### Sally Beauty Holdings (SBH)

Price:	\$24.00	Price/Book:	-37.42	Net Tang. Asset Yr. 5/Share:	\$4.92			
Market Cap:	\$4,305,840,000	EV/FCF:	30.71	Avg. Year FCF/Share:	\$1.48			
Cash:	\$240,220,000	Net Tang. Asset/Share:	-\$3.71	Year 5 Disposition FCF Multip	3.0			
Debt:	\$1,616,910,000	Avg. Year 1-5 FCF/Share:	\$1.48	Year 5 Disposition Price:	\$9.35			
Net Cash:	-\$1,376,690,000	5 Years of FCF:	\$7.38	Gain Year 5:	\$9.35			
Enterprise Value:	\$5,682,530,000	Net Tang. Asset+5 FCF:	\$3.68	-				
		Net Tang. As	Net Tang. Asset+5 FCF+ Gain Disposition:					
Target Market Cap:	\$2,337,391,602		IRR:					
Target Enterprise Value:	\$3,714,081,602				•			

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.

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Income Statement

100.0% 50.6% 49.4% 16.0% 6.6%

Sally Beauty Holdings, Inc. is an international specialty retailer and distributor of professional beauty supplies with operations primarily in North America, South America and Europe. We believe the Company is the largest distributor of professional beauty supplies in the U.S. based on store count. We operate primarily through two business units, Sally Beauty Supply and Beauty Systems Group, or BSG. Through Sally Beauty Supply and BSG we sell and distribute beauty products through 4,315 company-owned stores, 184 franchised stores and 1,044 professional distributor sales consultants. Sally Beauty Supply stores target retail consumers and salon professionals, while BSG exclusively targets salons and salon professionals. We have store locations in the United States (including Puerto Rico), Canada, Mexico, Chile, the United Kingdom, Ireland, Belgium, France, Germany, the Netherlands and Spain. Within BSG, we also have one of the largest networks of professional distributor sales consultants who sell directly to salons and salon professionals. We provide our customers with a wariety of leading third-party branded and exclusive-label professional beauty supplies, including hair color products, hair dare products, hair dryers and hair styling appliances, skin and nail care products and other beauty items. Approximately 82% of our consolidated net sales for each of the fiscal years ended September 30, 2012, our consolidated net sales and operating earnings were \$3,523.6 million and \$499.4 million, respectively.

Company Name: Ticker Symbol: Last Price:	Sally Beauty Holdings SBH	Market Capitalization: Total Debt:	\$4,305,840,000.00 \$1,616,910,000.00	Revenue: Cost of Goods Sold:	\$3,520,000,000.00	10
Last Price:		Total Debt:	\$1.616.010.000.00	Cost of Goods Sold:	£4 700 000 000 00	
			φ1,010,510,000.00		\$1,780,000,000.00	5
11 . 0 . 1 /01	\$24.00	Total Cash:	\$240,220,000.00	Gross Profit:	\$1,740,000,000.00	
Net Cash/Share:	-\$7.67	Net Cash/(Debt):	-\$1,376,690,000.00	EBITDA:	\$564,050,000.00	
Net Cash to Last Price:	-31.97%	Enterprise Value:	\$5,682,530,000.00	Net Income:	\$233,060,000.00	
Shares Outstanding:	179,410,000	Current EV/Share:	\$31.67	Net income.	Ψ233,000,000.00	
Industry:	Specialty Retail	EBITDA:	\$590,960,000.00	Balance Sheet		
					#0.40.000.000.00	
Sector:	Consumer Cyclical	EV/EBITDA Multiple:	9.62	Cash:	\$240,220,000.00	
		EV/EBITDA Multiple Average Year 1-5:	9.19	Short Term Investment:	\$0.00	
Institutional Ownership:	#VALUE!	EV/FCF Multiple:	30.71	A/R:	\$59,500,000.00	
Mutual Fund Ownership:	#VALUE!	EV/FCF Multiple Average Year 1-5:	21.45	PP&E:	\$315,000,000.00	
Insider Ownership:	#VALUE!			Assets:	\$2,112,160,000.00	
Retail Ownership:	#VALUE!	Upper Range				
Float:	#VALUE!	DCF: EV/EBITDA Terminal Valu	e	A/P:	\$262,210,000.00	
				Deferred Tax:	\$63,940,000.00	
Te	chnicals	Implied TV from 3 X EV/EBITDA Multiple	\$2,023,720,544.20	Other Liabilities:	\$301,770,000.00	
52 week low:	Error		<del></del>	Short term Debt:	\$1,910,000.00	
Today from 52 week low:	#VALUE!	Enterprise Value	\$2,023,720,544.20	Long Term Debt:	\$1,615,000,000.00	
52 week high:	#VALUE: Error	Cash at Year 5:	\$513,188,985.08	Liabilities:		
	#VALUE!			Liabilities.	\$2,244,830,000.00	
Today from 52 week high:		Debt at Year 5:	\$566,910,000.00	B · · · · · · · ·	**********	
50 day Moving Average:	Error	Equity Value Year 5:	\$1,969,999,529.28	Retained Earnings:	-\$646,240,000.00	
200 day Moving Average:	Error	Equity/Share at Year 5:	\$10.98	Paid-In Capital:	\$541,810,000.00	
		Annualized Return:	-14.48%	Treasury Stock:	\$0.00	
Analyst/Consensus		Lower Range		Stockholder's Equity:	-\$115,080,000.00	
Analyst Sales Growth FY1:	6.40%	DCF: Net Tangible Asset excluding Cash/Deb	Terminal Value			
Analyst Sales Growth FY2:	6.30%	•		Cash Flow		
SN Valuation Estimate FY1:	5.00%	Year 5 Net Tangible Assets excluding cash and debt	\$582,520,000.00	Net Income:	233.060.000.00	
SN Valuation Estimate FY2:	5.00%	<b>.</b>	* ,,	Depreciation/Amortization:	64,700,000.00	
		Enterprise Value	\$582,520,000.00	Change in Working capital:	-48,700,000.00	
Analyst Earnings Estimate FY1:	\$1.61	Cash at Year 5:	\$513,188,985.08	Cash from Operating Activities:	297,580,000.00	
Analyst Earnings Estimate FY2:	\$1.87	Debt at Year 5:	\$566,910,000.00	Cash nom Operating Activities.	297,380,000.00	
				Conital Funanditures	00 000 000 00	
SN Valuation Earnings Est. FY1:	\$1.41	Equity Value Year 5:	\$528,798,985.08	Capital Expenditures:	-69,090,000.00	
SN Valuation Earnings Est. FY2:	\$1.56	Equity/Share at Year 5:	\$2.95	Cash from Investing Activities:	-112,510,000.00	
		Annualized Return:	-34.26%			
Multiples				Total Cash Dividends Paid:	0.00	
Market Value to Book:	-37.42	EVA		Issuance (Retirement) of Stock:	-171,980,000.00	
EV to Book:	-49.38	EVA today:	\$87,410,271.59	Issuance (Retirement) of Debt:	180,210,000.00	
Market Value to Tangible Net Assets:	-4.16	EVA in 5 Years:	\$1,936,860,005.94	Cash from Financing Activities:	-8,680,000.00	
P/E Ratio:	18.48	EVA/Share:	\$10.80			
Trailing P/E Ratio:	18.90	Cash at Year 5:	\$513,188,985.08			
Forward P/E Ratio:	12.53	Debt at Year 5:	\$566,910,000.00	Profitability Margins		
Beta:	Error	Equity Value Year 5:	\$1,883,138,991.02	Debt to Equity:	-1405.03%	
Dividend:	0	Equity/Share at Year 5:	\$10.50	Return on Assets:	11.03%	
Dividend Yield:	0.00%	Equity/Share at Tear 5.	Ψ10.50	Return on Capital:	15.52%	
Dividend Date:	Aug 17, 2006	Annualized return	85.83%	Return on Equity:	-202.52%	
Ex-Dividend Date:	N/A	Allitualized return	85.85 /6	neturn on Equity.	-202.32/8	
Ex-Dividend Date:	IN/A	O N.A. T				
		Current Net Tangible Asset				
	mpetitors	Net Tangible Asset/Share:	-\$4.42			
Average EV to EBITDA:	N/A	Net Tangible Asset/Share in Year 5:	\$2.81			
Company EV to EBITDA:	9.62	Annualized return	-191.33%			
Average EV to EBIT:	N/A	Current Equity Price:	\$24.00			
Company EV to EBITA:	12.31	Selling at Discount?	Premium			
•		Appreciation Potential:	-118.43%			
		• •				
		Dividend Model				
			\$0.00			
		Next Year Dividend				
			•			
		WACC:	9.14%			
			•			2012-

### **SN VALUATION**

## **LBO Analysis**

				Non-LBO For		Non-LBO I	lama and
		Intrinsic Price in 5 Years:	10.73	Year 1 Target	20.43	Desired Return Rate	20.00%
WACC Terminal Value:	N/A	Market Price:	24.00	Year 2 Target	17.39	Implied Today's Price	4.31
EV/EBITDA with 3X Multiple Terminal Value:	\$10.98	LBO Price:	24.00	Year 3 Target	14.81	Overvalued/(Undervalued)	456.51%
Net Tangible Asset Terminal Value:	\$2.95	Premium to Market Price:	0.00%	Year 4 Target	12.61		450.5170
EV/EBITDA with Today's Multiple Terminal Value:	\$18.50	LBO Price/Intrinsic Price Target:	-14.87%	Year 5 Target	10.73		
VA Enterprise Value:	\$10.50	LBO Price/EV/EBIT Exit Price:	-10.94%	Tem 5 Tanget	10.75		
ividend Discount Model:	N/A	Implied IRR at today's EV/EBITA:	-5.07%	Implied IRR (Market Price):	-14.87%		
verage (Excluding Dividend Discount):	\$10.73	5 Year Return:	-55.29%	implied intr (Market Friee).	11.07 /0		
	7-0.00						
	Current Evalua	tion				Exit Evaluation	
rrent Market Price:	24.00	LBO Price:	24.00	Exit Price:	10.73	Exit Price:	18.50
ıtstanding Shares:	179,410,000	Outstanding Shares:	179,410,000	Outstanding Shares:	179,410,000	Outstanding Shares:	179,410,000
arket Capitalization:	4,305,840,000	Market Capitalization:	4,305,840,000	Market Capitalization:	1,925,271,016	Market Capitalization:	3,319,146,559
vailable Cash:	240,220,000	Available Cash:	240,220,000	Available Cash:	513,188,985	Available Cash:	513,188,985
ebt:	1,616,910,000	Debt:	1,616,910,000	Debt:	566,910,000	Debt:	566,910,000
et Cash:	-1,376,690,000	Net Cash:	-1,376,690,000	Net Cash:	-53,721,015	Net Cash:	-53,721,015
terprise Value:	5,682,530,000	Enterprise Value:	5,682,530,000	Enterprise Value:	1.978.992.031	Enterprise Value:	3,372,867,574
iginal EV/EBITA:	12.31	EV/EBITA:	12.31	EV/EBITA at 5 Years:	3.27	EV/EBITA at 5 Years:	5.00
iginal EV/EBITDA:	9.62	EV/EBITDA:	10.80	EV/EBITDA at 5 Years:	4.38	EV/EBITDA at 5 Years:	4.91
mpetitor Average EV/EBIT:	N/A	z., ibiibii.	10.00	Z., EDITOTIALO TEATS.	4.50	2., EDITOTIALO TEATS.	7.71
mpetitor Average EV/EBITDA:	N/A N/A			1			
impentor Average EV/ EDITUA.	1N/ /1			1			
		•	tion Calculation Durir	g Holding Period			
ne Period	0	Adjusted for LBO	1	2	3	4	5
nualized Price Targets based off LBO Price:	24.00	24.00	20.43	17.39	14.81	12.61	10.73
ares Outstanding:	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000
rket 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
ailable Cash:	240,220,000	240,220,000	238,656,575	269,536,532	284,296,541	381,786,853	513,188,985
bt:	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
t 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
terprise 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
IT	461,570,000	461,570,000	484,973,300	512,721,965	5	572.450.966	604,573,515
Y/EBIT:	12.31	12.31	9.99	7.93	667,833,039.86	4.62	3.27
TDA							
//EBITDA:	526,270,000 10.80	526,270,000 10.80	552,908,300 8.76	584,053,715 6.96	616,756,401 5.41	651,094,221 4.06	687,148,932 2.88
				W.11: N.: 1			
ma Pawiad	0	Adjusted for LBO	tion Calculation Durir	1g Holding Period 2	3	4	5
me Period nnualized Price Targets based off LBO Price:							
	24.00	24.00	26.71	29.90	-3.80	37.14	41.19
ares Outstanding:	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000	179,410,000
arket 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
ailable Cash:	240,220,000	240,220,000	238,656,575	269,536,532	284,296,541	381,786,853	513,188,985
bt:	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
t 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
terprise 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
IT	461,570,000	461,570,000	484,973,300	512,721,965	5	572,450,966	604,573,515
/EBIT:	12.31	12.31	12.31	12.31	12.31	12.31	12.31
ITDA	526,270,000	526,270,000	552,908,300	584,053,715	616,756,401	651,094,221	687,148,932
/EBITDA:	10.80	10.80	10.80	10.81	0.00	10.82	10.83
				Weighting			
O Price	24.00	Equity Partners:	5,923,070,000	100.00%			
ares Outstanding	179,410,000	Debt Partners:	0,923,070,000	0.00%	Annualized R	eturn for Equity Partners:	<i>-</i> 10.94%
· ·	4,305,840,000	Total Funds for LBO:	5,923,070,000	100.00%			
rket Capitalization		Total Pullus for LBO;	3,343,070,000	100.0070			
bt	1,617,230,000						
sh	240,220,000						
terprise Value	5,682,850,000						
pital Investment	5,923,070,000						
				Stock Valuation		Debt Reduction	
al Value						Lient Reduction	
		Enterprise Value					
ok Value ginning Book Value	-115.08	Beginning Enterprise Value	5,682.53	Current Market Price	\$24.00	Starting Debt	1,615.00
ginning Book Value ar 5 Book Value	1,434.42	Beginning Enterprise Value Year 5 Enterprise Value	3,372.87	Current Market Price Year 5 Market Price	\$18.50	Starting Debt Debt Repayment	1.91
ginning Book Value		Beginning Enterprise Value		Current Market Price		Starting Debt	

#### **SN VALUATION**

Depreciation is: Included within COGS
Operating Income (EBITA)

P/E (historical today's price; forecasted intrinsic price)

Revenue

Other

Gross margin SG&A

Unusual expense Other operating expense

Interest income/(expense) Gain (loss) on sale of asset

Income before tax

Income after tax

Equity in affiliates

Revenue Growth

Margins COGS

SG&A

R&D

Tax

Gross margin

Unusual expense

Income before tax

Income after tax

Minority Interest Equity in affiliates

Other operating expense

Operating Income (EBITA)

Interest income/(expense) Gain (loss) on sale of asset

Depreciation is: Included within COGS

Tax Rate Implied Debt Interest Rate

Minority Interest

Net income \*Figures are in millions (\$) EPS (based off today's share count)

#### LBO Pro Forma Income Statement

Sally Beauty Holdings Forecasted 2015 12 months ending 2009-09-30 12 months ending 2011-09-30 12 months ending 2012-09-30 2013 2.636.60 3.269.13 3.523.64 3,699,82 3.884.81 4.079.05 4.283.01 4.497.16 1,674.53 1,594.60 1,086.41 1,981.25 1,903.56 1,320.84 1,511.72 1,886.91 2,080.32 2,184.33 2,293.55 1,243.32 899.41 1,743.26 1,179.21 1,812.91 1,257.94 1,998.74 1,386.88 2,098.67 1,456.22 2,203.61 1,529.03 1.404.37 1,012.32 0.00 0.00 0.00 0.00 0.00 37 79 0.00 0.00 0.00 0.00 0.00 0.00 51.12 340.93 0.00 0.00 47.07 0.00 0.00 0.00 0.00 0.00 0.00 59.72 448.47 64.69 461.57 70.00 **484.97** 70.00 **512.72** 70.00 **541.86** 70.00 **572.45** 70.00 **604.57** 296.84 -132.03 -112.98 -112.53 -100.63 -96.65 -82.65 -65.15 -51.15 -37.15 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 164.81 227.95 335.94 360.94 430.07 521.30 122.22 213.72 127.88 233.06 150.53 279.55 182.46 338.85 198.60 368.83 65.69 84.12 135.91 166.85 99.12 143.83 252.41 309.86 0.00 0.00 0.00 0.00 0.00 0.00 0.00 143.83 0.00 **213.72** 0.00 0.00 0.00 **279.55** 0.00 **309.86** 0.00 338.85 0.00 **368.83** 233.06 252.41 99.12 \$0.55 \$0.80 \$1.19 \$1.30 \$1.41 \$1.56 \$1.73 \$1.89 \$2.06 43.44 18.48 14.52 N/A 10.60% 12.11% 7.79% 5.00% 5.00% 5.00% 5.00% 5.00% 39.86% -7.87% 36.38% 35.43% 35.00% 35.00% -7.23% -7.96% -6.22% -5.98% -5.84% -5.36% -5.30% -4.86% 52.84% 51.84% 51.22% 50.53% 51.00% 51.00% 51.00% 51.00% 51.00% 47.16% 48.16% 48.78% 49.47% 49.00% 49.00% 49.00% 49.00% 49.00% 34.11% 34.71% 33.23% 33.47% 34.00% 0.00% 34.00% 34.00% 0.00% 34.00% 0.00% 34.00% 0.00% 1.83% 1.80% 1.75% 1.84% 1.89% 11.26% 11.69% 13.72% 13.10% 13.11% 13.20% 13.28% 13.37% 13.44% -5.01% 0.00% -3.87% 0.00% -2.86% 0.00% -2.61% 0.00% -2.13% 0.00% -1.60% 0.00% -1.19% 0.00% -0.83% 0.00% -3.44% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 6.25% 7.82% 10 28% 10 24% 10.50% 11.07% 11.69% 12.17% 12.62% 2.49% 3.74% 3.87% 4.26% 4.42% 2.88% 3.63% 3.67% 4.09% 3.76% 4.93% 6.54% 6.61% 6.82% 7.56% 8.38% 9.16% 9.97% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 3.76% 4.93% 6.54% 6.61% 6.82% 7.20% 7.60% 7.91% 8.20%

Name:

Ticker:

SBH

### LBO Adjusted Proforma Balance Sheet

Adjustment

	As of 2009-09-30	As of 2010-09-30	As of 2011-09-30			+	-	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	0.00	0.00	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	ı		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
Natas Barrellas (Chart Tarrel Dalet	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Notes Payables/Short Term Debt Current port. Of LT Debt/Capital Leases	0.00 24.52	0.00 3.04	3.00	0.00 1.91	0.00 1.91			0.00 1.91	1.91	1.91	0.00 1.91	1.91	0.00 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	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
Total interest Earning Debt	1,077.00	1,002.00	1,410.11	1,017.20	1,010.51	0.00	0.00	1,010.51	1,410.51	1,210.31	300.31	700.51	300.31
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
	.=:	4.5-	, -·					,	5.0-				0.7-
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
Account Hecelvalor Harrover Days	0.04	0.00	0.52	0.10	3.07			0.10	3.07	5.55	5.52	5.07	4.00
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
Dayo Calco Odistanding	0.04	0.00	0.02	0.10	5.57			0.10	0.10	5.57	5.55	0.02	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
ivet tangible assets/share	(Φ0.3∠)	(φυ.40)	(\$4.19)	(φο./ ۱)	(φο./1)				(φ <b>2.</b> 31)	(φυ./ο)	φυ.97	φ∠.00	Φ4.9∠

### **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	-86.78	-43.43	-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
E		0.05		10.01					
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 Issuance (Retirement) of Current Portion Debt	0.65	0.81	10.94	-171.98	0.00 -1.91	0.00	0.00	0.00	0.00
	-149.72	-127.57	-149.31	180.21	-200.00	0.00 -200.00	0.00 -250.00	0.00 -200.00	-200.00
Issuance (Retirement) of Long Term Debt  Cash from Financing Activities	-149.72 -149.26	-127.57 -126.51	-149.31 - <b>140.06</b>	-8.68	-200.00 <b>-201.91</b>	-200.00 <b>-200.00</b>	-250.00 -250.00	-200.00 <b>-200.00</b>	-200.00 -200.00
Cash from Financing Activities	-149.26	-126.51	-140.06	-8.08	-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%
B			0.550		0.500	4.000/		5.044	E 000/
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
. c. (opa-investing Dividenda)	104.70	102.20	170.11	100.00	200.00	200.00	204.70	201.70	301.40

# 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		Α			
A-	A-				
BBB					
BB+					
BB					
B+					
В					
B-					
CCC					
CC					
С					
D					
		1			

<sup>\*</sup>Source: NYU; Professor Damodaran

Altman Z So	core	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
Х3	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\*X1 + 1.4\*X2 + 3.3\*X3 + 0.6\*X4 + 1.0\*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