Regis Corporation (RGS) Q4 2026 Earnings Call Transcript

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Q4: 2026-09-01 Earnings Summary

Insights

EPS of $1.04 beats by $0.87 | Revenue of $56.00M beats by $3.00M

Regis Corporation (RGS) Q4 2026 Earnings Call September 1, 2026 8:30 AM EDT

Company Participants

Kersten Zupfer - Executive VP & CFO
Susan Lintonsmith - President, CEO & Director
Kirsten Zupfer

Conference Call Participants

Ryan Meyers - Lake Street Capital Markets, LLC, Research Division

Presentation

Kersten Zupfer
Executive VP & CFO

Good morning, and thank you for joining the Regis Fourth 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 this conference is being recorded. [Operator Instructions]

I would like to remind everyone that the language on forward-looking statements included in our earnings release and 8-K filing also applies to our comments made on the call today. These documents can be found on our website, www.regiscorp.com/investor-relations.

With that, I will now turn the call over to our CEO, Susan Lintonsmith.

Susan Lintonsmith
President, CEO & Director

Good morning, everyone, and thank you for joining us. In fiscal 2026, we strengthened the foundation of our business and demonstrated our ability to deliver profitable growth while consistently delivering cash. We finished the year with $224.5 million of revenue, $32.8 million of adjusted EBITDA and more than $13 million in cash from operations, extending our track record to 7 consecutive quarters of positive cash from operations. We delivered positive comparable sales growth in the fourth quarter with consolidated same-store sales up 0.1% and Supercuts up 2.6%. For the full fiscal year, consolidated same-store sales increased by 0.9%, driven largely by Supercuts, which achieved 3% growth, delivering growth for the 5th consecutive year. This performance demonstrates that the initiatives we have been implementing are building momentum and translating into results.

Over the past 5 months, I've spent significant time with our franchisees, our company teams and in salons, giving me firsthand understanding of the business, what's working and where we have meaningful opportunities to improve. I'm encouraged by what I've seen, but I'm equally focused on the opportunities ahead and the work required to unlock the full potential of our portfolio. As we enter fiscal 2027, our focus is clear: convert the foundation we have built into stronger, more consistent performance and sustainable growth.

Our priorities are to: one, strengthen our brands; two, drive growth through traffic; and three, improve the health of our salon portfolio while mitigating closures. These priorities are grounded in the belief that successful performance in a service business like ours is driven by strong, meaningfully differentiated brands, impactful marketing that drive guests into our salons and great experiences delivered to every guest in every salon every day. I'll dive deeper into specifics later in the call.

Before I turn it over to Kersten, I want to briefly address our opportunity to refinance our existing debt. This is an important priority for both our shareholders and the company, and the Board and I are actively engaged in the process with Kersten. We are exploring many options, and we'll move forward when we believe the terms provide meaningful value for shareholders. Kersten will provide additional details on our efforts shortly. I'll hand the call over to her now to review our financial results.

Kersten Zupfer

Executive VP & CFO

Thanks, Susan. I'll cover the fourth quarter and full year results and then spend a few minutes on our balance sheet. Our fiscal 2026 results demonstrate meaningful progress in our transformation with stronger profitability and importantly, a significant improvement in cash generation. As Susan mentioned, we generated $32.8 million of adjusted EBITDA, an increase of $1.2 million compared to fiscal year 2025 and $13.5 million of unrestricted cash from operations, up from $5.4 million in the prior year. These results were achieved while continuing to direct resources toward our strategic priorities and navigating an environment where franchise location count declined.

For the fourth quarter, we delivered $6.6 million of operating income, generated $9.2 million in consolidated adjusted EBITDA and produced positive cash from operations for the 7th consecutive quarter. We achieved these results despite lower revenue. Total revenue for the fourth quarter was $56 million, a decrease of $4.4 million or 7.3% compared to the prior year. The decline was primarily driven by lower non-margin franchise rental income, reflecting a reduction in franchise salon count and the transition of certain franchisees to their own leases. Net income was $4.4 million or $1.51 per diluted share compared to $116.5 million or $42.58 per diluted share in the year ago quarter.

The year-over-year comparison is heavily influenced by the $115.5 million discrete tax benefit recognized in the prior year as well as $1.9 million loss from discontinued operations net of tax rather than underlying business performance. On an adjusted basis, net income increased to $3 million from $2 million, providing a more meaningful view of the underlying performance of the business.

Turning to our adjusted results. As a reminder, our adjusted results exclude stock-based compensation expense. We believe this provides a clear view of our underlying business performance. A reconciliation of our GAAP to non-GAAP results is included in our press release. Adjusted G&A was $9.8 million in the fourth quarter, down from $10.4 million in the prior year quarter, reflecting continued cost management discipline.

For the fourth quarter, consolidated adjusted EBITDA was $9.2 million, a decrease of $500,000 compared to $9.7 million in the prior year quarter. The decrease was primarily driven by an unfavorable impact from foreign currency translation adjustments as well as lower franchise revenue. Adjusted EBITDA for our franchise segment was $6.4 million in the quarter, a decrease of $1.3 million compared to $7.7 million in the prior year quarter. This decrease was primarily driven by lower royalties and fees resulting from the decline in salon count. In our company-owned salon segment, the adjusted EBITDA improved by $800,000 year-over-year to $2.8 million. The improvement was primarily driven by decreased rent and salon expenses resulting from the closure of unprofitable salons.

One item to note as we move into fiscal 2027, we are dedicating resources to the company-owned salon business that were previously shared across the organization. This will shift certain costs into the company-owned salon segment's reported results impacting the year-over-year comparison. This is a reallocation of costs rather than an increase in spending. Our total G&A expense declined in fiscal 2026, and we expect to maintain expense discipline in 2027.

Turning to our franchise portfolio. We ended fiscal 2026 with 207 closures, offset by 8 openings for a net decline of 199 salons. The locations that exited the system were predominantly lower volume salons, resulting in a smaller impact on royalty revenue than the unit count alone would suggest. The average unit volume of the closed locations was approximately $136,000, roughly $364,000 below the average unit volume of stores in our highest performing quartile. While the decline in salon count continues to affect franchise revenue, we believe the remaining salon base is becoming stronger and more productive, which should support improved franchisee economics over time.

For budgeting purposes, we identify salons at risk of closure based primarily on lease expiration dates and key operating metrics, including average unit volume and rent as a percentage of revenue. Based on the visibility we have today, we do not expect fiscal year 2027 closures to be materially different from fiscal year 2026.

Now turning to our full year fiscal results. For fiscal 2026, consolidated revenue was $224.5 million, an increase of $14.4 million compared to fiscal year 2025. The increase was primarily driven by higher company-owned salon revenue, partially offset by lower royalties, fees and non-margin franchise rental income. Operating income for the full fiscal year increased to $24.4 million, up from $19.9 million in fiscal 2025. The improvement was primarily driven by increased company-owned salon revenue, partially offset by lower royalties and fees. Net income for our fiscal year 2026 was $6.9 million or $2.41 per diluted share compared to $123.5 million or $46.10 per diluted share in fiscal year 2025.

The year-over-year comparison is also heavily influenced by the $115.5 million discrete tax benefit recognized in the prior year as well as the $6.5 million in income from discontinued operations net of tax in the prior year. On an adjusted basis, net income increased to $7.8 million from $7.6 million, which highlights improvement in the underlying performance of the business. As I mentioned earlier, adjusted EBITDA for fiscal year 2026 increased to $32.8 million, up from $31.6 million in fiscal year 2025. This improvement was primarily driven by a full year of company-owned salon revenue and lower G&A expenses, partially offset by lower franchise revenue. Adjusted net income was $7.8 million, up from $7.6 million in fiscal year 2025, while adjusted diluted earnings per share were $2.70 compared to $2.85 in the prior year.

Turning to full year cash flows. Net cash provided by operating activities was $13.1 million for fiscal year 2026 compared to $13.7 million in the prior year. That reported measure includes restricted ad fund cash, which is designated for marketing purposes and is not available for corporate use. Importantly, unrestricted cash from operations increased to $13.5 million in fiscal year 2026, up from $5.4 million in fiscal year 2025. This represents a significant improvement in cash generation and reflects the benefits of our lower cost structure and improved operating performance. We used a portion of that cash to fund $2 million in capital investments and repaid $2.7 million of term loan principal while still ending the fiscal year with a cash balance that is more than 50% greater than a year ago.

As of June 30, 2026, we had $26 million in unrestricted cash and cash equivalents. In accordance with our credit agreement, we expect to make our annual excess cash flow sweep payment in September, which will reduce our cash and our outstanding debt by approximately $7 million to $8 million.

Turning to our debt. As of June 30, 2026, our funded debt was approximately $128 million, consisting of $116 million of term loan principal, $11 million of paid-in-kind interest and approximately $1 million outstanding under our revolving credit facility. We also had $6 million of standby letters of credit outstanding, which includes the $1 million related to the revolver draw, leaving $19 million of available capacity. Net of cash, funded debt was approximately $102.2 million or approximately 3.1x adjusted EBITDA.

As of June 30, 2026, we had $19 million of unused availability under the revolving credit facility and total liquidity of $35 million. Unrestricted cash generated from operations more than doubled this year, and that improvement is an important part of our refinancing efforts. It demonstrates the significant progress we have made in improving the business' ability to generate cash and provides us with greater flexibility to reinvest in the business and repay debt obligations. We continue to evaluate refinancing alternatives that provide acceptable terms and conditions and will lower our overall cost of debt in a way that creates meaningful value for shareholders. Our Board is actively engaged throughout this process, including our recently appointed director, who is also a significant shareholder.

That shareholder alignment is important as we evaluate the alternatives available to us. We are approaching this effort with urgency while maintaining discipline in our approach, and we will not sacrifice long-term value and we'll continue to pursue the best and appropriate refinancing options for Regis. Overall, our fiscal 2026 results demonstrate continued financial progress. We improved operating income and adjusted EBITDA and more than doubled unrestricted cash from operations to $13.5 million while directing resources to initiatives that advance our long-term strategy.

As we enter fiscal 2027, we are building on that progress with a clear focus on sustaining meaningful cash generation while balancing targeted growth investments that can further strengthen our business with ongoing cost discipline.

With that, I will turn the call back to Susan.

Susan Lintonsmith
President, CEO & Director

Thank you. Looking ahead, we are focused on 3 areas to drive our growth plan at Regis. First is Supercuts. This includes implementing the strategic blueprint to modernize and unlock the growth potential of this brand, which is about the brand strategy, modernizing the digital experience and driving operational excellence. The second priority is our company-owned salons, building a best-in-class operating model for growth and profitability while using these salons as a testing ground for initiatives that we can then scale across the system. And third, SmartStyle, addressing the fundamentals of this business and taking the immediate actions necessary to drive traffic and improve performance. These priorities continue to guide where we direct our resources and how we plan to drive sustainable, profitable growth at Regis.

I'll quickly update you on the progress we're making across each of these areas. I'll start with Supercuts, which is our greatest brand opportunity with nearly half of our salon base and 60% of our royalties. With its scale, brand recognition and broad customer base, Supercuts is central to our growth strategy. For fiscal 2026, Supercuts delivered same-store sales growth of 3%, including strong performance throughout the year with 5% growth in Q3 and a 2.6% growth in Q4. This performance demonstrates the impact of the initiatives that we are implementing and importantly, reinforces that there is meaningful opportunity to continue strengthening and growing this brand. Against that backdrop, we're making strong progress on our strategic blueprint to modernize Supercuts for long-term growth.

Recall that this plan is built around 3 pillars: brand strategy, digital experience and operational excellence. The first pillar, evolve the brand strategy, is well underway. We fully launched the new Supercuts marketing campaign in July, including the Supercuts, Supercuts video, which brings the refreshed brand positioning and the Confidence Without Compromise tagline to life in a more modern and engaging way. We're also finding ways to connect Supercuts with consumers through culture and entertainment. Our partnership with Jackson Olson from the Savannah Bananas is a great example of this approach. Jackson's strong following and the Savannah Bananas highly engaged young fan base give us an opportunity to put Supercuts in front of new audiences in an authentic and entertaining way.

It helps that Jackson loves Supercuts and has amazing hair. We've had fun with social media initiatives and offering the Jack's hair style at Supercuts across the country.

In addition, Jackson is a contestant in Season 5 of Dancing with the Stars, further demonstrating his popularity and appeal. These efforts are helping make Supercuts more relevant to today's consumer while reinforcing the brand's personality and our differentiation, not only through our skilled stylists, but also through differentiated hair services like color. The second pillar, modernizing the digital experience, is also underway. We're focused on improving the guest journey, including strengthening our loyalty program and testing online scheduling to make the experience more convenient and seamless for guests.

We're strengthening our loyalty program to drive incremental visits, increase retention and maximize lifetime value while continuing to build a more robust CRM database that enables us to engage guests more effectively. With new marketing leadership and deep loyalty expertise now in place, we are well positioned to make loyalty a more powerful engine of profitable and sustainable growth. We're also differentiating the business by offering guests choice scheduling. This is the ability to schedule via app or web or simply walk in and get on the schedule. Early results from our online scheduling pilot are promising, and we look forward to sharing more results next quarter. The third pillar is operational excellence. This includes providing stronger support for franchisees, including communication, training and education, and coaching to improve execution and ultimately strengthen salon performance.

During the last quarterly earnings call, I mentioned dedicating resources via a new leader for training and education. We have now hired a leader for this department who has hair salons in her blood. Her mother is a stylist and who brings significant expertise in high-quality training effectiveness. She and her team of seasoned trainers are building the curriculum for stylists and managers from onboarding through continued education. Our skilled stylists set us apart, and we will focus even more on development to increase retention and expand that differentiation. The important takeaway is that Supercuts' strategy has moved from planning to execution. The new brand work is in market, the digital initiatives are underway and our operating model is being implemented. And importantly, we are already extending this blueprint beyond Supercuts to other core brands, leveraging what we are learning across the portfolio.

The second major area of focus is our company-owned salons. As mentioned on our last call, we now have dedicated leadership and support resources focused specifically on running the company's salon business. Our objective is to make our company salons a best-in-class operating model for growth and profitability while continuing to test important initiatives that can benefit the broader system. An example of this is our second visit marketing initiative, which is designed to convert more first-time guests into repeat guests. Another example is our new remodel and refresh design for Supercuts, which we will test in 3 company locations this fall. We will validate the costs and share the results with franchisees by November.

In terms of results, we ended fiscal 2026 with 4% same-store sales growth for company-owned salons, driven primarily by pricing. Traffic remains an opportunity, and we're taking action to improve trends by strengthening the guest experience, increasing marketing efforts and enhancing our value proposition. We've also made meaningful progress on labor productivity in our company salons in Q4. Through adjustments to our pay plans in March and greater discipline around scheduling, we reduced labor margins significantly from first fiscal quarter to fourth, and we're on track to achieve our labor margin targets for fiscal '27. Overall, we will strengthen the company-owned salon portfolio by elevating the guest experience, driving profitable traffic and improving labor productivity and store level profitability. We know where the opportunities are, and we're moving with urgency to address them.

The third major area of focus is SmartStyle, our second largest brand with about 25% of our total salons. I see a lot of potential in this brand, and our focus in fiscal 2027 is on addressing the fundamentals of the business and strengthening the value proposition for guests, particularly the Walmart shoppers and associates. We will quickly move into action with our franchisees, piloting several targeted initiatives, including optimizing hours of operations, improving staffing and training and attractive offers that appeal to Walmart shoppers, employees and their families.

We are also evaluating opportunities to introduce more convenient express service options that meet the needs of the SmartStyle customers. The objective is straightforward: strengthen the value proposition, make SmartStyle more relevant and convenient to its core customers and ultimately drive profitable traffic. Across all core Regis brands, strengthening the health and performance of our franchise system remains a top priority. We have invested in additional resources to better support our franchisees to improve performance across the system. Our goal is to strengthen the entire system by elevating our brands, driving traffic and enhancing operational support through improved communication, and training and education. We are also leveraging AI-powered dashboards to help our operations team identify opportunities earlier and then direct resources where they can have the greatest impact. To help mitigate closures, we are focusing on key areas of opportunity while accelerating resale activity by connecting franchisees looking to exit with qualified franchisees seeking growth opportunities. By strengthening the health of our franchise system and supporting sustainable growth, our objective is to reduce closures and ultimately return the system to net unit growth.

In summary, fiscal 2026 was about strengthening the foundation of Regis with meaningful progress in profitability and cash generation with 7 consecutive quarters of positive cash from operations. The Supercuts transformation is underway, and we already have tangible evidence that our actions are translating into results. Fiscal '27 is about moving from stabilization to sustainable, profitable growth. Our strategy remains clear: one, strengthen and differentiate our brands; two, drive profitable guest traffic; and three, improve the health of our salon portfolio while minimizing closures. These priorities will continue to guide how we operate and how we allocate resources. We have a lot of work to do, and I'm personally focused on making sure we execute against this strategy with discipline and urgency.

This concludes our prepared remarks.

Kirsten Zupfer

We'll now open the call for questions.

Question-and-Answer Session

Kersten Zupfer
Executive VP & CFO

[Operator Instructions] Our first question is from Ryan Meyers of Lake Street Capital Markets.

Ryan Meyers

Lake Street Capital Markets, LLC, Research Division

Congrats on the solid progress here. Just thinking about the positive same-store sales at Supercuts during the quarter, can you just talk about how much of that came from pricing versus better traffic? And then maybe the system as a whole, just how you have seen traffic trends, if there's been any improvement, no change and how we should maybe think about that?

Susan Lintonsmith

President, CEO & Director

Yes. Thank you, Ryan. This is Susan. So primarily, the growth in Supercuts did come from average ticket versus traffic. However, traffic was improved. It was down, but only by like 1 point or so. So it's improved for Supercuts and the trend is moving in the right direction. For the entire portfolio, as I mentioned, traffic absolutely is an opportunity for us to continue to make sure that we get the growth from traffic more so than pricing going forward. So that is something that we are very much focused on from our marketing efforts to improving operations.

Ryan Meyers

Lake Street Capital Markets, LLC, Research Division

Okay. Got it. That's helpful. And then lastly, I think you guys called out that closures in 2027 should be pretty similar to what they were in 2026. I just want to confirm and make sure I'm understanding this correctly. Is that both on the corporate-owned portfolio as well as the franchise salons?

Susan Lintonsmith

President, CEO & Director

'27 should not be materially different than what we had in 2026. We are expecting fewer closures in our company locations in fiscal 2027.

Kersten Zupfer

Executive VP & CFO

The next question comes from Nathan...

Unknown Analyst

I was wondering -- and this is my kind of a specific question, but I was wondering if you guys could spell out or kind of lay out the main median and potentially how many stores fall under that $150,000 threshold laid out in the master lease for the Walmart stores in terms of revenue, that would be possible?

Kersten Zupfer
Executive VP & CFO

Yes. That is pretty specific in terms of like how we quartile. So maybe we can take that offline. We do look at our salons by quartile. As I mentioned, the majority of our closures relate to lower volume locations in the tune of $130,000, $135,000 of AUV. Is that helpful? And then we can get into more specifics.

Unknown Analyst

Yes, just because like I was looking at the FDD document or financial disclosure documentation, and that's something that's missing compared to the other -- like that's available for [Super-Styles] and Cost Cutters, for example. I was just trying to sort of dive into that, but that's fine, too. Yes, that's kind of my main question. But yes.

Kersten Zupfer
Executive VP & CFO

Okay. We'll touch base. Thank you. I don't see any other questions coming in. Actually, one just came in. [Greg Bennett]?

Unknown Analyst

Yes. In your thoughts about the financing -- refinancing the balance sheet, are you considering or is the possibility to do a rights offering with your shareholders, but continue to preserve the NOL going -- how much of the NOL going forward is there?

Kersten Zupfer
Executive VP & CFO

Yes. We have a significant over $450 million of NOL. As it relates to the refinancing, we are looking at all options. I don't want to get into any specifics, but know that we are moving swiftly and reviewing all options related to the potential refinancing.

Unknown Analyst

So is it possible to do a rights offering with TCW and the rest of your shareholders and still have a backstop capacity to complete the rights offering if you were to do that?

Kersten Zupfer

Executive VP & CFO

Yes. I don't -- at this point, I don't want to get into any specifics. So I'll stick with -- we're continuing to look at all opportunities related to refinancing.

Unknown Analyst

Second question, the lease liability has been going down. What do you anticipate. You've mentioned the possibility of having 200 -- I think, similar to this past year, 200 store closures. Are those ones that would mainly be involved with you reducing your lease liability also? And you mentioned also that, I guess, the leases that are coming up, the owner of the store or the franchise has now taking the obligation. What do you anticipate your lease liability to be at the end of next year?

Kersten Zupfer

Executive VP & CFO

Yes. So the 200 -- in terms of closures, we expect closures to be about the same that they were in fiscal year '26. Some of those leases -- so the lease liability will come down for those closures. But you're right. The other reason that, that liability is coming down is franchisees are moving on to their own leases. So it's a combination of both closures as well as franchisees taking on the lease.

Unknown Analyst

With the real estate market like it is, commercial real estate, are you finding that it's lease -- the liability for leases, the rents are actually going down that the owner of the real estate wants to keep you -- keep a store in place?

Kersten Zupfer

Executive VP & CFO

I mean we continue to see inflationary increases as we renew leases.

Unknown Analyst

The cost is going up, not down.

Kersten Zupfer
Executive VP & CFO

Thank you.

Susan Lintonsmith
President, CEO & Director

All right. I don't see any more questions. I just wanted to again thank everybody for joining us today. And just to summarize, we had a solid fiscal 2026, and we're very positive and optimistic as we enter fiscal 2027 and just know that we're going to pursue it with the momentum and urgency to build on the foundation that we've built. So thank you so much for your continued support of Regis Corporation and for joining the call today.

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