

August 10, 2017



The Joint Corp. Reports Second Quarter 2017 Financial Results

Revenue Increased 21% to \$6.0 Million Compared to Prior Year Period

Added 11 New Franchised Clinics in Second Quarter

Reaffirmed 2017 Guidance

Matthew E. Rubel Appointed Lead Director

SCOTTSDALE, Ariz., Aug. 10, 2017 (GLOBE NEWSWIRE) -- The Joint Corp. (NASDAQ:JYNT), a national operator, manager and franchisor of chiropractic clinics, today reported results for the quarter ended June 30, 2017.

Second Quarter 2017 Financial Highlights

- Revenue increased 21% in the second quarter to \$6.0 million, up from \$5.0 million in the prior year second quarter
- System-wide comp sales¹ were 19%
- Net loss improved 69% compared to the same quarter last year to (\$1.0) million
- Adjusted EBITDA was (\$0.3) million in the second quarter, an 82% improvement compared to (\$2.0) million in the same quarter last year
- Added 11 new franchised clinics, ending the second quarter of 2017 with 383 total clinics in operation, a net increase of 42 clinics from June 30, 2016

“Positive trends continued throughout our operations during the second quarter,” said Peter D. Holt, president and chief executive officer of The Joint Corp. “Our revenue grew by 21%, we experienced our sixth consecutive quarterly improvement in Adjusted EBITDA, and our cash balance improved on a sequential quarter to quarter basis. We made further progress on our growth goals with the opening of 11 new franchises in the second quarter. Additionally, we sold two new regional developer licenses, and continued improvement in the operating performance of our company clinics, all of which positions us for accelerated growth.”

Holt added, “System-wide comp sales were up 19%, which reflects the growing market acceptance of our chiropractic services. For the remainder of the year, we are focused on achieving company-wide profitability and expanding our franchise network by adding 50 to 60 new franchised clinics in 2017.”

¹ Comp sales refers to the amount of sales a clinic generates in the most recent accounting period, compared to sales in the comparable period of the prior year, and (i) includes sales only from clinics that have been open at least 13 full months and (ii) excludes any clinics that have closed.

Second Quarter 2017 Financial Results

Revenue for the second quarter of 2017 increased 21% to \$6.0 million from \$5.0 million in the second quarter of 2016 due primarily to the net increase of 56 franchised clinics and increasing sales in our existing company-owned or managed clinics since June 30, 2016.

Cost of revenue in the second quarter of 2017 increased 6% compared to the second quarter of 2016 due primarily to higher regional developer royalties from increased sales of franchises.

Selling and marketing expenses decreased by 10% to \$1.1 million in the second quarter of 2017, compared to \$1.2 million in the same period last year due primarily to 14 fewer corporate clinics in the second quarter of 2017 compared to the same period last year.

General and administrative expenses decreased to \$4.7 million in the second quarter of 2017, compared to \$5.6 million in the second quarter of 2016 due to lower payroll and occupancy costs from 14 fewer corporate clinics in the second quarter of 2017 compared to the second quarter of 2016. In addition, the second quarter of 2016 was negatively impacted by a \$0.3 million charge related to halting greenfield clinic development.

Total depreciation and amortization expense decreased for the second quarter of 2017, compared to the prior year quarter due to the aforementioned 14 fewer clinics in the 2017 second quarter compared to the same quarter last year.

Net loss in the second quarter of 2017 was (\$1.0) million, or (\$0.08) per share, compared to a net loss of (\$3.3) million, or (\$0.26) per share, in the same period last year.

Adjusted EBITDA (a non-GAAP measure) in the second quarter of 2017 was (\$0.3) million, an 82% improvement compared to (\$2.0) million in the same quarter last year.

As of June 30, 2017, cash and cash equivalents were \$3.0 million, compared to \$3.0 million at December 31, 2016. Pursuant to the terms of our credit agreement, during the first quarter of 2017, we borrowed a required \$1.0 million on our line of credit, which remains unused as part of cash and cash equivalents on our balance sheet as of June 30, 2017.

Effective August 8, 2017, newly elected board member Matthew E. Rubel was appointed Lead Director of The Joint Corp. Rubel brings extensive C-suite and public company board experience to The Joint Corp., and most recently served as chief executive officer, president and board member of Varsity Brands, Inc. From 2005 to 2011 he served as chief executive officer and president of Collective Brands, Inc. Rubel succeeds Ronald V. DeVella as Lead Director who will remain on the Company's board of directors and remain chairperson of the Company's audit committee.

2017 Financial Guidance

For full year 2017, we are reiterating our guidance set forth below:

- Total revenues in the range of \$22 million to \$24 million
- Adjusted EBITDA in the range of (\$1.5) million to (\$0.5) million
- Net new franchised clinic openings in the range of 50 to 60

Conference Call

The Joint Corp. management will host a conference call at 5:00 p.m. ET on Thursday, August 10, 2017, to discuss the second quarter 2017 results. The conference call may be accessed by dialing 765-507-2604 or 844-464-3931, and referencing 41541211. A live webcast of the conference call will also be available on the investor relations section of the Company's website at www.thejoint.com. An audio replay will be available two hours after the conclusion of the call through August 17, 2017. The replay can be accessed by dialing 404-537-3406 or 855-859-2056. The passcode for the replay is 41541211.

Non-GAAP Financial Information

This earnings release includes a presentation of EBITDA and Adjusted EBITDA which are non-GAAP financial measures. These 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. Reconciliation of net loss to EBITDA and Adjusted EBITDA is presented in the table below. The Company defines Adjusted EBITDA as EBITDA before acquisition-related expenses, bargain purchase gain, loss on disposition or impairment, and stock-based compensation expenses. The Company defines EBITDA as net income (loss) before net interest, tax expense, depreciation, and amortization expenses.

EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or cash flows from operations, as determined by accounting principles generally accepted in the United States, or GAAP. While EBITDA and Adjusted EBITDA are used as measures of financial performance and the ability to meet debt service requirements, they are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. EBITDA and Adjusted EBITDA should be reviewed in conjunction with the Company's financial statements filed with the SEC.

Forward-Looking Statements

| | | |
|---|---------------|---------------|
| Co-op funds liability | 82,583 | 73,246 |
| Payroll liabilities | 609,544 | 750,421 |
| Notes payable - current portion | 100,000 | 331,500 |
| Deferred rent - current portion | 146,618 | 215,450 |
| Deferred revenue - current portion | 2,360,516 | 3,077,430 |
| Other current liabilities | 52,071 | 60,894 |
| Total current liabilities | 4,590,083 | 5,863,884 |
| Revolving credit - notes payable | 1,000,000 | - |
| Deferred rent, net of current portion | 875,845 | 1,400,790 |
| Deferred revenue, net of current portion | 3,876,388 | 2,231,712 |
| Deferred tax liability | 176,032 | 120,700 |
| Other liabilities | 1,030,003 | 512,362 |
| Total liabilities | 11,548,351 | 10,129,448 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Series A preferred stock, \$0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of June 30, 2017, and December 31, 2016 | - | - |
| Common stock, \$0.001 par value; 20,000,000 shares authorized, 13,461,044 shares issued and 13,164,540 shares outstanding as of June 30, 2017 and 13,317,393 shares issued and 13,020,889 outstanding as of December 31, 2016 | 13,461 | 13,317 |
| Additional paid-in capital | 36,709,063 | 36,398,588 |
| Treasury stock, at cost, 296,504 shares as of June 30, 2017 and December 31, 2016 | (503,118) | (503,118) |
| Accumulated deficit | (31,641,601) | (28,983,374) |
| Total stockholders' equity | 4,577,805 | 6,925,413 |
| Total liabilities and stockholders' equity | \$ 16,126,156 | \$ 17,054,861 |

**THE JOINT CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------------|------------------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | |
| Revenues and management fees from company clinics | \$ 2,707,458 | \$ 2,137,252 | \$ 5,223,059 | \$ 3,795,805 |
| Royalty fees | 1,854,087 | 1,428,548 | 3,560,160 | 2,797,379 |
| Franchise fees | 357,600 | 524,209 | 807,100 | 1,039,009 |
| Advertising fund revenue | 621,578 | 356,580 | 1,220,014 | 622,301 |
| IT related income and software fees | 282,525 | 229,400 | 549,538 | 450,534 |
| Regional developer fees | 119,733 | 225,080 | 196,629 | 372,617 |
| Other revenues | 71,827 | 72,972 | 132,165 | 161,432 |
| Total revenues | 6,014,808 | 4,974,041 | 11,688,665 | 9,239,077 |
| Cost of revenues: | | | | |
| Franchise cost of revenues | 704,767 | 668,851 | 1,388,010 | 1,363,586 |
| IT cost of revenues | 65,452 | 58,888 | 124,313 | 104,116 |
| Total cost of revenues | 770,219 | 727,739 | 1,512,323 | 1,467,702 |
| Selling and marketing expenses | 1,058,224 | 1,174,178 | 2,016,930 | 1,912,861 |
| Depreciation and amortization | 503,226 | 637,115 | 1,081,212 | 1,212,659 |
| General and administrative expenses | 4,667,688 | 5,621,771 | 9,231,768 | 11,313,826 |
| Total selling, general and administrative expenses | 6,229,138 | 7,433,064 | 12,329,910 | 14,439,346 |
| Loss on disposition or impairment | - | - | 417,971 | - |
| Loss from operations | (984,549) | (3,186,762) | (2,571,539) | (6,667,971) |
| Other (expense) income, net | (24,030) | (1,150) | (43,496) | (677) |
| Loss before income tax expense | (1,008,579) | (3,187,912) | (2,615,035) | (6,668,648) |
| Income tax expense | (2,583) | (73,470) | (43,192) | (117,867) |

| | | | | |
|--|------------------------|------------------------|------------------------|------------------------|
| Net loss and comprehensive loss | <u>\$ (1,011,162)</u> | <u>\$ (3,261,382)</u> | <u>\$ (2,658,227)</u> | <u>\$ (6,786,515)</u> |
| Loss per share: | | | | |
| Basic and diluted loss per share | \$ (0.08) | \$ (0.26) | \$ (0.20) | \$ (0.54) |
| Basic and diluted weighted average shares | 13,127,255 | 12,672,974 | 13,085,159 | 12,620,438 |
| Non-GAAP Financial Data: | | | | |
| Net income (loss) | \$ (1,011,162) | \$ (3,261,382) | \$ (2,658,227) | \$ (6,786,515) |
| Interest expense | 25,000 | 4,225 | 50,000 | 8,676 |
| Depreciation and amortization expense | 503,226 | 637,115 | 1,081,212 | 1,212,659 |
| Tax expense (benefit) penalties and interest | 2,583 | 73,470 | 43,192 | 117,867 |
| EBITDA | <u>\$ (480,353)</u> | <u>\$ (2,546,572)</u> | <u>\$ (1,483,823)</u> | <u>\$ (5,447,313)</u> |
| Stock compensation expense | 132,056 | 559,726 | 227,121 | 757,394 |
| Acquisition related expenses | 492 | 18,958 | 13,142 | 49,818 |
| Loss on disposition or impairment | - | - | 417,971 | - |
| Adjusted EBITDA | <u>\$ (347,806)</u> | <u>\$ (1,967,889)</u> | <u>\$ (825,590)</u> | <u>\$ (4,640,100)</u> |

The above table represents the reconciliation of net income (loss) to Adjusted EBITDA for the three and six month periods ended June 30, 2017 and 2016.

**THE JOINT CORP. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Six Months Ended June 30, | |
|---|------------------------------|-------------------------|
| | 2017 | 2016 |
| Net loss | \$ (2,658,227) | \$ (6,786,515) |
| Adjustments to reconcile net loss to net cash | 1,695,104 | 1,636,564 |
| Changes in operating assets and liabilities | 228,466 | (2,905,287) |
| Net cash used in operating activities | (734,657) | (8,055,238) |
| Net cash used in investing activities | (80,428) | (2,465,949) |
| Net cash provided by (used in) financing activities | 851,998 | (152,900) |
| Net increase (decrease) in cash | <u>\$ 36,913</u> | <u>\$ (10,674,087)</u> |

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Source: The Joint Corp.