



# THE JOINT<sup>®</sup> chiropractic

REINVENTING CHIROPRACTIC CARE

**Q1 2018 FINANCIAL RESULTS AS OF MAY 10, 2018**

THE JOINT CORP. | NASDAQ: JYNT | [thejoint.com](http://thejoint.com)

# Safe Harbor Statement

Certain statements contained in this presentation are "forward-looking statements." We have tried to identify these forward-looking statements by using words such as "may," "might," "will," "expect," "anticipate," "believe," "could," "intend," "plan," "estimate," "should," "if," "project," and similar expressions. All statements other than statements of historical facts contained in this presentation, including statements regarding our growth strategies, our vision, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth and potential are forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. However, these forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from our expectations and projections. Some of these risks, uncertainties and other factors are set forth in this presentation and in other documents we file with the United States Securities and Exchange Commission (the "SEC").

Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. Projections and other forward-looking statements included in this presentation have been prepared based on assumptions, which we believe to be reasonable, but not in accordance with U.S. Generally Accepted Accounting Principals ("GAAP") or any guidelines of the SEC. Actual results may vary, perhaps materially. You are strongly cautioned not to place undue reliance on such projections and other forward-looking statements. All subsequent written and oral forward-looking statements attributable us or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any such forward-looking statements, whether made in this presentation or elsewhere, should be considered in the context of the various disclosures made by us about our businesses including, without limitation, the risk factors discussed above.

In addition to results presented in accordance with U.S. GAAP, this presentation includes a presentation of EBITDA and Adjusted EBITDA, which are non-GAAP financial measures. EBITDA and Adjusted EBITDA are presented because they are important measures used by management to assess financial performance, as management believes they provide a more transparent view of the Company's underlying operating performance and operating trends. Reconciliations of net loss to EBITDA and Adjusted EBITDA are presented where applicable. We define EBITDA as net income (loss) before net interest, taxes, depreciation and amortization expenses. We define Adjusted EBITDA as EBITDA before acquisition-related expenses, bargain purchase gain, loss on disposition or impairment, and stock-based compensation expenses.

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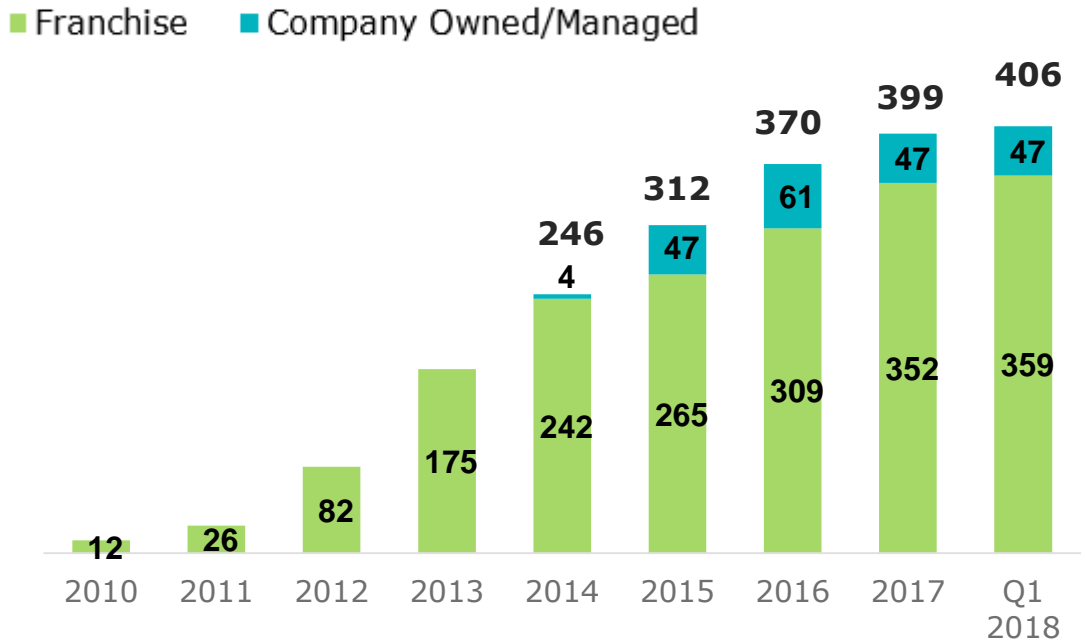
# Business Structure

The Joint Corp. is a franchisor of clinics and an operator of clinics in certain states. In Arkansas, California, Colorado, Florida, Illinois, Kansas, Minnesota, New Jersey, New York, North Carolina, Oregon, Pennsylvania, and Tennessee, The Joint Corp. and its franchisees provide management services to affiliated professional chiropractic practices.

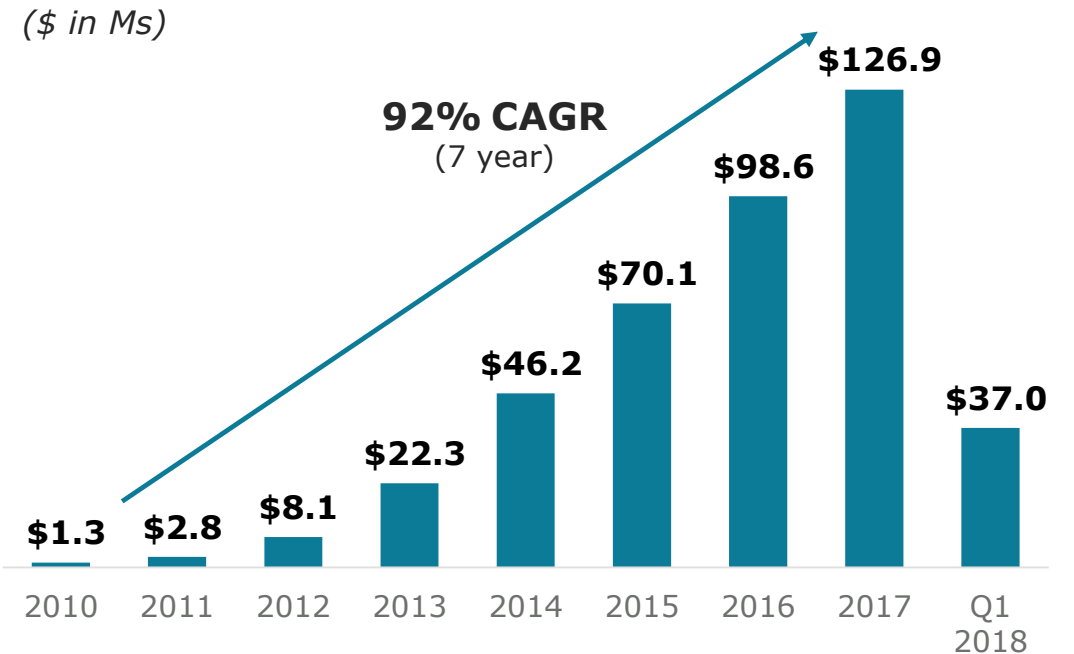
# Leader Executing Growth Strategy: 400+ Clinics

- Increasing clinic scale through franchise sales and regional developers
- Reengaging in company-owned/managed clinic acquisition or build-out, first purchased in April 2018

## TOTAL CLINICS OPEN



## SYSTEM-WIDE GROSS SALES

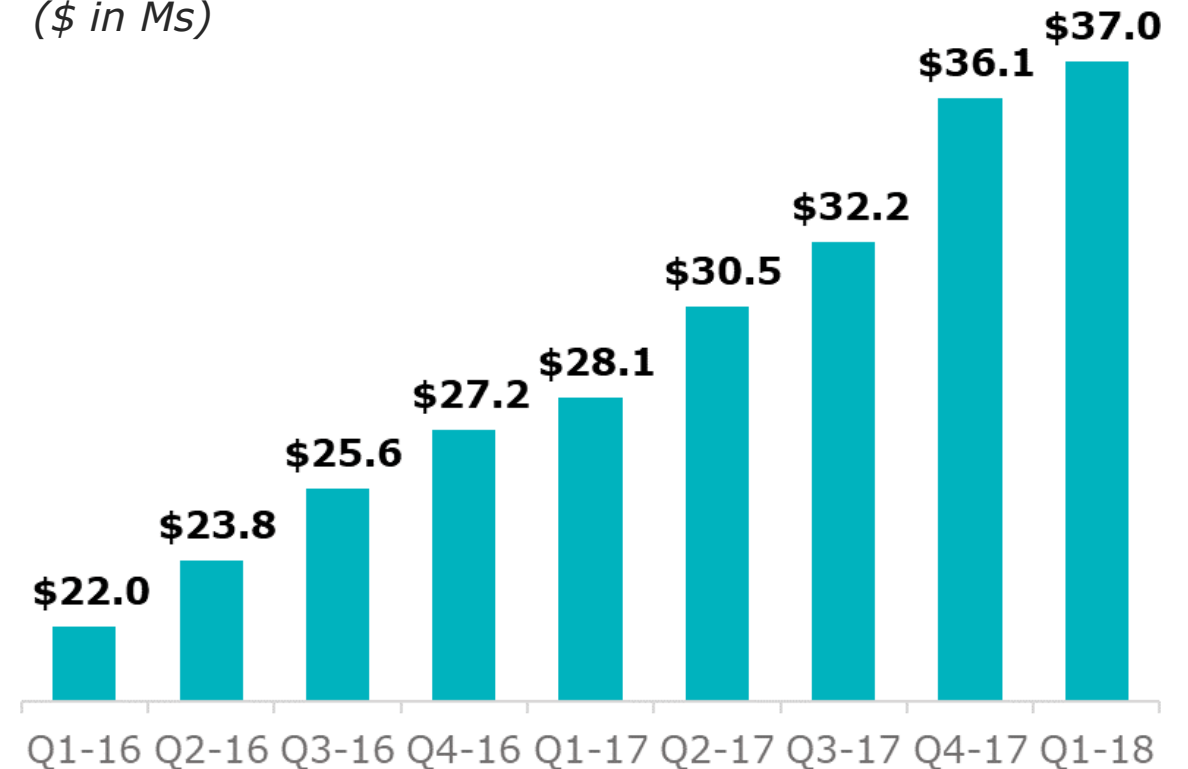


# Another Strong Quarter of Improvements

2018 vs 2017	
System-wide gross sales	32%
System-wide comp sales >13 months <sup>1</sup>	26%
System-wide comp sales >48 months <sup>1</sup>	17%
Revenue	29%
Net loss	\$(387)k, up \$1.4M
Adjusted EBITDA <sup>2</sup>	\$156k, up \$753k
<b>Cash and equivalents at Mar. 31, 2018</b>	<b>\$4.0M</b>

## SYSTEM-WIDE GROSS SALES

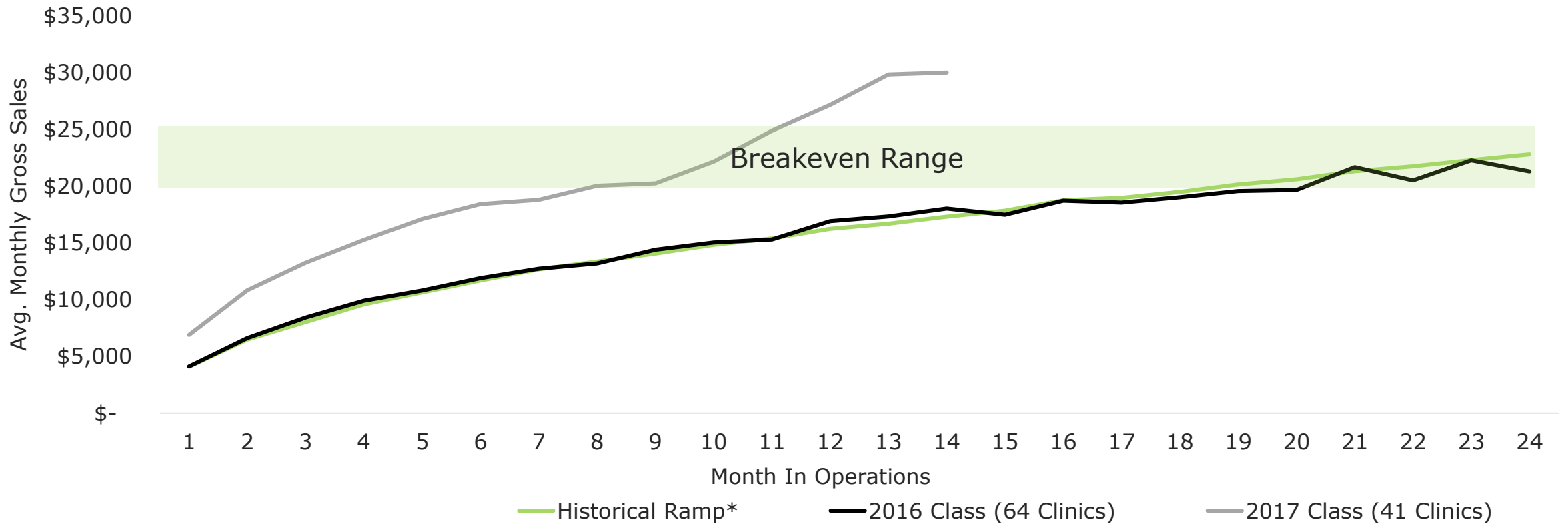
(\$ in Ms)



<sup>1</sup> Comparable Sales include only the sales from clinics that have been open at least 13 or 48 full months and exclude any clinics that have closed  
<sup>2</sup> Reconciliation of Adjusted EBITDA to GAAP earnings is included in the Appendix

# Reducing Clinic Time to Breakeven

- **2017 Clinics continue to grow in gross sales and ramp above the historical performance**
- **2018 Clinics in the early months exceeded the historical and the 2017 clinic ramp**

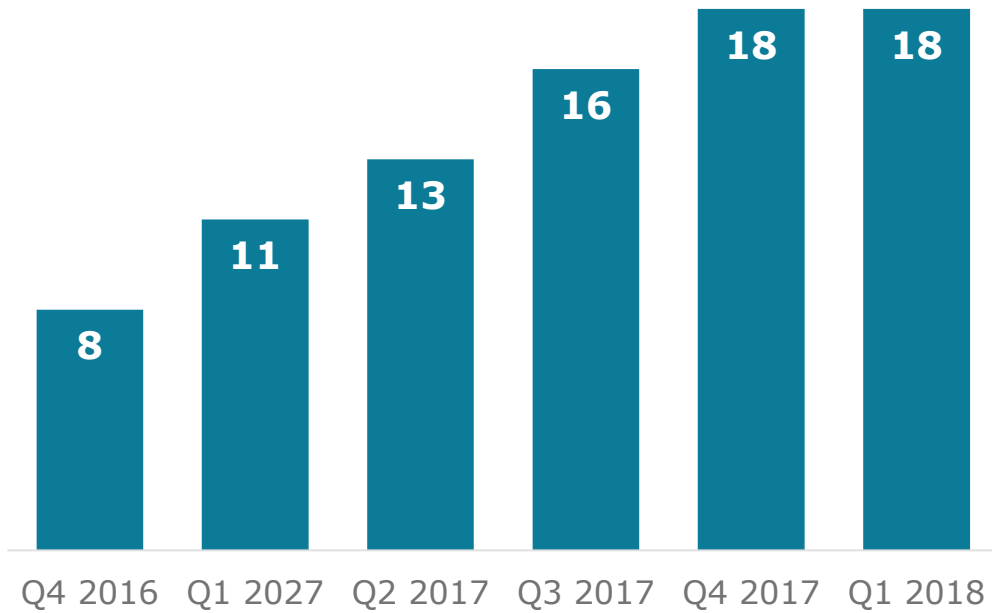


\* Based on average historical gross sales growth rates from January 2013 through March 2018

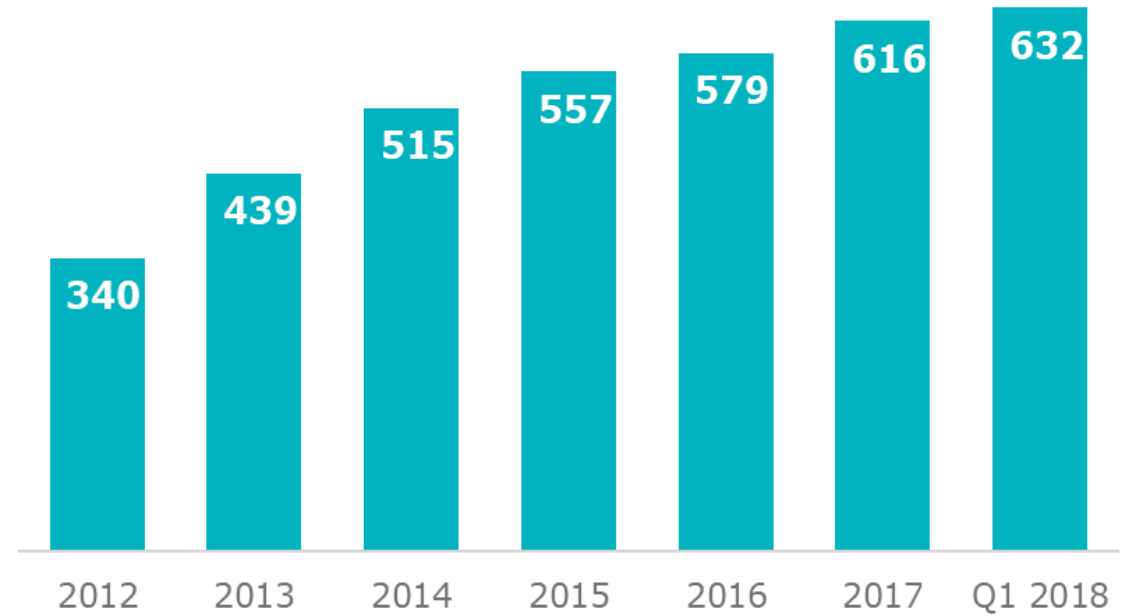
# RDs Accelerate Franchise License Sales

Franchise sales through April 2018 were 27, compared to 37 for all of 2017

**NUMBER OF REGIONAL DEVELOPERS**



**GROSS CUMULATIVE FRANCHISE LICENSES SOLD<sup>1</sup>**



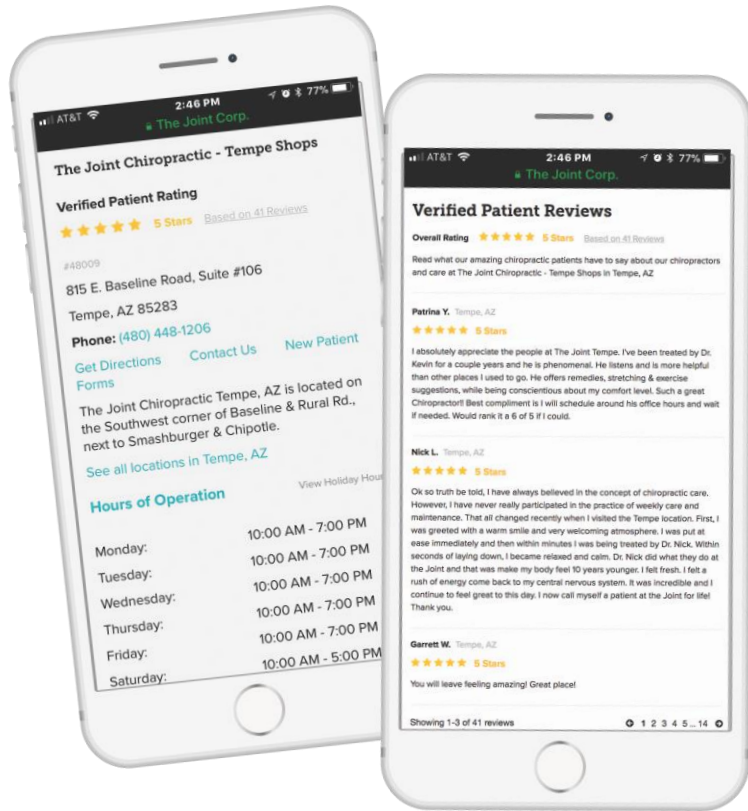
<sup>1</sup> Of the 632 franchise licenses sold at March 31<sup>st</sup>, 2018, 114 have not been developed

# IT Supports Franchises, RDs & Corp. Clinics



- Launched a new sophisticated cloud-based franchise management software and communication platform
- Provides access tools, documents, resources; disseminate communications, assign tasks, join events, engage and contribute feedback
- Improves lines of communication with franchisees
- Streamlines by integrating or replacing multiple, preexisting communication platforms
- Implementing Atlas 2.0 upgrade

# Digital Marketing to Drive Growth



- Strive to lead best practices and innovation within health & wellness and small box retail
- Overhauled SEO strategy including new consumer facing website
  - Yielding strong gains in web traffic, leads and new patient conversion
  - Helping fuel sales growth, accelerate new clinic ramp to profitability, optimize advertising spend
- Pursuing performance in paid search, paid social, email and SMS
- Diversifying branded video to increase traffic from and engagement on social platforms



# Q1 2018 Operational Summary



- **System-wide gross sales up 32%** to \$37.0M, from \$28.1M in Q1 2017
- **System-wide comp sales<sup>1</sup>** for clinics >13 months in operation<sup>1</sup> increased 26%, compared to 19% in Q1 2017
- **System-wide comp sales<sup>1</sup>** for clinics >48 months in operation increased 17%, compared to 11% in Q1 2017
- **406 open clinics** vs. 373 at the end of Q1 2018 vs. Q1 2017
  - 359 franchises
  - 47 corporate clinics
    - 31 buybacks
    - 16 greenfields
- ***System-wide gross sales since the month prior to acquisition increased on average 68% through March 2018***

<sup>1</sup> Comparable Sales include only the sales from clinics that have been open at least 13 or 48 full months and exclude any clinics that have closed

# Q1 2018 Financial Summary

<i>\$ in Ms</i>	Q1 2018	Q1 2017	IMPROVEMENT		
<b>Revenue</b>	<b>\$7.1</b>	<b>\$5.5</b>	<b>\$1.6</b>	<b>29%</b>	Inc. revenue contribution
<b>Corporate clinics</b>	<b>3.3</b>	<b>2.5</b>	<b>0.8</b>	<b>30%</b>	• 48% Corp.
<b>Franchise fees</b>	<b>3.8</b>	<b>3.0</b>	<b>0.8</b>	<b>28%</b>	• 52% Franchise
<b>Cost of revenue</b>	<b>1.0</b>	<b>0.7</b>	<b>(0.3)</b>	<b>(40%)</b>	Inc. gross sales and RD fees
<b>Gross profit</b>	<b>6.1</b>	<b>4.8</b>	<b>1.3</b>	<b>27%</b>	
<b>Sales and marketing</b>	<b>1.1</b>	<b>1.0</b>	<b>(0.1)</b>	<b>(15%)</b>	Higher corp. clinic marketing
<b>Depreciation</b>	<b>0.4</b>	<b>0.6</b>	<b>0.2</b>	<b>33%</b>	Lower depreciation
<b>G&amp;A</b>	<b>5.1</b>	<b>4.6</b>	<b>(0.5)</b>	<b>11%</b>	Higher payroll
<b>Loss from ops</b>	<b>(0.4)</b>	<b>(1.7)<sup>1</sup></b>	<b>0.9</b>	<b>74%</b>	
<b>Net loss</b>	<b>(0.4)</b>	<b>(1.8)</b>	<b>1.4</b>	<b>78%</b>	
<b>Adj. EBITDA<sup>2</sup></b>	<b>0.2</b>	<b>(0.6)</b>	<b>0.8</b>		Inc. contribution: 76% corp. clinics, 77% franchise, (53)% unallocated corp.

**Cash & equivalents were \$4.0M at Mar. 31, 2018, compared to \$4.2M at Dec. 31, 2017.**

# Driving Shareholder Value: 2018 Guidance

<i>\$ in Ms</i>	LOW	HIGH
<b>New Franchise Openings</b>	<b>40</b>	<b>50</b>
<b>Additional Company-owned or Managed Clinics<sup>1</sup></b>	<b>0</b>	<b>5</b>
<b><i>New Clinic Openings<sup>1</sup></i></b>	<b><i>40</i></b>	<b><i>52</i></b>
<b>Revenues</b>	<b>\$31.0</b>	<b>\$32.0</b>
<b>Adjusted EBITDA<sup>2</sup></b>	<b>\$2.5</b>	<b>\$3.5</b>

1 Existing clinics are acquired from franchisees and are neutral to the total clinic count

2 Reconciliation of Adjusted EBITDA to GAAP earnings is included in the appendix

# Opportunity in Highly Fragmented Market

**\$15B<sup>1</sup>**  
on chiropractic care

**39,000<sup>2</sup>**  
independent practitioners

- \$650B in pain costs
- \$90B in back pain alone
- 78% of adults in the US prefer drug-free pain management<sup>3</sup>
- 79% of surveyed significantly reduced pain and disability using utilizing manipulation or mobilization<sup>4</sup>

<sup>1</sup> IBIS World Chiropractors Market Research Report; August 2016

<sup>2</sup> Kentley Insights, The 2017 Office of Chiropractors Market Research Report

<sup>3</sup> Gallup-Palmer College of Chiropractic Report 2017

<sup>4</sup> The SPINE Journal 2018

# 2018 Growth Strategy: Driving Scale

Building nationwide  
brand to deliver  
shareholder value

- Accelerate franchise sales
- Leverage Regional Developers
- Reengage growth of company owned/managed units
  - Acquire buyback clinics opportunistically
  - Build greenfield clinics in clustered locations

# Stable Model, Significant Growth Potential

- **\$15B growing** chiropractic market<sup>1</sup>
- **Experienced**, proven management
- **1,700+** clinic national footprint opportunity
- **92% 7-year CAGR** in system-wide gross sales<sup>2</sup>
- **22% of The Joint** patients are new to chiropractic<sup>2</sup>
- **76%** of revenue from recurring memberships<sup>2</sup>
- **High returns**, self funding growth strategy



<sup>1</sup> IBIS World Chiropractors Market Research Report; August 2016

<sup>2</sup> For the year-ended December 31, 2017

# Non-GAAP Measure Definition

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# Q1 2018 Segment Results & GAAP Reconciliation



<b>Total Revenues</b>	
<b>Total Operating Costs</b>	
<b>Operating Income (Loss)</b>	
<b>Other (Income) Expense, net</b>	
<b>Loss before income tax expense</b>	
<b>Total Income Taxes</b>	
<b>Net Income (Loss)</b>	
<b>Net Interest</b>	
<b>Income Taxes</b>	
<b>Total Depreciation and Amortization Expense</b>	
<b>EBITDA</b>	
<b>Stock Based Compensation Exp</b>	
<b>Bargain Purchase Gain</b>	
<b>Loss on Disposition/Impairment</b>	
<b>Acquisition Expenses</b>	
<b>Adjusted EBITDA</b>	

<b>Corporate Clinics</b>	<b>Franchise Operations</b>	<b>Unallocated Corporate</b>	<b>The Joint Consolidated</b>
\$ 3,257	\$ 3,841	\$ -	\$ 7,098
(3,146)	(2,027)	(2,365)	(7,537)
111	1,815	(2,365)	(439)
(1)	13	(23)	(11)
110	1,828	(2,388)	(450)
-	-	(63)	(63)
110	1,828	(2,324)	(387)
1	(13)	23	11
-	-	(63)	(63)
303	0	84	387
414	1,815	(2,281)	(52)
-	-	208	208
-	-	-	-
-	-	-	-
-	-	-	-
414	1,815	(2,073)	156



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