# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
# Washington, D.C. 20549

## FORM 8-K

### CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event Reported): March 5, 2019

## The Joint Corp.

(Exact Name of Registrant as Specified in Charter)

| Delaware | 001-36724 | 90-0544160 |
| --- | --- | --- |
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification Number) |

16767 N. Perimeter Drive, Suite 240
Scottsdale, AZ 85260
(Address of Principal Executive Offices)

Registrant's telephone number, including area code:
(480) 245-5960

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company [ X ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ X ]

**Item 2.02. Results of Operations and Financial Condition.**

On March 7, 2019, The Joint Corp. (the "Company") issued a press release announcing its financial results for the year ended December 31, 2018. The press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information furnished in this Item 2.02 and Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

**(e) Compensatory Arrangements of Certain Officers**

On March 5, 2019, the Board of Directors of The Joint Corp. (the "Company"), upon the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee"), approved an Executive Short-Term Incentive Plan (the "Executive STIP") under which the Company's President and Chief Executive Officer and its Chief Financial Officer are eligible to receive compensation in the form of cash. This Executive STIP replaces the 2018 Executive Short-Term Incentive Plan adopted on May 7, 2018.

Participants in the Executive STIP will receive payment only if the Company achieves its target EBITDA for the year in question, which will be established by the Board of Directors of the Company. The Executive STIP bonus pool will be combined with the bonus pool for the Non-Executive Short-Term Incentive Plan (the "Combined Pool"). The Compensation Committee will establish the maximum amount that may be allocated to the Combined Pool, and the amount by which the actual EBITDA exceeds the target EBITDA will be allocated to the Combined Pool up to the established maximum. The amount allocated to the Combined Pool will then be paid to the participants in both the Executive STIP and the Non-Executive Short-Term Incentive Plan on a pro rata basis based on their respective eligibility, and in each case, up to their maximum targeted STIP award. The President and CEO's targeted STIP award will not exceed 50% of his base salary. The CFO's STIP award will not exceed 40% of his salary.

Notwithstanding the foregoing, in the event that the actual EBITDA for the year in question after the funding of the maximum amount allocated to the Combined Pool as described in the previous paragraph ("Revised EBITDA") exceeds the target EBITDA, the maximum targeted STIP award for the President and CEO would increase to 62.5% of his base salary and the maximum targeted STIP award for the CFO would increase to 50% of his base salary. In that event, 25% of each dollar by which Revised EBITDA exceeds the budgeted EBITDA will be added to the Combined Pool and allocated to the participants in both the Executive STIP and the Non-Executive Short-Term Incentive Plan on a pro rata basis based on their respective eligibility, and in each case, up to their maximum targeted STIP award, as adjusted.

**Item 7.01. Regulation FD Disclosure.**

The Company is posting an earnings presentation to its website at https://ir.thejoint.com/. A copy of the earnings presentation is being furnished herewith as Exhibit 99.2. The Company will use the earnings presentation during its earnings conference call on March 7, 2019 and also may use the earnings presentation from time to time in conversations with analysts, investors and others.

The presentation is furnished by the Company pursuant to Item 7.01 of Form 8-K and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

The information contained in Exhibit 99.2 is summary information that is intended to be considered in the context of the Company's filings with the SEC. The Company undertakes no duty or obligation to publicly update or revise the information contained in this report, although it may do so from time to time as its management believes is warranted. Any such updating may be made through the filing of other reports or documents with the SEC, through press releases or through other public disclosure.

**Item 9.01. Financial Statements and Exhibits.**

(d) **Exhibits**

| Exhibit Number | Description |
|---|---|
| 99.1 | Press Release dated March 7, 2019 |
| 99.2 | The Joint Corp Earnings Presentation, March 2019 |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

The Joint Corp.

Date: March 7, 2019

By: /s/ Peter D. Holt
Name: Peter D. Holt
Title: President and Chief Executive Officer

**EXHIBIT INDEX**

| Exhibit Number | Description |
|---|---|
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**EXHIBIT 99.1**

# The Joint Corp. Reports Fourth Quarter and Full Year 2018 Financial Results

*- Increases Annual System-Wide Gross Sales 30%, Compared to 2017 -*
*- Achieves Positive Annual Net Income for the First Time of $253,000 -*
*- Sells 99 Franchise Licenses in 2018, Up from 37 in 2017 -*

SCOTTSDALE, Ariz., March 07, 2019 (GLOBE NEWSWIRE) -- The Joint Corp. (NASDAQ: JYNT), a national operator, manager and franchisor of chiropractic clinics, reported financial results for the fourth quarter and full year ended December 31, 2018.

**Fourth Quarter Highlights: 2018 Compared to 2017**

- Increased gross system-wide sales 29%, to $46.5 million.
- Grew system-wide comp sales[1] 24%.
- Reported quarterly net income for the first time of $835,000, an improvement of $1.0 million.
- Grew Adjusted EBITDA 264%, to $1.5 million.

**2018 Financial Highlights**

- Increased annual gross system-wide sales 30%, to $165.1 million.
- Posted annual net income for the first time at $253,000, improving $3.7 million from 2017.
- Achieved positive Adjusted EBITDA for the sixth consecutive quarter and first full year since being public.
- More than doubled unrestricted cash to $8.7 million at December 31, 2018.

**Recent Operating Achievements**

- Increased the number of adjustments in 2018 by over one million to 6.0 million.
- Sold 39 franchise licenses in the fourth quarter of 2018, increasing the total to 99 in 2018, compared to 37 sold in 2017.
- Increased total clinic count to 442 as of December 31, 2018: 394 franchised and 48 company-owned or managed clinics.
  -- Opened 22 clinics and closed two franchised clinics in the fourth quarter of 2018.
  -- Opened 47 clinics, acquired one from a franchisee and closed four franchised clinics for the full year 2018.
- Opened two greenfield clinics in 2019 – the first new company-managed clinics since 2016.

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[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.

"Building upon the foundation we laid out over the past two years, we will continue to accelerate franchise sales, further leverage our regional developer (RD) strategy, and step up the expansion of our corporate clinic portfolio within clustered locations -- including opening greenfield clinics -- thereby increasing our momentum going into the next year and beyond," said Peter D. Holt, President and Chief Executive Officer of The Joint Corp. "In the fourth quarter of 2018, we opened 22 franchised clinics, which is the most in any quarter in our history since going public. In 2018, the power of our RD program almost tripled franchise license sales, which approached 100. Strong clinic performance enhanced by innovative marketing increased our annual gross system-wide sales to $165.1 million, up 30%, and system-wide comp sales up 25%, compared to 2017. Additionally, improved operational excellence continued to reduce clinic estimated time-to-breakeven to an average of nine months in 2017 and an average of six months in 2018, down considerably from the historical average of 18 to 24 months.

"Our market opportunity is expanding due to rising adoption of chiropractic care and the increasing need for drug-free solutions to the opioid, obesity and pain epidemics. Our concierge model that provides greater accessibility, simplicity and affordability is resonating with the market. In fact, our most recent survey indicates 26% of The Joint's patients are new to chiropractic care, increasing from 13% in 2013. In 2018, we saw 434,000 new patients, an increase of 25% over 2017. We expect to accelerate this growth momentum in 2019," concluded Holt.

**Fourth Quarter Financial Results: 2018 Compared to 2017**
Revenue was $9.1 million in the fourth quarter of 2018, compared to $6.9 million in the fourth quarter of 2017, due

primarily to a greater number of franchised clinics and increased gross sales at franchised and company-owned or managed clinics reflecting improved marketing and increased adoption of chiropractic care.

Cost of revenue was $1.2 million, up 30% compared to the fourth quarter of 2017, reflecting the success of the RD program resulting in an increased number of franchised locations opened and higher commissions and royalties.

Selling and marketing expenses were $1.2 million, or 14% of revenue, compared to $1.3 million, or 19% of revenue, in the fourth quarter of 2017, reflecting increased leverage of marketing expenses related to an increase in the number of company-owned or managed clinics. General and administrative expenses were $5.3 million, or 59% of revenue, compared to $4.4 million, or 64% of revenue, in the fourth quarter of 2017.

Net income was $835,000, or $0.06 per diluted share, compared to a net loss of $(213,000), or $(0.02) per share, in the fourth quarter of 2017.

Adjusted EBITDA was $1.5 million, an improvement of $1.1 million compared to Adjusted EBITDA of $404,000 in the same quarter last year. The company defines Adjusted EBITDA, a non-GAAP measure, 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.

**Balance Sheet Liquidity**
Unrestricted cash was $8.7 million at December 31, 2018, compared to $4.2 million at December 31, 2017, increasing primarily from cash flow from operations due to increased net income, greater franchise license sales and additional RD territory sales. Pursuant to the terms of the company's credit agreement, during the first quarter of 2017, the company borrowed a required $1.0 million on its line of credit, which remains unused as part of cash on the balance sheet as of December 31, 2018.

**Full Year Financial Results: 2018 Compared to 2017**
Revenues were $31.8 million in 2018, compared to $24.9 million in 2017.

Net income improved $3.6 million to $253,000 in 2018, or to $0.02 per diluted share, compared to a net loss of $(3.4) million in 2017, or $(0.26) per share in 2017. Adjusted EBITDA was $3.0 million, improving $3.3 million compared to Adjusted EBITDA loss of $(275,000) last year.

**2019 Guidance for Financial Results and Clinic Openings:**
Management expects the following:

- Revenue to increase 26% to 32%, compared to $31.8 million dollars in 2018;
- Adjusted EBITDA to grow 67% to 100%, compared to $3.0 million in 2018
- Franchised clinic openings to range from 70 to 80
- Company-owned or managed clinic expansion, through a combination of both greenfields and buybacks, to range from 8 to 12

**Conference Call**
The Joint Corp. management will host a conference call at 5 p.m. ET on Thursday, March 7, 2019, to discuss the fourth quarter and full year 2018 results. The conference call may be accessed by dialing 765-507-2604 or 844-464-3931 and referencing conference code 7186318. A live webcast of the conference call will also be available on the investor relations 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 March 14, 2019. The replay can be accessed by dialing 404-537-3406 or 855-859-2056. The passcode for the replay is 7186318.

**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 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, 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 United States Securities and Exchange Commission ("SEC").

**Forward-Looking Statements**
This press release contains statements about future events and expectations that constitute forward-looking statements. 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, 2017. 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 450 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.

**Media Contact:** Margie Wojciechowski, The Joint Corp., margie.wojciechowski@thejoint.com
**Investor Contact:** Kirsten Chapman, LHA Investor Relations, 415-433-3777, thejoint@lhai.com

**-- Financial Tables Follow --**

**THE JOINT CORP. AND SUBSIDIARY**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | **(as adjusted)** |
| Current assets: | | |
| Cash | $ 8,716,874 | $ 4,216,221 |
| Restricted cash | 138,078 | 103,819 |
| Accounts receivable, net | 1,213,707 | 1,138,380 |

| | | |
|---|---|---|
| Income taxes receivable | 268 | - |
| Notes receivable - current portion | 149,349 | 171,928 |
| Deferred franchise costs - current portion | 611,047 | 498,433 |
| Prepaid expenses and other current assets | 882,022 | 542,342 |
| Total current assets | 11,711,345 | 6,671,123 |
| Property and equipment, net | 3,658,008 | 3,800,466 |
| Notes receivable, net of current portion | 128,723 | 351,857 |
| Deferred franchise costs, net of current portion | 2,878,163 | 2,312,837 |
| Intangible assets, net | 1,634,060 | 1,760,042 |
| Goodwill | 2,916,426 | 2,916,426 |
| Deposits and other assets | 599,627 | 623,308 |
| Total assets | $ 23,526,352 | $ 18,436,059 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,253,274 | $ 1,068,669 |
| Accrued expenses | 266,322 | 86,959 |
| Co-op funds liability | 104,057 | 89,681 |
| Payroll liabilities | 2,035,658 | 867,430 |
| Notes payable - current portion | 1,100,000 | 100,000 |
| Deferred rent - current portion | 136,550 | 152,198 |
| Deferred franchise revenue - current portion | 2,370,241 | 1,994,182 |
| Deferred revenue from company clinics | 994,493 | 867,804 |
| Other current liabilities | 477,528 | 152,534 |
| Total current liabilities | 8,738,123 | 5,379,457 |
| Notes payable, net of current portion | - | 1,000,000 |
| Deferred rent, net of current portion | 721,730 | 802,492 |
| Deferred franchise revenue, net of current portion | 11,239,221 | 9,552,746 |
| Deferred tax liability | 76,672 | 136,434 |
| Other liabilities | 389,362 | 411,497 |
| Total liabilities | 21,165,108 | 17,282,626 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of December 31, 2018 and 2017 | - | - |
| Common stock, $0.001 par value; 20,000,000 shares authorized, 13,757,200 shares issued and 13,742,530 shares outstanding as of December 31, 2018 and 13,600,338 shares issued and 13,586,254 outstanding as of December 31, 2017 | 13,757 | 13,600 |
| Additional paid-in capital | 38,189,251 | 37,229,869 |
| Treasury stock 14,670 shares as of December 31, 2018 and 14,084 shares as of December 31, 2017, at cost of December 31, 2017, at cost | (90,856) | (86,045) |
| Accumulated deficit | (35,750,908) | (36,003,991) |
| Total stockholders' equity | 2,361,244 | 1,153,433 |
| Total liabilities and stockholders' equity | $ 23,526,352 | $ 18,436,059 |

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

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 (as adjusted) | 2018 | 2017 (as adjusted) |
| Revenues: | | | | |
| Revenues and management fees from company clinics | $ 4,320,852 | $ 3,018,994 | $ 14,672,865 | $ 11,125,115 |
| Royalty fees | 2,857,197 | 2,204,447 | 10,141,036 | 7,722,856 |
| Franchise fees | 433,042 | 340,633 | 1,688,039 | 1,381,784 |
| Advertising fund revenue | 778,475 | 758,541 | 2,862,244 | 2,753,776 |
| Software fees | 342,500 | 297,575 | 1,290,135 | 1,137,363 |
| Regional developer fees | 184,295 | 136,943 | 599,370 | 399,045 |
| Other revenues | 155,590 | 116,640 | 535,560 | 398,929 |
| Total revenues | 9,071,951 | 6,873,773 | 31,789,249 | 24,918,868 |
| Cost of revenues: | | | | |
| Franchise cost of revenues | 1,100,818 | 837,447 | 3,956,530 | 2,908,841 |
| IT cost of revenues | 100,808 | 87,494 | 353,719 | 315,397 |
| Total cost of revenues | 1,201,626 | 924,941 | 4,310,249 | 3,224,238 |
| Selling and marketing expenses | 1,228,993 | 1,284,392 | 4,819,555 | 4,473,881 |
| Depreciation and amortization | 374,579 | 467,310 | 1,556,240 | 2,017,323 |
| General and administrative expenses | 5,330,870 | 4,422,841 | 20,304,131 | 18,117,532 |
| Total selling, general and administrative expenses | 6,934,442 | 6,174,543 | 26,679,926 | 24,608,736 |
| Loss on disposition or impairment | - | - | 593,960 | 417,971 |
| Income (loss) from operations | 935,883 | (225,711) | 205,114 | (3,332,077) |
| Other income (expense): | | | | |
| Bargain purchase gain | (17,258) | - | 58,006 | - |
| Other income (expense), net | (14,209) | (30,866) | (47,765) | (64,455) |
| Total other income (expense) | (31,467) | (30,866) | 10,241 | (64,455) |
| Income (loss) before income tax expense | 904,416 | (256,577) | 215,355 | (3,396,532) |
| Income tax benefit (expense) | (69,847) | 43,397 | 37,728 | (35,880) |
| Net income (loss) and comprehensive income (loss) | $ 834,569 | $ (213,180) | $ 253,083 | $ (3,432,412) |
| Earnings (loss) per share: | | | | |
| Basic earnings (loss) per share | $ 0.06 | $ (0.02) | $ 0.02 | $ (0.26) |
| Diluted earnings (loss) per share | $ 0.06 | $ (0.02) | $ 0.02 | $ (0.26) |
| Basic weighted average shares | 13,735,898 | 13,542,912 | 13,669,107 | 13,245,119 |
| Diluted weighted average shares | 14,096,890 | 13,542,912 | 14,031,717 | 13,245,119 |
| **Non-GAAP Financial Data:** | | | | |
| Net income (loss) | $ 834,569 | $ (213,180) | $ 253,083 | $ (3,432,412) |
| Net interest | 14,209 | 11,036 | 46,791 | 78,980 |
| Depreciation and amortization expense | 374,579 | 467,310 | 1,556,240 | 2,017,323 |
| Tax (benefit) expense | 69,847 | (43,397) | (37,728) | 35,880 |
| EBITDA | $ 1,293,204 | $ 221,769 | $ 1,818,386 | $ (1,300,229) |
| Stock compensation expense | 159,025 | 181,858 | 628,430 | 594,371 |
| Acquisition related expenses | - | - | 3,950 | 13,142 |
| Loss on disposition or impairment | - | - | 593,960 | 417,971 |

| | | | | |
|---|---|---|---|---|
| Bargain purchase gain | 17,258 | - | (58,006) | - |
| Adjusted EBITDA | $ 1,469,487 | $ 403,627 | $ 2,986,720 | $ (274,745) |

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

| | Year Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| | | (as adjusted) |
| Net income (loss) | $ 253,083 | $ (3,432,412) |
| Adjustments to reconcile net income (loss) to net cash | 2,416,628 | 3,051,152 |
| Changes in operating assets and liabilities | 2,782,557 | 307,129 |
| Net cash provided by (used in) operating activities | 5,452,268 | (74,131) |
| Net cash used in investing activities | (1,243,654) | (372,853) |
| Net cash provided by financing activities | 326,298 | 1,422,766 |
| Net increase in cash | $ 4,534,912 | $ 975,782 |

**EXHIBIT 99.2**


THE JOINT
chiropractic
REVOLUTIONIZING ACCESS TO CHIROPRACTIC CARE
Q4 2018 FINANCIAL RESULTS AS OF DECEMBER 31, 2018 REPORTED MARCH 7, 2019
THE JOINT CORP. | NASDAQ: JYNT | 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.

EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or cash flows from operations, as determined by 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 our financial statements filed with the SEC.

# 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.

## 2018 Growth Success

- Accelerated franchise sales
- Built upon RD strategy
- Reinitiated growth of company-owned/managed clinics
  - In clustered locations
  - In a deliberate and measured manner

## Fueling Momentum

| | 2017 | 2018 |
|---|---|---|
| Franchise Sales | 37 | 99 |
| Clinics Open | 399 | 442 |
| Patients New to Chiropractic Care | 22% | 26% |
| Patient Visits | 4.9M | 6.0M |

# Continued Strong Improvements
# Positive Net Income for the First Time

| | Q4 18 vs Q4 17 | 2018 vs 2017 |
|---|---|---|
| System-wide gross sales | +29% | +30% |
| System-wide comp sales >13 months[1] | +24% | +25% |
| System-wide comp sales >48 months[1] | +16% | +17% |
| Revenue | +32% | +28% |
| Net Income | $835K, *up $1.0M* | $253K, *up $3.7M* |
| Adjusted EBITDA[2] | $1.5M, *up $1.1M* | $3.0M, *up $3.3M* |

***Unrestricted cash $8.7M at Dec. 31,2018, doubling from $4.2M at Dec. 31, 2017***

**SYSTEM-WIDE GROSS SALES**
*($ in M)*

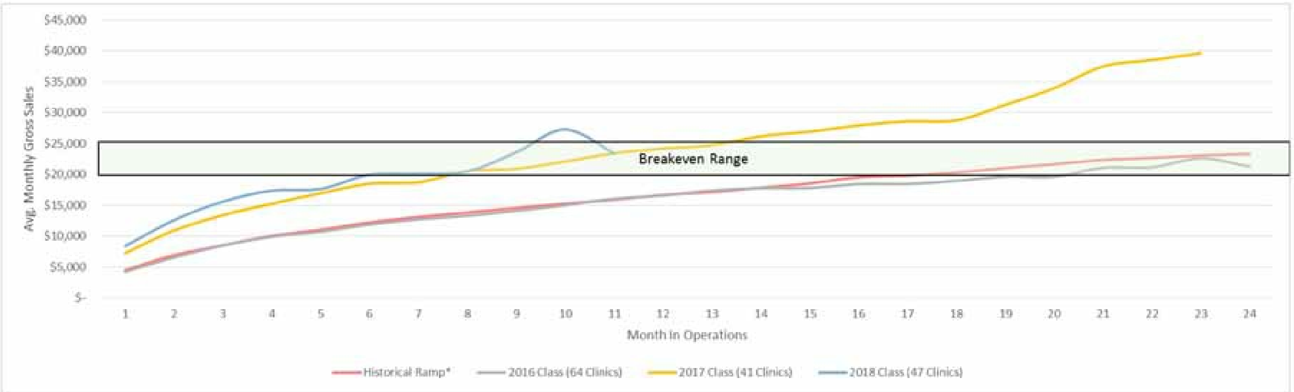

[1] Comparable Sales include only the sales from clinics that have been open at least 13 or 48 full months and exclude any clinics that have closed
[2] Reconciliation of Adjusted EBITDA to GAAP earnings is included in the Appendix

# 2018 Growth Success Fueling Momentum

- 442 clinics at Dec. 31, 2018, up from 399 at Dec. 31, 2017
  - 22 clinics opened - most franchised clinic openings in a quarter since being public - and 2 franchised clinics closed in Q4 2018
  - 47 clinics opened, 1 acquired from a franchisee and 4 closed franchises in 2018
- Continue to experience unusually low closure clinic rates of less than 1%
- Opened two greenfields in 2019, first since May 2016


# Reducing Clinic Time to Breakeven

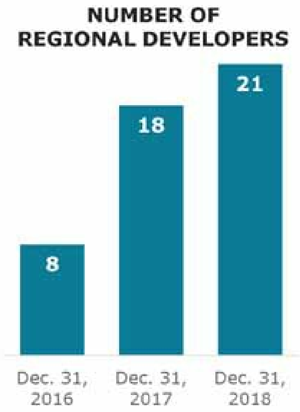
- Clinics opened in 2018 reduced average time to estimated breakeven to 6 months, down from approximately 9 months in 2017 & 18 to 24 months historically
- Clinics opened in 2017 continue to ramp above the historical performance

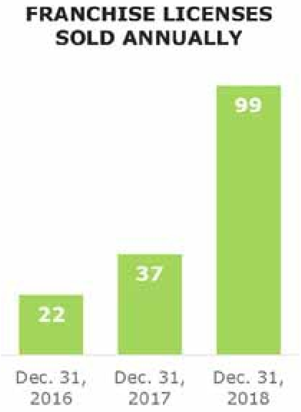



* Based on average historical gross sales growth rates from January 2013 through December 2018.

# RDs Accelerate Franchise License Sales

- 99 franchise licenses sold in 2018, compared to 37 for 2017 and 22 for 2016
- 89% of licenses sold by RDs in 2018, compared to 49% in all of 2017
- 21 RDs as of December 31, 2018





[1] Of the 715 franchise licenses sold at December 31, 2018, 155 have not been developed

# Building a Robust Health & Wellness Brand


Live a Better You

- Creating clear, consistent and recognizable marketplace identity
- Using new brand architecture to guide our strategic initiatives, operational training and consumer advertising
- Strengthening digital marketing practice through innovation and reinvestment

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# Implementing AXIS, New IT Platform

- Licensed SugarCRM
- Completed discovery phase
- Actively in the design and development phase
- On track to complete rollout by end of 2019

SUGARCRM

Key Customers

# Q4 2018 Strong Sales Performance


- **System-wide gross sales up 29%** to $46.5M, from $36.1M in Q4 2017
- **System-wide comp sales**[1] for clinics >13 months in operation[1] increased 24%
- **System-wide comp sales**[1] for clinics >48 months in operation increased 16%

[1] 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

# Q4 2018 Financial Summary

| *$ in M** | Q4 2018 | Q4 2017 | IMPROVEMENT | |
|---|---|---|---|---|
| **Revenue** | **$9.1** | **$6.9** | **$2.2** | **32%** |
| **Corporate clinics** | **4.3** | **3.0** | **1.3** | **43%** |
| **Franchise fees** | **4.8** | **3.9** | **0.9** | **23%** |
| **Cost of revenue** | **1.2** | **0.9** | **(0.3)** | **(30%)** |
| **Sales and marketing** | **1.2** | **1.3** | **0.1** | **4%** |
| **Depreciation** | **0.4** | **0.5** | **0.1** | **20%** |
| **G&A** | **5.3** | **4.4** | **(0.9)** | **(21%)** |
| **Net Income / (Loss)** | **0.8** | **(0.2)** | **1.0** | |
| **Adj. EBITDA[1]** | **1.5** | **0.4** | **1.1** | **3x** |

*Due to rounding may numbers many not sum. 1 Reconciliation of Adjusted EBITDA to GAAP earnings is included in the Appendix.

# 2018 Strong Sales Performance


- **System-wide gross sales up 30%** to $165.1M, from $126.9M in 2017
- **System-wide comp sales**[1] for clinics >13 months in operation[1] increased 25%
- **System-wide comp sales**[1] for clinics >48 months in operation increased 17%

[1] 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

# 2018 Financial Summary

| *$ in M** | 2018 | 2017 | IMPROVEMENT | |
|---|---|---|---|---|
| **Revenue** | **$31.8** | **$24.9** | **$6.9** | **28%** |
| **Corporate clinics** | **14.7** | **11.1** | **3.5** | **32%** |
| **Franchise fees** | **17.1** | **13.8** | **3.3** | **24%** |
| **Cost of revenue** | **4.3** | **3.2** | **1.1** | **34%** |
| **Operating expenses** | **27.3** | **25.0** | **(2.2)** | **(9%)** |
| **Net Income / (Loss)** | **0.3** | **(3.4)** | **3.7** | |
| **Adj. EBITDA[1]** | **3.0** | **(0.3)** | **3.3** | |

- ***$8.7M unrestricted cash at Dec. 31, 2018, compared to $4.2M at Dec. 31, 2017***
- ***$23.1M of federal net operating losses (NOLs) at Dec. 31, 2018, available to offset future taxable income***

*Due to rounding may numbers many not sum. 1 Reconciliation of Adjusted EBITDA to GAAP earnings is included in the Appendix.

# 2019 Guidance

| *$ in M* | 2018 ACTUAL | LOW | HIGH |
|---|---|---|---|
| **Revenues** | $31.8 | 26% | 32% |
| **Adjusted EBITDA[1]** | $3.0 | 67% | 100% |
| **New Franchise Openings** | 47 | 70 | 80 |
| **Additional Company-owned/Managed Clinics[2]** | 1 | 8 | 12 |

[1]Reconciliation of Adjusted EBITDA to GAAP earnings is included in the appendix. | [2] Through a combination of both greenfields and buybacks.

# Opportunity in Highly Fragmented Market

**\$90B**[1]
**spent on back pain**

**\$15B**[2]
**spent on chiropractic care**

Adults in the U.S. want more options for neck and back pain[3]:

- 62% see healthcare professional for neck or back in their lifetime
- 25% in the last 12 months
- 79% prefer no prescription drugs
- 26% of The Joint's patients new to chiropractic[4]

[1] Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, 2016-17 Edition | [2] IBIS World Chiropractors Market Research Report, February 2019 | [3] Gallup-Palmer College of Chiropractic Report 2018 | [4] New patient survey completed February 2019



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## 2019 Growth Strategy: Continue Momentum

Building nationwide brand to deliver shareholder value

- Continue to focus on franchise sales
- Further leverage RD strategy
- Accelerate the expansion of corporate clinics portfolio within clustered locations
  - Build greenfield clinics in clustered locations
  - Acquire franchised clinics opportunistically

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# 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.

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# Q4 2018 Segment Results & GAAP Reconciliation


| | Corporate Clinics | Franchise Operations | Unallocated Corporate | The Joint Consolidated |
|---|---|---|---|---|
| **Total Revenues** | $ 4,321 | $ 4,751 | $ 0 | $ 9,072 |
| **Total Operating Costs** | (3,250) | (2,587) | (2,300) | (8,136) |
| **Operating Income (Loss)** | 1,071 | 2,164 | (2,299) | 936 |
| **Other Income (Expense), net** | (20) | 8 | (19) | (31) |
| **Loss Before Income Tax Expense** | 1,051 | 2,172 | (2,319) | 904 |
| **Total Income Taxes** | - | - | 70 | 70 |
| **Net Income (Loss)** | 1,051 | 2,172 | (2,388) | 835 |
| **Net Interest** | 3 | (8) | 19 | 14 |
| **Income Taxes** | - | - | 70 | 70 |
| **Total Depreciation and Amortization Expense** | 281 | 0 | 93 | 375 |
| **EBITDA** | 1,335 | 2,164 | (2,206) | 1,293 |
| **Stock Based Compensation Exp** | - | - | 159 | 159 |
| **Bargain Purchase Gain** | 17 | - | - | 17 |
| **Loss on Disposition/Impairment** | - | - | - | - |
| **Acquisition Expenses** | - | - | - | - |
| **Adjusted EBITDA** | 1,352 | 2,164 | (2,047) | 1,469 |

# 2018 Segment Results & GAAP Reconciliation


| | | Corporate Clinics | | Franchise Operations | | Unallocated Corporate | | The Joint Consolidated |
|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | $ | 14,673 | $ | 17,115 | $ | 1 | $ | 31,789 |
| **Total Operating Costs** | | (13,136) | | (9,032) | | (9,416) | | (31,584) |
| **Operating Income (Loss)** | | 1,537 | | 8,083 | | (9,415) | | 205 |
| **Other Income (Expense), net** | | 51 | | 43 | | (84) | | 10 |
| **Loss Before Income Tax Expense** | | 1,588 | | 8,126 | | (9,499) | | 215 |
| **Total Income Taxes** | | - | | - | | (38) | | (38) |
| **Net Income (Loss)** | | 1,588 | | 8,126 | | (9,461) | | 253 |
| **Net Interest** | | 6 | | (43) | | 84 | | 47 |
| **Income Taxes** | | - | | - | | (38) | | (38) |
| **Total Depreciation and Amortization Expens** | | 1,105 | | 1 | | 450 | | 1,556 |
| **EBITDA** | | 2,699 | | 8,084 | | (8,965) | | 1,818 |
| **Stock Based Compensation Exp** | | - | | - | | 628 | | 628 |
| **Bargain Purchase Gain** | | (58) | | - | | - | | (58) |
| **Loss on Disposition/Impairment** | | 251 | | - | | 343 | | 594 |
| **Acquisition Expenses** | | - | | - | | 4 | | 4 |
| **Adjusted EBITDA** | | 2,892 | | 8,084 | | (7,989) | | 2,987 |

# GAAP – Non-GAAP Reconciliation[1]

| | Q1-17 | Q2-17 | Q3-17 | Q4-17 | FY17 | Q1-18 | Q2-18 | Q3-18 | Q4-18 | FY18 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Income (Loss)** | **$ (1,765)** | **$ (1,022)** | **$ (432)** | **$ (213)** | **$(3,432)** | **$ (387)** | **$ (43)** | **$ (152)** | **$ 835** | **$ 253** |
| Net Interest | 24 | 24 | 20 | 11 | 79 | 11 | 11 | 11 | 14 | 47 |
| Income Taxes | 41 | 3 | 36 | (43) | 36 | (63) | 6 | (50) | 70 | (38) |
| Depreciation and Amortizatior | 578 | 503 | 469 | 467 | 2,017 | 387 | 405 | 389 | 375 | 1,556 |
| **EBITDA** | **$ (1,123)** | **$ (492)** | **$ 93** | **$ 222** | **$(1,300)** | **$ (52)** | **$ 379** | **$ 198** | **$1,293** | **$1,818** |
| Stock Based Compensation | 95 | 132 | 185 | 182 | 594 | 208 | 139 | 123 | 159 | 628 |
| Bargain Purchase Gain | - | - | - | - | - | - | (75) | - | 17 | (58) |
| Loss on Disposition/Impairmei | 418 | - | - | - | 418 | - | 251 | 343 | - | 594 |
| Acquisition Expenses | 13 | 0 | - | - | 13 | - | 3 | 1 | - | 4 |
| **Adjusted EBITDA** | **$ (597)** | **$ (360)** | **$ 279** | **$ 404** | **$ (275)** | **$ 156** | **$ 697** | **$ 665** | **$1,469** | **$2,987** |

[1] All periods shown are restated in new accounting standards related to ASC606, which was adopted at the beginning of 2018

# The Joint Corp. Contact Information

**Peter D. Holt, President and CEO**
peter.holt@thejoint.com

**Jake Singleton, CFO**
jake.singleton@thejoint.com

**Kirsten Chapman, LHA Investor Relations**
thejoint@lhai.com

https://www.facebook.com/thejointchiro
@thejointchiro

https://twitter.com/thejointchiro
@thejointchiro

https://www.youtube.com/thejointcorp
@thejointcorp

The Joint Corp. | 16767 N. Perimeter Dr., Suite 240 | Scottsdale, AZ 85260 | (480) 245-5960