



# THE JOINT<sup>®</sup> chiropractic

REINVENTING CHIROPRACTIC CARE

**Q2 2018 FINANCIAL RESULTS AS OF AUGUST 9, 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 to 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

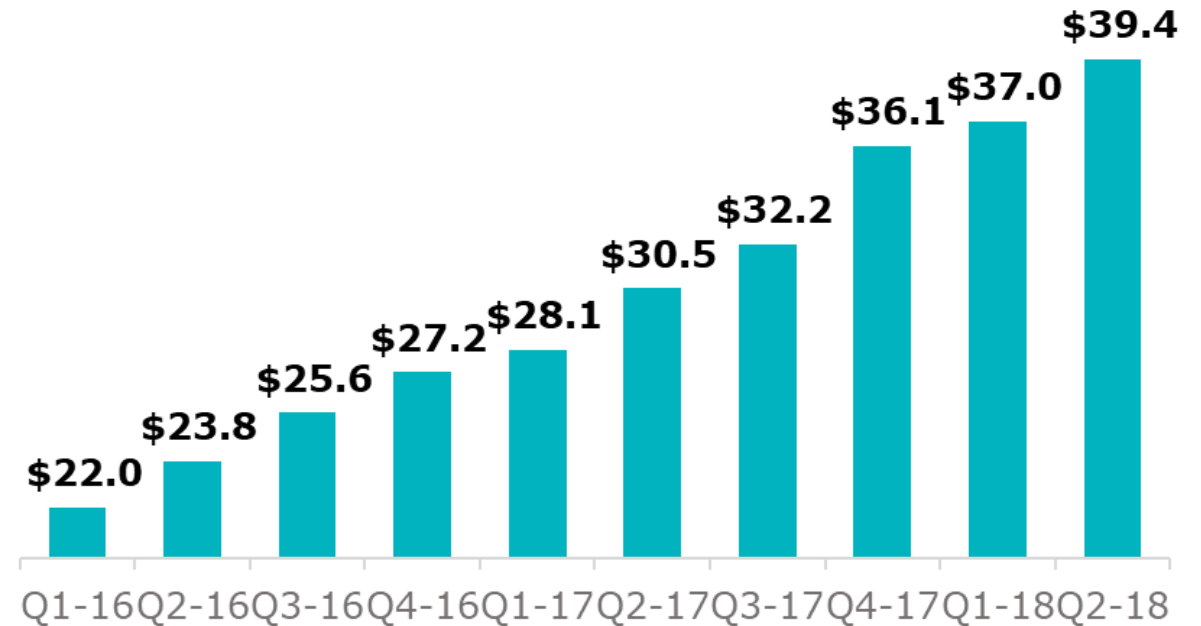
The Joint Corp. is a franchisor of clinics and an operator of clinics in certain states. In Arkansas, California, Colorado, Florida, Illinois, Kansas, Minnesota, New Jersey, New York, North Carolina, Oregon, Pennsylvania, and Tennessee, The Joint Corp. and its franchisees provide management services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

# Q2 18: Another Strong Quarter of Improvements

	Q2 18 vs Q2 17
System-wide gross sales	+29%
System-wide comp sales >13 months <sup>1</sup>	+25%
System-wide comp sales >48 months <sup>1</sup>	+16%
Revenue	+26%
Net Loss	\$43K, up \$1.0M
Adjusted EBITDA <sup>2</sup>	\$697K, up \$1.1M
<b>Cash and cash equivalents at June 30, 2018</b>	<b>\$4.6M</b>

## SYSTEM-WIDE GROSS SALES

(\$ in M)



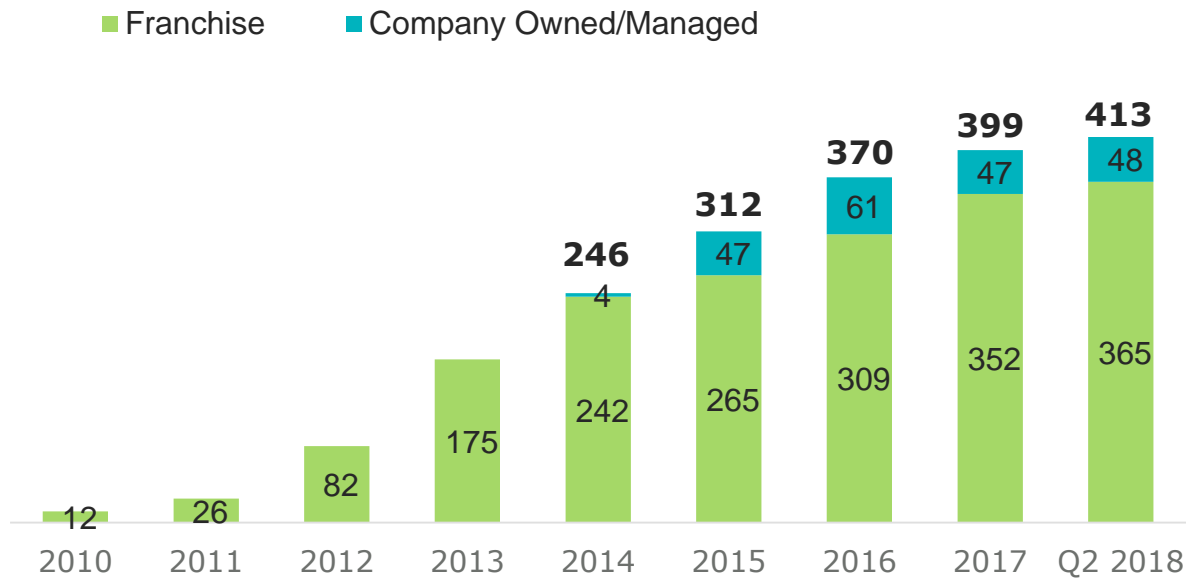
<sup>1</sup> Comparable Sales include only the sales from clinics that have been open at least 13 or 48 full months and exclude any clinics that have closed

<sup>2</sup> Reconciliation of Adjusted EBITDA to GAAP earnings is included in the Appendix

# Leader Executing Growth Strategy: 413 Clinics

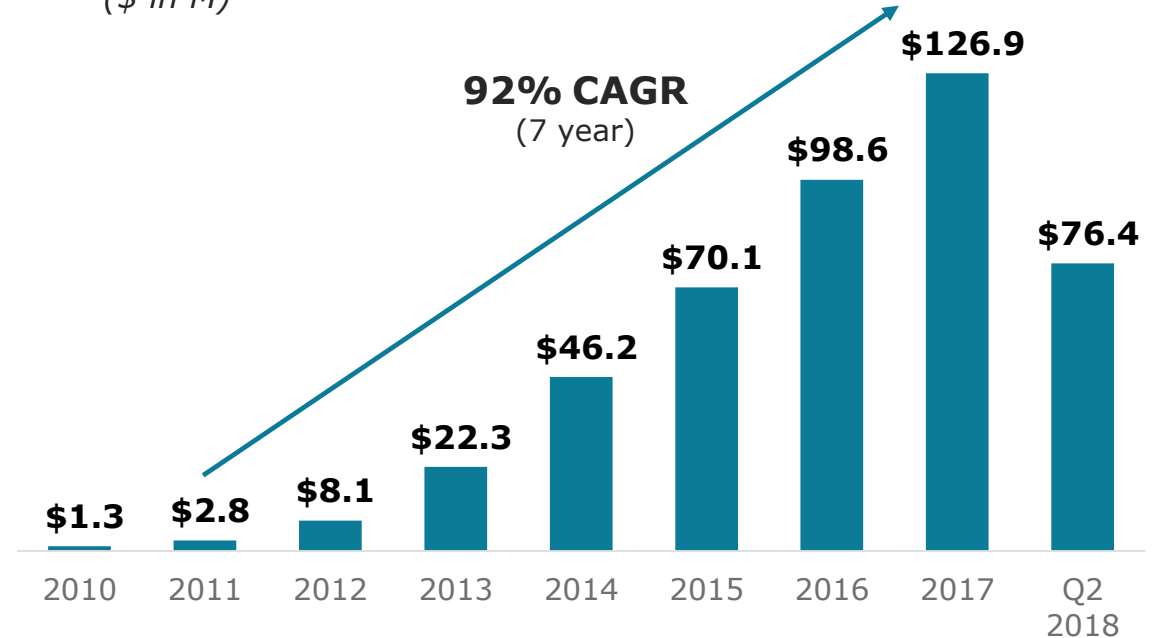
- Increasing clinic scale through franchise sales and regional developers
- Expanding company-owned/managed clinics
  - Buybacks: Acquired a franchised clinic in San Diego in April 2018 and evaluating additional opportunities
  - Assessing greenfield opportunities with lease LOIs signed; build-outs averaging 6 to 9 months

### TOTAL CLINICS OPEN



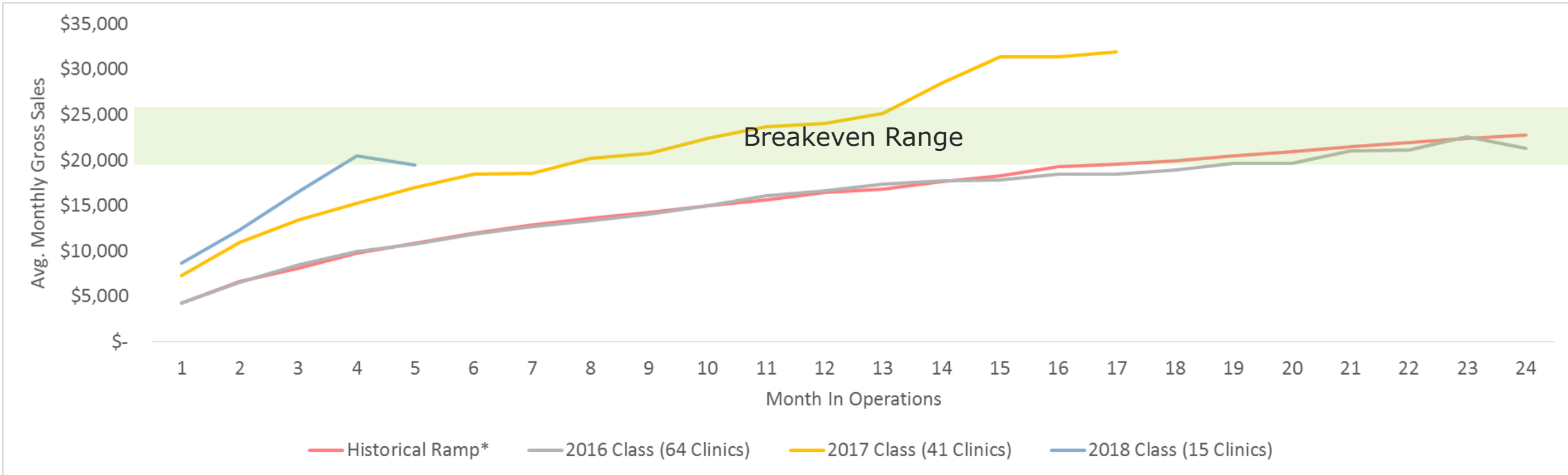
### SYSTEM-WIDE GROSS SALES

(\$ in M)



# Reducing Clinic Time to Breakeven

- 2018 clinics on track to achieve breakeven in less than 6 months, down from approximately 9 months in 2017 & 18 months historically
- 2017 clinics continue to grow in gross sales and ramp above the historical performance

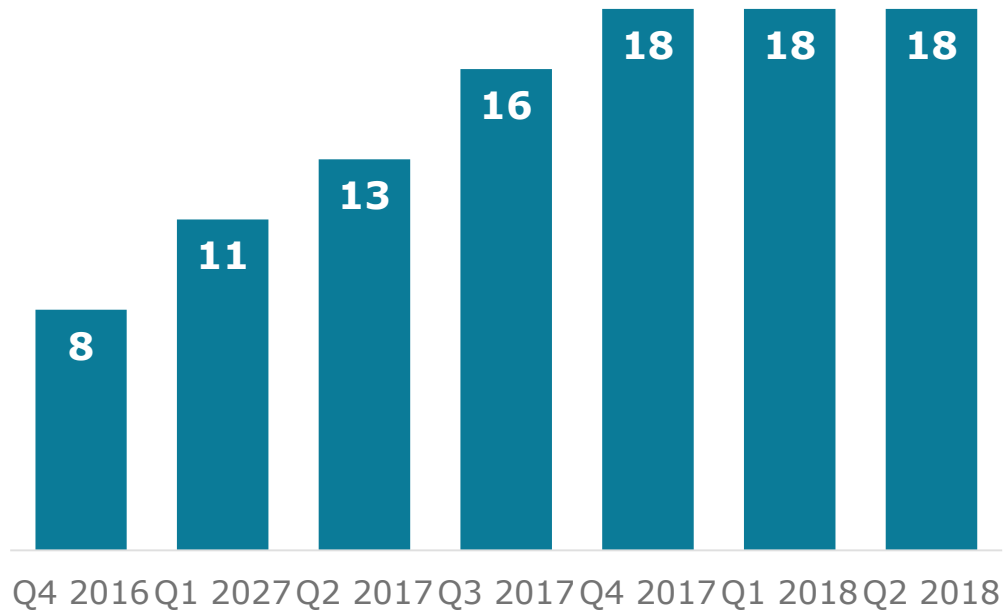


\* Based on average historical gross sales growth rates from January 2013 through June 2018

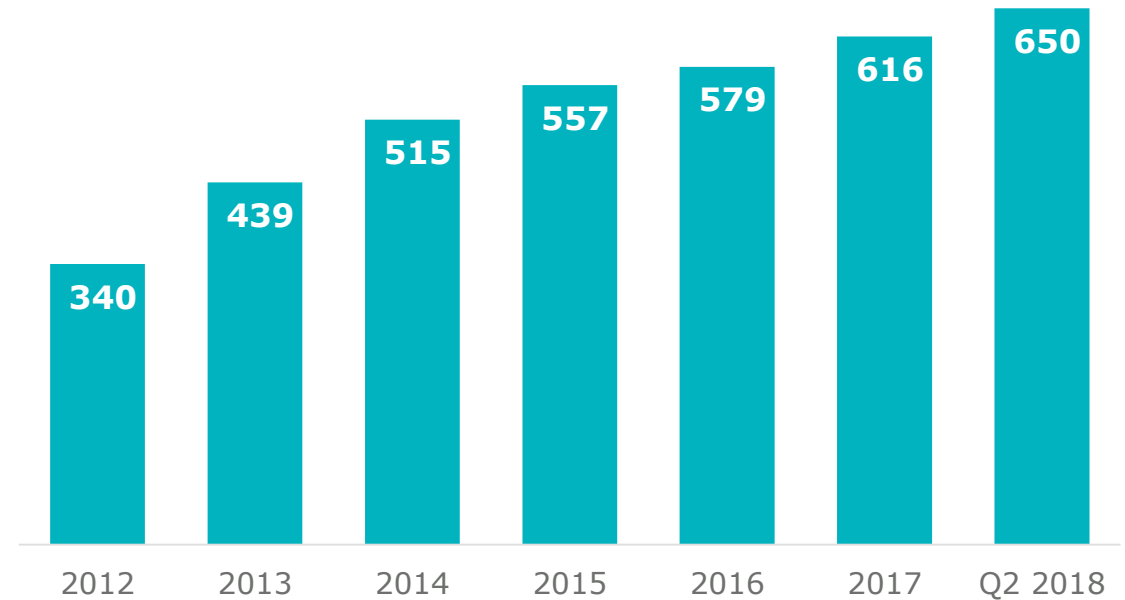
# RDs Accelerate Franchise License Sales

- Sold 34 franchises January - June 2018, compared to 37 for 2017 and 22 for 2016

**NUMBER OF REGIONAL DEVELOPERS**

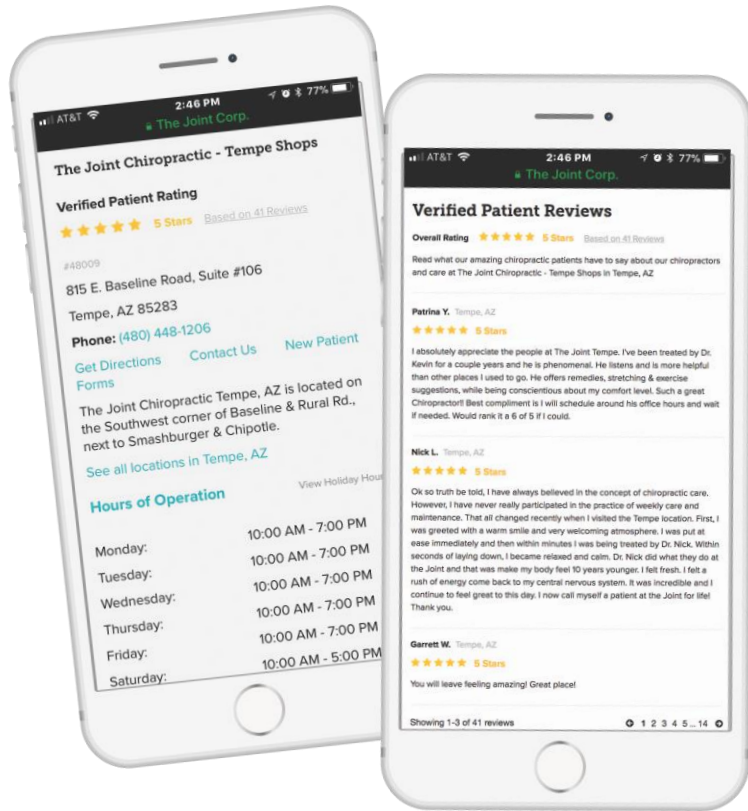


**GROSS CUMULATIVE FRANCHISE LICENSES SOLD<sup>1</sup>**



<sup>1</sup> Of the 650 franchise licenses sold at June 30th, 2018, 117 have not been developed

# Digital Marketing Attracting New Patients



- Strive to lead best practices and innovation within health & wellness and small box retail
- Overhauled SEO strategy in 2017 including new consumer facing website
- 2018 pursuing performance in paid search, paid social, email and SMS
- Digital marketing increasingly important for new patient acquisition. Shifting portfolio averages:
  - Digital marketing from 30% approaching 40%
  - Referrals remains 40%
  - Guerrilla marketing decreasing from 30%, approaching 20%
- Diversifying branded video to increase traffic from and engagement on social platforms
- Significant consumer research initiative underway

# Implementing New IT Platform

- Clinic portfolio expanded to reach critical mass while third-party CRM costs decreased and external security risks increased
- Chosen to implement third-party CRM rather than upgrade home-grown proprietary platform
- Expect the new IT platform to improve ability to provide feature enhancements, system upgrades and state-of-the-art security features across entire portfolio
- Scale of current and planned clinic portfolio makes third-party solution more economical over long run
- Estimated cost to implement comparable to cost of upgrading home-grown proprietary platform
- Anticipate approximately \$500K non-cash write-off of prior capitalized IT development in Q3



# Q2 2018 Operational Summary



- **System-wide gross sales up 29%** to \$39.4M, from \$30.5M in Q2 2017
- **System-wide comp sales<sup>1</sup>** for clinics >13 months in operation<sup>1</sup> increased 25%, compared to 19% in Q2 2017
- **System-wide comp sales<sup>1</sup>** for clinics >48 months in operation increased 16%, compared to 12% in Q2 2017
- **413 open clinics** at the end of Q2 2018 vs. 383 at Q2 2017
  - 365 franchises
  - 48 corporate clinics
    - 32 buybacks: System-wide gross sales buybacks since the month prior to acquisition increased on average 73% through June 2018
    - 16 greenfields

<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

# Q2 2018 Financial Summary

<i>\$ in M</i>	Q2 2018	Q2 2017	IMPROVEMENT		
<b>Revenue</b>	<b>\$7.6</b>	<b>\$6.0</b>	<b>\$1.6</b>	<b>26%</b>	Inc. revenue contribution
<b>Corporate clinics</b>	<b>3.4</b>	<b>2.7</b>	<b>0.7</b>	<b>28%</b>	• 45% Corp.
<b>Franchise fees</b>	<b>4.2</b>	<b>3.3</b>	<b>0.9</b>	<b>25%</b>	• 55% Franchise
<b>Cost of revenue</b>	<b>1.1</b>	<b>0.8</b>	<b>(0.3)</b>	<b>(37%)</b>	Inc. gross sales and RD fees
<b>Gross profit</b>	<b>6.5</b>	<b>5.2</b>	<b>1.3</b>	<b>24%</b>	
<b>Sales and marketing</b>	<b>1.3</b>	<b>1.1</b>	<b>(0.2)</b>	<b>(22%)</b>	Higher corp. clinic marketing
<b>Depreciation</b>	<b>0.4</b>	<b>0.5</b>	<b>0.1</b>	<b>20%</b>	Lower depreciation
<b>G&amp;A</b>	<b>4.7</b>	<b>4.7</b>	<b>(0.0)</b>	<b>0%</b>	
<b>Net Loss</b>	<b>(0.0)</b>	<b>(1.0)</b>	<b>1.0</b>	<b>100%</b>	
<b>Adj. EBITDA<sup>1</sup></b>	<b>0.7</b>	<b>(0.4)</b>	<b>1.1</b>		Improvement contribution: 42% corp. clinics, 50% franchise, 8% unallocated corp.

**Cash & cash equivalents = \$4.6M at June 30, 2018, compared to \$4.2M at Dec. 31, 2017.**

# Reaffirming 2018 Guidance

<i>\$ in M</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>
<i><b>New Clinic Openings<sup>1</sup></b></i>	<i><b>40</b></i>	<i><b>52</b></i>
<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>

<sup>1</sup> Existing clinics are acquired from franchisees and are neutral to the total clinic count

<sup>2</sup> Guidance includes implementation of a third-party software solution, which is expected to result in a third-quarter non-cash write-off of previously capitalized IT development costs of approximately \$[530] thousand, before taxes. 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

<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

Chiropractic care represents **only**

- 17% of \$90B in back pain alone
- 2% of \$650B in pain costs

# 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

# Non-GAAP Measure Definition

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# Q2 2018 Segment Results & GAAP Reconciliation



	Corporate Clinics	Franchise Operations	Unallocated Corporate	The Joint Consolidated
<b>Total Revenues</b>	\$ 3,421	\$ 4,136	\$ 0	\$ 7,557
<b>Total Operating Costs</b>	(3,507)	(2,162)	(1,989)	(7,657)
<b>Operating Income (Loss)</b>	(86)	1,974	(1,989)	(100)
<b>Other (Income) Expense, net</b>	74	12	(22)	64
<b>Loss before income tax expense</b>	(12)	1,986	(2,011)	(37)
<b>Total Income Taxes</b>	-	-	6	6
<b>Net Income (Loss)</b>	(12)	1,986	(2,017)	(43)
<b>Net Interest</b>	1	(12)	22	11
<b>Income Taxes</b>	-	-	6	6
<b>Total Depreciation and Amortization Expense</b>	245	0	160	405
<b>EBITDA</b>	233	1,974	(1,829)	379
<b>Stock Based Compensation Exp</b>	-	-	139	139
<b>Bargain Purchase Gain</b>	(75)	-	-	(75)
<b>Loss on Disposition/Impairment</b>	251	-	-	251
<b>Acquisition Expenses</b>	-	-	3	3
<b>Adjusted EBITDA</b>	409	1,974	(1,686)	697

# GAAP – Non-GAAP Reconciliation<sup>1</sup>

	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
<b>Net Income (Loss)</b>	<b>\$ (3,652)</b>	<b>\$ (3,255)</b>	<b>\$ (2,887)</b>	<b>\$ (6,001)</b>	<b>\$ (1,765)</b>	<b>\$ (1,022)</b>	<b>\$ (432)</b>	<b>\$ (213)</b>	<b>\$ (387)</b>	<b>\$ (43)</b>
Net Interest	(0)	1	(6)	9	24	24	20	11	11	11
Income Taxes	44	73	14	32	41	3	36	(43)	(63)	6
Depreciation and Amortization Expense	576	637	696	658	578	503	469	467	387	405
<b>EBITDA</b>	<b>\$ (3,033)</b>	<b>\$ (2,543)</b>	<b>\$ (2,183)</b>	<b>\$ (5,302)</b>	<b>\$ (1,123)</b>	<b>\$ (492)</b>	<b>\$ 93</b>	<b>\$ 222</b>	<b>\$ (52)</b>	<b>\$ 379</b>
Stock Based Compensation	198	560	255	111	95	132	185	182	208	139
Bargain Purchase Gain	-	-	-	-	-	-	-	-	-	(75)
Loss on Disposition/Impairment	-	-	-	3,520	418	-	-	-	-	251
Acquisition Expenses	31	19	14	11	13	0	-	-	-	3
<b>Adjusted EBITDA</b>	<b>\$ (2,804)</b>	<b>\$ (1,965)</b>	<b>\$ (1,913)</b>	<b>\$ (1,661)</b>	<b>\$ (597)</b>	<b>\$ (360)</b>	<b>\$ 279</b>	<b>\$ 404</b>	<b>\$ 156</b>	<b>\$ 697</b>

<sup>1</sup> All periods shown are restated in new accounting standards related to ASC606, which was adopted at the beginning of 2018.



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