



2022

**Annual Report  
& Proxy Statement**

REGIS



**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

(Mark One)

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

For the fiscal year ended **June 30, 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)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading symbol</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$0.05 par value	RGS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted 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 submit 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 the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter, December 31, 2021, was approximately \$78,213,138. The registrant has no non-voting common equity.

As of August 15, 2022, the registrant had 45,514,877 shares of Common Stock, par value \$0.05 per share, issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for the annual fiscal 2022 meeting of shareholders (the "2022 Proxy Statement") (to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year-end of June 30, 2022) are incorporated by reference into Part III.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report, as well as information included in, or incorporated by reference from, future filings by the Company with the Securities and Exchange Commission (the SEC) and information contained in written material, press releases and oral statements issued by or on behalf of the Company contains or may contain "forward-looking statements" within the meaning of the federal securities laws, including statements concerning anticipated future events and expectations that are not historical facts. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this document reflect management's best judgment at the time they are made, but all such statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those expressed in or implied by the statements herein. Such forward-looking statements are often identified herein by use of words including, but not limited to, "may," "believe," "project," "forecast," "expect," "estimate," "anticipate," and "plan." In addition, the following factors could affect the Company's actual results and cause such results to differ materially from those expressed in forward-looking statements. These 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 of this 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.

**REGIS CORPORATION**  
**FORM 10-K**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**  
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## PART I

### Item 1. Business

#### General:

Regis Corporation franchises and owns hairstyling and hair care salons. The Company is listed on the NYSE under the ticker symbol "RGS." Unless the context otherwise provides, when we refer to the "Company," "we," "our," or "us," we are referring to Regis Corporation, the Registrant, together with its subsidiaries.

As of June 30, 2022, the Company franchised, owned or held ownership interests in 5,576 locations worldwide. The Company's locations consist of 5,395 franchised salons, 105 company-owned salons, and 76 locations in which we maintain a non-controlling ownership interest. Each of the Company's salon concepts generally offer similar salon products and services.

The major services supplied by the salons are haircutting and styling (including shampooing and conditioning), hair coloring and other services. Salons also sell a variety of hair care and other beauty products. We earn royalty revenue based on service and product sales at our franchise locations and earn revenue for services and products sold at our company-owned salons. Salons operate primarily under the trade names of Supercuts, SmartStyle, Cost Cutters, First Choice Haircutters and Roosters and they generally serve the value category within the industry. Salons are primarily located in strip center locations and Walmart Supercenters.

Financial information about our segments and geographic areas for fiscal years 2022 and 2021 are included in Note 15 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

We have substantially completed our multi-year transformation to an asset-light fully-franchised business. As of June 30, 2022, 98.1% of our salons are owned by franchisees. The remaining 105 company-owned salons will be sold or closed when the leases expire.

#### Industry Overview:

The hair salon market is highly fragmented, with the vast majority of locations independently-owned and operated. However, the influence of salon chains, both franchised and corporate-owned, continues to grow within this market. Management believes salon chains will continue to have significant influence on this market and will continue to increase their presence due to name recognition and benefits that come with scale.

In nearly every area in which the Company has a salon, there are competitors offering similar hair care services and products at similar prices. The Company faces competition from chains, such as Great Clips, Fantastic Sams, Sport Clips and Ulta Beauty, independently-owned salons, department store salons located within malls, in-home hair services, booth rentals and blow dry bars. The Company also faces competition from other franchise organizations outside of the hair salon industry in attracting new franchisees.

At the individual salon level, barriers to entry are low; however, barriers exist for chains to expand nationally due to the need to establish systems and infrastructure, the ability to recruit franchisees, experienced field and salon management and stylists, and to lease quality sites. The principal factors of competition in the hair care category are quality and consistency of the guest experience, the ability to attract, retain, and train stylists, technology, convenience, location and price. The Company continually strives to improve its performance in each of these areas and to create additional points of brand differentiation versus the competition.

## **Salon Franchising Program:**

**General.** We have various franchise support functions our 5,395 franchised salons as of June 30, 2022, consisting mainly of Supercuts, SmartStyle, Cost Cutters, First Choice Haircutters and Roosters salons. We provide our franchisees with a comprehensive system of business training, stylist education, site approval, professional marketing, promotion, and advertising programs, and other forms of ongoing support designed to help franchisees build successful businesses. Historically, we have signed the salon lease and then subleased the space to our franchisees. However, moving forward, for all new locations and some lease renewals, franchisees will seek to sign the salon leases directly with the landlords; however, there may be cases where we decide to stay on the lease. We have the right to approve salon leases.

**Standards of Operations.** The Company does not control the day-to-day operations of its franchisees, including employment, benefits and wage determination, prices charged for products and services, business hours, personnel management, and capital expenditure decisions. However, the franchise agreements afford certain rights to the Company, such as the right to approve locations, suppliers and the sale of a franchise. Additionally, franchisees are required to conform to the Company's established operational policies and procedures relating to quality of service, training, salon design and decor and trademark usage. The Company's field personnel make periodic visits to franchised salons to ensure they are operating in conformity with the standards for each franchising program. All of the rights afforded to the Company with regard to franchised operations allow the Company to protect its brands, but do not allow the Company to control day-to-day franchise operations or make decisions that have a significant impact on the success of the franchised salons. The Company's franchise agreements do not give the Company any right, ability or potential to determine or otherwise influence any terms and/or conditions of employment of franchisees' employees (except for those, if any, that are specifically related to quality of service, training, salon design, decor and trademark usage), including, but not limited to, franchisees' employees' wages and benefits, hours of work, scheduling, leave programs, seniority rights, promotional or transfer opportunities, layoff/recall arrangements, grievance and dispute resolution procedures, and/or discipline and discharge.

**Franchise Terms.** Pursuant to a franchise agreement with the Company, each franchisee pays an initial fee for each store and ongoing royalties to the Company. In addition, for most brands, the Company collects advertising funds from franchisees and administers the funds on behalf of the brands. Franchisees are responsible for the costs of leasehold improvements, furniture, fixtures, equipment, supplies, inventory, payroll costs and certain other items, including initial working capital. The majority of franchise agreements provide the Company a right of first refusal if the store is to be sold and the franchisee must obtain the Company's approval in all instances where there is a sale of a franchise location.

Additional information regarding each of the major franchised brands is listed below:

### *Supercuts*

Supercuts franchise agreements have a perpetual term, subject to termination of the underlying lease agreement or termination of the franchise agreement by either the Company or the franchisee. All new franchisees enter into development agreements, which give them the right to enter into a defined number of franchise agreements. These franchise agreements are site specific. The development agreement provides limited territorial protection for the stores developed under those franchise agreements. Older franchisees have grandfathered expansion rights, which allow them to develop stores outside of development agreements and provide them with greater territorial protections in their markets. The Company has a comprehensive impact policy that resolves potential conflicts among Supercuts franchisees and/or the Company's Supercuts locations regarding proposed store sites.

### *SmartStyle and Cost Cutters in Walmart Supercenters*

The majority of existing SmartStyle and Cost Cutters franchise agreements for salons located in Walmart Supercenters have a five-year term with a five-year option to renew. The franchise agreements are site specific.

### *Cost Cutters (not located in Walmart Supercenters), First Choice Haircutters and Magicuts*

The majority of existing Cost Cutters franchise agreements have a 15-year term with a 15-year option to renew (at the option of the franchisee), while the majority of First Choice Haircutters franchise agreements have a 10-year term with a five-year option to renew. The majority of Magicuts franchise agreements have a term equal to the greater of five years or the current initial term of the lease agreement with an option to renew for two additional five-year periods. The current franchise agreement is site specific. Franchisees may enter into development agreements with the Company, which provide limited territorial protection.

### *Roosters Men's Grooming Center*

Roosters franchise agreements have a 10-year term with a 10-year option to renew (at the option of the franchisee). New franchisees enter into a franchise agreement concurrent with the opening of their first store, along with a development agreement with the right to open two additional locations.

**Franchisee Training.** The Company provides new franchisees with training, focusing on the various aspects of salon management, including: operations, management training, marketing fundamentals and controls. Existing franchisees receive training, counseling and information from the Company on a regular basis. The Company provides franchisee salon managers and stylists with access to technical training resources.

#### *Guests*

Among other factors, consistent delivery of an exceptional guest experience, haircut quality, convenience, competitive pricing, salon location, inviting salon appearance and atmosphere, comprehensive retail assortments, and engagement through technology all drive guest traffic and improve guest retention.

**Guest Experience.** Our portfolio of salon concepts enables our guests to select different service scheduling options based upon their preference. We believe the ability to serve walk-in appointments and minimize guest wait times are essential elements in delivering an efficient guest experience. Our mobile applications and online check-in capabilities, including check-ins directly from Google®, allow us to capitalize on our guests' desire for convenience. Our franchisees continue to focus on stylist staffing and retention, optimizing schedules, balancing variable labor hours with guest traffic and managing guest wait times. Our franchise salons are located in high-traffic strip centers and Walmart Supercenters, with guest parking and easy access, and are generally open seven days per week to offer guests a variety of convenient ways to fulfill their beauty needs.

**Affordability.** The Company strives to offer an exceptional value for its services. In the value category, our guests expect outstanding service at competitive prices. These expectations are met with the average service price of transactions ranging from \$20 to \$28. Pricing decisions are considered on a salon-level basis and are established based on local conditions. Our franchisees control all pricing at their locations.

**Salon Safety, Appearance and Atmosphere.** Guest and stylist safety is our first priority and became even more important by the novel strain of coronavirus and all related variants (COVID-19). We have invested heavily in safety and personal protective equipment and training employees on safety measures. Our salon repairs and maintenance program is designed to ensure we invest in salon cleanliness and safety, as well as in maintaining the normal operation of our company-owned salons. The Company's salons range from 500 to 5,000 square feet, with the typical salon approximating 1,200 square feet.

**Retail Assortments.** Salons sell nationally recognized hair care and beauty products, as well as an assortment of corporate-owned brand products. Stylists are compensated and regularly trained to sell hair care and beauty products to their guests. Additionally, guests are encouraged to purchase products after stylists demonstrate their efficacy by using them in the styling of our guests' hair. The top selling brands within the Company's retail assortment include: L'Oreal Professional Brands, Regis Private Label Brand, Designline®, and Paul Mitchell. We also distribute our Designline brand through distribution channels, including Amazon.com and Walmart.com.

**Technology.** In fiscal year 2022, we sold our proprietary back-office salon management system, Opensalon® Pro to a third party, Zenoti. See Note 3 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. We expect all of our salons will transition to the Zenoti salon management system in fiscal year 2023. We also use mobile applications to allow guests to view wait times and interact in other ways with salons.

**Marketing.** Our marketing is brand specific and funded primarily from contractual contributions, based on sales, to the brand's cooperative advertising funds. These funds are used largely in support of advertising and other efforts to increase guest traffic to our salons, grow online booking usage, and improve overall awareness of and affinity for our brands. A portion of our marketing funds are used in support of stylist recruitment to grow the number of active stylists in our system.

#### *Stylists*

Our Company depends on its stylists to help deliver great guest experiences. We believe in the importance of the ongoing development of our stylists' craft. We aim to be an industry leader in stylist training, including the utilization of both live and digital training. Our stylists deliver a superior experience for our guests when they are well-trained technically and through years of experience. We employ trainers who provide new hire training for stylists joining the Company and train franchisee trainers. We supplement internal training with targeted vendor training and external trainers that bring specialized expertise to our stylists. We utilize training materials to help all levels of field employees navigate the operation of a salon and essential elements of guest service training within the context of brand positions.



## *Salon Support*

Our corporate headquarters is referred to as Salon Support. We take a service-oriented mentality to best support our franchisees and stylists in an effort to ensure guest satisfaction by helping our franchisees drive their business, as well as overseeing our company-owned operations.

*Organization.* Salon Support and our associated priorities are aligned with our brands to enhance the effectiveness and efficiency of the service we provide.

*Simplification.* Our ongoing simplification efforts focus on aligning our cost structure with our transition to an asset-light franchise model and improving the way we plan and execute across our portfolio of brands. In fiscal year 2022 and 2021, we completed a corporate reorganization based on a zero-based budgeting philosophy to ensure each employee was performing the "right work," each team was the "right size" based on resources and priorities and overall, we have the "right structure" to succeed as a company. This exercise reduced Salon Support headcount in fiscal year 2022 and 2021.

*Location.* Salon Support is primarily located in Minneapolis, Minnesota while allowing for hybrid and remote work.

## **Salon Concepts:**

The Company's salon concepts focus on providing high-quality hair care services and professional hair care products. A description of the Company's salon concepts is listed below:

**Supercuts.** Supercuts salons provide consistent, high-quality hair care services and professional hair care products to its guests at convenient times and locations at value prices. This concept appeals to men, women, and children. The Company has 2,264 franchised and 18 company-owned Supercuts locations throughout North America.

**SmartStyle/Cost Cutters in Walmart stores.** SmartStyle and Cost Cutters salons offer a full range of custom styling, cutting, and hair coloring, as well as professional hair care products and are currently located exclusively in Walmart Supercenters. This concept has primarily a "walk-in" guest base with value pricing. The Company has 1,646 franchised and 49 company-owned SmartStyle and Cost Cutters salons located in Walmart Supercenter locations throughout North America.

**Portfolio Brands.** Portfolio Brands salons are made up of acquired regional salon groups operating under the primary concepts of Cost Cutters, First Choice Haircutters, Roosters, Hair Masters, Cool Cuts for Kids, Style America, Famous Hair, Magicuts, Holiday Hair, and TGF, as well as other concept names. Most concepts offer a full range of custom hairstyling, cutting and coloring services, as well as professional hair care products. The Company has 1,344 franchised and 38 company-owned Portfolio Brands locations throughout North America.

**International Salons.** International salons are locations operating in the United Kingdom, primarily under the Supercuts and Regis concept. These salons offer similar levels of service as our North American salons. Salons are usually located in prominent high-traffic locations and offer a full range of custom hairstyling, cutting and coloring services, as well as professional hair care products. The Company has 141 franchised International locations.

The tables on the following pages set forth the number of system-wide locations (franchised and company-owned) and activity within the various salon concepts.

### System-wide location counts

	June 30,	
	2022	2021
<b>FRANCHISE SALONS:</b>		
Supercuts	2,264	2,386
SmartStyle/Cost Cutters in Walmart stores	1,646	1,666
Portfolio Brands	1,344	1,357
Total North American salons	5,254	5,409
Total International salons (1)	141	154
Total Franchise salons	5,395	5,563
<i>as a percent of total Franchise and Company-owned salons</i>	98.1 %	95.3 %
<b>COMPANY-OWNED SALONS:</b>		
Supercuts	18	35
SmartStyle/Cost Cutters in Walmart stores	49	91
Portfolio Brands	38	150
Total Company-owned salons	105	276
<i>as a percent of total Franchise and Company-owned salons</i>	1.9 %	4.7 %
<b>OWNERSHIP INTEREST LOCATIONS:</b>		
Equity ownership interest locations	76	78
Grand Total, System-wide	5,576	5,917

### Constructed locations (net relocations)

	Fiscal Years	
	2022	2021
<b>FRANCHISE SALONS:</b>		
Supercuts	15	21
SmartStyle/Cost Cutters in Walmart stores	1	—
Portfolio Brands	5	10
Total North American salons	21	31
Total International salons (1)	—	1
Total Franchise salons	21	32
<b>COMPANY-OWNED SALONS:</b>		
Supercuts	—	4
SmartStyle/Cost Cutters in Walmart stores	—	—
Portfolio Brands	—	—
Total Company-owned salons	—	4

## Closed locations

	Fiscal Years	
	2022	2021
<b>FRANCHISE SALONS:</b>		
Supercuts	(156)	(273)
SmartStyle/Cost Cutters in Walmart stores	(49)	(56)
Portfolio Brands	(81)	(82)
Total North American salons	(286)	(411)
Total International salons (1)	(13)	(14)
Total Franchise salons	(299)	(425)
<b>COMPANY-OWNED SALONS:</b>		
Supercuts	(6)	(54)
SmartStyle/Cost Cutters in Walmart stores	(15)	(252)
Portfolio Brands	(40)	(307)
Total Company-owned salons	(61)	(613)

## Conversions (including net franchisee transactions) (2)

	Fiscal Years	
	2022	2021
<b>FRANCHISE SALONS:</b>		
Supercuts	19	130
SmartStyle/Cost Cutters in Walmart stores	28	405
Portfolio Brands	63	212
Total Franchise salons	110	747
<b>COMPANY-OWNED SALONS:</b>		
Supercuts	(11)	(125)
SmartStyle/Cost Cutters in Walmart stores	(27)	(408)
Portfolio Brands	(72)	(214)
Total Company-owned salons	(110)	(747)

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

(2) During fiscal years 2022 and 2021, the Company acquired 0 and 1 salon locations, respectively, from franchisees.  
During fiscal years 2022 and 2021, the Company sold 110 and 748 salon locations, respectively, to franchisees.

### **Affiliated Ownership Interest:**

The Company maintains a non-controlling 55.1% ownership interest in Empire Education Group, Inc. (EEG), which is accounted for as an equity method investment. See Note 1 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. EEG operates accredited cosmetology schools. We entered into an agreement to sell our stake in EEG to the controlling owner in fiscal year 2020, the closing of which is pending state approvals. The sale is not expected to have a significant impact on the Company's operations or financial position.

### **Corporate Trademarks:**

The Company holds numerous trademarks, both in the United States, and in many foreign countries. The most recognized trademarks are "SmartStyle<sup>®</sup>", "Supercuts<sup>®</sup>", "Regis Salons<sup>®</sup>", "Cost Cutters<sup>®</sup>", "First Choice Haircutters<sup>®</sup>", "Roosters<sup>®</sup>" and "Magicuts<sup>®</sup>".

### **Human Capital Management:**

#### *Our Culture*

We are committed to our purpose of *Unleashing the Beauty of Potential*, which is supported by our four core values:

**Foster Trust.** Create powerful relationships by acting with empathy and integrity.

**Create Community.** Connect and collaborate with all your partners. Share the challenges as much as you celebrate the wins.

**Be Brave.** Dream big and courageously challenge the status quo.

**Own It.** You are empowered. Take responsibility and own your role and your results.

These values support a collaborative and inclusive culture that is critical to the success and growth of our Company. To help reinforce our values and incorporate them into everything we do, we have a values committee comprised of cultural ambassadors who serve as the voice of employees and help ensure a best-in-class employee experience.

#### *Our People*

As of June 30, 2022, the Company employed approximately 630 employees; 122 of whom were corporate employees serving the Company's headquarters in Minnesota, 10 of whom served at its product engineering headquarters in California, 52 of whom provided artistic education to its hair care salons, and the remainder of whom served as field employees or at its company-owned salons. The Company offers flexible work arrangements such as hybrid and remote work.

#### *Diversity and Inclusion*

The Company promotes diversity of thoughts, backgrounds, experiences, and ideas. As of June 30, 2022, racial minorities comprise over 32% of the Company's U.S. workforce, which is summarized below.

- 68% White
- 12% Hispanic or Latinx
- 9% Asian
- 6% Black or African American
- 1% American Indian or Alaska Native
- 1% Native Hawaiian
- 3% Two or more races

Also, 85% of the Company's entire workforce are women and 15% are men. Additionally, 67% of the Company's leadership positions are held by women.

### *Families First*

One hundred years ago, the Company began as a family business and its support of families continues today. It offers up to 16 weeks of parental leave, including adoption, up to 12 of which are paid, so that parents have time to focus on their newest family members. It also offers flexible work arrangements, including full-time telecommuting. Additionally, the Company offers flexible paid time off, which allows employees to control their time away from work based on individual needs, not years of service.

### *Other Compensation and Benefits*

The Company also takes care of its people by offering competitive compensation and benefits packages that are designed to support the total well-being and promote the full potential of our employees and their families. These include short- and long-term incentive packages, an employee stock purchase plan, retirement plans, health, dental, and vision benefits, basic life insurance, long-term disability coverage, and wellness and employee assistance programs. The Company analyzes market trends and monitors its own compensation practices to attract, retain, and promote employees and reduce turnover and associated costs. In addition, its short- and long-term incentive plans are aligned with its core values and key business objectives, which are intended to motivate strong performance.

### *Development and Engagement*

Continuous employee development and engagement are essential to creating a high-performance culture. In fiscal year 2022, we increased our investment in learning and development. In addition to the resources available on our internal Learning Hub, we launched our Beauty of Series, which consists of interactive sessions designed to help our employees unleash their potential. This series included the following topics. The Beauty of Being Remarkable, where employees learned the importance of self-promotion in both their personal and professional lives. The Beauty of Wellness, which was designed to help employees manage stress more effectively and create healthy habits and coping skills. And The Beauty of Being Tech-Enabled, where panelists discussed how technology fueled and disrupted their industries.

We survey our employees to provide them with an opportunity to share anonymous feedback with management in a variety of areas, including support from leadership, communication and collaboration, growth and career opportunities, available resources, and recognition. Leaders reviewed the results to determine opportunities and develop action plans for their teams to improve engagement and the overall employee experience. We introduced Regis Listens, which highlights offerings that we've implemented as a result of employee feedback to show employees that we are listening.

### *Corporate Responsibility*

The Company will not do business with organizations that employ or condone unfair labor practices. Instead, it partners with companies who share its commitment to ethical business conduct and fair labor practices. The Company also specifically condemns human trafficking and abuse of child labor.



## Executive Officers of the Registrant:

Information relating to the Executive Officers of the Company follows:

Name	Age	Position
John Davi	44	Executive Vice President, Chief Digital Officer
Matthew Doctor	35	President and Chief Executive Officer
Michael Ferranti	39	Executive Vice President, Chief People Officer
Jim Lain	58	Executive Vice President, Chief Operating Officer
James Suarez	47	Senior Vice President, Merchandising and Education
Andra Terrell	51	Senior Vice President, General Counsel and Corporate Secretary
Kersten Zupfer	47	Executive Vice President, Chief Financial Officer

John Davi was appointed to Executive Vice President and Chief Technology Officer in October 2021, and Executive Vice President and Chief Digital Officer in July 2022. Prior to joining the Company, he served as Chief Product Officer for BriteCore, Senior Vice President of Product at MINDBODY, Inc, founding Vice President of Product for Diffbot, and Head of Engineering for Cisco Systems' Media Solutions Group.

Matthew Doctor was appointed to President and Chief Executive Officer in May 2022, after holding such position on an interim basis since December 2021. Previously, he served as Executive Vice President and Chief Strategy Officer since February 2021. Prior to joining the Company, he was Chief Financial Officer of Kava Restaurants LLC, a Tim Horton's franchisee. Earlier in his career, Mr. Doctor worked in business development at Restaurant Brands International and was in investment banking with J.P. Morgan.

Michael Ferranti was appointed to Executive Vice President and Chief People Officer in December 2021. Previously, he served as Senior Vice President, People and Culture since March 2021. Before joining the Company, Mr. Ferranti served as Head of M&A and Franchising for Subway Restaurants U.S. and Canada on their Development team. Prior to Subway Restaurants, Mr. Ferranti held a variety of senior leadership roles with Le Pain Quotidien, KraftHeinz and Restaurant Brands International.

Jim Lain was appointed to Executive Vice President and Chief Operating Officer in December 2021. Previously, he served as President of Portfolio Brands since December 2020, President of SmartStyle since June 2021, and Executive Vice President and Chief Operating Officer since November 2013. Before joining the Company, Mr. Lain served as Vice President at Gap, Inc. from August 2006 to November 2013.

James Suarez was appointed to Senior Vice President, Merchandising and Education in February 2022. Prior to his promotion to Senior Vice President, Merchandising and Education, Mr. Suarez had 25 years of combined salon operations and education experience at the Company.

Andra Terrell was appointed to Senior Vice President, General Counsel and Corporate Secretary in February 2022. Prior to joining the Company, she served as Deputy General Counsel and Assistant Secretary of Cajun Operating Company for the Church's Chicken and Texas Chicken brands. Ms. Terrell also served as Assistant General Counsel - Franchise for Luxottica Retail, Assistant General Counsel for General Nutrition Centers Inc., Franchise Counsel for Precision Tune Auto Care, Inc. and General Counsel of Decorating Den Systems, Inc.

Kersten Zupfer was appointed to Executive Vice President and Chief Financial Officer in November 2019. For more than 13 years before her promotion to Chief Financial Officer, Ms. Zupfer served in accounting and finance roles of increasing leadership at the Company. Ms. Zupfer served as Senior Vice President and Chief Accounting Officer since November 2017, prior to which she served as Vice President, Corporate Controller and Chief Accounting Officer since December 2014.

## **Governmental Regulations:**

The Company is subject to various federal, state, local and provincial laws affecting its business, as well as a variety of regulatory provisions relating to the conduct of its beauty-related business, including health and safety. At the end of fiscal year 2020, the majority of state and local governments where we operate temporarily mandated the closure of our salons in response to the COVID-19 global pandemic. These pandemic related government-mandated closures continued into fiscal year 2021 and even into fiscal year 2022 in parts of Canada. We monitor state and local regulations carefully to ensure the safety of our stylists and guests.

In the United States, the Company's franchise operations are subject to the Federal Trade Commission's Trade Regulation Rule on Franchising (the FTC Rule) and by state laws and administrative regulations that regulate various aspects of franchise operations and sales. The Company's franchises are offered to franchisees by means of a disclosure document containing specified disclosures in accordance with the FTC Rule and the laws and regulations of certain states. The Company has registered its offering of franchises with the regulatory authorities of those states in which it offers franchises and where registration is required. State laws that regulate the franchisee/franchisor relationship presently exist in a substantial number of states and, in certain cases, apply substantive standards to this relationship. Such laws may, for example, require that the franchisor deal with the franchisee in good faith, prohibit interference with the right of free association among franchisees, and limit termination of franchisees without payment of reasonable compensation. The Company believes that the current trend is for government regulation of franchising to increase over time. However, such laws have not had, and the Company does not expect such laws to have, a significant effect on the Company's operations.

In Canada, the Company's franchise operations are subject to franchise laws and regulations in the provinces of Ontario, Alberta, Manitoba, New Brunswick, Prince Edward Island and British Columbia. The offering of franchises in Canada occurs by way of a disclosure document, which contains certain disclosures required by the applicable provincial laws. The provincial franchise laws and regulations primarily focus on disclosure requirements, although each requires certain relationship requirements, such as a duty of fair dealing and the right of franchisees to associate and organize with other franchisees.

The Company believes it is operating in substantial compliance with applicable laws and regulations governing all of its operations.

The Company maintains an ownership interest in Empire Education Group, Inc. Beauty schools derive a significant portion of their revenue from student financial assistance originating from the U.S. Department of Education's Title IV Higher Education Act of 1965. For the students to receive financial assistance at the schools, the beauty schools must maintain eligibility requirements established by the U.S. Department of Education. In 2020, the Company signed an agreement to sell our ownership interest in EEG to the other owner. The transaction is expected to close after receipt of state ownership transfer approvals.

### *Financial Information about Foreign and North American Operations*

Financial information about foreign and North American operations is incorporated herein by reference to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 and segment information in Note 15 to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

### *Available Information*

The Company is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (Exchange Act). The Company therefore files periodic reports, proxy statements and other information with the Securities and Exchange Commission (SEC). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street NE, Washington, DC 20549, or by calling the SEC at 1-800-SEC-0330. All of our reports, proxy and information statements and other information are available on the SEC's internet site ([www.sec.gov](http://www.sec.gov)).

Financial and other information can be accessed in the Investor Relations section of the Company's website at [www.regiscorp.com](http://www.regiscorp.com). The Company makes available, free of charge, copies of its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

## Item 1A. Risk Factors

### **Business and Industry Risks**

***The impact of the COVID-19 pandemic, including variants, and the measures implemented to contain the spread of the virus have had, and may continue to have, a material adverse impact on our business and results of operations.***

Our operations expose us to risks associated with public health crises and epidemics/pandemics, such as COVID-19, that has spread globally. COVID-19 has had, and may continue to have, an adverse impact on our operations. The pandemic may affect the health and welfare of our stylist community, customers, franchise partners or Salon Support personnel. As of the date of this filing, our salons across essentially all geographies are allowed to be open; however, states may again decide to require the closure of salons as the level of COVID-19 cases continue to fluctuate.

Some of our franchisees, many of whom were in the early stages of developing their businesses prior to the onset of the pandemic, have chosen, or may choose, not to resume operation of their salons and/or are facing challenges rehiring employees, reestablishing operations with their landlords and other vendors, and attracting customers back to their salons. As a result, many of our franchisees requested reductions or other modifications to their royalty payments or other amounts due to us, which may be critical to their ability to reestablish operations, and they may simply be unable or unwilling to make lease, royalty or other payments to us and may be unable to continue to operate or may need to close their salons. The removal or reduction of these payments, including the added expense associated with closed locations where we may have residual lease liability, has and is expected to continue to have, an adverse impact on our revenues and cash flows. Customers and employees have been cautious about returning to personal service providers. Furthermore, as a result of the pandemic, many of our customers have themselves experienced adverse financial impacts, including loss of disposable income, which may limit their spending on personal care, including purchasing of beauty products, or have identified other means for hair care. The trend of increased remote work and utilization of advanced video-conferencing technology has led to a less-formal work environment, which could impact the frequency of our hair care services. In addition, COVID-19 may cause additional workers' compensation claims and customer claims associated with the pandemic.

As a result, COVID-19 has negatively affected, and may continue to negatively affect, our revenue, increased the cost of salon operations and potentially exposed us to additional liability, the combination of which has reduced and may continue to reduce our profitability, including the profitability of our franchisees. In addition, we retain a residual real estate lease liability of \$501.3 million for company-owned and franchise salons that either sublease the premises of their location from us or that require us to guarantee the franchisee's lease. The combination of the revenue reduction, obligations we ultimately owe to landlords, and other costs both related and unrelated to COVID-19 could significantly reduce or exhaust our available liquidity over time and limit our ability to access liquidity sources.

The COVID-19 pandemic caused disruption to the global economy and to our business, which may lead to triggering events that prevent our recovery of the carrying value of certain assets, including accounts receivables, long-lived assets, intangibles, and goodwill. Assessing goodwill for impairment can be difficult to predict because, among other things, it requires management to make assumptions and to apply judgment, including forecasting future sales and expenses, and selecting appropriate discount rates, all of which can be affected by economic conditions and other factors.

***Consumer shopping trends and changes in manufacturer choice of distribution channels may negatively affect both service and product revenues.***

Our salons are partly dependent on the volume of customer foot traffic around their locations to generate both service and product revenues. Customer foot traffic may be adversely affected by changing consumer shopping trends that favor internet-based shopping or alternative shopping methods or locations. In recent years, we have experienced substantial declines in foot traffic in some shopping malls that changed traffic patterns at those salons that may affect our revenues and impact the health of our brands.

In addition, we are experiencing a proliferation of alternative channels of distribution, such as blow dry bars, booth rental facilities, discount brick-and-mortar and online professional product retailers, as well as manufacturers selling directly to consumers online, all of which may negatively affect our product and service revenue. Also, product manufacturers may decide to utilize these other distribution channels to a larger extent than in the past and they generally have the right to terminate relationships with us with little advance notice. These trends could reduce the volume of foot traffic around our salons, and in turn, our revenues may be adversely affected.

***Changes in regulatory and statutory laws, such as increases in the minimum wage and changes that make collective bargaining easier, and the costs of compliance and non-compliance with such laws, may result in increased costs to our business.***

With 5,576 locations and approximately 630 employees worldwide, our financial results can be adversely impacted by regulatory or statutory changes in laws. Due to the number of people we or our franchisees employ, laws that increase minimum wage rates, employment taxes, overtime requirements or costs to provide employee benefits or administration may result in additional costs to our Company or our franchisees.

***We are subject to laws and regulations that could require us to modify our current business practices and incur increased costs, which could have an adverse effect on our business, financial condition and revenues.***

In our U.S. markets, numerous laws and regulations at the federal, state and local levels can affect our business. Legal requirements are frequently changed and subject to interpretations, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. If we fail to comply with any present or future laws or regulations, we could be subject to future liabilities or a prohibition on the operation of our salons.

A number of U.S. states, Canadian provinces, and municipalities in which we do business with have recently increased, or are considering increasing, the minimum wage, with increases generally phased over several years depending upon the size of the employer. Increases in minimum wages and overtime pay result in an increase in our costs, and our ability to offset these increases through price increases may be limited. In fact, increases in minimum wages have increased our costs over the last five years. In addition, a growing number of states, provinces and municipalities have passed, or are considering passing, requirements for paid sick leave, family leave, predictive scheduling (which imposes penalties for changing an employee's shift as it nears), and other requirements that increase the administrative complexity of managing our workforce. Finally, changes in labor laws designed to facilitate union organizing, could increase the likelihood of some of our employees being subjected to greater organized labor influence. If a significant portion of our employees were to become unionized, it would have an adverse effect on our business and financial results.

Increases in minimum wages, administrative requirements and unionization could also have an adverse effect on the performance of our franchisees, especially if the National Labor Relations Board (NLRB) treats our franchisees as "joint employers" with us or if our franchisees are classified as large employers under minimum wage statutes because of their affiliations with us. In addition, we must comply with state employment laws, including the California Labor Code, which has stringent requirements and penalties for non-compliance.

Various state and federal laws govern our relationships with our franchisees and our potential sale of a franchise. If we fail to comply with these laws, we may subject the Company and our personnel to claims lodged by our franchisees, as well as federal and state government agencies, and those claims may include, among others, fraud, misrepresentation, unfair business practices and wrongful terminations. As a result of those claims, we could be liable for fines, damages, stop orders or other penalties. A franchisee or government agency may bring legal action against us based on the franchisee/franchisor relationship. Also, under the franchise business model, we may face claims and liabilities based on vicarious liability, joint-employer liability or other theories or liabilities. All such legal actions could not only result in changes to laws and interpretations, which could make it more difficult to appropriately support our franchisees and, consequently, impact our performance, but could also result in expensive litigation with our franchisees, third parties or government agencies, which could adversely affect both our profits and our important relationships with our franchisees. In addition, other regulatory or legal developments may result in changes to laws or to the franchisee/franchisor relationship that could negatively impact the franchise business model and, accordingly, our profits.

We are also subject to federal statutes and regulations, including the rules promulgated by the U.S. Federal Trade Commission, as well as certain state laws governing the offer and sale of franchises. Many state franchise laws impose substantive requirements on franchise agreements, including limitations on non-competition provisions and on provisions concerning the termination or non-renewal of a franchise. Some states require that certain materials be filed for a franchisor to be registered and approved before franchises can be offered or sold in that state. The failure to obtain or retain licenses or approvals to sell franchises could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition to employment and franchise laws, we are also subject to a wide range of federal, state, provincial and local laws and regulations in the jurisdictions in which we operate, including those affecting public companies, product manufacturing and sale and those governing the franchisee/franchisor relationship. Compliance with new, complex, and changing laws may cause our expenses to increase. In addition, any non-compliance with laws or regulations could result in penalties, fines, product recalls and enforcement actions or otherwise restrict our ability to market certain products or attract or retain employees, which could adversely affect our business, financial condition and results of operations.



***Changes in the general economic environment may impact our business and results of operations.***

Changes to the U.S., Canada and U.K.'s economies have an impact on our business. General economic factors that are beyond our control, such as recession, inflation, deflation, tax rates and policy, energy costs, unemployment trends, extreme weather patterns, viruses, pandemics, stay-at-home orders and other casualty events that influence consumer confidence and spending, may impact our business and results of operations. In particular, visitation patterns to our salons can be adversely impacted by increases in unemployment rates and decreases in discretionary income levels.

***Changes in consumer tastes, hair product innovation, fashion trends and consumer spending patterns may impact our revenue.***

Our success depends, in part, on our ability to anticipate, gauge and react in a timely manner to changes in consumer tastes, hair product innovation, fashion trends and consumer spending patterns. If we do not timely identify and properly respond to evolving trends and changing consumer demands for hair care or services, our sales may decline. The recent trend to work remotely reduces foot traffic in downtowns, city centers, and other business districts where our salons are located, causing a reduction in our revenue.

***As of June 30, 2022, we were not in compliance with New York Stock Exchange listing requirements.***

In June 2022, we received written notice from the New York Stock Exchange ("NYSE") that we did not meet certain NYSE continued listing standards. Under the NYSE continued listing standards, the Company is required to maintain (a) a minimum average closing price of \$1.00 per share over a period of 30 consecutive trading days, and (b) an average market capitalization of at least \$50.0 million over a period of 30 consecutive trading days, and at the same time, total stockholders' equity equal to or greater than \$50.0 million. If we are unable to improve our stock price to over \$1.00 by December 13, 2022 and our market capitalization to greater than \$50.0 million by December 13, 2023, we will be subject to the NYSE's suspension and delisting procedures. We are closely monitoring the closing share price of our common stock and are considering all available options. We intend to regain compliance with the NYSE listing standards by pursuing measures that are in the best interest of the Company and our shareholders. A delisting of our common stock could negatively impact us by, among other things, reducing the liquidity and market price of our common stock; reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; limiting our ability to issue additional securities or obtain additional financing in the future; decreasing the amount of news and analyst coverage of us; and causing us reputational harm with investors, our employees, and parties conducting business with us.

## **Operating Risks**

### ***We are now substantially dependent on franchise royalties and the overall success of our franchisees' salons.***

We are now substantially dependent on franchise royalties and the overall success of our franchisees' salons. It customarily takes new franchisees time to develop their salons and increase their sales. Further, a number of our historically successful and more experienced franchisees are onboarding new salon operations. This could adversely impact our revenue and profitability during this next stage of our transformation. To support and enhance our franchisees' businesses, we may need to invest in certain unanticipated new capabilities and/or services and we will need to determine the appropriate amount of investment to optimize the success of our franchisees, while ensuring that the level of investment supports our expected return on those investments. If we are not able to identify the right level of support and effectively deliver those resources to our franchisees, our results of operations and business may be adversely affected. Furthermore, our transition to a fully-franchised model may expose us to additional legal, compliance and operational risks specific to this different business model, including the business failure of unproven new salon owners.

### ***Sales at franchise locations may not return to pre-pandemic levels.***

Sales at most of our franchise locations have not returned to their pre-pandemic levels causing our franchisees to earn less profits or incur losses. Franchisees may be unable to pay their royalties or rents as they come due, which could decrease cash collections and increase our cash outflows if the franchisee subleases from us or we guarantee the lease. Franchisees may decide to close their salons and there may not be another franchisee willing to take over the business, which would decrease the size of our fleet and our revenues.

### ***We have exited our wholesale distribution business and entered into a preferred supplier agreement with a third party.***

We exited our wholesale distribution business and entered into a preferred supplier agreement with a supplier. This change has and will continue to reduce our future revenue. If our new supplier is unable to source the products at the prices expected by our franchisees, our franchisees' profitability and our profitability may be adversely impacted. Further, economic instability and other impactful events and circumstances in the regions in which our supplier and their manufacturers are located, the financial instability of our supplier, our supplier's failure to meet our terms and conditions or our supplier standards, product safety and quality issues, disruption or delay in the transportation of products from our supplier and their manufacturers to our salons, transport availability and cost, transport security, inflation and other factors relating to the suppliers and the areas in which they are located are beyond our control.

### ***It is important for us and our franchisees to attract, train and retain talented stylists and salon leaders.***

Guest loyalty is strongly dependent upon the stylists who serve our guests and the customer experience in our salons. Qualified, trained stylists are key to a memorable guest experience that creates loyal customers. In order to profitably grow our business, it is important for our salons to attract, train and retain talented stylists and salon leaders and to adequately staff our salons. Because the salon industry is highly fragmented and comprised of many independent operators, the market for stylists is typically highly competitive. In addition, labor shortages and increases in minimum wage requirements may impact the number of stylists considering careers outside the beauty industry. In most markets, we and our franchisees have experienced a shortage of qualified stylists or a reduction in the hours stylist will work. Offering competitive wages, benefits, education, and training programs are important elements to attracting and retaining qualified stylists. In addition, due to challenges facing the for-profit education industry, cosmetology schools have experienced declines in enrollment, revenues, and profitability in recent years. If the cosmetology school industry sustains further declines in enrollment or some schools close entirely, or if stylists leave the beauty industry, we expect that we and our franchisees would have increased difficulty staffing our salons in some markets. We are making significant investments in programs to attract and retain stylists. If our strategies are not successful in attracting, training and retaining stylists or in staffing salons, our same-store sales or the performance of our franchise business could experience periods of volatility or sales could decline and our results of operations could be adversely affected.

***Our continued success depends, in part, on the success of our franchisees, which operate independently.***

As of June 30, 2022, 98.1% of our salons were franchised locations. We derive revenues associated with our franchised locations primarily from royalties and fees. Our financial results are therefore substantially dependent upon the operational and financial success of our franchisees. As a franchise business, we are dependent on our franchisees.

We have limited control over how our franchisees' businesses are operated. Though we have established operational standards and guidelines, franchisees own, operate, and oversee the daily operations of their salon, including employee-related matters and pricing. If franchisees do not successfully operate their salons in compliance with our standards, our brand reputation and image could be harmed, and our financial results could be affected. Additionally, if franchisees do not price their goods and services competitively, the franchisee may fail to maximize the financial performance of their salon. We could experience greater risks as the scale of our franchised salons increases. Further, some franchise owners may not successfully execute the rebranding and/or turnaround of under-performing salons that we have transferred to them.

In addition, our franchisees are subject to the same general economic risks as our Company, and their results are influenced by competition for both guests and stylists, market trends, price competition and disruptions in their markets and business operations due to public health issues, including pandemics, severe weather and other external events. Like us, they rely on external vendors for some critical functions and to protect their company data. They may also be limited in their ability to open new locations by an inability to secure adequate financing, especially because many of them are small businesses with much more limited access to financing than our Company or by the limited supply of favorable real estate for new salon locations. They may also experience financial distress because of over-leveraging, which could negatively affect our operating results due to delayed or non-payments to us. The bankruptcy, default, abandonment, or breach by or of a franchisee could also expose us to lease liability due to our lease guarantees or subleases as explained previously.

A deterioration in the financial results of our franchisees, a failure of our franchisees to renew their franchise agreements or closure of locations could adversely affect our operating results through decreased royalty payments and fees. We also must continue to attract qualified franchisees and work with them to make their businesses successful.

In addition, challenges in supporting our expanding franchise system could cause our operating results to suffer. If we are unable to effectively select and train new franchisees and support our growing franchisee base, it could affect our brand standards, cause disputes between us and our franchisees, and potentially lead to material liabilities.

Our business is dependent on franchisees continuing to operate. If a franchisee exits the franchise system, we need to recruit an existing or new franchisee to run that salon location or our salon count would decline and our revenues would decline. A decline in salon count could also reduce the value of our brands. Additionally, we are dependent on our franchisees to grow their business in order for our business to grow. However, franchisees may not have access to capital, labor, etc., to support their growth.

***Data security and data privacy compliance requirements could increase our costs, and cybersecurity incidents could result in the compromise of potentially sensitive information about our guests, franchisees, employees, vendors or Company and expose us to business disruption, negative publicity, costly government enforcement actions or private litigation and our reputation could suffer.***

The normal operations of our business and our investments in technology involve processing, transmitting and storing potentially sensitive personal information about our guests, employees, franchisees, vendors and our Company, all of which require the appropriate and secure utilization of such information and subjects us to increased focus regarding our data security compliance. Cyber-attacks, including ransomware, designed to gain access to sensitive information by breaching mission critical systems of large organizations (and their third-party vendors) are constantly evolving and high-profile electronic security breaches leading to unauthorized release of sensitive information have occurred at a number of large U.S. companies in recent years. Furthermore, there has been heightened legislative and regulatory focus on data security in the U.S. and abroad, including requirements for varying levels of customer notification in the event of a data breach. These laws are changing rapidly and vary among jurisdictions. We will continue our efforts to meet any applicable privacy and data security obligations; however, it is possible that certain new obligations may be difficult to meet and could increase our costs. We rely on commercially available systems, software, and tools to provide security for processing, transmitting, and storing of sensitive information. As this risk of cyber-attacks increases, our related insurance premiums may also increase. Despite the security measures and processes we have in place, our efforts (and those of our third-party vendors) to protect sensitive guest, employee, franchisee, vendor, and Company information may not be successful in preventing a breach in our systems or detecting and responding to a breach on a timely basis. As a result of a security incident or breach in our systems, our systems could be interrupted or damaged, and/or sensitive information could be accessed by third parties. If that occurred, our guests could lose confidence in our ability to protect their information, which could cause them to stop visiting our salons altogether or our franchisees could exit the system due to lack of confidence. Such events could also lead to lost future sales and adversely affect our results of operations. In addition, as the regulatory environment relating to retailers and other companies' obligations to protect sensitive data becomes stricter, a material failure on our part to comply with applicable regulations could potentially subject us to fines, penalties, other regulatory sanctions, or lawsuits with the possibility of substantial damages. The costs to remediate security incidents or breaches that may occur could be material. Also, as cyber-attacks become more frequent, intense, and sophisticated, the costs of proactive defensive measures may increase. Furthermore, while our franchisees are independently responsible for data security at their franchised salon locations, a security incident or breach at a franchised salon location could negatively affect public perception of our brands. More broadly, our incident response preparedness and disaster recovery planning efforts may be inadequate or ill-suited for a security incident and we could suffer disruption of operations or adverse effects to our operating results.

***Our SmartStyle salon operations are dependent on our relationship with Walmart.***

As of June 30, 2022, we had 1,695 SmartStyle or Cost Cutters salons within Walmart locations. Walmart is our largest landlord. Our business within each of those 1,695 salons relies primarily on the traffic of visitors to the Walmart location, so our success is tied to Walmart's success in bringing shoppers into their stores. We have limited control over the locations and markets in which we open new SmartStyle locations, as we only have potential opportunities in locations offered to us by Walmart. Furthermore, Walmart has the right to (a) close up to 100 of our salons per year for any reason, upon payment of certain buyout fees; (b) terminate lease agreements for breach, such as if we failed to conform with required operating hours, subject to a notice and cure period; (c) non-renew the lease agreements if our salons fail to reach certain sales thresholds; and (d) to terminate the lease if the Walmart store is closed. Future franchising activity is dependent upon a continued relationship between us and Walmart, as well as Walmart's approval of our proposed franchisee on a location-by-location basis. Further, Walmart may attempt to impose changes to the terms and conditions of our agreements, which may be contrary to our economic interests. Operating SmartStyle salons adds complexity in overseeing franchise compliance and coordination with Walmart. Additionally, there are various remodel requirements of our franchisees, whether it be upon lease expiration or the remodeling of a Walmart location. To the extent Walmart accelerates the pace of their own store remodels, our stores in remodeled Walmart locations would be held to the same standard. The cost of these remodels may be prohibitive to our franchisees and could lead to the Company bearing a portion of the cost, or closures if the remodel requirement is not satisfied.

***Our future growth and profitability may depend, in part, on our ability to build awareness and drive traffic with advertising and marketing efforts and on delivering a quality guest experience to drive repeat visits to our salons.***

Our future growth and profitability may depend on the effectiveness, efficiency and spending levels of our marketing and advertising efforts to drive awareness and traffic to our salons. In addition, delivering a quality guest experience is crucial to drive repeat visits to our salons. We are developing our marketing and advertising strategies, which might include national and local campaigns, to build awareness, drive interest, consideration and traffic to our salons. We are also focusing on improving guest experiences to provide brand differentiation and preference as well as ensure our guests' needs are met. If our marketing, advertising, and improved guest experience efforts do not generate sufficient customer traffic and repeat visits to our company-owned and franchise-owned salons, our business, financial condition, and results of operations may be adversely affected. Our future growth and profitability may depend on the effectiveness, efficiency and spending levels of our marketing and advertising efforts to drive awareness and traffic to our salons. Additionally, we plan to increase our digital marketing efforts, and the success of those efforts are dependent upon our franchisee's migration to the Zenoti salon technology platform and customers opting-in to receive marketing messages from us.

***Our success depends substantially on the migration of our Franchisees to the Zenoti salon technology platform.***

The success of our digital marketing efforts discussed previously, as well as providing franchisees with back-office and salon management, including walk-in or advanced appointments, is dependent upon our franchisees' adoption of the Zenoti point-of-sale software. We previously developed a mobile application, platform and salon management system called Opensalon Pro, which we sold to Soham, Inc. ("Zenoti"), in fiscal year 2022. That agreement requires us to receive certain payments based upon the migration of our salons to the Zenoti software. Additionally, some of our technology capabilities will require development by Zenoti, and thus if not developed, may adversely affect our digital marketing efforts as well as providing our franchisees with critical functionality and information.

***Our success depends substantially on the value of our brands.***

Our success depends, in large part, on our ability to maintain and enhance the value of our brands, our customers' connection to our brands and a positive relationship with our franchisees. Declining franchisee revenue reduces the advertising funds available to invest in the brands and a decline in the Company's investment in its brands could reduce brand awareness and the overall value of our brands. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity, including via social media or if they result in litigation. Some of these incidents may relate to the way we manage our relationships with our franchisees, our growth strategies, our development efforts or the ordinary course of our, or our franchisees' business. Other incidents may arise from events that may be beyond our control and may damage our brands, such as actions taken (or not taken) by one or more franchisees or their employees relating to health, safety, welfare or otherwise, litigation and claims, security breaches or other fraudulent activities associated with our back-office management or payment systems, and illegal activity targeted at us or others. Consumer demand for our products and services and our brands' value could diminish significantly if any such incidents or other matters erode consumer confidence in us or our products or services. This could result in lower sales and, ultimately, lower royalty income, which could materially and adversely affect our business and operating results.



***We rely heavily on our information technology systems for our key business processes. If we experience an interruption in their operation, our results of operations may be affected.***

The efficient operation of our business is dependent on our management information systems. We rely heavily on our management information systems to collect daily sales information and guest demographics, generate payroll information, monitor salon performance, manage salon staffing and payroll costs, and other functions. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, hacker attempts, security breaches and natural disasters. Certain capabilities or entire systems may be outdated or have limited functionality. These management information systems may require upgrades or replacements periodically, which involve implementation and other operational risks. In addition, our management information systems are developed and maintained by external vendors and we are transitioning our franchisees onto the Zenoti salon technology platform beginning in fiscal year 2023. The failure of our management information systems to perform as we anticipate, to meet the continuously evolving needs of our business, or to provide an affordable long-term solution, could disrupt our business operations and result in other negative consequences, including remediation costs, loss of revenue and reputational damage. Further, if our external vendors fail to adequately provide technical support for any one of our key existing management information systems or if new or updated components are not integrated smoothly, we could experience service disruptions that could result in the loss of important data, increase our expenses, decrease our revenues and generally harm our business, reputation and brands. Also, any such conduct with respect to our franchisees could also result in litigation.

***We rely on external vendors for products and services critical to our operations.***

We rely on external vendors for the manufacture, supply and distribution of our owned brand products, other retail products we sell, and products we use during salon services, such as color and chemical treatments. We also rely on external vendors for various services critical to our operations and the security of certain Company data. Our dependence upon vendors exposes us to operational, reputational, financial and compliance risk.

If our product offerings do not meet our guests' expectations regarding safety and quality, we could experience lost sales, increased costs, and exposure to legal and reputational risk. All of our vendors must comply with applicable product safety laws, and we are dependent on them to ensure that the products and packages we buy, for either use on a guest during a service or resale to the public, comply with all safety and quality standards. Events that give rise to actual, potential or perceived product safety concerns or mislabeling could expose us to government enforcement action and/or private litigation and result in costly product recalls and other liabilities.

Our vendors are also responsible for the security of certain Company data, as discussed above. If one of our key vendors becomes unable to continue to provide products and services, or their systems fail, or are compromised or the quality of their systems deteriorate, we may suffer operational difficulties and financial loss.

***The use of social media may have an adverse effect on our reputation.***

Our reputation is critical to our ability to compete and succeed. However, our reputation may be damaged by negative publicity on social media or other channels regarding the quality of products or services we provide. There has been a substantial increase in the use of social media platforms, which allow individuals to be heard by a broad audience of consumers and other interested persons. Negative or false commentary regarding us or the products or services we offer may be posted on social media platforms at any time. Customers value readily available information and may act on information without further investigation or regard to its accuracy. The harm to our reputation may be immediate, without affording us an opportunity for redress or correction. Our reputation may also be damaged by factors that are mostly or entirely out of our control, including actions by a franchisee or a franchisee's employee.

We also use social media platforms as marketing tools. As laws and regulations rapidly evolve to govern the use of these platforms, the failure by us, our employees or third parties acting at our direction, to abide by applicable laws and regulations in the use of these platforms could adversely affect our business, financial condition and revenues.

***Failure to simplify and standardize our operating processes across our brands could have a negative impact on our financial results.***

We expect standardization of operating processes across our brands, marketing and products to enable us to simplify our operating model and decrease our costs and believe failure to do so could adversely impact our ability to grow revenue and realize further efficiencies within our results of operations.

***Our enterprise risk management program may leave us exposed to unidentified or unanticipated risks.***

We maintain an enterprise risk management program that is designed to identify, assess, mitigate and monitor the risks that we face. There can be no assurance that our frameworks or models for assessing and managing known risks, compliance with applicable laws and related controls will effectively mitigate risk and limit losses in all market environments or against all types of risk in our business. If conditions or circumstances arise that expose flaws or gaps in our risk management or compliance programs, the performance and value of our business could be adversely affected.

Insurance and other traditional risk-shifting tools may be held by, or made available to, us in order to manage certain types of risks, but they are subject to terms such as deductibles, retentions, limits and policy exclusions, as well as risk of denial of coverage, default or insolvency. If we suffer unexpected or uncovered losses, or if any of our insurance policies or programs are terminated for any reason or are not effective in mitigating our risks, we may incur losses that are not covered or that exceed our coverage limits and could adversely impact our results of operations, cash flows and financial position.

The franchise agreements require each franchisee to maintain specified insurance coverages and levels. Certain extraordinary hazards, however, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks. Moreover, any loss incurred could exceed policy limits and policy payments made to franchisees may not be made on a timely basis. Any such loss or delay in payment could have a material and adverse effect on a franchisee's ability to satisfy its obligations under its franchise agreement, including its ability to make royalty payments.

**Financial and Economic Risks**

***If we fail to comply with any of the covenants in our existing financing arrangement, we may not be able to access our existing revolving credit facility, and we may face an accelerated obligation to repay our indebtedness.***

If we fail to comply with our existing financing arrangements, such a failure may cause a default under our financing arrangement, which could limit our ability to obtain new replacement financing or additional financing under our existing credit facility, require us to pay higher levels of interest or accelerate our obligation to repay our indebtedness. The impacts of significant business disruptions could ultimately impair our ability to comply with our covenants, which could preclude our ability to access our credit facility or accelerate our debt repayment obligation, which is secured by a lien on substantially all of the Company's assets.

***If our capital investments in developing new and improving current technology infrastructure do not achieve appropriate returns, our financial condition and results of operations may be adversely affected.***

We are currently making, and expect to continue to make, strategic investments in technology to increase traffic to salons and improve guest experiences, including without limitation, our mobile applications. These investments may not provide the anticipated benefits or desired return and could expose us to additional legal and compliance risks. Furthermore, some of our technology capabilities and developments involve third-party partnerships that we are dependent on. If these partnerships are unsuccessful, the technology-enabled capabilities may not fully achieve their anticipated returns.

***Premature termination of franchise agreements can cause losses.***

Our franchise agreements may be subject to premature termination in certain circumstances, such as failure of a franchisee to cure a default, monetary or otherwise, a franchisee bankruptcy, voluntary termination, or abandonment of the franchise. If terminations occur for these or other reasons, we may need to enforce our right to damages for breach of contract and related claims, which could cause us to incur significant legal fees and expenses and/or to take back and operate such salons as company-owned salons. Any damages we ultimately collect could be less than the projected future value of the fees and other amounts we would have otherwise collected under the franchise agreement. In addition, with many of our brands, we remain liable under the lease and, therefore, will be obligated to pay rent or enter into a settlement with the landlord, and we may not be made whole by the franchisee. A significant loss of franchisee agreements due to premature terminations could hurt our financial performance or our ability to grow our business.

***Empire Education Group, Inc. may be unsuccessful, which could adversely affect our financial results.***

In 2020, we entered into an agreement to sell to the other owner our 55.1% ownership stake in Empire Education Group, Inc. (EEG), an operator of accredited cosmetology schools. The transaction is subject to regulatory approval before it can close, and there is no guarantee that the regulatory approval will occur, which has been delayed, in part, due to COVID-19. Due to poor financial performance of EEG, we fully impaired the investment in prior years. If the transaction does not close as anticipated and EEG is unsuccessful in executing its business plan, or if economic, regulatory and other factors, including declines in enrollment, revenue and profitability continue for the for-profit secondary education market, our financial results may be affected by certain potential liabilities related to this investment.

***Failure to control costs may adversely affect our operating results.***

We must continue to control our expense structure. Failure to manage our cost of product, labor and benefit rates, advertising and marketing expenses, operating lease costs, other store expenses, or indirect spending could delay or prevent us from achieving increased profitability or otherwise adversely affect our operating results.

***If we are not able to successfully compete in our business markets, our financial results may be affected.***

Competition on a market-by-market basis remains challenging as many smaller chain competitors are franchise systems with local operating strength in certain markets and the hair salon industry, as a whole, is fragmented and highly competitive for customers, stylists and prime locations. Therefore, our ability to attract guests, raise prices and secure suitable locations in certain markets can be adversely impacted by this competition. Our strategies for competing are complicated by the fact that we have multiple brands in multiple segments, which compete on different factors. We also face significant competition for prime real estate, particularly in strip malls. We compete for lease locations not only with other hair salons, but with a wide variety of businesses looking for similar square footage and high-quality locations. If we are unable to successfully compete, we may lose market share and our ability to grow same-store sales and increase our revenue and earnings may be impaired.

**Corporate Structure and Governance Risks**

***We rely on our management team and other key personnel.***

We depend on the skills, working relationships and continued services of key personnel, including our management team and others throughout our Company. We are also dependent on our ability to attract and retain qualified personnel, for whom we compete with other companies both inside and outside our industry. We may be required to increase wages and/or benefits to attract and retain qualified personnel or risk considerable turnover. Our business, financial condition or results of operations may be adversely impacted by the unexpected loss of any of our management team or other key personnel, or more generally if we fail to identify, recruit, train and/or retain talented personnel. In addition, our business may be harmed if we lose too many individuals with institutional knowledge.

***If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results and prevent or detect material misstatement due to fraud, which could reduce investor confidence and adversely affect the value of our common stock.***

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and effectively prevent and detect material fraud. If we cannot provide reliable financial reports or prevent or detect material fraud, our operating results could be materially misstated. There can be no assurances that we will be able to prevent control deficiencies from occurring, which could cause us to incur unforeseen costs, reduce investor confidence, cause the market price of our common stock to decline or have other potential adverse consequences.

***We could be subject to changes in tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.***

We are subject to income taxes in the U.S. and other foreign jurisdictions. Significant judgment is required in determining our tax provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to the examination of our income tax returns, payroll taxes and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for income taxes and payroll tax accruals. There can be no assurances as to the outcome of these examinations. Although we believe our tax estimates are reasonable, the final determination of tax audits, and any related litigation, could be materially different from our historical tax provisions and employment taxes. The results of an audit or litigation could have a material effect on our Consolidated Financial Statements in the period or periods where that determination is made. Also, in the future, our effective income tax rate could be adversely affected by a number of factors, including changes in the mix of earnings in countries with different statutory tax rates, changes in tax laws or the outcome of income examinations.

***Our ability to use our U.S. net operating loss carryforwards to offset future taxable income may be subject to certain limitations.***

Utilization of the net operating loss carryforwards may be subject to an annual limitation if an ownership change under Section 382 of the Internal Revenue Code of 1986 occurs. An ownership change could be triggered by subsequent sales of securities by us or our stockholders and such a change of ownership may limit our utilization of net operating losses.

***Litigation and other legal or regulatory proceedings or claims and the outcome of such litigation, proceedings or claims, including possible fines and penalties, could have an adverse effect on our business and any loss contingency accruals may be inadequate to cover actual losses.***

From time-to-time in the ordinary course of our business operations, we are subject to litigation, including potential class action and single-plaintiff litigation, arbitration and other legal or regulatory proceedings or claims. Litigation to defend ourselves against claims by third parties, or to enforce any rights that we may have against third parties, may be necessary, which could require significant time commitments from our management team and result in substantial costs and diversion of our resources, which may cause an adverse effect on our business, financial condition and revenues. We establish accruals for potential liabilities arising from litigation and other legal or regulatory proceedings or claims when potential liabilities are probable and the amount of the loss can be reasonably estimated based on currently available information. We may still incur legal costs for a matter even if we have not accrued a liability. In addition, actual losses may be higher than the amount accrued for a certain matter or in the aggregate. Any resolution of litigation or other legal or regulatory proceedings as well as claims could adversely affect our business, financial condition or revenues.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The Company leases its corporate headquarters in Minneapolis, Minnesota and the lease expires in 2030. The Company also operated an office in Fremont, California related to its product engineering business, which it will exit in fiscal year 2023.

In fiscal year 2022, the Company exited its distribution centers located in Chattanooga, Tennessee and Salt Lake City, Utah and signed agreements to sublease the facilities in the short-term before a full lease novation in fiscal years 2023 and 2024.

The Company also leases the premises in which approximately 88% of its franchisees operate and has entered into corresponding sublease arrangements with these franchisees. Generally, these leases have a five-year initial term and one or more five-year renewal options. All lease costs are passed through to the franchisees. Remaining franchisees who do not enter into sublease arrangements with the Company negotiate and enter into leases on their own behalf. As leases renew, the Company intends for franchisees to sign the non-Walmart leases directly so it will no longer be the primary tenant.

The Company operates all of its company-owned salons under lease agreements with original terms of at least five years, generally with the ability to renew at the Company's option, for one or more additional five-year periods.

None of the Company's salon leases are individually material to the operations of the Company, and the Company expects that it will be able to renew its leases on satisfactory terms as they expire or identify and secure other suitable locations. See Note 6 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

**Item 3. 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 has been faced with 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 faces allegations of non-payment of rent and associated charges. Further, similar to other large retail employers, the Company has been faced with allegations of purported class-wide consumer and wage and hour violations. Litigation is inherently unpredictable, and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could in the future, incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period. See Note 9 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

**Item 4. Mine Safety Disclosures**

Not applicable.



## PART II

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Regis common stock is listed and traded on the New York Stock Exchange under the symbol "RGS." As of August 15, 2022, Regis had approximately 1,125 shareholders of record. The closing stock price was \$1.27 per share on August 15, 2022.

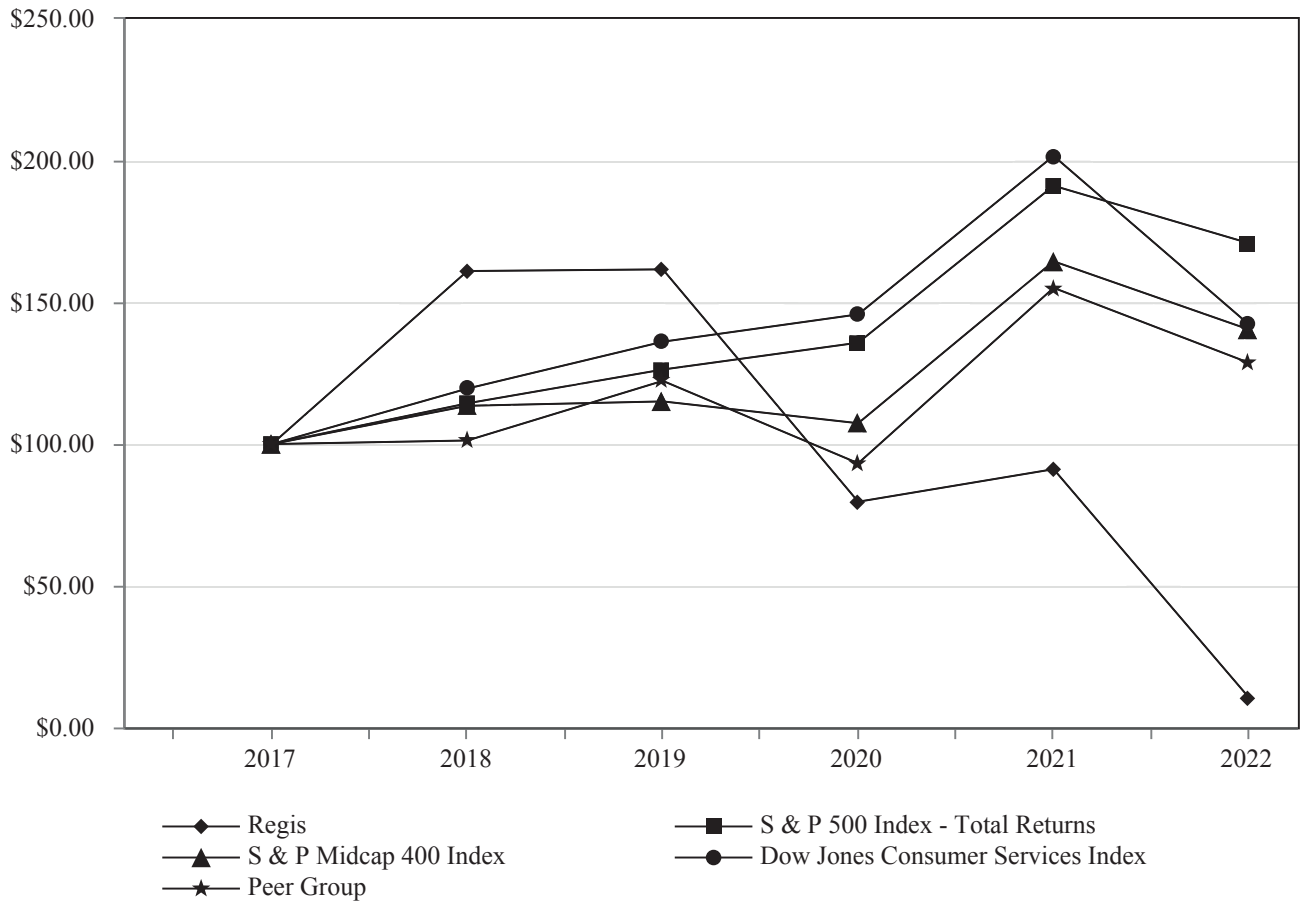
In accordance with its capital allocation policy, the Company does not pay dividends.

The following graph compares the cumulative total shareholder return on the Company's stock for the last five years with the cumulative total return of the Standard and Poor's 500 Stock Index and the cumulative total return of a peer group index (the Peer Group) constructed by the Company. In addition, the Company has included the Standard and Poor's 400 Midcap Index and the Dow Jones Consumer Services Index in this analysis because the Company believes these two indices provide a comparative correlation to the cumulative total return of an investment in shares of Regis Corporation.

The Peer Group consists of the following companies: Brinker International, Inc., The Cheesecake Factory, Inc., Cracker Barrel Old Country Store, Inc., Dine Brands Global, Inc., Fossil Group, Inc., Franchise Group, Inc., Jack in the Box, Inc., Papa John's International, Inc., Penn National Gaming, Inc., Planet Fitness, Inc., Revlon, Inc., Sally Beauty Holdings, Inc., Service Corporation International, Ulta Beauty, Inc. and Winmark Corporation. The Peer Group is a self-constructed peer group of companies that are in the franchise industry, beauty industry, or other industries where guest service, multi-unit expansion or franchise play a part. Information regarding executive compensation will be set forth in the 2022 Proxy Statement.

The comparison assumes the initial investment of \$100 in the Company's common stock, the S&P 500 Index, the Peer Group, the S&P 400 Midcap Index and the Dow Jones Consumer Services Index on June 30, 2017 and that dividends, if any, were reinvested.

**Comparison of Five Year Cumulative Total Return**  
**Assumes Initial Investment of \$100**  
**June 30, 2022**



	June 30,					
	2017	2018	2019	2020	2021	2022
Regis	\$ 100.00	\$ 161.05	\$ 161.64	\$ 79.65	\$ 91.14	\$ 10.52
S & P 500	100.00	114.37	126.29	135.77	191.15	170.86
S & P 400 Midcap	100.00	113.50	115.05	107.35	164.49	140.41
Dow Jones Consumer Services Index	100.00	119.57	136.11	145.76	201.67	142.15
Peer Group	100.00	101.26	122.30	93.22	155.12	128.66

### Share Issuance Program

On February 3, 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 common stock in "at-the-market" offerings. During fiscal year 2022, the Company issued 9.3 million shares for proceeds of \$38.4 million offset by fees of \$1.2 million. There were no shares issued in the fiscal quarter ended June 30, 2022. On June 30, 2022, \$11.6 million remains under the prospectus supplement, which equates to 10.7 million shares based on the share price as of June 30, 2022.

The Company issued the following common stock through its share issuance program:

	Fiscal Years	
	2022	2021
Issued Shares	9,295,618	—
Average Price (per share)	\$4.13	\$—
Price range (per share)	\$3.76 - \$5.99	\$—
Total	\$38.4 million	\$—

### Share Repurchase Program

In May 2000, the Company's Board of Directors (Board) approved a stock repurchase program with no stated expiration date. Since that time and through June 30, 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 depends on many factors, including the market price of the common stock and overall market conditions. There were no shares repurchased in the fiscal year ended June 30, 2022. As of June 30, 2022, 30.0 million shares have been cumulatively repurchased for \$595.4 million, and \$54.6 million remained authorized for repurchase. The Company does not anticipate repurchasing shares of common stock for the foreseeable future.

### Item 6. Reserved

Not applicable.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results.

### BUSINESS DESCRIPTION

Regis Corporation (the Company) franchises, owns and operates beauty salons. As of June 30, 2022, the Company franchised, owned or held ownership interests in 5,576 locations worldwide. Our locations consisted of 5,500 system-wide North American and International salons, and in 76 locations where we maintain a non-controlling ownership interest. Each of the Company's salon concepts generally offer similar salon products and services and serve the mass market. As of June 30, 2022, we had approximately 630 corporate employees worldwide. See discussion within Part I, Item 1 of this Form 10-K.

On June 30, 2022, the Company sold its Opensalon Pro (OSP) software-as-a-service 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. The remaining \$7.0 million of the purchase price is subject to holdbacks including \$4.0 million of the proceeds retained in escrow to be paid upon completion of the Company's refinancing, \$1.0 million once the Company ends its arrangement with its former third-party salon technology provider in December 2022 and \$2.0 million of proceeds held back until general indemnity provisions are satisfied within 18 months from closing. As a result of the sale, the Company classified the OSP business as discontinued operations in the financial statements as discussed in Note 3 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

As part of the Company's strategic transition to a fully-franchised model, the Company is selling salons to franchisees. The impact of these transactions are as follows:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Salons sold to franchisees	110	748
Cash proceeds received	\$ —	\$ 8,437
Loss from sale of salon assets to franchisees, net	\$ (2,334)	\$ (16,696)

The Company shifted its product business from a wholesale model to a third-party distribution model as part of its asset-light transformation. In fiscal year 2022, the Company exited its distribution centers and ceased selling products to franchisees. Going forward, franchisees will source product from a third-party distribution partner and the Company receives a royalty payment based on franchisee purchases. This change has significantly decreased both the Company's franchise product revenue and general and administrative expense, including the Franchise distribution costs discussed in Note 1 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. In fiscal years 2022 and 2021, the Company experienced the following charges related to the plan to exit the distribution centers:

		Fiscal Years	
		2022	2021
	Financial Statement Caption	(Dollars in thousands)	
Inventory reserve (1)	Inventory reserve	\$ 7,655	\$ —
Inventory valuation adjustment (2)	Company-owned salon expense	2,823	12,068
Gain from disposal of distribution center assets	Interest income and other, net	—	(14,997)

- (1) Includes charges in the third and fourth quarter of fiscal year 2022 associated with the liquidation of distribution center inventory, which primarily related to reserving for personal protective equipment acquired as a result of the COVID-19 pandemic.
- (2) Due to the reduction in company-owned salons, the Company cannot redistribute inventory from closed salons causing an increase to the reserve. Also included in fiscal year 2021 was the write-off of marketing and promotional items.

## RESULTS OF OPERATIONS

The Company reports its operations in two operating segments: Franchise salons and Company-owned salons.

### COVID-19 Impact:

During fiscal years 2022 and 2021, the global coronavirus pandemic (COVID-19) had an adverse impact on operations. The COVID-19 pandemic continues to impact salon guest visits and franchisee staffing, resulting in a significant reduction in revenue and profitability. In response to COVID-19, the Company received Canadian rent relief, Canadian wage relief and U.S. employee retention payroll tax credits. In fiscal years 2022 and 2021, the Company received the following amounts in rent and wage assistance:

		Fiscal Years	
		2022	2021
Financial Statement Caption		(Dollars in thousands)	
Canadian rent relief	Rent	\$ 1,235	\$ —
Canadian wage relief	Company-owned salon expense	1,966	1,629
U.S. employee retention payroll tax credit	Company-owned salon expense	—	1,547

Additionally, in December 2021, the Company paid \$2.5 million of social security contributions that had been deferred under the CARES Act. The ultimate impact of the COVID-19 pandemic in both the short- and long-term is not currently estimable due to the uncertainty surrounding the duration of the pandemic, the emergence and impact of new COVID-19 variants and changing government restrictions. Additional impacts to the business may arise that we are not aware of currently.

### System-wide results

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 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 (1) by concept are detailed in the table below:

	Fiscal Years	
	2022	2021
SmartStyle	5.7 %	(26.7)%
Supercuts	22.1	(25.8)
Portfolio Brands	11.2	(24.8)
Total	14.8 %	(25.8)%

- (1) Fiscal years 2022 and 2021 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. 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.

## Consolidated Results of Operations

The following table sets forth, for the periods indicated, certain information derived from our Consolidated Statement of Operations. The percentages are computed as a percent of total revenues, and the increase (decrease) is measured in basis points.

	Fiscal Years				
	2022	2021	2022	2021	2022
	(Dollars in millions)		% of Total Revenues (1)		Increase (Decrease)
Royalties	\$ 65.8	\$ 52.4	23.8 %	12.7 %	1,110
Fees	11.6	10.2	4.2	2.6	160
Product sales to franchisees	15.1	56.7	5.5	13.8	(830)
Advertising fund contributions	32.6	22.0	11.8	5.3	650
Franchise rental income	130.8	127.4	47.4	30.9	1,650
Company-owned salon revenue	20.2	143.0	7.3	34.7	(2,740)
Cost of product sales to franchisees (2)	17.4	43.8	115.2	77.2	3,800
Inventory reserve	7.7	—	2.8	—	N/A
General and administrative	65.3	96.4	23.7	23.4	30
Rent	9.4	40.8	3.4	9.9	(650)
Advertising fund expense	32.6	22.0	11.8	5.3	650
Franchise rent expense	130.8	127.4	47.4	30.9	1,650
Company-owned salon expense	22.0	141.2	8.0	34.3	(2,630)
Depreciation and amortization	6.2	21.7	2.2	5.3	(310)
Long-lived asset impairment	0.5	13.0	0.2	3.2	(300)
Goodwill impairment	13.1	—	4.7	—	N/A
Operating loss (3)	(28.9)	(94.7)	(10.5)	(23.0)	1,250
Interest expense	(12.9)	(13.2)	(4.7)	(3.2)	(150)
Loss from sale of salon assets to franchisees, net	(2.3)	(16.7)	(0.8)	(4.1)	330
Interest income and other, net	(0.3)	15.9	(0.1)	3.9	(400)
Income tax (expense) benefit (4)	(2.0)	5.4	(4.5)	5.0	N/A
Loss from discontinued operations, net of taxes	(39.4)	(10.1)	(14.3)	(2.5)	(1,180)
Net loss (3)	(85.9)	(113.3)	(31.1)	(27.5)	(360)

- (1) Cost of product sales to franchisees is computed as a percent of product sales to franchisees.
- (2) Excludes depreciation and amortization expense.
- (3) Total is a recalculation; line items calculated individually may not sum to total due to rounding.
- (4) Computed as a percent of loss from continuing operations before income taxes. The income taxes basis point change is noted as not applicable (N/A) as the discussion below is related to the effective income tax rate.



## **Fiscal Year Ended June 30, 2022 Compared with Fiscal Year Ended June 30, 2021**

### *Consolidated Revenues*

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

Consolidated revenues decreased \$135.7 million, or 33.0%, during fiscal year 2022. Royalty revenue increased \$13.4 million during fiscal year 2022 due to higher franchise system-wide sales and a higher average franchise salon count during the year. The overall decrease in revenue is due to the sale of company-owned salons to franchisees, the closure of company-owned salons which contributed \$105.4 million to the decline and the reduction in product sales to franchisees of \$41.6 million. During fiscal year 2022, 110 salons were sold to franchisees, net of buy backs, and 360 and 21 system-wide salons were closed and constructed, respectively (2022 Net Salon Count Changes). Additionally, our sales continue to be challenged by labor issues with active stylists and stylist hours worked below pre-COVID levels.

### *Royalties*

During fiscal year 2022, royalties increased \$13.4 million, or 25.6%, primarily due to a higher average franchise salon count and higher franchise system-wide sales.

### *Fees*

During fiscal year 2022, fees increased \$1.4 million, primarily due to the rebate from the Company's third-party distributor included in fees, which was a new source of revenue in fiscal year 2022. Training revenues also increased year over year. See Note 2 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

### *Product Sales to Franchisees*

Product sales to franchisees decreased \$41.6 million, or 73.4%, during fiscal year 2022, primarily due to the Company's shift in its product business to a third-party distribution model. The Company expected revenue from product sales to decrease significantly during fiscal year 2022 and expects it to continue to decrease in fiscal year 2023.

### *Advertising Fund Contributions*

Advertising fund contributions increased \$10.6 million, or 48.2%, during fiscal year 2022, primarily due to a higher average franchise salon count in fiscal year 2022 and system-wide sales and an increase in the contribution rate that had been reduced in the first half of fiscal year 2021 in response to COVID-19.

### *Franchise Rental Income*

During fiscal year 2022, franchise rental income increased \$3.4 million, or 2.7%, primarily due to a higher average franchise salon count.

### *Company-owned Salon Revenue*

During fiscal year 2022, company-owned salon revenue decreased \$122.8 million, or 85.9%, due to the decrease in company-owned salons as a result of the sale of salons to franchisees and salon closures, a decline in product sales, and exiting our third-party logistic revenue associated with the closure of our warehouses in fiscal year 2022.

### *Cost of Product Sales to Franchisees*

The 3,800 basis point increase in cost of product as a percent of product revenue during fiscal year 2022 was primarily due to the Company reducing prices to liquidate distribution center inventory.

### *Inventory Reserve*

During fiscal year 2022, the Company recorded an inventory reserve charge of \$7.7 million related to distribution center inventory, primarily consisting of personal protective equipment the Company no longer believes is marketable. During fiscal year 2021, the Company recorded an inventory reserve charge of \$12.1 million, which was included in company-owned salon expense in connection with our distribution center exit strategy.

### *General and Administrative*

The decrease of \$31.1 million, or 32.3%, in general and administrative expense during fiscal year 2022 was primarily due to lower administrative and field management compensation resulting from headcount reductions and a decrease in expenses associated with the distribution centers closed in fiscal year 2022.

### *Rent*

The decrease of \$31.4 million, or 77.0%, in rent expense during fiscal year 2022 was primarily due to the net reduction in the number of company-owned salons. Additionally in fiscal year 2022, the Company accrued less rent deemed uncollectible from franchisees. Partially offsetting the decrease was a \$0.9 million broker fee incurred in fiscal year 2022 related to exiting the Company's distribution centers.

### *Advertising Fund Expense*

Advertising fund expense increased \$10.6 million, or 48.2%, during fiscal year 2022, primarily due to a higher average franchise salon count in fiscal year 2022 and system-wide sales and an increase in the contribution rate that had been reduced in the first half of fiscal year 2021 in response to COVID-19.

### *Franchise Rent Expense*

During fiscal year 2022, franchise rent expense increased \$3.4 million, or 2.7%, primarily due to a higher average franchise salon count.

### *Company-owned Salon Expense*

Company-owned salon expense decreased \$119.2 million, or 84.4%, during fiscal year 2022, primarily due to the reduction in company-owned salons, a reduction in the inventory reserve charge and a decline in product sales.

### *Depreciation and Amortization*

The decrease of \$15.5 million, or 71.4%, in depreciation and amortization during fiscal year 2022 was primarily due to the net reduction in company-owned salon count and no depreciation expense in fiscal year 2022 related to the distribution center assets that were derecognized in fiscal year 2021.

### *Long-Lived Asset Impairment*

In fiscal year 2022, the Company recorded a long-lived asset impairment charge of \$0.5 million, which represents a right of use (ROU) asset impairment charge of \$0.5 million. In fiscal year 2021, the Company recorded a long-lived asset impairment charge of \$13.0 million, which included a ROU asset impairment of \$9.5 million. The decrease in long-lived asset impairment was primarily due to more salon ROU assets being impaired in prior periods.

### *Goodwill Impairment*

During fiscal year 2022, the Company recorded a goodwill impairment charge of \$13.1 million. See Note 1 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

### *Interest Expense*

The \$0.3 million decrease in interest expense during fiscal year 2022 was primarily due to interest incurred in fiscal year 2021 related to the financing liabilities associated with our sale leasebacks. Interest expense is expected to increase in fiscal year 2023 as fees related to the credit amendment signed in the first quarter of 2023 are amortized as interest expense over the new term of the credit agreement. Additionally, under the terms of the amended credit agreement, we expect interest expense to increase in the fourth quarter of fiscal year 2023.

*Loss from Sale of Salon Assets to Franchisees, net*

The \$14.4 million decrease in the loss from the sale of salon assets to franchises, net during fiscal year 2022 was primarily due to fewer salons sold in fiscal year 2022.

*Interest Income and Other, net*

The decrease of \$16.2 million in interest income and other, net during fiscal year 2022 was primarily due to the \$15.0 million gain associated with the leases for the Company's distribution centers that was recognized in fiscal year 2021.

*Income Tax (Expense) Benefit*

During fiscal year 2022, the Company recognized tax expense of \$(2.0) million, with a corresponding effective tax rate of (4.5)%, compared to recognizing a tax benefit of \$5.4 million, with a corresponding effective tax rate of 5.0% during fiscal year 2021. See Note 10 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

*Loss from Discontinued Operations, net of Income Taxes*

In fiscal year 2022, the loss from discontinued operations includes the loss from the sale of OSP, including goodwill derecognition of \$38.4 million, partially offset by proceeds from the sale. In fiscal year 2021, loss from discontinued operations includes the income generated from OSP software subscriptions. See Note 3 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. In fiscal year 2023, we expect to record gains relate to discontinued operations as we receive cash related to the release of holdbacks of the purchase price in connection with the sale of OSP.

## Results of Operations by Segment

Based on our internal management structure, we report two segments: Franchise salons and Company-owned salons. See Note 15 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. Significant results of continuing operations are discussed below with respect to each of these segments.

### Franchise Salons

	Fiscal Years		
	2022	2021	2022
	(Dollars in millions)		Increase (Decrease) (1)
Royalties	\$ 65.8	\$ 52.4	\$ 13.4
Fees	11.6	10.2	1.4
Product sales to franchisees	15.1	56.7	(41.6)
Advertising fund contributions	32.6	22.0	10.6
Franchise rental income	130.8	127.4	3.4
Total franchise revenue (1)	\$ 255.8	\$ 268.7	\$ (12.9)
Franchise same-store sales (2)	15.0 %	(24.5)%	
Operating loss	\$ (11.8)	\$ (24.6)	\$ 12.8

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

(2) Franchise same-store sales in fiscal year 2022 and 2021 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. 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.

### Fiscal Year Ended June 30, 2022 Compared with Fiscal Year Ended June 30, 2021

#### *Franchise Revenues*

Franchise revenues decreased \$12.9 million during fiscal year 2022. The decrease in franchise revenue was primarily due to the decrease in product sales to franchisees due to the Company's shift to third-party distributors, partially offset by higher royalties and advertising fund contributions due to a higher average salon count and increase in system-wide sales. During fiscal year 2022, franchisees purchased 110 salons from the Company and constructed (net of relocations) and closed 21 and 299 franchise salons, respectively.

#### *Franchise Operating Loss*

During fiscal year 2022, franchise salon operations generated operating losses of \$11.8 million, and generated an operating loss of \$24.6 million during fiscal year 2021. The operating loss improved during fiscal year 2022 compared to the prior comparable period due to the increase in royalties and decrease in general and administrative expense and rent, partially offset by the \$13.1 million goodwill impairment charge.

## Company-owned Salons

	Fiscal Years		
	2022	2021	2022
	(Dollars in millions)		(Decrease) Increase (1)
Total revenue	\$ 20.2	\$ 143.0	\$ (122.8)
Operating loss	\$ (9.5)	\$ (70.0)	\$ 60.5
Total company-owned salons	105	276	

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

### **Fiscal Year Ended June 30, 2022 Compared with Fiscal Year Ended June 30, 2021**

#### *Company-owned Salon Revenues*

Company-owned salon revenues decreased \$122.8 million in fiscal year 2022, primarily due to the 2022 Net Salon Count Changes.

#### *Company-owned Salon Operating Loss*

During fiscal year 2022, company-owned salon operating loss improved \$60.5 million, compared to the prior comparable period. The improvement in the loss during fiscal year 2022 was primarily due to reduced general and administrative expense primarily related to salaries, a decrease in long-lived asset impairment and the exiting of loss-generating company-owned salons. We expect losses associated with the company-owned segment to decrease as we reduce the number of remaining salons through closures or lease buyouts.

### **Recent Accounting Pronouncements**

Recent accounting pronouncements are discussed in Note 1 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

## **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 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 additional discussion under Financing Arrangements and Note 8 and Note 16 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

### **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 June 30, 2022, cash and cash equivalents were \$17.0 million, with \$14.9 and \$2.1 million within the United States and Canada, respectively.

As of June 30, 2022, the Company's borrowing arrangements include a \$277.5 million five-year revolving credit facility that expires in March 2023, of which \$81.9 million was available as of June 30, 2022. The Company's liquidity per the agreement includes the unused available balance under the credit facility, unrestricted cash and cash equivalents and the shortfall in the gap in expected proceeds from the sale of salon assets of \$20.9 million as of June 30, 2022. Total liquidity per the agreement was \$119.8 million compared to a minimum liquidity covenant of \$75.0 million as of June 30, 2022. See additional discussion under Financing Arrangements and Notes 8 and 16 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

Additionally, on February 3, 2021, the Company filed a \$150 million shelf registration and \$50 million prospectus supplement with the Securities and Exchange Commission under which it may offer and sell, from time to time, up to \$50 million worth of its 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 of 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 fiscal year 2022, the Company issued 9.3 million shares and received net proceeds of \$37.2 million.

### **Uses of Cash**

The Company closely manages its liquidity and capital resources. The Company's liquidity requirements depend on key variables, including the performance of the business, the level of investment needed to support its business strategies, capital expenditures, credit facilities and borrowing arrangements and working capital management. Capital expenditures are a component of the Company's cash flow and capital management strategy, which can be adjusted in response to economic and other changes in the Company's business environment. The Company has a disciplined approach to capital allocation, which focuses on investing in key priorities to support the Company's strategic plan as discussed within Part I, Item 1.

### **Cash Requirements**

The Company's most significant contractual cash requirements as of June 30, 2022 were lease commitments. See Note 6 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K for further detail. Additionally, the Company is committed to purchasing \$1.8 million of Designline inventory in the first quarter of fiscal year 2023. This inventory will be sold to our third-party supplier and customers.



## **Cash Flows**

### *Cash Flows from Operating Activities*

During fiscal year 2022, cash used in operating activities was \$38.6 million. Cash used in operations improved due to higher royalties, lower general and administrative expense, lower rent and the exiting of loss-generating company-owned salons. These improvements were partially offset by \$2.5 million of social security contributions that had been deferred under the CARES Act and \$3.6 million of costs related to our debt refinancing. Quarter-over-quarter cash use improved throughout fiscal year 2022. Cash used in operating activities was \$12.3, \$12.1, \$10.0 and \$4.3 million in the first, second, third and fourth quarters, respectively. We expect cash use in first quarter of fiscal year 2023 to increase due to approximately \$5.0 million of costs paid in connection with the credit amendment and approximately \$2.8 million of bonus payments.

### *Cash Flows from Investing Activities*

During fiscal year 2022, cash provided by investing activities of \$7.7 million was primarily related to cash received of \$13.0 million from the sale of OSP, partially offset by capital expenditures primarily related to developing the OSP software. In the first quarter of fiscal year 2023, we expect to receive approximately \$4 million related to the release of purchase price holdbacks in connection with the sale of OSP. Additionally, due to the sale of OSP, we expect capital expenditures to decrease in fiscal year 2023.

### *Cash Flows from Financing Activities*

During fiscal year 2022, cash provided by financing activities of \$29.4 million was primarily a result of net proceeds of \$37.2 million related to the issuance of common stock and a net \$6.9 million paydown on the Company's revolving credit facility. The additional purchase price of approximately \$4 million expected to be received in the first quarter of fiscal year 2023 will be used to repay the term loan as required by the credit agreement.

## Financing Arrangements

Financing activities are discussed in Note 8 and Note 16 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. Derivative activities are discussed in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk."

The Company's financing arrangements consist of the following:

	Maturity Dates (Fiscal year)	June 30,			
		2022	2021	2022	2021
		(Interest rate %)		(Dollars in thousands)	
Revolving credit facility	2023	5.50%	5.00%	\$ 179,994	\$ 186,911

As of June 30, 2022 and 2021, the Company had \$180.0 and \$186.9 million, respectively, of outstanding borrowings under its revolving credit facility. The five-year revolving credit facility expires in March 2023 and includes a minimum liquidity covenant of \$75.0 million, provides the Company's lenders security in substantially all of the Company's assets, adds additional guarantors, and grants a first priority lien and security interest to the lenders in substantially all of the Company's and the guarantors' existing and future property. Total liquidity per the agreement was \$119.8 million as of June 30, 2022. See Note 8 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. The revolving credit facility includes a \$30.0 million sub-facility for the issuance of letters of credit and a \$30.0 million sublimit for swingline loans. The Company may request an increase in revolving credit commitments under the facility of up to \$115.0 million under certain circumstances. The applicable margin for loans bearing interest at the Secured Overnight Financing Rate (SOFR) ranges from 3.75%-4.25%, the applicable margin for loans bearing interest at the base rate ranges from 2.75%-3.25%, and the facility fee ranges from 0.5%-0.75%, each depending on average utilization of the revolving line of credit.

In August 2022, the Company amended its credit agreement. Under the amendment, the revolving credit facility was converted to a \$180.0 million term loan and \$55.0 million revolving credit facility. The amendment also extends the maturity date to August 31, 2025 and includes, among other things, financial covenants, including minimum EBITDA, leverage and fixed charge coverage ratios and a minimum liquidity covenant which was reduced from \$75.0 million to \$10.0 million. The amendment also eliminates the \$115.0 million incremental loan facility. See additional discussion in Note 16 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

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

As of June 30,	Debt to Capitalization (1)
2022	120.8 %
2021	91.6 %

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

The increase in the debt to capitalization ratio as of June 30, 2022 compared to June 30, 2021 was primarily due to the decrease in shareholders' (deficit) equity as a result of the loss from operations.

## **Contractual Obligations and Commercial Commitments**

### *On-Balance Sheet Obligations*

Our debt obligations are primarily composed of our revolving credit facility at June 30, 2022.

Non-current deferred benefits of \$6.3 million includes \$1.8 million related to a non-qualified deferred salary plan, a salary deferral program of \$2.3 million and a bonus deferral plan of \$2.2 million related to established contractual payment obligations under retirement and severance agreements for a small number of employees. See Note 4 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

Operating leases primarily represent long-term obligations for the rental of salons, including leases for company-owned locations, as well as salon franchisee lease obligations, which are reimbursed to the Company by franchisees. Regarding franchisee subleases, we generally retain the right to the related salon assets, net of any outstanding obligations, in the event of a default by a franchise owner. Recent trends in system-wide revenue over the past few years has increased the risk of default by franchisees, which may be material.

The Company has unfunded deferred compensation contracts covering certain management and executive personnel. We cannot predict the timing or amount of future payments related to these contracts. See Note 11 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

As of June 30, 2022, we have liabilities for uncertain tax positions. We are not able to reasonably estimate the amount by which the liabilities will increase or decrease over time; however, at this time, we do not expect a significant payment related to these obligations within the next fiscal year. See Note 10 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

### *Off-Balance Sheet Arrangements*

Interest payments on long-term debt are calculated based on the revolving credit facility's rates. As of June 30, 2022, the applicable margin for loans bearing interest at SOFR ranges from 3.75%-4.25%, the applicable margin for loans bearing interest at the base rate ranges from 2.75%-3.25% and the facility fee ranges from 0.5%-0.75%, each depending on average utilization of the revolving line of credit.

Under the amended credit facility entered into in August 2022, the applicable margins for the loans bearing interest are subject to annual increases. The margin applicable to loans bearing interest at SOFR will initially be 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 paid in kind (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 SOFR loans. See Note 16 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

We are a party to a variety of contractual agreements that we may be obligated to indemnify the other party for certain matters, which indemnities may be secured by operation of law or otherwise, in the ordinary course of business. These contracts primarily relate to our commercial contracts, operating leases and other real estate contracts, financial agreements, agreements to provide services and agreements to indemnify officers, directors and employees in the performance of their work. While our aggregate indemnification obligation could result in a material liability, we are not aware of any current matter that we expect will result in a material liability.

We do not have any unconditional purchase obligations or significant other commercial commitments such as standby repurchase obligations or other commercial commitments.

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet financial arrangements or other contractually narrow or limited purposes at June 30, 2022. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

**Dividends**

In December 2013, the Board elected to discontinue declaring regular quarterly dividends.

**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 common stock in "at-the-market" offerings. As of June 30, 2022, the Company has issued 9.3 million shares for net proceeds of \$37.2 million.

**Share Repurchase Program**

In May 2000, the Board approved a stock repurchase program with no stated expiration date. Since that time and through June 30, 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 depends on many factors, including the market price of the common stock and overall market conditions. During fiscal year 2022, the Company did not repurchase any shares. As of June 30, 2022, 30.0 million shares have been cumulatively repurchased for \$595.4 million, and \$54.6 million remained authorized for repurchase. The Company does not anticipate repurchasing shares of common stock for the foreseeable future.

## CRITICAL ACCOUNTING POLICIES

The Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States. In preparing the 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 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 Consolidated Financial Statements.

Our significant accounting policies can be found in Note 1 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. We believe the following accounting policies are most critical to aid in fully understanding and evaluating our reported financial condition and results of operations.

### *Goodwill*

As of June 30, 2022 and 2021, the Franchise reporting unit had \$174.4 and \$229.6 million of goodwill, respectively, and the Company-owned segment had no goodwill at either period. See Note 5 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. 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 amount.

Goodwill impairment assessments are performed at the reporting unit level, which is the same as the Company's operating segments. The goodwill assessment involves a one-step comparison of the reporting unit's fair value to its carrying value, including goodwill (Step 1). If the reporting unit's fair value exceeds its carrying value, no further procedures are required. However, if the reporting unit's fair value is less than the carrying value, an impairment charge is recorded for the difference between the fair value and carrying value of the reporting unit.

In applying the goodwill impairment assessment, the Company may assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value (Step 0). Qualitative factors may include, but are not limited to, economic, market and industry conditions, cost factors, and overall financial performance of the reporting unit. If after assessing these qualitative factors, the Company determines it is more likely than not that the carrying value is less than the fair value, then performing Step 1 of the goodwill impairment assessment is unnecessary.

The carrying value of the reporting unit is based on the assets and liabilities associated with the operations of the reporting unit, including allocation of shared or corporate balances among reporting units. Allocations are generally based on the number of salons in each reporting unit as a percent of total salons or expenses of the reporting unit as a percentage of total company expenses.

The Company calculates estimated fair values of the reporting units based on discounted cash flows utilizing estimates in annual revenue, fixed expense rates, franchise salon counts, long-term growth rates and discount rates for determining terminal value. During fiscal year 2022, our estimates of annual revenue and salon counts were decreased to reflect recent trends in the business and, in fourth quarter, the removal of OSP revenues and expenses from our forecast. In addition, discount rates have increased during this period to reflect changes in the market interest rates. Where available and as appropriate, comparative market multiples are used in conjunction with the results of the discounted cash flows. The Company engages third-party valuation consultants to assist in evaluating the Company's estimated fair value calculations. See Note 1 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

### *Long-Lived Assets, Excluding Goodwill*

The Company follows the guidance in ASC 360, Property, Plant, and Equipment and applies the guidance to property, plant, and equipment as well as right of use (ROU) assets. 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 2022 and 2021, primarily due to the COVID-19 pandemic, 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. 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 based on the best information available, 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.

For fiscal years 2022 and 2021, the Company recognized long-lived asset impairment charges of \$0.5 and \$13.0 million, respectively, which included \$0.5 and \$9.5 million, respectively, related to ROU assets on the Consolidated Statement of Operations in Part II, Item 8, of this Form 10-K. 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 for 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. However, actual results may not be consistent with the estimates and assumptions used in the calculations, the Company may be exposed to future impairment losses that could be material.



## *Income Taxes*

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the Consolidated Financial Statements or income tax returns. Deferred income tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse.

We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized. The Company evaluates all evidence, including recent financial performance, the existence of cumulative year losses and our forecast of future taxable income, to assess the need for a valuation allowance against our deferred tax assets. While the determination of whether or not to record a valuation allowance is not fully governed by a specific objective test, accounting guidance places significant weight on recent financial performance.

The Company has a valuation allowance on its deferred tax assets amounting to \$201.7 and \$192.5 million at June 30, 2022 and 2021, respectively. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make necessary adjustments to the deferred tax asset valuation, which would reduce the provision for income taxes.

Significant components of the valuation allowance which occurred during fiscal year 2022 are as follows:

- The Company determined that it no longer had sufficient U.S. state indefinite-lived taxable temporary differences to support realization of its U.S. state indefinite-lived NOLs and its existing U.S. deferred tax assets that upon reversal are expected to generate state indefinite-lived NOLs. As a result, the Company recorded a \$4.1 million valuation allowance on its U.S. state indefinite-lived deferred tax assets.

Significant components of the valuation allowance which occurred during fiscal year 2021 are as follows:

- The Company recognized a tax loss on its investment in Luxembourg and established a corresponding valuation allowance of \$34.4 million.

The Company reserves for unrecognized tax benefits, interest and penalties related to anticipated tax audit positions in the U.S. and other tax jurisdictions based on an estimate of whether additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of these liabilities would result in tax benefits being recognized in the period in which it is determined that the liabilities are no longer necessary. If the estimate of unrecognized tax benefits, interest and penalties proves to be less than the ultimate assessment, additional expenses would result.

Inherent in the measurement of deferred balances are certain judgments and interpretations of tax laws and published guidance with respect to the Company's operations. Income tax expense is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities.

See Note 10 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

The primary market risk exposure of the Company relates to changes in interest rates in connection with its debt, specifically the revolving credit facility, which bears interest at variable rates based on SOFR plus an applicable borrowing margin. Additionally, the Company is exposed to foreign currency translation risk related to changes in the Canadian dollar, and to a lesser extent, the British pound. The Company has established policies and procedures that govern the management of these exposures through the use of derivative financial instrument contracts. By policy, the Company does not enter into such contracts for the purpose of speculation. The following details the Company's policies and use of financial instruments.

### ***Interest Rate Risk:***

The Company has established an interest rate management policy that attempts to minimize its overall cost of debt, while taking into consideration earnings implications associated with volatility in short-term interest rates. In the past, the Company has used interest rate swaps to further mitigate the risk associated with changing interest rates and to maintain its desired balances of fixed and floating rate debt. In addition, access to variable rate debt is available through the Company's revolving credit facility. The Company reviews its policy and interest rate risk management quarterly and adjusts in accordance with market conditions and the Company's short- and long-term borrowing needs. As of June 30, 2022, the Company had outstanding variable rate debt of \$180.0 million and the Company did not have any outstanding interest rate swaps.

In August 2022, the Company amended and extended its revolving credit facility to convert it to a \$180.0 million term loan and \$55.0 million revolving credit facility with varying interest rates. See Note 16 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

### ***Foreign Currency Exchange Risk:***

Over 90% of the Company's operations are transacted in U.S. dollars. However, because a portion of the Company's operations consist of activities outside of the U.S., the Company has transactions in other currencies, primarily the Canadian dollar, and to a lesser extent, the British pound. In preparing the Consolidated Financial Statements, the Company is required to translate the financial statements of its foreign subsidiaries from the currency in which they keep their accounting records, generally the local currency, into U.S. dollars. Different exchange rates from period to period impact the amounts of reported income and the amount of foreign currency translation recorded in accumulated other comprehensive income (AOCI). As part of its risk management strategy, the Company frequently evaluates its foreign currency exchange risk by monitoring market data and external factors that may influence exchange rate fluctuations. As a result, the Company may engage in transactions involving various derivative instruments to hedge assets, liabilities and purchases denominated in foreign currencies. As of June 30, 2022, the Company did not have any derivative instruments to manage its foreign currency risk.

During fiscal years 2022 and 2021, a \$0.6 million foreign currency loss and \$0.3 million foreign currency gain is included in loss from continuing operations, respectively.

**Item 8. Financial Statements and Supplementary Data**

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## Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders  
Regis Corporation

### Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Regis Corporation (a Minnesota corporation) and subsidiaries (the "Company") as of June 30, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, shareholders' (deficit) equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated August 22, 2022 expressed as an unqualified opinion.

### Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### Goodwill impairment analysis

As described further in Note 1 to the financial statements, the Company's consolidated goodwill balance was \$174.4 million as of June 30, 2022 and is assigned to the Franchise reporting unit. Goodwill is tested annually for impairment on April 30th or more frequently if events or circumstances indicate that the carrying amount of goodwill may be impaired. At March 31, 2022, a triggering event was identified and a quantitative goodwill impairment test was performed which resulted in impairment expense of \$16.0 million. We identified the Company's March 31, 2022 goodwill impairment analysis as a critical audit matter.

The principal considerations for our determination that the goodwill impairment analysis is a critical audit matter are that the significant estimates and assumptions made by management involve subjectivity and judgment in determining the fair value of the reporting unit using the discounted future cash flows valuation technique. The reporting unit discounted future cash flows include certain management assumptions that are complex and have a higher degree of estimation uncertainty and changes in these assumptions could have a significant impact on the results of the impairment analysis. These assumptions include forward-looking projections related to salon counts, revenue, EBITDA margin and determination of discount rates. Performing audit procedures to evaluate management's assumptions required a high degree of auditor judgement and an increased extent of effort, including the need to involve valuation specialists.

Our audit procedures related to the annual goodwill impairment analysis included the following, among others.

- We tested the design and operating effectiveness of controls relating to management's goodwill impairment test, including the controls over the determination of key inputs such as the forecasting of future cash flows and determination of the discount rate;
- We tested the reasonableness of management's forecasts of future revenues and EBITDA margin by comparing to third-party industry projections and historical operating results;
- We performed sensitivity analysis on the Company's future revenue and salon counts to evaluate the reasonableness of management's forecasts;
- We utilized a valuation specialist to assist in recalculating the Company's discounted future cash flows model and in evaluating the reasonableness of significant assumptions including the discount rate; and
- We evaluated the competency and objectivity of management's specialists who assisted with preparing the discounted cash flow analysis.

### **Accounting for Discontinued Operations**

As discussed in Note 3 of the consolidated financial statements, on June 29, 2022, the Company completed the sale of its OSP software-as-a-service business ("OSP") to Soham Inc. ("Buyer") for \$20.0 million in cash plus up to an additional \$19.0 million in proceeds contingent upon the number of salons that transition to the Buyer's salon technology platform. In connection with the sale, the Company recognized a pre-tax loss of \$36.6 million in discontinued operations. As a result of the discontinued operations classification, the comparative period consolidated financial statements for fiscal year 2021 have been recast to reclassify balance sheet, operations and cash flow amounts related to OSP discontinued operations. We identified the Company's accounting for the OSP discontinued operations as a critical audit matter.

The principal considerations for our determination that the discontinued operations is a critical audit matter are that auditing the Company's discontinued operations was complex due to judgments made by management in applying the relevant accounting principles including management's determination that OSP is a business, that the sale is a strategic shift, and the fair value determinations used in allocating goodwill attributable to the OSP component of the Franchise reporting unit.

Our audit procedures related to the discontinued operations included the following, among others.

- We tested the design and operating effectiveness of financial reporting controls over the Company's accounting for the discontinued operations.
- We evaluated the appropriateness of the Company's application of the criteria for reporting of discontinued operations by inspecting management's supporting documentation, reading board of directors meeting minutes and other entity information, and evaluating whether there was contrary evidence, based on our understanding of the business.
- We consulted with our national office as to the appropriateness of the conclusion reached regarding discontinued operations treatment.
- To test the allocation of goodwill to the OSP component for purposes of computing the loss, we evaluated the determination of the fair value of OSP based on the terms of the sale and the fair value of the overall Franchise reporting unit based on the most recent fair value determinations used in conjunction with goodwill impairment testing.
- We evaluated the presentation of the discontinued operations in the consolidated financial statements, including testing significant balances for appropriate allocation to discontinued operations in 2022 and 2021 and assessing the reasonableness of key judgments applied by management in allocating expenses to the discontinued operations.

**/s/ GRANT THORNTON LLP**

We have served as the Company's auditor since 2020.

Minneapolis, Minnesota

August 22, 2022

## **Report of Independent Registered Public Accounting Firm**

Board of Directors and Shareholders  
Regis Corporation

### **Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of Regis Corporation (a Minnesota Corporation) and subsidiaries (the "Company") as of June 30, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended June 30, 2022, and our report dated August 22, 2022, expressed an unqualified opinion on those financial statements.

### **Basis for opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and limitations of internal control over financial reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ **GRANT THORNTON LLP**

Minneapolis, Minnesota  
August 22, 2022



**REGIS CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
(Dollars in thousands, except per share data)

	June 30,	
	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,041	\$ 19,191
Receivables, net	14,531	26,270
Inventories	3,109	20,639
Other current assets	13,984	17,017
Current assets related to discontinued operations (Note 3)	—	3,542
Total current assets	48,665	86,659
Property and equipment, net	12,835	16,906
Goodwill (Note 5)	174,360	188,257
Other intangibles, net	3,226	3,761
Right of use asset (Note 6)	493,749	610,599
Other assets	36,465	41,388
Non-current assets related to discontinued operations (Note 3)	—	48,813
Total assets	\$ 769,300	\$ 996,383
<b>LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 15,860	\$ 27,157
Accrued expenses	33,784	51,242
Short-term lease liability (Note 6)	103,196	116,348
Current liabilities related to discontinued operations (Note 3)	—	3,738
Total current liabilities	152,840	198,485
Long-term debt, net (Note 8)	179,994	186,911
Long-term lease liability (Note 6)	408,445	517,626
Other non-current liabilities	58,974	75,075
Non-current liabilities related to discontinued operations (Note 3)	—	1,240
Total liabilities	800,253	979,337
Commitments and contingencies (Note 9)		
Shareholders' (deficit) equity:		
Common stock, \$0.05 par value; issued and outstanding, 45,510,245 and 35,795,844 common shares at June 30, 2022 and 2021, respectively	2,276	1,790
Additional paid-in capital	62,562	25,102
Accumulated other comprehensive income	9,455	9,543
Accumulated deficit	(105,246)	(19,389)
Total shareholders' (deficit) equity	(30,953)	17,046
Total liabilities and shareholders' (deficit) equity	\$ 769,300	\$ 996,383

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

**REGIS CORPORATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
(Dollars and shares in thousands, except per share data)

	Fiscal Years	
	2022	2021
Revenues:		
Royalties	\$ 65,753	\$ 52,357
Fees	11,587	10,215
Product sales to franchisees	15,072	56,699
Advertising fund contributions	32,573	22,023
Franchise rental income (Note 6)	130,777	127,392
Company-owned salon revenue	20,205	142,965
Total revenue	275,967	411,651
Operating expenses:		
Cost of product sales to franchisees	17,391	43,756
Inventory reserve (1)	7,655	—
General and administrative	65,274	96,427
Rent (Note 6)	9,357	40,754
Advertising fund expense	32,573	22,023
Franchise rent expense	130,777	127,392
Company-owned salon expense (2)	21,952	141,204
Depreciation and amortization	6,224	21,749
Long-lived asset impairment (Note 1)	542	13,023
Goodwill impairment (Note 5)	13,120	—
Total operating expenses	304,865	506,328
Operating loss	(28,898)	(94,677)
Other (expense) income:		
Interest expense	(12,914)	(13,163)
Loss from sale of salon assets to franchisees, net	(2,334)	(16,696)
Interest income and other, net	(296)	15,902
Loss from operations before income taxes	(44,442)	(108,634)
Income tax (expense) benefit	(2,017)	5,428
Loss from continuing operations	(46,459)	(103,206)
Loss from discontinued operations, net of income taxes (Note 3)	(39,398)	(10,125)
Net loss	<u>\$ (85,857)</u>	<u>\$ (113,331)</u>
Net loss per share:		
Basic and diluted:		
Loss from continuing operations	\$ (1.07)	\$ (2.87)
Loss from discontinued operations	(0.90)	(0.28)
Net loss per share, basic and diluted (3)	<u>\$ (1.97)</u>	<u>\$ (3.15)</u>
Weighted average common and common equivalent shares outstanding:		
Basic and diluted	<u>43,582</u>	<u>35,956</u>

- (1) Includes charges in the third and fourth quarter associated with liquidation of distribution center inventory. Excludes reserves for inventory at salons.
- (2) 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.
- (3) 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 Consolidated Financial Statements.

**REGIS CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
(Dollars in thousands)

	Fiscal Years	
	2022	2021
Net loss	\$ (85,857)	\$ (113,331)
Other comprehensive (loss) income, net of tax:		
Net current period foreign currency translation adjustments	(547)	1,888
Recognition of deferred compensation	459	206
Other comprehensive (loss) income	(88)	2,094
Comprehensive loss	<u>\$ (85,945)</u>	<u>\$ (111,237)</u>

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

**REGIS CORPORATION**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' (DEFICIT) EQUITY**  
(Dollars in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
	Shares	Amount				
<b>Balance, June 30, 2020</b>	<b>35,625,716</b>	<b>\$ 1,781</b>	<b>\$ 22,011</b>	<b>\$ 7,449</b>	<b>\$ 94,462</b>	<b>\$ 125,703</b>
Net loss	—	—	—	—	(113,331)	(113,331)
Foreign currency translation (Note 1)	—	—	—	1,888	—	1,888
Exercise of SARs	3,775	—	(24)	—	—	(24)
Stock-based compensation	—	—	3,254	—	—	3,254
Recognition of deferred compensation (Note 11)	—	—	—	206	—	206
Net restricted stock activity	166,353	9	(139)	—	—	(130)
Minority interest	—	—	—	—	(520)	(520)
<b>Balance, June 30, 2021</b>	<b>35,795,844</b>	<b>1,790</b>	<b>25,102</b>	<b>9,543</b>	<b>(19,389)</b>	<b>17,046</b>
Net loss	—	—	—	—	(85,857)	(85,857)
Foreign currency translation (Note 1)	—	—	—	(547)	—	(547)
Issuance of common stock, net of offering costs	9,295,618	465	36,720	—	—	37,185
Stock-based compensation	—	—	1,285	—	—	1,285
Recognition of deferred compensation (Note 11)	—	—	—	459	—	459
Net restricted stock activity	418,783	21	(545)	—	—	(524)
<b>Balance, June 30, 2022</b>	<b>45,510,245</b>	<b>\$ 2,276</b>	<b>\$ 62,562</b>	<b>\$ 9,455</b>	<b>\$ (105,246)</b>	<b>\$ (30,953)</b>

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

**REGIS CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Dollars in thousands)

	Fiscal Years	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (85,857)	\$ (113,331)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from sale of OSP (Note 3)	36,143	—
Depreciation and amortization (Note 1)	6,504	17,871
Long-lived asset impairment	542	13,023
Deferred income taxes	391	(3,388)
Inventory reserve	10,478	12,068
Gain from disposal of distribution center assets	—	(14,997)
Loss from sale of salon assets to franchisees, net	2,334	16,696
Goodwill impairment	16,000	—
Stock-based compensation	1,334	3,254
Amortization of debt discount and financing costs	1,839	1,839
Other non-cash items affecting earnings	709	(351)
Changes in operating assets and liabilities (1):		
Receivables	11,896	(279)
Inventories	7,886	17,879
Income tax receivable	1,118	1,295
Other current assets	2,118	1,658
Other assets	2,703	(2,896)
Accounts payable	(10,966)	(21,669)
Accrued expenses	(21,983)	5,296
Net lease liabilities	(5,960)	(19,248)
Other non-current liabilities	(15,867)	(14,603)
Net cash used in operating activities:	(38,638)	(99,883)
Cash flows from investing activities:		
Capital expenditures	(5,316)	(11,475)
Proceeds from sale of OSP	13,000	—
Proceeds from sale of assets to franchisees	—	8,437
Costs associated with sale of assets to franchisees	—	(261)
Proceeds from company-owned life insurance policies	—	1,200
Net cash provided by (used in) investing activities:	7,684	(2,099)
Cash flows from financing activities:		
Borrowings on revolving credit facility	10,000	10,000
Repayments of revolving credit facility	(16,916)	(589)
Proceeds from issuance of common stock, net of offering costs	37,185	—
Taxes paid for shares withheld	(845)	(348)
Minority interest buyout	—	(562)
Distribution center lease payments	—	(724)
Net cash provided by financing activities:	29,424	7,777
Effect of exchange rate changes on cash and cash equivalents	(158)	477
Decrease in cash, cash equivalents and restricted cash	(1,688)	(93,728)
Cash, cash equivalents and restricted cash:		
Beginning of year	29,152	122,880
End of year	\$ 27,464	\$ 29,152

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business Description:

Regis Corporation (the Company) franchises hairstyling and hair care salons throughout the United States (U.S.), Canada, Puerto Rico and the United Kingdom (U.K.). The business is evaluated in two segments, Franchise salons and Company-owned salons. Franchise salons in operation decreased from 5,563 to 5,395 at June 30, 2021 compared to June 30, 2022, primarily due to the closure of 299 salons, which was partially offset by the conversion of 110 salons from company-owned. Company-owned salons in operation decreased from 276 to 105 at June 30, 2021 compared to June 30, 2022, primarily due to the conversion of 110 salons to franchise. See Note 15 to the Consolidated Financial Statements. Salons are located in leased space in strip center locations, malls or Walmart.

#### COVID-19 Impact:

During fiscal years 2022 and 2021, the global coronavirus pandemic (COVID-19) had an adverse impact on operations. The COVID-19 pandemic continues to impact salon guest visits and franchisee staffing, resulting in a significant reduction in revenue and profitability. In response to COVID-19, the Company received Canadian rent relief, Canadian wage relief and U.S. employee retention payroll tax credits. In fiscal years 2022 and 2021, the Company received the following amounts in rent and wage assistance:

Financial Statement Caption		Fiscal Years	
		2022	2021
(Dollars in thousands)			
Canadian rent relief	Rent	\$ 1,235	\$ —
Canadian wage relief	Company-owned salon expense	1,966	1,629
U.S. employee retention payroll tax credit	Company-owned salon expense	—	1,547

Additionally, in December 2021 the Company paid \$2.5 million of social security contributions that had been deferred under the CARES Act. Overall, COVID-19 has, and may continue to have, a negative effect on revenue and profitability. The ultimate impact of the COVID-19 pandemic in both the short- and long-term is not currently estimable due to the uncertainty surrounding the duration of the pandemic, the emergence and impact of new COVID-19 variants and changing government restrictions. Additional impacts to the business may arise that we are not aware of currently.

#### Consolidation:

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries after the elimination of intercompany accounts and transactions. All material subsidiaries are wholly owned. The Company consolidates variable interest entities where it has determined it is the primary beneficiary of those entities' operations.

#### Variable Interest Entities:

The Company has interests in certain privately-held entities through arrangements that do not involve voting interests. Such entities, known as a variable interest entities (VIE), are required to be consolidated by its primary beneficiary. The Company evaluates whether or not it is the primary beneficiary for each VIE using a qualitative assessment that considers the VIE's purpose and design, the involvement of each of the interest holders and the risk and benefits of the VIE. As of June 30, 2022, the Company has no VIEs where the Company is the primary beneficiary.

The Company has an investment in Empire Education Group, Inc. (EEG). During fiscal year 2020, the Company signed an agreement to sell its interest in EEG to the other shareholder. Until the transaction closes, the Company continues to account for EEG as an equity investment under the voting interest model. The Company has granted the other shareholder of EEG an irrevocable proxy to vote a certain number of the Company's shares such that the other shareholder of EEG has voting control of EEG's common stock, as well as the right to appoint four of the five members of EEG's Board of Directors. The Company wrote off its investment balance in EEG in fiscal year 2016.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Use of Estimates:

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the economic disruption caused by the COVID-19 pandemic, the Company faces a greater degree of uncertainty than normal in making judgments and estimates needed to apply the Company's significant accounting policies. Actual results and outcomes may differ from management's estimates and assumptions.

### Cash, Cash Equivalents and Restricted Cash:

Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as a part of the Company's cash management activity. The carrying values of these assets approximate their fair market values. The Company primarily utilizes a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts that funds are moved to, and several "zero balance" disbursement accounts for funding of payroll and accounts payable. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative book cash balances. There were no checks outstanding in excess of related book cash balances at June 30, 2022 and 2021.

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. The self-insurance restricted cash arrangement can be canceled by the Company at any time if substituted with letters of credit. The table below reconciles the cash and cash equivalents balances and restricted cash balances, recorded within other current assets on the Consolidated Balance Sheet to the amount of cash, cash equivalents and restricted cash reported on the Consolidated Statement of Cash Flows:

	June 30,	
	2022	2021
	(Dollars in thousands)	
Cash and cash equivalents	\$ 17,041	\$ 19,191
Restricted cash, included in other current assets	10,423	9,961
Total cash, cash equivalents and restricted cash	<u>\$ 27,464</u>	<u>\$ 29,152</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Receivables and Allowance for Doubtful Accounts:

The receivable balance on the Company's Consolidated Balance Sheet primarily includes accounts and notes receivable from franchisees, credit card receivables and receivables related to salons sold to franchisees. The balance is presented net of an allowance for expected losses (i.e., doubtful accounts), related to receivables from the Company's franchisees. The Company monitors the financial condition of its franchisees and records provisions for estimated losses on receivables when it believes franchisees are unable to make their required payments based on factors such as delinquencies and aging trends. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses related to existing accounts and notes receivables. As of June 30, 2022 and 2021, the allowance for doubtful accounts was \$6.6 and \$7.8 million, respectively. The allowance for doubtful accounts decreased in fiscal year 2022 due to higher write-offs. See Note 2 to the Consolidated Financial Statements.

### Inventories:

Inventories of finished goods consist principally of hair care products for retail product sales. A portion of inventories are also used for salon services consisting of hair color, hair care products including shampoo and conditioner and hair care treatments including permanents, neutralizers and relaxers. Inventories are stated at the lower of cost or market, with cost determined on a weighted average cost basis.

Physical inventory is held at salons and a third-party distribution center as of June 30, 2022. A physical inventory count is conducted annually at the third-party distribution center. Product and service inventories are adjusted based on the physical inventory counts. During the fiscal year, cost of retail product sold to salon guests is determined based on the weighted average cost of product sold, adjusted for an estimated shrinkage factor. The cost of product used in salon services is determined by applying an estimated percentage of total cost of service to service revenues.

The Company has inventory valuation reserves for excess and obsolete inventories, or other factors that may render inventories unmarketable at their historical costs. In fiscal year 2021, the Company announced it would transition away from its wholesale product distribution model in favor of a third-party distribution model. As a result, the Company exited its two 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 and dispose of hard-to-sell products. Additionally, the reduction in company-owned salons decreases the Company's ability to redistribute inventory from closed locations to other salons to be sold or used. The inventory valuation reserve as of June 30, 2022 and 2021 was \$1.9 and \$11.8 million, respectively. During fiscal year 2022, the Company recorded total inventory reserve charges of \$10.5 million, of which \$7.7 and \$2.8 million were recorded in Inventory reserve and Company-owned salon expense, respectively, in the Consolidated Statement of Operations. Included in Company-owned salon expense in the Consolidated Statement of Operations is an inventory reserve charge of \$12.1 million during fiscal year 2021.

### Property and Equipment:

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over their estimated useful asset lives (i.e., 30 to 39 years for buildings, 10 years or lease life for improvements and three to 10 years or lease life for equipment, furniture and software). Depreciation expense was \$5.8 and \$20.9 million in fiscal years 2022 and 2021, respectively. Depreciation expense for fiscal years 2022 and 2021 include \$1.0 and \$4.7 million of asset retirement obligations, which are cash expenses.

The Company capitalizes both internal and external costs of developing or obtaining computer software for internal use. Costs incurred to develop internal-use software during the application development stage are capitalized, while data conversion, training and maintenance costs associated with internal-use software are expensed as incurred. Estimated useful lives range from three to seven years.

Expenditures for maintenance and repairs and minor renewals and betterments, which do not improve or extend the life of the respective assets, are expensed. All other expenditures for renewals and betterments are capitalized. The assets and related depreciation and amortization accounts are adjusted for property retirements and disposals with the resulting gain or loss included in operating income. Fully depreciated or amortized assets remain in the accounts until retired from service.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Right of Use Asset, Lease Liabilities and Rent Expense:

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 1 to 20 years with many leases renewable for an additional 5 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.

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 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 Consolidated Statement of Operations.

For salon 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 right of use (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. For leases classified as operating leases, 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.

Certain leases provide for contingent rents that are determined as a percentage of revenues in excess of specified levels. The Company records a contingent rent liability in accrued expenses on the Consolidated Balance Sheet, along with the corresponding rent expense in the Consolidated Statement of Operations, when specified levels have been achieved or when management determines that achieving the specified levels during the fiscal year is probable.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Salon Long-Lived Asset and Right of Use Asset Impairment Assessments:

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 2022 and 2021, primarily due to the COVID-19 pandemic, 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 Company assesses impairment of long-lived salon assets and right of use assets at the individual salon level, as this is the lowest level for which identifiable cash flows are largely independent of other groups of assets and liabilities, when events or changes in circumstances indicate the carrying value of the assets or the asset grouping may not be recoverable. Factors considered in deciding when to perform an impairment review include significant under-performance of an individual salon in relation to expectations, significant economic or geographic trends, and significant changes or planned changes in our use of the assets. The first step is to assess recoverability, and in doing that, the undiscounted cash flows are compared to the carrying value. If the undiscounted estimated cash flows are less than the carrying value of the assets, the Company calculates an impairment charge based on the difference between the carrying value of the asset group and its fair value. The fair value of the salon long-lived asset group is estimated using market participant methods based on the best information available. The fair value of the right of use asset is estimated by determining what a market participant would pay over the life of the primary asset in the group, discounted back to June 30, 2022. See Note 6 to the Consolidated Financial Statements for further discussion related to right of use asset impairment.

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. The fair value of the salon long-lived asset group is estimated using market participant methods based on the best information available.

For fiscal years 2022 and 2021, the Company recognized long-lived asset impairment charges of \$0.5 and \$13.0 million, respectively, which included \$0.5 and \$9.5 million, respectively, related to ROU assets on the 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 for 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. See Note 6 to the Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Goodwill:

As of June 30, 2022 and 2021, the Franchise reporting unit had \$174.4 and \$229.6 million, respectively, of goodwill and the Company-owned reporting unit had no goodwill for both periods. See Note 5 to the Consolidated Financial Statements for changes to the goodwill balance. The Company assesses goodwill impairment on an annual basis as of April 30, 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 amount.

Goodwill impairment assessments are performed at the reporting unit level, which is the same as the Company's operating segments. The Company performed its interim impairment tests and annual impairment tests by comparing the fair value of a reporting unit to its carrying amount. The Company then records an impairment charge for the amount that the carrying amount exceeds the fair value. In applying the goodwill impairment assessment, the Company could assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting units was less than its carrying value (Step 0). Qualitative factors could include, but were not limited to, economic, market and industry conditions, cost factors and overall financial performance of the reporting unit. If after assessing these qualitative factors, the Company determined it is more likely than not that the carrying value was less than the fair value, then performing Step 1 of the goodwill impairment assessment was unnecessary.

The carrying value of each reporting unit is based on the assets and liabilities associated with the operations of the reporting unit, including allocation of shared or corporate balances among reporting units. Allocations are generally based on the number of salons in each reporting unit as a percent of total company-owned salons or expenses of the reporting unit as a percent of total company expenses.

The Company calculates estimated fair values of the reporting units based on discounted cash flows utilizing estimates in annual revenue, service and product margins, fixed expense rates, allocated corporate overhead, franchise and company-owned salon counts, proceeds from the sale of company-owned salons to franchisees and long-term growth rates for determining terminal value. Where available and as appropriate, comparative market multiples are used in conjunction with the results of the discounted cash flows. The Company engages third-party valuation consultants to assist in evaluating the Company's estimated fair value calculations.

Following is a description of the goodwill impairment assessments for each of the fiscal years:

#### *Fiscal 2022*

During fiscal year 2022, the Company performed a quantitative impairment test over goodwill during the second quarter due to a triggering event experienced in the quarter. This determination was made considering the sustained decrease in share price and a change in the Company's chief operating decision maker. In the second quarter, the Franchise reporting unit was determined to have a fair value in excess of its carrying value and no impairment was recorded. A quantitative goodwill impairment was performed in the third quarter due to a triggering event experienced during the quarter. This determination was made considering a decrease in forecasted revenue due to slower than expected recovery from COVID-19. In the third quarter, the Franchise reporting unit was determined to have a carrying value in excess of its fair value, resulting in a goodwill impairment charge of \$16.0 million.

The Company performed its annual impairment assessment as of April 30. For the goodwill impairment analysis, management utilized a combination of both a discounted cash flows approach and market approach to evaluate the Franchise reporting unit. The discounted cash flows model reflects management's assumptions regarding revenue growth rates, economic and market trends, cost structure, and other expectations about the anticipated short-term and long-term operating results. Management's assumptions related to revenue growth rates were reduced and management increased expected salon closures compared to valuations in prior years. These changes, along with a decline in value from the market approach, reduced the fair value of the reporting unit. The discount rate of 20.0% was also a key assumption utilized in the discounted cash flows, which was an increase of 0.5% from the third quarter valuation due to an increase in market interest rates. As a result of the impairment testing, the Franchise reporting unit was determined to have a fair value in excess of its carrying value.

The Company derecognized \$38.4 million of goodwill in fiscal year 2022 in connection to the sale of OSP. The \$38.4 million represents the portion of goodwill related to the OSP business based on relative fair value. See Notes 3 and 5 to the Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### *Fiscal 2021*

During fiscal year 2021, the Company did not experience any triggering events that required an interim goodwill analysis. The Company performed its annual impairment assessment as of April 30. For the fiscal year 2021 annual impairment assessment, the Company performed a Step 1 impairment test for the Franchise reporting unit. The Company compared the carrying value of the Franchise reporting unit, including goodwill, to the estimated fair value. The results of this assessment indicated that the estimated fair value of the Company's Franchise reporting unit significantly exceeded the carrying value.

#### **Self-Insurance Accruals:**

The Company uses a combination of third-party insurance and self-insurance for a number of risks including workers' compensation, health insurance, employment practice liability and general liability claims. The liability represents the Company's estimate of the undiscounted ultimate cost of uninsured claims incurred as of the Consolidated Balance Sheet date.

The Company estimates self-insurance liabilities using a number of factors, primarily based on independent third-party actuarially-determined amounts, historical claims experience, estimates of incurred but not reported claims, demographic factors and severity factors.

Although the Company does not expect the amounts ultimately paid to differ significantly from the estimates, self-insurance accruals could be affected if future claims experience differs significantly from historical trends and actuarial assumptions. For fiscal years 2022 and 2021, the Company recorded decreases in expense for changes in estimates related to prior year open policy periods of \$0.5 and \$3.6 million, respectively. The Company updates loss projections bi-annually and adjusts its liability to reflect updated projections. The updated loss projections consider new claims and developments associated with existing claims for each open policy period. As certain claims can take years to settle, the Company has multiple policy periods open at any point in time.

As of June 30, 2022, the Company had \$4.7 and \$9.7 million recorded in current liabilities and non-current liabilities, respectively, related to the Company's workers' compensation and general liability self-insurance accruals. As of June 30, 2021, the Company had \$6.8 and \$12.7 million recorded in current liabilities and non-current liabilities, respectively, related to the Company's workers' compensation and general liability self-insurance accruals.

#### **Revenue Recognition and Deferred Revenue:**

Franchise revenues primarily include royalties, fees, product sales to franchisees and advertising fund fees. Royalties and advertising fund revenues represent sales-based royalties that are recognized as revenue in the period in which the sales occur. The Company defers franchise fees until the salon is open and then recognizes the revenue over the term of the franchise agreement. See Note 2 to the Consolidated Financial Statements. Product sales by the Company to its franchisees are recorded at the time product is delivered to franchise locations. Company-owned salon revenues are recognized at the time when the services are provided or the guest receives and pays for merchandise.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Classification of Revenue and Expenses:

Beginning in the first quarter of fiscal year 2022, the Company adjusted its Statement of Operations for all periods presented to align the presentation of results to its franchise-focused business. Below is a summary of the changes to the financial statement captions. The change does not have a financial impact on the Company's reported revenue, operating loss, reported net loss or cash flows from operations.

*Royalties* - sales-based royalty received from franchisees. In prior years, these fees were included in Royalties and Fees and disclosed in the footnotes.

*Fees* - fees received from franchisees and third parties, including franchise fees, software and hardware fees related to Opensalon Pro and fees received from the third-party distributors.

*Product sales to franchisees* - wholesale product sales to franchisees. This caption equates to Product sales in the Franchise segment in prior years. The Company changed its franchise product sales business in fiscal year 2022 from a wholesale distribution model to a third-party distribution model. This revenue was expected to decrease significantly during fiscal year 2022 and into fiscal year 2023.

*Advertising fund contributions* - sales-based advertising fund contributions received from franchisees. In prior years, these fees were included in Royalties and Fees and disclosed in the footnotes.

*Company-owned salon revenue* - service revenue and revenue derived from sales of product in Company-owned salons. This caption equates to revenue reported in the Company-owned segment in prior periods.

*Cost of product sales to franchisees* - direct cost of inventory and freight and other costs of sales. In prior years, these sales were included in the Franchise segment cost of product and site operating expenses.

*Company-owned salon expense* - cost of service and product sold to guests in our Company-owned salons and other salon-related costs. In prior years, these costs were classified as Company-owned segment cost of service, cost of product and site operating expenses. Excluded from this caption are general and administrative expense, rent and depreciation and amortization related to company-owned salons.

### Consideration Received from Vendors:

The Company receives consideration for a variety of vendor-sponsored programs. These programs primarily include volume rebates and promotion and advertising reimbursements.

With respect to volume rebates, the Company estimates the amount of rebate it will receive and accrues it as a reduction to the cost of inventory over the period in which the rebate is earned based upon historical purchasing patterns and the terms of the volume rebate program. A quarterly analysis is performed in order to ensure the estimated rebate accrued is reasonable and any necessary adjustments are recorded.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Distribution Costs:

Distribution costs are incurred to store, move and ship product from the Company's distribution centers to salons and includes distribution center overhead. Such distribution costs related to product shipped to company-owned locations are included in Company-owned salon expenses in the Consolidated Statement of Operations. Distribution costs, including distribution center overhead, related to shipping product to franchise locations totaled \$2.3 and \$12.1 million during fiscal years 2022 and 2021, respectively, and are included within general and administrative on the Consolidated Statement of Operations. In fiscal year 2022, the Company exited its two distribution centers and changed the wholesale product distribution model in favor of a third-party distribution model, reducing the cost in fiscal year 2022. The Company now stores inventory at a third-party facility.

### Advertising and Advertising Funds:

Advertising costs consist of the Company's corporate funded advertising costs, the Company's advertising fund contributions and franchisee's advertising fund contributions. Corporate funded advertising costs are expensed as incurred. The Company has various franchising programs supporting specific franchise salon concepts. Most maintain advertising funds that provide comprehensive advertising and sales promotion support. All salons are required to participate in the advertising funds for the same salon concept. The Company administers the advertising funds in accordance with franchise operating and other agreements. Advertising fund contributions are expensed when the contribution is made.

The Company's advertising costs included in the Consolidated Statement of Operations consist of the following:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Advertising fund contributions from franchisees	\$ 32,573	\$ 22,023
Advertising fund contributions from company-owned salons (1)	154	897
Corporate funded advertising costs (1)	671	7,015
Total advertising costs	<u>\$ 33,398</u>	<u>\$ 29,935</u>

(1) Included in General and administrative expense in the Consolidated Statement of Operations.

The Company records all advertising funds as assets and liabilities within the Company's Consolidated Balance Sheet. As of June 30, 2022 and 2021, approximately \$10.5 and \$9.9 million, respectively, representing the advertising funds' assets and liabilities were recorded within total assets and total liabilities in the Company's Consolidated Balance Sheet.

### Stock-Based Employee Compensation Plans:

The Company recognizes stock-based compensation expense based on the fair value of the awards at the grant date. Compensation expense is recognized on a straight-line basis over the requisite service period of the award (or to the date a participant becomes eligible for retirement, if earlier). The Company uses fair value methods that require the input of subjective assumptions, including the expected term, expected volatility, dividend yield and risk-free interest rate.

The Company estimates the likelihood and the rate of achievement for performance sensitive stock-based awards at the end of each reporting period. Changes in the estimated rate of achievement can have a significant effect on the recorded stock-based compensation expense as the effect of a change in the estimated achievement level is recognized in the period the change occurs.

### Interest Income and Other, Net:

In March 2021, the Company recorded a gain of \$15.0 million related to the Company's distribution centers. The gain on distribution centers was recorded to Interest income and other, net in the Consolidated Statement of Operations in fiscal year 2021.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Sales Taxes:

Sales taxes are recorded on a net basis (rather than as both revenue and an expense) within the Company's Consolidated Statement of Operations.

### Income Taxes:

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the Consolidated Financial Statements or income tax returns. Deferred income tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse.

We recognize deferred tax assets to the extent we believe these assets are more likely than not to be realized. The Company evaluates all evidence, including recent financial performance, the existence of cumulative year losses and our forecast of future taxable income, to assess the need for a valuation allowance against our deferred tax assets. While the determination of whether or not to record a valuation allowance is not fully governed by a specific objective test, accounting guidance places significant weight on recent financial performance.

The Company has a valuation allowance on its deferred tax assets of \$201.7 and \$192.5 million at June 30, 2022 and 2021, respectively. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make necessary adjustments to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

Significant components of the valuation allowance which occurred during fiscal year 2022 are as follows:

- The Company determined that it no longer had sufficient U.S. state indefinite-lived taxable temporary differences to support realization of its U.S. state indefinite-lived NOLs and its existing U.S. deferred tax assets that upon reversal are expected to generate state indefinite-lived NOLs. As a result, the Company recorded a \$4.1 million valuation allowance on its U.S. state indefinite-lived deferred tax assets.

Significant components of the valuation allowance which occurred during fiscal year 2021 are as follows:

- The Company recognized a tax loss on its investment in Luxembourg and established a corresponding valuation allowance of \$34.4 million.

The Company reserves for unrecognized tax benefits, interest and penalties related to anticipated tax audit positions in the U.S. and other tax jurisdictions based on an estimate of whether additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of these liabilities would result in tax benefits being recognized in the period in which it is determined that the liabilities are no longer necessary. If the estimate of unrecognized tax benefits, interest and penalties proves to be less than the ultimate assessment, additional expenses would result.

Inherent in the measurement of deferred balances are certain judgments and interpretations of tax laws and published guidance with respect to the Company's operations. Income tax expense is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities.

See Note 10 to the Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Net Loss Per Share:

The Company's basic earnings per share is calculated as net loss divided by weighted average common shares outstanding, excluding unvested outstanding restricted stock awards and restricted stock units. The Company's dilutive earnings per share is calculated as net income divided by weighted average common shares and common share equivalents outstanding, which includes shares issuable under the Company's stock option plan and long-term incentive plan and dilutive securities. Stock-based awards with exercise prices greater than the average market value of the Company's common stock are excluded from the computation of diluted earnings per share. Due to the Company's net loss in all periods presented, basic and dilutive earnings per share are equal.

### Comprehensive Loss:

Components of comprehensive loss include net loss, foreign currency translation adjustments and recognition of deferred compensation, net of tax within shareholders' (deficit) equity.

### Foreign Currency Translation:

The Consolidated Balance Sheet, Consolidated Statement of Operations and Consolidated Statement of Cash Flows of the Company's international operations are measured using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rates in effect at each Balance Sheet date. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income within shareholders' (deficit) equity. Statement of Operations accounts are translated at the average rates of exchange prevailing during the year. During fiscal years 2022 and 2021, a \$0.6 million foreign currency loss and \$0.3 million foreign currency gain is included in loss from continuing operations, respectively.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **Accounting Standards Recently Adopted by the Company:**

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740)," which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Depending on the amendment, adoption may have been applied on the retrospective, modified retrospective or prospective basis. The adoption of this new guidance during fiscal year 2022 using the prospective method did not have a material impact on our Consolidated Financial Statements.

### **Recently Issued Accounting Standards Not Yet Adopted:**

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and it does not believe any of these pronouncements will have a material impact to the Company's financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. REVENUE RECOGNITION:

#### Revenue Recognition and Deferred Revenue:

##### *Revenue recognized at point of sale*

Product sales to franchisees are recorded at the time product is delivered to the franchisee. Payment for franchisee product revenue is generally collected 30 to 90 days of delivery. 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.

##### *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 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 opening 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.

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

	June 30, 2022	June 30, 2021	Balance Sheet Classification
	(Dollars in thousands)		
Receivables from contracts with customers, net	\$ 10,263	\$ 18,011	Receivable, net
Broker fees	15,592	19,254	Other assets
Deferred revenue:			
Current			
Gift card liability	\$ 2,037	\$ 2,240	Accrued expenses
Deferred franchise fees unopened salons	16	40	Accrued expenses
Deferred franchise fees open salons	5,770	5,884	Accrued expenses
Total current deferred revenue	<u>\$ 7,823</u>	<u>\$ 8,164</u>	
Non-current			
Deferred franchise fees unopened salons	\$ 3,211	\$ 6,571	Other non-current liabilities
Deferred franchise fees open salons	26,827	32,365	Other non-current liabilities
Total non-current deferred revenue	<u>\$ 30,038</u>	<u>\$ 38,936</u>	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Receivables relate primarily to payments due for royalties, franchise fees, advertising fees, rent, franchise 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), related to receivables from franchisees. The following table is a rollforward of the allowance for doubtful accounts for the periods indicated:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period	\$ 7,774	\$ 6,899
Provision for doubtful accounts (1)	967	509
Provision for franchisee rent (2)	1,421	1,920
Reclass of accrued rent (3)	149	—
Write-offs	(3,752)	(1,554)
Balance at end of period	<u>\$ 6,559</u>	<u>\$ 7,774</u>

- (1) The provision for doubtful accounts is recognized as general and administrative expense in the Consolidated Statement of Operations.
- (2) The provision for franchisee rent is recognized as rent in the Consolidated Statement of Operations.
- (3) 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 2022 and the related accrual was 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 in the Consolidated Statement of Operations. The following table is a rollforward of the broker fee balance for the periods indicated:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period	\$ 19,254	\$ 20,516
Additions	25	2,112
Amortization	(3,189)	(3,180)
Write-offs	(498)	(194)
Balance at end of period	<u>\$ 15,592</u>	<u>\$ 19,254</u>

The decrease in non-current deferred franchise fees for unopened salons in fiscal year 2022 is primarily due to \$2.4 million of deferred fees related to terminated development agreements being recognized as fees in the Consolidated Statement of Operations in the year ended June 30, 2022. Deferred revenue includes the gift card liability and deferred franchise fees for unopened salons and open salons. 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 fiscal years 2022 and 2021 was \$6.5 and \$6.6 million, respectively. Estimated revenue expected to be recognized in the future related to deferred franchise fees for open salons as of June 30, 2022 is as follows (in thousands):

2023	\$ 5,770
2024	5,468
2025	5,092
2026	4,618
2027	4,157
Thereafter	7,492
Total	<u>\$ 32,597</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. DISCONTINUED OPERATIONS

#### *Opensalon Pro (OSP):*

On June 30, 2022, the Company sold its OSP software-as-a-service 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. The remaining \$7.0 million of the purchase price is subject to holdbacks including \$4.0 million of the proceeds retained in escrow to be paid upon completion of the Company's refinancing, \$1.0 million 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. As a result of the sale, the Company classified the OSP business as discontinued operations in the financial statements for all years presented. Discontinued operations is included in the Franchise segment in the Consolidated Statement of Operations for all periods presented.

The following summarizes the components of the loss from sale of OSP for fiscal year 2022 included in discontinued operations (in thousands):

Cash proceeds	\$ 13,000
Goodwill derecognition	(38,358)
Software write-off (1)	(8,408)
Hardware write-down (2)	(1,825)
Other, net, including professional fees	(552)
Loss from sale of OSP	<u>\$ (36,143)</u>

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- (1) Internally developed capitalized software is included in non-current assets related to discontinued operations as of June 30, 2021 and written off in June 2022 upon completion of the sale.
- (2) Prior to the sale, hardware used to run OSP was sold to franchisees. As a result of the sale, the Company wrote-down the value of the hardware to its net realizable value and the charge is included in the loss on the sale of OSP. The hardware is included in inventory as of June 30, 2022 and current assets related to discontinued operations as of June 30, 2021 in the Consolidated Balance Sheet.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Discontinued operations:		
Fees	\$ 3,811	\$ 3,461
Cost of product sales to franchisees	(1,037)	(2,790)
General and administrative	(3,517)	(9,006)
Rent	(194)	(176)
Depreciation and amortization	(1,322)	(964)
Goodwill impairment (1)	(2,880)	—
Interest expense	(715)	(650)
Loss from sale of OSP	(36,143)	—
Loss from discontinued operations, before taxes	(41,997)	(10,125)
Income tax benefit from discontinued operations (2)	2,599	—
Loss from discontinued operations, net of tax	<u>\$ (39,398)</u>	<u>\$ (10,125)</u>

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- (1) Goodwill impairment included in discontinued operations represents the portion of impairment allocated to the OSP business based on relative fair value.
- (2) Income taxes have been allocated to continuing and discontinued operations based on the methodology required by accounting for income taxes guidance.

The Company leases office space in Fremont, California. The lease related liabilities are included in long-term lease liability as of June 30, 2022, and the lease related assets and liabilities are included in non-current assets, current liabilities and non-current liabilities related to discontinued operations as of June 30, 2021 in the Consolidated Balance Sheet.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. OTHER FINANCIAL STATEMENT DATA

The following provides additional information concerning selected balance sheet accounts:

	June 30,	
	2022	2021
	(Dollars in thousands)	
Other current assets:		
Prepaid assets	\$ 1,816	\$ 4,121
Restricted cash	10,423	9,961
Other	1,745	2,935
Total other current assets	<u>\$ 13,984</u>	<u>\$ 17,017</u>
Property and equipment:		
Buildings and improvements	\$ 8,228	\$ 8,251
Equipment, furniture and leasehold improvements	14,260	28,782
Internal use software	34,824	34,644
Total property and equipment	57,312	71,677
Less accumulated depreciation and amortization	(44,477)	(54,771)
Total property and equipment, net	<u>\$ 12,835</u>	<u>\$ 16,906</u>
Accrued expenses:		
Payroll and payroll related costs	\$ 7,767	\$ 16,175
Insurance	5,012	7,525
Rent and related real estate costs	4,585	11,197
Deferred revenue	7,823	8,164
Other	8,597	8,181
Total accrued expenses	<u>\$ 33,784</u>	<u>\$ 51,242</u>
Other non-current liabilities:		
Deferred income taxes	\$ 10,979	\$ 10,650
Insurance	9,744	12,722
Deferred benefits	6,308	10,028
Deferred franchise fees	30,038	38,936
Other	1,905	2,739
Total other non-current liabilities	<u>\$ 58,974</u>	<u>\$ 75,075</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following provides additional information concerning other intangibles, net:

June 30,								
2022					2021			
Weighted Average Amortization Periods (1)	Cost (2)	Accumulated Amortization (2)	Net		Weighted Average Amortization Periods (1)	Cost (2)	Accumulated Amortization (2)	Net
(In years)	(Dollars in thousands)				(In years)	(Dollars in thousands)		
Brand assets and trade names	36	\$ 5,421	\$ (3,234)	\$ 2,187	35	\$ 6,040	\$ (3,568)	\$ 2,472
Franchise agreements	20	7,719	(6,756)	963	19	10,099	(8,901)	1,198
Other	20	354	(278)	76	20	366	(275)	91
Total	26	<u>\$ 13,494</u>	<u>\$ (10,268)</u>	<u>\$ 3,226</u>	24	<u>\$ 16,505</u>	<u>\$ (12,744)</u>	<u>\$ 3,761</u>

- (1) All intangible assets have been assigned an estimated finite useful life and are amortized on a straight-line basis over the number of years that approximate their expected period of benefit (ranging from three to 40 years).
- (2) The change in the gross carrying value and accumulated amortization of other intangible assets is impacted by foreign currency.

Total amortization expense related to intangible assets during fiscal years 2022 and 2021 was approximately \$0.4 and \$0.8 million, respectively. As of June 30, 2022, future estimated amortization expense related to intangible assets is estimated as follows (in thousands):

2023	\$ 365
2024	302
2025	302
2026	302
2027	302
Thereafter	1,653
Total	<u>\$ 3,226</u>

The following provides supplemental disclosures of cash flow activity:

				Fiscal Years	
				2022	2021
(Dollars in thousands)					
Cash paid (received) for:					
Interest		\$ 11,786	\$ 11,940		
Taxes and penalties, net		(1,400)	(2,636)		
Non-cash investing activities:					
Unpaid capital expenditures		35	312		

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. GOODWILL

The table below contains details related to the Company's goodwill:

	June 30,					
	2022			2021		
	Gross Carrying Value (1)	Accumulated Impairment	Net	Gross Carrying Value (1)	Accumulated Impairment	Net
	(Dollars in thousands)					
Goodwill	\$ 304,624	\$ (130,264)	\$ 174,360	\$ 343,846	\$ (114,264)	\$ 229,582

(1) The change in the gross carrying value of goodwill relates to foreign currency translation adjustments.

The table below contains details related to the Company's goodwill related to the Franchise reporting unit:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period (1)	\$ 229,582	\$ 227,457
Derecognition of OSP goodwill	(38,358)	—
Goodwill impairment related to continuing operations	(13,120)	—
Goodwill impairment related to discontinued operations	(2,880)	—
Translation rate adjustments	(864)	2,125
Balance at end of period (1)	<u>\$ 174,360</u>	<u>\$ 229,582</u>

(1) The goodwill balance as of June 30, 2021 includes \$41.3 million related to discontinued operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. 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:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Office and warehouse rent	\$ 4,575	\$ 5,234
Lease termination expense (1)	1,835	13,544
Lease liability benefit (2)	(3,620)	(20,022)
Franchise salon rent	1,695	3,376
Company-owned salon rent	4,872	38,622
Total	\$ 9,357	\$ 40,754

- (1) During fiscal year 2022, lease termination expense includes \$0.9 million to exit the Company's distribution centers before the lease end dates and \$0.9 million to exit salons before the lease end dates in order to relieve the Company of future lease obligations. During fiscal year 2021, lease termination fees include \$8.3 million of early termination payments to close salons before the lease end date to relieve the Company of future lease obligations and \$5.3 million to accrue future lease payments for salons that are no longer operating.
- (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.

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 Consolidated Statement of Operations. In fiscal years 2022 and 2021, Franchise rental income and Franchise rent expense were \$130.8 and \$127.4 million, respectively. These leases generally have lease terms of approximately five years. The Company expects to renew SmartStyle and some franchise leases upon expiration. Some other leases are expected to be renewed by the franchisee upon expiration.

For salon 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. For leases classified as operating leases, 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 6.02 and 6.44 years and the weighted average discount rate was 4.25% and 4.11% for all salon operating leases as of June 30, 2022 and 2021, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2022 and 2021 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.

The fair value of the salon long-lived asset group is estimated using market participant methods based on the best information available. The Company engaged a third-party valuation specialist to assist with the research related to inputs used in their determination of the fair value of the ROU asset which included providing information related to significant inputs and assumptions utilized in the measurement of the impairment loss.

For fiscal years 2022 and 2021, the Company recognized long-lived impairment charges of \$0.5 and \$13.0 million, respectively, which included \$0.5 and \$9.5 million, respectively, related to ROU assets on the 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 for 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of June 30, 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	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
2023	\$ 116,644	\$ 3,590	\$ 2,229	\$ 122,463	\$ (116,644)	\$ 5,819
2024	102,360	2,049	1,301	105,710	(102,360)	3,350
2025	85,788	710	1,334	87,832	(85,788)	2,044
2026	72,155	385	1,367	73,907	(72,155)	1,752
2027	61,698	143	1,401	63,242	(61,698)	1,544
Thereafter	122,570	256	4,417	127,243	(122,570)	4,673
Total future obligations	\$ 561,215	\$ 7,133	\$ 12,049	\$ 580,397	\$ (561,215)	\$ 19,182
Less amounts representing interest	66,693	361	1,702	68,756		
Present value of lease liabilities	\$ 494,522	\$ 6,772	\$ 10,347	\$ 511,641		
Less current lease liabilities	97,954	3,399	1,843	103,196		
Long-term lease liabilities	\$ 396,568	\$ 3,373	\$ 8,504	\$ 408,445		

Supplemental operating cash flow information and non-cash activity related to our operating leases are as follows (in thousands):

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Cash paid for amounts included in the measurement of lease liabilities (1)	\$ 74,507	\$ 130,039
Right of use assets obtained in exchange for new lease liabilities	2,011	4,242

- (1) Cash paid for amounts included in the measurement of lease liabilities includes rent, termination fees, settlements and legal fees, and commission payments.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. 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 June 30, 2022 and 2021, the estimated fair value of the Company's cash, cash equivalents, restricted cash, receivables, inventory, deferred compensation assets, debt and accounts payable 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.

The following impairment charges were based on fair values using Level 3 inputs (1):

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Goodwill impairment	\$ 16,000	\$ —
Long-lived asset impairment	542	13,023

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(1) See Notes 1 and 5 to the Consolidated Financial Statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. FINANCING ARRANGEMENTS

The Company's debt consists of the following:

#### *Revolving Credit Facility*

	Maturity Date (1)	June 30,			
		2022	2021	2022	2021
	(Fiscal year)	(Interest rate %)		(Dollars in thousands)	
Revolving credit facility	2023	5.50%	5.00%	\$ 179,994	\$ 186,911

- (1) As of June 30, 2022 the Company's borrowings matured in March 2023. On August 12, 2022, the Company amended its credit agreement. In connection with the amendment, the maturity of the credit agreement was extended to August 31, 2025. Accordingly, the debt is classified as non-current on the Consolidated Balance Sheet. See Note 16 to the Consolidated Financial Statements.

At June 30, 2022, cash and cash equivalents totaled \$17.0 million. As of June 30, 2022, the Company had \$180.0 million of outstanding borrowings under the original \$295.0 million revolving credit facility, of which \$277.5 million was available as of June 30, 2022. The credit facility decreased \$16.9 million from \$294.4 million as of June 30, 2021, in accordance with the bulk sale provisions in the revolving credit facility agreement, due to the sale of OSP and secured inventory related to our transition to a third-party distribution partner. At June 30, 2022, the Company had outstanding standby letters of credit under the revolving credit facility of \$15.7 million, primarily related to the Company's self-insurance program. The unused available credit under the facility was \$81.9 million at June 30, 2022. Total liquidity per the agreement was \$119.8 million as of June 30, 2022. As of June 30, 2022, the Company had cash, cash equivalents and restricted cash of \$27.5 million and current liabilities of \$152.8 million.

Under the terms of the revolving credit facility as of June 30, 2022, the Company is required to maintain a minimum liquidity of \$75.0 million and the Company's lenders are secured in the Company's assets. The applicable margin for loans bearing interest at SOFR ranges from 3.75%-4.25%, the applicable margin for loans bearing interest at the base rate ranges from 2.75%-3.25% and the facility fee ranges from 0.50%-0.75%, each depending on average utilization of the revolving line of credit. The Company was in compliance with all covenants and other requirements of the financing arrangements as of June 30, 2022. On August 12, 2022, the Company amended and extended its credit facility which, among other things, converted the revolving credit facility to a \$180.0 million term loan and \$55.0 million revolving credit facility. The amendment also extends the maturity date to August 31, 2025. See Note 16 to the Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. COMMITMENTS AND CONTINGENCIES

#### Contingencies:

The Company is self-insured for most workers' compensation, employment practice liability and general liability. Workers' compensation and general liability losses are subject to per occurrence and aggregate annual liability limitations. The Company is insured for losses in excess of these limitations. The Company is also self-insured for health care claims for eligible participating employees subject to certain deductibles and limitations. The Company determines its liability for claims incurred but not reported on an actuarial basis.

#### Litigation and Settlements:

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 allegations of purported class-wide consumer and wage and hour violations.

During fiscal year 2022, the Company recorded \$2.2 million of expense related to litigation, of which \$1.7 million was paid during the year. The Company's accrual related to potential settlement liability was \$0.5 million as of June 30, 2022. Included in the expense is litigation brought in the 11th Judicial Circuit, St. Charles County, Missouri, in which the Company challenged a landlord regarding a lease the Company secured but the landlord leased to another tenant. The landlord in the case prevailed and the court ordered the Company to pay the landlord \$0.5 million in attorney's fees. The Company requested leave to appeal and plans to vigorously pursue overturning this judgment.

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.

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 10. INCOME TAXES

The components of loss from continuing operations before income taxes are as follows:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Loss before income taxes		
U.S.	\$ (41,231)	\$ (143,104)
International	(3,211)	34,470
	<u>\$ (44,442)</u>	<u>\$ (108,634)</u>

The provision (benefit) for income taxes consists of:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Current:		
U.S.	\$ (535)	\$ (620)
International	(425)	(1,421)
Deferred:		
U.S.	3,130	(3,701)
International	(153)	314
	<u>\$ 2,017</u>	<u>\$ (5,428)</u>

The provision (benefit) for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory rate to loss from continuing operations before income taxes, as a result of the following:

	Fiscal Years	
	2022	2021
U.S. statutory rate	21.0 %	21.0 %
State income taxes, net of federal income tax benefit	1.4	7.9
Valuation allowance (1)	(6.6)	(61.5)
Foreign income taxes at other than U.S. rates	3.0	9.4
Uncertain tax positions	(17.9)	0.2
Stock-based compensation	(2.8)	(0.7)
Loss on investment in Luxembourg	—	29.3
Other, net (2)	(2.6)	(0.6)
Effective tax rate	<u>(4.5)%</u>	<u>5.0 %</u>

(1) See Note 1 to the Consolidated Financial Statements.

(2) The (2.6)% of Other, net in fiscal year 2022 includes the rate impact of the federal provision to return true-up and miscellaneous items of (2.0)% and (0.6)%, respectively. The (0.6)% of Other, net in fiscal year 2021 does not include the rate impact of any items in excess of 5% of computed tax.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of the net deferred tax assets and liabilities are as follows:

	June 30,	
	2022	2021
	(Dollars in thousands)	
Deferred tax assets:		
Payroll and payroll related costs	\$ 5,267	\$ 8,523
Net operating loss carryforwards	153,190	145,823
Tax credit carryforwards	37,664	37,433
Capital loss carryforwards	5,338	14,179
Deferred franchise fees	8,694	10,153
Operating lease liabilities	124,905	154,255
Other (1)	17,542	12,608
Subtotal	352,600	382,974
Valuation allowance (1)	(201,731)	(192,522)
Total deferred tax assets	\$ 150,869	\$ 190,452
Deferred tax liabilities:		
Goodwill and intangibles	\$ (33,466)	\$ (43,375)
Operating lease assets	(123,333)	(150,573)
Other	(5,049)	(7,154)
Total deferred tax liabilities	(161,848)	(201,102)
Net deferred tax liability	\$ (10,979)	\$ (10,650)

- (1) The \$17.5 million of Other in fiscal year 2022 includes \$5.3 million of deferred tax assets with a corresponding valuation allowance of the same amount related to discontinued operations.

Significant components of the valuation allowance which occurred during fiscal year 2022 are as follows:

- The Company determined that it no longer had sufficient U.S. state indefinite-lived taxable temporary differences to support realization of its U.S. state indefinite-lived NOLs and its existing U.S. deferred tax assets that upon reversal are expected to generate state indefinite-lived NOLs. As a result, the Company recorded a \$4.1 million valuation allowance on its U.S. state indefinite-lived deferred tax assets.

Significant components of the valuation allowance which occurred during fiscal year 2021 are as follows:

- The Company recognized a tax loss on its investment in Luxembourg and established a corresponding valuation allowance of \$34.4 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At June 30, 2022, the Company has tax-effected federal, state, Canada, and U.K. net operating loss carryforwards of approximately \$116.8, \$28.1, \$7.8 and \$0.5 million, respectively. The Company's federal loss carryforward consists of \$27.3 million that will expire from fiscal years 2034 to 2038 and \$89.5 million that has no expiration. The state loss carryforwards consist of \$24.4 million that will expire from fiscal years 2023 to 2042 and \$3.7 million that has no expiration. The Canada loss carryforward will expire from fiscal years 2036 to 2042. The U.K. loss carryforward has no expiration.

The Company's tax credit carryforward of \$37.7 million primarily consists of Work Opportunity Tax Credits that will expire from fiscal years 2031 to 2042.

The Company's capital loss carryforward of \$5.3 million will expire in fiscal year 2025.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the U.S. Accordingly, we have not recorded deferred taxes related to the U.S. federal and state income taxes and foreign withholding taxes on approximately \$7.8 million of undistributed earnings of foreign subsidiaries, which have been reinvested outside the U.S. As a result of the Tax Cuts and Jobs Act of 2017, taxes payable on the remittance of such earnings is expected to be minimal.

The Company files tax returns and pays tax primarily in the U.S., Canada, the U.K. and Luxembourg, as well as states, cities, and provinces within these jurisdictions. The Company is no longer subject to Internal Revenue Service examinations for years before 2014. With limited exceptions, the Company is no longer subject to state and international income tax examination by tax authorities for years before 2012.

A rollforward of the unrecognized tax benefits is as follows:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period	\$ 13,858	\$ 14,045
Additions based on tax positions related to the current year, primarily salon vendition activity and tax positions related to a capital loss	8,636	292
Additions based on tax positions of prior years	81	50
Reductions on tax positions related to the expiration of the statute of limitations	(402)	(529)
Balance at end of period	\$ 22,173	\$ 13,858

If the Company were to prevail on all unrecognized tax benefits recorded, a net benefit of approximately \$1.0 million would be recorded in the effective tax rate. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense. During each of the fiscal years 2022 and 2021, the Company recorded interest and penalties of approximately \$0.2 million as reductions to the accrual, net of the respective reversal of previously accrued interest and penalties. As of June 30, 2022, the Company had accrued interest and penalties related to unrecognized tax benefits of \$0.7 million. This amount is not included in the gross unrecognized tax benefits noted above.

It is reasonably possible the amount of the unrecognized tax benefit with respect to certain of our unrecognized tax positions will increase or decrease during the next fiscal year. However, an estimate of the amount or range of the change cannot be made at this time.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. BENEFIT PLANS

#### **Regis Retirement Savings Plan:**

The Company maintains a defined contribution 401(k) plan, the Regis Retirement Savings Plan (RRSP). The RRSP is a defined contribution profit sharing plan with a 401(k) feature that is intended to qualify under Section 401(a) of the Internal Revenue Code (the Code) and is subject to the Employee Retirement Income Security Act of 1974 (ERISA).

The 401(k) portion of the RRSP is a cash or deferred arrangement intended to qualify under section 401(k) of the Code and under which eligible employees may elect to contribute a percentage of their eligible compensation. Employees who are 18 years of age or older and who were not highly compensated employees as defined by the Code during the preceding RRSP year are eligible to participate in the RRSP commencing with the first day of the month following their completion of one month of service.

The discretionary employer contribution profit sharing portion of the RRSP is a noncontributory defined contribution component covering full-time and part-time employees of the Company who have at least one year of eligible service, defined as 1,000 hours of service during the RRSP year, are employed by the Company on the last day of the RRSP year and are Salon Support employees, distribution center employees, field leaders, artistic directors or consultants, and that are not highly compensated employees as defined by the Code. Participants' interest in the noncontributory defined contribution component become 20.0% vested after completing two years of service with vesting increasing 20.0% for each additional year of service with participants becoming fully vested after six full years of service.

#### **Nonqualified Deferred Salary Plan:**

The Company maintains a Nonqualified Deferred Salary Plan (Executive Plan), which covers Company officers and all other employees who are highly compensated as defined by the Code. The discretionary employer contribution portion of the Executive Plan is a profit sharing component in which a participant's interest becomes 20.0% vested after completing two years of service with vesting increasing 20.0% for each additional year of service with participants becoming fully vested after six full years of service. Certain participants within the Executive Plan also receive a matching contribution from the Company.

#### **Regis Individual Secured Retirement Plan (RiSRP):**

The Company maintains a Regis Individual Secured Retirement Plan (RiSRP), pursuant to which eligible employees may use post-tax dollars to purchase life insurance benefits. Salon Support employees at the director level and above qualify. The Company may make discretionary contributions on behalf of participants within the RiSRP, which may be calculated as a matching contribution. The participant is the owner of the life insurance policy under the RiSRP.

#### **Stock Purchase Plan:**

The Company has an employee stock purchase plan (ESPP) available to qualifying employees. Under the terms of the ESPP, eligible employees may purchase the Company's common stock through payroll deductions. The Company contributes an amount equal to 15.0% of the purchase price of the stock to be purchased on the open market and pays all expenses of the ESPP and its administration, not to exceed an aggregate contribution of \$14.0 million or when 4.6 million shares registered under the SEC for issuance under the plan have been purchased. As of June 30, 2022, the Company's cumulative contributions to the ESPP totaled \$11.2 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Deferred Compensation Contracts:

The Company has unfunded deferred compensation contracts covering certain current and former key executives. Effective June 30, 2012, these contracts were amended and the benefits were frozen.

The table below presents the projected benefit obligation of these deferred compensation contracts in the Consolidated Balance Sheet:

	June 30,	
	2022	2021
	(Dollars in thousands)	
Current portion (included in accrued expenses)	\$ 303	\$ 1,660
Long-term portion (included in other non-current liabilities)	2,320	3,115
Total	<u>\$ 2,623</u>	<u>\$ 4,775</u>

The accumulated other comprehensive loss for the deferred compensation contracts, consisting of primarily unrecognized actuarial income, was \$0.7 and \$0.3 million at June 30, 2022 and 2021, respectively.

Additionally, the Company had previously agreed to pay the former Vice Chairman and his spouse an annual benefit for life. Costs associated with this benefit included in general and administrative expense on the Consolidated Statement of Operations totaled \$0.5 and \$0.4 million for fiscal years 2022 and 2021, respectively. The fair value of the related obligations totaled \$2.3 and \$2.3 million at June 30, 2022 and 2021, respectively, with \$0.5 million within accrued expenses at June 30, 2022 and 2021, and the remainder included in other non-current liabilities in the Consolidated Balance Sheet.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. EARNINGS PER SHARE

The Company's basic earnings per share is calculated as net loss divided by weighted average common shares outstanding, excluding unvested outstanding stock options (SOs), outstanding 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 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. As the Company is in a net loss position, basic earnings per share is equivalent to dilutive earnings per share.

For fiscal years 2022 and 2021, 608,503 and 636,310 of common stock equivalents of dilutive common stock, respectively, were excluded from the diluted earnings per share calculation due to net loss from continuing operations.

The computation of weighted average shares outstanding, assuming dilution, excluded the following stock-based awards as they were not dilutive under the treasury stock method:

	Fiscal Years	
	2022	2021
Equity-based compensation awards	2,269,335	2,322,006

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13. STOCK-BASED COMPENSATION

The Company grants long-term equity-based awards under the 2018 Long Term Incentive Plan (the 2018 Plan). The 2018 Plan, which was approved by the Company's shareholders at its 2018 Annual Meeting, provides for the granting of nonqualified stock options (SOs), equity-based stock appreciation rights and cash-settled stock appreciation rights (SARs), restricted stock units (RSUs) and stock-settled performance units (PSUs), to employees and non-employee directors of the Company. Under the 2018 Plan, a maximum of 3,818,895 shares are approved for issuance. The 2018 Plan incorporates a fungible share design, under which full value awards (such as RSUs and PSUs) count against the shares reserved for issuance at a rate 2.0 times higher than appreciation awards (such as SARs and SOs). As of June 30, 2022, a maximum of 2,793,494 shares were available for grant under the 2018 Plan. All unvested awards are subject to forfeiture in the event of termination of employment, unless accelerated. SAR and RSU awards granted under the 2018 Plan generally include various acceleration terms, including upon retirement for participants aged 62 years or older or who are aged 55 years or older and have 15 years of continuous service.

The Company also has outstanding awards under the 2016 Long Term Incentive Plan (the 2016 Plan), although the 2016 Plan terminated in October 2018 and no additional awards have since been or will be made under the 2016 Plan. The 2016 Plan provided for the granting of SARs, restricted stock awards (RSAs), RSUs and PSUs, as well as cash-based performance grants, to employees and non-employee directors of the Company.

The Company also has outstanding awards under the Amended and Restated 2004 Long Term Incentive Plan (the 2004 Plan), although the 2004 Plan terminated in October 2016 and no additional awards have since been or will be made under the 2004 Plan. The 2004 Plan provided for the granting of nonqualified SOs, SARs, RSAs, RSUs and PSUs, as well as cash-based performance grants, to employees and non-employee directors of the Company.

Under the 2018 Plan, 2016 Plan and the 2004 Plan, stock-based awards are granted at an exercise price or initial value equal to the fair market value on the date of grant. The fair value of cash-settled SARs granted in fiscal year 2022 are re-valued on a quarterly basis.

Using the fair value of each grant on the date of grant, the weighted average fair values per stock-based compensation award granted during fiscal years 2022 and 2021 were as follows (1):

	Fiscal Years	
	2022	2021
SARs	\$ 2.56	\$ —
SOs	1.82	2.89
RSUs	2.69	7.15
PSUs	—	5.83

- (1) The fair value of cash-settled SARs granted are estimated on the date of grant using a Black-Scholes valuation model, with the fair value recalculated on a quarterly basis. The fair value of market-based SOs granted are estimated on the date of grant using either a Monte Carlo valuation model or a Black-Scholes valuation model. The fair value of market-based RSUs and PSUs granted are estimated on the date of grant using a Monte Carlo valuation model. The significant assumptions used in determining the estimated fair value of the market-based awards granted during fiscal years 2022 and 2021 were as follows:

	Fiscal Years	
	2022	2021
Risk-free interest rate	1.25 - 3.04%	0.16 - 0.78%
Expected volatility	58.3 - 64.5%	44.9 - 66.8%
Expected dividend yield	— %	— %
Expected term of share options	6.1 - 7.7 years	7.0 years

The risk-free interest rate is determined based on the U.S. Treasury rates approximating the expected life of the market-based SARs, SOs, RSUs and PSUs granted. Expected volatility is established based on historical volatility of the Company's stock price. The Company uses historical data to estimate pre-vesting forfeiture rates. The expected term is based on a review of historical exercise experience.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-based compensation expense was as follows:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
SARs & SOs (1)	\$ (241)	\$ 456
RSUs & PSUs	1,575	2,798
Total stock-based compensation expense (recorded in general and administrative)	1,334	3,254
Less: Income tax benefit (2)	—	—
Total stock-based compensation expense, net of tax	\$ 1,334	\$ 3,254

(1) A benefit was recognized in fiscal year 2022 due to forfeiture of SARs and SOs.

(2) Federal statutory income tax rate utilized of 0% due to a valuation allowance in fiscal years 2022 and 2021.

### Stock Appreciation Rights:

SARs granted under the 2018 Plan, 2016 Plan and the 2004 Plan generally vest 20%, 20%, and 60% over a three-year period subsequent to the grant date or vest ratably over a three to five year period on each of the annual grant date anniversaries and expire 10 years from the grant date. SARs granted in fiscal year 2022 were awarded to the Company's executives and are liability-classified awards that vest 20%, 20%, and 60% over a three-year period and are revalued on a quarterly basis. SARs granted before fiscal year 2022 vest ratably over a three year period with the exception of the April 2017 grant to the former Chief Executive Officer, which vested in full after two years.

Activity for all the Company's outstanding SARs is as follows:

	Shares/Units (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
	SARs			
Outstanding balance at June 30, 2021	1,041	\$ 11.32		
Granted	600	2.56		
Forfeited/Expired	(30)	16.95		
Exercised	—	—		
Outstanding balance at June 30, 2022	1,611	\$ 7.95	6.50	\$ (11,068)
Exercisable at June 30, 2022	1,011	\$ 11.15	4.78	\$ (10,181)
Unvested awards, net of estimated forfeitures	466	\$ 2.56	9.40	\$ (690)

As of June 30, 2022, there was \$0.2 million of unrecognized expense related to SARs that is to be recognized over a weighted average period of 2.5 years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Stock Options:

SOs granted under the 2018 Plan, 2016 Plan and the 2004 Plan generally vest 20%, 20%, and 60% over a three-year period subsequent to the grant date or vest ratably over a three to five year period on each of the annual grant date anniversaries and expire 10 years from the grant date. The SOs granted during fiscal year 2022 were awarded to the Company's executives and vest 20%, 20%, and 60% over a three-year period.

Activity for all the Company's outstanding SOs is as follows:

	Shares/Units (in thousands) SOs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding balance at June 30, 2021	1,459	\$ 6.53		
Granted	1,505	1.82		
Forfeited/Expired	(1,469)	6.50		
Exercised	—	—		
Outstanding balance at June 30, 2022	1,495	\$ 1.81	9.66	\$ (1,091)
Exercisable at June 30, 2022	—	\$ —	—	\$ —
Unvested awards, net of estimated forfeitures	1,079	\$ 1.84	9.66	\$ (820)

As of June 30, 2022, there was \$1.0 million of unrecognized expense related to SOs that is to be recognized over a weighted average period of 2.7 years.

### Restricted Stock Units:

RSUs granted to employees under the 2018 Plan, 2016 Plan and 2004 Plan generally vest 20%, 20%, and 60% over a three-year period subsequent to the grant date, vest ratably over a three to five year period on each of the annual grant date anniversaries or vest entirely after a one, three or five year period subsequent to the grant date. RSUs granted to non-employee directors under the 2018 Plan, 2016 Plan and 2004 Plan generally vest in equal monthly amounts over a one year period from the Company's previous annual shareholder meeting date and distributions are deferred until the director's board service ends. RSUs granted in fiscal year 2022 were issued under the Company's matching program, as well as to the Company's Board members.

Activity for all the Company's RSUs is as follows:

	Shares/Units (in thousands) RSUs	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Outstanding balance at June 30, 2021	1,175	\$ 10.30	
Granted	828	2.69	
Forfeited	(437)	6.44	
Vested	(659)	8.84	
Outstanding balance at June 30, 2022	907	\$ 6.27	\$ 980
Vested at June 30, 2022	413	\$ 8.73	\$ 446
Unvested awards, net of estimated forfeitures	310	\$ 4.59	\$ 335

As of June 30, 2022, there was \$1.0 million of unrecognized expense related to RSUs that is expected to be recognized over a weighted average period of 1.9 years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Performance Share Units:

PSUs are grants of restricted stock units which are earned based on the achievement of performance goals established by the Compensation Committee over a performance period, typically three years. There were no PSUs granted in fiscal year 2022.

Activity for all the Company's PSUs is as follows:

	Shares/Units (in thousands)		Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
	PSUs			
Outstanding balance at June 30, 2021	164	\$	12.56	
Granted	—		—	
Forfeited	(90)		13.68	
Vested	—		—	
Outstanding balance at June 30, 2022	74	\$	9.82	\$ 80
Vested at June 30, 2022	—	\$	—	\$ —
Unvested awards, net of estimated forfeitures	62	\$	9.20	\$ 67

There was \$0.3 million of total unrecognized compensation expense related to the unvested awards to be recognized over 1.8 years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14. SHAREHOLDERS' (DEFICIT) EQUITY

#### Authorized Shares and Designation of Preferred Class:

The Company has 100.0 million shares of capital stock authorized, par value \$0.05, of which all outstanding shares, and shares available under the Stock Option Plans, have been designated as common.

#### Share Issuance Program:

In February 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 common stock in "at-the-market" offerings. During fiscal year 2022, the Company received gross proceeds of \$38.4 million related to the "at-the-market" offering and paid fees to sales agents and other fees of \$1.2 million. 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 growth strategies.

#### Share Repurchase Program:

In May 2000, the Company's Board approved a stock repurchase program with no stated expiration date. Originally, the program authorized up to \$50.0 million to be expended for the repurchase of the Company's stock. The Board elected to increase this maximum to \$100.0 million in August 2003, to \$200.0 million in May 2005, to \$300.0 million in April 2007, to \$350.0 million in April 2015, to \$400.0 million in September 2015, to \$450.0 million in January 2016, and to \$650.0 million in August 2018. All repurchased shares become authorized but unissued shares of the Company. As of June 30, 2022, 30.0 million shares have been cumulatively repurchased for \$595.4 million, and \$54.6 million remained authorized for repurchase. The Company does not anticipate repurchasing shares of common stock for the foreseeable future.

#### Accumulated Other Comprehensive Income:

The components of accumulated other comprehensive income are as follows:

	June 30,	
	2022	2021
	(Dollars in thousands)	
Foreign currency translation	\$ 8,732	\$ 9,279
Unrealized gain on deferred compensation contracts	723	264
Accumulated other comprehensive income	<u>\$ 9,455</u>	<u>\$ 9,543</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 15. SEGMENT INFORMATION

Segment information is prepared on the same basis the chief operating decision maker (CODM) reviews financial information for operational decision-making purposes. The Franchise reportable operating segment is comprised of 5,395 franchised salons located mainly in strip center locations and Walmart. Franchise salons offer high quality, convenient and value priced hair care and beauty services and retail products. This segment operates primarily in the U.S., Puerto Rico and Canada and primarily includes the Supercuts, SmartStyle, Cost Cutters, First Choice Haircutters, Roosters and Magicuts concepts.

The Company-owned salons reportable operating segment is comprised of 105 company-owned salons located mainly in strip center locations and Walmart. Company-owned salons offer high quality, convenient and value priced hair care and beauty services and retail products. SmartStyle, Supercuts, Cost Cutters and other regional trade names operating in the United States and Canada are generally within the Company-owned salons segment.

Financial information concerning the Company's reportable operating segments is shown in the following table:

	For the Year Ended June 30, 2022		
	Franchise	Company - owned	Consolidated (1)
(Dollars in thousands)			
<b>Revenues:</b>			
Royalties	\$ 65,753	\$ —	\$ 65,753
Fees	11,587	—	11,587
Product sales to franchisees	15,072	—	15,072
Advertising fund contributions	32,573	—	32,573
Franchise rental income	130,777	—	130,777
Company-owned salon revenue	—	20,205	20,205
Total revenue	255,762	20,205	275,967
<b>Operating expenses:</b>			
Cost of product sales to franchisees	17,391	—	17,391
Inventory reserve (1)	—	—	7,655
General and administrative	62,816	2,458	65,274
Rent	5,498	3,859	9,357
Advertising fund expense	32,573	—	32,573
Franchise rent expense	130,777	—	130,777
Company-owned salon expense	—	21,952	21,952
Depreciation and amortization	4,913	1,311	6,224
Long-lived asset impairment	450	92	542
Goodwill impairment	13,120	—	13,120
Total operating expenses	267,538	29,672	304,865
Operating loss	\$ (11,776)	\$ (9,467)	\$ (28,898)

- (1) This charge, primarily related to reserving for personal protective equipment acquired as a result of the COVID-19 pandemic, relates to the wind down of our distribution centers and is reviewed separately from the segment results by the CODM. Consolidated results will not cross foot as the inventory reserve is not part of the Company's segments.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Year Ended June 30, 2021		
	Franchise	Company - owned	Consolidated
(Dollars in thousands)			
Revenues:			
Royalties	\$ 52,357	\$ —	\$ 52,357
Fees	10,215	—	10,215
Product sales to franchisees	56,699	—	56,699
Advertising fund contributions	22,023	—	22,023
Franchise rental income	127,392	—	127,392
Company-owned salon revenue	—	142,965	142,965
Total revenue	268,686	142,965	411,651
Operating expenses:			
Cost of product sales to franchisees	43,756	—	43,756
General and administrative	87,493	8,934	96,427
Rent	4,922	35,832	40,754
Advertising fund expense	22,023	—	22,023
Franchise rent expense	127,392	—	127,392
Company-owned salon expense	—	141,204	141,204
Depreciation and amortization	7,019	14,730	21,749
Long-lived asset impairment	726	12,297	13,023
Total operating expenses	293,331	212,997	506,328
Operating loss	\$ (24,645)	\$ (70,032)	\$ (94,677)

The Company's CODM does not evaluate reportable segments using assets and capital expenditure information.

Total revenues and property and equipment, net associated with business operations in the U.S. and all other countries in aggregate were as follows:

	June 30,			
	2022		2021	
	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net
(Dollars in thousands)				
U.S.	\$ 249,285	\$ 12,808	\$ 380,506	\$ 16,807
Other countries	26,682	27	31,145	99
Total	\$ 275,967	\$ 12,835	\$ 411,651	\$ 16,906

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. SUBSEQUENT EVENT:

On August 12, 2022, the Company amended its credit agreement. The amendment, among other things, converts \$180.0 million of the existing \$295.0 million revolving credit facility to a new term loan, reduces commitments under the revolving credit facility to \$55.0 million, and extends the term of the credit facility from March 26, 2023 to August 31, 2025, with no scheduled amortization prior to maturity.

The Company's obligations will continue to be guaranteed by certain of its subsidiaries and secured by substantially all real and personal property of the Company and such subsidiaries.

The amendment replaces the current utilization-based interest rate margins applicable to borrowings with a margin that is subject to annual increases. The margin applicable to term SOFR loans will initially be 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 amendment also eliminates the \$115.0 million incremental loan facility; requires the Company to prepay the credit facilities each quarter in an amount equal to 75% to 100% of its excess cash flow (as defined in the agreement, if any); reduces the threshold for prepayment due to excess cash on hand from \$100.0 million to \$15.0 million; reduces the existing minimum liquidity covenant from \$75.0 million to \$10.0 million; and includes new financial covenants regarding minimum EBITDA, maximum leverage and minimum fixed charge coverage.

Upon closing the agreement, the Company paid \$4.9 million of fees and other costs.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. 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 by the Company in the reports filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act), 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), at the end of the period. Based on their evaluation, our CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2022.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the CEO and the CFO, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2022 using the criteria established in "Internal Control-Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, management concluded the Company's internal controls over financial reporting were effective as of June 30, 2022 based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2022 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in its report, which appears in Item 8.

**Changes in Internal Controls over Financial Reporting**

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

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

Information regarding the Directors of the Company will be set forth in the sections titled "Item 1—Election of Directors" of the Company's 2022 Proxy Statement and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding the Company's executive officers is included under "Information About Our Executive Officers" in Item 1 of this Annual Report on this Form 10-K. Additionally, information regarding the Company's audit committee and audit committee financial expert, as well nominating committee functions, will be set forth in the section titled "Our Board's Committees" and shareholder communications with directors will be set forth in the section titled "Communications with the Board" of the Company's 2022 Proxy Statement, and are incorporated herein by reference.

The Company has adopted a code of ethics, known as the Code of Business Conduct & Ethics that applies to all employees, including the Company's chief executive officer, chief financial officer, directors and executive officers. The Code of Business Conduct & Ethics is available on the Company's website at [www.regiscorp.com](http://www.regiscorp.com), under the heading "Corporate Governance - Policies and Disclosures" (within the "Investor Relations" section). The Company intends to disclose any substantive amendments to, or waivers from, its Code of Business Conduct & Ethics on its website or in a report on Form 8-K. Copies are available upon request to any shareholder of the Company by writing to the Company's Corporate Secretary at Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

### **Item 11. Executive Compensation**

Information about executive and director compensation will be set forth in the sections titled "Executive Compensation," "How Our Directors Are Paid," "Fiscal 2022 Director Compensation Table," and "CEO Pay Ratio" of the Company's 2022 Proxy Statement and is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information regarding the Company's equity compensation plans will be set forth in the section titled "Equity Compensation Plan Information" and information regarding the beneficial ownership of the Company will be set forth in the section titled "Security Ownership of Certain Beneficial Holders and Management" of the Company's 2022 Proxy Statement, and are incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information regarding certain relationships and related transactions will be set forth in the section titled "Certain Relationships and Related Transactions" of the Company's 2022 Proxy Statement and is incorporated herein by reference. Information regarding director independence will be set forth in the section titled "How We Govern the Company" of the Company's 2022 Proxy Statement and is incorporated herein by reference.

### **Item 14. Principal Accountant Fees and Services**

A description of the fees paid to the independent registered public accounting firm will be set forth in the section titled "Item 3 - Ratification of Appointment of Independent Registered Public Accounting Firm" of the Company's 2022 Proxy Statement and is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

*(1) All financial statements:*

Consolidated Financial Statements filed as part of this report are listed under Part II, Item 8 of this Form 10-K.

*(2) Financial statement schedules:*

All financial statement schedules are omitted as the required information is inapplicable, not required, or the information is presented in the consolidated financial statements or related notes.

*(3) Exhibits:*

The exhibits listed in the accompanying index are filed as part of this report. Except where otherwise indicated below, the SEC file number for each report and registration statement from which the exhibits are incorporated by reference is 1-12725.

Exhibit Number	Description
2.1	Portfolio Transfer Agreement (United States), dated December 30, 2019, between Regis Corp. and The Beautiful Group Management, LLC., The Beautiful Group, LLC, The Beautiful Group Ventures, LLC, The Beautiful Group Ventures USA, LLC, and TBG IP Holder, LLC. (Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on December 31, 2019.)
2.2	Portfolio Transfer Agreement (Canada), dated December 30, 2019, between Regis Holdings (Canada), Ltd. and The Beautiful Group Salons (Canada) Ltd. (Incorporated by reference to Exhibit 2.2 of the Company's Current Report on Form 8-K filed on December 31, 2019.)
2.3	Asset Purchase Agreement, dated June 9, 2022, among the Company, Fremont Software, LLC, The Barbers, Hairstyling for Men & Women, Inc., Roosters MGC International LLC, Regis Holdings (Canada), Ltd., Magicuts, Ltd., First Choice Haircutters, Ltd., Cutco Acquisition Corp., RPC Acquisition Corp., Supercuts, Inc., and Soham Inc. (Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on June 10, 2022).
3.1	2020 Restated Articles of Incorporation of Regis Corporation. (Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 8, 2020.)
3.2	Bylaws of Regis Corporation. (Incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed on May 8, 2020.)
4.1	Description of the Company's Securities. (Incorporated by reference to Exhibit 4(b) of the Company's Annual Report on Form 10-K filed on August 27, 2019.)
10.1*	Regis Corporation Executive Retirement Savings Plan Adoption Agreement and Trust Agreement, dated November 15, 2008, between the Company and Fidelity Management Trust Company. (Incorporated by reference to Exhibit 10(a) of the Company's Quarterly Report on Form 10-Q filed February 9, 2009.)
10.2*	The CORPORATE Plan for Retirement EXECUTIVE PLAN basic plan document. (Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K filed on August 29, 2007.)
10.3*	Amendment to the adoption agreement for the Regis Corporation Executive Retirement Savings Plan, effective January 1, 2016.
10.4*	Offer Letter, dated September 4, 2020, between the Company and Felipe A. Athayde. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 8, 2020.)
10.5*	Non-Compete, Non-Disclosure, Non-Solicitation and Non-Hire Agreement, dated September 4, 2020, between the Company and Felipe A. Athayde. (Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on September 8, 2020.)
10.6*	Restricted Stock Unit Agreement, dated October 5, 2020, between the Company and Felipe A. Athayde. (Incorporated by reference to Exhibit 10(g) of the Company's Annual Report on Form 10-K filed on August 26, 2021.)
10.7*	Matching Stock Option Agreement, dated October 5, 2020, between the Company and Felipe A. Athayde. (Incorporated by reference to Exhibit 10(h) of the Company's Annual Report on Form 10-K filed on August 26, 2021.)
10.8*	Stock Option Agreement, dated October 5, 2020, between the Company and Felipe A. Athayde. (Incorporated by reference to Exhibit 10(i) of the Company's Annual Report on Form 10-K filed on August 26, 2021.)

10.9*	Employment Agreement dated December 1, 2014, between the Company and Kersten D. Zupfer. (Incorporated by reference to Exhibit 10(g) of the Company's Annual Report on Form 10-K filed on August 31, 2020.)
10.10*	Restricted Stock Unit Agreement, dated November 11, 2019, between the Company and Kersten D. Zupfer. (Incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K filed on August 26, 2021.)
10.11*	Performance Units Agreement, dated November 11, 2019, between the Company and Kersten D. Zupfer. (Incorporated by reference to Exhibit 10(p) to the Company's Annual Report on Form 10-K filed on August 26, 2021.)
10.12*	Form of Restricted Stock Unit Agreement (Fiscal 2021 Executive Grants). Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K filed on August 26, 2021.)
10.13*	Regis Corporation Amended and Restated 2004 Long Term Incentive Plan, as amended and restated effective October 22, 2013. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on October 11, 2013.)
10.14*	Amendment to the Amended and Restated 2004 Long Term Incentive Plan, effective August 29, 2014. (Incorporated by reference to Exhibit 10(b) of the Company's Quarterly Report on Form 10-Q filed on November 4, 2014.)
10.15*	Form of Restricted Stock Unit Agreement (Annual Fiscal 2018 Executive Grants). (Incorporated by reference to Exhibit 10(v) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10.16*	Form of Stock Appreciation Right Agreement (Annual Executive Grants). (Incorporated by reference to Exhibit 10(w) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10.17*	Regis Corporation 2016 Long Term Incentive Plan, effective October 18, 2016. (Incorporated by reference to Appendix A of the Company's Proxy Statement on Definitive Form 14A filed on September 7, 2016.)
10.18*	Regis Corporation Amended and Restated 1991 Contributory Stock Purchase Plan, as amended and restated effective October 18, 2016. (Incorporated by reference to Appendix B of the Company's Proxy Statement on Definitive Form 14A filed on September 7, 2016.)
10.19*	Senior Executive Severance Policy, dated May 18, 2020. (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on June 18, 2020.)
10.20	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.)
10.21*	Form of Restricted Stock Unit Award (Annual Fiscal 2019 Executive Grants). (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on October 30, 2018.)
10.22*	Form of Restricted Stock Unit Agreement (Annual Fiscal 2017 Non-Employee Director Grants).
10.23*	Form of Restricted Stock Unit Agreement (Annual Fiscal 2018 Non-Employee Director Grants).
10.24*	Form of Restricted Stock Unit Agreement (Non-Employee Director Grants). (Incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10-Q filed on October 30, 2018.)
10.25*	Regis Corporation Amended and Restated Short Term Incentive Compensation Plan, effective February 27, 2019. (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on April 30, 2019.)
10.26*	Regis Corporation Stock Purchase and Matching RSU Program, as amended and restated effective March 20, 2019. (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on April 30, 2019.)
10.27*	Regis Corporation 2018 Long Term Incentive Plan, effective October 23, 2018. (Incorporated by reference to Appendix A of the Company's Proxy Statement on Definitive Form 14A filed on September 6, 2018.)
10.28	Second US and Canada Omnibus Settlement Agreement, dated June 27, 2019, among Regis Corp., Regis, Inc., Regis Holdings (Canada), Ltd., and The Barbers, Hairstyling for Men & Women, Inc., The Beautiful Group Management, LLC, The Beautiful Group Salons (Canada) Ltd., The Beautiful Group Holdings, LLC, Archetype Capital Group, LLC, The Beautiful Group Ventures, LLC (f/k/a The Beautiful Group Real Estate, LLC), TBG IP Holder, LLC, and Regent Companies, LLC. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 3, 2019.)
10.29	Open Market Sale Agreement, dated February 3, 2021, between the Company and Jefferies LLC. (Incorporated by reference to Exhibit 1.2 of the Company's Registration Statement on Form S-3 (No. 333-252700) filed on February 4, 2021.)
10.30*	Form of Stock Option Award Agreement (Annual Executive Grants). (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on November 4, 2021.)
10.31*	Form of Cash-Settled SAR Agreement (Annual Executive Grants). (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on November 4, 2021.)

10.32*	Offer Letter, dated December 22, 2021, between the Company and Matthew Doctor. (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on February 3, 2022.)
10.33*	Offer Letter, dated December 22, 2021, between the Company and Jim B. Lain. (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on February 3, 2022.)
10.34*	Offer Letter, Non-Compete, Non-Disclosure, Non-Solicitation and Non-Hire Agreement, dated May 4, 2022, between the Company and Matthew Doctor. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on May 5, 2022).
21	List of Subsidiaries of the Company.
23	Consent of Grant Thornton LLP.
31.1	Chief Executive Officer of the Company: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Executive Vice President and Chief Financial Officer of the Company: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Chief Executive Officer and Chief Financial Officer of the Company: Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Regis Corporation's Annual Report on Form 10-K for the year ended June 30, 2022, formatted in Inline Xtensible Business Reporting Language (iXBRL) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Earnings; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
104	The cover page from Regis Corporation's Annual Report on Form 10-K for the year ended June 30, 2022, formatted in iXBRL (included as Exhibit 101).

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(\*) Management contract, compensatory plan or arrangement required to be filed as an exhibit to the Company's Report on Form 10-K.

#### Item 16. Form 10-K Summary

Not applicable.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### REGIS CORPORATION

By /s/ MATTHEW DOCTOR

Matthew Doctor,  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

By /s/ KERSTEN D. ZUPFER

Kersten D. Zupfer,  
*Executive Vice President and Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

Date: August 22, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ DAVID J. GRISSIN

David J. Grissen,  
*Chairman of the Board of Directors*

Date: August 22, 2022

/s/ LOCKIE ANDREWS

Lockie Andrews,  
*Director*

Date: August 22, 2022

/s/ MATTHEW DOCTOR

Matthew Doctor,  
*Director*

Date: August 22, 2022

/s/ MARK LIGHT

Mark Light,  
*Director*

Date: August 22, 2022

/s/ MICHAEL MANSBACH

Michael Mansbach,  
*Director*

Date: August 22, 2022

/s/ MICHAEL J. MERRIMAN

Michael J. Merriman,  
*Director*

Date: August 22, 2022

/s/ M. ANN RHOADES

M. Ann Rhoades,  
*Director*

Date: August 22, 2022

REGIS



20  
22

PROXY STATEMENT  
AND NOTICE OF ANNUAL MEETING



# LETTER FROM THE CHAIRMAN AND CEO

**Dear Regis shareholders, employees, franchise owners, and customers,**

Fiscal 2022 was a year marked by new leadership, business transformation, progress, and the creation and implementation of a clear path forward. In the middle of the year, we, as Chairman and CEO, took on our new leadership positions. Along the way, we added new members to the team, as well as promoted existing team members into new roles.

In a short period of time, our new team has not only transformed our business financially, but also operationally. We devoted significant time and effort to revamp our capital structure through our refinancing efforts, with our hard work culminating in a successful amendment and extension of our existing credit agreement just a few months after the fiscal 2022 year-end. In the face of an increasingly challenging credit environment, we have delivered the runway and liquidity needed to invest in the business to continue our recovery and position us for growth. Operationally, we further wound-down both our company-owned salons and our product distribution business, as well as divested our technology business through the sale of our Opensalon® Pro point-of-sale platform to Zenoti®. These efforts cleared the way for us to squarely focus our team's efforts on providing the best support to our franchisees and driving forward our core business as a haircare franchisor, while further de-leveraging Regis. By partnering with Zenoti, our franchisees now have access to the technology platform and functionality they expect and need to enable and drive their businesses.

We demonstrated significant progress in areas that matter the most. For the first time in years, to strengthen our connection and build trust with our franchisees, and to devise our collective strategy, our management team hit the road and met face-to-face with over 280 franchisees that represented close to 4,000 salons. Progress also showed in our financial results, which delivered positive adjusted EBITDA (excluding franchising company-owned salons)<sup>1</sup> of \$0.5 million compared to a loss of \$60.2 million in fiscal 2021, an improvement of \$60.8 million. Excluding one-time items and remaining company-owned salons, our EBITDA would be even greater, which is a clear testament to Regis' potential.

We are proud of the results we have achieved in what continues to be a challenging time for our industry, but we are by no means taking a victory lap. We know this was a difficult year for our key stakeholders, with slower than expected sales recovery and cash usage due to labor shortages and customer traffic declines, as well as the overall uncertainty related to our balance sheets. However, we believe we are just getting started on our journey of recovery and growth. While we have placed Regis on more solid-footing, we are now setting our sights on a very focused set of company-wide priorities as we head into fiscal 2023. We have strong conviction around these priorities as they include the voice of our franchisee community. Over the course of the next fiscal year, we will consistently discuss three main initiatives:

- 1) Investing in building the most scaled and comprehensive education platform to drive our talent brand to retain, recruit, and train stylists;
- 2) Revamping marketing efforts that will emphasize stylist recruiting and retention, as well as performance marketing tactics to drive customer traffic with a specific emphasis on customer retention through lifecycle marketing, CRM, and loyalty; and
- 3) Migrating our salons onto the Zenoti software platform to enable seamless customer engagement with our salons before, during, and after visitation.

These three initiatives directly drive our business. Simply put, to ensure Regis' future success we need trained stylists and loyal customers who both can engage with our salons through technology.

As mentioned above, we have a new-looking team that has demonstrated that they act quickly and deliver results, and we look forward to doing the same in fiscal 2023 and the years ahead.

Sincerely,



David Grissen  
Chairman of the Board



Matthew Doctor  
President and Chief Executive Officer

<sup>1</sup> Adjusted EBITDA (excluding franchising company-owned salons) is not a measure of net income or cash flows as determined by generally accepted accounting principles in the United States ("GAAP"). See the reconciliation to GAAP net loss in Appendix A.

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# NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

## To the Shareholders of Regis Corporation:

The Annual Meeting of Shareholders (the “Annual Meeting”) of Regis Corporation (referred to as “we,” “us,” “our,” “Regis,” and the “Company”) will be held on October 25, 2022 commencing at 9:00 a.m. Central Time. The Annual Meeting will be conducted completely as a virtual meeting via the Internet at [www.virtualshareholdermeeting.com/RGS2022](http://www.virtualshareholdermeeting.com/RGS2022). The purposes of the meeting are:

- ✓ To elect the seven directors listed in this Proxy Statement to serve for a one-year term and until their successors are elected and qualified;
- ✓ To approve, on an advisory basis, the compensation of our named executive officers (referred to as the “Say-on-Pay” proposal);
- ✓ To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal 2023; and
- ✓ To transact such other business, if any, as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only holders of record of our common stock at the close of business on August 29, 2022 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. We are providing our proxy materials, which include our Notice and Proxy Statement and Annual Report, to such holders of record of our common stock beginning on or about September 12, 2022.

Whether or not you plan to participate in the Annual Meeting, please submit your proxy by telephone or through the Internet in accordance with the voting instructions provided to you. If you requested a paper copy of the proxy card by mail, you may also date, sign, and mail the proxy card in the postage-paid envelope that is provided with your proxy card. Should you nevertheless participate in the Annual Meeting, you may revoke your proxy and vote your shares electronically during the Annual Meeting.

If your shares are held in the name of a bank, broker, or other holder of record, you will receive instructions from the record holder that you must follow in order for your shares to be voted. If you plan to vote your shares during the Annual Meeting, you will need the 16-digit control number included on your proxy card or your Notice of Internet Availability of Proxy Materials. We recommend that you log in at least 15 minutes before the meeting to ensure that you are logged in when the meeting starts.

By Order of the Board of Directors,



Andra J. Terrell  
Corporate Secretary  
September 12, 2022



9:00 A.M. CT

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## ITEM 1

# ELECTION OF DIRECTORS

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The Board unanimously recommends that you vote FOR the election of each of these director nominees.



# ELECTION OF DIRECTORS

## What Has Kept Us Busy

In this section, we, your Board of Directors (the “Board”), provide information about who we are, how we are organized, how we operate, and what we are paid. We open with a summary of what we have been doing for you, our fellow shareholders. Although this information is not always included in proxy statements, we believe we should provide it, because you are being asked to re-elect us.

The Board has shaped and governed, and our management team has taken, significant actions to drive the Company forward through difficult times:

- ✓ Transitioned the position of President and Chief Executive Officer of the Company to Matthew Doctor
- ✓ Revised the leadership team structure by:
  - transitioning a key executive to the position of Chief Operating Officer;
  - transitioning the role of Senior Vice President, People and Culture to Chief People Officer;
  - promoting a long-term employee to Senior Vice President, Merchandising and Education, who is focused on training stylists to provide the best possible service to customers; and
  - recruiting a new General Counsel who brings to the team years of franchising experience
- ✓ Strengthened our connection with our franchisee community through six regional meetings during which management met with approximately 280 franchisees representing nearly 4,000 salons
- ✓ Exited the technology business through the sale of our proprietary salon management system, Opensalon® Pro, to Zenoti, the leading technology provider for beauty, wellness, and fitness businesses. As part of the transaction, we:
  - will receive up to \$39 million of proceeds, which represents a significant return on investment;
  - partnered with Zenoti who will become the sole salon technology platform for all of Regis’ brands and who will deliver a best-in-class salon management platform to our franchisees and stylists; and
  - strengthen our financial position, which will enable management to fully focus on our core business: haircare services
- ✓ Worked on solutions to amend our existing credit agreement and extend the maturity, which will provide us with liquidity and runway to invest in, and execute on, strategic initiatives
- ✓ Continued to scale down our legacy businesses, by:
  - completing the exit of our wholesale distribution business; and
  - further winding-down of our Company-owned salons from 276 to 105 salons
- ✓ Achieved general and administrative savings of approximately \$37 million during fiscal 2022
- ✓ Generated \$0.5 million of Adjusted EBITDA excluding the loss on the sale of salons to franchisees<sup>1</sup>, compared to a loss of \$60.2 million in fiscal 2021
- ✓ Set a go-forward strategy, focused on:
  - increasing our field support to franchisees through a larger team and structured business reviews;
  - investing more in stylist education to differentiate our brands and to become the employer of choice for stylists;
  - revamping our marketing approach to more performance marketing tactics, with a focus on retention;
  - adopting a singular salon technology platform, Zenoti, which will enable our stylists and customers to seamlessly engage with our brands; and
  - driving large-scale remodeling efforts for our SmartStyle brand

<sup>1</sup> Adjusted EBITDA excluding the loss on the sale of salons to franchisees is not a measure of net income or cash flows as determined by generally accepted accounting principles in the United States (“GAAP”). See the reconciliation to GAAP net loss in Appendix A.

**The Board unanimously recommends that you vote FOR the election of each of the director nominees below.**

Seven directors are to be elected at the annual meeting of shareholders to be held on October 25, 2022 (the “Annual Meeting”), each to hold office for one year until the 2023 annual meeting of shareholders and until their successors are elected and qualified. The Board currently consists of seven directors. Based upon the recommendation of the Nominating and Corporate Governance Committee, the Board has nominated the seven persons named below for election as directors. Each of the Board’s nominees is standing for re-election by the shareholders at the Annual Meeting, and each nominee has consented to serve if elected.

In determining to nominate Mr. Michael Merriman and Ms. Ann Rhoades for re-election, the Board considered that Mr. Merriman had already served 11 years at the time of re-election and Ms. Rhoades was 77 years old and, therefore, both were required under our Corporate Governance Guidelines to offer to not stand for re-election. The Board considered Mr. Merriman’s significant contributions to the Board, including his service as the Chair of the Audit Committee and his continued high level of involvement with the Board and the Company, and determined to nominate Mr. Merriman for re-election. The Board considered Ms. Rhoades’ significant contributions to the Board, including her oversight of matters relating to the culture among the Company’s workforce and her continued high level of involvement with the Board and the Company, and determined to nominate Ms. Rhoades for re-election.

If for any reason a nominee becomes unable to serve or for good cause will not serve if elected, the Nominating and Corporate Governance Committee may designate substitute nominees, in which event the shares represented by proxies returned to the Company will be voted for such substitute nominees. If the Nominating and Corporate Governance Committee designates any substitute nominees, the Company will file an amended proxy statement that, as applicable, identifies the substitute nominees, discloses that such nominees have consented to being named in the revised proxy statement and to serve if elected, and includes certain biographical and other information about such nominees required by Securities and Exchange Commission (“SEC”) rules.

## Who We Are



### Lockie Andrews

Chief Growth Officer,  
Pura Vida

Independent

Director since 2021

Age: 49

#### Board committees

- Audit
- Nominating and Corporate Governance
- Technology

#### CAREER HIGHLIGHTS

- Chief Growth Officer at Pura Vida, a jewelry retailer, since May 2022
- Head of eCommerce and Digital Operations at Party City, a vertically integrated retailer, from May 2021 to January 2022
- Founder, Chief Executive Officer, and Managing Partner of Catalyst Consulting, a boutique advisory firm specializing in “all things digital” for consumer and next-generation companies, since May 2007
- Chief Information Officer and Chief Digital Officer, UNTUCKit, an omnichannel retail brand, from 2018 to April 2021
- Previously served as an operating partner advisor to portfolio companies of Sun Capital, Marlin Equity, Brightwood Capital, and Shamrock Capital
- Served in various leadership roles at Nora Gardner, Tadashi, Liz Claiborne (Kate Spade), and Alvarez & Marsal’s Retail Consulting Practice

#### SKILLS / EXPERIENCE

- Experience assisting companies such as Nike, Lane Bryant, and ANINE BING in areas such as strategy, innovation, technology, digital marketing, analytics, revenue enhancement, and operational improvement
- Led digital transformation efforts, including leveraging technology to enhance marketing, stores, ecommerce, supply chain, creative, analytics, finance, and operations
- Led engagements in strategy, innovation, and capital-raising
- Experience as an investment banker

#### EDUCATION

MBA, Harvard Business School  
BS, Finance, Georgetown University

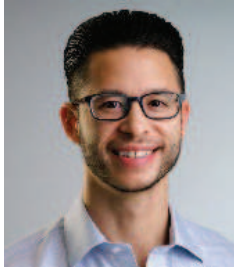
#### ALSO...

Lockie serves as a Board Member of the National Academy of Design and she is also the fashion sector co-lead of the Harvard Business School Alumni Angels of NYC and co-VP of Programming at the Harvard Business School Club of New York. And, given her passion for the arts, Lockie joined the Friends of Education at the Museum of Modern Art of NYC to support artists from historically under-represented communities. Lockie has also served as an Advisory Board Member to The Beckway Group since 2021.

Lockie founded Catalyst Cares, a nonprofit leveraging the arts to combat poverty and obesity among youth in low-income communities.

#### OTHER PUBLIC BOARDS

None



## Matthew Doctor

President and Chief Executive Officer, Regis Corporation

Director since 2022

Age: 35

### Board committees

- Technology

### CAREER HIGHLIGHTS

- President and Chief Executive Officer at Regis Corporation, since May 2022
- Interim Chief Executive Officer at Regis Corporation, from December 2021 to May 2022
- Executive Vice President, Chief Strategy Officer at Regis Corporation, from February 2021 to December 2021, prior to which he served as a consultant to Regis Corporation, since December 2020
- Partner and Chief Financial Officer for Kava Restaurants, a Tim Hortons® franchisee, from May 2018 to December 2020
- Held positions of increasing responsibility at Restaurant Brands International, a franchisor of Burger King®, Tim Hortons, and Popeyes® restaurant companies, from June 2014 to April 2017
- Started career as investment banker at J.P. Morgan

### SKILLS / EXPERIENCE

- Leadership experience with franchise businesses (both as franchisor and franchisee), including expertise in strategy and brand development, unit count growth, finance, and operations
- Finance experience as an investment banker

### EDUCATION

BBA with Distinction, Emory University's Goizueta Business School

### ALSO...

Before joining Regis, Matt gained international work experience in Asia, Europe, and Canada, when he led mergers and acquisitions for Burger King and development efforts for Tim Hortons. During his international travels, Matt had the opportunity to explore Japan and immerse himself in its culture, history/heritage, and food.

### OTHER PUBLIC BOARDS

None



## David J. Grissen

Former Group President,  
Americas, Marriott  
International, Inc.

Independent

Director since 2013  
Chair of the Board  
Age: 65

### Board committees

- Audit, ACFE
- Nominating and Corporate Governance, *Chair*
- Technology

### CAREER HIGHLIGHTS

- Joined Marriott International, Inc., a global operator of hotels and related lodging facilities, in 1986 with his most recent role being Group President, Americas from 2020 until his retirement in 2021
- Held various positions at Marriott including Group President, Group President, Americas, President, Americas, Executive Vice President of the Eastern Region, Senior Vice President of the Mid-Atlantic Region, and Senior Vice President of Finance and Business Development

### SKILLS / EXPERIENCE

- Leadership experience with a complex organization that includes franchised, managed, and owned operations
- Building marketing platforms with multiple portfolio brands
- Acquisitions and integration

### EDUCATION

BA, Michigan State University  
MBA, Loyola University Chicago

### ALSO...

David implemented the 4 Disciplines of Execution because he saw how employees understanding how their day-to-day activities relate to the company's overall business results made them feel they were all working toward a common goal and they make a difference and have a voice.

David, a long-time runner, served as Vice Chairman of Back On My Feet, a non-profit whose mission is helping the homeless via a structured running program.

### OTHER PUBLIC BOARDS

- Chatham Lodging Trust (since 2021)

Former

- Good Times Restaurants Inc. (2005 – 2010)



## Mark S. Light

Executive Chairman,  
Bedrock Manufacturing

Independent

Director since 2013

Age: 60

### Board committees

- Compensation
- Nominating and Corporate Governance, *Chair*
- Technology

### CAREER HIGHLIGHTS

- In 1978, joined Signet Jewelers, the world's largest retailer of diamond jewelry (with over 3,500 stores including Kay Jewelers, Zales, Jared The Galleria of Jewelry, H. Samuel, Ernest Jones, Peoples, and Piercing Pagoda) operating in North America and the United Kingdom
- Chief Executive Officer and Director of Signet Jewelers from November 2014 until his retirement in July 2017
- Held various management positions while at Sterling Jewelers, Signet's main US business, including President and Chief Operating Officer, Executive Vice President of Operations, and Division President

### SKILLS / EXPERIENCE

- Led an international sales team to deliver a superior customer experience
- Led the development of start-up retail jewelry brand, Jared the Galleria of Jewelry to over \$1 billion in annual revenue in 2017
- Led and managed many acquisitions while integrating synergies
- Led in the acquisition and integration of a large diamond-cutting factory in Botswana, Africa
- Led in the development of several exclusive international jewelry product brands such as Open Hearts by Jane Seymour, Neil Lane Bridal, and the Ever Us Two Stone collection to name a few

### EDUCATION

Kent State University and Ohio University

### ALSO...

When Mark became Head of Sterling, he oversaw a tripling of the unit's sales.

In his time at Signet, he oversaw a successful acquisition and integration of Zales, expanded its outlet channel by acquiring Ultra, made significant progress on the company's OmniChannel strategy, realigned the organization structure, and re-engineered and stabilized its ecommerce platform.

Mark is the Chairman of the Board of Directors of Bedrock Manufacturing, which is the parent of two iconic American brands, Shinola and Filson.

### OTHER PUBLIC BOARDS

Former

- Signet Jewelers Limited (2014 – 2017)



## Michael Mansbach

Founder of Granite Stairway Advisors LLC and co-founder and partner of Apex Perspectives, LLC

Independent

Director since 2021

Age: 54

### Board committees

- Compensation
- Technology, *Chair*

### CAREER HIGHLIGHTS

- Founder of Granite Stairway Advisors LLC, an executive consulting services firm, since July 2020, and co-founder and partner of Apex Perspectives, LLC, a consulting firm, since June 2020
- President, MINDBODY, Inc., a technology platform for the fitness, beauty, and wellness service industries, from June 2017 until its acquisition by Vista Equity Partners in April 2019
- President, Blue Jeans Network, Inc., a cloud-based video communications company, from November 2015 to February 2017
- President, PunchTab, Inc., an engagement and insights platform, from September 2014 until its acquisition by Walmart Labs in September 2015
- Senior management positions at Citrix, a business mobility and security software firm, from November 2004 to April 2014

### SKILLS / EXPERIENCE

- Expertise in creating global scale, building connected teams, market category leadership, and enterprise value
- Revenue growth and retention, go-to-market strategy, M&A, debt/cash/budget management, product strategy and marketing, sales strategy and process, demand generation, market positioning, international expansion, and leadership development
- Senior marketing positions at SeeBeyond and SeeCommerce

### EDUCATION

MA, International Economics, European Area Studies, The Johns Hopkins University – Paul H. Nitze School of Advanced International Studies

### ALSO...

Mike is passionate about helping kids understand the power of giving. His family has developed an annual fundraiser partnering with the Santa Barbara Triathlon for the Foodbank of Santa Barbara County to raise awareness of hunger issues facing children. He also developed and launched the Saturday Family Day program targeting youth volunteers. To date, 1,000+ children have participated.

### OTHER PUBLIC BOARDS

None



## Michael J. Merriman

Consumer Products  
Consultant

Independent

Director since 2011

Age: 66

### Board committees

- Audit, ACFE, *Chair*
- Compensation

### CAREER HIGHLIGHTS

- Consumer Products Consultant, since 2008
- Operating Advisor at Resilience Capital Partners, LLC, a private equity firm, from 2008 to 2017
- Chief Executive Officer, The Lamson & Sessions Co., from November 2006 until sale November 2007
- SVP & Chief Financial Officer, American Greetings Corporation, from September 2005 to November 2006
- President & CEO, Royal Appliance Mfg. Co., from 1995 to 2004
- Chief Financial Officer, Royal Appliance Mfg. Co., from 1992 to 1995
- Audit Partner, Arthur Andersen & Co., from 1990 to 1992

### SKILLS / EXPERIENCE

- Public company CEO leadership experience
- Consumer product sales and marketing direct to consumer, as well as to big box retailers including Walmart
- M&A experience including the sale of both public and private companies
- Public accounting experience

### EDUCATION

BS, Business Administration, John Carroll University

### ALSO...

Michael was named CEO of Royal Appliance Manufacturing at 39, after joining the company as CFO three years earlier.

### OTHER PUBLIC BOARDS

- Nordson Corporation (since 2008), Chairman of the Board (since February 2018), Audit Committee Chair (2012 – 2018)

Former

- OMNOVA Solutions Inc. (2008 – 2020), Nominating & Corporate Governance Committee Chair
- Invacare Corporation (2014 – 2018)
- American Greetings Corporation (2006 – 2013)
- RC2 Corporation (2004 – 2011)





## M. Ann Rhoades

President,  
People Ink, Inc.

Independent

Director since 2015

Age: 77

### Board committees

- Audit
- Compensation,  
*Chair*

### CAREER HIGHLIGHTS

- President, People Ink, Inc., a human resources consulting firm, since 1999
- Executive Vice President, People, JetBlue Airways, from 1999 to 2002
- Executive Vice President, Team Services, Promus Hotel/DoubleTree Hotels Corporation, from 1995 to 1999
- Vice President, People, Southwest Airlines, from 1989 to 1995

### SKILLS / EXPERIENCE

- Human resources experience
- Consumer experience

### EDUCATION

MBA, The University of New Mexico

### ALSO...

Ann built a hiring model to get high-performance outcomes based in hiring according to values that helped create JetBlue and Southwest Airlines' well-regarded cultures.

Author of *Built on Values, Creating an Envable Culture That Outperforms the Competition*.

Flew in an F-16 at 9.1Gs.

### OTHER PUBLIC BOARDS

- Nexphase Capital (since 2015)

Former

- JetBlue Airways (2001 – 2015), Compensation Committee Chair
- P.F. Chang's China Bistro, Inc. (2003 – 2012), Compensation Committee Chair
- Restoration Hardware (1999 – 2001, 2005 – 2009)

## How We Govern the Company

We believe that how we govern ourselves is as important as the corporate governance that sets guidance and parameters for the Company more generally. This is a summary of some of our key Board governance provisions. More information can be found on our website at [www.regiscorp.com](http://www.regiscorp.com), and in the next section summarizing some of the key provisions that apply more broadly to the Company. Our compensation governance provisions can be found in the Compensation Discussion and Analysis section of this Proxy Statement.

**All our directors, except our President and Chief Executive Officer, are independent.** In our User's Guide at the end of this Proxy Statement, we provide a description of the Board's independence standards. Under these standards, the Board has determined that each director, with the exception of Mr. Doctor, our President and Chief Executive Officer, is independent. Accordingly, a supermajority of our Board is independent.

**Leadership Structure of the Company.** The Board elects the Chair of the Board and the Chief Executive Officer and it has determined that these two roles should be held by separate individuals to enhance the Board's oversight of management and to allow the Chief Executive Officer to focus primarily on management responsibilities. Our current Board leadership structure provides effective and independent oversight of management and the Company.

**We have an independent Chair of the Board.** The Chair of the Board, Mr. Grissen, is an independent director who has served on the Board for the last nine years.

**All our directors stand for election every year.**

**Special meetings.** Shareholders holding 10% or more of our outstanding stock have the right to call a special meeting of shareholders.

**Board and Board committee meeting attendance.** Each of the then-serving directors attended, in person or virtually, at least 75% of the 10 meetings of the Board and the meetings of the Board committees on which each director served during the fiscal year ended June 30, 2022.

**Annual meeting attendance.** The Board does not have a formal policy relating to Board members' attendance at annual shareholder meetings. Our directors are, however, encouraged to attend these meetings and all but one of the then-serving directors attended the virtual 2021 annual shareholders meeting.

**The Board has a majority voting standard.** Incumbent directors who do not receive a majority of votes cast must tender their resignation to the Board for review. Our Corporate Governance Guidelines further provide that if the Board decides not to accept a director's resignation in such circumstances, then it will disclose its reasons.

**Director stock ownership.** Our directors are required to hold all common stock they receive as part of their Board compensation until they cease to serve as directors.

**Age and tenure provisions.** Our Corporate Governance Guidelines contain both age and tenure provisions.

**Overboarding.** Our Corporate Governance Guidelines contain provisions related to limiting its directors' service on other boards of directors.

**Director evaluations.** Our Corporate Governance Guidelines contain provisions requiring annual Board evaluations.

**Director orientation and education.** Directors receive orientation overseen by the Board and the Nominating and Corporate Governance Committee and are supported in obtaining continuing director education.

**Executive sessions.** Our Board has a policy of conducting executive sessions of the independent directors in connection with each regularly scheduled Board meeting.

**Communicating with the Board.** Our directors value and seek input from a wide variety of sources to inform their work and, as set forth in the User's Guide of this Proxy Statement, provide shareholders the opportunity to communicate with them directly. Our directors especially value input from shareholders who have a financial stake in the caliber of their input and who work in settings likely to provide access to interesting insights.

**The Board's role in risk oversight.** One of the key responsibilities of the Board is to develop a strategic direction for the Company and to provide management oversight for the execution of that strategy. The Board regularly reviews information regarding the Company's financial, strategic, and operational issues, as well as the risks associated with each. The Board also

oversees the Company's Data Security Incident Response Plan, which serves as a Company-wide guide to facilitate a systematic response to security incidents and is designed to prevent or minimize disruption of critical information systems, to minimize loss or theft of sensitive or critical information, and to quickly and efficiently remediate and recover from security events. While the Board has overall responsibility for risk management, each of the Board committees has supporting responsibility for risk management and makes periodic updates to the full Board. Their specific areas of responsibility are:

- The Audit Committee discusses and approves policies with respect to risk assessment and risk management. The Audit Committee oversees the management of financial risks and monitors management's responsibility to identify, assess, and manage risks. The Audit Committee is also responsible for overseeing risks relating to cybersecurity.
- The Compensation Committee is responsible for overseeing our executive compensation programs and reviewing risks relating to our overall compensation plans and arrangements.
- The Nominating and Corporate Governance Committee manages risks associated with potential conflicts of interest pursuant to our Code of Business Conduct and Ethics (the "Code of Ethics") and reviews governance and compliance issues with a view to managing associated risks.
- The Technology Committee is responsible for reviewing risks associated with significant technology investment and/or deployment.
- While each Board committee is responsible for regularly reviewing, evaluating, and overseeing the management of such risks, the Board is regularly informed of such risks through committee reports. In addition, the Board and the Board committees receive regular reports from the Company's Chief Financial Officer, General Counsel, Executive and Senior Vice Presidents, and other personnel with roles in managing risks. The Compensation Committee is also advised by its independent compensation consultant, which periodically reviews the risks relating to the Company's compensation practices. The Company's leadership team meets with the General Counsel and head of Internal Audit to discuss and evaluate risks applicable to the Company.

**Director nomination process.** The Nominating and Corporate Governance Committee is responsible for screening and recommending for nomination director candidates to the full Board. The Nominating and Corporate Governance Committee will consider nominations received from our shareholders, provided that, proposed candidates meet the requisite director qualification standards discussed below. When appropriate, the Nominating and Corporate Governance Committee will also engage an independent third-party search firm. The Nominating and Corporate Governance Committee will then evaluate the resumes of any qualified candidates recommended by shareholders and search firms, as well as by members of the Board. Generally, to be considered for nomination, a candidate must have:

- High professional and personal ethics and values;
- A strong record of significant leadership and meaningful accomplishments in his or her field;
- Broad experience;
- The ability to think strategically;
- Sufficient time to carry out the duties of Board membership; and
- A commitment to enhancing shareholder value and representing the interests of all shareholders.

Candidates are evaluated based on these qualification standards and the current needs of the Board, with due consideration to the requirement of our Corporate Governance Guidelines and New York Stock Exchange ("NYSE") and SEC regulations that at least a majority of the Board consists of independent directors. In addition, when considering nominees to the Board and in evaluating the composition of the Board as a whole, the Nominating and Corporate Governance Committee considers the value of diversity.

The Company's policies for, and commitments to, diversity are contained within the Code of Ethics, which explicitly provides that the Company will not discriminate against anyone on the basis of race, color, gender, sexual orientation or identity, religion, age, national origin, disability, or any other classification protected by law.

Consistent with this commitment, the Nominating and Corporate Governance Committee, when seeking new director candidates, considers and values diversity in all the attributes covered in the Code of Ethics, as well as diverse skills and experiences, such as an understanding of the retail industry, the haircare market, finance, accounting, marketing, technology, and international experience. The Nominating and Corporate Governance Committee expects every member of the Board and every director candidate to be able to act effectively on behalf of shareholders and stakeholders.

All shareholder nominations must be accompanied by a candidate resume that addresses the extent to which the nominee meets the director qualification standards. Nominations will be considered only if we are currently seeking to fill an open director position. All nominations by shareholders should be sent to the Chair of the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

## How We, the Directors, Are Governed

Our corporate governance provisions that relate to our Board are summarized in the preceding section. Our compensation governance provisions are summarized in the Compensation Discussion and Analysis section of this Proxy Statement. Our Corporate Governance Guidelines are posted on our website at [www.regiscorp.com](http://www.regiscorp.com). This information is also available in printed form free of charge to any shareholder who requests it by writing to our Corporate Secretary, Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

**Code of Business Conduct and Ethics.** The Board has adopted the Code of Ethics, which applies to all our employees, directors, and officers, including our President and Chief Executive Officer, Chief Financial Officer, Controller, and other senior financial officers. The Code of Ethics, as applied to our principal financial officers, constitutes our “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act and is our “code of business conduct and ethics” within the meaning of the listing standards of the NYSE. The Code of Ethics is posted on our website at [www.regiscorp.com](http://www.regiscorp.com). The Code of Ethics is also available in printed form free of charge to any shareholder who requests it by writing to our Corporate Secretary, Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. We intend to promptly disclose future amendments to certain provisions of the Code of Ethics and any waivers of provisions of the Code of Ethics that are required to be disclosed under the rules of the SEC or under the listing standards of the NYSE, at the same location on our website.

**Related Party Transactions.** Our Board has adopted a Related Party Transaction Approval Policy requiring approval of all related party transactions for amounts exceeding \$10,000 for the fiscal year. We did not have any related party transactions during fiscal 2022.

**Complaint/hotline procedures.** The Audit Committee Complaint Procedures, which are posted on our website at [www.regiscorp.com](http://www.regiscorp.com), provide for the publication of a toll-free number and mailing address for complaints to be submitted to the Audit Committee.

## Our Board's Committees

The Board has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Technology Committee. The composition of these Board committees at fiscal year-end is set forth below.

Director Name	Audit	Compensation	Nominating and Corporate Governance	Technology
Lockie Andrews	■		■	■
Matthew Doctor				■
David J. Grissen	■ ACFE		■	
Mark S. Light		■	■ CHAIR	■
Michael Mansbach		■		■ CHAIR
Michael J. Merriman	■ ACFE, CHAIR	■		
M. Ann Rhoades	■	■ CHAIR		
Meetings during fiscal 2022	4	11	7	6

ACFE = Audit Committee Financial Expert

CHAIR = Board Committee Chair

The Board has determined that all members of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee qualify as independent directors as defined under the NYSE corporate governance rules.

The charters of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Technology Committee may be viewed on our website at [www.regiscorp.com](http://www.regiscorp.com) under "Corporate Governance" on the "Investor Relations" page. The charters are also available in printed form free of charge to any shareholder who requests them by writing to our Corporate Secretary, Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. The charters include information regarding the committees' composition, purpose, and responsibilities.

### Audit Committee

The Audit Committee assists the Board in discharging its oversight responsibility to the shareholders and investment community regarding: (i) the integrity of the Company's financial statements and financial reporting processes; (ii) the Company's internal accounting systems and financial and operational controls; (iii) the Company's audit, accounting, and financial reporting processes; (iv) the engagement, qualifications, and independence of the independent auditor; (v) the performance of the Company's internal audit activities; and (vi) compliance with the Company's ethics programs, including the Code of Ethics, the whistle-blower policy, and legal and regulatory requirements.

In carrying out these duties, the Audit Committee maintains free and open communication among the Board, the independent auditor, and the Company's management. The Audit Committee meets with management and the independent auditor at least quarterly, generally prior to the Company's earnings releases to discuss the results of the independent auditor's quarterly reviews and fiscal year-end audit.

The Board has determined that all members of the Audit Committee meet the NYSE definitions of independence and financial literacy for Audit Committee members. In addition, the Board has determined that each of Mr. Merriman and Mr. Grissen, both of whom are independent directors, is an audit committee financial expert ("ACFE") for purposes of the SEC rules and possesses accounting or related financial management expertise required by the NYSE. Members serving on the Audit Committee do not currently serve on the audit committees of more than three public companies.

### Compensation Committee

The primary responsibilities of the Compensation Committee are to determine and approve, or to make recommendations to the Board with respect to, the compensation and benefits packages of the Company's executives and to consider and to recommend incentive compensation and equity-based compensation plans. The Compensation Committee also reviews director

compensation, oversees the evaluation of the Chief Executive Officer, and evaluates on an annual basis its own performance and the adequacy of its charter. Additional information about the responsibilities of the Compensation Committee is provided below in the Compensation Discussion and Analysis section of this Proxy Statement. The Board has determined that all members of the Compensation Committee meet the NYSE definition of independence applicable to Compensation Committee members.

**Compensation Committee Interlocks and Insider Participation.** None of the members of the Compensation Committee is or has been an employee of the Company. None of our executives served on the board of directors or compensation committee of another entity that has an executive officer serving on the Board or the Compensation Committee.

## Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee discharges the Board's responsibilities related to general corporate governance, including Board organization, membership, and evaluation. The Nominating and Corporate Governance Committee also monitors Board qualifications and orientation of new directors, manages the annual Chief Executive Officer evaluation, reviews and resolves any director conflicts of interest, and presents qualified individuals for election to the Board. In addition, the Nominating and Corporate Governance Committee annually reviews the Corporate Governance Guidelines. It also reviews and approves, if appropriate, any related party transactions in accordance with the Company's Related Party Transaction Approval Policy. Finally, the Nominating and Corporate Governance Committee oversees the evaluation of the performance of the Board and each standing committee of the Board. For further information regarding our director nomination process, see "Director Nomination Process" above.

## Technology Committee

The Technology Committee assists the Board by overseeing the Company's technology strategy and planning, investments, prioritization, degree and pace of innovation, and related business purposes. The Technology Committee monitors the continuous flow of innovative, differentiated, leadership products in the markets currently served by the Company, and plans for the insertion of new technology into the Company's long-range strategic plan. The Technology Committee also reviews and recommends disruptive products and technologies and reviews the costs, benefits, risks, and prioritization associated with significant technology investments and deployments. In addition, the Technology Committee reviews the Company's cybersecurity measures and response plans and the adequacy of processes, tools, facilities, and technology leadership connected with product and technology development.

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## How Our Directors Are Paid

We designed our director compensation program to address the time, effort, expertise, and accountability required of active Board membership, with consideration given to industry comparisons of directors' compensation. Our Board believes that annual compensation for non-employee directors should consist of both cash, to compensate directors for their service on the Board and its committees, and equity, to align the interests of directors and our shareholders. By vesting over time, equity awards also create an incentive for continued service on our Board.

Compensation of our directors is reviewed and determined by the Board on an annual basis. Employee directors do not receive any cash or other compensation for their services as directors. Each of the cash compensation and the equity compensation for non-employee directors who serve during only a portion of a fiscal year is pro-rated. In October 2021, for the fourth year in a row, the Board reviewed our director compensation and determined to not to increase the compensation program for fiscal 2022, which is described below:

- An annual cash retainer of \$70,000, which is paid quarterly;
- An annual cash retainer of \$20,000, \$15,000, \$12,500, and \$20,000 for the chairs of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Technology Committee, respectively;
- An annual grant of restricted stock units valued at \$110,000, which vests monthly over a period of one year and pays out when the director leaves the Board, generally granted on the date of the director's election or re-election at the annual meeting of shareholders; and
- An annual grant of restricted stock units valued at \$90,000 payable to our independent Chair of the Board, which vests monthly over a period of one year and pays out when the Chair leaves the Board, generally granted on the date of the Chair's re-election at the annual meeting of shareholders.

## Fiscal 2022 Director Compensation Table

The following table shows, for each of the non-employee directors who served during the fiscal year ended June 30, 2022, information concerning their annual and long-term compensation earned during such fiscal year.

Director Name	Fees Earned or Paid in Cash (\$)	Stock Awards <sup>1, 2</sup> (\$)	Total (\$)
Lockie Andrews	70,000	110,000	180,000
Daniel G. Beltzman <sup>3</sup>	67,500	199,998	267,498
David J. Grissen <sup>4</sup>	73,958	199,999	273,957
Mark S. Light	78,542	110,000	188,542
Michael Mansbach	90,000	110,000	200,000
Michael J. Merriman	90,000	110,000	200,000
M. Ann Rhoades	85,000	110,000	195,000

1 Values expressed represent the aggregate grant date fair value of restricted stock units granted during fiscal 2022, as computed in accordance with FASB ASC Topic 718, based on the closing stock price on the grant date. See Note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 for a description of the assumptions used in calculating these amounts. Values end with rounding difference due to full number of shares at fair market value.

2 Routine annual grants of restricted stock units were made to the directors on November 5, 2021.

3 Mr. Beltzman resigned from the Board effective November 14, 2021, and in connection with his resignation, forfeited the restricted stock units he received on November 5, 2021.

4 Mr. Grissen was appointed as Chair of the Board effective November 14, 2021, and in connection with his appointment, received a grant of restricted stock units valued at \$90,000.

The following table shows, for each of our current non-employee directors, the aggregate number of stock and option awards outstanding as of June 30, 2022:

Director Name	Aggregate Stock Awards Outstanding as of 06/30/22 (#)	Aggregate Option Awards Outstanding as of 06/30/22 (#)
Lockie Andrews	42,842	—
David J. Grissen	155,192	—
Mark S. Light	100,647	—
Michael Mansbach	43,767	—
Michael J. Merriman	111,041	—
M. Ann Rhoades	89,151	—

For fiscal 2023, to preserve shares under the 2018 Long Term Plan, the Board determined to make the following changes to the director compensation program described above:

- Instead of an annual grant of restricted stock units valued at \$110,000, an annual grant of 90,000 options to purchase shares of the Company's common stock, which vests monthly over a period of one year and pays out when the director leaves the Board, generally granted on the date of the director's election or re-election at the annual meeting of shareholders; and
- Instead of an annual grant of restricted stock units valued at \$90,000 payable to our independent Chair of the Board, an annual grant of 75,000 options to purchase shares of the Company's common stock, payable to our independent Chair of the Board, which vests monthly over a period of one year and pays out when the Chair leaves the Board, generally granted on the date of the Chair's re-election at the annual meeting of shareholders.





## ITEM 2

# APPROVAL OF ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

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Upon the recommendation of the Compensation Committee of the Board, the Board unanimously recommends a vote FOR the approval of the compensation of our Named Executive Officers.

# APPROVAL OF ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

As required by SEC rules, we are providing shareholders with an annual, non-binding advisory vote to approve the executive compensation as disclosed in the Compensation Discussion and Analysis (“CD&A”) section of this Proxy Statement. At the Annual Meeting, shareholders will vote on the following advisory resolution regarding the compensation of our Named Executive Officers as described in this Proxy Statement (commonly referred to as “Say-on-Pay”):

“RESOLVED, that the shareholders of Regis Corporation approve, on an advisory basis, the compensation paid to the Company’s Named Executive Officers as disclosed in the ‘Compensation Discussion and Analysis’ section, and compensation tables and narrative discussion contained in the ‘Executive Compensation’ section in this Proxy Statement.”

Our executive compensation programs are based on our belief that attracting, retaining, and motivating talented executives is critical to the maintenance of our competitive advantage in the haircare industry and to the achievement of the business goals set by the Board. Accordingly, our executive compensation programs are designed to reward executives for achieving our financial and business goals, while also aligning our executives’ interests with those of our shareholders. We believe that we can best achieve these goals by providing our executives with a mix of compensation elements that incorporate cash and equity, as well as short-term and long-term components, and that are tied to our business goals, all as described in the following CD&A section of this Proxy Statement.

As described in the CD&A section of this Proxy Statement, we believe our fiscal 2022 results continue to yield the pay-for-performance alignment that the Compensation Committee is seeking for our shareholders. Given the current state of our business transformation, our annual incentive program for fiscal 2022 was heavily focused on executing operational changes critical to our future success, many of which were tailored to each individual Named Executive Officer, or paying to recognize our Named Executive Officers’ achievements of strategic initiatives we identified during the year as we pivoted toward our go-forward strategy. Importantly, we exited the technology business through the sale of our proprietary salon management system, Opensalon® Pro, to Zenoti, we strengthened our relationship with our franchisees, we worked on solutions to amend our existing credit agreement and to extend the maturity, and we achieved G&A savings of approximately \$37 million.

For a comprehensive description of our executive compensation program, philosophy, and objectives, including the specific elements of executive compensation that comprised the program in fiscal 2022, please refer to the CD&A section, as well as the Summary Compensation Table and other executive compensation tables (and accompanying narrative disclosures) that follow the CD&A section, in this Proxy Statement.

This advisory vote will not affect any compensation already paid or awarded to our Named Executive Officers and will not be binding on the Board or the Compensation Committee. However, the Compensation Committee will review and carefully consider the outcome of the vote. If there is a significant number of negative votes, the Compensation Committee will seek to understand the concerns that influenced the vote and consider them in making future executive compensation decisions.

**Upon the recommendation of the Compensation Committee of the Board, the Board unanimously recommends a vote FOR the approval of the compensation of our Named Executive Officers.**

# EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS

## Background

### Our Company

At Regis, we exist to unleash the beauty of potential. We have defined four specific values and reciprocal behaviors that will drive our direction and actions:

- **Foster Trust.** Create powerful relationships by acting with empathy and integrity.
- **Create Community.** Connect and collaborate with all your partners. Share the challenges as much as you celebrate the wins.
- **Be Brave.** Dream big and courageously challenge the status quo.
- **Own It.** You are empowered. Take responsibility and own your role and your results.

These values are who we are, they're why we are. We live by these values every single day via our employees, franchisees, stylists, brands, services, and products. Our brands, which include Supercuts, SmartStyle, Cost Cutters, Roosters, and First Choice Haircutters, are in the business of making people look and feel their best.

As of June 30, 2022, the Company franchised, owned, or held ownership interests in 5,576 salon and beauty school locations in North America and beyond. We have substantially completed our multi-year transformation to an asset-light, technology-enabled, fully franchised business with only 105 Company-owned salons remaining.

We believe in creating a culture of striving for the best for our approximately 630 employees, 122 of whom were corporate employees serving the Company's headquarters in Minnesota, 10 of whom served at our product engineering headquarters in California, 52 of whom provided artistic education to our hair care salons, and the remainder of whom served as field employees or at our company-owned salons. We enable hundreds of people to become small business owners through our franchise system. And, that culture is also diverse and inclusive; approximately 85% of our employees are women, and 32% of are racial and ethnic minorities.

### Shifting Our Focus Back to Haircare

In August 2019, we announced plans to transition to an asset-light, fully franchised model. Since that time, we worked to convert substantially all our company-owned salons to franchised salons and we have transformed our merchandising strategy by outsourcing our product distribution business as part of our transition to an asset-light, fully franchised model. As of June 30, 2022, 98.1% of our salons are owned by franchisees, consisting mainly of the Supercuts, SmartStyle, Cost Cutters, First Choice Haircutters, and Roosters brands.

After substantially completing our multi-year business model transformation, in fiscal 2022, we finalized a corporate reorganization based on a zero-based budgeting philosophy to ensure that each of our employees was performing the right work, that each business team was the right size based on available resources and our strategic priorities, and that we had the right structure to succeed as a company.

With these leadership changes in place mid-way through fiscal 2022, we shifted our focus back to haircare by exiting the technology business through the sale of our Opensalon® Pro salon management system to Zenoti, pursuant to which Zenoti will help our franchisees deliver a modern, digital experience to drive engagement with customers, and to building strong relationships with our franchisees. We also worked on solutions to amend our existing credit agreement and to extend the maturity, which will provide us with the liquidity and time needed to invest in, and execute on, our strategic initiatives. Along with these efforts, we exceeded our threshold level of liquidity and achieved approximately \$37 million in people and non-people general and administrative ("G&A") expenses savings.

## Our Named Executive Officers

The CD&A section of this Proxy Statement will provide you with information concerning the basic objectives, principles, decisions, material elements, processes, amounts, and rationale underlying the compensation of our Named Executive Officers (“NEOs”). For fiscal 2022, our NEOs are:

Name	Title	Period of Employment
Matthew Doctor	President and Chief Executive Officer	February 2021 – present
Kersten D. Zupfer	Executive Vice President and Chief Financial Officer	February 2007 – present
Jim B. Lain	Executive Vice President and Chief Operating Officer	November 2013 – July 2020 November 2020 – present
Felipe A. Athayde	Former President and Chief Executive Officer	October 2020 – March 2022

## Executive Summary

### Our Executive Pay Plan

**Our fiscal 2022 compensation plan includes four main components: base salary, short-term incentives, a matching share program, and long-term incentives.**

The cash elements of our fiscal 2022 compensation plan include:

Element	Form	Metric	Performance Period	Objective
Base Salary	Cash	Fixed	N/A	Provide a base level of compensation for executive talent.
Short Term Incentives (Annual Incentive Compensation (“AIC”) and Discretionary Bonuses)	Cash	Variable compensation component based on performance against financial goals and assessment of individual metrics	1 year	Motivate executives to meet and exceed objectives aligned with our strategic plan

In fiscal 2022, our compensation plan included a matching share program as part of our long-term incentive plan. Under our matching share program, we offered our executives the opportunity to contribute up to 50% of their fiscal 2021 non-equity cash incentive awards received to purchase shares of our common stock, which are matched with a grant of restricted stock units (“RSUs”) equal to a value of up to 200% of the contribution for a 50% contribution (100% for a 25% contribution). Matching RSUs granted in fiscal 2022 vest as to 20%, 20%, and 60% of the RSUs on the first, second, and third anniversaries of the grant date.

In 2022, we also offered to our executives equity awards, which were delivered half in the form of stock options and half in the form of cash-settled stock appreciation rights and were structured to compensate leaders only to the extent our shareholders benefited through stock price appreciation. These awards vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60%, respectively.

Information about changes to our long-term incentive plan that were approved subsequent to fiscal 2022 are described below.

### Our 2021 Say-on-Pay Vote Result

At our 2021 annual meeting of shareholders, shareholders holding approximately 92% of the votes cast on our say-on-pay proposal voted in favor of our executive compensation program.

## How We Design Executive Pay

### Compensation Philosophy

Our executive compensation programs are based on our belief that attracting, retaining, and motivating talented executives is critical to the maintenance of our competitive advantage in the haircare industry and to the achievement of the business goals set by the Board. Accordingly, our executive compensation programs are designed to reward executives for achieving our financial and business goals, while also aligning our executives' interests with those of our shareholders.

The Compensation Committee has adopted a compensation philosophy that centers on the following guiding principles:

**Generally target total direct compensation at market rates, with the following considerations:**

- Achieving our desired competitive position will occur over time and will consider not only the total program value, but also the reward vehicles that are used (i.e., performance-based incentives versus fixed benefits).
- Moving toward the market median will consider our size and performance relative to peers (noted below) to ensure that targeted compensation is appropriately calibrated and that realizable compensation is consistent with absolute and relative performance.

Specific to 2022, most of our executives were relatively new to Regis, and their compensatory arrangements were set, in part, based on our negotiations with each executive, taking into account the executive's experience and the compensation level required for us to attract them to join Regis. However, the compensation philosophy described above will generally apply to annual adjustments to these executives' compensation going forward.

**Align with shareholder interests by designing a compensation portfolio that pays for performance.**

- For fiscal 2022, the Compensation Committee initially set particular financial and operational objectives related to our continuing conversion to a fully franchised model. In connection with the leadership changes made during fiscal 2022, we shifted our focus back to haircare, causing us to pivot from some of our original objectives. Given the significant accomplishments made in this area, the Compensation Committee determined to pay bonuses in recognition of the initiatives that now position us to execute on our go-forward strategy.

The Compensation Committee also recognizes the need to remain flexible to address particular circumstances as they arise so that we can remain competitive in retaining talent and to incentivize executives to achieve our current strategic objectives.

### Review of External Market Data

The Compensation Committee considers compensation in the external market as one factor in its executive compensation decisions, examining both relevant broad retail industry data and data from a group of companies it considers its peers. At the beginning of fiscal 2021, with the assistance of its independent compensation consultant, Pay Governance LLC ("Pay Governance"), the Compensation Committee first selected the following set of peer companies to be used for compensation benchmarking purposes:

Biglari Holdings Inc.	e.l.f. Beauty, Inc.	Nature's Sunshine Products, Inc.
Carriage Services Inc.	El Pollo Loco Holdings, Inc.	OneSpaWorld Holdings Limited
Del Taco Restaurants, Inc.	Franchise Group, Inc.	Ruth's Hospitality Group, Inc.
Denny's Corporation	Jack in the Box Inc.	Select Interior Concepts, Inc.
Dine Brands Global, Inc.	Lifefantage Corporation	StoneMor Inc.

In fiscal 2022, we did not make routine changes to base salaries or annual cash incentive opportunities for our NEOs. Accordingly, we did not benchmark our fiscal 2022 executive compensation against our peer group or the broader market. In fiscal 2022, the Compensation Committee approved compensation levels for all executives, including Mr. Doctor in connection with his appointment as our President and Chief Executive Officer, as described below.



## Role of the Compensation Committee

The Compensation Committee is charged with developing and administering the base salary, annual and long-term incentives, and benefit programs for our executives. Our annual cash incentive program is typically referred to as our “bonus” program, and the bonus payments are generally reported as “Non-Equity Incentive Plan Compensation” in the Summary Compensation Table of this Proxy Statement. In developing our compensation programs, a basic objective for the Compensation Committee was that the total compensation awarded to the NEOs be fair, reasonable, and competitive in relation to the median compensation for similar positions within our peer group, as identified above, as well as in the broader retail market. This objective is consistent with our executive pay philosophy.

The primary purpose of the Compensation Committee is to discharge the responsibilities of the Board relating to the compensation of our executives. Accordingly, the primary duties and responsibilities of the Compensation Committee are:

- to determine and approve, or make recommendations to the Board with respect to, the compensation of all executives; and
- to consider and recommend the structure of, and changes to, our incentive compensation, equity-based plans, and benefit programs.

## Role of Executive Officers in Compensation Decisions

Our President and Chief Executive Officer furnishes his input to the Compensation Committee regarding the compensation of the Company’s executives, including the other NEOs, and he may be present during deliberations and voting on the other executives’ compensation. However, our President and Chief Executive Officer is not present during deliberations and voting regarding his own compensation or during other executive sessions of the Compensation Committee.

## Role of the Independent Compensation Consultant

Since fiscal 2018, the Compensation Committee has engaged Pay Governance LLC (“Pay Governance”), an independent consulting firm, to provide to it executive compensation consulting services. The Compensation Committee assessed Pay Governance’s independence pursuant to applicable SEC rules and concluded that no conflict of interest exists that would prevent Pay Governance from independently representing the Compensation Committee.

Since it was engaged by the Compensation Committee, Pay Governance worked with the Compensation Committee and Company management to establish incentive plan designs, supported the Compensation Committee with shareholder engagement efforts, and assisted the Compensation Committee on other activities in support of its responsibilities as set forth in its charter. The Chair of the Compensation Committee worked directly with Pay Governance to determine the scope of the work needed to assist the Compensation Committee in its decision-making processes. Pay Governance worked with management, at the direction of the Compensation Committee, to fully understand the future business direction and the historical, current, and desired future direction of our pay policies and practices, as well as to facilitate the development of our compensation strategies, including the approach to determining compensation levels.

## Elements of the Executive Compensation Program in Fiscal 2022

### Base Salary Decisions for Fiscal 2022

The Compensation Committee modified our NEOs' base salaries for fiscal 2022 as follows:

- In December 2021, Mr. Doctor's base salary was increased from \$350,000 to \$550,000 in connection with his appointment as Interim Chief Executive Officer of the Company and to a pay level commensurate with his new role and his experience;
- In May 2022, Mr. Doctor's base salary was again increased from \$550,000 to \$600,000 in connection with his promotion to President and Chief Executive Officer, and the increase was determined with the assistance of an independent compensation consultant, Pay Governance LLC, and included a review of CEO compensation levels and trends across similarly situated companies, as described in greater detail below; and
- In December 2021, Mr. Lain's base salary was increased from \$350,000 to \$425,000 in connection with his promotion to Chief Operating Officer and to a pay level commensurate with his new role and his experience.

As a result, base salaries for our NEOs for fiscal 2022 were as follows:

Name	Base Salary at June 30, 2021 (Annualized) (\$)	Base Salary at June 30, 2022 (or Date of Termination, if earlier) (Annualized) (\$)	Increase/(Decrease) (%)
Matthew Doctor <sup>1</sup>	350,000	458,333	31.0
Kersten D. Zupfer	425,000	425,000	—
Jim B. Lain <sup>2</sup>	350,000	387,500	10.7
Felipe A. Athayde	700,000	700,000	—

1 Mr. Doctor's base salary was \$350,000 until December 23, 2021, which then increased to \$550,000 to align with his increased level of responsibilities associated with becoming the Interim Chief Executive Officer of the Company, and then increased to \$600,000 on May 5, 2022 to align with his increased level of responsibilities associated with becoming the President and Chief Executive Officer of the Company. The Base Salary at June 30, 2022 reported above reflects the blended rate of base salaries in effect for different portions of fiscal 2022.

2 Mr. Lain's base salary was \$350,000 until December 23, 2021, which then increased to \$550,000 to align with his increased level of responsibilities associated with becoming the Chief Operating Officer of the Company. The Base Salary at June 30, 2022 reported above reflects the blended rate of base salaries in effect for different portions of fiscal 2022.

### Short Term Incentive Decisions for Fiscal 2022

#### Annual Incentive Compensation

The Compensation Committee determines the annual incentive compensation ("AIC") payouts each year in accordance with our Short Term Incentive Plan ("Short Term Plan").

The Compensation Committee annually selects AIC metrics for the Short Term Plan that align executives' incentives with our strategic objectives. For fiscal 2022, the Compensation Committee set a Company performance metric tied to target adjusted EBITDA (excluding AIC and discretionary bonus payouts) and individual performance metrics for each of the executives. The Company performance metric was weighted at 20% of the Short Term Plan payout and the individual performance metrics were weighted, collectively, at 80% of the Short Term Plan payout. Further, the Compensation Committee applied a liquidity funding gate to the Short Term Plan, whereby if the Company failed to meet a specific liquidity goal, then there would be no payout of any AIC payout amounts.

Name	Target AIC (as a Percentage (%) of Salary)	Target AIC (\$)
Matthew Doctor <sup>1</sup>	125	430,833
Kersten D. Zupfer <sup>2</sup>	70	286,875
Jim B. Lain	70	271,250

1 Mr. Doctor's base salary increased during fiscal 2022. In addition, Mr. Doctor's Target AIC Percentage was 70% until December 23, 2021, which then increased to 100% to align with his increased level of responsibilities associated with becoming the Interim Chief Executive Officer of the Company, and then increased to 125% on May 5, 2022 to align with his increased level of responsibilities associated with becoming the President and Chief Executive Officer of the Company. The Target AIC reported above reflects the blended rate of base salaries and Target AIC Percentages in effect for different portions of fiscal 2022.

2 Ms. Zupfer's Target AIC Percentage was 60% until October 15, 2021, which then increased to 70% to align with her increased level of responsibilities. The Target AIC reported above reflects this blended rate.

For 2022, the individual performance metrics were designed to align key initiatives related to the Company's continuing transformation underway at the time. Mid-way through fiscal 2022, the Board made several leadership changes and also shifted the Company's strategic focus back to haircare. As a result, the Company pivoted away from some of the previously set targets. Certain AIC metrics were revised, either specifically or directionally, to ensure that the management team was aligned toward the new initiatives regardless of the impact on the AIC targets previously set.

Following the end of fiscal 2022, in August 2022, the Compensation Committee evaluated the executives' performance against the AIC metrics, as described in further detail below. As an initial matter, the Compensation Committee determined that the Company achieved \$44.75 million as compared to the liquidity funding threshold of \$15 million, which is measured as the gap between total liquidity and debt covenant requirements, such that the Company performance goal has been achieved by each of the executives.

The tables below reflect the AIC metrics initially set for each NEO that remained in effect as of the end of the fiscal year, and the level of achievement of such metrics.

Performance Measure	Weighting <sup>1</sup>	Performance Goal <sup>2</sup>	Award Multiplier	Actual Result	Achievement as a % of Total AIC Target	
Company Performance Goal (Adjusted EBITDA excluding AIC and discretionary bonus payouts)	20% of Total AIC (All NEOs)	Target	Adjusted EBITDA of no less than \$9.5 million (excluding AIC and discretionary bonus payouts)	100%	Adjusted EBITDA = \$3.04 million (32% of target for this metric)	6.4%
Improvement of Same Store Sales (“SSS”) (2 years)	20% (Doctor/Lain) 16% (Zupfer)	Maximum	SSS ≥+3% as compared to Budget	150%	0%	0%
		Target	SSS at Budget	100%		
Capital Structure	20% (Doctor/Zupfer)	Threshold/Target	Create a capital structure plan and secure funding by August 31, 2022 or by the time Form 10-K is filed	100%	100% of target for this metric	20%
G&A Savings	20% (Zupfer) 12% (Doctor/Lain)	Maximum	Adjusted G&A expenses of no more than \$73.9 million	200%	200% of threshold/target for this metric	40% (Zupfer) 24% (Doctor/Lain)
		Threshold/Target	Adjusted G&A expenses of no more than \$78.9 million	100%		
Liquidity	12% (Zupfer)	Threshold/Target	Achieve liquidity of \$15 million	100%	100% of threshold/target for this metric	12%
Salon Closings	8% (Lain)	Maximum	Mitigate a specified number of franchise-owned salons closing during the year	100%	0%	0%
		Target	Mitigate approximately one-half a specified number of franchise-owned salons closing	50%		
Launch Values Based Culture	8% (All NEOs)	Threshold/Target	Conduct quarterly appraisals of employee objectives, implement performance-based pay and execute other franchisee and employee communications and engagement initiatives	100%	75% of threshold/target for this metric	6%
Stand Up Analytics Team	4% (Zupfer)	Threshold/Target	Design and implement business analytics and performance analysis capabilities	100%	100% of threshold/target for this metric	4%

<sup>1</sup> Weighting percentage is a percentage of the total AIC target.

<sup>2</sup> If the measured amount achieved is between certain of the performance goals, the award multiplier will be determined through linear interpolation, with the exception of the Capital Structure goal. For the Company Performance Goal, Improvement of SSS (2 years) Goal, and Salon Closings Goal, a payout, calculated based on linear interpolation, was available for any level of achievement below target.



The weighting percentages for each NEO above add up to less than 100% because some of the original metrics were abandoned or revised mid-year to align with the Company's revised strategic focus. In particular, original goals related to Opensalon Pro became impracticable in light of the Company's plan to sell the Opensalon Pro platform to Zenoti.

In setting the above AIC metrics for fiscal 2022, the Compensation Committee:

- Defined adjusted EBITDA as forth on Appendix A, excluding AIC and discretionary bonus payouts. A reconciliation to GAAP net loss is included in the Company's earnings release announcing results for the fiscal year ended June 30, 2022.
- Defined achievement of Improvement of Same Store Sales (2 years) based upon an expectation that the Company must come within a blended rate of -9% of Same Store Sales from 2 years ago ("Budget"); and
- Defined achievement of the Liquidity metric based upon the measurement of the gap between total liquidity and debt covenant requirements.

In addition to the payouts based on the level of achievement of the financial and operational metrics described above, in recognition of the Company's strategic pivot during the year and other accomplishments, the Compensation Committee approved the following performance recognition payments following the end of the fiscal 2022 performance period:

- Added five percentage points of weighting to Mr. Doctor's AIC metric tied to Capital Structure to recognize his outstanding efforts working with investment banks toward a transaction to amend and extend the Company's credit facility, resulting in an incremental \$17,233.
- Approved payments to Mr. Doctor and Mr. Lain in the amounts of \$68,933 and \$43,400, respectively, to recognize their efforts related to the sale of the Opensalon pro platform to Zenoti in a transaction that increased cash flows, reduced G&A, allowed the Company to exit the technology business, and provided franchisees with a top-of-the-line salon management product.
- Approved payment to Mr. Lain in the amount of \$43,400 in recognition of his outstanding efforts in building strong relationships with franchisees, which amount approximated 20% of the original metric tied to Operational Excellence.

Each executive received the respective payouts set forth in the tables above. In each case, the Compensation Committee's determinations were subject to completion of the audit of the Company's annual financial statements. Accordingly, the resulting fiscal 2022 total AIC payouts are listed in the table to the right for the executives who were eligible for such payments under the Short Term Plan. Upon Mr. Athayde's resignation, he ceased to be eligible for a payout under the Short Term Plan. Most of the calculated portion of the AIC payout related to the achievement metrics set at the beginning of the fiscal year is reported in the Summary Compensation Table under the "Non-Equity Incentive Plan Compensation" column. The additional performance recognition payments and are reported in the Summary Compensation Table under the "Bonus" column. In addition, a small portion of Ms. Zupfer's AIC payout is reported under the "Bonus" column because the performance was substantially complete, such that the payout was not substantially uncertain, at the time the metric was set and communicated to Ms. Zupfer.

NEO	Calculated AIC %	Total AIC Payout (\$)	Additional Performance Recognition Payments (\$)	Total Payout (\$)
Matthew Doctor	56.4	242,990	86,166	329,156
Kersten D. Zupfer	88.4	253,598	—	253,598
Jim B. Lain	36.4	98,735	86,800	185,535

## SPMP and Matching RSU Grants in Fiscal 2022

In fiscal 2019, we adopted our Stock Purchase and Matching RSU Program ("SPMP"), under which our executives and other eligible employee participants are able to elect to contribute up to half of their earned annual bonus under the Short Term Plan, net of normalized tax withholding, to purchase shares of our common stock and the Company will provide a matching grant of

RSUs with a value equal to up to 200% of their contribution to the plan (before deducting any related or normalized tax withholding). These RSUs are subject to a three-year vesting condition where the RSUs vest 20%, 20%, and 60% on the first, second, and third anniversaries of the grant date and participants are also required to hold their underlying purchased shares for the same period.

Beginning with fiscal 2019 earned bonuses, eligible executives could elect to contribute 25% of their earned bonus, net of normalized tax withholding, to purchase shares and receive a 100% match on their contribution (before deducting any related or normalized tax withholding); and eligible executives could elect to contribute 50% of their earned bonuses, net of normalized tax withholding, to share purchases and receive a 200% match on their contribution (before deducting any related or normalized tax withholding). Mr. Doctor, Ms. Zupfer, and Mr. Athayde participated in the SPMP during fiscal 2022, by each contributing 50% of their fiscal 2021 bonus payout to purchase shares and receive a matching grant of RSUs equal to 200% of their contribution.

Name	% of Fiscal 2021 Bonus Payout Contributed
Mathew Doctor	50
Kersten D. Zupfer	50
Felipe A. Athayde	50

In August 2022, the Compensation Committee determined to discontinue the SPMP beginning in fiscal 2023, and thus, executives will not have the opportunity to contribute a portion of their fiscal 2022 bonus payout.

## Other Compensatory Decisions Applicable to Fiscal 2022

### *Compensation Arrangement with Mr. Doctor*

On May 4, 2022, we extended an offer of employment to Mr. Doctor for the position of President and Chief Executive Officer of the Company. Before determining the final compensation arrangement to be offered, the Compensation Committee and the Board conferred with Pay Governance, reviewed CEO compensation levels and trends among the Company's peer group and other similarly situated companies using SEC filings and publicly available data from relevant published survey sources, reviewed compensation levels for first-time CEOs, and considered other potential opportunities available in the market. Thereafter, Compensation Committee unanimously agreed upon the compensation package to be offered to Mr. Doctor. The terms of Mr. Doctor's compensation arrangement, including his initial equity awards, are described in more detail below.

## Other Outstanding Awards

From time to time, the Compensation Committee may also make equity grants in other circumstances, such as to recruit new executive talent, upon the promotion of an executive, and to retain key individuals. During the past three fiscal years, we made a significant number of changes to our executive team and granted these individuals equity awards as an inducement. The awards described below were granted prior to the most recently completed fiscal year and remained outstanding as of June 30, 2022 and are also reflected in the Outstanding Equity Awards table and Option Exercises and Stock Vested table below, as applicable.

- In November 2021, the Compensation Committee granted equity awards to each of Mr. Doctor, Ms. Zupfer, and Mr. Lain, with such awards having the same terms as the other awards granted to NEOs in fiscal 2022, to align their level of equity incentives with their increased level of responsibility; and
- In November 2019, the Compensation Committee granted an equity award to Ms. Zupfer, with such award having the same terms as the other awards granted to NEOs in fiscal 2021, to align her level of equity incentives with her increased level of responsibility.

In addition, Ms. Zupfer has outstanding equity awards that were granted prior to the adoption of our current executive pay plan in fiscal 2019.

### *PSUs with 2020-2022 Performance Period*

In fiscal 2019, we granted to Ms. Zupfer PSUs that have a three-year performance period with performance accessed as of November 11, 2022. The fiscal 2019 PSUs performance measure was end-of-period share price, meaning the volume-weighted

average closing price of the Company's common stock across the 50 trading days that end November 11, 2022. For Ms. Zupfer, the end-of-period share price must equal or exceed \$25.82. After conclusion of the performance period, the number of PSUs earned will vest immediately upon certification by the Compensation Committee.

## Benefits

Consistent with our current compensation philosophy, we provide minimal benefits, and these benefits align with the market median and with current market practices. The benefits we provided to our NEOs in fiscal 2022 are summarized in the footnotes to the Summary Compensation Table in this Proxy Statement or are otherwise reported in the accompanying tables, including footnotes. Current benefits for our NEOs include core benefits available to all full-time employees (e.g., coverage for medical, dental, prescription drugs, basic life insurance, and long-term disability coverage).

## Key Compensatory Decisions Applicable to Fiscal 2023

Subsequent to fiscal 2022, the Compensation Committee engaged in its annual review of executive compensation for purposes of considering compensation for fiscal 2023. Key changes to the compensation program for fiscal 2023 include:

- **Certification of ReFi Bonus**—In connection with Mr. Doctor's appointment as President and Chief Executive Officer of the Company, the Compensation Committee approved a bonus of \$600,000 to be payable in fiscal 2023, the payout of which was contingent upon the occurrence of either a refinancing of the Company's current bank loan with a third party or obtaining a minimum extension of 24 months with the current bank. In August 2022, the Company closed on a transaction that provided for an amendment of the Company's existing credit agreement and an extension of the maturity for more than 24 months.
- **ReFi Recognition Bonus**—The Compensation Committee approved discretionary bonuses in the amount of \$100,000 to be paid to each of Mr. Doctor and Ms. Zupfer in fiscal 2023 due to their outstanding contributions toward closing on transaction to amend and extend the Company's credit agreement in August 2022.
- **Discontinuation of the SPMP**—The Compensation Committee discontinued the SPMP, as described above.
- **Adoption of Fiscal 2023 Long Term Incentive Plan Program**—The Compensation Committee approved a new long-term equity incentive program for fiscal 2023. As discussed above, during fiscal 2022, we experienced significant changes in our leadership team. To align the reconstituted leadership team under our new President and Chief Executive Officer, and to provide equity compensation following the discontinuation of the SPMP, the Compensation Committee determined it was appropriate to award long term equity incentive awards for the executive officers for fiscal 2023. These awards were delivered half in the form of stock options and half in the form of cash-settled stock appreciation rights, compensating leaders only to the extent our shareholders benefit through stock price appreciation. The awards will vest on the first three annual anniversaries of the date of grant in equal increments of 33% of the shares. Consistent with past practice, the Compensation Committee expects these awards to provide the desired alignment of the leadership team with shareholders' interests.
- **Adoption of the Amended and Restated Senior Executive Severance Policy**—The Compensation Committee approved an Amended and Restated Senior Executive Severance Policy, effective beginning in fiscal 2023, which reduces the bonus component of the severance payout for participants who experience a qualifying termination within the first nine months of a fiscal year.

These changes described above will be discussed in more detail and reflected in the compensation tables in next year's proxy statement.

## Governance Policies and Additional Compensation-Related Items

We believe in holding ourselves to a high standard of ethics, transparency, and accountability. Accordingly, we have adopted corporate governance practices and policies that, in many cases, go beyond SEC and NYSE requirements to reflect emerging best practices.

Compensation Practice	Regis Policy
Independent Compensation Committee	Our Compensation Committee is composed solely of directors who are independent under the standards of the SEC and the NYSE, including the higher standards applicable to Compensation Committee members.
Clawback Policy	Our “clawback” policy permits us to recover certain equity as well as cash incentive payments from executive officers whose misconduct or negligence resulted in a significant financial restatement.
Limited Severance Benefits and Perks	We have benchmarked and implemented market severance terms (generally, base salary plus bonus, or two times base plus bonus after a change in control), while retaining our “double trigger” structure.
No Tax Gross-Ups	We do not provide tax gross-ups on perquisites or “golden parachute” payments.
Frozen Supplemental Retirement Benefit Plan	We froze the benefits under our supplemental retirement benefit plan as of June 30, 2012, as well as certain executive life insurance benefits.
Stock Ownership Guidelines	We have meaningful stock ownership guidelines for our executives, discussed in more detail below.
Hedging Restrictions/Prohibitions	Our Statement of Policy on Insider Trading prohibits our directors, officers, other employees, and designees of the foregoing from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars and exchange funds, or otherwise engaging in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of our common stock, including shares held directly or indirectly (however, our policy does not prohibit general portfolio diversification transactions).
Pledging Restrictions/Prohibitions	Our Statement of Policy on Insider Trading prohibits our employees, officers, and directors from holding our stock in a margin account or pledging it as collateral for a loan, except in the limited circumstance that an individual has demonstrated financial capacity to repay the loan without resort to the pledged securities and obtains approval from our General Counsel.
Independent Compensation Consultant	Pay Governance LLC has advised our independent Compensation Committee since fiscal 2018.
Risk Assessment	We consider risk in our compensation programs and periodically conduct a risk assessment, which is led by our independent compensation consultant.
Annual Say-on-Pay Vote	Every year, we offer our shareholders the opportunity to cast an advisory vote on our executive compensation.
No Repricing or Exchange of Underwater Options/SARs	Our plan prohibits the repricing or exchange of underwater stock options and stock appreciation rights without shareholder approval.

## Stock Ownership by Our Continuing Named Executive Officers

The Board believes that each of our executives who has reached the level of Senior Vice President or above should be a shareholder and should have a significant financial stake in the Company. Accordingly, the Compensation Committee adopted stock ownership requirements, which are reflected in our Corporate Governance Guidelines, requiring each executive to hold our common stock having a fair market value equal to a multiple of their base salary, as set forth below:

- Chief Executive Officer—3x annual base salary
- Executive Vice President—2x annual base salary
- Senior Vice President—1x annual base salary

The current stock ownership requirements were established in April 2013. All shares beneficially owned by an executive are included in the calculation, except that shares subject to performance-based vesting conditions, shares subject to unexercised stock options, and SARs are not included. For purposes of the stock ownership calculation, shares are valued at the greater of (i) the average closing price of one share of the Company's common stock during the most recent fiscal year and (ii) the closing price on the last day of the most recent fiscal year.

In addition, our Corporate Governance Guidelines require executives to retain at least 75% of the shares they received from equity compensation awards, net of shares withheld or tendered to satisfy withholding taxes, until the stock ownership requirement is satisfied. Accordingly, Mr. Doctor, Ms. Zupfer, and Mr. Lain remain subject to this holding requirement.

The Nominating and Corporate Governance Committee is responsible for measuring and monitoring compliance with these guidelines.

Name	Stock Ownership Guideline	Current Ownership Level <sup>1</sup>
Matthew Doctor	3x	0.4x
Kersten D. Zupfer	2x	1.2x
Jim B. Lain	2x	0.5x

1 As of the end of fiscal 2022.

## Employment Agreements and Post-Employment Compensation

We are parties to certain compensatory arrangements with our NEOs, as described below under the “Summary of Executive Agreements” section of this Proxy Statement. The purpose of these arrangements is to reflect the compensatory terms agreed to in connection with attracting talented executives to our Company.

All of our NEOs are eligible for certain compensation and other benefits if his or her employment terminates due to certain articulated reasons (including in connection with a change in control). Receipt of these benefits generally requires the executive to comply with certain post-termination covenants and execute a release of claims in favor of the Company. The Compensation Committee and the Board recognize the importance of avoiding the distraction and loss of key management personnel that may occur in connection with certain leadership transitions, as well as any rumored or actual change in control of the Company. Accordingly, the Compensation Committee and the Board have structured the terms for severance to incentivize the executives to remain employed by the Company during any transition or while a transaction is under consideration or pending, and to not favor one transaction structure over another merely because of the impact on his or her compensation.

## Deductibility of Executive Compensation

I.R.S. Code Section 162(m) precludes the Company from taking a federal income tax deduction for compensation paid in excess of \$1 million to our “covered employees” (which as of fiscal 2022, includes the President and Chief Executive Officer, Chief Financial Officer, our three other most highly compensated executives, and certain former employees identified as a covered employee in fiscal 2018 or any subsequent year).

The Compensation Committee continues to believe that a significant portion of our executives' compensation should be tied to the Company's performance and that shareholder interests are best served if the Company's discretion and flexibility in structuring and awarding compensation is not restricted, even though some compensation awards may have resulted in the past, and are expected to result in the future, in non-deductible compensation expenses to the Company. The Compensation Committee's ability to continue to provide a competitive compensation package to attract, motivate, and retain the Company's most senior executives is considered critical to the Company's success and to advancing the interests of its shareholders.

## Regulatory Considerations

The Compensation Committee considered (i) the accounting treatment of various types of equity-based compensation under Accounting Standards Codification (“ASC”) Topic 718 and (ii) the non-deductibility of excess parachute tax payments under Code Section 280G (and the related excise tax imposed on covered employees under Code Section 4999) in its design of executive compensation programs. In addition, the Compensation Committee considered other tax and accounting provisions in developing the compensation programs for our NEOs. These considerations included the special rules applicable to non-qualified deferred compensation arrangements under Code Section 409A, as well as the overall income tax rules applicable to various forms of compensation. While the Compensation Committee strove to compensate our NEOs in a manner that produced favorable tax and accounting treatment, its main objective was to develop fair and equitable compensation arrangements that appropriately motivate, reward, and retain those executives.

## Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with the management of the Company. Based on its review and related discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Mark S. Light

Michael J. Mansbach

Michael J. Merriman

M. Ann Rhoades, Chair

*Members of the Compensation Committee*

# EXECUTIVE COMPENSATION TABLES

## Summary Compensation Table

The following table shows each individual who served as our principal executive officer in fiscal 2022 and the two other most highly compensated executive officers in fiscal 2022 who were still serving as such on June 30, 2022 (together, referred to as the “Named Executive Officers” or “NEOs”), along with information concerning compensation earned for services in all capacities during each of the fiscal years ended June 30, 2022 and 2021.

Name and Principal Position	Fiscal Year	Salary <sup>1</sup> (\$)	Bonus <sup>2</sup> (\$)	Stock Awards <sup>3</sup> (\$)	Option Awards <sup>4</sup> (\$)	Non-Equity Incentive Plan Compensation <sup>5</sup> (\$)	All Other Compensation <sup>6</sup> (\$)	Total (\$)
<b>Matthew Doctor</b> President and Chief Executive Officer <sup>7</sup>	2022	462,981	86,166	127,909	1,022,500	242,990	1,375	1,943,921
<b>Kersten D. Zupfer</b> Executive Vice President and Chief Financial Officer	2022	457,000	11,475	228,224	348,750	242,123	283	1,287,855
	2021	457,000	—	300,721	—	228,225	270	986,216
<b>Jim B. Lain</b> Executive Vice President and Chief Operating Officer <sup>8</sup>	2022	389,519	86,800	—	310,000	98,735	15,084	900,138
<b>Felipe A. Athayde</b> Former President and Chief Executive Officer <sup>9</sup>	2022	503,910	—	587,342	—	—	27,768	1,119,020
	2021	520,064	2,500,000	2,500,000	4,218,453	587,344	169,118	10,494,979

1 As to Ms. Zupfer, this value includes amounts provided in the form of a modest perquisite allowance of approximately \$32,000, which primarily covers an automobile allowance. The entire allowance is paid to Ms. Zupfer regardless of whether she spends the entire amount on automobile expenses and, therefore, is reported as base salary; however, the allowance amount is not included as base salary for purposes of determining other compensation and benefits amounts.

2 The amounts for fiscal 2022 represent discretionary bonus payments made in connection with the fiscal 2022 AIC program as described above under “Short Term Incentive Decisions for Fiscal 2022” in the CD&A section of this Proxy Statement. The amount for fiscal 2021 for Mr. Athayde represents a sign-on payment in connection with the commencement of his employment.

3 Values expressed represent the aggregate grant date fair value of stock or option awards granted in each fiscal year, as computed in accordance with FASB ASC Topic 718, based on the closing stock price on the grant date for RSUs and PSUs with performance metrics other than market conditions, the Monte Carlo model for PSUs with market conditions and the Black-Scholes model for SARs. See Note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 for a description of the assumptions used in calculating these amounts.

The grant date fair values for stock awards for the fiscal year ended June 30, 2022 include:

- Matching RSUs that were granted in November 2021: Mr. Doctor—\$127,909; and Ms. Zupfer—\$228,224.
- Matching RSUs that were granted in November 2021 to Mr. Athayde—\$587,342, which were forfeited in connection with his departure.

The grant date fair values for stock awards for the fiscal year ended June 30, 2021 include:

- RSUs to acquire 358,680 shares that were granted to Mr. Athayde, which vested on the first anniversary of Mr. Athayde’s commencement of employment.
- Matching RSUs that were granted in December 2020 to Ms. Zupfer—\$234,056.
- RSUs to acquire 6,307 shares that were granted in February 2021 as an incentive related to leadership retention to Ms. Zupfer—\$66,665.

4 The grant date fair values for option awards for the fiscal year ended June 30, 2022 include:

- Stock options to acquire 875,000 shares that were granted in May 2022 to Mr. Doctor, which will vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60% of the shares, respectively.
- Stock options to acquire 112,500 shares that were granted in November 2021 to Mr. Doctor and Ms. Zupfer, which will vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60% of the shares, respectively.
- Stock options to acquire 100,000 shares that were granted in November 2021 to Mr. Lain, which will vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60% of the shares, respectively.

The grant date fair values for option awards for the fiscal year ended June 30, 2021 include:

- For Mr. Athayde, the value expressed represents (a) 1,100,000 options to purchase shares of the Company’s common stock, which were eligible to vest, as to the service requirement, on the fourth anniversary of the commencement of Mr. Athayde’s employment with the Company, subject to achievement, prior to the fifth anniversary of the commencement of his employment, of a volume-weighted average closing price per share of the Company equal to or in excess of 150% of the closing price per share on the trading day immediately prior to the date of the announcement of Mr. Athayde’s employment with the Company; and (b) 358,680 options to purchase shares of the Company’s common stock, which were eligible to vest on the fourth anniversary of the commencement of his employment.

5 Amounts for fiscal 2022 represent amounts earned pursuant to AIC awards under the Short Term Plan as described more fully under the heading “Short Term Incentive Awards for Fiscal 2021” in the CD&A section of this Proxy Statement.

6 The following table sets forth All Other Compensation amounts by type:

Name	Company Match and Profit-Sharing Contribution <sup>a</sup> (\$)	Total All Other Compensation <sup>b</sup> (\$)
Matthew Doctor	—	1,375
Kersten D. Zupfer	—	283
Jim B. Lain	—	15,084
Felipe A. Athayde	17,969	27,768

a The Company matches the NEOs' contributions into its retirement savings plans up to \$25,000 per calendar year. Amounts greater than \$25,000 are due to the difference between calendar and fiscal year compensation.

b Total All Other Compensation includes the following perquisites, which primarily relate to medical benefits, including the reimbursement of co-pay and other out-of-pocket expenses: Mr. Lain—\$14,262; and Mr. Athayde—\$8,797.

7 Mr. Doctor first became an NEO in fiscal 2022 and was appointed to the position of President and Chief Executive Officer on May 5, 2022.

8 Mr. Lain became an NEO in fiscal 2022.

9 Mr. Athayde's employment with the Company commenced on October 5, 2020 and ended on March 19, 2022.



## Grants of Plan-Based Awards in 2022

The following table sets forth certain information concerning plan-based awards granted to the NEOs during the fiscal year ended June 30, 2022.

Name	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>1</sup>			Estimated Possible Payouts Under Equity Incentive Plan Awards <sup>2</sup>			All Other Stock Awards: Number of Shares of Stock or Units <sup>2</sup> (#)	All Other Option Awards: Number of Securities Underlying Options <sup>4</sup> (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock & Option Awards <sup>4</sup> (\$)
			Threshold <sup>3</sup> (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Matthew Doctor <sup>5</sup>			—	430,833	525,616							
	11/5/2021	<sup>6</sup>							46,344			127,909
	11/5/2021	9/14/2021								112,500 <sup>7</sup>	2.76	174,375
	11/5/2021	9/14/2021								112,500 <sup>8</sup>	2.76	174,375
	5/5/2022	4/25/2022								875,000 <sup>9</sup>	1.26	673,750
Kersten D. Zupfer			—	286,875	367,200							
	11/5/2021	<sup>6</sup>							82,690			228,224
	11/5/2021	9/14/2021								112,500 <sup>7</sup>	2.76	174,375
	11/5/2021	9/14/2021								112,500 <sup>8</sup>	2.76	174,375
Jim B. Lain			—	271,250	341,775							
	11/5/2021	9/14/2021								100,000 <sup>7</sup>	2.76	155,000
	11/5/2021	9/14/2021								100,000 <sup>8</sup>	2.76	155,000
Felipe A. Athayde <sup>10</sup>			—	875,000 <sup>11</sup>	1,575,000 <sup>11</sup>							
	11/5/2021	<sup>6</sup>							212,805 <sup>12</sup>			587,342 <sup>12</sup>

1 These amounts represent the threshold, target, and maximum non-equity incentive ("bonus") amounts that could have been earned by our executives for fiscal 2022 under the Short Term Plan, as described under "Short Term Incentive Decisions for Fiscal 2022" in the CD&A section of this Proxy Statement. Based on fiscal 2022 results, bonus payments equal to the amounts described in "Short Term Incentive Decisions for Fiscal 2022" in the CD&A section of this Proxy Statement were earned.

2 Annual grants for the fiscal year ended June 30, 2022 include matching RSUs that were granted in November 2021 to: Mr. Doctor—46,344; Ms. Zupfer—82,690; and Mr. Athayde—212,805. These awards are or were eligible to vest as to 20%, 20%, and 60% of the RSUs on the first, second, and third anniversaries of the grant date, subject to continued employment with the Company.

3 As described in "Short Term Incentive Decisions for Fiscal 2022" in the CD&A section of this Proxy Statement, certain components of the fiscal 2022 bonus provided for a payout, calculated based on linear interpolation, for any level of achievement below target, such that was no effective threshold payout amount.

4 Amounts are computed in accordance with FASB ASC Topic 718.

5 Mr. Doctor's base salary increased during fiscal 2022. In addition, Mr. Doctor's Target AIC Percentage was 70% until December 23, 2021, to align with his increased level of responsibilities associated with becoming the Interim Chief Executive Officer of the Company, and then increased to 125% on May 5, 2022 to align with his increased level of responsibilities associated with becoming the President and Chief Executive Officer of the Company. Mr. Doctor's Target AIC reflects the blended rate of base salaries and Target AIC Percentages in effect for different portions of fiscal 2022.

6 Awards granted pursuant to terms of matching share program approved August 14, 2018.

7 Represents awards of stock options to purchase shares of the Company's common stock, granted in November 2021, as an incentive related to leadership retention, which are eligible to vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60% of the shares, respectively.

8 Represents awards of cash-settled appreciation rights, granted in November 2021, as an incentive related to leadership retention, which are eligible to vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60% of the shares, respectively.

9 Represents 875,000 options to purchase shares of the Company's common stock, granted in May 2022 in connection with Mr. Doctor's appointment to the position, which are eligible to vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60% of the shares, respectively.

10 Following his resignation from the Company, Mr. Athayde forfeited his right to receive his annual bonus for fiscal 2022.

11 Represents the annual bonus opportunities set forth in Mr. Athayde's offer letter, of 125% and 225% of base salary respectively, which are based on a base salary of \$700,000.

12 Represents stock options that were forfeited by Mr. Athayde in connection with his resignation from the Company effective as of March 19, 2022.

## Summary of Terms of Equity Awards

The terms of the equity awards granted as part of the current long-term incentives are summarized below:

- **Stock Options**—Stock options were granted to Mr. Doctor, Ms. Zupfer, and Mr. Lain during fiscal 2022 as an incentive related to leadership retention. The stock options are eligible to vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60% of the shares, respectively.

In the event of a termination of employment, unvested stock options are generally forfeited; provided, however:

- If a participant's employment is terminated (i) due to death or disability, (ii) due to retirement, (iii) by the Company without Cause (as defined in the 2016 Long Term Plan (the "2016 Plan") or the 2018 Long Term Plan (the "2018 Plan"), as applicable), or (iv) by the Company without Cause or by the participant for Good Reason (as defined in the award agreement), in either case within 12 months following a Change in Control (as defined in the 2018 Plan), then a pro-rated amount of the stock options will vest.

Under the award agreement, "Good Reason" is defined as the occurrence, without the express written consent of the participant, of any of the following: (i) any material diminution in the nature of the participant's authority, duties, or responsibilities; (ii) 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 (iii) 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 employee is then participating; provided that, the participant notifies the Company within 90 days of the occurrence of the condition and the Company fails to remedy such condition within 30 days of receiving such notice (the "Cure Period") and the participant delivers to the Company's General Counsel written notice of resignation within 30 days following the end of the Cure Period, designating an employment termination date no later than 120 days following the end of the Cure Period.

- **Matching Share Program ("SPMP") – Restricted Stock Units ("RSUs")**—Matching RSUs granted during fiscal 2022 (including with respect to participation in the SPMP with bonuses paid with respect to fiscal 2021 performance) vest as to 20%, 20%, and 60% of the shares on the first, second, and third anniversaries of the date of grant, respectively, subject to continued service and participants are required to hold their underlying purchased shares for the same three-year period to avoid a reduction in the number of unvested RSUs.
  - If a participant's employment is terminated (i) without Cause (as defined in the 2018 Plan) or for Good Reason (as defined in award agreement), in each case, within 12 months following a Change in Control (as defined in the 2018 Plan), (ii) due to death or disability, or (iii) due to the participant's retirement or termination without Cause by the Company, then a pro-rated amount of the RSUs scheduled to vest on the next scheduled vesting date and shall be calculated based on (a) the number of days the participant was employed as a percentage of (b) the total number of days, in each case between the most recently completed and the next scheduled vesting date.

Matching RSUs granted as part of our SPMP during fiscal year 2021 are subject to a five-year continued service and cliff vesting conditions and participants are also required to hold their underlying purchased shares for the same five-year period to avoid a reduction in the number of unvested RSUs. The matching RSUs earn dividend equivalents but have no voting rights. If a participant's employment is terminated (i) without Cause or for Good Reason, in each case within 12 months following a Change in Control or (ii) due to death or disability, if the termination occurs (a) prior to the third anniversary of the grant date, a pro-rated amount of the matching RSUs will vest or (b) on or after the third anniversary of the grant date, 100% of the matching RSUs will vest.

- If a participant's employment is terminated on or after the second anniversary of the grant date due to (i) the participant's retirement (which is defined to mean termination at age 62 or after age 55 with 15 years or more of continuous service) or (ii) termination without Cause by the Company, then a pro-rated amount of the matching RSUs will vest.

Under the award agreement, "Good Reason" is defined as the occurrence, without the express written consent of the participant, of any of the following: (i) any material diminution in the nature of the participant's authority, duties, or responsibilities; (ii) 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

(iii) 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; provided that, the participant notifies the Company within 90 days of the occurrence of the condition and the Company fails to remedy such condition within 30 days of receiving such notice (the “Cure Period”) and the participant delivers to the Company’s General Counsel written notice of resignation within 30 days following the end of the Cure Period, designating an employment termination date no later than 120 days following the end of the Cure Period.

- **Restricted Stock Units (“RSUs”)**—RSUs were granted to Ms. Zupfer in fiscal 2021 as an incentive related to leadership retention, which vested on the first anniversary of the grant date. RSUs were granted to Mr. Doctor in fiscal 2021, which vest half on first anniversary of the grant date and half on the third anniversary of the grant date, subject to Mr. Doctor remaining employed by the Company. The RSUs earn dividend equivalents but have no voting rights. The RSUs are also subject to the Company’s clawback policy.
  - In the event of a termination of employment, unvested RSUs are generally forfeited; provided, however, under the 2018 Long Term Plan, In the event of a termination of employment, unvested RSUs are generally forfeited; provided, however: if a participant’s employment is terminated (i) without Cause (as defined in the 2018 Plan) or (ii) for Good Reason (as defined in the award agreement), in each case within 12 months following a Change in Control (as defined in the 2018 Plan) or (iii) due to death or disability, then a pro-rated amount of the RSUs will vest.

Under the award agreement, “Good Reason” is defined as the occurrence, without the express written consent of the participant, of any of the following: (i) any material diminution in the nature of the participant’s authority, duties, or responsibilities; (ii) 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 (iii) 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; provided that, the participant notifies the Company within 90 days of the occurrence of the condition and the Company fails to remedy such condition within 30 days of receiving such notice (the “Cure Period”) and the participant delivers to the Company’s General Counsel written notice of resignation within 30 days following the end of the Cure Period, designating an employment termination date no later than 120 days following the end of the Cure Period.

- **Performance Stock Units—PSUs** are grants of restricted stock units that are earned based on the achievement of an end-of-period stock price performance goal(s) established by the Compensation Committee. Ms. Zupfer received an incremental PSU in fiscal 2020 in connection with her promotion. The PSUs have a three-year performance period with performance assessed as of November 12, 2022 and will vest on the fifth anniversary of the grant date if Ms. Zupfer is still employed by the Company and the performance goal has been achieved. The PSUs earn dividend equivalents but have no voting rights. The PSUs are also subject to the Company’s clawback policy.

In the event of a termination of employment, unvested PSUs are generally forfeited; provided, however:

- If Ms. Zupfer’s employment is terminated (i) without Cause (as defined in the 2018 Plan) or for Good Reason (as defined in the award agreement), in each case within 12 months following a Change in Control (as defined in the 2018 Plan), (ii) due to death or disability, or (iii) without Cause by the Company after the one-year anniversary of the grant date and the Board does not intend to fill Ms. Zupfer’s position at the Company with another person, then if the termination occurs (a) prior to the end of the performance period a pro-rated amount of the PSUs will vest or (b) on or after the end of the performance period but prior to the fifth anniversary of the grant date and the performance goal is achieved, 100% of the PSUs will vest.
- If the performance goal is achieved and Ms. Zupfer’s employment is terminated on or after the third anniversary of the grant date due to (i) Ms. Zupfer’s retirement (which is defined to mean termination at age 62 or after age 55 with 15 years or more of continuous service), or (ii) termination without Cause by the Company then, if the termination occurs (a) on or after the third anniversary of the grant date but before the fourth anniversary of the grant date, 60% of the PSUs will vest and (b) on or after the fourth anniversary of the grant date but before the fifth anniversary of the grant date, 80% of the PSUs will vest.

- If Ms. Zupfer's employment is terminated without Cause by the Company or for Good Reason both (i) after the one-year anniversary of the grant date and (ii) following the appointment of a successor or interim successor to the Company's former President and Chief Executive Officer, Mr. Hugh Sawyer, then a greater than pro rata portion of the PSUs will vest in accordance with the formula set forth in the award agreement.

Under the award agreement, "Good Reason" is defined as the occurrence, without the express written consent of Ms. Zupfer, of any of the following: (i) any material diminution in the nature of Ms. Zupfer's authority, duties, or responsibilities; (ii) any reduction by the Company in Ms. Zupfer's base salary then in effect or target bonus percentage (other than any reduction mutually agreed upon by the Company and the Ms. Zupfer), 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 (iii) 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 Ms. Zupfer is then participating; provided that, Ms. Zupfer notifies the Company within 90 days of the occurrence of the condition and the Company fails to remedy such condition within 30 days of receiving such notice (the "Cure Period") and Ms. Zupfer delivers to the Company's General Counsel written notice of resignation within 30 days following the end of the Cure Period, designating an employment termination date no later than 120 days following the end of the Cure Period.

- **Sign-On Equity Awards for Mr. Athayde**—In connection with his hire as the President and Chief Executive Officer of the Company in October 2021, Mr. Athayde received grants of RSUs and stock options as follows, which were subject to the 2018 Plan:
  - Performance-based stock options to purchase 1,100,000 shares are subject to both a service-based and a performance-based vesting condition. The service-based vesting condition will be satisfied on the fourth anniversary of the commencement of Mr. Athayde's employment, subject to continued employment, and the performance-based vesting condition will be satisfied on the date the volume-weighted average closing price per share equals or exceeds 150% of the closing price per share on the trading day immediately preceding the announcement of Mr. Athayde's employment with the Company, subject to continued employment on such date and provided that such date occurs prior to the fifth anniversary of the commencement of Mr. Athayde's employment. If, after the fourth anniversary, Mr. Athayde's employment is terminated by the Company without Cause (as defined in the letter agreement), he resigns for Good Reason (as defined in the letter agreement), or his employment is terminated as a result of death or disability, and the performance-based vesting condition has not been satisfied prior to such termination, the performance-based options shall remain outstanding and eligible to satisfy the performance-based vesting condition until the fifth anniversary date. If Mr. Athayde's employment is terminated as a result of death or disability following the first anniversary of the commencement of his employment, a pro-rated portion of the performance-based options, based on the number of days he was employed by the Company during the four-year service-vesting period, shall either (i) vest as of the date of such termination if the performance-based vesting condition was satisfied prior to the date of such termination or (ii) remain outstanding and eligible to satisfy the performance-based vesting condition for one year following the date of such termination.
  - Mr. Athayde also received certain "matching" stock options equal to the number of shares subject to the RSU, which is 358,680 shares, which vest on the fourth anniversary of the commencement of Mr. Athayde's employment, subject to continued employment. If prior to such fourth anniversary, Mr. Athayde sells or transfers any of the shares acquired in connection with the settlement of the sign-on RSUs (other than in connection with the net settlement of the sign-on RSUs), a corresponding number of matching options will be forfeited. If Mr. Athayde's employment terminates for any reason other than by the Company for Cause following the second anniversary of the commencement of Mr. Athayde's employment and prior to the fourth anniversary, a pro-rated number of matching options outstanding as of the date of such termination (after taking into account any matching options that have been forfeited) shall vest as of the date of such termination, based on the number of days employed by the Company during the vesting period.
  - Under the terms of Mr. Athayde's letter agreement, "Cause" is defined as Mr. Athayde's indictment for, conviction of, or a plea of guilty or no contest to, any indictable criminal offence or any other criminal offence involving fraud, misappropriation or moral turpitude, (ii) Mr. Athayde's continued failure (after specific written notice of any such failure) to perform his material duties under the letter agreement or to following the lawful direction of the Board (for any reason other than illness or physical or mental incapacity) or Mr. Athayde's material breach of fiduciary duty, (iii) Mr. Athayde's theft, fraud, or material dishonesty with regard to the Company or any of its affiliates or in connection with his duties, (iv) Mr. Athayde's material violation of the Company's code of conduct or similar written policies, including, without limitation, the Company's sexual harassment policy and which is not cured (if curable) within 30 days after written notice thereby by the Board to him, (v) Mr. Athayde's willful misconduct unrelated to the Company or any of its affiliates having,

or likely to have, a material negative impact on the Company or any of its affiliates (economic or reputational), (vi) an act of gross negligence or willful misconduct by Mr. Athayde that relates to the affairs of the Company or any of its affiliates, or (vii) material breach by Mr. Athayde of any provisions of the letter agreement which is not cured (if curable) within 30 days after written notice thereby by the Board to him. “Good Reason” is defined as the occurrence of any of the following, without Mr. Athayde’s express written consent: (a) any material diminution of Mr. Athayde’s authority, duties or responsibilities; and (b) a material reduction by the Company of Mr. Athayde’s base salary or target annual bonus percentage (other than (1) an across the board reduction of not more than 10% that applies to all other executives of the Company or (2) any temporary reduction of no more than 25% in response to the COVID-19 pandemic or other extraordinary event of similar market consequence that does not last longer than 12 months); provided, that no event described in clause (a) or (b) shall constitute Good Reason unless (i) Mr. Athayde has given the Company written notice of his resignation, setting forth the conduct of the Company that is alleged to constitute Good Reason, within 60 days following the occurrence of such event, and (ii) Mr. Athayde has provided the Company at least 60 days following the date on which such notice is provided to cure such conduct and the Company has failed to do so.

In connection with Mr. Athayde’s resignation, he forfeited the stock options that were granted to him.

• **The 2016 Plan Definitions**—The 2016 Plan provides the following definitions:

- “Cause” means (a) a felony conviction under any federal or state statute that is materially detrimental to the financial interests of the Company or (b) willful non-performance by the employee of his or her material employment duties other than by reason of his or her physical or mental incapacity after reasonable written notice to the employee and reasonable opportunity (not less than 30 days) to cease such non-performance; or (2) the employee willfully engaging in fraud or gross misconduct that is materially detrimental to the financial interests of the Company.
- “Change in Control” means the first to occur of any of the following events:
  - any person is or has become the beneficial owner of 20% or more of either (a) the then outstanding shares of Common Stock of the Company (the “Outstanding Common Stock”) or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Voting Securities”), except for an acquisition by an entity resulting from a Business Combination (as defined below), provided that, a Change in Control shall not occur if a person becomes the beneficial owner of 20% or more of the Outstanding Common Stock or Outstanding Voting Securities solely as the result of a change in the aggregate number of shares of Outstanding Common Stock or Outstanding Voting Securities since the last date on which such person acquired beneficial ownership of any shares of common stock or voting securities (provided, however, that if a person becomes the beneficial owner of 20% or more of the Outstanding Common Stock or Outstanding Voting Securities by reason of such change in the aggregate number of shares of Outstanding Common Stock or Outstanding Voting Securities and thereafter becomes the beneficial owner of any additional shares of common stock or voting securities (other than pursuant to a dividend or distribution paid or made by the Company on the Outstanding Common Stock or Outstanding Voting Securities or pursuant to a split or subdivision of the Outstanding Common Stock or Outstanding Voting Securities), then a Change in Control shall occur unless upon becoming the beneficial owner of such additional shares of common stock or voting securities such person does not beneficially own more than 20% of the Outstanding Common Stock or Outstanding Voting Securities);
  - consummation of (a) a merger or consolidation of the Company with or into another entity, (b) a statutory share exchange, or (c) the acquisition by any person of all or substantially all of the assets of the Company (each, a “Business Combination”), unless immediately following such Business Combination, (i) all or substantially all of the beneficial owners of the Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the voting power of the then outstanding shares of voting stock (or comparable voting equity interests) of the surviving or acquiring entity resulting from such Business Combination (including such beneficial ownership of an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), in substantially the same proportions (as compared to the other beneficial owners of the Company’s voting stock immediately prior to such Business Combination) as their beneficial ownership of the Company’s voting stock immediately prior to such Business Combination and (ii) no person (as defined above) beneficially owns, directly or indirectly, 20% or more of the voting power of the outstanding voting stock (or comparable equity interests) of the surviving or acquiring entity (other than a direct or indirect parent entity of the surviving or acquiring entity, that, after giving effect to the Business Combination, beneficially owns, directly or indirectly, 100% of the outstanding voting stock (or comparable equity interests) of the surviving or acquiring entity), or



- individuals who constitute the Board on the effective date (the “Incumbent Board”) have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the effective date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least 75% of the directors comprising the Incumbent Board shall be, for purposes of this 2016 Plan, considered as though such person were a member of the Incumbent Board;

provided, however, that for any payment with respect to any award under the 2016 Plan that is subject to Section 409A of the Code, the Change in Control must also be a change in control event under Treasury Regulations Section 1.409A-3(i)(5).

• **The 2018 Plan Definitions**—The 2018 Plan provides the following definitions:

- “Cause” means (a) a felony conviction under any federal or state statute that is materially detrimental to the financial interests of the Company, or willful non-performance by the employee of his or her material employment duties other than by reason of his or her physical or mental incapacity after reasonable written notice to the employee and reasonable opportunity (not less than 30 days) to cease such non-performance; or (b) the employee willfully engaging in fraud or gross misconduct that is materially detrimental to the financial interests of the Company.
- “Change in Control” means the first to occur of any of the following events:
  - any person is or becomes the beneficial owner of 49% or more of either (a) the Outstanding Common Stock or (b) the Outstanding Voting Securities, except for an acquisition by an entity resulting from a Business Combination; provided that, a Change in Control shall not occur if a person becomes the beneficial owner of 49% or more of the Outstanding Common Stock or Outstanding Voting Securities solely as the result of a change in the aggregate number of shares of Outstanding Common Stock or Outstanding Voting Securities since the last date on which such person acquired beneficial ownership of any shares of common stock or voting securities (provided further, however, that if a person becomes the beneficial owner of 49% or more of the Outstanding Common Stock or Outstanding Voting Securities by reason of such change in the aggregate number of shares of Outstanding Common Stock or Outstanding Voting Securities and thereafter becomes the beneficial owner of any additional shares of Common Stock or voting securities (other than pursuant to a dividend or distribution paid or made by the Company on the Outstanding Common Stock or Outstanding Voting Securities or pursuant to a split or subdivision of the Outstanding Common Stock or Outstanding Voting Securities), then a Change in Control shall occur unless upon becoming the beneficial owner of such additional shares of common stock or voting securities such person does not beneficially own more than 49% of the Outstanding Common Stock or Outstanding Voting Securities);
  - consummation of a Business Combination, unless immediately following such Business Combination, (i) all or substantially all of the beneficial owners of the Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the voting power of the then outstanding shares of voting stock (or comparable voting equity interests) of the surviving or acquiring entity resulting from such Business Combination (including such beneficial ownership of an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), in substantially the same proportions (as compared to the other beneficial owners of the Company’s voting stock immediately prior to such Business Combination) as their beneficial ownership of the Company’s voting stock immediately prior to such Business Combination and (ii) no person beneficially owns, directly or indirectly, 49% or more of the voting power of the outstanding voting stock (or comparable equity interests) of the surviving or acquiring entity (other than a direct or indirect parent entity of the surviving or acquiring entity, that, after giving effect to the Business Combination, beneficially owns, directly or indirectly, 100% of the outstanding voting stock (or comparable equity interests) of the surviving or acquiring entity); or
  - the Incumbent Board has ceased for any reason to constitute at least a majority thereof, provided that, any person becoming a director subsequent to the effective date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least 75% of the directors comprising the Incumbent Board shall be, for purposes of the 2018 Plan, considered as though such person were a member of the Incumbent Board;

provided, however, that for any payment with respect to any award under the 2018 Plan that is subject to Section 409A of the Code, the Change in Control must also be a change in control event under Treasury Regulations Section 1.409A-3(i)(5).

## EXECUTIVE COMPENSATION TABLES

- “Good Reason” means the occurrence, without the express written consent of the employee, of any of the following:
- any material diminution in the nature of the employee’s authority, duties, or responsibilities;
- any reduction by the Company in the employee’s base salary then in effect or target bonus percentage, other than an across-the-board reduction of not more than 10% that applies to all other similarly situated employees of the Company; or
- 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 employee is then participating;

provided that, the employee notifies the Company within 90 days of the occurrence of such conduct and the Company fails to remedy such conduct within 30 days of receiving such notice (the “Cure period”) and the employee delivers written notice of resignation to the Company’s General Counsel within 30 days following the end of the Cure Period.

## Outstanding Equity Awards at 2022 Fiscal Year-End

The following table sets forth certain information concerning outstanding equity awards held by the Named Executive Officers as of June 30, 2022. In connection with Mr. Athayde’s resignation, all of his outstanding equity awards forfeited.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>1</sup> (\$)	Equity Incentive Plan Awards: Number of Unearned Shares or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Other Rights That Have Not Vested <sup>1</sup> (\$)
Matthew Doctor	—	112,500	2.76	11/5/2031				
	—	112,500	2.76	11/5/2031				
	—	875,000	1.26	5/5/2032				
					46,344 <sup>2</sup>	50,052		
					14,191 <sup>3</sup>	15,326		
Kersten D. Zupfer	—	112,500	2.76	11/5/2031				
	—	112,500	2.76	11/5/2031				
	11,396	—	10.84	8/31/2025				
					82,690 <sup>2</sup>	89,305		
					25,276 <sup>4</sup>	27,298		
					7,564 <sup>5</sup>	8,169		
					1,763 <sup>6</sup>	1,904		
					832 <sup>7</sup>	899		
							22,694 <sup>8</sup>	24,510
Jim B. Lain	—	100,000	2.76	11/5/2031				
	—	100,000	2.76	11/5/2031				

1 Value based on a share price of \$1.08, which was the last reported sale price for a share of our common stock on the NYSE on June 30, 2022.

2 Award vests on the first three annual anniversaries of the date of grant, which was November 5, 2021, in increments of 20%, 20%, and 60% of the shares, respectively.

3 Award vests on the first two annual anniversaries of the date of grant, which was February 8, 2021, in increments of 50% of the shares, respectively.

4 Award cliff vests on the fifth anniversary of the date of grant, which was December 21, 2020.

5 Award cliff vests on the third anniversary of the date of grant, which was November 11, 2019.

6 Award cliff vests on the fifth anniversary of the date of grant, which was August 30, 2019.

7 Award cliff vests on the fifth anniversary of the date of grant, which was August 31, 2018.

8 Awards presented represent the target number of shares that may be earned during the performance period ending November 11, 2022 with respect to the PSUs granted on November 11, 2019. If the PSUs are earned, they will be subject to an additional two-year service-based vesting requirement, which will expire on November 11, 2024.

## 2022 Option Exercises and Stock Vested

The following table sets forth certain information concerning stock vested during fiscal 2022 for the Named Executive Officers (no stock options or stock appreciation rights were exercised by NEOs in fiscal 2022):

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise(\$)	Number of Shares Acquired on Vesting <sup>2</sup> (#)	Value Realized on Vesting <sup>1</sup> (\$)
Matthew Doctor	—	—	9,848	23,415
Kersten D. Zupfer	—	—	9,018	65,831
Jim B. Lain	—	—	5,164	29,953
Felipe A. Athayde	—	—	182,209	1,104,734

1 Value realized on vesting is the market value of our common stock on the vesting date multiplied by the number of shares acquired, before taxes.

2 The number of shares acquired on vesting of stock awards includes shares that were forfeited for withholding tax obligations. The number of shares forfeited for each NEO is reported below.

Name	Number of Shares Used to Pay Taxes on Vested Awards (#)
Matthew Doctor	4,343
Kersten D. Zupfer	7,515
Jim B. Lain	5,848
Felipe A. Athayde	175,471



## Summary of Executive Agreements

The following section addresses the key elements of the compensation arrangements with each of our NEOs, including the key terms of any letter agreements or employment agreements between the NEO and the Company. Mr. Lain does not have any individual compensatory agreement with the Company.

### Compensatory Arrangements with Mr. Doctor

On May 4, 2022, the Company entered into a letter agreement with Mr. Doctor in connection with his appointment as President and Chief Executive Officer, effective on May 5, 2022. Pursuant to the agreement, Mr. Doctor is entitled to receive (i) an annual base salary of \$600,000, (ii) an annual target bonus opportunity equal to 125% of his annual base salary (up to a maximum payout of 225% of his annual base salary), and (iii) a “ReFi Bonus” of \$600,000 (which was subject to the occurrence of either a refinancing of the Company’s current bank loan with a third party or obtaining a minimum extension of 24 months with the current bank). In August 2022, the Compensation Committee determined that Mr. Doctor was entitled to receive the ReFi Bonus based on the Company entering into an agreement to extend the maturity on its existing credit agreement for a period of at least 24 months.

In addition, the Compensation Committee approved equity awards to Mr. Doctor, which were comprised of 875,000 options to purchase shares of the Company’s common stock, granted under the Company’s 2018 Long Term Incentive Plan, which were eligible to vest on the first three annual anniversaries of the date of grant in increments of 20%, 20%, and 60% of the shares. All such stock options have a per share exercise price equal to the closing price per share of the Company’s common stock on the date of grant and a term of 10 years.

If Mr. Doctor’s employment is terminated either by the Company without Cause (excluding as a result of death or disability) or by Mr. Doctor for Good Reason, as defined in his letter agreement, Mr. Doctor will be eligible for severance benefits under the Company’s senior executive severance policy described below. In Mr. Doctor’s letter agreement, “Cause” is defined as: (i) indictment for, conviction of, or a plea of guilty or no contest to, any indictable criminal offence or any other criminal offence involving fraud, misappropriation, or moral turpitude; (ii) continued failure (after specific written notice of any such failure) to perform material duties under the agreement or to follow the lawful direction of the Board (for any reason other than illness or physical or mental incapacity) or a material breach of his fiduciary duties; (iii) theft, fraud, or material dishonesty with regard to the Company in connection with Mr. Doctor’s duties; (iv) material violation of the Company’s code of conduct or similar written policies, including the Company’s sexual harassment policy, that is not cured (if curable) within 30 days after written notice by the Board; (v) willful misconduct unrelated to the Company having or likely to have a material negative impact on the Company or its affiliates (economic or reputational); (vi) an act of gross negligence or willful misconduct that relates to the affairs of the Company or any of its affiliates; or (vii) material breach of the provisions of the letter agreement that is not cured (if curable) within 30 days after notice by the Board. “Good Reason” is defined as: (i) any material diminution of Mr. Doctor’s authority, duties, or responsibilities; or (ii) a material reduction by the Company of Mr. Doctor’s base salary or target annual bonus percentage (other than (a) an across-the-board reduction of not more than 10% that applies to all other executives of the Company or (b) any temporary reduction of no more than 25% in response to any pandemic or other extraordinary event of similar market consequence that does not last longer than 12 months); provided that, Mr. Doctor must give 60 days’ written notice of his resignation, setting forth the conduct of the Company that is alleged to constitute Good Reason, and provide to the Company an opportunity to cure the conduct and the Company fails to do so. Mr. Doctor also executed the Company’s non-compete, non-disclosure, non-solicitation, and non-hire agreement.

### Compensatory Arrangements with Ms. Zupfer

On December 1, 2014, the Company entered into an employment agreement with Ms. Zupfer in connection with her employment with the Company. Pursuant to the agreement, Ms. Zupfer is entitled to (i) receive an annual base salary, the amount of which is reviewed annually by the Compensation Committee and subject to adjustment, (ii) receive an annual incentive award, which is set as a percentage of Ms. Zupfer’s then-current base salary for achievement of target performance, but the actual payout may be less than or greater than such amount for actual performance that is less than or greater than target, respectively, (iii) participate in the Company’s long-term equity incentive program on the same basis as the Company’s other executive officers, with the value of the awards being set annually by the Compensation Committee, and (iv) receive life insurance and health and welfare benefits offered to other full-time employees.

Under the terms of Ms. Zupfer's employment agreement, she is entitled to certain benefits upon her death or disability, termination without Cause or for Good Reason, or termination for Cause or without Good Reason, which are contingent upon Ms. Zupfer signing, and not rescinding, a release and complying with certain non-competition and non-solicitation covenants. In the event of Ms. Zupfer's death or disability, she is entitled to her accrued compensation and obligations. In the event of Ms. Zupfer's termination without Cause or resignation for Good Reason, she is entitled to all accrued compensation and obligations and an amount equal to one times her annual base salary plus a pro-rated portion of any bonus she would have earned for the year of termination (based on actual performance), plus 12 months of benefits continuation coverage. In Ms. Zupfer's employment agreement, "Cause" is defined as acts during Ms. Zupfer's employment resulting in a felony conviction that is materially detrimental to the financial interests of the Company; willful nonperformance by Ms. Zupfer of her material employment duties (other than by reason of physical or mental incapacity) after reasonable notice to Ms. Zupfer and reasonable opportunity (not less than 30 days) to cease such non-performance; or willful engagement in fraud or gross misconduct that is materially detrimental to the financial interests of the Company. "Good Reason" is defined as any of the following to occur during Ms. Zupfer's employment with the Company: (i) any material diminution in the nature of her authority, duties, or responsibilities, or her removal from, or failure to be reelected to, her position (except in connection with a termination for Cause, permanent disability, or as a result of her Death or her resignation other than for Good Reason); (ii) a material reduction in her base salary (other than a reduction that is part of an across-the-board reduction of base salaries for all executives; provided that, the reduction is commensurate with the percentage reduction in base salaries for all other executives; (iii) the Company's failure to continue (without substitution of a substantially equivalent plan) 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 Ms. Zupfer is participating; (iv) the Company's material breach of the employment agreement; (v) the requirement that Ms. Zupfer's principal place of employment be relocated by more than 30 miles from the Company's current address; or (vi) the Company's failure to obtain an agreement from any successor entity to assume the Company's obligations under the employment agreement. "Disability" is defined as a physical or mental disability or health impairment that prevents the effective performance by Ms. Zupfer of her duties on a full-time basis.

Ms. Zupfer's employment agreement further provides that severance payments will be paid over the course of the severance period and offset by any compensation Ms. Zupfer receives from other substantially full-time employment during the severance period. However, in fiscal 2017, the Compensation Committee modified this provision to provide that severance will not be offset by non-competitive employment. The severance payments are contingent upon Ms. Zupfer signing, and not rescinding, a release of claims and complying with certain non-competition and non-solicitation covenants. The Company's remedies for violation of restrictive covenants include injunctive relief and forfeiture of severance benefits.

## Compensatory Arrangements with Mr. Athayde

Mr. Athayde served as the President and Chief Executive Officer of the Company from October 2020 to December 2021. On September 4, 2020, the Company entered into a letter agreement with Mr. Athayde in connection with his appointment as President and Chief Executive Officer effective on October 5, 2020. Pursuant to the agreement, Mr. Athayde was entitled to receive an annual base salary of \$700,000, an annual target bonus opportunity equal to 125% of his annual base salary (up to a maximum payout of 225% of his annual base salary), and a sign-on bonus of \$2,500,000 (which was subject to pro rata repayment if Mr. Athayde's employment was terminated under certain circumstances prior to the first anniversary of his employment commencement date).

In addition, the Compensation Committee approved sign-on equity awards to Mr. Athayde, which were comprised of:

- 1,100,000 options to purchase shares of the Company's common stock, granted under the Company's 2018 Long Term Incentive Plan, which were eligible to vest, as to the service requirement, on the fourth anniversary of the commencement date, subject to achievement, prior to the fifth anniversary of the commencement date, of a volume-weighted average closing price per share of the Company equal to or in excess of 150% of the closing price per share of the Company on the trading day immediately prior to the date of the announcement of Mr. Athayde's employment with the Company; and
- 358,680 restricted stock units with a value equal to \$2,500,000 (based on the closing price per share on September 4, 2020), which were eligible to vest on the first anniversary of the commencement date, based on Mr. Athayde's continued service, and options to purchase 358,680 shares of the Company's common stock, which were eligible to vest on the fourth anniversary of the commencement date, each of which were granted on the commencement date pursuant to the employment inducement exception of the NYSE rules.

All Mr. Athayde's stock options had a per share exercise price equal to the closing price per share of the Company on the date of grant and a term of 10 years. The Company also reimbursed Mr. Athayde in an amount equal to \$150,000 for certain relocation expenses. Mr. Athayde's restricted stock units vested on October 5, 2021. However, in connection with his resignation from the Company, Mr. Athayde forfeited the stock options.

## Sign-On, Relocation, and Related Benefits

When executive officers join the Company, from time to time, we have agreed to sign-on incentives and relocation benefits that are not part of their ongoing compensation to incentivize them to leave their former employers and join the Company. Specifically, these benefits to the NEOs include:

- **Sign-On Incentives**—When Mr. Doctor joined the Company in February 2021, he received an initial equity award with an aggregate value of \$50,052 in the form of RSUs. When Mr. Athayde joined the Company in October 2020, he received a sign-bonus equal to \$2,500,000, subject to a one-year clawback, and initial equity awards with an aggregate value of \$5.0 million, comprised of \$4.0 million of stock-settled SARs and \$1.0 million of RSUs. See below for further detail about these awards.
- **Relocation Expenses**—We reimbursed Messrs. Doctor and Athayde \$33,707 and \$150,000, respectively, for relocation and temporary housing expenses following commencement of their employment with the Company.

## Senior Executive Severance Policy

In May 2020, the Compensation Committee approved the Senior Executive Severance Policy (the "Severance Policy") under which Senior Vice Presidents and above without an individual employment agreement are entitled to receive the following severance benefits if the executive's employment is terminated without Cause: one year of base salary paid in installments over a period of 12 months; a pro rata bonus for the fiscal year in which termination occurs based on actual performance, but not to exceed the target bonus amount; and continuation of certain medical benefits for up to 12 months unless and until the executive is covered under the health and/or dental insurance policy of a new employer. The severance benefits are subject to the executive signing a release in favor of the Company and complying with one-year non-competition and non-solicitation restrictions. Because Mr. Lain does not have an individual employment agreement with the Company, he is eligible for severance benefits under the Severance Policy if he has a qualifying termination, and Mr. Doctor's letter agreement incorporates the Severance Policy in the event of a qualifying termination of his employment under the letter agreement, subject to certain alternative definitions described above. Mr. Athayde was also eligible for severance benefits under the Severance Policy during his tenure.

Under the Severance Policy, "Cause" is defined as (a) acts resulting in a felony conviction under any federal or state statutes that 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.

## Retirement Plans and Arrangements

We currently provide the NEOs the option to participate in two Company-sponsored retirement savings plans: the Executive Retirement Savings Plan, a nonqualified deferred compensation plan, and the Regis Individual Secured Retirement Plan (the "RiSRP"), an employee welfare benefit plan, which was added in fiscal 2016 as a post-tax retirement savings option.

Elections to defer compensation under the Executive Retirement Savings Plan are made annually, prior to the beginning of the year in which the deferred compensation is earned. Executives may defer up to 100% of their annual compensation, including annual incentive, on a pre-tax basis. Beginning with elections made in fiscal 2016, in-service distributions must be deferred for a minimum of two years. Employer contributions under the Executive Retirement Savings Plan for our NEOs include a 25% match on up to a maximum of \$100,000 in deferred compensation (i.e., \$25,000) and a discretionary annual profit sharing contribution (each on a calendar-year basis), although no profit sharing contribution has been made since 2016. We deposit the deferred amounts and employer contributions into a trust for the benefit of plan participants. In accordance with tax laws, the assets of the

trust are subject to claims of the Company's creditors. Participant account balances are deemed invested as the executive directs, from time to time, among the investment alternatives offered. Subject to compliance with plan terms and applicable tax requirements (including, without limitation, Code Section 409A), executives may elect the distribution date for their plan accounts.

Under the RiSRP, participants may elect to contribute amounts from payroll, up to 100% of their annual compensation, including annual incentive, on an after-tax basis. Employee contributions under the RiSRP for our NEOs include the same match opportunity as the Executive Retirement Savings Plan, and if an NEO is participating in both plans, their aggregate match is capped at \$25,000. Participants may also make contributions outside of payroll deductions, but these are not eligible for employer match. Participant contributions and employer matching contributions are deposited in participant-owned life insurance policies. These insurance policies are not subject to claims of the Company's creditors. Each participant's account balance under the life insurance policy is invested as the participant directs, from time to time, among the investment alternatives available under the insurance policy.

## Nonqualified Deferred Compensation for 2022

The following table sets forth certain information concerning nonqualified deferred compensation under our Executive Retirement Savings Plan for the NEOs for fiscal 2022, for which Ms. Zupfer is the only NEO with a balance:

Name	Executive Contributions in Last FY <sup>1</sup> (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE <sup>2</sup> (\$)
Kersten D. Zupfer	—	—	(47,755)	—	307,524

<sup>1</sup> The Company matches deferred compensation contributions to our Executive Retirement Savings Plan at a rate of 25% of the amount contributed by the participant, up to \$25,000 per calendar year. Amounts exceeding \$25,000 are due to timing differences between the calendar and fiscal year.

<sup>2</sup> None of this amount has been reported in the current year or prior years' Summary Compensation Tables as the contributions predated Ms. Zupfer being an NEO.

The measurement funds available under the Executive Retirement Savings Plan include selected mutual funds, which are the same measurement funds available for employees generally with respect to investment of their funds in the Company's qualified 401(k) plan. Participants in the plan may change their investments in the various measurement funds at any time. Historically, the Company's common stock was also available as a measurement fund, but it has subsequently been removed as an investment option.

Contributions made to the RiSRP on behalf of the NEOs are not included in the table above as this plan is an after-tax nonqualified retirement plan that does not provide for a deferral of compensation.

## Actual and Potential Payments Upon Termination or Change in Control

The tables that follow describe actual and potential payments and benefits provided to our NEOs or their beneficiaries under the letter agreements, employment agreements, plans, and arrangements in existence at June 30, 2022 under various scenarios involving a termination of employment and/or a change in control, and as to potential payments, assuming that the termination or change in control event(s) occurred on June 30, 2022. The letter agreements and employment agreement are described in more detail under “Summary of Executive Agreements.”

The following information has been keyed to the events upon which an NEO or his or her beneficiaries were or would be entitled to a payment or benefit:

- Voluntary termination or involuntary termination not related to a change in control;
- Termination due to death;
- Termination due to disability;
- A change in control not involving an employment termination; and
- Involuntary termination within twenty-four months after a change in control.

Unless otherwise specified, for purposes of this section, an “involuntary termination” includes a termination by the Company without “Cause” or by an NEO for “Good Reason,” but does not include a termination for “Cause.” A “voluntary termination” refers to a termination by an NEO other than for “Good Reason.”

### Actual and Potential Payments to NEOs

The following table sets forth the payments our NEOs would have been entitled to receive in connection with a termination of their employment on June 30, 2022. In connection with Mr. Athayde’s resignation from the Company on March 19, 2022, he was not entitled to receive any payments or benefits.

Name <sup>1</sup>	Type of Payment or Benefit	Not Related to Change in Control				After a Change in Control	
		Voluntary Termination (\$)	Involuntary Termination <sup>2</sup> (\$)	Death (\$)	Disability (\$)	Not Involving a Termination of Employment (\$)	Involuntary Termination <sup>3</sup> (\$)
Matthew Doctor	Severance	—	929,156	—	—	—	929,156
	Medical and Dental Insurance Benefits <sup>4</sup>	—	5,485	—	—	—	5,485
	Accelerated Vesting of Equity <sup>5</sup>	—	67,052	74,147	74,147	—	67,052
	<b>Total</b>	—	<b>1,001,693</b>	<b>74,147</b>	<b>74,147</b>	—	<b>1,001,693</b>
Kersten D. Zupfer	Severance	—	678,598	—	—	—	678,598
	Medical and Dental Insurance Benefits <sup>4</sup>	—	—	—	—	—	—
	Accelerated Vesting of Equity <sup>5</sup>	—	73,544	73,504	73,504	—	73,544
	<b>Total</b>	—	<b>752,142</b>	<b>73,504</b>	<b>73,504</b>	—	<b>752,142</b>
Jim B. Lain	Severance	—	610,535	—	—	—	610,535
	Medical and Dental Insurance Benefits <sup>4</sup>	—	14,520	—	—	—	14,520
	Accelerated Vesting of Equity <sup>5</sup>	—	28,050	28,050	28,050	—	28,050
	<b>Total</b>	—	<b>653,105</b>	<b>28,050</b>	<b>28,050</b>	—	<b>653,105</b>

<sup>1</sup> Ms. Zupfer was a party to a written employment agreement with the Company, which defines her benefits in connection with the events described above. Messrs. Doctor and Lain are eligible for severance benefits under the Senior Executive Severance Policy.

<sup>2</sup> Severance amounts in the event of involuntary termination not related to Change in Control represent a cash payment equal to one times annual base salary plus a pro-rated portion of any bonus the executive would have earned for the year of termination, based on actual performance.

<sup>3</sup> In the event of an Involuntary Termination Related to a Change in Control, all NEOs would receive the same severance as for any involuntary termination. Under Code Section 280G, executives will incur an excise tax on portions of these payments if the parachute value of payments exceeds a specified threshold.

<sup>4</sup> The amount represents the estimated medical and dental insurance premiums for the applicable benefits continuation period following involuntary termination. The continuation period is 12 months for the NEOs. Ms. Zupfer is not currently enrolled in Company health benefit programs.

<sup>5</sup> Amounts represent the intrinsic value of RSUs and PSUs as of June 30, 2022 for which the vesting would be accelerated. The value included for RSUs and PSUs is the product of the number of units for which vesting would be accelerated at \$1.08, the closing price of the Company’s common stock on June 30, 2022 on the NYSE. For Ms. Zupfer, the value includes the value of PSUs granted upon her promotion to Chief Financial Officer.

## CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing the following information about the relationship of the annual total compensation of our median paid employee and the annual total compensation of Mr. Doctor, our President and Chief Executive Officer.

For fiscal 2022, the total compensation for Mr. Doctor was \$1,943,921, as reported in the “Total” column of the Summary Compensation Table. Since Mr. Doctor was appointed President and Chief Executive Officer effective May 5, 2022, we annualized his Salary, as disclosed in the Summary Compensation Table. We then added the disclosed values of his Bonus, Stock Awards, Option Awards, Non-Equity Incentive Plan Compensation, and other components of All Other Compensation to arrive at a value of \$2,080,940, used for the ratio of annual total compensation for our President and Chief Executive Officer to the annual total compensation for our median employee. We annualized our President and Chief Executive Officer’s total compensation as follows:

SCT Components	Actual Values from SCT (\$)	For CEO Pay Ratio: Annualized Values + One Time Values (\$)	Rationale
Salary	462,981	600,000	Annualized salary
Bonus	86,166	86,166	Not annualized; Actual amount of discretionary bonus awards
Stock Awards	127,909	127,909	Not annualized; One-time award of 46,344 RSUs
Option Awards	1,022,500	1,022,500	Not annualized; One-time awards of 987,500 stock options
Non-Equity Incentive Plan Compensation	242,990	242,990	Not annualized; Actual amount of Non-Equity Incentive Plan Compensation for fiscal 2022
All Other Compensation	1,375	1,375	Not annualized; Actual amount of cell phone reimbursement and life insurance premiums
<b>Total CEO Pay</b>	<b>1,943,921</b>	<b>2,080,940</b>	

For fiscal 2022, our last completed fiscal year:

- The annual total compensation of our median paid employee was \$30,198; and
- The annualized total compensation of our President and Chief Executive Officer as shown above was \$2,080,940.

Based on this information for fiscal 2022, we reasonably estimate that the ratio of the annual total annualized compensation of our President and Chief Executive Officer to the annual total compensation of the median paid employee, a part-time stylist at one of our salons, was 69:1. This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

We used the following methodology and material assumptions and reasonable estimates to identify our median employee in a manner consistent with SEC rules and guidance:

For our fiscal 2022 pay ratio analysis, we determined that we could not use the same median paid employee that we identified in fiscal 2021 due to restructuring efforts that resulted in a significant decrease in our employee population, which we believe would significantly impact our fiscal 2022 pay ratio disclosure.

For purposes of identifying our median paid employee, we used our global employee population as of June 30, 2022 (excluding our President and Chief Executive Officer), which consisted of approximately 629 total employees, 434 of whom were employed in the United States and 195 of whom were employed in Canada. We aggregated annual total cash compensation paid to all members of our global employee population described above during fiscal 2022. Total cash compensation includes wages (for both salaried employees and hourly employees), cash bonuses, and tips, if applicable. In making these determinations, we annualized the total cash compensation of those full-time and part-time permanent employees who were employed on June 30, 2022 but did not work for us during all fiscal 2022. We also converted Canadian employee cash compensation from Canadian Dollars to U.S. Dollars using an exchange rate as of June 30, 2022. No full-time equivalent adjustments were made for part-time employees.

## EXECUTIVE COMPENSATION TABLES

Once we identified the median paid employee, we determined the median paid employee's annual total compensation in accordance with the same methodology used for our Named Executive Officers as set forth on the Summary Compensation Table. With respect to the annual total compensation of our President and Chief Executive Officer, we used the amount reported in the "Total" column reported in the Summary Compensation Table.

The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates, and assumptions that reflect their employee populations and compensation practices. Therefore, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

## Equity Compensation Plan Information

The following table provides information about our common stock that may be issued under all of our stock-based compensation plans in effect as of June 30, 2022.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders <sup>1</sup>	2,485,528	\$3.72	3,493,681 <sup>2</sup>
Equity compensation plans not approved by security holders	1,000,000	\$11.15	85,192 <sup>3</sup>
<b>Total</b>	<b>3,485,528</b>	<b>\$5.85</b>	<b>3,578,873</b>

<sup>1</sup> Includes shares granted through stock options, stock-settled SARs, restricted stock awards, RSUs, and PSUs under the 2004 Long Term Plan, 2016 Long Term Plan, and 2018 Long Term Plan. Information regarding the stock-based compensation plans is included in Notes 1 and 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2022.

<sup>2</sup> The Company's 2018 Long Term Plan provides for the issuance of a maximum of 3,818,895 shares of the Company's common stock through stock options, SARs, restricted stock, or RSUs. As of June 30, 2022, there are 2,793,494 shares available for future issuance under the 2018 Long Term Plan and 700,187 shares available for issuance under the Company's Stock Purchase Plan.

<sup>3</sup> The Company's SPMP provides for the issuance of a maximum of 250,000 shares of the Company's common stock upon purchase of shares at fair market value by eligible participants. As of June 30, 2022, there are 85,192 shares available for issuance under the SPMP. The SPMP is described above under "SPMP and Matching RSU Grants in Fiscal 2022" in the CD&A section of this Proxy Statement. The SPMP was not offered with respect to fiscal 2022 bonus payouts.



The background of the slide features a close-up, high-contrast photograph of a pair of silver surgical scissors and a black comb. The scissors are positioned diagonally, with the handles in the upper left and the blades extending towards the lower right. The comb is placed horizontally, partially overlapping the scissors. The lighting creates strong highlights and shadows, emphasizing the textures of the metal and plastic.

## ITEM 3

# RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Upon the recommendation of the Audit Committee of the Board, the Board unanimously recommends a vote FOR ratification of the appointment of Grant Thornton LLP.

# RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Grant Thornton LLP to serve as our independent registered public accounting firm for the fiscal year ending June 30, 2023. Although not required, the Board wishes to submit the selection of Grant Thornton LLP for shareholders' ratification at the Annual Meeting. If the shareholders do not so ratify, the Audit Committee will reconsider its selection.

Representatives of Grant Thornton LLP are expected to participate in the Annual Meeting, will have the opportunity to make a statement if they desire, and are expected to be available to respond to appropriate questions.

**Upon the recommendation of the Audit Committee of the Board, the Board unanimously recommends a vote FOR ratification of the appointment of Grant Thornton LLP.**

## Audit Fees

Aggregate audit fees billed for professional services rendered by Grant Thornton LLP were \$835,000 for the year ended June 30, 2022, and \$701,500 for the year ended June 30, 2021. Such fees were primarily for professional services rendered for the audit of our consolidated financial statements as of and for the years ended June 30, 2022 and June 30, 2021, reviews of our unaudited condensed consolidated interim financial statements, accounting consultations required to perform an audit in accordance with generally accepted auditing standards, and consent and comfort letters for the At-The Market offering.

## Audit-Related Fees

There were no audit-related services rendered by Grant Thornton LLP in the years ended June 30, 2022 or 2021.

## Tax Fees

Aggregate non-audit related fees billed for tax services rendered by Grant Thornton LLP were \$35,201 for the year ended June 30, 2022 and \$30,379 for the year ended June 30, 2021. The tax fees were primarily for strategic tax planning, tax compliance, general tax consulting and assistance with income tax audits.

## All Other Fees

There were no other services rendered by Grant Thornton LLP in the years ended June 30, 2022 or 2021.

## Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has approved the engagement of Grant Thornton LLP to perform auditing services for the current fiscal year ending June 30, 2023. In accordance with Company policy, any additional audit or non-audit services must be approved in advance. All the professional services provided by Grant Thornton LLP during the year ended June 30, 2022 were approved or pre-approved in accordance with the policies of our Audit Committee.

# CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## Previous Independent Registered Public Accounting Firm

On December 7, 2020, the Audit Committee dismissed PricewaterhouseCoopers LLP, which had been serving as the independent registered public accounting firm. The reports of PricewaterhouseCoopers LLP on the consolidated financial statements as of and for the year ended June 30, 2020 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the year ended June 30, 2020 and the subsequent interim period through December 7, 2020, there were no disagreements between us and PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP, would have caused PricewaterhouseCoopers LLP to make reference thereto in their reports on the financial statements for such years.

During the year ended June 30, 2020 and the subsequent interim period through December 7, 2020, there have been no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except for the material weakness in internal control over financial reporting as we did not maintain effective controls over the derecognition calculation of the Company-owned stores goodwill reporting unit. This material weakness existed until the end of the quarter ended March 31, 2020 when the remaining goodwill associated with the Company-owned reporting unit was fully impaired and, as a result, the material weakness had been remediated.

## New Independent Registered Public Accounting Firm

Also as disclosed above, on December 7, 2020, the Audit Committee approved the engagement of Grant Thornton LLP, to audit our financial statements beginning with the year ended June 30, 2021, and again for the year ended June 30, 2022. During the year ended June 30, 2022 and the subsequent interim period through December 7, 2020, we did not consult with Grant Thornton LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and no written report or oral advice was provided that Grant Thornton LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a “disagreement” as that term is defined in Item 304(a)(1)(iv) of Regulation S-K or a “reportable event” as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

# AUDIT COMMITTEE REPORT

The Audit Committee reports to and assists the Board in providing oversight of the financial management, the independent auditor, and financial reporting procedures of the Company. Each member of the Audit Committee is “independent” within the meaning of applicable NYSE listing standards. The Audit Committee has adopted a written charter describing its functions, which has been approved by the Board.

Our management is responsible for preparing our financial statements and the overall reporting process, including our system of internal controls. Our independent auditor, Grant Thornton LLP, is responsible for auditing the financial statements and our system of internal controls over financial reporting and expressing opinions thereon.

In this context, the Audit Committee has met and held discussions with management and the independent auditor. Management represented to the Audit Committee that our consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditor. The Audit Committee discussed with the independent auditor matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (“PCAOB”) and the SEC.

In addition, the Audit Committee has received the written disclosures and the letter from the independent auditor required by applicable requirements of the PCAOB regarding the independent auditor’s communications with the Audit Committee concerning independence and has discussed with the independent auditor the independent auditor’s independence.

The Audit Committee discussed with the independent auditor the overall scope and plans for its audit. The Audit Committee meets with the independent auditor, with and without management present, to discuss the results of its examinations, the evaluations of our internal controls, and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the year ended June 30, 2022 for filing with the SEC. The Audit Committee has also recommended to the Board the selection of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2023.

Lockie Andrews  
David J. Grissen  
Michael J. Merriman, Chair  
M. Ann Rhoades  
*Members of the Audit Committee*

# CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During fiscal 2022, we were not a party to any related party transactions covered by the Exchange Act rules.

Our Related Party Transaction Approval Policy sets forth our policies and procedures for the review and approval of certain related party transactions by the Nominating and Corporate Governance Committee. The policy applies to any transaction, arrangement, or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements, or relationships in which the Company, or any of its subsidiaries, is or will be a participant and in which a related person has a direct or indirect interest, but exempts the following:

- Payment of compensation by the Company to a related party for the related party's service to the Company as a director, officer or employee;
- Transactions available to all employees or all shareholders of the Company on the same terms;
- Transactions that, when aggregated with the amount of all other transactions between the Company and the related party or any entity in which the related party has an interest, involve less than \$10,000 in a fiscal year; and
- Transactions in the ordinary course of the Company's business at the same prices and on the same terms as are made available to customers of the Company generally.

The Nominating and Corporate Governance Committee must approve any related party transaction subject to this policy before commencement of the related party transaction; provided, however, that if a related party is only first identified after it commences or first becomes a related party transaction, it must be brought to the Nominating and Corporate Governance Committee for approval or a determination that the transaction should be terminated. Alternatively, the Nominating and Corporate Governance Committee has delegated authority to its Chair to approve related party transactions if they arise between the Nominating and Corporate Governance Committee's meetings.

The Nominating and Corporate Governance Committee will analyze the following factors, in addition to any other factors it deems appropriate, in determining whether to approve a related party transaction:

- Whether the terms are fair to the Company;
- Whether the transaction is material to the Company;
- The role the related party has played in arranging the related party transaction;
- The structure of the related party transaction; and
- The interests of all related parties in the related party transaction

The Nominating and Corporate Governance Committee may, in its sole discretion, approve or deny any related party transaction. A transaction will be approved only if it the Nominating and Corporate Governance Committee determines that it is not inconsistent with the interests of the Company and our shareholders. Approval of a related party transaction may be conditioned upon the Company and the related party taking any actions that the Nominating and Corporate Governance Committee deems appropriate.

## DELINQUENT SECTION 16(A) REPORTS

Section 16(a) of the Exchange Act requires our directors, officers, and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership of our common stock with the SEC. Based on the information available to us during the fiscal year ended June 30, 2022, we believe that all applicable Section 16(a) reports were timely filed, except for (i) a Form 4 for Mr. Grissen reporting a grant of restricted stock units, (ii) a Form 4 for Mr. Doctor reporting a forfeiture of shares for tax withholding upon vesting, and (iii) a Form 4 for Mr. James Suarez reporting the grant of two equity awards, which were filed late due to administrative errors.



# SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of September 1, 2022, the ownership of our common stock by each shareholder who is known by us to own beneficially more than 5% of our outstanding shares, by each director and director nominee, by each named executive officer identified in the Summary Compensation Table, and by all current executive officers and directors as a group. Except as indicated below, the parties listed in the table have the sole voting and investment power with respect to the shares indicated. Unless otherwise indicated, the address for each person or entity named below is c/o Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. Our Company had 45,520,716 shares of common stock issued and outstanding as of September 1, 2022.

Name of Beneficial Owner or Identity of Group		Number of Shares Beneficially Owned <sup>1</sup> (#)	Percent of Class (%)
<b>More than 5% Shareholders</b>	Torch BRC, LP <sup>2</sup>	3,962,648	8.7
	Inspire Developers, LLC <sup>3</sup>	2,734,848	6.0
	Ameriprise Financial, Inc. <sup>4</sup>	2,647,794	5.8
	BlackRock, Inc. <sup>5</sup>	2,253,802	5.0
<b>Named Executive Officers</b>	Matthew Doctor	22,832	*
	Kersten D. Zupfer	63,944	*
	Jim B. Lain	75,763	*
	Felipe A. Athayde	0	*
<b>Directors and Nominees (in addition to Mr. Doctor, who is listed above):</b>	Lockie Andrews	32,878	*
	David J. Grissen	127,046	*
	Mark S. Light	90,683	*
	Michael Mansbach	33,803	*
	Michael J. Merriman	111,077	*
	M. Ann Rhoades	79,187	*
<b>All current executive officers, directors, and director nominees as a group (14 persons)<sup>6</sup></b>		<b>726,899</b>	<b>1.6</b>

\* less than 1%

1 Includes the following shares not currently outstanding but deemed beneficially owned because of the right to acquire them pursuant to restricted stock units that vest within 60 days or have vested but have not yet been distributed: 32,878 shares for Ms. Andrews, 127,046 shares for Mr. Grissen, 90,683 shares for Mr. Light, 33,803 shares for Mr. Mansbach, 101,077 shares for Mr. Merriman, 79,187 shares for Ms. Rhoades, and 11,396 shares for Ms. Zupfer.

2 Based on information in a Schedule 13D/A filed by Torch BRC, LP ("Torch") on November 16, 2021, Torch reported that Springhill Investments LLC ("Springhill") serves as the general partner of Torch, the James Grosfeld Trust under Agreement dated December 16, 1988, as amended (the "Grosfeld Trust") serves as the sole member of Springhill and James Grosfeld serves as the Trustee of the Grosfeld Trust. On the Schedule 13D/A, Torch reported that it had sole voting power over 0 shares, shared voting power over 3,962,648 shares, sole dispositive power over 0 shares, and shared dispositive power over 3,962,648 shares. As the general partner of Torch, Springhill may be deemed to exercise voting and investment power over the shares of Common Stock directly held by Torch. As the sole member of Springhill, Grosfeld Trust may be deemed to exercise voting and investment power over the shares of Common Stock directly held by Torch. As the Trustee of Grosfeld Trust, James Grosfeld may be deemed to exercise voting and investment power over the shares of Common Stock directly held by Torch. The address for each of the reporting persons is One Towne Square, Suite 1600, Southfield, MI 48076.

3 Based on information in a Schedule 13G filed by Inspire Developers, LLC ("Inspire") on August 2, 2022. Inspire reported sole voting power over 2,734,848 shares, shared voting power over 0 shares, sole dispositive power over 2,734,848 shares, and shared dispositive power over 0 shares. The address for Inspire is 118-17 Union Turnpike 19G, Forest Hills, NY 11375.

4 Based on information in a Schedule 13G filed by Ameriprise Financial, Inc. ("Ameriprise") on February 14, 2022, Ameriprise reported sole voting power over 0 shares, shared voting power over 2,640,096 shares, sole dispositive power over 2,253,802 shares, and shared dispositive power over 0 shares. The address for Ameriprise is 145 Ameriprise Financial Center, Minneapolis, MN 55474.

5 Based on information in a Schedule 13G/A filed by BlackRock, Inc. ("BlackRock") on February 9, 2022, BlackRock, reported sole voting power over 2,231,609 shares, shared voting power over 0 shares, sole dispositive power over 2,253,802 shares, and shared dispositive power over 0 shares. BlackRock is a parent holding company and holds the sole power to dispose or to direct the disposition of shares held by its subsidiaries BlackRock Advisors, LLC, Aperio Group, LLC, BlackRock Asset Management Canada Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, National Association, BlackRock Financial Management, Inc., and BlackRock Investment Management, LLC (collectively, the "BlackRock Subsidiaries"). None of the BlackRock Subsidiaries own more than 5% of the Company's outstanding shares of common stock. The address for BlackRock, Inc. is 55 East 52<sup>nd</sup> Street, New York, NY 10055.

6 See footnote 1 for information regarding the nature of certain indirect and deemed ownership of the shares included in this amount.

# USER'S GUIDE

## Annual Meeting of Shareholders, October 25, 2022

This Proxy Statement is furnished to shareholders of the Company in connection with the solicitation on behalf of our Board of proxies for use at the Annual Meeting, and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

The address of our principal executive office is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

### Availability of Proxy Materials

As permitted by rules adopted by the SEC, we are making our proxy materials, which include our Notice and Proxy Statement and Annual Report on Form 10-K, available to our shareholders over the Internet. We believe that this e-proxy process expedites our shareholders' receipt of proxy materials and lowers the costs and reduces the environmental impact of the Annual Meeting. In accordance with such SEC rules, we will send shareholders of record as of the close of business on August 29, 2022 a Notice of Internet Availability of Proxy Materials (the "Notice"), which mailing will commence on or about September 12, 2022. The Notice contains instructions on how shareholders can access our proxy materials and vote their shares over the Internet. If you would like to receive a printed copy of our proxy materials from us instead of downloading them from the Internet, please follow the instructions for requesting such materials included in the Notice.

### Participating in the Annual Meeting

The Annual Meeting will be held at 9:00 a.m. Central Time on October 25, 2022. The Annual Meeting will be conducted completely as a virtual meeting via the Internet. Shareholders may access the meeting and submit questions electronically during the meeting via live webcast by visiting [www.virtualshareholdermeeting.com/RGS2022](http://www.virtualshareholdermeeting.com/RGS2022). You are entitled to participate in the Annual Meeting if you were a stockholder as of the close of business on August 29, 2022, the record date, or hold a valid proxy for the meeting. Shareholders will need the 16-digit control number included in the Notice, on the proxy card, or in the instructions that accompanied the proxy materials to access the Annual Meeting. Shareholders may log in to the virtual meeting platform beginning at 8:45 a.m. Central Time on October 25, 2022. Shareholders of record and beneficial owners as of the record date may vote their shares electronically live during the Annual Meeting.

Shareholders may submit questions during the Annual Meeting at [www.virtualshareholdermeeting.com/RGS2022](http://www.virtualshareholdermeeting.com/RGS2022) or in advance of the meeting at [www.proxyvote.com](http://www.proxyvote.com) after logging in with your control number.

If you experience technical difficulties during the meeting or have trouble accessing the Annual Meeting, please call the technical support number that will be posted on the virtual shareholder meeting log in page.

### Solicitation and Revocation of Proxies

In addition to the use of the mail, proxies may be solicited personally or by mail, telephone, fax, email, Internet, or other electronic means by our directors, officers, and regular employees who will not be additionally compensated for any such services. Proxies may also be solicited by means of press releases and other public statements.

We will pay all solicitation expenses in connection with the Notice, this Proxy Statement and any related proxy soliciting material of the Board, including the expense of preparing, printing, assembling, and mailing such material.

Proxies to vote at the Annual Meeting are solicited on behalf of the Board. Any shareholder giving a proxy may revoke it at any time before it is exercised by participating in the Annual Meeting and revoking it or by providing written notice of revocation or by submitting another proxy bearing a later date to our Corporate Secretary at the address set forth above prior to the Annual Meeting. Such proxies, if received in time for voting and not revoked, will be voted at the Annual Meeting in accordance with the specifications indicated thereon. If a proxy is signed and returned and no direction is given, the proxy will be voted in accordance with the Board recommendation on each proposal, as set forth below.



## Voting at the Annual Meeting

If you are a shareholder of record as of the record date, you can vote your shares in any of the following ways:

- By Internet: You can vote via the Internet by following the instructions on the Notice or by accessing, before the meeting, [www.proxyvote.com](http://www.proxyvote.com) or, during the meeting, [www.virtualshareholdermeeting.com/RGS2022](http://www.virtualshareholdermeeting.com/RGS2022) and following the instructions contained on that website;
- By Telephone: In the United States and Canada, you can vote by telephone by following the instruction in the Notice or by calling 1-800-690-6903 and following the instructions; or
- By Proxy: You can vote by mail by requesting a full packet of proxy materials be sent to your home address. Upon receipt of the materials, you may fill out the enclosed proxy card and return it per the instructions on the card.

Unless you vote live at the Annual Meeting, we must receive your vote by 11:59 p.m. Central Time on October 24, 2022, the day before the Annual Meeting, for your vote by proxy to be counted.

## If You Hold Your Shares in "Street Name"

If you hold your shares in "street name," i.e., through a bank, broker, or other holder of record (a "custodian"), your custodian is required to vote your shares on your behalf in accordance with your instructions. If you do not give instructions to your custodian, your custodian will not be permitted to vote your shares with respect to "non-discretionary" items, such as the election of directors and the Say-on-Pay proposal. Accordingly, we urge you to promptly give instructions to your custodian to vote on these matters by following the instructions provided to you by your custodian. Please note that if you intend to vote your street name shares by participating in the Annual Meeting, you must provide a "legal proxy" from your custodian at the Annual Meeting.

## Definitions and Glossary

### Director Independence

With the adoption of our Corporate Governance Guidelines, the Board established independence standards in accordance with the requirements of the NYSE corporate governance rules. To be considered independent under the NYSE rules, the Board must affirmatively determine that a director or director nominee does not have a material relationship with us (directly, or as a partner, shareholder, or officer of an organization that has a relationship with us). In addition, no director or director nominee may be deemed independent if the director or director nominee has in the past three years:

- |  |  |
|--|--|
| ✓ Received (or whose immediate family member has received) more than \$120,000 per year in direct compensation from us, other than director or committee fees; | ✓ Been (or whose immediate family member has been) employed as an executive officer of another company whose compensation committee within the past three years has included a present executive officer of ours; or   |
| ✓ Been an employee of ours;  | ✓ Is currently an employee or executive officer (or has an immediate family member who is an executive officer) of another company that makes payments to us, or receives payments from us, for property or services in an amount that, in any single fiscal year, exceeds the greater of \$1.0 million or 2% of such other company's consolidated gross revenues. |
| ✓ Had an immediate family member who was an executive officer of ours;   |  |
| ✓ Been (or whose immediate family member has been) an affiliate or employee of a present or former internal or independent auditor of ours;                    |  |




## Voting Rights and Requirements

Only shareholders of record as of the close of business on August 29, 2022 will be entitled to sign proxies or to vote. On that date, there were 45,515,942 shares issued, outstanding, and entitled to vote. Each share of common stock is entitled to one vote. A majority of the outstanding shares present or by proxy at the Annual Meeting is required to transact business and

constitutes a quorum for voting on items at the Annual Meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted as being present at the Annual Meeting in determining the quorum, but neither will be counted as a vote in favor of a matter. A “broker non-vote” is a proxy submitted by a bank, broker or other custodian that does not indicate a vote for some of the proposals because the broker does not have or does not exercise discretionary voting authority on certain types of proposals and has not received instructions from its client as to how to vote on those proposals.

## Vote Required

The table below summarizes the proposals that will be voted on, the vote required to approve each item, voting options, how votes are counted and how the Board recommends you vote:

Proposal	Vote Required	Voting Options	Board Recommendation <sup>1</sup>	Broker Discretionary Voting Allowed <sup>2</sup>	Impact of Abstention
<b>Item 1</b> Election of the seven director nominees listed in this Proxy Statement	Majority of votes cast “FOR” must exceed “AGAINST” votes <sup>3</sup>	“FOR” “AGAINST” “ABSTAIN”	“FOR” 	No	None
<b>Item 2</b> Advisory “Say-on-Pay” vote	Majority of votes cast “FOR” must exceed “AGAINST” votes <sup>4</sup>	“FOR” “AGAINST” “ABSTAIN”	“FOR” 	No	None
<b>Item 3</b> Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal 2023	Majority of votes present in person or by proxy and entitled to vote on this item of business or, if greater, the vote required is a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the Annual Meeting	“FOR” “AGAINST” “ABSTAIN”	“FOR” 	Yes	“AGAINST”

- 1 If you are a registered holder and you sign and submit your proxy card without indicating your voting instructions, your shares will be voted in accordance with the Board's recommendation.
- 2 A broker non-vote will not count as a vote for or against a director or the Say-on-Pay vote. For Item 3, a broker non-vote will have no effect unless a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the Annual Meeting is required in order to approve the item, then a broker non-vote will have the same effect as a vote “AGAINST.”
- 3 In an uncontested election of directors at which a quorum is present, if any nominee for director receives a greater number of votes “AGAINST” his or her election than votes “FOR” such election, our Corporate Governance Guidelines require that such person must promptly tender his or her resignation to the Board following certification of the shareholder vote. Our Corporate Governance Guidelines further provide that the Nominating and Corporate Governance Committee will then consider the tendered resignation and make a recommendation to the Board as to whether to accept or reject the tendered resignation. The Board will act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee's recommendation, and publicly disclose its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the election. The nominee who tendered his or her resignation will not participate in the Board decisions. Cumulative voting in the election of directors is not permitted.
- 4 The advisory Say-on-Pay vote is not binding on us; however, we will consider the shareholders to have approved the compensation of our named executive officers if the number of shares voted “FOR” the proposal exceeds the number of shares voted “AGAINST” the proposal.

## Communications with the Board

Shareholders and other interested parties who wish to contact the Board, any individual director, or the independent directors as a group, are welcome to do so by writing to our Corporate Secretary at the following address: Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

Comments or questions regarding our accounting, internal controls, or auditing matters will be referred to members of the Audit Committee. Comments or questions regarding the nomination of directors and other corporate governance matters will be referred to members of the Nominating and Corporate Governance Committee.

## Proposals of Shareholders

Shareholders who intend to present proposals at the 2023 annual meeting of shareholders, and who wish to have such proposals included in our proxy statement for the 2023 annual meeting, must be certain that such proposals are received by us not later than May 15, 2023. Such proposals must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy statement for our 2023 annual meeting.

For shareholders who intend to present proposals or director nominees directly at the 2023 annual meeting and not for inclusion in our 2023 proxy statement, we must receive notice of such proposal not later than July 27, 2023 and not earlier than June 27, 2023, provided that in the event that the date of the 2023 annual meeting is more than 30 days before or more than 70 days after the anniversary date of the Annual Meeting, notice by the shareholder must be delivered not earlier than the close of business on the 120<sup>th</sup> day prior to the 2023 annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to the 2023 annual meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of such meeting is first made by us. Such proposals must meet the requirements set forth in our bylaws in order to be presented at our 2023 annual meeting. In addition to satisfying the foregoing requirements, to comply with the universal proxy rules, shareholders who intend to solicit proxies in support of director nominees other than the Board's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than August 26, 2023.

Proposals and notices of intention to present proposals at our 2023 annual meeting should be addressed to our Corporate Secretary, Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

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## Annual Report to Shareholders and Form 10-K

Our Annual Report to Shareholders and Form 10-K, including financial statements for the year ended June 30, 2022, is available on our website at [www.regiscorp.com](http://www.regiscorp.com). If requested, we will provide shareholders with copies of any exhibits to the Form 10-K upon the payment of a fee covering our reasonable expenses in furnishing the exhibits. Such requests should be directed to our Corporate Secretary, at our address stated herein.

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## Notice of Internet Availability of Proxy Materials

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on October 25, 2022.**

**The Notice and Proxy Statement and Annual Report on Form 10-K are available in the Investor Relations section of our website at [www.regiscorp.com](http://www.regiscorp.com).**

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## General

The Board knows of no other matter to be acted upon at the Annual Meeting. However, if any other matter is properly brought before the Annual Meeting, the shares covered by your proxy will be voted thereon in accordance with the best judgment of the persons acting under such proxy.

**Your vote is very important no matter how many shares you own.**

You are urged to read this Proxy Statement carefully and, whether or not you plan to attend the Annual Meeting, to promptly submit a proxy by telephone or through the Internet in accordance with the voting instructions provided to you.

By Order of the Board  
Andra J. Terrell  
*Corporate Secretary*  
September 12, 2022

## APPENDIX A: Non-GAAP Reconciliation

### REGIS CORPORATION

#### Reconciliation of Reported U.S. GAAP Net Loss To Adjusted EBITDA, A Non-GAAP Financial Measure (Dollars in thousands) (Unaudited)

#### Adjusted EBITDA

EBITDA represents U.S. GAAP net loss for the respective period excluding interest expense, income taxes and depreciation and amortization expense. The Company defines adjusted EBITDA, as EBITDA excluding identified items impacting comparability for each respective period. For the twelve months ended June 30, 2022, the items impacting comparability consisted of the items identified in the non-GAAP reconciling items below. The impacts of the income tax benefit (provision) adjustments associated with the above items are already included in the U.S. GAAP reported net loss to EBITDA reconciliation, therefore there is no adjustment needed for the reconciliation from EBITDA to adjusted EBITDA. For purposes of the fiscal 2022 AIC payouts under the Short Term Plan, adjusted EBITDA is further adjusted to exclude AIC and discretionary bonus payouts, as reflected below.

	<b>Twelve Months Ended June 30, 2022</b>
	<b>Consolidated</b>
<b>Consolidated reported net loss, as reported (U.S. GAAP)</b> .....	<b>\$ (85,857)</b>
Interest expense, as reported .....	12,914
Income taxes, as reported .....	2,017
Depreciation and amortization, as reported .....	6,224
Long-lived asset impairment, as reported .....	542
EBITDA (as defined above) .....	<b>\$ (64,160)</b>
Inventory reserve, as reported .....	7,655
CEO transition .....	(466)
Distribution center fees .....	285
Professional fees and settlements .....	2,140
Severance .....	2,074
Lease liability benefit .....	(3,620)
Lease termination fees .....	1,835
Real estate fees .....	40
Goodwill impairment, as reported .....	13,120
Non-recurring, non-operating income .....	(100)
Discontinued operations, net of tax .....	39,398
Loss from salon of salon assets to franchises, net .....	2,334
<b>Adjusted EBITDA, non-GAAP financial measure</b> .....	<b>\$ 535</b>
AIC and discretionary bonus payouts .....	<b>2,505</b>
<b>Adjusted EBITDA, further adjusted for Short Term Plan payouts</b> .....	<b>\$ 3,040</b>

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[www.regiscorp.com/investor](http://www.regiscorp.com/investor)



the 1990s, the number of people in the world who are under 15 years of age is projected to increase from 1.1 billion to 1.5 billion.

As the world's population grows, the demand for food and other resources will increase. This will put pressure on the environment and on the world's food supply.

One way to meet this demand is to increase the amount of land that is used for agriculture. This can be done by clearing more land for farming or by using more land for grazing.

Another way to meet this demand is to increase the efficiency of agriculture. This can be done by using more fertilizers and pesticides, or by using more advanced farming techniques.

There are many ways to meet the world's growing demand for food and other resources. It is important to find ways to do this that do not harm the environment or the world's food supply.

One way to do this is to use more sustainable farming practices. This means using practices that do not harm the environment and that can be used over and over again.

Another way to do this is to use more advanced farming techniques. This means using techniques that can produce more food with less land and fewer resources.

There are many other ways to meet the world's growing demand for food and other resources. It is important to find ways to do this that do not harm the environment or the world's food supply.

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