



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
Sally Beauty Holdings, Inc., a beauty supply distributor, was founded in 1964. It was acquired by Alberto-Culver in 1969. On November 16, 2006, Sally Beauty Holdings, Inc. became a freestanding company, and began trading on the NYSE under the symbol SBH.	--	--	--	--	--	13.90	14.59	14.50	16.00	17.76	18.80	20.20	Sales per sh <sup>A</sup>	24.50
	--	--	--	--	--	.56	.69	.80	1.07	1.49	1.55	1.90	"Cash Flow" per sh	2.45
	--	--	--	--	--	.32	.42	.54	.78	1.14	1.20	1.50	Earnings per sh <sup>A B</sup>	2.00
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	--	--	--	--	--	.29	.25	.21	.27	.33	.35	.40	Cap'l Spending per sh	.50
	--	--	--	--	--	d4.21	d3.87	d3.38	d2.53	d1.19	.55	1.85	Book Value per sh <sup>C</sup>	7.90
	--	--	--	--	--	180.91	181.52	181.86	182.23	184.06	186.00	188.00	Common Shs Outst'g <sup>D</sup>	196.00
	--	--	--	--	--	27.7	19.0	10.9	11.0	12.9	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	15.0
	--	--	--	--	--	1.47	1.14	.73	.70	.82			Relative P/E Ratio	1.00
	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil
<b>CAPITAL STRUCTURE as of 12/31/11</b> Total Debt \$1457.2 mill. Due in 5 Yrs \$1130 mill. LT Debt \$1452.5 mill. LT Interest \$105 mill. (Total int. coverage: 4.0x)	--	--	--	--	2373.1	2513.8	2648.2	2636.6	2916.1	3269.1	3500	3800	Sales (\$mill) <sup>A</sup>	4800
	--	--	--	--	12.2%	11.6%	12.5%	13.0%	13.4%	15.5%	16.0%	16.5%	Operating Margin	17.0%
	--	--	--	--	38.0	42.6	48.5	47.1	51.1	59.7	62.0	65.0	Depreciation (\$mill)	80.0
	--	--	--	--	110.2	58.5	77.6	99.1	143.8	213.7	230	290	Net Profit (\$mill)	400
	--	--	--	--	38.8%	43.8%	37.3%	39.9%	36.9%	36.4%	38.0%	38.0%	Income Tax Rate	36.0%
	--	--	--	--	4.6%	2.3%	2.9%	3.8%	4.9%	6.5%	6.6%	7.6%	Net Profit Margin	8.3%
	--	--	--	--	479.1	354.2	367.2	341.7	387.1	419.2	500	550	Working Cap'l (\$mill)	650
	--	--	--	--	6	1758.6	1724.7	1653.0	1559.6	1410.1	1400	1400	Long-Term Debt (\$mill)	1350
	--	--	--	--	1013.5	d761.2	d703.0	d615.5	d461.3	d219.0	100	350	Shr. Equity (\$mill)	1550
	--	--	--	--	10.9%	13.3%	15.4%	15.9%	18.2%	22.7%	20.0%	20.0%	Return on Total Cap'l	15.0%
	--	--	--	--	10.9%	--	--	--	10.9%	NMF	NMF	NMF	Return on Shr. Equity	26.0%
	--	--	--	--	10.9%	--	--	--	10.9%	NMF	NMF	NMF	Retained to Com Eq	26.0%
	--	--	--	--	--	--	--	--	--	Nil	Nil	Nil	All Div'ds to Net Prof	Nil

**Leases, Uncapitalized** Annual rentals \$141.4 mill.

**No Defined Benefit Pension Plan**  
Pfd Stock None

**Common Stock** 186,313,513 shs. as of 1/26/12

**MARKET CAP: \$4.7 billion (Mid Cap)**

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 of change (per sh)
Sales	--	--	7.5%
"Cash Flow"	--	--	14.0%
Earnings	--	--	16.0%
Dividends	--	--	Nil
Book Value	--	--	NMF

Fiscal Year Ends	QUARTERLY SALES (\$ mill.) <sup>A</sup>				Full Fiscal Year
	Dec.31	Mar.31	Jun.30	Sep.30	
2009	645.6	641.5	673.3	676.2	2636.6
2010	704.9	720.4	743.0	747.8	2916.1
2011	793.6	801.8	836.6	837.1	3269.1
2012	864.8	870	880	885.2	3500
2013	940	940	960	960	3800

Fiscal Year Ends	EARNINGS PER SHARE <sup>A B</sup>				Full Fiscal Year
	Dec.31	Mar.31	Jun.30	Sep.30	
2009	.09	.13	.17	.15	.54
2010	.14	.19	.22	.23	.78
2011	.22	.26	.37	.29	1.14
2012	.16	.34	.36	.34	1.20
2013	.36	.36	.40	.38	1.50

Calendar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008					
2009					
2010					
2011					
2012					

NO CASH DIVIDENDS BEING PAID

**Sally Beauty Holdings is kicking off fiscal 2012 with strong top-line results (year ends September 30th).** The beauty supplier's sales increased 9% during the December quarter, slightly surpassing our expectation. Same-store results strengthened 7.1%, also showing some improvement. We continue to look for consolidated sales to reach \$3.5 billion this year, representing a 7% annual advance.

**Both business segments should hold up well.** The Sally Beauty Segment is performing nicely, thanks to a greater number of transactions and higher spending by customers. Retail store openings and acquisitions aimed at new markets are also making contributions. Meanwhile, the Beauty Supply Group, which serves professionals, should make progress.

**The company is doing a good job of managing costs.** The operating margin was 14.9% at the end of the first quarter, versus 13.4% a year ago. Although selling and administrative costs have risen, this is being offset by a larger top line. Meanwhile, the bottom line is a bit stronger than it may appear. Sally Beauty earned \$0.16 a diluted share in the December

quarter, which was a bit lower than last year's showing. However, this figure included a loss related to the extinguishment of debt. We do not expect similar charges for the remainder of the year. We have lowered our earnings-per-share estimate by \$0.05, to \$1.20, for 2012. We have introduced an estimate of \$1.50 a share for next year.

**The company is improving its finances.** Sally Beauty has been taking steps to reduce its debt level, targeting higher-yielding notes. The company does not have much debt due this year or next, which allows for some flexibility.

**These shares have moved up further in price since our December report.** This may reflect Sally Beauty's decent near-term prospects. However, our current projections indicate that this issue offers somewhat limited capital appreciation potential for the next 3 to 5 years.

through a sales force and stores for professionals only. Has about 4,300 stores, including 200 franchised stores, in North America, Europe, and Japan. Has about 24,615 employees. Officers and directors own 3.4% of stock (12/11 proxy). CEO: Mr. Gary Winterhalter. Address: 3001 Colorado Boulevard, Denton, Texas, 76210. Tel: 940-898-7500. Internet www.sallybeautyholdings.com

*Adam Rosner* March 23, 2012

CASH POSITION	5-Year Av'g	12/31/11
Current Assets to Current Liabilities:	N/A	213%
Cash & Equiv's to Current Liabilities:	N/A	17%
Working Capital to Sales:	N/A	14%