



DETERMINATION OF MERGER NOTIFICATION M/06/046– CD&R Fund/New Sally

Section 21 of the Competition Act 2002

Proposed acquisition by Clayton, Dubilier & Rice Fund VII, LP of c. 47.5 percent of the issued share capital of New Sally Holdings, Inc.

Dated 15/08/06

Introduction

1. On 19th July 2006, the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”), was notified on a mandatory basis of the proposed acquisition by Clayton, Dubilier & Rice Fund VII, Limited Partnership (“CD&R Fund”) of 47.5% of the issued share capital of New Sally Holdings, Inc. (“New Sally”).
2. On 19th June 2006, CDRS Acquisition LLC (“CDRS”), a limited liability company created by CD&R Fund, entered into an “Investment Agreement” with (i) Alberto-Culver Company (“Alberto Culver”), (ii) Sally Holdings Inc. (“Sally”), a subsidiary of Alberto-Culver, (iii) New Sally, also a wholly-owned subsidiary of Alberto-Culver, and (iv) New Aristotle Company, a subsidiary of New Sally. New Sally will hold 100% of Sally, the parent company of Alberto-Culver’s beauty supply distribution business. As a result of the proposed transaction, CDRS will hold approximately 47.5% of the shares in New Sally and Alberto-Culver’s former public shareholders will hold approximately 52.5% of the shares in New Sally.¹

The Undertakings Involved

3. CD&R Fund, the acquirer, is a private investment fund that was created by, and receives management assistance from, the private investment firm of Clayton, Dubilier & Rice, Inc (“CD&R”). CD&R also created and provides management assistance to other private investment funds, including Clayton, Dubilier & Rice Fund VI Limited Partnership, Clayton, Dubilier & Rice Private Equity Fund IV Limited Partnership and Clayton, Dubilier & Rice Fund V Limited Partnership.
4. Each of the companies controlled by one or more of the CD&R Funds is considered to be under common control of the CD&R Group, which

¹ The 52.5% of shares in New Sally, not held by CDRS, are likely to be widely dispersed between individual and institutional shareholders.

is active in the acquisition and administration of a portfolio of companies and fund management.

5. For the financial year ended 3 September 2005, CD&R's worldwide turnover was [less than €10] billion. It generated turnover in the State of [less than €100] million
6. New Sally, the target, will hold 100% of Sally, the parent company of Alberto-Culver's beauty supply distribution business which consists of two segments: "Sally Beauty Supply" ("SBS") and Beauty Systems Group ("BSG").
7. SBS is an international chain of cash-and-carry stores that provides salon owners, hairdressers and consumers with an extensive selection of hair care products, cosmetics, styling appliances and other beauty items, including other manufacturers' brands such as "Clairol", "Revlon" and "L'Oreal". As of 30 September 2005, there were 2,419 SBS stores in the United States, Puerto Rico, the United Kingdom, Canada, Japan, Germany, Mexico and Ireland. There are 2 SBS stores in the State.
8. BSG is a full-service beauty supply distributor that sells professional beauty products to salon owners, salon professionals, sub-distributors and franchisees through its BSG full-service distribution business. BSG sells professional beauty products to salons and salon professionals in exclusive and non-exclusive distribution territories throughout the United States and portions of Canada and Mexico. As of 30 September 2005, BSG operates 822 stores, including 155 franchise stores that sell exclusively to salons and salon professionals. There are no BSG stores in the State.
9. For the financial year ended 30 September 2005, New Sally generated worldwide turnover of [less than €5] billion. It generated turnover of [less than €5] million in the State.

Analysis

10. There is no horizontal or vertical overlap in the parties' activities in the State. The CD&R Group does not hold any controlling interest in any undertaking that is active, in Ireland or elsewhere, in the supply and distribution of beauty products.
11. Therefore, the Authority considers that the proposed transaction does not raise competition concerns in the State.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Clayton, Dubilier & Rice Fund VII, Limited Partnership of 47.5 percent of the issued share capital of New Sally Holding Inc., will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr Paul K. Gorecki
Member of the Competition Authority