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Regis Corporation (NASDAQ:[RGS](#)) Q4 2025 Earnings Call September 3, 2025 8:30 AM EDT

Company Participants

Kersten Zupfer - Executive VP & CFO

Jim Lain - Interim President & CEO

Conference Call Participants

William Charters

Presentation

Kersten Zupfer

Executive VP & CFO

Good morning, and thank you for joining the Regis Fourth Quarter 2025 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; and our Chairman of the Board, Mike Merriman. 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/investor-relations, 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 Jim Lain.

Jim Lain

Interim President & CEO

Thank you, Kersten, and good morning, everyone, and thank you for being with us for our fourth quarter and full year fiscal 2025 earnings call. It's a privilege to address you today as Interim Chief Executive Officer, a role I've had the opportunity to serve in since July 1. As some of you know, I've been with Regis since 2013, most recently serving as Executive Vice President of Brand Operations.

Before this role, I spent nearly a decade as Chief Operating Officer for both our corporate and franchise salon systems, working closely with our corporate employees, franchisees and business partners to drive operational excellence and strengthen our iconic brands. Prior to joining Regis, I held senior leadership roles at Gap Inc. where I was responsible for a \$2.5 billion business across 750 stores in the U.S. and Canada and earlier in my career at Dick's Sporting Goods and Target.

In my 30 years of experience, I've never been as energized and optimistic about an opportunity as I am about the role I was recently asked to take on. I have leaned into the opportunity to emphasize continuity and stability. Yet at the same time, the leadership team and myself are not standing still. We have been advancing on a forward-thinking transformational plan designed to drive deeper customer connections with all our brands and a more effective and modern approach to driving growth. These efforts are directed toward enriching our business model and elevating our new brands to turn the tide on declining traffic and pave the way for sustainable long-term growth, enduring profitability and a continued cash flow generation.

As we undergo this transformation, I want to assure you that the priorities and initiatives that have been previously outlined are still firmly in place and supported by a collaborative effort across the leadership team, management and the Board of Directors. Namely, we have 2 primary priorities that we are focused on. The holistic Supercuts brand transformation and optimizing and growing sales and profitability in our company-owned salons. In addition to these priorities, we will increase our focus on the other brands within our portfolio. Collectively, these brands represent a meaningful share of our business.

The key learnings and new processes developed through our focus on Supercuts in our company-owned salons are expected to carry over and create value across the rest of the portfolio, further fueling a flywheel-like effect on our total business. When I assumed the role of interim CEO, I wanted to ensure that our organization understood these priorities and is committed to the transformational vision and strategy of Regis. I spent many of my first days in this new role, connecting with employees, franchisees and investors to help ensure a smooth transition and steady the organization. The senior leadership team convened for a week to reinforce unity across the organization and advance the process of finalizing our financial and operating plans for fiscal year 2026.

We were joined by our strategic partner, Forum3, led by Adam Brotman, Adam is one of the world's leading customer loyalty and engagement experts with over 25 years of experience leading major tech and consumer brands, including in his role as Starbucks inaugural Chief Digital Officer and EVP of Global Retail Operations. Forum3 has been an invaluable partner since the start of this calendar year, and I am pleased they will continue as part of our team. Their deep expertise in digital and AI transformation and brand strategy is helping us accelerate key initiatives that are critical to modernizing our customer experience and unlocking new growth opportunities. While we expect our transformational journey will take time, we are making good progress and are encouraged by the early results.

Our business is consistently profitable. For fiscal year 2025, we delivered \$19.9 million in operating income and \$31.6 million in Adjusted EBITDA, a year-over-year increase of 14.9%. For the fourth quarter, consolidated same-store sales increased 1.3% year-over-year. And at Supercuts, our largest brand, we experienced an increase of 2.9%. Importantly, the fourth quarter of fiscal 2025 marked our third consecutive quarter of positive cash from operations. While these results are solid, we are encouraged by the opportunities ahead to build on this momentum. We are laying groundwork to change the trajectory of declining traffic, reinforce our core operations and equip both Regis and our franchisees to succeed in a fast-changing industry.

The professional hair salon industry remains a resilient and essential segment within the broader beauty and personal care market, driven by recurring consumer demand, evolving trends and increasing focus on self-care and wellness, the industry continues to show steady growth particularly in the value-focused segment where we operate. Industry demand is supported by a mix of core services and add-ons. And importantly, the industry operates on a high-frequency repeat service model that lends itself well to brand loyalty and membership programs. Digital channels such as online booking create efficiency for the customer as well as the stylist. We have seen a strong business correlation in salons that have higher online booking percent. This bodes well given our omnichannel focus.

Turning to an update on our first near-term priority, the holistic transformation of our Supercuts brand. The road map for Supercuts encompasses 3 pillars. The first is to modernize and evolve the brand by strengthening its relevance with today's consumers and better reflect the quality and value we deliver. This refresh is a holistic update that spans the spectrum to create a more contemporary, consistent and engaging brand experience across every customer touch point. In support of this first pillar of refreshing the Supercuts brand, we recently completed a comprehensive brand research study that provides valuable insights into our customer and our brand. These findings are guiding decisions related to enhancing our brand and establishing meaningful differentiation within the market.

The second pillar of our Supercuts transformation is our digital strategy and omnichannel engagement. In the fourth quarter, we advanced several key initiatives designed to strengthen customer connections and drive top line growth. A highlight was the continued success of Supercuts loyalty program. Launched in the second quarter of this fiscal year, the program has already grown to represent 36% of transactions, an increase of 600 basis points since Q3. Supercuts rewards not only fosters customer loyalty, but also delivers valuable personalization insights that enhance the effectiveness of current and future marketing efforts.

The strong momentum we are seeing reinforces its potential to be a powerful driver of long-term growth and customer retention with loyalty members proving to be our most frequent visitors and highest lifetime value customers. And our third pillar of focus for Supercuts, operational excellence we successfully completed a second round of salon assessments, which were conducted by an objective third party. These evaluations focus on salon level cleanliness, maintenance and other key operational areas like service menu adherence, marketing collateral execution and retail product inventory levels. The headline here is salons that consistently meet brand standards for cleanliness and operational excellence perform at a notably higher level on our primary salon KPIs, including sales and customer retention.

Another work stream within this pillar is the development of our new salon concept. We are nearing the pilot launch of this initiative, which features a clean, modern aesthetic and is aimed at improving efficiency while elevating the experience for both customers and stylists.

Turning to our second priority, optimizing and growing sales and profitability in our company-owned salon portfolio. In 2024, we completed the acquisition of more than 300 salons from our largest franchisee. Since January, these salons have been operating as company-owned salons. As we shared previously, this transaction delivers both meaningful financial benefits and important strategic advantages. Since taking ownership of these salons, we have focused on executing a comprehensive operation strategy. This includes a fully redesigned stylist pay model that is structured to improve productivity and reward performance. In the near term, we will also launch several pilots tied to our omnichannel initiatives and the newly designed salon prototype.

I want to emphasize the advantage of our newly acquired company-owned salons provide, both in accelerating innovation and in their potential to drive meaningful EBITDA. Just as importantly, they enhance our position as a franchisor by keeping us closely connected to day-to-day salon operations. Encouragingly, same-store sales improved in Q4. While we still have work ahead, this is a multiyear strategy and our progress in the fourth quarter and the year reinforces our confidence in our strategy and our ability to execute. I want to thank our teams across North America for their hard work and dedication this past year. Their commitment to our customers to one another and to excellence execution has been instrumental in our progress.

As we enter 2026, we do so as a focused and energized organization with a clear long-term strategy and a commitment to delivering sustainable, profitable growth across our portfolio. Our top 2 near-term priorities remain clear: advancing the holistic transformation of the Supercuts brand, while optimizing and growing sales and profitability in our company-owned salon portfolio. We are excited about the future, and we look forward to sharing more updates with you in the months ahead.

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

Kersten Zupfer

Executive VP & CFO

Thanks, Jim. Our fiscal 2025 fourth quarter and full year results include the results of the 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 and the year reflect contributions from Alline, but prior year results do not. As Jim discussed, our fourth quarter results reflect the progress we are making towards improving the financial profile of Regis and implementing initiatives to reignite growth.

For the fourth quarter, we delivered a 58.7% increase in operating income, same-store sales growth and our third consecutive quarter of positive cash from operations. We are encouraged by the progress we are making. Let's start with a review of the results for the fourth quarter. Total fourth quarter revenue was \$60.4 million, an increase of 22.3% or \$11 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 as well as an increase in same-store sales of 1.3%.

This increase was partially offset by lower royalties due to fewer franchise locations and non-margin franchise rental income. As of June 30, 2025, we had a net decrease of 744 franchise locations compared to June 30, 2024, approximately 300 of these locations relate to the Alline salons that converted from franchise to company-owned.

The 448 net closures during the year primarily involved 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. We continue to expect fiscal year 2025 to be the last year of closures in this order of magnitude.

In terms of profitability, we reported GAAP operating income of \$7.3 million, an increase of \$2.7 million compared to \$4.6 million in the year ago quarter. This increase was primarily driven by operating income contribution from the Alliance lines, which was partially offset by lower royalties. Below the operating line, income from continuing operations was \$118.4 million compared to \$91.3 million in the year ago quarter. This year-over-year increase in income was due to improved operating income in the current period and to the release of a majority of our U.S. income tax valuation allowance and a partial release of the Canadian income tax valuation allowance, both of which occurred in the fourth quarter of 2025.

These releases reflect improved financial performance and expectation of generating sufficient taxable income to utilize a significant portion of our deferred tax assets going forward. It is also worth noting that income from continuing operations for the fourth quarter of 2024, included a noncash gain on the extinguishment of long-term debt of \$94.6 million. As a reminder, in the fourth quarter of fiscal year 2024, we refinanced our credit facility, which reduced our debt by more than \$80 million and significantly strengthened our balance sheet. The gain in the fourth quarter of fiscal year 2024 was directly related to this refinancing. While there is considerable noise below the operating income line from noncash items, the real story is the substantial improvement in our operational performance. The increase in operating income reflects solid execution and ongoing momentum in our core business.

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 view of the business. Reconciliations of our GAAP results to our adjusted non-GAAP results can be found in our press release.

For the fourth quarter, our consolidated Adjusted EBITDA was \$9.7 million, an increase of 24.8% compared to \$7.8 million in the prior year quarter. The \$1.9 million improvement was primarily due to favorable Alline salon EBITDA and lower general and administrative expenses, which were partially offset by lower franchise revenue. Our adjusted G&A was \$10.4 million in the fourth quarter of fiscal year 2025, down from \$11.3 million in the year ago quarter. Adjusted EBITDA for our franchise segment was \$7.7 million in the quarter, a \$1.2 million increase compared to \$6.5 million in the prior year quarter. This increase was primarily due to lower G&A expenses, which was partially offset by decreases in royalties as a result of a lower salon count.

Importantly, franchise adjusted EBITDA as a percentage of franchise revenue increased from 13.7% in the year-ago quarter to 19.3% in the current period. A positive indication of the progress we are making in enhancing operational efficiency across our franchise network. Adjusted EBITDA for our company-owned salon segment improved by \$700,000 year-over-year to \$2 million for the quarter, primarily as a result of an increased number of company-owned salons and closure of unprofitable salons. Additionally, company-owned salon revenue for the prior year period included \$1.3 million of non-cash revenue resulting from a change in estimate to gift card breakage. Turning to our results for the full year.

Total revenue for fiscal year 2025 was \$210 million, an increase of 3.5% or \$7.2 million, compared to the prior year. This increase was primarily driven by increased revenue from company-owned salons, resulting from the acquisition of the line in December of 2024. We reported GAAP operating income of \$19.9 million, a slight decrease from \$20.9 million in fiscal year 2024. As with the results for the fourth quarter, this decrease was primarily driven by lower royalties and fees partially offset by operating income contribution from the Alline salons.

Income from continuing operations was \$117 million for fiscal year 2025 compared to \$89.1 million in fiscal year 2024, consistent with the fourth quarter comparison, the year-over-year increase was due in large part to the partial release of the company's prior year income tax valuation allowance in the fourth quarter of 2025. Income for the prior year period included a gain on extinguishment of long-term debt of \$94.6 million.

Turning to our adjusted results for fiscal 2025. Our consolidated Adjusted EBITDA was \$31.6 million, an increase of 14.9% compared to \$27.5 million in the prior year. The \$4.1 million improvement was primarily due to higher net company-owned salon revenue as a result of the Alline Acquisition and lower G&A expenses, which were partially offset by lower franchise revenue. Our adjusted G&A was \$40.2 million in fiscal year 2025, which was in line with our expectations and down from \$43.5 million in the prior year. We remain committed to diligent management of our corporate G&A expenses and continue to expect our run rate for G&A to be in the range of \$40.5 million to \$42.5 million annually.

Turning to cash flows. For the 3 months ended June 30, 2025, we generated \$6.8 million in cash from operations, which is an improvement of \$1.7 million compared to the fourth quarter of fiscal 2024. This brings our year-to-date total for cash from operations to \$13.7 million, an improvement of \$15.8 million compared to fiscal year 2024. The increase in cash generation was driven by Alline, operating profitability and an accumulation of cash from our ad fund contributions. In evaluating our reported cash flows, we believe it is important to understand that cash flows are derived from two sources. On restricted cash from -- generated 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 not available for corporate use.

In fiscal year 2025, our total reported cash from operations of \$13.7 million is comprised of \$8.4 million in cash generated for the ad funds, which is restricted and \$5.3 million in cash generated from our core operations, which is unrestricted. Notably, the \$2.5 million of the restricted ad fund cash was generated in the fourth quarter. Included in the \$5.3 million of unrestricted cash from core operations, there were several nonrecurring items that were a drag on cash flow, namely severance-related cash costs and onetime deal-related expenses for the Alline Acquisition, of \$3.2 million in aggregate. We do not expect these items to reoccur in fiscal year 2026.

Importantly, the business continues to generate positive cash flows from operations, providing a strong foundation for growth and financial flexibility. As we look ahead to fiscal year 2026, our operating plan anticipates a meaningful increase in the generation of unrestricted cash from our core operations compared to fiscal year 2025. We expect this improvement will be driven by continued operational strength, a full year of Alline results in the absence of nonrecurring expenses in fiscal year 2025 that I just discussed.

We also expect improvements in working capital usage to contribute to stronger generation of unrestricted cash from our core operations. Ad fund cash, which is, again, is designated specifically for marketing purposes and not available for corporate use was building over fiscal year 2025 as we slowed spending to focus on executing our business transformation strategy. Our marketing plans for fiscal year 2026 assume we will spend the ad fund cash that accumulated during 2025 as we implement initiatives aimed at returning growth.

So while we expect unrestricted cash generated from operations to be higher in fiscal year 2026, that it was in 2025, total reported cash from operations for fiscal year 2026 may be lower when compared to the prior year due to our plans to strategically deploy cash accumulated in the ad fund. As we consider the allocation of capital, our priorities include reinvesting in the business to drive growth, maintaining a disciplined approach to managing debt and consideration of potential strategic transactions.

In terms of liquidity, as of June 30, 2025, we had a \$25.9 million of available liquidity, including capacity under our revolving credit agreement and \$17 million in unrestricted cash and cash equivalents. As of the end of the fiscal year, we had \$125.3 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 \$216.6 million of operating lease liabilities related to our franchisees' salon leases.

These leases have a weighted average remaining term of less than 5 years, and the obligations are serviced by our franchisees. So 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. In summary, our fourth quarter and our full year 2025 results reflect a profitable cash-generating business with clear momentum and a meaningful opportunity ahead. This concludes our prepared remarks, and we will now take questions.

Question-and-Answer Session

Kersten Zupfer

Executive VP & CFO

Good morning. Our first question is from Bill Charters from Sable Capital. Bill, please unmute your line.

William Charters

Can you hear me?

Kersten Zupfer

Executive VP & CFO

Yes, we can.

William Charters

Great quarter. That was great all around. I just had a few questions. I guess, can you talk more about the Forum3 initiatives in context of what they have done and what plans you have in the future to improve operating results? I mean, I know it's been a lot of SEO, but I would love to give more context on what does it look like going forward?

Jim Lain

Interim President & CEO

Yes, Bill, this is Jim. And just thank you again for joining the call today. It's good to have you. I'll take that one. Forum3, obviously has been, as you heard in my remarks, and I think you know pretty significant background in this arena that they're focused on in terms of the transformation of the Supercuts brand. There's several things that they've been highly engaged with. One is just the modernization and evolution of the brand. As you heard in my remarks -- we have just completed a comprehensive qualitative study on the Supercuts brand. We've learned a ton, and we're actually just now kind of getting through all of those results.

And Forum3 is helping us distill those findings and obviously bring those things to life in terms of who is shopping Supercuts, what generation? What are they looking for? This is a particular area of expertise for Forum3 and certainly much more to come there. Omnichannel growth is the other piece that I spoke to in the remarks. The whole loyalty rewards area, another area of, I would say, even more particular expertise for Forum3. They are -- we're seeing good growth here, for sure, as I noted, and we're continuing to focus on that. And this is where Adam is particularly capable in helping us drive the continued growth there -- and then the whole concept and notion of online booking. There is a strong correlation to business performance here. We see it very, very clearly. We want to ensure that customers can easily get into our salons for a service, whether it's a quick haircut or a more lengthy service or color, whatever it might be.

And Adam and his team are doing some really, really good work to help us in that arena. And then kind of to round it all out, the whole kind of notion of operations excellence, the strong correlation, as I said in my remarks, to salons who adhere to the brand standards. It's interesting. We share these results, obviously, with our franchisees. And I think the even better news is that there is a strong desire to make improvements when assessment results reflect the need for improvement. We're really seeing our franchisees grasp and embrace that, and we're actually seeing improvements there.

So that's a good guy for sure. Sharing best practices from the company-owned salons. The company-owned salons are going to be an area where we can bring pilots to life and learn very, very quickly. And then from that, we can share best practices and dare I say, gold standards of operating the business with the rest of our system. And then, last but not least, we're continuing to work on the new salon prototype -- that is coming along nicely right now. And Adam and his team, again, here, continue to lean in with their background and help us in those arenas. So just some pretty incredible things that I think they're bringing to the table.

William Charters

Absolutely. And regarding the prototype, how would that be financed and implemented? I mean is that the cost of the franchisees -- does that ad fund marketing spend? Do you take some of that to promote these new things? I guess what I'm really trying to get at is what cost is that to the corporation?

Jim Lain

Interim President & CEO

Yes, it's a good question. And I'll be honest. We're looking at all appropriate paths to support all of those things. We haven't landed on anything specific. That was work that we're currently engaged with. And I think it could be multiple areas and paths that we could take. But for now, I can say that we're reviewing it very closely to determine what is the best mix, if you will, of an approach to take to bring those salons to light. What I will say is that right out of the chute, we have numerous franchisees that are poised and ready to remodel salons, just holding for the new prototype to come to light. And that's slated to happen in early 2026.

William Charters

And then the Alline results seem great. Do you think there's more upside to those? And when do you think they would -- Alline would reach its optimal potential?

Jim Lain

Interim President & CEO

Yes. Good question. Here's what I'll say is we're optimistic about the company-owned salon portfolio. It's also important to note that we're in the very early stages of what I characterize as operational improvements. As I referenced in my remarks, the new stylist pay model, which is a really, really critical point for salons, that has all been launched. And we're also very near launching several other pilots that are in support of the things I spoke to in your first question regarding Forum3 and the work we're doing there from an omnichannel standpoint. So I think that we're -- it's early, we're optimistic. I like where we're going, I like the leadership that we have in place there, very, very strong tenured senior leader that's driving that area. Myself having many years of running salons and the experience there, we're staying very engaged with that, and I feel good about where we're going.

William Charters

And then Kersten did talk about uses of cash. And I just wanted to delve in that a little bit more. So I guess the first is to support the business because there are these new initiatives and investing in the business has a certain return on investment. And then there's other initiatives like paying down debt, or I think she alluded to maybe other acquisitions. And I just wanted to know a little more about those -- would those be buying franchise ease back from your current base? Or would those be adjacent new concepts, I just would like to understand the uses of cash, the best you can elaborate on that?

Kersten Zupfer

Executive VP & CFO

Yes, Jim, I can jump in and take that. Yes, I mean, we currently have \$17 million of cash on the balance sheet. One of our priorities is -- continues to be a disciplined approach to managing our debt -- we do have scheduled debt payments and a cash flow sweep coming up. So that will obviously be a portion of the use of that cash. But as I mentioned in my script, we do expect that we will generate cash in this year and really focused on reinvesting back into the business to drive growth and support all the initiatives that Jim spoke about. I'll say as it relates to potential strategic transactions, new concepts, acquisitions. We continue to keep that door open. We don't have anything specific that we're moving forward with at this time, but it's something that we always have in the back of our heads as we look at the best allocation of our capital.

William Charters

And then I know you have a long runway on the present debt. I think it matures in 2029, June of 2029, and the make-whole ends in, I think this -- a year from now, June of '26. What are your plans on refinancing that debt? Because I think right now it's -- is it SOFR plus 9%. And I mean, with the improvement in cash flow, you're looking closer to 3x on a perspective or forward-looking basis. What are your plans on refinancing?

Kersten Zupfer

Executive VP & CFO

Yes. No, you have all of that right. Our debt matures in June of 2029. We have a make whole that goes through 2026, and we're paying SOFR plus 9% right now. So we're having early discussions. TCW has been a great lender for us and a great business partner. Our goal would ultimately be to refinance this debt at some point and reduce our interest rate. This year, we're going to continue to focus on strengthening our financial position. So we're in a good spot to be able to have those conversations when the make-whole runs out. So we'll be focusing on everything that Jim talked about, driving comps, improving EBITDA and building that case for better terms when we get to a point where we can refinance.

William Charters

Well, I mean, looking at the company now a year after the refinancing last year. I mean you guys have all done a great job. I mean, operationally, I think the business turned around a lot faster than I thought it would. I mean, it's great to be talking about what are you going to use the cash flow like you actually have opportunities.

Kersten Zupfer

Executive VP & CFO

Thanks, Bill. This concludes our fiscal year 2025 earnings call. Thank you for your continued support and interest in Regis. We look forward to updating you on progress next quarter. Please feel free to reach out to investor relations @regiscorp.com to discuss any questions related to the business or quarterly results. Have a nice day. Thank you.

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