REFINITIV

DELTA REPORT

10-Q

RGS - REGIS CORP

10-Q - DECEMBER 31, 2022 COMPARED TO 10-Q - SEPTEMBER 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	625
CHANGES	160
DELETIONS	227
ADDITIONS	238

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

FORM 10-Q

(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, 2022 December 31, 2022

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	**41-0749934**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3701 Wayzata Boulevard, Minneapolis Minnesota	**55416**
(Address of principal executive offices)	(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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer	
Non-accelerated filer		Smaller reporting company	
Emerging growth company			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

Title of each class	Trading symbol	Name of exchange
Common Stock, $0.05 par value	RGS	NYSE

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of October 25, 2022 January 26, 2023: 45,536,525 45,564,673

REGIS CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

REGIS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)
(Dollars in thousands, except share data)

		September 30, 2022	June 30, 2022		December 31, 2022	June 30, 2022
ASSETS	**ASSETS**			**ASSETS**		
Current assets:	Current assets:			Current assets:		

Cash and cash equivalents (Note 7)	Cash and cash equivalents (Note 7)	$ 9,505	$ 17,041	Cash and cash equivalents (Note 7)	$ 9,406	$ 17,041
Receivables, net	Receivables, net	12,999	14,531	Receivables, net	13,962	14,531
Inventories, net	Inventories, net	5,127	3,109	Inventories, net	2,623	3,109
Other current assets	Other current assets	15,730	13,984	Other current assets	18,138	13,984
Total current assets	Total current assets	43,361	48,665	Total current assets	44,129	48,665
Property and equipment, net	Property and equipment, net	12,070	12,835	Property and equipment, net	8,692	12,835
Goodwill (Note 1)	Goodwill (Note 1)	173,057	174,360	Goodwill (Note 1)	173,337	174,360
Other intangibles, net	Other intangibles, net	2,975	3,226	Other intangibles, net	2,917	3,226
Right of use asset (Note 8)	Right of use asset (Note 8)	461,579	493,749	Right of use asset (Note 8)	430,979	493,749
Other assets	Other assets	28,976	36,465	Other assets	27,622	36,465
Total assets	Total assets	$ 722,018	$ 769,300	Total assets	$ 687,676	$ 769,300
LIABILITIES AND SHAREHOLDERS' DEFICIT	**LIABILITIES AND SHAREHOLDERS' DEFICIT**			**LIABILITIES AND SHAREHOLDERS' DEFICIT**		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	$ 16,080	$ 15,860	Accounts payable	$ 17,277	$ 15,860
Accrued expenses	Accrued expenses	28,980	33,784	Accrued expenses	27,690	33,784
Short-term lease liability (Note 8)	Short-term lease liability (Note 8)	98,270	103,196	Short-term lease liability (Note 8)	93,940	103,196
Total current liabilities	Total current liabilities	143,330	152,840	Total current liabilities	138,907	152,840
Long-term debt, net (Note 9)	Long-term debt, net (Note 9)	171,879	179,994	Long-term debt, net (Note 9)	174,846	179,994
Long-term lease liability (Note 8)	Long-term lease liability (Note 8)	379,915	408,445	Long-term lease liability (Note 8)	352,212	408,445
Other non-current liabilities	Other non-current liabilities	56,754	58,974	Other non-current liabilities	53,346	58,974
Total liabilities	Total liabilities	751,878	800,253	Total liabilities	719,311	800,253
Commitments and contingencies (Note 6)	Commitments and contingencies (Note 6)			Commitments and contingencies (Note 6)		
Shareholders' deficit:	Shareholders' deficit:			Shareholders' deficit:		
Common stock, $0.05 par value; issued and outstanding, 45,536,525 and 45,510,245 common shares at September 30, 2022 and June 30, 2022, respectively		2,277	2,276			
Common stock, $0.05 par value; issued and outstanding, 45,562,555 and 45,510,245 common shares at December 31, 2022 and June 30, 2022, respectively				Common stock, $0.05 par value; issued and outstanding, 45,562,555 and 45,510,245 common shares at December 31, 2022 and June 30, 2022, respectively	2,278	2,276
Additional paid-in capital	Additional paid-in capital	63,044	62,562	Additional paid-in capital	63,543	62,562
Accumulated other comprehensive income	Accumulated other comprehensive income	8,597	9,455	Accumulated other comprehensive income	8,729	9,455
Accumulated deficit	Accumulated deficit	(103,778)	(105,246)	Accumulated deficit	(106,185)	(105,246)
Total shareholders' deficit	Total shareholders' deficit	(29,860)	(30,953)	Total shareholders' deficit	(31,635)	(30,953)
Total liabilities and shareholders' deficit	Total liabilities and shareholders' deficit	$ 722,018	$ 769,300	Total liabilities and shareholders' deficit	$ 687,676	$ 769,300

The accompanying notes are an integral part of the unaudited Condensed Consolidated Financial Statements.

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)
For The the Three and Six Months Ended September 30, 2022 And December 31, 2022 and 2021
(Dollars and shares in thousands, except per share amounts)

		Three Months Ended September 30,			Three Months Ended December 31,		Six Months Ended December 31,			
		2022	2021		2022	2021	2022	2021		
Revenues:	Revenues:			Revenues:						
Royalties	Royalties	$ 17,180	$ 16,602	Royalties	$ 16,158	$ 16,125	$ 33,338	$ 32,726		
Fees	Fees	2,553	2,327	Fees	3,238	3,881	5,791	6,208		
Product sales to franchisees	Product sales to franchisees	443	8,008	Product sales to franchisees	1,107	2,428	1,550	10,436		
Advertising fund contributions	Advertising fund contributions	8,251	8,114	Advertising fund contributions	7,965	8,021	16,216	16,136		
Franchise rental income (Note 8)	Franchise rental income (Note 8)	30,330	33,762	Franchise rental income (Note 8)	28,886	33,772	59,216	67,534		
Company-owned salon revenue	Company-owned salon revenue	3,114	8,005	Company-owned salon revenue	2,613	5,043	5,727	13,048		
Total revenue	Total revenue	61,871	76,818	Total revenue	59,967	69,270	121,838	146,088		
Operating expenses:	Operating expenses:			Operating expenses:						
Cost of product sales to franchisees	Cost of product sales to franchisees	470	7,648	Cost of product sales to franchisees	1,310	3,117	1,780	10,766		
Inventory reserve						Inventory reserve	1,228	—	1,228	—
General and administrative	General and administrative	14,361	20,784	General and administrative	11,747	15,082	26,108	35,866		
Rent (Note 8)	Rent (Note 8)	1,753	1,747	Rent (Note 8)	2,090	3,042	3,843	4,789		
Advertising fund expense	Advertising fund expense	8,251	8,114	Advertising fund expense	7,965	8,021	16,216	16,136		
Franchise rent expense	Franchise rent expense	30,330	33,762	Franchise rent expense	28,886	33,772	59,216	67,534		
Company-owned salon expense (1)	Company-owned salon expense (1)	2,985	7,945	Company-owned salon expense (1)	2,218	5,067	5,203	13,011		
Depreciation and amortization	Depreciation and amortization	1,251	1,539	Depreciation and amortization	3,793	1,605	5,044	3,144		
Long-lived asset impairment	Long-lived asset impairment	—	163	Long-lived asset impairment	—	52	—	215		
Total operating expenses	Total operating expenses	59,401	81,702	Total operating expenses	59,237	69,758	118,638	151,461		
Operating income (loss)	Operating income (loss)	2,470	(4,884)	Operating income (loss)	730	(488)	3,200	(5,373)		
Other expense:	Other expense:			Other expense:						

Interest expense	Interest expense	(3,817)	(3,127)	Interest expense	(4,519)	(3,270)	(8,336)	(6,397)		
Loss from sale of salon assets to franchisees, net	Loss from sale of salon assets to franchisees, net	—	(1,080)	Loss from sale of salon assets to franchisees, net	—	(615)	—	(1,695)		
Other, net	Other, net	(463)	(239)	Other, net	1,248	99	785	(140)		
Loss from operations before income taxes	Loss from operations before income taxes	(1,810)	(9,330)	Loss from operations before income taxes	(2,541)	(4,274)	(4,351)	(13,605)		
Income tax (expense) benefit		(28)	48							
Income tax benefit (expense)						Income tax benefit (expense)	—	164	(28)	213
Loss from continuing operations	Loss from continuing operations	(1,838)	(9,282)	Loss from continuing operations	(2,541)	(4,110)	(4,379)	(13,392)		
Income (loss) from discontinued operations (Note 3)	Income (loss) from discontinued operations (Note 3)	3,306	(1,096)	Income (loss) from discontinued operations (Note 3)	134	(818)	3,440	(1,914)		
Net income (loss)		$ 1,468	$ (10,378)							
Net loss						Net loss	$ (2,407)	$ (4,928)	$ (939)	$ (15,306)
Net income (loss) per share:										
Net loss per share:						Net loss per share:				
Basic and diluted:	Basic and diluted:			Basic and diluted:						
Loss from continuing operations	Loss from continuing operations	$ (0.04)	$ (0.25)	Loss from continuing operations	$ (0.06)	$ (0.09)	$ (0.10)	$ (0.32)		
Income (loss) from discontinued operations	Income (loss) from discontinued operations	0.07	(0.03)	Income (loss) from discontinued operations	0.00	(0.02)	0.07	(0.05)		
Net income (loss) per share, basic and diluted (2)		$ 0.03	$ (0.28)							
Net loss per share, basic and diluted (2)						Net loss per share, basic and diluted (2)	$ (0.05)	$ (0.11)	$ (0.02)	$ (0.37)
Weighted average common and common equivalent shares outstanding:	Weighted average common and common equivalent shares outstanding:			Weighted average common and common equivalent shares outstanding:						
Basic and diluted	Basic and diluted	46,054	36,850	Basic and diluted	46,148	45,721	46,091	41,274		

(1) Includes cost of service and product sold to guests in our Company-owned salons. Excludes general and administrative expense, rent and depreciation and amortization related to Company-owned salons.

(2) Total is a recalculation; line items calculated individually may not sum to total due to rounding.

The accompanying notes are an integral part of the unaudited Condensed Consolidated Financial Statements.

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) LOSS (Unaudited)
For The the Three and Six Months Ended September 30, 2022 And December 31, 2022 and 2021
(Dollars in thousands)

	Three Months Ended September 30,	
	2022	2021
Net income (loss)	$ 1,468	$ (10,378)
Foreign currency translation adjustments	(858)	(474)
Comprehensive income (loss)	$ 610	$ (10,852)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Net loss	$ (2,407)	$ (4,928)	$ (939)	$ (15,306)
Foreign currency translation adjustments	132	36	(726)	(438)
Comprehensive loss	$ (2,275)	$ (4,892)	$ (1,665)	$ (15,744)

The accompanying notes are an integral part of the unaudited Condensed Consolidated Financial Statements.

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT (Unaudited)
For The the Three and Six Months Ended September 30, 2022 And December 31, 2022 and 2021
(Dollars in thousands)

	Three Months Ended September 30, 2022						
	Common Stock		Additional	Accumulated Other			
			Paid-In	Comprehensive	Accumulated		
	Shares	Amount	Capital	Income	Deficit	Shares	Total
Balance, June 30, 2022	45,510,245	$ 2,276	$ 62,562	$ 9,455	$ (105,246)		$ (30,953)
Net income	—	—	—	—	1,468		1,468
Foreign currency translation	—	—	—	(858)	—		(858)
Stock-based compensation	—	—	496	—	—		496
Net restricted stock activity	26,280	1	(14)	—	—		(13)
Balance, September 30, 2022	45,536,525	$ 2,277	$ 63,044	$ 8,597	$ (103,778)		$ (29,860)

	Three Months Ended December 31, 2022					
	Common Stock		Additional	Accumulated Other		
			Paid-In	Comprehensive	Accumulated	
	Amount		Capital	Income	Deficit	Total
Balance, September 30, 2022	45,536,525	$ 2,277	$ 63,044	$ 8,597	$ (103,778)	$ (29,860)
Net loss	—	—	—	—	(2,407)	(2,407)
Foreign currency translation	—	—	—	132	—	132
Stock-based compensation	—	—	524	—	—	524
Net restricted stock activity	26,030	1	(25)	—	—	(24)
Balance, December 31, 2022	45,562,555	$ 2,278	$ 63,543	$ 8,729	$ (106,185)	$ (31,635)

	Three Months Ended December 31, 2021					
	Common Stock		Additional	Accumulated Other		
			Paid-In	Comprehensive	Accumulated	
	Shares	Amount	Capital	Income	Deficit	Total
Balance, September 30, 2021	43,964,489	$ 2,198	$ 58,310	$ 9,069	$ (29,767)	$ 39,810
Net loss	—	—	—	—	(4,928)	(4,928)

Foreign currency translation	Foreign currency translation	—	—	—	36	—	36
Issuance of common stock, net of offering costs	Issuance of common stock, net of offering costs	1,223,314	61	4,931	—	—	4,992
Stock-based compensation	Stock-based compensation	—	—	(1,374)	—	—	(1,374)
Net restricted stock activity	Net restricted stock activity	302,271	18	(266)	—	—	(248)
Balance, December 31, 2021	**Balance, December 31, 2021**	45,490,074	$ 2,277	$ 61,601	$ 9,105	$ (34,695)	$ 38,288

		Six Months Ended December 31, 2022					
		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
		Shares	Amount				
Balance, June 30, 2022	**Balance, June 30, 2022**	45,510,245	$ 2,276	$ 62,562	$ 9,455	$ (105,246)	$ (30,953)
Net loss	Net loss	—	—	—	—	(939)	(939)
Foreign currency translation	Foreign currency translation	—	—	—	(726)	—	(726)
Stock-based compensation	Stock-based compensation	—	—	1,020	—	—	1,020
Net restricted stock activity	Net restricted stock activity	52,310	2	(39)	—	—	(37)
Balance, December 31, 2022	**Balance, December 31, 2022**	45,562,555	$ 2,278	$ 63,543	$ 8,729	$ (106,185)	$ (31,635)

		Three Months Ended September 30, 2021						
		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit		Total
		Shares	Amount				Shares	
Balance, June 30, 2021	**Balance, June 30, 2021**	35,795,844	$ 1,790	$ 25,102	$ 9,543	$ (19,389)		$ 17,046
Net loss	Net loss	—	—	—	—	(10,378)		(10,378)
Foreign currency translation	Foreign currency translation	—	—	—	(474)	—		(474)
Issuance of common stock, net of offering costs	Issuance of common stock, net of offering costs	8,072,304	404	31,789	—	—		32,193
Stock-based compensation	Stock-based compensation	—	—	1,678	—	—		1,678
Net restricted stock activity	Net restricted stock activity	96,341	4	(259)	—	—		(255)
Balance, September 30, 2021		43,964,489	$ 2,198	$ 58,310	$ 9,069	$ (29,767)		$ 39,810

	Six Months Ended December 31, 2021					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Amount					
Balance, June 30, 2021	35,795,844	$ 1,790	$ 25,102	$ 9,543	$ (19,389)	$ 17,046
Net loss	—	—	—	—	(15,306)	(15,306)
Foreign currency translation	—	—	—	(438)	—	(438)
Issuance of common stock, net of offering costs	9,295,618	465	36,720	—	—	37,185
Stock-based compensation	—	—	305	—	—	305
Net restricted stock activity	398,612	22	(526)	—	—	(504)
Balance, December 31, 2021	45,490,074	$ 2,277	$ 61,601	$ 9,105	$ (34,695)	$ 38,288

Balance, December 31, 2021

The accompanying notes are an integral part of the unaudited Condensed Consolidated Financial Statements.

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
For The Three the Six Months Ended September 30, December 31, 2022 And and 2021
(Dollars in thousands)

		Three Months Ended September 30,			Six Months Ended December 31,	
		2022	2021		2022	2021
Cash flows from operating activities:	Cash flows from operating activities:			Cash flows from operating activities:		
Net income (loss)		$ 1,468	$ (10,378)			
Adjustments to reconcile net income (loss) to cash used in operating activities:						
Net loss				Net loss	$ (939)	$ (15,306)
Adjustments to reconcile net loss to cash used in operating activities:				Adjustments to reconcile net loss to cash used in operating activities:		
Gain from sale of OSP (Note 3)	Gain from sale of OSP (Note 3)	(3,927)	—	Gain from sale of OSP (Note 3)	(4,034)	—
Depreciation and amortization	Depreciation and amortization	1,035	1,574	Depreciation and amortization	4,647	3,284
Long-lived asset impairment	Long-lived asset impairment	—	163	Long-lived asset impairment	—	215
Deferred income taxes	Deferred income taxes	28	(258)	Deferred income taxes	28	(529)
Inventory reserve				Inventory reserve	1,228	—
Loss from sale of salon assets to franchisees, net	Loss from sale of salon assets to franchisees, net	—	1,080	Loss from sale of salon assets to franchisees, net	—	1,695
Stock-based compensation	Stock-based compensation	531	1,678	Stock-based compensation	1,111	305
Amortization of debt discount and financing costs	Amortization of debt discount and financing costs	648	460	Amortization of debt discount and financing costs	1,391	920
Other non-cash items affecting earnings	Other non-cash items affecting earnings	481	232	Other non-cash items affecting earnings	376	551
Changes in operating assets and liabilities, excluding the effects of asset sales (1)	Changes in operating assets and liabilities, excluding the effects of asset sales (1)	(5,321)	(6,805)	Changes in operating assets and liabilities, excluding the effects of asset sales (1)	(10,722)	(15,463)
Net cash used in operating activities	Net cash used in operating activities	(5,057)	(12,254)	Net cash used in operating activities	(6,914)	(24,328)
Cash flows from investing activities:	Cash flows from investing activities:			Cash flows from investing activities:		
Capital expenditures	Capital expenditures	(184)	(1,524)	Capital expenditures	(361)	(2,947)
Net proceeds from sale of OSP		3,500	—			
Proceeds from sale of OSP, net of fees				Proceeds from sale of OSP, net of fees	4,000	—

Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	3,316	(1,524)	Net cash provided by (used in) investing activities	3,639	(2,947)
Cash flows from financing activities:	Cash flows from financing activities:			Cash flows from financing activities:		
Borrowings on credit facility	Borrowings on credit facility	6,357	10,000	Borrowings on credit facility	11,357	10,000
Repayments of long-term debt	Repayments of long-term debt	(5,801)	(1,106)	Repayments of long-term debt	(8,535)	(2,734)
Debt refinancing fees	Debt refinancing fees	(4,341)	—	Debt refinancing fees	(4,383)	—
Proceeds from issuance of common stock, net of offering costs	Proceeds from issuance of common stock, net of offering costs	—	32,193	Proceeds from issuance of common stock, net of offering costs	—	37,185
Taxes paid for shares withheld	Taxes paid for shares withheld	(13)	(255)	Taxes paid for shares withheld	(35)	(823)
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities	(3,798)	40,832	Net cash (used in) provided by financing activities	(1,596)	43,628
Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	(166)	(148)	Effect of exchange rate changes on cash and cash equivalents	(135)	(134)
(Decrease) increase in cash, cash equivalents, and restricted cash	(Decrease) increase in cash, cash equivalents, and restricted cash	(5,705)	26,906	(Decrease) increase in cash, cash equivalents, and restricted cash	(5,006)	16,219
Cash, cash equivalents and restricted cash:	Cash, cash equivalents and restricted cash:			Cash, cash equivalents and restricted cash:		
Beginning of period	Beginning of period	27,464	29,152	Beginning of period	27,464	29,152
End of period	End of period	$ 21,759	$ 56,058	End of period	$ 22,458	$ 45,371

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(1) Changes in operating assets and liabilities exclude assets and liabilities sold.

The accompanying notes are an integral part of the unaudited Condensed Consolidated Financial Statements.

REGIS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The unaudited interim Condensed Consolidated Financial Statements of Regis Corporation (the Company) as of September 30, 2022 December 31, 2022 and for the three and six months ended September 30, 2022 December 31, 2022 and 2021, reflect, in the opinion of management, all adjustments necessary to fairly state the consolidated financial position of the Company as of September 30, 2022 December 31, 2022 and its consolidated results of operations, comprehensive income (loss), loss, shareholders' deficit and cash flows for the interim periods. Adjustments consist only of normal recurring items, except for any discussed in the notes below. The results of operations and cash flows for any interim period are not necessarily indicative of results of operations and cash flows for the full year.

The accompanying interim unaudited Condensed Consolidated Financial Statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). The unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2022 and other documents filed or furnished with the SEC during the current fiscal year.

Inventories:

The Company has inventory valuation reserves for excess and obsolete inventories or other factors that may render inventories unmarketable at their historical costs. The Company exited its distribution centers in fiscal year 2022 and now stores inventory at a third-party facility. To facilitate the exit of the distribution centers, the Company sold and continues to sell inventory at discounts. The inventory valuation reserve as of September 30, 2022 December 31, 2022 and June 30, 2022 was $0.9 $1.9 and $1.9 million, respectively. In the three and six months ended December 31, 2022, an inventory reserve charge of $1.2 million was recorded in Inventory reserve on the unaudited Condensed Consolidated Statement of Operations. In the three and six months ended December 31, 2021, an inventory reserve charge of $1.2 and $1.5 million, respectively, was recorded in Company-owned salon expense on the unaudited Condensed Consolidated Statement of Operations.

As of December 31, 2022 and June 30, 2022, the Company had inventory related to discontinued operations of $1.3 and $1.8 million, respectively, net of a reserve of $1.3 and $1.1 million, respectively. The increase in the reserve during fiscal year 2023 reduced the gain from discontinued operations. See Note 3 to the unaudited Condensed Consolidated Financial Statements.

Goodwill:

As of September 30, 2022 December 31, 2022 and June 30, 2022, the Franchise reporting unit had $173.1 $173.3 and $174.4 million, respectively, of goodwill. The change in goodwill for the three six months ended September 30, 2022 December 31, 2022 is due to foreign currency translation. The Company assesses goodwill impairment on an annual basis, during the Company's fourth fiscal quarter, and between annual assessments if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. An interim impairment analysis was not required in the three and six months ended September 30, 2022 December 31, 2022.

Depreciation:

Depreciation expense in the three months ended September 30, 2022 December 31, 2022 and 2021 include includes $0.2 and $0.3 million, respectively, and for the six months ended December 31, 2022 and 2021 includes $0.4 and $0.6 million, respectively, of asset retirement obligations, which are cash expenses. Depreciation expense in the three and six months ended December 31, 2022 includes a $2.6 million accelerated depreciation charge related to the consolidation of office space within the Company's corporate headquarters.

2. REVENUE RECOGNITION:

Revenue Recognition and Deferred Revenue:

Revenue recognized over time

Royalty and advertising fund revenues represent sales-based royalties that are recognized in the period in which the sales occur. Generally, royalty and advertising fund revenues are billed and collected monthly in arrears. Advertising fund revenues and expenditures, which must be spent on marketing and related activities per the franchise agreements, are recorded on a gross basis within the unaudited Condensed Consolidated Statement of Operations. The treatment increases both the gross amount of reported revenue and expense and generally has no impact on operating income and net income. Franchise fees are billed and received upon the signing of the franchise agreement. Recognition of these fees is deferred until the salon opens and is then recognized over the term of the franchise agreement, which is typically 10 years. Franchise rental income is a result of the Company signing leases on behalf of franchisees and entering into sublease arrangements with the franchisees. The Company recognizes franchise rental income and expense when it is due to the landlord.

Revenue recognized at point of sale

Company-owned salon revenues are recognized at the time when the services are provided or the guest receives and pays for the merchandise. Revenues from purchases made with gift cards are also recorded when the guest takes possession of the merchandise or services are provided. Gift cards issued by the Company are recorded as a liability (deferred revenue) upon sale and recognized as revenue upon redemption by the guest. Gift card breakage, the amount of gift cards which will not be redeemed, is recognized proportional to redemptions using estimates based on historical redemption patterns. Product sales to franchisees and other partners are recorded at the time product is delivered to the franchisee. delivered.

Information about receivables, broker fees and deferred revenue subject to the current revenue recognition guidance is as follows:

		September 30, 2022	June 30, 2022	Balance Sheet Classification		December 31, 2022	June 30, 2022	Balance Sheet Classification
		(Dollars in thousands)				(Dollars in thousands)		
Receivables from contracts with customers, net	Receivables from contracts with customers, net	$ 8,675	$ 10,263	Receivables, net	Receivables from contracts with customers, net	$ 9,419	$ 10,263	Receivables, net
Broker fees	Broker fees	14,765	15,592	Other assets	Broker fees	14,006	15,592	Other assets
Deferred revenue:	Deferred revenue:				Deferred revenue:			
Current	Current				Current			
Gift card liability	Gift card liability	$ 1,951	$ 2,037	Accrued expenses	Gift card liability	$ 1,950	$ 2,037	Accrued expenses
Deferred franchise fees open salons	Deferred franchise fees open salons	5,674	5,770	Accrued expenses	Deferred franchise fees open salons	5,533	5,770	Accrued expenses
Total current deferred revenue	Total current deferred revenue	$ 7,625	$ 7,807		Total current deferred revenue	$ 7,483	$ 7,807	
Non-current	Non-current				Non-current			

Deferred franchise fees unopened salons	Deferred franchise fees unopened salons	$	3,107	$	3,211	Other non-current liabilities	Deferred franchise fees unopened salons	$	2,664	$	3,211	Other non-current liabilities
Deferred franchise fees open salons	Deferred franchise fees open salons		25,391		26,827	Other non-current liabilities	Deferred franchise fees open salons		23,963		26,827	Other non-current liabilities
Total non-current deferred revenue	Total non-current deferred revenue	$	28,498	$	30,038		Total non-current deferred revenue	$	26,627	$	30,038	

Receivables relate primarily to payments due for royalties, franchise fees, advertising fees, rent, product sales and sales of salon services and product paid by credit card. The receivables balance is presented net of an allowance for expected losses (i.e., doubtful accounts), primarily related to receivables from franchisees. The following table is a rollforward of the allowance for doubtful accounts for the period:

		Three Months Ended September 30,					Six Months Ended December 31,			
		2022		2021			2022		2021	
		(Dollars in thousands)					(Dollars in thousands)			
Balance at beginning of period	Balance at beginning of period	$	6,559	$	7,774	Balance at beginning of period	$	6,559	$	7,774
Provision for doubtful accounts	Provision for doubtful accounts		461		237	Provision for doubtful accounts		369		(41)
Provision for franchisee rent (1)	Provision for franchisee rent (1)		19		364	Provision for franchisee rent (1)		(208)		811
Reclass of accrued rent (2)	Reclass of accrued rent (2)		60		396	Reclass of accrued rent (2)		73		396
Write-offs	Write-offs		(725)		(102)	Write-offs		(1,129)		(589)
Balance at end of period	Balance at end of period	$	6,374	$	8,669	Balance at end of period	$	5,664	$	8,351

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(1) The provision for franchisee rent is recognized as rent in the unaudited Condensed Consolidated Statement of Operations.

(2) The reclass of accrued rent represents franchisee rent obligations guaranteed by the Company that were unbilled and deemed unrecoverable as of June 30, 2021. The amounts billed in fiscal year years 2023 and 2022 and the related accrual were reclassified to allowance for doubtful accounts.

Broker fees are the costs associated with using external brokers to identify new franchisees. These fees are paid upon the signing of the franchise agreement and recognized as general and administrative expense over the term of the franchise agreement. The following table is a rollforward of the broker fee balance for the periods indicated:

		Three Months Ended September 30,					Six Months Ended December 31,			
		2022		2021			2022		2021	
		(Dollars in thousands)					(Dollars in thousands)			
Balance at beginning of period	Balance at beginning of period	$	15,592	$	19,254	Balance at beginning of period	$	15,592	$	19,254
Additions	Additions		—		25	Additions		—		25
Amortization	Amortization		(827)		(862)	Amortization		(1,586)		(1,625)
Write-offs	Write-offs		—		(145)	Write-offs		—		(366)
Balance at end of period	Balance at end of period	$	14,765	$	18,272	Balance at end of period	$	14,006	$	17,288

Deferred franchise fees related to open salons are generally recognized on a straight-line basis over the term of the franchise agreement. Franchise fee revenue for the three months ended September 30, 2022 December 31, 2022 and 2021 was $1.5 $1.7 and $1.6 million, respectively, and for the six months ended December 31, 2022 and 2021 was $3.2 and $3.2 million, respectively. Estimated revenue expected to be recognized in the future related to deferred franchise fees for open salons as of September 30, 2022 December 31, 2022 is as follows (in thousands):

Remainder of 2023	Remainder of 2023	$	4,255	Remainder of 2023	$	2,766
2024	2024		5,447	2024		5,378

2025	2025		5,064	2025		4,986
2026	2026		4,594	2026		4,521
2027	2027		4,132	2027		4,058
Thereafter	Thereafter		7,573	Thereafter		7,787
Total	Total	$	31,065	Total	$	29,496

3. DISCONTINUED OPERATIONS:

On June 30, 2022, the Company sold its Opensalon® Pro (OSP) solution to Soham Inc. for a purchase price of $20.0 million in cash plus up to an additional $19.0 million in cash contingent upon the number of salons that migrate to Soham's Zenoti product as their salon technology platform. The Company received $13.0 million in proceeds in June 2022 and in the six months ended December 31, 2022, received an additional $4.0 $4.5 million in the first quarter proceeds, net of fiscal year 2023. The remaining $3.0 a $0.5 million of the purchase price is subject to holdbacks including $1.0 million which is payable once the Company ends its arrangement with ProPoint in December 2022 and $2.0 million of proceeds held back until general indemnity provisions are satisfied within 18 months from closing. transaction fee. As a result of the sale, the Company classified the OSP business as discontinued operations in the financial statements for all periods presented. Discontinued operations is included in the Franchise segment in the Consolidated Statement of Operations for all periods presented. No income taxes have been allocated to discontinued operations based on the methodology required by accounting for income taxes guidance.

The following summarizes the results of discontinued operations for the periods presented:

		Three Months Ended September 30,			Three Months Ended December 31,		Six Months Ended December 31,			
		2022	2021		2022	2021	2022	2021		
		(Dollars in thousands)			(Dollars in thousands)					
Discontinued operations:	Discontinued operations:			Discontinued operations:						
Fees		$ (226)	$ 938							
OSP fees				OSP fees			$ —	$ 986	$ (226)	$ 1,924
Cost of product sales to franchisees	Cost of product sales to franchisees	—	(464)	Cost of product sales to franchisees	—	(302)	—	(766)		
General and administrative	General and administrative	(27)	(1,005)	General and administrative	—	(902)	(27)	(1,907)		
Rent	Rent	(368)	(56)	Rent	26	(46)	(341)	(102)		
Depreciation and amortization	Depreciation and amortization	—	(330)	Depreciation and amortization	—	(375)	—	(705)		
Interest expense	Interest expense	—	(179)	Interest expense	—	(179)	—	(358)		
Gain from sale of OSP	Gain from sale of OSP	3,927	—	Gain from sale of OSP	108	—	4,034	—		
Gain (loss) from OSP discontinued operations		$ 3,306	$ (1,096)							
Gain (loss) from OSP discontinued operations, net				Gain (loss) from OSP discontinued operations, net			$ 134	$ (818)	$ 3,440	$ (1,914)

4. SHAREHOLDERS' EQUITY:

Stock-Based Employee Compensation:

During the three and six months ended September 30, 2022 December 31, 2022, the Company granted various equity awards including stock options and stock appreciation rights as follows:

	Three Months Ended September 30, 2022
Stock options (SOs)	985,000
Stock appreciation rights (SARs)	600,000

	Three Months Ended December 31, 2022	Six Months Ended December 31, 2022
Stock options (SOs)	615,000	1,600,000
Stock appreciation rights (SARs)	—	600,000

The SOs and SARs granted during the three and six months ended September 30, 2022 December 31, 2022 vest in equal amounts over a one or three-year period subsequent to the grant date.

Total compensation cost for stock-based payment arrangements totaling $0.5 $0.6 and $1.7 million $(1.4) million for the three months ended September 30, 2022 December 31, 2022 and 2021, respectively, and $1.1 and $0.3 million for the six months ended December 31, 2022 and 2021, respectively, were recorded within general and administrative expense on the unaudited Condensed Consolidated Statement of Operations. In the three and six months ended December 31, 2021, stock compensation includes a benefit related to executive forfeitures of $2.0 million.

Share Issuance Program:

In fiscal year 2021, the Company filed a $150.0 million shelf registration statement and $50.0 million prospectus supplement with the Securities and Exchange Commission (SEC) under which it may offer and sell, from time to time, up to $50.0 million worth of its Class A common stock in "at-the-market" offerings. During the three six months ended September 30, 2022 December 31, 2022, the Company did not issue any shares. During the three six months ended September 30, 2021 December 31, 2021, the Company issued 8.1 9.3 million shares and received net proceeds of $32.2 $37.2 million. On September 29, 2021, the Company sold 1.2 million shares for net proceeds of $5.0 million, which settled on October 1, 2021. As of September 30, 2022 December 31, 2022, $11.6 million remains under the prospectus supplement, which equates to 11.5 million 9.5 million shares based on the share price as of September 30, 2022 December 31, 2022.

5. INCOME TAXES:

A summary of income tax benefit (expense) benefit and corresponding effective tax rates is as follows:

	Three Months Ended September 30,		Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021	2022	2021
	(Dollars in thousands)		(Dollars in thousands)			
Income tax (expense) benefit	$ (28)	$ 48				
Income tax benefit (expense) / Income tax benefit (expense)			$ —	$ 164	$ (28)	$ 213
Effective tax rate / Effective tax rate / Effective tax rate	(1.5 %)	0.5 %	— %	3.8 %	(0.6) %	1.6 %

The recorded tax provision and effective tax rates for the three and six months ended September 30, 2022 December 31, 2022 and 2021 were different than what would normally be expected, primarily due to the impact of the deferred tax valuation allowance.

On August 16, 2022, the Inflation Reduction Act (the "IRA") IRA) was signed into law. The IRA contains a number of tax related provisions, including a 15% minimum corporate income tax on certain large corporations, as well as an excise tax on stock repurchases. The Company has evaluated the IRA and does not expect it to have a material impact on the Company's consolidated financial statements.

With limited exceptions, due to net operating loss carryforwards, our federal, state and foreign tax returns are open to examination for all years since 2014, 2012 and 2016, respectively.

6. COMMITMENTS AND CONTINGENCIES:

The Company is a plaintiff or defendant in various lawsuits and claims arising out of the normal course of business. Like certain other franchisors, the Company has faced allegations of franchise regulation and agreement violations. Additionally, because the Company may be the tenant under a master lease for a location subleased to a franchisee, the Company has faced allegations of nonpayment of rent and associated charges. Further, similar to other large retail employers, the Company has been faced, with and may continue to face, allegations of purported class-wide consumer and wage and hour violations.

During the three and six months ended September 30, 2022 December 31, 2022, the Company recorded $0.5 million $0.4 and $0.9 million, respectively, of expense related to litigation, and $0.5 million $0.6 and $1.1 million was paid during the period. three and six months ended December 31, 2022, respectively.

The Company's previous point-of-sale system supplier had challenged the development of certain parts of the Company's technology systems in litigation brought in the Northern District of California. The Company and the supplier entered into an agreement, effective June 25, 2021, that provided for the dismissal of the lawsuit and set forth a Transition Services Agreement pursuant to which the supplier will assist in the transfer of franchise salons from its point-of-sale system to the Company's salon management system, OSP. The Company and the supplier entered into an amendment to the Settlement Agreement, effective June 15, 2022, in which the Company agreed to pay $2.0 million to the supplier in installments commencing on June 15, 2022, and ending on December 10, 2022, in consideration of a release of claims arising out of or related to the Transition Services Agreement and for the supplier to continue to provide the services set forth in that agreement through December 31, 2022. agreement. As of September 30, 2022 December 31, 2022, the Company had $0.5 million remaining to pay. has made all payments under the agreement.

Litigation is inherently unpredictable, and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could incur judgments in the future or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period.

7. CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

The table below reconciles the cash and cash equivalents balances and restricted cash balances, recorded within other current assets on the unaudited Condensed Consolidated Balance Sheet to the amount of cash, cash equivalents and restricted cash reported on the unaudited Condensed Consolidated Statement of Cash Flows:

		September 30, 2022	June 30, 2022		December 31, 2022	June 30, 2022
		(Dollars in thousands)			(Dollars in thousands)	
Cash and cash equivalents	Cash and cash equivalents	$ 9,505	$ 17,041	Cash and cash equivalents	$ 9,406	$ 17,041
Restricted cash, included in other current assets (1)	Restricted cash, included in other current assets (1)	12,254	10,423	Restricted cash, included in other current assets (1)	13,052	10,423
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$ 21,759	$ 27,464	Total cash, cash equivalents and restricted cash	$ 22,458	$ 27,464

(1) Restricted cash within other current assets primarily relates to consolidated advertising cooperatives funds, which can only be used to settle obligations of the respective cooperatives, and contractual obligations to collateralize the Company's self-insurance programs.

8. LEASES:

At contract inception, the Company determines whether a contract is, or contains, a lease by determining whether it conveys the right to control the use of the identified asset for a period of time. If the contract provides the Company the right to substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset, the Company considers it to be, or contain, a lease. The Company leases its company-owned salons and some of its corporate facilities under operating leases. The original terms of the salon leases range from one to 20 years with many leases renewable for an additional five to 10-year term at the option of the Company. In addition to the obligation to make fixed rental payments for the use of the salons, the Company also has variable lease payments that are based on sales levels. For most leases, the Company is required to pay real estate taxes and other occupancy expenses. Total rent includes the following:

		Three Months Ended September 30,			Three Months Ended December 31,		Six Months Ended December 31,	
		2022	2021		2022	2021	2022	2021
		(Dollars in thousands)			(Dollars in thousands)			
Office and warehouse rent	Office and warehouse rent	$ 872	$ 1,613	Office and warehouse rent	$ 834	$ 1,202	$ 1,706	$ 2,815
Lease termination expense (1)	Lease termination expense (1)	458	1,340	Lease termination expense (1)	848	238	1,306	1,578
Lease liability benefit (2)	Lease liability benefit (2)	(602)	(2,431)	Lease liability benefit (2)	(615)	(496)	(1,217)	(2,927)
Franchise salon rent (3)	Franchise salon rent (3)	(53)	329	Franchise salon rent (3)	9	246	(44)	575
Company-owned salon rent	Company-owned salon rent	1,078	896	Company-owned salon rent	1,014	1,852	2,092	2,748
Total	Total	$ 1,753	$ 1,747	Total	$ 2,090	$ 3,042	$ 3,843	$ 4,789

(1) During the three and six months ended September 30, 2022 December 31, 2022, the Company incurred costs of $0.5 $0.8 and $1.3 million, respectively, to exit salons before the lease end date in order to relieve the Company of future lease obligations. For During the three months ended September 30, 2021 December 31, 2021, the Company incurred costs of $0.2 million to exit salons before the lease end date to relieve the Company of future lease obligations. During the six months ended December 31, 2021, the Company paid $0.9 million to exit its distribution centers before the lease end dates and incurred costs of $0.4 $0.7 million to exit salons before the lease end dates in order to relieve the Company of future lease obligations.

(2) Upon termination of previously impaired leases, the Company derecognizes the corresponding ROU assets and lease liabilities, which results in a net gain. In addition, the Company recognizes a benefit from lease liabilities decreasing in excess of previously impaired ROU assets for ongoing leases that were previously impaired.

(3) Franchise salon rent in fiscal year 2023 includes the benefit of incurring less cost to terminate a lease than estimated.

The Company leases salon premises in which the majority of its franchisees operate and has entered into corresponding sublease arrangements with franchisees. All lease-related costs are passed through to the franchisees. The Company records the rental payments due from franchisees as franchise rental income and the corresponding amounts owed to landlords as franchise rent expense on the unaudited Condensed Consolidated Statement of Operations. For the three months ended September 30, 2022 December 31, 2022 and 2021, franchise rental income and franchise rent expense were $30.3 $28.9 and $33.8 million, respectively. respectively, and $59.2 and $67.5 million, respectively, for the six months ended December 31, 2022 and 2021. These leases generally have lease terms of approximately five years. The Company expects to renew the SmartStyle® master lease and some franchise leases for locations subleased to our franchisees upon expiration. expiration of those leases. Other leases are expected to be renewed by the franchisee upon expiration.

All the Company's leases are operating leases. The lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date, including one lease term option when the lease is expected to be renewed. The ROU asset is initially and subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, less any accrued lease payments and unamortized lease incentives received, if any. Expense for lease payments is recognized on a straight-line basis over the lease term, including the lease renewal option when the lease is expected to be renewed. Generally, the non-lease components, such as real estate taxes and other occupancy expenses, are separate from rent expense within the lease and are not included in the measurement of the lease liability because these charges are variable.

The discount rate used to determine the present value of the lease payments is the Company's estimated collateralized incremental borrowing rate, based on the yield curve for the respective lease terms, as the interest rate implicit in the lease cannot generally be determined. The Company uses the portfolio approach in applying the discount rate based on the original lease term. The weighted average remaining lease term was 5.89 5.77 and 6.02 years and the weighted average discount rate was 4.29% 4.34% and 4.25% for all salon operating leases as of September 30, 2022 December 31, 2022 and June 30, 2022, respectively.

A lessee's ROU asset is subject to the same asset impairment guidance in ASC 360, Property, Plant, and Equipment, applied to other elements of property, plant, and equipment. The Company has identified its asset groups at the individual salon level as this represents the lowest level that identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Poor salon performance in fiscal years 2023 and 2022 resulted in ASC 360-10-35-21 triggering events. As a result, management assessed underperforming salon asset groups, which included the related ROU assets, for impairment in accordance with ASC 360.

The first step in the impairment test under ASC 360 is to determine whether the long-lived assets are recoverable, which is determined by comparing the net carrying value of the salon asset group to the undiscounted net cash flows to be generated from the use and eventual disposition of that asset group. Estimating cash flows for purposes of the recoverability test is subjective and requires significant judgment. Estimated future cash flows used for the purposes of the recoverability test were based upon historical cash flows for the salons, adjusted for expected changes in future market conditions related to the COVID-19 pandemic, and other factors. The period of time used to determine the estimates of the future cash flows for the recoverability test was based on the remaining useful life of the primary asset of the group, which was the ROU asset in all cases.

The second step of the long-lived asset impairment test requires that the fair value of the asset group be estimated when determining the amount of any impairment loss. For the salon asset groups that failed the recoverability test, an impairment loss was measured as the amount by which the carrying amount of the asset group exceeds its fair value. The Company applied the fair value guidance within ASC 820-10 to determine the fair value of the asset group from the perspective of a market-participant considering, among other things, appropriate discount rates, multiple valuation techniques, the most advantageous market, and assumptions about the highest and best use of the asset group. To determine the fair value of the salon asset groups, the Company utilized market-participant assumptions rather than the Company's own assumptions about how it intends to use the asset group. The significant judgments and assumptions utilized to determine the fair value of the salon asset groups include the market rent of comparable properties and a discount rate.

In the three and six months ended September 30, 2022 December 31, 2022, the Company did not recognize a long-lived asset impairment charge charges related to ROU assets in the unaudited Condensed Consolidated Statement of Operations. In the three and six months ended September 30, 2021 December 31, 2021, the Company recognized a long-lived asset impairment charge charges of $0.1 and $0.2 million, which included $0.1 million respectively, primarily related to ROU assets in the unaudited Condensed Consolidated Statement of Operations. The impairment loss for each salon asset group that was recognized was allocated among the long-lived assets of the group on a pro-rata basis using their relative carrying amounts. Additionally, the impairment losses did not reduce the carrying amount of an individual asset below its fair value, including the ROU assets included in the salon asset groups. Assessing the long-lived assets for impairment requires management to make assumptions and to apply judgment, which can be affected by economic conditions and other factors that can be difficult to predict. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it uses to calculate impairment losses for its long-lived asset, including its ROU assets. If actual results are not consistent with the estimates and assumptions used in the calculations, the Company may be exposed to future impairment losses that could be material.

As of September 30, 2022 December 31, 2022, future operating lease commitments, including one renewal option for leases expected to be renewed, to be paid and received by the Company were as follows (in thousands):

Fiscal Year	Fiscal Year	Leases for Franchise Salons	Leases for Company-owned Salons	Corporate Leases	Total Operating Lease Payments	Sublease Income to be Received from Franchisees	Net Rent Commitments	Fiscal Year	Leases for Franchise Salons	Leases for Company-owned Salons	Corporate Leases	Total Operating Lease Payments	Sublease Income to be Received from Franchisees	Net Rent Commitments
Remainder of 2023	Remainder of 2023	$ 84,843	$ 2,245	$ 1,641	$ 88,729	$ (84,843)	$ 3,886	Remainder of 2023	$ 54,914	$ 1,292	$ 1,061	$ 57,267	$ (54,914)	$ 2,353
2024	2024	100,949	1,809	1,301	104,059	(100,949)	3,110	2024	99,860	1,617	1,301	102,778	(99,860)	2,918
2025	2025	84,593	636	1,334	86,563	(84,593)	1,970	2025	83,570	536	1,334	85,440	(83,570)	1,870
2026	2026	71,111	314	1,367	72,792	(71,111)	1,681	2026	69,825	290	1,367	71,482	(69,825)	1,657
2027	2027	60,718	79	1,401	62,198	(60,718)	1,480	2027	59,363	63	1,401	60,827	(59,363)	1,464
Thereafter	Thereafter	122,790	106	4,417	127,313	(122,790)	4,523	Thereafter	122,479	36	4,417	126,932	(122,479)	4,453

Total future obligations	Total future obligations	$ 525,004	$ 5,189	$ 11,461	$ 541,654	$ (525,004)	$ 16,650	Total future obligations	$490,011	$ 3,834	$ 10,881	$504,726	$ (490,011)	$ 14,715
Less amounts representing interest	Less amounts representing interest	61,640	230	1,599	63,469			Less amounts representing interest	56,953	121	1,500	58,574		
Present value of lease liabilities		$ 463,364	$ 4,959	$ 9,862	$ 478,185									
Less current lease liabilities		93,915	2,760	1,595	98,270									
Long-term lease liabilities		$ 369,449	$ 2,199	$ 8,267	$ 379,915									
Present value of lease liability								Present value of lease liability	$433,058	$ 3,713	$ 9,381	$446,152		
Less short-term lease liability								Less short-term lease liability	90,342	2,246	1,352	93,940		
Long-term lease liability								Long-term lease liability	$342,716	$ 1,467	$ 8,029	$352,212		

9. FINANCING ARRANGEMENTS:

The Company's debt consists of the following:

		Maturity Date (Fiscal Year)	September 30, 2022 (Interest rate %)	September 30, 2022 (Dollars in thousands)	June 30, 2022		Maturity Date (Fiscal Year)	December 31, 2022 (Interest rate %)	December 31, 2022 (Dollars in thousands)	June 30, 2022
Term loan	Term loan	2026	6.74%	$ 175,550	$ —	Term loan	2026	8.21%	$ 173,816	$ —
Deferred financing fees	Deferred financing fees			(8,671)	—	Deferred financing fees			(7,970)	—
Term loan, net	Term loan, net			$ 166,879	$ —	Term loan, net			$ 165,846	$ —
Revolving credit facility	Revolving credit facility	2026	6.61%	5,000	179,994	Revolving credit facility	2026	8.21%	9,000	179,994
Total long-term debt, net	Total long-term debt, net			$ 171,879	$ 179,994	Total long-term debt, net			$ 174,846	$ 179,994

In August of 2022, the Company amended its credit agreement. The amendment, among other things, converted $180.0 million of the previous $295.0 million revolving credit facility to a new term loan, reduced commitments under the revolving credit facility to $55.0 million, and extended the term of the credit facility from March 26, 2023 to August 31, 2025, with no scheduled amortization prior to maturity. The amendment is accounted for as a modification of debt and any unamortized financing fees that existed at the date of the amendment and new financing fees incurred are amortized through the extended term of the credit facility. At September 30, 2022 December 31, 2022, the Company had outstanding standby letters of credit under the revolving credit facility of $11.8 million, primarily related to the Company's self-insurance program. As of September 30, 2022 December 31, 2022, total liquidity and available credit under the revolving credit facility, as defined by the agreement, are $47.8 were $43.7 and $38.3 million $34.3 million, respectively. As of September 30, 2022 December 31, 2022, the Company had cash and cash equivalents of $9.5 million $9.4 million and current liabilities of $143.3 million $138.9 million. The agreement utilizes an interest rate margin that is subject to annual increases. The margin applicable to term SOFR secured overnight financing rate (SOFR) loans is currently 3.875%. Effective March 27, 2023, the margin will increase to 6.25%, of which 4.25% will be paid currently in cash and 2.00% will be PIK interest (added to the principal balance and thereafter accruing interest). Effective March 27, 2024, the margin will increase to 7.25%, of which 4.25% will be paid currently in cash and 3.00% will be PIK interest. The margin applicable to base rate loans will be 100 basis points (1.00%) less than the margin applicable to term SOFR loans. The agreement contains typical provisions and financial covenants regarding minimum EBITDA, maximum leverage and minimum fixed-charge coverage and a minimum liquidity threshold of $10.0 million. The Company was in compliance with all its covenants and other requirements of the financing arrangements as of September 30, 2022 December 31, 2022.

10. FAIR VALUE MEASUREMENTS:

Fair value measurements are categorized into one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs available at the measurement date, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of September 30, 2022 December 31, 2022 and June 30, 2022, the estimated fair value of the Company's cash, cash equivalents, restricted cash, receivables, inventory, deferred compensation assets, accounts payable and debt approximated their carrying values.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets, including the Company's equity method investments, tangible fixed and other assets and goodwill, at fair value on a nonrecurring basis when they are deemed to be other than temporarily impaired. The fair values of these assets are determined, when applicable, based on valuation techniques using the best information available, and may include quoted market prices, market comparables and discounted cash flow projections.

11. EARNINGS PER SHARE:

The Company's basic earnings per share is calculated as net income (loss) loss divided by weighted average common shares outstanding, excluding unvested outstanding stock options (SOs), stock appreciation rights (SARs), restricted stock units (RSUs) and stock-settled performance units (PSUs). The Company's diluted earnings per share is calculated as net income (loss) loss divided by weighted average common shares and common share equivalents outstanding, which includes shares issued under the Company's stock-based compensation plans. Stock-based awards with exercise prices greater than the average market price of the Company's common stock are excluded from the computation of diluted earnings per share. The computation of weighted average shares outstanding, assuming dilution, excluded 3,211,485 4,143,828 and 2,769,743 2,960,122 of stock-based awards during the three months ended September 30, 2022 December 31, 2022 and 2021, respectively, and excluded 3,662,602 and 2,635,055 of stock-based awards during the six months ended December 31, 2022 and 2021, respectively, as they were not dilutive under the treasury stock method.

12. SEGMENT INFORMATION:

Segment information is prepared on the same basis that the chief operating decision maker (CODM) reviews financial information for operational decision-making purposes. The Company's reportable operating segments consisted of the following salons:

		September 30, 2022	June 30, 2022		December 31, 2022	June 30, 2022
FRANCHISE SALONS:	**FRANCHISE SALONS:**			**FRANCHISE SALONS:**		
Supercuts	Supercuts	2,233	2,264	Supercuts	2,160	2,264
SmartStyle/Cost Cutters in Walmart Stores	SmartStyle/Cost Cutters in Walmart Stores	1,625	1,646	SmartStyle/Cost Cutters in Walmart Stores	1,605	1,646
Portfolio Brands	Portfolio Brands	1,325	1,344	Portfolio Brands	1,293	1,344
Total North American salons	Total North American salons	5,183	5,254	Total North American salons	5,058	5,254
Total International salons (1)	Total International salons (1)	140	141	Total International salons (1)	138	141
Total Franchise salons	Total Franchise salons	5,323	5,395	Total Franchise salons	5,196	5,395
as a percent of total Franchise and Company-owned salons	*as a percent of total Franchise and Company-owned salons*	98.2 %	98.1 %	*as a percent of total Franchise and Company-owned salons*	98.6 %	98.1 %
COMPANY-OWNED SALONS:	**COMPANY-OWNED SALONS:**			**COMPANY-OWNED SALONS:**		
Supercuts	Supercuts	15	18	Supercuts	10	18
SmartStyle/Cost Cutters in Walmart Stores	SmartStyle/Cost Cutters in Walmart Stores	49	49	SmartStyle/Cost Cutters in Walmart Stores	48	49
Portfolio Brands	Portfolio Brands	31	38	Portfolio Brands	17	38
Total Company-owned salons	Total Company-owned salons	95	105	Total Company-owned salons	75	105
as a percent of total Franchise and Company-owned salons	*as a percent of total Franchise and Company-owned salons*	1.8 %	1.9 %	*as a percent of total Franchise and Company-owned salons*	1.4 %	1.9 %
OWNERSHIP INTEREST LOCATIONS:	**OWNERSHIP INTEREST LOCATIONS:**			**OWNERSHIP INTEREST LOCATIONS:**		
Equity ownership interest locations	Equity ownership interest locations	76	76	Equity ownership interest locations	76	76
Grand Total, System-wide	Grand Total, System-wide	5,494	5,576	Grand Total, System-wide	5,347	5,576

(1) Canadian and Puerto Rican salons are included in the North American salon totals.

As of September 30, 2022 December 31, 2022, the Franchise operating segment is comprised primarily of Supercuts®, SmartStyle®, Cost Cutters®, First Choice Haircutters®, Magicuts®, and Roosters® concepts and the Company-owned operating segment is comprised primarily of Supercuts®, SmartStyle®, and other regional trade names.

Financial information concerning the Company's reportable operating segments is shown in the following tables: tables below. Segment information is presented in the same way that the Company internally organizes the business for assessing performance and making decisions regarding allocation of resources. In the second quarter of fiscal year 2023, the Company revised its internal reporting such that the CODM's primary measures of segment performance are revenue and segment adjusted EBITDA. Revenue and segment adjusted EBITDA are regularly reviewed by the CODM to make decisions about resources to be allocated to the segments, assess current performance and forecast future performance. Segment adjusted EBITDA is defined as income from continuing operations before interest, income taxes, depreciation and amortization. C

	Three Months Ended September 30, 2022		
	Franchise	Company-owned	Consolidated
		(Dollars in thousands)	
Revenues:			
Royalties	$ 17,180	$ —	$ 17,180
Fees	2,553	—	2,553
Product sales to franchisees	443	—	443
Advertising fund contributions	8,251	—	8,251
Franchise rental income	30,330	—	30,330
Company-owned salon revenue	—	3,114	3,114
Total revenue	58,757	3,114	61,871
Operating expenses:			
Cost of product sales to franchisees	470	—	470
General and administrative	14,182	179	14,361
Rent	509	1,244	1,753
Advertising fund expense	8,251	—	8,251
Franchise rent expense	30,330	—	30,330
Company-owned salon expense	—	2,985	2,985
Depreciation and amortization	950	301	1,251
Total operating expenses	54,692	4,709	59,401
Operating income (loss)	$ 4,065	$ (1,595)	$ 2,470

onsistent with our internal management reporting, unallocated expenses include certain items impacting comparability. These unallocated items are not defined terms within U.S. GAAP. They are based on how management views the business, makes financial, operating and planning decisions and evaluates the Company's ongoing performance and are not attributable to either segment. Unallocated fees include distribution center wind down fees, inventory reserve, one-time professional fees and settlements, severance expense, the benefit from lease liability decreases in excess of previously impaired ROUA, lease termination fees, asset retirement obligation costs and long-lived asset impairment charges. Figures for prior reporting periods have been restated to conform to the current period.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Revenues:				
Franchise	$ 57,354	$ 64,227	$ 116,111	$ 133,040
Company-owned	2,613	5,043	5,727	13,048
Total revenue	59,967	69,270	121,838	146,088
Segment adjusted EBITDA:				
Franchise	7,532	5,721	12,523	2,256
Company-owned	303	(3,133)	(863)	(4,688)
Total	7,835	2,588	11,660	(2,432)
Unallocated expenses	(2,064)	(1,935)	(2,631)	(1,417)
Depreciation and amortization	(3,793)	(1,605)	(5,044)	(3,144)
Long-lived asset impairment	—	(52)	—	(215)
Interest expense	(4,519)	(3,270)	(8,336)	(6,397)

Income tax benefit (expense)	—	164	(28)	213
Income (loss) from discontinued operations	134	(818)	3,440	(1,914)
Total net loss	$ (2,407)	$ (4,928)	$ (939)	$ (15,306)

	Three Months Ended September 30, 2021		
	Franchise	Company-owned	Consolidated
		(Dollars in thousands)	
Revenues:			
Royalties	$ 16,602	$ —	$ 16,602
Fees	2,327	—	2,327
Product sales to franchisees	8,008	—	8,008
Advertising fund contributions	8,114	—	8,114
Franchise rental income	33,762	—	33,762
Company-owned salon revenue	—	8,005	8,005
Total revenue	68,813	8,005	76,818
Operating expenses:			
Cost of product sales to franchisees	7,648	—	7,648
General and administrative	20,238	546	20,784
Rent	1,621	126	1,747
Advertising fund expense	8,114	—	8,114
Franchise rent expense	33,762	—	33,762
Company-owned salon expense	—	7,945	7,945
Depreciation and amortization	1,293	246	1,539
Long-lived asset impairment	—	163	163
Total operating expenses	72,676	9,026	81,702
Operating loss	$ (3,863)	$ (1,021)	$ (4,884)

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 consolidated 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, 2022 Annual Report on Form 10-K and other documents filed or furnished with the SEC during the current fiscal year.

MANAGEMENT'S OVERVIEW

Regis Corporation (NYSE:RGS) is a leader in the beauty salon industry. As of September 30, 2022 December 31, 2022, the Company franchised, owned or held ownership interests in 5,494 5,347 worldwide locations. Our locations consisted of 5,418 5,271 system-wide North American and international salons, and 76 locations in which we maintained a non-controlling ownership interest less than 100 percent. Regis' franchised and corporate locations operate under concepts such as Supercuts®, SmartStyle®, Cost Cutters®, Roosters® and First Choice Haircutters®. Regis maintains an ownership interest in Empire Education Group in the U.S. United States. As of September 30, 2022 December 31, 2022, the Company had 608 545 employees worldwide.

Merchandising Strategy

As part of the Company's transformation to focus on managing and nurturing brands, and in line with its capital-light business, the Company adopted a new merchandise strategy to shift shifted its product business from a wholesale model to a third-party distribution model. model in fiscal year 2022. Management expects the change will positively impact franchisees by providing them access to industry-leading pricing, loyalty programs, promotional benefits, educational assets, and ongoing support. The Company will receive receives a rebate from the third-party distributors distributor, which is included in fees on the interim unaudited Condensed Consolidated Statement of Operations. As a result of the change, product sales to franchisees will continue to decrease and are expected to provide less revenue and costs in fiscal year 2023 as compared to prior year.

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, 2022 Annual Report on Form 10-K, as well as Notes 1 and 2 to the unaudited Condensed Consolidated Financial Statements contained within this Quarterly Report on Form 10-Q. We believe the accounting policies related to the valuation of goodwill and the valuation and estimated useful lives of long-lived assets 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, 2022 Annual Report on Form 10-K. Our policies related to revenue recognition guidance can be found in Note 2 to the unaudited Condensed Consolidated Financial Statements.

RESULTS OF OPERATIONS

System-wide results

As an asset-light franchise platform, our results are impacted by our system-wide sales, which include sales by all points of distribution, whether owned by our franchisees or the Company. While we do not record sales by franchisees as revenue, and such sales are not included in our unaudited Condensed Consolidated Financial Statements, we believe that this operating measure is important in obtaining an understanding of our financial performance. We believe system-wide sales information aids in understanding how we derive royalty revenue and in evaluating performance.

System-wide same-store sales by concept are detailed in the table below:

		Three Months Ended September 30,			Three Months Ended December 31,		Six Months Ended December 31,	
		2022	2021		2022	2021	2022	2021
Supercuts	Supercuts	8.9 %	30.5 %	Supercuts	7.2 %	30.8 %	8.0 %	30.6 %
SmartStyle	SmartStyle	(3.2)	17.0	SmartStyle	(2.9)	13.2	(3.1)	15.1
Portfolio Brands	Portfolio Brands	3.6	18.5	Portfolio Brands	6.0	16.6	4.8	17.6
Consolidated system-wide same-store sales (1)	Consolidated system-wide same-store sales (1)	4.5 %	23.2 %	Consolidated system-wide same-store sales (1)	4.5 %	22.1 %	4.5 %	22.6 %

(1) System-wide same-store sales are calculated as the total change in sales for system-wide franchise and company-owned locations that were open on a specific day of the week during the current period and the corresponding prior period. Quarterly and year-to-date system-wide same-store sales are the sum of the system-wide same-store sales computed on a daily basis. Franchise salons that do not report daily sales are excluded from same-store sales. System-wide same-store sales are calculated in local currencies to remove foreign currency fluctuations from the calculation.

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, and the increase (decrease) is measured in basis points.

	Three Months Ended September 30,				
	2022	2021	2022	2021	2022
	($ in millions)		% of Total Revenues (1) (2)		Increase (Decrease) (1)
Royalties	$ 17.2	$ 16.6	27.9 %	21.7 %	620
Fees	2.6	2.3	4.2	3.0	120
Product sales to franchisees	0.4	8.0	0.6	10.4	(980)
Advertising fund contributions	8.3	8.1	13.4	10.5	290
Franchise rental income	30.3	33.8	48.9	44.0	490
Company-owned salon revenue	3.1	8.0	5.0	10.4	(540)
Cost of product sales to franchisees	0.5	7.6	125.0	95.0	3,000
General and administrative	14.4	20.8	23.3	27.1	(380)
Rent	1.8	1.7	2.9	2.2	70
Advertising fund expense	8.3	8.1	13.4	10.5	290
Franchise rent expense	30.3	33.8	48.9	44.0	490
Company-owned salon expense	3.0	7.9	4.8	10.3	(550)
Depreciation and amortization	1.3	1.5	2.1	2.0	10
Long-lived asset impairment	—	0.2	—	0.3	(30)
Operating income (loss) (3)	2.5	(4.9)	4.0	(6.4)	1,040

Interest expense	(3.8)	(3.1)	(6.1)	(4.0)	(210)
Loss from sale of salon assets to franchisees, net	—	(1.1)	—	(1.4)	140
Other, net	(0.5)	(0.2)	(0.8)	(0.3)	(50)
Income tax (expense) benefit (4)	—	—	(1.5)	0.5	N/A
Income (loss) from discontinued operations	3.3	(1.1)	5.3	(1.4)	670
Net income (loss) (3)	1.5	(10.4)	2.4	(13.5)	1,590

(1) Variances calculated on amounts shown in millions may result in rounding differences.

	Three Months Ended December 31,					Six Months Ended December 31,				
	2022	2021	2022	2021	2022	2022	2021	2022	2021	2022
	($ in millions)		% of Total Revenues (1)		Increase (Decrease)	($ in millions)		% of Total Revenues (1)		Increase (Decrease)
Royalties	$ 16.2	$ 16.1	27.0 %	23.2 %	380	$ 33.3	$ 32.7	27.3 %	22.5 %	480
Fees	3.2	3.9	5.4	5.6	(20)	5.8	6.2	4.8	4.2	60
Product sales to franchisees	1.1	2.4	1.8	3.5	(170)	1.6	10.4	1.3	7.1	(580)
Advertising fund contributions	8.0	8.0	13.3	11.7	160	16.2	16.1	13.3	11.0	230
Franchise rental income	28.9	33.8	48.2	48.8	(60)	59.2	67.5	48.6	46.3	230
Company-owned salon revenue	2.6	5.0	4.3	7.2	(290)	5.7	13.0	4.7	8.9	(420)
Cost of product sales to franchisees	1.3	3.1	118.2	129.2	(1,100)	1.8	10.8	112.5	103.8	870
Inventory reserve	1.2	—	2.0	—	N/A	1.2	—	1.0	—	N/A
General and administrative	11.7	15.1	19.6	21.8	(220)	26.1	35.9	21.4	24.6	(320)
Rent	2.1	3.0	3.5	4.3	(80)	3.8	4.8	3.1	3.3	(20)
Advertising fund expense	8.0	8.0	13.3	11.7	160	16.2	16.1	13.3	11.0	230
Franchise rent expense	28.9	33.8	48.2	48.8	(60)	59.2	67.5	48.6	46.3	230
Company-owned salon expense	2.2	5.1	3.7	7.4	(370)	5.2	13.0	4.3	8.9	(460)
Depreciation and amortization	3.8	1.6	6.3	2.3	400	5.0	3.1	4.1	2.1	200
Long-lived asset impairment	—	0.1	—	0.1	(10)	—	0.2	—	0.1	(10)
Operating income (loss) (2)	0.7	(0.5)	1.2	(0.7)	190	3.2	(5.4)	2.6	(3.7)	630
Interest expense	(4.5)	(3.3)	(7.5)	(4.8)	(270)	(8.3)	(6.4)	(6.8)	(4.4)	(240)
Loss from sale of salon assets to franchisees, net	—	(0.6)	—	(0.9)	90	—	(1.7)	—	(1.2)	120
Other, net	1.2	0.1	2.0	0.1	190	0.8	(0.1)	0.7	(0.1)	80
Income tax benefit (expense) (3)	—	0.2	—	3.8	N/A	—	0.2	(0.6)	1.6	N/A
Income (loss) from discontinued operations	0.1	(0.8)	0.2	(1.2)	140	3.4	(1.9)	2.8	(1.3)	410
Net loss (2)	(2.4)	(4.9)	(4.0)	(7.1)	310	(0.9)	(15.3)	(0.7)	(10.5)	980

(2) (1) Cost of product sales to franchisees is computed as a percent of product sales to franchisees.

(3) (2) Total is a recalculation; line items calculated individually may not sum to total due to rounding.

(4) (3) Computed as a percent of loss from continuing operations before income taxes. The income tax basis point change is noted as not applicable (N/A) as the discussion within MD&A is related to the effective income tax rate.

Three and Six Months Ended September 30, 2022 December 31, 2022 Compared with Three and Six Months Ended September 30, 2021 December 31, 2021

Consolidated Revenues

Consolidated revenues are comprised of royalties, fees, advertising fund contributions, product sales to franchisees, advertising fund contributions, franchise rental income and company-owned salon revenue.

Consolidated revenue decreased $14.9 million $9.3 and $24.3 million, or 19.4% 13.4% and 16.6%, for the three and six months ended September 30, 2022. December 31, 2022, respectively. Royalty revenue increased $0.1 and $0.6 million in the three and six months ended September 30, 2022 December 31, 2022, respectively, due to higher improved system-wide same-store sales and average royalty rates. The overall decrease in revenue for the three and six months ended December 31, 2022 is due to the decrease in company-owned salon revenue of $4.9 million $2.4 and $7.3 million, respectively, due primarily to salon closures, and to the decline in product sales to franchisees of $7.6 million. $1.3 and $8.8 million, respectively, and the decline in franchise rental income of $4.9 and $8.3 million, respectively. During the twelve months ended September 30, 2022 December 31, 2022, 30 17 salons were sold to franchisees and 370 452 and 22 20 system-wide salons were closed and constructed, respectively (2023 Net Salon Count Changes).

Royalties

During the three and six months ended September 30, 2022 December 31, 2022, royalties increased $0.1 and $0.6 million, or 3.6% 0.6% and 1.8%, respectively, primarily due to higher average royalty rates and improved system-wide same-store sales partially offset by a decrease in franchise salon count.

Fees

During the three and six months ended September 30, 2022 December 31, 2022, fees increased $0.3 million decreased $0.7 and $0.4 million, or 13.0% 17.9% and 6.5%, respectively, primarily due to a decrease in terminated development agreements in fiscal year 2023 partially offset by an increase in the rebate received from the Company's shift in its product business to a third-party distributor, which is a new source of revenue. See Note 2 to the unaudited Condensed Consolidated Financial Statements. distribution model.

Product Sales to Franchisees

Product sales to franchisees decreased $7.6 million $1.3 and $8.8 million, or 95.0% 54.2% and 84.6%, respectively, during the three and six months ended September 30, 2022 December 31, 2022, primarily due to the Company's shift in its product business to a third-party distribution model.

Advertising Fund Contributions

Advertising fund contributions increased $0.2 million, or 2.5%, during the three months ended September 30, 2022, primarily did not change significantly year-over-year, declining slightly due to the a reduction in salon count partially offset by an increase in Supercuts system-wide same-store sales.

Franchise Rental Income

During the three and six months ended September 30, 2022 December 31, 2022, franchise rental income decreased $3.5 million $4.9 and $8.3 million, or 10.4% 14.5% and 12.3%, respectively, primarily due to a lower franchise salon count.

Company-owned Salon Revenue

During the three and six months ended September 30, 2022 December 31, 2022, company-owned salon revenue decreased $4.9 million $2.4 and $7.3 million, or 61.3% 48.0% and 56.2%, respectively, due to the decrease in company-owned salons as a result of a decrease in salon count and a decline in product sales.

Cost of Product Sales to Franchisees

The 3,000 1,100 basis point decrease in cost of product as a percent of product revenues during the three months ended December 31, 2022 was primarily due to higher marketing and freight expense in fiscal year 2022. The 870 basis point increase in cost of product as a percent of product revenues during the three six months ended September 30, 2022 December 31, 2022 was primarily due to the Company reducing prices to liquidate distribution center inventory.

Inventory Reserve

In the three and six months ended December 31, 2022, the Company recorded an inventory reserve charge of $1.2 million related to slow moving products. During the three and six months ended December 31, 2021, the Company recorded inventory reserve charges of $1.2 and $1.5 million, respectively, which were included in company-owned salon expense related to distribution center inventory.

General and Administrative

The decrease of $6.4 million, or 30.8%, in general General and administrative expense decreased $3.4 and $9.8 million, or 22.5% and 27.3%, during the three and six months ended September 30, 2022 was primarily due to lower December 31, 2022, respectively. Lower administrative and field management compensation resulting from headcount reductions, and a decrease in expenses associated with the distribution center closures in fiscal year 2022. 2022 and a favorable actuarial adjustment of $0.6 million contributed to the decrease.

Rent

Rent expense did not change significantly year over year. decreased $0.9 and $1.0 million, or 30.0% and 20.8%, during the three and six months ended December 31, 2022, respectively. There was a benefit of $1.1 million $0.1 and $1.2 million in fiscal year 2022 the three and six months ended December 31, 2021 related to Canadian COVID-19 rent relief, which was offset by the net reduction in the number of company-owned salons in fiscal year 2023.

Advertising Fund Expense

Advertising fund expense increased $0.2 million, or 2.5%, during the three months ended September 30, 2022, primarily did not change significantly year-over-year, declining slightly due to the a reduction in salon count partially offset by an increase in Supercuts system-wide same-store sales.

Franchise Rent Expense

During the three and six months ended September 30, 2022 December 31, 2022, franchise rent expense decreased $3.5 million $4.9 and $8.3 million, or 10.4% 14.5% and 12.3%, respectively, primarily due to a lower franchise salon count.

Company-owned Salon Expense

Company-owned salon expense for the three and six months ended September 30, 2022 December 31, 2022 decreased $4.9 million $2.9 and $7.8 million, or 62.0% 56.9% and 60.0%, respectively, primarily due to the reduction in company-owned salons salon count and a decline in product sales, partially offset by $0.6 million $0.8 and $1.4 million of Canadian wage relief received in fiscal year 2022. the three and six months ended December 31, 2021, respectively.

Depreciation and Amortization

The decrease increases of $0.2 million $2.2 and $1.9 million, or 13.3% 137.5% and 61.3%, in depreciation and amortization during the three and six months ended September 30, 2022 was December 31, 2022, respectively, were primarily due to a $2.6 million accelerated depreciation charge related to the consolidation of office space within the Company's corporate headquarters, partially offset by lower asset retirement obligations ("white boxing" salons at lease end) and the net reduction in company-owned salon count.

Long-Lived Asset Impairment

In the three and six months ended September 30, 2022 December 31, 2022, the Company did not record a long-lived asset impairment charge, and in the three and six months ended September 30, 2021 December 31, 2021, the Company recorded a long-lived asset impairment charge charges of $0.1 and $0.2 million., respectively. The decrease decreases in long-lived asset impairment was primarily due to more salons being impaired in prior periods.

Interest Expense

The $0.7 million increase $1.2 and $1.9 million increases in interest expense for the three and six months ended September 30, 2022 was December 31, 2022, respectively, were primarily due to the amortization of fees related to the credit amendment that was signed in the first quarter of fiscal year 2023 and a higher interest rate on outstanding borrowings.

Loss from Sale of Salon Assets to Franchisees, Net

There was one salon sold in the three six months ended September 30, 2022 December 31, 2022 compared to 81 13 and 94 in the three and six months ended September 30, 2021 December 31, 2021, respectively, which resulted in a $1.1 million decrease $0.6 and $1.7 million decreases in the loss from sale of salon assets to franchisees, net.

Other, Net

The decrease of $0.3 million in other, Other, net increased $1.1 and $0.9 million during the three and six months ended September 30, 2022 was December 31, 2022, respectively, primarily due to a higher foreign exchange loss in $1.1 million grant received from the three months ended September 30, 2022. state of North Carolina related to COVID-19 relief.

Income Tax Benefit (Expense) Benefit

During the three months ended September 30, 2022 December 31, 2022, the Company recognized no tax benefit or expense, as compared to recognizing a tax benefit of $0.2 million, with a corresponding effective tax rate of 3.8% during the three months ended December 31, 2021. During the six months ended December 31, 2022, the Company recognized tax expense of $0.03 million, with a corresponding effective tax rate of (1.5%) (0.6)%, as compared to recognizing a tax benefit of $0.05 million $0.2 million, with a corresponding effective tax rate of 0.5% 1.6% during the three six months ended September 30, 2021 December 31, 2021. See Note 5 to the unaudited Condensed Consolidated Financial Statements.

Income (Loss) from Discontinued Operations

In the three and six months ended September 30, 2022 and 2021, December 31, 2022, the Company recognized recorded a gain from discontinued operations net of income taxes of $3.3 million $0.1 and $3.4 million, respectively, and in the three and six months ended December 31, 2021, the Company recorded a loss of $1.1 million $0.8 and $1.9 million, respectively. The gain in fiscal year 2023 is primarily due to receipt of $4.0 million $4.5 million in sales proceeds, of which $0.5 million were received in the second quarter, which were previously held back. See Note 3 to the unaudited Condensed Consolidated Financial Statements.

Results of Operations by Segment

Based on our internal management structure, we report two segments: Franchise and Company-owned salons. See Note 12 to the unaudited Condensed Consolidated Financial Statements. Significant results of continuing operations are discussed below with respect to each of these segments.

Franchise

		Three Months Ended September 30, 2022	2021	Increase (Decrease) (1)		Three Months Ended December 31, 2022	2021	Increase (Decrease) (1)	Six Months Ended December 31, 2022	2021	Increase (Decrease) (1)
		(Dollars in millions)				(Dollars in millions)			(Dollars in millions)		
Royalties	Royalties	$17.2	$16.6	$ 0.6	Royalties	$16.2	$16.1	$0.1	$ 33.3	$32.7	$0.6
Fees	Fees	2.6	2.3	0.3	Fees	3.2	3.9	(0.7)	5.8	6.2	(0.4)
Product sales to franchisees	Product sales to franchisees	0.4	8.0	(7.6)	Product sales to franchisees	1.1	2.4	(1.3)	1.6	10.4	(8.8)
Advertising fund contributions	Advertising fund contributions	8.3	8.1	0.2	Advertising fund contributions	8.0	8.0	—	16.2	16.1	0.1
Franchise rental income	Franchise rental income	30.3	33.8	(3.5)	Franchise rental income	28.9	33.8	(4.9)	59.2	67.5	(8.3)
Total franchise revenue (1)	Total franchise revenue (1)	$58.8	$68.8	$ (10.0)	Total franchise revenue (1)	$57.4	$64.2	$ (6.8)	$ 116.1	$133.0	$ (16.9)

Franchise same-store sales (2)	Franchise same-store sales (2)	4.6 %	23.7 %		Franchise same-store sales (2)	4.5 %	22.4 %			4.6 %	23.0 %		
Operating income (loss)		$ 4.1	$ (3.9)	$ 8.0									
Franchise adjusted EBITDA									Franchise adjusted EBITDA	$ 7.5	$ 5.7	$ 1.8	$ 12.5
Total franchise salons	Total franchise salons	5,323	5,587	(264)	Total franchise salons	5,196	5,553	(357)					

(1) Total is a recalculation; line items calculated individually may not sum to total due to rounding.

(2) Franchise same-store sales are calculated as the total change in sales for franchise locations that were open on a specific day of the week during the current period and the corresponding prior period. Quarterly and year-to-date franchise same-store sales are the sum of the franchise same-store sales computed on a daily basis. Franchise salons that do not report daily sales are excluded from same-store sales. Franchise same-store sales are calculated in local currencies to remove foreign currency fluctuations from the calculation.

Franchise Revenue

Franchise revenues decreased $10.0 million $6.8 and $16.9 million during the three and six months ended September 30, 2022. December 31, 2022, respectively. The decrease decreases in franchise salon revenue during the three and six months ended September 30, 2022 was December 31, 2022 were primarily due to the decrease in product sales to franchisees due to the Company's shift to a third-party distributors distributor and franchise rental income. During the twelve months ended September 30, 2022 December 31, 2022, franchisees purchased 30 17 salons from the Company and constructed (net of relocations) and closed 21 19 and 315 393 franchise salons, respectively.

Franchise Operating Income (Loss) Adjusted EBITDA

During the three and six months ended September 30, 2022 December 31, 2022, franchise salon operations generated operating income adjusted EBITDA totaled $7.5 and $12.5 million, respectively, an improvement of $4.1 million $1.8 and generated operating losses of $3.9 million during $10.2 million compared to the three and six months ended September 30, 2021. Operating income improved December 31, 2021, respectively. The improvements are primarily due to higher an increase in average royalty revenue revenues and decreased a decrease in general and administrative expense and rent. expense.

Company-owned Salons

		Three Months Ended September 30,				Three Months Ended December 31,				Six Months Ended December 31,				
		2022	2021			2022	2021			2022	2021			
		(Dollars in millions)		Decrease (1)		(Dollars in millions)		(Decrease) Increase (1)	(Decrease) Increase (1)	(Decrease) Increase (1)	(Dollars in millions)	(Decrease) Increase (1)	(Decrease) Increase (1)	(Decrease) Increase (1)
Total revenue	Total revenue	$ 3.1	$ 8.0	$ (4.9)	Total revenue	$ 2.6	$ 5.0	$ (2.4)	$ 5.7		$13.0	$(7.3)		
Operating loss		$ (1.6)	$ (1.0)	$ (0.6)										
Company-owned salon adjusted EBITDA								Company-owned salon adjusted EBITDA	$ 0.3	$ (3.1)	$ 3.4	$ (0.9)	$(4.7)	$3.8
Total company-owned salons	Total company-owned salons	95	179	(84)	Total company-owned salons	75	150	(75)						

(1) Total is a recalculation; line items calculated individually may not sum to total due to rounding.

Company-owned Salon Revenue

Company-owned salon revenues decreased $4.9 million $2.4 and $7.3 million during the three and six months ended September 30, 2022 December 31, 2022, respectively, primarily due to the 2023 Net Salon Count Changes and a decline in product sales in salons.

Company-owned Salon Operating Loss Adjusted EBITDA

During the three and six months ended September 30, 2022 December 31, 2022, company-owned salon operating loss increased $0.6 million adjusted EBITDA improved $3.4 and $3.8 million, compared respectively, primarily due to the prior comparable period. The increase closure of unprofitable salons and a $1.1 million grant received from the state of North Carolina related to COVID-19 relief in the loss during the three months ended September 30, 2022 was primarily due to the Company receiving Canadian COVID-19 rent and wage relief benefits of $1.7 million in fiscal year 2022, partially offset by the closure of loss-generating salons. December 31, 2022.

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LIQUIDITY AND CAPITAL RESOURCES

In August 2022, the Company reached an agreement to amend its credit agreement and extend the maturity to August 2025 from March 2023. Under the amendment, the $295.0 million revolving credit facility was converted to a $180.0 million term loan and $55.0 million revolving credit facility with the minimum liquidity covenant reduced to $10.0 million from $75.0 million. The amended credit agreement includes typical provisions and financial covenants, including minimum EBITDA, leverage and fixed-charge coverage ratio covenants, the latter two of which are not tested until December 31, 2023. See Note 9 to the unaudited Condensed Consolidated Financial Statements.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents and our borrowing agreements are our most significant sources of liquidity. The Company believes it has sufficient liquidity, cash on hand and borrowing capacity, to meet its obligations in the next twelve months and beyond.

As of September 30, 2022 December 31, 2022, cash and cash equivalents were $9.5 million $9.4 million, with $8.3 million $8.4 and $1.2 million $1.0 million within the United States and Canada, respectively.

As of September 30, 2022 December 31, 2022, the Company's borrowing arrangements include a $180.0 million $173.8 million term loan and a $55.0 million revolving credit facility that expires in August 2025. As of September 30, 2022 December 31, 2022, the unused available credit under the revolving credit facility was $38.3 million $34.3 million, the credit agreement has a minimum liquidity covenant of $10.0 million, and total liquidity per the agreement was $47.8 million $43.7 million. See Note 9 to the unaudited Condensed Consolidated Financial Statements.

Additionally, in February 2021, the Company filed a $150.0 million shelf registration statement and $50.0 million prospectus supplement with the SEC under which it may offer and sell, from time to time, up to $50.0 million worth of its Class A common stock in "at-the-market offerings." Net proceeds from sales of shares under the "at-the-market" program, if any, may be used to, among other things, fund working capital requirements, repay debt and support our brands and franchisees. The timing and amount of sales of shares, if any, will depend on a variety of factors, including prevailing market conditions, the trading price of shares, and other factors as determined by the Company. During the three and six months ended September 30, 2022 December 31, 2022, the Company did not issue shares under the prospectus supplement. During the three six months ended September 30, 2021 December 31, 2021, the Company issued 8.1 million 9.3 million shares and received net proceeds of $32.2 million. On September 29, 2021, the Company sold 1.2 million shares for net proceeds of $5.0 million, which settled on October 1, 2021 $37.2 million. As of September 30, 2022 December 31, 2022, $11.6 million remains outstanding under the share issuance program.

Uses of Cash

The Company closely manages its liquidity and capital resources. The Company's liquidity requirements depend on key variables, including the level of investment needed to support its business strategies, the performance of the business, credit facilities and borrowing arrangements, and working capital management. The Company has a disciplined approach to capital allocation, which focuses on investing in key priorities as discussed within Part I, Item 1 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

Cash Requirements

The Company's most significant contractual cash requirements as of September 30, 2022 December 31, 2022 were lease commitments and interest payments. See Note 8 to the unaudited Condensed Consolidated Financial Statements for further lease commitment detail. Additionally, the Company is expecting to pay $2.5 million in deferred social security contributions in the second quarter of fiscal year 2023.

Cash Flows

Cash Flows from Operating Activities

During the three six months ended September 30, 2022 December 31, 2022, cash used in operating activities was $5.1 million $6.9 million compared to $12.3 million $24.3 million in the prior year. Cash used in operations improved due to higher royalties and lower general and administrative expense. expense, a $1.1 million cash grant received from the state of North Carolina related to COVID-19 relief and less cash used for working capital. Cash use in fiscal year 2023 included a $2.5 million payment of previously deferred social security contributions.

Cash Flows from Investing Activities

During the three six months ended September 30, 2022 December 31, 2022, cash provided by investing activities of $3.3 million $3.6 million, primarily related to cash received of $4.0 million $4.5 million from the sale of OSP, net of a $0.5 million transaction fee. During the three six months ended September 30, 2021 December 31, 2021, cash used in investing activities of $1.5 million $2.9 million was primarily due to capital expenditures, primarily related to internally-developed capitalized software.

Cash Flows from Financing Activities

During the three six months ended September 30, 2022 December 31, 2022, cash used in financing activities was $3.8 million $1.6 million, primarily as a result of debt refinancing fees of $4.3 million $4.4 million, partially offset by a net $0.6 million $2.8 million borrowing under the Company's revolving credit facility. During the three six months ended September 30, 2021 December 31, 2021, cash provided by financing activities was $40.8 million $43.6 million, primarily as a result of net proceeds related to the issuance of common stock. stock and a net draw on the Company's revolving credit facility.

Financing Arrangements

See Note 9 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, 2022 December 31, 2022 and Note 8 of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022, for additional information regarding our financing arrangements.

Debt to Capitalization Ratio

Our debt to capitalization ratio, calculated as the principal amount of debt as a percentage of the principal amount of debt and shareholders' deficit at fiscal quarter end, was as follows:

	Debt to Capitalization (1)
September 30, December 31, 2022	119.8 120.9 %
June 30, 2022	120.8 %

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(1) Excludes the long-term lease liability as that liability is offset by the ROU asset.

The decrease in the debt to capitalization ratio as of September 30, 2022 as December 31, 2022 did not change significantly compared to June 30, 2022, was primarily due to the improvement in shareholders' deficit as a result of net income in the quarter. .

Share Issuance Program

In February 2021, the Company filed a $150.0 million shelf registration statement and $50.0 million prospectus supplement with the SEC under which it may offer and sell, from time to time, up to $50.0 million worth of its Class A common stock in "at-the-market" offerings. During the three six months ended September 30, 2022 December 31, 2022, the Company did not issue shares under the prospectus supplement. As of September 30, 2022 December 31, 2022, 9.3 million shares have been cumulatively issued for $38.4 million, and $11.6 million remains outstanding under the share issuance program.

Share Repurchase Program

In May 2000, the Board approved a stock repurchase program with no stated expiration date. Since that time and through September 30, 2022 December 31, 2022, the Board has authorized $650.0 million to be expended for the repurchase of the Company's stock under this program. All repurchased shares become authorized but unissued shares of the Company. The timing and amounts of any repurchases depend on many factors, including the market price of the common stock and overall market conditions. During the three six months ended September 30, 2022 December 31, 2022, the Company did not repurchase any shares. As of September 30, 2022 December 31, 2022, 30.0 million shares have been cumulatively repurchased for $595.4 million, and $54.6 million remains 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." These uncertainties include a potential material adverse impact on our business and results of operations as a result of the COVID-19 pandemic, including any adverse impact from variants; consumer shopping trends and changes in manufacturer distribution channels; changes in regulatory and statutory laws including increases in minimum wages; laws and regulations could require us to modify current business practices and incur increased costs; changes in economic conditions; changes in consumer tastes, fashion trends and consumer spending patterns; compliance with New York Stock Exchange listing requirements; reliance on franchise royalties and overall success of our franchisees' salons; the return of sales at franchise locations to pre-pandemic levels; new merchandising strategy that utilizes third-party preferred supplier arrangements; our franchisees' ability to attract, train and retain talented stylists and salon leaders; the success of our franchisees, which operate independently; our ability to manage cyber threats and protect the security of potentially sensitive information about our guests, franchisees, employees, vendors or Company information; the ability of the Company to maintain a satisfactory relationship with Walmart; marketing efforts to drive traffic to our franchisees' salons; the successful migration of our franchisees to the Zenoti® salon technology platform; our ability to maintain and enhance the value of our brands; reliance on information technology systems; reliance on external vendors; the use of social media; failure to standardize operating processes across brands; exposure to uninsured or unidentified risks; the effectiveness of our enterprise risk management program; compliance with covenants in our financing arrangement, access to the existing revolving credit facility, and we may face an accelerated obligation to repay our indebtedness; our capital investments in technology may not achieve appropriate returns; premature termination of agreements with our franchisees; financial performance of Empire Education Group, Inc.; the continued ability of the Company to implement cost reduction initiatives and achieve expected cost savings; continued ability to compete in our business markets; reliance on our management team and other key personnel; the continued ability to maintain an effective system of internal controls over financial reporting; changes in tax exposure; the ability to use U.S. net operating loss carryforwards; potential litigation and other legal or regulatory proceedings could have an adverse effect on our business; or other factors not listed above. Additional information concerning potential factors that could affect future financial results is set forth under Item 1A on Form 10-K. 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates and changes in foreign currency exchange rates. There has been no material change to the factors discussed within Part II, Item 7A in the Company's June 30, 2022 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Securities Exchange Act of 1934, as amended (the Exchange Act) reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of the CEO and CFO, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of the end of the period. Based on their evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2022 December 31, 2022.

Changes in Internal Controls over Financial Reporting

There were no material changes in our internal controls over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a defendant in various lawsuits and claims arising out of the normal course of business. Like certain other franchisors, the Company currently faces, and in the past has faced, allegations of franchise regulation violations, breach of franchise agreements, fraud and unfair or deceptive trade practices. These claims have increased following the Company's franchising of its company-owned locations. Additionally, the Company currently faces, and in the past has faced, allegations of non-payment of rent and associated charges pursuant to leases in which the Company is the tenant under a master lease for a location subleased to a franchisee. These claims have increased since the advent of COVID-19 and can be attributed in part to decreases in salon revenue. revenue causing franchisees to fail to pay rent or cease operations. The Company has incurred judgments and entered into settlements of settled these lawsuits and claims. Litigation is inherently unpredictable, and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, in the future, the Company could in the future, incur judgments or enter into settlements of settle claims that could have a material adverse effect on its results of operations in any particular period.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Issuance Program

In February 2021, the Company filed a $150.0 million shelf registration statement and $50.0 million prospectus supplement with the SEC under which it may offer and sell, from time to time, up to $50.0 million worth of its Class A common stock in "at-the-market" offerings. During the three six months ended September 30, 2022 December 31, 2022, the Company did not issue shares under the prospectus supplement.

The following table shows the stock issuance activity for the three months ended September 30, 2022:

Period	Total Number of Shares Issued	Average Price per Share	Total Number of Shares Issued as Part of Publicly Announced Plans	Gross Proceeds Received
7/1/22 - 7/31/22	—	$ —	9,295,618	$ —
8/1/22 - 8/31/22	—	—	9,295,618	—
9/1/22 - 9/30/22	—	—	9,295,618	—
Total	—	$ —	9,295,618	$ —

On September 30, 2022 December 31, 2022, $11.6 million remains under the prospectus supplement, which equates to 11.5 million 9.5 million shares based on the share price as of September 30, 2022 December 31, 2022.

Share Repurchase Program

In May 2000, the Board approved a stock repurchase program with no stated expiration date. Since that time and through September 30, 2022 December 31, 2022, the Board has authorized $650.0 million to be expended for the repurchase of the Company's stock under this program. All repurchased shares become authorized but unissued shares of the Company. The Company last purchased shares in fiscal year 2020. As of September 30, 2022 December 31, 2022, a total accumulated 30.0 million shares have been repurchased for $595.4 million. At September 30, 2022 December 31, 2022, $54.6 million remains outstanding under the approved stock repurchase program. The Company does not expect to repurchase shares in fiscal year 2023.

Item 6. Exhibits

Exhibit 10.1	Amended and Restated Senior Executive Severance Policy, dated September 1, 2022.
Exhibit 10.2	Form of Cash Settled SAR Agreement (Annual Executive Grants).
Exhibit 10.3	Form of Employee Stock Option Agreement (Annual Executive Grants).
Exhibit 10.4	Form of Non-Employee Director Stock Option Agreement (Annual Non-Employee Director Grants).
Exhibit 10.5	Amendment No. 6 to Credit Agreement, dated as of August 12, 2022, by and among Regis Corporation, certain of its subsidiaries, various financial institutions and Bank of America, N.A. as Administrative Agent. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on August 15, 2022).
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.
Exhibit 32	Chief Executive Officer and Chief Financial Officer of Regis Corporation: Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101	The following financial information from Regis Corporation's Quarterly Report on Form 10-Q for the quarterly period and year-to-date periods ended September 30, 2022 December 31, 2022, formatted in Inline Xtensible Business Reporting Language (iXBRL) and filed electronically herewith: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss); Loss; (iv) the Condensed Consolidated Statements of Shareholders' Deficit; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to the Condensed Consolidated Financial Statements.
Exhibit 104	The cover page from Regis Corporation's Quarterly Report on Form 10-Q for the quarterly and year-to-date periods ended September 30, 2022 December 31, 2022, formatted in iXBRL (included as Exhibit 101).

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.

Date: November 1, 2022 February 1, 2023	By:	/s/ Kersten D. Zupfer
		Kersten D. Zupfer
		Executive Vice President and Chief Financial Officer
		(Principal Accounting Officer)

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Amended and Restated Senior Executive Severance Policy Release Date: September 1, 2022 Senior Executives (defined as SVPs and above) who do not have an Employment Agreement will be eligible to receive severance pursuant to the following guidelines: 1. The Senior Executive is involuntarily terminated not for Cause (see below). 2. One year of their normal base salary, payable over the period of twelve months in substantially equal bi-monthly installments in accordance with the Company's payroll practices. 3. An amount equal to the pro-rata bonus, if any, for the fiscal year in which the date of termination occurs, determined by pro-rating the bonus the Senior Executive would have been eligible to receive had they been employed by the Company through the payment date of any such bonus (the pro-ration of which will be a fraction whose numerator is the number of days the Senior Executive was employed by the Company that fiscal year through the date of termination and the denominator is 365), payable at the same time as bonuses are paid to other then-current officers of the Company under the then-applicable Short Term Incentive Plan (STIP) for the fiscal year in which the date of the termination occurs. The pro-rata bonus is to be calculated as follows: Senior Executives who worked less than nine months during the fiscal year will be eligible to receive a bonus payout based on the average payout of other eligible continuing Senior Executives up to a maximum of 75% of the target bonus payout prior to proration. Senior Executives who worked nine months or more during the fiscal year will be eligible to receive a bonus payout based on their actual achievement of the target bonus payout prior to proration; provided that, in the event actual achievement cannot be calculated, such Senior Executives will be entitled to receive a bonus payout based on the average payout of other eligible continuing Senior Executives. 4. One-year COBRA supplement (the Company will pay the employer portion of the Senior Executive's COBRA premiums for health, dental and vision insurance coverage under the Company's group health, dental and vision insurance plans). This amount, if any, is payable over a period of twelve months in substantially equal bi-monthly installments in accordance with the Company's payroll practices. 5. Continuation of Group Executive Medical Expense Reimbursement Policy for one year past the date of termination. 6. Notwithstanding the one-year time frame, the benefits in items 4 and 5 will cease once the Senior Executive is eligible to be covered under the health and/or dental and vision insurance policy of a new employer and/or ceases to participate, for whatever reason, in the Company's group insurance plans. Payments are subject to statutory deductions. Timing of any severance payment is subject to various laws, including but not limited to the Minnesota Human Rights Act, IRS and Treasury Regulations. Severance under this policy is subject to the following conditions: 1. The Senior Executive is not terminated for Cause. Cause means: (a) acts resulting in a felony conviction under any federal or state statutes which is materially detrimental to the financial interests of the Company; (b) willful non-performance by the employee of the employee's material employment duties (other than by reason of the employee's physical and/or mental incapacity) after reasonable notice to the employee and reasonable opportunity (not less than 30 days) to cease such non-performance; or (c) willfully engaging in fraud or gross misconduct which is detrimental to the financial interests of the Company. 2. The Senior Executive signing and not revoking a release of claims in a form prescribed by the Company and remaining in strict compliance with the terms of that release, which will include a 12-month non-competition and non-solicitation period. 3. No severance will be paid in the event of voluntary termination, death or disability. This policy is effective immediately upon release. The Company may amend or terminate this policy at any time in the Company's sole discretion.

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US.351988748.03 REGIS CORPORATION STOCK APPRECIATION RIGHTS AWARD AGREEMENT This STOCK APPRECIATION RIGHTS AWARD AGREEMENT (this “Agreement”), dated as of [•] (the “Grant Date”), is between Regis Corporation, a Minnesota corporation (the “Company”), and [•] (the “Participant”). WHEREAS, the Participant is a valued and trusted employee of the Company and the Company desires to grant the Participant an award of Stock Appreciation Rights under the Regis Corporation 2018 Long Term Incentive Plan (as may be amended from time to time, the “Plan”); and WHEREAS, the Committee has duly made all determinations necessary or appropriate for the grant of the Stock Appreciation Rights hereunder (the “Award”). NOW, THEREFORE, in consideration of the premises and mutual covenants set forth and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed, and do hereby agree, as follows: 1. Definitions. For purposes of this Agreement, the definitions of terms contained in the Plan are hereby incorporated by reference, except to the extent that any such term is specifically defined in this Agreement. (a) “Good Reason” (i) shall have the meaning ascribed to such term in Participant's employment agreement with the Company; provided, however, that in order for the Termination of Employment to constitute a Termination of Employment for Good Reason, Participant must terminate employment no later than one hundred and twenty (120) days following the end of the applicable cure period, or (ii) if there is no such employment agreement with the Company, “Good Reason” shall mean the occurrence, without the express written consent of the Participant, of any of the following: (A) any material diminution in the nature of the Participant's authority, duties or responsibilities; (B) any reduction by the Company in the Participant's base salary then in effect or target bonus percentage (other than any reduction mutually agreed upon by the Company and the Participant), other than an across the board reduction of not more than 10% that applies to all other executives who report to the Chief Executive Officer of the Company; or (C) following a Change in Control, failure by the Company to continue in effect (without substitution of a substantially equivalent plan or a plan of substantially equivalent value) any compensation plan, bonus or incentive plan, stock purchase plan, stock option plan, life insurance plan, health plan, disability plan or other benefit plan or arrangement in which the Participant is then participating; US.351988748.03 2 provided that the Participant notifies the Company of such condition set forth in clause (A), (B) or (C) within ninety (90) days of its initial existence and the Company fails to remedy such condition within thirty (30) days of receiving such notice (the “Cure Period”) and the Participant delivers written notice of termination of employment to the Company's General Counsel within thirty (30) days following the end of the Cure Period, designating an employment termination date no later than one hundred and twenty (120) days following the end of the Cure Period. (b) “Qualifying Termination” means a Termination of Employment: (i) due to death or Disability; (ii) by reason of Participant’s Retirement; (iii) by the Company without Cause; or (iv) by the Company without Cause or by Participant for Good Reason, in either case, within 12 months following a Change in Control. (c) “Retirement” means any Termination of Employment (other than by the Company for Cause or due to death or Disability) at or after age sixty-two (62) or at or after age fifty- five (55) with fifteen (15) or more years of continuous service to the Company and its Affiliates. 2. Grant of Stock Appreciation Rights. The Company has granted to the Participant, effective as of the Grant Date, Stock Appreciation Rights with respect to an aggregate of [•] shares of Common Stock, subject to adjustment as set forth in the Plan (the “Stock Appreciation Rights”). The Stock Appreciation Rights will entitle Participant to receive a cash payment upon the due exercise of vested Stock Appreciation Rights in the amount determined pursuant to Section 7(c) of this Agreement, subject in all cases to the terms and conditions set forth in the Plan and this Agreement. For the avoidance of doubt, in no event will Participant be entitled to receive any shares of Common Stock in connection with the grant, vesting or exercise of the Stock Appreciation Rights. 3. Exercise Price. The exercise price of each Stock Appreciation Right is $[•] per share of Common Stock, subject to adjustment as set forth in the Plan (the “Exercise Price”). 4. Vesting of Stock Appreciation Rights. Subject to the terms and conditions set forth in the Plan and this Agreement, the Stock Appreciation Rights must satisfy a time-vesting condition to become vested and exercisable, as follows: (a) Time-Vesting Condition. Except as otherwise provided in Section 4(b), one-third (1/3) of the Stock Appreciation Rights will vest on the first anniversary of the Grant Date, one-third (1/3) of the Stock Appreciation Rights will vest on the second anniversary of the Grant Date and the remaining one-third (1/3) of the Stock Appreciation Rights will vest on the third anniversary of the Grant Date (each, a “Scheduled Vesting Date”), subject to Participant’s continued employment with the applicable Scheduled Vesting Date and the other terms and conditions set forth in US.351988748.03 3 this Agreement. To the extent that one-third of the Stock Appreciation Rights is not a whole number, any fractional Stock Appreciation Right that would otherwise be scheduled to vest on either of the first two scheduled vesting dates will be disregarded, and the number of Stock Appreciation Rights scheduled to vest on the third scheduled vesting date will be adjusted accordingly. (b) Forfeiture; Termination of Employment. (i) Except as provided in this Section 4(b), any unvested Stock Appreciation Rights will be forfeited immediately, automatically and without consideration upon the Participant’s Termination of Employment for any reason. In the event the Participant experiences a Termination of Employment by the Company for Cause, all vested Stock Appreciation Rights will also be forfeited immediately, automatically and without consideration upon such termination. (ii) If the Participant experiences a Qualifying Termination prior to the final Scheduled Vesting Date, then Participant shall immediately vest, as of the date of such Qualifying Termination, in a pro rata portion of the Stock Appreciation Rights that were scheduled to vest on the first Scheduled Vesting Date that follows such Qualifying Termination. For purposes of the immediately preceding sentence, the pro rata portion shall be determined as follows: (i) if such Qualifying Termination occurs prior to the first anniversary of the Grant Date, the pro rata portion shall be based on (A) the number of days the participant was employed from the Grant Date through the Termination of Employment as a percentage of (B) 365 days, and (ii) if such Qualifying Termination occurs after the first Scheduled Vesting Date, the pro rata portion shall be based on (A) the number of days the participant was employed from the Scheduled Vesting Date immediately preceding the Qualifying Termination through the Termination of Employment as a percentage of (B) 365 days. For the avoidance of doubt, in no event will the pro rata portion of Stock Appreciation Rights that vest as a result of the Participant’s Qualifying Termination exceed 100% of the Stock Appreciation Rights that were scheduled to vest on the first Scheduled Vesting Date that follows such Qualifying Termination, and any Stock Appreciation Rights that do not vest as a result of the Participant’s Qualifying Termination shall immediately be forfeited as of such Qualifying Termination. 5. Expiration. Any unexercised Stock Appreciation Rights will expire on the tenth (10th) anniversary of the Grant Date (the “Expiration Date”), or earlier as provided in Section 6 of this Agreement or in the Plan. 6. Period of Exercise. Subject to the provisions of the Plan and this Agreement, the Participant (or the Participant’s Representative, as applicable) may exercise all or any part of the vested Stock Appreciation Rights at any time prior to the earliest to occur of: US.351988748.03 4 (a) the Expiration Date; (b) the date that is ninety (90) days following the Participant’s Termination of Employment (i) by the Company without Cause or (ii) by Participant for Good Reason within 12 months following a Change in Control; (c) if the Participant’s Termination of Employment is due to death or Disability, the date that is twelve (12) months following such termination; (d) the date of Participant’s Termination of Employment by the Company for Cause; or (e) the date that is thirty (30) days following any Termination of Employment not described in Sections 6(b)-(d). 7. Exercise and Payment of Stock Appreciation Rights. (a) Notice of Exercise. Subject to Sections 4, 5 and 6, the Participant or, in the case of the Participant’s death or Disability, the Participant’s Representative, may exercise all or any part of the vested Stock Appreciation Rights by giving written or electronic notice of exercise to the Company or such agent or representative as may be designated by the Company in a form provided by the Committee (such notice, a “Notice of Exercise”). The Notice of Exercise will be signed by the person exercising the Stock Appreciation Rights. In the event that the Stock Appreciation Rights are being exercised by the Participant’s Representative, the Notice of Exercise will be accompanied by proof (satisfactory to the Committee) of the Representative’s right to exercise the Stock Appreciation Rights. (b) Tax Consequences and Payment of Withholding Taxes. Neither the Company nor any Affiliate shall be liable or responsible in any way for the tax consequences relating to the award or exercise of the Stock Appreciation Rights. The Participant agrees to determine and be responsible for any and all tax consequences to the Participant relating to the award and exercise of the Stock Appreciation Rights hereunder. If the Company is obligated to withhold an amount on account of any tax imposed as a result of the exercise of all or a portion of the Stock Appreciation Rights (“Withholding Taxes”), the provisions of Section 13.4 of the Plan regarding the satisfaction of tax withholding obligations shall apply (including any required payments by the Participant). For the avoidance of doubt, by accepting the grant of Stock Appreciation Rights, the Participant shall be deemed to have agreed that the Company is authorized to subtract from the SAR Amount (as defined below) any and all Withholding Taxes due in connection with the exercise of all or a portion of the Stock Appreciation Rights. (c) Payment on Exercise of the Stock Appreciation Rights. Upon exercise of any vested Stock Appreciation Rights, Participant will receive a cash payment, equal to the SAR Amount, less applicable Withholding Taxes. The “SAR Amount” shall be determined by multiplying: (i) the difference obtained by subtracting the Exercise Price from the Fair Market Value of a share of Common Stock on the date of

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US.351988748.03 5 exercise of such Stock Appreciation Rights, by (ii) the number of shares of Common Stock as to which such Stock Appreciation Rights will have been exercised. 8. Adjustment to Stock Appreciation Rights. In the event of any change with respect to the outstanding shares of Common Stock contemplated by Section 4.7 of the Plan, the Stock Appreciation Rights may be adjusted in accordance with Section 4.7 of the Plan. 9. Nontransferable; Requirements of Law. Except as otherwise approved by the Committee, the Stock Appreciation Rights may not be sold, transferred, conveyed, gifted, assigned, pledged, encumbered, hypothecated, alienated or otherwise disposed of, other than by will or the laws of descent and distribution, and any attempt to do so shall be void. In no event will the Company be required to issue any shares of Common Stock in satisfaction of the exercise of all or a portion of the Stock Appreciation Rights. In addition, in no event will the Company be required to honor the exercise of any Stock Appreciation Rights granted hereunder if such exercise would constitute a violation of any provision of any applicable law or regulation of any governmental authority. The Company shall have no duty or obligation beyond those imposed by applicable securities laws generally to affirmatively disclose to the Participant or a Representative, and the Participant or Representative shall have no right to be advised of, any material non-public information regarding the Company or an Affiliate at any time prior to or upon the exercise of any Stock Appreciation Rights. 10. Administration. The Plan and this Stock Appreciation Rights award are administered by the Committee, in accordance with the terms and conditions of the Plan. Actions and decisions made by the Committee in accordance with this authority shall be effectuated by the Company. 11. Plan and Agreement; Recoupment Policy. The Participant hereby acknowledges receipt of a copy of the Plan. The grant of Stock Appreciation Rights is made pursuant to the Plan, as in effect on the date hereof, and is subject to all the terms and conditions of the Plan, as the same may be amended or restated from time to time, and of this Agreement. If there is any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan will govern. The interpretation and construction by the Committee of the Plan, this Agreement, and such rules and regulations as may be adopted by the Committee for the purpose of administering the Plan, shall be final and binding upon the Participant. The Company shall, upon written request therefore, send a copy of the Plan, in its then current form, to the Participant or any other person or entity then entitled to exercise the Stock Appreciation Rights. The Company may recover the Stock Appreciation Rights or any payments made to the Participant in connection with the Stock Appreciation Rights under this Agreement to the extent required by any rule of the Securities and Exchange Commission or any listing standard of the New York Stock Exchange, including any rule or listing standard requiring recovery of incentive compensation in connection with an accounting restatement due to the Company's material noncompliance with any financial reporting requirement under the securities laws, which recovery shall be subject to the terms of any policy of the Company implementing such rule or listing standard. US.351988748.03 6 12. No Shareholder Rights. None of the grant, vesting or exercise of the Stock Appreciation Rights will entitle the Participant to any of the rights of a holder of the Company's Company Stock, including voting and dividend rights. 13. No Employment Rights. Neither this Agreement nor the Award evidenced hereby shall give the Participant any right to continue in the employ of the Company, any Affiliate or any other entity, or create any inference as to the length of employment of the Participant, or affect the right of the Company (or any Affiliate or any other entity) to terminate the employment of the Participant (with or without Cause), or give the Participant any right to participate in any employee welfare or benefit plan or other program of the Company, any Affiliate or any other entity. 14. Governing Law. This Agreement, the award of Stock Appreciation Rights hereunder and the issuance of any cash payment in connection with the exercise of the Stock Appreciation Rights shall be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota (other than its laws respecting choice of law). 15. Entire Agreement. This Agreement and the Plan constitute the entire obligation of the parties hereto with respect to the subject matter hereof and shall supersede any prior expressions of intent or understanding with respect to this transaction. 16. Amendment. Any amendment to this Agreement shall be in writing and signed on behalf of the Company and shall comply with the terms and conditions of the Plan. 17. Waiver; Cumulative Rights. The failure or delay of either party to require performance by the other party of any provision hereof shall not affect its right to require performance of such provision unless and until such performance has been waived in writing. Each and every right hereunder is cumulative and may be exercised in part or in whole from time to time. 18. Counterparts. This Agreement may be signed in two (2) counterparts, each of which shall be an original, but both of which shall constitute but one and the same instrument. 19. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. 20. Severability. If for any reason any provision of this Agreement shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision were omitted. 21. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon each successor and assign of the Company, and upon the heirs, legal representatives and successors of the Participant. [Signature page follows.] US.351988748.03 IN WITNESS WHEREOF, the Company and the Participant have executed this Stock Appreciation Rights Award Agreement as of the dates set forth below. REGIS CORPORATION By: Name: Title: PARTICIPANT:

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US.351988573.04 REGIS CORPORATION STOCK OPTION AWARD AGREEMENT This STOCK OPTION AWARD AGREEMENT (this "Agreement"), dated as of [•] (the "Grant Date"), is between Regis Corporation, a Minnesota corporation (the "Company"), and [•] (the "Participant"). WHEREAS, the Participant is a valued and trusted employee of the Company and the Company desires to grant the Participant an award of Stock Options which afford the Participant an opportunity to purchase shares of the Company's Common Stock under the Regis Corporation 2018 Long Term Incentive Plan (as may be amended from time to time, the "Plan"); and WHEREAS, the Committee has duly made all determinations necessary or appropriate for the grant of the Stock Options hereunder (the "Award"). NOW, THEREFORE, in consideration of the premises and mutual covenants set forth and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed, and do hereby agree, as follows: 1. Definitions. For purposes of this Agreement, the definitions of terms contained in the Plan are hereby incorporated by reference, except to the extent that any such term is specifically defined in this Agreement. (a) "Good Reason" (i) shall have the meaning ascribed to such term in Participant's employment agreement with the Company; provided, however, that in order for the Termination of Employment to constitute a Termination of Employment for Good Reason, Participant must terminate employment no later than one hundred and twenty (120) days following the end of the applicable cure period, or (ii) if there is no such employment agreement with the Company, "Good Reason" shall mean the occurrence, without the express written consent of the Participant, of any of the following: (A) any material diminution in the nature of the Participant's authority, duties or responsibilities; (B) any reduction by the Company in the Participant's base salary then in effect or target bonus percentage (other than any reduction mutually agreed upon by the Company and the Participant), other than an across the board reduction of not more than 10% that applies to all other executives who report to the Chief Executive Officer of the Company; or (C) following a Change in Control, failure by the Company to continue in effect (without substitution of a substantially equivalent plan or a plan of substantially equivalent value) any compensation plan, bonus or incentive plan, stock purchase plan, stock option plan, life insurance plan, health plan, disability plan or other benefit plan or arrangement in which the Participant is then participating; US.351988573.04 2 provided that the Participant notifies the Company of such condition set forth in clause (A), (B) or (C) within ninety (90) days of its initial existence and the Company fails to remedy such condition within thirty (30) days of receiving such notice (the "Cure Period") and the Participant delivers written notice of termination of employment to the Company's General Counsel within thirty (30) days following the end of the Cure Period, designating an employment termination date no later than one hundred and twenty (120) days following the end of the Cure Period. (b) "Qualifying Termination" means a Termination of Employment: (i) due to death or Disability; (ii) by reason of Participant's Retirement; (iii) by the Company without Cause; or (iv) by the Company without Cause or by Participant for Good Reason, in either case, within 12 months following a Change in Control. (c) "Retirement" means any Termination of Employment (other than by the Company for Cause or due to death or Disability) at or after age sixty-two (62) or at or after age fifty- five (55) with fifteen (15) or more years of continuous service to the Company and its Affiliates. 2. Grant of Stock Options. The Company has granted to the Participant, effective as of the Grant Date, the right and option to purchase, on the terms and conditions set forth in the Plan and this Agreement, all or any part of an aggregate of [•] shares of Common Stock, subject to adjustment as set forth in the Plan (the "Stock Options"). The Stock Options are intended to be Nonqualified Stock Options. 3. Exercise Price. The exercise price of each Stock Option is $[•] per share of Common Stock, subject to adjustment as set forth in the Plan (the "Exercise Price"). 4. Vesting of Stock Options. Subject to the terms and conditions set forth in the Plan and this Agreement, the Stock Options must satisfy a time-vesting condition to become vested and exercisable, as follows: (a) Time-Vesting Condition. Except as otherwise provided in Section 4(b), one-third (1/3) of the Stock Options will vest on the first anniversary of the Grant Date, one- third (1/3) of the Stock Options will vest on the second anniversary of the Grant Date and the remaining one-third (1/3) of the Stock Options will vest on the third anniversary of the Grant Date (each, a "Scheduled Vesting Date"), subject to Participant's continued employment with the applicable Scheduled Vesting Date and the other terms and conditions set forth in this Agreement. To the extent that one-third of the Stock Options is not a whole number, any fractional Stock Option that would otherwise be scheduled to vest on either of the first two scheduled vesting dates will be disregarded, and the number of Stock Options scheduled to vest on the third scheduled vesting date will be adjusted accordingly. US.351988573.04 3 (b) Forfeiture; Termination of Employment. (i) Except as provided in this Section 4(b), any unvested Stock Options will be forfeited immediately, automatically and without consideration upon the Participant's Termination of Employment for any reason. In the event the Participant experiences a Termination of Employment by the Company for Cause, all vested Stock Options will also be forfeited immediately, automatically and without consideration upon such termination. (ii) If the Participant experiences a Qualifying Termination prior to the final Scheduled Vesting Date, then Participant shall immediately vest, as of the date of such Qualifying Termination, in a pro rata portion of the Stock Options that were scheduled to vest on the first Scheduled Vesting Date that follows such Qualifying Termination. For purposes of the immediately preceding sentence, the pro rata portion shall be determined as follows: (i) if such Qualifying Termination occurs prior to the first anniversary of the Grant Date, the pro rata portion shall be based on (A) the number of days the participant was employed from the Grant Date through the Termination of Employment as a percentage of (B) 365 days, and (ii) if such Qualifying Termination occurs after the first Scheduled Vesting Date, the pro rata portion shall be based on (A) the number of days the participant was employed from the Scheduled Vesting Date immediately preceding the Qualifying Termination through the Termination of Employment as a percentage of (B) 365 days. For the avoidance of doubt, in no event will the pro rata portion of Stock Options that vest as a result of the Participant's Qualifying Termination exceed 100% of the Stock Options that were scheduled to vest on the first Scheduled Vesting Date that follows such Qualifying Termination, and any Stock Options that do not vest as a result of the Participant's Qualifying Termination shall immediately be forfeited as of such Qualifying Termination. 5. Expiration. Any unexercised Stock Options will expire on the tenth (10th) anniversary of the Grant Date (the "Expiration Date"), or earlier as provided in Section 6 of this Agreement or in the Plan. 6. Period of Exercise. Subject to the provisions of the Plan and this Agreement, the Participant (or the Participant's Representative, as applicable) may exercise all or any part of the vested Stock Options at any time prior to the earliest to occur of: (a) the Expiration Date; (b) the date that is ninety (90) days following the Participant's Termination of Employment (i) by the Company without Cause or (ii) by Participant for Good Reason within 12 months following a Change in Control; (c) if the Participant's Termination of Employment is due to death or Disability, the date that is twelve (12) months following such termination; US.351988573.04 4 (d) the date of Participant's Termination of Employment by the Company for Cause; or (e) the date that is thirty (30) days following any Termination of Employment not described in Sections 6(b)-(d). 7. Exercise of Stock Options. (a) Notice of Exercise. Subject to Sections 4, 5 and 6, the Participant or, in the case of the Participant's death or Disability, the Participant's Representative, may exercise all or any part of the vested Stock Options by giving written or electronic notice of exercise to the Company or such agent or representative as may be designated by the Company in a form provided by the Committee (such notice, a "Notice of Exercise"). The Notice of Exercise will be signed by the person exercising the Stock Options. In the event that the Stock Options are being exercised by the Participant's Representative, the Notice of Exercise will be accompanied by proof (satisfactory to the Committee) of the Representative's right to exercise the Stock Options. The Participant or the Participant's Representative will deliver to the Committee, at the time of giving the Notice of Exercise, payment in a form permissible under Section 8 for the full amount of the Purchase Price (as defined below) and applicable withholding taxes as provided below. (b) Tax Consequences and Payment of Withholding Taxes. Neither the Company nor any Affiliate shall be liable or responsible in any way for the tax consequences relating to the award or exercise of the Stock Options. The Participant agrees to determine and be responsible for any and all tax consequences to the Participant relating to the award and exercise of the Stock Options and the issuance of Common Stock hereunder. If the Company is obligated to withhold an amount on account of any tax imposed as a result of the issuance of shares of Common Stock upon exercise of all or a portion of the Stock Options ("Withholding Taxes"), the provisions of Section 13.4 of the Plan regarding the satisfaction of tax withholding obligations shall apply (including any required payments by the Participant). 8. Payment for Shares of Common Stock. The "Purchase Price" will be the Exercise Price multiplied by the number of shares of Common Stock with respect to which Stock Options are being exercised. All or part of the Purchase Price and any Withholding Taxes may be paid as follows: (a) Cash or Check. In cash or by bank certified check. (b) Brokered Cashless Exercise. To the extent permitted by applicable law, from the proceeds of a sale through a broker on the date of exercise of some or all of the shares of Common Stock to which the exercise relates. In that case, the Participant will execute a Notice of Exercise and provide the Plan administrator with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale proceeds to pay the aggregate purchase price and/or Withholding Taxes, as applicable. To facilitate the foregoing, the Company may, to the extent permitted

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US.351988573.04 5 by applicable law, enter into agreements or coordinate procedures with one or more brokerage firms. (c) Net Exercise. By reducing the number of shares of Common Stock otherwise deliverable upon the exercise of the Stock Options by the number of shares of Common Stock having a Fair Market Value equal to the amount of the Purchase Price and/or Withholding Taxes, as applicable. (d) Surrender of Stock. By surrendering, or attesting to the ownership of, shares of Common Stock that are already owned by the Participant free and clear of any restriction or limitation, unless the Committee specifically agrees in writing to accept such shares of Common Stock subject to such restriction or limitation. Such shares of Common Stock will be surrendered to the Company in good form for transfer and will be valued by the Company at their Fair Market Value on the date of the applicable exercise of the Stock Options, or to the extent applicable, on the date the Withholding Taxes are to be determined. 9. Adjustment to Stock Options. In the event of any change with respect to the outstanding shares of Common Stock contemplated by Section 4.7 of the Plan, the Stock Options may be adjusted in accordance with Section 4.7 of the Plan. 10. Nontransferable; Requirements of Law. Except as otherwise approved by the Committee, the Stock Options may not be sold, transferred, conveyed, gifted, assigned, pledged, encumbered, hypothecated, alienated or otherwise disposed of, other than by will or the laws of descent and distribution, and any attempt to do so shall be void. The Company shall not be required to issue any shares of Common Stock in satisfaction of the exercise of all or a portion of the Stock Options if the issuance of such shares shall constitute a violation of any provision of any applicable law or regulation of any governmental authority. The Participant acknowledges that any certificate representing shares of Common Stock to be issued upon the exercise of the Stock Options may be required to bear any legend that counsel to the Company believes is necessary or desirable to facilitate compliance with applicable securities laws. The Company shall have no duty or obligation beyond those imposed by applicable securities laws generally to affirmatively disclose to the Participant or a Representative, and the Participant or Representative shall have no right to be advised of, any material non-public information regarding the Company or an Affiliate at any time prior to, upon or in connection with the issuance of the shares of Common Stock upon the exercise of Stock Options. 11. Administration. The Plan and this Stock Option award are administered by the Committee, in accordance with the terms and conditions of the Plan. Actions and decisions made by the Committee in accordance with this authority shall be effectuated by the Company. 12. Plan and Agreement; Recoupment Policy. The Participant hereby acknowledges receipt of a copy of the Plan. The grant of Stock Options is made pursuant to the Plan, as in effect on the date hereof, and is subject to all the terms and conditions of the Plan, as the same may be amended or restated from time to time, and of this Agreement. If there is any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan US.351988573.04 6 will govern. The interpretation and construction by the Committee of the Plan, this Agreement, and such rules and regulations as may be adopted by the Committee for the purpose of administering the Plan, shall be final and binding upon the Participant. The Company shall, upon written request therefore, send a copy of the Plan, in its then current form, to the Participant or any other person or entity then entitled to receive the shares of Common Stock to be issued in connection with the exercise of the Stock Options. The Company may recover any equity awarded to the Participant under this Agreement, or proceeds from the sale of such equity, to the extent required by any rule of the Securities and Exchange Commission or any listing standard of the New York Stock Exchange, including any rule or listing standard requiring recovery of incentive compensation in connection with an accounting restatement due to the Company's material noncompliance with any financial reporting requirement under the securities laws, which recovery shall be subject to the terms of any policy of the Company implementing such rule or listing standard. 13. No Shareholder Rights until Exercise. The grant of the Stock Options does not entitle the Participant to any of the rights of a holder of the Company's Company Stock, including voting and dividend rights. The Participant shall have no rights as a shareholder of the Company with respect to the shares of Common Stock to be issued upon exercise of the Stock Options until a stock certificate therefor has been actually or constructively issued to the Participant in accordance with this Agreement. 14. No Employment Rights. Neither this Agreement nor the Award evidenced hereby shall give the Participant any right to continue in the employ of the Company, any Affiliate or any other entity, or create any inference as to the length of employment of the Participant, or affect the right of the Company (or any Affiliate or any other entity) to terminate the employment of the Participant (with or without Cause), or give the Participant any right to participate in any employee welfare or benefit plan or other program of the Company, any Affiliate or any other entity. 15. Governing Law. This Agreement, the awards of Stock Options hereunder and the issuance of Common Stock in connection with the exercise of Stock Options shall be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota (other than its laws respecting choice of law). 16. Entire Agreement. This Agreement and the Plan constitute the entire obligation of the parties hereto with respect to the subject matter hereof and shall supersede any prior expressions of intent or understanding with respect to this transaction. 17. Amendment. Any amendment to this Agreement shall be in writing and signed on behalf of the Company and shall comply with the terms and conditions of the Plan. 18. Waiver; Cumulative Rights. The failure or delay of either party to require performance by the other party of any provision hereof shall not affect its right to require performance of such provision unless and until such performance has been waived in writing. Each and US.351988573.04 7 every right hereunder is cumulative and may be exercised in part or in whole from time to time. 19. Counterparts. This Agreement may be signed in two (2) counterparts, each of which shall be an original, but both of which shall constitute but one and the same instrument. 20. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. 21. Severability. If for any reason any provision of this Agreement shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision were omitted. 22. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon each successor and assign of the Company, and upon the heirs, legal representatives and successors of the Participant. [Signature page follows.] US.351988573.04 IN WITNESS WHEREOF, the Company and the Participant have executed this Stock Option Award Agreement as of the dates set forth below. REGIS CORPORATION By: Name: Title: PARTICIPANT:

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US.351988314.03 Form of Director Option Grant ([•] 2022) REGIS CORPORATION STOCK OPTION AWARD AGREEMENT THIS STOCK OPTION AWARD AGREEMENT, dated as of [•], 202[•] (the “Grant Date”), is made between Regis Corporation, a Minnesota corporation (the “Company”), and __________, a nonemployee director of the Company (the “Director”). WHEREAS, the Company desires to increase the Director’s identification with the Company and the interests of its shareholders, and to compensate the Director for service on the Board of Directors of the Company (the “Board”) by granting the Director an award of Stock Options which afford the Director an opportunity to purchase ____________ (____) shares of the Company’s Common Stock under the Regis Corporation 2018 Long Term Incentive Plan (the "Plan"); and WHEREAS, the Committee has duly made all determinations necessary or appropriate for the grant of the Stock Options hereunder; NOW, THEREFORE, in consideration of the premises and mutual covenants set forth and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto have agreed, and do hereby agree, as follows: 1. Definitions. For purposes of this Agreement, the definitions of terms contained in the Plan are hereby incorporated by reference, except to the extent that any such term is specifically defined in this Agreement. 2. Grant of Stock Options. The Company has granted to the Director, effective as of the Grant Date, the right and option to purchase, on the terms and conditions set forth in the Plan and this Agreement, all or any part of an aggregate of [•] shares of Common Stock, subject to adjustment as set forth in the Plan (the “Stock Options”). The Stock Options are intended to be Nonqualified Stock Options. 3. Exercise Price. The exercise price of each Stock Option is $[•] per share of Common Stock, subject to adjustment as set forth in the Plan (the “Exercise Price”). 4. Vesting of Stock Options. Subject to the terms and conditions set forth in the Plan and this Agreement, the Stock Options must satisfy a time-vesting condition to become vested and exercisable, as follows: US.351988314.03 2 (a) The Stock Options granted to the Director hereunder will vest on a pro-rata basis as to one-twelfth (1/12) of the Stock Options covered by this Agreement on each monthly anniversary of the Grant Date, [•], 2022 (the “Vesting Commencement Date”), for the first eleven (11) months, and as to any remaining unvested Stock Options on the date of the Company’s 2023 annual shareholders meeting, provided the Director has not had a Separation from Service prior to the commencement of such meeting (the “Full Vesting Date”). (b) For purposes of this Agreement, the Director’s “Separation from Service” with the Board shall occur upon the effective date of the Director’s termination of membership on the Board, unless the Director is an employee of the Company as of that date. For purposes of this Agreement, the Director’s “Separation from Service” with the Company as an employee shall have the same meaning as defined in Treas. Reg. §1.409A- 1(h). (c) Unless vesting is otherwise accelerated in accordance with the terms of this Agreement or the Plan, if the Director incurs a Separation from Service (other than due to death, Disability or upon a Change in Control) on or before the Full Vesting Date, any unvested Stock Options shall be forfeited and the Director shall have no further interest in such Stock Options. For example, if a Director incurs a Separation from Service six months after the Vesting Commencement Date, the Director shall be vested in 6/12 (or ½) of the Stock Options, and shall forfeit the remaining unvested Stock Options granted hereunder. (d) Upon a Change in Control or upon the Director’s Separation from Service due to death, or Disability, any unvested Stock Options will become automatically fully vested. The terms “Disability” and “Change in Control” shall have the meanings set out in the Plan. Notwithstanding the foregoing, for purposes of settlement (but not vesting) of any Stock Options that vest as a result of the application of this Section 4(d), Stock Options that vest upon the Director’s Disability or a Change in Control shall be settled on the first to occur of (i) the Director’s Disability, (ii) a Change in Control, (iii) the Director’s Separation from Service, and (iv) the Director’s death. 5. Expiration. Any unexercised Stock Options will expire on the tenth (10th) anniversary of the Grant Date (the “Expiration Date”), or earlier as provided in Section 6 of this Agreement or in the Plan. 6. Period of Exercise. Subject to the provisions of the Plan and this Agreement, the Director (or the Director’s Representative, as applicable) may exercise all or any part of the vested Stock Options at any time prior to the earliest to occur of: (a) the Expiration Date; US.351988314.03 3 (b) the date that is ninety (90) days following the Director’s Separation from Service within twelve (12) months following a Change in Control; (c) if the Director’s Separation from Service is due to death or Disability, the date that is twelve (12) months following such termination; (d) the date of Director’s Separation from Service by the Company for Cause; or (e) the date that is thirty (30) days following any Separation from Service not described in Sections 6(b)-(d). 7. Exercise of Stock Options. (a) Notice of Exercise. Subject to Sections 4, 5 and 6, the Director or, in the case of the Director’s death or Disability, the Director’s Representative, may exercise all or any part of the vested Stock Options by giving written or electronic notice of exercise to the Company or such agent or representative as may be designated by the Company in a form provided by the Committee (such notice, a “Notice of Exercise”). The Notice of Exercise will be signed by the person exercising the Stock Options. In the event that the Stock Options are being exercised by the Director’s Representative, the Notice of Exercise will be accompanied by proof (satisfactory to the Committee) of the Representative’s right to exercise the Stock Options. The Director or the Director’s Representative will deliver to the Committee, at the time of giving the Notice of Exercise, payment in a form permissible under Section 8 for the full amount of the Purchase Price (as defined below) and applicable withholding taxes as provided below. (b) Tax Consequences and Payment of Withholding Taxes. Neither the Company nor any Affiliate shall be liable or responsible in any way for the tax consequences relating to the award or exercise of the Stock Options. The Director agrees to determine and be responsible for any and all tax consequences to the Director relating to the award and exercise of the Stock Options and the issuance of Common Stock hereunder. If the Company is obligated to withhold an amount on account of any tax imposed as a result of the issuance of shares of Common Stock upon exercise of all or a portion of the Stock Options (“Withholding Taxes”), the provisions of Section 13.4 of the Plan regarding the satisfaction of tax withholding obligations shall apply (including any required payments by the Director). 8. Payment for Shares of Common Stock. The “Purchase Price” will be the Exercise Price multiplied by the number of shares of Common Stock with respect to which Stock Options are being exercised. All or part of the Purchase Price and any Withholding Taxes may be paid as follows: (a) Cash or Check. In cash or by bank certified check. US.351988314.03 4 (b) Brokered Cashless Exercise. To the extent permitted by applicable law, from the proceeds of a sale through a broker on the date of exercise of some or all of the shares of Common Stock to which the exercise relates. In that case, the Director will execute a Notice of Exercise and provide the Plan administrator with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale proceeds to pay the aggregate purchase price and/or Withholding Taxes, as applicable. To facilitate the foregoing, the Company may, to the extent permitted by applicable law, enter into agreements or coordinate procedures with one or more brokerage firms. (c) Net Exercise. By reducing the number of shares of Common Stock otherwise deliverable upon the exercise of the Stock Options by the number of shares of Common Stock having a Fair Market Value equal to the amount of the Purchase Price and/or Withholding Taxes, as applicable. (d) Surrender of Stock. By surrendering, or attesting to the ownership of, shares of Common Stock that are already owned by the Director free and clear of any restriction or limitation, unless the Committee specifically agrees in writing to accept such shares of Common Stock subject to such restriction or limitation. Such shares of Common Stock will be surrendered to the Company in good form for transfer and will be valued by the Company at their Fair Market Value on the date of the applicable exercise of the Stock Options, or to the extent applicable, on the date the Withholding Taxes are to be determined. 9. Adjustment to Stock Options. In the event of any change with respect to the outstanding shares of Common Stock contemplated by Section 4.7 of the Plan, the Stock Options may be adjusted in accordance with Section 4.7 of the Plan. 10. Nontransferable; Requirements of Law. Except as otherwise approved by the Committee, the Stock Options may not be sold, transferred, conveyed, gifted, assigned, pledged, encumbered, hypothecated, alienated or otherwise disposed of, other than by will or the laws of descent and distribution, and any attempt to do so shall be void. The Company shall not be required to issue any shares of Common Stock in satisfaction of the exercise of all or a portion of the Stock Options if the issuance of such shares shall constitute a violation of any provision of any applicable law or regulation of any governmental authority. The Director acknowledges that any certificate representing shares of Common Stock to be issued upon the exercise of the Stock Options may be required to bear any legend that counsel to the Company believes is necessary or desirable to facilitate compliance with applicable securities laws. The Company shall have no duty or obligation beyond those imposed by applicable securities laws generally to affirmatively disclose to the Director or a Representative, and the Director or Representative shall have no right to be advised of, any material non-public information regarding the Company or an Affiliate at any time prior to, upon or in connection with the issuance of the shares of Common Stock upon the exercise of Stock Options.

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US.351988314.03 5 11. No Shareholder Rights until Exercise. The grant of the Stock Options does not entitle the Director to any of the rights of a holder of the Company's Company Stock, including voting and dividend rights. The Director shall have no rights as a shareholder of the Company with respect to the shares of Common Stock to be issued upon exercise of the Stock Options until a stock certificate therefor has been actually or constructively issued to the Director in accordance with this Agreement. 12. Administration. The Plan and this Award of Stock Options are administered by the Committee, in accordance with the terms and conditions of the Plan. Actions and decisions made by the Committee in accordance with this authority shall be effectuated by the Company. 13. Plan. The Director hereby acknowledges receipt of a copy of the Plan. Notwithstanding any other provision of this Agreement, the grant of Stock Options is made pursuant to the Plan, as in effect on the date hereof, and is subject to all the terms and conditions of the Plan, as the same may be amended from time to time. The interpretation and construction by the Committee of the Plan, this Agreement, and such rules and regulations as may be adopted by the Committee for the purpose of administering the Plan, shall be final and binding upon the Director. The Company shall, upon written request therefore, send a copy of the Plan, in its then current form, to the Director or any other person or entity then entitled to receive the shares of Common Stock to be issued in connection with the exercise of the Stock Options. 14. No Service Rights. No provision of this Agreement shall give the Director any right to, or to continue in, service on the Board. In addition, no provision of this Agreement shall give the Director any right to, or to the extent the Director becomes an employee of the Company following the Grant Date, to continue in, the employ of the Company, any Affiliate or any other entity, or create any inference as to the length of service of the Director, or affect the right of the Company (or any Affiliate or any other entity) to terminate the service of the Director (with or without Cause), or give the Director any right to participate in any employee welfare or benefit plan or other program of the Company, any Affiliate or any other entity. 15. Governing Law. This Agreement, the awards of Stock Options hereunder and the issuance of Common Stock in payment of Stock Options shall be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota (other than its laws respecting choice of law). US.351988314.03 6 16. Entire Agreement. This Agreement and the Plan constitute the entire obligation of the parties hereto with respect to the subject matter hereof and shall supersede any prior expressions of intent or understanding with respect to this transaction. 17. Amendment. Any amendment to this Agreement shall be in writing and signed on behalf of the Company and shall comply with the terms and conditions of the Plan. 18. Waiver; Cumulative Rights. The failure or delay of either party to require performance by the other party of any provision hereof shall not affect its right to require performance of such provision unless and until such performance has been waived in writing. Each and every right hereunder is cumulative and may be exercised in part or in whole from time to time. 19. Counterparts. This Agreement may be signed in two (2) counterparts, each of which shall be an original, but both of which shall constitute but one and the same instrument. 20. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. 21. Severability. If for any reason any provision of this Agreement shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision were omitted. 22. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon each successor and assign of the Company. All obligations imposed upon the Director or the Director's Representative, and all rights granted to the Company hereunder, shall be binding upon the Director's or the Director's Representative's heirs, legal representatives and successors. IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and the Director has hereunto set his hand, all as of the day and year first above written. US.351988314.03 7 REGIS CORPORATION By: DIRECTOR:

Exhibit No. 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew Doctor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Regis Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors or persons performing the equivalent functions:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

November February 1, 2022 2023

/s/ Matthew Doctor

Matthew Doctor, President and Chief Executive Officer

Exhibit No. 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kersten D. Zupfer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Regis Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors or persons performing the equivalent functions:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

November February 1, 2022 2023

/s/ Kersten D. Zupfer

Kersten D. Zupfer, Executive Vice President and Chief Financial Officer

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Exhibit No. 32

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Regis Corporation (the Registrant) on Form 10-Q for the fiscal quarter ending September 30, 2022 December 31, 2022 filed with the Securities and Exchange Commission on the date hereof, Matthew Doctor, President and Chief Executive Officer of the Registrant, and Kersten D. Zupfer, Executive Vice President and Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

November February 1, 2022 2023

/s/ Matthew Doctor

Matthew Doctor, President and Chief Executive Officer

November February 1, 2022 2023

/s/ Kersten D. Zupfer

Kersten D. Zupfer, Executive Vice President and Chief Financial Officer

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