

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

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED: SEPTEMBER 30, 2023

-OR-

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
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	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$.01 per share	SBH	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:** None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on March 31, 2023, was approximately \$1,670,896,000. At November 10, 2023, there were 106,284,089 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement relating to the registrant's 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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In this Annual Report, references to “the Company,” “Sally Beauty,” “SBH,” “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 Annual Report on Form 10-K 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,” “might,” “anticipates” 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 to this Annual Report on Form 10-K, 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

### ITEM 1. BUSINESS

#### **Our Company**

Sally Beauty Holdings is a leading international specialty retailer and distributor of professional beauty supplies. As experts in hair color and care, we aim to empower our customers to express themselves through their hair and beyond. We operate two business segments that offer beauty products in key categories, including hair care, hair color, styling tools and nails.

**Sally Beauty Supply (“SBS”)** – An omni-channel retailer that offers professional-quality beauty supplies at attractive prices and provides education to retail consumers and salon professionals throughout North America, South America and Europe. SBS operates primarily through retail stores (generally operating under the Sally Beauty banner) and digital platforms, including our [www.sallybeauty.com](http://www.sallybeauty.com) website and a mobile commerce-based app.

**Beauty Systems Group (“BSG”)** – A leading full-service omni-channel distributor that offers professional beauty supplies exclusively to salons and salon professionals throughout the U.S. and Canada. These salon professionals primarily rely on just-in-time inventory due to capital constraints and limited warehouse and shelf space. BSG operates through company-operated stores (generally operating under the Cosmo Prof banner), franchised stores, distributor sales consultants (“DSCs”) and digital platforms, including our [www.cosmoprofbeauty.com](http://www.cosmoprofbeauty.com) website, a mobile commerce-based app and chain portals.

The breadth, depth and professional quality of our hair color and care assortment provides us with a differentiated core business in an industry which is otherwise fragmented. Due to our long history, brand heritage, product and process-specific knowledge and training of associates, we provide unmatched hair color and care expertise to consumers. We also have strong positioning with suppliers given our focus and economies of scale of purchasing. By operating in a variety of channels, we are able to reach broad, diversified geographies and customer segments using a variety of product assortments and tactics.

#### **Operating and Growth Strategy**

Our operating and growth strategy is guided by our vision to own professional hair color and care for both the do-it-yourself (“DIY”) enthusiast and professional stylist. SBS’s differentiation is to offer a vast array of hair color and care solutions for in-home use, and this is supported by the content and education we provide our customers. While at BSG, we are the largest North American distributor of professional hair color and care, offering stylists and salons the most extensive portfolio of third-party brands in the market.

We remain focused on driving top line growth and profitability by executing on our strategic initiatives:

##### *Customer Centricity*

Our DIY customers and professional stylists value the services, education and innovation we provide. We continue to build customer centricity through our value-added services and concepts, including Studio by Sally, Cosmo Prof Direct, Licensed Colorist on Demand (“LCOD”), Happy Beauty Co. and Walmart.com digital marketplace. As we gain insights and customer feedback from these concepts, we believe there are opportunities for us to expand on these concepts further and to provide growth beyond our core.

##### *Owned Brands and Innovation*

We believe our focus on growing our owned brands at SBS and innovating will help us attract new customers and keep long-term relationships with existing customers. During the fiscal year, we expanded our owned brand portfolio with the launch of bondbar and brought to market many innovative products from new and key vendors. At BSG, we launched brands like Amika, Wella’s Ultimate Repair and Danger Jones, and expanded our distribution with Color Wow. Additionally, at the end of the fiscal year, we expanded our distribution rights and significantly strengthened BSG’s position in a strategically important market with the asset acquisition of Goldwell of New York. Going into next fiscal year, we are focused on expanding on our owned brand offerings to drive higher sales penetration, increasing our BSG distribution footprint through expanding high-profile brands, and bringing to market innovation across our key categories of hair care and hair color.

### *Efficiency and Optimization*

During the fiscal year, we were able to substantially complete our distribution center consolidation and store optimization plan (the “Plan”), resulting in strong sales recapture rates and cost savings. We also set in motion our Fuel for Growth (“FFG”) initiative. FFG is a mandate to rethink the way we work, generating cost savings and modernizing key parts of our business. For example, our transition to pooled distribution and ongoing changes to our store shipping frequency has lowered our transportation costs. We believe these efficiency and optimization initiatives will help us offset inflationary pressures and continued growth investments in the upcoming fiscal year.

We believe focusing in these areas will position our company for future growth, further enhance our ability to meet our customers where they are, and attract new customers.

### **Store Design and Locations**

#### *Sally Beauty Supply*

SBS has retail stores in the U.S. (including Puerto Rico), Canada, Mexico, the United Kingdom, Ireland, Belgium, France, Germany, the Netherlands, Spain and Chile. Stores are designed to highlight our extensive product offerings and differentiated position in hair color, hair care, styling tools and nails. We apply strong category management processes, including store specific planograms, to maintain consistent merchandise presentation across our store base. In the U.S. and Canada, our average store offers an average of 7,000 beauty products and is approximately 1,650 square feet in size. Stores are typically located in strip shopping centers, which are occupied by other high traffic retailers such as grocery stores, mass merchants and home improvement centers. Store formats, including average size and product selection, vary by marketplace to meet the needs of the customer.

We calibrate store renewals, remodels and expansions between new and existing geographies. In existing marketplaces, we add stores to provide additional coverage and strategically close or relocate underperforming stores as necessary. In new marketplaces, SBS selects geographic areas and store sites on the basis of demographic information, the quality and nature of neighboring tenants, store visibility and location accessibility. SBS generally seeks to expand in geographically contiguous areas to leverage its expertise.

During the fiscal year, we began testing two new store concepts, Happy Beauty Co. and Studio by Sally.

Happy Beauty Co. is a unique new retail store concept that brings to market an engaging beauty experience with thousands of quality products priced under \$10 in an accessible, fun and expressive environment. Stores feature both third-party brands and our owned brands encompassing four key categories: cosmetics & facial care, bath & body, nails and hair. The initial pilot stores were opened in the Dallas/Ft. Worth, Texas and Phoenix, Arizona markets. If our pilot stores are successful, we believe there is an opportunity for 500-1,000 locations across the U.S.

Studio by Sally is a new pilot store concept that adds an in-person educational salon experience where licensed stylists will train and educate customers, empowering them to personally achieve their desired results. As of September 30, 2023, we have six Studio by Sally pilot stores opened in various markets and have been encouraged with the results. Looking to fiscal year 2024, we anticipate converting up to 30 additional stores. Longer term, we anticipate a mix of conversions and relocations, and we believe there is an opportunity to scale to over 100 Studio by Sally locations throughout the U.S. in the coming years.

SBS’s store count for the last three fiscal years is summarized in the following table:

	Fiscal Year		
	2023	2022	2021
Beginning store count	3,439	3,549	3,653
Opened <sup>(1)</sup>	54	47	71
Closed <sup>(2)</sup>	(345)	(155)	(168)
Franchises closed	—	(2)	(7)
Ending store count	<u>3,148</u>	<u>3,439</u>	<u>3,549</u>

(1) Includes ten pilot stores for Happy Beauty Company opened in fiscal year 2023.

(2) In fiscal years 2023 and 2022, we closed 294 stores and 36 stores, respectively, in connection with our Distribution Center Consolidation and Store Optimization Plan (“the Plan”).

#### *Beauty Systems Group*

BSG stores, including franchise-based Armstrong McCall stores, are designed to highlight our extensive product offerings to salons and salon professionals. Our stores, on average, offer approximately 8,000 professional beauty products tailored to the territory and are segmented into distinctive areas arranged by product type, with certain areas dedicated to leading third-party brands. Our company-operated stores average approximately 2,700 square feet and are located primarily in secondary strip shopping centers, being a destination exclusively for licensed cosmetologists.

BSG's store count for the last three fiscal years is summarized in the following table:

	Fiscal Year		
	2023	2022	2021
Beginning store count	1,355	1,362	1,385
Opened	38	54	59
Closed <sup>(1)</sup>	(55)	(61)	(80)
Franchises opened	—	2	1
Franchises closed	—	(2)	(3)
Ending store count	<u>1,338</u>	<u>1,355</u>	<u>1,362</u>

(1) In fiscal years 2023 and 2022, we closed 26 stores and 7 stores, respectively, in connection with the Plan.

## Merchandise

We believe our product offerings, led by our hair color and care categories, provide us a competitive advantage. During the last three fiscal years, our hair color and care products made up approximately 70% of our total consolidated sales. Key products included within our sales categories are as follows:

- **Hair Color** – Developer/lightener, semi-permanent/demi-permanent/permanent hair color, toner
- **Hair Care** – Shampoo and conditioner, hair gels and creams, hair spray
- **Styling Tools** – Hair dryers, irons, curling rods/rollers/pins, brushes/combs, clippers/trimmers/accessories, shears, razors, salon accessories
- **Nails** – Polish, gel, acrylics, dips, nail accessories & supplies
- **Skin and Cosmetics** – Cosmetics, cosmetic accessories, hair removal, skincare, jewelry
- **Other Beauty Products** – Salon chairs, dryers, basics

Additionally, as a top destination to shop for professional color and care, our goal is to be in-stock in these core categories at every opportunity.

### *Sally Beauty Supply*

SBS carries an extensive selection of leading third-party, owned and exclusive-labeled brand professional beauty supplies across a variety of product categories. As leaders in the beauty industry, we believe we are uniquely positioned to adapt and innovate within our brands, partnerships and product offerings to provide the looks customers want. We believe this focus helps us attract new customers and keep long-term relationships with existing customers. During the fiscal year, we have invested more into marketing of our owned brands and launched our new owned branded vegan product line – bondbar – that's SLS/SLES-free, paraben-free, phthalate-free and cruelty-free. Continuing the success of bondbar's initial launch of hair repair products, we expanded the brand's product line to include a full shade range of permanent hair color with built-in bonding technology during the fiscal year and will be expanding our assortment for color and care lines in fiscal year 2024. These initiatives have helped deliver an increase in our owned brands sales penetration, resulting in higher SBS profit margins.

We believe that our owned and exclusive-labeled brands, available only at SBS, offer equal or better quality than leading third-party brands. During the last three fiscal years, our SBS U.S. and Canada-owned and exclusive-labeled brand sales accounted for approximately 48%, 45%, and 45%, respectively.

### *Beauty Systems Group*

BSG carries an extensive selection of leading, third-party branded products, many of which are under exclusive distributions rights, at competitive prices across a variety of product categories. We have exclusive and non-exclusive distribution rights with several key vendors for well-known brands in certain geographies and continue to pursue the acquisition of additional distribution rights. As the largest North American distributor of professional hair color and care, carrying an extensive selection of branded merchandise is critical to maintaining relationships with our professional customers.

## Marketing and Advertising

### *Sally Beauty Supply*

We target existing and potential customers through an integrated marketing approach designed to reach the customer through a variety of media channels, including digital advertising, e-mail, social media, text messaging, mobile app push notifications, direct mail, radio and experiential advertising.

SBS's marketing initiatives are designed to drive customer traffic through added education, content and community building. We leverage a combination of internal and external influencers/content experts to educate and make customers feel confident about DIY hair color, hair care, nails and other beauty trends. Our external influencers consist of content creators and/or professional stylists who are DIY experts in their areas of focus and aim to inspire, educate and empower beauty enthusiasts. Additionally, our internal Sally Beauty Associate Affiliate Program encourages our associates to share their unique expertise with customers on social media to curate a community of inspiring, diverse creators who are using SBS merchandise for their DIY beauty, nails, hair and self-expression.

### *Beauty Systems Group*

BSG's marketing programs are designed to promote its extensive selection of brand name products at competitive prices and to educate, motivate and empower existing and potential customers. We work closely with our vendors to provide promotional offers for certain products to target existing and potential customers. We distribute promotional material through multiple channels, including print mail, e-mail, SMS, mobile app push notifications, social media, trade shows, educational events, store personnel and DSCs. As of September 30, 2023, we had a network of 670 DSCs who personally consult, support and sell directly to salons and salon professionals. In addition, we believe that our digital platforms enhance other efforts intended to promote awareness of our products by salons and salon professionals.

## Customer Loyalty

In the U.S. and Canada, our Sally Beauty Rewards Program is designed to earn SBS customer loyalty and was recognized as one of "America's Best Loyalty Programs" by Newsweek & Statista in 2022 and 2023. The program is free to join, and it provides our loyalty customers the ability to earn points on their SBS purchases, that convert to Sally Beauty Rewards when certain thresholds are attained. Through the program, these customers may also receive exclusive savings and personalized marketing offers.

	Fiscal Year		
	2023	2022	2021
Sally Beauty Reward members	15.6 million	16.3 million	15.9 million
% of Sales	76.3%	75.7%	72.5%

In the U.S., we also offer our SBS customers the opportunity to apply for the Sally Beauty Rewards Credit Card that provides additional benefits to being a Sally Beauty Rewards member. Additionally, we offer our SBS professional customers and BSG customers the opportunity to apply for the Cosmo Prof Rewards Credit Card, which provides discounts on Cosmo Prof purchases or points through the Sally Beauty Rewards Program on SBS purchases.

Through these programs, we are able to collect valuable point-of-sale customer data as a means of increasing our understanding of customers and enhancing our ability to personalize our marketing. We will continue to monitor and evolve our Sally Beauty Rewards Program in an effort to further enhance the customer experience and promote repeat sales from both retail customers and salon professionals. Outside the U.S. and Canada, our customer loyalty and marketing programs vary by marketplace.

## Digital Strategy

We continue to grow our digital footprint, not only through our marketing and customer relationship efforts, but also through our digital platforms in each segment. We believe we are uniquely positioned to continue expanding our digital sales penetration thanks to our omni-channel business model, which enables us to meet our customers where they are; in store or online, or through a hybrid approach such as our "buy online, pick up in store" (BOPIS) option. Additionally, our digital strategy of enhancing our customer centricity aims to expand our services ecosystem to support professional stylists as well as increase education and expertise to inspire and support all of our customers.

To that end, we are excited to continue our digital expansion through our recent initiatives, such as our stylist platform, Cosmo Prof Direct, powered by Salon HQ and our new Licensed Colorist on Demand ("LCOD") featured on our website, [www.sallybeauty.com](http://www.sallybeauty.com).

In BSG, Cosmo Prof Direct is a platform that gives our stylists the ability to curate a product selection from thousands of choices and enable clients to purchase directly from their shops without having to hold inventory. During the fiscal year, the platform has continued to expand, ending the fiscal year with more than 4,300 digital storefronts. We continue to gain traction as stylists gaining a deeper understanding of how they can leverage this resource to profitably grow their business.

In SBS, we recently launched LCOD to provide our customers with a more engaging shopping experience. Our LCOD is a digital-focused initiative where customers can live chat by text, voice or video with a licensed colorist to learn more about our hair color product offerings and how to use our products to achieve their desired results. This online option is available in all 50 states and appears as a chat box when customers are browsing our selection of hair color merchandise. While still in its initial launch phase, we are gaining valuable insights and customer feedback. Furthermore, during the fiscal year, we launched a digital marketplace selling initiative with Walmart.com, and are expanding to other online sites to fuel digital sales growth and attract new customers to our Sally brands.

### **Distribution**

We currently receive our merchandise through several distribution centers in the U.S. and various other countries. Our distribution centers service our stores, orders from our DSCs and ship-to-customer orders through various freight carriers. We procure our owned-branded merchandise through domestic and foreign vendors and work closely with our overseas vendors to fulfill production orders and schedule ocean and freight carriers to deliver to our distribution centers.

Over the past several years, we have made significant investments in our end-to-end supply chain systems and processes to build a best-in-class merchandising and supply chain platform for the future. As a result, earlier this fiscal year, we started testing a new shipping frequency from our distribution centers to a limited population of SBS and BSG stores by leveraging investments within our supply chain systems. This change has resulted in improved labor productivity, reduced freight costs and has lowered our carbon emissions, while allowing us to maintain healthy in-stock levels. Based on the positive results from the test, we are expanding this program to the majority of our remaining SBS and BSG store fleet throughout the U.S. and Canada.

Additionally, customers are looking for more convenient options for receiving merchandise, which is helping drive their purchasing decisions. As such, we have made significant investments to "meet them where they are." When ordering through our digital platforms, our customers can select different fulfillment options, including: BOPIS; deliver by common carrier (from store or distribution centers); and 2-hour delivery. Introduced in fiscal year 2021, our BOPIS and 2-hour delivery methods have continued to see increased traction. For the fiscal years 2023, 2022 and 2021, BOPIS and 2-hour delivery has made up approximately 42%, 33%, and 19%, respectively, of our SBS U.S and Canada sales through our digital platforms.

### **Seasonality**

Our business is generally not seasonal, but typically has higher sales in our first quarter related to the holiday sales period.

### **Our Competition**

The primary competitive factors in our industry are: the price of branded and owned-brand products; exclusive distribution contracts; the quality, perceived value, brand name recognition, packaging and variety of the products sold; customer service; efficiency of distribution networks; and the availability of desirable store locations.

SBS competes primarily with beauty product wholesale and retail outlets, including local and regional open-line beauty supply stores, professional-only beauty supply stores, mass merchandisers, online retailers, drug stores, department stores and supermarkets as well as salons that sell hair care products. BSG competes primarily with beauty product wholesale suppliers, including online retailers and manufacturers selling their products directly to salons and salon professionals.

We face competition from certain manufacturers that use their own sales forces to distribute their professional beauty products directly or that align themselves with our competitors. Some of these manufacturers are vertically integrated



through the acquisition of distributors and stores. We also face competition from authorized and unauthorized retailers as well as internet sites offering professional salon-only products.

### **Our Suppliers**

We purchase our merchandise directly from manufacturers through supply contracts and purchase orders. For fiscal year 2023, our five largest suppliers – Henkel AG & Co. KGaA; Wella Company; the Professional Products Division of L'Oreal USA S/D, Inc., or L'Oreal; John Paul Mitchell Systems; and Kao Corporation – accounted for approximately 43% of our consolidated merchandise purchases. We have developed long-standing, relationships, some of which are exclusive, with these suppliers and many others, which we believe is core to our competitive advantage. We purchase products from these and many other manufacturers on an at-will basis or under contracts which can generally be terminated without cause upon 90 days or less notice or expire without express rights of renewal.

### **Intellectual Property**

In the U.S. and in other countries where we operate, we have registered or legally protected trademarks, copyrights, internet domain names, service marks and trade names that are used to promote and market our business, stores, digital platforms and products. We believe many of these are well recognized and have significant value, including but not limited to: *Sally*®, *Sally Beauty*®, *Cosmo Prof*®, *Armstrong McCall*®, *ION*® and *Beyond the Zone*®.

### **Our Company Purpose & Values**

Our Company Purpose & Values are intended to establish our rallying cry and focus our teams on the impact we intend to have in the world.

Our Purpose: TO INSPIRE A MORE COLORFUL, CONFIDENT AND WELCOMING WORLD

Our Values:

- BE YOURSELF. Come as you are—everyone is welcome here.
- BE AN INSPIRATION. Share your passion and knowledge with your team, your customers, the world.
- BE BOLD. Dive in. Move fast. Say yes.
- BE AN OWNER. Drive growth. Create your future.
- BE PART OF SOMETHING BIGGER. Take care of each other, our community and our planet.

More information on our Purpose & Values can be found at: [www.sallybeautyholdings.com/our-company/purpose-and-values](http://www.sallybeautyholdings.com/our-company/purpose-and-values).

### **Human Capital Management**

As of September 30, 2023, we had approximately 27,000 global associates, including approximately 13,000 full-time associates. We believe they are our greatest asset with their combined skills, knowledge, work/life experiences and capabilities. At the front line interacting with our customers or behind-the-scenes supporting our field teams, our associates play a major role in our business. While we often emphasize our technology-based transformations and our wide variety of professional beauty products as key attributes, nothing happens or succeeds without our people.

In return for what they do for us, among many other things, we strive to:

- Ensure our associates work in a safe, healthy environment;
- Provide competitive compensation and benefits packages that attract and retain talent in every facet of our business – stores, direct sales, distribution centers and corporate headquarters. Our benefits range from medical, dental and vision care – including options for our part-time associates – to 401(k), short and long-term disability and a robust Employee Assistance Program. Starting fiscal year 2023, we began providing six weeks of paid parental leave for mothers, fathers or partners upon the birth or placement of a child;
- Provide meaningful, engaging learning and development that grows our associates' knowledge and capability with respect to our business and skills that will help them in business and life; and
- Create an environment and culture where everyone can bring their true self to work, because our differences are what make us beautiful. At SBH, we believe our focus on Diversity, Inclusion & Belonging are crucial

to improving how we interact with and influence our associates, customer environments and broader communities. We are committed to being a force for change.

### **Associate Health & Safety**

*We strive to create a safe and healthy work environment for all associates*

We place a high value on the health and safety of our associates, customers, suppliers and vendors. This commitment is evidenced, in part, by our background check policy for new hires, training and policy implementations related to handling both associate and customer incidents, partnerships to maintain the stores and make necessary repairs, as well as ongoing support in the field and at the support center.

Additionally, we value our partnerships with suppliers and vendors and understand the impact they can have on our associates. Thus, SBH has included rules governing their conduct, both with respect to expectations while interacting with our associates and, with our foreign suppliers, assurances that they too are providing a safe and healthy working environment for their associates.

### **Labor Practices**

*We provide competitive wages and benefits in a positive work environment where we focus on doing what is right*

We are an Equal Opportunity Employer with up-to-date policies, procedures and practices with respect to such important issues as safety, discrimination, harassment and retaliation. We provide focused training on these issues to our associates and managers.

We clearly communicate that any concerns related to issues such as discrimination, harassment, retaliation – and other issues such as wage law compliance and fraud – should be reported immediately. We also communicate the avenues available to our associates to do so through our “SBH CARES” communications and posters. The reporting avenues include options to do so by phone or online through our “Employee Concern Line” and to do so anonymously if an associate prefers to take that approach.

We ensure compliance with other important labor and employment law issues through a variety of processes and procedures, using both internal and external expertise and resources.

We also emphasize the importance of taking care of our associates in our Company’s Code of Business Conduct and Ethics, the standard of conduct that applies to all of our associates, executive officers and Board of Directors. The Code reflects the core principles of conducting our business as a good corporate citizen in compliance with all laws, rules and regulations applicable to us and the conduct business with regard for the welfare of our associates and providing equal opportunity to all associates and job applicants. You can review this important document at <http://investor.sallybeautyholdings.com>.

### **Associate Engagement, Development and Culture**

*We live our values, listen to our associates and take action*

We make significant efforts to ensure our associates are informed, engaged and excited about the work they are doing and contributions they are making to our Company and our customers. We are committed to providing associates with what they need to thrive and grow their career. We significantly invest in our talent processes and set clear expectations around leadership competencies and our cultural values at all levels in the organization. At SBH, we consider the whole end-to-end talent cycle of an associate to ensure we select exceptional people to represent our business and best serve our customer. This includes robust interviewing processes as well as comprehensive onboarding programs to ensure new hires are set up to succeed in their early stages of joining SBH. There is also a strong cadence on completing regular cycles of performance management, linked to our Company values and leadership competencies, as well as regular reviews of our talent and succession pipelines.

Importantly, we devote significant effort and resources to the development of our associates, including providing almost all of our associates access to state-of-the-art learning management systems. We use these platforms to provide specifically designed and interactive award-winning e-learning courses in sales and service, product and hair knowledge, compliance training, and health and safety.

We also place significant value and attention on responding to feedback and input from associates. This includes surveys regarding issues such as Diversity, Inclusion & Belonging and our annual engagement survey. We review our team’s input and comments, identify common themes and set out action plans to respond. We believe listening is crucial, but taking action and making commitments are even more important.

A core focus of our associate engagement and culture are our efforts focused on Diversity, Inclusion & Belonging, discussed below.

## **Diversity, Inclusion & Belonging**

At Sally Beauty we celebrate differences, inclusivity and self-expression. This fundamental aspect of SBH's culture is rooted in our belief that beauty is for everyone, and everyone should find their own path to beauty. Our associates and our customers care about celebrating diversity and self-expression. We want our Company and our stores to be places where all of our associates and customers feel valued for who they are and experience a sense of belonging.

*We come together to create a culture for "One & All"*

Diversity, Inclusion & Belonging are at the heart of who we are as a Company – at the Board level, throughout our global workforce and in our shared commitment to serving a diverse customer base and their communities.

Our Diversity, Inclusion & Belonging Mission Statement:

We find beauty in YOU!

Finding beauty in diversity is in our DNA because our differences are what make us beautiful. Our diversity, inclusivity and self-expression are what fuel our innovation and growth.

At SBH, we come together to create a culture for ONE & ALL.

**At the Board Level:** Our Board's composition leads the Company's commitment to Diversity, Inclusion and Belonging. Having diverse voices on our Board enhances the Board's expertise, broadens its viewpoint and sets the tone to encourage leaders at all levels of the Company to listen to the concerns of our associates and customers alike. Our Compensation & Talent Committee provides hands-on oversight and guidance of our Diversity, Inclusion & Belonging initiatives. Our Board believes listening and responding to diverse voices is crucial to the Company's success and long-term sustainability.

**In Our Workforce:** Our SBH Team in the U.S. & Canada is approximately 90% women and approximately 50% people of color. This year, Newsweek recognized SBH among America's Greatest Workplaces, America's Greatest Workplaces for Diversity and America's Greatest Workplaces for Women. We recognize and celebrate the bedrock values of workforce diversity, inclusion, belonging and engagement within our teams. For us, these are key drivers of the success of the business, as our associates should – and do – reflect the various qualities of our customers and what they desire and expect from SBH.

During the fiscal year, we further embedded the Company's Employee Resource Groups (ERGs), with our first four groups that represent our Black, Hispanic, Women and LGBTQ+ associates. These ERGS have made a meaningful impact on our team and business, and we will continue to connect and engage them on how we do business, how we best serve our customers, and how we enhance our team and culture.

**In Our Customer Base:** Our customers span the entire continuum of gender and ethnic diversity. We sell beauty products to treat and style every kind of hair; we deliver a tailored assortment of beauty products that serve the local communities where our over 3,500 U.S. and Canada stores are located. Serving the diverse demographics and needs of our customers drives a culture and workforce that embraces and reflects the communities we serve.

We will continue to develop and evolve how we enhance Diversity, Inclusion & Belonging throughout SBH. We recognize the value these initiatives bring to our Company, our associates, our customers and the communities we serve.

More information on our approach to Diversity, Inclusion & Belonging can be found at: [www.sallybeautyholdings.com/our-company/diversity-inclusion-and-belonging](http://www.sallybeautyholdings.com/our-company/diversity-inclusion-and-belonging).

## **Regulation**

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.

For example, in the U.S., most of the products we sell and the content and methods of advertising and marketing utilized are subject to both federal and state regulations administered by a host of federal and state agencies, including, in each case, one or more of the following: the Food and Drug Administration, or FDA, the Federal Trade Commission and the Consumer Products Safety Commission. The transportation and disposal of many of our products are also subject to federal and state regulation. State and local agencies regulate many aspects of our business. We also face comprehensive regulation outside the U.S., focused primarily on product labeling and safety issues. We believe we

are in material compliance with the laws and regulations we are subject to, although no assurance can be provided that this will remain true going forward or that we will not be required to incur meaningful expenses complying with such laws and regulations.

As of September 30, 2023, we supplied franchised stores primarily located in the U.S. As a result of these franchisor-franchisee relationships, we are subject to regulation when offering and selling franchises. The applicable laws and regulations affect our business practices, as franchisor, in a number of ways, including restrictions placed upon the offering, renewal, termination and disapproval of assignment of franchises. To date, these laws and regulations have not had a material effect upon our operations.

#### **Access to Public Filings**

Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to such reports are available, without charge, on our website, [www.sallybeautyholdings.com](http://www.sallybeautyholdings.com), as soon as reasonably possible after they are filed electronically with the Securities and Exchange Commission, or SEC, under the Exchange Act. The SEC maintains an internet site that contains our reports, proxy and information statements, and other information we file electronically with the SEC at [www.sec.gov](http://www.sec.gov). We will provide copies of such reports to any person, without charge, upon written request to our Investor Relations Department at our principal office. The information found on our website shall not be considered to be part of this or any other report filed with or furnished to the SEC.

## **ITEM 1A. RISK FACTORS**

Important risk factors that could materially affect our business, financial condition or results of operations in future periods are described below. These factors are not intended to be an all-encompassing list of risks and uncertainties and are not the only risks and uncertainties we face. Additional risks not currently known to us, or we currently deem to be immaterial, also may materially adversely affect our business, financial condition or results of operations in future periods.

### **Operational, Strategic and General Business Risks**

#### ***The beauty products distribution industry is highly competitive and is consolidating.***

We face significant competition from other beauty stores and outlets, salons, mass merchandisers, online retailers, drug stores and supermarkets. The primary competitive factors in the beauty products distribution industry are price, quality, perceived value, consumer brand name recognition, packaging and variety and availability, customer service, desirable store locations, in-stock inventory and, with respect to e-commerce, look and feel of website and delivery times and costs. Competitive conditions may limit our ability to maintain prices or may require us to reduce prices in efforts to retain business or channel share, particularly because customers are able to quickly and conveniently comparison shop and determine real-time product availability using digital tools, which can lead to decisions driven solely by price, the functionality of the digital tools, or a combination of these and other factors. Some of our competitors have greater financial and other resources than we do and are less leveraged than our business and may therefore be able to spend more aggressively on advertising and promotional activities and respond more effectively to changing business and economic conditions. Furthermore, there are few significant barriers to entry into the marketplace for most of the products we sell making it easy for new market entrants to compete with us. We expect existing competitors, business partners and new entrants to the beauty products distribution industry to constantly revise or improve their business models in response to challenges from competing businesses, including ours. If these competitors introduce changes or developments that we cannot address in a timely or cost-effective manner, our business may be adversely affected.

In addition, our industry is consolidating, which may give our suppliers and our competitors increased negotiating leverage and greater marketing resources. For instance, we may lose customers if those competitors which have broad geographic reach attract additional salons (individual and chain) that are currently BSG customers, or if professional beauty supply manufacturers align themselves with our competitors or begin selling direct to customers. Not only does consolidation in distribution pose risks from competing distributors, but it may also place more leverage in the hands of certain manufacturers, resulting in smaller margins on products sold through our network.

If we are unable to compete effectively in our marketplace or if competitors divert our customers away from our networks, it would adversely impact our business, financial condition and results of operations.

#### ***We may be unable to anticipate and effectively respond to changes in consumer preferences and buying trends in a timely manner.***

Our success depends in part on our ability, and our distributed third-party brands' ability, to anticipate, gauge and react in a timely manner to changes in consumer spending patterns and preferences for specific beauty products. If we or the brands we distribute do not timely identify and properly respond to evolving trends and changing consumer demands for beauty products in the geographies in which we compete, our sales may decline significantly. Furthermore, we may accumulate additional inventory and be required to mark down unsold inventory to prices that are significantly lower than normal prices, which would adversely impact our margins and could further adversely impact our business, financial condition and results of operations. Additionally, a large percentage of our SBS product sales come from our owned and exclusive-label brand products. The development and promotion of these owned and exclusive-label brand products often occur well before these products are sold in our stores. As a result, the success of these owned and exclusive-label brand products is largely dependent on our ability to develop products that meet future consumer preferences at prices that are acceptable to our customers. Furthermore, we may have to spend a significant amount on the advertising and marketing of our owned and exclusive-label brands to drive customer awareness of these brands. There can be no assurance that any new owned and exclusive-label brand will meet consumer preferences, gain acceptance among our customer base or generate sales to become profitable or to cover the costs of its development and promotion.

We expect continuously changing fashion-related trends and consumer tastes to influence future demand for beauty products. Changes in consumer tastes, fashion trends and brand reputation can have an impact on our financial performance. If we or third-party brands we distribute are unable to anticipate and respond to trends in the marketplace for beauty products and changing consumer demands and/or maintain a strong brand reputation, our business could suffer.

***Our future success depends in part on our ability to successfully implement our strategic initiatives to improve the customer experience, attract new customers and improve the sales productivity of our stores.***

We are continuing the implementation of a significant number of strategic initiatives designed to enhance our customer centricity, increase our owned brand sales penetration, improve operational efficiency and optimize our capabilities, including through closure of underperforming stores and consolidation of distribution centers. There can be no assurance that these or future strategic initiatives will be successful. Furthermore, we are investing significant resources in these initiatives and the costs of the initiatives may outweigh their benefits. If these strategic initiatives are not successful, our comparative sales will suffer and our growth prospects, financial results, profitability and cash flows will also be adversely impacted.

***Our restructuring plans may not be successful, or we may not fully realize the expected cost savings and/or operating efficiencies.***

Our ability to grow profitably depends in large part on our ability to successfully control or reduce our operating expenses. In furtherance of this strategy, we have engaged and continue to engage in activities to reduce or control costs, some of which are complicated and require us to expend significant resources to implement. Over the past several years, we have implemented, and plan to continue to implement, plans to transform the Company for the future and support long-term sales growth and profitability. These programs are intended to touch all aspects of the business, enhance operating capabilities and create greater efficiencies. These strategic plans present potential risks that may impair our ability to achieve anticipated operating enhancements and efficiencies and/or cost reductions.

***We depend upon manufacturers who may be unable to provide products of adequate quality or who may be unwilling to continue to supply products to us.***

We do not manufacture any products we sell and instead purchase our products from recognized brand manufacturers and private label fillers. We depend on a limited number of manufacturers for a significant percentage of the products we sell.

Additionally, since we purchase products from many manufacturers and fillers under at-will contracts and contracts which can be terminated without cause upon 90 days' notice or less, or which expire without express rights of renewal, manufacturers and fillers could discontinue sales to us immediately or upon short notice. Some of our contracts with manufacturers may be terminated if we fail to meet specified minimum purchase requirements. If minimum purchase requirements are not met, we do not have contractual assurances of continued supply. In lieu of termination, a manufacturer may also change the terms upon which it sells, for example, by raising prices or broadening distribution to third parties. For these and other reasons, we may not be able to acquire desired merchandise in sufficient quantities or on acceptable terms in the future.

Changes in SBS's and BSG's relationships with suppliers occur often and could positively or negatively impact the net sales and operating earnings of both business segments. Some of our suppliers may seek to decrease their reliance on distribution intermediaries, including full-service/exclusive and open-line distributors like BSG and SBS, by promoting their own distribution channels. These suppliers may offer advantages, such as lower prices, when their products are purchased from distribution channels they control. If our access to supplier-provided products were to diminish relative to our competitors or we were not able to purchase products at the same prices as our competitors, our business could be materially and adversely affected. Also, consolidation among suppliers may increase their negotiating leverage, thereby providing them with competitive advantages that may increase our costs and reduce our revenues, adversely affecting our business, financial condition and results of operations. Therefore, there can be no assurance that the impact of these developments, if they were to occur, will not adversely impact revenue or margins or that our efforts to mitigate the impact of these developments will be successful.

Furthermore, from time to time, we receive shipments of product from our suppliers that fail to conform to our quality control standards. A failure in our quality control program may result in diminished inventory levels and product

quality, which in turn may result in increased order cancellations and product returns, decreased consumer demand for our products, or product recalls, any of which may have a material adverse effect on our results of operations and financial condition.

***Any significant interruption in the supply of products by manufacturers and fillers or disruptions in our supply chain infrastructure could disrupt our ability to deliver merchandise to our stores and customers in a timely manner, which could have a material adverse effect on our business, financial condition and results of operations.***

Manufacturers and owned and exclusive-label brand fillers of beauty supply products are subject to certain risks that could adversely impact their ability to provide us with their products on a timely basis, including inability to procure ingredients, industrial accidents, environmental events, strikes and other labor disputes, union organizing activity, disruptions in logistics or information systems, loss or impairment of key manufacturing sites, product quality control, safety, licensing requirements and other regulatory issues, as well as natural disasters, pandemics and other external factors over which neither they nor we have control.

In addition, we directly source many of our owned and exclusive-label brand products, including, but not limited to, styling tools, salon equipment, sundries and other promotional products, from foreign third-party manufacturers and many of our vendors also use overseas sourcing to manufacture some or all of their products. Any event causing a sudden disruption of manufacturing or imports from such foreign countries, including the imposition of additional or increased import restrictions, duties or tariffs, political instability, local business practices, legal or economic restrictions on overseas suppliers' ability to produce and deliver products or acts of war or terrorism or pandemics, could materially harm our operations to the extent they affect the production, shipment or receipt of merchandise. Our operating results depend to some extent on the orderly operation of our receiving and distribution processes, which depend on manufacturers' adherence to shipping schedules and our effective management of our distribution facilities and capacity.

***Fluctuations in the price, availability and quality of inventory may result in higher cost of goods, which we may not be able to pass on to the customers.***

Our suppliers frequently attempt to pass on higher production costs, which have generally increased as a result of inflation over the past few years, which may impact our ability to maintain or grow our margins. The price and availability of raw materials may be impacted by inflation, demand, regulation, weather and other factors. Additionally, manufacturers have and may continue to have increases in other manufacturing costs, such as transportation, labor and benefit costs. These increases in production costs result in higher merchandise costs to us. We may not always be able to pass on those cost increases to our customers, which could have a material adverse effect on our business, financial condition and results of operations.

***Our e-commerce businesses may be unsuccessful or, if successful, may redirect sales from our stores.***

We offer many of our beauty products for sale through our e-commerce businesses in the U.S. (such as [www.sallybeauty.com](http://www.sallybeauty.com), [www.cosmoprofbeauty.com](http://www.cosmoprofbeauty.com), [www.cosmoprofequipment.com](http://www.cosmoprofequipment.com) and mobile commerce-based apps) and abroad. We have recently undertaken a number of initiatives to significantly advance our digital commerce capabilities and grow our e-commerce businesses. As a result, we are more susceptible to risks and difficulties frequently experienced by internet-based businesses, including risks related to our ability to attract and retain customers on a cost-effective basis and our ability to operate, support, expand and develop our e-commerce operations, websites and software and other related operational systems. Furthermore, our e-commerce businesses face significant competition from larger retailers with more established e-commerce platforms as well as online retailers, including Amazon, and on-line store e-commerce platforms such as Shopify.

Although we believe our participation in both e-commerce and physical store sales is a distinct advantage for us due to synergies and the potential for new customers, supporting product offerings through both of these channels could create issues that have the potential to adversely affect our results of operations. For example, growth in our e-commerce business relative to in-store sales may result in dilution of operating margin and profit due to higher delivery expenses incurred in our e-commerce sales. Furthermore, if our e-commerce businesses successfully grow, they may do so in part by attracting existing customers, rather than new customers, who choose to purchase products from us online rather than from our physical stores, thereby reducing the financial performance of our stores. In addition, offering different products through each channel could cause conflicts and cause some of our current or potential internet customers to consider competing distributors of beauty products. In addition, offering products through our

e-commerce channels (particularly directly to consumers through our professional business) could cause some of our current or potential vendors to consider competing internet offerings of their products either directly or through competing distributors. As we continue to grow our e-commerce businesses, the impact of attracting existing rather than new customers, of conflicts between product offerings online and through our stores, and of opening up our channels to increased internet competition could have a material adverse impact on our business, financial condition and results of operations, including operating margin, profit, future growth and comparative sales. Furthermore, our recent initiatives to upgrade our e-commerce platforms may not be successful in driving traffic to our websites and increasing our online sales in the long term, which could adversely impact our net sales.

***Diversion of professional products sold by BSG could have an adverse impact on our revenues.***

The majority of the products that BSG sells, including those sold by our Armstrong McCall franchisees, are meant to be used exclusively by salons and individual salon professionals or sold exclusively to their retail consumers. However, despite our efforts to prevent diversion, incidents of product diversion occur, whereby our products are sold by these purchasers (and possibly by other bulk purchasers such as franchisees) to wholesalers and ultimately to general merchandise retailers, among others. These retailers, in turn, sell such products to consumers. The diverted product may be old, tainted or damaged and sold through unapproved outlets, all of which could diminish the value of the particular brand. In addition, such diversion may result in lower net sales for BSG should consumers choose to purchase diverted products from retailers rather than purchasing from our customers or choose other products altogether because of the perceived loss of brand prestige. Furthermore, in many instances, BSG is subject to certain anti-diversion obligations under these manufacturers' contracts, that if violated may result in the termination of such contracts. In addition, our investigation and enforcement of these anti-diversion obligations may require us to cease selling to customers suspected of diversion which could impact BSG's net sales.

***The loss of exclusive distribution rights with key vendors could have a material adverse effect on our business, financial condition and results of operations.***

We have exclusive and non-exclusive distribution rights with several key vendors for well-known brands in certain geographies. If key vendors ceased granting us exclusive distribution rights, or decided to utilize other distribution channels for their products, therefore widening the availability of these products in other channels, the revenue we earn from the sale of such products could be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operations.

***BSG's financial results are affected by the financial results of BSG's franchised-based business (Armstrong McCall).***

BSG receives revenue from its sale of products to Armstrong McCall franchisees. Accordingly, a portion of BSG's financial results is dependent upon the operational and financial success of these franchisees, including their implementation of BSG's strategic plans. If sales trends or economic conditions worsen for Armstrong McCall's franchisees, their financial results may worsen. Additionally, the failure of Armstrong McCall franchisees to renew their franchise agreements, any requirement that Armstrong McCall restructure its franchise agreements in connection with such renewals, or any failure of Armstrong McCall to meet its obligations under its franchise agreements, could result in decreased revenues for BSG or create legal issues with our franchisees or with manufacturers.

Furthermore, our franchisees may not run the stores and sales teams according to our standards, which could have a material adverse effect on our brand reputation and our business.

***If we are unable to optimize our store base by profitably opening and operating new stores and closing less profitable stores, our business, financial condition and results of operations may be adversely affected.***

Our future growth strategy depends in part on our ability to optimize and profitably operate our stores in existing and additional geographic areas, including in international geographies, and to close underperforming stores. While the capital requirements to open an SBS or BSG store, excluding inventory, vary from geography to geography, such capital requirements have historically been relatively low in the U.S. and Canada. Despite these relatively low opening costs, we may not be able to open all the new stores we plan to open and we may be unable to optimize our store base by closing stores that are underperforming or open stores that are profitable, any of which could have a material



adverse impact on our business, financial condition and results of operations. Furthermore, we may incur costs associated with the closure of underperforming stores and such store closures may adversely impact our revenues.

In addition, as we continue to open new stores, our management – as well as our financial, distribution and information systems – and other resources will be subject to greater demands. If our personnel and systems are unable to successfully manage this increased burden, our business, financial condition and results of operations may be materially affected.

***If our marketing, advertising and promotional programs are unsuccessful, our results of operations and financial condition could be adversely affected.***

If our marketing, advertising and promotional programs are unsuccessful, our results of operations and financial condition could be adversely affected. Customer traffic and demand for our merchandise are influenced by our advertising, marketing and promotional activities. We use marketing, advertising and promotional programs to attract customers through various media, including social media, websites, mobile applications, e-mail, and print. Our future growth and profitability will depend in part upon the effectiveness and efficiency of our advertising and marketing programs. Further, disruption to certain media channels could have a material adverse effect on our results of operations and financial condition.

In particular, there has been a substantial increase in the use of social media platforms – including blogs, social media websites and other forms of digital communications – and the influence of social media influencers in the beauty products industry. Furthermore, social media advertising and marketing continues to increase in importance as consumers are paying less attention to more traditional media. As a result, the success of our marketing and advertising programs are increasingly dependent on the effectiveness of industry influencers that we engage to promote our products. Furthermore, actions taken by these individuals could harm our brand image. Our marketing efforts through social media platforms and influencers may not be successful and the availability of these platforms may make it easier for smaller competitors to compete with us.

Negative commentary regarding us or the products we sell may be also posted on social media platforms or other electronic means at any time and may be adverse to our reputation or business. Customers value readily available information and often act on such information without further investigation and without regard to its accuracy. Any harm to us or the products we sell may be immediate without allowing us an opportunity for redress or correction.

***If we fail to attract and retain highly skilled management and other personnel at all levels of the Company, our business, financial condition and results of operations may be harmed.***

Our success has depended, and will continue to depend, in large part on our ability to attract and retain senior executives who possess extensive knowledge, experience and managerial skill applicable to our business. Significant leadership changes or executive management transitions involve inherent risk and any failure to ensure the effective transfer of knowledge and a smooth transition could hinder our strategic planning, execution and future performance. In addition, from time to time, key executive personnel leave our Company, and we may not be successful in attracting, integrating and retaining the personnel required to grow and operate our business profitably. While we strive to mitigate the negative impact associated with the loss of a key executive employee, an unsuccessful transition or loss could significantly disrupt our operations and could have a material adverse effect on our business, financial condition and results of operations.

We are also dependent on recruiting, training, motivating, managing and retaining our store employees that interact with our customers on a daily basis. Many team members are in entry-level or part-time positions with historically high turnover rates. Competition for these types of qualified employees, especially in light of recent labor shortages among entry-level workers, is intense and the failure to attract, retain and properly train qualified and motivated employees could result in decreased customer satisfaction, loss of customers and lower sales. In addition, our ability to meet our labor needs while controlling labor costs is subject to numerous external factors, including market pressures with respect to prevailing wage rates, unemployment levels, and health and other insurance costs; the impact of legislation or regulations governing labor relations, immigration, minimum wage and healthcare benefits; changing demographics; and our reputation within the labor market. Our inability to control our labor costs could affect our results of operations and result in lower margins in our two segments.

***We may not be successful in introducing additional store concepts.***

We may, from time to time, seek to develop and introduce new store concepts. Our ability to succeed in the early stages of new concepts could require significant capital expenditures and management attention. Additionally, any new concept is subject to certain risks, including customer acceptance, competition, product differentiation, challenges relating to economies of scale in merchandise sourcing and the ability to attract and retain qualified personnel, including management and designers. There can be no assurance that we will be able to develop and grow these or any other new concepts to a point where they will become profitable, or generate positive cash flow. If we cannot successfully develop and grow these new concepts, our financial condition and results of operations may be adversely impacted.

#### **General Economic, Market and Foreign Risks**

***The political, social and economic conditions in the geographies we serve may affect consumer purchases of discretionary items such as beauty products and salon services, which could have a material adverse effect on our business, financial condition and results of operations.***

Our results of operations may be materially affected by conditions in the global capital markets and the economy and regulatory environment generally, both in the U.S. and internationally. Concerns over inflation, rising interest rates, labor shortages, energy costs, geopolitical issues, uncertainty with respect to elections, terrorism, civil unrest, the availability and cost of credit, the mortgage market, and the real estate and other financial markets in the U.S. and Europe have contributed to increased volatility and diminished expectations for the U.S. and certain foreign economies. We appeal to a wide demographic consumer profile and offer an extensive selection of beauty products sold directly to retail consumers and salons and salon professionals. Continued uncertainty in the economy could adversely impact consumer purchases of discretionary items such as beauty products as well as adversely impact the frequency of salon services performed by professionals using products purchased from us. Factors that could affect consumers' willingness to make such discretionary purchases include: inflation, general business conditions, levels of employment, interest rates, tax rates, the availability of consumer credit and consumer confidence in future economic conditions. A prolonged economic downturn or acute recession can adversely affect consumer spending habits and result in lower than expected net sales. The economic climate could also adversely affect our vendors. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

In addition, the disruption to the global economy and to our business, along with any sustained decline in our stock price, could lead to triggering events that may indicate that the carrying value of certain assets – including inventories, accounts receivables, long-lived assets, intangibles and goodwill – may not be recoverable, which could lead to impairment or other asset write-downs in the future.

***Price inflation for labor, materials and services, could adversely affect our business, results of operations and financial condition.***

We experienced considerable price inflation in costs for labor, materials and services during the past two years. While inflation is stabilizing, we may not be able to continue to pass through inflationary cost increases and, if inflationary pressures are sustained, we may only be able to recoup a portion of our increased costs in future periods. Our ability to raise prices to reflect increased costs may also be limited by competitive conditions in the market for our products.

***The occurrence of natural disasters or acts of violence or terrorism could adversely affect our operations and financial performance.***

The occurrence of natural disasters (the severity and frequency of which may be exacerbated by climate change) or acts of violence, terrorism or civil unrest could result in physical damage to our properties, the temporary closure of stores or distribution centers, the temporary lack of an adequate work force, the temporary or long-term disruption in the supply of products (or a substantial increase in the cost of those products) from domestic or foreign suppliers, the temporary disruption in the delivery of goods to our distribution centers (or a substantial increase in the cost of those deliveries), the temporary reduction in the availability of products in our stores and/or the temporary reduction in visits to stores by customers. If one or more natural disasters or acts of violence or terrorism were to impact our business, we could, among other things, incur significantly higher costs and longer lead times associated with distributing products. Furthermore, insurance costs associated with our business may rise significantly in the event of a large scale natural disaster or act of violence or terrorism.

***Currency exchange rate fluctuations could result in higher costs and decreased margins and earnings.***

Many of our products are sold outside of the United States. As a result, we conduct transactions in various currencies, which increase our exposure to fluctuations in foreign currency exchange rates relative to the U.S. dollar and recently these foreign currencies have in general weakened significantly against the U.S. dollar. Our international revenues and expenses generally are derived from sales and operations in foreign currencies, and these revenues and expenses could be affected by currency fluctuations, including amounts recorded in foreign currencies and translated into U.S. dollars for consolidated financial reporting. Currency exchange rate fluctuations could also disrupt the business of the independent manufacturers that produce our products by making their purchases of raw materials as well as transportation and freight, more expensive and more difficult to finance. Foreign currency fluctuations could have an adverse effect on our results of operations and financial condition.

***We are subject to risks related to our international operations.***

We operate on a global basis, and approximately 10% of our net revenues from continuing operations in fiscal year 2023, were generated outside North America. Non-U.S. operations are subject to many risks and uncertainties, including ongoing instability or changes in a country's or region's economic, regulatory or political conditions, including inflation, recession, interest rate fluctuations, sovereign default risk and actual or anticipated military or political conflicts, labor market disruptions, sanctions, boycotts, new or increased tariffs, quotas, exchange or price controls, trade barriers or other restrictions on foreign businesses, our failure to effectively and timely implement processes and policies across our diverse operations and employee base and difficulties and costs associated with complying with a wide variety of complex and potentially conflicting regulations across multiple jurisdictions. Non-U.S. operations also increase the risk of non-compliance with U.S. laws and regulations applicable to such non-U.S. operations, such as those relating to sanctions, boycotts and improper payments.

In addition, sudden disruptions in business conditions as a consequence of events such as terrorist attacks, war or other military action or the threat of further attacks, including the wars in Ukraine and in the Middle East, pandemics or other crises or vulnerabilities or as a result of adverse weather conditions or climate changes, may have an impact on consumer spending, which could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows as well as the trading price of our securities.

***A reduction in traffic to, or the closing of, other retailers in shopping areas where our SBS stores are located could significantly reduce our sales and leave us with excess inventory, which could have a material adverse effect on our business, financial condition, profitability and cash flows.***

As a result of our real estate strategy, most of our SBS stores are located in strip shopping centers. These strip shopping centers are occupied by other high traffic retailers such as grocery stores, mass merchants and home improvement centers. As a consequence of most of our SBS stores being located in strip shopping centers, our sales are derived, in part, from the volume of traffic generated by the other high traffic retailers where our stores are located. Customer traffic to these strip shopping centers may be adversely affected by the closing of stores in the strip shopping center, or by a reduction in traffic to such stores resulting from a regional or global economic downturn, an outbreak of flu or other viruses (such as COVID-19), a general downturn in the local area where our SBS store is located, or a decline in the desirability of the shopping environment of a particular strip shopping center. Such a reduction in customer traffic could reduce our sales and leave us with excess inventory, which could have a material adverse effect on our business, financial condition, profitability and cash flows.

**Regulatory, Legal and Cybersecurity Risks**

***If products sold by us are found to be defective in labeling or content, our credibility and that of the brands we sell may be harmed, marketplace acceptance of our products may decrease, and we may be exposed to liability in excess of our products liability insurance coverage and manufacturer indemnities.***

We do not control the production process for the products we sell. We may not be able to identify a defect in a product we purchase from a manufacturer or owned and exclusive-label brand filler before we offer such product for resale. In many cases, we rely on representations of manufacturers and fillers about the products we purchase for resale regarding the composition, manufacture and safety of the products as well as the compliance of our product labels with government regulations. Our sale of certain products exposes us to potential product liability claims, recalls or other regulatory or enforcement actions initiated by federal, state or foreign regulatory authorities or through private

causes of action. Such claims, recalls or actions could be based on allegations that, among other things, the products sold by us are misbranded, contain contaminants or impermissible ingredients, provide inadequate instructions regarding their use or misuse, include inadequate warnings concerning flammability or interactions with other substances or that we knew or should have known of an alleged defect. For example, recently numerous cases have been filed against beauty product manufacturers and distributors alleging harm from chemical hair straighteners and hair relaxer products, which could have a material adverse effect on the Company's business, financial condition, and results of operations. Claims against us could also arise as a result of the misuse by purchasers of such products or as a result of their use in a manner different than the intended use. We may be required to pay for losses or injuries actually or allegedly caused by the products we sell and to recall any product we sell that is alleged to be or is found to be defective. Furthermore, such claims could have an adverse impact on our reputation.

Any actual defects or allegations of defects in products sold by us could result in adverse publicity and harm our credibility or the credibility of the manufacturer, which could adversely affect our business, financial condition and results of operations. Although we may have indemnification rights against the manufacturers of many of the products we distribute and rights as an "additional insured" under the manufacturers' insurance policies, it is not certain that any manufacturer or insurer will be financially solvent and capable of making payment to any party suffering loss or injury caused by products sold by us or if all losses would be covered by such indemnification rights or insurance policies. If we are forced to expend significant resources and time to resolve such claims or to pay material amounts to satisfy such claims, it could have an adverse effect on our business, financial condition and results of operations.

***We could be adversely affected if we do not comply with current laws and regulations or if we become subject to additional or more stringent laws and regulations.***

We are subject to a number of federal, state and local laws and regulations in the U.S. as well as applicable laws and regulations in each foreign marketplace in which we do business. These laws and regulations govern the composition, packaging, labeling and safety of the products we sell as well as the methods we use to sell and import these products and other aspects of our business. Non-compliance with applicable laws and regulations of governmental authorities, including the FDA and similar authorities in other jurisdictions – by us or the manufacturers and fillers of the products sold by us – could result in fines, product recalls and enforcement actions and otherwise restrict our ability to market certain products, which could adversely affect our business, financial condition and results of operations.

In addition, the laws and regulations applicable to us or manufacturers of the products sold by us may become more stringent. Failure to comply with these new and existing regulations could result in significant fines or damages, in addition to costs and expenses to defend claims related thereto. Legal compliance could also lead to considerably higher internal regulatory costs. Manufacturers may try to recover some or all of any increased costs of compliance by increasing the prices at which we purchase products, and we may not be able to recover some or all of such increased cost in our own prices to our customers. We are also subject to state and local laws and regulations that affect our franchisor-franchisee relationships. Increased compliance costs and the loss of sales of certain products due to more stringent or new laws and regulations could adversely affect our business, financial condition and results of operations.

***The risks associated with climate change and other environmental impacts and increased focus by stakeholders on environmental issues, including those associated with climate change, could adversely affect our business, financial condition and operating results.***

Climatologists predict the long-term effects of climate change and global warming will result in the increased frequency, intensity and duration of weather events, which could significantly disrupt supply chains, potentially impacting our vendors' raw material costs and the production of products we sell. These weather events could also lead to an increased rate of temporary store closures and reduced customer traffic at our stores.

In addition, concern over climate change may result in new or increased regional, federal or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. These requirements may lead to an increase in tax, transportation and utility expenses.

Lastly, there is increased focus, including by governmental and non-governmental organizations, investors, customers and consumers on these and other environmental sustainability matters, including deforestation, land use, climate impact and recyclability or recoverability of packaging, including plastic. Our reputation could be damaged if we or others in our industry do not act, or are perceived not to act, responsibly with respect to our impact on the environment.

***Failure to meet evolving expectations for reporting on environmental, social, and governance ("ESG") matters could adversely affect our sales and results of operations.***

Expectations from investors, customers, team members, government agencies and other third parties concerning ESG reporting have increased, and our ability to meet those expectations is dependent on a variety of factors, including cooperation from sourcing vendors and other third parties and having access to consistent and reliable data. Negative customer perceptions regarding the safety and sourcing of the products we sell and the sufficiency and transparency of our reporting on ESG matters and events that give rise to actual, potential, or perceived compliance and social responsibility concerns could hurt our reputation, result in lost sales, cause our customers to seek alternative sources for their needs and make it difficult and costly for us to regain the confidence of our customers. Furthermore, costs associated with ESG initiatives may have an adverse impact on our business, financial condition and operating results.

***If we fail to protect our intellectual property rights or if our products are found to infringe on the intellectual property rights of others, it could materially and negatively impact our business.***

We rely upon trade secrets and know-how to develop and maintain our competitive position. Our trademarks, certain of which are material to our business, are registered or legally protected in the U.S., Canada and other countries in which we operate. The success of our business depends to a certain extent upon the value associated with our intellectual property rights. We protect our intellectual property rights through a variety of methods, including, but not limited to, applying for and obtaining trademark protection in the U.S., Canada and other countries throughout the world in which our business operates. We also rely on trade secret laws, in addition to confidentiality agreements with vendors, employees, consultants and others who have access to our proprietary information. While we intend to vigorously protect our trademarks against infringement, we may not be successful. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the U.S. The costs required to protect our intellectual property rights and trademarks are expected to continue to be substantial.

Furthermore, the industry in which we operate is characterized by the need for a large number of copyrights, trade secrets and trademarks and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. A third-party may at any time assert our products violate such party's intellectual property rights. Successful intellectual property claims against us could result in significant financial liabilities and/or prevent us from selling certain of our products. In addition, the resolution of infringement claims may require us to redesign our products, to obtain licenses to use intellectual property belonging to third parties, which may not be attainable on reasonable terms, or to cease using the intellectual property altogether.

***We may be adversely affected by any disruption in our information technology systems.***

Our operations are dependent upon our information technology systems, which encompass all of our major business functions. A substantial disruption in our information technology systems for any prolonged time period (arising from, for example, system capacity limits from unexpected increases in our volume of business, outages or delays in our service) could result in delays in receiving inventory and supplies or filling customer orders and adversely affect our customer service and relationships. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including, without limitation, fire, natural disasters, power outages, systems disruptions, system conversions, security breaches, cyberattacks, phishing attacks, viruses and/or human error. In any such event, we could be required to make a significant investment to fix or replace our information technology systems, and we could experience interruptions in our ability to service customers. Such delays, problems or costs may have a material adverse effect on our business, financial condition and results of operations.

We continuously need to improve and upgrade our systems and infrastructure while maintaining their reliability and integrity. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources before the volume of our business increases, with no assurance the volume of business will increase. The development and implementation of new systems and any other future upgrades to our systems and information technology may require significant costs and divert our management's attention and other resources from our core business. There are also no assurances these new systems and upgrades will provide us with the anticipated benefits and efficiencies. Many of our systems are proprietary and, as a result, our options are limited in seeking third-party help with the operation and upgrade of those systems. There can be no assurance the time and resources our management will need to devote to operations and upgrades, any delays due to the installation of any upgrade (and customer issues therewith), any resulting service outages, or the impact on the reliability of our data from any upgrade

or any legacy system, will not have a material adverse effect on our business, financial condition, control environment or results of operations.

***Unauthorized access to confidential information and data on our information technology systems, security and data breaches and/or failure to comply with rapidly evolving data privacy laws could materially adversely affect our business, financial condition and operating results.***

As part of our operations, we, together with third parties acting on our behalf, receive, process and maintain sensitive and confidential information about our customers, employees and other third parties. Processing, maintenance and transmission of information is a critical part of our business operations. We have physical, technical and procedural safeguards in place that are designed to protect information and protect against security and data breaches as well as fraudulent transactions and other activities. We believe that our security safeguards follow appropriate practices in the prevention of security and data breaches and the mitigation of cybersecurity risks. Despite these safeguards and our other security processes and protections, our systems and processes may be vulnerable to security breaches and cyber-attacks, which are evolving and increasingly sophisticated (such as denial-of-service, ransomware, phishing, supply chain and social engineering attacks), as well as to physical breach, vandalism, sabotage, user malfeasance, viruses, misplaced or lost data and inadvertent data disclosure by third parties or us.

A significant data security breach, including misappropriation of our customers' or employees' confidential information, could result in significant costs to us, which may include, among others, potential liabilities to payment card networks for reimbursements of credit card fraud and card reissuance costs, including fines and penalties, potential liabilities from governmental or third-party investigations, proceedings or litigation, legal, forensic and consulting fees and expenses, costs and diversion of management attention required for investigation and remediation actions, and the negative impact on our reputation and loss of confidence of our customers, suppliers and others, any of which could have a material adverse impact on our business, financial condition and operating results. If our third-party suppliers or vendors are subject to cyber-attacks, data breaches, other security incidents, or disruption of information technology systems or software, such events could expose us to liability, damage our reputation, and have a material adverse effect on our business. While we carry insurance that would mitigate losses in connection with security breaches and cyber incidents, insurance may be insufficient to compensate us fully for potentially significant losses.

There can be no assurance that our security upgrades and other measures will be effective, we will not suffer a criminal attack in the future, unauthorized parties will not gain access to confidential information, or any such incident will be discovered promptly. In particular, we understand that the techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until launched against a target; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures. The failure to promptly detect, determine the extent of and appropriately respond to a significant data security breach could have a material adverse impact on our business, financial condition and operating results.

We are also subject to an evolving body of federal, state and non-U.S. laws, rules, regulations, guidelines and principles regarding data privacy and security, the scope and impact of which are uncertain. Several governments, as well as the EU, have regulations dealing with the collection and use of personal information obtained from their citizens, and regulators globally are also imposing greater monetary fines for privacy violations, and there is an increase in allowing private rights of action. In 2023, changes to the California Consumer Privacy Act occurred in the form of the California Privacy Rights Act ("CPRA"), which expanded consumer privacy rights and extend application to our California employees. In addition, a number of U.S. states have enacted consumer privacy laws that are expected to take effect in 2024 and beyond, or have revived existing state laws with new meaning, potentially subjecting retailers to privacy-based class action lawsuits. We also expect to see rapid changes and corresponding regulator action and private rights of action related to the use of text messaging to communicate with customers, the collection and use of biometric data and dark patterns. We continue to monitor our compliance with the European privacy regulation, General Data Protection Regulation ("GDPR"), which applies to how organizations are required to handle the personal data of EU citizens and individuals residing in the EU as well as the UK GDPR post-Brexit. Data privacy is, and may continue to be, a rapidly evolving area of law. Any potential inability to comply with such laws, rules, regulations, guidelines and principles or to quickly adapt our practices to reflect them as they develop, could potentially subject us to significant fines, damages, liabilities and reputational harm, which could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

## **Financial Risks**

### ***Our comparable sales and quarterly financial performance may fluctuate for a variety of reasons.***

Our comparable sales and quarterly results of operations have fluctuated in the past and we expect them to continue to fluctuate in the future. A variety of factors affect our comparable sales and quarterly financial performance, including:

- changes in our merchandising strategy or mix;
- a portion of a typical new store's sales coming from customers who previously shopped at other existing stores;
- the timing and effectiveness of our marketing and promotional activities and those of our competitors;
- the effects of severe weather events or other natural disasters;
- the number of shopping days in a quarter;
- fluctuations in the cost to purchase products we sell;
- store closures in response to state or local regulations due to health concerns; and
- worldwide economic conditions and, in particular, the retail sales environment in the North America and Europe

Fluctuations in foreign currency exchange rates may also affect our quarterly financial performance. Accordingly, our results, including comparable sales, for any one fiscal quarter are not necessarily indicative of the results to be expected for any other quarter, and may even decrease, which could have a material adverse effect on our business, financial condition and results of operations.

### ***A portion of our indebtedness is subject to floating interest rates.***

Outstanding borrowings under our ABL facility, if any, and our term loan B are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness referred to above would increase even if the principal amount borrowed remained the same, and our net earnings and cash flows will correspondingly decrease. We are currently party to, and in the future, we may enter into additional, derivative instruments, such as interest rate caps and swaps, to reduce our exposure to changes in interest rates on our term loan B. However, we may not maintain derivative instruments with respect to all of our variable rate indebtedness, and any instruments we enter into may not fully mitigate our interest rate risk.

### ***We have substantial debt and may incur substantial additional debt, which could adversely affect our financial health, our ability to obtain financing in the future and our ability to react to changes in our business.***

As of September 30, 2023, certain of our subsidiaries, including Sally Holdings LLC, which we refer to as Sally Holdings, had an aggregate principal amount of approximately \$1.1 billion of outstanding debt.

Our substantial debt could have significant consequences. For example, it could:

- make it more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such indebtedness;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes;
- require us to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of such cash flows to fund working capital, capital expenditures, share repurchases and other general corporate purposes;
- restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us, which could limit our ability to conduct repurchases of our own equity securities or pay dividends to our stockholders, thereby limiting our ability to enhance stockholder value through such transactions;

- increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations (because a portion of our borrowings are at variable rates of interest), including borrowings under our \$500 million asset-based senior secured loan facility, which we refer to as the “ABL facility” and our term loan B;
- place us at a competitive disadvantage compared to our competitors with proportionately less debt or comparable debt at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns;
- require us to comply with restrictive covenants that may restrict our ability to, among other things, pay dividends, conduct share repurchases, make acquisitions, dispose of assets or prepay debt;
- limit our ability to refinance indebtedness or cause the associated costs of such refinancing to increase; and
- limit our flexibility to adjust to changing market conditions and ability to withstand competitive pressures, or prevent us from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve operating margins or our business.

Any of the foregoing impacts of our substantial indebtedness could have a material adverse effect on our business, financial condition and results of operations.

Each of our ABL facility, institutional term loan and senior notes contain certain covenants and restrictions that we are required to comply with. Our ability to comply with these covenants and restrictions may be affected by economic, financial and industry conditions beyond our control. The breach of any of these covenants and restrictions could result in a default under either the ABL facility, the institutional term loan or the indentures that would permit the applicable lenders or senior note holders, as the case may be, to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. If we are unable to repay debt, lenders having secured obligations, such as the lenders under the ABL facility, could proceed against the collateral securing the debt. In any such case, our subsidiaries may be unable to borrow under the ABL facility and may not be able to repay the amounts due under the senior notes and the institutional term loan. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

In addition, we and our subsidiaries may incur substantial additional indebtedness in the future. As of September 30, 2023, our ABL facility provided us commitments for additional borrowings of up to approximately \$482.6 million, subject to borrowing base limitations, outstanding letters of credit and limitations on cash hoarding above certain balances, once utilized. If new debt is added to our current debt levels, the related risks we face would increase, and we may not be able to meet all our debt obligations.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.



**ITEM 2. PROPERTIES**

Substantially all of our stores and a number of our warehouse and remote office locations are leased while our corporate headquarters in Denton, Texas and three warehouses/distribution centers are owned. The average store lease is for a term of five years with customary renewal options. The following table provides the number of stores per state in the U.S. and certain international locations, as of September 30, 2023:

Location	SBS	BSG	
	Company-Operated	Company-Operated	Franchise
United States (including Puerto Rico)			
Alabama	39	12	2
Alaska	4	3	—
Arizona	74	32	4
Arkansas	25	11	—
California	244	154	—
Colorado	46	19	—
Connecticut	24	20	—
Delaware	6	2	—
Florida	167	76	2
Georgia	76	29	—
Hawaii	6	5	—
Idaho	14	11	—
Illinois	73	49	—
Indiana	49	32	—
Iowa	23	11	—
Kansas	19	9	—
Kentucky	41	21	—
Louisiana	37	—	16
Maine	7	4	—
Maryland	24	22	—
Massachusetts	39	27	—
Michigan	64	35	—
Minnesota	33	20	—
Mississippi	24	2	6
Missouri	41	17	—
Montana	8	7	—
Nebraska	17	8	—
Nevada	31	15	—
New Hampshire	14	8	—
New Jersey	37	14	—
New Mexico	22	4	3
New York	69	47	—
North Carolina	86	38	—
North Dakota	4	5	—
Ohio	107	57	—
Oklahoma	39	2	5
Oregon	32	14	—
Pennsylvania	75	58	—
Puerto Rico	37	6	—
Rhode Island	6	4	—
South Carolina	38	14	—
South Dakota	5	4	—

Location	SBS	BSG	
	Company-Operated	Company-Operated	Franchise
United States (including Puerto Rico)			
Tennessee	59	30	—
Texas	268	6	94
Utah	31	23	—
Vermont	2	1	—
Virginia	47	33	—
Washington	47	29	—
West Virginia	11	7	—
Wisconsin	32	27	—
Wyoming	4	1	—
Total United States (including Puerto Rico)	2,327	1,085	132
International:			
United Kingdom	236	—	—
Mexico	243	—	—
Canada	109	121	—
France	75	—	—
Belgium	53	—	—
Chile	35	—	—
Netherlands	27	—	—
Spain	20	—	—
Other	23	—	—
Total International	821	121	—
Total Store Count	3,148	1,206	132

The following table provides locations for our significant offices and warehouses and our corporate headquarters, as of September 30, 2023:

Location	Type of Facility	Approximate Sq. Feet	Business Segment
<b>Company-Owned Properties:</b>			
Denton, Texas	Corporate Headquarters	200,000	N/A
Reno, Nevada	Warehouse	253,000	SBS
Columbus, Ohio	Warehouse	246,000	SBS
Jacksonville, Florida	Warehouse	237,000	SBS
<b>Leased Properties:</b>			
Fort Worth, Texas	Warehouse	494,000	BSG
Greenville, Ohio	Warehouse	245,000	BSG
Fresno, California	Warehouse	200,000	BSG
Blackburn, Lancashire, England	Warehouse	195,000	SBS
Spartanburg, South Carolina	Warehouse	190,000	BSG
Ghent, Belgium	Office, Warehouse	94,000	SBS
Ronse, Belgium	Office, Warehouse	91,000	SBS
Guadalupe, Nuevo Leon, Mexico	Warehouse	78,000	SBS
Ghent, Belgium	Warehouse	67,000	SBS
Calgary, Alberta, Canada	Warehouse	60,000	BSG
Mississauga, Ontario, Canada	Warehouse	60,000	BSG
Saint-Jerome, Quebec, Canada	Warehouse	50,000	BSG

**ITEM 3. LEGAL PROCEEDINGS**

We are involved, from time to time, in various claims and lawsuits incidental to the conduct of our business. We carry insurance coverage in such amounts in excess of our self-insured retention as we believe to be reasonable under the circumstances and may or may not cover any or all of our liabilities in respect of these matters. Although the ultimate disposition of these claims and proceedings cannot be predicted with certainty, we do not currently believe the ultimate resolution of these matters will have a material adverse impact on our consolidated financial position, cash flows or results of operations. However, there can be no assurances that future adverse judgments and costs would not be material to our financial position, cash flows or results of operations for a particular period.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

## PART II

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### **Market for the Registrant's Common Equity**

##### *Market Information*

Our common stock is listed on the New York Stock Exchange under the symbol "SBH."

##### *Holdings*

As of November 10, 2023, there were 432 stockholders of record of our common stock.

##### *Dividends*

We have not declared or paid dividends at any time during the two fiscal years prior to the date of this Annual Report. We currently anticipate we will retain future earnings to support investments in our business, to repay outstanding debt or to return capital to shareholders through share repurchases. Any determination to pay dividends will be made at the discretion of our Board of Directors and will depend on our financial condition, results of operations, contractual restrictions, including under our debt agreements and instruments, cash requirements and other factors our Board of Directors deem relevant.

#### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table provides information about the Company's repurchases of shares of its common stock during the three months ended September 30, 2023:

<b>Fiscal Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>
July 1 through July 31, 2023	—	\$ —	—	\$ 595,792,425
August 1 through August 31, 2023	1,511,427	9.92	1,511,427	580,792,429
September 1 through September 30, 2023	—	—	—	580,792,429
Total this quarter	<u>1,511,427</u>	<u>\$ 9.92</u>	<u>1,511,427</u>	<u>\$ 580,792,429</u>

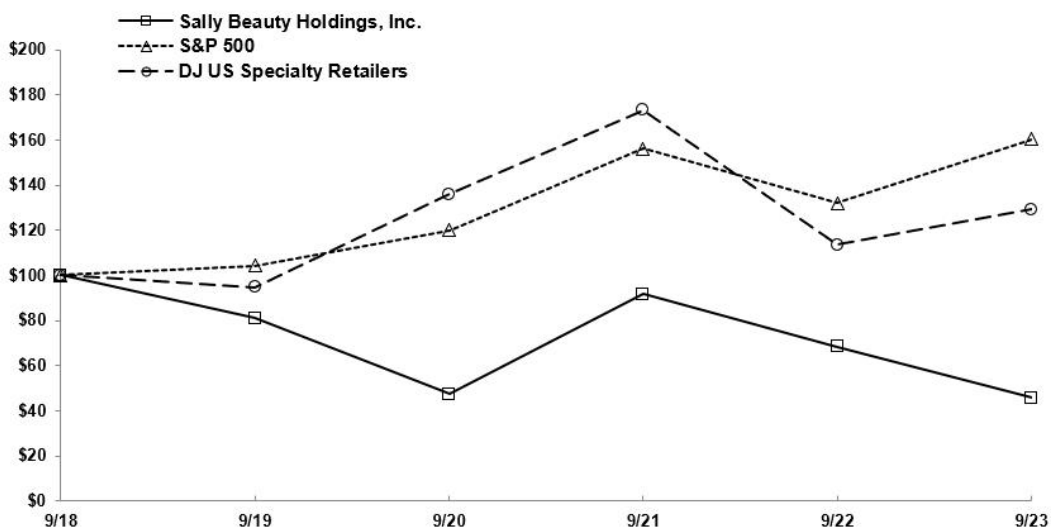
(1) The Board approved a share repurchase program authorizing us to repurchase up to \$1.0 billion of our common stock through September 30, 2025.

## Performance Graph

The following performance graph and related information shall not be deemed “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph illustrates the five-year comparative total return among Sally Beauty Holdings, Inc., the S&P 500 Index (“S&P 500”) and the Dow Jones U.S. Specialty Retailers Index (“DJ US Specialty Retailers”) assuming \$100 was invested on September 30, 2018, and dividends, if any, were reinvested. The DJ US Specialty Retailers is a non-managed index and provides a comprehensive view of issuers, including our common stock, that are primarily in the U.S. retail sector.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN



Fiscal year ended	September 30, 2018	September 30, 2019	September 30, 2020	September 30, 2021	September 30, 2022	September 30, 2023
Sally Beauty Holdings, Inc.	\$ 100.00	\$ 80.97	\$ 47.25	\$ 91.63	\$ 68.52	\$ 45.57
S&P 500	100.00	104.25	120.05	156.07	131.92	160.44
DJ US Specialty Retailers	100.00	94.71	135.93	173.25	113.59	129.08

## ITEM 6. [RESERVED]

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following section discusses management's view of Sally Beauty's financial condition and results of operations for fiscal year 2023 compared to fiscal year 2022. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022, for a discussion of the financial condition and results of operations for fiscal year 2022 compared to fiscal year 2021. This section should be read in conjunction with the audited consolidated financial statements of Sally Beauty and the related notes included elsewhere in this Annual Report. This Management's Discussion and Analysis of Financial Condition and Results of Operations section may contain forward-looking statements. See "Cautionary Notice Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements that could cause results to differ materially from those reflected in such forward-looking statements.

### **Financial Results Summary of the Fiscal Year Ended September 30, 2023:**

- Consolidated net sales for the fiscal year decreased \$87.4 million, or 2.3%, to \$3,728.1 million and included a negative impact from changes in foreign currency exchange rates of \$9.2 million, or 0.2% of consolidated net sales;
- Consolidated comparable sales for the fiscal year increased 1.4%, compared to the prior fiscal year;
- Consolidated gross profit decreased by \$21.0 million, or 1.1%, to \$1,898.2 million. Gross margin increased 60 basis points to 50.9% compared to the prior fiscal year;
- Consolidated operating earnings for the fiscal year decreased \$12.6 million, or 3.7%, to \$325.0 million. Operating margin decreased 10 basis points to 8.7% compared to the prior fiscal year;
- Consolidated net earnings for the fiscal year decreased \$1.0 million, or 0.6%, to \$184.6 million;
- Diluted earnings per share for the fiscal year were \$1.69 compared to \$1.66 for the prior fiscal year; and
- Cash provided by operations was \$249.3 million for the fiscal year compared to \$156.5 million for the prior fiscal year.

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

Last fiscal year, we announced our Distribution Center Consolidation and Store Optimization Plan (the "Plan"). The Plan was designed to improve overall profitability by optimizing our store base and distribution network through the planned closing of 330 SBS stores, 35 BSG stores and two BSG distribution centers. This fiscal year, we were able to complete the majority of our planned closures and further optimized our store supply chain network based on our new store fleet, while meeting our sales recapture and cost savings expectations. As of September 30, 2023, we have two BSG stores left to be closed as part of the Plan and expect additional immaterial costs to be incurred in the first half of fiscal year 2024.

See Note 16 in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for more information on the Plan.

### **Trends Impacting Our Business**

Global inflationary pressures continued to influence consumer and stylist shopping behavior along with the cost for products and services. In the U.S. and Canada, we saw our SBS retail customers color their hair less frequently and reduce the size of their basket when they shop with us, while at BSG we saw a continuation of stylist demand trends of buying closer to needs we've seen over the last several quarters. These inflationary pressures have also impacted wages, especially among retail and hourly employees, as we have experienced an increase in our labor costs in order to attract and retain associates.

During the fiscal year, these headwinds have resulted in lower traffic and conversion in our business and increases in certain operating costs. We continue to monitor these challenges and implement measures to help mitigate their impacts, including managing our inventory levels to reduce out-of-stock items, adjusting our promotional activities, optimizing our store base and expanding our partnerships with delivery service providers. Although these initiatives

have helped mitigate ongoing macro-headwinds, we cannot reasonably predict the long-term effects of inflation. Furthermore, in a measure to curb inflation, the U.S. Federal Reserve has increased the federal funds effective rate. In turn, these increases have raised the interest expense of some of our customers' outstanding borrowings which has reduced their discretionary spending.

### **Comparable Sales**

The Company's initiative to invest in our digital platforms support our omni-channel strategy to provide customers an enhanced shopping experience. As such, 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 e-commerce revenue. Additionally, comparable sales include sales to franchisees and full-service sales. Our comparable sales metric 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.

## Results of Operations

### Key Operating Metrics

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

	Fiscal Year Ended September 30,		2023 vs. 2022	
	2023	2022	Amount Change	% Change
<b>Net sales:</b>				
SBS	\$ 2,139,206	\$ 2,193,044	\$ (53,838)	(2.5)%
BSG	1,588,925	1,622,521	(33,596)	(2.1)%
Consolidated	\$ 3,728,131	\$ 3,815,565	\$ (87,434)	(2.3)%
<b>Gross profit:</b>				
SBS	\$ 1,265,683	\$ 1,273,882	\$ (8,199)	(0.6)%
BSG	632,497	645,283	(12,786)	(2.0)%
Consolidated	\$ 1,898,180	\$ 1,919,165	\$ (20,985)	(1.1)%
<b>Segment gross margin:</b>				
SBS	59.2%	58.1%	110	bps
BSG	39.8%	39.8%	—	bps
Consolidated	50.9%	50.3%	60	bps
<b>Net earnings:</b>				
<b>Segment operating earnings:</b>				
SBS	\$ 358,474	\$ 350,884	\$ 7,590	2.2%
BSG	181,275	193,407	(12,132)	(6.3)%
Segment operating earnings	539,749	544,291	(4,542)	(0.8)%
Unallocated expenses and restructuring <sup>(a) (b)</sup>	214,720	206,651	8,069	3.9%
Consolidated operating earnings	325,029	337,640	(12,611)	(3.7)%
Interest expense	72,979	93,543	(20,564)	(22.0)%
Earnings before provision for income taxes	252,050	244,097	7,953	3.3%
Provision for income taxes	67,450	60,544	6,906	11.4%
Net earnings	\$ 184,600	\$ 183,553	\$ 1,047	0.6%
<b>Number of stores at end-of-period (including franchises):</b>				
SBS	3,148	3,439	(291)	(8.5)%
BSG	1,338	1,355	(17)	(1.3)%
Consolidated	4,486	4,794	(308)	(6.4)%
<b>Comparable sales growth (decline)</b>				
SBS	3.4%	(0.6)%	400	bps
BSG	(1.3)%	2.3%	(360)	bps
Consolidated	1.4%	0.6%	80	bps

(a) Unallocated expenses represent certain corporate costs (such as payroll, share-based compensation, employee benefits and travel expense for corporate staff, certain professional fees and corporate governance expenses) that have not been charged to our segments and are included in SG&A expenses in our consolidated statements of earnings.

(b) Restructuring primarily relates to the Plan.



***The Fiscal Year Ended September 30, 2023, compared to the Fiscal Year Ended September 30, 2022***

***Net Sales***

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

Comparable sales	\$	69,253
Sales outside comparable sales <sup>(a)</sup>		(121,284)
Foreign currency exchange		(1,807)
Total	\$	<u>(53,838)</u>

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

SBS's sales decrease was primarily driven by the impact of store closures in connection with the Plan in an amount of approximately \$112.0 million, partially offset by a significant portion of these sales being recaptured in other locations including within comparable sales. The increase in SBS's comparable sales was a result of growth in our average unit retail, primarily from inflationary impacts and pricing leverage, partially offset by a decrease in our average units per transaction.

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

Comparable sales	\$	(20,117)
Sales outside comparable sales <sup>(a)</sup>		(6,086)
Foreign currency exchange		(7,393)
Total	\$	<u>(33,596)</u>

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

BSG's sales decrease was primarily driven by the impact of store closures in connection with the Plan in an amount of approximately \$8.8 million and the negative impacts of exchanges rates, partially offset by a significant portion of these sales being recaptured in other locations, including within comparable sales. Additionally, BSG's comparable sales were impacted by the continuation of stylist demand trends seen over the last several quarters, which resulted in fewer transactions and units per transaction, partially offset by an increase in our average unit retail.

***Gross Profit***

SBS. SBS's gross profit decrease was driven by lower net sales, partially offset by a higher gross margin. SBS's gross margin grew as a result of pricing leverage, increased penetration of our owned-brand products and adjustments to our expected obsolescence reserve related to the Plan.

BSG. BSG's gross profit decreased as a result of lower net sales, while BSG's gross margin was unchanged. Gross margin included lower product margin resulting from an unfavorable sales channel mix between stores and lower-margin Regis e-commerce sales, and a shift in some distribution center costs from selling, general and administrative expenses into gross margin, offset by adjustments to our expected obsolescence reserve related to the Plan.

***Selling, General and Administrative Expenses***

SBS. SBS's SG&A expenses decreased \$15.8 million, or 1.7%, to \$907.2 million for fiscal year 2023, which includes the favorable impact from foreign exchange rates of \$0.6 million due to the weakening of the U.S. Dollar compared to currencies in our foreign operations. As a percentage of SBS net sales, SG&A for fiscal year 2023 was 42.4% compared to 42.1% for fiscal year 2022. The increase as a percentage of sales was driven by higher wage and bonus expenses, partially offset by cost savings from the closure of stores in connection with the Plan and lower advertising expenses.

BSG. BSG's SG&A expenses decreased \$0.7 million, or 0.1%, to \$451.2 million for fiscal year 2023 and includes a favorable impact from foreign exchange rates of \$2.5 million. As a percentage of BSG net sales, SG&A for fiscal year 2023 was 28.4% compared to 27.9% for fiscal year 2022. The increase was primarily driven by higher labor and bonus expenses, partially offset by a shift in some distribution center costs from selling, general and administrative expense into gross margin.

Unallocated. Unallocated SG&A expenses, which represent certain corporate costs that have not been charged to our reporting segments, increased \$18.4 million, or 10.3%, to \$197.5 million, primarily due to higher wage and bonus

expenses, insurance costs and information technology expenses. These increases were partially offset by prudent cost control and the lapping of disposal costs for obsolete personal-protective equipment inventory.

### ***Restructuring***

For fiscal year 2023, we substantially completed the planned closures under the Plan and incurred \$17.2 million in restructuring charges, primarily from lease termination costs. For fiscal year 2022, we incurred \$27.6 million in restructuring charges, which includes \$24.8 million in asset impairments related to the Plan and other expenses in connection with a prior restructuring plan. See Note 16 in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for more information on our restructuring plans.

### ***Interest Expense***

The decrease in interest expense was primarily due to the lapping of debt extinguishment costs related to the repayment of our 8.75% Senior Notes due 2025 in fiscal year 2022, partially offset by debt extinguishment costs related to the repricing of our Term Loan B, higher interest rates on our variable rate debt and an increase in our average borrowings outstanding under our ABL facility. Additionally, our interest rate derivatives have helped mitigate some of the impacts from higher interest rates on a portion of our variable rate debt.

### ***Provision for Income Taxes***

For fiscal year 2023 and 2022, our effective tax rate was 26.8% and 24.8%, respectively. The increase in our effective tax rate was primarily due to additional taxes and interest recorded in the current fiscal year in connection with the one-time transition tax on unrepatriated foreign earnings ("Repatriation Tax") related to fiscal year 2018, and the net benefit recognized in the prior fiscal year from the release of \$19.9 million of valuation allowances against foreign subsidiary net operating losses in the prior year for which a tax benefit was recognized, offset by \$7.0 million in expense arising from uncertain tax positions. See Note 14, *Income Taxes*, for more information on our effective tax rate.

Our effective tax rate may fluctuate on a quarterly and/or annual basis due to various factors including, but not limited to, total earnings and the mix of earnings by jurisdiction, new tax laws, as well as changes in valuation allowances and uncertain tax positions.

### ***Liquidity and Capital Resources***

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 and debt-servicing. 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 September 30, 2023, we had \$605.6 million in our liquidity pool, which includes amounts available for borrowings under our ABL facility of \$482.6 million and cash and cash equivalents of \$123.0 million. Based upon the current level of operations and anticipated growth, we anticipate existing cash balances (excluding certain amounts permanently invested in connection with foreign operations), as well as cash expected to be generated by operations and funds available under the ABL facility, will be sufficient to fund working capital requirements, potential acquisitions, anticipated capital expenditures (including information technology investments and store projects) and service our debt obligations over the next 12 months.

Our working capital (current assets less current liabilities) increased \$184.2 million to \$648.7 million at September 30, 2023, compared to \$464.5 million at September 30, 2022. The increase in our working capital was driven by higher inventory balances, resulting from \$17.2 million from foreign exchange rates and inflationary vendor cost increases, partially offset by the optimization efforts to improve inventory stocking levels. The increase was further driven by an increase in cash and cash equivalents, fewer outstanding borrowings under our ABL facility, a reduction in our accounts payable due to the timing of payments, and impacts of optimization efforts around inventory purchases. The ratio of current assets to current liabilities was 2.12 to 1.00 at September 30, 2023, compared to 1.70 to 1.00 at September 30, 2022.

### **Share Repurchase Programs**

During the fiscal years 2023 and 2022, we repurchased and subsequently retired approximately 1.5 million shares and 6.8 million shares of our common stock under our share repurchase program at a cost of \$15.0 million and \$130.3 million, respectively, excluding the impact of excess taxes on share repurchases. Share repurchases are funded primarily with cash from operations and, occasionally, with borrowings under the ABL facility. As of September 30, 2023, we had approximately \$580.8 million of additional share repurchase authorization remaining under our Share Repurchase Program, that expires September 30, 2025.

### **Historical Cash Flows**

The following table shows our sources and uses of cash for the periods presented (in thousands):

	Fiscal Year Ended September 30,		
	2023	2022	Change
Net cash provided by operating activities	\$ 249,311	\$ 156,500	\$ 92,811
Net cash used by investing activities	(99,776)	(102,419)	2,643
Net cash used by financing activities	(100,824)	(373,679)	272,855
Effect of foreign currency exchange rate changes on cash and cash equivalents	3,732	(10,803)	14,535
Net increase (decrease) in cash and cash equivalents	\$ 52,443	\$ (330,401)	\$ 382,844

#### *Operating Activities*

The increase in net cash provided by operating activities for fiscal year 2023, compared to fiscal year 2022, was primarily driven by fewer inventory purchases in the current year as a result of the Plan and the additional inventory purchases related to BSG's growth through distribution partnerships in the prior fiscal year.

#### *Investing Activities*

The decrease in net cash used by investing activities for fiscal year 2023, compared to fiscal year 2022, was primarily due to fewer capital expenditures, partially offset by cash paid for acquisitions this fiscal year compared to last fiscal year. During the fiscal year ended 2023, we had total capital expenditures of approximately \$97.8 million, excluding amounts paid in connection with the prior year, primarily in connection with investments in technology and store leasehold improvements.

#### *Financing Activities*

Net cash used by financing activities decreased as a result of fewer debt repayments during the fiscal year, compared to prior fiscal year, and fewer shares repurchased under our share repurchase program.

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

During fiscal year 2023, we entered into a seven-year term loan facility agreement in the aggregate principal amount of \$400.0 million and used the proceeds to subsequently repay our previously existing term loan facility. Subsequently during the fiscal year, we were successfully able to negotiate a reduction in the fixed interest rate spreads on borrowings under the term loan facility.

At September 30, 2023, we had \$1,078.0 million in outstanding debt, excluding finance lease obligations, unamortized debt issuance costs and discounts, in the aggregate, of \$8.0 million. Our debt consists of \$680.0 million in 2025 Senior Notes outstanding and \$398.0 million remaining on our term loan. At September 30, 2023, there were no 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, debt servicing and, occasionally, share repurchases. Amounts drawn on our ABL facility are generally paid down with cash provided by our operating activities. During fiscal year 2023, the weighted average interest rate on our borrowings under the ABL facility was 6.1%.

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

See Note 10 of the Notes to Consolidated Financial Statements in Item 8 contained in this Annual Report for additional information about our debt.

### Guarantor Financial Information

Our 2025 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 September 30, 2023 and 2022 (in thousands):

(in thousands)	September 30, 2023	September 30, 2022
Cash and cash equivalents	\$ 66,148	\$ 23,325
Inventory	\$ 735,853	\$ 714,477
Intercompany receivable	\$ 1,658	\$ —
Current assets	\$ 890,462	\$ 827,155
Total assets	\$ 2,076,413	\$ 1,982,982
Current liabilities	\$ 468,202	\$ 549,415
Intercompany payable	\$ —	\$ 4,431
Total liabilities	\$ 2,011,075	\$ 2,085,169

The following table presents the summarized statement of earnings information for fiscal year 2023 (in thousands):

Net sales	\$ 3,011,054
Gross profit	\$ 1,551,214
Earnings before provision for income taxes	\$ 209,632
Net Earnings	\$ 154,584

### Contractual Obligations

The following table summarizes our contractual obligations at September 30, 2023 (in thousands):

	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Long-term debt obligations, including interest <sup>(a)</sup>	\$ 72,247	\$ 791,675	\$ 65,881	\$ 413,561	\$ 1,343,364
Obligations under operating leases <sup>(b)</sup>	175,327	262,059	147,651	105,786	690,823
Obligations under finance leases	174	144	—	—	318
Purchase obligations <sup>(c)</sup>	23,345	21,824	—	—	45,169
Other long-term obligations <sup>(d)(e)</sup>	7,716	8,142	1,630	1,532	19,020
Total	<u>\$ 278,809</u>	<u>\$ 1,083,844</u>	<u>\$ 215,162</u>	<u>\$ 520,879</u>	<u>\$ 2,098,694</u>

- (a) Long-term debt obligations include future interest payments on our debt outstanding as of September 30, 2023. The amounts shown above do not include deferred debt issuance costs reflected in our consolidated balance sheets, nor do they include the impact of any interest received from the impact of our interest rate swap.
- (b) The amounts reported for operating leases do not include common area maintenance (CAM), property taxes or other executory costs. The amounts shown above do not include immaterial contingent liabilities for operating leases for which we are liable in the event of default by a franchisee.
- (c) Purchase obligations reflect legally binding agreements that are entered into by us to purchase goods or services, that specify minimum quantities to be purchased and with fixed or variable price provisions. Amounts shown do not reflect open purchase orders, mainly for merchandise, to be fulfilled within one year, which are generally cancellable or contracts that tend to be reoccurring in nature and similar in amount year over year.

- (d) Other long-term obligations, including current portion, principally represent obligations under our insurance and self-insurance programs. These obligations are included in accrued liabilities and other liabilities, as appropriate, in our consolidated balance sheets.
- (e) The table above does not include an estimated \$8.3 million of unrecognized tax benefits due to uncertainty regarding the realization and timing of the related future cash flows, if any.

The information contained in the table above with regards to our long-term debt obligations is based on the current terms of such debt obligations and does not reflect any assumptions about our ability or intent to refinance any of our debt either on or before their maturity. In the event we refinance some or all of the debt either on or before maturity, actual payments for some of the periods shown may differ materially from the amounts reported herein. In addition, other future events, including potential increases in interest rates, could cause actual payments to differ materially from these amounts.

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

At September 30, 2023, we did not have any off-balance sheet financing arrangements other than obligations under letters of credit, as discussed above.

#### **Critical Accounting Estimates**

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”) requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure. Actual results could differ from the estimates and assumptions used, which could have a material impact to financial statements. We believe the following are our most critical accounting estimates that require subjective judgments, estimates and assumptions:

##### **Valuation of Inventory**

Our inventory is stated at the lower of weighted average cost or net realizable value. In assessing the net realizable value of inventory, we will adjust the carrying value of inventory for estimated shrinkage, damage and obsolescence using several key factors including estimates of the future demand for our products, historical turn-over rates, the age and sales history of the inventory, and historic as well as anticipated changes in SKUs.

We estimate inventory shrinkage between physical counts and product damage based upon our historical experience. Actual results differing from these estimates could significantly affect our carrying value of inventory and cost of goods sold. Inventory shrinkage, in the aggregate, has remained less than 1.0% of consolidated net sales over the past two fiscal years. A 10% change in our estimate of inventory shrinkage and obsolescence reserves at September 30, 2023, would impact net earnings by approximately \$2.1 million.

##### **Vendor Rebates and Concessions**

We deem cash consideration received from a vendor to be a reduction of the cost of goods sold unless it is in exchange for an asset or service or a reimbursement of a specific, incremental, identifiable cost incurred by us in selling the vendor’s products. The majority of cash consideration we receive is considered to be a reduction of inventory and a subsequent reduction in cost of goods sold as the related products are sold. We consider the facts and circumstances of the various contractual agreements with vendors in order to determine the appropriate classification of amounts received in our consolidated statements of earnings. We record cash consideration expected to be received from vendors in accounts receivables, other when earned and at the amount we believe will be collected. These receivables could be significantly affected if the actual amounts subsequently collected differ from our expectations. Historically, adjustments between the amount recorded and the amount collected have not had a material impact to our results of operations.

##### **Insurance**

We retain a substantial portion of the risk related to employee health (primarily in the U.S.), workers’ compensation and general liability. However, we maintain stop-loss coverage to limit the exposure related to certain insurance risks. We base our health insurance liability estimate on trends in claim payment history, historical trends in claims incurred but not yet reported and other components such as expected increases in medical costs, projected premium costs and the number of plan participants. Additionally, we base our estimates for workers’ compensation, general and product

liability on an actuarial analysis performed by an independent third-party actuary. We review our insurance liability on a regular basis and adjust our accruals accordingly.

Changes in facts and circumstances may lead to a change in the estimated liability due to revisions of the estimated ultimate costs that affect our liability insurance coverage. Our liabilities could be significantly affected if actual results differ from our expectations or prior actuarial analyses. A 10% adjustment in our insurance liabilities at September 30, 2023, would impact net earnings by approximately \$1.6 million.

The changes in our insurance liabilities were as follows (in thousands):

	<b>Fiscal Year Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of period	\$ 20,555	\$ 20,596
Self-insurance expense	74,788	68,695
Payments, net of employee contributions	(73,331)	(68,736)
Balance at end of period	<u>\$ 22,012</u>	<u>\$ 20,555</u>

### **Income Taxes**

We record income tax provisions in our consolidated financial statements based on an estimate of current income tax liabilities. The development of these provisions requires judgments about tax positions, potential outcomes and timing. If we prevail in tax matters for which provisions have been established or are required to settle matters in excess of established provisions, our effective tax rate for a particular period could be significantly affected.

Additionally, deferred income taxes are recognized for the future tax consequences attributable to differences between our financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are estimated to be recovered or settled. We believe it is more-likely-than-not that our results of operations in the future will generate sufficient taxable income to realize our deferred tax assets, net of the valuation allowance currently recorded. We have recorded a valuation allowance to account for uncertainties regarding the recoverability of certain deferred tax assets, primarily foreign loss carryforwards and tax credit carryforwards. In the future, if we determine certain deferred tax assets will not be realizable, the related adjustments could significantly affect our effective tax rate at that time. An estimated tax benefit related to an uncertain tax position is recorded in our consolidated financial statements only after determining a more-likely-than-not probability that the uncertain tax position will withstand challenge, if any, from applicable taxing authorities.

### **Assessment of Long-Lived Assets for Impairment and Restructuring**

We review long-lived assets, including operating lease assets, for impairment whenever events or circumstances indicate the carrying amount of an asset may not be fully recoverable based on estimated undiscounted future cash flows. Long-lived assets are reviewed at the lowest level of identifiable cash flows, which typically is at the store level. In assessing for impairment, we determine the fair value of each individual store by discounting projected future cash flows. There are certain estimates and assumptions used to arrive at estimated future cash flows, including projected earnings and growth rates. The carrying amount of a long-lived asset or asset group is considered impaired when the carrying value of the asset or asset group exceeds the expected future cash flows from the asset or asset group. The impairment loss recognized is the excess of the carrying value of the asset or asset group over its fair value.

When we commit to an exit plan of scale that we believe will result in the disposal of long-lived assets prior to the end their useful lives, the approval of such plan may be considered a triggering event and therefore require a reassessment of asset carrying values for recoverability, based on projected cash flows. If the carrying values are not recoverable, write-downs or impairment charges may be required to bring carrying values of certain long-lived assets, including operating lease asset, to fair value. In connection with facility and store closures, we typically will also incur charges for employee severance, disposal costs and other expenses incurred with closures. These charges are accrued and estimated based on facts and circumstances at the time. Actual cash flows and expected payments could be significantly different from our estimates.

For fiscal years 2023 and 2021, no material impairment losses were recognized. For fiscal year 2022, we recognized an impairment loss of \$24.8 million in connection with the Plan within restructuring.

### **Assessment of Goodwill and Intangible Assets for Impairment**

We review goodwill and intangible assets for impairment annually, or when events or circumstances indicate it is more-likely-than-not that the value of the asset may be impaired. In assessing these types of assets for impairment, there are significant estimates and assumptions used to determine the fair value, including relevant market and economic conditions, anticipated future revenues and cash flows, royalty rates and discount rates.

When assessing goodwill for impairment, we may perform a qualitative assessment which evaluates macro-economic conditions, current and projected cash flows, and other events or changes in circumstances to determine if a quantitative assessment is necessary. During quantitative assessment, we use a discounted cash flow model to determine an estimated fair value. If it is determined that the fair value of a reporting unit is less than its carrying value, an impairment charge will be recorded to bring the carrying value down to its fair value.

At the end of September 2023, we determined that a triggering event had occurred, due to the recent decline in the Company's share price and market capitalization, among other factors. As a result, we conducted a quantitative assessment at September 30, 2023. The analysis requires management to make estimates and assumptions, which may differ significantly from actual results, particularly if there are significant adverse changes in our operating environment.

Based on our discounted cash flow analysis, we estimated the fair value, at September 30, 2023, for our BSG reporting unit to be approximately 18% more than its carrying value. Goodwill allocated to the BSG reporting unit, which is also defined as our BSG segment, was \$457.8 million as of September 30, 2023. The critical assumptions used as part of our evaluation include 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). The assumptions used to estimate fair value were based on the past performance of the reporting unit as well as the projections incorporated in our strategic plan, adjusted for consistency with the valuation objective of estimating the fair value of the reporting unit under ASC 350. Assuming all changes are isolated, a decrease of 100 bps in our long-term revenue growth rate would reduce our estimated fair value to be approximately 8% more than its carrying value, while a 100 bps increase to our discount rate would reduce our estimated fair value to be approximately 7% more than its carrying value.

Additionally, we determined our estimated fair value for SBS reporting unit was substantially higher than its carrying value. Goodwill allocated to the SBS reporting unit, which is also defined as our SBS segment was \$75.3 million as of September 30, 2023.

Based on our quantitative analysis, we determined that no impairment existed with either reporting unit. As such, no impairment was recorded for the fiscal years 2023, 2022 or 2021.

Like goodwill, our indefinite-lived intangible assets are tested for impairment by comparing the fair value of each asset to its carrying value, but only if a triggering event exists. As of September 30, 2023, our indefinite-lived assets were comprised of only trade names. To determine the fair value of each trade name, we use the relief-from-royalty method, which estimates what a third-party would be willing to pay in royalties to receive a benefit from the use of the asset. If it is determined the asset's fair value is less than its carrying value, then an impairment charge is recorded to reduce the carrying value down to its fair value. Due to the aforementioned goodwill triggering event, during the three months ended September 30, 2023, the Company determined that a triggering event had occurred for its intangible assets. As a result, we conducted a quantitative assessment for these intangibles at September 30, 2023, and determined that the estimated fair value for all of our material trade names were substantially higher than their carrying values. No impairment losses were recognized in fiscal years 2023, 2022 or 2021.

### **Recent Accounting Pronouncements**

There have been no recent accounting pronouncements issued that will have a material impact to our business.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a multinational corporation, we are subject to certain market risks including risks resulting from our exposure to foreign currency fluctuations, changes in interest rates and government actions. We consider a variety of practices to manage these market risks, including, when deemed appropriate, the use of derivative financial instruments. Currently, we do not purchase or hold any derivative instruments for speculative or trading purposes, and are restricted from engaging in, by our debt and credit agreements.

**Foreign currency exchange rate risk**

We are exposed to potential gains or losses from foreign currency fluctuations affecting net investments in subsidiaries (including intercompany balances not permanently invested) and earnings denominated in foreign currencies as well as exposure resulting from the purchase of merchandise by certain of our subsidiaries in a currency other than their functional currency and from the sale of products and services among the parent company and subsidiaries with a functional currency different from the parent or among subsidiaries with different functional currencies. Our primary exposures are to changes in exchange rates for the U.S. dollar versus the Euro, the British pound sterling, the Canadian dollar and the Mexican peso. In addition, we currently have exposure to the currencies of certain countries located in South America and from time to time we may have exposure to changes in the exchange rate for the British pound sterling versus the Euro in connection with the sale of products and services among certain of our European subsidiaries. For each of the fiscal years 2023, 2022 and 2021, less than 20% of our consolidated net sales were made in currencies other than the U.S. dollar.

A 10% increase or decrease in the exchange rates for the U.S. dollar versus the foreign currencies to which we have exposure would have impacted our consolidated net sales by approximately 1.8% in the fiscal year 2023, and it would have impacted our consolidated net assets by approximately 2.2% at September 30, 2023.

As more fully discussed in Note 11 in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report, we use, from time to time, foreign exchange forward contracts to mitigate exposure to changes in foreign currency exchange rates.

**Interest rate risk**

We are sensitive to interest rate fluctuations as a result of borrowings under our ABL facility and term loan B. At September 30, 2023, there were no outstanding borrowings under the ABL facility, and the term loan B had \$398.0 million in outstanding principal balance. Additionally, at September 30, 2023, we held a \$200 million of SOFR denominated interest hedged under an interest rate swap agreement to help mitigate a portion of our interest rate risk. At September 30, 2023, a 1.0 percentage point interest rate increase would negatively impact our annual interest expense and cash flows by \$2.2 million.

As more fully discussed in Note 11 in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report, we use, from time to time, derivative instruments in order to manage risk relating to cash flows and interest rate exposure.

**Credit risk**

We are exposed to credit risk in connection with certain assets, primarily accounts receivable. We provide credit to customers in the ordinary course of business and perform ongoing credit evaluations. We believe our exposure of credit risk with respect to trade receivables is largely mitigated by our broad customer base and that our allowance for doubtful accounts is sufficient to cover customer credit risks at September 30, 2023.

Our derivative instruments expose us to credit risk in the event of default by a counterparty. We believe such exposure is mitigated by the substantial resources and strong creditworthiness of the counterparties to our derivative instruments at September 30, 2023. In the event a counterparty defaults in its obligation under our derivative instruments, we could incur substantial financial losses. However, at the present time, no such losses are deemed probable.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See “Index to Financial Statements” which is located on page 47 of this Annual Report.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.



## **ITEM 9A. CONTROLS AND PROCEDURES**

**Background.** Attached as exhibits to this Annual Report on Form 10-K are certifications of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), which are required in accordance with Rule 13a-14 of the Exchange Act. This “Controls and Procedures” section includes information concerning the controls and controls evaluation referred to in the certifications. Part II, Item 8 — Financial Statements and Supplementary Data of this Annual Report on Form 10-K sets forth the attestation report of KPMG LLP, our independent registered public accounting firm, regarding its audit of our internal control over financial reporting. This section should be read in conjunction with the certifications and the KPMG attestation report for a more complete understanding of the topics presented.

**Controls Evaluation and Related CEO and CFO Certifications.** Our management, with the participation of our CEO and CFO, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report. 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 Annual 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 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 Annual 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 appropriate corrective action, including process improvements, was being undertaken if needed. This type of evaluation is performed on a quarterly basis so 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 September 30, 2023, 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 such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

### **Management’s Annual Report on Internal Control over Financial Reporting.**

Management of the Company, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance to management and our Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. A system of internal controls may become inadequate over time because of changes in conditions or deterioration in the degree of compliance with the policies or procedures. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of our internal control over financial reporting as of September 30, 2023, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control-Integrated Framework (2013)*. Based on this assessment, management has concluded that, as of September 30, 2023, our internal control over financial reporting was effective 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 based on such criteria.

*Report of Independent Registered Public Accounting Firm.* Please refer to KPMG’s Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting on page F-1 of the financial statements, which begin on page 47 of this Annual Report.

*Changes in Internal Control over Financial Reporting.* During our last 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.

#### **ITEM 9B. OTHER INFORMATION**

None.

## PART III

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The Board of Directors has adopted: (i) Corporate Governance Guidelines and a (ii) Code of Business Conduct and Ethics that apply to directors, officers and employees. Copies of these documents and the committee charters are available on our website at [www.sallybeautyholdings.com](http://www.sallybeautyholdings.com) and are available in print to any person, without charge, upon written request to our Vice President of Investor Relations. We intend to disclose on our website at [www.sallybeautyholdings.com](http://www.sallybeautyholdings.com) any substantive amendment to, or waiver from, a provision of the Code of Business Conduct and Ethics that applies to these individuals or persons performing similar functions.

The additional information required by Item 10 of this Annual Report on Form 10-K is incorporated herein by reference from our Proxy Statement related to the 2024 Annual Meeting of Stockholders under the headings “Proposal 1 – Election of Directors,” “Executive Officers,” “Corporate Governance, the Board, and Its Committees” and “Report of the Audit Committee.”

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 of this Annual Report on Form 10-K is incorporated herein by reference from our Proxy Statement related to the 2024 Annual Meeting of Stockholders under the headings “Directors’ Compensation and Benefits,” “Narrative Discussion of Director Compensation Table,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Executive Compensation” and “Compensation Committee Interlocks and Insider Participation.”

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 12 of this Annual Report on Form 10-K is incorporated herein by reference from our Proxy Statement related to the 2024 Annual Meeting of Stockholders under the heading “Beneficial Ownership of Company’s Stock.”

#### **EQUITY COMPENSATION PLAN INFORMATION**

The following table gives information as of September 30, 2023, about our common stock that may be issued under all of our existing equity compensation plans:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)</u> (a)	<u>Weighted average exercise price of outstanding options, warrants and rights (2)</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (3)</u> (c)
Equity compensation plans approved by security holders	5,180,824	\$ 17.45	6,620,616
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>5,180,824</b>	<b>\$ 17.45</b>	<b>6,620,616</b>

- (a) Includes options issued and available for exercise in connection with awards under the Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan (the “2019 Plan”) and predecessor share-based compensation plans. The Company currently grants awards only under the 2019 Plan.
- (b) Calculation of weighted-average exercise price of outstanding awards includes stock options but does not include shares of restricted stock or restricted stock units that convert to shares of common stock for no consideration.
- (c) Represents shares that are available for issuance pursuant to the 2019 Plan, all of which are available as full value awards.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 13 of this Annual Report on Form 10-K is incorporated herein by reference from our Proxy Statement related to the 2024 Annual Meeting of Stockholders under the headings “Corporate Governance, the Board, and Its Committees,” “Compensation Committee Interlocks and Insider Participation” and “Related Party Transactions.”

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by Item 14 of this Annual Report on Form 10-K is incorporated herein by reference from our Proxy Statement related to the 2024 Annual Meeting of Stockholders under the heading “Proposal 3 – Ratification of Selection of Auditors.”

## PART IV

### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

Documents filed as part of this Annual Report:

**(a) List of Financial Statements and Financial Statement Schedules**

See “Index to Financial Statements” which is located on page 47 of this Annual Report.

**(b) Exhibits**

The following exhibits are filed as part of this Annual Report or are incorporated herein by reference:

<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>Amended and Restated Credit Agreement dated July 6, 2017, among the Borrowers, the Guarantors, the Lenders party thereto, the Administrative Agent, the Collateral Agent, the Syndication Agent and the Documentation Agent (as such terms are defined therein), which is incorporated herein by reference from Exhibit 4.2 to the Company’s Current Report on Form 8-K filed on July 6, 2017</u></a> †
4.2	<a href="#"><u>First Amendment to Amended and Restated Credit Agreement dated April 15, 2020 among the Borrowers, the Parent Guarantors, the Administrative Agent, the Syndication Agent, the Documentation Agent, and the Lenders party thereto (as such terms are defined therein), which is incorporated herein by reference from Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on April 16, 2020</u></a>
4.3	<a href="#"><u>Second Amendment to Amended and Restated Credit Agreement dated September 2, 2020, among the Borrowers, the Guarantors, the Administrative Agent, the Collateral Agent, the Canadian Agent and the Lenders party thereto (as such terms are defined therein) which is incorporated herein by reference from Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on September 3, 2020</u></a>
4.4	<a href="#"><u>Third Amendment to Amended and Restated Credit Agreement dated May 11, 2021, among the Borrowers, the Guarantors, the Administrative Agent, the Collateral Agent, the Canadian Agent and the Lenders party thereto (as such terms are defined therein), which is incorporated herein by reference from Exhibit 4.13 to the Company’s Annual Report on Form 10-K/A filed on December 8, 2021</u></a>
4.5	<a href="#"><u>Amendment No. 4 dated April 19, 2023, to Credit Agreement dated July 6, 2017, among the Borrowers, the Parent Guarantors, the Administrative Agent, the Syndication Agent, the Documentation Agent, and the Lenders party thereto (as such terms are defined therein), which is incorporated herein by reference from Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q filed on August 3, 2023</u></a>
4.6	<a href="#"><u>Indenture, dated as of May 18, 2012, by and among Sally Holdings LLC, Sally Capital Inc., the guarantors listed therein and Wells Fargo Bank, National Association, which is incorporated herein by reference from Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on May 18, 2012</u></a>
4.7	<a href="#"><u>Third Supplemental Indenture, dated as of December 3, 2015, by and among Sally Holdings LLC, Sally Capital Inc., the guarantors listed therein and Wells Fargo Bank, National Association (including the form of Note attached as an exhibit thereto), which is incorporated herein by reference from Exhibit 4.2 to the Company’s Current Report on Form 8-K filed on December 3, 2015</u></a>
4.8	<a href="#"><u>Credit Agreement, dated as of February 28, 2023, by and among Sally Holdings LLC, Sally Capital, Inc., Bank of America, N.A., as Administrative Agent and Collateral Agent, and the lenders and other parties, which is incorporated herein by reference from Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on March 1, 2023</u></a>

Exhibit No.	Description
4.9	<a href="#"><u>First Refinancing Amendment to Credit Agreement, dated as of September 13, 2023, by and among Sally Holdings LLC, Sally Capital, Inc., Bank of America, N.A., as Administrative Agent and Collateral Agent, and the lenders and other parties *</u></a>
10.1	<a href="#"><u>Tax Sharing Agreement, dated as of November 16, 2006, made and entered into by and among Sally Beauty Holdings, Inc., Sally Investment Holdings LLC and Sally Holdings LLC, which is incorporated herein by reference from Exhibit 10.14 of the Quarterly Report on Form 10-Q of Sally Holdings LLC and Sally Capital Inc. filed on August 29, 2007</u></a>
10.2	<a href="#"><u>Form of Amended and Restated Indemnification Agreement with Directors, which is incorporated herein by reference from Exhibit 10.33 to the Company's Annual Report on Form 10-K filed on November 19, 2009</u></a>
10.3	<a href="#"><u>Sally Beauty Holdings, Inc. Amended and Restated 2010 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.39 to the Company's Annual Report on Form 10-K filed on November 15, 2012</u></a>
10.4	<a href="#"><u>Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed on December 19, 2018</u></a>
10.5	<a href="#"><u>Sally Beauty Holdings, Inc. Second Amended and Restated 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.20 from the Company's Annual report on Form 10-K filed on November 22, 2021</u></a>
10.6	<a href="#"><u>2019 Form of Restricted Stock Unit Agreement for Independent Directors pursuant to the Sally Beauty Holding, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on February 5, 2019</u></a>
10.7	<a href="#"><u>2019 Form of Stock Option Agreement pursuant to the Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.20 from the Company's Annual Report on Form 10-K filed on November 25, 2019</u></a>
10.8	<a href="#"><u>2019 Form of Restricted Stock Agreement pursuant to the Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.21 from the Company's Annual Report on Form 10-K filed on November 25, 2019</u></a>
10.9	<a href="#"><u>Form of Severance Agreement between each of Mark G. Spinks and the Company effective July 31, 2015, Scott C. Sherman and the Company effective October 1, 2017, John M. Henrich and the Company effective June 10, 2019, Marlo Cormier and the Company effective April 9, 2020, and Denise Paulonis and the Company effective October 1, 2021, which is incorporated herein by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed on November 5, 2012</u></a>
10.10	<a href="#"><u>Sally Beauty Holdings, Inc. Fourth Amended and Restated Independent Director Compensation Policy, which is incorporated herein by reference from Exhibit 10.28 to the Company's Annual Report on Form 10-K filed on November 14, 2018</u></a>
10.11	<a href="#"><u>2022 Form of Restricted Stock Unit Agreement for Independent Directors pursuant to the Sally Beauty Holding, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.21 to the Company's Annual Report on Form 10-K filed on November 17, 2022</u></a>
10.12	<a href="#"><u>2022 Form of Restricted Stock Unit Agreement pursuant to the Sally Beauty Holding, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.22 to the Company's Annual Report on Form 10-K filed on November 17, 2022</u></a>
10.13	<a href="#"><u>2022 Form of Performance Unit Award Agreement in connection to Relative Total Shareholder Return pursuant to the Sally Beauty Holding, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.23 to the Company's Annual Report on Form 10-K filed on November 17, 2022</u></a>

Exhibit No.	Description
10.14	<a href="#">2022 Form of Performance Unit Award Agreement in connection to FY2023 Adjusted Operating Income pursuant to the Sally Beauty Holding, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.24 to the Company's Annual Report on Form 10-K filed on November 17, 2022</a>
10.15	<a href="#">2022 Form of Performance Unit Award Agreement in connection to FY2024 Adjusted Operating Income pursuant to the Sally Beauty Holding, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.25 to the Company's Annual Report on Form 10-K filed on November 17, 2022</a>
10.16	<a href="#">2022 Form of Performance Unit Award Agreement in connection to FY2025 Adjusted Operating Income pursuant to the Sally Beauty Holding, Inc. 2019 Omnibus Incentive Plan, which is incorporated herein by reference from Exhibit 10.26 to the Company's Annual Report on Form 10-K filed on November 17, 2022</a>
10.17	<a href="#">Sally Beauty Holdings, Inc. Third Amended and Restated 2019 Omnibus Incentive Plan *</a>
10.18	<a href="#">Sally Beauty Holdings, Inc. Compensation Recoupment Policy *</a>
10.19	<a href="#">Sally Beauty Holdings, Inc. Fifth Amended and Restated Independent Director Compensation Policy *</a>
10.20	<a href="#">2023 Form of Performance Unit Award Agreement in connection to FY24, FY25 and FY26 Adjusted Operating Income pursuant to the Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan *</a>
10.21	<a href="#">2023 Form of Performance Unit Award Agreement in connection to Relative Total Shareholder Return pursuant to the Sally Beauty Holding, Inc. 2019 Omnibus Incentive Plan *</a>
21.1	<a href="#">List of Subsidiaries of Sally Beauty Holdings, Inc.*</a>
22	<a href="#">List of Subsidiary Guarantors*</a>
23.1	<a href="#">Consent of KPMG*</a>
31.1	<a href="#">Rule 13(a)-14(a)/15(d)-14(a) Certification of Denise Paulonis*</a>
31.2	<a href="#">Rule 13(a)-14(a)/15(d)-14(a) Certification of Marlo M. Cormier*</a>
32.1	<a href="#">Section 1350 Certification of Denise Paulonis*</a>
32.2	<a href="#">Section 1350 Certification of Marlo M. Cormier*</a>
101	The following financial information from our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Earnings; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) Consolidated Statements of Stockholders' Equity and (vi) the Notes to Consolidated Financial Statements*
104	Cover Page Interactive Data File (formatted as Inline XBRL) and contained in Exhibit 101

\* Included herewith

† Certain schedules and exhibits have been omitted pursuant to Item 601(b) (2) of Regulation S-K. The Registrant agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule or exhibit upon request.

**(c) Financial Statement Schedules**

None

**ITEM 16. FORM 10-K SUMMARY**

None

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 16<sup>th</sup> day of November, 2023.

SALLY BEAUTY HOLDINGS, INC.

By: /s/ Denise Paulonis

Denise Paulonis

President, Chief Executive Officer and Director

By: /s/ Marlo M. Cormier

Marlo M. Cormier

Senior Vice President, Chief Financial Officer

By: /s/ Kim McIntosh

Kim McIntosh

Group Vice President, Controller and  
Chief Accounting Officer



Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Denise Paulonis</u> Denise Paulonis	President, Chief Executive Officer and Director (Principal Executive Officer)	November 16, 2023
<u>/s/ Marlo M. Cormier</u> Marlo M. Cormier	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	November 16, 2023
<u>/s/ Kim McIntosh</u> Kim McIntosh	Group Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	November 16, 2023
<u>/s/ Diana S. Ferguson</u> Diana S. Ferguson	Chairman of the Board of Directors	November 16, 2023
<u>/s/ Rachel R. Bishop</u> Rachel R. Bishop	Director	November 16, 2023
<u>/s/ Jeffrey Boyer</u> Jeffrey Boyer	Director	November 16, 2023
<u>/s/ Dorlisa K. Flur</u> Dorlisa K. Flur	Director	November 16, 2023
<u>/s/ James M. Head</u> James M. Head	Director	November 16, 2023
<u>/s/ Linda Heasley</u> Linda Heasley	Director	November 16, 2023
<u>/s/ Lawrence P. Molloy</u> Lawrence P. Molloy	Director	November 16, 2023
<u>/s/ Erin Nealy Cox</u> Erin Nealy Cox	Director	November 16, 2023

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

Financial Statements  
Years ended September 30, 2023, 2022 and 2021

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Sally Beauty Holdings, Inc.:

### *Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Sally Beauty Holdings, Inc. and subsidiaries (the Company) as of September 30, 2023 and 2022, the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2023, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2023, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### *Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

##### *Evaluation of vendor rebates and concessions*

As discussed in Note 1 to the consolidated financial statements, accounts receivable, other, consists primarily of amounts due from the Company's vendors under contractual agreements (collectively referred to as vendor rebates and concessions). These agreements are often specific to a particular product or promotion for a specified period of time, which results in a high volume of agreements, each with potentially non-standardized terms and conditions governing how the rebate is earned and calculated. Therefore, the inputs used to calculate the vendor rebates and concessions, which can include financial and non-financial data from multiple sources, will vary depending on the specific terms of the agreements. Accounts receivable, other was \$42.5 million as of September 30, 2023.

We identified the evaluation of vendor rebates and concessions as a critical audit matter because of the challenging auditor judgment required to assess the non-standardized terms of the agreements and the nature and source of the inputs used in the recognition and measurement of the receivable.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process to calculate vendor rebates and concessions. This included controls over the derivation of key inputs and the evaluation of the contractual terms of the agreements. For a sample of the vendor rebates and concessions, we evaluated the nature and source of the inputs used, and the terms of the contractual agreements. We recalculated the amount of the receivable based on the inputs and the terms of the agreements. We also confirmed outstanding vendor receivables directly with the Company's vendors and compared the confirmed amount to the amount previously recognized by the Company for a sample of vendor rebates and concessions.

##### *Assessment of goodwill for impairment*

As discussed in Notes 1 and 7 to the consolidated financial statements, the Company tests goodwill for impairment at least annually and whenever events or changes in circumstances indicate that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. The total goodwill balance as of September 30, 2023, was \$533.1 million, of which \$75.3 million and \$457.8 million were allocated to the Sally Beauty Supply reporting unit and the Beauty Systems Group reporting unit, respectively. At the end of September 2023, the Company experienced a decline in share price and market capitalization, among other factors. As a result, the Company determined that a triggering event had occurred, which required the performance of a goodwill impairment test. The Company used the discounted cash flow method to determine the fair value of its reporting units.

We identified the assessment of goodwill for impairment as a critical audit matter. A high degree of subjective auditor judgment and the need to involve valuation professionals with specialized skills and knowledge were required to evaluate the projected revenue growth rates, terminal growth rate, and discount rate for the Beauty Systems Group reporting unit. Additionally, the comparison of the Company's estimate of fair value as determined by the discounted cash flow models and the Company's market capitalization at the reporting date required the involvement of professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's goodwill impairment assessment process. This included controls over the projected revenue growth rates, terminal growth rate, and development of the discount rate for the Beauty Systems Group reporting unit. We compared the Company's projected revenue growth rates and terminal growth rate for the Beauty Systems Group reporting unit to the reporting unit's historical performance and to relevant market data. We also performed sensitivity analyses for the fair value of the Beauty Systems Group reporting unit using various projected revenue growth rates, terminal growth rates, and various discount rates to assess their impact on the Company's determination of the fair value of the Beauty Systems Group reporting unit. To assess the Beauty Systems Group reporting unit's ability to project revenues, we compared the Beauty Systems Group reporting unit's historical growth rate forecasts to actual results. We involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the Beauty Systems Group reporting unit's discount rate by comparing it against discount rates that were independently developed using publicly available third-party market data for comparable entities,
- evaluating the Beauty Systems Group reporting unit's terminal growth rate by comparing it with projected revenue growth rates of peer companies based on publicly available market data,
- calculating the Beauty Systems Group reporting unit's implied fair value earnings multiples as derived from the reporting unit's discounted cash flow values, and comparing them to the observed earnings multiples from a set of comparable public companies, and
- assessing the Company's estimated fair values of its reporting units on a combined basis compared to the Company's market capitalization.

We have served as the Company's auditor since 2006.

/s/ KPMG LLP

Dallas, Texas  
November 16, 2023

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

Consolidated Balance Sheets  
September 30, 2023 and 2022  
(In thousands, except par value data)

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 123,001	\$ 70,558
Trade accounts receivable, net	33,421	34,102
Accounts receivable, other	42,454	38,175
Inventory	975,218	936,374
Other current assets	53,903	53,192
Total current assets	1,227,997	1,132,401
Property and equipment, net	297,779	297,876
Operating lease assets	570,657	532,177
Goodwill	533,081	526,066
Intangible assets, excluding goodwill, net	55,171	50,315
Other assets	40,565	38,032
Total assets	\$ 2,725,250	\$ 2,576,867
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 4,173	\$ 68,658
Accounts payable	258,884	275,717
Accrued liabilities	163,366	161,065
Current operating lease liabilities	150,479	157,734
Income taxes payable	2,355	4,740
Total current liabilities	579,257	667,914
Long-term debt	1,065,811	1,083,043
Long-term operating lease liabilities	455,071	424,762
Other liabilities	23,139	22,427
Deferred income tax liabilities, net	93,224	85,085
Total liabilities	2,216,502	2,283,231
Stockholders' equity:		
Common stock, \$0.01 par value. Authorized 500,000 shares; 106,266 and 107,024 shares issued and 106,266 and 106,970 shares outstanding at September 30, 2023 and 2022, respectively	1,063	1,070
Preferred stock, \$0.01 par value. Authorized 50,000 shares; none issued	—	—
Additional paid-in capital	5,677	4,241
Accumulated earnings	624,772	440,172
Accumulated other comprehensive loss, net of tax	(122,764)	(151,847)
Total stockholders' equity	508,748	293,636
Total liabilities and stockholders' equity	\$ 2,725,250	\$ 2,576,867

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

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

## Consolidated Statements of Earnings

Fiscal Years ended September 30, 2023, 2022 and 2021

(In thousands, except per share data)

	2023	2022	2021
Net sales	\$ 3,728,131	\$ 3,815,565	\$ 3,874,997
Cost of goods sold	1,829,951	1,896,400	1,921,663
Gross profit	1,898,180	1,919,165	1,953,334
Selling, general and administrative expenses	1,555,946	1,553,948	1,530,280
Restructuring	17,205	27,577	4,611
Operating earnings	325,029	337,640	418,443
Interest expense	72,979	93,543	93,509
Earnings before provision for income taxes	252,050	244,097	324,934
Provision for income taxes	67,450	60,544	85,076
Net earnings	\$ 184,600	\$ 183,553	\$ 239,858
Earnings per share:			
Basic	\$ 1.72	\$ 1.69	\$ 2.13
Diluted	\$ 1.69	\$ 1.66	\$ 2.10
Weighted average shares:			
Basic	107,332	108,665	112,653
Diluted	109,336	110,293	114,212

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

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

Consolidated Statements of Comprehensive Income  
Fiscal Years ended September 30, 2023, 2022 and 2021  
(In thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net earnings	\$ 184,600	\$ 183,553	\$ 239,858
Other comprehensive (loss) income:			
Foreign currency translation adjustments	28,282	(60,974)	9,957
Interest rate swap, net of tax	3,716	—	—
Interest rate caps, net of tax	(1,960)	4,045	918
Foreign exchange contracts, net of tax	(955)	(277)	(813)
Other comprehensive (loss) income, net of tax	<u>29,083</u>	<u>(57,206)</u>	<u>10,062</u>
Total comprehensive income	<u>\$ 213,683</u>	<u>\$ 126,347</u>	<u>\$ 249,920</u>

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



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

Consolidated Statements of Cash Flows

Fiscal Years ended September 30, 2023, 2022 and 2021

(In thousands)

	2023	2022	2021
<b>Cash Flows from Operating Activities:</b>			
Net earnings	\$ 184,600	\$ 183,553	\$ 239,858
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	102,409	99,929	102,201
Share-based compensation expense	15,862	9,944	11,656
Amortization of deferred financing costs	2,693	3,351	4,212
Impairment of long-lived assets, including operating lease assets	3,424	25,029	628
Net gain on disposal of long-lived assets	(92)	(53)	(338)
Net loss on extinguishment of debt	2,395	16,439	4,260
Deferred income taxes	9,626	(17,592)	(7,336)
Changes in (exclusive of effects of acquisitions):			
Trade accounts receivable	1,462	(3,184)	2,923
Accounts receivable, other	(3,327)	(5,999)	(13,972)
Inventory	(21,533)	(96,195)	(52,277)
Other current assets	(102)	(9,536)	976
Other assets	(695)	4,148	4,360
Accounts payable and accrued liabilities	(29,697)	(46,289)	79,851
Income taxes payable	(2,152)	(6,698)	8,041
Operating lease assets and liabilities	(16,268)	6,233	730
Other liabilities	706	(6,580)	(3,913)
Net cash provided by operating activities	<u>249,311</u>	<u>156,500</u>	<u>381,860</u>
<b>Cash Flows from Investing Activities:</b>			
Payments for property and equipment	(90,742)	(99,250)	(73,904)
Proceeds from sales of property and equipment	—	—	235
Acquisitions, net of cash acquired	(9,034)	(3,169)	(2,350)
Net cash used by investing activities	<u>(99,776)</u>	<u>(102,419)</u>	<u>(76,019)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from issuance of long-term debt	1,289,622	520,003	22
Repayments of long-term debt	(1,370,799)	(770,286)	(422,258)
Debt issuance costs	(5,214)	—	(1,300)
Payments for common stock repurchased	(15,150)	(130,328)	—
Proceeds from exercises of stock options	717	6,932	3,568
Net cash used by financing activities	<u>(100,824)</u>	<u>(373,679)</u>	<u>(419,968)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	3,732	(10,803)	935
Net increase (decrease) in cash and cash equivalents	<u>52,443</u>	<u>(330,401)</u>	<u>(113,192)</u>
Cash and cash equivalents, beginning of period	70,558	400,959	514,151
Cash and cash equivalents, end of period	<u>\$ 123,001</u>	<u>\$ 70,558</u>	<u>\$ 400,959</u>
<b>Supplemental Cash Flow Information:</b>			
Interest paid	\$ 71,945	\$ 82,072	\$ 88,982
Income taxes paid	\$ 63,808	\$ 82,607	\$ 79,765
Capital expenditures incurred but not paid	\$ 22,790	\$ 15,757	\$ 19,932

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

**SALLY BEAUTY HOLDINGS, INC. AND SUBSIDIARIES**  
Consolidated Statements of Stockholders' Equity  
Fiscal Years ended September 30, 2023, 2022 and 2021  
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
<b>Balance at September 30, 2020</b>	<b>112,405</b>	<b>\$ 1,124</b>	<b>\$ 1,913</b>	<b>\$ 117,109</b>	<b>\$ (104,703)</b>	<b>\$ 15,443</b>
Net earnings	—	—	—	239,858	—	239,858
Other comprehensive income, net of tax	—	—	—	—	10,062	10,062
Share-based compensation	—	—	11,656	—	—	11,656
Stock issued for equity awards	579	6	4,762	—	—	4,768
Employee withholding taxes paid related to net share settlement	(71)	(1)	(1,045)	—	—	(1,046)
<b>Balance at September 30, 2021</b>	<b>112,913</b>	<b>1,129</b>	<b>17,286</b>	<b>356,967</b>	<b>(94,641)</b>	<b>280,741</b>
Net earnings	—	—	—	183,553	—	183,553
Other comprehensive loss, net of tax	—	—	—	—	(57,206)	(57,206)
Repurchases of common stock	(6,833)	(68)	(29,912)	(100,348)	—	(130,328)
Share-based compensation	—	—	9,944	—	—	9,944
Stock issued for equity awards	949	10	8,102	—	—	8,112
Employee withholding taxes paid related to net share settlement	(59)	(1)	(1,179)	—	—	(1,180)
<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	—	—	—	184,600	—	184,600
Other comprehensive income, net of tax	—	—	—	—	29,083	29,083
Repurchases of common stock	(1,511)	(15)	(15,135)	—	—	(15,150)
Share-based compensation	—	—	15,862	—	—	15,862
Stock issued for equity awards	900	9	1,876	—	—	1,885
Employee withholding taxes paid related to net share settlement	(93)	(1)	(1,167)	—	—	(1,168)
<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>

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

**Sally Beauty Holdings, Inc. and Subsidiaries**  
Notes to Consolidated Financial Statements  
Fiscal Years ended September 30, 2023, 2022 and 2021

**1. Basis of Presentation and Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). All significant intercompany accounts and transactions have been eliminated in consolidation.

*Use of Estimates*

In accordance with GAAP, we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent liabilities in the consolidated financial statements. Actual results may differ from these estimates in amounts that may be material to our consolidated financial statements.

*Cash and Cash Equivalents*

Cash represents currency on hand, debit and credit card receivables and third-party online payment systems transactions, while cash equivalents consist of highly liquid investments which have an original maturity of three months or less.

*Trade Accounts Receivable and Accounts Receivable, Other*

Trade accounts receivable consist of credit extended directly to certain customers who meet our credit requirements in the ordinary course of business and are stated at their carrying values, net of an allowance for doubtful accounts. Our allowance is determined by estimating expected credit losses based on historical trends. At September 30, 2023 and 2022, our allowance for doubtful accounts was \$1.1 million for both years. Our allowance for doubtful accounts is regularly reviewed on the basis of our historical collection data and current customer information. Customer account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Other accounts receivable consist primarily of amounts due from vendors under various contractual agreements and include volume rebates and other promotional considerations.

*Inventory and Cost of Goods Sold*

Inventory is stated at the lower of weighted average cost or net realizable value. Inventory cost reflects actual product costs, the cost of transportation to our distribution centers, buying costs and certain shipping and handling costs, such as freight from the distribution centers to the stores and handling costs incurred at the distribution centers. When assessing the net realizable value of inventory, we consider several factors including estimates of future demand for our products, historical turn-over rates, the age and sales history of the inventory, and historic and anticipated changes in stock keeping units.

Physical inventory counts are performed at substantially all stores and significant distribution centers at least annually. Upon completion of physical inventory counts, our consolidated financial statements are adjusted to reflect actual quantities on hand. Between physical counts, we estimate inventory shrinkage based on our historical experience. We have policies and processes in place that are intended to minimize inventory shrinkage.

Cost of goods sold includes actual product costs, the cost of transportation to our distribution centers, operating costs associated with our distribution centers (including employee compensation expense, depreciation and amortization, rent and other occupancy-related expenses), vendor rebates and allowances, inventory shrinkage and certain shipping and handling costs, such as freight from the distribution centers to the stores. All other shipping and handling costs are included in selling, general and administrative expenses when incurred.

**Sally Beauty Holdings, Inc. and Subsidiaries**  
Notes to Consolidated Financial Statements  
Fiscal Years ended September 30, 2023, 2022 and 2021

We deem cash consideration received from a supplier to be a reduction of the cost of inventory purchased, unless it is in exchange for an asset or service or a reimbursement of a specific, incremental, identifiable cost incurred by us in selling the vendor's products. The majority of cash consideration we receive is considered to be a reduction of inventory and a subsequent reduction in cost of goods sold as the related products are sold.

Furthermore, during fiscal year 2023, we had subsequent favorable adjustments related to the established inventory reserves recorded in fiscal year 2022 in connection with our Distribution Center Consolidation and Store Optimization Plan (the "Plan") included in cost of products sold on our consolidated statements of earnings. During fiscal year 2021, we had favorable adjustments related to the established inventory reserve in connection with our Transformation Plan in cost of products sold on our consolidated statements of earnings. Please see Note 16, *Restructuring*, for more information on our restructuring plans.

*Lease Accounting*

Substantially all of our leases are operating leases and relate primarily to retail stores and warehousing properties with lease terms typically five to ten years. Some of our leases include options to extend the agreement by a certain number of years, typically five years. At the lease commencement date, an operating lease liability and related operating lease asset are recognized and typically do not assume renewals unless we are reasonably certain that we will exercise the option.

The operating lease liabilities are calculated using the present value of lease payments. The discount rate used is either the rate implicit in the lease, when known, or our estimated incremental borrowing rate. Our incremental borrowing rate for a lease is the rate of interest we would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because we do not generally borrow on a collateralized basis, we derive an appropriate incremental borrowing rate using the interest rate we pay on our non-collateralized borrowings, adjusted for the amount of the lease payments, the lease term and the effect of designating specific collateral with a value equal to the unpaid lease payments for that lease. We apply the incremental borrowing rate on a portfolio basis given the impact of applying it on a lease by lease basis would be immaterial.

Operating lease assets are valued based on the initial operating lease liabilities plus any prepaid rent and direct costs from executing the leases, reduced by tenant improvement allowances and any rent abatement. Operating lease assets are tested for impairment in the same manner as our long-lived assets. No material impairment losses were recorded during fiscal years 2023 or 2021. For fiscal year 2022, we recognized impairment loss in connection with our operating leases assets of \$21.6 million in connection with the Plan and are included within restructuring on our consolidated statements of earnings. Please see Note 16, *Restructuring*, for more information on our restructuring plans.

*Property and Equipment*

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the lesser of the estimated useful lives of the assets or the term of the related lease, including renewals considered reasonably assured. Expenditures for maintenance and repairs are included in selling, general and administrative expenses when incurred, while expenditures for major renewals and improvements that substantially extend the useful life of an asset are capitalized.

The following table summarizes our property and equipment balances and their estimated useful lives (dollars in thousands):

	Life (in years)	September 30,	
		2023	2022
Land	N/A	\$ 10,038	\$ 9,949
Buildings and building improvements	5 – 40	56,688	56,834
Leasehold improvements	2 – 10	280,626	342,326
Furniture, fixtures and equipment	2 – 10	730,639	709,578
Total property and equipment, gross		1,077,991	1,118,687
Accumulated depreciation and amortization		(780,212)	(820,811)
Total property and equipment, net		\$ 297,779	\$ 297,876

Depreciation expense for the fiscal years 2023, 2022 and 2021 was \$99.0 million, \$95.9 million and \$93.2 million, respectively, and is included in selling, general and administrative expenses, or cost of goods sold if associated with

our distribution centers, in our consolidated statements of earnings. No material impairments were recorded for fiscal years 2023 or 2021. During fiscal year 2022, we recognized impairment loss of \$3.3 million in connection with the Plan and are included within restructuring on our consolidated statements of earnings. Please see Note 16, *Restructuring*, for more information on our restructuring plans.

#### *Valuation of Long-Lived Assets and Definite-lived Intangible Assets*

Long-lived assets, including operating lease assets and property and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be fully recoverable. The recoverability of long-lived assets and intangible assets subject to amortization is assessed by comparing the net carrying amount of each asset to the total estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its undiscounted future cash flows, an impairment charge may be recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset using a discounted cash flow approach.

When we commit to an exit plan of scale that we believe will result in the disposal of long-lived assets prior to the end their useful lives, the approval of such plan may be considered a triggering event and therefore require a reassessment of asset carrying values for recoverability, based on projected cash flows. If the carrying values are not recoverable, write-downs or impairment charges may be required to bring carrying values of certain long-lived assets, including operating lease asset, to fair value.

#### *Goodwill and Indefinite-lived Intangible Assets*

##### Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is tested for impairment at least annually, as of January 31<sup>st</sup>, and whenever events or changes in circumstances indicate its carrying amount may be less than its recoverable amount, to determine whether or not it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. Furthermore, we considered potential triggering events each quarter, including fluctuations of our stock price and borrowing rates in the debt markets.

Components within the same operating segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of September 30, 2023 and 2022, our reporting units consisted of Sally Beauty Supply (“SBS”) and Beauty Systems Group (“BSG”). We assign goodwill to the reporting unit which consolidates the acquisition.

When assessing goodwill for impairment, we may perform a qualitative assessment which evaluates macro-economic conditions, current and projected cash flows, and other events or changes in circumstances to determine if a quantitative assessment is necessary. At the end of September 2023, we determined that a triggering event had occurred, due to the recent decline in the Company's share price and market capitalization, among other factors. As a result, we conducted a quantitative assessment at September 30, 2023, and determined that no impairment existed for either reporting unit. We have not recorded any impairment charges related to goodwill in the current or prior fiscal years presented.

##### Indefinite-lived Intangible Assets

Our intangible assets with indefinite lives consist of trade names acquired in business combinations or asset purchases. Upon acquisition of these identifiable intangible assets, we base our valuation on the information and assumptions available to us at the time of acquisition, using income and market approaches to determine fair value. These assets are evaluated for impairment annually, as of January 31<sup>st</sup>, and whenever events or changes in circumstances indicate the asset's carrying amount may be less than its recoverable amount, to determine whether or not it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. When assessing intangible assets with indefinite lives for impairment, we compare the fair value of each asset against its carrying value. Fair value is based on the relief-from-royalty method. Due to the aforementioned goodwill triggering event, during the three months ended September 30, 2023, the Company determined that a triggering event had occurred for its intangible assets. As a result, we conducted a quantitative assessment on our material trade names at September 30, 2023. Based on our assessments, no impairment charges related to our intangible assets were recorded. We have

**Sally Beauty Holdings, Inc. and Subsidiaries**  
Notes to Consolidated Financial Statements  
Fiscal Years ended September 30, 2023, 2022 and 2021

not recorded any impairment charges related to indefinite-lived intangibles in the current or prior fiscal years presented.

*Self-Insurance Programs*

We self-insure the risks related to workers' compensation, general and auto liability, property and certain employee-related healthcare benefits. We have obtained third-party excess insurance coverage to limit our exposure per occurrence and aggregate cash outlay.

We record an estimated liability for the ultimate cost of claims incurred and unpaid as of the balance sheet date, which includes claims filed and estimated losses incurred but not yet reported. We estimate the ultimate cost based on an analysis of our historical data and actuarial estimates. These estimates are reviewed on a regular basis to ensure the recorded liability is adequate. The current and long-term portions of these liabilities are recorded at their present value and included in accrued liabilities and other liabilities in our consolidated balance sheets, respectively.

*Revenue Recognition*

Substantially all of our revenue is derived through the sale of merchandise. Revenue is recognized net of estimated sales returns and sales taxes. We estimate sales returns based on historical data. Additionally, we have assessed all revenue streams for principal versus agent considerations and have concluded we are the principal for the vast majority of all our transactions.

See Note 15, *Segments and Disaggregated Revenue*, for additional information regarding the disaggregation of our revenue.

Merchandise Revenues

We sell merchandise through our company-operated stores, digital platforms, to our franchisees and by using DSCs. These sales generally have one single performance obligation and revenue is recognized at the point of sale or upon shipment of the merchandise, whenever control of items sold transfers to the customer. Shipping fees charged through digital channels are considered a separate performance obligation and are recognized in net sales, while the related shipping cost is recognized in selling, general and administrative expenses.

We extend credit to certain customers, primarily salon professionals, which generally have 30 day payment terms. Based on the nature of these receivables, no significant financing component exists.

Gift Cards

The revenue from the sale of our gift cards is recognized at the time the gift card is used to purchase merchandise, which is generally within one year from the date of purchase. Our gift cards do not carry expiration dates or impose post-sale fees. Based on historical experience, a certain amount of our gift cards will not be redeemed, also referred to as "gift card breakage." We recognize revenue related to gift card breakage within net sales in our consolidated statements of earnings over time proportionately to historical redemption patterns. The gift cards are issued and represent liabilities of either of our operating entities, Sally Beauty Supply LLC or Beauty Systems Group LLC, which are both limited liability companies formed in the state of Virginia.

Customer Loyalty Rewards

Our Sally Beauty Rewards Program in the U.S. and Canada, enables customers to earn points based on their status for every dollar spent on qualifying SBS purchases. The program is free to join, and it provides our loyalty customers the ability to earn points on their SBS purchases, that convert to Sally Beauty Rewards certificates when select thresholds are attained. Points earned expire after twelve months of inactivity and certificates issued expire 30 days after earned. Certificates generated from our rewards loyalty program provide a material right to customers and represent a separate performance obligation. As such, we defer revenue for future rewards on a standalone value per point, net of estimated breakage based on historical data, within accrued liabilities on our consolidated balance sheets.

The following table shows the amount of performance-based contract liabilities on our consolidated balance sheets as of September 30, 2023 and 2022 (in thousands):

**Sally Beauty Holdings, Inc. and Subsidiaries**  
Notes to Consolidated Financial Statements  
Fiscal Years ended September 30, 2023, 2022 and 2021

Contracts	Balance Sheet Classification	September 30,	
		2023	2022
Gift cards	Accrued liabilities	\$ 5,940	\$ 5,060
Rewards loyalty program	Accrued liabilities	8,098	8,400
<b>Total liability</b>		<b>\$ 14,038</b>	<b>\$ 13,460</b>

Changes to our performance-based contract liabilities for fiscal year 2023 were as follows (in thousands):

September 30, 2022	\$ 13,460
Loyalty points and gift cards issued but not redeemed, net of estimated breakage	15,639
Revenue recognized from beginning liability	(15,061)
September 30, 2023	<u>\$ 14,038</u>

Private Label Rewards Credit Cards

We have a multi-year agreement with a third-party bank (the “Bank”) to provide our customers a private label credit card program in the U.S. Under the agreement, the Bank manages our customer’s credit approval and credit card accounts, while we facilitate credit applications and provide licensing to our brand and marketing services. The Bank accepts all customer default risks associated with these accounts. In connection with signing the agreement, we received a refundable payment from the Bank that we recorded as deferred revenue within other liabilities on our consolidated balance sheets and is being recognize on a straight-line basis, over the initial term of the agreement, into net sales in our consolidated statements of earnings.

Pursuant to the agreement, the Bank will contribute funding for the program marketing expenses and are recognized in net sales in our consolidated statements of earnings. In addition, we earn other immaterial amounts from the Bank, including incentive payments for achieving performance targets and the activation of credit cards.

*Advertising Costs*

Advertising costs relate mainly to digital and web advertising, in-store and traditional print advertisements, customer relationship management, trade shows and product education for salon professionals. Advertising costs incurred in connection with print advertisements are expensed the first time the advertisement is run. Other advertising costs are expensed when incurred. Advertising costs were \$65.4 million, \$69.8 million and \$70.9 million for the fiscal years 2023, 2022 and 2021, respectively, and are included in selling, general and administrative expenses in our consolidated statements of earnings.

*Share-based Compensation*

We measure the cost of services received from certain of our employees and Board of Directors in exchange for an award of equity instruments based on the fair value of the award on the date of grant which are expensed ratably over the vesting period, except for awards issued to retirement eligible participants, which are expensed on an accelerated basis. We recognize the impact of forfeitures as they occur. Share-based compensation expense is included in selling, general and administrative expenses in our consolidated statements of earnings.

*Income Taxes*

We recognize deferred income taxes for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. The effect on deferred taxes of a change in income tax rates is recognized in the consolidated statements of earnings in the period of enactment. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets to the amount expected to be realized unless it is more-likely-than-not that such assets will be realized in full. The estimated tax benefit of an uncertain tax position is recorded in our consolidated financial statements only after determining a more-likely-than-not probability that the uncertain tax position will withstand challenge, if any, from applicable taxing authorities.

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*Foreign Currency*

The functional currency of each of our foreign operations is generally the respective local currency. Balance sheet accounts are translated into U.S. dollars (our reporting currency) at the rates of exchange in effect at the balance sheet date, while the results of operations and cash flows are generally translated using average exchange rates for the periods presented. Individually material transactions, if any, are translated using the actual rate of exchange on the transaction date. The resulting translation adjustments are recorded as a component of accumulated other comprehensive loss in our consolidated balance sheets.

Foreign currency transaction gains or losses, including changes in the fair value (i.e., marked-to-market adjustments) of certain foreign exchange contracts we hold, are included in selling, general and administrative expenses in our consolidated statements of earnings when incurred and were not significant in any of the periods presented in the accompanying consolidated financial statements.

**2. Fair Value Measurements**

Our financial instruments consist of cash equivalents, trade and other accounts receivable, accounts payable, derivative instruments, including foreign exchange contracts and interest rate caps, and debt. The carrying amounts of cash equivalents, trade and other accounts receivable and accounts payable approximate their respective fair values due to the short-term nature of these financial instruments.

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 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Unadjusted quoted prices in active markets for similar assets or liabilities; or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data; and

Level 3 - Unobservable inputs for the asset or liability.

**Fair value on recurring basis**

Consistent with the fair value hierarchy, we categorized our financial assets and liabilities as follows (in thousands):

	Classification	Fair Value Hierarchy Level	As of September 30,	
			2023	2022
<b>Financial Assets</b>				
Non-designated foreign exchange contracts	Other current assets	Level 2	\$ 1,160	\$ 294
Interest rate swap	Other assets	Level 2	4,668	—
Interest rate caps	Other assets	Level 2	—	3,860
Total assets			<u>\$ 5,828</u>	<u>\$ 4,154</u>

**Financial Liabilities**

Non-designated foreign exchange contracts	Accrued liabilities	Level 2	\$ 397	\$ 79
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The fair value for our interest rate swap, interest rate caps and foreign exchange contracts 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.



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**Other fair value disclosures**

Carrying amounts and the related estimated fair value of our long-term debt, excluding finance lease obligations, are as follows:

(in thousands)	Fair Value Hierarchy Level	As of September 30,			
		2023		2022	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, excluding finance lease obligations					
Senior notes	Level 1	\$ 679,961	\$ 662,962	\$ 679,961	\$ 639,163
Term loan B due 2030	Level 2	398,000	398,000	—	—
Term loan B due 2024	Level 2	—	—	407,500	398,331
<b>Total long-term debt</b>		<b>\$ 1,077,961</b>	<b>\$ 1,060,962</b>	<b>\$ 1,087,461</b>	<b>\$ 1,037,494</b>

The fair value of our senior notes was measured using unadjusted quoted market prices. The fair value of our term loan B agreements were measured using unadjusted quoted market prices for similar debt securities in active markets.

**3. Accumulated Stockholders' Equity**

**Share Repurchases**

The Board approved a share repurchase program authorizing us to repurchase up to \$1.0 billion of our common stock through September 30, 2025.

Information related to our shares repurchased and subsequently retired were as follows (in thousands):

	Fiscal Year Ended September 30,		
	2023	2022	2021
Number of shares repurchased	1,511	6,832	—
Total cost of share repurchased	\$ 15,150	\$ 130,328	\$ —

The amounts above do not include approximately 93,000, 59,000 and 71,000 shares surrendered by grantees to satisfy personal income tax withholding obligations upon vesting of equity-based awards valued at approximately \$1.2 million, \$1.2 million and \$1.0 million during the fiscal years 2023, 2022 and 2021, respectively.

We reduced common stock and additional paid-in capital, in the aggregate, by these amounts. However, as required by GAAP, to the extent share repurchase amounts exceeded the balance of additional paid-in capital prior to such repurchases, we recorded the excess in accumulated stockholders' equity on our consolidated balance sheets. We funded these share repurchases with cash from operations and borrowings under the ABL facility, as appropriate.

**Accumulated Other Comprehensive Loss**

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

	Foreign Currency Translation Adjustments	Interest Rate Swap	Interest Rate Caps	Foreign Exchange Contracts	Total
Balance at September 30, 2021	\$ (92,154)	\$ —	\$ (2,085)	\$ (402)	\$ (94,641)
Other comprehensive income (loss) before reclassifications, net of tax	(60,974)	—	2,310	(149)	(58,813)
Reclassification to net earnings, net of tax	—	—	1,735	(128)	1,607
Balance at September 30, 2022	(153,128)	—	1,960	(679)	(151,847)
Other comprehensive income (loss) before reclassifications, net of tax	28,282	4,990	817	(2,837)	31,252
Reclassification to net earnings, net of tax	—	(1,274)	(2,777)	1,882	(2,169)
Balance at September 30, 2023	<b>\$ (124,846)</b>	<b>\$ 3,716</b>	<b>\$ —</b>	<b>\$ (1,634)</b>	<b>\$ (122,764)</b>

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

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**4. Weighted Average Shares**

The following table sets forth the computations of basic and diluted earnings per share (in thousands):

	Fiscal Year Ended September 30,		
	2023	2022	2021
Weighted-average basic shares	107,332	108,665	112,653
Dilutive securities:			
Stock option and stock award programs	2,004	1,628	1,559
Weighted-average diluted shares	109,336	110,293	114,212

At September 30, 2023, 2022 and 2021, options to purchase approximately 1.9 million, 2.4 million and 3.9 million shares, respectively, of our common stock were outstanding but not included in the computation of diluted earnings per share, due to the options being anti-dilutive.

**5. Share-Based Payments**

Our Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan (the "Omnibus Plan") allows us to grant awards to its employees up to 8.0 million shares of our common stock, plus an additional number of shares based on the number of shares outstanding as of the beginning of the current plan that have subsequently been terminated, expired unexercised, cash-settled, cancelled, forfeited or lapsed for any reason. Currently, we have awarded grants to employees and non-employee directors under the terms of the Omnibus Plan.

The following table presents total compensation cost for all share-based compensation arrangements and the related income tax benefits recognized in our consolidated statement of earnings (in thousands):

	Fiscal Year Ended September 30,		
	2023	2022	2021
Share-based compensation expense	\$ 15,862	\$ 9,944	\$ 11,656
Income tax benefit related to share-based compensation expense	\$ 3,487	\$ 2,634	\$ 2,834

The Omnibus Plan award types are as follows:

*Performance-based awards:* Our performance awards vest over three years upon the satisfaction of the employee service condition and our level of achievement with respect to a mix of certain specified performance targets. For fiscal years 2023, 2022 and 2021, we issued performance awards with a financial performance target based on the growth on adjusted consolidated operating income ("AOI") for each of the next three years.

For each performance award, a grantee may earn from 0% to 200% of the original awarded amount. Fair value of our performance awards related to the achievement of financial performance targets are based on our stock price on the date of grant. During the fiscal years ended September 30, 2023, 2022 and 2021, the fair value of our performance awards was \$12.04, \$17.40 and \$15.33, respectively. Expense is determined upon issuance and recognized based on projections of future performance and actual results.

*Market-based awards:* In fiscal years 2023, 2022 and 2021, we issued market-based awards that vest over three years and are dependent on the level of achievement of relative total shareholder return ("rTSR") against a group of peer companies measured over a three-year period. For each rTSR, a grantee may earn from 0% to 200% of the original awarded amount. The fair value was determined by using the Monte Carlo simulation model due to the award being subject to a market condition. During fiscal years 2023, 2022 and 2021, the fair value of our market-based awards was \$15.54, \$23.39 and \$20.96, respectively. Expense is determined upon issuance and is recognized regardless of whether the market performance target is achieved.

*Stock options:* Stock option awards are valued using the Black-Scholes option pricing model to estimate the fair value of each stock option award on the date of grant and expense ratably over the vesting period, generally three years. Stock options have a ten year life.

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*Restricted stock:* Restricted stock awards (“RSA”) and restricted stock units (“RSU”) are valued using the closing market price of our common stock on the date of grant. Expense is recognized ratably over the vesting period, generally three years for RSAs and RSUs issued to employees and one year for RSUs issued to our independent directors. An RSA award is an award of our shares that have full voting rights and dividend rights but are restricted with regard to sale or transfer. These restrictions lapse over the vesting period. RSUs are awarded to our independent directors who may elect, upon receipt of such award, to defer until a later date delivery of the shares of our common stock that would otherwise be issued on the vesting date. RSUs granted to independent directors prior to the fiscal year 2012, are generally retained by the Company as deferred stock units that are not distributed until six months after the independent director’s service as a director terminates.

**Performance-Based Awards**

The following table presents a summary of the activity for our performance awards assuming 100% payout:

Performance Awards	Number of Shares (in Thousands)	Weighted Average Fair Value Per Share
Unvested at September 30, 2022	360	\$ 16.75
Granted	319	12.04
Adjustment for performance achievement	—	—
Vested	—	—
Forfeited	(208)	16.29
Unvested at September 30, 2023	471	\$ 11.26

As of September 30, 2023, if we assume a 100% payout for unvested performance-based awards, we would expect to recognize \$1.8 million in expense over the weighted average period of 1.7 years.

**Market-Based Awards**

The following table presents a summary of the activity for our market awards:

Market Awards	Number of Shares (in Thousands)	Weighted Average Fair Value Per Share
Unvested at September 30, 2022	254	\$ 22.72
Granted	319	12.04
Vested	—	—
Forfeited	(29)	16.76
Unvested at September 30, 2023	544	\$ 16.77

As of September 30, 2023, approximately \$4.8 million of total unrecognized compensation costs related to unvested market-based awards are expected to be recognized over the weighted average period of 1.8 years.

The assumptions used in the Monte Carlo model relating to the valuation of our rTSR awards issued in fiscal years 2023, 2022 and 2021 were as follows:

	Fiscal Year Ended September 30,		
	2023	2022	2021
Expected term (in years)	2.9	2.9	2.7
Expected volatility	60.3 %	59.5 %	59.4 %
Risk-free interest rate	4.6 %	0.7 %	0.2 %
Dividend yield	0.0 %	0.0 %	0.0 %

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**Service-Based Awards**

*Stock Option Awards*

The following table presents a summary of the activity for our stock option awards:

	Number of Outstanding Options (in Thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in Thousands)
Outstanding at September 30, 2022	3,183	\$ 17.54	5.8	\$ 2,863
Granted	—	—		
Exercised	(203)	9.31		
Forfeited or expired	(502)	21.34		
Outstanding at September 30, 2023	<u>2,478</u>	\$ 17.45	5.2	\$ —
Exercisable at September 30, 2023	<u>2,018</u>	\$ 18.61	4.7	\$ —

The weighted average assumptions used in the Black-Scholes model relating to the valuation of our stock options are as follows:

	Fiscal Year Ended September 30,	
	2022	2021
Expected term (in years)	6.0	6.0
Expected volatility	48.7 %	44.5 %
Risk-free interest rate	1.2 %	0.4 %
Dividend yield	0.0 %	0.0 %

The expected life of options awarded represents the period of time such options are expected to be outstanding and is based on our historical experience. The risk-free interest rate is based on the zero-coupon U.S. Treasury notes with a term comparable to the expected life of an award at the date of the grant. Since we do not currently expect to pay dividends, the dividend yield used for this purpose is 0%.

The weighted average fair value per share at the date of grant of the stock options awarded during the fiscal years 2022 and 2021 was \$8.12 and \$5.66, respectively. The aggregate fair value of stock options vested during the fiscal years 2023, 2022 and 2021 was \$3.2 million, \$2.5 million and \$3.4 million, respectively.

The aggregate intrinsic value of options exercised during the fiscal years 2023, 2022 and 2021 was \$1.4 million, \$4.0 million and \$0.7 million, respectively. The total cash received during the fiscal years 2023, 2022 and 2021 from option exercises was \$1.9 million, \$8.1 million and \$4.6 million, respectively, and the tax benefit realized for the tax deductions from these option exercises was \$0.2 million, \$0.8 million and \$0.1 million, respectively.

At September 30, 2023, approximately \$0.8 million of total unrecognized compensation costs related to unvested stock option awards are expected to be recognized over the weighted average period of 0.9 years.

*RSAs*

The following table presents a summary of the activity for our RSAs:

Restricted Stock Awards	Number of Shares (in Thousands)	Weighted Average Fair Value Per Share
Unvested at September 30, 2022	53	\$ 15.55
Granted	—	—
Vested	(53)	15.55
Forfeited	—	—
Unvested at September 30, 2023	<u>—</u>	\$ —

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*RSUs*

The following table presents a summary of the activity for our RSUs:

<b>Restricted Stock Units</b>	<b>Number of Shares (in Thousands)</b>	<b>Weighted Average Fair Value Per Share</b>
Unvested at September 30, 2022	924	\$ 15.52
Granted	1,254	12.07
Vested	(391)	15.22
Forfeited	(184)	12.90
Unvested at September 30, 2023	<u>1,603</u>	<u>\$ 13.19</u>

At September 30, 2023, approximately \$11.2 million of total unrecognized compensation costs related to unvested RSUs are expected to be recognized over the weighted average period of 1.8 years.

**6. Leases**

Our operating and finance leases consisted of the following (in thousands):

	<b>Balance Sheet Classification</b>	<b>September 30,</b>	
		<b>2023</b>	<b>2022</b>
<b>Assets:</b>			
Operating lease <sup>(a)</sup>	Operating lease assets	\$ 570,657	\$ 532,177
Finance lease	Property and equipment, net	1,754	1,897
Total lease assets		<u>\$ 572,411</u>	<u>\$ 534,074</u>
<b>Liabilities:</b>			
<b>Current:</b>			
Operating lease	Current operating lease liabilities	\$ 150,479	\$ 157,734
Finance lease	Current maturities of long-term debt	173	158
<b>Long-term:</b>			
Operating lease	Long-term operating lease liabilities	455,071	424,762
Finance lease	Long-term debt	119	277
Total lease liabilities		<u>\$ 605,842</u>	<u>\$ 582,931</u>

(a) During the fiscal years 2023 and 2022, we recognized \$0.6 million and \$21.6 million, respectively, in impairment charges related to the Plan. See Note 16, *Restructuring*, for more information on the Plan.

Our lease costs consisted of the following (in thousands):

	<b>Statement of Earnings Classification</b>	<b>For the Year Ended September 30,</b>	
		<b>2023</b>	<b>2022</b>
Operating lease costs	Cost of goods sold and selling, general and administrative expenses <sup>(a)</sup>	\$ 180,624	\$ 188,206
<b>Finance lease costs:</b>			
Amortization of leased assets	Selling, general and administrative expenses	292	299
Interest on lease liabilities	Interest expense	12	13
Variable lease costs <sup>(b)</sup>	Selling, general and administrative expenses	59,996	62,201
Total lease costs		<u>\$ 240,924</u>	<u>\$ 250,719</u>

(a) Certain supply chain-related amounts are included in cost of goods sold.

(b) Includes common area maintenance, real estate taxes and insurance related to leases

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As of September 30, 2023, the approximate future lease payments under our leases under ASC 842, *Leases*, are as follows (in thousands):

Fiscal Year	Operating leases	Finance leases
2024	\$ 175,327	\$ 174
2025	146,179	144
2026	115,880	—
2027	88,317	—
2028	59,334	—
Thereafter	105,786	—
Total undiscounted lease payments	690,823	318
Less: imputed interest	85,273	26
Present value of lease liabilities	\$ 605,550	\$ 292

The table above does not include operating leases we have entered into of approximately \$9.4 million that have not commenced, primarily related to future retail stores.

Other lease information is as follows (dollars in thousands):

	For the Year Ended September 30,	
	2023	2022
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows – operating leases	\$ 182,405	\$ 183,943
Operating cash flows – finance leases	12	13
Financing cash flows – finance leases	176	161
<b>Supplemental non-cash information on lease liabilities:</b>		
Lease assets obtained in exchange for new operating lease liabilities	\$ 184,039	\$ 201,542
Lease assets obtained in exchange for new finance lease liabilities	—	3
	September 30,	
	2023	2022
<b>Weighted-average remaining lease term (in years):</b>		
Operating leases	5.2	5.2
Finance leases	1.7	2.7
<b>Weighted-average discount rate:</b>		
Operating leases	5.3 %	4.6 %
Finance leases	0.3 %	0.3 %

## 7. Goodwill and Intangible Assets

The changes in the carrying amounts of goodwill during the fiscal years 2023 and 2022 are as follows (in thousands):

	SBS	BSG	Total
Balance at September 30, 2021	\$ 82,160	\$ 459,049	\$ 541,209
Acquisitions	271	—	271
Foreign currency translation	(12,871)	(2,543)	(15,414)
Balance at September 30, 2022	\$ 69,560	\$ 456,506	\$ 526,066
Acquisitions <sup>(a)</sup>	—	998	998
Foreign currency translation	5,744	273	6,017
Balance at September 30, 2023	\$ 75,304	\$ 457,777	\$ 533,081

(a) See Note 12, *Acquisitions*, for additional information regarding goodwill recorded during the fiscal year.

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The following table reflects our other intangible assets, excluding goodwill, on our consolidated balance sheets. Once an intangible becomes fully amortized, the original cost and accumulated amortization is removed in the subsequent period. As of September 30, 2023 and 2022, we had the following (in thousands):

	September 30, 2023			September 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
<b>Definite-lived Intangible assets:</b>						
Customer relationships	\$ 22,007	\$ (19,768 )	\$ 2,239	\$ 21,406	\$ (17,406 )	\$ 4,000
Distribution rights <sup>(a)</sup>	16,250	(7,747 )	8,503	10,155	(6,770 )	3,385
Other intangible assets	4,381	(3,072 )	1,309	3,968	(2,618 )	1,350
Total definite-lived intangible assets	42,638	(30,587 )	12,051	35,529	(26,794 )	8,735
<b>Indefinite-lived Intangible assets:</b>						
Trade names	43,120	—	43,120	41,580	—	41,580
Total intangible assets, excluding goodwill, net	\$ 85,758	\$ (30,587 )	\$ 55,171	\$ 77,109	\$ (26,794 )	\$ 50,315

(a) See Note 12, *Acquisitions*, for additional information regarding distribution rights recorded during the fiscal year.

Our definite-lived intangible assets are amortized on a straight-line basis over the period that we expected an economic benefit, typically over periods of three to ten years. For fiscal years 2023, 2022 and 2021, amortization expense related to intangible assets totaled \$3.4 million, \$4.1 million and \$6.6 million, respectively and are included within selling, general and administrative expenses on our consolidated statements of earnings.

As of September 30, 2023, the expected future amortization expense related to definite-lived intangible assets is as follows (in thousands):

Fiscal Year:	
2024	\$ 3,173
2025	2,634
2026	1,566
2027	1,104
2028	675
Thereafter	2,899
	\$ 12,051

## 8. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30,	
	2023	2022
Compensation and benefits	\$ 69,915	\$ 58,693
Deferred revenue	18,259	18,810
Interest payable	13,447	13,445
Rental obligations	11,266	10,701
Insurance reserves	6,656	5,742
Property and other taxes	2,617	4,161
Operating accruals and other	41,206	49,513
Total accrued liabilities	\$ 163,366	\$ 161,065

## 9. Commitments and Contingencies

### Commitments

#### *Letters of Credit*

We had \$17.4 million and \$18.6 million of outstanding letters of credit as of September 30, 2023 and 2022, respectively.

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**Contingencies**

*Legal Proceedings*

From time to time, we are involved in various claims and lawsuits incidental to the conduct of our business in the ordinary course. We do not believe that the ultimate resolution of these matters will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

Liabilities for loss contingencies, arising from claims, assessments, litigation, fines, penalties, the data security incidents and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. We have no significant liabilities for loss contingencies at September 30, 2023 and 2022.

**10. Debt**

**Short-term Debt**

In fiscal year 2023, we entered into a fourth amendment to our five-year asset-based senior secured loan facility (the "ABL facility") with a syndicate of banks, which has a revolving commitment of \$500.0 million and a maturity date of the earlier of (i) May 11, 2026, (ii) the date which is ninety-one (91) days prior to the maturity date of any indebtedness arising under the TLB 2030 and any refinancing thereof, and (iii) the date which is ninety-one (91) days prior to the maturity date of any indebtedness arising under the 2025 Senior Notes and any refinancing thereof. The interest rate on the ABL facility is variable and determined at our option as (i) prime plus 0.25% or 0.50% or (ii) Secured Overnight Financing Rate ("SOFR") plus 1.25% or 1.50%. In addition, the terms of the ABL facility contain a commitment fee of 0.20% on the unused portion of the facility. Borrowings under the ABL facility are secured by a first-priority lien in and upon the accounts and inventory (and the proceeds thereof) of the Company and its guarantor subsidiaries. Furthermore, the ABL facility is also secured by a second-priority lien in and upon the remaining assets of the Company and its guarantor subsidiaries.

At September 30, 2023 and 2022, there were no outstanding borrowings and \$68.5 million outstanding borrowings under our ABL facility, respectively. At September 30, 2023, we had \$482.6 million available for borrowing, thereunder, including our Canadian sub-facility, subject to borrowing base limitations, as reduced by outstanding letters of credit.

**Long-term Debt**

Long-term debt consists of the following (dollars in thousands):

	September 30,		Interest Rates
	2023	2022	
Term Loan B due 2024	\$ -	\$ 407,500	LIBOR plus 2.25%
Term Loan B due 2030	398,000	—	SOFR plus 2.25%
Senior notes due Dec. 2025	679,961	679,961	5.625%
Total	\$ 1,077,961	\$ 1,087,461	
Plus: finance lease obligations	292	435	
Less: unamortized debt issuance costs and discount, net	8,269	4,695	
Total debt	\$ 1,069,984	\$ 1,083,201	
Less: current maturities	4,173	158	
Total long-term debt	\$ 1,065,811	\$ 1,083,043	

Maturities of our debt, excluding finance leases and our ABL facility, are as follows at September 30, 2023 (in thousands):



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Fiscal Year:		
2024	\$	4,000
2025		4,000
2026		683,961
2027		4,000
2028		4,000
Thereafter		378,000
Total	\$	<u>1,077,961</u>

*Term Loan B*

In February 2023, we entered into a credit agreement for a term loan B facility (“TLB 2030”) in an aggregate principal amount equal to \$400.0 million, the net proceeds of which were used to repay our term loan B due 2024 (“TLB 2024”). At the time, the TLB 2030 bore interest at a floating rate equal to, at our option, either the Adjusted Term SOFR Rate plus 2.50% or an adjusted base rate plus 1.50%. Interest on the TLB 2030 is payable quarterly on March 31, June 30, September 30 and December 31 of each year. The TLB 2030 matures on the earlier of (i) February 28, 2030 and (ii) the date that is 91 days prior to the stated maturity of our Senior Unsecured Notes due 2025 (the “2025 Senior Notes”) unless all amounts exceeding \$200.0 million of the 2025 Senior Notes are refinanced or repaid according to certain conditions (the “Maturity Date”). The principal of the TLB 2030 is repayable in quarterly installments equal to 0.25% of the original principal amount of the TLB 2030, with a final installment equal to the entire remaining outstanding principal amount due on the Maturity Date. The TLB 2030 was issued at a discount of 0.75%, and we incurred \$4.7 million in issuance costs; both of which are being amortized using the effective interest method.

In September 2023, we entered into a first refinancing amendment, where we negotiated a 25 basis point reduction in the fixed interest spread on our TLB 2030. The TLB 2030 now bears interest at a floating rate equal to, at our option, either the Adjusted Term SOFR Rate plus 2.25% or an adjusted base rate plus 1.25%. No other terms of the agreement were amended. In connection with the repricing, we evaluated the fair value of the debt, before and after the amendment, for each syndicate loan and accounted for the transaction as both a partial extinguishment and modification. As a result, we recognized a loss on extinguishment of \$1.8 million within interest expense. In connection with the repricing, we incurred additional immaterial cost, of which, the majority was record to interest expense. Furthermore, the extinguishment of debt and subsequent exchange of new debt with existing creditors resulted in non-cash financing activities of \$7.9 million for the fiscal year ending 2023.

The TLB 2030 is secured by a first-priority lien in and upon substantially all of the assets of the Company and its domestic subsidiaries other than the accounts, inventory (and the proceeds thereof) and other assets that secure Sally Holdings’ existing ABL facility on a first-priority basis (the “ABL Priority Collateral”). Additionally, the TLB 2030 is secured by a second-priority lien in and upon the ABL Priority Collateral. The TLB 2030 does not contain any financial maintenance covenants and is subject to a covenant package that is substantially consistent with the covenant package governing the 2025 Senior Notes. The TLB 2030 is subject to customary asset sale mandatory prepayment provisions and excess cash flow mandatory prepayment provisions.

The TLB 2030 may be prepaid without penalty or premium, other than customary breakage costs for prepayments that are made prior to the last date of an interest period. The repayment of our TLB 2024, in the aggregate outstanding principal amount of \$406.1 million, was made pursuant to the terms of the credit agreement underlying our TLB 2024, at par plus interest accrued but unpaid up to, though not including, the repayment date. In connection with the repayment, we recognized a loss on the extinguishment of debt of \$0.6 million within interest expense, which included the write-off of unamortized discount and deferred financing costs of \$0.2 million and \$0.4 million, respectively.

*Senior Notes*

The senior notes due December 2025 are unsecured obligations that are jointly and severally guaranteed by Sally Beauty Holdings, Inc. and Sally Investment, and by each material domestic subsidiary. Interest on the notes is fixed at 5.625% and payable semi-annually, during our first and third fiscal quarters.

During fiscal year 2022, we called the entire \$300.0 million outstanding balance of our senior secured notes, issued during fiscal year 2020, at par plus a premium. In connection with the repayment, we recognized losses on extinguishment of debt in the aggregate amount of \$16.4 million, which included a \$13.1 million call premium and the write-off of \$3.3 million in unamortized deferred financing costs.

## Covenants

The agreements governing our debt contain a customary covenant package that places restrictions on the disposition of assets, the granting of liens and security interests, the prepayment of certain indebtedness, and other matters and customary events of default, including customary cross-default and/or cross-acceleration provisions.

### 11. Derivative Instruments

As of September 30, 2023, we did not purchase or hold any derivative instruments for trading or speculative purposes. See Note 2 for the classification and fair value of our derivative instruments.

#### Designated Cash Flow Hedges

##### *Foreign Currency Forwards*

During fiscal year 2023, we entered into foreign currency forwards to mitigate the exposure to exchange rate changes on inventory purchases in USD by our foreign subsidiaries over fiscal year 2023. As of September 30, 2023, all of our foreign currency forward derivatives instruments had settled. We record, net of income tax, the changes in fair value related to the foreign currency forwards into AOCL and recognize realized gain or loss into cost of goods sold based on inventory turns. As of September 30, 2023, we expect to reclassify approximately \$1.8 million in net losses into cost of goods sold over the next 12 months.

During fiscal year 2023, 2022 and 2021, we reclassified a net loss of \$1.9 million, a net gain of \$0.1 million and a net loss of \$0.3 million, respectively, into cost of goods sold.

##### *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 TLB 2024. The interest rate caps were comprised of individual caplets that were expiring ratably through June 30, 2023, 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 the three months ended March 31, 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 TLB 2024. In connection with the early settlement, we received approximately \$2.7 million, which represented the fair value at the time of settlement. Furthermore, we released the remaining AOCL balances related to the interest rate caps into interest expense. For fiscal years 2023, 2022 and 2021, we recognized income of \$2.8 million, expense of \$1.7 million and expense of \$1.2 million, respectively, into interest expense on our condensed consolidated statements of earnings related to the caps.

##### *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 TLB 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 fiscal year 2023, we recognized income of \$1.3 million into interest expense on our condensed consolidated statements of earnings related to the interest rate swap. At September 30, 2023, we expect to reclassify gains of approximately \$3.1 million out of AOCL and into interest expense over the next 12 months.

#### Non-Designated Cash Flow Hedges

We also use foreign exchange contracts to mitigate our exposure to exchange rate changes in connection with certain intercompany balances not permanently invested. At September 30, 2023, we held forwards, which expire on various

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dates during the first four months of fiscal year 2024, with a notional amount, based upon exchange rates at September 30, 2023, as follows (in thousands):

<b>Notional Currency</b>	<b>Notional Amount</b>
Canadian Dollar	\$ 16,777,282
Euro	19,263,661
British Pound	42,421,337
Mexican Peso	24,388,155
<b>Total</b>	<b>\$ 102,850,435</b>

We record changes in fair value and realized gains or losses related to the foreign currency forwards into selling, general and administrative expenses. The effects of these foreign exchange contracts on our condensed consolidated financial statements were losses of \$2.2 million, \$9.6 million and \$3.0 million for fiscal years 2023, 2022 and 2021, respectively.

## 12. Acquisitions

On September 22, 2023, we acquired certain assets and business operations from Goldwell of NY, Inc. (“Goldwell of NY”), a distributor of professional beauty products operating in the State of New York, for approximately \$9.0 million, subject to certain adjustments. Under the terms of the agreement, we acquired the operations of five stores and a direct sales force, inventory, and exclusive and non-exclusive product distribution rights. As part of BSG’s growth strategies, this acquisition complements its existing lines of business and increases the size and geographic scope of its operations.

This acquisition was accounted for using the acquisition method of accounting for business combinations and funded with cash from operations. As of September 30, 2023, the purchase price of the acquisition has been allocated to all assets acquired and liabilities assumed based on their preliminary estimated fair values at the date of acquisition. Based on preliminary estimates, we recorded \$6.6 million in intangible assets subject to amortization, \$1.7 million in inventory and \$1.0 million in goodwill, which has been allocated to BSG and is expected to be deductible for tax purposes. Subsequent of the acquisition date, all operating results were included in BSG and were not material to the results of operations.

For fiscal years 2022 and 2021, we did not acquire any substantial businesses.

## 13. 401(k) and Profit Sharing Plan

We offer 401(k) Plans to our U.S. and Puerto Rico employees who meet certain eligibility requirements. The U.S. 401(k) Plan allows employees to contribute immediately upon hire, while the Puerto Rico 401(k) Plan allows employees to contribute after one year of employment. Under the terms of each 401(k) Plan, employees may contribute a percentage of their annual compensation up to certain maximums, as defined by each 401(k) Plan and by statutory limitations. We currently match a portion of employee contributions, as defined by each 401(k) Plan. We recognized expense of \$7.3 million, \$6.8 million and \$6.2 million in the fiscal years ended September 30, 2023, 2022 and 2021, respectively, related to such matching contributions and these amounts are included in selling, general and administrative expenses in our consolidated statements of earnings.

In addition, pursuant to the 401(k) Plans, we may elect to make voluntary profit sharing contributions to the accounts of eligible employees as determined by the Compensation Committee of the Board. During the fiscal years ended September 30, 2023, 2022 and 2021, we did not make a profit sharing contribution to the 401(k) Plans.

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**14. Income Taxes**

The provision for income taxes for the fiscal years 2023, 2022 and 2021 consists of the following (in thousands):

	Fiscal Year Ended September 30,		
	2023	2022	2021
<b>Current:</b>			
Federal	\$ 42,103	\$ 48,888	\$ 64,526
Foreign	7,317	16,370	14,869
State	9,830	10,739	14,364
Total current portion	<u>59,250</u>	<u>75,997</u>	<u>93,759</u>
<b>Deferred:</b>			
Federal	3,299	93	(6,054)
Foreign	3,233	(15,380)	(1,195)
State	1,668	(166)	(1,434)
Total deferred portion	<u>8,200</u>	<u>(15,453)</u>	<u>(8,683)</u>
Total provision for income taxes	<u>\$ 67,450</u>	<u>\$ 60,544</u>	<u>\$ 85,076</u>

The difference between the U.S. statutory federal income tax rate and the effective income tax rate is summarized below:

	Fiscal Year Ended September 30,					
	2023		2022		2021	
U.S. federal statutory income tax rate	21.0	%	21.0	%	21.0	%
State income taxes, net of federal tax benefit	3.4		2.6		3.0	
Effect of foreign operations	1.3		2.2		0.8	
Repatriation Tax	1.1		—		—	
Share-based payment awards	0.5		0.6		0.6	
Unrecognized tax benefit	0.3		2.9		—	
Valuation allowances	0.1		(7.2)		0.6	
Deferred tax impact of foreign branch conversion	—		2.7		—	
Other, net	(0.9)		—		0.2	
Effective tax rate	<u>26.8</u>	<u>%</u>	<u>24.8</u>	<u>%</u>	<u>26.2</u>	<u>%</u>

The tax effects of temporary differences that give rise to our deferred tax assets and liabilities are as follows (in thousands):

	September 30,	
	2023	2022
<b>Deferred tax assets attributable to:</b>		
Foreign loss carryforwards	\$ 32,435	\$ 30,548
Accrued liabilities	17,672	24,023
Share-based compensation expense	7,430	7,320
U.S. foreign tax credits	12,913	10,712
Inventory adjustments	—	8,156
Other	(2,937)	(391)
Total deferred tax assets	<u>67,513</u>	<u>80,368</u>
Valuation allowance	(35,912)	(31,920)
Total deferred tax assets, net	<u>31,601</u>	<u>48,448</u>
<b>Deferred tax liabilities attributable to:</b>		
Depreciation and amortization	101,957	112,115
Inventory adjustments	1,452	—
Total deferred tax assets	<u>103,409</u>	<u>112,115</u>
Net deferred tax liability	<u>\$ 71,808</u>	<u>\$ 63,667</u>

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We believe that it is more-likely-than-not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets, net of the valuation allowance. During fiscal year 2023, existing valuation allowances were increased by approximately \$4.0 million, primarily for net operating loss carry-forwards of various members of the affiliated group in foreign jurisdictions and foreign tax credits. We continue to record a valuation allowance to account for uncertainties regarding recoverability of certain deferred tax assets, primarily foreign loss carry-forwards and tax credit carry-forwards.

Domestic earnings before provision for income taxes were \$217.7 million, \$205.2 million and \$288.0 million in the fiscal years 2023, 2022 and 2021, respectively. Foreign earnings before provision for income taxes of \$34.4 million, \$38.9 million and \$36.9 million in the fiscal years 2023, 2022 and 2021, respectively.

Tax reserves are evaluated and adjusted as appropriate, while taking into account the progress of audits by various taxing jurisdictions and other changes in relevant facts and circumstances evident at each balance sheet date. We do not expect the outcome of current or future tax audits to have a material adverse effect on our consolidated financial condition, results of operations or cash flow.

Applicable deferred tax liabilities have been provided for undistributed foreign earnings in excess of foreign working capital and cash requirements. As a result of U.S. Tax Reform, the repatriation of cash to the U.S. is generally no longer taxable for federal income tax purposes but could be subject to foreign withholding taxes and state income taxes. If undistributed earnings of our foreign operations were not considered permanently reinvested as of September 30, 2023, an immaterial amount of additional deferred taxes would have been provided.

At September 30, 2023 and 2022, we had total operating loss carry-forwards of \$119.4 million and \$110.8 million, respectively, of which \$62.7 million and \$60.9 million, respectively, are subject to a valuation allowance. At September 30, 2023, operating loss carry-forwards of \$119.4 million have no expiration date. At September 30, 2023 and 2022, we had tax credit carry-forwards of \$15.5 million and \$13.1 million, respectively. This includes a U.S. foreign tax credit carry-forward of \$12.9 million, primarily as a result of the deemed repatriation tax under U.S. Tax Reform. This credit expires in 2028. We do not believe the realization of the U.S. foreign tax credit is more-likely-than-not, so a valuation allowance has been recorded against its full value. Of the remaining tax credit carry-forwards, at September 30, 2023, \$1.0 million expire between 2024 and 2028, \$0.3 million expire between 2033 and 2037 and \$1.3 million have no expiration date. Total tax credit carry-forwards of \$14.2 million and \$11.9 million are subject to a valuation allowance at September 30, 2023 and 2022, respectively.

The changes in the amount of unrecognized tax benefits are as follows (in thousands):

	<b>Fiscal Year Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of the fiscal year	\$ 9,165	\$ 2,092
Increases related to prior year tax positions	1,983	7,603
Decreases related to prior year tax positions	(128)	(874)
Increases related to current year tax positions	759	710
Decreases due to settlements	(3,337)	
Lapse of statute	(130)	(366)
Balance at end of fiscal year	<u>\$ 8,312</u>	<u>\$ 9,165</u>

If recognized, these positions would affect our effective tax rate.

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) enacted comprehensive amendments to the Internal Revenue Code of 1986. Among other things, TCJA provided for a deemed repatriation of undistributed foreign earnings by U.S. taxpayers giving rise to a one-time transition tax on those earnings (“Repatriation Tax”). The U.S. Treasury Department issued final regulations (“Regulations”) addressing certain aspects of how the Repatriation Tax is calculated. In our view, certain guidance included in the Regulations is inconsistent with our interpretation of the statutory language contained in the TCJA. Our consolidated federal income tax return for the fiscal year ended September 30, 2018 is currently under audit on this matter. In fiscal year 2023, we remitted \$3.3 million in tax to the IRS, designated as a §6603 deposit due to the differing interpretation of the statute. Estimated interest of \$1 million was also remitted. Income tax expense of \$2.7 million was recorded in fiscal year 2023 related to the payments.

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Previously, \$1.6 million had been reserved for this issue. At September 30, 2022, the Company recorded \$7.6 million of uncertain tax benefits related to transfer pricing matters. We maintain our tax positions are fully supportable.

We recognize interest and penalties, accrued in connection with unrecognized tax benefits, in provision for income taxes. Accrued interest and penalties, in the aggregate, were \$0.5 million and \$0.4 million at September 30, 2023 and 2022, respectively.

Because existing tax positions will continue to generate increased liabilities for unrecognized tax benefits over the next 12 months, and the fact that from time to time our tax returns are routinely under audit by various taxing authorities, it is reasonably possible that the amount of unrecognized tax benefits will change during the next 12 months. An estimate of the amount of such change, or a range thereof, cannot reasonably be made at this time. However, we do not expect the change, if any, to have a material effect on our consolidated financial condition or results of operations within the next 12 months.

Our consolidated federal income tax return for the fiscal year ended September 30, 2022, is currently under IRS examination. Our statute remains open for the fiscal year ended September 30, 2020, forward. Our U.S. state income tax returns are impacted by various statutes of limitations and are generally open for the fiscal year ended September 30, 2018 and future years. Our foreign income tax returns are impacted by various statutes of limitations, which are generally open from 2018 forward.

#### **15. Segments and Disaggregated Revenue**

Our segments are defined on how our chief operating decision maker, which we consider the Chief Executive Officer and Chief Financial Officer together, regularly reviews performance and allocates resources to our operating segments.

Our business is organized into two reportable segments: (i) SBS, a domestic and international chain of retail stores and a consumer-facing e-commerce website that offers professional beauty supplies to both salon professionals and retail customers primarily in North America, Puerto Rico and parts of Europe and South America and (ii) BSG, including its franchise-based business Armstrong McCall, a full service distributor of beauty products and supplies that offers professional beauty products directly to salons and salon professionals through its professional-only stores, e-commerce platforms and its own sales force in partially exclusive geographical territories in the U.S. and Canada.

The accounting policies of both of our reportable segments are the same as described in the summary of significant accounting policies contained in Note 1. Sales between segments, which were eliminated in consolidation, were not material for the fiscal years ended September 30, 2023, 2022 and 2021.

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**Business Segments Information**

Segment data for the fiscal years 2023, 2022 and 2021 are as follows (in thousands):

	2023	2022	2021
<b>Net sales (for the fiscal year indicated):</b>			
SBS	\$ 2,139,206	\$ 2,193,044	\$ 2,278,382
BSG	1,588,925	1,622,521	1,596,615
Total	<u>\$ 3,728,131</u>	<u>\$ 3,815,565</u>	<u>\$ 3,874,997</u>
<b>Earnings before provision for income taxes:</b>			
<b>Segment operating earnings:</b>			
SBS	\$ 358,474	\$ 350,884	\$ 417,658
BSG	181,275	193,407	205,078
Segment operating earnings	539,749	544,291	622,736
Unallocated expenses	197,515	179,074	199,682
Restructuring	17,205	27,577	4,611
Consolidated operating earnings	325,029	337,640	418,443
Interest expense	72,979	93,543	93,509
Earnings before provision for income taxes	<u>\$ 252,050</u>	<u>\$ 244,097</u>	<u>\$ 324,934</u>
<b>Depreciation and amortization:</b>			
SBS	\$ 57,663	\$ 57,798	\$ 61,887
BSG	32,362	30,098	28,597
Corporate	12,384	12,033	11,717
Total	<u>\$ 102,409</u>	<u>\$ 99,929</u>	<u>\$ 102,201</u>
<b>Payments for property and equipment:</b>			
SBS	\$ 52,535	\$ 53,788	\$ 43,165
BSG	30,581	34,312	24,880
Corporate	7,626	11,150	5,859
Total	<u>\$ 90,742</u>	<u>\$ 99,250</u>	<u>\$ 73,904</u>
<b>Total assets (as of September 30):</b>			
SBS	\$ 1,279,200	\$ 1,195,732	\$ 1,235,427
BSG	1,293,157	1,251,455	1,179,263
Sub-total	2,572,357	2,447,187	2,414,690
Corporate	152,893	129,680	432,442
Total	<u>\$ 2,725,250</u>	<u>\$ 2,576,867</u>	<u>\$ 2,847,132</u>

Unallocated expenses consist of corporate and shared costs and are included in selling, general and administrative expenses in our consolidated statements of earnings. In the fiscal years 2023, 2022 and 2021, no single customer accounted for 10% or more of revenue.

**Geographic Area Information**

Certain geographic data is as follows (in thousands):

	2023	2022	2021
<b>Net sales (for the fiscal year indicated):</b>			
United States	\$ 3,050,334	\$ 3,142,898	\$ 3,228,091
Other countries	677,797	672,667	646,906
Total	<u>\$ 3,728,131</u>	<u>\$ 3,815,565</u>	<u>\$ 3,874,997</u>
<b>Long-lived assets (as of September 30):</b>			
United States	\$ 258,157	\$ 263,929	\$ 267,839
United Kingdom	9,988	9,147	15,089
Other countries	29,634	24,800	24,449
Total	<u>\$ 297,779</u>	<u>\$ 297,876</u>	<u>\$ 307,377</u>

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**Disaggregated Revenues**

The following tables disaggregate our segment revenues by merchandise category. We have reclassified certain prior year amounts to conform to current year presentation.

SBS	Fiscal Year Ended September 30,		
	2023	2022	2021
Hair color	39.9 %	38.2 %	36.3 %
Hair care	23.9 %	23.6 %	22.1 %
Styling tools and supplies	17.9 %	19.1 %	21.7 %
Nail	10.1 %	10.8 %	10.9 %
Skin and cosmetics	7.6 %	7.6 %	8.3 %
Other beauty items	0.6 %	0.7 %	0.7 %
Total	100.0 %	100.0 %	100.0 %

BSG	Fiscal Year Ended September 30,		
	2023	2022	2021
Hair care	42.3 %	43.5 %	41.5 %
Hair color	40.2 %	39.0 %	39.8 %
Styling tools and supplies	10.6 %	10.9 %	11.5 %
Skin and cosmetics	3.9 %	3.8 %	4.0 %
Nail	2.7 %	2.4 %	2.7 %
Other beauty items	0.3 %	0.4 %	0.5 %
Total	100.0 %	100.0 %	100.0 %

The following table disaggregates our segment revenue by sales channels:

	SBS			BSG		
	Fiscal Year Ended September 30,			Fiscal Year Ended September 30,		
	2023	2022	2021	2023	2022	2021
Company-operated stores	93.8 %	94.0 %	94.1 %	67.2 %	66.4 %	69.1 %
E-commerce	6.2 %	6.0 %	5.9 %	13.5 %	12.3 %	9.2 %
Franchise stores	—	—	—	7.5 %	7.4 %	7.5 %
Distributor sales consultants	—	—	—	11.8 %	13.9 %	14.2 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

**16. Restructuring**

Restructuring expenses, included in Cost of Goods Sold (“COGS”) and Restructuring for the fiscal years ended September 30, 2023, 2022 and 2021, are as follows (in thousands):

	2023 (a)	2022	2021
<b>Included in COGS</b>			
Distribution Center Consolidation and Store Optimization Plan	\$ (5,788)	\$ 19,403	\$ —
Transformation Plan	—	(1,087)	1,444
Total in COGS	\$ (5,788)	\$ 18,316	\$ 1,444
<b>Included in Restructuring</b>			
Distribution Center Consolidation and Store Optimization Plan	\$ 17,205	\$ 26,110	\$ —
Transformation Plan	—	1,467	3,160
Project Surge	—	—	1,451
Total in Restructuring	17,205	27,577	4,611
Total Restructuring Expenses	\$ 11,417	\$ 45,893	\$ 6,055



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- (a) Amounts related to the Plan included favorable adjustments to our expected obsolescence reserve within COGS and costs associated with the closure of stores and distribution centers during the period.

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

In the fourth quarter of fiscal year 2022, our Board approved the Plan consisting of the planned closure of 330 SBS stores and 35 BSG stores and 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.

As of September 30, 2023, the Plan has been substantially completed, with only two BSG stores to be closed in the first half of fiscal year 2024, and therefore it may include future immaterial charges related to store closures such as exit costs, lease negotiation penalties, termination benefits and adjustments to estimates.

A roll forward of our liability related to the Plan, which is included in accrued liabilities on our consolidated balance sheets, is as follows (in thousands):

(in thousands)	Liability at September 30, 2022	SBS Expense	BSG Expense	Cash Payments	Non-Cash Amounts	Liability at September 30, 2023
Closing costs - leases <sup>(a)</sup>	\$ —	\$ 7,220	\$ 1,270	\$ (7,760)	\$ (693)	\$ 37
Closing costs - payroll expenses <sup>(b)</sup>	—	1,617	1,192	(2,809)	—	—
Impairment - property and equipment <sup>(c)</sup>	—	1,277	218	—	(1,495)	—
Inventory transfer costs	—	963	76	(1,039)	—	—
Impairment - operating lease assets <sup>(c)</sup>	—	350	244	—	(594)	—
Other closure costs <sup>(d)</sup>	1,291	2,844	(66)	(4,020)	—	49
<b>Total</b>	<b>\$ 1,291</b>	<b>\$ 14,271</b>	<b>\$ 2,934</b>	<b>\$ (15,628)</b>	<b>\$ (2,782)</b>	<b>\$ 86</b>

- (a) Lease-related closing costs include contract terminations costs, repairs, maintenance, and other rental obligations associated with closing stores.
- (b) Payroll-related closing costs include one-time termination benefits related to the closure of our distribution centers as well as other payroll expenses associated with closing stores.
- (c) Remaining carrying value for the long-lived assets, including operating lease assets, were not material and approximate their fair value.
- (d) Other closure costs predominantly consist of exit costs associated with shutting down of operations at various locations.

***Transformation Plan***

We previously disclosed a plan to focus on certain core business strategies. In addition to optimizing our supply chain network with changes to our transportation model and network of nodes, we improved our marketing and digital commerce capabilities and advanced our merchandising transformation efforts. In addition, we expanded our plan and announced a reduction in workforce within our field and headquarters. Furthermore, our Board approved the divestiture of our operations in Peru, which was not material to our results of operation. All these together made up our Transformation Plan. We did not incur any additional expenses or liabilities related to our Transformation Plan in fiscal year 2023.

***Project Surge***

In fiscal year 2020, we announced the launch of Project Surge, which takes the successful elements of the North American Sally Beauty transformation and integrates them into our European operations, with the support and participation of several key leaders from the corporate headquarters. As part of this plan, we focused on several operating elements, including a review of our talent and operating structure. We did not incur any additional expenses or liabilities related to Project Surge in fiscal years 2022 or 2023.

**FIRST REFINANCING AMENDMENT  
TO  
CREDIT AGREEMENT**

FIRST REFINANCING AMENDMENT, dated as of September 13, 2023 (this “**First Refinancing Amendment**”), by and among SALLY HOLDINGS LLC, a Delaware limited liability company (“**Sally Holdings**”), SALLY CAPITAL INC., a Delaware corporation (“**Sally Capital**” and, together with “**Sally Holdings**”, each individually a “**Borrower**” and collectively the “**Borrowers**”), SALLY BEAUTY HOLDINGS, INC., a Delaware corporation (“**Holding**”), and SALLY INVESTMENT HOLDINGS LLC, a Delaware limited liability company (“**Intermediate Holdings**”), BANK OF AMERICA, N.A., as Administrative Agent (in such capacity, the “**Administrative Agent**”) and as arranger of the 2023 Refinancing Term Loan Facility (as defined below) (in such capacity, the “**2023 Refinancing Arranger**”), the Facility Lenders, and the other Guarantors party hereto.

RECITALS

WHEREAS, reference is made to that certain Credit Agreement, dated as of February 28, 2023 (as amended, restated, supplemented and/or otherwise modified from time to time prior to the date hereof, the “**Credit Agreement**”, and as further amended by this First Refinancing Amendment, the “**Amended Credit Agreement**”), by and among, among others, Sally Holdings, Sally Capital, Holding, Intermediate Holdings, the Administrative Agent, each Lender from time to time party thereto;

WHEREAS, on the date hereof (but prior to giving effect to this First Refinancing Amendment), there are outstanding Term B Loans under the Credit Agreement in an aggregate principal amount of \$399,000,000 (the “**Refinanced Debt**”);

WHEREAS, in connection with the repricing of the Refinanced Debt, the Borrowers intend to (a) incur Replacement Term Loans under Section 9.01 of the Amended Credit Agreement in an aggregate amount of up to \$399,000,000 (the “**2023 Term Loans**”, which loans are extended under the term loan facility described herein, the “**2023 Refinancing Term Loan Facility**”), which shall be incurred on the First Refinancing Amendment Effective Date (as defined in Section 5 below) and (b) amend the Credit Agreement to account for the 2023 Refinancing Term Loan Facility (the “**Amendments**”);

WHEREAS, the Borrowers intend to apply the proceeds of the borrowings under the 2023 Refinancing Term Loan Facility under this First Refinancing Amendment on the First Refinancing Amendment Effective Date to refinance and prepay the Refinanced Debt in full;

WHEREAS, certain Lenders party hereto have advised the 2023 Refinancing Arranger that they wish to become 2023 Term Lenders (as defined below) and to extend credit to the Borrowers in the form of 2023 Term Loans in accordance with the terms set out herein;

WHEREAS, in connection with the 2023 Term Loans, each existing Term Lender (each, an “**Existing Term Lender**”) that elects a “**Consent and Convert** (Cashless Settlement)” option on the Lender Election in the form attached to the Memorandum to Lenders posted to the Lenders on September 5, 2023 (a “**Lender Commitment**”) will thereby (i) consent to the terms of this First Refinancing Amendment and the Cashless Roll Letter dated on or about the date hereof (the “**Cashless Roll Letter**”) from the Borrowers to the Existing Term Lenders and acknowledged by the Administrative Agent and the 2023 Refinancing Arranger, (ii) become a party to this First Refinancing Amendment and the Cashless Roll Letter, and (iii) agree to continue all (or such lesser amount as the 2023 Refinancing Arranger allocates in its discretion) of its Term B Loans outstanding on the First Refinancing Amendment Effective Date as 2023

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Term Loans in a principal amount equal to the aggregate principal amount of its Term B Loans (or such lesser amount as the 2023 Refinancing Arranger allocates in its discretion) (such portion of the 2023 Term Loans, the “**Continued Loans**” and all such Lenders, collectively, the “**Continuing Term Lenders**”; the Existing Term Lenders that are not Continuing Term Lenders, collectively, the “**Non-Continuing Lenders**”);

WHEREAS, each Person (other than a Continuing Term Lender in its capacity as such) that agrees to make 2023 Term Loans (collectively, the “**Additional Term Lenders**” and together with the Continuing Term Lenders, the “**2023 Term Lenders**”) will make 2023 Term Loans to the Borrowers on the First Refinancing Amendment Effective Date (the “**Additional 2023 Term Loans**”) in an amount equal to its Additional 2023 Term Commitment (defined below); and

WHEREAS, each 2023 Term Lender has indicated its willingness to lend 2023 Term Loans up to (A) in the case of Continuing Term Lenders, a principal amount equal to the aggregate principal amount of its Term B Loans (or such lesser amount as the 2023 Refinancing Arranger allocates in its discretion) and (B) in the case of Additional Term Lenders, in an amount equal to its Additional 2023 Term Commitment on the terms and subject to the conditions herein and in the Amended Credit Agreement, the proceeds of which will be used for the purposes specified in this First Refinancing Amendment.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, Holding, Intermediate Holdings, the other Loan Parties party hereto, the Administrative Agent and the other parties hereto hereby agree as follows:

**SECTION 1. Defined Terms; References.** Unless otherwise specifically defined herein, each term used herein that is defined in the Amended Credit Agreement has the meaning assigned to such term in the Amended Credit Agreement (including, prior to the First Refinancing Amendment Effective Date, in the form of Credit Agreement attached hereto as Annex 2). Each reference to “hereof”, “hereunder”, “herein” and “hereby” and each other similar reference and each reference to “this Agreement” and each other similar reference contained in the Credit Agreement shall, after this First Refinancing Amendment becomes effective, refer to the Credit Agreement as amended hereby.

**SECTION 2. Amendments to the Credit Agreement.**

Subject to the satisfaction of the conditions to effectiveness specified in Section 5 hereof, with effect from the First Refinancing Amendment Effective Date and immediately upon giving effect to the transactions referred to in Section 3 below, the Credit Agreement and each Exhibit and Schedule thereto is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: underlined text) as set forth in the pages of the Amended Credit Agreement attached as Annex 2 hereto.

**SECTION 3. 2023 Refinancing Term Loan Facility**

Subject only to the satisfaction of the conditions to effectiveness specified in Section 5 hereof, and with effect from the First Refinancing Amendment Effective Date:

(a) The Administrative Agent has prepared a schedule which sets forth the new allocated commitments received by it with respect to the 2023 Term Lenders. The Administrative Agent has notified each 2023 Term Lender of its allocated commitment for the 2023 Term Loans. Each 2023 Term Lender hereby agrees to make 2023 Term Loans up to the aggregate principal amount of (x) in the case of

Continuing Term Lenders, a principal amount equal to the aggregate principal amount of its Term B Loans (or such lesser amount as the 2023 Refinancing Arranger allocates in its discretion) in the form of Continued Loans and (Y) in the case of Additional Term Lenders, in an amount equal to its Additional 2023 Term Commitment in the form of Additional 2023 Term Loans (collectively for all 2023 Term Lenders, the “**2023 Term Commitments**”) on the First Refinancing Amendment Effective Date. Without prejudice to the foregoing:

- (i) each Continuing Term Lender (x) severally agrees to continue all (or such lesser amount as the 2023 Refinancing Arranger allocates in its discretion) of its Term B Loans as 2023 Term Loans in a principal amount equal to the principal amount of its Term B Loans (or such lesser amount as the 2023 Refinancing Arranger allocates in its discretion; any such principal amount of Term B Loans not allocated by the 2023 Refinancing Arranger as Continued Loans, the “**Non-Allocated Existing Term Loans**”) and (y) shall be deemed for the purpose of the Credit Agreement as amended hereby to have made a 2023 Term Loan in an aggregate principal amount equal to the aggregate principal amount of its Term B Loan minus the principal amount of its Non-Allocated Existing Term Loans (if any) on the First Refinancing Amendment Effective Date; and
- (ii) each Additional Term Lender severally agrees to make a 2023 Term Loan to the Borrowers on the First Refinancing Amendment Effective Date in a principal amount equal to its Additional 2023 Term Commitment, which amount shall be made available to the Administrative Agent in immediately available funds in accordance with the Amended Credit Agreement. The “**Additional 2023 Term Commitment**” of any Additional Term Lender will be the amount allocated to such Lender by the 2023 Refinancing Arranger. On the First Refinancing Amendment Effective Date, the proceeds of the Additional 2023 Term Loans shall be applied to refinance (A) the Term B Loans of the Non-Continuing Lenders and (B) the Non-Allocated Existing Term Loans of the Continuing Term Lenders.

(b) The 2023 Term Loans effected pursuant to the exchange mechanism under Section 3(a)(i) hereof shall be allocated ratably to the outstanding Borrowings of the Term B Loans (based upon the relative principal amounts of Borrowings of the Term B Loans subject to different Interest Periods immediately prior to giving effect thereto). Each resulting Borrowing of Continued Loans shall constitute a new “Borrowing” under the Amended Credit Agreement and be subject to the same Interest Period applicable to the Borrowing of the Term Loans to which it relates, which Interest Period shall continue in effect until such Interest Period expires and a new Type of Borrowing is selected in accordance with the provisions of Section 2.03 of the Amended Credit Agreement.

(c) On the First Refinancing Amendment Effective Date, (i) each Non-Continuing Lender shall have its Term B Loans prepaid in cash in full, and the Borrowers shall pay in cash to each Non-Continuing Lender all accrued and unpaid interest on, premiums and fees, and any breakage loss or expenses due under Section 2.14 of the Credit Agreement, in each case related to, such Non-Continuing Lender’s Term B Loans to, but not including, the First Refinancing Amendment Effective Date; and (ii) each Continuing Term Lender with Non-Allocated Existing Term Loans shall have its Non-Allocated Existing Term Loans prepaid in cash in full, and the Borrowers shall pay in cash to each such Continuing Term Lender all accrued and unpaid interest on, premiums and fees related to, such Continuing Term Lender’s Non-Allocated Existing Term Loans to, but not including, the First Refinancing Amendment Effective Date. Each Continuing Term Lender hereby waives any entitlement to any breakage loss or expenses due under Section 2.14 of the Credit Agreement with respect to the repayment of any Term B Loans it holds as an existing Lender which have been replaced or repaid with the 2023 Term Loans on the First Refinancing Amendment Effective Date.

- (d) Immediately upon the incurrence of the 2023 Term Loans on the First Refinancing Amendment

Effective Date, the 2023 Term Loans shall, to the extent permitted by applicable law, be secured by the same collateral and guaranteed on the same terms as the existing Loans. Pursuant to Section 9.01 of the Amended Credit Agreement, the 2023 Term Loans shall have the terms set forth in this First Refinancing Amendment and the Amended Credit Agreement.

(e) Promptly following the First Refinancing Amendment Effective Date, all promissory notes issued under the Credit Agreement, if any, evidencing the Refinanced Debt shall be cancelled, and any Lender of the 2023 Term Loans may request that its 2023 Term Loans be evidenced by a note pursuant to Section 2.07(e) of the Amended Credit Agreement.

(f) The 2023 Term Commitments of the 2023 Term Lenders shall automatically terminate upon the funding of the 2023 Term Loans on the First Refinancing Amendment Effective Date.

(g) Each 2023 Term Lender expressly acknowledges that its obligation under this Section 3 to make the 2023 Term Loans on the First Refinancing Amendment Effective Date is subject solely to the conditions set forth in Section 5 hereof.

#### **SECTION 4. Representations & Warranties.**

In order to induce the 2023 Term Lenders and the Administrative Agent to enter into this First Refinancing Amendment and to induce the 2023 Term Lenders to make the 2023 Term Loans hereunder, each of the Loan Parties hereby represents and warrants to such Lenders and the Administrative Agent that, on and as of the date hereof and the First Refinancing Amendment Effective Date:

(a) the representations and warranties set forth in Article IV of the Credit Agreement and each other Loan Document are true and correct in all material respects (or, in the case of any representations and warranties qualified by materiality or Material Adverse Effect, in all respects), immediately prior to, and immediately after giving effect to, the Amendments and the 2023 Refinancing Term Loan Facility, and the Borrowings thereunder on the First Refinancing Amendment Effective Date; except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct in all material respects (or, in the case of any representations and warranties qualified by materiality or Material Adverse Effect, in all respects) as of such earlier date);

(b) as of the First Refinancing Amendment Effective Date, immediately after the consummation of the transactions to occur on the First Refinancing Amendment Effective Date and the incurrence of indebtedness and obligations on the First Refinancing Amendment Effective Date in connection with this First Refinancing Amendment and the transactions contemplated hereby, the Loan Parties and their Subsidiaries, on a consolidated basis, are Solvent;

(c) no Default or Event of Default has occurred and is continuing or would result from the making of loans hereunder;

(d) the execution, delivery and performance by each Loan Party of the First Refinancing Amendment and each other agreement or instrument contemplated hereby to which such Loan Party is a party, and the consummation of the transactions, are within such Loan Party's corporate or other powers, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under (other than as permitted by Section 6.06 of the Credit Agreement), or require any payment to be made under (i) (x) any indenture, mortgage, deed of trust or loan agreement evidencing Indebtedness in an aggregate principal amount in excess of the Threshold Amount or (y) any other Contractual Obligation to which such Person is a party or affecting such

Person or the properties of such Person or any of its Restricted Subsidiaries or (ii) any judgment, order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any material Law; except with respect to any conflict, breach or contravention or payment (but not creation of Liens) referred to in clause (b)(i) or (b)(ii), to the extent that such conflict, breach, contravention or payment could not reasonably be expected to have a Material Adverse Effect;

(f) this First Refinancing Amendment and each other agreement or instrument contemplated hereby has been duly executed and delivered by each Loan Party that is party thereto. This First Refinancing Amendment constitutes a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity;

(g) no material approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, any Loan Party of this First Refinancing Amendment, or for the consummation of the transactions, (b) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (c) the perfection or maintenance of the Liens created under the Collateral Documents (including the priority thereof) or (d) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except for (i) filings necessary to perfect the Liens on the Collateral granted by the Loan Parties in favor of the Secured Parties, (ii) the approvals, consents, exemptions, authorizations, actions, notices and filings which have been duly obtained, taken, given or made and are in full force and effect, and (iii) the approvals, consents, exemptions, authorizations, actions, notices and filings in connection with the exercise of remedies pursuant to the Collateral Documents.

(h) the terms of this First Refinancing Amendment, as they relate to the 2023 Refinancing Term Loan Facility, comply with the requirements for Replacement Term Loans pursuant to Section 9.01 of the Credit Agreement.

#### **SECTION 5. Conditions Precedent.**

The agreements, amendments and transactions set out in Sections 2 and 3 above shall become effective and occur upon the first date on which all of the conditions to effectiveness set forth in this Section 5 have been satisfied (such date, the “**First Refinancing Amendment Effective Date**”) and the Administrative Agent shall notify the Loan Parties, 2023 Term Lenders and the 2023 Refinancing Arranger of the First Refinancing Amendment Effective Date and such notice shall be conclusive and binding:

(a) First Refinancing Amendment. The Administrative Agent shall have received (i) executed counterparts of this First Refinancing Amendment, duly executed and delivered by a Responsible Officer of each of the Loan Parties and (ii) executed Lender Commitments or counterparts to this First Refinancing Amendment, as applicable, duly executed and delivered by each 2023 Term Lender party hereto, or other written confirmation (in form reasonably satisfactory to the Administrative Agent) that any of the foregoing parties has signed a counterpart hereof.

(b) AML/KYC. The Administrative Agent shall have received, to the extent not previously provided, all documentation and other information for the Loan Parties required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, as has been reasonably requested in writing by the Administrative Agent at least five Business Days prior to the First Refinancing Amendment Effective Date, including, to the extent any borrower qualifies as a “legal entity

customer” under 31 C.F.R. § 1010.230 (the “*Beneficial Ownership Regulation*”, a certificate regarding beneficial ownership as required by the Beneficial Ownership Regulation.

(c) Representations. All representations and warranties of each Parent, Borrower and each other Loan Party contained in this First Refinancing Amendment, Article IV of the Credit Agreement or any other Loan Document are true and correct in material respects (or, in the case of any representations and warranties qualified by materiality or Material Adverse Effect, in all respects), immediately prior to, and immediately after giving effect to, the Amendments and the 2023 Refinancing Term Loan Facility, and the Borrowings thereunder on the First Refinancing Amendment Effective Date; except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct in all material respects (or, in the case of any representations and warranties qualified by materiality or Material Adverse Effect, in all respects) as of such earlier date).

(d) Fees & Expenses. The Administrative Agent shall have received evidence that all fees and expenses as separately agreed in writing among the Borrowers and the 2023 Refinancing Arranger, or otherwise in connection with this First Refinancing Amendment, on the First Refinancing Amendment Effective Date, shall be paid in full in cash.

(e) Borrowing Request. The Administrative Agent shall have received a Borrowing Request in accordance with Section 2.03 of the Credit Agreement.

(f) Prepayment Notice. The Administrative Agent shall have received a written notice of prepayment in respect of the Term B Loans in accordance with Section 2.09 of the Credit Agreement.

(g) Legal Opinions. The Administrative Agent shall have received a customary written legal opinion, dated the First Refinancing Amendment Effective Date and addressed to the Administrative Agent and each of the 2023 Term Lenders from Alston & Bird LLP, counsel to the Loan Parties, in form and substance reasonably satisfactory to the Administrative Agent and the 2023 Term Lenders.

(h) Closing Deliverables. The Administrative Agent shall have received a certificate of a Responsible Officer of each of the Borrowers, Holding, and Intermediate Holdings dated as of the First Refinancing Amendment Effective Date, (A) certifying that attached thereto is a true and complete copy of the charter or other similar organizational document of such entity, and each amendment thereto (as of the date of such certificate) as being a true and correct copy thereof by the Secretary of State or other applicable Governmental Authority of the jurisdiction in which such entity is organized (or, if such organizational documents remain unchanged from those previously delivered to the Administrative Agent on the Closing Date, certification by a Responsible Officer of the Borrowers, Holding or Intermediate Holdings (as applicable) of the same), (B) certifying that attached thereto is a copy of the resolutions of the board of directors or managers (or equivalent) of such entity (x) authorizing the execution, delivery and performance of this First Refinancing Amendment and other Loan Documents (as applicable) to which it is a party and any other document delivered in connection herewith on the First Refinancing Amendment Effective Date and certifying that such resolutions have not been modified, rescinded or amended and are in full force and effect and (y) authorizing a specified person or persons to execute this First Refinancing Amendment on its behalf, (C) certifying as to the incumbency and specimen signature of each Responsible Officer (or equivalent) executing any Loan Document in connection with this First Refinancing Amendment (or, if the authorized signatories specified in such specimen signatures remain unchanged from those previously delivered to the Administrative Agent on the Closing Date, certification by a Responsible Officer of the Borrowers, Holding or Intermediate Holdings (as applicable) of the same), (D) attaching, to the extent available or required in the relevant jurisdiction, a good standing (or equivalent) certificate as of a recent date for each of the Borrowers, Holding, and Intermediate Holdings (as applicable) from its jurisdiction of organization, and (E) certifying that the documents relating to the Borrowers, Holding and Intermediate

Holdings (as applicable) and referred to in this paragraph (h) are true, correct and complete and are in full force and effect as of the First Refinancing Amendment Effective Date.

(i) Refinanced Debt. The refinancing of (A) the Term B Loans of the Non-Continuing Lenders and (B) the Non-Allocated Existing Term Loans of the Continuing Term Lenders, in each case, shall have been consummated or, substantially concurrently with the incurrence (or continuation) of the 2023 Term Loans, shall be consummated.

**SECTION 6. Acknowledgment of Term Lenders.** Each 2023 Term Lender expressly acknowledges that neither the Administrative Agent, nor the 2023 Refinancing Arranger, nor any of their respective Affiliates nor any of their respective officers, directors, employees, agents or attorneys-in-fact have made any representations or warranties to it and that no act by the Administrative Agent or the 2023 Refinancing Arranger hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by the Administrative Agent or the 2023 Refinancing Arranger to any 2023 Term Lender. Each 2023 Term Lender represents to the Administrative Agent and the 2023 Refinancing Arranger that it has, independently and without reliance upon the Administrative Agent, the 2023 Refinancing Arranger or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to provide its 2023 Term Loans, as applicable, hereunder and enter into this First Refinancing Amendment and become (or continue to be) a Lender under the Credit Agreement. Each 2023 Term Lender also represents that it will, independently and without reliance upon the Administrative Agent, the 2023 Refinancing Arranger or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under the Credit Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Each 2023 Term Lender hereby (a) confirms that it has received a copy of the Credit Agreement and each other Loan Document and such other documents (including financial statements) and information as it deems appropriate to make its decision to enter into this First Refinancing Amendment, (b) agrees that it shall (or shall continue to) be bound by the terms of the Credit Agreement as a Lender thereunder and that it will perform in accordance with their terms all of the obligations by which the terms of the Loan Documents are required to be performed by it as a Lender, (c) irrevocably designates and appoints the Administrative Agent as the agent of such 2023 Term Lender, as applicable, under the Credit Agreement and the other Loan Documents, and each 2023 Term Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of the Credit Agreement and the other Loan Documents and to exercise such powers and perform such duties as are delegated to the Administrative Agent by the terms of the Credit Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto and (d) specifies as its lending office and address for notices the offices set forth on the Administrative Questionnaire provided by it to the Administrative Agent prior to the date hereof.

**SECTION 7. Additional Amendments.** The Lenders hereby authorize the Administrative Agent and Collateral Agent to enter into amendments to the Amended Credit Agreement and the other Loan Documents with the Borrowers, Holding, Intermediate Holdings and the other Loan Parties, as applicable, as may be necessary in order to establish the 2023 Refinancing Term Loan Facility on terms consistent with and/or to effect the provisions of this First Refinancing Amendment and Section 9.01 of the Amended Credit Agreement.

**SECTION 8. Loan Document.** Each of the Administrative Agent, the Borrowers and other Loan Parties party hereto designate this First Refinancing Amendment as a Loan Document.



**SECTION 9. Limited Effect.** Except as expressly amended and modified by this First Refinancing Amendment, the Credit Agreement and each of the other Loan Documents shall continue to be, and shall remain, in full force and effect in accordance with their respective terms; provided, however, that upon the effectiveness of this First Refinancing Amendment, (x) each reference therein and herein to the “Credit Agreement” in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement as amended hereby and (y) 2023 Term Loans shall constitute “Term B Loans”, in each case, under and as defined in the Credit Agreement, as amended hereby.

**SECTION 10. Consent to Assignment.** Each of the Administrative Agent and the Borrowers hereby consents, for the purposes of Sections 9.01 and 9.06 of the Amended Credit Agreement, to the assignment of any 2023 Term Loans to any Term Lender in connection with the primary syndication of the 2023 Term Loans.

**SECTION 11. Costs and Expenses.** The Borrowers hereby agree to reimburse the Administrative Agent and each Lender party hereto for the amount of all costs and expenses reasonably incurred by such Person in connection with this First Refinancing Amendment pursuant to, and in accordance with, the terms of Section 9.03 of the Credit Agreement.

**SECTION 12. Counterparts.** This First Refinancing Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this First Refinancing Amendment in Portable Document Format (PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

**SECTION 13. Electronic Execution.** The words “execution”, “signed”, “signature” and words of like import in this First Refinancing Amendment or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

**SECTION 14. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.** THIS FIRST REFINANCING AMENDMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. Sections 9.15 and 9.16 of the Credit Agreement are incorporated herein by reference and apply *mutatis mutandis*.

**SECTION 15. No Novation and Reaffirmation.** Nothing herein contained shall be construed as a substitution or novation of the obligations outstanding under the Credit Agreement or instruments securing the same, which shall remain in full force and effect, except to any extent modified hereby or by instruments executed concurrently herewith and except to the extent repaid as provided herein. Nothing implied in this First Refinancing Amendment or in any other document contemplated hereby shall discharge or release the Lien or priority of any Collateral Document or any other security therefor or otherwise be construed as a release or other discharge of any of the Loan Parties under any Loan Document from any of its obligations and liabilities as a borrower, guarantor or pledgor under any of the Loan

Documents, except, in each case, to any extent modified hereby and except to the extent repaid as provided herein. By signing this First Refinancing Amendment, each Loan Party party hereto hereby confirms that, as of the First Refinancing Amendment Effective Date, (a) the obligations of the Loan Parties under the Credit Agreement as modified or supplemented hereby (including with respect to the 2023 Refinancing Term Loan Facility contemplated by this First Refinancing Amendment) and the other Loan Documents (i) are entitled to the benefits of the guarantees and Liens set forth or created in the Credit Agreement, the Collateral Documents and each other Loan Document, (ii) constitute “Obligations”, “Secured Obligations” and “Guaranteed Obligations” or other similar term for purposes of (and as defined in, as applicable) the Credit Agreement, the Collateral Documents and all other Loan Documents, (iii) notwithstanding the effectiveness of the terms hereof, the Collateral Documents and the other Loan Documents are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects and (b) each Term Lender shall be a “Secured Party” and a “Lender” (including without limitation for purposes of the definition of “Required Lenders” contained in Section 1.01 of the Credit Agreement) for all purposes of the Credit Agreement and the other Loan Documents. Each Loan Party party hereto hereby ratifies and confirms that, as of the First Refinancing Amendment Effective Date, all Liens granted, conveyed or assigned to the Administrative Agent or Collateral Agent, as applicable, by such Person pursuant to any Loan Document to which it is a party remain in full force and effect, are not released or reduced, and continue to secure full payment and performance of the Obligations. Each Loan Party acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this First Refinancing Amendment, such Loan Party is not required by the terms of the Credit Agreement or any other Loan Document to consent to this First Refinancing Amendment and (ii) nothing in the Credit Agreement, this First Refinancing Amendment or any other Loan Document shall be deemed to require the consent of such Loan Party to any future amendment, consent or waiver of the terms of the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this First Refinancing Amendment to be duly executed and delivered as of the day and year first above written.

**SALLY HOLDINGS LLC**, as a Borrower

By:  
Name:  
Title:

**SALLY CAPITAL INC.**, as a Borrower

By:  
Name:  
Title:

**SALLY BEAUTY HOLDINGS, INC.**, as Holding

By:  
Name:  
Title:

**SALLY INVESTMENT HOLDINGS LLC**, as Intermediate Holdings

By:  
Name:  
Title:

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*[Signature Page to the First Refinancing Amendment to the Credit Agreement]*

**Guarantors:**

**ARCADIA BEAUTY LABS LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ARMSTRONG MCCALL HOLDINGS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ARMSTRONG MCCALL HOLDINGS, L.L.C.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ARMSTRONG MCCALL, L.P.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ARMSTRONG MCCALL MANAGEMENT, L.C.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BEAUTY HOLDING LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BEAUTY SYSTEMS GROUP LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DIORAMA SERVICES COMPANY, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**INNOVATIONS – SUCCESSFUL SALON SERVICES**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**LOXA BEAUTY LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NEKA SALON SUPPLY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PROCARE LABORATORIES, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Title: \_\_\_\_\_

**SALLY BEAUTY INTERNATIONAL FINANCE LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SALLY BEAUTY MILITARY SUPPLY LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SALLY BEAUTY SUPPLY LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SALON SUCCESS INTERNATIONAL, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*[Signature Page to the First Refinancing Amendment to the Credit Agreement]*

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**BANK OF AMERICA, N.A.**, as the Administrative Agent, as the Collateral Agent, as the 2023 Refinancing Arranger

By:  
Name:  
Title:

*[Signature Page to the First Refinancing Amendment to the Credit Agreement]*

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**Annex 1**

**Total Commitments**

<u>Term Lender</u>	<u>Total Commitments</u>
Individual commitments on file with the Administrative Agent.	\$399,000,000.00

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**Annex 2**

**Amended Credit Agreement**

**[attached]**

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**SALLY BEAUTY HOLDINGS, INC.**  
**ANNUAL INCENTIVE PLAN**  
**(as amended on July 24, 2023)**

**SECTION 1**  
**Purpose**

The purpose of the Sally Beauty Holdings, Inc. Annual Incentive Plan is to permit Sally Beauty Holdings, Inc., and its consolidated subsidiaries (the “Company”), through awards of annual cash incentive compensation, to attract and retain Executive Officers (as defined herein) and other key employees and to motivate these employees to promote the profitability and growth of the Company.

**SECTION 2**  
**Definitions**

“Active Employee” shall mean the employee is on the active payroll of the Company or any Subsidiary or Parent, as applicable, and has not experienced a voluntary or involuntary termination of employment with the Company or any Subsidiary or Parent for any reason.

“Affiliate” means (i) any Subsidiary or Parent, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee

“Base Salary” shall mean a Participant’s total gross base salary paid by the Company, including wages paid during a Leave of Absence or Furlough, during the applicable Performance Period. Base Salary does not include, without limitation, severance pay, bonuses/commissions/spiffs, stipends (e.g., car allowance, phone allowance, internet), expense reimbursements, relocation, gross-ups, earnings from stock awards (e.g., vestings or stock option exercises), benefits (such as 401(k) matches/true-ups, COBRA, insurance, etc.) or perquisites, rounded up to the nearest whole dollar.

“Board” shall mean the Board of Directors of the Company, or the successor thereto.

“Cause” as a reason for a Participant’s termination of employment shall have the meaning assigned such term in the employment, severance or similar agreement, if any, between such Participant and the Company or an Affiliate, *provided, however* that if there is no such employment, severance or similar agreement in which such term is defined, “Cause” shall mean any of the following acts, as determined in good faith by the Committee or the Board: (i) the continued and willful failure of the Participant substantially to perform the duties of Participant’s employment or other service for the Company or any Subsidiary (other than any such failure due to the Participant’s Disability); (ii) the Participant’s engaging in willful or serious misconduct that has caused or could reasonably be expected to result in material injury to the Company or any of its Subsidiaries or Affiliates, including, but not limited to, by way of damage to the Company’s or a Subsidiary’s or Affiliate’s reputation or public standing; (iii) the Participant’s commission of a felony involving the business, assets, customers or clients of the Company or any Affiliate, or charge with, indictment for, conviction of, pleading guilty to, confession to, or entering of a plea of nolo contendere by Participant for any other felony or any crime involving fraud, dishonesty, moral turpitude, or a breach of trust; or (iv) the Participant’s material violation or breach of the Company’s or any Subsidiary’s code of conduct or ethics or other Company or Subsidiary policy or rule or the material breach by the Participant of any of their obligations under any written covenant or agreement with the Company or any of its Subsidiaries or Affiliates.

“Change in Control” shall have the meaning set forth in the Stock Plan.

“Committee” shall mean the Compensation and Talent Committee of the Board.

“Disability” of a Participant means that the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) consecutive months under an accident and health plan covering employees of the Participant’s employer. In the event of a dispute, the determination of whether a Participant is Disabled will be made by the Committee and may be supported by the advice of a physician competent in the area to which such Disability relates.

“Eligible Employee” shall mean any employee of the Company or any of its Subsidiaries.

“Executive Officer” shall mean the officers identified as executive officers by the Company in the Company’s filings with the Securities and Exchange Commission pursuant to Item 401(b) of Regulation S-K and the officers required to file reports under Section 16 of the Securities Exchange Act of 1934, as amended.

“Funding Entity” shall mean the Participant’s designated grouping upon which their Performance Objectives will be based. A Funding Entity could be based on the Company and/or any of its business units or subsidiaries or the Participant’s level.

“Funding Percentage” shall mean the total percentage achievement of designated Performance Objectives for the Participant’s applicable Funding Entity.

“Furlough” means a temporary layoff, an involuntary leave, or some other modification of normal working hours, with or without pay, for a specified duration.

“Leave of Absence” shall mean any leave of absence authorized in writing by the Company or any Subsidiary or Parent, as applicable, prior to its commencement.

“Parent” shall mean a corporation, limited liability company, partnership or other entity which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company.

“Participant” shall mean, for each Performance Period, an Eligible Employee who has been selected to participate in the Plan for that Performance Period.

“Payout” shall mean a Participant’s Target Opportunity multiplied by their Funding Percentage, rounded up to the nearest whole dollar.

“Performance Objectives” shall mean the financial and/or operational performance objectives with respect to a Funding Entity and/or individual performance objectives established by or under the direction of the Committee with respect to a given Performance Period.

“Performance Period” shall mean the Company’s fiscal year or any other period designated by the Committee with respect to which a Payout may be granted.

“Plan” shall mean this Sally Beauty Holdings, Inc. Annual Incentive Plan, as amended from time to time.

“Retirement” shall mean (i) the Participant has attained the age of 65; or (ii) the sum of the Participant’s age and years of service as an employee of the Company or any Subsidiary equals or exceeds 65 years, and the Participant has at least attained the age of 55.

“Scheduled Payment Date” for any Performance Period has the meaning assigned such term in Section 6(a) hereof.

“Stock Plans” shall mean the Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan and any future equity compensation plan(s) approved by the shareholders of the Company.

“Subsidiary” shall mean any corporation, limited liability company, partnership or other entity, domestic or foreign, of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

“Target Opportunity” shall mean a Participant’s Base Salary multiplied by their Target Percentage, rounded up to the nearest whole dollar.

“Target Percentage” shall mean the percentage of a Participant’s Base Salary that will be earned by them for a Performance Period if their designated Funding Entity’s Performance Objectives are achieved at the target level.

### **SECTION 3 Administration**

The Committee shall administer the Plan and shall have full authority to interpret the Plan, to establish rules and regulations relating to the operation of the Plan, to select Participants, to determine the amounts of any Payouts and to make all determinations and take all other actions necessary or appropriate for the proper administration of the Plan. The Committee’s interpretation of the Plan, and all actions taken within the scope of its authority, shall be final and binding on the Company, its stockholders and Participants, former Participants, and their respective successors and assigns. No member of the Committee shall be eligible to participate in the Plan.

The Committee may delegate to the Chief Executive Officer some or all of its authority with respect to Eligible Employees who are not Executive Officers, including the authority to select Participants, establish or approve Funding Entities, establish or approve Performance Objectives for each Funding Entity, establish or approve Target Percentages, or determine the amounts of Payouts to Participants under the Plan.

### **SECTION 4 Eligibility and Participation**

The Committee shall determine the Participants in the Plan for each Performance Period. With respect to non-Executive Officers, the Chief Executive Officer shall recommend to the Committee a list of Eligible Employees (and/or job categories or levels of Eligible Employees) proposed to be Participants in the Plan for each Performance Period. Within ninety (90) days after the beginning of each Performance Period (or such longer period as may be determined by the Committee from time to time), the Committee shall review and approve the Eligible Employees and/or job classifications or categories of Eligible

Employees who will be Participants in the Plan for that Performance Period. The Chief Executive Officer may add or delete non-Executive Officer Participants and/or job classifications or categories of Participants during a Performance Period, subject to Committee approval.

## **SECTION 5**

### **Operation of the Plan**

(a) Establishment of Target Percentages and Funding Entity(ies). Within ninety (90) days after the beginning of each Performance Period (or such longer period as may be determined by the Committee from time to time), the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers) shall approve each Participant's Target Percentage and applicable Funding Entity. Each Participant's Target Percentage and Funding Entity will be communicated to the Participant. The actual Payout to a Participant may be greater or less than their Target Opportunity, depending on the Participant's Funding Percentage and depending on whether the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers) exercises discretion to increase or reduce a resulting Payout as provided herein.

(b) Service Requirements and Performance Objectives.

- (i) Service Requirements. Except as may be required by law and subject to the exceptions set forth in Section 7 hereof, a Participant must be an Active Employee for three (3) consecutive months of a Performance Period to be eligible for a Payout for that Performance Period, unless the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers) determines otherwise.
- (ii) Performance Objectives. Within ninety (90) days after the beginning of each Performance Period (or such longer period as may be determined by the Committee from time to time), the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers) shall establish or approve Performance Objectives for each Funding Entity relative to each Participant for a Performance Period. Such Performance Objectives may be expressed in terms of threshold, target and maximum performance levels, the achievement of which will affect the amount of the Payouts earned, with or without interpolation between points. The applicable Performance Objectives for each Funding Entity shall be communicated to the Participant as soon as practicable after they are established.

(c) Determination of Payouts. As soon as practicable after the end of each Performance Period, the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers) will review the total percentage achievement of designated Performance Objectives for each applicable Funding Entity (Funding Percentages) for the Performance Period. While the achievement of Performance Objectives shall in all cases be taken under consideration by the Committee (or the Chief Executive Officer if so authorized by the Committee to determine Payouts with respect to Participants who are not Executive Officers), the final Payout for each Participant is within the sole discretion of the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers), based on such factors as they shall deem relevant. The Committee (or the Chief Executive Officer, as the case may be) shall review and approve all Payouts, based upon the assumption that the Participant will be an Active Employee on the Scheduled Payment Date (defined below).

**SECTION 6**  
**Payouts**

(a) Payouts will be paid to Participants within thirty (30) days after the amount of such Payouts for a Performance Period have been determined, but no later than March 15 of the calendar year following the end of the Performance Period for which the Payouts, if any, were earned (the “Scheduled Payment Date”).

(b) Unless otherwise provided in Section 7 or determined by the Committee, a Participant must be an Active Employee on the Scheduled Payment Date for a Performance Period to be eligible for a Payout.

(c) Payouts made to Participants who are participating in the Plan for less than the entire Performance Period shall be prorated based on their Base Salary paid while the Participant was an Active Employee and eligible during the applicable Performance Period.

(d) Any Participant may be removed from consideration for a Payout (or have the Payout amount reduced) at the discretion of the Committee or its designee. Performance-related and ethics-related personnel actions are particularly likely to lead to removal from consideration.

(e) Payouts may be made in cash, stock, restricted stock, options, other stock-based or stock-denominated units or any combination thereof determined by the Committee. Equity or equity-based awards shall be granted under the terms and conditions of one or more of the Company’s Stock Plans. If so authorized by the Committee, Payouts may be deferred in accordance with a written election by the Participant pursuant to procedures established by the Committee.

**SECTION 7**  
**Effect of Employment Status**

(a) General.

- (i) Unless otherwise provided in this Section 7 or determined by the Committee, a Participant must be an Active Employee on the Scheduled Payment Date for a Performance Period to be eligible for a Payout.
- (ii) Except as may be required by law and subject to the exceptions set forth in this Section 7, a Participant must be an Active Employee for at least three (3) consecutive months of a Performance Period to be eligible for a Payout for that Performance Period, unless the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers of the Company) determines otherwise.

(b) Change in Position During Performance Period.

- (i) If a Participant’s Target Percentage is based on their level or position, and if their level or position changes during the Performance Period, then their Target Percentage will be prorated based on the number of days the Participant was employed in the applicable levels or positions during the Performance Period, and rounded up one decimal point.
- (ii) If a Participant’s position changes during the Performance Period and such change

in position results in a change in the applicable Funding Entity, then the applicable Funding Entity for purposes of this Plan shall be (A) the Funding Entity to which the Participant was assigned for the majority of days that they were eligible during the applicable Performance Period, or (B) the Funding Entity to which Participant was assigned on the last day of the Performance Period or when they were last eligible, if the Participant was assigned to different Funding Entities an equal number of days during the Performance Period that they were eligible.

(c) Termination of Employment Following Conclusion of Performance Period and Prior to Scheduled Payment Date. Unless otherwise determined by the Committee in its discretion, and subject to any contrary provision in an individual employment, severance or similar agreement with a Participant:

- (i) If a Participant's employment terminates by reason of their death, Disability or Retirement after the end of the Performance Period but before the Scheduled Payment Date, then such Participant shall be eligible to earn a Payout on the Scheduled Payment Date based upon the Participant's Funding Percentage for the applicable Performance Period.
- (ii) If the Company terminates a Participant's employment without Cause after the end of the Performance Period but before the Scheduled Payment Date, then such Participant shall be eligible to earn a Payout on the Scheduled Payment Date based upon the Participant's Funding Percentage for the applicable Performance Period, provided that within thirty (30) days after the date of termination the Participant shall have executed a separation and full release of claims/covenant not to sue agreement in the form provided by the Company (the "Release Agreement") and such Release Agreement shall not have been revoked within the revocation period specified in the Release Agreement.
- (iii) If a Participant's employment terminates after the end of the Performance Period but prior to the Scheduled Payment Date for any reason other than as set forth in Section 7(c)(i) or (ii), then such Participant shall not be eligible for a Payout.

(d) Termination of Employment During Performance Period. Unless otherwise determined by the Committee in its discretion, and subject to any contrary provision in an individual employment, severance or similar agreement with a Participant:

- (i) If a Participant's employment terminates by reason of their death, Disability or Retirement during the Performance Period, then, provided that, except as otherwise required by law, such Participant has been an Active Employee for at least three (3) consecutive months of the Performance Period, then for purposes of their Target Opportunity the Company shall use their Base Salary paid during their participation in the Plan (i.e., Base Salary shall not be the Participant's Base Salary for the full Performance Period) and the Participant would receive their Payout on the Scheduled Payment Date based upon the Participant's Funding Percentage for the applicable Performance Period.
- (ii) If the Company terminates Participant's employment without Cause during the Performance Period, then, provided that, except as otherwise required by law, such Participant has been an Active Employee for at least three (3) consecutive months of the Performance Period, then for purposes of their Target Opportunity the

Company shall use their Base Salary paid during their participation in the Plan (i.e., Base Salary shall not be the Participant's Base Salary for the full Performance Period) and the Participant would receive their Payout on the Scheduled Payment Date based upon the Participant's Funding Percentage for the applicable Performance Period, provided that within thirty (30) days after the date of termination the Participant shall have executed a Release Agreement and such Release Agreement shall not have been revoked within the revocation period specified in the Release Agreement.

- (iii) If a Participant's employment terminates during the Performance Period for any reason other than as set forth in Section 7(d)(i) or (ii), then such Participant shall not be eligible for a Payout.
- (iv) If a Participant's employment terminates during the Performance Period and subsequently becomes an Active Employee and Participant in the Plan during the same Performance Period, then, notwithstanding anything to the contrary in the Plan, Base Salary for purposes of such Participant's Target Opportunity shall be their Base Salary actually paid for the full Performance Period, notwithstanding the break in Active Employee status.

(e) Transfers; Other Changes in Status. Subject to any contrary provision in an individual employment, severance or similar agreement with a Participant:

- (i) If a Participant is transferred between the Company and one or more of its Subsidiaries or to an unaffiliated company, then the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers of the Company) shall determine the effect of the transfer on the Payout.
- (ii) If a Participant begins employment or is promoted to an eligible position after the beginning of a Performance Period, then the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers), in its or their discretion, may determine whether such employee may participate in the Plan and if so, the terms of such participation. Notwithstanding anything in this Plan to the contrary, for purposes of this Section 7(e)(ii), then for purposes of the Participant's Target Opportunity the Company shall use their Base Salary paid during their participation in the Plan (i.e., Base salary shall not be the Participant's Base Salary for the full Performance Period), unless the Committee or the Chief Executive Officer, as the case may be, determines otherwise.
- (iii) If, during a Performance Period, a Participant is demoted or transferred to a position that is not eligible for participation in the Plan, then the Committee (or the Chief Executive Officer if so authorized by the Committee with respect to Participants who are not Executive Officers) shall determine the effect of such demotion or transfer on the Participant's participation in the Plan. If it is determined that such Participant's participation in the Plan will cease in connection with their demotion, then, notwithstanding anything in the Plan to the contrary, for purposes of this Section 7(e)(iii), then for purposes of the Participant's Target Opportunity the Company shall use their Base Salary paid during their



participation in the Plan (i.e., Base Salary shall not be the Participant's Base Salary for the full Performance Period), and the Participant would receive their Payout on the Scheduled Payment Date based upon the Participant's Funding Percentage for the applicable Performance Period, unless the Committee or the Chief Executive Officer, as the case may be, determines otherwise.

(f) *Applies to Canadian and United Kingdom/European Union Eligible Employees Only* - The date of termination of employment under the Plan shall be determined to be:

- (i) In the case of a Participant's resignation or retirement, the day on which the Participant ceases to be an employee of the Company.
- (ii) In the case of the dismissal of the Participant or any other termination of employment not otherwise addressed, whether for cause or otherwise, the earlier of the date on which the Participant receives notice of termination of employment or the day on which the Participant ceases to be an employee of the Company.
- (iii) In the case of any single-member limited liability company or single-shareholder corporation providing executive management services to the Company or its Subsidiaries through its sole member or shareholder, the day that provision of executive management services ceases.

## **SECTION 8**

### **Change in Control**

(a) Change in Control During Performance Period. Unless otherwise determined by the Committee in its discretion, and subject to any contrary provision in an individual employment, severance or similar agreement with a Participant, if a Change in Control occurs during a Performance Period, then, provided that the Participant is an Active Employee on the effective date of the Change in Control, then for purposes of their Target Opportunity the Company shall use their Base Salary paid during their participation in the Plan (i.e., Base salary shall not be the Participant's Base Salary for the full Performance Period) and the Participant would receive their Payout based upon the Participant's Funding Percentage for the applicable Performance Period, measured as of the effective date of the Change in Control, as determined in the sole discretion of the Committee or the Board (as constituted immediately prior to the Change in Control). Such Payouts shall be paid to Participants no later than thirty (30) days after the effective date of the Change in Control and, unless otherwise determined by the Company in its sole discretion, such payments shall be in full satisfaction of Payouts under the Plan for such Performance Period and no additional amounts shall be payable to Participants under the Plan with respect to such Performance Period.

(b) Change in Control Following Conclusion of Performance Period and Prior to Scheduled Payment Date. Unless otherwise determined by the Committee in its discretion, if a Change in Control occurs after the end of the Performance Period but before the Scheduled Payment Date, then a Participant shall be eligible to earn a Payout on the Scheduled Payment Date based upon the Participant's Funding Percentage for the applicable Performance Period.

## **SECTION 9**

### **Amendment and Termination**

The Committee may amend the Plan at any time and from time to time. The Committee may terminate the Plan at any time.

**SECTION 10**  
**Other Provisions**

(a) No Eligible Employee or other person shall have any claim or right to be granted a Payout under the Plan. Neither the establishment of this Plan, nor any action taken hereunder, shall be construed as giving any Eligible Employee any right to be retained in the employ of the Company or any of its Subsidiaries. Nothing contained in the Plan shall limit the ability of the Company to make payments or awards to Eligible Employees under any other plan, agreement or arrangement.

(b) The rights and benefits of a Participant hereunder are personal to the Participant and, except for payments made following a Participant's death, shall not be subject to any voluntary or involuntary alienation, assignment, pledge, transfer, encumbrance, attachment, garnishment or other disposition.

(c) Payouts under the Plan shall not constitute compensation for the purpose of determining participation or benefits under any other plan of the Company unless specifically included as compensation in such plan.

(d) If there is any conflict between the provisions of the Plan and any individual employment, severance or similar agreement with a Participant to the extent such an agreement exists or is subsequently implemented by the Company, such conflict shall be resolved so as to provide the greater benefit to the Participant.

(e) The Company (or the Participant's employing company) shall have the right to deduct from Payouts any taxes or other amounts required to be withheld by law.

(f) Nothing contained in the Plan shall be construed to prevent the Company or any of its Subsidiaries from taking any corporate action which is deemed by it to be appropriate or in its best interest, whether or not such action would have an adverse effect on any Payouts made under the Plan and nothing in the Plan shall be deemed to limit or restrict the ability of the Company or any of its Subsidiaries from establishing any compensation plan or arrangement, or making any payment, or granting any Payout to any Eligible Employee or other person. No employee, beneficiary or other person shall have any claim against the Company or any of its Subsidiaries as a result of any such action.

(g) All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Texas without regard to principles of conflict of laws.

(h) No member of the Committee or the Board, and no officer, employee or agent of the Company shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or employee, or, except in circumstances involving bad faith, for anything done or omitted to be done in the administration of the Plan.

(i) *(Applies to United States Eligible Employees Only)* - Nothing in the Plan is intended to or shall change the nature of any Participant's employment from being "at will," terminable by the employer or employee at any time, with or without notice.

(j) *(Applies to Canadian and United Kingdom/European Union Eligible Employees Only)* - Nothing in the Plan is intended to or shall change the nature of any Participant's contract of employment with the Company or affect the Company's right to terminate the employment of the Participant.

(k) Nothing in this Plan is intended to change the nature of the contract to provide executive management services or affect any right to terminate such contract, in the case of any single-member limited liability company or single-shareholder corporation providing executive management services to the Company or its Subsidiaries through its sole member or shareholder.

(l) Payouts granted under this Plan shall be subject to any compensation recoupment policy that the Company may adopt from time to time that is applicable by its terms to the recipient of such award.

**Sally Beauty Holdings, Inc.**  
**Compensation Recoupment Policy**  
**(as amended on July 24, 2023)**

**1. History; Effective Date**

- 1.1 The Company adopted the Mandatory Policy in accordance with the applicable listing standards of The New York Stock Exchange (the “NYSE”) and Rule 10D-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), effective as of the Mandatory Policy Effective Date. To the extent the Mandatory Policy is in any manner deemed inconsistent with the NYSE listing standards, the Mandatory Policy shall be treated as retroactively amended to be compliant with such listing standards. Each Covered Executive (as defined herein) shall be required to sign and return to the Company the Acknowledgement Form attached hereto as Appendix A.
- 1.2 The Discretionary Policy was adopted and effective as of September 18, 2019 (the “Discretionary Policy Effective Date”).

**2. Defined Terms**

For purpose of this Policy, the following terms have the following meanings:

“Accounting Restatement” means any accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

“Board” means the Board of Directors of the Company.

“Company” means Sally Beauty Holdings, Inc.

“Committee” means the Compensation and Talent Committee of the Board.

“Covered Employee” means any current or former employee of the Company or any of its direct or indirect subsidiaries (other than a Covered Executive).

“Covered Executive” means the current or former officers identified as executive officers by the Company in the Company’s filings with the SEC pursuant to Item 401(b) of Regulation S-K and the officers required to file reports under Section 16 of the Exchange Act.

“Determination Date” means the date upon which the Committee shall have determined that a particular Covered Employee or Covered Executive engaged in Misconduct.

“Discretionary Policy” has the meaning set forth in Section 4.1 hereof.

“*Discretionary Policy Effective Date*” has the meaning set forth in Section 1 hereof.

“*Equity Award*” means any appreciation-type award (such as stock options) or full value award (such as restricted stock) with respect to the common stock of the Company.

“*Erroneously Awarded Compensation*” is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total stockholder return (TSR), where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount shall be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was Received; and (ii) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the NYSE.

“*Financial Reporting Measure*” is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. Stock price and TSR (and any measures that are derived wholly or in part from stock price or TSR) are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the SEC.

“*Incentive-Based Compensation*” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Please refer to Appendix B to this Policy for a non-exhaustive list of examples of Incentive-Based Compensation.

“*Mandatory Policy*” has the meaning set forth in Section 3 hereof.

“*Mandatory Policy Effective Date*” means October 2, 2023.

“*Misconduct*” means any activity by a Covered Employee or Covered Executive that is (i) harmful to the interests of the Company, including without limitation, conduct during his or her employment that violates the Company’s Code of Business Conduct and Ethics, Insider Trading Policy Statement, Corporate Governance Guidelines, or other similar policies; and/or (ii) any form of misconduct, negligence or dereliction of duty which caused or contributed to the need for a restatement or material adjustment of any financial performance measure upon which the vesting or payment of his or her Incentive-Based Compensation are or were based; all to an extent which, in the reasonable opinion of the Committee, justifies the recoupment of compensation as described herein.

“*Other Covered Person*” has the meaning set forth in Section 3.8 hereof.

“*Policy*” means this Sally Beauty Holdings, Inc. Compensation Recoupment Policy (including both the Mandatory Policy and the Discretionary Policy).

“*Received*” means the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

“*SEC*” means the United States Securities and Exchange Commission.

“*Shares*” means shares of common stock of the Company.

### **3. *Mandatory Recoupment Policy in the Context of Accounting Restatements***

3.1 The Company has adopted the policy set forth in this Section 3 (the “*Mandatory Policy*”) in accordance with the applicable listing standards of the NYSE and Rule 10D-1 under the Exchange Act. In the event that the Company is required to prepare an Accounting Restatement, the Company shall recover reasonably promptly the amount of all Erroneously Awarded Compensation Received by a person:

- i. After beginning service as a Covered Executive;
- ii. Who served as a Covered Executive at any time during the performance period for that Incentive-Based Compensation;
- iii. While the Company has a listed class of securities listed on the NYSE; and
- iv. During the three completed fiscal years immediately preceding the date that the Company is required to prepare the Accounting Restatement and any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years. For purposes of this Mandatory Policy, a transition period between the last day of the Company’s previous fiscal year and the first day of its new fiscal year that comprises a period of nine to twelve months would be deemed a completed fiscal year.

3.2 Notwithstanding the foregoing, this Mandatory Policy shall only apply to Incentive-Based Compensation Received on or after the Mandatory Policy Effective Date.

3.3 The Company’s obligation to recover Erroneously Awarded Compensation pursuant to this Mandatory Policy is not dependent on when the restated financial statements are filed.

3.4 For purposes of determining the relevant recovery period under this Mandatory Policy, the date that the Company is required to prepare an Accounting Restatement is the earliest to occur of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting

Restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

- 3.5 The Company must recover Erroneously Awarded Compensation in compliance with this Mandatory Policy except to the extent that the conditions of paragraphs (i), (ii) or (iii) in this Section 3.5 are met, and the Committee, or in the absence of such a committee, a majority of the independent directors serving on the Board, has determined that recovery would be impracticable.
- i. The direct expense paid to a third party to assist in enforcing this Mandatory Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the NYSE.
  - ii. Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impractical to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to the NYSE, that recovery would result in such a violation, and must provide such opinion to the NYSE.
  - iii. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.
- 3.6 The Company shall not indemnify any Covered Executive or former Covered Executive against the loss of Erroneously Awarded Compensation pursuant to this Mandatory Policy.
- 3.7 The Company shall file all disclosures with respect to this Mandatory Policy in accordance with the requirements of the U.S. Federal securities laws, including the disclosure required by the applicable SEC filings.
- 3.8 In addition to the Covered Executives and former Covered Executives, this Mandatory Policy shall apply to any other employee of the Company or its subsidiaries designated by the Committee or the Board as a person covered by this Mandatory Policy by written notice to the employee (“*Other Covered Person*”).
- 3.8.1 Unless otherwise determined by the Committee or the Board, this Mandatory Policy shall apply to an Other Covered Person as if such individual was a Covered

Executive during the relevant periods described in Section 3.

- 3.8.2 The Committee or the Board may, in its discretion, limit recovery of Erroneously Awarded Compensation from an Other Covered Person to situations in which an Accounting Restatement was caused or contributed to by the Other Covered Person's Misconduct.
- 3.8.3 In addition, the Committee or the Board shall have discretion as to (i) whether to seek to recover Erroneously Awarded Compensation from an Other Covered Person, (ii) the amount of the Erroneously Awarded Compensation to be recovered from an Other Covered Person, and (iii) the method of recovering any such Erroneously Awarded Compensation from an Other Covered Person. In exercising such discretion, the Committee or the Board may take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law or prejudice the interests of the Company in any related proceeding or investigation.
- 3.9 The Committee shall have full authority to interpret and enforce this Mandatory Policy to the fullest extent permitted by law.
- 3.10 The Committee shall determine, in its sole discretion, the appropriate means to seek recovery of any Erroneously Awarded Compensation, which may include, without limitation: (i) requiring cash reimbursement; (ii) seeking recovery or forfeiture of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards; (iii) offsetting the amount to be recouped from any compensation otherwise owed by the Company to the Covered Executive; (iv) canceling outstanding vested or unvested equity awards; or (v) taking any other remedial and recovery action permitted by law, as determined by the Committee.
- 3.11 The Committee shall determine the repayment schedule for any Erroneously Awarded Compensation in a manner that complies with the "reasonably promptly" requirement set forth in Section 3.1 hereof. Such determination shall be consistent with any applicable legal guidance, by the SEC, judicial opinion or otherwise. The determination with respect to "reasonably promptly" recovery may vary from case to case and the Committee is authorized to adopt additional rules to further describe what repayment schedules satisfies this requirement.
- 3.12 To the extent a Covered Executive, former Covered Executive or Other Covered Person refuses to pay to the Company any Erroneously Awarded Compensation, the Company shall have the right to sue for repayment or, to the extent legally permitted, to enforce such person's obligation to make payment by withholding unpaid or future compensation.
- 3.13 Any determination by the Committee or the Board with respect to this Mandatory Policy shall be final, conclusive, and binding on all interested parties.
- 3.14 If the requirement to recover Erroneously Awarded Compensation is triggered under this



Mandatory Policy, then, in the event of any actual or alleged conflict between the provisions of this Mandatory Policy and a similar clause or provision in any of the Company's plans, awards, policies or agreements, this Mandatory Policy shall be controlling and determinative; provided that, if such other plan, award, policy or agreement provides that a greater amount of compensation shall be subject to clawback, the provisions of such other plan, award, policy or agreement shall apply to the amount in excess of the amount subject to clawback under this Mandatory Policy.

#### **4. *Discretionary Recoupment Policy in the Context of Misconduct***

4.1 It is the policy of the Company that:

4.1.1 The Company will, to the extent permitted by governing law, require reimbursement of any Incentive-Based Compensation paid to any Covered Employee or Covered Executive after January 1, 2011, and within 12 months prior to the Determination Date, where: (i) the payment was predicated upon the achievement of specified financial results; (ii) such financial results were subsequently the subject of a restatement or other material adjustment, (iii) in the Committee's view the individual Covered Employee or Covered Executive engaged in Misconduct which caused or contributed to the need for the restatement or material adjustment, and (iv) a lower payment would have been made to the Covered Employee or Covered Executive based upon the correct financial results. In each such instance, the Company will seek to recover the Covered Employee's or Covered Executive's entire Incentive-Based Compensation payment for the relevant period(s); and

4.1.2 In the event that the Committee determines that any Covered Employee or Covered Executive engaged in Misconduct, then, to the fullest extent permitted by law, the Committee may, in its sole discretion, require (i) the cancellation or forfeiture of the unvested portion of all of such Covered Employee's or Covered Executive's Equity Awards granted on or after September 18, 2019; and/or (ii) the Covered Employee or Covered Executive to reimburse the Company for the amount of the Covered Employee's or Covered Executive's most recently-received Incentive-Based Compensation (Section 4.1.1 and 4.1.2 collectively referred to herein as the "*Discretionary Policy*").

4.2 This Section 4 shall be effective as of the Discretionary Policy Effective Date.

#### **5. *General***

5.1 These rights to recoupment are in addition to any other rights that the Company may have against any Covered Employee or Covered Executive, including any remedies at law or in equity. Application of this Policy does not preclude the Company from taking any other action to enforce a Covered Employee's or Covered Executive's obligations to the Company, including termination of employment or institution of civil or criminal proceedings. Nothing in this Policy shall be viewed as limiting the right of the Company

or the Committee to pursue recoupment under or as provided by the Company's plans, awards, policies or agreements or the applicable provisions of any law, rule or regulation (including, without limitation, Section 304 of the Sarbanes-Oxley Act of 2002.

- 5.2 The Committee may amend this Policy, provided that any such amendment does not cause the Mandatory Policy to violate applicable listing standards of the NYSE or Rule 10D-1 under the Exchange Act.
- 5.3 Any determination by the Committee or the Board with respect to this Policy shall be final, conclusive, and binding on all interested parties.
- 5.4 Nothing contained herein prohibits a Covered Employee or Covered Executive from: (1) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity; (2) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; or (3) otherwise fully participating in any federal whistleblower programs, including but not limited to any such programs managed by the SEC.

**APPENDIX A**

**Sally Beauty Holdings, Inc.  
Acknowledgment of  
Compensation Recoupment Policy**

By my signature below, I acknowledge that I have read and received the Sally Beauty Holdings, Inc. Compensation Recoupment Policy, as amended on July 24, 2023 (the “Policy”), and that I am fully bound by, and subject to the terms and conditions of, the Policy.

Signature:

Name (printed):

Date:

## APPENDIX B

### Examples of Incentive-Based Compensation

Examples of compensation that constitutes Incentive-Based Compensation for purposes of the Mandatory Policy include, but are not limited to, the following:

- Non-equity incentive plan awards earned based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Bonuses paid from a “bonus pool,” the size of which is determined based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Other cash awards based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Equity-based awards (e.g., restricted stock, restricted stock units, performance share units, stock options, and stock appreciation rights) that are granted or become vested based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Proceeds received upon the sale of shares acquired through an incentive plan that were granted or vested based wholly or in part on satisfying a Financial Reporting Measure performance goal.

Examples of compensation that does not constitute Incentive-Based Compensation for purposes of the Mandatory Policy include the following:

- Salary or salary increases for which the increase is not contingent upon achieving any Financial Reporting Measure performance goal.
- Bonuses paid solely at the discretion of the Committee or Board that are not paid from a bonus pool, the size of which is determined based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Bonuses paid solely upon satisfying one or more subjective standards (e.g., demonstrated leadership) and/or completion of a specified employment period.
- Non-equity incentive plan awards earned solely upon satisfying one or more strategic measures (e.g., consummating a merger or divestiture) or operational

measures (e.g., opening a specified number of stores, completion of a project, or increase in market share).

- Equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent solely upon completion of a specified employment period and/or attaining one or more non-Financial Reporting Measures.

# SALLY BEAUTY HOLDINGS, INC.

## SALLY BEAUTY HOLDINGS, INC. INDEPENDENT DIRECTOR COMPENSATION POLICY

(AMENDED AND RESTATED AS OF NOVEMBER 1, 2023)

Upon recommendation and approval by the Compensation and Talent Committee (the “Compensation and Talent Committee”) of the Board of Directors (the “Board”) of Sally Beauty Holdings, Inc. (the “Company”), the Board has adopted the following compensation policy, effective as of October 1, 2022 (the “Effective Date”), for independent directors of the Company. The compensation policy has been developed to compensate certain independent directors of the Company for their time, commitment and contributions to the Board. This policy shall apply to directors of the Company who are not Company employees (each an “Independent Director”).

### CASH COMPENSATION

#### **Retainers for Serving on the Board**

Independent Directors shall be paid an annual cash retainer of \$105,000, payable in advance in quarterly installments, for each calendar year of service on the Board. Cash retainers for partial years of service shall be pro-rated to reflect the number of days served by an Independent Director during any such quarter.

#### **Retainers for Serving as Chair**

An additional annual cash retainer shall be paid to an Independent Director who serves as the Non-Executive Chair of the Board (the “Non-Executive Chair”) or Chair of the Audit Committee; Compensation and Talent Committee; or Nominating, Governance and Corporate Responsibility Committee (a “Committee Chair”). Such additional retainer shall be payable in advance in quarterly installments, in the following annualized amounts:

Non-Executive Chair	\$150,000
Audit Committee	\$30,000
Compensation and Talent Committee	\$25,000
Nominating, Governance and Corporate Responsibility Committee	\$20,000

The Compensation and Talent Committee may recommend a “special” retainer or lump sum cash payment for the Non-Executive Chair of up to \$150,000 annually to reflect increased responsibilities as may occur from time to time. The Compensation and Talent Committee may recommend a “special” retainer or lump sum cash payment for other

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Independent Directors of up to \$50,000 annually to reflect increased responsibilities as may occur from time to time.

Additional and / or “special” retainers paid to the Non-Executive Chair or Committee Chair for partial years of service shall be pro-rated to reflect the number of days served by an Independent Director during any such quarter.

## **EQUITY-BASED COMPENSATION**

### **Annual Grants Prior to November 1, 2023**

Prior to November 1, 2023, each Independent Director shall be granted an annual equity-based retainer award with a value at the time of issuance of approximately \$150,000. Such award shall normally be made at the first Board meeting each Company fiscal year in the form of grants of restricted stock units (“RSUs”), in accordance with the Company’s Omnibus Incentive Plan then in effect (“Omnibus Plan”) and shall vest on November 15<sup>th</sup> of the following year.

### **Annual Grants On or Following November 1, 2023**

On or following November 1, 2023, each Independent Director shall be granted an annual equity-based retainer award with a value at the time of issuance of approximately \$150,000. Effective as of November 1, 2023, such award shall normally be made at the Company’s annual meeting of stockholders (the “Annual Meeting”) in the form of RSUs, in accordance with the Omnibus Plan and shall vest on the earlier of the one-year anniversary of the date of grant and the next Annual Meeting. Notwithstanding the foregoing, the RSUs to be granted at the Annual Meeting held in calendar year 2024 shall have a value at the time of issuance of approximately \$187,500.

Independent Directors whose Board service begins after the start of a Company fiscal year shall receive a grant pro-rated to reflect the number of days remaining in such fiscal year.

The Compensation and Talent Committee may recommend a “special” equity-based retainer for the Non-Executive Chair of up to \$100,000 annually to reflect increased responsibilities as may occur from time to time.

### **RSUs Granted Prior to October 1, 2012**

Upon vesting of RSUs granted prior to October 1, 2012, Independent Director RSUs shall be deferred into deferred stock units that shall be distributed six months after such Independent Director’s Board service terminates.

In the event an Independent Director’s Board service terminates because of death, disability or involuntary termination without Cause (as defined in the Omnibus Plan), a pro rata portion of such Independent Director’s unvested RSUs shall vest upon such termination. If an Independent Director’s Board service is terminated for any other reason than the foregoing RSUs shall be canceled upon such termination.

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## **RSUs Granted Following October 1, 2012**

With respect to RSUs granted following October 1, 2012, Independent Directors may elect, by the deadline imposed by the Compensation and Talent Committee in compliance with Section 409A of the Code, to defer delivery of the shares of common stock of the Company (“Common Stock”) that would otherwise be due on the vesting date until a later date as specified in such Independent Director’s deferral election form. The Company shall establish the rules and procedures for such payment deferrals in compliance with Section 409A of the Code and Treasury regulations and guidance with respect to such law. If an Independent Director does not make such election, he or she will receive shares of Common Stock in settlement of the RSU on the vesting date.

In the event an Independent Director’s Board service terminates because of death or disability, a pro rata portion of such Independent Director’s unvested RSUs shall vest upon such termination. If an Independent Director’s Board service is terminated for any other reason than the foregoing RSUs shall be canceled upon such termination.

## **TRAVEL EXPENSE REIMBURSEMENT**

Each of the Independent Directors shall be entitled to receive reimbursement for reasonable travel expenses which they properly incur in connection with their functions and duties as a director. With respect to air travel, reimbursements shall be limited to the cost of first-class commercial airline tickets for the trip and date in question.

## **MINIMUM EQUITY OWNERSHIP**

Each Independent Director must own shares of Common Stock in an amount equal to 5x their base annual cash retainer (excluding additional annual cash retainers for the Non-Executive Chair and Committee Chair and meeting fees) (“Retention Amount”). Independent Directors are required to achieve their Retention Amount within five years of becoming subject to the requirements. Until such time as the Independent Director reaches their minimum equity ownership Retention Amount, the Independent Director will be required to retain 100% of the shares of Common Stock received upon settlement of their restricted stock units.

### **Equity that Counts Toward Meeting the Retention Amount:**

- Shares owned directly (*e.g.*, shares purchased in the open market, etc.)
- Shares owned indirectly (*e.g.*, by a spouse, trust or limited partnership or any other entity)
- Shares underlying vested restricted stock units
- Shares the receipt of which have been deferred
- 50% of unvested restricted stock units

### **Equity that Does Not Count Toward Meeting the Retention Amount:**

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- Unexercised options (whether vested or unvested)
- 50% of unvested restricted stock units settled (meaning that the 50% addressed in the section above does count toward the Retention Amount, while the other 50% does not)

**Compliance:**

Retention Amounts for Independent Directors are determined as a multiple of their base annual cash retainer and then converted to a fixed number of shares based on an average of the prior fiscal year's quarter-end closing stock prices. The required Retention Amount will be re-determined each December 1st based on the then-current annual cash retainer and an average of the prior fiscal year's quarter-end closing stock prices. Once established each year, an Independent Director's required Retention Amount does not change as a result of fluctuations in the market price of the Common Stock. Once achieved, ownership of the required Retention Amount must be maintained for as long as the Independent Director is subject to the guidelines.

The Nominating, Governance and Corporate Responsibility Committee of the Board will be responsible for monitoring compliance with these stock ownership guidelines.

**EFFECTIVE DATE, AMENDMENT, REVISION AND TERMINATION**

This policy may be amended, revised or terminated by the Compensation and Talent Committee at any time and from time-to-time.

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**PERFORMANCE STOCK UNIT AWARD CERTIFICATE****Year 1 Adjusted Operating Income Margin (“Y1AOIM”)****(UNITED STATES)***Non-transferable***GRANT TO****«Full Name»****(“Grantee”)**

by Sally Beauty Holdings, Inc. (the “Company”) of

performance stock units (the “PSUs” or “Y1AOIM PSUs”) representing the right to earn, on a one-for-one basis, shares of the Company’s common stock, par value \$0.01 pursuant to and subject to the provisions of the Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan (the “Plan”) and to the terms and conditions set forth on the following pages (the “Terms and Conditions”). By accepting the PSUs, Grantee shall be deemed to have agreed to the Terms and Conditions set forth in this Award Certificate and the Plan.

The target number of shares of Common Stock subject to this award is **«Y1AOIM PSUs»** (the “Y1AOIM Target Award”). Depending on the Company’s level of attainment of specified targets for Adjusted Operating Income Margin (“AOIM”) for the first one-year performance period (as such terms are defined in this Award Certificate), and Grantee’s continued service with the Company or a Subsidiary, Grantee may earn a percentage of the Y1AOIM Target Award, in accordance with the matrix attached hereto as Exhibit A and the terms of this Certificate.

IN WITNESS WHEREOF, Sally Beauty Holdings, Inc. has caused this Award Certificate to be executed as of the Grant Date, as indicated below.

SALLY BEAUTY HOLDINGS, INC.

By: \_\_\_\_\_  
Denise Paulonis

Grant Date: November 1, 2023

Its: President, Chief Executive Officer &amp; Director

Acknowledged and Accepted by Grantee\*

\*Grantee’s electronic signature indicates Grantee’s acknowledgment and acceptance of the PSUs and the Terms and Conditions.

## TERMS AND CONDITIONS

1. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan. In addition, for purposes of this Award Certificate:

“*Adjusted Operating Income*” means the operating income of the Company as reported in the Company’s audited consolidated financial statements, with such adjustment as the Committee may provide for prior to the commencement thereof (which adjustments shall include effects of charges for restructurings, discontinued operations, extraordinary items, other unusual or non-recurring items, and the cumulative effect of tax or accounting changes, each as determined in accordance with generally accepted accounting principles and identified in the financial statements, notes to the financial statements or management’s discussion and analysis) at the end of the Y1AOIM Performance Period.

“*Conversion Date*” means November 15, 2026.

“*Adjusted Operating Income Margin*” is defined as the Company’s Adjusted Operating Income divided by the Company’s Total Sales for the Y1AOIM Performance Period.

“*Total Sales*” means the total amount of all cash, credit, installment, and conditional sales made during the Y1AOIM Performance Period.

“*Y1AOIM Confirmed PSUs*” is defined on Exhibit A hereto.

“*Y1AOIM Performance Multiplier*” means the percentage that will be applied to the Y1AOIM Target Award to determine the number of Y1AOIM PSUs that will convert to shares of Common Stock on the Conversion Date, as more fully described in Exhibit A hereto.

“*Y1AOIM Performance Objective*” or “*Y1AOIM Goal*” is Adjusted Operating Income Margin for the Y1AOIM Performance Period, as more fully described in Exhibit A hereto.

“*Year One AOIM Performance Period*” or “*Y1AOIM Performance Period*” means the fiscal year of the Company beginning on October 1, 2023 and ending on September 30, 2024.

### 2. PSUs.

(a) *Conversion Date*. The PSUs have been credited to a bookkeeping account on behalf of Grantee. The PSUs will be earned in whole, in part, or not at all, on the Conversion Date to the extent that the Performance Objective is attained, as provided on Exhibit A attached hereto and, except as otherwise provided herein, subject to Grantee’s continued employment on the Conversion Date. Any PSUs that fail to vest in accordance with the terms of this Award Certificate will be forfeited and reconveyed to the Company without further consideration or any act or action by Grantee.

If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company conducts its business, or other unusual or non-recurring events or circumstances render the Performance Objective to be unsuitable, the Committee may modify the Performance Objective in whole or in part, as the Committee deems appropriate.

(b) *Forfeiture of PSUs*. If Grantee terminates service with the Company and its Subsidiaries prior to the Conversion Date for any reason other than as set forth in Section 2(c) or (d) hereof, then the Grantee shall, for no consideration, forfeit all Y1AOIM PSUs.

(c) *Death or Disability*. If, as a result of Grantee’s death or Disability, Grantee terminates service with the Company and its Subsidiaries prior to the last day of the Y1AOIM Performance Period, then, provided Grantee has provided continuous, eligible service to the Company from the Grant Date until Grantee’s death or Disability,

Grantee or, as the case may be, Grantee's estate, shall retain a portion of the Y1AOIM PSUs determined by multiplying the total number of Y1AOIM PSUs awarded under this Award Certificate by a fraction, the numerator of which is the number of days elapsed from the commencement of the Y1AOIM Performance Period through the date of Grantee's termination of service, and the denominator of which is the number of days in the Y1AOIM Performance Period (the "Retained Death/Disability Award"), and the remainder of the Y1AOIM PSUs shall be forfeited and canceled as of the date of Grantee's termination of service. The Retained Death/Disability Award shall be earned, in whole, in part, or not at all, to the extent that the Performance Objective is attained, as provided on Exhibit A attached hereto, and shall convert to shares of Common Stock on the Conversion Date.

(d) *Retirement.* If Grantee's service with the Company is terminated as a result of his or her Retirement and Grantee agrees to be bound by certain restrictive covenants (including non-competition, non-solicitation, non-disclosure and non-disparagement covenants as determined in the sole discretion of the Company) ("Restrictive Covenants"), for the three-year period following his or her Retirement, then provided Grantee has provided continuous, eligible service to the Company from the Grant Date until Grantee's Retirement, Grantee shall retain a portion of the Y1AOIM PSUs determined by multiplying the total number of Y1AOIM PSUs awarded under this Award Certificate by a fraction, the numerator of which is the number of days elapsed from the commencement of the Y1AOIM Performance Period through the date of Grantee's termination of service by reason of his or her Retirement, and the denominator of which is the number of days in the Y1AOIM Performance Period (the "Retained Retirement Award"), and the remainder of the Y1AOIM PSUs shall be forfeited and canceled as of the date of Grantee's termination of service. The Retained Retirement Award shall be earned, in whole, in part, or not at all, to the extent that the Performance Objective is attained, as provided on Exhibit A attached hereto, and shall convert to shares of Common Stock on the Conversion Date. If, in the sole discretion of the Committee, Grantee violates one of the Restrictive Covenants during the three-year period following Grantee's Retirement, then all Y1AOIM PSUs shall be immediately forfeited and cancelled as of the date of such violation. If Grantee's service with the Company is terminated as a result of his or her Retirement and Grantee does not agree to be bound by Restrictive Covenants, then the Y1AOIM PSUs shall be immediately forfeited and cancelled as of the date of Grantee's termination of service.

(e) *Change in Control.*

(i) If there is a Change in Control and the Committee determines that the PSUs shall not become an Assumed Award (as defined in Section 13.8(b) of the Plan), then (A) the PSUs shall first convert to time-based Restricted Stock Units (RSUs) as follows: (X) if the Change in Control occurs during the Y1AOIM Performance Period, then the PSUs shall convert, on a one-for-one basis, to a number of time-based RSUs equal to the number of shares of Common Stock underlying the Y1AOIM Target Award; and (Y) if the Change in Control occurs following completion of the Y1AOIM Performance Period but prior to the Conversion Date, then the PSUs shall convert, on a one-for-one basis, to a number of time-based RSUs based upon actual performance, as determined by the Committee (as constituted immediately prior to the Change in Control); (B) the time-based vesting restrictions on all such RSUs shall lapse immediately prior to such Change of Control; and (C) either (1) shares of Common Stock underlying the RSUs shall be issued immediately prior to such Change in Control to Grantee, or (2) at the discretion of the Committee (as constituted immediately prior to the Change in Control), the RSUs shall be cancelled in exchange for an amount equal to the product of the Change in Control Price, multiplied by the aggregate number of shares of Common Stock covered by such RSUs.

(ii) If there is a Change in Control and the Committee determines that the PSUs shall become an Assumed Award (as defined in, and in accordance with the terms and conditions set forth in, Section 13.8(b) of the Plan), then (A) the PSUs shall first convert to time-based RSUs as follows: (X) if the Change in Control occurs during the Y1AOIM Performance Period, then the PSUs shall convert, on a one-for-one basis, to a number of time-based RSUs based upon the number of shares of Common Stock underlying the Y1AOIM Target Award (the "Converted Performance Award"), and the Converted Performance Award shall vest on the earlier of (1) the scheduled vesting date specified in the Award Certificate absent a Change in Control, subject to Grantee's continued employment with the surviving entity on such date, or (2) Grantee's Qualifying Termination (as defined in Section 13.8(b)(iv) of the Plan); and (Y) if the Change in Control occurs following completion of the Y1AOIM Performance

Period but prior to the Conversion Date, then the PSUs shall convert, on a one-for-one basis, to a number of time-based RSUs based upon actual performance, as determined by the Committee (as constituted immediately prior to the Change in Control), and such time-based RSUs shall vest as of the scheduled vesting date specified in the Award Certificate absent a Change in Control, subject to Grantee's continued employment with the surviving entity on such date, or (2) Grantee's Qualifying Termination.

(iii) Payment of any amounts under this Section 2(e) shall be payable to Grantee in full as soon as reasonably practicable, but in no event later than 30 days, following the Change in Control.

3. Restrictions on Transfer and Pledge. Unless otherwise determined by the Committee and provided in this Award Certificate or the Plan, the PSUs shall not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred except by will or the laws of descent and distribution. Any attempted assignment of a Performance Unit in violation of this Award Certificate shall be null and void. The Company shall not be required to honor the transfer of any PSUs that have been sold or otherwise transferred in violation of any of the provisions of this Award Certificate or the Plan.

4. Rights. PSUs represent an unsecured promise of the Company to issue shares of Common Stock of the Company as otherwise provided in this Award Certificate. Other than the rights provided in this Award Certificate, Grantee shall have no rights of a stockholder of the Company with respect to the PSUs awarded under this Award Certificate unless and until such PSUs have vested and the related shares of Common Stock have been issued pursuant to the terms of this Award Certificate. Upon conversion of the PSUs into shares of Common Stock, Grantee will obtain full voting and other rights as a stockholder of the Company.

5. Dividend Equivalents. If any dividends or other distributions are paid with respect to the shares of Common Stock while the PSUs are outstanding, the dollar amount or fair market value of such dividends or distributions with respect to the number of shares of Common Stock then underlying the PSUs shall be credited to a bookkeeping account and held (without interest) by the Company for the account of Grantee until the Conversion Date. Such amounts shall be subject to the same vesting and forfeiture provisions as the PSUs to which they relate. Accrued dividends held pursuant to the foregoing provision shall be paid by the Company to Grantee on the Conversion Date, provided that Grantee has provided continuous, eligible service to the Company through the Conversion Date.

6. Conversion to Common Stock. Unless the PSUs are forfeited prior to the Conversion Date, and except as otherwise provided in Section 2(e), the Y1AOIM Confirmed PSUs will convert to shares of Common Stock on the Conversion Date, provided that, except as otherwise provided herein, Grantee has provided continuous, eligible service to the Company through the Conversion Date. Evidence of the issuance of the shares of Common Stock pursuant to this Award Certificate may be accomplished in such manner as the Company or its authorized representatives shall deem appropriate including, without limitation, electronic registration, book-entry registration or issuance of a certificate or certificates in the name of the Grantee or in the name of such other party or parties as the Company and its authorized representatives shall deem appropriate. In the event the shares of Common Stock issued pursuant to this Award Certificate remain subject to any additional restrictions, the Company and its authorized representatives shall ensure that the Grantee is prohibited from entering into any transaction that would violate any such restrictions, until such restrictions lapse.

7. Covenants.

(a) Post-Employment Non-Solicitation. Grantee agrees that for a period of one year following Grantee's termination of service with the Company for any reason, Grantee will not either directly or indirectly solicit for employment or otherwise interfere with the relationship of the Company or any Affiliate of the Company with any natural person who is then-currently employed by or otherwise engaged to perform services for the Company or any Affiliate of the Company. Grantee further agrees that Grantee will not interfere with the business relationship between the Company and any Affiliate of the Company and one of its customers, suppliers or vendors by soliciting, inducing, or otherwise encouraging the customer, supplier or vendor to reduce or stop doing business with the

Company and any Affiliate of the Company. In the event Grantee's service with the Company is terminated as a result of his or her Retirement, the provisions of this Section 7 shall apply regardless of whether Grantee agrees to be bound to Restrictive Covenants set forth in Section 2(d).

(b) Non-Disclosure. Grantee agrees that Grantee will not, directly or indirectly, use, distribute, or disclose to any person (other than in connection with Grantee's duties on behalf of the Company) any confidential or proprietary information regarding the Company's business, including but not limited to, practices, procedures, and policies; trade secrets; techniques; technology; studies and reports; marketing and business plans; financial information; employment information; and any and all other information of the Company that is valuable to the Company and not generally known outside of the Company. This obligation shall remain in effect for as long as the information or materials in question retain their status as confidential. This provision does not, however, prohibit disclosure of information that was or becomes generally known or available to the public through no fault of Grantee. Notwithstanding the foregoing obligations and restrictions regarding confidential information, nothing in this Agreement shall prohibit or restrict, or is intended to prohibit or restrict, Grantee from: (i) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Grantee shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by Grantee; (ii) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Grantee shall not need the prior authorization of the Company to make any such reports or disclosures and shall not be required to notify the Company that Grantee has made such reports or disclosures; (iii) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (iv) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

#### 8. Tax Matters.

(a) Grantee acknowledges that the tax consequences associated with the Award are complex and that the Company has urged Grantee to review with Grantee's own tax advisors the federal, state, and local tax consequences of this Award. Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Grantee understands that Grantee (and not the Company) shall be responsible for Grantee's own tax liability that may arise as a result of this Award Certificate.

(b) The Company or any Subsidiary employing Grantee has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the vesting or settlement of the PSUs. The withholding requirement shall be satisfied by withholding from the settlement of the PSUs shares of Common Stock having a Fair Market Value on the date of withholding equal to the amount required to be withheld for tax purposes, all in accordance with such procedures as the Company establishes. The obligations of the Company under this Certificate will be conditional on such payment or arrangements, and the Company and, where applicable, its Subsidiaries will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

9. Restrictions on Issuance of Shares of Common Stock. If at any time the Committee shall determine in its discretion, that registration, listing or qualification of the shares of Common Stock covered by the PSUs upon any securities exchange or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the settlement of the PSUs, the PSUs may not be settled in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

10. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Award Certificate and this Award Certificate shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Certificate, the provisions of the Plan shall be controlling and determinative.

11. No Right to Continued Service. Nothing in this Award Certificate shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate Grantee's employment or service at any time, nor confer upon Grantee any right to continue in employment or service of the Company or any Subsidiary.

12. Successors. This Award Certificate shall be binding upon any successor of the Company, in accordance with the terms of this Award Certificate and the Plan.

13. Notice. Notices hereunder must be in writing, delivered personally or sent by registered or certified U.S. mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Sally Beauty Holdings, Inc., 3001 Colorado Boulevard, Denton, TX 76210, Attn: Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

14. Amendments and Modifications. The Committee or its designee may, in the Committee's or the designee's sole and absolute discretion, as applicable, amend or modify this Award Certificate in any manner that is either (i) not adverse to Grantee, or (ii) consented to by Grantee.

15. Compensation Recoupment Policy. This Award Certificate shall be subject to the terms and conditions of any compensation recoupment policy adopted from time to time by the Board or any committee of the Board, to the extent such policy is applicable.

**EXHIBIT A**  
**Y1AOIM Performance Objective**

The Y1AOIM PSUs will be earned, in whole, in part or not at all, based on Grantee's continuous service with the Company or a Subsidiary through the Conversion Date and the Company's AOIM for the Y1AOIM Performance Period, as determined in accordance with the following payout scale:

<b>Payout Scale (1)</b>	<b>Y1AOIM Goals</b>	<b>Sally Beauty Holdings, Inc.'s Performance</b>	<b>Y1AOIM Performance Multiplier %</b>
<b>Maximum</b>	≥ 10.2%	≥ 100.7%	200%
<b>Target</b>	9.5%	100%	100%
<b>Threshold</b>	7.5%	98%	50%
<b>Below Threshold</b>	< 7.5%	< 98%	0%

(1) Payouts between performance levels will be determined based on straight line interpolation.

Determination of Payout: No later than sixty (60) days after the end of the Y1AOIM Performance Period, the Committee shall determine and certify (i) the Company's Adjusted Operating Income Margin for the Y1AOIM Performance Period, and (ii) the resulting number of PSUs earned ("Y1AOIM Confirmed PSUs"). The number of Y1AOIM Confirmed PSUs shall be determined by multiplying the Y1AOIM Target Award by the Y1AOIM Performance Multiplier. Y1AOIM Confirmed PSUs will be converted into shares of Common Stock as provided in Section 6 of this Award Certificate.



**PERFORMANCE STOCK UNIT AWARD CERTIFICATE****Relative Total Shareholder Return (“rTSR”)****(UNITED STATES)***Non-transferable***GRANT TO****«Full Name»**

(“Grantee”)

by Sally Beauty Holdings, Inc. (the “Company”) of

performance stock units (the “PSUs” or “rTSR PSUs”) representing the right to earn, on a one-for-one basis, shares of the Company’s common stock, par value \$0.01 pursuant to and subject to the provisions of the Sally Beauty Holdings, Inc. 2019 Omnibus Incentive Plan (the “Plan”) and to the terms and conditions set forth on the following pages (the “Terms and Conditions”). By accepting the PSUs, Grantee shall be deemed to have agreed to the Terms and Conditions set forth in this Award Certificate and the Plan.

The target number of shares of Common Stock subject to this award is **«rTSR PSUs»** (the “rTSR Target Award”). Depending on the Company’s level of attainment of specified targets for Relative Total Shareholder Return (“rTSR”) for the three-year performance period (as such terms are defined in this Award Certificate), and Grantee’s continued service with the Company or a Subsidiary, Grantee may earn 0% to 200% of the rTSR Target Award, in accordance with the matrix attached hereto as Exhibit A and the terms of this Certificate.

IN WITNESS WHEREOF, Sally Beauty Holdings, Inc. has caused this Award Certificate to be executed as of the Grant Date, as indicated below.

SALLY BEAUTY HOLDINGS, INC.

By: \_\_\_\_\_  
Denise Paulonis

Grant Date: November 1, 2023

Its: President, Chief Executive Officer &amp; Director

Acknowledged and Accepted by Grantee\*

\*Grantee’s electronic signature indicates Grantee’s acknowledgment and acceptance of the PSUs and the Terms and Conditions.

## TERMS AND CONDITIONS

1. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan. In addition, for purposes of this Award Certificate:

*“Beginning Stock Price”* means, with respect to the Company and any rTSR Comparator Company, the average of the closing market prices of such company’s common stock on the principal exchange on which such stock is traded for the thirty (30) consecutive trading days ending with the last trading day before the beginning of the rTSR Performance Period. For the purpose of determining the Beginning Stock Price, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the ex-dividend date. The Committee shall adjust the Beginning Stock Price to account for any recapitalization or similar corporate capitalization change of the Company or any rTSR Comparator Company during the rTSR Performance Period (or during the applicable 30-day period in determining Beginning Stock Price or Ending Stock Price, as the case may be), such as a stock split, reverse stock split or stock dividend.

*“Conversion Date”* means November 15, 2026.

*“Ending Stock Price”* means, with respect to the Company and any other rTSR Comparator Company, the average of the closing market prices of such company’s common stock on the principal exchange on which such stock is traded for the thirty (30) consecutive trading days ending on the last trading day of the rTSR Performance Period. For the purpose of determining the Ending Stock Price, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the ex-dividend date.

*“rTSR”* means Relative Total Shareholder Return.

*“rTSR Comparator Companies”* means the companies comprising the S&P Composite 1500 Specialty Stores Index as of the first day of the rTSR Performance Period (which companies are listed on Exhibit B attached hereto) provided that, except as provided below, the common stock of each company is continually listed or traded on a national securities exchange from the first day of the rTSR Performance Period through the last trading day of the rTSR Performance Period, subject to the following:

(i) if the common stock of any rTSR Comparator Company ceases to be publicly traded at any time during the rTSR Performance Period by reason of exchange delisting, bankruptcy, liquidation or dissolution of the company, such company shall remain an rTSR Comparator Company for the entire rTSR Performance Period and the TSR for such rTSR Comparator Company shall be negative one hundred percent (-100%); and

(ii) if the common stock of an rTSR Comparator Company ceases to be publicly traded at any time during the rTSR Performance Period by reason of a merger, acquisition, spin-off, going-private transaction or other similar corporate transaction, or in the event of a public announcement during the rTSR Performance Period of any such transaction that has not closed by the end of the rTSR Performance Period, such company shall be disregarded and shall not be considered an rTSR Comparator Company for the entirety of the rTSR Performance Period.

*“rTSR Confirmed PSUs”* is defined on Exhibit A hereto.

*“rTSR Performance Multiplier”* means the percentage, from 0% to 200%, that will be applied to the rTSR Target Award to determine the number of rTSR PSUs that will convert to shares of Common Stock on the Conversion Date, as more fully described in Exhibit A hereto.

*“rTSR Performance Objective”* means Relative Total Shareholder Return (“rTSR”) for the rTSR Performance Period, as more fully described in Exhibit A hereto.

“rTSR Performance Period” means the fiscal years of the Company beginning on October 1, 2023 and ending on September 30, 2026.

“Total Shareholder Return” or “TSR” shall be determined with respect to the Company and any other rTSR Comparator Company by dividing: (a) the sum of (i) the difference obtained by subtracting the applicable Beginning Stock Price from the applicable Ending Stock Price plus (ii) all dividends and other distributions on the respective shares with an ex-dividend date that falls during the rTSR Performance Period by (b) the applicable Beginning Stock Price. Any non-cash distributions on the respective shares shall be valued at fair market value. For the purpose of determining TSR, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the date of distribution.:

$$TSR = \frac{\text{Ending Stock Price} - \text{Beginning Stock Price} + \text{Reinvested Dividends}}{\text{Beginning Stock Price}}$$

## 2. PSUs.

(a) *Conversion Date.* The PSUs have been credited to a bookkeeping account on behalf of Grantee. The PSUs will be earned in whole, in part, or not at all, on the Conversion Date to the extent that the Performance Objective is attained, as provided on Exhibit A attached hereto. Any PSUs that fail to vest in accordance with the terms of this Award Certificate will be forfeited and reconveyed to the Company without further consideration or any act or action by Grantee.

If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company conducts its business, or other unusual or non-recurring events or circumstances render the Performance Objective to be unsuitable, the Committee may modify the Performance Objective in whole or in part, as the Committee deems appropriate.

(b) *Forfeiture of PSUs.* If Grantee terminates service with the Company and its Subsidiaries prior to the Conversion Date for any reason other than as set forth in Section 2(c) or (d) hereof, then the Grantee shall, for no consideration, forfeit all PSUs.

(c) *Death or Disability.* If, as a result of Grantee’s death or Disability, Grantee terminates service with the Company and its Subsidiaries prior to the Conversion Date, then, provided Grantee has provided continuous, eligible service to the Company from the Grant Date until Grantee’s death or Disability, Grantee or, as the case may be, Grantee’s estate, shall retain a portion of the PSUs determined by multiplying the total number of PSUs awarded under this Award Certificate by a fraction, the numerator of which is the number of days elapsed from the commencement of the Performance Period through the date of Grantee’s termination of service, and the denominator of which is the number of days in the Performance Period (the “Retained Death/Disability Award”), and the remainder of the PSUs shall be forfeited and canceled as of the date of Grantee’s termination of service. The Retained Death/Disability Award shall be earned, in whole, in part, or not at all, on the Conversion Date to the extent that the Performance Objective is attained, as provided on Exhibit A attached hereto.

(d) *Retirement.* If Grantee’s service with the Company is terminated as a result of his or her Retirement and Grantee agrees to be bound by certain restrictive covenants (including non-competition, non-solicitation, non-disclosure and non-disparagement covenants as determined in the sole discretion of the Company) (“Restrictive Covenants”), for the three-year period following his or her Retirement, then provided Grantee has provided continuous, eligible service to the Company from the Grant Date until Grantee’s Retirement, Grantee shall retain a portion of the PSUs determined by multiplying the total number of PSUs awarded under this Award Certificate by a fraction, the numerator of which is the number of days elapsed from the commencement of the Performance Period through the date of Grantee’s termination of service by reason of his or her Retirement, and the denominator of which is the number of days in the Performance Period (the “Retained Retirement Award”), and the remainder of

the PSUs shall be forfeited and canceled as of the date of Grantee's termination of service. The Retained Retirement Award shall be earned, in whole, in part, or not at all, on the Conversion Date to the extent that the Performance Objective is attained, as provided on Exhibit A attached hereto. If, in the sole discretion of the Committee, Grantee violates one of the Restrictive Covenants during the three-year period following Grantee's Retirement, then all PSUs shall be immediately forfeited and cancelled as of the date of such violation. If Grantee's service with the Company is terminated as a result of his or her Retirement and Grantee does not agree to be bound by Restrictive Covenants, then the PSUs shall be immediately forfeited and cancelled as of the date of Grantee's termination of service.

(e) *Change in Control.*

(i) If there is a Change in Control and the Committee determines that the PSUs shall not become an Assumed Award (as defined in Section 13.8(b) of the Plan), then (A) the PSUs shall first convert to time-based Restricted Stock Units (RSUs) as follows: (X) if the Change in Control occurs during the rTSR Performance Period, then the PSUs shall convert, on a one-for-one basis, to a number of time-based RSUs equal to the number of shares of Common Stock underlying the rTSR Target Award; and (Y) if the Change in Control occurs following completion of the rTSR Performance Period but prior to the Conversion Date, then the PSUs shall convert, on a one-for-one basis, to a number of time-based RSUs based upon actual performance, as determined by the Committee (as constituted immediately prior to the Change in Control); (B) the time-based vesting restrictions on all such RSUs shall lapse immediately prior to such Change of Control; and (C) either (1) shares of Common Stock underlying the RSUs shall be issued immediately prior to such Change in Control to Grantee, or (2) at the discretion of the Committee (as constituted immediately prior to the Change in Control), the RSUs shall be cancelled in exchange for an amount equal to the product of the Change in Control Price, multiplied by the aggregate number of shares of Common Stock covered by such RSUs.

(ii) If there is a Change in Control and the Committee determines that the PSUs shall become an Assumed Award (as defined in, and in accordance with the terms and conditions set forth in, Section 13.8(b) of the Plan), then (A) the PSUs shall first convert to time-based RSUs as follows: (X) if the Change in Control occurs during the rTSR Performance Period, then the PSUs shall convert, on a one-for-one basis, to a number of time-based RSUs based upon the number of shares of Common Stock underlying the rTSR Target Award (the "Converted Performance Award"), and the Converted Performance Award shall vest on the earlier of (1) the scheduled vesting date specified in the Award Certificate absent a Change in Control, subject to Grantee's continued employment with the surviving entity on such date, or (2) Grantee's Qualifying Termination (as defined in Section 13.8(b)(iv) of the Plan); and (Y) if the Change in Control occurs following completion of the rTSR Performance Period but prior to the Conversion Date, then the PSUs shall convert, on a one-for-one basis, to a number of time-based RSUs based upon actual performance, as determined by the Committee (as constituted immediately prior to the Change in Control), and such time-based RSUs shall vest as of the scheduled vesting date specified in the Award Certificate absent a Change in Control, subject to Grantee's continued employment with the surviving entity on such date, or (2) Grantee's Qualifying Termination.

(iii) Payment of any amounts under this Section 2(e) shall be payable to Grantee in full as soon as reasonably practicable, but in no event later than 30 days, following the Change in Control.

3. Restrictions on Transfer and Pledge. Unless otherwise determined by the Committee and provided in this Award Certificate or the Plan, the PSUs shall not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred except by will or the laws of descent and distribution. Any attempted assignment of a Performance Unit in violation of this Award Certificate shall be null and void. The Company shall not be required to honor the transfer of any PSUs that have been sold or otherwise transferred in violation of any of the provisions of this Award Certificate or the Plan.

4. Rights. PSUs represent an unsecured promise of the Company to issue shares of Common Stock of the Company as otherwise provided in this Award Certificate. Other than the rights provided in this Award Certificate,

Grantee shall have no rights of a stockholder of the Company with respect to the PSUs awarded under this Award Certificate unless and until such PSUs have vested and the related shares of Common Stock have been issued pursuant to the terms of this Award Certificate. Upon conversion of the PSUs into shares of Common Stock, Grantee will obtain full voting and other rights as a stockholder of the Company.

5. Dividend Equivalents. If any dividends or other distributions are paid with respect to the shares of Common Stock while the PSUs are outstanding, the dollar amount or fair market value of such dividends or distributions with respect to the number of shares of Common Stock then underlying the PSUs shall be credited to a bookkeeping account and held (without interest) by the Company for the account of Grantee until the Conversion Date. Such amounts shall be subject to the same vesting and forfeiture provisions as the PSUs to which they relate. Accrued dividends held pursuant to the foregoing provision shall be paid by the Company to Grantee on the Conversion Date, provided that Grantee has provided continuous, eligible service to the Company through the Conversion Date.

6. Conversion to Common Stock. Unless the PSUs are forfeited prior to the Conversion Date, and except as otherwise provided in Section 2(e), the Confirmed PSUs will convert to shares of Common Stock on the Conversion Date, and provided, further, that that Grantee has provided continuous, eligible service to the Company through the Conversion Date. Evidence of the issuance of the shares of Common Stock pursuant to this Award Certificate may be accomplished in such manner as the Company or its authorized representatives shall deem appropriate including, without limitation, electronic registration, book-entry registration or issuance of a certificate or certificates in the name of the Grantee or in the name of such other party or parties as the Company and its authorized representatives shall deem appropriate. In the event the shares of Common Stock issued pursuant to this Award Certificate remain subject to any additional restrictions, the Company and its authorized representatives shall ensure that the Grantee is prohibited from entering into any transaction that would violate any such restrictions, until such restrictions lapse.

7. Covenants.

(a) Post-Employment Non-Solicitation. Grantee agrees that for a period of one year following Grantee's termination of service with the Company for any reason, Grantee will not either directly or indirectly solicit for employment or otherwise interfere with the relationship of the Company or any Affiliate of the Company with any natural person who is then-currently employed by or otherwise engaged to perform services for the Company or any Affiliate of the Company. Grantee further agrees that Grantee will not interfere with the business relationship between the Company and any Affiliate of the Company and one of its customers, suppliers or vendors by soliciting, inducing, or otherwise encouraging the customer, supplier or vendor to reduce or stop doing business with the Company and any Affiliate of the Company. In the event Grantee's service with the Company is terminated as a result of his or her Retirement, the provisions of this Section 7 shall apply regardless of whether Grantee agrees to be bound to Restrictive Covenants set forth in Section 2(d).

(b) Non-Disclosure. Grantee agrees that Grantee will not, directly or indirectly, use, distribute, or disclose to any person (other than in connection with Grantee's duties on behalf of the Company) any confidential or proprietary information regarding the Company's business, including but not limited to, practices, procedures, and policies; trade secrets; techniques; technology; studies and reports; marketing and business plans; financial information; employment information; and any and all other information of the Company that is valuable to the Company and not generally known outside of the Company. This obligation shall remain in effect for as long as the information or materials in question retain their status as confidential. This provision does not, however, prohibit disclosure of information that was or becomes generally known or available to the public through no fault of Grantee. Notwithstanding the foregoing obligations and restrictions regarding confidential information, nothing in this Agreement shall prohibit or restrict, or is intended to prohibit or restrict, Grantee from: (i) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Grantee shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required

disclosure by Grantee; (ii) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Grantee shall not need the prior authorization of the Company to make any such reports or disclosures and shall not be required to notify the Company that Grantee has made such reports or disclosures; (iii) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (iv) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

8. Tax Matters.

(a) Grantee acknowledges that the tax consequences associated with the Award are complex and that the Company has urged Grantee to review with Grantee's own tax advisors the federal, state, and local tax consequences of this Award. Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Grantee understands that Grantee (and not the Company) shall be responsible for Grantee's own tax liability that may arise as a result of this Award Certificate.

(b) The Company or any Subsidiary employing Grantee has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the vesting or settlement of the PSUs. The withholding requirement shall be satisfied by withholding from the settlement of the PSUs shares of Common Stock having a Fair Market Value on the date of withholding equal to the amount required to be withheld for tax purposes, all in accordance with such procedures as the Company establishes. The obligations of the Company under this Certificate will be conditional on such payment or arrangements, and the Company and, where applicable, its Subsidiaries will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

9. Restrictions on Issuance of Shares of Common Stock. If at any time the Committee shall determine in its discretion, that registration, listing or qualification of the shares of Common Stock covered by the PSUs upon any securities exchange or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the settlement of the PSUs, the PSUs may not be settled in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

10. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Award Certificate and this Award Certificate shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Certificate, the provisions of the Plan shall be controlling and determinative.

11. No Right to Continued Service. Nothing in this Award Certificate shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate Grantee's employment or service at any time, nor confer upon Grantee any right to continue in employment or service of the Company or any Subsidiary.

12. Successors. This Award Certificate shall be binding upon any successor of the Company, in accordance with the terms of this Award Certificate and the Plan.

13. Notice. Notices hereunder must be in writing, delivered personally or sent by registered or certified U.S. mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Sally Beauty Holdings, Inc., 3001 Colorado Boulevard, Denton, TX 76210, Attn: Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

14. Amendments and Modifications. The Committee or its designee may, in the Committee's or the designee's sole and absolute discretion, as applicable, amend or modify this Award Certificate in any manner that is either (i) not adverse to Grantee, or (ii) consented to by Grantee.

15. Compensation Recoupment Policy. This Award Certificate shall be subject to the terms and conditions of any compensation recoupment policy adopted from time to time by the Board or any committee of the Board, to the extent such policy is applicable.

**EXHIBIT A**  
**rTSR Performance Objective**

The rTSR PSUs will be earned, in whole, in part or not at all, based on Grantee's continuous service with the Company or a Subsidiary through the Conversion Date, except as otherwise provided in the Terms and Conditions, and the Company's TSR relative to the rTSR Comparator Companies, as determined in accordance with the following payout scale:

<b>Payout Scale (1)(2)</b>	<b>Sally Beauty Holdings, Inc.'s TSR Percentile Rank vs. rTSR Comparator Companies</b>	<b>rTSR Performance Multiplier</b>
<b>Maximum</b>	≥ 85 <sup>th</sup> %ile	200%
<b>Target</b>	55 <sup>th</sup> %ile	100%
<b>Threshold</b>	25 <sup>th</sup> %ile	25%
<b>Below Threshold</b>	< 25 <sup>th</sup> %ile	0%

- (1) Payouts between performance levels will be determined based on straight line interpolation.
- (2) If Sally Beauty Holdings, Inc.'s absolute TSR for the rTSR Performance Period is negative, then the rTSR Performance Multiplier will be capped at 100%.

Determination of Payout: No later than sixty (60) days after the end of the rTSR Performance Period, the Committee shall determine and certify (i) the Company's TSR percentile rank vs. the rTSR Comparator Companies, (ii) the rTSR Performance Multiplier, and (iii) the resulting number of PSUs earned and vested ("rTSR Confirmed PSUs"). The number of rTSR Confirmed PSUs shall be determined by multiplying the rTSR Target Award by the rTSR Performance Multiplier. Confirmed rTSR PSUs will be converted into shares of Common Stock as provided in Section 6 of this Award Certificate.



**EXHIBIT B**  
**rTSR Comparator Companies**

Abercrombie & Fitch Co.	Lowe's Companies, Inc.
Academy Sports and Outdoors, Inc.	MarineMax, Inc.
Advance Auto Parts, Inc.	Monro, Inc.
America's Car-Mart, Inc.	Murphy USA Inc.
American Eagle Outfitters, Inc.	National Vision Holdings, Inc.
Asbury Automotive Group, Inc.	O'Reilly Automotive, Inc.
AutoNation, Inc.	Penske Automotive Group, Inc.
AutoZone, Inc.	RH
Bath & Body Works, Inc.	Ross Stores, Inc.
Best Buy Co., Inc.	Shoe Carnival, Inc.
Boot Barn Holdings, Inc.	Signet Jewelers Limited
Caleres, Inc.	Sleep Number Corporation
CarMax, Inc.	Sonic Automotive, Inc.
Chico's FAS, Inc.	The Buckle, Inc.
Designer Brands Inc.	The Gap, Inc.
DICK'S Sporting Goods, Inc.	The Home Depot, Inc.
Five Below, Inc.	The ODP Corporation
Foot Locker, Inc.	The TJX Companies, Inc.
GameStop Corp.	Tractor Supply Company
Group 1 Automotive, Inc.	Ulta Beauty, Inc.
Guess?, Inc.	Upbound Group, Inc.
Haverty Furniture Companies, Inc.	Urban Outfitters, Inc.
Hibbett, Inc.	Valvoline Inc.
Leslie's, Inc.	Victoria's Secret & Co.
Lithia Motors, Inc.	Williams-Sonoma, Inc.

## LIST OF SUBSIDIARIES

The following is a list of subsidiaries of Sally Beauty Holdings, Inc. as of September 30, 2023:

<u>Subsidiary Name</u>	<u>State or Other Jurisdiction of Incorporation</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 Management, L.C.	Texas
Armstrong McCall, L.P.	Texas
Beauty Holding LLC	Delaware
Beauty Systems Group (Canada), Inc.	Canada
Beauty Systems Group LLC	Virginia
BSG Canada Holdings Company	Canada
Diorama Services Company, LLC	Delaware
Gen X Beauty LLC	Delaware
Innovations-Successful Salon Services	California
Kapperscentrale Bauwens N.V.	Belgium
Loxa Beauty LLC	Indiana
MHR Limited	England
Neka Salon Supply, Inc.	New Hampshire
Ogee Limited	England
Procure Laboratories, Inc.	Delaware
Pro-Duo Deutschland GmbH	Germany
Pro-Duo France SAS	France
Pro-Duo NV	Belgium
Pro-Duo Spain SL	Spain
Sally Beauty Canada Holdings LLC	Delaware
Sally Beauty de Puerto Rico, Inc.	Puerto Rico
Sally Beauty International Finance LLC	Delaware
Sally Beauty International, Inc.	Delaware
Sally Beauty Military Supply LLC	Delaware
Sally Beauty Netherlands BV	Netherlands
Sally Beauty Supply BV	Netherlands
Sally Beauty Supply LLC	Virginia
Sally Capital Inc.	Delaware
Sally Chile Global Holdings SpA	Chile
Sally Chile Holding SpA	Chile
Sally Chile Worldwide Holdings SpA	Chile
Sally Holdings LLC	Delaware
Sally International Holdings LLC	Delaware
Sally Investment Holdings LLC	Delaware
Sally Peru Holdings S.A.C.	Peru
Sally Salon Services (Ireland) Ltd	Ireland
Sally Salon Services Ltd	England
Sally UK Holdings Limited	England
Salon Success International, LLC	Florida
SBCBSG Company de Mexico, S. de R.L. de C.V.	Mexico
SBCEDIS Company de Mexico, S. de R.L. de C.V.	Mexico
SBH Finance B.V.	Netherlands
SBH Inspires Foundation	Delaware
SBIFCO Company de Mexico, S.A. de C.V.	Mexico
Sinelco Group BV	Belgium
Sinelco International BV	Belgium
Sinelco Italiana SRL	Italy
Vigox BV	Belgium

## LIST OF SUBSIDIARY GUARANTORS

As of September 30, 2023, each of the following subsidiaries of Sally Beauty Holdings, Inc. is a guarantor of our unsecured 5.625% Senior Notes due 2025. 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
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
Procare 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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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statement (No. 333-255937) on Form S-3 and registration statements (Nos. 333-142583, 333-138830, 333-164545, and 333-229444) on Forms S-8 of our report dated November 16, 2023, with respect to the consolidated financial statements of Sally Beauty Holdings, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Dallas, Texas  
November 16, 2023

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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 Annual Report on Form 10-K 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: November 16, 2023

By:           /s/ Denise Paulonis          

Denise Paulonis

Chief Executive Officer

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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 Annual Report of Sally Beauty Holdings, Inc. (the “Company”) on Form 10-K for the fiscal year ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Marlo M. Cormier, 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 result of operations of the Company.

By:           /s/ Marlo M. Cormier          

Marlo M. Cormier

Senior Vice President, Chief Financial Officer

Date: November 16, 2023

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