



THE JOINT[®] chiropractic

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Real Estate Site Selection & Strategy

Richard Matthews, Director of Real Estate Research

My Background

Richard Matthews

Education

BS: Mathematics



MA: Geography

PhD: Geography (Economic Geography)



Business Experience



UNIVERSITY OF
SOUTH CAROLINA



Marcus &
Millichap

Agenda

1

Goals

2

Models/Tools

3

Deployment

4

**Location
Criteria**

5

**Site
Acceptance
Process**

6

**New
Markets**

The Joint Real Estate Team

Team Goals

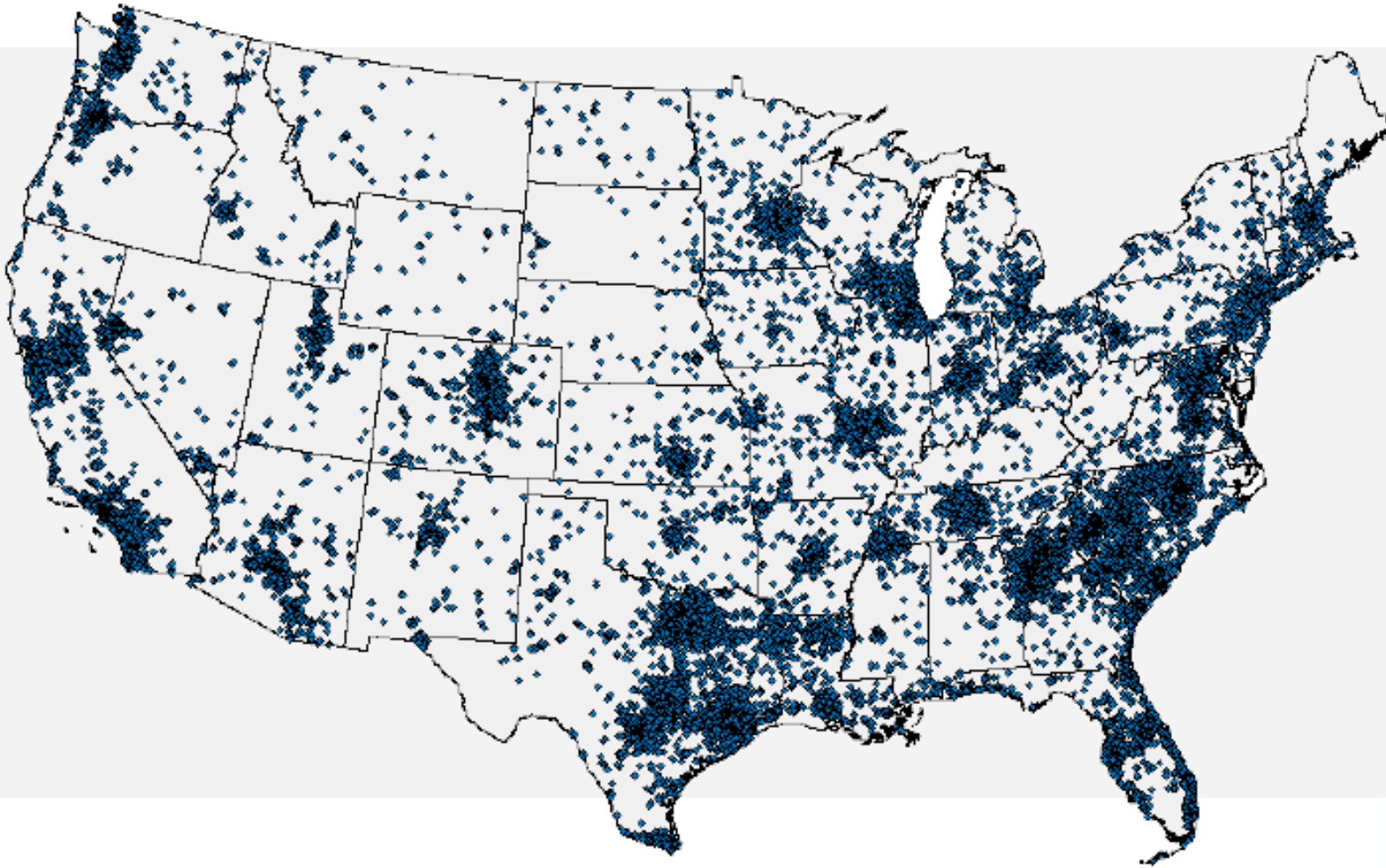
- Organize and describe real estate data: patient behavior, trade area dynamics, best centers and sites
- Build explanatory models and develop strategy
- Communicate results and best practices to RDs/Franchisees
- Work with Franchisees on clinic openings via site evaluation
- In short: understand the importance of site and apply those learnings to new centers

How do we
determine
customers and
trade areas?

Patient Identification

- Plotted 557,000 patient locations from 430 units in 31 states across the country
- Assigned each patient to a Zip + 4 location and sorted by demographics and psychographics
- Measured distance and drive time from the Zip + 4 site to each clinic
- Identified core customers and solved for penetration rate
- Solved for required population to achieve minimum threshold of core customers

Patient Distribution

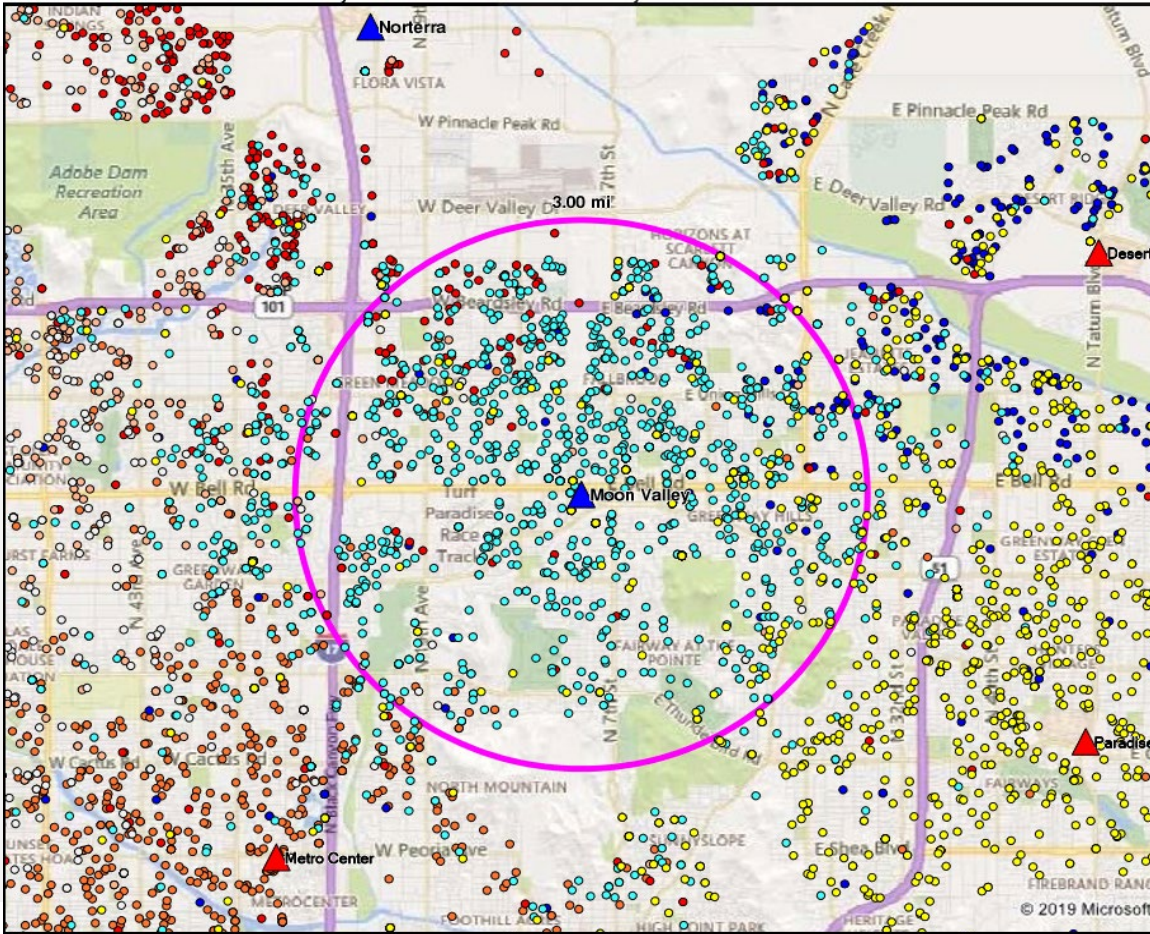


557,000 Patients

With usable addresses from 2018

- All 50 States, DC, and Puerto Rico
- All Canadian Provinces and Territories
- 24 Countries on 6 Continents

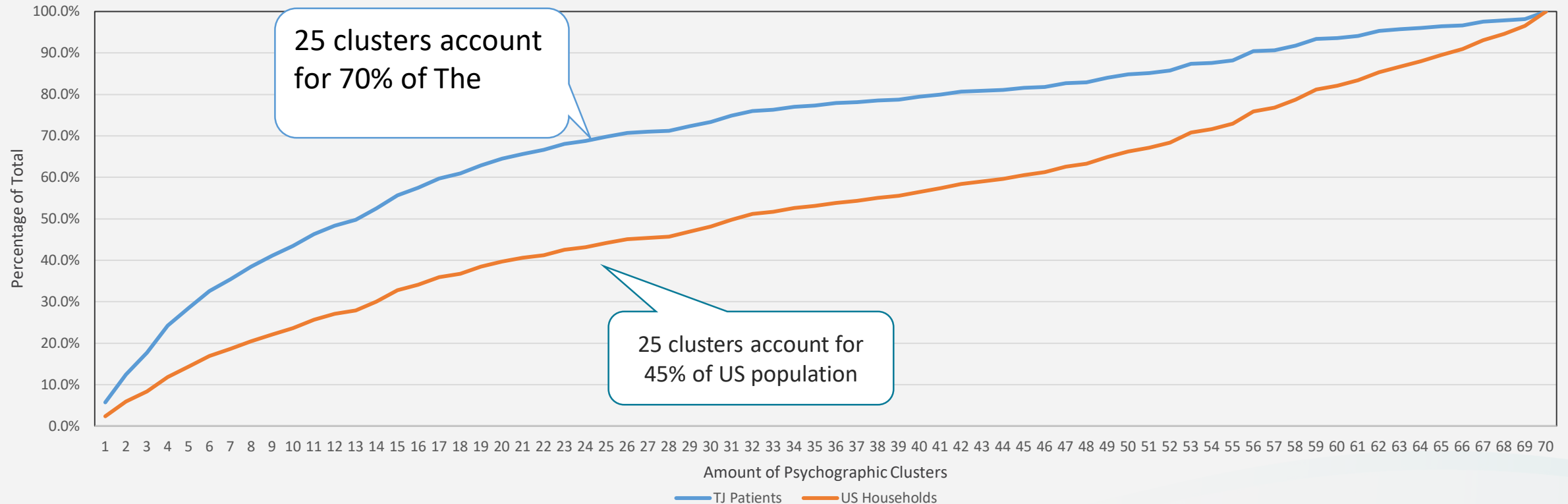
Patient Distribution by Clinic



- Patient travel patterns
- Barriers to interaction
- Composition of trade areas
- 400 demographic, psychographic, and site characteristics for each clinic
- Regress clinic performance against trade area factors

Patient Identification

Psychographics of The Joint Patients vs U.S. Households

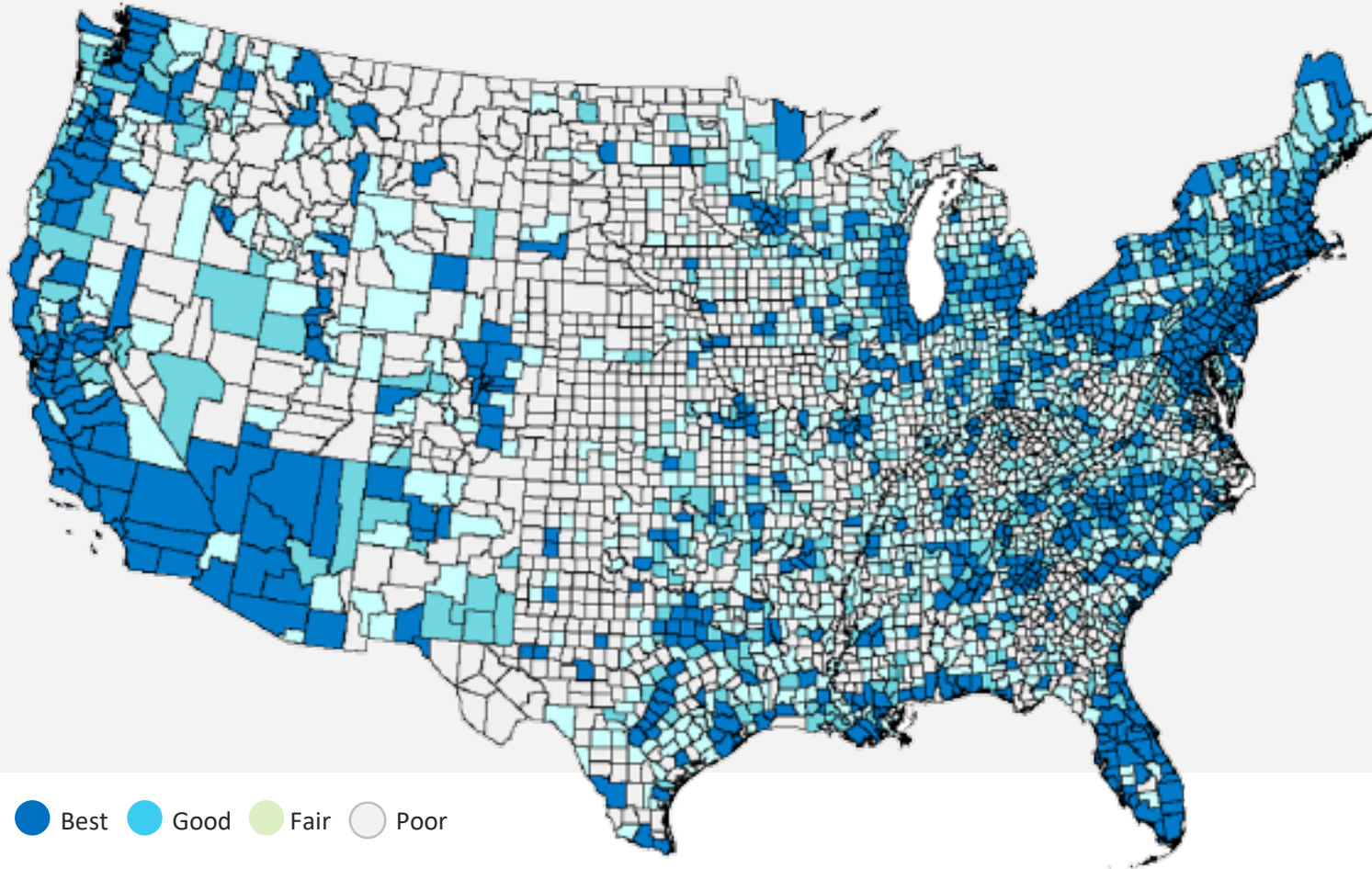


Patient Identification

Who Are Our Customers?

Wide Age Range	Wide Economic Spectrum	Wide Urbanicity Range	Large Trade Area Database
Millennials: 39%	White Collar	Cities	452 Clinics
Generation X: 34%	Blue Collar	Suburbs	400 Variables
Baby Boomers	Median Household Income Range: \$50k - \$100k	Towns	

National Buildout Potential



Data Analytics Yields
1700+ Clinics

- Projected Core Customer and Trade Area Potential
- Based on current usage patterns

● Best ● Good ● Fair ● Poor

Curated Site Selection

Demographic and Location-specific Learnings

Be Where The People Are

Three Real Estate Pillars

- Trade Area Demographics
- Composition of Center
- Location within Center

Density Wins

- Avoid thinly populated areas
- Clustering clinics helps build brand

Income Range Matters

- Median household income range: \$50k - \$100k
- Will go above or below income range if desirable density or other factors exist

Curated Site Selection

Demographic and Location-specific Learnings

Daytime Workforce Population Helps

- Employment builds on residential base
- Impacts of all-workforce no-residential is unclear

Convenience is Critical

- Part of patients' daily activity space
- Centers where most people appear the most often

Best-in-Class Site Characteristics

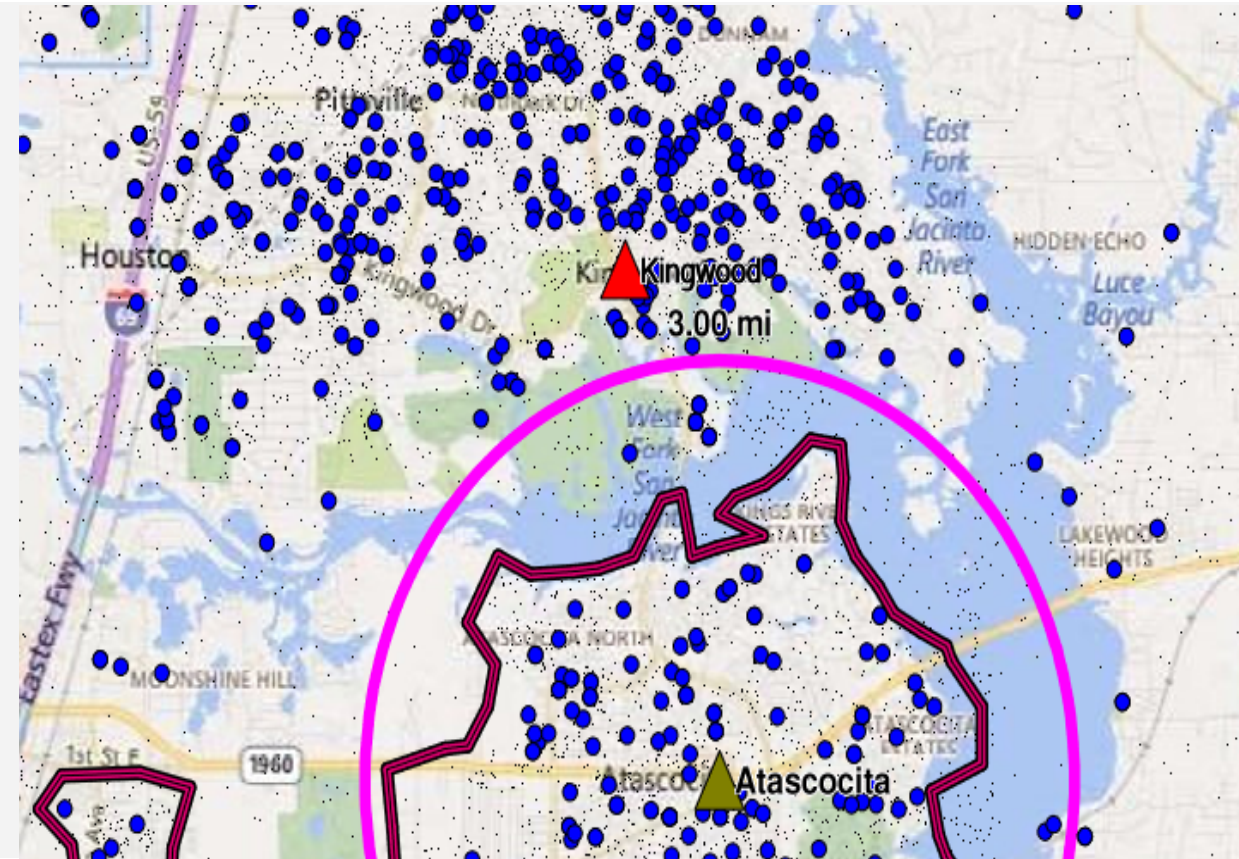
- Visible and accessible
- Daily drivers
 - Top-tier grocers
 - Multiple restaurant options
 - Health care/beauty tenants
- "Mini-Regional" mid-box uses add to traffic mix
- Home stores; soft goods, pet supplies



Smart Growth

We have established an Encroachment Policy to ensure franchisee protection

- 62 instances of new clinics opening within 5 miles of an existing clinic since January 2015
- Average revenue increase: 13.0% in six months
- New clinics average 50% above historical ramps



Weekly Meeting To Review & Evaluate New Sites For Clinic Development

Site Acceptance Committee

Purpose

- Provide due diligence from multiple frameworks
- Accelerate clinic opening process

Committee Membership

- Senior Team Members
- Real Estate
- Regional Developer as point of contact

Results

- 88% of new clinics are above average
- New clinics are 104% above historical ramps

Expansion: New Markets

Small Markets

- Recent openings help us understand growth potential

Urban

- Pedestrian focus
- Very few now; will be important

Non-traditional

- Airports, dual concepts, and/or universities

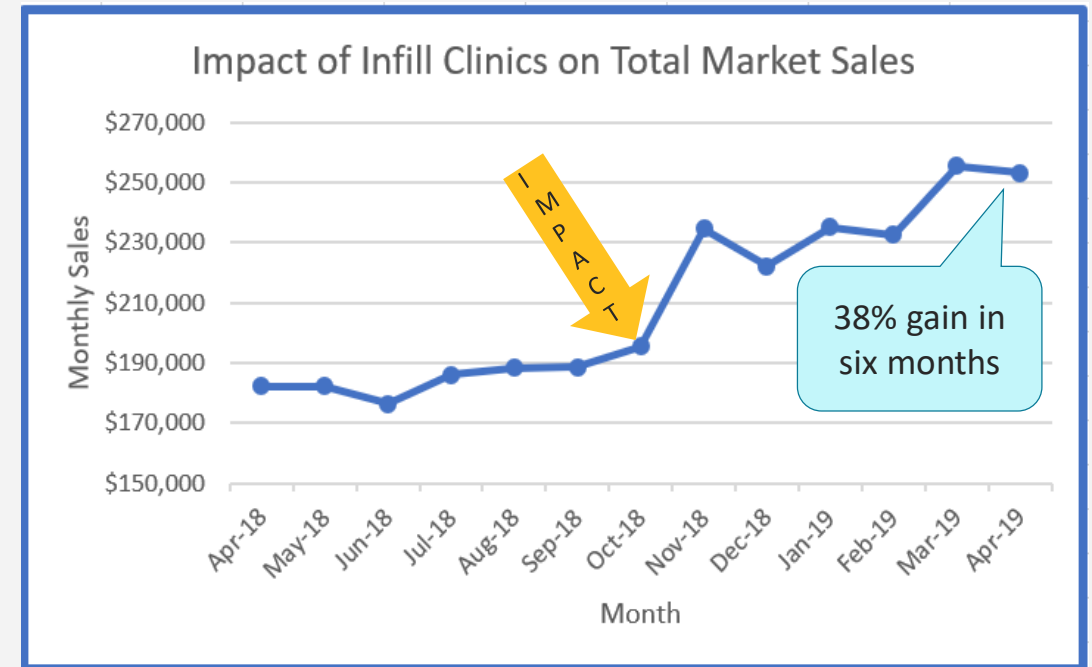
Potential Growth Source: Infill

Two top tier clinics with planned expansion

- Six months prior to New Clinics: \$184,521
- Six months after New Clinics: \$254,286

Determining a strong clinic expansion strategy

- Top 50 clinic revenues are 87% above chain average
- Top 50 clinics average 24% YOY comp sales



Key Takeaways

1. **Core customers come from a broad spectrum of demographic and psychographic types affording us a deployment plan across a variety of locational settings**
2. **Sales forecasting tools and buildout potential based on highly reliable and proprietary analytics**
 - Current database uses 400 predictive variables for each clinic trade area
 - Model and data are used in other departments in the business
 - Finance • Marketing • Operations
3. **Optimize growth based on expanding brand and industry awareness**
 - Our patients tell us who they are and how they act
 - We search for analogous populations