

Regis Corp.

Company Description: Regis is the world's largest participant in the \$170 billion hair care industry. It operates and franchises 10,140 locations worldwide, including 9,684 locations in the US. Regis is based in Minneapolis, MN.

Consumer- Retail August 13, 2009

Initiating Coverage with Hold Rating and \$15.50 Target (RGS - \$15.18) HOLD

Key Points

- We are initiating research coverage on Regis with a HOLD rating and \$15.50 target price.
- Regis recently recapitalized the balance sheet through debt and equity offerings.
- Regis is poised to benefit from an economic recovery and/or improving customer trends. We are specifically watching sales activity the next several months to quarters to judge a turn in what has been a lengthy difficult period for Regis's comps and overall sales results.
- Our model provides FY 2010 EPS of \$1.06, which is below the consensus estimate of \$1.21.
- Our target price assumes a multiple of 14.65 times FY 2010 EPS of \$1.06.

We are initiating research coverage on Regis with a HOLD rating and \$15.50 target price.

Regis recently completed public offerings of debt and equity, recapitalizing the company's balance sheet and positioning operations for renewed growth. Regis sold \$172.5 million in convertible notes yielding 5% and 13.225 million common shares at \$12.37 a share. The notes are convertible into 64.6726 shares per \$1,000 of face value. RGS was close to violating some of its debt covenants, and these offerings sharply reduced such risks.

Regis is poised to benefit from an economic recovery and stabilization (and eventually improvements) in its same-store sales trends. Same-store sales trends turned sharply negative at RGS starting with the FY 2009 1Q. As we are about to anniversary that period, we believe investor interest will heighten as expectations for better same-store sales comparisons rise. We caution, however, that the 2010 1Q could prove another tough quarter.

Our model provides FY 2010 EPS of \$1.06, which is below the consensus estimate of \$1.21. The dilution caused by primarily the equity offering is sharply magnifying a 19% reduction in net income. The share count increases from 43.2 million in FY 2009 to 55.8 million in FY 2010, an increase of 29%. We assume that EPS comparisons will be negative all four quarters of FY 2010, but believe net income could show positive comparisons in the 2010 4Q.

Our target price of \$15.50 assumes a multiple of 14.65 times FY 2010 EPS of \$1.06. For purposes of valuation we compare RGS to other Lifestyle Retailers. This group is presently trading at 17.2 times estimated 2009 EPS. Given that RGS will report lower net income and EPS in FY 2010 and the Lifestyle Retailing group in general will show positive EPS comparisons, we believe RGS should trade at a discount to this group; our target multiple represents a 15% discount to the average.

INVESTMENT THESIS

Regis is the world's largest participant in the \$170 billion hair care industry. It operates and franchises 10,140 locations worldwide, including 9,684 locations in the US. Recent results have been strained as consumers have lengthened the frequency between visits and decreased the services offered per transaction. We believe the upcoming September 15 anniversary of last year's start to the financial crisis could signal a turn in RGS operations as same-store sales comparisons become quite easy after that. Our HOLD rating reflects caution on Regis stock until we see visible evidence of a turn in sales trends.

Please see important disclosures on pages 9 to 11

Financial Summary

Rev(mil)	2008A	2009E	2010E
Sep	\$607	\$614A	\$589E
Dec	\$615	\$587A	\$566E
Mar	\$619	\$604A	\$582E
Jun	\$641	\$605A	\$585E
FY	\$2,481	\$2,410A	\$2,321E
P/Sales	0.34x	0.35x	0.37x

EPS	2008A	2009E	2010E
Sep	\$0.40	\$0.39A	\$0.21E
Dec	\$0.43	\$0.36A	\$0.20E
Mar	\$0.44	\$0.50A	\$0.31E
Jun	\$0.56	\$0.46E	\$0.33E
FY	\$1.81	\$1.71E	\$1.06E
P/E	8.4x	8.9x	14.3x

Price:	\$15.18
52-Week Range:	\$31.96 - \$8.21
Target:	\$15.50
Rating:	HOLD
Shares Outstanding:	56.1 mil
Mkt. Capitalization:	\$852 mil
Ave. Volume:	1,172,000
Instit. Ownership:	67%
BV / Share:	\$18.69
Debt / Tot. Cap.:	42%
Est. LT EPS Growth:	12%

INDUSTRY OVERVIEW

Regis Salons operates in the \$170 billion Hair & Nail Salon Industry (\$56 billion in the U.S.), which is comprised of over 650,000 enterprises and employs over 1 million people in the U.S. alone. According to IBIS World, overall industry revenue is expected to decline 3.7% in 2009 and enterprises are expected to decline 1.5% due to increasing unemployment and reduction in disposable income. According to Nails Magazine, in 2008, 27.3% of salons were full service, 62.6% were nails-only and 4.2% were a day spa, while 2.5% worked from home. 0.5% offered mobile services and 0.3% operated from a hotel/resort. Other represented 2.6%. Within the Hair & Nail Industry there are three main product and service segments: 1.) Hair Care Services; 2.) Nail Salons; and 3.) Barber Shops.

Hair Care Services

Hair Care services account for 91.5% of industry revenue. Revenues from hair salons account for 79% of revenue, while nail services account for 4.5%. Nail services are included due to it being not a freestanding unit doing only nail services. The rest of the industry revenue is made up from 3.9% of rental income from leased stations, 5.3% merchandise sales, 0.9% weight reducing programs, and other sales revenue accounts for the remainder.

Nail Salons

Stand alone independent contractor Nail Salons account for 5.4% of industry revenue. Revenue from nail services accounts for 95.5% of total revenue, while hair service accounts for 0.6%. 1.1% is made up from rental income of leased stations and booths within beauty salons and merchandise sales account for 0.7%.

Barber Shops

Barber shops account for 3.1% of industry revenue. The overall amount of barbershops have been decreasing substantially over the years from 4,060 in 2002 down from 4,242 1997 and since then it has fallen further. 94.4% revenue was derived from 94.4% and 3.6% from the rental of leased stations.

The industry derives most of its revenue from households. Women account for roughly 66% of the total expenditure on hair care and beauty treatments, given their greater use of higher value added services and their overall greater frequency of use. While 34% of industry revenue is from men the number of men using salons has been increasing annually.

Industry growth has slumped over the past year due to the overall economic conditions. The Hair & Nail Salon Industry is affected by changes in disposable household income, interest rates, gasoline prices, consumer expenditure and sentiment. Over the past year the economic recession has been the dominant factor in influencing the industry, particularly unemployment. Because of this consumers have been cutting back on the amount of times visiting a salon, as well as the purchase of higher prices value added services.

Competition

The Hair and Nail Salon Industry is highly fragmented and competition is increasing. The biggest basis for competition in the industry is price-based, because of the amount of operators and ease of entry into the industry. Other competition occurs from quality of service, client satisfaction, consistency and convenience. The industry has a low level of ownership concentration, despite there being a number of chains and franchised operators. It mainly comprises small business, single salon owner/operators. Franchised salons may also have a competitive advantage from branding, marketing and promotions, product supply and salon management and operational support. There are considerable entry barriers for chains to expand nationally because of the difficulty to establish systems and infrastructure, leasing sites, and recruiting quality hair professionals.

Great Clips

Great Clips is the largest single brand hair salon chain in the United States and Canada, founded in Minneapolis in 1982 and run through franchising. Great Clips has more than 2,700 salons throughout the U.S. and Canada employee almost 30,000 stylists. Great clips grew rapidly during the 1990's and 2000's going from 150 salons in 1988 to 1000 by 1997 and to where they are today.

Fantastic Sams

Fantastic Sams is another one of the world's largest single brand salon franchises, with over 1350 salons located throughout North America. Fantastic Sams was founded in 1974 by Sam Ross in Memphis, Tennessee and began franchising salons two years after being founded. Fantastic Sams focuses on providing quality service and style, at a affordable price.

Hair Cuttery

Hair Cuttery was founded in 1974 in West Springfield, Virginia by Dennis and Anne Ratner. Ratner Companies operates Hair Cuttery as well as BUBBLES, Salon Cielo and Spa, ColorWorks, and Salon Plaxa. Today Hair Cuttery has over 800 salons focusing on the U.S. East Coast, Chicago and the United Kingdom in suburban locations. Hair Cuttery is a full service salon providing over 18 million services a year.

Sally Beauty

Sally Beauty Holdings is a specialty retailer and distributor of professional beauty supplies. Sally Beauty Holdings has over 3,500 stores of which 200 are franchised units, throughout the U.S., Canada, Europe, Mexico, and Japan. Sally Beauty Holding operates in two segments, Sally Beauty Supply and Beauty Systems Group. Sally Beauty Supply is a domestic and international chain that provides beauty supplies to both salon professionals and customers. Beauty Supply Group is a beauty supply distributor that provides products directly to salons. In total Sally Beauty stores offer more than 5,000 products and Beauty Supply Group offers up to 9,800 products for company revenues of over \$2.5 billion annually.

Ulta

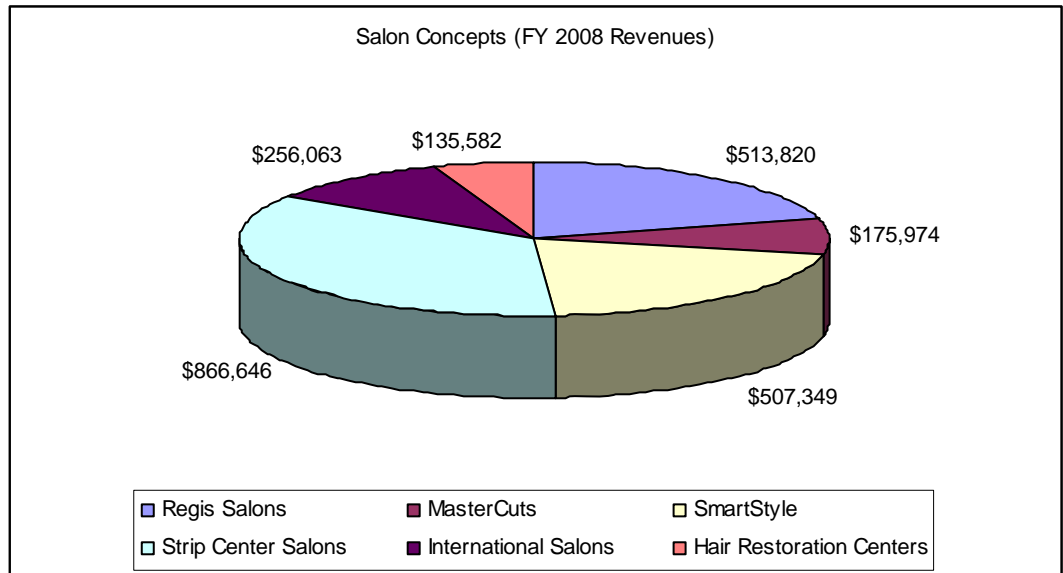
Ulta Salon Cosmetics & Fragrance is a beauty retailer that provides one-stop shopping for prestige, mass and salon products and salon services in the U.S. Ulta operates over 300 stores across 30 states with a third of the stores located in Illinois, Texas, and California with revenues of over \$1 billion. Ulta offers more than 21,000 products including cosmetics, fragrances, skin and hair products and appliances, massages, waxing, hair salon services and other beauty and spa treatments.

COMPANY OVERVIEW

Regis operates six main concepts: Regis Salons, MasterCuts, SmartStyle, Strip Center Salons, International Salons, and Hair Restoration centers. Regis has traditionally grown these brands through an aggressive combination of franchising, internal unit development, and acquisitions, and the company presently has the infrastructure in place to resume such growth when the economic environment improves. Management is seasoned both within the industry and company. The Company's operational headquarters is in suburban Minneapolis, MN.

Salon Concepts

Regis Corporation operates within North America and internationally in Europe. North America salon operations consist of 10,141 salons with 2,038 being franchised salons. Internationally there are another 456 salons located in Europe, primarily based in the United Kingdom. Regis also has investments in affiliates with over 2,700 salons worldwide. In a typical year the company's goal is to acquire several hundred salons, but the concepts of the acquisitions will vary based on opportunities that occur each particular year. Stores are typically in smaller footprints with 1,100-2,000 sq. feet, with new stores and acquisitions having a 3-4 year payback. Within Regis Corporation there are 6 main store concepts: Regis Salons, MasterCuts, SmartStyle, Strip Center Salons, International Salons, and Hair Restoration Centers. The previous other main store concept Trade Secret was sold on February 16, 2009 which contributed \$257.9 million in revenue for Regis Corporation in for the FY 2008.



Regis Salons

Regis Salons are primarily mall based and full service salons with customer styling, cutting, hair coloring, and professional hair care services. 78% of customers are women with the average ticket being approximately \$39. In FY2008 Regis Salons generated \$513.8 million in revenue and as of the last quarter had 1,074 salons. An average matured store has revenues of \$460,000 per year. Included within the Regis Salons concept are the trade names of Carlton hair, Sassoon, Mia & Maxx Hair Studios, and Hair by Stewarts and Heidi's.

MasterCuts

MasterCuts is another full service salon, but focuses more on walk-ins with affordable prices and time savings for the family. The customer mix is split 50/50 between men and women with the average ticket being around \$18. In FY2008 MasterCuts generated \$176 million in revenue and as of the last quarter had 610 salons. An average mature store has revenues of \$290,000 per year.

SmartStyle

SmartStyle salons are located exclusively in Wal-Mart Supercenters. Pricing and service are focused around the family with full service offerings such as custom styling, cutting, hair coloring, and professional hair care products. 76% of customers are women with an average ticket of \$19. In FY2008 Smart Style generated revenue of \$507.3 million in revenue and as of the last quarter had 2,409 salons. An average mature store has revenues of \$275,000.

Strip Center Salons

The main Strip Center Salons are Supercuts, Cost Cutters, and Promenade Salons. All of the Strip Center locations are focused on providing convenient times and locations for all family members at an affordable price. As of the last quarter there were 5,497 strip center locations with FY2008 revenues of \$866.6 million. Average ticket prices range between \$15 and \$18 with average mature store revenue between \$240,000 and \$288,000.

International Salons

The international salons are located primarily in the United Kingdom under the Supercuts, Regis, and Sassoon concepts. These salons offer many of the same services as in the United States and as of the last quarter there were 456 locations. In FY2008 International Salons generated \$256.1 million and an average mature store has revenues of £222,000.

Hair Restoration Centers

In December of 2004, Regis Corporation acquired Hair Club for Men and Women which is in a \$4 billion domestic market. Regis Corporation's plan is to expand this business organically and through acquisitions to add revenue to the salon business. In FY2008 Hair Restoration Centers generated \$135.6 million in revenue and as of the last quarter there were 95 locations.

Location Count (as of 3/31/09)			
	Co-owned	Franchised	Total
Regis	1,074		1,074
MasterCuts	610		610
SmartStyle	2,287	122	2,409
Supercuts	1,117	1,015	2,132
Promenade	2,464	901	3,365
UK	456	0	456
Hair Club	62	33	95
Affiliates	633	2,080	2,713
Total	8,703	4,151	12,854

Management

Myron Kunin, Vice Chairman of the Board of Directors. Myron Kunin has served as Vice Chairman of the Board of Directors since 2004. In October of 2008 Mr. Kunin retired from the Board of Directors and as an officer of Company. He was CEO from 1965 to July of 1996. He was a director of the Company since its inception in 1954.

Paul Finkelstein, Chairman of the Board of Directors and CEO. Mr. Finkelstein has served in his current role as Chairman of the Board of Directors and CEO since 2004. Prior to that Mr. Finkelstein was President and CEO from 1996 to 2004 and was President and COO from 1988 to 1996. Mr. Finkelstein served as the Vice President from 1987 to 1998.

Randy Pearce, Senior Executive Vice President, Chief Financial and Administrative Officer. Mr. Pearce has been with Regis since 1991. Mr. Pearce has been the Senior Executive Vice president since 2006 and served as the Executive Vice President from 1999 to 2006. Mr. Pearce has been the Chief Administrative Officer position since 1999 and Chief Financial Officer since 1998. Mr. Pearce was also the Senior Vice President of Finance from 1998 to 1999, Vice resident of Finance from 1995 to 1997 and Vice President of Financial Reporting from 1991 to 1994.

Kris Bergly, Executive Vice President and Corporate Chief Operating Officer. Mr. Bergly has served as Executive Vice President of Regis Salons, Promenade Salon Concepts, Supercuts, Inc. and MasterCuts and Corporate Chief Operating Officer. Mr. Bergly has served as the Chief Operating Officer of MasterCuts from 2005 to 2006 and Promenade Salon Concepts from 1998 to 2006. Mr. Bergly has also served as the Vice President of Salon Operations from 1993 to 1998 and other roles within the company from 1977 to 1997.

OUTLOOK

Regis recent note and equity offerings have repositioned the stock, taking away near-term default risk due to covenant violations while enhancing the company's opportunities to accelerate growth when industry sales trends turn. Comps have been trending negatively for the last year, and we are hopeful that a trend towards breakeven may start as soon as the month of September. Eventually, we believe a more robust growth rate, positive comps and the resulting operational leverage could drive earnings at a reasonably attractive growth rate. Our FY 2010 EPS estimate of \$1.06 reflects the present dilution of the note and equity offerings and assumes a very gradual improvement in comps.

Sales Catalyst Needed

We believe investor sentiment on Regis will turn tightly with same-store sales results. We expect these will stay negative throughout most of FY 2010, but we do assume that the trend will start to improve in the 2Q. We note that same-store sales trends turned consistently negative starting with the FY 2009 first quarter, concurrent with the September 15, 2009 financial industry meltdown. It would seem logical that comps should start to improve as we sequentially anniversary this

period. However, we believe that the period prior to this anniversary (i.e., July 1 to September 15 of 2009) could produce particularly poor sales comparisons, so a likely visible improvement in comps will not occur until the 2009 2Q at earliest.

Margins Dependent on Comps

As comps trend negative its put pressure on multiple operational expenses: service cost of sales, site operating expenses, general and administrative, and rent. We expect most of these line items to remain under pressure in FY 2010 as comps stay negative to flat throughout the year. If comps turn positive earlier than we currently estimate (late FY 2010 or early FY 2011), than upside to the EPS could be derived from these line items. And if comps turned positive at a 2% rate or higher, these line items would start to leverage EPS. Our model presently assumes operating margins will decline from 6.76% in FY 2008 to 5.76% in FY 2009 to 4.72% in FY 2010.

EPS of \$1.06 in FY2010 Reflects Dilution of Offering and Weak Sales Environment

Our model provides FY 2010 net income of \$59.2 million, a decrease of 19% from the \$72.8 million in net income we estimate for FY 2009. This translates into FY 2010 EPS of \$1.06 versus \$1.68 in FY 2009, with the offering driving diluted shares outstanding to 55.8 million in FY 2010 from 43.2 million in FY 2009. Since EPS comparisons will be negative throughout FY 2010 due to dilution, we believe investors will focus on net income comparisons. At present, we model net income turning positive in the FY 2010 4Q, but this number could move closer if comps firm faster.

BALANCE SHEET RISK SHARPLY REDUCED

Regis completed in July 2009 of \$172.5 million in 5% convertible senior notes due 2014 and 13.225 million shares of common stock. Regis's balance sheet had been drifting closer to violating some key covenants related to some of its debt, these offerings allowed the company to lessen leverage and enhance coverage. We believe these offerings effectively resolve these issues and Regis will have no need for further debt or equity issuance.

The convertible notes pay interest semi-annually at a rate of 5.0% per year, and mature on July 15, 2014. These notes are convertible at an initial conversion rate of 64.6726 Regis common shares for each \$1,000 principal amount of notes, or a conversion price of \$15.46 per share. From a modeling perspective we assume that the convertible notes replaced previously existing debt, and that the net proceeds of the public offering of \$158 million reduced total debt by a like amount.

VALUATION

Our 12-month target price of \$15.50 assumes a multiple of 14.65 times our FY 2010 EPS estimate of \$1.06. For valuation purposes we compare Regis to a group of retailers we identify as Lifestyle Retailing (please see the attached valuation table later in this report). This group is presently trading at 17.2 times current FY EPS estimates and 14.3 times next FY EPS estimates. We believe that Regis will trade at a discounted valuation to this group due to negative earnings comparisons in the forward year compared to the group seeing average increases in earnings exceeding 10%.

Regis Corp(RGS)

Earnings Model
\$ in millions except per share

Feltl and Company

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	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09	4Q-09(E)	1Q-10(E)	2Q-10(E)	3Q-10(E)	4Q-10(E)	2007	2008	2009(E)	2010(E)
Revenues:																				
Service	\$ 434.6	\$ 440.3	\$ 449.5	\$ 469.4	\$ 452.8	\$ 450.9	\$ 467.1	\$ 491.7	\$ 469.0	\$ 445.1	\$ 453.3	\$ 466.7	\$ 450.8	\$ 429.2	\$ 437.5	\$ 452.4	\$ 1,793.8	\$ 1,862.5	\$ 1,834.0	\$ 1,769.9
Product	184.9	196.8	185.5	185.1	133.7	142.3	137.7	137.7	134.2	132.8	141.2	128.3	127.7	126.7	134.8	123.1	752.3	551.3	536.4	512.3
Royalties and Fees	19.8	19.9	20.0	20.8	20.9	21.6	14.0	11.1	10.3	9.6	9.6	10.1	10.0	10.2	9.9	9.4	80.5	67.6	39.6	39.5
Total Revenues	639.2	657.0	655.0	675.3	607.3	614.7	618.9	640.5	613.5	587.4	604.1	605.1	588.5	566.1	582.2	584.9	2,626.6	2,481.4	2,410.1	2,321.7
Operating Expenses																				
Cost of Service	245.5	249.6	254.6	265.0	256.7	259.4	267.7	278.8	267.1	256.8	259.5	266.0	259.4	250.0	251.3	257.1	1,014.8	1,062.6	1,049.4	1,017.8
Cost of Product	94.2	100.2	93.7	92.4	63.6	69.0	66.1	65.7	65.6	65.1	74.2	63.0	63.6	63.2	71.9	60.9	380.5	264.4	267.9	259.5
Site Operating Expenses	55.8	55.0	51.5	53.4	49.3	47.8	47.5	47.1	48.4	54.3	49.9	48.9	48.7	53.9	49.0	48.7	215.6	191.7	201.5	200.4
General and Administration	78.0	81.4	86.2	84.6	83.3	83.1	77.8	77.4	77.8	72.5	69.6	74.6	76.1	71.3	68.4	73.6	330.1	321.6	294.5	289.4
Rent	92.2	93.2	95.3	102.2	87.2	89.2	89.7	95.4	92.2	82.0	85.7	89.2	89.3	79.8	83.0	86.2	382.8	361.5	349.0	338.3
Depreciation and Amortization	29.5	30.4	30.4	33.7	28.3	28.3	27.0	28.4	27.3	27.5	27.4	26.9	26.7	26.8	26.9	26.2	124.1	111.9	109.0	106.6
Goodwill Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	595.2	609.7	611.7	631.4	568.4	576.7	575.7	592.8	578.3	558.2	566.2	568.6	563.8	545.0	550.6	552.7	2,448.0	2,313.6	2,271.3	2,212.0
Operating income	44.0	47.3	43.4	44.0	38.9	37.9	43.1	47.7	35.2	29.2	37.9	36.5	24.7	21.2	31.7	32.2	178.6	167.8	138.8	109.7
Other Income (expense):																				
Interest expense	(9.8)	(10.7)	(10.4)	(10.8)	(10.6)	(11.7)	(11.3)	(11.0)	(10.3)	(7.4)	(8.4)	(11.4)	(10.6)	(8.1)	(8.1)	(8.1)	(41.7)	(44.6)	(37.5)	(34.9)
Other, net	0.8	1.6	1.1	1.6	2.2	2.1	1.8	2.5	1.8	-	-	2.5	2.5	2.6	2.4	3.0	5.1	8.4	4.3	10.5
Total Other Income	(9.0)	(9.1)	(9.3)	(9.2)	(8.4)	(9.6)	(9.4)	(8.5)	(8.5)	(7.4)	(8.4)	(8.9)	(8.1)	(5.5)	(5.7)	(5.1)	(36.6)	(36.2)	(33.2)	(24.4)
Income b/income taxes	35.0	38.2	34.1	34.8	30.5	28.3	33.7	39.2	26.6	21.8	29.5	27.6	16.5	15.7	26.0	27.1	142.0	131.6	105.5	85.3
Income Taxes	11.9	11.3	8.7	12.9	12.2	11.7	15.2	15.5	10.4	8.3	9.9	10.1	6.3	6.0	9.9	10.3	44.8	53.7	38.7	32.4
Equity in Income of Aff. Cos.	-	-	-	-	(0.3)	0.4	0.6	0.2	0.5	2.5	2.0	2.0	1.5	1.5	1.5	1.5	-	0.8	7.0	6.0
Discontinued Operations	-	-	-	-	1.8	(0.2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	\$ 23.1	\$ 26.9	\$ 25.4	\$ 21.8	\$ 18.0	\$ 18.8	\$ 19.0	\$ 23.9	\$ 16.8	\$ 16.0	\$ 21.6	\$ 19.5	\$ 11.7	\$ 11.2	\$ 17.6	\$ 18.3	\$ 97.2	\$ 78.7	\$ 73.8	\$ 58.9
EPS:																				
Basic	\$0.51	\$0.60	\$0.57	\$0.49	\$0.41	\$0.43	\$0.44	\$0.56	\$0.39	\$0.37	\$0.50	\$0.46	\$0.21	\$0.20	\$0.31	\$0.33	\$2.17	\$1.82	\$1.72	\$1.06
Diluted	\$0.50	\$0.59	\$0.56	\$0.48	\$0.40	\$0.43	\$0.44	\$0.56	\$0.39	\$0.36	\$0.50	\$0.46	\$0.21	\$0.20	\$0.31	\$0.33	\$2.13	\$1.81	\$1.71	\$1.06
S/O:																				
Basic	45.0	44.7	44.7	44.5	43.9	43.4	42.6	42.7	42.8	42.9	42.9	42.9	54.6	56.1	56.1	56.1	44.7	43.2	42.9	55.8
Diluted	46.1	45.6	45.6	45.2	44.6	43.9	43.0	42.8	43.1	43.9	42.9	42.9	54.6	56.1	56.1	56.1	45.6	43.6	43.2	55.8
EBITDA	\$ 73.6	\$ 77.7	\$ 73.8	\$ 77.7	\$ 67.2	\$ 66.2	\$ 70.1	\$ 76.2	\$ 62.4	\$ 56.7	\$ 65.3	\$ 63.4	\$ 51.4	\$ 47.9	\$ 58.6	\$ 58.4	\$ 302.7	\$ 279.6	\$ 247.8	\$ 216.3
Sales Assumptions:																				
Same-store sales	-0.3%	0.5%	0.0%	-0.1%	-0.2%	-0.8%	1.4%	1.5%	-1.6%	-3.8%	-4.5%	-5.8%	-4.2%	-3.3%	-2.3%	-1.3%	0.2%	0.5%	-3.8%	-2.7%
Total number stores	11,634	11,713	11,773	9,859	12,108	12,160	10,819	10,837	10,861	10,834	10,140	10,112	10,102	10,079	10,164	10,169	9,859	10,837	10,112	10,029
Margin & Expense Analysis																				
Service cost of sales	38.41%	37.99%	38.87%	39.24%	42.26%	42.20%	43.26%	43.53%	43.53%	43.72%	42.95%	43.96%	44.08%	44.16%	43.17%	43.96%	38.63%	42.82%	43.54%	43.84%
Product cost of sales	14.74%	15.25%	14.30%	13.68%	10.47%	11.23%	10.67%	10.25%	10.70%	11.08%	12.29%	10.41%	10.80%	11.16%	12.35%	10.41%	14.49%	10.65%	11.12%	11.18%
Gross profit margin	53.15%	53.24%	53.17%	52.93%	52.74%	53.43%	53.93%	53.78%	54.23%	54.80%	55.24%	54.37%	54.88%	55.32%	55.51%	54.37%	53.12%	53.48%	54.66%	55.02%
Site Operating Expenses	8.73%	8.37%	7.86%	7.90%	8.12%	7.78%	7.68%	7.35%	7.89%	9.24%	8.25%	8.08%	8.28%	9.52%	8.42%	8.32%	8.21%	7.73%	8.36%	8.63%
General and Administration	12.19%	12.39%	13.16%	12.52%	13.71%	13.51%	12.58%	12.09%	12.68%	12.35%	11.52%	12.33%	12.93%	12.59%	11.75%	12.58%	12.57%	12.96%	12.22%	12.46%
Rent	14.42%	14.18%	14.54%	15.14%	14.37%	14.51%	14.49%	14.89%	15.03%	13.96%	14.18%	14.74%	15.18%	14.10%	14.25%	14.74%	14.57%	14.57%	14.48%	14.57%
Depreciation and Amortization	4.62%	4.63%	4.65%	5.00%	4.66%	4.60%	4.36%	4.44%	4.44%	4.68%	4.53%	4.44%	4.53%	4.73%	4.62%	4.48%	4.73%	4.51%	4.52%	4.59%
Operating margin	6.89%	7.19%	6.62%	6.51%	6.41%	6.17%	6.97%	7.45%	5.73%	4.97%	6.28%	6.03%	4.19%	3.74%	5.44%	5.50%	6.80%	6.76%	5.76%	4.72%
Income tax rate	34.00%	29.60%	25.40%	37.19%	39.94%	41.27%	45.09%	39.57%	38.94%	38.06%	33.68%	36.50%	38.00%	38.00%	38.00%	38.00%	31.53%	40.84%	0.00%	0.00%
Net margin	3.61%	4.09%	3.88%	3.23%	2.96%	3.07%	3.07%	3.73%	2.73%	2.72%	3.57%	3.23%	2.00%	1.98%	3.03%	3.13%	3.70%	3.17%	3.06%	2.54%
Balance Sheet Summary																				
Cash, CE, & ST Inv	\$ 146.9	\$ 156.1	\$ 186.2	\$ 184.8	\$ 145.2	\$ 172.9	\$ 136.3	\$ 127.6	\$ 125.3	\$ 64.3	\$ 57.1	\$ 46.0	\$ 44.3	\$ 71.2	\$ 23.8	\$ 113.0	\$ 184.8	\$ 127.6	\$ 46.0	\$ 113.0
Inventories	207.7	207.4	195.9	196.6	213.9	208.1	210.4	212.5	241.7	194.5	165.0	211.4	216.1	192.8	201.4	186.2	196.6	212.5	211.4	186.2
Total assets	2,061.2	2,091.6	2,084.0	2,132.1	2,165.8	2,184.0	2,236.5	2,235.9	2,273.1	1,998.9	1,927.8	1,916.1	1,918.0	1,918.1	1,931.7	1,959.9	2,132.1	2,235.9	1,916.1	1,959.9
Long-term debt	537.8	490.9	490.9	485.9	529.8	523.3	597.2	534.5	534.8	580.6	580.3	580.3	422.3	422.3	422.3	422.3	485.9	534.5	580.3	422.3
Total debt	691.1	677.0	668.0	709.2	718.7	767.3	799.2	764.7	807.2	732.5	701.6	655.3	497.3	497.3	497.3	497.3	709.2	764.7	655.3	497.3
Shareholders' equity	877.6	902.6	910.4	913.3	940.5	930.8	951.9	973.9	973.9	788.9	783.5	803.0	972.7	983.9	1,001.6	1,019.9	913.3	973.9	803.0	1,019.9

August 13, 2009

Ticker	Company Name	(prev close) Price	52-Week		Market Value	Year End	Trail 12m Revenue	Price / Sales	Shares Out	Book Value	Price / Book	First Call - EPS Estimates				Operating			P/E			EBITA			Enterprise Value	EV/EBITA			NY Revenue	price NY rev
			High	Low								Trail	TY	NY	Margin	Trail	TY	NY	Trail	TY	NY	Trail	TY	NY						
Discount/ Extreme Value																														
WMT	WAL-MART STORES INC	50.51	63.85	46.25	196,818.2	01	400,699.0	0.49	3,896.6	16.57	3.0	3.50	3.56	3.89	4.59	14.4	14.2	13.0	29,897.0	30,558.3	32,971.9	224,092.18	7.5	7.3	6.8	438323.6	0.4			
TGT	TARGET CORPORATION	42.51	59.55	25.00	31,979.4	01	64,979.0	0.49	752.3	18.58	2.3	2.86	2.86	3.16	6.78	14.9	14.9	13.5	6,228.0	6,199.0	6,610.1	48,981.42	7.9	7.9	7.4	67377.8	0.5			
COST	COSTCO WHOLESALE CORP	49.15	71.00	30.70	21,374.4	08	73,068.5	0.29	434.9	20.87	2.4	2.46	2.46	2.69	2.73	20.0	20.0	18.3	2,637.8	2,479.9	2,653.6	20,305.29	7.7	8.2	7.7	75203.5	0.3			
DLTR	DOLLAR TREE INC	46.25	47.28	27.61	4,157.7	01	4,794.7	0.87	89.9	14.40	3.2	2.53	3.02	3.38	7.90	18.3	15.3	13.7	527.5	600.6	641.4	4,043.29	7.7	6.7	6.3	5565.3	0.7			
FDO	FAMILY DLR STORES INC	31	35.00	19.70	4,331.4	08	7,054.4	0.61	139.7	10.05	3.1	2.06	2.06	2.27	5.23	15.1	15.1	13.6	514.9	615.0	659.4	4,422.94	8.6	7.2	6.7	7809.1	0.6			
NDN	99 CENTS ONLY STORES	14.2	15.45	6.86	972.0	03	1,211.3	0.80	68.5	7.72	1.8	0.40	0.57	0.69	1.78	35.4	24.8	20.6	62.7	92.4	105.7	857.57	13.7	9.3	8.1	1436.8	0.7			
BIG	BIG LOTS INC	23.95	35.33	12.62	1,977.0	01	4,635.4	0.43	82.5	9.78	2.4	1.91	1.93	2.09	5.49	12.5	12.4	11.5	--	335.4	353.9	1,942.28	5.8	5.5	5.5	4748.3	0.4			
Group Average								0.57			2.61	18.65			16.66			14.87						0.51						
Lifestyle Retailing																														
CAB	CABELAS INC	16.2	17.73	4.18	1,086.4	12	2,556.7	0.42	67.1	13.94	1.2	1.14	1.12	1.20	5.53	14.2	14.5	13.5	205.7	216.1	219.2	1,055.65	5.1	4.9	4.8	2608.9	0.4			
DKS	DICK'S SPORTING GOODS INC	20.69	27.00	9.21	1,803.6	01	4,177.7	0.43	112.4	8.06	2.6	1.07	0.99	1.15	5.80	19.3	20.9	18.0	327.9	295.0	331.2	1,910.05	5.8	6.5	5.8	4462.6	0.4			
HIBB	HIBBETT SPORTS INC	18.6	25.75	10.06	532.5	01	576.1	0.92	28.6	5.11	3.6	1.08	1.11	1.25	8.50	17.3	16.7	14.9	62.3	65.9	72.9	511.68	8.2	7.8	7.0	639.1	0.8			
GMTN	GANDER MOUNTAIN CO	5.5	6.49	0.97	133.1	01	1,084.6	0.12	24.2	6.67	0.8	0.03	0.16	0.42	0.90	34.4	13.1	34.2	34.2	50.2	61.7	181.83	5.3	3.6	2.9	1185.2	0.1			
BGIV	BIG 5 SPORTING GOODS CORP	14.03	15.10	3.02	301.8	12	862.1	0.35	21.5	5.32	2.6	0.81	0.90	1.03	3.19	17.3	15.6	13.7	46.7	53.0	57.8	392.20	8.4	7.4	6.8	912.2	0.3			
LTM	LIFE TIME FITNESS INC	27.94	41.50	7.07	1,152.9	12	791.6	1.46	41.3	17.11	1.6	1.83	1.58	1.88	19.15	15.3	17.7	14.9	225.3	238.1	258.7	1,844.68	8.2	7.7	7.1	891.0	1.3			
TSCO	TRACTOR SUPPLY COMPANY	47.41	48.99	28.67	1,708.0	12	3,081.9	0.55	36.0	18.25	2.6	2.64	2.87	3.14	4.51	17.9	16.5	15.1	196.3	241.2	261.5	1,672.61	8.5	6.9	6.4	3437.9	0.5			
HZO	MARINEMAX INC	7.71	9.66	1.19	143.9	09	770.4	0.19	18.7	11.15	0.7	(2.47)	(2.61)	(0.81)	(1.38)	na	na	na	(0.1)	(25.8)	5.0	113.61	(4.4)	22.7	558.0	0.3				
BKS	BARNES & NOBLE INC.	22.78	33.64	10.77	1,299.4	01	5,083.9	0.26	57.0	15.57	1.5	1.40	1.29	1.35	3.03	16.3	17.7	16.8	331.6	302.8	306.1	1,017.79	3.1	3.4	3.3	4848.3	0.3			
JAS	JO-ANN STORES INC	24.05	27.00	10.31	636.1	01	1,915.0	0.33	26.4	18.83	1.3	0.96	1.10	1.37	2.25	25.1	21.9	17.6	94.9	106.6	119.0	621.50	6.5	5.8	5.2	2040.0	0.3			
RGS	REGIS CORP	15.18	31.96	8.21	665.9	06	2,751.6	0.24	43.8	18.42	0.8	1.81	1.71	1.06	6.75	8.4	8.9	14.3	304.7	254.9	252.9	1,072.75	3.5	4.2	4.2	2431.7	0.3			
PETM	PETSMART INC	21.44	28.86	13.27	2,702.1	01	5,179.9	0.52	126.0	9.22	2.3	1.52	1.52	1.63	7.30	14.1	14.1	13.1	594.9	603.3	622.9	3,129.59	5.3	5.2	5.0	5541.6	0.5			
SBH	SALLY BEAUTY HOLDINGS INC	7.47	10.50	2.66	1,360.0	09	2,638.0	0.52	182.1	(3.69)	(2.0)	0.54	0.55	0.64	10.68	13.9	13.7	11.6	331.4	342.2	365.6	2,984.88	9.0	8.7	8.2	2734.9	0.5			
BBY	BEST BUY INCORPORATED	36.5	100.66	16.42	15,197.1	02	41,086.0	0.37	416.4	12.46	2.9	2.87	2.85	3.09	4.47	12.7	12.8	11.8	2,807.0	2,907.0	3,072.6	15,814.10	5.6	5.4	5.1	50722.2	0.3			
Group Average								0.48			1.61	15.99			17.34			14.49						0.34						
Home																														
BBBY	BED BATH & BEYOND INC	36.07	37.07	16.23	9,446.5	02	7,144.1	1.32	261.9	11.58	3.1	1.71	1.78	2.01	9.35	21.1	20.3	18.0	849.5	922.9	983.6	8,776.27	10.3	9.5	8.9	7919.6	1.2			
WSM	WILLIAMS SONOMA INC	15.84	20.50	4.35	1,674.7	01	3,191.3	0.52	105.7	10.53	1.5	0.16	0.03	0.33	2.17	96.5	48.7	200.9	156.4	188.8	188.8	1,536.17	7.6	9.8	8.1	2916.2	0.6			
HD	HOME DEPOT INC	27.2	30.74	17.05	46,332.3	01	69,556.0	0.67	1,703.4	10.56	2.6	1.58	1.44	1.58	6.11	17.2	19.0	17.2	7,212.0	6,233.4	6,476.7	55,474.34	7.7	8.9	8.6	66449.0	0.7			
LOW	LOWE'S COMPANIES INC	22.85	28.49	13.00	33,738.6	01	48,053.0	0.70	1,476.5	12.52	1.8	1.34	1.23	1.39	7.91	17.1	18.5	16.5	5,455.0	4,874.8	5,230.8	38,116.57	7.0	7.8	7.3	50132.2	0.7			
ETH	ETHAN ALLEN INTERIORS INC	14.53	34.02	6.98	420.7	06	937.2	0.45	29.0	11.19	1.3	(0.24)	0.14	0.60	10.49	na	104.9	24.2	--	39.9	55.6	549.31	13.8	9.9	664.2	0.6				
Group Average								0.73			2.06	37.97			40.67			24.92						0.75						
Other																														
SPLS	STAPLES INC	22.49	26.43	13.57	16,087.9	01	24,016.8	0.67	715.3	7.79	2.9	1.19	1.12	1.36	6.69	18.8	20.0	16.5	2,094.4	2,061.5	2,298.4	17,423.02	8.3	8.5	7.6	24370.6	0.7			
TITN	TITAN MACHINERY INC	12.05	26.28	7.50	213.6	01	704.2	0.30	17.7	9.94	1.2	0.99	0.92	1.06	4.77	12.2	13.1	11.4	37.5	36.1	38.9	142.40	3.8	3.9	3.7	784.3	0.3			
TIF	TIFFANY AND COMPANY	30.66	45.80	16.70	3,804.1	01	2,714.9	1.40	124.1	12.67	2.4	1.88	1.56	1.75	17.08	16.3	19.6	17.5	630.5	502.6	545.6	4,069.08	6.5	8.1	7.5	2571.1	1.5			
Group Average								0.79			2.17	15.79			17.58			15.14						0.79						
Overall Average								0.58			1.99	20.06			20.64			16.52						7.19	6.76	7.06	0.80			

Estimates provided by First Call

Feltl and Company EPS Estimates for CAB,LTM, RGS and DLTR

Analyst Certification

I, **Brent R. Rystrom**, certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to the specific recommendations expressed in this report.

Important Disclosures:

The analyst or a member of his/her household **does not** hold a long or short position, options, warrants, rights or futures of this security in their personal account(s).

As of the end of the month preceding the date of publication of this report, Feltl and Company **did not** beneficially own 1% or more of any class of common equity securities of the subject company.

There is **not** any actual material conflict of interest that either the analyst or Feltl and Company is aware of.

The analyst **has not** received any compensation for any investment banking business with this company in the past twelve months and **does not** expect to receive any in the next three months.

Feltl and Company **has not** been engaged for investment banking services with the subject company during the past twelve months and **does not** anticipate receiving compensation for such services in the next three months.

Feltl and Company **has not** served as a broker, either as agent or principal, buying back stock for the subject company's account as part of the company's authorized stock buy-back program in the last twelve months.

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Feltl and Company Rating System: Feltl and Company utilizes a four tier rating system for potential total returns over the next 12 months.

Strong Buy: The stock is expected to have total return potential of at least 30%. Catalysts exist to generate higher valuations, and positions should be initiated at current levels.

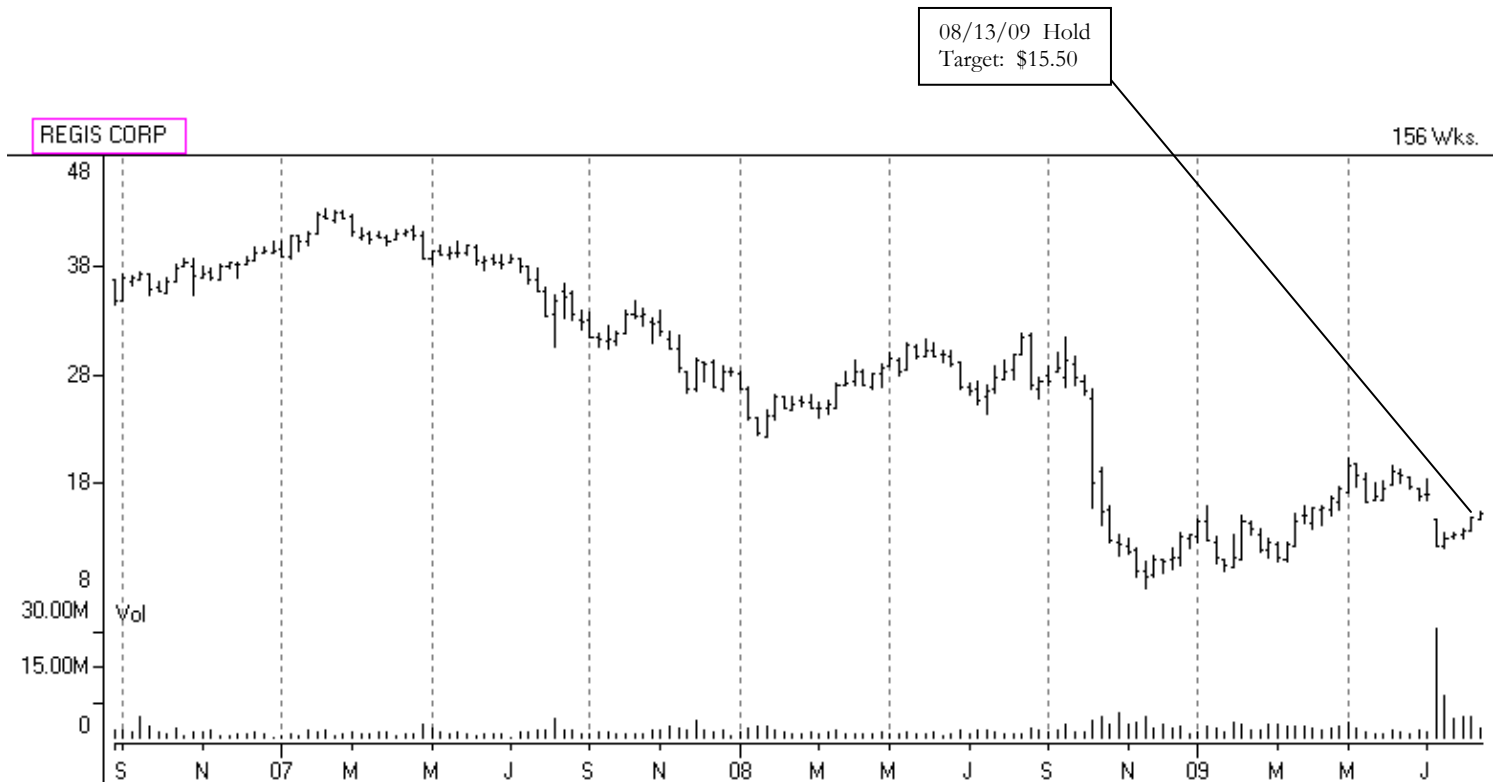
Buy: The stock is expected to have total return potential of at least 15%. Near term catalysts may not exist and the common stock needs further time to develop. Investors requiring time to build positions may consider current levels attractive.

Hold: The stock is expected to have total return potential of less than 15%. Fundamental events are not present to make it either a Buy or a Sell. The stock is an acceptable longer-term holding.

Sell: Expect a negative total return. Current positions may be used as a source of funds.

Ratings Distribution for Feltl and Company					8/13/2009
Rating	Number of Stocks	Percent of Total	----- Investment Banking -----		
			Number of Stocks	Percent of Rating category	
SB/Buy	22	63%	2	9%	
Hold	11	31%	0	0%	
Sell	2	6%	0	0%	
	35	100%	2	6%	

The above represents our ratings distribution on the stocks in the Feltl and Company research universe, together with the number in (and percentage of) each category for which Feltl and Company provided investment-banking services in the previous twelve months.



Date	Nature of Report	Rating	Price Target
08/13/09	Initiation@\$15.18	HOLD	\$15.50

Feltl and Company **does** make a market in the subject security at the date of publication of this report. As a market maker, Feltl and Company could act as principal or agent with respect to the purchase or sale of those securities.

Valuation and Price Target Methodology:

Our price target on RGS is based on a multiple of FY2010 EPS that is discounted 15% from the average multiple accorded Lifestyle Retailers. We believe the discounted multiple reflects current uncertainty about the sales outlook for RGS (i.e., negative comps), declining profit margins, and 12% long-term EPS growth rate.

Risks to Achievement of Estimates and Price Target:

- Regis’s financial results are dependent on the health of consumers, a significant negative the last several years as the economy has contracted. If this persist, same-store sales trends may be worse than we have modeled.
- RGS is subject to fashion and lifestyle trends, which have lately favored a casual, disheveled look that has lengthened times between customer transactions; if this trend persists it could further hurt same-store sales.
- RGS is experiencing declining operating profitability due to the declining comps, and unseen sales shortfalls would likely further pressure margins.
- RGS is an industry consolidator with approximately 20% unit penetration in the U.S. Traditionally, few retailers have achieved much greater than a 30% unit penetration in a given retail category.

- RGS still has a fairly leveraged balance sheet, and is exposed to higher interest rate risk when the economy recovers and interest rates rise.

Other Disclosures:

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