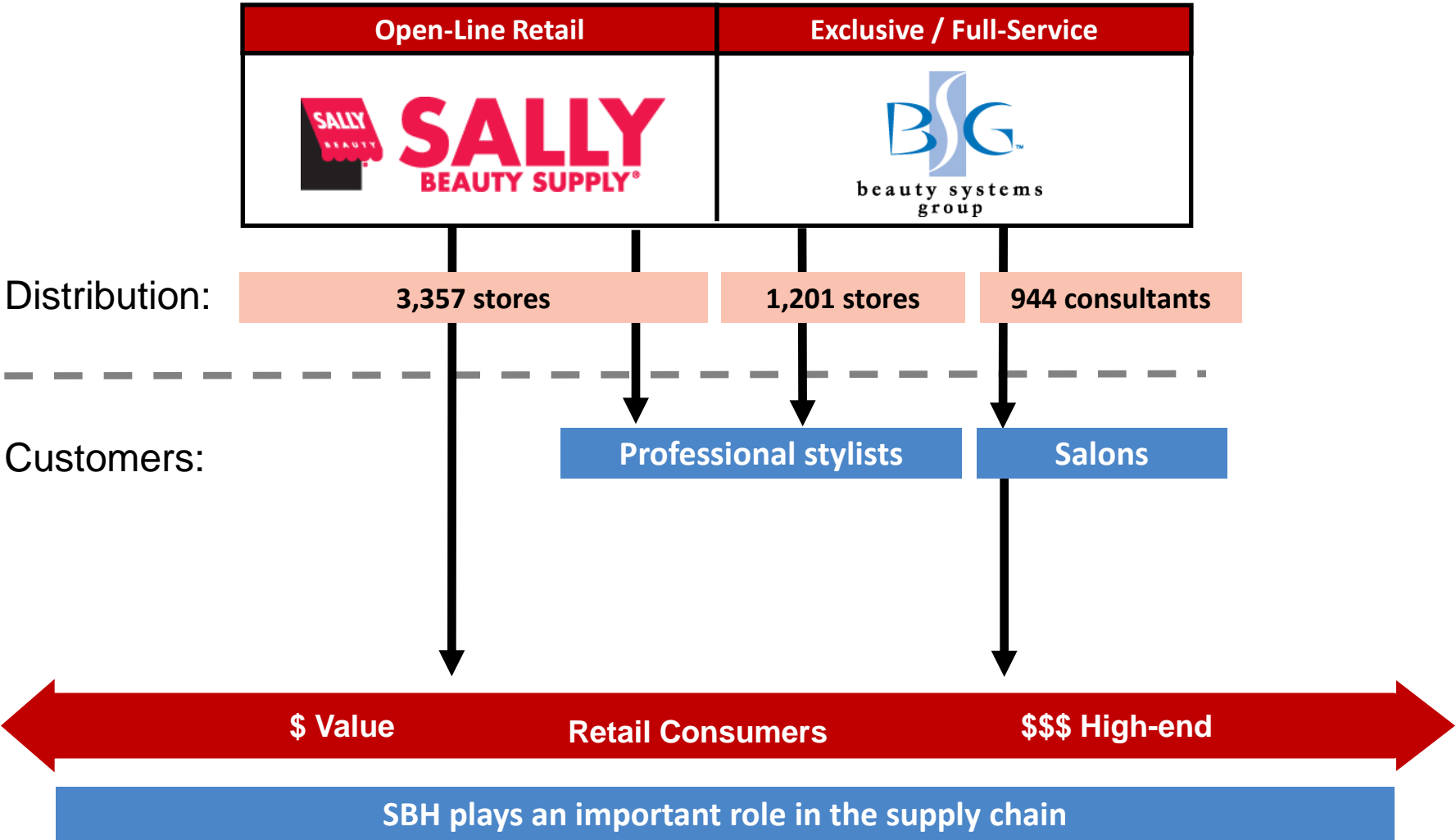
### Customers

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Retail consumers             <ul style="list-style-type: none"> <li>• 75% of sales</li> </ul> </li> <li>• Professional stylists, small salons, chair/suite rentals             <ul style="list-style-type: none"> <li>• 25% of sales</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Stores – Chair/suite rentals             <ul style="list-style-type: none"> <li>• 65% of sales</li> </ul> </li> <li>• Full Service Sales – small to medium sized salons             <ul style="list-style-type: none"> <li>• 35% of sales</li> </ul> </li> </ul> |
|--|---|

### FY2012 Financials

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Sales of \$2.2b, up 9.2%</li> <li>• SSS growth of 6.5%</li> <li>• Operating income of \$430m</li> <li>• Profit margin of 19.5%</li> </ul> | <ul style="list-style-type: none"> <li>• Sales of \$1.3b, up 5.4%</li> <li>• SSS growth of 6.1%</li> <li>• Operating income of \$183m</li> <li>• Profit margin of 13.8%</li> </ul> |
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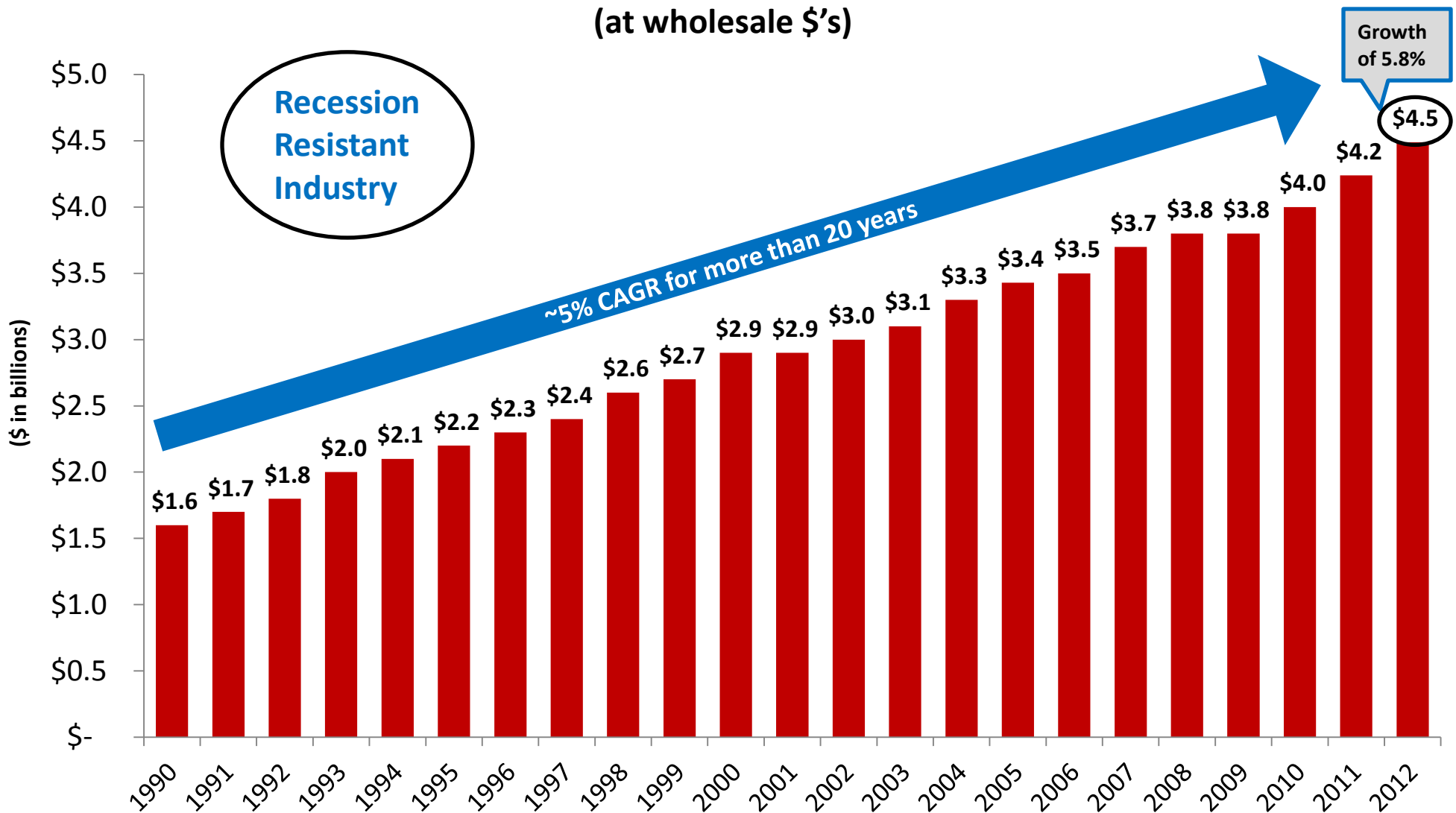
# Our Customer



Note: Store count as of March 31, 2013.

# Stable & Consistent Industry Growth

## U.S. Salon Industry Product Sales (at wholesale \$'s)



# Addendum: Adjusted EBITDA Reconciliation

## Adjusted EBITDA and EPS Reconciliation

(\$ in millions)

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
<b>Adjusted EBITDA</b>							
<b>Net Earnings (GAAP)</b>	\$ 110.2	\$ 44.5	\$ 77.7	\$ 99.1	\$ 143.8	\$ 213.7	\$ 233.1
Interest expense, net of interest income	0.1	146.0	159.1	132.0	113.0	112.5	\$ 138.4
Provision for income taxes	69.9	38.0	46.2	65.7	84.1	122.2	\$ 127.9
Depreciation and amortization	38.0	42.6	48.5	47.1	51.1	59.7	\$ 64.7
Share-based compensation	5.2	13.1	10.2	8.6	12.8	15.6	\$ 16.9
Transaction expenses (1a, 1b)	41.5	21.5	-	-	-	-	-
Sales-based service fee charged by Alberto-Culver	28.9	3.8	-	-	-	-	-
Non-recurring items	-	-	-	-	-	5.7	-
Litigation settlement and non-recurring charges	-	-	-	-	-	(27.0)	10.2
<b>Adjusted EBITDA</b>	<b>\$ 293.8</b>	<b>\$ 309.5</b>	<b>\$ 341.7</b>	<b>\$ 352.5</b>	<b>\$ 404.8</b>	<b>\$ 502.5</b>	<b>\$ 591.1</b>

### Adjusted net earnings and adjusted diluted earnings per share

<b>Net Earnings (GAAP)</b>		\$ 143.8	\$ 213.7	\$ 233.1
Marked-to-market adjustment for certain interest rate swaps		\$ (2.4)	-	-
Loss on extinguishment of debt		-	-	37.8
Interest expense on redeemed debt		-	-	5.1
Amortization of deferred financing costs		-	-	0.2
Litigation settlement and non-recurring items, net (2)			(21.3)	10.2
Tax provision for the adjustments to net earnings		0.9	7.9	(19.2)
<b>Adjusted net earnings</b>		<b>\$ 142.3</b>	<b>\$ 200.3</b>	<b>\$ 267.2</b>
Diluted adjusted net earnings per share (non-GAAP):		\$ 0.77	\$ 1.07	\$ 1.42
Diluted GAAP net earnings per share:		\$ 0.78	\$ 1.14	\$ 1.24

(1a) Transaction expenses of \$41.5 for termination of the Regis transaction.

(1b) Transaction expenses of \$21.5 for separation of the Company from Alberto-Culver in November 2006.

(2) Results for the nine months ended June 30, 2011, reflect a \$27.0 million benefit of a litigation settlement and non-recurring charges of \$5.7 million.