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The Joint Corp. (JYNT) Q2 2024 Earnings Call Transcript

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Q2: 2024-08-08 Earnings Summary

Play Call

Press Release

10-Q

EPS of -\$0.24 **misses by \$0.22** | Revenue of \$30.26M (3.25% Y/Y) **beats by \$863.96K**The Joint Corp. (NASDAQ:[JYNT](#)) Q2 2024 Earnings Conference Call August 8, 2024 5:00 PM ET

Company Participants

David Barnard - LHA Investor Relations

Peter Holt - President and Chief Executive Officer

Jake Singleton - Chief Financial Officer

Conference Call Participants

JP Wollam - ROTH Capital Partners

C.J. Dipollino - Craig Hallum Capital Group

Nick Sherwood - Maxim Group

Operator

Good day, and welcome to the Joint Corporation, Second Quarter of 2024 Financial Results Conference Call. All participants will be in listen-only mode. [Operator Instructions]. Please note that this event is being recorded.

I'd like to turn the conference over to Mr. David Barnard, LHA and Investor Relations. Please go ahead, sir.

David Barnard

Thank you, Nick. Good afternoon, everyone. Again, this is David Barnard of LHA Investor Relations. Joining us on the call today are President and CEO, Peter Holt and CFO, Jake Singleton. Please note we are using a slide presentation that can be found at <https://ir.thejoint.com> under the Events section.

Today, after the close of market, the Joint Corporation issued its results for the quarter ended June 30th, 2024. If you not already have a copy of the press release, it can be found in the Investor Relations section of the company's website. As provided on slide two, please be advised that today's discussion includes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

All statements other than statements of historical facts may be considered forward-looking statements. Although the company believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, it can make no assurances that such expectations or assumptions will prove to have been correct.

Actual results may differ materially from those expressed or implied in forward-looking statements due to various risks and uncertainties. As a result, we caution you against placing undue reliance on these forward-looking statements. For a discussion of the risks and uncertainties that could cause actual results to differ from those expressed or implied in the forward-looking statements, please review the risk factors detailed in the company's reports on Form 10-K and 10-Q, as well as other reports that the company files from time to time with the SEC.

Finally, any forward-looking statements included in this earnings call are made only as of the date of this call, and we do not undertake any obligation to revise the results or publicly release any updates to these forward-looking statements in light of new information or future events. Management uses 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.

Management believes they provide a more transparent view of the company's underlying operating performance and operating trends and GAAP measures alone. Reconciliation of net income to EBITDA and adjusted EBITDA is presented in the press release. The company defines EBITDA as net income or loss before net interest, tax expense, depreciation, and amortization expenses.

The company defines adjusted EBITDA as EBITDA before acquisition-related expenses, which includes contract termination costs associated with reacquired regional developer rights, stock-based compensation expense, barge and purchase gain, net gain or loss on disposition or impairment, costs related to restatement filings, restructuring costs, litigation expenses, consisting of legal and related fees for specific proceedings that arise outside of the company's ordinary course of business and other income related to the employee retention credits.

Management also includes commonly discussed performance metrics. System-wide sales include revenues at all clinics, whether operated by the company or by franchisees. While franchise 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.

System-wide comp sales include the revenues from both company-owned or managed clinics and franchise clinics that in each case have been open at least 13 full months and exclude any clinics that have closed.

Turning to slide three, it is my pleasure to turn the call over to Peter Holt.

Peter Holt

Thank you, David, and I welcome everybody to the call. The Joint continues to revolutionize access to chiropractic care. Our nationwide network of 960 clinics, 86% which are franchised, provides affordable concierge style membership-based services in convenient retail settings. During Q2 2024, we furthered our strategies to improve unique economics and to refranchise the vast majority of our corporate clinics.

We also continued to deliver growth even during the ongoing macroeconomic pressure. Q2 2024 revenue increased 3% and same-store's comps grew 2% compared to the prior year period. Q2 adjusted EBITDA was \$2.1 million and in a moment, Jake will provide greater detail to our financials. To increase clinic profitability, we're embracing new innovation in operations, IT and marketing that leverage the size of our network on national and local levels.

Turning to slide four, I'll review the recent activity. As we approach having 1,000 clinics, we increased our purchasing power which we were leveraging to the benefit of our clinics. For example, our unique economics task force created a clinic in-the-box to optimize the time and cost of our new openings. We redesigned interiors with lower cost material and sizes that can be shipped more economically.

Now our vendor can produce and ship all the elements to open a clinic. We expect to both shorten the time to opening and significantly lower the build out cost. In IT, we're supporting more financial tools that help franchisees automate and manage their businesses. And our recent patient innovations include adjusting elements of our business model to better align with current consumer preferences.

An important part of growing patient loyalty is creating a frictionless experience. While our patients love the convenience of our model, we've learned a subset of patients would like to schedule their first visit to ensure that they can get in, out, and on their way.

To answer this need, and after testing earlier this year, we launched the initial visit booking system-wide last month. Patients who had booked their first visit indicated that booking was both a positive experience and important to their choosing the Joint.

We've extensively tested our enhanced digital intake forms now that enable new patients to use their own mobile devices when completing their intake form with a plan to roll this out system-wide later this month. Our trials have proven this process is easier and less time-consuming for patients as well as our wellness coordinators.

We're aggressively developing our mobile check-in, and in Q4, we'll beta the app. Additionally, we'll be evaluating different membership options and policies. We're assessing pricing and discount strategies, such as our walk-in rate, changes to hours and days of operation, as well as our legacy pricing policy.

Turning to slide five, I'll review our refranchised goals and efforts. As discussed previously, we're focused on driving long-term growth by selecting the most effective partners for our refranchised clinics.

In May, we engaged Capstone Partners, a full-service middle market investment bank with specialization in refranchising, and recently finalized the confidential information memorandum package for marketing clusters of our clinics. In the meantime, we've considerable interest in the number of markets.

Currently, two transactions with nine clinics have been approved and moving through the letter of intent process. In Savannah and Kansas City, these transactions will address two smaller clusters that we can tie to existing franchisees.

Also, based on earlier conversations during the quarter, we sold two clinics in California and Arizona to existing franchisees for net proceeds of \$224,000. We're well on our way to generating capital to be reinvested in brand marketing, RD territory acquisitions, and/or stock purchases, among other options.

Turning to slide six, I'll review our marketing efforts. In the last nine months, we've conducted significant research and formulated programs to amplify patient acquisition and retention, engage lab patients, increase referrals, and improve conversion and nutrition.

We realized we need to optimize our marketing investment to better support the marketing funnel and shift resources from lead generation toward consideration and awareness campaigns. This is an important adjustment to our marketing strategy as 49% of adults in the United States have never been to a chiropractor, even though 80% have back pain at some point in their lives.

Similarly, while the Joint has 1.67 million active patients, which represents less than 1% of adults in the United States, we're constantly working to educate more people about the efficacy of chiropractic care.

Currently, we have first mover advantage and our goal is to make the Joint synonymous with chiropractic, like clinic sensitive [ph] tissue, as we focus on building our brand strategy that defines and leverages our unique strengths to grow clinic profitability and patient loyalty. Additionally, we know an important part of driving patient loyalty is affordability.

In June, we began, offered our five plus one summer sale, giving our patients access to a free month of care when they purchased five months in advance. This promotion exceeded our expectations.

What makes these results even more impressive is in that year and for this year, the sale was not valid for legacy priced memberships. This exclusion is part of our ongoing commitment to drive clinic level profitability, and even without the discounting of legacy members, we had a strong demand for the promotion.

We've continued to work with our co-ops to provide a more robust marketing level strategy, leveraging what we know about those patients new to chiropractic and those not new to chiropractic with our behavior, we worked with our largest co-ops and implement new channels and tactics.

This increase includes a TikTok spend market-wide to reduce costs and increase impressions, as well as the introduction of new channels aimed at driving awareness and consideration and lowering the patient acquisition costs.

Turning to slide seven, let's discuss our clinic metrics. In Q2, 2024, we opened nine franchise clinics, refranchised two clinics, and closed three clinics, one franchise and two corporates for a net increase of six clinics.

In the same period a year ago, we opened 23 franchised and three Greenfield clinics, acquired three previously franchised clinics for a corporate portfolio and closed six clinics, four franchised and two corporates for a net increase of 20 clinics.

On June 30th, 2024, our total clinic count reached 960, consisting of 829 franchised and 131 corporates. The clinic portfolio mix remains at 86% franchise and 14% company-owned or managed, although it's expected to shift during the year as we execute our refranchising strategy.

Turning to slide eight, I'll review our franchise license sales. As previously indicated, we expect franchise license sales to be impacted by our refranchising strategy. During Q2, we sold seven franchise licenses compared to 21 in Q2, 2023. Of the licenses sold, 73% of the franchisees were new to the Joint.

At June 30th, 2024, we had 158 franchise licenses in active development, as well as 17 regional developers with an aggregate 10-year minimum development schedule for 674 clinics. In July, for approximately a \$0.5, we reacquired the Maryland DC RD territory, with 17 opened clinics and a potential for another 31 clinics. This reduced the number of RDs to 16, and their coverage approximately 59% of the network.

And with that, I'll turn it over to Jake.

Jake Singleton

Thank you, Peter. And let's turn to slide nine. I'll review our clinic comps for Q2, 2024, compared to Q2, 2023. System-wide sales for all clinics opened for any amount of time increased to \$129.6 million, up 8%.

System-wide comp sales for all clinics opened 13 months, increased 2%. System-wide comp sales for mature clinics, opened 48 months or more, decreased 4%. Revenue was \$30.3 million, up \$1 million, or 3%. Revenue from franchised operations increased 10%, contributing \$12.6 million.

Company-owned or managed clinic revenue decreased 1%, contributing \$17.7 million. Cost of revenues was \$2.8 million, up 9% over the same period last year, reflecting the associated higher regional developer royalties and commissions.

Selling and marketing expenses were \$5.4 million, up 15% year-over-year, reflecting the costs associated with the in-person national conference and the timing of advertising spend. Depreciation and amortization expenses decreased \$805,000, or 35%, compared to the prior year period. This reflects the accounting for corporate clinics that are being held for sale as part of the refranchising efforts.

The G&A expenses were \$22.6 million, up 13%, compared to the same period last year, primarily due to the increased expense to support more clinics, plus \$1.5 million in legal expenses associated with the class action settlement related to time and wages in the state of California, which reflects the ongoing complexity of doing business in California.

Loss on disposition or impairment was \$1.4 million, related to two corporate clinic closures, and our quarterly analysis of clinics held for sale as part of the refranchising effort. This compares to \$144,000 in Q2, 2023. Income tax expense was \$178,000, compared to income tax benefit of \$161,000 in Q2, 2023.

Net loss was \$3.6 million, including the aforementioned \$1.5 million litigation expense, \$1.4 million in loss on disposition or impairment, and the expense associated with the in-person national conference for a loss of \$0.24 per share. This compares to net loss of \$320,000, including loss on disposition or impairment of \$144,000, or a loss of \$0.02 per share in Q2, 2023.

Adjusted EBITDA was \$2.1 million, compared to \$3.2 million. Franchise clinic adjusted EBITDA was \$4.7 million, compared to \$5.1 million, reflecting the increased marketing expense related to the national conference.

Company-owned or managed clinic adjusted EBITDA increased 15% to \$2.5 million. Corporate expense as a component of adjusted EBITDA was \$5 million, compared to \$4.1 million in Q2, 2023, reflecting ongoing IT maintenance and higher legal and professional service expenses related to our refranchising efforts.

On to slide 10, to review our balance sheet and cash flow. At June 30th, 2024, our unrestricted cash was \$17.5 million, compared to \$18.2 million at December 31st, 2023. Cash flow from operations for the six-month period was \$1.8 million. In addition, the net proceeds of the sale of two clinics was partially offset by ongoing IT CapEx and a \$2 million Q1 repayment on the line of credit with JP Morgan Chase. Through this facility, we have retained immediate access to \$20 million through February of 2027.

On to slide 11, a review of our financial results for the six months ended June 30th, 2024, compared to the same period in 2023. Revenue was \$60 million, up 4%. Net loss was \$2.6 million, including \$1.8 million in loss on disposition or impairment, and aforementioned \$1.5 million litigation expense and the cost of the in-person National Franchise Conference for a loss of \$0.18 per share.

This compares to net income for the first half of 2023 of \$2 million, which included the \$3.9 million employee retention credit and \$210,000 on loss of disposition or impairment, or \$0.13 per diluted share. Adjusted EBITDA was \$5.6 million, compared to \$5.3 million in the same period of 2023.

On to slide 12, with the strong comps in July and anticipation of our fourth quarter promotions, we are reiterating all elements of our guidance. System-wide sales are expected to be between \$530 and \$545 million, compared to \$488 million in 2023.

System-wide comp sales for all clinics open 13 months or more are expected to increase in the mid-single digits, compared to an increase of 4% in 2023. New franchise clinic openings, excluding the impact of refranchised clinics, are expected to be between 60 and 75, compared to 104 in 2023. The difference reflects the impact of our refranchising efforts.

And with that, I'll turn the call back over to you, Peter.

Peter Holt

Thanks, Jake. In late May at our annual Franchisee Conference, we discussed strategies to increase clinic profitability and recognize clinics with outstanding performance. Our conference theme, Inspire, Influence, and Imagine, captured the passion of our franchisees, RDs, and employees.

As franchising is like-minded people building a brand, we're thrilled to be partnered with some of the most talented franchisees and doctors of chiropractic in the United States. During our 2020-2024 awards ceremony, we honored over 180 inspirational clinics that generated over \$750,000 in 2023. This compares to recognizing 14 high-performing clinics with sales exceeding \$550,000 in 2015.

This year's award winners included 56 gold clinics with sales between a \$1 million and \$1.49 million, a marked increase from the only one clinic at this level in 2017. And this year, we honored two platinum clinics with sales over \$1.5 million. Part of the success is attributed to the substantial improvement in our chiropractic community's perception of the Joint.

Since 2018, we've taken action to influence the views of chiropractic care in general and the Joint in particular. We've endeavored to forge better relationships with the chiropractic schools and associations and have educated them about our model, our commitment to patient service, and our mission to improve quality of life through routine and affordable chiropractic care.

Now, with a growing number of joint doctors participating in the school's preceptorship programs, which mentors undergraduate doctors of chiropractic, is increasingly sought after. We also foster these relationships by providing support for educational, athletic, and relief programs.

Between 2018 and May 2024, the Joint has donated over a million dollars to the chiropractic schools, including a recent student scholarship endowment. We've grown to be the largest provider of information on chiropractic on the internet, which contributes to the fact that over 36% of our new patients in 2023 had never been to a chiropractor before. This also means around 65% have chosen the Joint over other providers.

Now, I'll look to the future. With our better relationships and enhanced marketing, we're approaching having 1,000 clinics open. The more clinics we open, the more patients we serve, the more referrals we receive, and the more people we educate about the power and efficacy of chiropractic.

Currently, about 16% of the adults in the U.S. have utilized chiropractic care in the last year, according to the Palmer Gallup study. Imagine what would happen to our business when under these numbers, we reach 18% or 20% and beyond. That's when chiropractic care becomes a mainstream choice, and we truly begin to experience that exponential growth. As more and more people discover chiropractic care, our reach is boundless.

In summary, in 2024, our highest priorities are refranchising the corporate clinics and improving unit economics. Through streamlined operations, resource optimization, and continuous improvement, we expect to maximize profitability at the unit level while delivering exceptional experiences to our patients. Before we begin, I'd like to invite you to visit us at the B. Riley Seventh Annual Consumer and TMT Conference in New York City in September.

And with that, Nick, I'm ready to begin the Q&A.

Question-and-Answer Session

Operator

Thank you. Now I'll begin the question and answer session. [Operator Instructions]. First question will be from JP Wollam, ROTH Capital Partners. Please go ahead.

JP Wollam

Great. Hi, Peter, hi, Jake, thanks for taking my questions here. If we could maybe just start on the refranchising, not sure exactly kind of what you want to share or how much you'll share on the process, but I'm just hoping, we're a bit into the process here. And I think maybe the number of refranchises is a little lower than where we might have thought at this point in time. But I was hoping you could maybe just talk about how the conversations are going. It sounds like you've got a couple more units that are about to be under LOI. But just talk broadly about, you know, are you finding more success with existing franchisees? Are people looking to do just larger scale transactions that are taking more time? Any details and kind of information you could share about the process would be great.

Peter Holt

Sure. It's good to talk with you. The process has probably taken a little longer than we would expect it. I would have loved to be further along in this process than we are. And it's really a combination. So we have -- that portfolio of roughly 131 clinics that we've broken up into clusters. We're talking to our existing franchisees who want to pick up maybe a couple of clinics that are around them. The reason we went into the relationship with Capstone is to really widen the market. And you do have a number of multi-unit operators out there that are looking to diversify and invest in other franchise concepts. And they are looking for that larger cluster of clinics.

And so that it's taking us some time to put together the SIM that we're using to market the program. And so, we're really now very aggressively starting to market to some of those larger players. And at the same time, we have a couple of very large players in our own system that are also interested in the acquisition of clinics. So it has taken a little longer than anticipated. I think that there is obviously a lot of interest in these clinics. These are well-performing clinics. So this isn't a fire cell where we're just trying to get them off the books. These are valuable assets that we obviously want to put in the hands of the franchisees who can most effectively run them. And so I think those are the real drivers of this process that we're going through.

JP Wollam

Great. That's very helpful. If we jump over to the innovation and the conversation around the changes to the box and some of the IT innovation, if maybe I could focus a little bit more on the box, and I think you made a comment about reducing costs and reducing time to open. Could you just maybe share -- is there any way to quantify, I guess, what the impact would be on -- maybe on a cash-on-cash return basis going forward or any way that you can quantify the impact?

Peter Holt

Well, I'm not really ready to give out specific numbers, but what we've done is that we've really streamlined the whole process of the build-out of the clinic. So we truly have -- whereas before, first of all, our build-out is relatively simple. And so this isn't, you know, a QSR where we have a lot of equipment that's required to open up the clinic. I mean, it's really a very simple operation, but we have, for example, been building the front desk, which is a big segment of the build-out, individually for each clinic. Now what we've done is we've streamlined that process so it's modular, so that it's easy to ship, and it can -- you don't have to have it built uniquely for each of the clinics that open. And we've really looked at every element of what is part of that build-out and tried, looked at ways that we can either streamline it, lower its cost, make it easier to install.

And so in that case, we're being able to lower the cost. And also we had all these different elements, whether they were tables or the desks of your building, coming from different vendors. And so that when you're trying to consolidate that or you're trying to get your ship to the location of the clinic, that's increasing your cost. So we've really reduced significantly the shipping costs associated with the build-out. And then because this is all consolidated, you can really build that clinic out in a faster manner. So is that faster by a month or two months? We'll see as we go forward with this program. But we're really excited about what that does for streamlining the process of getting these clinics open and at a lower cost.

JP Wollam

Okay, understood. And if I could slide one last one in, just on maybe this is for Jake, but just in terms of the comp improvements in the back half of the year to kind of get us to that mid-single digit, I would think maybe it sounds like July was performing well. I think there's maybe a little bit of an easier comp in Q3, but are there any kind of meaningful levers that are needing to be pulled to kind of get to comp guidance in the back half? Or is it really the easier comp and then the seasonal promotions that you mentioned?

Jake Singleton

Yes, I think you've got most of the pieces there. July did start off strong with us. We posted a greater than 5% comp for the system with our franchisees closer to 6%. So happy to see how the third quarter is starting out. Really from a lever's perspective, it's really, like you mentioned, a softer Q3 in the 2023 period. So we're rolling over an easier comp there. Theoretically, we always perform well in terms of our fourth quarter promotions that are planned. But as Peter mentioned, we're consistently looking at the pricing levers to see if that's something that we need to touch base with.

So those are potentials that we're in evaluation mode right now, looking at whether the legacy policy, walk-in pricing, things of that nature. So we have those levers at our disposal. And then, always the ability to layer on an incremental promotion should we need a little bit of a boost, so, mostly, leveraging with the existing things that you mentioned.

JP Wollam

Great, really appreciate it. Best of luck, guys.

Peter Holt

Thanks. Great to speak with you.

Operator

Thank you. Our next question will be from C.J. Dipollino from Craig Hallum Capital Group. Please go ahead.

C.J. Dipollino

Hey, guys, C.J. Dipollino, on for Jeremy Hamblin. I want to touch again on the refranchising. Sounds like you're just starting to get going with some of these larger transactions. I want to see, is there a world where you get any of these larger transactions done in 2024, or are you looking more out towards next year?

Peter Holt

Ideally, we'd like to see as much done in the end of 2024 as possible. And the larger the deal, typically, the more due diligence you're doing, the little more difficult the time it takes to get everybody aligned on price and legal structure, so that we are now pushing as hard as possible to make all these deals complete. It's also hard on the system to have these clinics open up for sale, that you want to minimize the time this is going to take, just because of the uncertainty that creates for your employees and outside the floor while support. So, can we get everything done by the end of the year? Can we get significant things done by the year? I think it's possible. Will this go into 2025? I think it's probable.

Jake Singleton

Yes, C.J., the only thing I would layer on there is, we have taken considerable amount of time to create an exceptionally detailed SIM, and we've had a lot of time now to kind of get the work rooms and the due diligence materials in place. And so, we feel confident that as we have strong interest, we've put together a lot of the materials and resources to streamline that process as best that we can. But as Peter mentioned, larger transactions by nature are going to take a little bit more time.

C.J. Dipollino

Got it, okay, that makes sense. And then, moving towards comps and more specifically, traffic, a lot of peers have called out sort of slowing traffic starting in May, going into June. Could you maybe just give a little color on the cadence of comps through Q2?

Jake Singleton

Yes. We did see a slowing of comps throughout the quarter. A little bit nuanced for us in this particular quarter, as Peter mentioned in his prepared remarks. We have a promotion that we run in June, which is a forward buy promotion. So, our patients are buying six months of care for the price of five, if you will. And so, that recurred year-over-year. But as Peter mentioned, we did not honor any of our legacy pricing as it relates to that promotion. So, what that meant for us in this particular period was that we had a slightly lower uptake in terms of people capitalizing on the promotion. But what that does for us is means they stay on their current plan and then their recurring billings roll in to the proceeding months that follow. So, really kind of a push out of some revenue period over period, which I think resulted in the slightly lower comp for June, and I think it's helping us here in July, which I mentioned the strong comps that we've seen so far.

C.J. Dipollino

Great. Okay, that's very helpful, thank you. I'll hop back in the queue. Best of luck with the rest of the quarter.

Jake Singleton

Thank you.

Operator

Thank you. [Operator Instructions] Next question will be from Nick Sherwood, Maxim Group. Please go ahead.

Nick Sherwood

Good evening. My question is, can you talk about the loss in sales for the mature clinic comps? And are you seeing that rebound in July or are you seeing a lot of that expected comp sales growth to be from new clinics?

Peter Holt

Yes, all of our comp metrics improved in July. As it relates to the results for the quarter, Q1, we posted a 3% total system comp, negative 3% for mature, and each of those metrics fell by a percent in the second quarter. So, 2% for the system, negative 4% as it relates to the mature clinics. And so, as we look at the KPI build, what drives the growth sales of our clinics, the softness that we continue to see is in that new patient metric. If we're getting them in the door, we're still converting at a great rate. And our attrition is as good as it's ever been. So, it's really just that new patient traffic that we're trying to consistently draw. And that's really where we saw the headwind and have seen the headwind in recent periods. So, a sequential down 1%, still posted a 2% comp in a tough consumer environment out there. And we have seen a nice rebound here in July.

Nick Sherwood

So, do you have any plans going forward to stabilize the comp sales for these mature clinics? Or do you think we're still going to look at contraction going through the rest of the year for the mature clinics?

Peter Holt

No, absolutely. That was some of the things we talked about. So, for example, we've seen some really great success with what we're calling our initial visit bookings. So, that instead of just coming in as a new patient, you can now actually book an appointment. And we find that has significantly increased the new patient counts in the clinics that have been testing with that. And we're now rolling that out across the system. That we are looking at really all of the different ways that we market this business to those new patients and to our existing patients, and one of the areas we've been focused on is those lapse patients. We talked about we have 1.67 million active users. And that of those, a lot of those are lapse patients. They could be just walk-ins. They could be people that we can kind of re-contact using some automated marketing programs that we put in place to be able to bring them in earlier after they've dropped.

Because we know that the average patient stays with us for about, on membership for about six months. We also know that 25% of them will be back in the next six months because their pain comes back. We think through this automated marketing, we can specifically try to draw those in earlier. And because of those mature clinics that have such a huge membership base and a whole number of patients who've been through those clinics, is they have a greater base of potential patients through and back in than a newer clinic. So we think that could significantly help our older clinics as we continue to go through this kind of economic uncertainty with our patient base.

Nicholas Sherwood

Understood. Thank you. And my last question is, how are you managing your sales and marketing spend going into this third quarter and beginning of the fourth quarter with the presidential election, and which generally you see advertising expenses going up. And I don't -- and so how are you making sure that you're getting these promotions out there without overspending on adding customers because of these higher advertising costs?

Jake Singleton

Sure, I mean, you have to really think about the full funnel in terms of how we drive new patient traffic. As a healthcare services business, we have a lot of referral traffic, and that really isn't at the whim of advertising price points. The largest channel for us probably right now is in the digital space. And so we may see that from an overall dollars perspective, whether it'd be our national marketing fund spend or those of our co-ops, right? Each of our franchise units has a requirement to spend as much as \$3,000 per month per clinic on their local advertising. And so, as we go through this cycle, I think could we see some slightly higher uptick, but again, a lot of that doesn't flow through our corporate P&Ls, and we have a lot of channels in the mix in terms of how we disperse that marketing spend.

Peter Holt

And some of these new channels like TikTok or Programmatic, we've done some work with influencers that are in some ways a little outside of that traditional spend that is being so absorbed by the national elections. So it is something that we're watching carefully, but we do have a whole series of these other venues, especially in the digital space, to be able to spend and generate those new patients.

Nick Sherwood

Sounds great. Thank you for all the detail. I'll return to the queue.

Jake Singleton

Thank you.

Peter Holt

Thank you.

Operator

Thank you. This concludes our question-and-answer session. I'd like to turn the call back over to Mr. Peter Holt for closing remarks.

Peter Holt

Thank you very much. In April, we announced the Joint Influencer Campaign, which athletes would share their own authentic stories about how chiropractic helps them to enhance their athletic performance. And we're excited to report that one of the joint influencers, track and field athlete, Cherie Hawkins, qualified for the 2024 Olympics in Paris. At the U.S. Olympic team trials in Eugene, Oregon, Cherie finished second in Heptathlon with a career high. In addition, she achieved personal records in three of the seven events, the 800-meter run, the Javelin, and the Shot Put. Please join me in cheering on Cherie and all the athletes of the Paris Olympics. Thank you and stay well adjusted.

Operator

Conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

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