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Regis Corporation (NASDAQ:[RGS](#)) Q3 2025 Earnings Conference Call May 13, 2025 8:30 AM ET

Company Participants

Kersten Zupfer - Executive Vice President & Chief Financial Officer

Matthew Doctor - President & Chief Executive Officer

Conference Call Participants

William Charters - Sabal Capital Management

Kersten Zupfer

Good morning and thank you for joining the Regis Third Quarter 2025 Earnings Conference Call. I am your host Kersten Zupfer, Executive Vice President and Chief Financial Officer. I am joined today by our President and Chief Executive Officer, Matthew Doctor. All participants are in a listen-only mode 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/investorelations, along with a reconciliation of any non-GAAP financial measures mentioned on today's call with their corresponding GAAP measures.

With that, I will now turn the call over to Matt Doctor.

Matthew Doctor

Good morning, everyone and thanks for joining. On today's call, we will provide an update on the progress we are making towards key initiatives that are reshaping Regis for long-term growth as well as review our financial results for our third fiscal quarter.

At Regis, we are in the midst of a comprehensive transformation aimed at building a more resilient, efficient and future-ready company. This transformation is centered on creating a sustainable business model that prioritizes operational stability and support, corporate and salon level profitability and strong cash flow generation, ultimately presenting us for a return to long-term growth.

Our near-term efforts are foundational to reversing a history of traffic declines, strengthening our core operations and positioning Regis and our franchisees to thrive in a rapidly evolving market. This has been and continues to be a multiyear journey to stabilize and improve the business and return to growth that is both profitable and sustainable. We are continuing to see tangible results from the actions we have taken over the past year. We have strengthened our balance sheet, returned to profitability and are now consistently generating positive operating cash flow and have paved a clear path to a brighter future. These are significant achievements that speak to the progress we have made in stabilizing our business which is a testament to our team's focus and execution.

Regis is in a much stronger financial and operational position today than we were just a year ago and we are confident the steps we are taking now will continue to build a healthier, more valuable company. As our efforts progress, we believe the broader market will begin to recognize the value we are creating. While this transformation will take time, we are confident that the cumulative effect of our work will become increasingly evident and that it will generate meaningful long-term benefits for our franchisees, guests, stylists, shareholders and broader stakeholder base.

The success of our efforts is further demonstrated by the results we are reporting today as well as some green shoots we are seeing in the business. As compared to our fiscal third quarter of last year, adjusted EBITDA grew 33%, operating income grew by 23%. Both reported and adjusted earnings per share grew and shifted from negative to positive and we generated more than \$6 million in cash from operations, all during what is historically a weaker quarter from a seasonality perspective.

Year-to-date cash from operations has improved \$14 million versus last year. And we have now generated positive cash flow for the second consecutive quarter for the first time since the first fiscal quarter in 2018. This performance highlights the improving health of our business and demonstrates that the intentional steps we have taken to shape Regis with a more optimized corporate-owned versus franchise salon mix, as well as our overall operational strategy is working.

One element of our strategic plan has been the acquisition and integration of our largest franchisee, Alline Salon Group which we completed during last fiscal quarter. I received several questions on how this acquisition came about and I want to reiterate that this was a proactive strategy pursued by Regis and not one in which we had to be done for any other reason and we saw significant financial and strategic benefits of having a strong company-owned portfolio.

This acquisition expands our growth and cash generation levers. It opens up new brand and operational improvement opportunities and has contributed positively to our results immediately upon closing. For the quarter, the Alline portfolio contribution to overall results was modest which was expected as this quarter was primarily focused on integrating and planning our go-forward strategy. Those efforts culminated with our first large-scale strategic changes being implemented in the Alline portfolio at the end of March.

That said, we still saw a positive progression of same-store sales throughout the quarter within Alline, going from January when same-store sales for the portfolio was down 7.5% versus the prior year, driving improvement to March where same-store sales were down 2.7%. As I mentioned earlier, at the end of March, March 30, to be exact, we implemented some major strategic changes that included first and foremost, a brand-new pay plan for all stylists that is more transparent and better aligns incentives.

We want to ensure we are providing a clear path for managers and stylists to earn more money for generating more service and retail sales as well as additional profitability. Rolling out a new compensation plan is absolutely no small effort and I'm very proud of the entire team for executing this flawlessly. In addition to the revamped pay plan, we went through all service menus and pricing structures to clean up and bring more uniformity to the services offered and the requisite pricing.

We saw an opportunity to take some price on core services like haircuts and color, while simultaneously price ancillary services at more attractive levels to enable our stylists and salons to build total ticket and deliver more sales. We have also begun to display our service pricing across all digital check-in channels. We view these initial efforts as critical to further streamlining operations and providing the right foundation to align incentives and drive results.

And we are encouraged by early results. As in April, we did build off the momentum we saw throughout the quarter from a same-store sales perspective, turning positive in the portfolio, along with improved profit margins. Overall, we remain highly confident in the long-term value this strategic transition will deliver -- transaction will deliver.

As we turn back to review our total company performance this quarter, I want to acknowledge the consolidated same-store sales saw a modest decline of 1.1%. For the third fiscal quarter, this decline was driven by several factors, including the timing of Easter which fell in the fourth fiscal quarter of this year, as well as the continued softness in overall salon traffic and new guest visits. We estimate that the Easter timing shift had a negative 1.1% impact on sales, meaning we would have been roughly flat for the quarter when excluding the estimated impact.

As further evidence of the sales shift, April same-store sales came in stronger versus last year, with Supercuts delivering a 4.5% increase in the entire consolidated system demonstrating a 2.8% increase over last year's April. This is 1 month and I want to be cautious not to represent an expectation for this to be a new baseline, we felt it was important to share these results given the context of the holidays effect on our third quarter results.

In addition, I also think it is important to point out the various brand contributions and focus areas we have as an organization as it relates to driving sales. Our largest brand Supercuts saw same-store sales increase of 1.1% for the third quarter. While this is certainly not what we are aiming for and believe our efforts should ultimately drive an increase higher than that, the flow-through Supercuts has on overall same-store sales results is roughly 55%. SmartStyle which saw a 7.4% same-store sales decline for the quarter represents a contribution of 20%.

And SmartStyle, as we've stated before, our collective efforts there have been rationalizing and remodeling to get down to a healthier go-forward salon base. And these figures represent why a number of our resources are deployed towards driving results at the Supercuts brand at this moment. It is a brand that has a long operating history coming up on 50 years this year, combined with high awareness and scale and the impact on overall Regis results given the level of contribution the brand has is by far the most significant.

And all that being said, we are not satisfied with this level of performance and we are acutely aware that we need to increase traffic to our salons, especially new guest traffic and improve franchisee profitability in order to achieve that outsized growth that we believe is possible across all of our brands.

We also believe that while same-store sales is a critical metric, it is one of many defining metrics during this phase of our transformation. While driving traffic and sales growth remain top priorities, there is a tremendous amount of work to be done to return to growth. And our focus right now is on improving our foundation and utilizing data-driven analytics to better inform our decision-making. Importantly, even with the slight decline in same-store sales and store count, the financial impact remains manageable to Regis due in large part to our relentless efforts and focus on disciplined cost management and capital allocation which gives us the resilience and flexibility to continue moving forward with our transformation.

Some data points that underscore the resilience of our business is for each 1% of annual same-store sales decrease. Royalty revenue was impacted by approximately \$550,000. Regarding closures, the stores that have been closing averaged roughly \$120,000 in annual sales and our average royalty rate of 5.5%, each closure at this average is roughly \$6,500 of royalty revenue.

And while I'm certainly not trying to minimize the impact of salon closures, as many of these have been looked after with great care by our franchisees and all have dedicated staff that may be impacted. I do want to point out the overall impact to our business in this context. We have several operational levers at our disposal to manage and overcome these headwinds should they continue or arise again.

A few examples to point out would be a 1% increase in salon level profit margin and our company-owned portfolio represents \$750,000 of incremental store level profitability. In addition, we have our corporate G&A expense which we have proven to manage strategically to this point and are continuously monitoring closely as well as the continued runoff of legacy items that require cash to service today, like rent we are paying on dark salons that have historically closed and workers' compensation claims related to when Regis was self-insured during previous operating company days.

Now taking an illustrative example, of running an annual same-store sales decrease of 1%, combined with 100 closures, a 1.6% increase in profit margin in our company-owned business alone negates this effect, assuming all else being. There are several permutations that get us to the same profitability and cash generating results in that scenario. But I just want to provide one example here. These factors give us confidence in our ability to navigate the time to turn around the top line and have been the key elements in growing our profitability and cash flow over the last several years despite the headwinds.

And to wrap up on the quarter before touching on our go-forward priorities, I believe we continue to advance our transformation strategy forward while executing on the business and delivering growth across all profitability metrics. I also want to reiterate that the Alline acquisition, along with the broader moves that we've made have been very intentional to set this business up to turn around our top line with the proper financial foundation and runway to do so which is a major step forward from where we were just 1 year ago.

Now in terms of our company's specific go-forward priorities, we have 2 primary areas of focus. One is optimizing and growing the sales and profitability to our company-owned salon portfolio; and two, is the holistic Supercuts brand transformation agenda. Given how much change has occurred in Regis over the last 12 months, including a refinancing, the completion of our point-of-sale migration, the rollout of brand excellence standards visits, the rollout of our Supercuts Rewards Loyalty program, further rightsizing of our G&A, the acquisition of Alline salon portfolio. We wanted to put some stakes in the ground and be clear -- but rather, the critical areas we felt was relevant to discuss in the short to medium term to drive future growth and value creation.

On our company-owned salon portfolio, our ultimate goals here are to increase sales, EBITDA and cash flow. I mentioned earlier about the progress we have been making in stabilizing sales as well as the execution of our first major strategic efforts around a new pay plan and menu pricing structure. Looking ahead, we'll continue to bring more uniformity to operations and data to decision making while upholding our own standards and sharing our best practices to the system.

From a business building standpoint, we will spend the remainder of the calendar year focused on hiring and rehiring efforts, leveraging our new pay plan, testing, opening up larger pre-booking windows and revisitation incentives to drive frequency trial and retention, refreshing and remodeling select salons and launch brand-level promotional calendars.

In addition to being a growth driver, our company-owned portfolio is a great complement to our broader Supercuts transformation work stream. As we have around 100 company-owned Supercuts to provide a valuable testing ground anything we want to prove out as part of the strategy work and I want to again reiterate the value of this portfolio brings to Regis and the belief we have in this segment as a growth catalyst for the future.

Our second key focus area is finalizing a comprehensive strategy road map for our flagship brand, Supercuts which will serve as a cornerstone in our efforts to reverse traffic trends, drive outsized same-store sales, increased franchisee profitability and get back to the path of net salon growth.

The road map will encompass 3 strategic pillars that are entirely interconnected and ladder up to a North Star plan. While I've spoken about these pillars in the past in some form or fashion, we wanted to bring some more definitive structure around each of these pillars that include: first, evolving the brand strategy, where we will utilize insights and the legacy foundation we have to reshape perceptions and further build a beloved brand for existing and prospective guests, stylists and franchisees. This encompasses deep research that will drive the brand building strategy and differentiation, ultimately, leading to a refreshed brand expression, including the personality and voice, visual identity, storytelling and customer experience that reflects the brand's purpose, mission, values, promise and positioning.

Second pillar, unlocking omnichannel growth which is to elevate, pilot and scale innovation across all touch points to fuel a marketing flywheel effect. We'll utilize unified guest data which is now made even more possible by being on a single point of sales system and enriched by our rewards program, to fuel personalized marketing and customer acquisition initiatives through performance marketing, digital bookings, CRM and loyalty membership.

We've discussed Supercuts rewards at length over the last 1.5 years and we are pleased with the performance of the program thus far and the opportunity that lies ahead. Rewards member sales as a percentage of total sales is up to over 30% and it is driving the behaviors we're looking for, such as decreased times between hair services as well as higher overall retention.

The top 2 quartiles as measured by membership sales as a percentage of total, each demonstrate, over 40% of sales coming from members. And we see that 40% marked as an initial inflection point. With those salons at 40% or more member sales demonstrating 1.8% higher traffic versus those that are less than 20%. Well, this has been and is a key initiative, it forms just a piece of the overall omnichannel experience, albeit a critical one and a big differentiator in the industry. And we're excited at the prospects of how much we can do with the rewards program and how this fits into the context of our broader digital ecosystem.

Third strategic pillar, scaling operational excellence. All of these efforts fall flat if they cannot be operationalized and if there is a poor in-salon experience. Key elements to supporting this pillar is the brand excellence standards and subsequent assessment visits we've rolled out at the end of calendar 2024 as well as our technical education training prowess. We have completed our first wave of standards visits, identified a baseline of opportunities and are now in our second wave and addressing quick wins with franchisees.

For the purposes of today's call, I just wanted to continue to call this entire work stream out as a priority and highlight what we are aiming to achieve. The Regis team and our thought partners are in Dallas as we speak, to meet with the Supercuts Franchise Council to discuss progress and insights on this important work stream. And while I work on this strategy, there's continuous work being done to optimize current programs and drive quick wins along the way.

We plan on sharing more specifics of this holistic strategy when we have stakeholder alignment, likely during either our fourth fiscal quarter and full fiscal year results in August of 2025 or our first quarter fiscal 2026 call in November 2025.

As we move forward, our key priorities and focus remain clear: deliver operational and digital excellence; improve salon perception and performance; and invest in areas that will drive long-term stakeholder value. We are confident that the decisive actions we are taking today, combined with the progress that we have made will position Regis to emerge stronger, more competitive and better aligned with the future of the salon industry, in order to deliver value creation for all stakeholders.

I will now turn the call over to Kersten for a more detailed review of our third quarter financials. Kersten?

Kersten Zupfer

Thanks, Matt. As a quick note, before going through the results, our fiscal 2025 third quarter results include the results of approximately 300 salons that we acquired from Alline in December of 2024 during our second quarter of fiscal year 2025. As a reminder, our results for the quarter reflect contributions from Alline but prior year results do not. As Matt discussed, we are focused on improving profitability and generating cash from operations as we implement key foundational changes designed to reignite growth.

Our third quarter results demonstrate meaningful progress on both fronts. For the third quarter, we delivered a 23% increase in operating income and generated approximately \$6.2 million in cash from operations. Total third quarter revenue was \$57 million, an increase of 15.9% or \$7.8 million compared to the prior year. This increase was primarily driven by increase in revenue from company-owned salons as a result of the Alline acquisition. This increase was partially offset by declines in franchise revenues stemming from the closure of unprofitable franchise locations. The closures along with a modest 1.1% decline in same-store sales resulted in lower franchise rental income and lower advertising fund revenues which provide no contribution margin and royalty revenues.

To put the change in same-store sales in perspective, as Matt noted, we estimate that a 1% change in franchise same-store sales represents an annual EBITDA impact of approximately \$585,000, underscoring that a modest decline in same-store sales has a relatively minor effect on our profitability on an EBITDA basis.

During the third quarter, we had 49 net closures primarily related to underperforming stores. Each was 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.

As we have discussed in the past, we expect calendar 2025 to be the last year of closures in the order of magnitude compared to previous years. One additional item to note as it relates to salon count as part of our disclosures is the shift of approximately 300 locations from franchise to corporate salon counts, as a result of the Alline acquisition. So while we are showing 761 less franchise salons, these do not all represent closures but rather a mix of closures and franchise to company-owned shift.

In terms of profitability, we reported GAAP operating income of \$5 million, an increase of 22% compared to \$4.1 million in the year ago quarter. This increase was primarily driven by operating income contribution from the Alline salons, shuttering of underperforming franchise locations and diligent management of our general and administrative expenses. As a percentage of revenue, G&A was 22.8% in the third quarter of fiscal year 2024 to 19.6% in the current year quarter. This decrease in the G&A as a percentage of revenue was primarily due to an increase in revenue from the Alline acquisition. Income from continuing operations was \$250,000 compared to a loss from continuing operations of \$2.4 million in the year ago quarter. This improvement was driven primarily by lower interest expense.

Turning to our adjusted results. As a reminder, in the first quarter of fiscal year 2025, we made a change to our methodology to exclude stock-based compensation expense when presenting our adjusted results. All adjusted results in the current year and prior years have been adjusted to reflect this presentation. We believe our adjusted results are more representative -- a more representative view of the business. Reconciliations of our GAAP results to our adjusted non-GAAP results can be found in our press release.

For the third quarter, our consolidated adjusted EBITDA was \$7.1 million compared to \$5.4 million in the prior year quarter. The \$1.7 million improvement was primarily due to favorable Alline salon EBITDA, lower G&A expenses, subleased revenue and currency gains, partially offset by a decline in royalties. Our adjusted G&A was \$10.2 million in the third quarter of fiscal year 2025, down from \$10.7 million in the year ago quarter. Adjusted G&A, excluding \$1.1 million of G&A associated with the Alline salons was \$9.1 million, an improvement of \$1.6 million year-over-year. We remain committed to diligent management of our corporate G&A expenses. The Alline acquisition adds approximately \$4.5 million to \$5 million in incremental annual G&A expense. For fiscal year 2025, we expect adjusted G&A, including Alline to be approximately \$40.5 million. We expect our run rate for G&A to be in the range of \$43 million to \$45 million.

Adjusted EBITDA for our franchise segment was \$6.3 million in the quarter, a \$157,000 increase compared to \$6.1 million in the prior year quarter. Adjusted EBITDA for our company-owned salon segment improved \$1.6 million year-over-year to \$843,000 for the quarter, primarily as a result of an increased number of salons from the Alline acquisition.

Turning to cash flows. For the 3 months ended March 31, 2025, we generated \$6.2 million in cash from operations which is an improvement of \$6.5 million compared to the third quarter of fiscal year 2024. This brings our year-to-date total cash from operations to \$7 million, an improvement of \$14.1 million compared to the first 9 months of fiscal year 2024. The increase in cash generation was driven by Alline operating profitability, lower use of working capital and lower cash interest.

It is important to note that our cash from operations includes \$2.4 million and \$5.8 million of cash related to the advertising fund for the 3 and 9 months ended March 31, 2025, respectively. These amounts are restricted and not available for general corporate use. However, our recent quarter results are starting to reflect our cash-generating potential. We continue to expect positive cash generation for the remainder of fiscal year 2025. Now that we are generating cash after several years of cash usage, we are thoughtfully evaluating capital allocation strategies.

In the near term, this includes paying down our debt in connection with the excess cash flow sweep provision of our credit agreement, building a cash balance while also identifying opportunities to deploy capital in ways that we believe will create long-term value. In terms of liquidity, as of March 31, 2025, we had \$19 million of available liquidity which consists of our availability under our revolving credit agreement and \$13.3 million of unrestricted cash and cash equivalents. The \$19 million of available liquidity is net of our \$10 million minimum liquidity covenant.

As of the end of the third quarter, we had \$127.4 million in outstanding debt, 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 \$255.9 million of operating lease liabilities related to franchise salon leases. These leases have a weighted average remaining term of less than 5 years and the obligations are serviced by our franchisees.

So as long as the franchisees continue to meet their lease payments as they historically have, it is our view that these amounts should not be considered part of our debt position. We expect these liabilities will continue to decrease as the leases mature and as we continue to move away from franchise leases.

As Matt discussed, our third quarter performance reflects meaningful progress in our transformation journey. With improved profitability and positive cash generation, we are building momentum and laying the groundwork for long-term value creation.

Thank you for your continued support and interest in Regis. We look forward to updating you on our progress next quarter. Please feel free to reach out to investor relations at regiscorp.com to discuss any questions related to the business or quarterly results.

This concludes the Regis third quarter fiscal year 2025 earnings call and we will now take questions that were submitted as well as some live Q&A.

Question-and-Answer Session

A - Kersten Zupfer

Please use the Raise Hand to ask questions. Good morning, Bill Charters. Please introduce yourself and take your computer off of mute.

William Charters

Hi, it's Bill Charters with Sabal Capital Management. Thanks for taking my question. A great quarter. The first question that I have is understanding the accounting for Alline. So I see the royalty fees down -- and I just want to understand the owned economics, including the Alline are up about \$800,000. So does this mean that the royal fees go down but the company-owned EBITDA is more like \$9.8 million from that? And I'm just including the royalty fees plus that original \$5.8 million that you had in guidance when you did the deal? I just want to understand that.

Kersten Zupfer

Sure. I can take that. No, that's exactly right. You will see the royalties come down in the franchise segment and then the EBITDA go up in the company-owned segment. So -- that's exactly how that...

William Charters

Okay. So then that \$800,000 of positive, that must have had a lot of onetime items or something included in it because it seems kind of kind of low. Or were there a lot of company-owned stores that outside of Alline that were a massive cash drag this quarter? Just trying to understand that a little better.

Matthew Doctor

Yes, sure. Bill, it's Matt. Thanks for the question. I can give more insights to Alline for the quarter. As I mentioned, a lot of Q1 related to that portfolio was planning, launching strategy and sales stabilization efforts. I think I discussed last quarter; they did lag the system a bit from the sales. So we did see that nice progression from the quarter from January to March and then ultimately turning in April. So that was a factor in the results.

The other factors were as it related to the pay plans and price adjustment changes; they were lapping a lack in price increase. So there is an opportunity to take price. And really the pay plans were not only the right thing to do for the business but also were intentional to counter minimum wage pressures. So given that all those things launched at the end of March, literally kind of the day before the end of March, we lived with the sales pressures, we lived with the minimum wage increases. We lived with lapping pricing changes that were taking 1.5 years ago. And all those things were kind of factors that hit the quarter.

And given the implementation of that at the end and seeing the change in April, I think that will be -- we're starting to build on sales and profit margins and I think you'll start seeing that EBITDA rise. It just also is just historically a seasonally low quarter from a profitability results perspective with January and February being some of the lower months.

And in addition, we just got hammered by weather, especially in the Midwest in February, that kind of had an impact on the entire system for the quarter but really the Midwest kind of Northeast regions really saw that weather impact. So a number of things that happened there that contributed to the quarter but seeing a lot of that positive momentum and the changes, given we want to make sure that they were launched, the right way, kind of lived with that quarter and make sure we got it implemented properly at the end.

William Charters

Okay, great. Then the other question I have is quarter-to-quarter, it looks like the stores went from 4,248 to 4,087; so net 161 store decline. And I think almost 90-something stores were just from the SmartStyle. Do you have any updates on the store closings for this year? I mean that's kind of in line with what you said in the beginning of the fiscal quarter to get down to around 4,000 or a little bit lower. Do you have any updates on that number for this year and next year?

Matthew Doctor

Yes. I think not much more to add on that front. I mean that's right in line. I kind of mentioned the anticipated closures. We're seeing it kind of come in at around that pace, don't have much to add beyond that and as well as going forward, we anticipate an order of magnitude less. I just also want to point back to earlier in the call when I mentioned the levers and the resilience of the business to mitigate overcome. As we continue to grow and advance the business, I know there's a question on "Hey, what's the closures look like? I've got a lot of questions on broader guidance" and I'll just use this as an opportunity to say that those are things that we're continuing to think through here what to give and when as it relates to.

And we think that should happen at some way. As you know, like this business has gone through with just a ton of changes over the past year, 2 years, 3 years. So really want to get our feet under us and understand before coming out with something like that. But I think to get all of us kind of on side and to recognize where this is going collectively, whether it be annual guidance or just some sort of bigger picture guidance of what this business can look like executing on the strategy of executing. We are -- I don't want to just say, "Hey, we're not giving guidance, it's going to be less". But I do want to just put out there that we are thinking through marketers and things to put out of what this business looks like in the future. And we'll do that probably -- we're trying to think about the right time to do it, perhaps even the next quarter during our fiscal year-end results could be a logical time for something like that, with some more business traction underneath us.

William Charters

Yes. I think that would be great, especially in light of the fact that you don't have sell-side coverage, that type of guidance would be greater range for EBITDA. I think that would really help the market understand the drivers. Because I mean that 800,000 number of the company-owned stores being depressed, I mean you're doing very well. This is a very good quarter because of that. I mean, considering it's almost like \$10 million from the Alline company-owned EBITDA. So that's great.

The other question I have is can you give us more color on the impact of the remodeled stores on same-store sales? Like what is the impact? And how quickly does that happen when stores go through the refresh or remodel period?

Matthew Doctor

Yes. I'll take this in kind of in 2 parts. It's really the majority of the remodel that has been done over the course of the past few years. It's really been more concentrated to 1 brand which is SmartStyle. And that's really because of just the structures of the lease and all the Walmart stores themselves that have been remodeling which in turn drives our stores to have to remodel as well. So that's really the brand where the majority of the remodels have been done. For those kind of 350 to 400 that remodeled, we've seen a modest lift, call it, 5% from the time of remodel. But I also kind of want to put this in a broader context of not only this brand where we think we can further optimize that and grow the sales of that portfolio over time. But as it relates to other brands, this especially in Supercuts, we talk about a holistic transformation agenda, a refresh and a remodel effort is certainly a piece of those pillars and coming up with the right prototype right now is where a lot of the efforts are being put towards as part of that overall brand refresh.

I guess 2 interesting data points that I know some of us have talked about but I don't think we've talked about it on calls, maybe regarding a couple of salons that we remodeled in our corporate portfolio maybe close to a couple of years ago in Chicago, where we tested to see that if we could elevate salons that really had strong underlying factors like tenured dedicated staff, high traffic, high volume, if we could elevate the look and feel, the salon and enable us into a price increase. That was a theory that we had. I know we just did it in 2 but in those 2, we saw 20% plus sustained price increases there. And again, just 2 data points. But it's a theory that if we can replicate elsewhere for like a top-tier remodel, leveraging a strong base is something we're going to explore.

So right now, there's just a whole effort going on of this piece regarding the transformation agenda and we're going to look to pilot some of the work coming out of that effort in the Aline salons in the back half of this calendar year across all the brands there, not just Supercuts.

William Charters

Okay. Sounds good. I guess the last question I have is, kind of you alluded to before. So I see the cash has just increased on the balance sheet. You could pay down debt. And then you alluded to something redeploy it. And I know you can't buy stock due to the credit agreement in this as of right now. But would you be tucking in further franchisees? What would be the use? And how is your priorities? Is it number one, to pay down debt? Number two, look for these one-offs? If you can just provide more color on just what are you going to do with the cash as it starts coming in?

Matthew Doctor

Yes. No, Absolutely. I appreciate that question. We take being stewards of capital very seriously. As Kersten mentioned, there is a portion of this where it does make sense to delever where it's contractually obligated, given our relationship with our lender partner that we'll be using cash to delever. So that will be a quick one that is a given and absolutely one that we're going to do.

Beyond that, I think having a cash balance and liquidity is prudent in this environment, especially as we continue to navigate. And really, I kind of want to continue to see as we move through the Alline and Supercuts strategies. We want to see what gets unlocked there and see where we should invest and ensure we have dry power to do just that as well as explore other value creation avenues. So I guess what I'm saying is I really want to have the business dictate the capital allocation needs and I think we're pretty early in that, given, as I mentioned, kind of this road map strategy work that has been underway but it's really still ongoing. Alline, we've had 5 months now. We've got a lot of interesting things we want to do there.

So -- but let's evaluate what the business needs to drive growth between Alline and Supercuts may be. And if we see something where we can get outsized returns, we'll absolutely deploy it there. So I think the good news is, yes, we're starting to generate cash and which is extremely encouraging because that hasn't necessarily been the case over the last 3 years. So, I think we're still early in this. We want the business to dictate. We'll continue to delever. I don't think broader franchise acquisition is on the table. I think I've said that in the past. We're very happy with this portfolio we have and getting our arms around and like that happened to be the right portfolio at the right time. So we'll stick with optimizing and running that for now. But just as we've done in the past, we'll ensure that whatever we do with this, we take seriously and we'll put it into the highest ROI cases.

William Charters

Okay. Great. Yes. I mean it was a great quarter. Hopefully, this is the inflection point and you can add from here. But all of these initiatives and stuff seem to be starting to take hold. So, good job and thanks. I don't have any other questions.

Matthew Doctor

Great. Thanks.

Kersten Zupfer

Thanks, Bill. This concludes the Q&A session of the call today. We appreciate your interest in Regis Corporation and have a nice day. Thanks.

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