

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

During our Investor Conference Call on November 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;
- 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; and.
- 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 Reconciliation

(in thousands)	Fiscal Year Ended March 31,				
	2008	2007	2006	2005	2004
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	\$ 58,992	\$ 64,079	\$ 70,107	\$ 25,992	\$ 38,353
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	\$ 80,922	\$ 65,482	\$ 44,596	\$ 38,295	\$ 38,787

Trailing Four Quarter – Current Year

(in thousands)	Fiscal Year				Total
	2008		2009		
	Q - 3	Q - 4	Q - 1	Q - 2	
Net income	\$ 15,102	\$ 10,323	\$ 2,104	\$ 3,398	\$ 30,927
Adjustments:					
Depreciation and amortization	3,287	3,436	3,872	4,224	14,819
Interest expense, net	2,576	1,929	1,800	1,994	8,299
Income tax expense	10,258	6,840	1,420	2,294	20,812
EBITDA	\$ 31,223	\$ 22,528	\$ 9,196	\$ 11,910	\$ 74,857
Loss related to early extinguishment of debt	-	235	-	-	235
Adjusted EBITDA	\$ 31,223	\$ 22,763	\$ 9,196	\$ 11,910	\$ 75,092

Trailing Four Quarter – Prior Year

(in thousands)	Fiscal Year				Total
	2007		2008		
	Q - 3	Q - 4	Q - 1	Q - 2	
Net income (loss)	\$ 10,866	\$ 8,343	\$ 2,873	\$ (6,892)	\$ 15,190
Adjustments:					
Depreciation and amortization	2,998	2,682	2,828	3,054	11,562
Interest expense, net	4,420	3,663	3,607	2,506	14,196
Income tax expense (benefit)	7,653	4,765	1,980	(4,715)	9,683
EBITDA	\$ 25,937	\$ 19,453	\$ 11,288	\$ (6,047)	\$ 50,631
(Gain) loss related to early extinguishment of debt	(145)	1,843	608	21,087	23,393
Adjusted EBITDA	\$ 25,792	\$ 21,296	\$ 11,896	\$ 15,040	\$ 74,024

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

We have presented adjusted net income and diluted net income per share, as adjusted, to exclude the net loss 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, per share, as adjusted, provide better year over year comparisons. We also believe that adjusted net income per share, as adjusted, 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.

Fiscal Year

(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%

Interim Periods

(Amounts in thousands, except share data)	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
Net income (loss), as reported	\$ 3,398	\$ (6,892)	\$ 5,502	\$ (4,019)
Transactional Adjustments:				
Loss related to early extinguishment of debt	-	21,087	-	21,695
Tax impact of effect of early extinguishment of debt ⁽¹⁾	-	(8,434)	-	(8,678)
Net income, as adjusted	\$ 3,398	\$ 5,761	\$ 5,502	\$ 8,998
Weighted Average Shares Outstanding – diluted	33,088,052	31,467,143	33,174,835	29,987,502
Adjustment to dilution impact ⁽²⁾	-	1,071,426	-	1,067,121
Weighted Average Shares Outstanding – Diluted, as adjusted	33,088,052	32,538,569	33,174,835	31,054,623
Diluted net income (loss) per share	\$ 0.10	\$ (0.22)	\$ 0.17	\$ (0.13)
Diluted net income per share, as adjusted	\$ 0.10	\$ 0.18	\$ 0.17	\$ 0.29

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

(2) Since a net loss was reported for the three and six months ended September 30, 2007, 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.