

August 8, 2019



## The Joint Corp. Reports Second Quarter 2019 Financial Results

- Increases System-Wide Gross Sales 34%, Compared to Q2 2018 -
- Sells 45 Franchise Licenses, Up from 18 in Q2 2018 –
- Opens 15 Clinics, 14 Franchised and 1 Greenfield, Compared to 8 Franchised Clinics in Q2 2018 -

SCOTTSDALE, Ariz., Aug. 08, 2019 (GLOBE NEWSWIRE) -- The Joint Corp. (NASDAQ: JYNT), a national operator, manager and franchisor of chiropractic clinics, reported its financial results for the second quarter ended June 30, 2019.

### Second Quarter Highlights: 2019 Compared to 2018

- Increased system-wide sales<sup>1</sup> 34%, to \$52.7 million.
- Achieved comp sales<sup>2</sup> of 25%.
- Reached revenue of \$11.2 million, up 27%.
- Posted net income of \$462,000, an improvement of \$513,000.
- Reported Adjusted EBITDA of \$1.1 million, an increase of 46%.

### Second Quarter 2019 Operating Achievements

- Sold 45 franchise licenses, compared to 18 sold in the second quarter of 2018. The total number of franchise licenses sold year to date rose to 75, compared to 34 in the first six months of 2018.
- Grew total clinics to 468 at June 30, 2019: 417 franchised and 51 company-owned or managed.
  - Opened 14 franchised clinics and closed one franchised clinic, compared to opening eight clinics in the second quarter of 2018.
  - Opened one company-owned or managed greenfield clinic and acquired one franchise, compared to acquiring one clinic in the second quarter of 2018.
  - Continued to increase the corporate clinic portfolio subsequent to quarter end, opening one greenfield clinic and acquiring five previously franchised clinics. Year to date through August 8, 2019, The Joint opened four greenfields and acquired six previously franchised clinics, bringing the total company-owned or managed portfolio to 57.

<sup>1</sup> System-wide sales include sales at all clinics, whether operated by the Company or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance, because these sales are the basis on which the Company calculates and records royalty fees and are indicative of the financial health of the franchisee base.

<sup>2</sup> Comp sales include the sales from both company-owned or managed clinics and franchised clinics that in each case have been open at least 13 full months and exclude any clinics that have closed, respectively.

"Our second quarter financial and operating results demonstrate our continued accelerating momentum," said Peter D. Holt, President and Chief Executive Officer of The Joint Corp. "Our improved marketing and operational protocols are growing revenue and generating increased operating leverage. As a result, our increase in comp sales remains at an exceptional pace for small-box retail as we continue to deliver consecutive quarters of positive net income and Adjusted EBITDA. Our regional developer model is accelerating franchise license sales growth, and our hybrid franchise / corporate clinic model enables our capital-light expansion. Pain management growth trends feed the growing acceptance of chiropractic care. With over 460 clinics, we have just begun to penetrate the overall U.S. chiropractic market, reflecting enormous opportunity to scale our clinics. We are excited about our future and confident in our ability to continue to drive shareholder value."

### Second Quarter Unaudited Financial Results: 2019 Compared to 2018

Revenue was \$11.2 million in the second quarter of 2019, compared to \$8.8 million in the second quarter of 2018,

up 27%. The growth is primarily related to a greater number of clinics as well as increased adoption of chiropractic care.

Cost of revenue was \$1.3 million, up 24% compared to the second quarter of 2018, reflecting the success of the regional developer (RD) program resulting in higher commissions and royalties related to an increased number of franchised locations sold and opened within RD territories. Selling and marketing expenses were \$1.8 million, or 16% of revenue, compared to \$1.3 million, or 15% of revenue, in the second quarter of 2018, reflecting the increased local marketing spend associated with the corporate clinic expansion and the extra spend associated with the national franchisee convention held in May. General and administrative expenses were \$7.2 million, or 65% of revenue, compared to \$5.9 million, or 67% of revenue in the second quarter of 2018. The absolute dollar increase reflects both the corporate clinic expansion as well as increases in employee head count to support growth. The decrease in general and administrative expenses as a percent of revenue reflects the improving leverage in the operating model.

Net income was \$462,000, or \$0.03 per diluted share, compared to a net loss of \$51,000, or \$0.00 per share, in the second quarter of 2018.

Adjusted EBITDA was \$1.1 million, an improvement of 44% compared to Adjusted EBITDA of \$734,000 in the second quarter last year. The Company defines Adjusted EBITDA, a non-GAAP measure, as EBITDA before acquisition-related expenses, bargain purchase gain, net (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.

### **Balance Sheet Liquidity**

Unrestricted cash was \$9.5 million at June 30, 2019, compared to \$8.7 million at December 31, 2018, reflecting increased cash flow from operations, partially offset by continued investment in corporate clinic expansion and the development of the new IT platform.

### **2019 Guidance for Financial Results and Clinic Openings:**

Management reiterates the following full year 2019 guidance based on the preliminary financial results:

- Revenue to increase between 26% and 32%, compared to \$36.7 million dollars in 2018
- Adjusted EBITDA to grow between 67% and 100%, compared to \$2.9 million in 2018
- Franchised clinic openings to range from 70 to 80, compared to 47 in 2018
- Company-owned or managed clinic expansion, through a combination of both greenfields and buybacks, to range from 8 to 12, compared to 1 in 2018

### **Conference Call**

The Joint Corp. management will host a conference call at 5 p.m. ET on Thursday, August 8, 2019, to discuss the second quarter 2019 results. The conference call may be accessed by dialing 765-507-2604 or 844-464-3931 and referencing conference code 9356268. A live webcast of the conference call will also be available on the IR section of the company's website at <https://ir.thejoint.com/events>. An audio replay will be available two hours after the conclusion of the call through August 15, 2019. The replay can be accessed by dialing 404-537-3406 or 855-859-2056. The passcode for the replay is 9356268.

### **Non-GAAP Financial Information**

This release includes a presentation of non-GAAP financial measures. System-wide sales include sales at all clinics, whether operated by the Company or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance, because these sales are the basis on which the Company calculates and records royalty fees and are indicative of the financial health of the franchisee base. Comp sales include the sales from both company-owned or managed clinics and franchised clinics that in each case have been open at least 13 full months and exclude any clinics that have closed, respectively.

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. Reconciliation of net income (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, net (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

This press release contains statements about future events and expectations that constitute forward-looking statements, including our expectation relating to the timing of the filing of our Form 10-Q for the quarter ended June 30, 2019. Forward-looking statements are based on our beliefs, assumptions and expectations of industry trends, our future financial and operating performance and our growth plans, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements, and you should not place undue reliance on such statements. Factors that could contribute to these differences include, but are not limited to, our failure to develop or acquire company-owned or managed clinics as rapidly as we intend, our failure to profitably operate company-owned or managed clinics, and the factors described in "Risk Factors" in our Annual Report on Form 10-K as filed with the SEC for the year ended December 31, 2018 and as may be described in any "Risk Factors" in subsequently filed Quarterly Reports on Form 10-Q. Words such as, "anticipates," "believes," "continues," "estimates," "expects," "goal," "objectives," "intends," "may," "opportunity," "plans," "potential," "near-term," "long-term," "projections," "assumptions," "projects," "guidance," "forecasts," "outlook," "target," "trends," "should," "could," "would," "will," and similar expressions are intended to identify such forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors. We assume no obligation to update or revise any forward-looking statements for any reason or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

### About The Joint Corp. (NASDAQ: JYNT)

Based in Scottsdale, Arizona, The Joint is an emerging growth company that is reinventing chiropractic care by making quality care convenient and affordable for patients seeking pain relief and ongoing wellness. Its no-appointment policy and convenient hours and locations make care more accessible, and affordable membership plans and packages eliminate the need for insurance. With over 460 clinics nationwide and over 6 million patient visits annually, The Joint is a key leader in the chiropractic profession. For more information, visit <http://www.thejoint.com> or follow the brand on Twitter, Facebook, YouTube and LinkedIn.

### Business Structure

The Joint Corp. is a franchisor of clinics and an operator of clinics in certain states. In Arkansas, California, Colorado, District of Columbia, Florida, Illinois, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Washington, West Virginia and Wyoming, The Joint Corp. and its franchisees provide management services to affiliated professional chiropractic practices.

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-- Financial Tables Follow --

### THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES CONDENSED CONSOLIDATED BALANCE SHEETS

|  | June 30,<br>2019 | December 31,<br>2018 |
|--|------------------|----------------------|
| ASSETS                                     | (unaudited)      | (as adjusted)        |
| Current assets:                            |                  |                      |
| Cash and cash equivalents                  | \$ 9,485,212     | \$ 8,716,874         |
| Restricted cash                            | 129,220          | 138,078              |
| Accounts receivable, net                   | 1,033,479        | 806,350              |
| Notes receivable - current portion         | 163,573          | 149,349              |
| Deferred franchise costs - current portion | 710,796          | 611,047              |
| Prepaid expenses and other current assets  | 887,676          | 882,290              |

|  |                      |                      |
|--|----------------------|----------------------|
| Total current assets                                 | 12,409,956           | 11,303,988           |
| Property and equipment, net                          | 4,963,037            | 3,658,007            |
| Operating lease right-of-use asset                   | 10,030,737           | -                    |
| Notes receivable, net of current portion and reserve | 41,683               | 128,723              |
| Deferred franchise costs, net of current portion     | 3,485,644            | 2,878,163            |
| Intangible assets, net                               | 1,975,835            | 1,634,060            |
| Goodwill   | 3,225,145            | 3,225,145            |
| Deposits and other assets                            | 337,379              | 599,627              |
| Total assets   | <u>\$ 36,469,416</u> | <u>\$ 23,427,713</u> |

#### LIABILITIES AND STOCKHOLDERS' EQUITY

|  |                      |                      |
|--|----------------------|----------------------|
| Current liabilities:   |                      |                      |
| Accounts payable   | \$ 1,199,341         | \$ 1,253,274         |
| Accrued expenses   | 178,949              | 266,322              |
| Co-op funds liability  | 129,220              | 104,057              |
| Payroll liabilities  | 1,602,916            | 2,035,658            |
| Notes payable - current portion  | 1,000,000            | 1,100,000            |
| Deferred rent - current portion  | -                    | 136,550              |
| Operating lease liability - current portion  | 1,827,233            | -                    |
| Finance lease liability - current portion  | 23,075               | -                    |
| Deferred franchise and regional developer fee revenue - current portion  | 2,697,669            | 2,370,241            |
| Deferred revenue from company clinics  | 2,677,782            | 2,529,497            |
| Other current liabilities  | 540,279              | 477,528              |
| Total current liabilities  | <u>11,876,464</u>    | <u>10,273,127</u>    |
| Deferred rent, net of current portion  | -                    | 721,730              |
|  | 9,049,948            | -                    |
| Operating lease liability - net of current portion   |                      |                      |
| Finance lease liability - net of current portion   | 46,826               | -                    |
| Deferred franchise and regional developer fee revenue, net of current portion  | 12,652,780           | 11,239,221           |
| Deferred tax liability   | 83,294               | 76,672               |
| Other liabilities  | 27,230               | 389,362              |
| Total liabilities  | <u>33,736,542</u>    | <u>22,700,112</u>    |
| Stockholders' equity:  |                      |                      |
| Series A preferred stock, \$0.001 par value; 50,000 shares authorized,<br>0 issued and outstanding, as of June 30, 2019 and December 31, 2018  | -                    | -                    |
| Common stock, \$0.001 par value; 20,000,000 shares<br>authorized, 13,838,016 shares issued and 13,823,346 shares outstanding<br>as of June 30, 2019 and 13,757,200 shares issued and 13,742,530<br>outstanding as of December 31, 2018 | 13,838               | 13,757               |
| Additional paid-in capital   | 38,779,538           | 38,189,251           |
| Treasury stock 14,670 shares as of June 30, 2019 and December 31, 2018, at cost  | (90,856 )            | (90,856 )            |
| Accumulated deficit  | (35,969,746 )        | (37,384,651 )        |
| Total The Joint Corp. stockholders' equity   | <u>2,732,774</u>     | <u>727,501</u>       |
| Non-controlling Interest   | 100                  | 100                  |
| Total equity   | <u>2,732,874</u>     | <u>727,601</u>       |
| Total liabilities and stockholders' equity   | <u>\$ 36,469,416</u> | <u>\$ 23,427,713</u> |

#### THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

| Three Months Ended |      | Six Months Ended |      |
|--------------------|------|------------------|------|
| June 30,           |      | June 30,         |      |
| 2019               | 2018 | 2019             | 2018 |
| (as adjusted)      |      | (as adjusted)    |      |

Revenues:

|  |                   |                     |                     |                     |
|--|-------------------|---------------------|---------------------|---------------------|
| Revenues from company-owned or managed clinics                   | \$ 5,777,288      | \$ 4,668,638        | \$ 11,416,365       | \$ 9,474,311        |
| Royalty fees   | 3,263,530         | 2,421,185           | 6,290,346           | 4,695,173           |
| Franchise fees   | 447,266           | 449,144             | 864,339             | 797,481             |
| Advertising fund revenue   | 927,800           | 687,752             | 1,819,367           | 1,346,782           |
| Software fees  | 377,125           | 315,910             | 742,361             | 623,385             |
| Regional developer fees  | 200,524           | 137,412             | 384,381             | 261,423             |
| Other revenues   | 176,446           | 124,744             | 332,197             | 253,194             |
| Total revenues   | <u>11,169,979</u> | <u>8,804,785</u>    | <u>21,849,356</u>   | <u>17,451,749</u>   |
| Cost of revenues:  |                   |                     |                     |                     |
| Franchise cost of revenues                                       | 1,198,378         | 977,782             | 2,315,431           | 1,850,550           |
| IT cost of revenues  | 100,771           | 73,802              | 189,659             | 173,366             |
| Total cost of revenues   | <u>1,299,149</u>  | <u>1,051,584</u>    | <u>2,505,090</u>    | <u>2,023,916</u>    |
| Selling and marketing expenses                                   | 1,769,368         | 1,293,663           | 3,275,356           | 2,395,967           |
| Depreciation and amortization                                    | 404,466           | 404,975             | 770,143             | 792,392             |
| General and administrative expenses                              | 7,227,662         | 5,867,512           | 13,780,566          | 12,136,198          |
| Total selling, general and administrative expenses               | <u>9,401,496</u>  | <u>7,566,150</u>    | <u>17,826,065</u>   | <u>15,324,557</u>   |
| Net (gain) loss on disposition or impairment                     | <u>(18,266 )</u>  | <u>251,290</u>      | <u>86,927</u>       | <u>251,678</u>      |
| Income (loss) from operations                                    | <u>487,600</u>    | <u>(64,239 )</u>    | <u>1,431,274</u>    | <u>(148,402 )</u>   |
| Other income (expense):  |                   |                     |                     |                     |
| Bargain purchase gain  | -                 | 30,455              | 19,298              | 30,455              |
| Other expense, net   | <u>(15,126 )</u>  | <u>(11,103 )</u>    | <u>(26,771 )</u>    | <u>(21,910 )</u>    |
| Total other income (expense)                                     | <u>(15,126 )</u>  | <u>19,352</u>       | <u>(7,473 )</u>     | <u>8,545</u>        |
| Income (loss) before income tax (expense) benefit                | 472,474           | (44,887 )           | 1,423,801           | (139,857 )          |
| Income tax (expense) benefit                                     | <u>(10,214 )</u>  | <u>(5,951 )</u>     | <u>(8,896 )</u>     | <u>57,404</u>       |
| Net income (loss) and comprehensive income (loss)                | \$ 462,260        | \$ (50,838 )        | \$ 1,414,905        | \$ (82,453 )        |
| Less: income (loss) attributable to the non-controlling interest | \$ -              | \$ -                | \$ -                | \$ -                |
| Net income (loss) attributable to The Joint Corp. stockholders   | <u>\$ 462,260</u> | <u>\$ (50,838 )</u> | <u>\$ 1,414,905</u> | <u>\$ (82,453 )</u> |
| Earnings (loss) per share:                                       |                   |                     |                     |                     |
| Basic earnings (loss) per share                                  | \$ 0.03           | \$ -                | \$ 0.10             | \$ (0.01 )          |
| Diluted earnings (loss) per share                                | \$ 0.03           | \$ -                | \$ 0.10             | \$ (0.01 )          |
| Basic weighted average shares                                    | 13,797,497        | 13,622,710          | 13,774,474          | 13,605,370          |
| Diluted weighted average shares                                  | 14,477,007        | 13,622,710          | 14,390,320          | 13,605,370          |

| Non-GAAP Financial Data:              | Three Months Ended<br>June 30, |                       | Six Months Ended<br>June 30, |                       |
|---------------------------------------|--------------------------------|-----------------------|------------------------------|-----------------------|
|                                       | 2019                           | 2018<br>(as adjusted) | 2019                         | 2018<br>(as adjusted) |
| Net income (loss)                     | \$ 462,260                     | \$ (50,838 )          | \$ 1,414,905                 | \$ (82,453 )          |
| Net interest                          | 15,126                         | 11,103                | 26,771                       | 21,910                |
| Depreciation and amortization expense | 404,466                        | 404,975               | 770,143                      | 792,392               |
| Tax expense (benefit)                 | 10,214                         | 5,951                 | 8,896                        | (57,404 )             |
| EBITDA                                | <u>\$ 892,066</u>              | <u>\$ 371,191</u>     | <u>\$ 2,220,715</u>          | <u>\$ 674,445</u>     |

|  |                     |                   |                     |                     |
|--|---------------------|-------------------|---------------------|---------------------|
| Stock compensation expense                   | 178,953             | 138,987           | 350,724             | 346,629             |
| Acquisition related expenses                 | 3,200               | 3,250             | 3,200               | 3,250               |
| Bargain purchase gain                        | -                   | (30,455 )         | (19,298 )           | (30,455 )           |
| Net (gain) loss on disposition or impairment | (18,266 )           | 251,290           | 86,927              | 251,678             |
| Adjusted EBITDA                              | <u>\$ 1,055,953</u> | <u>\$ 734,263</u> | <u>\$ 2,642,268</u> | <u>\$ 1,245,547</u> |

**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

|   | <b>Six Months Ended</b> |                      |
|---|-------------------------|----------------------|
|   | <b>June 30,</b>         |                      |
|   | <b>2019</b>             | <b>2018</b>          |
|   |                         | <b>(as adjusted)</b> |
| Net income (loss)   | \$ 1,414,905            | \$ (82,453 )         |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | 1,183,708               | 1,211,912            |
| Changes in operating assets and liabilities   | 238,167                 | (516,249 )           |
| Net cash provided by operating activities   | 2,836,780               | 613,210              |
| Net cash used in investing activities   | (2,206,240 )            | (366,933 )           |
| Net cash provided by financing activities   | 128,940                 | 141,607              |
| Net increase in cash  | <u>\$ 759,480</u>       | <u>\$ 387,884</u>    |



Source: The Joint Corp.