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Regis Corporation (RGS) Q1 2026 Earnings Call Transcript

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Regis Corporation ([RGS](#)) Q1 2026 Earnings Call November 12, 2025 8:30 AM EST

Company Participants

Kersten Zupfer - Executive VP & CFO

Jim Lain - Interim President, CEO and EVP of Brand Operations for Supercuts & Cost Cutters

Presentation

Kersten Zupfer

Executive VP & CFO

Good morning, and thank you for joining the Regis First Quarter 2026 Earnings Conference Call. I am your host, Kersten Zupfer, Executive Vice President and Chief Financial Officer.

I am joined today by our Interim Chief Executive Officer, Jim Lain.

[Operator Instructions]

This conference is being recorded.

[Operator Instructions]

I would like to remind everyone that the language on forward-looking statements included in our earnings release and 8-K filing also applies to our comments made on the call today.

These documents can be found on our website, www.regiscorp.com/investor-relations. With that, I will now turn the call over to Jim Lain.

Jim Lain

Interim President, CEO and EVP of Brand Operations for Supercuts & Cost Cutters

Good morning, everyone, and thank you for joining us for Regis Corporation's First Quarter Fiscal 2026 Earnings Call.

I'm pleased to share our progress as we continue advancing our transformation and strengthening the foundation for sustainable, profitable growth.

As we begin a new fiscal year, our priorities remain clear. We are focused on the holistic transformation of our Supercuts brand and optimizing and growing sales and profitability in our company-owned salon portfolio.

I continue to be inspired by the level of engagement across our franchise and corporate networks. Our franchisees, field leaders, and corporate teams are energized and aligned around both the path we have created and the actions we are taking.

Unity is a powerful driver of our progress.

For the first quarter of fiscal 2026, consolidated same-store sales increased 0.9%, marking another period of growth that was driven by both pricing actions and improved execution at the salon level.

Adjusted EBITDA for the first fiscal quarter was \$8 million, up from \$7.6 million a year ago, a \$400,000 improvement. This improvement reflects the benefits of greater revenue contribution from company-owned salons, disciplined cost management, and increasing operational efficiencies.

We also generated \$2.3 million in positive operating cash flow, a \$3.6 million improvement versus last year's first quarter and the fourth consecutive quarter of positive cash from operations.

These results reflect continued progress on the fundamentals of growth, improving profitability, and cash generation. Our modernization of Supercuts continues to gain traction.

Same-store sales were up 2.5% for the first fiscal quarter, and participation in our loyalty program grew from 36% in the prior quarter to 40% in fiscal Q1.

We're reinforcing brand relevance and consistency across every touch point in salon, online, and through marketing, all designed to drive guest traffic and retention.

Compliance with brand standards is steady, and franchisees are increasingly embracing the new model. Transparency and pricing, service consistency, digital integration, and salon presentation.

Adoption is progressing, though full system alignment will take time. We've also completed a comprehensive customer research study that's now informing an evolved brand story and creative direction, sharpening how Supercuts will differentiate within the industry.

Next month, we'll begin pilots that improve digital interaction on our website and app, removing friction and enhancing the guest experience. Execution discipline remains high, and our teams are committed to delivering transformation with precision and focus.

Turning to our company-owned salon group. This remains a central focus and long-term value driver. We are now 3 quarters into owning and operating over 300 salons acquired earlier this year.

For Q1, we delivered month-over-month gains in traffic and same-store sales, and adjusted EBITDA of \$1.6 million, which is trending in the right direction as operational discipline strengthens.

We've implemented a new stylist pay plan and embedded a productivity-driven operating model. Most importantly, stylist productivity is improving, which has a positive impact on their earnings and contributes to improved stylist retention.

As performance stabilizes, we expect our company-owned salons will increasingly serve as a center of excellence, testing, learning, and sharing best practices that can benefit our broader franchise network.

In support of these 2 priorities, we are advancing several key secondary initiatives aimed at positioning Regis for durable system-wide growth, strengthening our people and culture, and driving technology and digital acceleration across the business.

Together, these efforts are designed to enhance our operational performance, reinforce our brand leadership, and create sustainable long-term value for all stakeholders.

In our portfolio of brands, we are extending key elements of the Supercuts transformation, including online booking, transparent pricing, and loyalty integration.

Rather than waiting for later quarters, we've accelerated this work because the benefits are clear and immediate. We're also piloting brand-specific initiatives designed to strengthen performance across the portfolio.

Technology continues to be a critical enabler of transformation as well. We're stabilizing and optimizing our POS and booking platforms while assessing broader modernization opportunities across the enterprise.

Our partnership with Forum 3 and the expansion of our digital and AI initiatives will help us harness data more effectively to drive marketing efficiency, guest engagement, and operational simplicity.

And lastly, our people and our culture are critical to the overall success of our company. At the heart of this is the stylist, the face of our brands and the core of our guest experience.

A thriving stylist community drives guest loyalty and business growth. Insights from our recent qualitative research are helping us better understand what fuels stylist engagement and retention in today's styling industry.

We're also focused on deepening connection and communication across the organization, ensuring every employee, field leader, and franchise owner understands how their efforts ladder up to our broader goals.

When our franchisees thrive, Regis thrives, and that alignment remains fundamental to our success. In summary, we are off to a solid start to fiscal 2026.

Our results reflect continued progress on the fundamentals of improving profitability and generating positive cash flow. We are steadily advancing the transformation of Supercuts and our company-owned salons.

We are executing with discipline, driving stronger alignment across our teams and franchise partners, and building real momentum behind the strategic priorities we have outlined.

While there's more work to do, we are encouraged by the progress and the clear signals that our actions are taking hold. I want to thank our teams, our franchisees, and our stylists for their commitment and resilience.

Together, we are building a stronger, more modern, and more unified Regis, positioned for long-term growth and success.

With that, I'll turn the call over to Kersten for a deeper look at the financial results.

Kersten Zupfer

Executive VP & CFO

Thanks, Jim. Our fiscal 2026 first quarter results include the results of the 281 company-owned salons that we acquired from Align in December 2024.

As a reminder, our results for this quarter reflect contributions from the acquired company-owned salons, but prior year results do not. As Jim shared, our first quarter results reflect meaningful progress in enhancing Regis' financial performance and advancing key initiatives to position Regis for sustainable growth.

For the first quarter, we delivered same-store sales growth, a 177% increase in operating income, and our fourth consecutive quarter of positive cash from operations.

Total first quarter revenue was \$59 million, an increase of 28% or \$12.9 million compared to the prior year. This increase was primarily driven by increased revenue from company-owned salons resulting from the acquisition of Align in December of 2024, as well as an increase in same-store sales of 0.9%.

This increase was partially offset by lower non-margin franchise rental income and royalties due to fewer franchise locations. As of September 30, 2025, we had a net decrease of 757 franchise locations compared to September 30, 2024.

Approximately 300 of these locations are related to the Align salons that converted from franchise to company-owned. Sequentially, we had 54 fewer franchise locations compared to the prior fourth quarter of 2025.

The 443 net franchise closures year-over-year, excluding the Align salons that converted to company-owned, primarily involved underperforming stores that had significantly lower trailing 12-month sales volumes than our top-performing locations.

The performance gap between these closed stores and our highest performing units was approximately \$350,000, underscoring the strong potential within our system and highlighting the opportunity we have to further enhance profitability margins and cash flow generation as we continue executing our transformation strategy.

We continue to believe fiscal year 2025 was the last year of closures in this order of magnitude.

In terms of profitability, we reported GAAP operating income of \$5.9 million, an increase of \$3.8 million compared to \$2.1 million in the year-ago quarter.

This increase was primarily driven by operating income contribution from the acquired company-owned salons, which was partially offset by lower royalty revenues.

In addition, our continued focus on disciplined cost management led to lower G&A expenses that further supported the improvement in operating income.

Income from continuing operations was \$1.4 million compared to a loss from continuing operations of \$1.8 million in the year-ago quarter. The year-over-year improvement was driven by an increase in company-owned salon revenue, which was partially offset by lower royalties and an increase in net interest expense.

The increase in both operating income and income from continuing operations reflects growth in same-store sales, disciplined cost management, and momentum in our core business.

Turning to our adjusted results. As a reminder, our adjusted results exclude stock-based compensation expense. We believe this provides a clearer view of our underlying business performance.

A reconciliation of our GAAP to non-GAAP results is included in our press release. For the first quarter, our consolidated adjusted EBITDA was \$8 million, an increase of 4.3% compared to \$7.6 million in the prior year quarter.

The \$400,000 improvement was primarily driven by the EBITDA contribution from the acquired company-owned salons. Our adjusted G&A was \$10.4 million in the first quarter of fiscal year 2026, up from \$10 million in the year-ago quarter.

The slight increase resulted from G&A associated with our additional company-owned salons, partly offset by lower G&A expenses resulting from our continued focus on disciplined cost management.

Adjusted EBITDA for our franchise segment was \$6.4 million in the quarter, a \$1.6 million decrease compared to \$8 million in the prior year quarter.

This decrease was primarily due to lower royalties and fees in the current period, which were partially offset by lower G&A expenses. As a result, franchise adjusted EBITDA as a percentage of franchise revenue was 16.5%, down from 17.6% in the year-ago quarter.

Adjusted EBITDA for our company-owned salon segment improved by \$1.9 million year-over-year to \$1.6 million for the quarter, primarily as a result of an increased number of company-owned salons.

Turning to cash flows. For the 3 months ended September 30, 2025, we generated \$2.3 million in cash from operations, which is an improvement of \$3.6 million compared to a use of cash by operations of \$1.3 million in the prior year period.

The increase in cash generation was driven by a net increase in advertising funds and income generated by company-owned salons.

As a reminder, when evaluating our reported cash flows, we believe it is important to understand that cash flows are derived from 2 sources: unrestricted cash from operations, which is available for general corporate use, and restricted cash related to our ad fund, which is sourced from the contributions made by our salons, both franchise and company-owned.

Ad fund cash is designated specifically for marketing purposes and is not available for corporate use.

For the first 3 months of fiscal year 2026, our total reported cash from operations of \$2.3 million is comprised of \$1.1 million in cash generated for the ad funds, which is restricted, and \$1.2 million in cash generated from our core operations, which is unrestricted.

Importantly, the business continues to generate positive cash from operations, providing a strong foundation for growth and financial flexibility. For fiscal year 2026, we anticipate a meaningful increase in unrestricted cash generated from our core operations compared to fiscal year 2025.

This expected improvement is supported by continued operational strength, a full year of acquired company-owned salon results, and the absence of one-time expenses we experienced last fiscal year.

Additionally, working capital improvements are expected to further enhance cash generation from our core business. Ad fund cash, which is designated specifically for marketing purposes and not available for corporate use, built up over fiscal year 2025 as we moderated spending to focus on executing our business transformation strategy.

Our marketing plans for fiscal year 2026 anticipate deploying this accumulated ad fund cash to support initiatives aimed at driving growth. As a result, we expect unrestricted cash generated from operations to be higher in fiscal year 2026 compared to 2025.

Total reported cash from operations may be lower than the prior year due to the planned usage of ad fund cash. In allocating capital, our priorities remain the same: reinvesting in the business to support growth, maintaining disciplined debt management, and evaluating potential strategic opportunities.

Turning to our balance sheet. In terms of liquidity, as of September 30, 2025, we had \$25.5 million of available liquidity, including capacity under our revolving credit agreement and \$16.6 million in unrestricted cash and cash equivalents.

As of the end of the first fiscal quarter, we had outstanding debt of \$124.8 million, excluding deferred financing costs and the value of warrants plus accrued paid-in-kind interest.

As a reminder, in accordance with GAAP, our balance sheet includes approximately \$211 million of operating lease liabilities related to our franchise salon leases.

These leases have a weighted average remaining term of less than 5 years, and the associated obligations are serviced directly by our franchisees.

Provided that the franchisees continue to meet their lease payments as they historically have, we believe these amounts should not be considered part of our debt position when evaluating our financial leverage.

We expect these liabilities will continue to decrease over time as the leases mature and as we further reduce our use of franchise leases.

Finally, we have received questions from shareholders about the potential to refinance our existing debt. Given the terms of our agreement, the economics of refinancing do not support such a move in the near term. It would not be in the best interest of our shareholders.

Although our current interest rate is higher than the recent market levels, the impact of certain terms outweighs any interest savings from refinancing.

We will continue to assess refinancing opportunities as our debt agreements mature and market conditions evolve. In summary, our fiscal year 2026 first quarter results reflect meaningful progress in strengthening Regis' financial profile.

Our adjusted EBITDA and positive operating cash flows demonstrate the benefits of operating leverage and the contributions from the Align acquisition, while our balance sheet and liquidity position provide flexibility to support our strategic initiatives.

This concludes our prepared remarks. We will now open the call to any questions.

Question-and-Answer Session

Kersten Zupfer

Executive VP & CFO

Good morning. We did have a few questions come through the chat. I will read the question for you, Jim. Can you please provide more details about the pricing actions you have taken and the impact on traffic, if any?

Jim Lain

Interim President, CEO and EVP of Brand Operations for Supercuts & Cost Cutters

Yes. Thanks, Anthony, for that question. This is Jim. So in terms of pricing, what we do on an annual basis we provide our franchise system.

We actually contract with a third party, and we go out into 200 DMAs in North America and do a competitive pricing survey. We distill that information, summarize it, and send it to our franchisees.

Franchisees own pricing within their salons. We do not dictate that as a franchisor, and they'll take action on that. That was submitted to the franchisees in early October and late September, early October, and they have been working on that since in terms of Q1.

We did see franchisees begin to take further pricing actions even prior to the survey coming out. The survey just tends to have franchisees act that maybe haven't acted or don't have as good a feel based on the breadth of the area that they own.

In our corporate salons, we can handle those price changes as we see fit. Oftentimes, minimum wage increases, which we are experiencing in some of the states where our corporate salons are positioned, will be a driver of taking price and anywhere else that we feel that there is an opportunity based on the local competition and what they're doing.

In terms of the same-store traffic sales trends, Anthony, you asked that question as well. Any notable differences in the operating area. We're not seeing anything significant when you look across the country or even within our corporate salons.

We're not seeing anything significant there that would cause any change in direction or focus. It's typical to see the seasonality in our business, for back-to-school as an example, in July and August, and the expected seasonality that we're going to see in our business as we head towards Thanksgiving and Christmas.

Kersten Zupfer*Executive VP & CFO*

Thanks, Jim. We did have a couple of additional questions come in, specifically, can you talk about traffic trends at Supercut SmartStyle, if any?

Jim Lain*Interim President, CEO and EVP of Brand Operations for Supercuts & Cost Cutters*

Yes. Jason, that came in. I appreciate the question. In terms of traffic trends at Supercuts, we are seeing, as you saw, you can see that the improvements we're seeing from a same-store sales standpoint and the focus that we have there, we do see good continued improvements in that arena.

SmartStyle, we have an opportunity. And as you heard me say during the narrative, there are some things that we're working on right now to address traffic and performance in that SmartStyle brand, which is our second largest brand, obviously.

So there is a focus there to work in that arena.

Kersten Zupfer*Executive VP & CFO*

And then next, Bill Treger submitted a number of questions. I think to make this a little bit easier, we'll just go live and have Bill ask the questions live, if that's okay. Bill, the operator will allow you to ask questions. Just take your phone off mute, please.

Unknown Analyst

Great quarter. I guess the question I have is, you talked about the 54 stores that were sequentially shut, and that annualizes about 200, or down 50% from the previous year. Is that the way we should look at it this year? Store closures are reduced by half, and it's about 200?

Kersten Zupfer*Executive VP & CFO*

Yes, you're right. We closed 54 locations in the first quarter. I'm not going to provide guidance, per se, on the number of salons we expect to close.

However, we do not expect it to be at the levels of the last few years. I mean, generally, our salons close at the end of their leases. And in the last few years, we've had a large number of leases that came to the end of their lease life.

So we do our best to predict store closures. We use key metrics such as unit volume and rent percent, but there are often situations that we can't predict, such as the landlord requiring a significant rent increase that would no longer make it profitable.

So I don't want to give guidance for those reasons, but I think you're headed down the right path, Bill. So hopefully, that's enough to answer your question.

Unknown Analyst

And then the big, beautiful Bill had a 45B FICA tax tip credit. And if I just took some numbers like your average store for the franchisees, I'm just trying to get to the health of the franchisees of like \$300,000 per store and 20% of that revenue was actually for tips and you multiply that by 7.65%, which is the FICA tax, to like \$4,600 a store and roughly with about 3,600 stores, it's \$16 million to all of the franchisees. Is that right?

Is that the correct math, generally speaking? And I know it wouldn't help your company-owned stores because you already have a very large NOL.

Jim Lain*Interim President, CEO and EVP of Brand Operations for Supercuts & Cost Cutters*

Yes, Bill, this is Jim. Thank you, and glad to have you on. Your math is correct. That is a significant positive impact.

It's actually been something that the beauty industry has been working on for the better part of 30 years. It's something the restaurant industry has enjoyed since 1993, and unfortunately, no parity with our industry.

But with the big, beautiful bill, as you suggest and stated, that is now something that our franchise owners are going to enjoy.

And as per your math, there is a significant material impact on their profitability. In fact, right now, just this week, Monday, as you know, I'm a member of the Board of Directors with the ISBN, and I sit on a subcommittee of the ISBN Board, myself and senior leaders from both Great Clips and Sport Clips.

And we are working on providing important guidance to owners because the next step of this is ensuring that owners understand how do I do this in terms of when tax time comes here in the spring.

So we're ensuring that they have good guidance on that so that they do enjoy the full benefit. So much more to come on that, but it's something that we're heavily engaged with and are going to drive to ensure that everyone enjoys the benefit.

Unknown Analyst

And then with G&A, previously, you've given like annual guidance on G&A and where it's going. Kersten, can you give us any more insight into G&A for this year?

Kersten Zupfer

Executive VP & CFO

Yes. No, you're right, Bill, we have in the past and didn't in the script, but on an annualized basis, we expect G&A to be in the range of \$40 million to \$43 million, which includes G&A associated with the Align transaction.

Unknown Analyst

And then in the company-owned stores, do those all consist of Align stores now? Do you have any other straggler company-owned stores that really are just leases that are waiting to roll over?

Or have all those been charged off? I mean, when I look at the company-owned revenue and expenses, am I looking basically at Align at this point?

Kersten Zupfer

Executive VP & CFO

We do have a handful of company-owned salons. There are selected salons in Chicago and maybe a couple more. So it's primarily the salons acquired by line and then a handful of others that are generally good salons for us.

Unknown Analyst

And then you spoke in the prepared remarks about launching some new designs and stuff like that. Is it actually like a prototype store? Is it kind of like a Supercut select that we're going to see, and maybe we could even visit?

Or how is this going to be rolled out?

Jim Lain

Interim President, CEO and EVP of Brand Operations for Supercuts & Cost Cutters

Yes, Bill, good question. Actually, your connection to Supercut Select, we have leaned into Supercut Select.

It has been successful for us in terms of the work that we've done, gosh, now for a good amount of time over the course of this past quarter or 2 in terms of developing the prototype, we're actually working with an outside professional design service that's helped us with this and to also ensure that it connects to all the transformative brand work that we're doing that I spoke to in my narrative today.

We want to make sure that the look and the feel of the salon connect to where we're going in terms of the stylists and the customer, and how the brand is identified.

That work is very close to wrapping up. Right now, actually, a step that we've taken is ensuring that materials are sourced appropriately. We want this salon to be value-engineered.

We want it to be affordable. In fact, we're looking at ways that you can enhance the current salon by adding the key elements, if you will, of what the new prototype will look like.

So you don't necessarily have to do it all at one time. You can add key elements over the course of time and eventually get to the final prototype.

I anticipate that construction will start in early 2026, and we'll most certainly advise more specifically as we get closer. I want to make sure that we've got materials at the right cost, but that costs us a little extra time; that's okay.

Affordability for our franchisees is a really important component here. But I'm really pleased and excited. I've been in this industry a long time. I really like what we've created, and I think it's going to truly embody what the future of Supercuts will be.

Unknown Analyst

And then the last thing, just the CEO search update. When does the Board expect to have a decision on that?

Jim Lain

Interim President, CEO and EVP of Brand Operations for Supercuts & Cost Cutters

Yes. It's a fair question, and I'm asked often. I'm continuing in the interim role, obviously. And as the Board continues to evaluate prospects, and certainly, those prospects include me heavily engaged and focused and working very, very closely with the Board.

And I anticipate that they'll make a final decision in the coming months. And I'm pleased with the approach that they're taking to ensure that we have the right leader in place for the organization.

Kersten Zupfer*Executive VP & CFO*

We have one other question that came through on the chat. It relates to the refinancing. When you say no debt repayment in the near term, what does the near term mean? The make-whole requirement expires next June.

So as I mentioned, yes, we're looking very closely at this, and the economics right now don't make sense. But as it continues to mature, like beyond June, as you mentioned, the economics do get better.

So believe me, we continue to evaluate this and monitor the capital markets closely, and we'll address this as soon as it makes sense to do so.

With that, I think that ends the end of our Q&A session. Thank you for your interest in Regis Corporation. And if you have any further questions, feel free to reach out to me or to the mailbox investorrelations@regiscorp.com, and happy to answer those. Have a great morning. Thank you.

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