



# Q3 2019 Financial Results

As of September 30, 2019 | Reported On November 7, 2019

# 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.

## **Accounting Adjustments Related to the Consolidation of the Operations of the PCs**

In those states which require a licensed Doctor of Chiropractic to own the entity that offers chiropractic services, the Company enters into a management agreement with a professional corporation (PC) licensed in that state to provide chiropractic services. To increase transparency into operating results and to align with accounting rules, the Company will now consolidate the full operations of the PC. This will result in increases to our revenue and G&A expenses by an identical amount and would have no impact on our bottom line except in instances when the PC has sold treatment packages and wellness plans. Revenue from these packages and plans will now be deferred and will be recognized when patients use their visits. The Company has previously consolidated its clinic operations in Non-PC states such as Arizona and New Mexico, and the deferred revenue around packages and plans in those states was already reflected in its financial statements. Therefore, these adjustments are isolated to the managed clinics in PC states. These adjustments will have no impact on cash flow.

## **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.



# Our Mission

To improve quality of life through routine and affordable chiropractic care



## Q3 2019 vs Q3 2018

System-wide sales	33%
Comp sales >13 months <sup>1</sup>	23%
Comp sales >48 months <sup>1</sup>	17%
Revenue	38%
Net Income	\$617K, up \$825K
Adjusted EBITDA <sup>2</sup>	\$1.4M, up \$819K

*Unrestricted cash \$7.8M at September 30, 2019,  
compared to \$8.7M at Dec. 31, 2018*

# Accelerating Momentum

FIRST NINE MONTHS OF YEAR    2018    2019

Franchise Licenses Sold



Total New Franchised Clinics Opened



THROUGH NOVEMBER 7

2018    2019

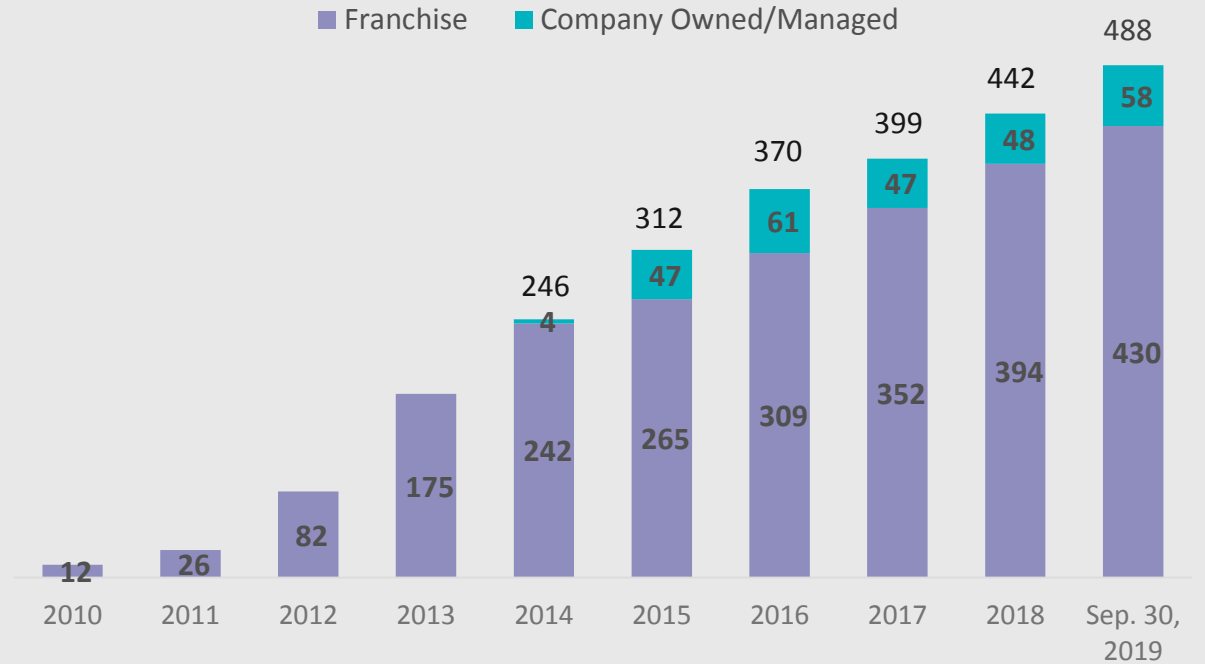
Opened Greenfield Clinics



Acquired Franchise Clinics



Total Clinics Open

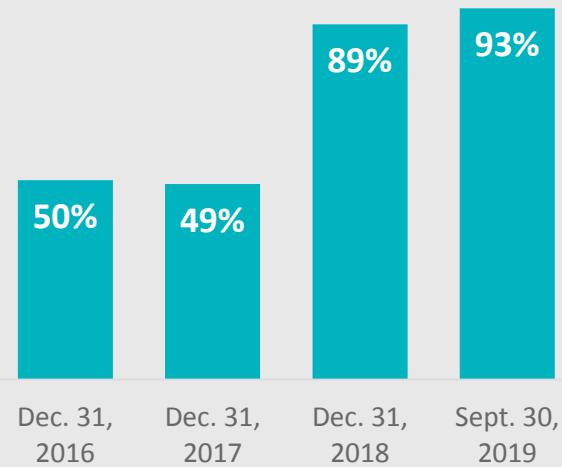


Continue to experience unusually low clinic closure rates of less than 1%

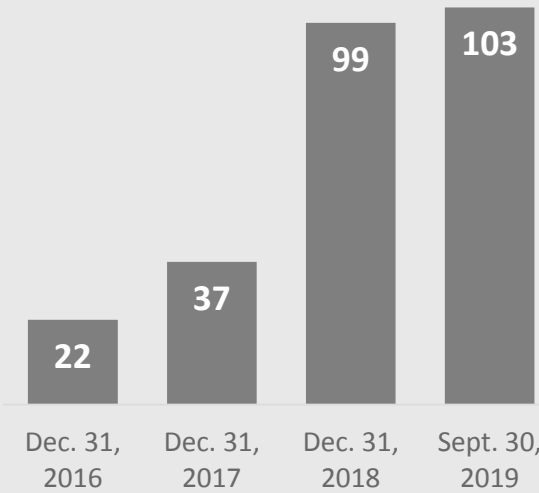
# RDs Accelerate Franchise License Sales

Pipeline of 200+ Undeveloped Licenses & LOIs at September 30, 2019

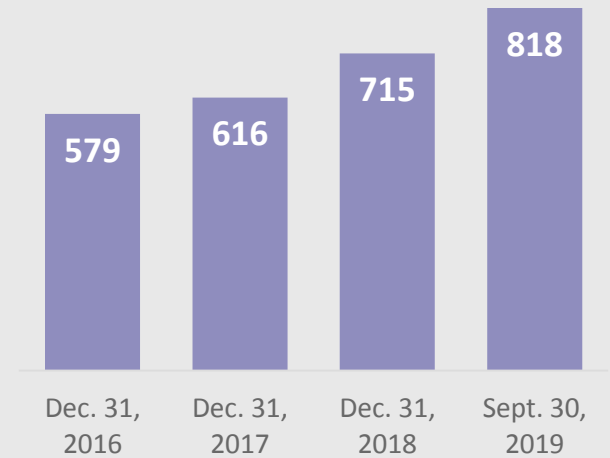
**% of Sales  
by Regional Developers**



**Franchise Licenses  
Sold Annually**



**Gross Cumulative  
Franchise Licenses Sold<sup>1</sup>**



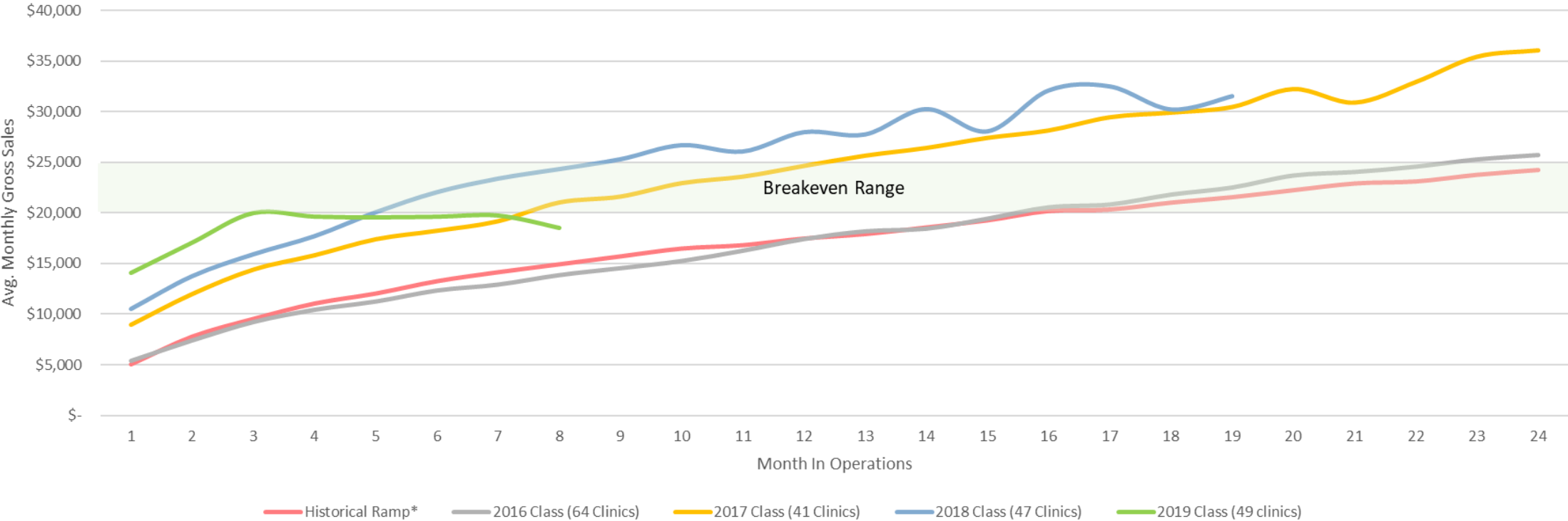
- 77% of clinics supported by RDs
- RDs cover 53% of Metropolitan Statistical Areas (MSAs) in the US



<sup>1</sup> Of the 818 franchise licenses sold as of September 30, 2019, 208 are in active development, 488 are currently operating and the balance represents terminated/closed licenses.

# Reducing Time to Breakeven

- Implementing new operational standards and protocols
- Enhancing grand openings with turnkey, step-by-step program
  - Franchise grassroots marketing tactics with pre-registration program, PR, digital and social media support
  - Marketing resource at headquarters, plus the RD or field support



\*Based on average historical gross sales growth rates from January 2013 through September 2019. Class of 2019 of 49 clinics includes 4 greenfields and 47 franchises, less 2 non-traditional franchises with the airport and store-in-store concepts. Gross Sales data is dynamic until the last clinic opened within that cohort completes its 24th month in operation.



# Building a Positive, Authentic Brand

## New Brand Campaign

Leveraging insights from 2018 consumer research, which mapped patient journey to chiropractic

- Refining our consumer voice and presentation
- Connecting with large market of “relief seekers”
- Focused on everyday drivers of pain and positive outcomes with chiropractic
- Gaining consideration with real stories of success

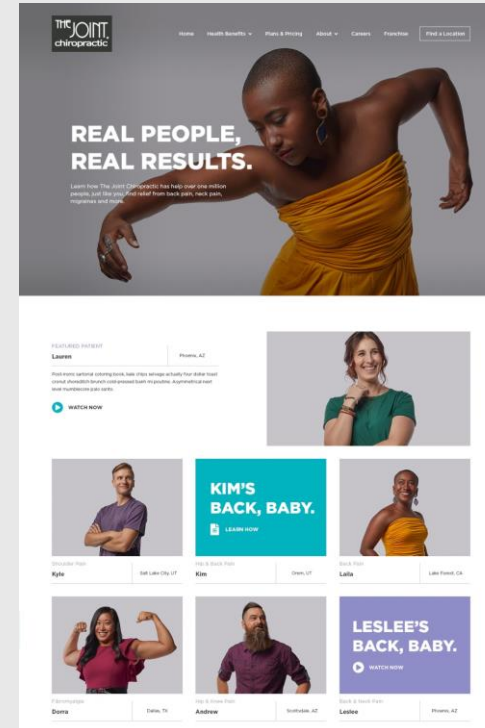
New Television spots focus on everyday drivers of pain



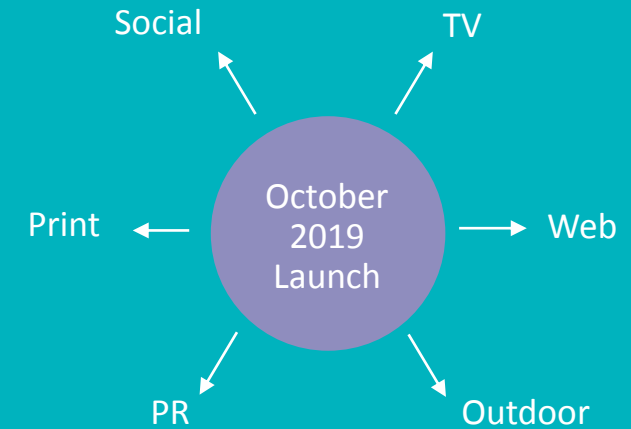
New campaign tagline: You're Back, Baby<sup>SM</sup>



Testimonials from real patients of The Joint (thejoint.com/stories)



## Multiple Campaign Channels



# Implementing AXIS, New IT Platform

## CRITICAL: Driven to get it RIGHT!

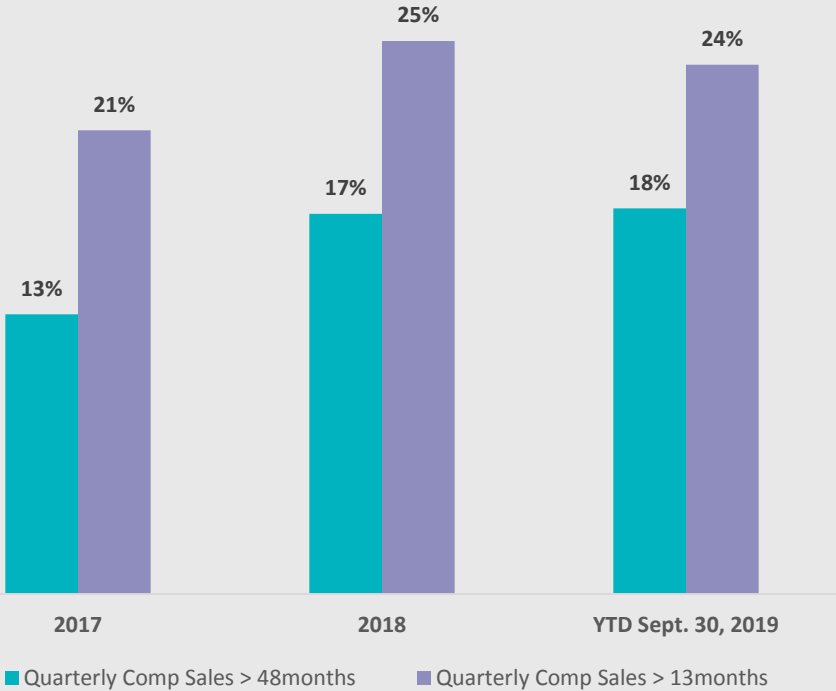
- Completed development
- Conducting internal testing
- Completing robust training
- Delayed rollout to 2020





# Exceptional System-wide Comp Sales

Comp Sales % Growth



**33%**  
 System-wide sales<sup>1</sup>  
 Q3 2019 over Q3 2018

**23%**  
 Comp sales<sup>2</sup> for clinics >13  
 months in operation  
 Q3 2019 over Q3 2018

**17%**  
 Comp sales<sup>2</sup> for clinics  
 >48 months in operation  
 Q3 2019 over Q3 2018



<sup>1</sup>System-wide sales include sales at all clinics, whether operated by the company or by franchisees  
<sup>2</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.

# Q3 2019 Improvements

4<sup>th</sup> Consecutive Quarter of Net Income, 9<sup>th</sup> Consecutive Quarter of Positive Adjusted EBITDA

<i>\$ in M<sup>1</sup></i>	Q3 2019	Q3 2018		Improvement
Revenue	\$12.7	\$9.2	\$3.5	38%
• Corporate clinics	6.8	4.9	1.9	41%
• Franchise fees	5.9	4.4	1.5	34%
Cost of revenue	1.4	1.1	(0.3)	(32%)
Sales and marketing	1.8	1.2	(0.6)	(50%)
Depreciation	0.5	0.4	(0.1)	(38%)
G&A	8.3	6.8	(1.5)	(22%)
Net Income / (Loss)	0.6	(0.2)	0.8	
Adj. EBITDA <sup>2</sup>	1.4	0.6	0.8	134%

**Unrestricted cash \$7.8M at September 30, 2019, compared to \$8.7M at Dec. 31, 2018**



<sup>1</sup> Due to rounding, numbers may not add up precisely to the totals.  
<sup>2</sup> Reconciliation of Adjusted EBITDA to GAAP earnings is included in the Appendix.

# Increasing 2019 Guidance

<i>\$ in M</i>	2018 Actual	Original Low	Original High	Updated Low	Updated High
Revenues	\$36.7	26%	32%	30%	33%
Adjusted EBITDA <sup>1</sup>	\$2.9	67%	100%	100%	110%
New Franchise Openings	47	70	80	Unchanged	Unchanged
Additional Company-owned/Managed Clinics <sup>2</sup>	1	8	12	13	13



<sup>1</sup>Reconciliation of Adjusted EBITDA to GAAP earnings is included in the appendix. | <sup>2</sup>Through a combination of both greenfields and buybacks.

# Revenue Growth Drivers

Market Opportunity

Expansion Strategy

New Markets



# Growth Strategy Delivers Continued Momentum

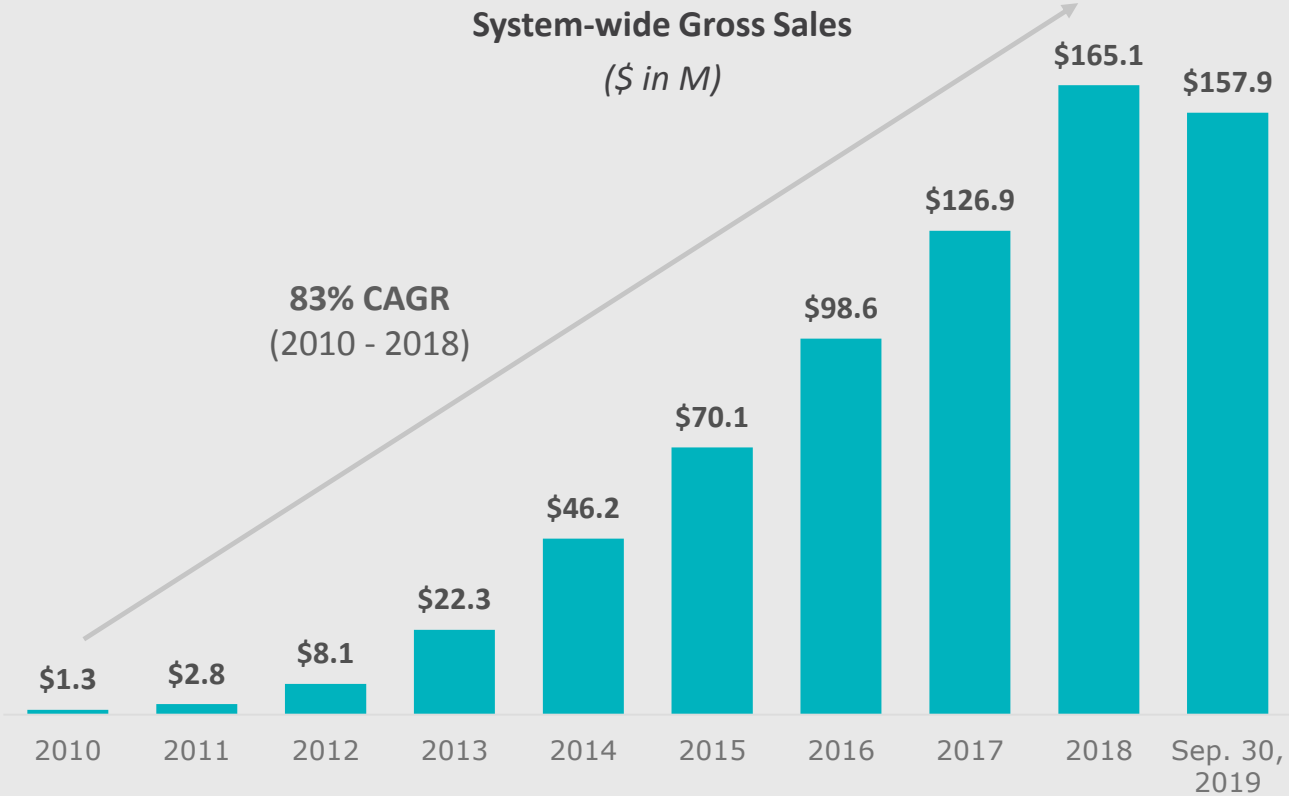
## Building Nationwide Brand to Deliver Shareholder Value

Continue to focus on franchise sales

- Further leverage RD strategy

Accelerate the expansion of corporate clinic portfolio within clustered locations

- Build greenfield clinics
- Acquire franchised clinics opportunistically



# Non-GAAP Measure Definition

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. The Company defines EBITDA as net income (loss) before net interest, taxes, depreciation and amortization expenses. The Company defines Adjusted EBITDA as EBITDA before acquisition-related expenses, bargain purchase gain, loss on disposition or impairment, and stock-based compensation 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 frequently 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.



# Q3 2019 Segment Results



<b>Total Revenues</b>	\$ 6,830
<b>Total Operating Costs</b>	(6,009)
<b>Operating Income (Loss)</b>	821
<b>Other Income (Expense), net</b>	-
<b>Loss Before Income Tax Expense</b>	821
<b>Total Income Taxes</b>	-
<b>Net Income (Loss)</b>	821
<b>Net Interest</b>	-
<b>Income Taxes</b>	-
<b>Total Depreciation and Amortization Expense</b>	490
<b>EBITDA</b>	1,311
<b>Stock Based Compensation Exp</b>	-
<b>Bargain Purchase Gain</b>	-
<b>Loss on Disposition/Impairment</b>	28
<b>Acquisition Expenses</b>	0
<b>Adjusted EBITDA</b>	1,339

<b>Corporate Clinics</b>	<b>Franchise Operations</b>	<b>Unallocated Corporate</b>	<b>The Joint Consolidated</b>
\$ 6,830	\$ 5,896	\$ 0	\$ 12,726
(6,009)	(3,022)	(3,056)	(12,086)
821	2,875	(3,055)	640
-	5	(22)	(17)
821	2,880	(3,077)	624
-	-	7	7
821	2,880	(3,084)	617
-	(5)	22	17
-	-	7	7
490	0	48	538
1,311	2,875	(3,007)	1,179
-	-	186	186
-	-	-	-
28	-	1	30
0	-	33	33
1,339	2,875	(2,787)	1,428

# YTD 2019 Segment Results



<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>
Total Revenues	\$ 18,246	\$ 16,329	\$ 0	\$ 34,576
Total Operating Costs	(16,021)	(8,434)	(8,049)	(32,504)
Operating Income (Loss)	2,225	7,895	(8,049)	2,072
Other Income (Expense), net	22	18	(64)	(24)
Loss Before Income Tax Expense	2,247	7,912	(8,112)	2,047
Total Income Taxes	-	-	16	16
Net Income (Loss)	2,247	7,912	(8,128)	2,032
Net Interest	(3)	(18)	64	43
Income Taxes	-	-	16	16
Total Depreciation and Amortization Expense	1,156	1	152	1,309
EBITDA	3,400	7,896	(7,897)	3,399
Stock Based Compensation Exp	-	-	537	537
Bargain Purchase Gain	(19)	-	-	(19)
Loss on Disposition/Impairment	115	-	1	117
Acquisition Expenses	-	-	36	36
Adjusted EBITDA	3,496	7,896	(7,322)	4,070

# GAAP – Non-GAAP Reconciliation

	Q1-17	Q2-17	Q3-17	Q4-17	FY17	Q1-18	Q2-18	Q3-18	Q4-18	FY18	Q1-19	Q2-19	Q3-19	FY19 YTD
Total Revenue	6,786	6,948	7,512	7,831	29,077	8,647	8,805	9,242	9,968	36,662	10,679	11,170	12,726	34,576
Total Cost of Revenue	694	766	839	925	3,224	972	1,052	1,085	1,202	4,310	1,206	1,299	1,427	3,932
<b>Gross Profit</b>	<b>\$ 6,093</b>	<b>\$ 6,182</b>	<b>\$ 6,672</b>	<b>\$ 6,906</b>	<b>\$ 25,853</b>	<b>\$ 7,675</b>	<b>\$ 7,753</b>	<b>\$ 8,157</b>	<b>\$ 8,767</b>	<b>\$ 32,351</b>	<b>\$ 9,473</b>	<b>\$ 9,871</b>	<b>\$ 11,300</b>	<b>\$ 30,644</b>
Sales & Marketing	959	1,058	1,173	1,284	4,474	1,102	1,294	1,195	1,229	4,820	1,506	1,769	1,793	5,069
Depreciation/Amortization Expense	578	503	469	467	2,017	387	405	389	375	1,556	366	404	538	1,309
Other Operating Expenses	6,199	5,707	5,593	5,582	23,081	6,269	6,119	6,820	6,625	25,833	6,658	7,209	8,324	22,191
Total Other Income (Expense)	(19)	(24)	10	(31)	(64)	(11)	19	(11)	(31)	(34)	8	(15)	(20)	(28)
Total Income Taxes	41	3	36	(43)	36	(63)	6	(50)	70	(38)	(1)	10	7	16
<b>Net Income (Loss)</b>	<b>\$ (1,703)</b>	<b>\$ (1,113)</b>	<b>\$ (588)</b>	<b>\$ (415)</b>	<b>\$ (3,820)</b>	<b>\$ (32)</b>	<b>\$ (51)</b>	<b>\$ (208)</b>	<b>\$ 437</b>	<b>\$ 147</b>	<b>\$ 953</b>	<b>\$ 462</b>	<b>\$ 617</b>	<b>\$ 2,032</b>
Net Interest	24	24	20	11	79	11	11	11	14	47	12	15	17	43
Income Taxes	41	3	36	(43)	36	(63)	6	(50)	70	(38)	(1)	10	7	16
Depreciation and Amortization Expense	578	503	469	467	2,017	387	405	389	375	1,556	366	404	538	1,309
<b>EBITDA</b>	<b>\$ (1,061)</b>	<b>\$ (583)</b>	<b>\$ (63)</b>	<b>\$ 20</b>	<b>\$ (1,687)</b>	<b>\$ 303</b>	<b>\$ 371</b>	<b>\$ 142</b>	<b>\$ 895</b>	<b>\$ 1,712</b>	<b>\$ 1,329</b>	<b>\$ 892</b>	<b>\$ 1,179</b>	<b>\$ 3,399</b>
Stock Based Compensation	95	132	185	182	594	208	139	123	159	628	172	179	186	537
Bargain Purchase Gain	-	-	-	-	-	-	-30	-	17	(13)	(19)	-	-	(19)
Loss on Disposition/Impairment	418	-	-	-	418	0	251	343	-	595	105	(18)	30	117
Acquisition Expenses	13	0	-	-	13	-	3	1	-	4	(0)	3	33	36
<b>Adjusted EBITDA</b>	<b>\$ (535)</b>	<b>\$ (451)</b>	<b>\$ 122</b>	<b>\$ 202</b>	<b>\$ (662)</b>	<b>\$ 511</b>	<b>\$ 734</b>	<b>\$ 609</b>	<b>\$ 1,072</b>	<b>\$ 2,926</b>	<b>\$ 1,586</b>	<b>\$ 1,056</b>	<b>\$ 1,428</b>	<b>\$ 4,070</b>

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