REGIS CORP
Form 10-Q
April 30, 2019

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

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
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.)
7201 Metro Boulevard, Edina, Minnesota	55439
(Address of principal executive offices)	(Zip Code)

(952) 947-7777
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

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

Exchange Act. ¨

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 24, 2019:

Common Stock, $.05 par value	39,326,526
Class	Number of Shares

REGIS CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2019	June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$71,146	$110,399
Receivables, net	33,737	52,430
Inventories	90,869	79,363
Other current assets	32,386	47,867
Total current assets	228,138	290,059
Property and equipment, net	83,629	99,288
Goodwill	378,560	412,643
Other intangibles, net	9,346	10,557
Other assets	32,768	37,616
Non-current assets held for sale (Note 1)	6,529	6,572
Total assets	$738,970	$856,735
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$57,021	$57,738
Accrued expenses	83,490	100,716
Total current liabilities	140,511	158,454
Long-term debt	90,000	90,000
Long-term lease liability	17,505	—
Other noncurrent liabilities	115,144	121,843
Total liabilities	363,160	370,297
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock, $0.05 par value; issued and outstanding 39,433,124 and 45,258,571 common shares at March 31, 2019 and June 30, 2018 respectively	1,972	2,263
Additional paid-in capital	93,515	194,436
Accumulated other comprehensive income	9,050	9,656
Retained earnings	271,273	280,083
Total shareholders' equity	375,810	486,438
Total liabilities and shareholders' equity	$738,970	$856,735

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

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REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)
For The Three and Nine Months Ended March 31, 2019 and 2018
(Dollars and shares in thousands, except per share data amounts)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Revenues:				
Service	$181,809	$222,022	$580,076	$680,930
Product	53,766	64,911	173,006	197,701
Royalties and fees	22,768	18,850	67,767	56,465
	258,343	305,783	820,849	935,096
Operating expenses:				
Cost of service	111,632	132,081	348,060	406,767
Cost of product	31,167	37,139	99,698	107,165
Site operating expenses	34,339	37,548	106,723	116,175
General and administrative	41,694	45,727	135,257	129,485
Rent	32,332	39,391	102,952	147,280
Depreciation and amortization	8,630	9,558	27,732	46,764
TBG mall location restructuring (Note 3)	20,711	—	20,711	—
Total operating expenses	280,505	301,444	841,133	953,636
Operating (loss) income	(22,162)	4,339	(20,284)	(18,540)
Other (expense) income:				
Interest expense	(1,354)	(5,095)	(3,432)	(9,402)
Gain from sale of salon assets to franchisees, net	11,489	237	10,394	255
Interest income and other, net	464	1,495	1,453	3,934
(Loss) income from continuing operations before income taxes	(11,563)	976	(11,869)	(23,753)
Income tax (expense) benefit	(3,248)	2,609	(2,988)	77,875
(Loss) income from continuing operations	(14,811)	3,585	(14,857)	54,122
Income (loss) from TBG discontinued operations, net of taxes	178	(10,605)	6,027	(50,973)
Net (loss) income	$(14,633)	$(7,020)	$(8,830)	$3,149
Net (loss) income per share:				
Basic:				
(Loss) income from continuing operations	$(0.37)	$0.08	$(0.35)	$1.16
Income (loss) from TBG discontinued operations	0.00	(0.23)	0.14	(1.09)
Net (loss) income per share, basic (1)	$(0.36)	$(0.15)	$(0.21)	$0.07
Diluted:				
(Loss) income from continuing operations	$(0.37)	$0.08	$(0.35)	$1.15
Income (loss) from TBG discontinued operations	0.00	(0.22)	0.14	(1.08)
Net (loss) income per share, diluted (1)	$(0.36)	$(0.15)	$(0.21)	$0.07

Weighted average common and common equivalent shares outstanding:				
Basic	40,314	46,612	42,900	46,684
Diluted	40,314	47,153	42,900	47,093

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

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

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For The Three and Nine Months Ended March 31, 2019 and 2018
(Dollars in thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Net (loss) income	$(14,633)	$(7,020)	$(8,830)	$3,149
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments during the period:				
Foreign currency translation adjustments	905	(1,372)	(606)	904
Reclassification adjustments for losses included in net (loss) income (Note 3)	—	—	—	6,152
Net current period foreign currency translation adjustments	905	(1,372)	(606)	7,056
Comprehensive (loss) income	$(13,728)	$(8,392)	$(9,436)	$10,205

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

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REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)
(Dollars and shares in thousands, except per share data amounts)

	Three Months Ended March 31, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount				
Balance, December 31, 2018	41,472,468	$2,074	$128,964	$ 8,145	$285,827	$425,010
Net loss	—	—	—	—	(14,633)	(14,633)
Foreign currency translation adjustments	—	—	—	905	—	905
Stock repurchase program	(2,050,430)	(102)	(37,818)	—	—	(37,920)
Exercise of SARs	7,080	—	(101)	—	—	(101)
Stock-based compensation	—	—	2,512	—	—	2,512
Net restricted stock activity	4,006	—	(42)	—	—	(42)
Minority interest	—	—	—	—	79	79
Balance, March 31, 2019	39,433,124	$1,972	$93,515	$ 9,050	$271,273	$375,810

	Three Months Ended March 31, 2018					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount				
Balance, December 31, 2017	46,688,423	$2,335	$216,301	$ 11,843	$283,694	$514,173
Net loss	—	—	—	—	(7,020)	(7,020)
Foreign currency translation adjustments	—	—	—	(1,372)	—	(1,372)
Stock repurchase program	(585,967)	(30)	(9,605)	—	—	(9,635)
Exercise of SARs	18,697	1	(184)	—	—	(183)
Stock-based compensation	—	—	1,690	—	—	1,690
Net restricted stock activity	5,096	—	(53)	—	—	(53)
Minority interest	—	—	—	—	67	67
Balance, March 31, 2018	46,126,249	$2,306	$208,149	$ 10,471	$276,741	$497,667

	Nine Months Ended March 31, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount				
Balance, June 30, 2018	45,258,571	$2,263	$194,436	$ 9,656	$280,083	$486,438
Net loss	—	—	—	—	(8,830)	(8,830)
Foreign currency translation adjustments	—	—	—	(606)	—	(606)
Stock repurchase program	(6,023,523)	(301)	(105,951)	—	—	(106,252)
Exercise of SARs	15,412	1	(205)	—	—	(204)
Stock-based compensation	—	—	7,065	—	—	7,065
Net restricted stock activity	182,664	9	(1,830)	—	—	(1,821)
Minority interest	—	—	—	—	20	20
Balance, March 31, 2019	39,433,124	$1,972	$93,515	$ 9,050	$271,273	$375,810

Nine Months Ended March 31, 2018					
Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive	Retained Earnings	Total
Shares	Amount				

				Income		
Balance, June 30, 2017	46,400,367	$2,320	$214,109	$ 3,415	$273,776	$493,620
Net income	—	—	—	—	3,149	3,149
Foreign currency translation adjustments	—	—	—	7,056	—	7,056
Stock repurchase program	(585,967)	(30)	(9,605)	—	—	(9,635)
Exercise of SARs	27,793	2	(278)	—	—	(276)
Stock-based compensation	—	—	5,933	—	—	5,933
Shares issued through franchise stock incentive program	522	—	7	—	—	7
Net restricted stock activity	283,534	14	(2,017)	—	—	(2,003)
Minority interest	—	—	—	—	(184)	(184)
Balance, March 31, 2018	46,126,249	$2,306	$208,149	$ 10,471	$276,741	$497,667

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

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
For The Nine Months Ended March 31, 2019 and 2018
(Dollars in thousands)

	Nine Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net (loss) income	$(8,830)	$3,149
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Non-cash impairment and other adjustments related to TBG discontinued operations	(163)	37,020
Depreciation and amortization	24,727	29,736
Depreciation related to TBG discontinued operations	—	3,723
Deferred income taxes	(6,034)	(85,026)
Gain on life insurance	—	(7,986)
Non-cash TBG mall location restructuring charge	20,711	—
Gain from sale of salon assets to franchisees, net	(10,394)	(255)
Salon asset impairments	3,005	11,099
Accumulated other comprehensive income reclassification adjustment	—	6,152
Stock-based compensation	7,065	6,483
Amortization of debt discount and financing costs	206	4,011
Other non-cash items affecting earnings	(492)	(287)
Changes in operating assets and liabilities, excluding the effects of asset sales	(50,074)	(29,483)
Net cash used in operating activities	(20,273)	(21,664)
Cash flows from investing activities:		
Capital expenditures	(23,160)	(20,065)
Capital expenditures related to TBG discontinued operations	—	(1,171)
Proceeds from sale of assets to franchisees	54,619	5,620
Proceeds from company-owned life insurance policies	24,617	18,108
Net cash provided by investing activities	56,076	2,492
Cash flows from financing activities:		
Borrowings on revolving credit facilities	—	90,000
Repayment of long-term debt and capital lease obligations	—	(124,230)
Repurchase of common stock	(105,364)	(9,634)
Settlement of equity awards	—	(550)
Taxes paid for shares withheld	(2,447)	(2,279)
Net proceeds from sale and leaseback transaction	18,068	—
Net cash used in financing activities	(89,743)	(46,693)
Effect of exchange rate changes on cash and cash equivalents	5	(30)
Decrease in cash, cash equivalents, and restricted cash	(53,935)	(65,895)
Cash, cash equivalents and restricted cash:		
Beginning of period	148,774	208,634
Cash, cash equivalents and restricted cash included in current assets held for sale	—	1,352
Beginning of period, total cash, cash equivalents and restricted cash	148,774	209,986

End of period	$94,839	$144,091

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

REGIS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

The unaudited interim Condensed Consolidated Financial Statements of Regis Corporation (the "Company") as of March 31, 2019 and for the three and nine months ended March 31, 2019 and 2018, reflect, in the opinion of management, all adjustments necessary to fairly state the consolidated financial position of the Company as of March 31, 2019 and its consolidated results of operations, comprehensive (loss) income, changes in equity and cash flows for the interim periods. Adjustments consist only of normal recurring items, except for any discussed in the notes below. The results of operations and cash flows for any interim period are not necessarily indicative of results of operations and cash flows for the full year.

The accompanying interim unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). The unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended June 30, 2018 and other documents filed or furnished with the SEC during the current fiscal year.

Goodwill:

As of March 31, 2019 and June 30, 2018, the Company-owned reporting unit had $151.1 million and $184.8 million of goodwill, respectively, and the Franchise salons reporting unit had $227.4 million and $227.9 million of goodwill, respectively. See Note 9 to the unaudited interim Condensed Consolidated Financial Statements. 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. An interim impairment analysis was not required in the nine months ended March 31, 2019.

The Company performs its annual impairment assessment as of April 30. For the fiscal year 2018 annual impairment assessment, due to the transformational efforts completed during the year, the Company elected to forgo the optional Step 0 assessment and performed the quantitative impairment analysis on the Company-owned and Franchise reporting units. The Company compared the carrying value of the reporting units, including goodwill, to their estimated fair value. The results of these assessments indicated that the estimated fair value of our reporting units exceeded their carrying value. The Franchise reporting unit had substantial headroom and the Company-owned reporting unit had headroom of approximately 24%. The fair value of the Company-owned reporting unit was determined based on a discounted cash flow analysis and comparable market multiples. The assumptions used in determining fair value were the number and pace of salons sold to franchisees, proceeds for salon sales, weighted average cost of capital, general and administrative expenses and utilization of net operating loss benefits. We selected the assumptions by considering our historical financial performance and trends, historical salon sale proceeds and estimated salon sale activities. The preparation of our fair value estimate includes uncertain factors and requires significant judgments and estimates which are subject to change. A 100 basis point increase in our weighted average cost of capital within the Company-owned reporting unit would result in a reduction in headroom to approximately 17%.

Other uncertain factors or events exist which may result in a future triggering event and require us to perform an interim impairment analysis with respect to the carrying value of goodwill for the Company-owned reporting unit prior to our annual assessment. These internal and external factors include but are not limited to the following:

- Changes in the company-owned salon strategy,
- Franchise expansion and sales opportunities,
- Future market earnings multiples deterioration,
- Our financial performance falls short of our projections due to internal operating factors,
- Economic recession,
- Reduced salon traffic, as defined by total transactions, and/or revenue,
- Deterioration of industry trends,
- Increased competition,
- Inability to reduce general and administrative expenses as company-owned salon count potentially decreases,
- Other factors causing our cash flow to deteriorate.

If the triggering event analysis indicates the fair value of the Company-owned reporting unit has potentially fallen below more than the 24% headroom, we may be required to perform an updated impairment assessment which may result in a non-cash impairment charge to reduce the carrying value of goodwill.
Assessing goodwill for impairment requires management to make assumptions and to apply judgment, including forecasting future sales and expenses, and selecting appropriate discount rates, 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 in its goodwill impairment assessment. However, if actual results are not consistent with the estimates and assumptions used in the calculations, or if there are significant changes to the Company's planned strategy for company-owned salons, the Company may be exposed to future impairment losses that could be material.
Non-Current Assets Held for Sale:

In March 2019, the Company announced that entered into a ten year lease for a new corporate headquarters and would be selling the land and buildings in Edina, MN, currently used for its headquarters. The non-current assets held for sale represent the net book value of the land of $1.7 and $1.7 million and buildings of $4.8 and $4.9 million, as of March 31, 2019 and June 30, 2018, respectively. No impairments were identified as of March 31, 2019.

Accounting Standards Recently Adopted by the Company:

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance for revenue recognition which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company retrospectively adopted these standards on July 1, 2018. The impact of these standards was applied to all periods presented and the cumulative effect of applying the standard was recognized at the beginning of the earliest period presented. See Note 2 to the unaudited Condensed Consolidated Financial Statements for additional information regarding the impact of the adoption of the revenue recognition guidance.

Restricted Cash

In November 2016, the FASB issued cash flow guidance requiring restricted cash and restricted cash equivalents to be included in the cash and cash equivalent balances in the statement of cash flows. Transfers between cash and cash equivalents and restricted cash are no longer presented in the statement of cash flows and a reconciliation between the balance sheet and statement of cash flows must be disclosed. The Company retrospectively adopted this guidance on July 1, 2018. The impact of this standard was applied to all periods presented. As a result of including restricted cash in the beginning and end of period balances, cash, cash equivalents and restricted cash presented in the statement of cash flows increased $38.4 million, $23.6 million and $37.6 million as of June 30, 2018, March 31, 2019 and June 30, 2017, respectively.

Statement of Cash Flows

In August 2016, the FASB issued updated cash flow guidance clarifying cash flow classification and presentation for certain items. The Company retrospectively adopted this guidance on July 1, 2018. The adoption of this standard did not have a material impact on the Company's consolidated statement of cash flows.

Accounting Standards Recently Issued But Not Yet Adopted by the Company:

Leases

In February 2016, the FASB issued updated guidance requiring organizations that lease assets to recognize the rights and obligations created by those leases on the consolidated balance sheet. The new standard is effective for the Company in the first quarter of fiscal year 2020, with early adoption permitted. In July 2018, the FASB issued ASU 2018-11, which provides companies with the option to apply the new lease standard either at the beginning of the earliest comparative period presented or in the period of adoption. The Company will elect this optional transition relief amendment that allows for a cumulative-effect adjustment in the period of adoption and will not restate prior periods. The Company will also elect the package of practical expedients that do not require reassessment of whether existing contracts are or contain leases, lease classification or initial direct costs. The Company is leveraging its lease management system to facilitate the adoption of this standard and is evaluating business processes and internal controls related to lease accounting to assist in the application of the new guidance. The Company is continuing to evaluate the effect the new standard will have on the Company's consolidated financial statements but expects this adoption will result in a material increase in the assets and liabilities on the Company's consolidated balance sheet, as substantially all its operating lease commitments, including leases signed on behalf of franchisees, will be subject to the new guidance. The Company does not expect the adoption of the new guidance to have a material impact on net income, cash flows or compliance with debt agreements.

2. REVENUE RECOGNITION:

In May 2014, the FASB issued amended guidance for revenue recognition which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company adopted the amended revenue recognition guidance, ASC Topic 606, on July 1, 2018 using the full retrospective transition method which required the adjustment of each prior reporting period presented. The adjusted amounts include the application of a practical expedient that permitted the Company to reflect the aggregate effect of all modifications that occurred prior to fiscal year 2017 when identifying the satisfied and unsatisfied performance obligation, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligation. As a result of adopting this new standard, the Company is providing its updated revenue recognition policies.

Revenue Recognition and Deferred Revenue:

Revenue recognized at point of sale

Company-owned salon revenues are recognized at the time when the services are provided. Product revenues for Company-owned salons are recognized when 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 customer. Gift card breakage, the amount of gift cards which will not be redeemed, is recognized proportional to redemptions using estimates based on historical redemption patterns. Product sales by the Company to its franchisees are included within product revenues in the unaudited Condensed Consolidated Statement of Operations and recorded at the time product is delivered to the franchisee. Payment for franchisee product revenue is generally collected within 30 days of delivery.

Revenue recognized over time

Franchise revenues primarily include royalties, advertising fund fees, franchise fees and other fees. 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 revenue is billed and collected monthly in arrears. Advertising fund revenues and expenditures, which must be spent on marketing and related activities per the franchise agreements, are recorded on a gross basis within the unaudited Condensed Consolidated Statement of Operations. This increases both the gross amount of reported franchise revenue and site operating 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. Upon adoption of the new revenue recognition guidance, recognition of these fees is deferred until the salon opening and is then recognized over the term of the franchise agreement, typically ten years. Under previous guidance the initial franchise fees were recognized in full upon salon opening.

The following table disaggregates revenue by timing of revenue recognition and is reconciled to reportable segment revenues as follows:

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Company-owned	Franchise	Company-owned	Franchise
	(in thousands)			
Revenue recognized at a point in time:				
Service	$181,809	$—	$222,022	$—

Product	39,427	14,339	49,980	14,931
Total revenue recognized at a point in time	$221,236	$ 14,339	$272,002	$ 14,931
Revenue recognized over time:				
Royalty and other franchise fees	$—	$ 14,339	$—	$ 12,322
Advertising fund fees	—	8,429	—	6,528
Total revenue recognized over time	—	22,768	—	18,850
Total revenue	$221,236	$ 37,107	$272,002	$ 33,781

	Nine Months Ended March 31, 2019		Nine Months Ended March 31, 2018	
	Company-owned	Franchise	Company-owned	Franchise
	(in thousands)			
Revenue recognized at a point in time:				
Service	$580,076	$—	$680,930	$—
Product	125,220	47,786	159,980	37,721
Total revenue recognized at a point in time	$705,296	$47,786	$840,910	$37,721
Revenue recognized over time:				
Royalty and other franchise fees	$—	$43,495	$—	$36,733
Advertising fund fees	—	24,272	—	19,732
Total revenue recognized over time	—	67,767	—	56,465
Total revenue	$705,296	$115,553	$840,910	$94,186

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

	March 31, 2019	June 30, 2018	Balance Sheet Classification
	(in thousands)		
Receivables from contracts with customers, net	$23,904	$21,504	Accounts receivable, net
Broker fees	$16,904	$14,002	Other assets
Deferred revenue:			
Current			
Gift card liability	$3,439	$3,320	Accrued expenses
Deferred franchise fees unopened salons	137	2,306	Accrued expenses
Deferred franchise fees open salons	3,767	3,030	Accrued expenses
Total current deferred revenue	$7,343	$8,656	
Non-current			
Deferred franchise fees unopened salons	$13,941	$11,161	Other non-current liabilities
Deferred franchise fees open salons	21,943	18,346	Other non-current liabilities
Total non-current deferred revenue	$35,884	$29,507	

Receivables relate primarily to payments due for royalties, franchise fees, advertising fees, and sales of salon services and product. The receivables balance is presented net of an allowance for expected losses (i.e., doubtful accounts), primarily related to receivables from franchisees. As of March 31, 2019 and June 30, 2018, the balance in the allowance for doubtful accounts was $15.7 and $1.2 million, respectively. The increase in the allowance for doubtful accounts is due to reserving for $12.7 million of TBG receivables in the three months ended March 31, 2019 (see Note 3). 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 agreement. The adoption of the amended revenue recognition guidance did not significantly change the Company's accounting for broker fees.

The following table is a rollforward of the broker fee balance for the periods indicated (in thousands):

Balance as of June 30, 2018	$14,002
Additions	4,393
Amortization	(1,484)
Write-offs	(7)
Balance as of March 31, 2019	$16,904

Deferred revenue includes the gift card liability and deferred franchise fees for unopened salons and open salons. Gift card revenue for the three months ended March 31, 2019 and 2018 was $1.8 and $1.9 million, respectively, and for the nine months ended March 31, 2019 and 2018 was $4.0 and $4.6 million, respectively. Deferred franchise fees related to open salons are generally recognized on a straight-line basis over the term of the franchise agreement. Franchise fee revenue for the three months ended March 31, 2019 and 2018 was $0.9 and $0.7 million, respectively, and for the nine months ended March 31, 2019 and 2018 was $2.6 and $2.0 million. Estimated revenue expected to the recognized in the future related to deferred franchise fees for open salons as of March 31, 2019 is as follows (in thousands):

Remainder of 2019	$840
2020	3,631
2021	3,543
2022	3,423
2023	3,246
Thereafter	11,027
Total	$25,710

The amended revenue recognition guidance impacted the Company's previously reported financial statements as follows:

CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)
June 30, 2018
(Dollars in thousands)

		Adjustments for new revenue recognition guidance				
	Previously Reported	Franchise Fees	Advertising Funds	Gift Card Breakage	Taxes	Adjusted
ASSETS						
Current assets:						
Cash and cash equivalents	$ 110,399	$ —	$ —	$ —	$ —	$ 110,399
Receivables, net	52,430	—	—	—	—	52,430
Inventories	79,363	—	—	—	—	79,363
Other current assets	47,867	—	—	—	—	47,867
Total current assets	290,059	—	—	—	—	290,059
Property and equipment, net	99,288	—	—	—	—	99,288
Goodwill	412,643	—	—	—	—	412,643
Other intangibles, net	10,557	—	—	—	—	10,557
Other assets	37,616	—	—	—	—	37,616
Non-current assets held for sale (Note 1)	6,572	—	—	—	—	6,572
Total assets	$ 856,735	$ —	$ —	$ —	$ —	$ 856,735
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ 57,738	$ —	$ —	$ —	$ —	$ 57,738
Accrued expenses	97,630	3,030	—	56	—	100,716
Total current liabilities	155,368	3,030	—	56	—	158,454
Long-term debt	90,000	—	—	—	—	90,000
Other noncurrent liabilities	107,875	18,346	—	—	(4,378)	121,843
Total liabilities	353,243	21,376	—	56	(4,378)	370,297
Commitments and contingencies (Note 7)						
Shareholders' equity:		0				
Common stock	2,263	—	—	—	—	2,263
Additional paid-in capital	194,436	—	—	—	—	194,436
Accumulated other comprehensive income	9,568	88	—	—	—	9,656
Retained earnings	297,225	(21,464)	—	(56)	4,378	280,083
Total shareholders' equity	503,492	(21,376)	—	(56)	4,378	486,438
Total liabilities and shareholders' equity	$ 856,735	$ —	$ —	$ —	$ —	$ 856,735

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)
For The Three Months Ended March 31, 2018
(Dollars and shares in thousands, except per share data amounts)

		Adjustments for new revenue recognition guidance				
	Previously Reported	Franchise Fees	Advertising Funds	Gift Card Breakage	Taxes	Adjusted
Revenues:						
Service	$221,926	$—	$ —	$ 96	$—	$222,022
Product	64,887	—	—	24	—	64,911
Royalties and fees	13,988	(1,666)	6,528	—	—	18,850
	300,801	(1,665)	6,527	120	—	305,783
Operating expenses:						
Cost of service	132,081	—	—	—	—	132,081
Cost of product	37,139	—	—	—	—	37,139
Site operating expenses	31,021	—	6,527	—	—	37,548
General and administrative	45,727	—	—	—	—	45,727
Rent	39,391	—	—	—	—	39,391
Depreciation and amortization	9,558	—	—	—	—	9,558
Total operating expenses	294,917	—	6,527	—	—	301,444
Operating income	5,884	(1,665)	—	120	—	4,339
Other (expense) income:						
Interest expense	(5,095)	—	—	—	—	(5,095)
Gain from sale of salon assets to franchisees, net	237	—	—	—	—	237
Interest income and other, net	1,548	—	—	(53)	—	1,495
Income from continuing operations before income taxes	2,574	(1,665)	—	67	—	976
Income tax expense	2,225	—	—	—	384	2,609
Income from continuing operations	4,799	(1,665)	—	67	384	3,585
Loss from TBG discontinued operations, net of taxes	(10,605)	—	—	—	—	(10,605)
Net loss	$(5,806)	$(1,665)	$ —	$ 67	$ 384	$(7,020)
Net loss per share:						
Basic:						
Income from continuing operations (1)	$0.10	$(0.04)	$ 0.00	$ 0.00	$ 0.01	$0.08
Loss from TBG discontinued operations	(0.23)	0.00	0.00	0.00	0.00	(0.23)
Net loss per share, basic (1)	$(0.12)	$(0.04)	$ 0.00	$ 0.00	$ 0.01	$(0.15)
Diluted:						
Income from continuing operations (1)	$0.10	$(0.04)	$ 0.00	$ 0.00	$ 0.01	$0.08
Loss from TBG discontinued operations	(0.22)	0.00	0.00	0.00	0.00	(0.22)
Net loss per share, diluted (1)	$(0.12)	$(0.04)	$ 0.00	$ 0.00	$ 0.01	$(0.15)

Weighted average common and common equivalent shares outstanding:						
Basic	46,612	46,612	46,612	46,612	46,612	46,612
Diluted	47,153	47,153	47,153	47,153	47,153	47,153

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

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)
For The Nine Months Ended March 31, 2018
(Dollars and shares in thousands, except per share data amounts)

	Previously Reported	Adjustments for new revenue recognition guidance Franchise Fees	Advertising Funds	Gift Card Breakage	Taxes	Adjusted
Revenues:						
Service	$680,699	$—	$ —	$ 231	$—	$680,930
Product	197,643	—	—	58	—	197,701
Royalties and fees	40,847	(4,114)	19,732	—	—	56,465
	919,189	(4,114)	19,732	289	—	935,096
Operating expenses:						
Cost of service	406,767	—	—	—	—	406,767
Cost of product	107,165	—	—	—	—	107,165
Site operating expenses	96,443	—	19,732	—	—	116,175
General and administrative	129,485	—	—	—	—	129,485
Rent	147,280	—	—	—	—	147,280
Depreciation and amortization	46,764	—	—	—	—	46,764
Total operating expenses	933,904	—	19,732	—	—	953,636
Operating income	(14,715)	(4,114)	—	289	—	(18,540)
Other (expense) income:						
Interest expense	(9,402)	—	—	—	—	(9,402)
Gain from sale of salon assets to franchisees, net	255	—	—	—	—	255
Interest income and other, net	4,919	—	—	(985)	—	3,934
Income from continuing operations before income taxes	(18,943)	(4,114)	—	(696)	—	(23,753)
Income tax expense	73,855	—	—	—	4,020	77,875
Income from continuing operations	54,912	(4,114)	—	(696)	4,020	54,122
Loss from TBG discontinued operations, net of taxes	(50,973)	—	—	—	—	(50,973)
Net loss	$3,939	$(4,114)	$ —	$ (696)	$4,020	$3,149
Net loss per share:						
Basic:						
Income from continuing operations (1)	$1.18	$(0.09)	$ 0.00	$ (0.01)	$0.09	$1.16
Loss from TBG discontinued operations	(1.09)	0.00	0.00	0.00	0.00	(1.09)
Net loss per share, basic (1)	$0.08	$(0.09)	$ 0.00	$ (0.01)	$0.09	$0.07
Diluted:						
Income from continuing operations (1)	$1.17	$(0.09)	$ 0.00	$ (0.01)	$0.09	$1.15
Loss from TBG discontinued operations	(1.08)	0.00	0.00	0.00	0.00	(1.08)

Net loss per share, diluted (1)	$0.08	$(0.09)	$ 0.00	$ (0.01)	$0.09	$0.07
Weighted average common and common equivalent shares outstanding:						
Basic	46,684	46,684	46,684	46,684	46,684	46,684
Diluted	47,093	47,093	47,093	47,093	47,093	47,093

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

3. TBG DISCONTINUED OPERATIONS:

In October 2017, the Company sold substantially all its mall-based salon business in North America, representing 858 salons, and substantially all its International segment, representing approximately 250 salons in the UK, to The Beautiful Group ("TBG"), an affiliate of Regent, a private equity firm based in Los Angeles, California, who operates these locations as franchise locations.

For the International segment, the Company entered into a share purchase agreement with TBG for minimal consideration.

The Company classified the results of its mall-based business and its International segment as discontinued operations for all periods presented in the Condensed Consolidated Statement of Operations. In connection with the sale of the mall-based business and the International segment, the Company performed an impairment assessment of the asset groups. The Company recognized net impairment charges within discontinued operations based on the difference between the expected sale prices and the carrying value of the asset groups.

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2019	2018	2019	2018
	(Dollars in thousands)		(Dollars in thousands)	
Revenue	$—	$—	$—	$101,140
Income (loss) from TBG discontinued operations, before income taxes	224	(13,545)	(862)	(57,385)
Income tax (expense) benefit on TBG discontinued operations	(46)	2,940	6,889	6,412
Income (loss) from TBG discontinued operations, net of income taxes	$178	$(10,605)	$6,027	$(50,973)

For the three months ended March 31, 2019, the $0.2 million income from discontinued operations includes actuarial insurance accrual adjustments associated with the transaction. For the nine months ended March 31, 2019, the $6.0 million income from discontinued operations includes $6.9 million of income tax benefits associated with the wind-down and transfer of legal entities related to discontinued operations and $0.2 million of actuarial insurance accrual adjustments associated with the transaction, partly offset by $1.0 million of professional fees.

For the three months ended March 31, 2018, included within the $10.6 million loss from discontinued operations were $11.7 million of asset impairment charges, $1.2 million of loss from operations and $0.6 million of professional fees associated with the transaction, partly offset by a $2.9 million income tax benefit. For the nine months ended March 31, 2018, included within the $51.0 million loss from discontinued operations were $40.8 million of asset impairment charges, $6.2 million of cumulative foreign currency translation adjustment associated with the Company's liquidation of substantially all foreign entities with British pound denominated currencies, $4.0 million of loss from operations and $6.4 million of professional fees associated with the transaction, partly offset by a $6.4 million income tax benefit.

As part of the sale of the mall-based business, TBG agreed to pay for the value of certain inventory, prepaid rent and assumed specific liabilities, including lease liabilities. In March 2018, the Company entered into discussions with TBG regarding a waiver of working capital and prepaid rent payments associated with the original transaction and the financing of certain receivables to assist TBG with its cash flow and operational needs. Based on those discussions as of March 31, 2018, the Company fully reserved for the working capital and prepaid rent amount of $11.7 million which was recorded in discontinued operations in the Condensed Consolidated Statement of Operations in the third quarter of fiscal year 2018. In August 2018, the Company entered into promissory notes for approximately $11.7 million in working capital receivables and $8.0 million in accounts receivables, a majority of which was for inventory purchases. All notes have a maturity date of August 2, 2020. Pursuant to the working capital notes, such notes would be forgiven as of the maturity date and exchanged for a three-year contingent payment right that is payable upon the occurrence of certain TBG monetization events if no default had occurred under such notes and certain other conditions are met. Based on TBG’s inability to meet the requirements of the promissory notes, including non-payment of amounts due to the Company, the Company recorded a full reserve against such notes. In addition, the Company has recorded additional reserves of approximately $11.6 million for inventory and $1.1 million for outstanding royalties that TBG has failed to pay. As of March 31, 2019, the Company has fully reserved for all amounts invoiced to TBG. The total note and receivables reserve in the third quarter of fiscal year 2019 was $20.7 million and is recorded in the TBG mall location restructuring line of the unaudited Condensed Consolidated Statement of Operations. TBG's business has continued to decline. The Company continues to have conversations with TBG focused on how to assist TBG with its cash flow and operational needs.

The following summarizes the TBG related charges for the periods presented:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,		Income Statement Classification
	2019	2018	2019	2018	
	(Dollars in thousands)				
TBG mall location restructuring	$20,711	$—	$20,711	$—	TBG mall location restructuring
Working capital and prepaid rent receivable reserve	—	(11,697)	—	(11,697)	Income (loss) from TBG discontinued operations
Other charges	224	(1,848)	(862)	(45,688)	Income (loss) from TBG discontinued operations
Income (loss) from TBG discontinued operations, before income taxes	224	(13,545)	(862)	(57,385)	Income (loss) from TBG discontinued operations
Income tax (expense) benefit on TBG discontinued operations	(46)	2,940	6,889	6,412	Income (loss) from TBG discontinued operations
Income (loss) from TBG discontinued operations, net of income taxes	$178	$(10,605)	$6,027	$(50,973)	Income (loss) from TBG discontinued operations

Other than the items presented in the Consolidated Statement of Cash Flows, there were no other significant non-cash operating activities or any significant non-cash investing activities related to discontinued operations for the three and nine months ended March 31, 2019 and 2018.

The Company utilized the consolidation of variable interest entities guidance to determine whether or not TBG was a variable interest entity (VIE), and if so, whether the Company was the primary beneficiary of TBG. As of March 31, 2019, the Company concluded that TBG is a VIE, based on the fact that the equity investment at risk in TBG is not sufficient. The Company determined that it is not the primary beneficiary of TBG based on its exposure to the expected losses of TBG and as it is not the variable interest holder that is most closely associated within the relationship and the significance of the activities of TBG. The exposure to loss related to the Company's involvement with TBG is the guarantee of the operating leases for certain TBG operated salons. As of March 31, 2019, prior to any mitigation efforts which may be available, the Company remains liable for up to $64.8 million associated with remaining TBG salon lease commitments, should TBG not perform.

4. EARNINGS PER SHARE:

The Company’s basic earnings per share is calculated as net (loss) income divided by weighted average common shares outstanding, excluding unvested outstanding RSAs, RSUs and PSUs. The Company’s diluted earnings per share is calculated as net (loss) 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.

For the three and nine months ended March 31, 2019, 1,023,038 and 1,006,589, respectively, common stock equivalents of dilutive common stock were excluded in the diluted earnings per share calculations due to the net loss from continuing operations. For the three and nine months ended March 31, 2018, 541,405 and 409,646, respectively, common stock equivalents of dilutive common stock were included in the diluted earnings per share calculations due to the net income from continuing operations.

The computation of weighted average shares outstanding, assuming dilution, excluded 608,944 and 550,948 of stock-based awards during the three months ended March 31, 2019 and 2018, respectively, and 542,329 and 730,377 of stock-based awards during the nine months ended March 31, 2019 and 2018, respectively, as they were not dilutive under the treasury stock method.

5. SHAREHOLDERS' EQUITY:

Stock-Based Employee Compensation:

During the nine months ended March 31, 2019, the Company granted various equity awards including restricted stock units (RSUs) and performance-based restricted stock units (PSUs).

A summary of equity awards granted is as follows:

	For the Three Months Ended March 31, 2019	For the Nine Months Ended March 31, 2019
Restricted stock units	—	338,859
Performance-based restricted stock units	—	733,688

The RSUs granted to employees vest in equal amounts over a three-year period subsequent to the grant date, cliff vest after a three-year period or cliff vest after a five-year period subsequent to the grant date.

The PSUs granted to employees have a three year performance period ending June 30, 2021 linked to the Company's stock price reaching a specified volume weighted average closing price for a 50 day period that ends on June 30, 2021. The PSUs granted to certain executives include an additional two year service period after the performance period. Of the total PSUs granted, 52,590 PSUs have a maximum vesting percentage of 200% based on the level of performance achieved for the respective award, while the remaining PSUs have a maximum vesting percentage of 100%.

Total compensation cost for stock-based payment arrangements totaling $2.5 and $1.9 million for the three months ended March 31, 2019 and 2018, respectively, and $7.1 and $6.5 million for the nine months ended March 31, 2019 and 2018, respectively, was recorded within general and administrative expense on the unaudited Condensed Consolidated Statement of Operations.

Share Repurchases:

During the three and nine months ended March 31, 2019, the Company repurchased 2.1 million and 6.0 million shares, respectively, for $37.9 million and $106.3 million, respectively, under a previously approved stock repurchase program. At March 31, 2019, $129.1 million remains outstanding under the approved stock repurchase program.

6. INCOME TAXES:

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Income tax (expense) benefit	$(3,248)	$2,609	$(2,988)	$77,875
Effective tax rate	(28.1 %)	(267.3 %)	(25.2 %)	327.9 %

The recorded tax provisions and effective tax rates for the three and nine months ended March 31, 2019 and three and nine months ended March 31, 2018 were different than what would normally be expected primarily due to the impact of tax legislation commonly referred to as the Tax Cuts and Jobs Act, state conformity of the new federal provisions and the deferred tax valuation allowance. The majority of the tax provision in periods ended prior to December 31, 2017 related to non-cash tax expense for tax benefits on certain indefinite-lived assets that the Company could not recognize for reporting purposes.

The Company is no longer subject to IRS examinations for years before 2013. Furthermore, with limited exceptions, the Company is no longer subject to state and international income tax examinations by tax authorities for years before 2012.

7. COMMITMENTS AND CONTINGENCIES:

The Company is a defendant in various lawsuits and claims arising out of the normal course of business. Like certain 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.

8. CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

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

	March 31, 2019	June 30, 2018
	(Dollars in thousands)	
Cash and cash equivalents	$71,146	$110,399
Restricted cash, included in Other current assets (1)	23,693	38,375
Total cash, cash equivalents and restricted cash	$94,839	$148,774

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

9. GOODWILL AND OTHER INTANGIBLES:

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

	Company-owned	Franchise	Consolidated
	(Dollars in thousands)		
Goodwill, net at June 30, 2018	$184,788	$227,855	$ 412,643
Translation rate adjustments	(147)	(408)	(555)
Derecognition related to sale of salon assets to franchisees (1)	(33,528)	—	(33,528)
Goodwill, net at March 31, 2019	$151,113	$227,447	$ 378,560

(1) Goodwill is derecognized for salons sold to franchisees with positive cash flows. The amount of goodwill derecognized is determined by a fraction (the numerator of which is the trailing-twelve months EBITDA of the salon being sold and the denominator of which is the estimated annualized EBITDA of the Company-owned reporting unit) that is applied to the total goodwill balance of the Company-owned reporting unit.

The table below presents other intangible assets:

	March 31, 2019			June 30, 2018		
	Cost (1)	Accumulated Amortization (1)	Net	Cost (1)	Accumulated Amortization (1)	Net
	(Dollars in thousands)					
Amortized intangible assets:						
Brand assets and trade names	$7,830	$ (4,236)	$3,594	$8,128	$ (4,260)	$3,868
Franchise agreements	9,675	(7,888)	1,787	9,763	(7,712)	2,051
Lease intangibles	13,474	(9,884)	3,590	13,997	(9,770)	4,227
Other	1,966	(1,591)	375	1,983	(1,572)	411
	$32,945	$ (23,599)	$9,346	$33,871	$ (23,314)	$10,557

(1) The change in the gross carrying value and accumulated amortization of other intangible assets is impacted by foreign currency.

10. FINANCING ARRANGEMENTS:

The Company’s long-term debt consists of the following:

Revolving Credit Facility

	Maturity Date	Interest Rate	March 31, 2019	June 30, 2018
	(Fiscal Year)		(Dollars in thousands)	
Revolving credit facility	2023	3.75%	$ 90,000	$ 90,000

As of March 31, 2019 and June 30, 2018, the Company has $90.0 million of outstanding borrowings under a $295.0 million revolving credit facility. At March 31, 2019 and June 30, 2018, the Company has outstanding standby letters of credit under the revolving credit facility of $23.0 million and $1.5 million, respectively, primarily related to the Company's self-insurance program. The unused available credit under the facility was $182.0 million and $203.5 million, respectively. Amounts outstanding under the revolving credit facility are due at maturity in March 2023.

Sale and Leaseback Transaction

The Company’s long-term lease liability consists of the following:

	Maturity Date	Interest Rate	March 31, 2019	June 30, 2018
	(Fiscal Year)		(Dollars in thousands)	
Long-term lease liability	2033	3.30%	$ 17,505	$ —

In November 2018, the Company sold its Salt Lake City Distribution Center to an unrelated party. The Company is leasing the property back for 15 years with the option to renew three times for five year periods. As the Company plans to lease the property for more than 75% of its economic life, the sales proceeds received from the buyer-lessor are recognized as a financial liability. This financial liability is reduced based on the rental payments made under the lease that are allocated between principal and interest. As of March 31, 2019, the current portion of the Company’s lease liability was $0.6 million. As of March 31, 2019, future lease payments due are as follows:

Remainder of 2019	$302
2020	1,120
2021	1,157
2022	1,171
2023	1,186
Thereafter	13,265
Total	$18,201

The Company was in compliance with all covenants and requirements of its financing arrangements as of and during the three and nine months ended March 31, 2019.

11. 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 March 31, 2019 and June 30, 2018, the estimated fair value of the Company’s cash, cash equivalents, restricted cash, receivables and accounts payable approximated their carrying values. As of March 31, 2019 and June 30, 2018, the estimated fair value of the Company's debt was $90.0 million and the carrying value was $90.0 million. As of March 31, 2019 the estimated fair value of the Company’s long-term financial liability was $17.5 million. The estimated fair values of the Company's debt and long-term financial liability are based on Level 2 inputs.

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 based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections.

The following impairments were based on fair values using Level 3 inputs:

For the Three Months Ended March 31, 2019	For the Nine Months Ended March 31,