

Regis Corporation (RGS) Q2 2026 Earnings Call Transcript

Feb. 05, 2026 4:44 PM ET | **Regis Corporation (RGS) Stock**



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Regis Corporation ([RGS](#)) Q2 2026 Earnings Call February 5, 2026 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

Conference Call Participants

William Charters - Sabal Capital Management, LLC

Presentation

Kersten Zupfer

Executive VP & CFO

Good morning, and thank you for joining the Regis Second 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] And this conference is being recorded.

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. We will be taking questions at the end of the call. Please use the Q&A feature to submit any questions.

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 Second Quarter Fiscal 2026 Earnings Call. As I mentioned last quarter, our focus remains on building a more durable, modern and disciplined Regis, one that is positioned to sustain consistent cash generation, improve financial performance and create long-term value for all stakeholders. Q2 represents continued progress on that journey. We are operating with greater precision and sharpening our focus on the execution levers that matter most despite traffic headwinds across the system.

For the second quarter, adjusted EBITDA was \$8 million, an increase of \$900,000 year-over-year, driven by continued G&A discipline and contributions from our company-owned salon portfolio. Year-to-date adjusted EBITDA of \$16 million is up \$1.2 million versus the prior year. Consolidated same-store sales for the quarter declined modestly by 0.10%.

Importantly, Supercuts delivered same-store sales growth of 2% year-to-date, while consolidated same-store sales increased 0.4%. We generated \$1.5 million of unrestricted cash from operations in Q2 and \$3.9 million year-to-date, reflecting improved operating discipline and cash management. At the same time, traffic remains our most significant challenge and the primary drag on top line performance. While pricing actions have supported same-store sales, particularly year-to-date, sustainable traffic improvements remains the central objective of our strategy.

Since Q1, our strategy has not changed. What's different is the focus and rigor with which we are executing it. Over the past 2 quarters, we've zeroed in on the specific enablers that drive effective execution, including tighter organizational alignment, clear leader ownership, disciplined capital deployment and a sharper focus on adoption and compliance across the system.

We continue to make good progress in our efforts to modernize and transform our flagship brand, Supercuts. Highlights include continued improvements in loyalty participation, digital engagement and execution of brand standards. In December, we launched pilots that will help us evaluate improvements designed to enhance customer digital interaction. As loyalty membership continues to grow, we are further refining our CRM strategy to improve customer retention.

As I mentioned earlier, Supercuts delivered same-store sales growth of 2% in the quarter. However, traffic does not yet fully reflect the work underway. Our priorities for the coming quarters are clear: reducing friction, increasing franchisee adoption and compliance and demonstrating measurable lift through targeted pilots that can be scaled with confidence.

Our company-owned salon group continues to be an important strategic asset. For Q2, these salons delivered sales growth of 4.3% -- as we noted in Q1, we introduced a new stylist pay plan designed to support a more productivity-driven operating model. As with any significant change, early implementation insights highlighted areas for refinement and the timing of pricing actions created some near-term margin pressure.

During the second quarter, we moved quickly to implement targeted actions, including service pricing adjustments and the rollout of a labor optimization tool. While still early, we are beginning to see improved alignment with our margin expectations. The trajectory of performance is improving. And importantly, this group of salons is increasingly positioned to serve as a center of excellence, testing, learning and refining operating practices that can inform the broader franchise system.

Across our portfolio of brands, we are taking deliberate steps to strengthen performance and drive long-term value. While SmartStyle continues to face more pronounced performance challenges relative to other brands, we are approaching this with a disciplined and proactive mindset focused on stabilization and improvement.

Stepping back, our objective across our entire portfolio is not to make every brand the same, but to ensure they operate on a common operational and digital backbone. This allows each brand to retain its unique customer proposition while benefiting from shared capabilities that reduce complexity and cost.

Our multi-brand portfolio is a meaningful asset for Regis, enabling us to reach different geographies and consumer segments effectively while operating with greater discipline and efficiency underneath.

Technology remains a critical enabler of our strategy, and we are making steady progress across key initiatives. In the near term, we are focused on more effectively leveraging and integrating our POS platform to help drive traffic and improve the overall guest experience. This includes targeted enhancements to guest-facing digital capabilities ahead of the service, most notably booking and loyal connectivity.

In parallel, we are defining a longer-term modernization road map designed to support scale, personalization and a unified guest identity across our brands. Loyalty and CRM continue to show promise, particularly in driving repeat visits and increasing engagement. While gains are incremental today, these platforms are foundational capabilities to unlocking greater frequency and utilization over time.

We are also taking a disciplined forward-looking approach to AI. An AI task force has been established with a clearly defined charter, ensuring the responsible and productive use of AI across the organization. Our focus is practical, leveraging AI to improve process efficiency, enhance data analysis and support better decision-making across our portfolio of brands.

We are taking actions required to position Regis for its next phase, simplifying the organization, tightening leadership scope and reallocating resources toward the highest impact priorities. This is not change for change's sake. It's about ensuring Regis is structurally prepared to execute with greater speed, clarity and accountability.

As we move through the back half of fiscal 2026, our priorities are clear: stabilizing traffic through increased adoption of our initiatives, maintaining disciplined cost and cash management, strengthening the operational and digital foundation across our brands and building credibility through execution, not just ambition.

While there is still work ahead, we are encouraged by the progress we're making in profitability, cash generation and organizational focus, which gives us confidence in the path forward.

I want to thank our franchisees, our stylists and team members for their resilience and commitment. Together, we are building a more focused, more disciplined and more modern Regis.

With that, I'll turn the call over to Kersten to walk through the financial results in more detail.

Kersten Zupfer*Executive VP & CFO*

Thanks, Jim. As a reminder, the company's acquisition of approximately 300 salons from Alline closed on December 19, 2024. Consequently, our results for the fiscal second quarter ending December 31, 2025, include a full period of contribution from those salons, while the prior year quarter included less than 2 weeks of contribution, which affects year-over-year comparability.

As Jim discussed, our fiscal 2026 second quarter results reflect ongoing progress in executing our transformation strategy. While this work will take time, our fiscal second quarter results demonstrate continued strengthening of Regis' financial performance, supported by improving brand level performance and advancement of the initiatives that will drive long-term profitable and sustainable growth.

For the second quarter, we delivered a 13% increase in GAAP operating income, \$8 million in consolidated adjusted EBITDA and generated positive cash from operations for the fifth consecutive quarter. Total second quarter revenue was \$57.1 million, an increase of 22.3% or \$10.4 million compared to the prior year. This increase was primarily driven by increased revenue from company-owned salons resulting from the acquisition of Alline in December of 2024. This increase was partially offset by lower royalties and fees and non-margin franchise rental income.

As of December 31, 2025, we had a net decrease of 374 franchise locations compared to December 31, 2024. Of the 374 franchise locations that closed since last December, 96 were in the 6 months ended December 31, 2025. We believe closures in the second half of fiscal year 2026 will be in the same range as the first half of fiscal 2026.

The closures year-over-year primarily involved underperforming stores with much lower trailing 12-month sales than our top-performing units. The gap between those stores and our highest performers was approximately \$350,000, highlighting both the strong potential in our system and the opportunity to further enhance profitability and cash flow as we continue executing our transformation strategy.

We reported GAAP operating income of \$6.2 million, an increase of \$0.7 million compared to \$5.5 million in the year ago quarter. This increase was primarily driven by operating income contribution from the company-owned segment, which includes the salons from the Alline acquisition and continued cost management discipline, which was partially offset by onetime professional fee expenses associated with the Alline acquisition in the prior year and salon closures.

Income from continuing operations was around \$456,000 compared to \$206,000 in the year ago quarter. The year-over-year improvement was primarily driven by an increase in company-owned salon contribution and reductions in G&A expenses, which was partially offset by lower contribution from higher-margin royalty revenues.

The increase in both operating income and income from continuing operation reflects positive same-store sales performance at Supercuts and our company-owned salons as well as disciplined cost management.

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 second quarter, our consolidated adjusted EBITDA was \$8 million, an increase of 11.9% compared to \$7.1 million in the prior year quarter. The improvement was primarily driven by the EBITDA contribution from the acquired company-owned salons and lower G&A expenses, which was partially offset by lower franchise royalties and noncash fee recognition.

Our adjusted G&A was \$9.8 million in the second quarter of fiscal year 2026, up from \$9.6 million in the year ago quarter. The slight increase resulted from G&A associated with our additional company-owned salons, partially offset by lower corporate G&A expenses resulting from our continued focus on disciplined cost management.

Adjusted EBITDA for our franchise segment was \$6.2 million in the quarter, a \$173,000 decrease compared to \$6.4 million in the prior year quarter. This decrease was primarily due to lower royalties and noncash fees in the current period, which were partially offset by lower G&A expenses. Franchise adjusted EBITDA as a percentage of franchise revenue was 16.5%, up from 14.8% in the year ago quarter.

Adjusted EBITDA for our company-owned salon segment improved by \$1.1 million year-over-year to \$1.8 million for the quarter, primarily as a result of increased number of company-owned salons, which were acquired in December of 2024.

Turning to cash flows. For the 6 months ended December 31, 2025, we generated \$3.9 million in cash from operations, which is an improvement of \$3.1 million compared to the \$787,000 in the prior year period. The increase in cash generation was driven by impacts from the Aline acquisition.

As a reminder, when evaluating our reported cash flows, we believe it's 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 6 months of fiscal year 2026, our total reported cash from operations of \$3.9 million includes \$200,000 of cash used for the ad funds, which is restricted, and \$4.2 million in cash generated from our core operations, which is unrestricted. The business continues to generate positive cash from operations, providing a strong foundation for growth and financial flexibility.

For fiscal year 2026, we continue to 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 onetime 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 a portion of this accumulated ad fund cash to support initiatives aimed at driving growth.

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 December 31, 2025, we had \$27.4 million of available liquidity, including capacity under our revolving credit agreement and \$18.4 million in unrestricted cash and cash equivalents. As of the end of the second fiscal quarter, we had outstanding debt of \$126 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 contains approximately \$208 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 by our franchisees. Provided 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.

And lastly, we continue to receive questions from shareholders regarding the potential to refinance our existing debt. While our current interest rate is higher than recent market levels, the economics of refinancing also depend on other terms of the agreement, including prepayment penalties and fees. Taken together, these factors may make refinancing after the 2-year anniversary of the agreement in June of 2026, economically viable and in the best interest of our shareholders.

In the meantime, I want to assure investors that reducing our debt service remains a top priority. We are speaking with potential partners to explore refinancing options as we near the 2-year anniversary of the agreement in June of 2026, and we will keep shareholders informed as things progress.

In summary, our fiscal year 2026 second 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 Alline 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

We do have a question from Bill Charters of Sabal Capital.

William Charters

Sabal Capital Management, LLC

Well, that's great news on the proactive refinancing efforts. I know it's almost 5 months away, but that's good that you're looking at that now. My question is actually on the Alline stores. And what is your initiative to improve performance there? Is it pricing? If you could just elaborate on that, that would be great.

Jim Lain

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

Yes. Bill, this is Jim. Thanks for the question. Thanks for joining today. Yes, this has been one that I've been particularly involved with for the last many months. There's really 3 components to what we're doing. First off is a refinement of the pay plan itself. I'm no stranger to pay plans in our business, and this particular pay plan needed a bit of tweaking to put it kind of in simplistic terms. And we've made some, what I think to be pretty solid meaningful adjustments without any kind of a massive impact at all to the stylist.

Second component is pricing. I think we were a bit slow early this past year in terms of taking price, and we've caught that up. We took further price adjustments in early December. And then the important part about pricing when you take price with a pay plan is that you adjust the associated tiers, the commensurate tiers so that it's all kind of going up equally together, that ensures that you maintain the appropriate margins in terms of the pay plan itself versus labor.

And then lastly, what I will call labor optimization. You heard me talk in my narrative about the early steps we're taking with AI, and we've done some good work here. This is probably one of the first notable steps we've taken where we've levered the machine learning to help us, as an example, dumping in data in terms of sales by hour, so call it dayparts so that we better understand where we're overstaffed on stylist or understaffed on stylist. And one of the first things that really popped for us was where we were overstaffed.

And so moving those stylists accordingly with the business is really the kind of the ultimate output of this labor optimization tool. It's early. I like what I see so far with it, but I think it's going to take the rest of the quarter that we're in to get a better understanding and where that might need to be tweaked. So listen, overall, I'm encouraged by what I'm seeing so far, and we're going to continue to stay very, very close to it.

William Charters

Sabal Capital Management, LLC

Great. One other thing, just in the stores, I think it was like last fiscal year, it was -- maybe the store closures were 200. So far this year, maybe 100 closures, and you kind of guided for another 100. So if you look at apples-to-apples with the Alline stores going to company-owned from franchise, that is about a 50% reduction. Is that right from the previous fiscal year?

Kersten Zupfer

Executive VP & CFO

Yes, that's about right. Just -- you mean reduction from half of the amount of closures that we had last year?

William Charters

Sabal Capital Management, LLC

Yes.

Jim Lain

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

That's said properly, Bill.

Kersten Zupfer

Executive VP & CFO

We did get one more question in the Q&A feature, and I'll just read it and respond. Can you share any preliminary high-level feedback you're getting from potential replacement lenders on what rates you might get as a much more stable system with better leverage ratios?

I'd love to be able to answer that at this point. But unfortunately, I can't really share anything more on rates or discussions we've been having, but know that we are having initial conversations with potential advisers. And as we can share more information, we definitely will.

Jim Lain

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

Yes. Another question has come in. Can you walk through major new insights or initiatives from awareness to consideration to store visit to retention to address foot traffic goals?

And if I'm following the question correctly, yes, there's -- if you listen kind of what I walked through in the narrative, the loyalty component, obviously, in Supercuts is a big driver, and we're continuing to see loyalty membership increase. With that, we stay highly focused on a group of what I would call lead measures with the lag -- the ultimate lag measure being the impact on traffic.

And there are several components there. One is top of funnel, middle funnel, bottom funnel paid media, driving customer acquisition and then getting the customer in our door and then maintaining the stickiness of that customer. And that's where the CRM and the loyalty come into play.

But data such as online booking, we look at very, very closely, 90-day customer retention, transactions with a valid e-mail. Those are all of the things that I consider to be important lead measures. And again, the primary drivers, the resources, the tools we're using and leaning into is paid media, and we continue to improve and tighten our execution there as well as loyalty, the kind of offers that we have and down the road, what I would call gamification in that particular arena. And then, of course, the whole idea of 90-day customer retention and what we're doing to maintain that stickiness.

Kersten Zupfer

Executive VP & CFO

We did get a couple more questions that came in through the Q&A. I'll combine these 2 questions from the same individual. Are you planning to add cost-cutter locations? And why is loyalty adoption lagging in SmartStyle and cost cutters?

Jim Lain

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

Yes. So first off, cost-cutter locations, there isn't an all-out effort to add cost-cutter locations. However, there are some cost-cutter locations that are coming online really as we speak right now in an area where a franchisee has found the ability to go over an old hair cutting business and has converted that business is now defunct and the owner of a Supercuts brand for us has gone in and been able to convert those to cost cutters, providing kind of a cool approach where we've got the 2 brands now in a given DMA and able to grow instead of growing the Supercuts brand where it didn't make sense, we can bring in the cost-cutter brand and fill in appropriately and productively. So I'm encouraged by that.

And then in terms of loyalty adoption, the loyalty adoption is lagging because we started it later. It came -- we just have recently turned it on in the balance of our brands. The good news is we're seeing it grow. And in fact, in some cases, it's growing at a faster rate than it did initially at Supercuts when we launched it at Supercuts.

So as I said in my narrative, ensuring that we are implementing and taking the logical wins that we're seeing on the Supercuts side and deploying those into the balance of our brands is an important part of our strategy.

In terms of the CEO search, sorry, I wanted to make sure I'm looking at the questions here live. We continue -- the Board continues to evaluate and continues to consider the appropriate options for the next CEO. And I continue to operate as I am in running the organization and working in close partnership with the Board to ensure that we're moving forward. So more to come.

Kersten Zupfer

Executive VP & CFO

That is -- that wraps up our Q&A session. That wraps up our second quarter fiscal year 2026 earnings call. Thank you for your interest and continued support of Regis. Have a great day. Thank you.

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