REGIS CORP
Form 424B5
July 10, 2009

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-160438

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee
5.0% Convertible Senior Notes due 2014	$172,500,000(1)	$9,625.50(2)
Common Stock, $0.05 par value per share	(3)	(3)
Rights to purchase Series A Junior Participating Preferred Stock, $0.05 par value per share	(4)	(4)

(1) Includes principal amount of 5.0% Convertible Senior Notes due 2014 which may be purchased by the underwriters to cover overallotments.

(2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

(3) Includes an indeterminate number of shares of the registrant's common stock issuable upon conversion of the 5.0% Convertible Senior Notes being registered hereby or in connection with a stock split, stock dividend, recapitalization or similar event for which no registration fee is payable pursuant to Rule 457(i).

(4) One preferred share purchase right will attach to and trade with each share of the registrant's common stock. Those rights are also covered by this registration statement and the value attributed to them, if any, is reflected in the market price of the registrant's common stock.

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PROSPECTUS

$150,000,000

Regis Corporation

5% Convertible Senior Notes due 2014

We are offering $150,000,000 aggregate principal amount of our 5% Convertible Senior Notes due 2014. Interest on the notes will accrue from July 14, 2009 and will be payable semi-annually in arrears on January 15 and July 15 of each year, beginning January 15, 2010. The notes will mature on July 15, 2014, unless earlier repurchased by us or converted.

Holders may convert their notes at their option prior to the close of business on the business day immediately preceding April 15, 2014 only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2009, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after April 15, 2014 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof at our election as described in this prospectus. The initial conversion rate for the notes will be 64.6726 shares of our common stock per $1,000 principal amount of notes, equivalent to an initial conversion price of approximately $15.46 per share of common stock. Such conversion rate will be subject to adjustment in certain events but will not be adjusted for accrued interest.

Following certain corporate transactions, we will increase the applicable conversion rate for a holder that elects to convert its notes in connection with such corporate transactions by a number of additional shares of our common stock as described in this prospectus.

We may not redeem the notes prior to their stated maturity date.

If we undergo a fundamental change, as defined in this prospectus, holders may require us to purchase all or a portion of their notes for cash at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change purchase date, as defined herein.

The notes will be our senior unsecured obligations, will be equal in right of payment with our other senior unsecured debt and will be senior in right of payment to our debt that is expressly subordinated to the notes, if any. The notes will also be structurally subordinated to all debt and other liabilities and commitments (including trade payables) of our subsidiaries. The notes will also be effectively junior to our secured debt, if any, to the extent of the assets securing such debt.

The notes will not be listed on any securities exchange. Our common stock is listed on the New York Stock Exchange under the symbol "RGS". On July 8, 2009, the last reported sale price of our common stock on the New York Stock Exchange was $12.37 per share.

Concurrently with this offering, under a separate prospectus, we are offering 11,500,000 shares of our common stock (or 13,225,000 shares of our common stock if the overallotment option granted to the underwriters in that offering is exercised in full). Neither offering will be contingent on the completion of the other.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 12 of this prospectus.

	Per Note	Total
Per offering price(1)	100%	$150,000,000
Underwriting discount	3%	$ 4,500,000
Proceeds, before expenses, to Regis	97%	$145,500,000

(1) Plus accrued interest from July 14, 2009 if settlement occurs after that date

We have granted the underwriters the right to purchase up to an additional $22,500,000 principal amount of the notes within 30 days of the date of this prospectus solely to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to purchasers in book-entry form through The Depository Trust Company on or about July 14, 2009.

Joint Book-Running Managers

Merrill Lynch & Co. **Credit Suisse**

The date of this prospectus is July 8, 2009.

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You should rely only on the information contained or incorporated by reference in this prospectus and any free writing prospectus required to be filed with the SEC. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus, any such free writing prospectus and the documents incorporated by reference herein or therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

ABOUT THIS PROSPECTUS

Except as the context otherwise requires, or as otherwise specified or used in this prospectus, the terms "we," "our," "us," "the Company" and "Regis" refer to Regis Corporation and its subsidiaries.

The distribution of this prospectus and the offering and sale of the notes in certain jurisdictions may be restricted by law. Persons who come into possession of this prospectus should inform themselves about and observe any such restrictions. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

You should not consider any information in this prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding the purchase of the notes. We are not, and the underwriters are not, making any representation to you regarding the legality of an investment in the notes by you under applicable investment or similar laws.

You should read and consider all information contained or incorporated by reference in this prospectus before making your investment decision.

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SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus. Because this is a summary, it does not contain all of the information that may be important to you. For a more complete understanding of our business and this offering, you should read this entire prospectus, including the "Risk Factors" section, and the financial statements and other documents incorporated by reference in this prospectus.

The Company

We are the hair care industry's global leader. As of March 31, 2009, we owned, franchised or held ownership interests in 12,800 worldwide locations, consisting of 10,046 company-owned and franchise salons, 95 hair restoration centers and approximately 2,700 locations in which we maintain an ownership interest of less than 100%. These world wide locations operate under concepts such as *Supercuts*, *Jean Louis David*, *Sassoon*, *Regis Salons*, *MasterCuts*, *SmartStyle*, *Cost Cutters* and *Hair Club for Men and Women*. These and other concepts are located in the U.S. and in fifteen other countries throughout North America and Europe.

We are organized to manage our operations based on significant lines of business salons and hair restoration centers. Salon operations are managed based on geographical location North America and international. As of March 31, 2009, our North American salon operations were comprised of 7,552 company-owned salons and 2,038 franchise salons operating in the United States, Canada and Puerto Rico and our international operations were comprised of 456 company-owned salons. Our hair restoration centers, which operate under the trade name *Hair Club for Men and Women*, are located in the United States and Canada. During the nine months ended March 31, 2009, our sales totaled $1.8 billion, of which 75.8% was generated from service revenues, 22.6% was generated from product revenues, and 1.6% was generated from royalties and fees.

We are incorporated in the State of Minnesota and have our principal executive office at 7201 Metro Boulevard, Edina, Minnesota 55439. Our telephone number is (952) 947-7777.

Competitive Strengths

Industry Leading Hair Care Provider: We believe we are the leading global provider of hair care and hair restoration services. With 12,800 worldwide locations at March 31, 2009, we believe we are approximately 10 times larger than our closest competitor based on revenues. We estimate that as of March 31, 2009, we held approximately two percent market share of the $160 billion to $170 billion global hair care industry.

Compelling Portfolio of Salon Concepts: The strength of our salon business is in the different demographics to which our salon concepts broadly appeal which allows flexibility and multiple salon concept placements in shopping centers and neighborhoods. Our various salon and product concepts operate in a wide range of retailing environments, including shopping malls, strip centers and Wal-Mart Supercenters. Although each concept generally targets the middle market customer, each attracts a different demographic with average tickets ranging from $16 to $40.

Recognized Brand in Hair Restoration: Our *Hair Club for Men and Women* centers are a well known brand in the industry that we believe customers associate with quality and safety. It is also one of the two largest hair restoration providers in the United States.

Unique Customer Experience: We believe we offer our customers consistent, high quality service and products. We are committed to meeting our customers' hair care needs by providing competitively priced services and products with professional and knowledgeable stylists. Our operations and marketing emphasize high quality services to create customer loyalty, to encourage referrals and to distinguish our salons from our competitors.

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Ability to Attract and Retain Stylists: We have an extensive hands-on training program for our stylists which emphasizes both technical training in hairstyling and cutting, hair coloring, waving and hair treatment regimes as well as customer service and product sales. Our comprehensive training programs are designed to ensure that customers receive professional and quality services, which results in more repeat customers, referrals and product sales. Recruiting quality managers and stylists is essential to the establishment and operation of successful salons. We recruit or develop and promote from within those stylists that display initiative and commitment. We have been successful in recruiting capable managers and stylists. We believe that our compensation structure for salon managers and stylists is competitive within the industry. Stylists benefit from our high-traffic locations and receive a steady source of new business from walk-in customers.

Economies of Scale: Due to our size and number of locations, we believe that we have certain advantages which are not available to single location salons or small chains. We have developed a comprehensive point of sale system and centralized support system to maximize efficiencies across our portfolio of salons and hair restoration centers, that, among other benefits, helps us accumulate and monitor service and product sales trends and manage salon payroll costs via staffing. Additionally, our size and number of locations allow us to achieve purchasing synergies, national tenant status, enter into national contracts and gain efficiencies through operating a centralized back office function.

Experienced Management Team: Our executive management team, which is comprised of 6 senior executives, has an average of over 25 years of experience with our Company. We believe our management's depth of experience has been an important factor in our ability to grow our store base at a compound annual growth rate of 18% since fiscal 1994.

Key Growth Strategies

Our growth strategy consists of two primary, but flexible, components. Through a combination of organic and acquisition growth, we seek to achieve our long-term objective of six to ten percent annual revenue growth. We anticipate that going forward the mix of organic and acquisition growth will be roughly equal. However, depending on several factors, including the ability of our salon development program to keep pace with the availability of real estate for new construction, hair restoration lead generation, the availability of attractive acquisition candidates and same-store sales trends, this mix will vary from year to year.

Due to current economic conditions we have recently reduced the pace of our new store development and salon acquisitions. We expect to continue with our historical trend of building and/or acquiring 700 to 1,000 salons each year once the economy normalizes.

We believe the following are key elements to our long term growth strategy:

Continue Organic Salon Growth: Organic salon revenue growth is achieved through the combination of new salon construction and salon same-store sales increases. We have salons in all major cities in the U.S. and have penetrated every viable U.S. market with at least one concept. However, because we have a variety of concepts, we can place several of our salons within any given market. Additionally, we believe our size and scale allows us to effectively manage rising labor costs and inflation, as well as to improve average ticket.

Continue Salon Acquisitions: With an estimated two percent worldwide market share as of March 31, 2009, we believe the opportunity to continue to make selective acquisitions exists. As the largest consolidator of salons as of that date, we can be selective about the acquisition opportunities we pursue. Furthermore, our infrastructure and scale provide us with the ability to identify attractive acquisition opportunities and allow us to meaningfully reduce costs of acquired salons. From fiscal year 1994 to March 31, 2009, we acquired 8,020 salons, net of franchise buybacks.

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Grow our Hair Restoration Business: Our hair restoration center expansion strategy focuses on successfully converting new leads into customers at existing centers, broadening the menu of services and products at each location and, to a lesser extent, new center construction, as well as opportunistic acquisition growth. The hair restoration industry is comprised of a highly-fragmented group of approximately 4,000 locations. This landscape provides an opportunity for consolidation. Given the existing coverage of *Hair Club for Men and Women* locations, it is anticipated that transactions may involve the acquisition of customer lists, rather than physical locations.

Recent Developments

In connection with this offering and the concurrent common stock offering, we have undertaken several initiatives aimed at reequitizing and deleveraging our balance sheet. We have amended our revolving credit facility and term loan facility and private shelf facility in order to provide relief with respect to certain covenants, particularly by lowering our fixed charge coverage ratio requirement from 1.5 to 1.3 times. As of March 31, 2009, our fixed charge coverage ratio was 1.61 times. As a result of the amendments, the capacity under our revolving credit facility has been reduced from $350 million to $300 million and we expect the coupon rate on our credit facilities and private placement notes to initially increase by a range of 0% to 1.75%, with an expected weighted average increase of 1.1%. Additionally, we plan to use the net proceeds of these offerings to repay $267 million aggregate principal amount of certain of our outstanding senior notes. We have negotiated to prepay these notes with a premium over their principal amount that is less than the current make-whole premium. We believe that these initiatives strengthen our balance sheet, improve our leverage ratios and provide additional flexibility to resume our long-term growth strategy when the economy recovers or when customer visitation patterns normalize. These initiatives are contingent upon the completion of this and the concurrent common stock offerings and certain other conditions in the amendments.

Our consolidated revenues decreased 2.5% in the fourth fiscal quarter of 2009 to $625 million, compared to $641 million a year ago. As expected, our fourth quarter total same-store sales decreased 4.0%. Our fiscal year 2009 same-store sales decreased 3.1%.

We believe that our total debt at the end of fiscal 2009 is expected to be between $635 million and $650 million, significantly below the previously announced goal of $700 million. Our debt was $807 million as of September 30, 2008. The debt reduction was primarily the result of reducing overhead expenses, efficiently managing working capital and international cash balances, and reducing capital expenditures for new stores and acquisitions.

Certain items may result in non-cash charges in our fourth quarter. We are implementing an initiative to improve U.K. profitability by closing underperforming salons. The economy has been particularly hard on our U.K. operations and there are up to 80 unprofitable salons which we are now attempting to close. We believe the closure of these salons will add to our future profitability. We expect to record a non-cash fixed asset write-off in the fourth quarter of approximately $3.5 million related to these closures. Also, we have a 30% ownership interest in Provalliance, the largest operator and franchisor of hair salons on the European continent. Until recently, this business had been fairly resilient to the economic slow down; however, in more recent periods the economy has had a significant impact and we are now expecting the economy to negatively impact the Provalliance results of operations for 2009, which may result in a non-cash charge which may be material to this investment. In addition, the earnings of Provalliance, and our reported non-cash 30% equity interest in earnings reported in the fourth quarter, are expected to be well below our historical reported results and our initial expectations. The Provalliance results are reported in our income statement as an equity investment below operating income.

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The following tables list our fourth quarter and fiscal year revenue and same store sales information:

Fourth Quarter Revenues:

Premier Salons Beauty, Inc. ("Premier") purchased Trade Secret, Inc. from us on February 16, 2009. The agreement included a provision that we will supply product to Premier at cost for a transition period of approximately six months following the date of the sale, with possible extension to not more than eleven months. Reported fourth quarter 2009 North American product revenues include $20 million of sales to Premier at our cost. These sales favorably impacted our consolidated total revenue growth by 3.1% and consolidated product revenue growth by 14.3%.

	For the Three Months Ended June 30, 2009			
	Salons			
	North America	International	Hair Restoration Centers	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ 416,521	$ 33,593	$ 16,540	$ 466,654
Product	97,188	12,387	18,727	128,302
Product sold to Premier	19,640			19,640
Royalties and fees	9,492		631	10,123
Total	$ 542,841	$ 45,980	$ 35,898	$ 624,719

	For the Three Months Ended June 30, 2008			
	Salons			
	North America	International	Hair Restoration Centers	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ 428,518	$ 46,954	$ 16,259	$ 491,731
Product	102,402	16,799	18,502	137,703
Royalties and fees	10,127		977	11,104
Total	$ 541,047	$ 63,753	$ 35,738	$ 640,538

Fourth Quarter Same-Store Sales:

	For the Three Months Ended June 30,					
	2009			2008		
	Service	Retail	Total	Service	Retail	Total
Regis Salons	-10.0%	-16.2%	-11.0%	-0.1%	-5.1%	-0.9%
MasterCuts	-1.8	-7.6	-2.8	5.9	-6.9	3.4
Supercuts	1.1	-0.1	1.0	4.4	3.1	4.3
Promenade	-3.6	-9.4	-4.2	3.2	2.8	3.1
SmartStyle	0.3	-0.5	0.1	6.5	-2.1	3.6
Domestic Same-Store Sales	-3.5%	-5.8%	-3.9%	3.4%	-2.0%	2.4%
International Same-Store Sales	-7.3%	-4.9%	-6.6%	-4.6%	-4.3%	-4.5%

Hair Restoration Same-Store Sales	-2.3%	-0.5%	-1.4%	3.7%	2.0%	2.8%
Consolidated Same-Store Sales	-3.7%	-5.0%	-4.0%	2.7%	-1.9%	1.7%

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International same-store sales for the quarter represent the 16-week period ended June 27, 2009 versus the 16-week period ended June 28, 2008.

Fiscal Year Revenues:

Premier purchased Trade Secret, Inc. from us on February 16, 2009. The agreement included a provision that we will supply product to Premier at cost for a transition period of approximately six months following the date of the sale, with possible extension to not more than eleven months. Reported fiscal year 2009 North American product revenues include $32 million of sales to Premier at our cost. These sales favorably impacted our consolidated total revenue growth by 1.3% and consolidated product revenue growth by 5.8%.

For the 12 Months Ended June 30, 2009

	Salons North America	Salons International	Hair Restoration Centers	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$1,646,258	$ 122,672	$ 65,138	$ 1,834,068
Product	402,124	48,901	72,795	523,820
Product sold to Premier	32,237			32,237
Royalties and fees	37,114		2,509	39,623
Total	$2,117,733	$ 171,573	$ 140,442	$ 2,429,748

For the 12 Months Ended June 30, 2008

	Salons North America	Salons International(1)	Hair Restoration Centers	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$1,635,238	$ 165,379	$ 61,873	$ 1,862,490
Product	414,909	67,078	69,299	551,286
Royalties and fees	39,599	23,606	4,410	67,615
Total	$2,089,746	$ 256,063	$ 135,582	$ 2,481,391

(1) On January 31, 2008, we merged our continental European franchise salon operations with the Franck Provost Salon Group.

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Fiscal Year Same-Store Sales:

	For the 12 Months Ended June 30,					
	2009			2008		
	Service	Retail	Total	Service	Retail	Total
Regis Salons	-8.2%	-13.3%	-9.0%	0.7%	0.0%	0.5%