

Sally Beauty Holdings (SBH)

Price:	\$24.00
Market Cap:	\$4,305,840,000
Cash:	\$240,220,000
Debt:	\$1,616,910,000
Net Cash:	-\$1,376,690,000
Enterprise Value:	\$5,682,530,000
Target Market Cap:	\$2,337,391,602
Target Enterprise Value:	\$3,714,081,602

Price/Book:	-37.42
EV/FCF:	30.71
Net Tang. Asset/Share:	-\$3.71
Avg. Year 1-5 FCF/Share:	\$1.48
5 Years of FCF:	\$7.38
Net Tang. Asset+5 FCF:	\$3.68

Net Tang. Asset Yr. 5/Share:	\$4.92
Avg. Year FCF/Share:	\$1.48
Year 5 Disposition FCF Multipl:	3.0
Year 5 Disposition Price:	\$9.35
Gain Year 5:	\$9.35

Net Tang. Asset+5 FCF+ Gain Disposition:	\$13.03
IRR:	-11.50%

Stable cash flow, but stock is trading at a premium relative to both assets and cashflow. Growth is driven by existing store sales, but they also have a \$500MM goodwill balance, appropriating \$50MM to new acquisitions. The co. is a cash cow, with respectable margins (50% GM) and strong moat business model. The co. targets retail and wholesale channels, and the co. withstood the test of the recent financial crisis, which provides more conviction related to their ability to cope with different business environments.

In short, we like the business, but too pricey right now.

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	10.73	Non-LBO Forecast	20.43	Non-LBO Forecast	Desired Return Rate	20.00%	
EV/EBITDA with 3X Multiple Terminal Value:	\$10.98	Market Price:	24.00	Year 1 Target	17.39	Year 2 Target	17.39	Implied Today's Price	4.31
Net Tangible Asset Terminal Value:	\$2.95	LBO Price:	24.00	Year 3 Target	14.81	Year 4 Target	12.61	Overvalued/(Undervalued)	456.51%
EV/EBITDA with Today's Multiple Terminal Value:	\$18.50	Premium to Market Price:	0.00%	Year 5 Target	10.73				
EVA Enterprise Value:	\$10.50	LBO Price/Intrinsic Price Target:	-14.87%						
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-10.94%	Implied IRR (Market Price):	-14.87%				
Average (Excluding Dividend Discount):	\$10.73	Implied IRR at today's EV/EBITDA:	-5.07%						
		5 Year Return:	-55.29%						

Current Evaluation				Exit Evaluation			
Current Market Price:	24.00	LBO Price:	24.00	Exit Price:	10.73	Exit Price:	18.50
Outstanding Shares:	179,410,000	Outstanding Shares:	179,410,000	Outstanding Shares:	179,410,000	Outstanding Shares:	179,410,000
Market Capitalization:	4,305,840,000	Market Capitalization:	4,305,840,000	Market Capitalization:	1,925,271,016	Market Capitalization:	3,319,146,559
Available Cash:	240,220,000	Available Cash:	240,220,000	Available Cash:	513,188,985	Available Cash:	513,188,985
Debt:	1,616,910,000	Debt:	1,616,910,000	Debt:	566,910,000	Debt:	566,910,000
Net Cash:	-1,376,690,000	Net Cash:	-1,376,690,000	Net Cash:	-53,721,015	Net Cash:	-53,721,015
Enterprise Value:	5,682,530,000	Enterprise Value:	5,682,530,000	Enterprise Value:	1,978,992,031	Enterprise Value:	3,372,867,574
Original EV/EBITDA:	12.31	EV/EBITDA:	12.31	EV/EBITDA at 5 Years:	3.27	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	9.62	EV/EBITDA:	10.80	EV/EBITDA at 5 Years:	4.38	EV/EBITDA at 5 Years:	4.91
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	24.00	24.00	20.43	17.39	14.81	12.61	10.73
Shares Outstanding:	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000
Market Capitalization:	4,305,840,000	4,305,840,000	3,665,596,734	3,120,552,416	2,656,551,740	2,261,544,178	1,925,271,016
Available Cash:	240,220,000	240,220,000	238,656,575	269,536,532	284,296,541	381,786,853	513,188,985
Debt:	1,616,910,000	1,616,910,000	1,416,910,000	1,216,910,000	966,910,000	766,910,000	566,910,000
Net Cash:	-1,376,690,000	-1,376,690,000	-1,178,253,425	-947,373,468	-682,613,459	-385,123,147	-53,721,015
Enterprise Value:	5,682,530,000	5,682,530,000	4,843,850,159	4,067,925,884	3,339,165,199	2,646,667,324	1,978,992,031
EBIT	461,570,000	461,570,000	484,973,300	512,721,965	5	572,450,966	604,573,515
EV/EBIT:	12.31	12.31	9.99	7.93	667,833,039.86	4.62	3.27
EBITDA	526,270,000	526,270,000	552,908,300	584,053,715	616,756,401	651,094,221	687,148,932
EV/EBITDA:	10.80	10.80	8.76	6.96	5.41	4.06	2.88

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	24.00	24.00	26.71	29.90	-3.80	37.14	41.19
Shares Outstanding:	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000
Market Capitalization:	4,305,840,000	4,305,840,000	4,792,401,788	5,364,904,080	-682,613,398	6,662,496,478	7,389,369,166
Available Cash:	240,220,000	240,220,000	238,656,575	269,536,532	284,296,541	381,786,853	513,188,985
Debt:	1,616,910,000	1,616,910,000	1,416,910,000	1,216,910,000	966,910,000	766,910,000	566,910,000
Net Cash:	-1,376,690,000	-1,376,690,000	-1,178,253,425	-947,373,468	-682,613,459	-385,123,147	-53,721,015
Enterprise Value:	5,682,530,000	5,682,530,000	5,970,655,213	6,312,277,548	62	7,047,619,625	7,443,090,181
EBIT	461,570,000	461,570,000	484,973,300	512,721,965	5	572,450,966	604,573,515
EV/EBIT:	12.31	12.31	12.31	12.31	12.31	12.31	12.31
EBITDA	526,270,000	526,270,000	552,908,300	584,053,715	616,756,401	651,094,221	687,148,932
EV/EBITDA:	10.80	10.80	10.80	10.81	0.00	10.82	10.83

LBO Price	24.00	Equity Partners:	5,923,070,000	Weighting	100.00%	Annualized Return for Equity Partners:	-10.94%
Shares Outstanding	179,410,000	Debt Partners:	0		0.00%		
Market Capitalization	4,305,840,000	Total Funds for LBO:	5,923,070,000		100.00%		
Debt	1,617,230,000						
Cash	240,220,000						
Enterprise Value	5,682,850,000						
Capital Investment	5,923,070,000						

Book Value	Enterprise Value	Stock Valuation	Debt Reduction				
Beginning Book Value	-115.08	Beginning Enterprise Value	5,682.53	Current Market Price	\$24.00	Starting Debt	1,615.00
Year 5 Book Value	1,434.42	Year 5 Enterprise Value	3,372.87	Year 5 Market Price	\$18.50	Debt Repayment	1.91
Annualized Return	-265.63%	Annualized Return	-9.91%	Annualized Return	-5.07%	Year 5 Ending Debt	565.00
						% of Starting Debt	34.98%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Sally Beauty Holdings

Ticker:

SBH

	Historical				Forecasted				
	12 months ending 2009-09-30	12 months ending 2010-09-30	12 months ending 2011-09-30	12 months ending 2012-09-30	2013	2014	2015	2016	2017
Revenue	2,636.60	2,916.09	3,269.13	3,523.64	3,699.82	3,884.81	4,079.05	4,283.01	4,497.16
COGS	1,393.28	1,511.72	1,674.53	1,780.38	1,886.91	1,981.25	2,080.32	2,184.33	2,293.55
Gross margin	1,243.32	1,404.37	1,594.60	1,743.26	1,812.91	1,903.56	1,998.74	2,098.67	2,203.61
SG&A	899.41	1,012.32	1,086.41	1,179.21	1,257.94	1,320.84	1,386.86	1,456.22	1,529.03
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	0.00	37.79	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS	47.07	51.12	59.72	64.69	70.00	70.00	70.00	70.00	70.00
Operating Income (EBITA)	296.84	340.93	448.47	461.57	484.97	512.72	541.86	572.45	604.57
Interest income/(expense)	-132.03	-112.98	-112.53	-100.63	-96.65	-82.65	-65.15	-51.15	-37.15
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	164.81	227.95	335.94	360.94	388.33	430.07	476.71	521.30	567.43
Tax	65.69	84.12	122.22	127.88	135.91	150.53	166.85	182.46	198.60
Income after tax	99.12	143.83	213.72	233.06	252.41	279.55	309.86	338.85	368.83
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	99.12	143.83	213.72	233.06	252.41	279.55	309.86	338.85	368.83
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.55	\$0.80	\$1.19	\$1.30	\$1.41	\$1.56	\$1.73	\$1.89	\$2.06
P/E (historical today's price; forecasted intrinsic price)	43.44	29.94	20.15	18.48	14.52	11.16	8.57	6.67	5.22
Revenue Growth	N/A	10.60%	12.11%	7.79%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	39.86%	36.90%	36.38%	35.43%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-7.87%	-7.23%	-7.96%	-6.22%	-5.98%	-5.84%	-5.36%	-5.30%	-4.86%
Margins									
COGS	52.84%	51.84%	51.22%	50.53%	51.00%	51.00%	51.00%	51.00%	51.00%
Gross margin	47.16%	48.16%	48.78%	49.47%	49.00%	49.00%	49.00%	49.00%	49.00%
SG&A	34.11%	34.71%	33.23%	33.47%	34.00%	34.00%	34.00%	34.00%	34.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	0.00%	1.07%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	1.79%	1.75%	1.83%	1.84%	1.89%	1.80%	1.72%	1.63%	1.56%
Operating Income (EBITA)	11.26%	11.69%	13.72%	13.10%	13.11%	13.20%	13.28%	13.37%	13.44%
Interest income/(expense)	-5.01%	-3.87%	-3.44%	-2.86%	-2.61%	-2.13%	-1.60%	-1.19%	-0.83%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	6.25%	7.82%	10.28%	10.24%	10.50%	11.07%	11.69%	12.17%	12.62%
Tax	2.49%	2.88%	3.74%	3.63%	3.67%	3.87%	4.09%	4.26%	4.42%
Income after tax	3.76%	4.93%	6.54%	6.61%	6.82%	7.56%	8.38%	9.16%	9.97%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	3.76%	4.93%	6.54%	6.61%	6.82%	7.20%	7.60%	7.91%	8.20%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2009-09-30	As of 2010-09-30	As of 2011-09-30	As of 2012-09-30	As of 2012-09-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	54.45	59.49	63.48	240.22	240.22			240.22	238.66	269.54	284.30	381.79	513.19
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	54.45	59.49	63.48	240.22	240.22			240.22	238.66	269.54	284.30	381.79	513.19
Accounts Receivable	43.65	54.99	62.00	59.50	59.50			59.50	59.50	59.50	59.50	59.50	59.50
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	43.65	54.99	62.00	59.50	59.50			59.50	59.50	59.50	59.50	59.50	59.50
Total Inventory	559.69	604.36	665.25	735.36	735.36			735.36	735.36	735.36	735.36	735.36	735.36
Prepaid Expenses	18.49	23.49	26.36	29.38	29.38			29.38	29.38	29.38	29.38	29.38	29.38
Other Current Assets	15.55	22.94	28.54	33.47	33.47			33.47	33.47	33.47	33.47	33.47	33.47
Current Assets	691.83	765.27	845.63	1,097.93	1,097.93	0.00	0.00	1,097.93	1,096.37	1,127.25	1,142.01	1,239.50	1,370.90
PP&E, Gross	416.58	459.31	529.20	650.00	715.00			715.00	785.00	855.00	925.00	995.00	1,065.00
Change in Depreciation		51.12	59.72	64.70	64.70			64.70	67.94	71.33	74.90	78.64	82.58
Accumulated Depreciation	265.33	291.19	339.46	400.00	400.00			400.00	467.94	539.27	614.17	692.81	775.38
PP&E, Net	151.25	168.12	189.74	250.00	315.00			315.00	317.07	315.73	310.83	302.19	289.62
Goodwill	494.13	478.24	505.87	532.33	532.33	0.00		532.33	532.33	532.33	532.33	532.33	532.33
Intangibles	78.69	109.35	129.66	128.44	128.44			128.44	178.44	228.44	278.44	328.44	378.44
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	50.74	38.93	31.43	38.46	38.46			38.46	38.46	38.46	38.46	38.46	38.46
Long Term Assets	774.81	794.64	856.70	949.23	1,014.23			1,014.23	1,066.30	1,114.96	1,160.06	1,201.42	1,238.85
Total Assets	1,466.64	1,559.91	1,702.33	2,047.16	2,112.16	0.00	0.00	2,112.16	2,162.66	2,242.21	2,302.07	2,440.92	2,609.75
Accounts Payable	193.59	224.93	262.11	262.21	262.21			262.21	262.21	262.21	262.21	262.21	262.21
Accrued Expense	141.77	154.40	168.52	181.27	181.27			181.27	181.27	181.27	181.27	181.27	181.27
Other current Liabilities	14.31	25.28	26.37	32.00	13.00			13.00	13.00	13.00	13.00	13.00	13.00
Total Current Liabilities	349.67	404.61	457.00	475.48	456.48	0.00	0.00	456.48	456.48	456.48	456.48	456.48	456.48
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	24.52	3.04	3.00	1.91	1.91			1.91	1.91	1.91	1.91	1.91	1.91
Long term Debt	1,653.01	1,559.59	1,410.11	1,615.32	1,615.00	0.00	0.00	1,615.00	1,415.00	1,215.00	965.00	765.00	565.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	1,677.53	1,562.63	1,413.11	1,617.23	1,616.91	0.00	0.00	1,616.91	1,416.91	1,216.91	966.91	766.91	566.91
Deferred Income tax	33.60	41.80	51.31	63.94	63.94			63.94	63.94	63.94	63.94	63.94	63.94
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	45.39	41.64	26.15	24.23	107.50			107.50	107.50	107.50	107.50	107.50	107.50
Total Liabilities	2,106.19	2,050.68	1,947.57	2,180.88	2,244.83	0.00	0.00	2,244.83	2,044.83	1,844.83	1,594.83	1,394.83	1,194.83
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	1.82	1.82	1.84	1.80	1.80		0.00	1.80	1.80	1.80	1.80	1.80	1.80
Additional Paid-in capital	635.52	650.32	681.26	540.01	540.01	0.00	0.00	540.01	540.01	540.01	540.01	540.01	540.01
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-1,236.86	-1,093.03	-879.30	-646.24	-646.24		0.00	-646.24	-393.83	-114.28	195.58	534.43	903.26
Treasury Stock	-0.03	-0.10	-0.10	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-15.90	-20.28	-18.72	-10.65	-10.65		0.00	-10.65	-10.65	-10.65	-10.65	-10.65	-10.65
Total Equity	-615.45	-461.27	-215.02	-115.08	-115.08	0.00	0.00	-115.08	137.33	416.88	726.74	1,065.59	1,434.42
Liability + Equity	1,490.74	1,589.41	1,732.55	2,065.80	2,129.75	0.00	0.00	2,129.75	2,182.16	2,261.71	2,321.57	2,460.42	2,629.25
Variance	-24.10	-29.50	-30.22	-18.64	-17.59			-17.59	-19.50	-19.50	-19.50	-19.50	-19.50
Debt/Equity	-2.73	-3.39	-6.57	-14.05	-14.05			-14.05	10.32	2.92	1.33	0.72	0.40
Inventory Turnover	4.71	4.83	4.91	4.79	5.03			4.79	5.03	5.28	5.55	5.82	6.12
Inventory Turnover Days	77.48	75.65	74.28	76.17	72.55			76.17	72.55	69.09	65.80	62.67	59.68
Days Inventory Outstanding	146.62	145.92	145.01	150.76	142.25			150.76	142.25	135.47	129.02	122.88	117.03
Accounts Receivable Turnover	60.40	53.03	52.73	59.22	62.18			59.22	62.18	65.29	68.56	71.98	75.58
Accounts Receivable Turnover Days	6.04	6.88	6.92	6.16	5.87			6.16	5.87	5.59	5.32	5.07	4.83
Days Payable Outstanding	50.72	54.31	57.13	53.76	50.72			53.76	50.72	48.31	46.01	43.82	41.73
Days Sales Outstanding	6.04	6.88	6.92	6.16	5.87			6.16	6.16	5.87	5.59	5.32	5.07
Cash Conversion Cycle	101.95	98.50	94.80	103.16	97.40			103.16	97.69	93.04	88.61	84.39	80.37
Net tangible assets/share	(\$6.32)	(\$5.40)	(\$4.19)	(\$3.71)	(\$3.71)				(\$2.31)	(\$0.75)	\$0.97	\$2.86	\$4.92

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2009-09-30	12 months ending 2010-09-30	12 months ending 2011-09-30	12 months ending 2012-09-30	2011	2012	2013	2014	2015
Net Income	99.12	143.83	213.72	233.06	252.41	279.55	309.86	338.85	368.83
Depreciation	47.07	51.12	59.72	64.70	67.94	71.33	74.90	78.64	82.58
Net Income + Depreciation	146.19	194.95	273.44	297.76	320.35	350.88	384.76	417.49	451.40
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	10.27	-0.66	0.46	2.39	0.00	0.00	0.00	0.00	0.00
Non Cash Items	15.95	21.29	21.79	46.13	0.00	0.00	0.00	0.00	0.00
Change in Working capital	50.93	1.67	-3.85	-48.70	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-11.34	-7.01	2.50	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-44.67	-60.89	-70.11	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-5.00	-2.87	-3.02	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	31.34	37.18	0.10	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	223.34	217.25	291.84	297.58	320.35	350.88	384.76	417.49	451.40
Capital Expenditures Expenditures	-37.32	-48.70	-59.95	-69.09	-70.00	-70.00	-70.00	-70.00	-70.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-81.24	-36.32	-43.43	-86.78	-50.00	-50.00	-50.00	-50.00	-50.00
Cash from Investing Activities	-118.56	-85.02	-146.73	-112.52	-120.00	-120.00	-120.00	-120.00	-120.00
Financing Cash flow items	-0.19	0.25	-1.69	-16.91	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.65	0.81	10.94	-171.98	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	-1.91	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-149.72	-127.57	-149.31	180.21	-200.00	-200.00	-250.00	-200.00	-200.00
Cash from Financing Activities	-149.26	-126.51	-140.06	-8.68	-201.91	-200.00	-250.00	-200.00	-200.00
Foreign Exchange effect	-0.85	-0.67	-1.07	0.35	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	99.79	54.45	59.49	63.48	240.22	238.66	269.54	284.30	381.79
Net Change in Cash	-45.34	5.05	3.99	176.74	-1.56	30.88	14.76	97.49	131.40
Ending Cash Balance	54.45	59.49	63.48	240.22	238.66	269.54	284.30	381.79	513.19
Capex to Revenue	1.42%	1.67%	1.83%	1.96%	1.89%	1.80%	1.72%	1.63%	1.56%
Depreciation to Sales	1.79%	1.75%	1.83%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	1.66%	1.89%	1.90%	1.69%	1.61%	1.53%	1.46%	1.39%	1.32%
Distributable FCF Yield	1.84%	2.33%	2.55%	3.26%	3.53%	4.06%	4.66%	5.24%	5.83%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	104.78	132.23	145.11	185.06	200.35	230.88	264.76	297.49	331.40

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	176.74	-1.56	30.88	14.76	97.49	131.40
Current Portion Debt Repayment		1.91				
Long Term Debt Repayment		200.00	200.00	250.00	200.00	200.00
Outstanding Debt	1616.91	1415.00	1215.00	965.00	765.00	565.00
Current Portion Debt Balance	1.91	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	1615.00	1415.00	1215.00	965.00	765.00	565.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		99.05	85.05	67.55	53.55	39.55
Cash Balance		240.22				
Interest @ 1.0%		2.40	2.40	2.40	2.40	2.40
Net Interest Expense/(Income)		96.65	82.65	65.15	51.15	37.15
Net Interest Rate		5.98%	5.84%	5.36%	5.30%	4.86%
EBITDA		484.97	512.72	541.86	572.45	604.57
EBITDA/Interest Expense Coverage		4.90	6.03	8.02	10.69	15.29

Interest Rate Coverage Table

Debt Rating					
AAA					AAA
AA				AA	
A+			A+		
A		A			
A-	A-				
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Sally Beauty Holdings

Ticker:

SBH

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	342.16	360.66	388.63	641.45	639.89	670.77	685.53	783.02	914.42
Total Assets	1,466.64	1,559.91	1,702.33	2,112.16	2,162.66	2,242.21	2,302.07	2,440.92	2,609.75
X1	0.23	0.23	0.23	0.30	0.30	0.30	0.30	0.32	0.35
Retained Earnings	-1,236.86	-1,093.03	-879.30	-646.24	-393.83	-114.28	195.58	534.43	903.26
Total Assets	1,466.64	1,559.91	1,702.33	2,112.16	2,162.66	2,242.21	2,302.07	2,440.92	2,609.75
X2	-0.84	-0.70	-0.52	-0.31	-0.18	-0.05	0.08	0.22	0.35
EBITDA	343.91	392.05	508.19	526.26	554.97	582.72	611.86	642.45	674.57
Total Assets	1,466.64	1,559.91	1,702.33	2,112.16	2,162.66	2,242.21	2,302.07	2,440.92	2,609.75
X3	0.23	0.25	0.30	0.25	0.26	0.26	0.27	0.26	0.26
Market Value of Equity	4,305.84	4,305.84	4,305.84	4,305.84	3,665.60	3,120.55	2,656.55	2,261.54	1,925.27
Total Liabilities	2,106.19	2,050.68	1,947.57	2,244.83	2,044.83	1,844.83	1,594.83	1,394.83	1,194.83
X4	2.04	2.10	2.21	1.92	1.79	1.69	1.67	1.62	1.61
Net Sales	2,636.60	2,916.09	3,269.13	3,523.64	3,699.82	3,884.81	4,079.05	4,283.01	4,497.16
Total Assets	1,466.64	1,559.91	1,702.33	2,112.16	2,162.66	2,242.21	2,302.07	2,440.92	2,609.75
X5	1.80	1.87	1.92	1.67	1.71	1.73	1.77	1.75	1.72
Altman Z Score	2.90	3.26	3.78	3.58	3.73	3.89	4.12	4.29	4.45

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red