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ALBERTO CULVER CO  
Form 425  
January 25, 2006

Filed by Regis Corporation pursuant to Rule 425 under the Securities Act of 1933 and  
deemed filed pursuant to Rule 14a-12 under the Securities Exchange Act of 1934

Subject Companies:

Alberto-Culver Company (Commission file number: 001-05050)

Sally Holdings, Inc. (Commission file number: 001-05050)

Regis Corporation (Commission file number: 001-12725)

Filing Person's Commission file number: 001-12725

*REGIS CORPORATION:*

Jack Nielsen Director of Finance Investor Relations

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**For Immediate Release**

**REGIS REPORTS SECOND QUARTER 2006 RESULTS**

-Quarterly EPS of \$0.59 Impacted by Hurricanes-

MINNEAPOLIS, January 25, 2006 Regis Corporation (NYSE:RGS), the global leader in the \$150 billion hair care industry, today reported financial results for its fiscal second quarter ended December 31, 2005.

**Second Quarter Results**

Consolidated revenues increased 13 percent to a record \$607 million compared to \$537 million a year ago. Same-store sales increased 1.2 percent. Net income increased three percent to \$27 million, or \$0.59 per diluted share. Second quarter net income was reduced by approximately \$1.8 million, or four cents per diluted share, due to the impact of hurricanes Katrina, Rita and Wilma and lower than expected retail product margins.

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Hurricane Wilma, which struck in October, combined with the greater than forecasted residual effects of hurricanes Katrina and Rita, resulted in Regis Corporation losing approximately 2,700 salon days and an estimated \$2.5 million in revenue during the second quarter. As of December 31, 2005, 15 company-owned salons remained closed. In addition, the Company continued to provide disaster pay to affected employees in the region. In total, the effects of the three hurricanes reduced second quarter net income by approximately \$0.9 million, or two cents per diluted share.

Second quarter results were also impacted by lower than projected retail product margins. The Company experienced a significantly higher promotional environment during the month of December than was projected. As a result, retail product margins were approximately 100 basis points below plan. This reduction in retail product margins reduced second quarter net income by approximately \$0.9 million, or two cents per diluted share.

Market conditions over the past 18 months have been challenging to us from an earnings growth perspective, commented Paul D. Finkelstein, chairman and chief executive officer. However, we continue to manage and grow the business with the focus of building long-term shareholder value, as evidenced by our pending merger with the Sally Beauty division of Alberto-Culver. The strength of our balance sheet and cash flow allows us to continue to beat our annual unit growth objective, which in turn strengthens our market position within the beauty industry. We are highly confident that we will achieve double-digit earnings growth once our same-store sales return to historical levels of two-to-four percent.

Regis Corporation ended the quarter with 11,211 worldwide locations, a net increase of 134 units during the quarter. The Company constructed 139 salons and franchisees built 76 salons. In addition, Regis acquired 14 salons (including 12 salon franchise buybacks) and also bought back

five franchised Hair Club for Men and Women facilities. The Company closed or relocated 83 corporate and franchise salons during the quarter.

### **Third Quarter 2006 Outlook**

The following points pertain to the fiscal third quarter ending March 31, 2006:

Earnings per diluted share are forecasted to grow to a range of \$0.56 to \$0.60, compared to \$(0.37) a year ago. The year ago period included a \$38.3 million, or \$0.84 per diluted share, non-cash goodwill impairment charge, associated with the European franchise business.

EBITDA, defined as earnings before interest, taxes, depreciation and amortization, is forecasted to increase approximately 23 percent to \$79.8 million.

Consolidated revenue is forecasted to grow approximately 10 percent to a range of \$610 million to \$615 million compared to \$557 million a year ago.

Consolidated same-store sales are forecasted to be flat to 1.0 percent due to the Easter holiday falling in the fourth quarter this year.

### **Updated Fiscal Year 2006 Outlook**

The following points pertain to the fiscal year ending June 30, 2006:

Earnings per diluted share are forecasted to grow to a range of \$2.31 to \$2.37, compared to \$1.39 a year ago.

EBITDA, defined as earnings before interest, taxes, depreciation and amortization, is forecasted to increase approximately 16 percent to \$314 million.

Consolidated revenue is forecasted to grow 10 percent to \$2.4 billion compared to \$2.2 billion a year ago.

Consolidated same-store sales are forecasted to increase to a range of 0.75 to 1.25 percent.

A conference call discussing second quarter results is scheduled for 10:00 a.m., Central Time. Interested parties are invited to listen by logging on to [www.regiscorp.com](http://www.regiscorp.com).

Regis Corporation (RGS) is the beauty industry's global leader in salons, hair restoration centers and education. As of December 31, 2005, the Company owned or franchised 11,211 worldwide locations; which included 11,086 beauty salons, 90 hair restoration centers and 35 beauty schools operating under concepts such as Supercuts, Jean Louis David, Vidal Sassoon, Regis Salons, MasterCuts, Trade Secret, SmartStyle, Cost Cutters and Hair Club for Men and Women. These and other concepts are located in the US and in ten other countries throughout North America and Europe. For additional information about the Company, including management's current financial outlook and a reconciliation of non-GAAP financial information, please visit the Investor Information section of the corporate website at [www.regiscorp.com](http://www.regiscorp.com).

*This press release contains forward-looking statements within the meaning of the federal securities laws, including statements concerning anticipated future events and expectations that are not historical facts. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward looking statements in this document reflect management's best judgment at the time they are made, but all such statements are subject to numerous risks and uncertainties, which could cause actual results to*

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*differ materially from those expressed in or implied by the statements herein. Such forward-looking statements are often identified herein by use of words including, but not limited to, may, believe, project, forecast, expect, estimate, anticipate and plan. In addition, the following could affect the Company's actual results and cause such results to differ materially from those expressed in forward-*

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looking statements. These factors include competition within the personal hair care industry, which remains strong, both domestically and internationally, and price sensitivity; changes in economic condition; changes in consumer tastes and fashion trends; labor and benefit costs; legal claims; risk inherent to international development (including currency fluctuations); the continued ability of the Company and its franchisees to obtain suitable locations for new salon development; governmental initiatives such as minimum wage rates, taxes and possible franchise legislation; the ability of the Company to successfully identify and acquire salons and beauty schools that support its growth objectives; the ability of the Company to complete the merger with Sally Beauty Company; the ability to integrate the acquired business; the ability of the company to maintain satisfactory relationships with suppliers; or other factors not listed above. The ability of the Company to meet its expected revenue growth is dependent on salon and beauty school acquisitions, new salon construction and same-store sales increases, all of which are affected by many of the aforementioned risks. Additional information concerning potential factors that could affect future financial results is set forth in the Company's Annual Report on Form 10-K for the year ended June 30, 2005 and included in Form S-3 Registration Statement filed with the Securities and Exchange Commission on June 8, 2005. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made in our subsequent annual and periodic reports filed or furnished with the SEC on Forms 10-K, 10-Q and 8-K and Proxy Statements on Schedule 14A.

#### **ADDITIONAL INFORMATION AND WHERE TO FIND IT**

Regis Corporation and Alberto-Culver Company have entered into an agreement for the merger of Regis Corporation and the Sally Beauty business unit of Alberto-Culver Company and, in connection with this proposed transaction, will prepare and distribute a joint proxy statement/prospectus to the shareholders of Regis Corporation and the stockholders of Alberto-Culver Company. **INVESTORS ARE URGED TO CAREFULLY READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE SEC) WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Investors will be able to get the joint proxy statement/prospectus and all relevant documents filed by Regis Corporation with the SEC free of charge at the SEC's website [www.sec.gov](http://www.sec.gov) or from Regis Corporation Investor Relations at 7201 Metro Boulevard, Minneapolis, MN 55439, (952) 947-7777 or [investorrelations@regiscorp.com](mailto:investorrelations@regiscorp.com).

#### **PARTICIPANTS IN THE SOLICITATION**

The respective directors, executive officers and other members of management and employees of Regis Corporation and Alberto-Culver Company may be deemed to be participants in the solicitation of proxies from their respective shareholders in favor of the merger and the related transactions. Information concerning persons who may be considered participants in the solicitation of Regis Corporation's and Alberto-Culver Company's stockholders under the rules of the SEC is set forth in public filings filed by Regis Corporation and Alberto-Culver Company with the SEC and will be set forth in the Joint Proxy Statement/Prospectus when it is filed with the SEC.

Information concerning Regis Corporation's participants in the solicitation is contained in Regis Corporation's Proxy Statement on Schedule 14A, filed with the SEC on September 26, 2005. Information concerning Alberto-Culver Company's participants in the solicitation is contained in Alberto-Culver Company's Proxy Statement on Schedule 14A, filed with the SEC on December 13, 2005.

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(TABLES TO FOLLOW)

**REGIS CORPORATION (NYSE:RGS)****CONSOLIDATED BALANCE SHEET (Unaudited)**

as of December 31, 2005 and June 30, 2005

(Dollars in thousands, except per share amounts)

|   | December 31,<br>2005 |    | June 30,<br>2005 |
|---|----------------------|----|------------------|
| <b>ASSETS</b>   |                      |    |                  |
| Current assets:   |                      |    |                  |
| Cash and cash equivalents   | \$ 136,142           | \$ | 102,718          |
| Receivables, net  | 49,759               |    | 47,752           |
| Inventories   | 201,338              |    | 184,609          |
| Deferred income taxes   | 16,465               |    | 17,229           |
| Other current assets  | 31,896               |    | 28,341           |
| Total current assets  | 435,600              |    | 380,649          |
| Property and equipment, net   | 460,802              |    | 435,324          |
| Goodwill  | 678,927              |    | 646,510          |
| Other intangibles, net  | 209,649              |    | 208,800          |
| Other assets  | 55,054               |    | 54,693           |
| Total assets  | \$ 1,840,032         | \$ | 1,725,976        |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                      |    |                  |
| Current liabilities:  |                      |    |                  |
| Long-term debt, current portion   | \$ 33,778            | \$ | 19,747           |
| Accounts payable  | 79,441               |    | 64,111           |
| Accrued expenses  | 202,124              |    | 178,192          |
| Total current liabilities   | 315,343              |    | 262,050          |
| Long-term debt  | 545,097              |    | 549,029          |
| Other noncurrent liabilities  | 166,248              |    | 160,185          |
| Total liabilities   | 1,026,688            |    | 971,264          |
| Shareholders' equity:   |                      |    |                  |
| Preferred stock, authorized 250,000 shares at<br>December 31, 2005 and June 30, 2005  |                      |    |                  |
| Common stock, \$.05 par value; issued and outstanding, 45,354,403 and<br>44,952,002 common shares at December 31, 2005 and June 30, 2005,<br>respectively | 2,268                |    | 2,248            |
| Additional paid-in capital  | 243,506              |    | 229,871          |
| Accumulated other comprehensive income  | 45,246               |    | 46,124           |
| Retained earnings   | 522,324              |    | 476,469          |
| Total shareholders' equity  | 813,344              |    | 754,712          |
| Total liabilities and shareholders' equity  | \$ 1,840,032         | \$ | 1,725,976        |

## REGIS CORPORATION (NYSE:RGS)

## CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(Dollars in thousands, except per share amounts)

|  | Three Months Ended<br>December 31, |            | Six Months Ended<br>December 31, |            |
|--|------------------------------------|------------|----------------------------------|------------|
|  | 2005                               | 2004       | 2005                             | 2004       |
| <b>Revenues:</b>   |                                    |            |                                  |            |
| Service  | \$ 399,278                         | \$ 357,147 | \$ 790,247                       | \$ 696,582 |
| Product  | 188,108                            | 160,249    | 361,860                          | 308,368    |
| Royalties and fees   | 19,237                             | 19,936     | 38,745                           | 38,604     |
|  | 606,623                            | 537,332    | 1,190,852                        | 1,043,554  |
| <b>Operating expenses:</b>   |                                    |            |                                  |            |
| Cost of service  | 226,938                            | 203,604    | 448,797                          | 396,190    |
| Cost of product  | 95,859                             | 84,392     | 184,395                          | 161,976    |
| Site operating expenses  | 50,112                             | 44,751     | 99,828                           | 88,052     |
| General and administrative   | 71,175                             | 64,105     | 145,242                          | 121,806    |
| Rent   | 85,046                             | 75,117     | 167,881                          | 147,625    |
| Depreciation and amortization  | 27,259                             | 20,765     | 53,155                           | 40,560     |
| Total operating expenses   | 556,389                            | 492,734    | 1,099,298                        | 956,209    |
| Operating income   | 50,234                             | 44,598     | 91,554                           | 87,345     |
| <b>Other income (expense):</b>   |                                    |            |                                  |            |
| Interest   | (8,660)                            | (5,467)    | (16,924)                         | (9,775)    |
| Other, net   | 570                                | 1,024      | 1,369                            | 1,701      |
| Income before income taxes   | 42,144                             | 40,155     | 75,999                           | 79,271     |
| Income taxes   | (14,834)                           | (13,671)   | (26,530)                         | (27,595)   |
| Net income   | \$ 27,310                          | \$ 26,484  | \$ 49,469                        | \$ 51,676  |
| <b>Net income per share:</b>   |                                    |            |                                  |            |
| Basic  | \$ 0.61                            | \$ 0.59    | \$ 1.10                          | \$ 1.16    |
| Diluted  | \$ 0.59                            | \$ 0.57    | \$ 1.07                          | \$ 1.11    |
| <b>Weighted average common and common equivalent<br/>shares outstanding:</b> |                                    |            |                                  |            |
| Basic  | 45,154                             | 44,534     | 45,059                           | 44,423     |
| Diluted  | 46,411                             | 46,468     | 46,366                           | 46,359     |
| Cash dividends declared per common share                                     | \$ 0.04                            | \$ 0.04    | \$ 0.08                          | \$ 0.08    |

A historical model of Regis Corporation's quarterly results in this format is available in the Investor Information section of the corporate website at [www.regiscorp.com](http://www.regiscorp.com). Click on Financial Reports.

## REGIS CORPORATION (NYSE:RGS)

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)

|   | Six Months Ended December 31, |           |
|---|-------------------------------|-----------|
|   | 2005                          | 2004      |
| <b>Cash flows from operating activities:</b>                                      |                               |           |
| Net income  | \$ 49,469                     | \$ 51,676 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                               |           |
| Depreciation  | 47,376                        | 38,137    |
| Amortization  | 5,779                         | 2,423     |
| Deferred income taxes   | 82                            | 5,800     |
| Tax benefit from employee stock plans   | (3,353)                       |           |
| Stock-based compensation  | 2,904                         | 591       |
| Other non-cash items affecting earnings   | 277                           | 1,131     |
| <b>Changes in operating assets and liabilities:</b>                               |                               |           |
| Receivables   | 70                            | (1,265)   |
| Inventories   | (16,022)                      | (8,407)   |
| Other current assets  | (3,549)                       | 1,546     |
| Other assets  | (1,201)                       | (6,836)   |
| Accounts payable  | 11,921                        | 7,221     |
| Accrued expenses  | 24,584                        | 14,736    |
| Other noncurrent liabilities  | 7,243                         | 8,147     |
| Net cash provided by operating activities   | 125,580                       | 114,900   |
| <b>Cash flows from investing activities:</b>                                      |                               |           |
| Capital expenditures  | (60,415)                      | (46,709)  |
| Proceeds from sale of assets  | 227                           | 602       |
| Purchase of salon and school net assets, net of cash acquired                     | (41,425)                      | (244,743) |
| Net cash used in investing activities   | (101,613)                     | (290,850) |
| <b>Cash flows from financing activities:</b>                                      |                               |           |
| Borrowings on revolving credit facilities   | 1,195,305                     | 890,315   |
| Payments on revolving credit facilities   | (1,178,705)                   | (760,633) |
| Proceeds from issuance of long-term debt  |                               | 100,000   |
| Repayments of long-term debt  | (14,145)                      | (17,226)  |
| Tax benefit from employee stock plans   | 3,353                         |           |
| Other, primarily increase in negative book cash balances                          | 1,011                         | 2,672     |
| Dividends paid  | (3,616)                       | (3,555)   |
| Repurchase of common stock  |                               | (442)     |
| Proceeds from issuance of common stock  | 7,108                         | 6,425     |
| Net cash provided by financing activities   | 10,311                        | 217,556   |
| Effect of exchange rate changes on cash and cash equivalents                      | (854)                         | 3,160     |
| Increase in cash and cash equivalents   | 33,424                        | 44,766    |



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|                            |    |         |            |
|----------------------------|----|---------|------------|
| Cash and cash equivalents: |    |         |            |
| Beginning of period        |    | 102,718 | 73,567     |
| End of period              | \$ | 136,142 | \$ 118,333 |

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**REGIS CORPORATION (NYSE:RGS)****Salon / School/ Hair Restoration Center Counts and Revenues**

|  | <b>December 31,<br/>2005</b> | <b>June 30,<br/>2005</b> |
|--|------------------------------|--------------------------|
| <b>SYSTEM-WIDE LOCATIONS:</b>          |                              |                          |
| Company-owned salons                   | 7,217                        | 6,977                    |
| Franchise salons                       | 3,869                        | 3,902                    |
| Beauty career schools                  | 35                           | 24                       |
| Company-owned hair restoration centers | 46                           | 41                       |
| Franchise hair restoration centers     | 44                           | 49                       |
|  | 11,211                       | 10,993                   |

**SALON LOCATION SUMMARY****NORTH AMERICAN SALONS:**

|                             | <b>December 31,<br/>2005</b> | <b>June 30,<br/>2005</b> |
|-----------------------------|------------------------------|--------------------------|
| <b>REGIS SALONS</b>         |                              |                          |
| Open at beginning of period | 1,093                        | 1,085                    |
| Salons constructed          | 20                           | 39                       |
| Acquired                    | 1                            | 13                       |
| Less relocations            | 7                            | 14                       |
| Salon openings              | 14                           | 38                       |
| Conversions                 |                              | (1)                      |
| Salons closed               | (20)                         | (29)                     |
| Total, Regis Salons         | 1,087                        | 1,093                    |
| <b>MASTERCUTS</b>           |                              |                          |
| Open at beginning of period | 636                          | 604                      |
| Salons constructed          | 18                           | 47                       |
| Acquired                    |                              | 2                        |
| Less relocations            | 3                            | 13                       |
| Salon openings              | 15                           | 36                       |
| Conversions                 | (2)                          | 1                        |
| Salons closed               | (4)                          | (5)                      |
| Total, MasterCuts           | 645                          | 636                      |

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|                             | December 31,<br>2005 | June 30,<br>2005 |
|-----------------------------|----------------------|------------------|
| <b>TRADE SECRET</b>         |                      |                  |
| Company-owned salons:       |                      |                  |
| Open at beginning of period | 597                  | 549              |
| Salons constructed          | 22                   | 56               |
| Acquired                    | 1                    | 23               |
| Franchise buybacks          |                      |                  |
| Less relocations            | 2                    | 17               |
| Salon openings              | 21                   | 62               |
| Conversions                 | 1                    |                  |
| Salons closed               | (3)                  | (14)             |
| Total company-owned salons  | 616                  | 597              |
| Franchise salons:           |                      |                  |
| Open at beginning of period | 24                   | 24               |
| Salons constructed          |                      |                  |
| Salon openings              |                      |                  |
| Franchise buybacks          |                      |                  |
| Salons closed               |                      |                  |
| Total franchise salons      | 24                   | 24               |
| Total, Trade Secret         | 640                  | 621              |

|  | December 31, 2005 | June 30,<br>2005 |
|--|-------------------|------------------|
| <b>SMARTSTYLE/COST CUTTERS IN WAL-MART</b> |                   |                  |
| Company-owned salons:                      |                   |                  |
| Open at beginning of period                | 1,497             | 1,263            |
| Salons constructed                         | 91                | 194              |
| Acquired                                   |                   |                  |
| Franchise buybacks                         | 31                | 45               |
| Less relocations                           | 1                 | 1                |
| Salon openings                             | 121               | 238              |
| Conversions                                |                   |                  |
| Salons closed                              | (3)               | (4)              |
| Total company-owned salons                 | 1,615             | 1,497            |
| Franchise salons:                          |                   |                  |
| Open at beginning of period                | 184               | 201              |
| Salons constructed                         | 7                 | 29               |
| Acquired                                   |                   |                  |
| Less relocations                           |                   |                  |
| Salon openings                             | 7                 | 29               |
| Conversions                                |                   |                  |
| Franchise buybacks                         | (31)              | (45)             |
| Salons closed                              |                   | (1)              |
| Total franchise salons                     | 160               | 184              |
| Total, SmartStyle/Cost Cutters in Wal-Mart | 1,775             | 1,681            |

|                             | December 31,<br>2005 | June 30,<br>2005 |
|-----------------------------|----------------------|------------------|
| <b>STRIP CENTERS</b>        |                      |                  |
| Company-owned salons:       |                      |                  |
| Open at beginning of period | 2,728                | 2,310            |
| Salons constructed          | 93                   | 167              |
| Acquired                    | 1                    | 248              |
| Franchise buybacks          | 22                   | 94               |
| Less relocations            | 11                   | 21               |
| Salon openings              | 105                  | 488              |
| Conversions                 | (1)                  | (3)              |
| Salons closed               | (24)                 | (67)             |
| Total company-owned salons  | 2,808                | 2,728            |
| Franchise salons:           |                      |                  |
| Open at beginning of period | 2,102                | 2,105            |
| Salons constructed          | 75                   | 154              |
| Acquired (2)                |                      | 7                |
| Less relocations            | 10                   | 13               |
| Salon openings              | 65                   | 148              |
| Conversions                 |                      | 6                |
| Franchise buybacks          | (20)                 | (94)             |
| Salons closed               | (73)                 | (63)             |
| Total franchise salons      | 2,074                | 2,102            |
| Total, Strip Centers        | 4,882                | 4,830            |

|                                 | December 31,<br>2005 | June 30,<br>2005 |
|---------------------------------|----------------------|------------------|
| <b>INTERNATIONAL SALONS (1)</b> |                      |                  |
| Company-owned salons:           |                      |                  |
| Open at beginning of period     | 426                  | 416              |
| Salons constructed              | 19                   | 22               |
| Acquired                        | 5                    | 19               |
| Franchise buybacks              | 1                    |                  |
| Salon openings                  | 25                   | 41               |
| Conversions                     |                      | (3)              |
| Salons closed                   | (5)                  | (28)             |
| Total company-owned salons      | 446                  | 426              |
| Franchise salons:               |                      |                  |
| Open at beginning of period     | 1,592                | 1,594            |
| Salons constructed              | 51                   | 102              |
| Acquired (2)                    |                      |                  |
| Salon openings                  | 51                   | 102              |
| Franchise buybacks              | (1)                  |                  |
| Salons closed                   | (31)                 | (104)            |
| Total franchise salons          | 1,611                | 1,592            |
| Total international salons      | 2,057                | 2,018            |

|  | December 31,<br>2005 | June 30,<br>2005 |
|--|----------------------|------------------|
| <b>TOTAL SYSTEM-WIDE SALONS</b>              |                      |                  |
| Company-owned salons:                        |                      |                  |
| Open at beginning of period                  | 6,977                | 6,227            |
| Salons constructed                           | 263                  | 525              |
| Acquired                                     | 8                    | 305              |
| Franchise buybacks                           | 54                   | 139              |
| Less relocations                             | 24                   | 66               |
| Salon openings                               | 301                  | 903              |
| Conversions                                  | (2)                  | (6)              |
| Salons closed                                | (59)                 | (147)            |
| Total company-owned salons                   | 7,217                | 6,977            |
| Franchise salons:                            |                      |                  |
| Open at beginning of period                  | 3,902                | 3,924            |
| Salons constructed                           | 133                  | 285              |
| Acquired (2)                                 |                      | 7                |
| Less relocations                             | 10                   | 13               |
| Salon openings                               | 123                  | 279              |
| Conversions                                  |                      | 6                |
| Franchise buybacks                           | (52)                 | (139)            |
| Salons closed                                | (104)                | (168)            |
| Total franchise salons                       | 3,869                | 3,902            |
| Total Salons                                 | 11,086               | 10,879           |
|  | December 31,<br>2005 | June 30,<br>2005 |
| Beauty schools:                              |                      |                  |
| Open at beginning of period                  | 24                   | 11               |
| Salons constructed                           | 1                    |                  |
| Acquired                                     | 11                   | 13               |
| Less relocations                             | (1)                  |                  |
| Total beauty schools                         | 35                   | 24               |
|  | December 31,<br>2005 | June 30,<br>2005 |
| Company-owned hair restoration centers:      |                      |                  |
| Open at beginning of period                  | 41                   |                  |
| Acquired                                     |                      | 42               |
| Sites closed                                 |                      | (1)              |
| Franchise buybacks                           | 5                    |                  |
| Total company-owned hair restoration centers | 46                   | 41               |
| Franchise hair restoration centers:          |                      |                  |
| Open at beginning of period                  | 49                   |                  |
| Acquired                                     |                      | 49               |
| Franchise buybacks                           | (5)                  |                  |
| Total franchise hair restoration centers     | 44                   | 49               |
| Total hair restoration centers               | 90                   | 90               |
| Grand total, system-wide                     | 11,211               | 10,993           |

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(1) Canadian and Puerto Rican salons are included in the Regis Salons, Strip Center, MasterCuts and Trade Secret concepts and not included in the International salon totals.

(2) Represents primarily the acquisition of franchise networks.

Relocations represent a transfer of location by the same salon concept.

Conversions represent the transfer of one salon concept to another concept.

**NOTE 1. REVENUES BY CONCEPT:**

| (Dollars in thousands)             | For the Periods Ended December 31, |                |                  |                |
|------------------------------------|------------------------------------|----------------|------------------|----------------|
|                                    | Three Months                       |                | Six Months       |                |
|                                    | 2005                               | 2004           | 2005             | 2004           |
| <b>North American salons:</b>      |                                    |                |                  |                |
| Regis                              | \$ 121,665                         | \$ 118,867     | \$ 240,795       | \$ 235,325     |
| MasterCuts                         | 44,441                             | 44,003         | 87,945           | 86,522         |
| Trade Secret *                     | 73,711                             | 69,132         | 138,202          | 130,593        |
| SmartStyle                         | 102,150                            | 84,400         | 200,014          | 166,683        |
| Strip Center *                     | 169,616                            | 148,916        | 338,170          | 294,623        |
| <b>Total North American Salons</b> | <b>511,583</b>                     | <b>465,318</b> | <b>1,005,126</b> | <b>913,746</b> |
| <b>International salons *</b>      |                                    |                |                  |                |
| Beauty schools                     | 53,086                             | 55,597         | 104,567          | 107,335        |
| Hair restoration centers *         | 15,007                             | 8,032          | 28,229           | 14,088         |
|                                    | 26,947                             | 8,385          | 52,930           | 8,385          |
| Consolidated revenues              | \$ 606,623                         | \$ 537,332     | \$ 1,190,852     | \$ 1,043,554   |
| Percent change from prior year     | 12.9%                              | 13.7%          | 14.1%            | 11.8%          |

\* Includes aggregate franchise royalties and fees of \$19.2 and \$19.9 million for the three months ended December 31, 2005 and 2004, respectively, and \$38.7 and \$38.6 million for the six months ended December 31, 2005 and 2004, respectively. North American salon franchise royalties and fees represented 51.1 and 49.8 percent of total franchise revenues in the three months ended December 31, 2005 and 2004, respectively, and 50.8 and 52.2 percent of total franchise revenues in the six months ended December 31, 2005 and 2004.

**NOTE 2. FINANCIAL INFORMATION BY SEGMENT:**

Financial information concerning the Company's salon, school and hair restoration businesses is shown in the following tables. A historical model of Regis Corporation's quarterly results in this format is available in the Investor Information section of the corporate website at [www.regiscorp.com](http://www.regiscorp.com). Click on Financial Reports.

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For the Three Months Ended December 31, 2005

| (Dollars in thousands)            | Salons        |               | Beauty Schools | Hair                |             | Unallocated Corporate | Consolidated |
|-----------------------------------|---------------|---------------|----------------|---------------------|-------------|-----------------------|--------------|
|                                   | North America | International |                | Restoration Centers |             |                       |              |
| Revenues:                         |               |               |                |                     |             |                       |              |
| Service                           | \$ 342,343    | \$ 31,590     | \$ 13,955      | \$ 11,390           | \$          | \$                    | \$ 399,278   |
| Product                           | 159,413       | 13,332        | 1,052          | 14,311              |             |                       | 188,108      |
| Franchise royalties and fees      | 9,827         | 8,164         |                | 1,246               |             |                       | 19,237       |
|                                   | 511,583       | 53,086        | 15,007         | 26,947              |             |                       | 606,623      |
| Operating expenses:               |               |               |                |                     |             |                       |              |
| Cost of service                   | 198,748       | 16,687        | 4,931          | 6,572               |             |                       | 226,938      |
| Cost of product                   | 82,455        | 8,250         | 781            | 4,373               |             |                       | 95,859       |
| Site operating expenses           | 44,603        | 2,591         | 1,835          | 1,083               |             |                       | 50,112       |
| General and administrative        | 24,504        | 10,125        | 1,767          | 5,638               | 29,141      |                       | 71,175       |
| Rent                              | 71,772        | 9,835         | 1,544          | 1,463               | 432         |                       | 85,046       |
| Depreciation and amortization     | 19,002        | 1,980         | 652            | 2,286               | 3,339       |                       | 27,259       |
| Total operating expenses          | 441,084       | 49,468        | 11,510         | 21,415              | 32,912      |                       | 556,389      |
| Operating income (loss)           | 70,499        | 3,618         | 3,497          | 5,532               | (32,912)    |                       | 50,234       |
| Other income (expense):           |               |               |                |                     |             |                       |              |
| Interest                          |               |               |                |                     | (8,660)     |                       | (8,660)      |
| Other, net                        |               |               |                |                     | 570         |                       | 570          |
| Income (loss) before income taxes | \$ 70,499     | \$ 3,618      | \$ 3,497       | \$ 5,532            | \$ (41,002) | \$                    | \$ 42,144    |

For the Three Months Ended December 31, 2004

| (Dollars in thousands)        | Salons        |               | Beauty Schools | Hair                |             | Unallocated Corporate | Consolidated |
|-------------------------------|---------------|---------------|----------------|---------------------|-------------|-----------------------|--------------|
|                               | North America | International |                | Restoration Centers |             |                       |              |
| Revenues:                     |               |               |                |                     |             |                       |              |
| Service                       | \$ 309,545    | \$ 33,745     | \$ 7,597       | \$ 6,260            | \$          | \$                    | \$ 357,147   |
| Product                       | 145,854       | 12,463        | 435            | 1,497               |             |                       | 160,249      |
| Franchise royalties and fees  | 9,919         | 9,389         |                | 628                 |             |                       | 19,936       |
|                               | 465,318       | 55,597        | 8,032          | 8,385               |             |                       | 537,332      |
| Operating expenses:           |               |               |                |                     |             |                       |              |
| Cost of service               | 180,850       | 18,095        | 2,143          | 2,516               |             |                       | 203,604      |
| Cost of product               | 75,425        | 7,816         | 363            | 788                 |             |                       | 84,392       |
| Site operating expenses       | 41,085        | 2,389         | 797            | 480                 |             |                       | 44,751       |
| General and administrative    | 24,992        | 10,714        | 1,471          | 1,818               | 25,110      |                       | 64,105       |
| Rent                          | 64,591        | 9,304         | 617            | 510                 | 95          |                       | 75,117       |
| Depreciation and amortization | 15,563        | 1,661         | 233            | 708                 | 2,600       |                       | 20,765       |
| Total operating expenses      | 402,506       | 49,979        | 5,624          | 6,820               | 27,805      |                       | 492,734      |
| Operating income              | 62,812        | 5,618         | 2,408          | 1,565               | (27,805)    |                       | 44,598       |
| Other income (expense):       |               |               |                |                     |             |                       |              |
| Interest                      |               |               |                |                     | (5,467)     |                       | (5,467)      |
| Other, net                    |               |               |                |                     | 1,024       |                       | 1,024        |
| Income before income taxes    | \$ 62,812     | \$ 5,618      | \$ 2,408       | \$ 1,565            | \$ (32,248) | \$                    | \$ 40,155    |