

Regis Corporation (RGS) Q3 2026 Earnings Call Transcript

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Regis Corporation ([RGS](#)) Q3 2026 Earnings Call May 13, 2026 8:30 AM EDT

Company Participants

Kersten Zupfer - Executive VP & CFO

Susan Lintonsmith - President & CEO

Presentation

Kersten Zupfer

Executive VP & CFO

Good morning, and thank you for joining the Regis Third Quarter 2026 Earnings Conference Call. I am your host, Kersten Zupfer, Executive Vice President and Chief Financial Officer. I am joined today by our Chief Executive Officer, Susan Lintonsmith; and our Chief Operating Officer, Jim Lain.[Operator Instructions] and this conference is being recorded. We will open this call up for questions at the end of our prepared remarks. 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 our CEO, Susan Lintonsmith.

Susan Lintonsmith

President & CEO

Hi. Good morning, everyone, and thank you for joining us on today's earnings call. Let me start by recognizing our wonderful support team and our franchise partners. I also want to thank our thousands of dedicated stylists who take care of our guests every day. Since this is my first Regis earnings call as CEO, I'll take a few minutes to introduce myself. While new to the CEO role, I am not new to Regis, having been on the Board since January 2025, serving most recently as Board Chair. I have over 35 years of leadership experience with strong consumer brands, primarily in the health and beauty services and restaurant industries. I've led high growth and turnaround businesses. My expertise is in strategic planning, marketing and brand building, leading operations and running franchise systems. My career has mainly focused on multiunit retail franchise businesses, leading company-focused franchisor and then also most recently operating a beauty services franchise. My experience has reinforced a simple view, successful performance in a service business like ours is ultimately driven by strong differentiated brands, staying focused on priorities that can drive sustainable growth and delivering a great experience in every salon to every guest every day. My approach is franchisee-centric, and our strategic initiatives will be guided by a focus on supporting franchisee success and the guest experience. I am excited to lead Regis and work with an amazing group of people in a great industry. I see the potential of this business. We have a portfolio of category-leading brands and a compelling opportunity to define the future of hair care. I'm fortunate to have joined the company at a time when the business has a solid foundation to build upon and much progress has already been made. This is a great time to move the business from stability to growth, and we can achieve this by strengthening our brand differentiation, attracting new guests and improving share of visits, powered by a robust CRM and loyalty platform, digital innovation and operational excellence. We have 3 key priorities to help drive our growth plan. The first priority is to grow the Supercuts brand. At a high level, there are 3 pillars in the transformation plan to grow Supercuts. The first is evolving the brand strategy. The second is modernizing the digital experience. And the third is driving operational excellence. The second priority is our company-owned salons. We will invest more resources in our company-owned salons to make them the best-in-class model of growth and profitability. And the third priority is SmartStyle. This is an underperforming brand that continues to weigh on our overall growth, but one we are committed to improving. In addition to these 3 growth priorities, we are also taking actions to strengthen our financial foundation. We are actively pursuing refinancing opportunities to reduce our cost of capital and enhance our financial flexibility. This is a high-level overview of our priorities, and we'll go through in more detail later in the call, each one of these. Let's move now into fiscal third quarter highlights. Our third quarter results reflect another quarter of strong execution,

demonstrated by same-store sales growth, increasing profitability and solid cash flow generation. The growth in same-store sales reflects benefits from favorable seasonal conditions and the impact of our initiatives. For Q3, we had solid same-store sales growth. Consolidated same-store sales growth increased 2.6%. Supercuts delivered same-store sales growth of 5% and company-owned salons had same-store sales growth of 9.6%. Pricing actions, specifically in our company-owned salons supported these sales increases. Our focus across all our salons is on driving traffic, and I'll speak later in the call about our plans to achieve this. As Kersten will cover, we continue to expand profitability and generate meaningful cash flow through disciplined cost management and operational improvements, reinforcing the underlying earnings power of this business and durability of our cash flow. Adjusted EBITDA in the third quarter was \$7.7 million, an increase of \$600,000, driven year-over-year by continued G&A discipline and contributions from our company salon portfolio. Year-to-date adjusted EBITDA of \$23.6 million is up \$1.7 million versus the prior year. We generated \$5.3 million of unrestricted cash from operations in Q3, bringing the total to \$9.3 million year-to-date. Our balance sheet remains solid, and we continue to operate comfortably within our credit agreement covenants. And with that summary, I'll hand it back to Kersten to discuss the financial results in more detail.

Kersten Zupfer*Executive VP & CFO*

Thanks, Susan. As Susan begins her tenure as CEO, it is worth taking a moment to reflect on the financial foundation that has been built over the past several years. Through disciplined cost management, we have made meaningful progress reducing G&A, improving profitability and returning the business to positive cash flow generation. As a result, Regis is operating from a stronger and more flexible financial position as we move into the next phase of growth Susan outlined. For the third quarter, we delivered a 14% increase in GAAP operating income, generated \$7.7 million in consolidated adjusted EBITDA and produced positive cash from operations for the sixth consecutive quarter. This improvement in profitability and cash flow occurred alongside a decline in total revenue. Total third quarter revenue was \$52.4 million, a decrease of 8.1% or \$4.6 million compared to the prior year. This decline was primarily driven by lower noncash franchise fee recognition in the quarter. Franchise closures have moderated meaningfully in fiscal year 2026 as we continue to strengthen the overall quality of the system. During the first 9 months of fiscal year 2026, our franchise location count declined by 150 locations, net of openings or approximately 50 locations per quarter, and we expect fourth quarter net decline to be generally consistent with that recent run rate. On an annualized basis, that represents a significant improvement compared to net franchise location declines of 414 in fiscal 2024 and 430 in fiscal year 2025. Many of the prior year closures involved underperforming locations that reached the end of their lease life and their exit has contributed to a stronger, more productive remaining salon base. As of March 31, 2026, our franchise location count was down 279 salons compared to March 31, 2025. The locations that closed were primarily underperforming stores with significantly lower trailing 12-month sales than our top-performing units. The average unit volume of the closed locations was approximately \$130,000, roughly \$350,000 below the average unit volume of stores in our highest performing quartile. As lower performing locations exit the system, our remaining salon base becomes stronger, more productive and better positioned to support our improved profitability and cash flow over time. We reported GAAP operating income of \$5.7 million, a \$700,000 increase compared to \$5 million in the year ago quarter. This increase was primarily driven by reductions in G&A expenses and benefits from portfolio optimization initiatives in our company-owned salon segment, which contributed to an improved operating margin. Income from continuing operations was \$735,000 compared to \$250,000 in the year ago quarter. The year-over-year improvement was primarily driven by reductions in G&A expenses and an increase in company-owned salon contribution, which was partially offset by lower contribution from higher-margin royalty revenues. The increase in both operating income and income from continuing operations reflects positive same-store sales performance in our franchise and 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 third quarter, our consolidated adjusted EBITDA was \$7.7 million, an increase of 8.5% compared to \$7.1 million in the prior year quarter. The improvement was primarily driven by lower G&A expenses and contributions from company-owned salons, which were partially offset by lower franchise royalties and noncash fee recognition. Our adjusted G&A was \$9.5 million in the third quarter of fiscal year 2026, down from \$10.2 million in the year ago quarter, reflecting continued cost management discipline. Adjusted EBITDA for our franchise segment was \$6.2 million in the quarter, a \$100,000 decrease compared to \$6.3 million in the prior year quarter. This decrease was primarily due to lower royalties and noncash franchise fees in the current period, which were partially offset by lower G&A expenses. Franchise EBITDA as a percentage of franchise revenue was 18.7%, up from 16.5% in the year ago quarter. Adjusted EBITDA for our company-owned salon segment improved by \$600,000 year-over-year to \$1.4 million for the quarter, primarily as a result of increased pricing and portfolio optimization initiatives. Turning to cash flows. For the 9 months ending March 31, 2026, we generated \$8.9 million in cash from operations, which is an improvement of \$1.9 million compared to \$7 million in the prior year period. Of the \$8.9 million, \$5.3 million was generated in the third quarter. This represents our sixth consecutive quarter of positive cash from operations. This increase in cash generation was driven by higher operating income as a percentage of revenue. As a reminder, when we're 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 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 9 months of fiscal year 2026, our total reported cash from operations of \$8.9 million includes \$400,000 of cash used for the ad funds, which is restricted and \$9.3 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. In addition, because of our significant net operating loss carryforwards, we do not expect to pay meaningful cash taxes in the near term, allowing more of our earnings improvement to translate into cash. 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. We also expect working capital improvements to provide additional support to cash generation. While we expect full year unrestricted cash generation to increase meaningfully year-over-year, quarterly cash generation may vary based on the timing of working capital movements and scheduled payments. Ad fund cash, which is designated specifically for marketing purposes and not available for corporate use, totals approximately \$20 million annually. Since fiscal year 2025, we deliberately accumulated a surplus by moderating spend in order to focus on our business transformation strategy. In the first quarter of fiscal year 2027, we will have new marketing creative ready, and we'll deploy the accumulated ad fund dollars to increase our marketing efforts to help drive awareness and traffic. Turning to our balance sheet. Our balance sheet continues to improve through significant quarterly free cash generation. As of March 31, 2026, we had \$31.9 million of available liquidity, including capacity under our revolving credit agreement and \$22.9 million in unrestricted cash and cash equivalents. This provides flexibility to support ongoing operations while continuing to invest in the initiatives we are executing to drive higher salon traffic and long-term value creation. As of the end of the third fiscal quarter, we had outstanding debt of \$127.1 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 \$175 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. From a capital allocation perspective, reducing debt and improving financial flexibility remain key priorities. We are continuing to build cash and strengthen our financial profile, which we believe better positions the company to evaluate refinancing opportunities aimed at reducing our cost of capital over time. With that, I'll turn it back to Susan to discuss our business priorities.

Susan Lintonsmith

President & CEO

Thank you. Over the past several years, we have completed a structural transformation of our business model, transitioning to a more asset-light franchise-focused system with a portfolio of category-leading brands. A lot of work has been done to stabilize the business since the impact of COVID. Today, we are focused on the next phase, moving from stability to sustainable growth. At a high level, our strategy is centered on leaning into our core growth drivers with a clear priority on driving traffic and continuing to take disciplined actions to strengthen performance across the broader system. We're being intentional with how we prioritize investments and allocate resources, scaling what is working across our brand portfolio. As I mentioned earlier, we have 3 priorities to drive growth, which I'm going to go into more detail on now. The first is Supercuts. Supercuts remains our flagship brand at nearly 50% of salons and over 60% of our royalties. This brand is a central driver of performance across the system. While same-store sales are up 3.2% year-to-date, and we're encouraged by our Q3 performance, it's important to recognize that our results may continue to fluctuate as we move through the transformation. As a reminder, our adjusted EBITDA is not highly sensitive to modest changes in same-store sales and sustained performance improvement requires durable traffic gains over time. We still have meaningful work ahead before delivering consistent sustained growth. We are continuing to advance our Supercuts North Star transformation strategy, which is designed to reposition the brand for sustainable long-term growth. This plan is a 3-pronged approach, including evolving the brand strategy, modernizing the digital experience and driving operational excellence. On evolving the brand strategy pillar, the positioning work has been completed, including a new tagline of confidence without compromise and some of the new creative can be seen in our digital and social efforts. The insights from the research and positioning work will be threaded through all aspects of our go-to-market strategy, including our stylist recruitment program and our future salon remodel plan. We've made progress on the second pillar, which is modernizing the digital experience. We are strengthening our loyalty program, which was launched in Supercuts in September 2024 to drive more consumer and franchise engagement and to build a robust CRM platform. From my experience, I know the power of the loyalty program, and I believe we can enhance this program to drive meaningful growth across our system. The work continues to evolve Supercuts from a largely transactional relationship with guests towards a more personalized, loyalty-driven and digitally enabled experience. From a technology perspective, we're evaluating enhancements to our existing technology stack to support a more modern operating environment. This includes ongoing work related to our POS ecosystem, web and mobile platform modernization and the continued evolution of our loyalty structure. These capabilities are increasingly important to improving guest

engagement, operational visibility, franchisee support and long-term scalability across the system. We're also evaluating AI-enabled tools to improve operational efficiency and decision-making across the system. This includes AI-driven scheduling and salon hour optimization, more effective stylist shift planning and the rollout of a KPI dashboard that provides real-time visibility into performance at the salon level. These tools are designed to simplify decision-making, reduce friction in daily operations and help salon teams better align staffing to guest demand. We will pilot AI initiatives first in our company salons as proof of concept prior to scaling to the broader system. Last, we are advancing our third pillar, which is driving operational excellence. This includes several initiatives designed to achieve brand consistency and an exceptional guest experience across all locations. Our stylists are the face of the brand to the guest. At the salon level, they are accountable for delivering on the brand promise. So we're investing more in our training program to ensure that every stylist receives the training and development needed to deliver on our differentiation. Part of this investment in training includes improving our support for franchisees, providing KPI insights and coaching to help them strengthen their 4-wall profitability. We believe long-term brand health is directly connected to both quality of the in-salon experience and the strength of the support systems surrounding our franchisees and stylists. That said, Jim Lain and team will build a blueprint to modernize our education platform across both technical stylist training and franchise business development. Our objective is to create a scalable education ecosystem that strengthens technical excellence inside the salon while also improving operational capability and business acumen across our franchise system. The intent of these 3 pillars is to strengthen and grow our business while curbing store closures. The goal is to provide more support to franchisees to help improve salon performance while strengthening the franchise system through consolidation efforts, matching those who want to exit the system with those who want to grow by taking on additional salons. While these initiatives I just covered first focus on Supercuts, the intention is to implement best practices quickly across the remaining portfolio of brands. Okay. Let's move into the second priority, company salons. As a reminder, we acquired roughly 300 salons from a large franchisee late December 2024. Roughly 1/3 of these salons are Supercuts, 1/3 are cup cutters and 1/3 are holiday hair. Company-owned salons play a strategic role within the organization, serving as a test-and-learn platform that supports innovation, operational improvements and best practices that can be shared across our network. Given the importance of company salons, the leader, James Larez, is now 100% dedicated to this business as EVP of Company Operations, and the trading department is now under Jim Lain's leadership. Company salons had strong same-store sales growth of 9.6% in Q3, driven primarily by pricing actions and solid execution. As

discussed on prior calls, after acquiring the salons, we implemented many changes to help improve the business, including a new stylist pay plan to address the previously high turnover. While the pay plan changes improved stylist retention, the impact of the new pay plan, combined with minimum wage increases led to a more rapid rise in labor costs than expected. In response, we implemented pricing increases and recently updated the pay plan to offset these margin pressures. These pricing actions moved the company's salons from below the brand average to slightly above the brand average. It's important to remember that traffic trends were already negative prior to the acquisition. While trends improved during our first year of ownership, traffic remained negative. We'll continue to closely analyze performance to better understand the impact of our pricing actions, consumer response and broader market dynamics while evaluating additional initiatives to support guest retention and sustainable traffic improvement. Going forward, improving traffic and expanding margins, particularly through enhanced labor efficiency will remain key areas of focus. Our goal is to make company salons best-in-class and a pilot to refine operating practices and leverage loyalty and technology tools with the plan to scale successes across the broader system. Let's turn to our third priority, SmartStyle. As our second largest brand and royalty stream, SmartStyle has underperformed relative to the broader portfolio, making its turnaround a key focus for the organization. The team is working closely with franchisees to evaluate initiatives aimed at improving traffic trends, guest retention and salon level economics while strengthening the customer proposition within its unique retail environment through a renewed focus on fast, convenient and affordable services. We believe the plan we are developing is aligned with Walmart's value-driven ethos and position SmartStyle for improved performance. We look forward to providing additional details on plans on future earnings calls. In addition to focusing on these 3 priorities, we continue to evaluate opportunities to enhance our financial flexibility, including optimizing our capital structure and reducing interest expense through a potential refinancing of our existing debt. As we approach the 2-year anniversary of our credit agreement in late June, we have the ability to refinance, which could lower our overall cost of capital. We recently added a new Board member, Bill Charters, who is also a significant shareholder and brings deep expertise in credit markets, which will be helpful as we evaluate refinancing opportunities. We're making great progress, and we'll provide an update soon. In summary, Reach's third quarter results reflect continued improvements in financial performance, driven by disciplined cost management and investment in areas of the business that support long-term growth. We're investing resources in a disciplined way to support our priorities. Supercuts remains a key focus with our transformational North Star plan, which is designed to differentiate the brand and achieve sustainable growth. We've made

progress against the 3 pillars of this plan and we'll continue to strengthen the brand's differentiation going forward. We're dedicating more resources to company salons to improve traffic and margins and position it as the best-in-class operational model for the broader system. The second largest brand, SmartStyle, has been declining. We're focusing on addressing the issues and implementing initiatives to improve performance. We're putting more focus on the training program and modernizing our education platform to create a more scalable system. This initiative includes both stylist training and improved franchise business support. Reducing salon closures is a priority and the growth initiatives I've outlined, combined with the franchise support and consolidation efforts are designed to help mitigate closures. Last, we're evaluating and advancing our technology platform to enable many of the initiatives we've outlined and to support a more modern operating environment, including improved business insights and guest engagement. While significant work remains, we're focused on the right priorities. Collectively, these initiatives are designed to strengthen execution at every level of the organization, improve consistency across the system and create a more modern, data-driven operating model that supports long-term growth across the Regis portfolio. In closing, I'm excited to be leading this business. Regis has great brands and amazing people, and I'm energized about our plans to move the company into its next phase of growth.

This concludes our prepared remarks. Thank you for your continued support of Regis Corporation. We will now open the call to questions.[Operator Instructions]

Question-and-Answer Session

Kersten Zupfer

Executive VP & CFO

Good morning Nathan, Please unmute your mic and ask question.

Unknown Analyst

Susan, congrats on the new position. I just have a question regarding the unit level economics. Could you provide any information regarding level -- 4-wall breakeven or shutdown dynamics? How this has informed your pricing strategy and discuss how maybe that relates to average ticket pricing, for example?

Susan Lintonsmith

President & CEO

Yes. First off, thank you very much. I appreciate that. I won't speak to the breakeven on this call. We can -- but I do want to say that we are focused on core KPIs to just improve overall level profitability. It does vary by location, definitely based on a lot of what's rent, what they're paying in labor, everything else. So there's no standardized response to that. But our goal is to provide more franchisee support and more support and visibility into our own company salons just to make sure that we are doing the right things not only to drive the top line through traffic, but also to improve margins for us and for our franchise partners.

Unknown Analyst

Just a quick follow-up. Can you discuss a little bit about -- I know you guys mentioned quartiles. Can you kind of compare the Align system compared to the broad system and talk about -- because I know you guys -- from a mix perspective, Align does not have any SmartStyles in it. So I was wondering if you could add some sort of color to that situation.

Susan Lintonsmith

President & CEO

Yes. If you just compare -- like I mentioned, the company salon business has the 3 different brands. And if you just -- and with Holiday hair, it's just companies. So if you look at the super cuts and the cost cutters and you look at the quartiles for our company-owned salons compared to the quartiles for our franchisees with those same brands, it's pretty comparable.

Unknown Analyst

Right. But I'm just kind of trying to get at because -- I mean, 9.6% versus the system, is that -- would you say would you mainly the operational changes or sort of the broad mix?

Susan Lintonsmith

President & CEO

Yes, the 9.6% for the company operations, that was primarily driven by the pricing actions that I mentioned. We did have a couple of pricing actions in calendar year 2025 that took us from really below the brand average. So we were priced below to above the brand average. So that in itself and a couple of operational improvements did drive that growth in Q3.

Unknown Analyst

Got you. And can you add any detail to ticket pricing and sort of what -- how much room you guys think you guys have and stuff like that?

Susan Lintonsmith

President & CEO

How much room we have? Yes. All I can say is it's -- the ticket average is really it depends how many services we have and everything else. So I don't know exactly what our pricing elasticity is or how high that ticket can go. That's something that definitely we'll be looking at. But I do believe that we do have a little bit more pricing power. We're still below -- we're still within the range, but we're going to be watching that because we're also looking at everything that's going on around us, competitive pricing, competitive value offers, et cetera. So all of that stuff impacts what we're able to price at and really what our power is.

Unknown Analyst

Got you. Sorry, one final question. Do you have any sort of operational learnings from your background because I know you ran European wax centers in Colorado. Do you have any sort of direct learnings from that, that you think are transferable or...

Susan Lintonsmith

President & CEO

Yes. sorry. A lot of my experience with running franchise locations are very directly applicable to this, working with licensed professionals and the importance of training and the importance of everything that happens within the 4 walls, that experience, that is one of my big things coming into this opportunity is really focusing on the front line, focusing on the stylists and that experience and making sure that the stylist has the training and the development needed to really provide that on that brand promise.

Unknown Analyst

Got you. Yes. I know you guys probably can't discuss it, but do you have any sort of color you can add to the refinancing situation? Or is that an ongoing thing?

Kersten Zupfer

Executive VP & CFO

It's ongoing, and we're making good progress. And once we have information that we can share with everybody, we certainly will do so.

Susan Lintonsmith*President & CEO*

At this time, we do not have any further questions. Please feel free to reach out to me at investorrelations@regiscorp.com if you have any questions that we can address offline. And thank you again for your support of Regis Corporation. Have a great day.

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