

hhgregg, Inc.
Non-GAAP Financial Measures As Discussed in Investor Conference Call on August 6, 2008
(Unaudited)

During our Investor Conference Call on August 6, 2008 and on previous investor calls, we discussed adjusted EBITDA and Net Income, as Adjusted and Diluted Net Income Per Share, as Adjusted, which are considered non-GAAP financial measures.

Adjusted EBITDA

Adjusted EBITDA (net income before net interest expense, income tax expense (benefit), depreciation and amortization) adjusted to exclude the following items:

- Stock-based compensation related to the outstanding stock issued in exchange for a non-recourse note and stock appreciation rights representing variable awards;
- De-consolidation adjustments reflecting amounts that were required to be included in our financial statements from the consolidation of variable interest entities that lease property to us. These adjustments add back rent expense paid to related entities, eliminate depreciation and amortization related to the leased properties and eliminate minority interest and the interest related to third-party secured debt on some of the leased property;
- Recapitalization transaction costs representing non-capitalized transaction costs related to our recapitalization;
- Non-cash fair market value adjustments to the carrying value of long-lived assets as reflected in the restructuring line item in the consolidated statements of income for the impairment of assets related to our product service and repair restructuring initiative;
- Severance and benefits costs related to our product service and repair restructuring initiative;
- Other charges related to our product service and repair restructuring. These charges were reflected in the cost of goods sold and the selling, general and administrative expense line items in the condensed consolidated statements of income; and
- Gain on the transfer of certain extended service plan warranties as reflected on the gain on transfer of extended maintenance obligations line item in the condensed consolidated statements of income.
- Gain / Loss related to early extinguishment of debt representing the difference between the purchase price and the carrying value of the senior notes, as well as the associated write-off of debt issuance costs. Additionally, includes loss related to debt issuance cost for the pro-rata share of debt issuance cost associated with the early pay down of debt.

EBITDA represents net income before net interest expense, income tax expense (benefit), depreciation and amortization. We have presented EBITDA because we consider it an important supplemental measure of our performance and believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Management uses EBITDA as a measurement tool for evaluating our actual operating performance compared to budget and prior periods. Other companies in our industry may calculate EBITDA differently than we do. EBITDA is not a measure of performance under generally accepted accounting principles (GAAP) and should not be considered as a substitute for net income prepared in accordance with GAAP. EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

- EBITDA does not reflect interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- EBITDA does not reflect tax expense or the cash requirements necessary to pay for tax obligations; and
- Although depreciation and amortization are non-cash charges, the asset being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.

We compensate for these limitations by relying primarily on our GAAP results and using EBITDA only as a supplement.

Adjusted EBITDA is defined as EBITDA, without giving effect to stock-based compensation related to the outstanding stock issued in exchange for a non-recourse note and stock appreciation rights representing variable awards, the consolidation of the variable interest entities which are no longer consolidated, the non-capitalized transaction costs related to the recapitalization, restructuring charges, gain on the sale of certain extended service plan warranties and gain/loss related to early extinguishment of debt. We have presented Adjusted EBITDA because we believe that the exclusion of these non-recurring items is necessary to provide the most accurate measure of our core operating results and as a means to analyze period-to-period changes in operating results. We have provided this information to analysts, investors and other third parties to enable them to perform more meaningful comparisons of past, present, and future operating results and as a means to evaluate the results of our on-going operations. Management uses Adjusted EBITDA to determine payment levels on our executives' incentive compensation plan. Other companies in our industry may calculate Adjusted EBITDA differently than we do. Adjusted EBITDA is not a measure of performance under GAAP and should not be considered as a substitute for net income prepared in accordance with GAAP. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect tax expense or the cash requirements necessary to pay for tax obligations; and
- Although depreciation and amortization are non-cash charges, the asset being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

Fiscal Year Ended March 31,

(in thousands)	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net income	\$ 21,406	\$ 21,358	\$ 22,215	\$ 29,248	\$ 28,208
Adjustments:					
Depreciation and amortization	12,605	11,663	10,459	8,635	9,371
Interest expense, net	10,618	17,221	18,769	2,889	774
Income tax expense (benefit)	14,363	13,837	18,664	(14,780)	--
EBITDA	<u>\$ 58,992</u>	<u>\$ 64,079</u>	<u>\$ 70,107</u>	<u>\$ 25,992</u>	<u>\$ 38,353</u>
Transactional Adjustments:					
Stock-based compensation	--	--	--	9,277	2,390
De-consolidation adjustments	--	--	--	(1,719)	(1,956)
Recapitalization transaction costs	--	--	--	4,745	--
Restructuring charges related to service exit include:					
Asset impairments	--	--	756	--	--
Severance and benefits costs	--	--	253	--	--
Other charges	--	--	1,369	--	--
Gain on transfer of extended service obligations	--	--	(27,850)	--	--
Loss / (gain) related to early extinguishment of debt	21,930	1,403	(39)	--	--
Adjusted EBITDA	<u>\$ 80,922</u>	<u>\$ 65,482</u>	<u>\$ 44,596</u>	<u>\$ 38,295</u>	<u>\$ 38,787</u>

(in thousands)	Fiscal Year				
	2008			2009	Total
	Q - 2	Q - 3	Q - 4	Q - 1	
Net (loss) income	\$ (6,892)	\$ 15,102	\$ 10,323	\$ 2,104	\$ 20,637
Adjustments:					
Depreciation and amortization	3,054	3,287	3,436	3,872	13,649
Interest expense, net	2,506	2,576	1,929	1,800	8,811
Income tax (benefit) expense	(4,715)	10,258	6,840	1,420	13,803
EBITDA	\$ (6,047)	\$ 31,223	\$ 22,528	\$ 9,196	\$ 56,900
Loss related to early extinguishment of debt	21,087	-	235	-	21,322
Adjusted EBITDA	\$ 15,040	\$ 31,223	\$ 22,763	\$ 9,196	\$ 78,222

(in thousands)	Fiscal Year				
	2007			2008	Total
	Q - 2	Q - 3	Q - 4	Q - 1	
Net income	\$ 3,526	\$ 10,866	\$ 8,343	\$ 2,873	\$ 25,608
Adjustments:					
Depreciation and amortization	3,000	2,998	2,682	2,828	11,508
Interest expense, net	4,513	4,420	3,663	3,607	16,203
Income tax expense	2,281	7,653	4,765	1,980	16,679
EBITDA	\$ 13,320	\$ 25,937	\$ 19,453	\$ 11,288	\$ 69,998
(Gain) / loss related to early extinguishment of debt	(127)	(145)	1,843	608	2,179
Adjusted EBITDA	\$ 13,193	\$ 25,792	\$ 21,296	\$ 11,896	\$ 72,177

Net Income, as Adjusted and Diluted Net Income Per Share, as Adjusted

We have presented adjusted net income and diluted net income per share to exclude the net loss (gain) on early extinguishment of debt as we believe that these transactions do not reflect our core business and adjusted net income and diluted net income provide better year over year comparisons. We also believe that adjusted net income and diluted net income will be used by analysts, investors and other interested parties in the evaluation of us to other companies in our industry. Net income and diluted net income per share, as adjusted are not measures of performance under GAAP and should not be considered as a substitute for net income prepared in accordance with GAAP. Net income and diluted net income per share, as adjusted have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. We compensate for these limitations by relying primarily on our GAAP results and using net income, as adjusted and diluted net income per share, as adjusted only as a supplement.

(in thousands, except share data)	Fiscal Year Ended March 31,	
	2008	2007
Net income, as reported	\$ 21,406	\$ 21,358
Transactional Adjustments:		
Loss related to early extinguishment of debt	21,930	1,403
Tax impact of effect of early extinguishment of debt ⁽¹⁾	(8,772)	(561)
Net income, as adjusted	34,564	22,200
Weighted average shares outstanding-diluted	32,188,984	29,400,378
Diluted net income per share	\$ 0.67	\$ 0.73
Diluted net income per share, as adjusted	\$ 1.07	\$ 0.76

(1) Computed using a blended statutory rate of 40%

(in thousands, except share data)	Fiscal Year 2008			Fiscal Year 2009
	Q - 2	Q - 3	Q - 4	Q - 1
Net (loss) income, as reported	\$ (6,892)	\$ 15,102	\$ 10,323	\$ 2,104
Transactional Adjustments:				
Loss related to early extinguishment of debt	21,087	-	235	-
Tax impact of effect of early extinguishment of debt ⁽¹⁾	(8,434)	-	(94)	-
Net income, as adjusted	5,761	15,102	10,464	2,104
Weighted average shares outstanding-diluted	31,467,143	33,424,055	33,135,531	33,249,662
Adjustment to dilution impact ⁽²⁾	1,071,426	-	-	-
Weighted average shares outstanding-diluted, as adjusted	32,538,569	33,424,055	33,135,531	33,249,662
Diluted net (loss) income per share	\$ (0.22)	\$ 0.45	\$ 0.31	\$ 0.06
Diluted net income per share, as adjusted	\$ 0.18	\$ 0.45	\$ 0.32	\$ 0.06

(1) Computed using a blended statutory rate of 40%

(2) Since a net loss was reported for the Q2 fiscal year 2008, no stock options or restricted units were included in the computation of "Weighted average shares outstanding-diluted". The adjustment represents the dilution effect of stock options or stock appreciation rights with exercise prices that exceed the average market price of the Company's common stock for the period.

(in thousands, except share data)	Fiscal Year 2007			Fiscal Year 2008
	Q - 2	Q - 3	Q - 4	Q - 1
Net income, as reported	\$ 3,526	\$ 10,866	\$ 8,343	\$ 2,873
Transactional Adjustments:				
(Gain)/loss related to early extinguishment of debt	(127)	(145)	1,843	608
Tax impact of effect of early extinguishment of debt ⁽¹⁾	51	58	(737)	(243)
Net income, as adjusted	3,450	10,779	9,449	3,238
Weighted average shares outstanding-diluted	29,189,214	29,186,475	29,553,678	29,536,938
Diluted net income per share	\$ 0.12	\$ 0.37	\$ 0.28	\$ 0.10
Diluted net income per share, as adjusted	\$ 0.12	\$ 0.37	\$ 0.32	\$ 0.11

(1) Computed using a blended statutory rate of 40%