

Sally Beauty Holdings, Inc.
Form DEF 14A
December 09, 2014

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

SALLY BEAUTY HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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3001 Colorado Boulevard, Denton, Texas 76210

To our stockholders,

You are cordially invited to attend the annual meeting of stockholders of Sally Beauty Holdings, Inc., which will take place at the Sally Support Center, 3001 Colorado Boulevard, Denton, Texas 76210 on Thursday, January 29, 2015, at 9:00 a.m., local time. Details of the business to be conducted at the annual meeting are given in the Official Notice of the Meeting, Proxy Statement, and form of proxy enclosed with this letter.

Even if you intend to join us in person, we encourage you to vote in advance so that we will know that we have a quorum of stockholders for the meeting. When you vote in advance, please indicate your intention to personally attend the annual meeting. Please see the Question and Answer section on Page 4 of the enclosed Proxy Statement for instructions on how to obtain an admission ticket if you plan to personally attend the annual meeting.

Whether or not you are able to personally attend the annual meeting, it is important that your shares be represented and voted. Your prompt vote over the Internet, by telephone via toll-free number, or by written proxy will save us the expense and extra work of additional proxy solicitation. Voting by any of these methods at your earliest convenience will ensure your representation at the annual meeting if you choose not to attend in person. If you decide to attend the annual meeting, you will be able to vote in person, even if you have personally submitted your proxy. Please review the instructions on the proxy card or the information forwarded by your bank, broker, or other holder of record concerning each of these voting options.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of Sally Beauty Holdings, Inc.

Gary G. Winterhalter
Chairman of the Board and Chief Executive Officer

December 9, 2014

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Sally Beauty Holdings, Inc.
3001 Colorado Boulevard, Denton, Texas 76210

Official Notice of Annual Meeting of Stockholders

To our stockholders:

The annual meeting of stockholders of Sally Beauty Holdings, Inc. (the "Corporation") will take place at the Sally Support Center, 3001 Colorado Boulevard, Denton, Texas 76210 on Thursday, January 29, 2015, at 9:00 a.m., local time, for the purpose of considering and acting upon the following:

- (1) The election of the six directors named in the accompanying Proxy Statement for a one-year term;
- (2) To re-approve the material terms of the performance goals included in the Sally Beauty Holdings Amended and Restated 2010 Omnibus Incentive Plan;
- (3) The ratification of the selection of KPMG LLP as our independent registered public accounting firm for our 2015 fiscal year; and
- (4) To transact such other business as may properly come before the annual meeting or any adjournment thereof.

Only stockholders of record at the close of business on December 1, 2014, will be entitled to vote at the meeting.

**Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Stockholders to be held on January 29, 2015:**

**The Proxy Statement and the 2014 Annual Report to stockholders are available at:
www.edocumentview.com/sbh**

By Order of the Board of Directors,

Matthew O. Haltom
Corporate Secretary

December 9, 2014

IMPORTANT:

If you plan to attend the annual meeting you must have an admission ticket or other proof of share ownership as of the record date. Please see the Question and Answer section on Page 4 of this Proxy Statement for instructions on how to attend the annual meeting. Please note that the doors to the annual meeting will open at 8:00 a.m. and will close promptly at 9:00 a.m.

Whether or not you expect to personally attend the meeting, we urge you to vote your shares at your earliest convenience to ensure the presence of a quorum at the meeting. Promptly voting your shares via the Internet, by telephone via toll-free number, or by signing, dating, and returning the enclosed proxy card will save us the expense and extra work of additional solicitation. The Internet voting and telephone voting facilities for stockholders of record will be available until 1:00 a.m., local time, on January 29, 2015. If your shares are held in street name by a bank, broker or other similar holder of record, your bank, broker or other similar holder of record is not permitted to vote on your behalf on Proposal 1 (election of directors) or Proposal 2 (re-approval of the material terms of the performance goals included in the Sally Beauty Holdings Amended and Restated 2010 Omnibus Incentive Plan), unless you provide specific instructions by completing and returning a voting instruction form or following the voting instructions provided to you by your bank, broker or other similar holder of record. Enclosed is an addressed, postage-paid envelope for those voting by mail in the United States. Because your proxy is revocable at your option, submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so. Please refer to the voting instructions included on your proxy card or the voting instructions forwarded by your bank, broker, or other similar holder of record if you hold your shares in street name.

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2014 PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

Annual Meeting of Stockholders

Time and Date 9:00 a.m., January 29, 2015

Place Sally Support Center, 3001 Colorado Boulevard, Denton, Texas 76210

Record Date December 1, 2014

Voting Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on

Entry If you decide to attend the meeting in person, upon your arrival you will need to register as a visitor with the security desk on the first floor of the Sally Support Center and you must have an admission ticket or other proof of share ownership as of the record date along with a government-issued identification card in order to attend the meeting

Meeting Agenda

Election of six directors

Re-approval of the material terms of the performance goals included in the Sally Beauty Holdings Amended and Restated 2010 Omnibus Incentive Plan

Ratification of KPMG LLP as our independent registered public accounting firm for fiscal 2015

Voting Matters

Proposal	Board Vote Recommendation	Page Reference (for more detail)
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Election of six directors	FOR	7
Re-approval of the material terms of the performance goals included in the Sally Beauty Holdings Amended and Restated 2010 Omnibus Incentive Plan	FOR	70
Ratification of KPMG LLP as our independent registered public accounting firm for fiscal 2015	FOR	81

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Proposal 1 Election of Directors (see page 7)

The following table provides summary information about each director nominee. The nominees receiving a plurality of the votes cast at the meeting will be elected as directors.

Name	Age	Director since	Occupation	Experience/ Qualification	Independent	AC	CC	EC	NG
Katherine Button Bell	56	March 2013	Vice President & Chief Marketing Officer, Emerson Electric Company	Management, Marketing	X		X		
John R. Gollhofer	62	November 2013	President, Beauty Systems Group LLC	Management					
Robert R. McMaster	66	November 2006	Retired Executive and Independent Auditor	Management, Finance, Audit	X	C		X	X
Susan R. Mulder	43	November 2014	Chief Executive Officer, Nic & Zoe Co.	Management	X		X		X
Edward W. Rabin	68	November 2006	Retired Executive	Management	X		C		X
Gary G. Winterhalter	62	November 2006	Chairman & CEO, Sally Beauty Holdings, Inc.	Management				C	

AC = Audit Committee

CC = Compensation Committee

EC = Executive Committee

NG = Nominating and Corporate Governance Committee

C = Chair of Committee

If elected, the director nominees will serve until the 2016 annual meeting. The Board recommends a vote **FOR** each director nominee.

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The following table provides summary information about each other continuing director that is not up for election at the annual meeting.

Name	Age	Director since	Occupation	Experience/ Qualification	Independent	AC	CC	EC	NG
Christian A. Brickman	49	September 2012	President & Chief Operating Officer, Sally Beauty Holdings, Inc.	Management, International					
Marshall E. Eisenberg	69	November 2006	Founding Partner, Neal Gerber & Eisenberg LLP	Governance, Risk Management, Legal	X	X	X	X	C
John A. Miller	61	November 2006	President & CEO, North American Corporation	Management, Finance	X	X		X	

The terms of the three incumbent directors not up for election at this annual meeting will expire at the 2016 annual meeting of stockholders, at which time they will be up for annual election for one-year terms pursuant to the Corporation's Third Restated Certificate of Incorporation ("Certificate of Incorporation"), if nominated for re-election.

Proposal 2 Re-approval of the material terms of the performance goals included in the Sally Beauty Holdings Amended and Restated 2010 Omnibus Incentive Plan (see page 70)

The Board requests that you re-approve the material terms of the performance goals under the Sally Beauty Holdings Amended and Restated 2010 Omnibus Incentive Plan (the "2010 Omnibus Plan") in order to preserve the Corporation's ability to continue to grant fully tax-deductible performance-based awards under the 2010 Omnibus Plan for purposes of Section 162(m) of the Internal Revenue Code. You are not being asked to approve any amendment to the 2010 Omnibus Plan or to otherwise re-approve the 2010 Omnibus Plan itself. The Board recommends a vote **FOR** this proposal.

Proposal 3 Ratification of Independent Auditors (see page 81)

Although stockholder ratification is not required by law, we are asking stockholders to ratify the selection of KPMG LLP as our independent auditors for fiscal 2015. Set forth below is summary information with respect to KPMG LLP's fees for services provided in fiscal 2013 and fiscal 2014. The Board recommends a vote **FOR** this proposal.

	2014	2013
Audit Fees	\$ 2,227,758	\$ 2,198,894
Audit Related Fees		\$ 180,000
Tax Fees	\$ 1,019,844	\$ 1,019,463

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All Other Fees

Total \$ 3,247,602 \$ 3,398,357

2016 Annual Meeting

Stockholder proposals submitted pursuant to SEC Rule 14a-8 must be received by us by August 11, 2015.

Notice of stockholder proposals outside of SEC Rule 14a-8 must be delivered to us no earlier than October 1, 2015 and no later than October 31, 2015.

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Sally Beauty Holdings, Inc.
3001 Colorado Boulevard, Denton, Texas 76210

PROXY STATEMENT

Annual Meeting of Stockholders

January 29, 2015

This Proxy Statement is being furnished by Sally Beauty Holdings, Inc. ("we," "us," or the "Corporation") in connection with a solicitation of proxies by our Board of Directors to be voted at our annual meeting of stockholders to be held on January 29, 2015. Whether or not you personally attend, it is important that your shares be represented and voted at the annual meeting. Most stockholders have a choice of voting over the Internet, by using a toll-free telephone number, or by completing a proxy card and mailing it in the postage-paid envelope provided. Check your proxy card or the information provided to you by your bank, broker, or other stockholder of record to determine which voting options are available to you. The Internet voting and telephone voting facilities for stockholders of record will be available until 1:00 a.m., local time, on January 29, 2015. This Proxy Statement and the accompanying proxy card were first mailed on or about December 9, 2014.

SOLICITATION AND RATIFICATION OF PROXIES

If the enclosed form of proxy card is signed and returned, it will be voted as specified in the proxy, or, if no vote is specified, it will be voted "FOR" all nominees presented in Proposal 1, "FOR" the proposal set forth in Proposal 2 and "FOR" the proposal set forth in Proposal 3. If any matters that are not specifically set forth on the proxy card and in this Proxy Statement properly come to a vote at the meeting, the proxy holders will vote on such matters in accordance with their best judgments. At any time before the annual meeting, you may revoke your proxy by timely delivery of written notice to our Corporate Secretary, by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote), or by voting via ballot at the annual meeting. Voting in advance of the annual meeting will not limit your right to vote at the annual meeting if you decide to attend in person. If you are a beneficial owner, but your shares are registered in the name of a bank, broker, or other stockholder of record, the voting instructions form mailed to you with this Proxy Statement may not be used to vote in person at the annual meeting. Instead, to be able to vote in person at the annual meeting you must obtain, from the stockholder of record, a proxy in your name and present it at the meeting. See "Questions and Answers about the Meeting and Voting" in this Proxy Statement for an explanation of the term "stockholder of record."

The proxy accompanying this Proxy Statement is being solicited by our Board of Directors. We will bear the entire cost of this solicitation, including the preparation, assembly, printing, and mailing of this Proxy Statement, the proxy, and any additional information furnished to stockholders. In addition to using the mail, proxies may be solicited by directors, executive officers, and other employees of the Corporation, in person or by telephone. No additional compensation will be paid to our directors, executive officers, or other employees for these services. We will also request banks, brokers, and other stockholders of record to forward proxy materials, at our expense, to the beneficial owners of our Common Stock. We have retained Alliance Advisors, LLC to assist us with the solicitation of proxies for an estimated fee of approximately \$7,500, plus normal expenses not expected to exceed \$13,500.

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OUTSTANDING STOCK AND VOTING PROCEDURES

Outstanding Stock

The stockholders of record of our Common Stock at the close of business on December 1, 2014 will be entitled to vote in person or by proxy at the annual meeting. At that time, there were 157,899,858 shares of our Common Stock outstanding. Each stockholder will be entitled to one vote in person or by proxy for each share of Common Stock held.

If you hold shares through an account with a bank, broker or other similar holder of record, the voting of the shares by the bank, broker or other similar holder of record when you do not provide voting instructions is governed by the rules of the New York Stock Exchange ("NYSE"). These rules allow banks, brokers and other similar holders of record to vote shares in their discretion on "routine" matters for which their customers do not provide voting instructions. On matters considered "non-routine," banks, brokers and other similar holders of record may not vote shares without your instruction.

Proposal 1 (election of directors) and Proposal 2 (re-approval of the material terms of the performance goals included in the 2010 Omnibus Plan) are considered non-routine, and banks, brokers and other similar holders of record therefore cannot vote shares on these proposals without your instructions. Please note that if your shares are held through a bank, broker or other similar holder of record and you want your vote to be counted on these proposals, you must instruct your bank or broker how to vote your shares.

Proposal 3 (the ratification of KPMG LLP as our independent registered public accounting firm for our 2015 fiscal year) is considered a routine matter. Accordingly, banks and brokers may vote shares on this proposal without your instructions.

Quorum

A quorum for the transaction of business will be present if the holders of a majority of our Common Stock issued and outstanding and entitled to vote thereat are present, in person or by proxy, at the annual meeting. Your shares are counted as present if you attend the annual meeting and vote in person or if you properly return a proxy over the Internet, by telephone or by mail. Abstentions and broker non-votes will be counted for purposes of establishing a quorum. If a quorum is not present at the annual meeting, the annual meeting may be adjourned from time to time until a quorum is present.

Voting Procedures

Votes cast by proxy or in person at the meeting will be tabulated by the Inspector of Election from Computershare Trust Company, N.A. In addition, the following voting procedures will be in effect for each proposal described in this Proxy Statement:

Proposal 1. Nominees for available director positions must be elected by a plurality of the votes cast at the annual meeting. Abstentions and broker non-votes will have no effect in determining whether the proposal has been approved.

Proposal 2. The re-approval of the material terms of the performance goals included in the 2010 Omnibus Plan requires the affirmative vote of a majority of the votes entitled to be cast by the shares of stock present in person or by proxy at the annual meeting and entitled to vote thereon. Abstentions will count as votes against the proposal. Broker non-votes will have no effect in determining whether the proposal has been approved.

Proposal 3. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the votes entitled to be cast by the shares of stock present in person or by proxy at the annual meeting and entitled to vote thereon. Abstentions

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will count as votes against the proposal. Since this proposal is considered a routine matter, there will be no broker non-votes with respect to this proposal.

If any other matters properly come before the meeting that are not specifically set forth on the proxy card and in this Proxy Statement, such matters shall be decided by the affirmative vote of a majority of the votes entitled to be cast by the shares of stock present in person or by proxy at the annual meeting and entitled to vote on the matter so proposed, unless otherwise provided in our Certificate of Incorporation or Fifth Amended and Restated By-Laws ("By-Laws") or the Delaware General Corporation Law. None of the members of our Board have informed us in writing that they intend to oppose any action intended to be taken by us.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THE DELIVERY OF THIS PROXY STATEMENT SHALL, UNDER NO CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN OUR AFFAIRS SINCE THE DATE OF THIS PROXY STATEMENT.

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QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

1. What is a proxy?

A proxy is your legal designation of another person, called a proxy holder, to vote the shares that you own. If you designate someone as your proxy holder in a written document, that document is called a proxy. We have designated Mark J. Flaherty, our Senior Vice President and Chief Financial Officer, and Janna Minton, our Vice President, Chief Accounting Officer and Controller, to act as proxy holders at the annual meeting as to all shares for which proxies are returned or voting instructions are provided by Internet or telephonic voting.

2. What is a proxy statement?

A proxy statement is a document that SEC regulations require us to give you when we ask you to sign a proxy card designating the proxy holders described above to vote on your behalf.

3. What is the difference between a stockholder of record and a stockholder who holds stock in street name, also called a "beneficial owner?"

If your shares are registered in your name at Computershare Trust Company, N.A., you are a stockholder of record.

If your shares are registered at Computershare Trust Company, N.A. in the name of a broker, bank, trustee, nominee, or other similar holder of record, your shares are held in street name and you are the beneficial owner of the shares.

4. How do you obtain an admission ticket to personally attend the annual meeting?

Stockholders of Record. Your admission ticket is attached to your proxy card. You will need to bring it with you to the meeting.

Street Name Holders. You will need to ask your broker or bank for an admission ticket in the form of a legal proxy and you will need to bring the legal proxy with you to the meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement with you to the meeting. We can use that to verify your ownership of Common Stock and admit you to the meeting; however, you will not be able to vote your shares at the meeting without a legal proxy. Please note that if you own shares in street name and you are issued a legal proxy, any previously executed proxy will be revoked and your vote will not be counted unless you appear at the meeting and vote in person.

Please note that whether you are a stockholder of record or street name holder, you will also need to bring a government-issued photo identification card to gain admission to the annual meeting.

5. What different methods can you use to vote?

Stockholders of Record. If your shares are registered in your own name, you may vote by proxy or in person at the annual meeting. To vote by proxy, you may select one of the following options:

By Written Proxy You may vote by mailing the written proxy card.

By Telephone or Internet Proxy You may also vote by telephone from the U.S. using the toll-free telephone number on the proxy card, or by the Internet, using the procedures and instructions described on the proxy card and other enclosures. The telephone and Internet voting procedures, including the use of control numbers, are designed to authenticate our stockholders' identities, to allow our stockholders to vote their shares, and to confirm that their instructions have been

properly recorded.

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Street Name Holders. If your shares are held in the name of a bank, broker or other similar holder of record, you will receive instructions from such holder of record that you must follow for your shares to be voted. Please follow their instructions carefully. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the annual meeting, you must request a legal proxy or broker's proxy from such record holder that holds your shares and present that proxy and proof of identification at the annual meeting. See question 4 for a further description of how to obtain a legal proxy if your shares are held in street name.

6. What is the record date and what does it mean?

The record date for the annual meeting is December 1, 2014. The record date is established by our Board of Directors as required by Delaware law. Stockholders of record at the close of business on the record date are entitled to receive notice of the annual meeting and to vote their shares at the meeting.

7. What are your voting choices for director nominees, and what vote is needed to elect directors?

For the vote on the election of the director nominees to serve until the 2016 annual meeting, stockholders may:

vote in favor of all nominees,

vote to withhold votes from all nominees, or

vote to withhold votes as to specific nominees, with the remainder of the nominees to be voted in favor.

Directors will be elected by a plurality of the votes cast in person or by proxy at the annual meeting. The Board recommends a vote "FOR" each of the director nominees.

8. What is a plurality of the votes?

In order to be elected, a director nominee does not have to receive a majority of the affirmative votes cast for directors. Instead, the six nominees elected are those who receive the most affirmative votes of all the votes cast on Proposal 1 in person or by proxy at the meeting.

9. What are your voting choices on the proposal inviting stockholders to re-approve the material terms of the performance goals included in the 2010 Omnibus Plan?

In the vote on the re-approval of the material terms of the performance goals included in the 2010 Omnibus Plan, stockholders may:

vote in favor of the proposal,

vote against the proposal, or

abstain from voting on the proposal.

Re-approval of the material terms of the performance goals included in the 2010 Omnibus Plan will require the affirmative vote of a majority of the votes entitled to be cast by the shares of Common Stock present in person or by proxy at the annual meeting and entitled to vote thereon. The Board recommends a vote "FOR" Proposal 2.

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10. What are your voting choices on the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year, and what vote is needed to ratify their appointment?

In the vote on the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year, stockholders may:

vote in favor of the ratification,

vote against the ratification, or

abstain from voting on the ratification.

The proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm will require the affirmative vote of a majority of the votes entitled to be cast by the shares of Common Stock present in person or by proxy at the annual meeting and entitled to vote thereon. The Board recommends a vote "FOR" Proposal 3.

11. What if a stockholder does not specify a choice for a matter when returning a proxy?

Stockholders should specify their choice for each proposal described on the enclosed proxy. However, proxies that are signed and returned will be voted "FOR" Proposals 1, 2 and 3 if no specific instructions are given on such proposals.

12. How are abstentions and broker non-votes counted?

Both abstentions and broker non-votes are counted as "present" for purposes of determining the existence of a quorum at the annual meeting. Abstentions will not be included in vote totals and will not affect the outcome of the vote on Proposal 1. Abstentions will count as a vote against Proposals 2 and 3. Broker non-votes will not be included in vote totals and will not affect the outcome of the vote on Proposals 1 and 2. Proposal 3 is considered a routine matter and accordingly there will be no broker non-votes with respect to this proposal.

13. How will stockholders know the outcome of the proposals considered at the annual meeting?

We will announce preliminary results at the annual meeting. We will report final results at <http://investor.sallybeautyholdings.com> and in a filing with the U.S. Securities and Exchange Commission on Form 8-K.

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PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors consists of nine individuals, six of whom qualify as independent of us under the rules of the NYSE. Our Certificate of Incorporation and our By-Laws provides for annual election of directors for one-year terms, which began in 2014, and at each subsequent annual meeting directors will be elected for one-year terms resulting in the entire Board being elected annually beginning with the annual meeting of stockholders in 2016.

Following the recommendations of our Nominating and Corporate Governance Committee, our Board of Directors has nominated Ms. Button Bell, Mr. Golliher, Mr. McMaster, Ms. Mulder, Mr. Rabin and Mr. Winterhalter for reelection to our Board of Directors. Accordingly, this Proposal 1 seeks the reelection of these six directors to a term that will expire at the annual meeting of stockholders in 2016.

Unless otherwise indicated, all proxies that authorize the proxy holders to vote for the election of directors will be voted "FOR" the election of the nominees listed below. If a nominee becomes unavailable for election as a result of unforeseen circumstances, it is the intention of the proxy holders to vote for the election of such substitute nominee, if any, as the Board of Directors may propose. As of the date of this Proxy Statement each of the nominees has consented to serve and the Board is not aware of any circumstances that would cause a nominee to be unable to serve as a director.

Each of Ms. Button Bell, Mr. Golliher, Mr. McMaster, Ms. Mulder, Mr. Rabin and Mr. Winterhalter are current directors with a term expiring at this annual meeting and each has furnished to us the following information with respect to their principal occupation or employment and principal directorships:

Katherine Button Bell, Director, age 56. Ms. Button Bell has served on our Board of Directors since March 2013 and is Vice President and Chief Marketing Officer of Emerson Electric Company, a diversified global manufacturing and technology company, a role she has held since 1999. In this capacity, Ms. Button Bell oversees global marketing and corporate branding, including corporate communications, digital strategy, and market research, and played a key role in the launch of Emerson's corporate branding program, building Emerson's brand globally. Prior to joining Emerson, Ms. Button Bell was the President of Button Brand Development, Inc., an independent marketing consulting firm specializing in developing well-recognized companies' brand names. Ms. Button Bell has been a director of Johnson Outdoors Inc., a NASDAQ listed manufacturer of outdoor recreation equipment, since September 2014, and was a director of Furniture Brands International, Inc. from 1997 to May 2008. She currently serves as a director of the Business Marketing Association, on the search committee of St. Louis Children's Hospital and is a member of the board of trustees of the St. Louis Art Museum. We believe that Ms. Button Bell's executive and management experience well qualify her to serve on our Board.

John R. Golliher, Director and President of Beauty Systems Group LLC, age 62, has served on our Board of Directors since November 2013 and has been the President of Beauty Systems Group LLC since November 2006. From July 2006 until our separation from Alberto-Culver, Mr. Golliher served as President of Beauty Systems Group. From December 2003 to July 2006, Mr. Golliher served as Vice President and General Manager for the West Coast Beauty Systems division of Beauty Systems Group. From October 2001 to December 2003, Mr. Golliher served as Vice President of Full Service Sales, Beauty Systems Group East. We believe that Mr. Golliher's extensive history with and understanding of our business well qualifies him to serve on our Board.

Robert R. McMaster, Director, age 66. Mr. McMaster has served on our Board of Directors since November 2006 and as our Lead Independent Director since November 2012. Mr. McMaster has been a director of Carpenter Technology Corporation, a NYSE listed manufacturer and distributor of specialty metals, since 2007, where he currently serves as a member of its audit and operations

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committees. Mr. McMaster is also chairman of the audit committee of The Columbus Foundation, a charitable trust and nonprofit corporation. From May 2003 until June 2006, Mr. McMaster served as a director of American Eagle Outfitters, Inc. and as chairman of its audit committee and a member of its compensation committee. Mr. McMaster was a director and a member of the audit and compensation committees of Dominion Homes, Inc. from May 2006 to May 2008. From January 2003 until February 2005, Mr. McMaster served as Chief Executive Officer of ASP Westward, LLC and ASP Westward, L.P. and from June 1997 until December 2002, Mr. McMaster served as Chief Executive Officer of Westward Communications Holdings, LLC and Westward Communications, L.P. Mr. McMaster is a former partner of KPMG LLP and a former member of its management committee. He also served as the Senior Financial Advisor to the CEO of Worthington Industries, Inc. from October 2008 to May 2013. We believe that Mr. McMaster's long and varied business career, including his extensive accounting experience, well qualifies him to serve on our Board.

Susan R. Mulder, Director, age 43. Ms. Mulder has served on our Board of Directors since November 2014 and is the Chief Executive Officer of Nic & Zoe Co., a privately-held woman's apparel company, a role she has held since April 2012. Ms. Mulder is also a director of Nic & Zoe Co. and serves on its compensation committee. Prior to joining Nic & Zoe Co., Ms. Mulder was a Senior Partner with McKinsey & Company where she spent 15 years working with retail and consumer clients. Ms. Mulder is a member of the Board of Overseers of Boston Children's Hospital. We believe that Ms. Mulder's executive and retail and consumer experience well qualify her to serve on our Board.

Edward W. Rabin, Director, age 68. Mr. Rabin has served on our Board of Directors since November 2006. Mr. Rabin was President of Hyatt Hotels Corporation until his retirement in 2006, having served in various senior management roles since joining the company in 1969. Mr. Rabin is a director of PrivateBancorp, Inc., a NASDAQ listed bank holding company, and serves on its audit committee and chairs its compensation committee. Mr. Rabin served as lead director of WMS Industries Inc., a formerly NYSE listed company in the gaming industry, from July 2008 until that company was sold in October 2013 and as a member of its audit and compensation committees from December 2005 to October 2013. He also served as a director of SMG Corporation from 1992 through June 2007. Mr. Rabin is a consulting director of the Richard Gray Gallery, Chicago and New York, and was previously a board member of Oneida Holdings, Inc., a private corporation. Mr. Rabin attended the Wharton School of Advanced Business Management and holds an honorary Masters in Business Administration from Florida State University. We believe that Mr. Rabin's executive and management experience, including his experience as President of a large hotel company, well qualify him to serve on our Board.

Gary G. Winterhalter, Chairman and Chief Executive Officer, age 62. Mr. Winterhalter has served on our Board of Directors since November 2006 and as its Chairman since August 2012. Mr. Winterhalter is the Corporation's Chief Executive Officer, a position he has held since our separation from Alberto-Culver. From our separation from Alberto-Culver to June 2014, Mr. Winterhalter also served as President of the Corporation. Prior to our separation from Alberto-Culver, Mr. Winterhalter served as the President of Sally Holdings, Inc. from May 2005 to November 2006. From January 2004 to May 2005, Mr. Winterhalter served as President, Sally Beauty Supply/BSG North America, and from January 1996 to January 2004, he served as President of Sally USA. Mr. Winterhalter also served in other operating positions with Alberto-Culver between 1987 and 1996. We believe that Mr. Winterhalter's long and distinguished career in the specialty retail and beauty products distribution business well qualifies him to serve on our Board.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES LISTED ABOVE.

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CONTINUING DIRECTORS

The background and business experience of our other directors, each of whose term of service continues beyond 2015, are set forth below:

Directors with Terms Expiring in 2016

Christian A. Brickman, Director, President and Chief Operating Officer, age 49. Mr. Brickman has served on our Board of Directors since September 2012 and is President and Chief Operating Officer of Sally Beauty Holdings, Inc., a role he has held since June 2014. Prior to being appointed to his current role, Mr. Brickman served as President of Kimberly-Clark International from May 2012 to February 2014, where he led the company's international consumer business in all operations. From August 2010 to May 2012, Mr. Brickman served as President of Kimberly-Clark Professional. From 2008 to 2010, Mr. Brickman served as Chief Strategy Officer and played a key role in the development and implementation of Kimberly-Clark's strategic plans and processes to enhance enterprise growth initiatives. Prior to joining Kimberly-Clark, Mr. Brickman was a Principal in McKinsey & Company's Dallas, Texas office and a leader in the firm's consumer packaged goods and operations practices. Before joining McKinsey, Mr. Brickman was President and CEO of Whitlock Packaging, the largest non-carbonated beverage co-packing company in the United States, from 1998 to 2001. From 1994 to 1998, he was with Guinness/United Distillers, initially as Vice President of Strategic Planning for the Americas region and then as General Manager for Guinness Brewing Worldwide's Latin America region. Mr. Brickman was awarded an advanced bachelor's degree in economics in 1986 from Occidental College in Los Angeles where he graduated with honors, Phi Beta Kappa and cum laude. We believe that Mr. Brickman's executive and management experience, including his experience as President of two large international companies, well qualify him to serve on our Board.

Marshall E. Eisenberg, Director, age 69. Mr. Eisenberg has served on our Board of Directors since November 2006. Mr. Eisenberg is a founding partner of the Chicago law firm of Neal, Gerber & Eisenberg LLP and has been a member of the firm's Executive Committee for the past 20 years. Mr. Eisenberg is a director of Jel-Sert Company and was formerly a director of Ygomi, Inc. and Engineered Controls International, Inc. Mr. Eisenberg has served on the Board of Visitors of the University of the Illinois College of Law. Mr. Eisenberg received his J.D. degree with honors from the University of Illinois College of Law in 1971, where he served as a Notes and Comments Editor of the Law Review and was elected to the Order of the Coif. We believe that Mr. Eisenberg's extensive legal experience, including his extensive corporate governance experience, well qualifies him to serve on our Board.

John A. Miller, Director, age 61. Mr. Miller has served on our Board of Directors since November 2006. Mr. Miller is the President and Chief Executive Officer of North American Corporation, a multi-divisional company specializing in industrial paper products, packaging, printing and other commercial consumables. Mr. Miller has served as the President of North American Corporation since 1987. Mr. Miller is also a director of numerous private companies, including Atlantic Premium Brands, Ltd., Wirtz Corporation, Network Services Company and Laureate Education, Inc. We believe that Mr. Miller's long business career, including service as CEO of a large distribution company and his previous service on the board of our previous owner, well qualifies him to serve on our Board.

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**INFORMATION REGARDING CORPORATE GOVERNANCE, THE BOARD,
AND ITS COMMITTEES**

Board Purpose and Structure

The Board oversees, counsels, and directs management in the long-term interests of the Corporation and our stockholders. The Board's responsibilities include:

providing strategic guidance to our management;

overseeing the conduct of our business and the assessment of our business and other enterprise risks to evaluate whether the business is being properly managed;

selecting, evaluating the performance of, and determining the compensation of the CEO and other executive officers;

planning for succession with respect to the position of CEO and monitoring management's succession planning for other executive officers; and

overseeing the processes for maintaining our integrity with regard to our financial statements and other public disclosures, and compliance with law and ethics.

Corporate Governance Philosophy

We are committed to conducting our business in a way that reflects best practices and high standards of legal and ethical conduct. To that end, our Board of Directors has approved a comprehensive system of corporate governance documents. These documents meet or exceed the requirements established by the NYSE listing standards and by the SEC and are reviewed periodically and updated as necessary under the guidance of our Nominating and Corporate Governance Committee to reflect changes in regulatory requirements and evolving oversight practices. These policies embody the principles, policies, processes and practices followed by our Board, executive officers and employees in governing us.

Code of Business Conduct and Ethics and Governance Guidelines

Our Board of Directors has adopted (a) our Code of Business Conduct and Ethics and (b) Corporate Governance Guidelines that apply to our directors, officers and employees. Copies of these documents and the charters for our Board committees are available on our website at <http://investor.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 any substantive amendment to, or waiver from, a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, our principal financial officer, our principal accounting officer or persons performing similar functions. We have not incorporated by reference into this Proxy Statement the information included on or linked from our website, and you should not consider it to be part of this Proxy Statement.

Director Independence

Our Board of Directors is currently comprised of six non-management directors and three management directors (Mr. Winterhalter, who is our Chairman and CEO, Mr. Brickman, who is our President and Chief Operating Officer, and Mr. Gollither, who is the President of Beauty Systems Group LLC). Under the Corporate Governance Guidelines, our directors are deemed independent if the Board has made an affirmative determination that such director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us). Our Board of Directors has affirmatively determined that all of our directors, other than Messrs. Winterhalter,

Brickman and Golliher, satisfy the independence requirements of our Corporate

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Governance Guidelines, as well as the NYSE, relating to directors. As part of its annual evaluation of director independence, the Board examined (among other things) whether any transactions or relationships exist currently (or existed during the past three years), between each independent director and us, our subsidiaries, affiliates, equity investors, or independent auditors and the nature of those relationships under the relevant NYSE and SEC standards. The Board also examined whether there are (or have been within the past year) any transactions or relationships between each independent director and members of the senior management of the Corporation or its affiliates.

All of our directors who serve as members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent as required by the NYSE corporate governance rules. In addition, all of our Audit Committee members also satisfy the separate SEC independence requirements applicable to audit committee members and all of our Compensation Committee members satisfy the additional NYSE independence requirements applicable to compensation committee members.

Nomination of Directors

The Board of Directors is responsible for nominating directors for election by our stockholders and filling any vacancies on the Board of Directors that may occur. The Nominating and Corporate Governance Committee is responsible for identifying individuals it believes are qualified to become members of the Board of Directors. We anticipate that the Nominating and Corporate Governance Committee will consider recommendations for director nominees from a wide variety of sources, including other members of the Board of Directors, management, stockholders and, if deemed appropriate, from professional search firms. The Nominating and Corporate Governance Committee will take into account the applicable requirements for directors under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the listing standards of the NYSE. In addition, the Nominating and Corporate Governance Committee will take into consideration such other factors and criteria as it deems appropriate in evaluating a candidate, including such candidate's judgment, skill, integrity, and business and other experience and the perceived needs of the Board of Directors at that time. With regard to diversity, the Board of Directors and the Nominating and Corporate Governance Committee believe that sound governance of the Corporation requires a wide range of viewpoints. As a result, although the Board of Directors does not have a formal policy regarding board diversity, the Board of Directors and Nominating and Corporate Governance Committee believe that the Board of Directors should be comprised of a well-balanced group of individuals with diverse backgrounds, educations, experiences and skills that contribute to board diversity, and the Nominating and Corporate Governance Committee considers such factors when reviewing potential director nominees.

Stockholder Recommendations or Nominations for Director Candidates

Our Corporate Governance Guidelines provide that our Nominating and Corporate Governance Committee will accept for consideration submissions from stockholders of recommendations for the nomination of directors. Acceptance of a recommendation for consideration does not imply that the Nominating and Corporate Governance Committee will nominate the recommended candidate. Director nominations by a stockholder or group of stockholders for consideration by our stockholders at our annual meeting of stockholders, or at a special meeting of our stockholders that includes on its agenda the election of one or more directors, may only be made pursuant to Section 1.06 of our By-laws or as otherwise provided by law. Nominations pursuant to our By-laws are made by delivering to our Corporate Secretary, within the time frame described in our By-laws, all of the materials and information that our By-laws require for director nominations by stockholders. All notices of intent to make a nomination for election as a director shall be accompanied by the written consent of each nominee to serve as a director.

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Stockholders wishing to recommend or nominate a director must provide a written notice to our Corporate Secretary that includes, among other information required to be provided by our By-Laws, (a) the name, age, business address and residence address of the nominee(s), (b) the principal occupation or employment of the nominee(s), (c) the class or series and number of shares of Common Stock which are owned beneficially or of record by the nominee(s), (d) a description of all arrangements or understandings between the stockholder and the nominee(s) pursuant to which nominations are to be made by the stockholder, and (e) any other information relating to the nominee(s) that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act. No person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in Section 1.06 of our By-laws and any nominee proposed by a stockholder not nominated in accordance with Section 1.06 shall not be considered or acted upon for execution at such meeting. Stockholders' notice for any proposals requested to be included in the Corporation's Proxy Statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (including director nominations), must be made in accordance with that rule.

Director Qualifications

In order to be recommended by the Nominating and Corporate Governance Committee, our Corporate Governance Guidelines require that each candidate for director must, at a minimum, have integrity, be committed to act in the best interest of all of our stockholders, and be able and willing to devote the required amount of time to our affairs, including attendance at Board of Director meetings. In addition, the candidate cannot jeopardize the independence of a majority of the Board of Directors.

Our qualification guidelines also provide that each candidate should preferably also have the following qualifications: business experience, demonstrated leadership skills, experience on other boards and skill sets that add to the value of our business.

Annual Election of Directors

In 2014, the Board of Directors implemented a process to declassify the Board and provide for the annual election of all directors for one-year terms. Our stockholders approved the declassification proposal at our 2014 annual meeting of stockholders, which resulted in three directors in 2014 being nominated for annual election for one-year terms. At this annual meeting, six of our nine directors will be elected for one-year terms and, beginning with our 2016 annual meeting of stockholders and thereafter, all directors of the Board will be elected for one-year terms.

Mandatory Retirement Age

Pursuant to our Corporate Governance Guidelines, it is the policy of the Board that no non-management director should serve for more than 15 years in that capacity or beyond the age of 72, although the Board may request that a director who would otherwise be due to retire be requested to continue service if the Board deems such service to be in the best interest of our stockholders.

Directors Who Change Their Present Job Responsibility

Pursuant to our Corporate Governance Guidelines, a director who experiences a significant change in job responsibilities or assignment will be required to submit a resignation to the Board. The remaining directors, upon the recommendation of the Nominating and Corporate Governance Committee, will then determine the appropriateness of continued Board membership.

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Stockholder-Director Communications

Stockholders and other interested parties may contact any member (or all members) of our Board (including the non-management directors as a group, the Lead Independent Director, any Board committee or any chair of any such committee) by addressing written correspondence to the attention of our Corporate Secretary at 3001 Colorado Boulevard, Denton, Texas 76210. Our Corporate Secretary's office will open all communications received for the sole purpose of determining whether the contents represent a message to our directors. Any contents that legitimately relate to our business and operations and that are not in the nature of advertising, promotions of a product or service, patently offensive material, charitable requests, repetitive materials, or designed to promote a political or similar agenda will be forwarded promptly to the addressee.

Self-Evaluation

The Nominating and Corporate Governance Committee conducts a self-evaluation of the Board each year to determine whether the Board and its committees are functioning effectively. In addition, each committee of the Board conducts a self-evaluation each year and reports its findings to the Board.

Board Meetings and Attendance

Pursuant to our Corporate Governance Guidelines, our directors are expected to:

regularly attend meetings of the Board and the committees of which they are members (as well as each annual meeting of stockholders);

spend the time needed to properly discharge their responsibilities;

with respect to our non-management directors, meet at regularly scheduled executive sessions in which management does not participate;

with respect to our independent directors, meet at least once a year in an executive session without management (for these sessions, the chair of each session is the Lead Independent Director).

In fiscal 2014, our Board of Directors met eleven times, our Audit Committee met eight times, our Compensation Committee met six times, our Executive Committee met twelve times, and our Nominating and Corporate Governance Committee met five times. Our independent directors met in executive session four times and the non-management directors met four times. During fiscal 2014, each of our incumbent directors attended at least 75% percent of the total number of meetings of the Board (during his or her service on the Board) and each committee on which he or she served (during his or her service on such committee. In 2014, all members of the Board attended the Corporation's annual meeting of stockholders.

Board Leadership Structure

In accordance with our By-Laws, the Board elects our Chief Executive Officer and our Chairman, and each of these positions may be held by the same person or may be held by two persons. Under our Corporate Governance Guidelines, the Board does not have a policy, one way or the other, on whether the role of the Chairman and Chief Executive Officer should be separate and, if it is to be separate, whether the Chairman should be selected from the non-management directors or be a management director. However, our Corporate Governance Guidelines require that, if the Chairman of the Board is not an independent director, the independent directors shall appoint from among themselves a Lead Independent Director. The Chairman of the Board is responsible for chairing Board meetings and meetings of stockholders, setting the agendas for Board meetings and providing information to the Board members in advance of meetings and between meetings. The Lead Independent Director is

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responsible for, among other things, coordinating the activities of the independent directors, coordinating with the Chairman to set the agenda for Board meetings, chairing executive sessions of the independent (and non-management) directors, and leading the Board's oversight of the Chairman and Chief Executive Officer.

Currently, Mr. Winterhalter serves as our Chief Executive Officer and Chairman and Mr. McMaster serves as our Lead Independent Director. After careful consideration, the Board has determined that the Corporation is best served by having the same individual as both Chairman of the Board and Chief Executive Officer and having a separate Lead Independent Director.

Board's Role in the Risk Management Process

The Board's role in the risk management process is to understand and oversee the Corporation's strategic plans, the associated risks and the steps that senior management is taking to manage and mitigate those risks. To ensure proper oversight of the risk management process, the Audit Committee outlines our risk principles and management framework and sets high level strategy and risk tolerances. Our risk profile is managed by our Vice President of Internal Audit, an officer appointed by and reporting to the Chairman of the Audit Committee. The Vice President of Internal Audit meets at least quarterly in executive session with the Audit Committee, and conducts an annual Enterprise Risk Assessment for the Corporation. This assessment is then presented to the Audit Committee (for development of action items and responsible parties for oversight), the full Board (for information) and the Nominating and Corporate Governance Committee (to ensure appropriate Board oversight of the identified risks). This approach is designed to enable the Board and management to establish a mutual understanding of the Corporation's risk management practices and capabilities, to review the Corporation's risk exposure and to elevate certain key risks for discussion at the Board level. The Board also meets regularly in executive session without management to discuss a variety of topics, including risk management. Through this system of checks and balances, the Board is able to monitor our risk profile and risk management activities on an ongoing basis. Certain officers who report to the Chief Financial Officer also monitor various financial risks which add to the Corporation's overall risk management strategy.

Compensation Risk Assessment

The Compensation Committee has reviewed with management the design and operation of our incentive compensation arrangements, including the performance objectives and target levels used in connection with incentive awards, for the purpose of assuring that these arrangements do not provide our executives or employees with incentive to engage in business activities or other behavior that would impose unnecessary or excessive risk to the value of the Corporation or the investments of our stockholders. The Compensation Committee considered compensation programs that apply to employees at all levels. This risk assessment process included an assessment of the impact of the Corporation's compensation programs on identified primary business risks (using our annual Enterprise Risk Assessment as a framework) and an analysis of whether and how our compensation programs support, or provide risks to, our corporate strategy. In addition, the Compensation Committee considered the presence of significant risk mitigation factors inherent in our compensation program, such as those described on page 30 under "Management of Compensation-Related Risk."

Based on the foregoing, the Compensation Committee concluded in its April 2014 meeting that the Corporation's compensation plans, programs and policies do not create incentives that encourage employees to take risks that are reasonably likely to have a material adverse effect on the Corporation. We believe that our incentive compensation plans, policies and practices provide appropriate incentives for behaviors that are within the Corporation's ability to effectively identify and manage significant risks, are compatible with effective internal controls and our risk management practices and are

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supported by the oversight and administration of the Compensation Committee with regard to executive compensation programs.

Compensation Recoupment Policy

The Corporation has adopted a compensation recoupment policy that complies with and goes beyond the parameters described in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). Consistent with the Dodd-Frank Act, in the event that we are required to prepare an accounting restatement due to material noncompliance with financial reporting requirements under the U.S. securities laws, we will seek to recover from any current or former executive officer incentive-based compensation (including equity compensation) received during the three-year period preceding the date on which the accounting restatement was required to be made. The amount to be recovered is the excess of the amount paid calculated by reference to the erroneous data, over the amount that would have been paid to the executive officer calculated using the corrected accounting statement data. This compensation recovery would be applied regardless of whether the executive officer engaged in misconduct or otherwise caused or contributed to the requirement for the restatement.

In addition to the above-described recoupment specified by the Dodd-Frank Act, our policy also requires the Corporation, to the extent permitted by governing law, to seek reimbursement of non-equity incentive compensation paid to any current or former employee after January 1, 2011, where: A) (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 Compensation Committee's view the person engaged in misconduct that caused or contributed to the need for the restatement or material adjustment, and (iv) a lower payment would have been made to the person based upon the correct financial results; or B) such employee commits an act of embezzlement, fraud or theft with respect to the property of the Corporation. In each such instance, the Corporation will seek to recover the person's entire non-equity incentive compensation payment (not just the excess amount earned based on erroneous data) paid during the 12-month period preceding the Compensation Committee's determination that the person engaged in misconduct.

Committees of the Board of Directors

Pursuant to our By-laws, our Board of Directors has established the following committees:

Audit Committee;

Compensation Committee;

Nominating and Corporate Governance Committee; and

Executive Committee.

The function of each committee is described below.

Each committee, pursuant to its charter adopted by the Board of Directors, consists of up to four members.

Audit Committee. The Audit Committee currently consists of Mr. McMaster (chair), Mr. Eisenberg and Mr. Miller. The Board has determined that each member of the Audit Committee is financially literate, that each member of the Audit Committee meets the independence requirements of the NYSE and Rule 10A-3 of the Exchange Act and that each of Mr. Eisenberg, Mr. McMaster and Mr. Miller qualifies as an "audit committee financial expert" under SEC rules.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for:

the integrity of our financial statements;

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our compliance with legal and regulatory requirements;

the independent auditor's qualifications and independence; and

the performance of our internal audit function and independent auditors.

Pre-Approval Policy. The Audit Committee has established an Audit and Non-Audit Services Pre-Approval Policy to pre-approve all permissible audit and non-audit services provided by our independent auditors. We expect that on an annual basis, the Audit Committee will review and provide pre-approval for certain types of services that may be rendered by the independent auditors, together with a budget for the applicable fiscal year. The policy also requires the pre-approval of any fees that are in excess of the amount budgeted by the Audit Committee. The policy contains a provision delegating limited pre-approval authority to the chairman of the Audit Committee in instances when pre-approval is needed prior to a scheduled Audit Committee meeting. The chairman of the Audit Committee is required to report on such pre-approvals at the next scheduled Audit Committee meeting.

The Audit Committee is governed by the Audit Committee charter, which was amended and restated by the Board of Directors on August 27, 2012. A copy of this charter is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

Compensation Committee. The Compensation Committee consists of Mr. Rabin (chair), Ms. Button Bell, Mr. Eisenberg, and Ms. Mulder. The Board has determined that each such member meets the independence requirements of the NYSE. The purpose of the Compensation Committee is to, among other things:

review and approve corporate goals and objectives relevant to CEO compensation and evaluate the CEO's performance in light of those goals and objectives;

determine and approve the CEO's compensation level based on this evaluation;

review and approve the compensation of the other executive officers and the Board;

review and recommend to the Board of Directors equity-based incentive compensation plans in which executive officers will participate; and

prepare the reports and analysis on executive compensation, which are required to be included in our annual proxy statements.

The Compensation Committee's processes for fulfilling its responsibilities and duties with respect to executive compensation and the role of our executive officers and management in the compensation process are each described under "Compensation Discussion and Analysis - Process for Determining Executive Compensation" beginning on page 30 of this Proxy Statement.

The Compensation Committee is governed by the Compensation Committee charter, which was amended and restated by the Board of Directors on August 27, 2012. A copy of this charter is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

Pursuant to its charter, the Compensation Committee may retain such compensation consultants, outside counsel and other advisors as it may deem appropriate in its sole discretion and it has the sole authority to approve related fees and other retention terms. As described in greater detail in "Compensation Discussion and Analysis - Process for Determining Executive Compensation" beginning on page 30 of this Proxy Statement, the Compensation Committee engages an independent

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executive compensation consultant, Frederic W. Cook & Co., Inc., or Cook, to assist it in its review of our management compensation levels and programs to ensure that our executive compensation program is commensurate with those of public companies similar in size and scope to us. During its engagement, Cook has participated in meetings of the Compensation Committee and advised it with respect to compensation trends and practices, plan design and the reasonableness of individual awards. Cook has not performed any services for our management.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of Mr. Eisenberg (chair), Mr. McMaster, Ms. Mulder and Mr. Rabin. The Board has determined that each such member meets the independence requirements of the NYSE. The purpose of the Nominating and Corporate Governance Committee is to, among other things:

identify individuals qualified and suitable to become members of our Board of Directors and to recommend to our Board of Directors the director nominees for each annual meeting of stockholders;

develop and recommend to our Board of Directors a set of corporate governance principles applicable to us; and

oversee the evaluation of the Board of Directors and management.

The Nominating and Corporate Governance Committee is governed by the Nominating and Corporate Governance Committee charter, which was amended and restated by the Board of Directors on August 27, 2012. A copy of this charter is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

Executive Committee. The purpose of the Executive Committee is to assist our Board of Directors with its responsibilities and, except as may be limited by law, our Certificate of Incorporation or our By-Laws, to exercise the powers and authority of our Board of Directors when it is not in session. The Executive Committee is governed by the Executive Committee charter, which was adopted by the Board of Directors on December 5, 2006. The Executive Committee consists of Mr. Winterhalter (chair) and Messrs. Eisenberg, McMaster and Miller. A copy of this charter is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

Director Indemnification Agreements

Our Board of Directors approved and authorized us to enter into an indemnification agreement with each member of the Board, except for Mr. Gollhofer. The indemnification agreement is intended to provide directors with the maximum protection available under applicable law in connection with their services to us.

Each indemnification agreement provides, among other things, that subject to the procedures set forth therein, we will, to the fullest extent permitted by applicable law, indemnify an indemnitee if, by reason of such indemnitee's corporate status as a director, such indemnitee incurs any losses, liabilities, judgments, fines, penalties or amounts paid in settlement in connection with any threatened, pending or completed proceeding, whether of a civil, criminal administrative or investigative nature. In addition, each indemnification agreement provides for the advancement of expenses incurred by an indemnitee, subject to certain exceptions, in connection with any proceeding covered by the indemnification agreement. Each indemnification agreement also requires that we cover an indemnitee under liability insurance available to any of our directors, officers or employees. Our indemnification obligations under these agreements are primary for all claims against our directors.

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No Material Proceedings

As of November 13, 2014, there are no material proceedings to which any of our directors, executive officers or affiliates, or any owner of record or beneficially of more than five percent of our Common Stock (or their associates) is a party adverse to us or has a material interest adverse to us.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of our current Compensation Committee is or has been one of our officers or employees or has had any relationship requiring disclosure under SEC rules. In addition, during fiscal 2014, none of our executive officers served as:

a member of the compensation committee (or other board committee performing similar functions or, in the absence of any such committee, the entire board of directors) of another corporation, one of whose executive officers served on the Compensation Committee;

a director of another corporation, one of whose executive officers served on the Compensation Committee; or

a member of the compensation committee (or other board committee performing similar functions or, in the absence of such committee, the entire board of directors) of another corporation, one of whose executive officers served as one of our directors.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Statement of Policy with respect to Related Party Transactions

Our Board of Directors recognizes that related party transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and therefore adopted a Statement of Policy with respect to Related Party Transactions. Under this policy, a "related party transaction" is defined as a transaction between us and any senior officer, director, a stockholder owning in excess of 5% of our Common Stock, a person who is an immediate family member of a senior officer or director, or an entity owned or controlled by any such person, other than (1) transactions available to all employees generally or (2) transactions involving less than \$5,000 when aggregated with all similar transactions. Under this policy, any related party transaction must be approved by the relevant body (as described below) and disclosed to our stockholders. If the proposed transaction is not an employment arrangement, the transaction must be approved by either (a) the Audit Committee of our Board of Directors, if the transaction is on terms comparable to those that could be obtained in arm's length dealing with an unrelated third party or (b) the disinterested members of our Board of Directors. If the transaction is an employment arrangement, the proposed transaction must be approved by the Compensation Committee. In approving, ratifying or rejecting a related party transaction or relationship, the relevant body considers whether the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party. Transactions and relationships that are determined to be related party transactions are disclosed in the Corporation's Proxy Statement. A copy of our Statement of Policy with respect to Related Party Transactions is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

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Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(6)	Option Awards \$(7)	Total (\$)
Kathleen J. Affeldt(2)	20,250			20,250
Christian A. Brickman(3)				
Katherine Button Bell	58,000	99,993		157,993
Marshall E. Eisenberg	109,000	99,993		208,993
John R. Gollhofer(4)				
Robert R. McMaster	127,000	99,993		226,993
John A. Miller	75,000	99,993		174,993
Martha J. Miller(5)	68,000	99,993		167,993
Edward W. Rabin	80,500	99,993		180,493
Gary G. Winterhalter(4)				

- (1) During our 2014 fiscal year, we did not award any non-equity incentive plan compensation to, or maintain any pension or deferred compensation arrangements for, members of our Board of Directors, and our directors did not receive any compensation that would constitute "All Other Compensation." Ms. Susan R. Mulder is not included in the table because she joined the Board following the completion of our 2014 fiscal year.
- (2) Ms. Affeldt retired from the Board on November 12, 2013 and did not beneficially own any shares or have any option awards outstanding as of September 30, 2014.
- (3) On April 25, 2014 Mr. Brickman was appointed President and Chief Operating Officer of Sally Beauty Holdings, Inc. effective as of June 2, 2014. The value of his "Fees Earned or Paid in Cash" and "Stock Awards" for services as an independent director on our Board of Directors prior to his appointment to the position of President and Chief Operating Officer is included in the "Salary" and "Stock Awards" columns, respectively, of the "Summary Compensation Table" on page 46 of this Proxy Statement and the additional information regarding his stock awards is included in the "Grants of Plan-Based Awards For Fiscal 2014" table on page 48 of this Proxy Statement. He did not receive any compensation for his service as a director after his appointment, nor will he receive compensation for such services going forward.
- (4) Messrs. Winterhalter and Gollhofer did not receive any compensation for their service as a director during our 2014 fiscal year, nor will they receive compensation for such services going forward.
- (5) Ms. Miller retired from the Board on November 3, 2014.
- (6) Reflects the grant date fair value of restricted stock unit (RSU) awards, determined in accordance with Financial Accounting Standards Board ASC Topic 718 Stock Compensation ("ASC 718"). The grant date fair value of the RSUs is based on the fair market value of the underlying shares on the date of grant. On October 30, 2013, each director received 3,802 RSUs, which stock award had a grant date fair value equal to \$99,993. As of September 30, 2014, the directors beneficially owned RSUs which were vested but not yet delivered in shares in the following amounts: (a) Mr. Eisenberg, 56,538, (b) Mr. McMaster, 52,281; (c) each of Ms. Miller, Mr. Miller and Mr. Rabin,

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48,479; (d) Mr. Brickman, 8,059; and (e) Ms. Button Bell, 5,700. Messrs. Winterhalter and Golliher do not beneficially own any RSUs.

(7)

None of the directors received a stock option grant as compensation for their service as a director in fiscal 2014. As of September 30, 2014, each of Mr. Eisenberg, Ms. Miller and Mr. Rabin had 19,055 option awards outstanding.

Narrative Discussion of Director Compensation Table

The following is a narrative discussion of the material factors which we believe are necessary to understand the information disclosed in the Director Compensation Table.

Cash Compensation

In fiscal 2014 and pursuant to the Sally Beauty Holdings, Inc. Amended and Restated Independent Director Compensation Policy, which we refer to as our Director Compensation Policy, each of our independent directors received an annual cash retainer of \$35,000, payable in advance in four quarterly installments, with the exception of Mr. Brickman who ceased receiving compensation as a director after his appointment to President and Chief Operating Officer. For in-person Board or committee meetings during our 2014 fiscal year, each independent director in attendance received \$2,000 per meeting. For telephonic Board or committee meetings for which minutes were kept, each independent director in attendance received \$1,000 per meeting. Additional annual cash retainers were paid to each independent director who served as the Lead Independent Director (Mr. McMaster) or chairperson of the Audit Committee (Mr. McMaster), Compensation Committee (Mr. Rabin), or the Nominating and Corporate Governance Committee (Mr. Eisenberg). This additional retainer was paid in advance in quarterly installments in the following annualized amounts and pro-rated for partial years of service:

Lead Independent Director	\$ 25,000
Audit Committee	\$ 20,000
Compensation Committee	\$ 14,000
Nominating and Corporate Governance Committee	\$ 14,000

Equity-Based Compensation

Pursuant to our Director Compensation Policy, each independent director was granted an annual equity-based retainer award with a value at the time of issuance of approximately \$100,000. For fiscal year 2014, these awards were granted in accordance with the 2010 Omnibus Plan in the form of RSUs that vested on September 30, 2014, the last day of the fiscal year, subject to the director's continued service on the Board on such date. On October 30, 2013, each independent director received an award of 3,802 RSUs. As provided in the Director Compensation Policy, each independent director may elect to defer delivery of the shares of Common Stock that would otherwise be due on the vesting date until a later date specified by the independent director. Deferred shares are retained by us as deferred stock units that are distributed on the date specified by the independent director. 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. Vesting accelerates on a pro-rata basis in the event of the director's death or disability.

Stock Ownership and Retention Guidelines

Pursuant to our minimum stock ownership guidelines, each independent director must own shares of Common Stock in an amount equal to five times the base annual cash retainer (excluding additional annual cash retainers for the Lead Independent Director and committee chairpersons and meeting fees). Independent directors are required to achieve the applicable level of ownership within five years

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of becoming subject to the requirements. Until such time as the required equity ownership is reached, the independent director must retain 100% of the shares of Common Stock received upon settlement of his or her RSUs. Shares underlying vested RSUs (including deferred shares) count towards the stock ownership total. Unexercised options (whether vested or unvested) and unvested RSUs do not count as stock owned under the guidelines. As of November 13, 2014, all of our independent directors were in compliance with our stock ownership guidelines.

Travel Expense Reimbursement

Each of our independent directors is entitled to reimbursement for reasonable travel expenses properly incurred in connection with his or her functions and duties as a director. With respect to air travel, reimbursements are limited to the cost of first-class commercial airline tickets for the trip.

Changes to Cash Component of Director Compensation Policy

On September 16, 2014, the Board approved the following changes to the Director Compensation Policy, effective October 1, 2014: (i) an increase in the annual cash retainer payable to each of our independent directors to \$55,000; and (ii) an increase in the additional annual cash retainers payable to each independent director who serves as the Lead Independent Director or chairperson of the Audit Committee, Compensation Committee, or the Nominating and Corporate Governance Committee, as follows:

Lead Independent Director	\$ 35,000
Audit Committee	\$ 20,000
Compensation Committee	\$ 16,000
Nominating and Corporate Governance Committee	\$ 16,000

COMPENSATION DISCUSSION AND ANALYSIS

In this section of our Proxy Statement, we explain how our executive compensation programs are designed and operate with respect to the following executive officers (whom we refer to as our "named executive officers"):

Gary G. Winterhalter, our Chief Executive Officer,

Christian A. Brickman, our President and Chief Operating Officer,

Mark J. Flaherty, our Senior Vice President and Chief Financial Officer,

John R. Gollhofer, our President of Beauty Systems Group LLC,

Matthew O. Haltom, our Senior Vice President, General Counsel and Secretary, and

Tobin K. Anderson, our former President of Sally Beauty Supply LLC.

For a complete understanding of our executive compensation program, this Compensation Discussion and Analysis should be read in conjunction with the Summary Compensation Table and other compensation disclosures included on pages 46-63 of this Proxy Statement.

Executive Overview

Our Business

We are the largest distributor of professional beauty supplies in the U.S. based on store count. We operate primarily through two business units, Sally Beauty Supply and Beauty Systems Group, or BSG. Through Sally Beauty Supply and BSG (which primarily operates stores under the CosmoProf service mark), we operated a multi-channel platform of 4,647 stores and supplied 181 franchised stores

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primarily in North America, South America and selected European countries, as of September 30, 2014. Within BSG, we also have one of the largest networks of professional distributor sales consultants in North America, with approximately 981 professional distributor sales consultants who sell directly to salons and salon professionals. Sally Beauty Supply stores target retail consumers and salon professionals, while BSG exclusively targets salons and salon professionals.

Fiscal 2014 Business Highlights

Fiscal 2014 was a mixed year for the Corporation, customer traffic at our BSG and Sally International businesses was healthy; however, store traffic in the Sally U.S. stores was soft. Some of the key metrics regarding our performance are:

Consolidated net sales increased 3.6% from fiscal 2013 to \$3.8 billion

GAAP net earnings for fiscal 2014 were \$246 million, which represents a 5.8% decrease over fiscal 2013

GAAP diluted earnings per share were \$1.51, representing a 2.0% increase over fiscal 2013

Adjusted earnings before share-based compensation, non-recurring items, interest, taxes, depreciation and amortization (EBITDA)* were \$611.3 million, representing a 0.1% decrease over fiscal 2013

Fiscal 2014 saw growth in sales, representing a 3.6% increase over fiscal 2013:

Growth in sales (in 000's)

*

For a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP, financial measure, see Exhibit 99.1 to our Form 8-K filed with the SEC on November 13, 2014.

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Our GAAP diluted earnings per share were \$1.51, representing a 2.0% increase over fiscal 2013.

Growth in EPS (in \$s)

Additionally, our adjusted EBITDA* decreased 0.1% in fiscal 2014, to \$611.3 million.

2014 Executive Compensation Highlights

At the 2014 annual meeting we held our second annual advisory vote on executive compensation and 99% of the shares were cast in support of the compensation of the Corporation's named executive officers. As a result, we believe that the compensation paid to our named executive officers and the Corporation's overall executive pay practices have strong stockholder support and have been effective in implementing the Corporation's stated compensation philosophy and objectives.

Executive compensation was primarily delivered through a combination of base salary, annual incentives and long-term incentives in the form of stock options. Our program closely links realized compensation to the achievement of financial objectives and increases in the Corporation's stock price. Nineteen percent (19%) of Mr. Winterhalter's fiscal 2014 target compensation (excluding special awards granted in connection with the executive management transition plan) was performance based.

As described above, fiscal 2014 was a challenging year for the Corporation, and we failed to meet certain of the financial performance targets under the annual incentive plan. As a result, all of the named executive officers earned below-target annual incentive payments for fiscal 2014.

We increased base salaries for Messrs. Flaherty and Gollhofer by 3.33% to maintain our target market percentile level and for Mr. Haltom by 10.94% to move his salary closer to the targeted competitive position. Mr. Winterhalter, Mr. Brickman, who joined the Corporation during fiscal 2014 on June 2, 2014, and Mr. Anderson, who joined the Corporation just prior to the start of fiscal 2014 on August 5, 2013, did not receive a base salary increase in fiscal 2014.

*

For a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP, financial measure, see Exhibit 99.1 to our Form 8-K filed with the SEC on November 13, 2014.

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We awarded our named executive officers service-based stock options in amounts consistent with our historical practices.

As part of our succession planning process, we entered into a transition agreement with Mr. Winterhalter and an offer letter with Mr. Brickman. In connection therewith, each of Messrs. Winterhalter and Brickman received a special, one-time long-term incentive (LTI) award.

We entered into a separation agreement with Mr. Anderson in connection with his resignation on May 14, 2014.

Fiscal 2014 Executive Management Transition

On April 25, 2014, following the completion of its succession planning process, our Board approved the appointment of Mr. Brickman as our new President and Chief Operating Officer, effective June 2, 2014. Mr. Winterhalter will continue in his current position as Chief Executive Officer and, if re-elected by our stockholders at the 2015 annual meeting, Chairman of the Board, through April 30, 2015 or such earlier date as our Board determines (which we refer to as the Transition Date). During the transition period, Mr. Winterhalter will assist the Corporation with the transition of duties, responsibilities and authority to the next Chief Executive Officer of the Corporation. On the Transition Date, subject to Board approval, Mr. Brickman will assume the title of Chief Executive Officer and Mr. Winterhalter will transition into the role of Executive Chairman. Mr. Winterhalter has agreed to serve as Executive Chairman through January of 2018, subject to the discretion of our Board and his re-election by our stockholders. As Executive Chairman, Mr. Winterhalter will perform such duties as are customary for that position, as well as any duties reasonably requested by the Chief Executive Officer or our Board. Thereafter, Mr. Winterhalter has committed to serve (if desired by our Board) as the Corporation's non-Executive Chairman. Mr. Brickman will continue to serve as a member of our Board, subject to his re-election by our stockholders.

Transition Agreement with Mr. Winterhalter

On April 25, 2014, we entered into a transition agreement with Mr. Winterhalter to provide for an orderly transition of duties, responsibilities and authority from Mr. Winterhalter to our new Chief Executive Officer and to set forth the compensation arrangement between us and Mr. Winterhalter during and as a result of this transition period.

In negotiating the compensatory terms of the transition agreement, the Compensation Committee received information and advice from its independent consultant, Frederic W. Cook & Co., Inc. ("Cook"), and considered the same executive compensation objectives and competitive positioning used for our other executives. The Compensation Committee also considered Mr. Winterhalter's long-standing history with, and prior and expected future contributions to, the Corporation. The transition agreement provides that:

during fiscal year 2015 as compensation for his services as CEO through no later than April 30, 2015 and as Executive Chairman through September 30, 2015, Mr. Winterhalter will (i) receive base salary at his current rate of \$1 million, (ii) have a target annual bonus consistent with his current target annual bonus of 100% of his base salary, and (iii) be eligible to receive an LTI award with respect of the fiscal year 2014 performance period consistent with the LTI awards granted to other senior executives of the Corporation;

during fiscal year 2016 as compensation for his services as Executive Chairman through September 30, 2016, Mr. Winterhalter will (i) receive base salary at the rate of \$700,000 per year, (ii) have a target annual bonus of 80% of his base salary, and (iii) be eligible for an LTI

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award with respect of the fiscal year 2015 performance period, as determined by the Compensation Committee in its sole discretion; and

during fiscal year 2017, as compensation for his services as Executive Chairman through January 2018, Mr. Winterhalter will receive compensation as determined and deemed appropriate by the Compensation Committee in its sole discretion; provided, however, that Mr. Winterhalter will be eligible for an LTI award with respect of the fiscal year 2016 performance period. If Mr. Winterhalter serves as non-Executive Chairman, he will participate in our then-current compensation program for non-employee directors.

In addition, in recognition of his retention through this transition process that is expected to span multiple years, on April 29, 2014, the Compensation Committee granted Mr. Winterhalter a special, one-time LTI award of restricted stock with a grant date target fair market value of \$3.5 million, which vests in approximately three equal annual installments commencing on the first anniversary of the date of grant, subject to such other terms and conditions of the 2010 Omnibus Plan and the individual award agreement.

Mr. Winterhalter's transition agreement also terminated his existing termination agreement, pursuant to which he would have been entitled to the following in the event his employment was terminated by us without "cause" or by Mr. Winterhalter for "good reason": (i) a lump sum payment equal to two times his current salary plus two times the average dollar amount of his actual or annualized annual bonus, paid or payable, in respective of the five fiscal years immediately preceding the fiscal years in which the date of termination occurs, (ii) reimbursement of up to \$12,000 for outplacement services, and (iii) medical and dental insurance coverage at active-employee rates until his eligibility for Medicare. In addition, his transition agreement adds a sunset provision to, and amends the severance multiple in, his existing change-in-control severance agreement. The transition agreement also provides Mr. Winterhalter with certain severance benefits in the event of an involuntary termination. The termination of Mr. Winterhalter's termination agreement and the terms of his transition agreement and severance agreement are described in the "Potential Payments Upon Termination or Change in Control" section of this Proxy Statement beginning on page 55.

Mr. Brickman's Appointment as President and Chief Operating Officer

On April 25, 2014, we entered into a written offer letter with Mr. Brickman to outline the terms of his employment with us as President and COO. In negotiating the compensatory terms of the transition agreement, the Compensation Committee received information and advice from Cook and considered the same executive compensation objectives and competitive positioning used for our other executives. The Compensation Committee also considered the needs of the Corporation in attracting an executive with Mr. Brickman's expertise in managing a large international corporation. Pursuant to the terms of the offer letter, Mr. Brickman will receive:

base salary at the annual rate of \$660,000;

a target annual bonus opportunity under our Annual Incentive Plan of 80% of his base salary, with a guaranteed bonus for fiscal year 2015 of no less than 50% of his target annual bonus opportunity; and

for fiscal year 2015, an LTI award with a grant date target value equal to 75% of the grant date value of the LTI award granted to Mr. Winterhalter in the ordinary course in his capacity as Chief Executive Officer.

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The offer letter also provides Mr. Brickman with the following transition-related compensation, which the Compensation Committee believed was important in encouraging Mr. Brickman to accept employment with us:

a special fiscal year 2014 LTI award consisting of restricted stock having a grant date target fair value of \$2.1 million and stock options having a grant date target fair value of \$1.1 million, each of which vests ratably over four years beginning on the first anniversary of the date of grant, subject to Mr. Brickman's continued employment with the Corporation on each applicable vesting date and subject to such other terms and conditions of the 2010 Omnibus Plan and the individual award agreements;

reimbursement for expenses incurred in relocating to the Corporation's headquarters in Denton, TX, as well as a tax gross-up payment on such amount in accordance with the Corporation's relocation policy;

reimbursement for the cost of health insurance premiums until he becomes eligible to participate in our group health plans, as well as a tax gross-up payment on such amount; and

severance in the event of his involuntary termination of employment or the Corporation's failure to promote him to the position of CEO prior to April 30, 2015, the terms of which are described in the "Potential Payments Upon Termination or Change in Control" section of this Proxy Statement beginning on page 55.

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Our executive compensation program consists of the following primary components:

Type	Form of Compensation	Terms
Cash	Salary	Provides competitive level of fixed compensation; reviewed annually
	Annual Incentive	Earned, based on attainment of Corporation financial and operational goals, with limited potential adjustment for individual performance
Equity	Annual grants of service-based stock options	Stock options generally vest in increments of 25% per year and restricted stock awards generally vest in increments of 20% to 25% per year.
	Periodic grants of service-based restricted stock awards	Equity awards are used for alignment with stockholder interests and attraction and retention of named executive officers. The value of equity awards considers the performance of both the Corporation and the executive in the prior year.
Limited Non-Change-in-Control Severance Benefits	For our CEO, payment of base salary through the remainder of the transition period and medical and dental insurance until his eligibility for Medicare	Payable to CEO only upon involuntary termination
	For our COO, 2 times base salary and target annual bonus	Payable to COO only upon an involuntary termination or the Corporation's failure to promote him to the position of CEO prior to April 30, 2015
Change-in-Control Severance Benefits	1.99 to 2.99 times base salary and average bonus, plus 24 months medical and welfare benefits.	Payable only upon involuntary termination within 2 years after a change in control, with no gross-up for taxes
Other Employee Benefits	401(k), health and welfare plans	Receive the same employee benefit as all employees
	Perquisites	Annual executive physical
		Reimbursement of relocation expenses in limited situations
		Reimbursement of health insurance premiums only upon hire and prior to eligibility for coverage in Corporation's group health plans in limited situations

We believe our compensation program provides a balanced and stable foundation for achieving our intended objectives. Our compensation philosophy emphasizes team effort, which we believe fosters rapid adjustment and adaptation to fast-changing market conditions and helps to not only achieve our short-term and long-term goals, but also aligns the interests of our management team with those of the Corporation and our stockholders.

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2014 Compensation Governance Highlights

We endeavor to maintain good governance standards including with respect to the oversight of our executive compensation policies and practices. The following policies and practices were in effect during fiscal 2014:

- ii The Compensation Committee is composed solely of independent directors who have established channels to communicate with stockholders regarding their executive compensation ideas and concerns.
- ii The Compensation Committee's independent compensation consultant, Frederic W. Cook & Co., Inc., is retained directly by the Compensation Committee and performs no other consulting or other services for us.
- ii The Compensation Committee conducts an annual review and approval of our compensation strategy, including a review of our compensation-related risk profile to assure that compensation-related risks are not reasonably likely to have a material adverse effect on the Corporation.
- ii The Compensation Committee reviews tally sheets in connection with making compensation decisions.
- ii We have a compensation recoupment policy that complies with and goes beyond the parameters described in the Dodd-Frank Act, requiring current and former executives to return incentive compensation that is subsequently determined not to have been earned.
- ii Minimum vesting requirements under our 2010 Omnibus Plan require that, subject to certain limited exceptions, full-value awards either (i) be subject to a minimum vesting period of three years, or one year if the vesting is based on performance criteria, or (ii) be granted solely in exchange for foregone cash compensation.
- ii The exercise price of options granted under our 2010 Omnibus Plan is never less than the closing price of our Common Stock on the date of grant.
- ii We have meaningful stock ownership and retention guidelines for our executive officers, including the named executive officers, and our independent directors.
- ii We prohibit all employees and directors from engaging in any margin trading, pledging or hedging transactions with respect to the Corporation's stock.
- X We do not provide "single trigger" change-in-control severance benefits. Our equity plans provide for "double trigger" change-in-control vesting for awards assumed by the surviving company. We do not provide Section 280G excise tax "gross-ups."
- X The change in control definition contained in our 2010 Omnibus Plan and severance agreements is not a "liberal" definition that would be activated on mere stockholder approval of a transaction.
- X We do not provide excessive perquisites. Our named executive officers participate in the same benefit programs at the same cost as other salaried employees, and receive only minimal perquisites, consisting of reimbursement for an annual physical and, in limited situations, reimbursement for relocation expenses and health insurance premiums (upon hire and only prior to eligibility for coverage under the Corporation's group health plans).
- X

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We do not provide tax "gross-ups" for perquisites or other benefits provided to our executive officers, other than in the case of reimbursement of certain new-hire relocation and health insurance expenses.

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Our plans prohibit the repricing of stock options without stockholder approval.

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Philosophy/Objectives of Executive Compensation

Our Compensation Committee has developed the following set of objectives to guide the design of our executive officer compensation plans and practices, including those for our named executive officers. The Compensation Committee considers these objectives when making decisions regarding the forms, mix and amounts of compensation paid to our executive officers:

Attract, motivate and retain highly qualified individuals. To assure that our compensation arrangements remain competitive with the compensation paid by other employers who compete with us for talent, the Compensation Committee considers peer group information as a point of reference. In fiscal 2014 we targeted our compensation program to provide total direct compensation opportunities for our named executive officers in the median and 75th percentile of our peer group. The Compensation Committee uses its judgment to vary executive officer pay within the targeted range and from the targeted range based on various factors, such as an executive officer's performance, responsibilities, experience and expected future contributions.

Align the interests of our executive officers more closely with those of our stockholders. The compensation program for our executives is weighted toward performance-based compensation, with base salary generally being the only component of an executive officer's direct compensation that is fixed each year. Other components, including annual bonus and long-term incentive compensation, are subject to the achievement of financial and strategic business objectives and/or increases in stock price. The Compensation Committee believes this performance-driven compensation will promote our long-term success and maximize stockholder returns.

Manage risk by balancing the time horizon of incentive compensation. Our compensation program is balanced between short- and long-term performance objectives, but always with a view to achieving long-term value for our stockholders. This structure, together with our compensation recoupment policy, encourages and rewards sustained superior performance.

Internal Equity

Internal equity is one factor of many that the Compensation Committee considers in establishing compensation for our executives. While there is no formal policy, the Compensation Committee reviews compensation levels to ensure that appropriate parity exists. The differences in compensation levels among our named executive officers reflect the significant variations in their relative responsibilities. The responsibilities of the CEO and COO for management and oversight of a global enterprise are significantly higher than those of our other named executive officers. As a result, the pay level for our CEO and COO are commensurately higher than the pay for other officer positions.

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Management of Compensation-Related Risk

We have designed our compensation programs to avoid excessive risk-taking. The following are some of the features of our program designed to help us appropriately manage business risk:

Diversification of incentive-related risk by employing a variety of performance measures;

A balanced weighting of the various performance measures, to avoid excessive attention on achievement of one measure over another;

An assortment of vehicles for delivering compensation, including cash and equity based incentives with different time horizons, to focus our executives on specific objectives that help us achieve our business plan and create an alignment with long-term stockholder interests;

A compensation recoupment policy, as described on page 15;

Standardized equity grant procedures; and

Stock ownership and retention guidelines applicable to all executive officers.

Processes for Determining Executive Compensation

The Compensation Committee continues to review each element of our executive compensation program, and the methods for determining the types and amounts of compensation, to assure that they help us meet our compensation philosophy and objectives. The Compensation Committee receives input from its independent compensation consultant as well as from members of management, as discussed below.

Role of Independent Compensation Consultant

The Compensation Committee retained the services of an independent consultant, Cook, to assist in its review of our management and non-employee director compensation levels and programs. As part of this engagement, Cook assisted the Compensation Committee in the design of our current compensation program for executives, and continues to advise the Compensation Committee on the program. The Compensation Committee has directly engaged Cook to assist with these same services for fiscal 2014, based on Cook's experience, expertise and familiarity with our company. Cook does not provide any services to our management, and does not provide any service to us, other than with respect to its role as the Compensation Committee's executive compensation consultant.

Conflicts of Interest Assessment

The Compensation Committee determined that the work of Cook did not raise any conflicts of interest in fiscal 2014. In making this assessment, the Compensation Committee considered the independence factors enumerated in Rule 10C-1(b) under the Securities Exchange Act of 1934 and the NYSE listing standards, including the fact that Cook does not provide any other services to the Corporation, the level of fees received from the Corporation as a percentage of Cook's total revenue, policies and procedures employed by Cook to prevent conflicts of interest, and whether the individual Cook advisers to the Compensation Committee own any stock of the Corporation or have any business or personal relationships with members of the Compensation Committee or our executive officers.

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Market Data/Benchmarking

Cook assisted the Compensation Committee in benchmarking our compensation arrangements and aggregate equity compensation practices against public companies similar in size and scope to our company. Cook obtained proxy data from the peer companies described below, as well as comparative compensation surveys of general industrial companies.

The following 12 specialty retail companies comprised our peer group for fiscal 2014, which we refer to as our "peer companies" or "peer group:"

Advance Auto Parts, Inc.	Fred's, Inc.	Stage Stores, Inc.
Dick's Sporting Goods, Inc.	O'Reilly Automotive, Inc.	Stein Mart, Inc.
Dollar Tree Stores, Inc.	PetSmart, Inc.	Tractor Supply Company
Family Dollar Stores, Inc.	The Sherwin Williams Company	Williams-Sonoma, Inc.

The Compensation Committee selected the companies in the peer group, after reviewing data on retail companies (including financial metrics, line-of-business, stock performance and employee count for each respective company) and considering several criteria, including the comparability of specialty retailers and the volatility and maturity of potential peers. In terms of size, our revenues and our market capitalization approximated the 25th percentile of these peer companies. The peer group is the same as the peer group for fiscal 2013.

Role of Management

The Compensation Committee also considers the views and insights of our management, including our executive officers, in making compensation decisions. In particular, our Chief Executive Officer recommends to the Compensation Committee the base pay levels and individual compensation targets for each executive officer (other than himself) based on each executive's experience, as well as our Chief Executive Officer's view as to the strategic importance of that executive's role, knowledge and performance. Our Chief Executive Officer's unique insight into our business and day-to-day interaction with our senior executives provides a valuable resource to the Compensation Committee with respect to our executive compensation programs. In addition, the Compensation Committee relied on recommendations made by our Chief Executive Officer and our Chief Financial Officer in selecting the performance metrics and targets for fiscal 2014 annual incentive compensation awards.

Our CEO as well as other members of management generally attend Compensation Committee meetings to provide input on executive contributions, but no member of management participates in discussions with the Compensation Committee concerning his or her own compensation. The Compensation Committee also works closely with our internal legal, human resources, and finance personnel in establishing and monitoring our compensation programs. Our Chief Financial Officer provides the Compensation Committee with input on our financial performance and operational issues, and our General Counsel provides input to the Compensation Committee regarding compliance with the laws, regulations and best practices applicable to executive compensation.

Experience of our Compensation Committee

The Chair of our Compensation Committee has significant experience in the management of professionals and has served both as chair and as a member of the compensation committees of other publicly-traded companies, and all of our Compensation Committee members have significant experience with regard to the oversight of executive compensation practices of large publicly-traded companies. The Board believes that this experience provides the members of our Compensation Committee with a solid frame of reference within which to evaluate our executive compensation programs and practices.

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Total Compensation Review

As part of its process for determining the amount and mix of total compensation to be paid to our executive officers in fiscal 2014, the Compensation Committee reviewed tally sheets prepared by management containing information for each executive officer regarding, among other things:

compensation for the last four fiscal years;

length of service with us;

the types and amounts of long-term incentive awards granted in the previous four fiscal years;

the types and amounts of our equity securities, both vested and unvested, owned as of the end of the most recently completed fiscal year;

the proceeds realized from option exercises during the last four fiscal years;

perquisites and other compensation paid in the previous fiscal year; and

the severance and other payments that he or she would receive upon the occurrence of certain events, taking into account the proposed compensation to be paid to such executive officer for the new fiscal year.

The Compensation Committee believes that this comprehensive annual review is important to an understanding of the total compensation paid and, in certain circumstances, payable to, our executive officers. The Compensation Committee uses these reports to test whether the various forms, targets, mix, and amounts of compensation paid and payable to our executive officers remain consistent with our compensation objectives. Based on its review for fiscal 2014, the Compensation Committee believes that the overall compensation of our executive officers was in line with the philosophy and objectives set forth above.

The Compensation Committee strives to make decisions on each element of executive compensation within the context of an officer's entire compensation package, meaning that a decision on one pay element (such as base salary) impacts decisions made on other pay elements (such as annual and long-term incentives). Based upon input received from Cook, the Compensation Committee believes that this program balances both the mix of cash and equity compensation, the mix of currently-paid and longer-term compensation, and the security of severance and change-in-control benefits in a way that furthers the compensation objectives discussed above.

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Compensation Components for Fiscal 2014

The following are the principal elements of the fiscal 2014 compensation program for our executive officers, including our named executive officers:

Element	Form of Compensation	Purpose	Performance Criteria	Actions Taken in Fiscal 2014
Base Salary	Cash	Providing a competitive level of fixed compensation that attracts and retains skilled management, recognizing their respective roles, responsibilities, and experience.	Reviewed annually for merit increases.	3.33% increase for Messrs. Flaherty and Golliher 10.94% increase for Mr. Haltom No increases for Messrs. Winterhalter, Brickman or Anderson.
Annual incentive bonus	Cash	Communicating and driving achievement of strategic short-term objectives that are important to our sustained success and stock value.	Specific financial performance measures selected by the Compensation Committee, with potential adjustment based on individual performance, as discussed on pages 35-39. The AIP financial performance targets for fiscal 2014 are set forth in the table on page 37.	With the exception of Mr. Brickman who was not eligible for a bonus in fiscal 2014 and Mr. Anderson who received a bonus equal to 100% of his target pursuant to the terms of his offer agreement, each of the named executive officers earned between 39% and 87% of target based on achievement of performance goals. No discretionary adjustments to bonus payments were made based on individual performance.
Long-term incentive awards	Stock options Restricted Stock	Creating a strong financial incentive for meeting or exceeding long-term financial goals, rewarding past performance, recognizing promotions and encouraging an equity stake in the Corporation, and aligning their interests with those of our stockholders. Also encouraging officer retention by	Value for options requires sustained increases in common stock price over the life of the option (maximum ten-year period). Restricted stock rewards performance and enhances retention.	Named executive officers were granted stock options that vest over a 4 year period. In connection with the executive management transition plan, each of Messrs. Winterhalter and Brickman received special, one-time LTI awards consisting of restricted stock, in the case of Mr. Winterhalter, and restricted stock and

providing attractive
compensation
opportunities.

stock options, in the
case of Mr. Brickman.

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As discussed in more detail below, our competitive positioning for total direct compensation (base salary, target annual bonus and annualized grant-date fair value of long-term incentives) reflects a combination of 25th percentile base salaries, 25th percentile to median target bonus opportunities and median to 75th percentile long-term incentive grants, on average.

The Corporation also provides the following elements of compensation:

Element	Form of Compensation	Purpose	Actions Taken in Fiscal 2014
Health and welfare plans	Eligibility to receive available health and other welfare benefits paid for, in whole or in part, by the Corporation, including broad-based medical, dental, life and disability insurance.	Providing a competitive, broad-based employee benefits structure and promoting the good health of our executives.	No changes affecting the named executive officers.
Retirement Plan	Eligibility to participate in, and receive Corporation contributions to, our 401(k) plan (available to all employees).	Providing competitive retirement-planning benefits to attract and retain skilled management.	No changes affecting the named executive officers.
Perquisites	Reimbursement for annual physical.	Promoting the good health of our executives.	No changes affecting the named executive officers.
	Reimbursement for relocation expenses per our corporate policy and a gross-up payment for the related taxes.	Offer competitive compensation package to induce employment	Offered to Messrs. Anderson and Brickman in connection with their commencement of employment with us.
	Reimbursement for health insurance premiums upon hire prior to eligibility for participation in the Corporation's group health plans and a gross-up payment for the related taxes.	Offer competitive compensation package to induce employment	Offered to Messrs. Anderson and Brickman in connection with their commencement of employment with us.
Severance Protection	Reimbursement for legal expenses incurred by Mr. Winterhalter in connection with the negotiation of his transition agreement.	Providing a competitive compensation package for retention purposes, as well as ensuring continuity of management during the executive management transition.	Offered to Mr. Winterhalter in connection with the executive management transition plan.
	Eligibility to receive cash severance and post-termination health benefits in connection with involuntary termination within two years after a change of control, or in the case of Messrs. Winterhalter and Brickman, involuntary termination (or, in the case of Mr. Brickman, our failure to promote him to the position of CEO prior to April 30, 2015). In addition, Mr. Winterhalter would be entitled to receive continued medical and dental insurance coverage until his eligibility for Medicare.	Providing a competitive compensation package for retention purposes before and after a change in control, as well as ensuring continuity of management in the event of any actual or threatened change in control of our Corporation.	No changes affecting the named executive officers, with the exception of (i) Mr. Winterhalter, who agreed to terminate his existing termination agreement in connection with his entering into the transition agreement, which provides for certain severance benefits in the event of an involuntary termination, and (ii) Mr. Brickman, who is entitled to severance upon an involuntary termination or our failure to promote him to CEO prior to April 30, 2015 pursuant to the terms of his offer letter.

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Base Salary

The Compensation Committee determines the base salary for each of our named executive officers on an annual basis (unless market conditions or changes in responsibilities merit mid-year changes) and, except as noted below, targets base salaries at or near the 25th percentile to the median of the companies in our peer group. In evaluating each executive officer's performance in his position with us, the Compensation Committee relies primarily on our Chief Executive

Officer's performance review of each executive officer other than himself. The subjective factors considered by our Chief Executive Officer primarily consist of whether the executive officer met the developmental and operational goals set for him or her and the financial performance within the executive officer's area of responsibility.

In September 2013, the Compensation Committee reviewed market data on our peer companies to determine whether any significant changes to the base salaries for our executive officers were needed for fiscal 2014 to align our executive team with the market. With the exception of Mr. Haltom who received an increase of 10.94% to align his compensation to the market rate as he continued to develop well in his role as Senior Vice President, General Counsel and Secretary following his promotion to that role in fiscal 2013, the Compensation Committee did not materially increase the base salary levels of the named executive officers (increases ranged from 0.0% to 3.33% with adjustments to reflect executive performance and to move executive salaries closer to the targeted competitive position). Mr. Anderson did not receive a base salary increase during fiscal 2014.

In determining Mr. Brickman's initial base salary, the Compensation Committee considered the needs of the Corporation in attracting an executive with Mr. Brickman's expertise in managing large international corporations.

Salaries for our named executive officers for fiscal 2014 ranged from the 25th percentile to the median of our peer group.

The Compensation Committee believes that the base salaries paid to our named executive officers during fiscal 2014 were appropriate to facilitate our ability to retain and motivate such officers and were competitive with those offered by our peer companies. For the base salaries paid to our named executive officers during fiscal 2014, please see the "Summary Compensation Table" on page 46 of this Proxy Statement.

Annual Cash Incentive Bonus

AIP. For fiscal 2014, annual cash incentive bonuses for our named executive officers, with the exception of Mr. Brickman, were made pursuant to the Sally Beauty Holdings, Inc. Annual Incentive Plan, which is a sub-plan of the 2010 Omnibus Plan, which we refer to as the AIP. Mr. Brickman assumed the role of President and Chief Operating Officer on June 2, 2014 and therefore was not eligible to participate in the AIP for fiscal 2014. The AIP is designed to function as a "plan within a plan" in order to preserve deductibility under Section 162(m) of the Internal Revenue Code, while giving the Compensation Committee the flexibility to tailor awards to reflect financial, operational and individual achievements based on subjective as well as objective criteria. The "outer layer" component of the AIP is entirely objective. No bonuses will be payable under the AIP unless we achieve positive operating income for the year, as reflected in our audited consolidated financial statements. If we in

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fact achieve this threshold financial goal for the year, our Chief Executive Officer's maximum award is 1% of such operating income and each other named executive officer's maximum award is 0.5% of such operating income, which we refer to as the "Section 162(m) maximum awards." As the "inner layer" component of the AIP, at the beginning of each year the Compensation Committee may establish other financial, operational and/or individual performance goals for each executive officer that will be used to determine actual bonus amounts that are below the officer's Section 162(m) maximum award. The Compensation Committee in effect uses "negative discretion" to reduce the Section 162(m) maximum awards, as it deems appropriate, based on our financial performance relative to these pre-determined goals and based on the Compensation Committee's more subjective evaluation of corporate, operational and individual performance.

Award Opportunities. Consistent with the above approach, the Compensation Committee established certain performance criteria for each named executive officer which, if satisfied, would enable him to earn a target-level (below maximum) award under the AIP for fiscal 2014 (we refer to these "inner layer" performance criteria as the AIP criteria). These AIP criteria are factors used by the Compensation Committee in exercising its discretion to appropriately size the AIP bonuses, if any, to an amount that is below the Section 162(m) maximum award amount, as described above.

Our CEO made recommendations to the Compensation Committee as to the percentage of each named executive officer's base salary (other than himself) to be used as his target-level award under the AIP, based on job responsibilities and peer group data provided by Cook. The Compensation Committee made the determination as to the percentage of the CEO's base salary to be used for his target-level award under the AIP, based on his job responsibilities and the peer group data provided by Cook. The bonus targets for our named executive officers, with the exception of Mr. Brickman (who did not participate in the AIP during fiscal 2014), for fiscal 2014 were the same as for fiscal 2013 and fiscal 2012: 100% of base salary for Mr. Winterhalter, and 60% of base salary for our other named executive officers. Accordingly, the targeted total annual cash compensation (base salary and annual incentive) for our named executive officers was generally between the 25th percentile and the median of our peer companies.

The AIP is designed so that if we achieve the AIP financial performance targets (as discussed below), the executive is eligible to earn 100% of his target bonus award. Financial performance at below-target levels (subject to a threshold of 96.1% of target performance for each metric) would result in awards as low as 2.5% of the target award, subject to the discretion of the Compensation Committee to make adjustments as described below. If we exceed the AIP financial performance

targets, each named executive officer is eligible to earn an AIP bonus in excess of his target award, not to exceed the designated individual award limit. We refer to these higher amounts as the "AIP maximum awards," as distinguished from the Section 162(m) maximum awards.

AIP Financial Performance Criteria. In establishing the performance objectives for fiscal 2014, the Compensation Committee determined that the primary emphasis should be on financial performance objectives (as an entity or, in some cases as set forth below, as a business unit). Accordingly, in order for an executive to receive 100% of his AIP target bonus, the target level of financial performance must be achieved, subject to a potential adjustment based on individual performance, as described below.

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For fiscal 2014, the AIP financial criteria consisted of the following three performance metrics, which were measured with reference to our annual operating plan. For shared services officers (Messrs. Winterhalter, Flaherty and Haltom), these metrics were expressed on the consolidated level as made up by individual reporting units. For heads of a business unit (Messrs. Anderson and Gollither), these metrics were expressed as that segment's portion of our annual operating plan. The percentage weighting of the various financial metrics represents the Compensation Committee's determination regarding the relative importance of each metric to our overall financial performance.

Sales (30%). Sales, excluding unbudgeted acquisitions, is a valuable measure in determining incentive compensation, as it provides consistency and comparability in our financial reporting and therefore links the compensation of our executive officers with our growth objectives.

Adjusted EBITDA (50%). Adjusted EBITDA, excluding unbudgeted acquisitions, provides a meaningful measure of our ability to meet our future debt service, capital expenditures and working capital requirements. For incentive award purposes, we calculate adjusted EBITDA in the same manner as we publicly report this non-GAAP financial measure to the public in our quarterly earnings releases.

Working Capital (20%). Working capital (expressed as a percentage of sales) provides a meaningful measure of the capital employed in our business. We use this measure as a means to reward employees for decreasing the level of capital needed to effectively run the business so that any additional cash could be used for other value-creating purposes, such as the repayment of debt, acquisitions, or opening additional stores. We define this working capital target as the 12-month average value of inventory and accounts receivable, minus accounts payable, expressed as a percentage of sales for the corresponding fiscal year period.

In setting the financial performance targets for the AIP, the Compensation Committee reviewed our financial projections for fiscal 2014 with Mr. Winterhalter and Mr. Flaherty. For fiscal 2014, the AIP financial performance targets were as follows:

	Sales(1)	Adjusted EBITDA(1)	Working Capital(1)
Messrs. Winterhalter, Flaherty and Haltom	\$3.777 billion (weighted 30%)	\$641.3 million (weighted 50%)	13.32% of Sally North America 17.55% of BSG North America 25.60% of Sally International 30.12% of BSG International (weighted 20%)
Mr. Anderson	\$1.828 billion of Sally USA and Canada (weighted 30%)	\$475.1 million of Sally USA and Canada (weighted 50%)	12.94% of Sally USA and Canada (weighted 20%)
Mr. Gollither	\$1.458 billion of BSG (weighted 30%)	\$240.5 million of BSG (weighted 50%)	20.00% of BSG Canada 17.31% of BSG USA 30.12% of BSG International (weighted 20%)

(1) Based on consolidated results, except as noted.

As noted above, if we achieve target-level financial performance, the executives are eligible to earn 100% of their target AIP bonus awards. Financial performance at below-target levels (subject to a threshold of 96.1% of target performance for each metric) would result in awards as low as approximately 2.5% of the target award, except that, as discussed below, the Compensation Committee has discretion to reduce or increase the dollar value of an individual officer's AIP award based upon a subjective assessment of the individual's performance. The named executive officers were eligible to

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earn bonuses in excess of the target awards (up to the AIP maximum awards stated above) to the extent that performance against the financial goals exceeded target performance. AIP maximum awards could be earned if:

we, or the applicable business unit, had achieved 104% or greater (domestically) or 108% or greater (internationally) of the target amount of sales for fiscal 2014,

we, or the applicable business unit, had achieved 108% or greater of the target amount of adjusted EBITDA for fiscal 2014, and

with respect to Messrs. Winterhalter, Flaherty and Haltom, one or more of the following had occurred: Sally North America's working capital as a percentage of sales for fiscal 2014 had been 13.32% or below, BSG North America's working capital as a percentage of sales for fiscal 2014 had been 17.55% or below, Sally International's working capital as a percentage of sales for fiscal 2014 had been 25.60% or below or BSG International's working capital as a percentage of sales for fiscal 2014 had been 30.12% or below, or with respect to Mr. Anderson, Sally USA and Canada's working capital as a percentage of sales for fiscal 2014 had been 12.94% or below or, with respect to Mr. Gollither, one or more of the following had occurred: BSG Canada's working capital as a percentage of sales for fiscal 2014 had been 20.00% or below, BSG USA's working capital as a percentage of sales for fiscal 2014 had been 17.31% or below, or BSG International's working capital as a percentage of sales for fiscal 2014 had been 30.12% or below.

When performance for a given financial metric exceeds target, the payout between target and maximum award opportunity for that metric is determined by straight-line interpolation. For example, based on the following chart, sales performance of 102.38% of target would translate into a payout percentage of 159.50%. If the sales component is weighted at 30% of the bonus opportunity, the weighted payout for that metric would equate to 47.85% of the total target bonus opportunity for that participant:

Sales target

Objective	Payout Percentage
104% or above	200%
103%	175%
102%	150%
101%	125%
100%	100%
99%	75%
98%	50%
97%	25%
96% or below	0%

Individual Performance. In order to provide flexibility to recognize overall achievements in key focus areas and operational performance, which can change throughout the year based on unanticipated contingencies, the Compensation Committee does not list specific individual performance objectives for individual officers under the AIP. Instead, the Compensation Committee has the ability to use its qualitative judgment to reduce or increase the dollar value of an individual officer's AIP award (by up to 50 percentage points below or above the percentage of the target award resulting from application of the financial performance formulas) based upon a subjective assessment of the individual's performance, but the adjusted payout cannot exceed the Section 162(m) maximum award for such individual.

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Determination of Fiscal 2014 Awards. In its September and October 2014 meetings, the Compensation Committee reviewed the 2014 fiscal year business results and determined whether and to what extent the AIP criteria were met. During this review, the Compensation Committee met with Mr. Winterhalter to discuss his performance reviews of the other named executive officers and with the Lead Independent Director of the Board to discuss the Board's review of Mr. Winterhalter (without Mr. Winterhalter being present). The Compensation Committee did not adjust AIP payouts for individual performance for any of the named executive officers for fiscal 2014.

The amounts by which the financial performance targets under the AIP were achieved for each metric, and the resulting payout factors, are illustrated in the following table.

	Sales		Adjusted EBITDA		Working Capital		Aggregate Payout	
	Weighted Achievement %	Weighted Payout %	Weighted Achievement %	Weighted Payout %	Weighted Achievement %	Weighted Payout %	As % of Target Bonus	As % of Base Salary
Mr. Winterhalter	98.77%	19.81%	95.33%	17.00%	93.80%	2.07%	38.88%	39%
Mr. Flaherty	98.77%	19.81%	95.33%	17.00%	93.80%	2.07%	38.88%	23%
Mr. Golliher	99.29%	24.23%	101.59%	56.61%	98.54%	5.81%	86.65%	52%
Mr. Haltom	98.77%	19.81%	95.33%	17.00%	93.80%	2.07%	38.88%	23%

The table below shows the payout opportunities and actual payouts under the AIP for the named executive officers* for fiscal 2014:

	AIP Target as a % of Salary	AIP Target Award (\$)	FY14 Actual AIP Award (\$)	AIP Actual Award as a % of Salary
Mr. Winterhalter	100%	\$1,000,000	\$388,800	39%
Mr. Flaherty	60%	284,522	\$110,622	23%
Mr. Golliher	60%	284,522	\$246,538	52%
Mr. Haltom	60%	211,907	\$ 82,389	23%

*

Mr. Brickman was not eligible to participate in the AIP for fiscal 2014 and Mr. Anderson received a payout equal to 100% of his target bonus pursuant to the terms of his offer letter with the Corporation.

Equity-Based Long-Term Incentive Compensation

Options to purchase our Common Stock are the primary equity compensation vehicle used by the Compensation Committee. Because the benefits of stock options are dependent on the appreciation of the price of our Common Stock, such awards create a strong financial incentive for meeting or exceeding our long-term financial goals and increasing stockholder return. Because the options become exercisable in increments over a four-year term, our executives must remain employed for a significant period before realizing any value for their options. Restricted stock awards are reserved for limited circumstances to recognize key contributors and enhance retention, as the Compensation Committee deems appropriate. The Compensation Committee evaluates whether this component of our compensation program is appropriate given our capital structure and evolving business strategy (as discussed with Cook) given the goal of providing assurance that our equity program properly motivates and retains our key employees.

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Grant Practices for Equity-Based Awards. The Compensation Committee's policy is to grant equity awards on the same day it approves the grant. Options have an exercise price equal to the closing price of our Common Stock on the date of grant. Other than special one-time grants, such as at the time of a new hire or promotion, the Compensation Committee intends to grant equity awards to its executive officers once a year, and such grants will generally be made at the same time that the Compensation Committee approves the annual bonus award targets under the annual bonus plan for the fiscal year.

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These actions will generally occur within the first month of the fiscal year. Equity grants are currently made under the 2010 Omnibus Plan.

Our VP of Employee Services recommends to our CEO the number of options or other equity awards to be granted to certain key employees based on a value concept based upon Adjusted EBITDA growth, as well as consideration of each individual's rate of base salary and the dollar value of the proposed award as a percentage of base salary. Our CEO then makes a grant recommendation for each of the proposed grantees, including the named executive officers other than himself, to the Compensation Committee based on consideration of the value of the grants that the individual received in prior years, the competitive market data provided by Cook and his views as to the individual's expected future contribution to our business results. The Chairman of the Compensation Committee of the Board of Directors recommends to the Compensation Committee the CEO's proposed equity grant based on his review of competitive market data provided by Cook. The Compensation Committee is ultimately responsible for determining the number of options or shares to be awarded and for approving each grant. In making this determination, the Compensation Committee considers the recommendations of the CEO, the long-term incentive opportunity market data provided by Cook, and the competitive data provided by Cook regarding aggregate share usage and costs associated with equity grants.

Fiscal 2014 Equity Awards. Consistent with its equity grant policy, in October 2013, the Compensation Committee granted stock options to each of our named executive officers.

The Compensation Committee sets an aggregate long-term incentive budget to determine the total amount of equity awards that may be awarded in any fiscal year. The Compensation Committee determines the budget after discussions with Cook and management and a review of peer group practices, evaluation of prior year performance and the projected impact to

our net income. Based upon input received from Cook, the Compensation Committee believes that the terms and conditions of the 2014 equity awards, as well as the size of the grants, were commensurate with similar measures used by our peer group.

In addition, as discussed earlier in this CD&A, in connection with the executive management transition plan, the Compensation Committee granted special, one-time LTI awards to Messrs. Winterhalter and Brickman consisting of restricted stock, in the case of Mr. Winterhalter, and restricted stock and stock options, in the case of Mr. Brickman. The Compensation Committee determined the size of these grants after considering a number of factors, including, in the case of Mr. Brickman, the needs of the Corporation in attracting an executive with Mr. Brickman's expertise in managing a large international corporation and the value of the equity awards forfeited by Mr. Brickman upon his resignation from his prior employer, and in the case of Mr. Winterhalter, the Corporation's desire to encourage his retention during this important executive management transition period.

For more information regarding the equity-based awards granted to our named executive officers during fiscal 2014, please see the "Grants of Plan-Based Awards For Fiscal 2014" table on page 48 of this Proxy Statement.

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Benefits and Perquisites

Our named executive officers are eligible to participate in the benefit plans generally available to all of our U.S. employees, which include health, dental, life insurance, and disability plans. In addition, our named executive officers (along with our other U.S. employees) are eligible to participate in our 401(k) plan, which represents the only retirement plan that we provide to our named executive officers. Under the 401(k) plan, our employees may contribute, on a pre-tax basis, up to 50% of eligible compensation, as defined in the plan,

subject to Internal Revenue Code limitations. We match each employee's contribution, including our named executive officers, at a rate of 100% on the first 4% of the employee's eligible compensation. Employees are immediately vested in the matching contributions made by us. Our 401(k) plan also has a profit sharing component, which is 100% funded by us and is determined annually by the Compensation Committee. Employees are vested in our profit sharing contributions after 3 full years of employment. For fiscal 2014, the Compensation Committee reviewed the contributions of our employees to our financial performance and determined that a company contribution of approximately 1% of eligible compensation was an appropriate profit-sharing contribution.

Consistent with our philosophy of emphasizing performance-based pay, our executive compensation program provides limited benefits and perquisites. All perquisites for executive officers must be approved by the Compensation Committee. In fiscal 2014, the only perquisites provided to our named executive officers were reimbursement for an annual physical and, for (i) Messrs. Anderson and Brickman, reimbursement of relocation expenses and for health insurance premiums upon hire only prior to them becoming eligible for group health coverage under the Corporation's group health plans and a related tax gross-up payment for each relocation expense and health insurance premium reimbursement, and (ii) Mr. Winterhalter, reimbursement of legal expenses incurred in connection with the negotiation of his transition agreement.

The Compensation Committee believes that offering the above-described benefits and perquisites to our named executive officers is consistent with the terms and benefits offered by other similarly-situated public companies, and enhances our ability to retain our named executive officers. Given the fact that these items represent a relatively insignificant portion of our named executive officers' total compensation, the availability of such items does not materially influence the decisions made by the Compensation Committee with respect to the other elements of the total compensation payable to our named executive officers.

Post-Termination Benefits

Change-in-Control Agreements. Many change-in-control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage our senior executive officers to remain employed with the Corporation during an important time when their prospects for continued employment can be uncertain, we have entered into change-in-control agreements only with our senior executive officers, Messrs. Winterhalter, Brickman, Flaherty, Gollither, Anderson, and Haltom, which provide payments and benefits in the event of the executive's termination of employment by the Corporation without cause or by the executive for "good reason" within two years following a change in control. Because a termination by the executive for good reason

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is effectively a "constructive termination" by the Corporation without cause, we believe it is appropriate to provide severance benefits in these circumstances. The Compensation Committee has determined that our change-in-control agreements were generally consistent with those in place at similarly-situated public companies, were designed to keep our executives focused on their work responsibilities during the uncertainty that accompanies a potential change-in-control, and (consistent with the recommendation of our CEO) were necessary to retain and recruit our senior executives. The Compensation Committee also deemed it important from a retention perspective to treat all of the named executive officers similarly with respect to their change-in-control arrangements, except that on October 29, 2012, Mr. Winterhalter's agreement was amended so that the Corporation's medical and dental insurance will remain available to him until his eligibility for Medicare in the event of his termination without cause or for good reason or his retirement, with the Board's approval, within two years after a change in control. Pursuant to Mr. Winterhalter's transition agreement, his severance agreement will continue in full force and effect until September 30, 2016, but effective as of April 30, 2015, the severance multiple will be reduced. Mr. Anderson's agreement expired when he resigned from the Corporation on May 14, 2014.

Transition Agreement and Offer Letter. Mr. Winterhalter's transition agreement and Mr. Brickman's offer letter each provide certain severance benefits if the executive is involuntarily terminated in situations that do not involve a change in control. The Compensation Committee deemed it important to provide these severance benefits in order to encourage retention during an important transition period. Please see "Potential Payments Upon Termination or Change in Control" on page 55 of this Proxy Statement for a description of and potential payouts under the Mr. Winterhalter's transition agreement and Mr. Brickman's offer letter.

Treatment of Equity Awards upon Change in Control. Under the terms of our Sally Beauty Holdings, Inc. 2007 Omnibus Incentive Plan (the "2007 Omnibus Plan") and our 2010 Omnibus Plan, stock option and restricted stock awards have "double trigger" change-in-control vesting if the awards are assumed by the surviving company and equitably converted to awards for publicly traded stock in connection with such transaction. This means that the awards would vest upon the holder's involuntary separation from service within two years following the change in control, or such other period specified by the Compensation Committee. If the awards are not assumed by the surviving company and equitably converted, they would vest upon the change in control. This vesting approach aids in our ability to retain key executives during the critical time leading up to and following a change in control.

Separation Agreement. In connection with his resignation, we entered into a separation agreement with Mr. Anderson, pursuant to which he received certain payments and benefits. Please see "Potential Payments Upon Termination or Change in Control" on page 55 of this Proxy Statement for a description of these separation agreements.

Stock Ownership and Retention Guidelines

Consistent with our commitment to aligning the interests of our executives with stockholders, the Nominating and Corporate Governance Committee of our Board of Directors has adopted stock ownership guidelines which apply to our executives at the vice president level and above. Pursuant to these guidelines, executives are encouraged to own shares of our Common Stock generally equal in value to a multiple of their annual base salary (as in effect on December 1st of each year) depending on such executive's level in the Corporation. Vested stock options count towards the grantee's stock ownership totals, with each option counting as one share of stock owned. Unvested stock options and restricted shares (stock for which restrictions have not lapsed) do not count as stock owned under the

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guidelines. The executive officer stock ownership guidelines, as applicable to the named executive officers, are as follows:

CEO	Five times annual base salary
Senior Vice Presidents	Three times annual base salary
Vice Presidents	One time annual base salary

Until such time as the officer reaches his or her equity ownership guideline, the officer will be required to retain that percentage of the shares of Common Stock received upon lapse of the restrictions upon restricted stock and upon exercise of stock options (net of any shares utilized to pay for the exercise price of the option and tax withholding) as set forth below:

Retention Requirement

Chief Executive Officer	100%
Senior Vice Presidents	50%
Vice Presidents	50%

Because officers must retain a percentage of shares resulting from any exercise of stock options or the lapsing of restrictions upon restricted stock until they achieve the specified guidelines, there is no minimum time period required to achieve the equity ownership guidelines set forth above. As of December 1, 2014, all of our executive officers were in compliance with our equity ownership guidelines (other than Mr. Anderson, who resigned on May 14, 2014 and Mr. Winterhalter who, per the executive management transition plan, will transition to the role of Executive Chairman by April 30, 2015). The stock ownership guideline applicable to Senior Vice Presidents also applies to Mr. Brickman while he serves as the President and Chief Operating Officer of the Corporation.

The Compensation Committee may in the future consider an executive's achievement of the guideline stock ownership targets in its award of further equity grants.

Beginning in fiscal year 2013, we instituted stock ownership and retention guidelines for our independent directors, as further described on pages 20-21 of this Proxy Statement.

Use of Pre-Approved Trading Plans

We permit our executive officers and Directors to enter into pre-approved trading plans established according to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, with an independent broker-dealer to enable them to either a) purchase securities; or b) to recognize the value of their compensation and diversify their holdings of our securities during periods in which they might otherwise not be able to buy or sell our stock because important information about us had not been publicly released. These plans include specific instructions for the broker to exercise options or purchase or sell stock on behalf of the plan participant if our stock price reaches a specified level or certain events occur. The plan participant no longer controls the decision to purchase, exercise or sell the securities in the plan. Generally, when our executive officers trade under these plans they are publicly disclosed in Section 16 filings with the SEC. Three of our named executive officers (Messrs. Winterhalter, Flaherty and Haltom) had Rule 10b5-1 sale plans in place during fiscal 2014.

Policy Against Margin Trading, Pledging or Hedging Company Stock

Certain forms of margin trading, pledging, hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow a director, officer or other employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the person to continue to own the covered securities but without the full risks and rewards of ownership. When that occurs, he or she may no longer have

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the same objectives as the Corporation's other stockholders. Therefore, pursuant to our published insider trading policy, our directors, officers and other employees are prohibited from engaging in any such transactions.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits the deductibility for federal income tax purposes of compensation paid to our named executive officers (other than our Chief Financial Officer). Under Section 162(m), compensation paid to each of these officers in excess of \$1,000,000 per year is deductible by us only if it is "performance-based." The Compensation Committee believes that tax deductibility of compensation is an important consideration in establishing our executives' compensation. For example, the 2010 Omnibus Plan is designed to allow the Compensation Committee to grant awards that may qualify for the performance-based compensation exemption from Section 162(m), such as stock options, and the AIP, as a subplan of the 2010 Omnibus Plan, also allows annual cash incentive awards that may qualify as performance-based compensation. A number of requirements must be met for particular compensation to so qualify, however, so there can be no assurance that any compensation awarded will be fully deductible under all circumstances. Also, with the goal of providing a compensation program that enhances stockholder value, the Compensation Committee reserves flexibility to approve compensation arrangements that are not fully tax deductible by us.

Consideration of Most Recent Advisory Stockholder Vote on Executive Compensation

At the annual meeting of stockholders on January 28, 2011, our stockholders expressed a preference that advisory votes on executive compensation occur every three years. In accordance with the results of this vote, the Board determined to implement an advisory vote on executive compensation every three years until the next required vote on the frequency of stockholder votes on the compensation of executives, which is scheduled to occur at the 2017 annual meeting. Therefore, an advisory vote on executive compensation was held at the 2014 annual meeting and the next advisory vote will occur at the 2017 annual meeting.

Also, at the annual meeting of stockholders on January 30, 2014, we held our second annual advisory vote on executive compensation and 99% of the shares voted were cast in support of the compensation of the Corporation's named executive officers. The Compensation Committee appreciates and values the views of our stockholders. In considering the results of the 2014 advisory vote on executive compensation and feedback from our stockholders, the Compensation Committee concluded that the compensation paid to our executive officers and the Corporation's overall executive pay practices have strong stockholder support and have been effective in implementing the Corporation's stated compensation philosophy and objectives. The Compensation Committee recognizes that executive pay practices and notions of sound governance principles continue to evolve. Consequently, the Compensation Committee intends to continue paying close attention to the advice and counsel of its compensation advisors and invites our stockholders to communicate any concerns or opinions on executive pay directly to the Compensation Committee or the Board. Please refer to "Stockholder Director Communications" on page 13 for information about communicating with the Board.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K included in this Proxy Statement. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee

Edward W. Rabin (Chair)
Katherine Button Bell
Marshall E. Eisenberg
Susan R. Mulder

The foregoing report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table contains compensation information for our named executive officers. The information included in this table reflects compensation earned by the named executive officers for services rendered to us for the years ended September 30, 2014, September 30, 2013 and September 30, 2012.

SUMMARY COMPENSATION TABLE

Name and Principal Position(1)	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(2)	Option Awards (\$)(3)	Non-Equity Incentive		Total (\$)
						Compensation Plan (\$)	All Other Compensation (\$)(4)	
Gary G. Winterhalter Chief Executive Officer	2014	1,000,000		3,499,957	3,283,989	388,800	23,346	8,196,092
	2013	997,077		1,084,064	3,387,480	441,379	13,904	5,923,904
	2012	959,154			3,188,030	1,351,197	9,333	5,507,714
Christian A. Brickman President and Chief Operating Officer(5)	2014	250,327(6)		2,199,902	1,099,499		262,315	3,812,043
Mark J. Flaherty. Senior Vice President and Chief Financial Officer	2014	473,822			979,535	110,622	13,928	1,577,907
	2013	458,320		350,001	1,029,749	121,733	13,780	1,973,583
	2012	440,692			1,030,463	372,492	13,455	1,857,102
John R. Gollhofer President, Beauty Systems Group LLC	2014	473,822			979,535	246,538	7,351	1,707,246
	2013	458,320		350,001	1,029,749	401,886	13,780	2,253,736
	2012	440,692			1,030,463	507,147	13,455	1,991,757
Matthew O. Haltom Senior Vice President, General Counsel and Secretary(7)	2014	352,308			523,173	82,389	13,465	971,335
	2013	313,564		168,071	549,630	83,705	13,532	1,128,502
Tobin K. Anderson Former President, Sally Beauty Supply LLC(8)	2014	261,539	240,000(9)		700,282(10)		514,008	1,715,829

(1) Reflects principal positions held as of September 30, 2014.

(2) Reflects the grant date fair value of the stock awards, determined in accordance with ASC 718 and based on the fair market value of the underlying shares on the date of grant. None of our named executive officers received any stock awards in fiscal year 2012 and, with the exception of Messrs. Brickman and Winterhalter, none of our named executive officers received any stock awards in fiscal year 2014. For Mr. Brickman, fiscal year 2014 includes the grant date fair value of the restricted stock units granted to him on October 30, 2013 in connection with his service as an independent director on our Board of Directors prior to his appointment to the position of President and Chief Operating Officer of the Corporation (\$99,993).

(3) Reflects the grant date fair value of the option awards, determined in accordance with ASC 718. The assumptions used in the calculation of the grant date fair values of the option awards are included in Note 7 to our audited financial statements for the fiscal year ended September 30, 2014, included in our Form 10-K filed with the SEC on November 13, 2014.

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- (4) Amounts reported as "All Other Compensation" for our 2014 fiscal year include the following:

	Company Matching Contributions to 401(k) and Profit Sharing Plan (\$)	Life Insurance Premiums (\$)	Relocation Expenses (\$)	Tax Gross-Up \$(a)	Health Care Premiums (\$)	Legal Expenses (\$)	Severance Payments \$(b)	Total (\$)
Mr. Winterhalter	12,836	1,188				9,322		23,346
Mr. Brickman		122	150,876	109,016	2,301			262,315
Mr. Flaherty	12,993	935						13,928
Mr. Gollither	6,416	935						7,351
Mr. Haltom	12,775	690						13,465
Mr. Anderson		366	10,772	5,833	5,135		491,902	514,008

- (a) Represents a gross-up amount to cover the taxes related to the reimbursement of relocation expenses and health insurance premiums.

- (b) Lump sum cash severance payment to Mr. Anderson pursuant to the terms of his separation agreement in connection with his resignation from the Corporation on May 14, 2014. Please see "Potential Payments Upon Termination or Change in Control" on page 55 of this Proxy Statement for a description of his separation agreement.

Perquisites and other personal benefits provided to each of the other named executive officers had an aggregate incremental cost of less than \$10,000 and accordingly have been omitted from the table in accordance with SEC rules. For information regarding perquisites, please see "*Compensation Discussion and Analysis – Compensation Components for Fiscal 2014 Benefits and Perquisites.*"

- (5) Mr. Brickman assumed the role of President and Chief Operating Officer of the Corporation on June 2, 2014 and was not a named executive officer in fiscal years 2013 and 2012.
- (6) Includes \$47,250 in fees received for his service as an independent director on our Board of Directors through April 25, 2014.
- (7) Mr. Haltom was not a named executive officer in fiscal year 2012.
- (8) Mr. Anderson was not a named executive officer in fiscal years 2013 and 2012 and resigned from the Corporation on May 14, 2014.
- (9) Reflects Mr. Anderson's payout equal to 100% of his target bonus pursuant to the terms of his offer letter with the Corporation.
- (10) All of Mr. Anderson's option awards were forfeited upon his resignation from the Corporation on May 14, 2014.

Narrative Discussion of Summary Compensation Table

Salary

As discussed above in "*Compensation Discussion and Analysis,*" the Compensation Committee generally reviews executive officer salaries within the first month of the fiscal year. In October 2013, the Compensation Committee increased the annual base salary for each of our named executive officers, except for Mr. Winterhalter, whose salary remained level at \$1,000,000, Mr. Brickman, who was appointed President and

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Chief Operating Officer on June 2, 2014 at annual base salary of \$660,000, and Mr. Anderson who joined the Corporation on August 5, 2013 as Senior Vice President of Sally Beauty Supply LLC at an annual base salary of \$400,000 and did not receive a promotional increase at the time of his promotion to President of Sally Beauty Supply LLC on November 11, 2013. The annual base salary for each of our other named executive officers increased as follows: Mr. Flaherty, \$459,680 to \$475,000; Mr. Gollhofer, \$459,680 to \$475,000 and Mr. Haltom \$320,000 to \$355,000.

Stock Awards

Stock Awards consist of time-vesting restricted stock awards. Amounts reported reflect the grant date fair value of these awards.

Table of Contents**Option Awards**

Option Awards consist of time-vesting stock option awards. Amounts reported reflect the grant date fair value of these awards.

Non-Equity Incentive Plan Compensation

The amounts reported reflect annual incentive awards earned for our 2014 fiscal year under the AIP. For information regarding the AIP, which is a sub-plan of the 2010 Omnibus Plan, please see "*Compensation Discussion and Analysis – Compensation Components for Fiscal 2014 Annual Cash Incentive Bonus.*"

GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2014

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$ / Sh) (4)	Grant Date Fair Value of Stock and Option Awards(\$)(5)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Gary G. Winterhalter	10/30/13	25,000	1,000,000	5,070,000	128,016	290,000	26.30	3,283,989
	04/29/14							
Christian A. Brickman	10/30/13				3,802			99,993
	06/02/14					130,952	25.36	1,099,499
	06/02/14				82,804			2,099,909
Mark J. Flaherty	10/30/13	7,113	284,522	2,535,000		86,500	26.30	979,535
	10/30/13					86,500	26.30	979,535
John R. Gollhofer	10/30/13	7,113	284,522	2,535,000				
	10/30/13					86,500	26.30	979,535
Matthew O. Haltom	10/30/13	5,298	211,907	2,535,000		46,200	26.30	523,173
	10/30/13					61,840	26.30	700,282
Tobin K. Anderson(6)	10/30/13	6,000	240,000	2,535,000				

(1)

Reflects threshold, target and maximum bonus opportunities under the financial component of our AIP. The Compensation Committee has discretion to reduce or increase the dollar value of an individual officer's AIP award by up to 50 percentage points below or above the percentage of the target award resulting from application of the financial performance formulas, based upon a subjective assessment of the individual's performance, but the adjusted payout cannot exceed such individual's Section 162(m) maximum award. Mr. Winterhalter's target AIP bonus was 100% of his base salary. The target AIP bonus for each of Messrs. Flaherty, Gollhofer, Haltom and Anderson was 60% of his base salary. Mr. Brickman was not eligible for a bonus in fiscal year 2014. Please see "*Compensation Discussion and Analysis – Compensation Components for Fiscal 2014 AIP Criteria Based on Financial Performance*" for additional information on these targets.

(2)

Mr. Brickman received 3,802 restricted stock units on October 30, 2013 in connection with his service as an independent director on our Board of Directors prior to his appointment to the position of President and Chief Operating Officer of the Corporation. In connection with the executive management transition plan, our Compensation Committee granted restricted stock to Mr. Winterhalter on April 29, 2014 and to Mr. Brickman on June 2, 2014 pursuant to the 2010 Omnibus Plan. The restrictions on Mr. Winterhalter's award lapse ratably over a three-year period

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beginning on April 29, 2014 and the restrictions on Mr. Brickman's award lapse ratably over a four-year period beginning on June 2, 2014.

- (3) On October 30, 2013, our Compensation Committee granted options to each of our executive officers to purchase shares of our Common Stock under the 2010 Omnibus Plan. Mr. Brickman was not an executive officer on such date. These options vest ratably over a four-year period beginning on October 30, 2013. In connection with the executive management transition plan, our Compensation Committee granted options to Mr. Brickman on June 2, 2014 pursuant to the 2010 Omnibus Plan, which options vest ratably over a four-year period beginning on June 2, 2014.
- (4) The exercise price of the options is equal to the closing price of our Common Stock on the NYSE on the grant date.
- (5) Reflects the grant date fair value of the stock (\$26.30 for Mr. Brickman's October 30, 2013 award; \$27.34 for Mr. Winterhalter's April 29, 2014 award and \$25.36 for Mr. Brickman's June 2, 2014 award) and option awards (\$11.3241 for awards dated October 30, 2013 and \$8.3962 for Mr. Brickman's June 2, 2014 award) determined in accordance with ASC 718. The assumptions used in the calculation of the grant date fair value of the option awards are included in Note 7 to our audited financial statements for the fiscal year ended September 30, 2014, included in our Form 10-K filed with the SEC on November 13, 2014. The grant date fair value of the stock awards is based on the fair market value of the underlying shares on the date of grant.
- (6) All of Mr. Anderson's options were forfeited upon his resignation on May 14, 2014. Mr. Anderson received a payout equal to 100% of his target AIP bonus pursuant to the terms of his offer letter with the Corporation.

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OUTSTANDING EQUITY AWARDS AT 2014 FISCAL YEAR-END

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Vested (#)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(17)
Gary G. Winterhalter	598,900(1)		9.57	12/04/2016			
	12,006(2)		8.80	10/24/2017			
	450,000(4)		5.24	10/22/2018			
	450,000(5)		7.42	10/21/2019			
	337,500	112,500(7)	11.39	10/19/2020		20,000(8)	547,400
	166,000	166,000(9)	19.21	10/26/2021			
	75,000	225,000(10)	23.49	10/29/2022		36,920(11)	1,010,500
	72,500	217,500(12)	26.30	10/30/2023			
					128,016(13)	3,503,798	
Christian A. Brickman					4,257(11)		116,514
					3,802(12)		104,061
		130,952(14)	25.36	06/02/2024		82,804(15)	2,266,345
Mark J. Flaherty	1,904(2)		8.80	10/24/2017			
	2,436(3)		7.42	07/23/2018			
	20,076(4)		5.24	10/22/2018			
	3,172(5)		7.42	10/21/2019			
	8,750	43,750(7)	11.39	10/19/2020		10,000(8)	273,700
	6,828	53,656(9)	19.21	10/26/2021			
		68,397(10)	23.49	10/29/2022		11,920(11)	326,250
	21,625	64,875(12)	26.30	10/30/2023			
John R. Gollhofer		43,750(7)	11.39	10/19/2020		10,000(8)	273,700
	53,656	53,656(9)	19.21	10/26/2021			
	22,799	68,397(10)	23.49	10/29/2022		11,920(11)	326,250
	21,625	64,875(12)	26.30	10/30/2023			
Matthew O. Haltom	2,000(5)		7.42	10/21/2019		1,000(6)	27,370
	22,500	11,250(7)	11.39	10/19/2020		2,000(8)	54,740
	13,782	13,782(9)	19.21	10/26/2021			
	12,169	36,507(10)	23.49	10/29/2022		5,724(11)	156,666
	11,550	34,650(12)	26.30	10/30/2023			
Tobin K. Anderson(16)							

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- (1) On December 4, 2006, our Compensation Committee granted Mr. Winterhalter 600,000 options to purchase shares of our Common Stock pursuant to the Alberto-Culver Employee Stock Option Plan of 2003, or the ACSOP. These options vested ratably over a four year period that began on December 4, 2006, and therefore were fully vested as of September 30, 2014.
- (2) On October 24, 2007, our Compensation Committee granted options to purchase shares of our Common Stock pursuant to the 2007 Omnibus Plan in the following amounts: Mr. Winterhalter,

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450,000; and Mr. Flaherty, 33,000. These options vested ratably over a four-year period that began on October 24, 2007, and therefore were fully vested as of September 30, 2014.

- (3) On July 23, 2008, our Compensation Committee granted Mr. Flaherty 100,000 options to purchase shares of our Common Stock pursuant to the 2007 Omnibus Plan. These options vested over a four-year period that began on September 30, 2007, and therefore were fully vested as of September 30, 2014.
- (4) On October 22, 2008, our Compensation Committee granted options to purchase shares of our Common Stock pursuant to the 2007 Omnibus Plan in the following amounts: Mr. Winterhalter, 450,000 and Mr. Flaherty, 175,000. These options vested ratably over a four-year period that began on October 22, 2008, and therefore were fully vested as of September 30, 2014.
- (5) On October 21, 2009, our Compensation Committee granted options to purchase 450,000 shares of our Common Stock pursuant to the ACSOP to Mr. Winterhalter. In addition, the Compensation Committee granted options to purchase shares of our Common Stock pursuant to the 2007 Omnibus Plan in the following amounts: Mr. Flaherty, 165,000 and Mr. Haltom, 40,000. These options vested ratably over a four-year period that began on October 21, 2009, and therefore were fully vested as of September 30, 2014.
- (6) On October 21, 2009, our Compensation Committee granted 5,000 shares of time-based restricted stock to Mr. Haltom pursuant to the 2007 Omnibus Plan. The restrictions upon these awards lapse ratably over a five-year period that began on October 21, 2009.
- (7) On October 19, 2010, our Compensation Committee granted options to purchase shares of our Common Stock pursuant to the 2010 Omnibus Plan in the following amounts: Mr. Winterhalter, 450,000; Messrs. Flaherty and Gollhofer, 175,000; and Mr. Haltom, 45,000. These options vest ratably over a four-year period that began on October 19, 2010.
- (8) On October 19, 2010, our Compensation Committee granted shares of time-based restricted stock pursuant to the 2010 Omnibus Plan in the following amounts: Mr. Winterhalter, 50,000; Messrs. Flaherty and Gollhofer, 25,000; and Mr. Haltom, 5,000. The restrictions upon these awards lapse ratably over a five-year period that began on October 19, 2010.
- (9) On October 26, 2011, our Compensation Committee granted options to purchase shares of our Common Stock pursuant to the 2010 Omnibus Plan in the following amounts: Mr. Winterhalter, 332,000; Messrs. Flaherty and Gollhofer, 107,312; and Mr. Haltom, 27,564. These options vest ratably over a four-year period that began on October 26, 2011.
- (10) On October 29, 2012, our Compensation Committee granted options to purchase shares of our Common Stock pursuant to the 2010 Omnibus Plan in the following amounts: Mr. Winterhalter, 300,000; Messrs. Flaherty and Gollhofer, 91,196; and Mr. Haltom, 48,676. These options vest ratably over a four-year period that began on October 29, 2012.
- (11) On October 29, 2012, our Compensation Committee granted shares of time-based restricted stock pursuant to the 2010 Omnibus Plan in the following amounts: Mr. Winterhalter, 46,150; Messrs. Flaherty and Gollhofer, 14,900; and Mr. Haltom, 7,155. The restrictions upon these awards lapse ratably over a five-year period that began on October 29, 2012. In addition, Mr. Brickman was granted 4,257 restricted stock units pursuant to the 2010 Omnibus Plan for his service as an independent director on our Board of Directors prior to his appointment to the position of President and Chief Operating Officer of the Corporation. The restrictions upon the restricted stock units lapsed on September 30, 2013 and pursuant to Mr. Brickman's restricted stock election these restricted stock units will convert to shares of Common Stock on the date of his separation from service as a member of our Board of Directors.

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- (12) On October 30, 2013, our Compensation Committee granted options to purchase shares of our Common Stock pursuant to the 2010 Omnibus Plan in the following amounts: Mr. Winterhalter, 290,000; Messrs. Flaherty and Gollhofer, 86,500; and Mr. Haltom, 46,200. These options vest in four equal annual installments beginning on September 30, 2014. In addition, Mr. Brickman was granted 3,802 shares of time-based restricted stock units pursuant to the 2010 Omnibus Plan for his service as an independent director on our Board of Directors prior to his appointment to the position of President and Chief Operating Officer of the Corporation. The restrictions upon these restricted stock units lapsed on September 30, 2014 and pursuant to Mr. Brickman's restricted stock election these restricted stock units will convert to shares of Common Stock on the date of his separation from service as a member of our Board of Directors.
- (13) On April 29, 2014, our Compensation Committee granted shares of time-based restricted stock pursuant to the 2010 Omnibus Plan to Mr. Winterhalter in the amount of 128,016 in connection with the executive management transition plan. The restrictions upon these awards lapse ratably over a 3 year period that began on April 29, 2014.
- (14) On June 2, 2014, our Compensation Committee granted options to purchase shares of our Common Stock pursuant to the 2010 Omnibus Plan to Mr. Brickman in the amount of 130,952 in connection with the executive management transition plan. These options vest ratably over a 4 year period that began on June 2, 2014.
- (15) On June 2, 2014, our Compensation Committee granted shares of time-based restricted stock pursuant to the 2010 Omnibus Plan to Mr. Brickman in the amount of 82,804 in connection with the executive management transition plan. The restrictions upon these awards lapse ratably over a 4 year period that began on June 2, 2014.
- (16) Mr. Anderson forfeited all outstanding options and all unvested shares of restricted stock in connection with his resignation from the Corporation on May 14, 2014. Accordingly, on September 30, 2014, Mr. Anderson did not hold any outstanding equity awards.
- (17) Calculated by reference to the closing price for shares of our Common Stock on the NYSE on September 30, 2014, which was \$27.37.

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Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Gary G. Winterhalter	889,094	17,131,528(1)	19,230	505,126(2)
Christian A. Brickman			3,802	(3)
Mark J. Flaherty	152,208	2,266,721(4)	7,980	209,513(5)
John R. Gollhofer	252,500	4,657,954(6)	7,980	209,513(7)
Matthew O. Haltom	8,000	156,640(8)	5,431	143,458(9)
Tobin K. Anderson(10)				

- (1) Reflects the exercise of certain options granted to Mr. Winterhalter. The value realized on exercise was computed based on the following:

Date of Award	Exercise Date	Number of Options Exercised	Market Price at Exercise	Exercise Price
12/04/2006	02/06/2014	1,100	\$31.77- \$31.82	\$ 9.57
04/26/2007	02/14/2014 - 03/04/2014	450,000	\$28.42 - \$28.57	\$ 9.66
10/24/2007	03/04/2014	437,994	\$28.49	\$ 8.80

- (2) Reflects the vesting of a portion of the restricted stock awards granted to Mr. Winterhalter. The value realized on vesting was computed based on the following:

Date of Award	Vesting Date	Number of Shares Vesting	Market Price at Vesting
10/19/2010	10/18/2013	10,000	\$26.21
10/29/2012	10/28/2013	9,230	\$26.33

- (3) Reflects 3,802 restricted stock units granted to Mr. Brickman in connection with his service as an independent director on our Board of Directors that were earned and vested on 9/30/2014 when the market value of the underlying stock was \$104,060.74. Pursuant to Mr. Brickman's deferral election he will receive delivery of these shares at the time of his separation of service from the Board.

- (4) Reflects the exercise of certain options granted to Mr. Flaherty. The value realized on exercise was computed based on the following:

Date of Award	Exercise Date	Number of Options Exercised	Market Price at Exercise	Exercise Price
10/24/2007	08/04/2014	3,000	\$26.00	\$ 8.80
10/21/2009	11/11/2013 - 08/04/2014	55,831	\$26.01 - \$27.16	\$ 7.42
10/19/2010	11/19/2013 - 11/21/2013	43,750	\$28.00 - \$28.10	\$ 11.39

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10/26/2011	12/17/2013 - 12/18/2013	26,828	\$29.00 - \$29.13	\$	19.21
10/29/2012	12/18/2013 - 12/19/2013	22,799	\$30.00 - \$30.04	\$	23.49

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- (5) Reflects the vesting of a portion of the restricted stock awards granted to Mr. Flaherty. The value realized on vesting was computed based on the following:

Date of Award	Vesting Date	Number of Shares Vesting	Market Price at Vesting
10/19/2010	10/18/2013	5,000	\$26.21
10/29/2012	10/28/2013	2,980	\$26.33

- (6) Reflects the exercise of certain options granted to Mr. Gollhofer. The value realized on exercise was computed based on the following:

Date of Award	Exercise Date	Number of Options Exercised	Market Price at Exercise	Exercise Price
10/22/2008	08/26/2014	38,750	\$27.60	\$ 5.24
10/21/2009	08/26/2014	82,500	\$27.60	\$ 7.42
10/19/2010	08/26/2014	131,250	\$27.60	\$ 11.39

- (7) Reflects the vesting of a portion of the restricted stock awards granted to Mr. Gollhofer. The value realized on vesting was computed based on the following:

Date of Award	Vesting Date	Number of Shares Vesting	Market Price at Vesting
10/19/2010	10/18/2013	5,000	\$26.21
10/29/2012	10/28/2013	2,980	\$26.33

- (8) Reflects the exercise of certain options granted to Mr. Haltom. The value realized on exercise was computed based on the following:

Date of Award	Exercise Date	Number of Options Exercised	Market Price at Exercise	Exercise Price
10/21/2009	11/11/2013	8,000	\$27.00	\$ 7.42

- (9) Reflects the vesting of a portion of the restricted stock awards granted to Mr. Haltom. The value realized on vesting was computed based on the following:

Date of Award	Vesting Date	Number of Shares Vesting	Market Price at Vesting
10/22/2008	10/22/2013	2,000	\$26.62
10/21/2009	10/21/2013	1,000	\$26.33
10/19/2010	10/18/2013	1,000	\$26.21
10/29/2012	10/28/2013	1,431	\$26.33

- (10) Mr. Anderson did not exercise any stock options in fiscal 2014 and none of his stock awards vested in fiscal 2014. Mr. Anderson forfeited all of his unvested options and stock awards upon his resignation.

Table of Contents**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL***Executive Officer Severance Agreements*

We have severance agreements with certain of our executive officers, including each of our named executive officers. Each severance agreement provides that if, in the 24 months following a "change in control," which is defined in the severance agreements and described below, the executive's employment is terminated by us without "cause" or by the executive for "good reason," then the executive will be entitled to certain benefits. These benefits include (i) a cash payment equal to the executive's annual bonus, as determined in accordance with our annual incentive plan, pro-rated to reflect the portion of the year elapsed prior to the executive's termination, (ii) a lump-sum cash payment equal to a multiple of the executive's annual base salary at the time of termination plus a multiple of the average dollar amount of the executive's actual or annualized annual bonus in respect of the five fiscal years preceding termination (or, such portion thereof during which the executive performed

services for us if he has been employed by us for less than the five year period), (iii) any accrued but unpaid salary and vacation pay, and (iv) continued medical and welfare benefits, on the same terms as prior to termination, for a period of 24 months following termination. If the executive's employment is terminated by us for "cause," by the executive for any reason other than "good reason," or as a result of the executive's death or disability, then the executive will be entitled to receive a cash amount equal to any accrued but unpaid salary and vacation pay. On October 29, 2012, Mr. Winterhalter's agreement was amended so that, in the event of his termination without cause or resignation for good reason or his retirement with prior Board approval within 24 months after a change in control, the Corporation's medical and dental insurance will remain available to him, at active-employee rates, until he becomes eligible for Medicare.

For purposes of the severance agreements, "change in control" generally includes:

the acquisition by any person of 20% or more of the voting power of our outstanding Common Stock;

a change in the majority of the incumbent Board of Directors;

certain reorganizations, mergers or consolidations of us involving a change of ownership of 50% or more of our common stock or sales of substantially all of our assets; or

stockholder approval of our complete liquidation or dissolution.

The severance payment multiples for each of the named executive officers, with the exception of Mr. Anderson, are set forth in the following table. Mr. Anderson resigned from the Corporation on May 14, 2014, and, in connection with such resignation, his severance agreement expired and he will not be entitled to any benefits thereunder.

Executive Officer	Multiple
Gary G. Winterhalter*	2.99*
Christian A. Brickman	1.99
Mark J. Flaherty	1.99
John R. Gollhofer	1.99
Matthew O. Haltom	

1.99

*

Pursuant to his transition agreement, Mr. Winterhalter's severance agreement will continue in full force and effect until September 30, 2016, but effective as of April 30, 2015, the severance multiple will be reduced from 2.99 to 1.99.

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Mr. Winterhalter's Transition Agreement and Termination of Existing Termination Agreement

Effective April 25, 2014, in connection with his transition agreement, Mr. Winterhalter and the Company agreed to terminate his Amended and Restated Termination Agreement, dated November 5, 2012. For a description of the benefits that Mr. Winterhalter forfeited under his prior termination agreement, please see "Transition Agreement with Mr. Winterhalter" on page 24 of this Proxy Statement.

Pursuant to the transition agreement, if we terminate Mr. Winterhalter's employment other than for cause, death or disability, and provided he executes and does not revoke a separation and release of claims/covenant not to sue agreement:

during fiscal year 2014, then Mr. Winterhalter will receive a lump sum severance payment equal to the sum of the balance of his base salary that would have been paid to him for the remainder of fiscal year 2014 plus his base salary for fiscal year 2015 and fiscal year 2016;

during fiscal year 2015, then Mr. Winterhalter will receive a lump sum severance payment equal to the sum of the balance of his base salary that would have been paid to him for the remainder of fiscal year 2015 plus his base salary for fiscal year 2016;

during fiscal year 2016, then Mr. Winterhalter will receive a lump sum severance payment equal to the balance of his base salary that would have been paid to him for the remainder of fiscal year 2016.

Mr. Winterhalter also will be eligible to receive an annual bonus for the year in which his date of termination occurs, equal to the bonus, if any, that would have been earned by him if he had remained employed on the normal payment date of such bonus, based on actual performance under applicable financial metrics.

Mr. Winterhalter will not be entitled to the severance and benefits described above if his employment is terminated (i) by us for cause, (ii) by reason of his death or disability, or (iii) by Mr. Winterhalter for any reason. Medical and dental coverage will remain available to Mr. Winterhalter at active-employee rates until he becomes eligible for Medicare.

Mr. Brickman's Offer Letter

As previously discussed, we entered into an offer letter with Mr. Brickman in connection with his appointment as President and Chief Operating Officer. The offer letter provides that if, prior to April 30, 2015, Mr. Brickman's employment is terminated by us without cause, or by Mr. Brickman upon the Board's failure to promote him to Chief Executive Officer by April 30, 2015, and provided he executes and does not revoke a separation and release of claims/covenant not to sue agreement, then he will be entitled to:

a prorated annual bonus for the year in which his date of termination occurs, based on actual performance under applicable financial metrics;

a severance payment equal to two times the sum of his then-current base salary and target annual bonus, payable in approximately equal monthly installments over a 24-month period; and

if Mr. Brickman elects to continue participation in any group medical, dental, vision and/or prescription drug plan benefits to which he and his eligible dependents would be entitled under COBRA, then for eighteen months the Company will pay the COBRA cost of such coverage less the active employee rate for such coverage.

Mr. Brickman will not be entitled to the severance and benefits described above if his employment is terminated (i) following April 30, 2015 for any reason, or (ii) at any time on account of his death or disability, or by us for cause or by Mr. Brickman except as described in the foregoing sentence.

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Code Section 280G Cut-Back

Pursuant to the terms of the severance agreements and Mr. Winterhalter's transition agreement, any payments to the executive under such agreements will be reduced so that the present value of such payments plus any other "parachute payments" as determined under Section 280G of the Internal Revenue Code will not, in the aggregate, exceed 2.99 times the executive's average taxable income from us over the five-year period ending prior to the year in which a change in control occurs. However, no such reduction will apply to payments that do not constitute "excess parachute payments" under Section 280G of the Internal Revenue Code.

Equity Awards

Alberto-Culver Employee Stock Option Plan of 2003

Pursuant to the ACSOP, in the event of a change in control, all outstanding options under the ACSOP will immediately become fully exercisable. None of the named executive officers hold unvested options granted under the ACSOP.

Certain Award Agreements with our Named Executive Officers

The award agreements with respect to the options granted to Mr. Winterhalter on December 4, 2006 under the ACSOP (all of which are currently vested) contain the following post-termination exercise provisions:

if his employment is terminated due to retirement, the options will remain exercisable until the earlier of 36 months and the expiration of the option term;

if his employment is terminated due to his death or disability, the options will remain exercisable until the earlier of 12 months and the expiration of the option term;

if his employment is terminated without "cause," as defined in the ACSOP, the options will remain exercisable until the earlier of 90 days and the expiration of the option term; and

if his employment is for any other reason, including termination for "cause" or due to voluntary termination, the options will remain exercisable until the earlier of 30 days (or 90 days if such termination follows a change in control) and the expiration of the option term.

The award agreement with respect to the options granted to Mr. Winterhalter on October 21, 2009 under the ACSOP contains the following post-termination vesting and exercise provisions:

if his employment is terminated due to retirement, and unless he agrees to certain restricted covenants described below under "2007 Omnibus Plan," (i) the options that are exercisable as of the date of retirement will remain exercisable until the earlier of 12 months and the expiration of the option term, and (ii) any unvested options will be forfeited and cancelled as of the date of the termination. If Mr. Winterhalter agrees to such restrictive covenants, then, for the three-year period following his retirement, he will continue to vest in the portion of the options that were not vested and exercisable as of the date of his retirement and such options will remain exercisable until the earliest of (i) 60 days following the third anniversary of his retirement or the first anniversary of his death, (ii) his violation of the restricted covenants, or (iii) the expiration of the option term. Any unvested portion of the options will be forfeited and cancelled;

if his employment is terminated due to his death or disability, (i) the options will become immediately exercisable as to the number of shares previously vested and that would have vested as of the next vesting date after the date of termination and the options, to the extent so vested, will remain exercisable until the earlier of 12 months and the expiration of the option term, and

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(ii) any unvested portion of the options will be forfeited and cancelled as of the date of the termination;

if his employment is terminated without "cause," (i) the options that are exercisable as of the date of termination will remain exercisable until the earlier of 60 days and the expiration of the option term, and (ii) any unvested portion of the options will be forfeited and cancelled as of the date of the termination; and

if his employment is for "cause" or due to voluntary termination without "good reason," the options will immediately terminate and be cancelled, whether or not vested.

2007 Omnibus Plan and 2010 Omnibus Plan

Pursuant to the 2007 Omnibus Plan and the 2010 Omnibus Plan, collectively the Omnibus Plans, in the event of a change in control, as defined below, the Compensation Committee may determine that all outstanding awards will be honored or assumed, or new rights substituted therefor, by the surviving company; provided that any substitute award must (i) be based on shares of common stock that are traded on an established U.S. securities market; (ii) provide the participant substantially equivalent or more favorable terms and conditions than those applicable to the old a