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REGIS CORP
Form 10-Q/A
November 02, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2015

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-12725
Regis Corporation
(Exact name of registrant as specified in its charter)
Minnesota
(State or other jurisdiction of
incorporation or organization)

41-0749934
(I.R.S. Employer
Identification No.)

7201 Metro Boulevard, Edina, Minnesota
(Address of principal executive offices)

55439
(Zip Code)

(952) 947-7777
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to be submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of October 22, 2015:

| | |
|-------------------------------|------------------|
| Common Stock, \$.05 par value | 48,022,686 |
| Class | Number of Shares |

EXPLANATORY NOTE

Regis Corporation (the "Company") is filing this Amendment No. 1 on Form 10-Q/A (this "Form 10-Q/A") to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the Securities and Exchange Commission on October 29, 2015 (the "Original Filing"), to correct a statement contained in Part I-Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations-Condensed Consolidated Results of Operations (Unaudited)-Consolidated Revenues, as follows:

The first sentence in the first paragraph under the same-store sales by concept table incorrectly read, "The same-store sales increase of 0.7% during the three months ended September 30, 2015 was due to an increase of 2.1% in same-store transactions due to increased guest visits and improved execution as more of our service guests purchased retail product, partly offset by a decrease of 1.4% in average ticket." This sentence should be replaced with the following sentence, "The same-store sales increase of 0.7% during the three months ended September 30, 2015 was due to an increase of 2.1% in average ticket, partly offset by a decrease of 1.4% in same-store transactions."

The version of Part I-Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations which is being filed herewith has been revised to correct this statement and will replace the version of Part I-Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Original Filing.

As required by Rule 12b-15 promulgated under the Securities and Exchange Act of 1934, the Company's principal executive officer and principal financial officer are providing new Rule 13a-14(a) certifications in connection with this Form 10-Q/A.

The only change to the Original Filing is described above. No attempt has been made in this Form 10-Q/A to modify or update disclosure contained in the Original Filing. This Form 10-Q/A does not reflect events occurring after the date of the Original Filing or modify or update any related disclosures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. This MD&A should be read in conjunction with the MD&A included in our June 30, 2015 Annual Report on Form 10-K and other documents filed or furnished with the Securities and Exchange Commission (SEC) during the current fiscal year.

MANAGEMENT'S OVERVIEW

Regis Corporation (RGS) owns, franchises and operates beauty salons. Our long-term mission is to create guests for life. To successfully achieve our mission and build a winning organization, we must help our stylists have successful and satisfying careers, which will drive great guest experiences and in turn, guests for life. We are investing in a number of areas focused on providing an outstanding guest experience and helping our stylists have successful careers, including investments in people, training and technology.

As of September 30, 2015, we owned, franchised or held ownership interests in 9,564 worldwide locations. Our locations consisted of 9,357 system-wide North American and International salons, and 207 locations in which we maintain a non-controlling ownership interest less than 100 percent. Each of the Company's salon concepts generally offer similar salon products and services and serve the mass market. As of September 30, 2015, we had approximately 48,000 corporate employees worldwide.

CRITICAL ACCOUNTING POLICIES

The interim unaudited Condensed Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the interim unaudited Condensed Consolidated Financial Statements, we are required to make various judgments, estimates and assumptions that could have a significant impact on the results reported in the interim unaudited Condensed Consolidated Financial Statements. We base these estimates on historical experience and other assumptions believed to be reasonable under the circumstances. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the accounting estimates are made, and (2) other materially different estimates could have been reasonably made or material changes in the estimates are reasonably likely to occur from period to period. Changes in these estimates could have a material effect on our interim unaudited Condensed Consolidated Financial Statements.

Our significant accounting policies can be found in Note 1 to the Consolidated Financial Statements contained in Part II, Item 8 of the June 30, 2015 Annual Report on Form 10-K, as well as Note 1 to the unaudited Condensed Consolidated Financial Statements contained within this Quarterly Report on Form 10-Q. We believe the accounting policies related to investment in affiliates, the valuation of goodwill, the valuation and estimated useful lives of long-lived assets, estimates used in relation to tax liabilities and deferred taxes and legal contingencies are most critical to aid in fully understanding and evaluating our reported financial condition and results of operations. Discussion of each of these policies is contained under "Critical Accounting Policies" in Part II, Item 7 of our June 30, 2015 Annual Report on Form 10-K.

Recent Accounting Pronouncements

Recent accounting pronouncements are discussed in Note 1 to the unaudited Condensed Consolidated Financial Statements.

RESULTS OF OPERATIONS

Explanations are primarily for North American Value, unless otherwise noted.

Prior year amounts for the three months ended September 30, 2014 and 2013 have been revised. The following is a summary of the impact of revisions on net loss for the three months ended September 30, 2014. See Note 1 to the unaudited Condensed Consolidated Financial Statements for further detail regarding these revisions:

| | Three Months Ended September 30, 2014 (Dollars in thousands) | |
|---|--|---|
| Net loss, as reported | \$(9,052 |) |
| Revisions: | | |
| Deferred rent, pre-tax (1) | (227 |) |
| Previous out of period items, pre-tax (2) | 80 | |
| Tax impact | (644 |) |
| Total revision impact | (791 |) |
| Net loss, as revised | \$(9,843 |) |

The Company recognizes rental expense on a straight-line basis at the time the leased space becomes available to the Company. During the fourth quarter of fiscal year 2015, the Company determined its deferred rent balance was (1) understated. Accordingly, the Condensed Consolidated Financial Statements have been revised to correctly state its deferred rent balances and rent expense. This revision had no impact on cash provided by operations or cash and cash equivalents for the quarter.

Also, in the fourth quarter of fiscal year 2015, the Company revised certain prior year amounts to correctly (2) recognize understatements of self-insurance accruals. This revision had no impact on cash provided by operations or cash and cash equivalents for the quarter.

Condensed Consolidated Results of Operations (Unaudited)

The following table sets forth, for the periods indicated, certain information derived from our unaudited Condensed Consolidated Statement of Operations. The percentages are computed as a percent of total consolidated revenues, except as otherwise indicated.

| | For the Three Months Ended September 30, | | | | 2015 | | 2014 | |
|--|--|---------|---------------------|--------|---------------------------------|-------|------|------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (\$ in millions) | | % of Total Revenues | | Basis Point (Decrease) Increase | | | |
| Service revenues | \$350.2 | \$364.7 | 77.8 | % 78.5 | % (70 |) (80 |) | |
| Product revenues | 88.0 | 88.8 | 19.5 | 19.1 | 40 | 60 | | |
| Franchise royalties and fees | 12.0 | 11.0 | 2.7 | 2.4 | 30 | 20 | | |
| Cost of service (1) | 217.8 | 223.7 | 62.2 | 61.3 | 90 | 80 | | |
| Cost of product (2) | 43.0 | 45.0 | 48.9 | 50.7 | (180 |) 30 | | |
| Site operating expenses | 47.8 | 51.6 | 10.6 | 11.1 | (50 |) — | | |
| General and administrative | 44.5 | 45.2 | 9.9 | 9.7 | 20 | 20 | | |
| Rent | 74.8 | 77.7 | 16.6 | 16.7 | (10 |) (30 |) | |
| Depreciation and amortization | 17.9 | 22.2 | 4.0 | 4.8 | (80 |) (30 |) | |
| Interest expense | 2.4 | 3.1 | 0.5 | 0.7 | (20 |) (30 |) | |
| Interest income and other, net | 0.9 | (0.1) |) 0.2 | — | 20 | (10 |) | |
| Income tax expense (3) | (2.8 |) (6.3 |) 98.3 | (157.2 |) | N/A | N/A | |
| Equity in (loss) income of affiliated companies, net of income taxes | (0.9 |) 0.4 | (0.2 |) 0.1 | (30 |) (30 |) | |

(1) Computed as a percent of service revenues and excludes depreciation and amortization expense.

(2) Computed as a percent of product revenues and excludes depreciation and amortization expense.

Computed as a percent of loss before income taxes and equity in (loss) income of affiliated companies. The (3) income taxes basis point change is noted as not applicable (N/A) as the discussion within MD&A is related to the effective income tax rate.

Consolidated Revenues

Consolidated revenues primarily include revenues of company-owned salons, product and equipment sales to franchisees, and franchise royalties and fees. The following tables summarize revenues and same-store sales by concept as well as the reasons for the percentage change:

| | For the Three Months Ended September 30, | | | |
|-------------------------------------|---|----|-----------|----|
| | 2015 | | 2014 | |
| | (Dollars in thousands) | | | |
| North American Value salons: | | | | |
| SmartStyle | \$128,054 | | \$123,472 | |
| Supercuts | 86,522 | | 86,720 | |
| MasterCuts | 27,396 | | 30,052 | |
| Other Value | 106,999 | | 114,132 | |
| Total North American Value salons | 348,971 | | 354,376 | |
| North American Premium salons | 73,155 | | 79,035 | |
| International salons | 28,004 | | 31,140 | |
| Consolidated revenues | \$450,130 | | \$464,551 | |
| Percent change from prior year | (3.1 |)% | (0.9 |)% |
| Salon same-store sales increase (1) | 0.7 | % | 0.6 | % |

- Same-store sales are calculated on a daily basis as the total change in sales for company-owned locations that were open on a specific day of the week during the current period and the corresponding prior period. Quarterly same-store sales are the sum of the same-store sales computed on a daily basis. Locations relocated within a one-mile radius are included in same-store sales as they are considered to have been open in the prior period. International same-store sales are calculated in local currencies to remove foreign currency fluctuations from the calculation.

Decreases in consolidated revenues were driven by the following:

| Factor | For the Three Months Ended September 30, | | | |
|----------------------------|---|----|------|----|
| | 2015 | | 2014 | |
| Same-store sales | 0.7 | % | 0.6 | % |
| Closed salons | (2.9 |) | (2.3 |) |
| New stores and conversions | 0.6 | | 0.8 | |
| Foreign currency | (1.7 |) | (0.1 |) |
| Other | 0.2 | | 0.1 | |
| | (3.1 |)% | (0.9 |)% |

Same-store sales by concept are detailed in the table below:

| | For the Three Months Ended September 30, | | | |
|---|---|---|------|---|
| | 2015 | | 2014 | |
| SmartStyle | 3.6 | % | 3.5 | % |
| Supercuts | 2.2 | | 2.1 | |
| MasterCuts | (3.8 |) | (2.3 |) |
| Other Value | (0.2 |) | (0.4 |) |
| North American Value same-store sales | 1.5 | | 1.4 | |
| North American Premium same-store sales | (2.6 |) | (2.5 |) |
| International same-store sales | 0.1 | | (0.3 |) |
| Consolidated same-store sales | 0.7 | % | 0.6 | % |

The same-store sales increase of 0.7% during the three months ended September 30, 2015 was due to an increase of 2.1% in average ticket, partly offset by a decrease of 1.4% in same-store transactions. The Company constructed (net of relocations) and closed 91 and 238 company-owned salons, respectively, during the twelve months ended September 30, 2015 and sold (net of buybacks) 88 company-owned salons to franchisees during the same period.

The same-store sales increase of 0.6% during the three months ended September 30, 2014 was due to an increase of 1.8% in average ticket, partly offset by a decrease of 1.2% in guest visits. The Company constructed (net of relocations) and closed 126 and 280 company-owned salons, respectively, during the twelve months ended September 30, 2014 and sold (net of buybacks) 31 company-owned salons to franchisees during the same period.

Consolidated revenues are primarily comprised of service and product revenues, as well as franchise royalties and fees. Fluctuations in these three major revenue categories, operating expenses and other income and expense were as follows:

Service Revenues

The \$14.6 million decrease in service revenues during the three months ended September 30, 2015, was primarily due to closure of 238 company-owned salons, sale (net of buybacks) of 88 company-owned salons to franchisees during the twelve months ended September 30, 2015 and foreign currency fluctuations, partly offset by a same-store service sales increase of 0.3% and the construction (net of relocations) of 91 company-owned salons during the same period. The increase in same-store service revenues was primarily the result of an increase in average ticket of 1.4% due to a change in service mix and pricing, partly offset by a 1.1% decrease in same-store guest visits during the three months ended September 30, 2015.

The \$7.0 million decrease in service revenues during the three months ended September 30, 2014 was primarily due to closure of 280 company-owned salons and sale (net of buybacks) of 31 company-owned salons to franchisees during the twelve months ended September 30, 2014, partly offset by the construction (net of relocations) of 126 company-owned salons during the same period. Same-store service sales were flat as compared to the prior year period. A 0.6% decrease in same-store guest visits was offset by an increase in average ticket of 0.6% during the three months ended September 30, 2014.

Product Revenues

The \$0.8 million decrease in product revenues during the three months ended September 30, 2015 was primarily due to the closure of 238 company-owned salons, sale (net of buybacks) of 88 company-owned salons to franchisees

during the twelve months ended September 30, 2015 and foreign currency fluctuations, partly offset by a same-store product sales increase of 2.4% and the construction (net of relocations) of 91 company-owned salons during the twelve months ended September 30, 2015. The increase in same-store product sales was primarily the result of a 3.6% increase in same-store transactions due to improved execution as more of our service guests purchased retail product, partly offset by a 1.2% decrease in average ticket.

The \$2.0 million increase in product revenues during the three months ended September 30, 2014 was primarily due to a same-store product sales increase of 3.5% and the construction (net of relocations) of 126 company-owned salons during the twelve months ended September 30, 2014. The increase in same-store product sales was primarily the result of a 4.1% increase in same-store guest visits, partly offset by 0.6% decrease in average ticket. Partly offsetting the increase was the closure of 280 company-owned salons and sale (net of buybacks) of 31 company-owned salons to franchisees during the twelve months ended September 30, 2014.

Royalties and Fees

Total franchised locations open at September 30, 2015 were 2,374 as compared to 2,214 at September 30, 2014. The \$0.9 million increase in royalties and fees for the three months ended September 30, 2015 was primarily due to the increased number of franchised locations and same-store sales increases at franchised locations.

Total franchised locations open at September 30, 2014 were 2,214 as compared to 2,103 at September 30, 2013. The \$0.9 million increase in royalties and fees for the three months ended September 30, 2014 was primarily due to the increased number of franchised locations and same-store sales increases at franchised locations.

Cost of Service

The 90 basis point increase in cost of service as a percent of service revenues during the three months ended September 30, 2015 was primarily the result of state minimum wage increases, stylist productivity, and higher health insurance costs, partly offset by lower field incentives.

The 80 basis point increase in cost of service as a percent of service revenues during the three months ended September 30, 2014 was primarily the result of higher field incentives as the Company lapped an incentive-lite year, state minimum wage increases and stylist productivity, partly offset by a decrease in health care costs due to lower participation levels compared to the prior year.

Cost of Product

The 180 basis point decrease in cost of product as a percent of product revenues during the three months ended September 30, 2015 was primarily due to improved salon-level inventory management and lapping of certain costs in the prior year quarter.

The 30 basis point increase in cost of product as a percent of product revenues during the three months ended September 30, 2014 was primarily due to the comparable period including a \$0.8 million inventory write-down associated with standardizing plan-o-grams, partly offset by promotional activity and higher freight costs in the current period.

Site Operating Expenses

Site operating expenses decreased \$3.7 million, or 50 basis points as a percent of consolidated revenues during the three months ended September 30, 2015 primarily due to a net reduction in salon counts, timing of certain marketing expenses, lower self-insurance costs and cost savings, partly offset by higher freight costs.

Site operating expenses decreased \$0.5 million during the three months ended September 30, 2014. The decrease was primarily due to cost savings associated with utilities and telephone expense.

General and Administrative

General and administrative (G&A) decreased \$0.6 million during the three months ended September 30, 2015 primarily due to lapping legal fees and certain costs in the prior year quarter, cost savings and foreign currency fluctuations. This decrease was partly offset by the impact of fiscal 2015's earned performance shares, whereas the prior year quarter was not impacted in a similar fashion because performance shares were not earned in fiscal 2014 and planned strategic investments in Technical Education. As a percent of consolidated revenues, G&A increased 20 basis points during the three months ended September 30, 2015 due to negative leverage caused by reduced revenue associated with salon closures.

G&A increased \$0.8 million, or 20 basis points as a percent of consolidated revenues during the three months ended September 30, 2014. The increase was primarily driven by planned strategic investments in Asset Protection and Human Resources, partly offset by cost savings.

Rent

Rent expense decreased \$2.9 million and \$1.7 million, or 10 and 30 basis points as a percent of consolidated revenues during the three months ended September 30, 2015 and 2014, respectively, due to salon closures and foreign currency fluctuations, partly offset by rent inflation.

Depreciation and Amortization

The \$4.3 million or 80 basis point decrease in depreciation and amortization (D&A) as a percent of consolidated revenues during the three months ended September 30, 2015 was primarily due to salon closures and reduced salon asset impairments in the North American Value and Premium segments.

The \$1.6 million or 30 basis point decrease in depreciation and amortization (D&A) as a percent of consolidated revenues during the three months ended September 30, 2014 was primarily due to lower fixed asset balances during the three months ended September 30, 2014 and store closures in the prior year. In addition, the prior period included accelerated depreciation expense for a leased building in connection with consolidating the Company's headquarters recorded in the Unallocated Corporate segment. Partly offsetting the decrease in D&A for the three months ended September 30, 2014 was an increase in salon asset impairments in the North American Value and Premium segments.

Interest Expense

The \$0.7 million or 20 basis point decrease in interest expense as a percent of consolidated revenues for the three months ended September 30, 2015 was primarily due to the settlement of the Company's \$172.5 million convertible senior notes in July 2014.

The \$1.4 million or 30 basis point decrease in interest expense as a percent of consolidated revenues for the three months ended September 30, 2014 was primarily due to the settlement of the Company's \$172.5 million convertible senior notes in July 2014, partly offset by interest on the \$120.0 million Senior Term Notes the Company issued in November 2013.

Interest Income and Other, net

The \$1.1 million or 20 basis point increase in interest income and other, net as a percent of consolidated revenues during the three months ended September 30, 2015 was primarily due to gains on salon assets sold and interest income.

The \$0.7 million or 10 basis point decrease in interest income and other, net as a percent of consolidated revenues during the three months ended September 30, 2014 was primarily due the comparable prior period including \$0.5 million for dividends associated with the Yamano preferred stock redemption.

Income Taxes

During the three months ended September 30, 2015 and 2014, the Company recognized tax expense of \$2.8 and \$6.3 million, respectively, with corresponding effective tax rates of 98.3% and (157.2)%, respectively.

The recorded tax expense and effective tax rate for the three months ended September 30, 2015 and 2014 were different than what would normally be expected. The majority of the tax expense related to non-cash tax expense for tax benefits on certain indefinite-lived assets the Company cannot recognize for reporting purposes. The total tax expense expected for the year ended June 30, 2016 is approximately \$8.0 million related to this matter; however, there

will be variation from quarter to quarter as a result of how the effective tax rate is computed on an interim basis. This non-cash tax item will continue as long as the Company has a valuation allowance against most of its deferred tax assets. Additionally, the Company is currently paying taxes in Canada and certain states in which it has profitable entities.

See Note 5 to the unaudited Condensed Consolidated Financial Statements.

Equity in (Loss) Income of Affiliated Companies, Net of Income Taxes

Equity in (loss) income of affiliated companies of \$(0.9) million and \$0.4 million during the three months ended September 30, 2015 and 2014, respectively, was due to the Company's share of EEG's net (loss) income. See Note 2 to the unaudited Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, and our borrowing agreements are our most significant sources of liquidity. We believe these sources of liquidity will be sufficient to sustain operations and to finance strategic initiatives for the next twelve months. However, in the event our liquidity is insufficient, we may be required to limit or delay our strategic initiatives. There can be no assurance we will continue to generate cash flows at or above current levels.

As of September 30, 2015, cash and cash equivalents were \$176.8 million, with \$157.0, \$4.5 and \$15.3 million within the United States, Canada, and Europe, respectively.

We have a \$400.0 million five-year senior unsecured revolving credit facility with a syndicate of banks that expires in June 2018. As of September 30, 2015, the Company had no outstanding borrowings under the facility, outstanding standby letters of credit of \$2.1 million and unused available credit of \$397.9 million.

Our ability to access our revolving credit facility is subject to our compliance with the terms and conditions of such facility including a maximum leverage ratio, a minimum fixed charge ratio and other covenants and requirements. At September 30, 2015, we were in compliance with all covenants and other requirements of our credit agreement and senior notes.

Uses of Cash

The Company has a capital allocation policy that focuses on three key principles. These principles focus on preserving a strong balance sheet and enhancing operating flexibility, preventing unnecessary dilution so the benefits of future value accrue to shareholders and deploying capital to the highest and best use by optimizing the tradeoff between risk and after-tax returns.

During the three months ended September 30, 2015, the Company repurchased approximately 3.4 million shares of common stock for \$43.7 million at an average share price of \$12.77, of which \$5.3 million had not been paid for as of September 30, 2015.

Cash Flows

Cash Flows from Operating Activities

During the three months ended September 30, 2015, cash provided by operating activities of \$11.9 million decreased by \$4.2 million compared to the prior comparable period, primarily due to larger inventory build in the current period compared to the prior comparable period.

During the three months ended September 30, 2014, cash provided by operating activities of \$16.0 million increased by \$0.3 million compared to the prior comparable period, primarily as a result of improved working capital management, partly offset by decreases in revenues and operating income.

Cash Flows from Investing Activities

During the three months ended September 30, 2015 and 2014, cash used in investing activities of \$8.6 million and \$11.6 million, respectively, was primarily for capital expenditures.

Cash Flows from Financing Activities

During the three months ended September 30, 2015, cash used in financing activities of \$38.4 million was for repurchases of common stock in accordance with the Company's capital allocation policy. During the three months ended September 30, 2014, cash used in financing activities of \$195.3 million was primarily for repayments of long-term debt of \$173.7 million and repurchases of common stock of \$21.5 million.

Financing Arrangements

See Note 8 of the Notes to the unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and Note 7 of the Notes to the Consolidated Financial Statements

included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015, for additional information regarding our financing arrangements.

Debt to Capitalization Ratio

Our debt to capitalization ratio, calculated as total debt as a percentage of total debt and shareholders' equity at fiscal quarter end, were as follows:

| As of | Debt to Capitalization | Basis Point (Decrease) Increase (1) |
|--------------------|---------------------------|---|
| September 30, 2015 | 17.1 | % 100 |
| June 30, 2015 | 16.1 | % (1,300) |

(1) Represents the basis point change in debt to capitalization as compared to prior fiscal year end (June 30).

The 100 basis point increase in the debt to capitalization ratio as of September 30, 2015 compared to June 30, 2015, is primarily due to the repurchase of 3.4 million shares of common stock for \$43.7 million during the three months ended September 30, 2015.

The basis point improvement in the debt to capitalization ratio as of June 30, 2015 compared to June 30, 2014 was primarily due to the \$173.8 million repayment of long-term debt, which included \$172.5 million for the repayment of the convertible notes. This was partly offset by the repurchase of 3.1 million shares of common stock for \$47.9 million.

Share Repurchase Program

In May 2000, the Company's Board of Directors approved a stock repurchase program. In the first quarter of fiscal 2016, the Company's Board of Directors authorized an additional \$50.0 million to be expended for repurchase of the Company's stock resulting in a total of \$400.0 million authorized at September 30, 2015. All repurchased shares become authorized but unissued shares of the Company. This repurchase program has no stated expiration date. During the three months ended September 30, 2015, the Company repurchased 3,419,057 shares for \$43.7 million. At September 30, 2015, \$67.3 million remained outstanding under the approved stock repurchase program.

SAFE HARBOR PROVISIONS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q, as well as information included in, or incorporated by reference from, future filings by the Company with the Securities and Exchange Commission and information contained in written material, press releases and oral statements issued by or on behalf of the Company contains or may contain “forward-looking statements” within the meaning of the federal securities laws, including statements concerning anticipated future events and expectations that are not historical facts. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this document reflect management’s best judgment at the time they are made, but all such statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those expressed in or implied by the statements herein. Such forward-looking statements are often identified herein by use of words including, but not limited to, “may,” “believe,” “project,” “forecast,” “expect,” “estimate,” “anticipate,” and “plan.” In addition, the following factors could affect the Company’s actual results and cause such results to differ materially from those expressed in forward-looking statements. These factors include the continued ability of the Company to execute on our strategy and build on the foundational initiatives that we have implemented; the success of our stylists and our ability to attract, train and retain talented stylists; changes in regulatory and statutory laws; changes in tax rates; the effect of changes to healthcare laws; our ability to manage cyber threats and protect the security of sensitive information about our guests, employees, vendors or Company information; reliance on management information systems; reliance on external vendors; changes in distribution channels of manufacturers; financial performance of our franchisees; internal control over the accounting for leases; competition within the personal hair care industry; changes in interest rates and foreign currency exchange rates; failure to standardize operating processes across brands; the ability of the Company to maintain satisfactory relationships with certain companies and suppliers; the continued ability of the Company to implement cost reduction initiatives; compliance with debt covenants; changes in economic conditions; financial performance of our investment in Empire Education Group; changes in consumer tastes and fashion trends; or other factors not listed above. Additional information concerning potential factors that could affect future financial results is set forth in the Company’s Annual Report on Form 10-K for the year ended June 30, 2015. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made in our subsequent annual and periodic reports filed or furnished with the SEC on Forms 10-K, 10-Q and 8-K and Proxy Statements on Schedule 14A.

PART II — OTHER INFORMATION

Item 6. Exhibits

- | | |
|--------------|---|
| Exhibit 31.1 | President and Chief Executive Officer of Regis Corporation: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 31.2 | Executive Vice President and Chief Financial Officer of Regis Corporation: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGIS CORPORATION

Date: November 2, 2015

By: /s/ Steven M. Spiegel
Steven M. Spiegel
Executive Vice President and Chief Financial Officer
(Signing of behalf of the registrant and as Principal
Financial Officer)

Date: November 2, 2015

By: /s/ Kersten D. Zupfer
Kersten D. Zupfer
Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)