

Transcripts

Healthcare

The Joint Corp. (JYNT) Q2 2025 Earnings Call Transcript

Aug. 09, 2025 12:16 PM ET | **The Joint Corp. (JYNT) Stock** | JYNT

**SA Transcripts**

154.78K Followers

Q2: 2025-08-07 Earnings Summary



EPS of -\$0.06 **misses by \$0.04** | Revenue of \$13.27M (-56.15% Y/Y) **beats by \$108.87K**

The Joint Corp. (NASDAQ:[JYNT](#)) Q2 2025 Earnings Conference Call August 7, 2025
5:00 PM ET

Company Participants

Sanjiv Razdan - CEO, President & Director

Scott Justin Bowman - Chief Financial Officer

Conference Call Participants

George Arthur Kelly - ROTH Capital Partners, LLC, Research Division

Jeffrey Wallin Van Sinderen - B. Riley Securities, Inc., Research Division

Jeremy Scott Hamblin - Craig-Hallum Capital Group LLC, Research Division

Nicholas Sherwood - Maxim Group LLC, Research Division

David Barnard - LHA Investor Relations

Operator

Hello, and welcome to the Joint Corp Second Quarter 2025 Financial Results Conference Call. [Operator Instructions] Please note this event is being recorded. I would now like to turn the conference over to David Barnard with Alliance Advisors Investor Relations. Please go ahead.

David Barnard

LHA Investor Relations

Thank you, operator. Good afternoon, everyone. This is David Barnard with Alliance Advisors Investor Relations. Joining us on the call today are President and CEO, Sanjiv Razdan; and CFO, Scott Bowman. Please note, we are using a slide presentation that can be found at <https://ir.thejoint.com> under Events. Today, after the close of market, the Joint Corporation issued a press release about the quarter ended June 30, 2025. If you do not already have a copy of this press release, it can be found on the Investor Relations section of the company's website. As provided on Slide 2, 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 Forms 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 our results or publicly release any updates to these forward-looking statements in light of new information or future events.

As announced on July 30, 2025, we intend to restate our previously issued financial statements for our 2024 annual report Form 10-K and our quarter ended Q1 2025 Form 10-Q due to material errors identified by management related to the original valuation methodology for the noncash impairment recorded for clinics held for sale within discontinued operations. From an income statement standpoint, the adjustments resulted in decrease in net loss for 2024 and an increase in net income for the first quarter of 2025. These adjustments are not expected to have any impact on adjusted EBITDA for 2024 or the first quarter of 2025. The effect on the balance sheet will be an increase of the carrying value of assets held for sale due to the necessary change in prior financial statements.

As of the date of this filing, we are providing limited financial statements, including the income statement and adjusted EBITDA for the 3 months ended June 30, 2025 and 2024, respectively, and the unrestricted cash and cash balance as of June 30, 2025. 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 than 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, bargain purchase gain, net gain or loss on disposition or impairment, costs related to restatement filings, restructuring costs and litigation expenses, consisting of legal and related fees for specific proceedings that arise outside of the ordinary course of our business. 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. Comp sales include the revenues from both company- owned or managed clinics and franchise clinics that in each case have been open for at least 13 full months and exclude any clinics that have been closed. Turning to Slide 3. It's now my pleasure to turn the call over to Sanjiv Razdan.

Sanjiv Razdan

Thank you, David, and I welcome everyone to the call. Turning to Slide 4. Today, I'm excited to review our increasing momentum in becoming a pure-play franchisor and our pursuit of the Joint 2.0. We are strengthening our core, elevating our patient experience and improving profitability ultimately to reignite growth. Building for the future, our initiatives to improve profitability include enhancing our brand campaign by pivoting from a general wellness to a more focused pain relief message to better target patient acquisition, strengthening our digital marketing to drive long-term system-wide sales, optimizing holistic pricing for affordability and patient value through dynamic revenue management and upgrading our patient-facing technology, enriching our patients' experience and extending their lifetime value. Before I elaborate, for those of you who are new to the Joint, we are the largest franchisor of chiropractic care clinics. Our ongoing mission is to improve the quality of life through routine and affordable chiropractic care. And our big bold vision is to become America's most accessible health and wellness services company. I'll summarize our Q2 2025 financial results compared to Q2 2024, and Scott Bowman, our new CFO, will provide greater detail in a moment.

System-wide sales were \$129.6 million, up 2.6%. Comp sales for all clinics opened 13 months were up 1.4% for the quarter. Revenue from continuing operations increased 5% and consolidated adjusted EBITDA grew to \$3.2 million, up 52% compared to quarter 2 2024. On June 30, 2025, unrestricted cash and equivalents reached \$30 million. Let's review our refranchising efforts. Turning to Slide 5. Momentum is increasing. Our corporate clinics are attracting investments from sophisticated multiunit franchisees, both existing and new to our system. This conveys confidence in our business model and our growth initiatives. We started Q2 2025 with 13% corporate clinics in our portfolio. During the quarter, we refranchised 37 clinics, reducing that to 8%. In Arizona and New Mexico, we sold 31 corporate clinics for an aggregate purchase price of \$11.1 million to our largest franchisee, Joint Ventures. We are excited to expand our partnership with Joint Ventures to 96 clinics with 10 more committed over time. We received \$8.3 million in cash and, as part of this deal, bought the regional developer rights to the Northwest region for \$2.8 million.

This transaction also reduced our annual royalties and commissions obligation, which in 2024 was \$855,000. This territory consists of 46 existing franchise clinics and holds significant opportunity for growth with 30 sites planned for future clinic development. In Kansas City, we sold the five corporate clinics, and we are all actively engaged in refranchising the balance of the corporate portfolio. Turning to Slide 6. Let's review our long-term profitability improvement initiatives, starting with how we are enhancing our brand positioning and strengthening our digital marketing. In Q2, our comps were lower than expected. Even though attrition was on par with last year and conversions were better, the macroeconomic headwinds and lower new patient counts continued to impact us. Focusing on what we can control. We are working with our franchisees to increase investment in brand awareness to generate more demand and investing in our marketing infrastructure to improve search performance and drive consumers into the consideration set.

Our market studies indicate that pain is the predominant trigger to see a chiropractor, and we know that about 80% of our new patients cite aches and pains as the reason for coming to the Joint. Leveraging this insight to drive long-term system-wide sales, we are pivoting from a broad-based wellness-related communication to a sharper message of chiropractic care for pain relief. In July, we launched our compelling new creative brand awareness campaign, Life, Unpaused. This outreach educates prospects about how the Joint gets patients out of pain and back to doing what they love best. By focusing our content around pain, we expect to improve organic leads and the new patient count. Increasing brand awareness and implementing more precisely targeted marketing strategies will make our services more accessible and attract patients who are in pain and in need of chiropractic care. With this launch, we will be shifting our marketing spend to an earlier point in the sales funnel and teaching prospects in advance that chiropractic care can reduce pain and the Joint is an incredibly affordable pain relief option. Brand awareness campaigns may take longer to come to fruition, but tend to attract the patients that stay longer. We are also investing in search engine optimization and solving for AI-related changes to search behavior. Both of these actions are intended to drive new patient count, which in turn will help improve comps. Turning to Slide 7. Let's review our long-term profitability improvement initiatives, starting with dynamic revenue management. We are shifting our strategy to make more frequent, smaller price increases.

As discussed previously, we must be intentional and balanced when reviewing price increases that will be implemented in stages. In July, we introduced a new Kickstart plan to enable our clinics to charge new patients for supplemental adjustments beyond the four covered by their wellness plans. The intent is to get them started strong and to stay strong on their treatment plans. We plan to continue implementing nominal price increases to optimize holistic pricing while balancing affordability and patient value. We are taking other measures to extend the length of time patients maintain their wellness plans. Turning to Slide 8. Part of our strategy to enrich our patient experience is by updating patient-facing technology.

I'm excited to say we launched our mobile app beta in June. And based on strong outcomes in July, we made our mobile app generally available to patients. We are seeing typical pickup rates, which are gaining traction with approximately 10% of active patients using the app already. Our goal is to extend the lifetime value of our patients. So our next evolution of features will personalize information to our patients, such as details of their wellness plans, reminders, they have adjustments remaining in their usage period, et cetera. Future aspects will incorporate gamification such as getting badges for adjustments, check-ins or watching a video of the stretches that help with your condition.

Now I would like to introduce Scott Bowman, our new CFO. As a business transformation and growth expert, Scott is a great fit for the Joint. He has over three decades of experience in finance, including serving as CFO at four companies, three of which were publicly traded. He brings deep expertise in capital markets, strategic planning, operations and Investor Relations. We are pleased to have Scott on board as we drive ahead with our transition. Please go ahead, Scott.

Scott Justin Bowman

Thanks, Sanjiv. I would like to start by saying that I'm honored to be part of the team, and I'm excited about the opportunities as we execute our multiphase strategy to reignite growth introduce new revenue streams and become America's most accessible health and wellness services company. Most immediately, I'm focused on completing our refranchising effort to become a pure-play franchisor and on executing our capital allocation strategy. We started in June on this strategy with the purchase of the redevelopment rights in the Northwest region and have established the infrastructure needed to execute our share repurchase program. Turning to Slide 10. Let's discuss our operating metrics. In the second quarter, system-wide sales were up 2.6%. Comp sales for all clinics opened 13 months were up 1.4% and adjusted EBITDA for consolidated operations grew 52%. Turning to Slide 11.

Let's discuss our clinics. We sold 13 franchise licenses in the second quarter compared to seven sold in the second quarter of last year. As Sanjiv noted, in July, we bought back the RD territory rights in the Northwest region, which reduced our RDs to 15, covering approximately 52% of the network. At June 30th, we had 152 franchise licenses in active development. In the second quarter, we refranchised 37 clinics from company-owned or managed to franchised. We opened seven franchise clinics and closed six, and we closed three company-owned or managed clinics. At June 30, 2025, our clinic count was 967 with 885 franchised or 92% of the portfolio. Turning to Slide 12; let's discuss our financials. I'll review continuing operations for the second quarter compared to the same period last year.

Revenue grew 5% to \$13.3 million, mainly due to the greater number of franchised clinics in operation. Cost of revenues was \$2.8 million, which was consistent with the prior year. Selling and marketing expenses were also consistent with the prior year. Depreciation and amortization expenses increased 18% to \$402,000, which was mainly due to development of software, which was made available for use in the first half of 2025. G&A expenses decreased 1% to \$7.7 million as we make progress on our corporate cost reduction efforts related to refranchising. Income tax expense of \$11,000 reflected an effective tax rate of negative 1% Consolidated net income was \$93,000 compared to a net loss of \$3.6 million in the same period last year. Net loss from continuing operations improved \$720,000 to \$990,000, or \$0.06 per basic share, from a net loss of \$1.7 million, or \$0.11 per basic share, in the same period last year. Adjusted EBITDA for consolidated operations improved \$1.1 million, or 52% to \$3.2 million. For continuing operations, adjusted EBITDA improved \$468,000 to \$88,000. On Slide 13, I'll review our liquidity and stock repurchase plan.

At the end of the second quarter, unrestricted cash was \$29.8 million compared to \$25.1 million at the end of last year. Proceeds from the sale of clinics totaled \$11.2 million, while cash used to acquire the Northwest regional developer rights was \$2.8 million. We maintain a line of credit with JPMorgan Chase for \$20 million and had 0 funds drawn during the quarter. In June, the Board authorized a stock repurchase program under which the company may repurchase up to \$5 million of our outstanding common stock through June 2027. Underscoring our commitment to disciplined capital allocation and delivering value to our stockholders, the buyback reflects the Board's confidence in our long-term strategy, refranchising program and our projected cash flow generation. On to Slide 14 for a review of 2025 guidance. In light of softer sales trends, coupled with macro headwinds, we are taking a balanced view for the remainder of the year and are revising our 2025 guidance.

For system-wide sales, we now expect the range to be \$530 million to \$550 million compared to prior guidance of \$550 million to \$570 million. For comp sales, we now expect an increase in the low single-digit range compared to prior guidance of an increase in the mid-single-digit range. Through diligent overhead reduction, we are increasing our consolidated adjusted EBITDA guidance to be in the range of \$10.8 million to \$11.8 million versus prior guidance of \$10 million to \$11.5 million. New franchise clinic openings, excluding the impact of refranchised clinics, we now expect to range from 30 to 35, compared to 57 in 2024. Remember, as clinics shift from corporate-owned or managed, to franchise, there will be a transformative financial impact. Our franchise royalties and fees will increase. We will continue to rationalize our unallocated G&A expenses, and we will increase our cash position as we sell the remainder of our corporate-owned or managed clinics. And with that, I'll turn the call back over to Sanjiv.

Sanjiv Razdan

Thanks, Scott. Turning to Slide 16. When we place patients at the heart of everything we do, the business grows, profitability follows, and everyone wins. At the beginning of 2025, we laid out our multiyear strategy to strengthen our core, reignite growth and improve both clinic and company level profitability. To do that, we are fueling our growth flywheel. We are building our people capability and

culture to support our clinics, our team, our franchisees and our growth. We have strengthened leadership in franchise development, legal, operations and patient experience and most recently, in the finance function. Our team is dedicated to ensuring that the Joint offers the best patient experience possible. Our success will yield referrals, our most effective and cost-efficient patient acquisition tool, which will turbocharge sales and profits for franchisees and the company. And, in turn, reignite clinic network growth. Our team is executing our plan. And in approximately 12 months, we expect to enter the next phase of our evolution, Joint 3.0, when we will focus on capturing new revenue streams by creating additional sales channels and growing in new markets. Turning to Slide 17. Before we open for questions, I have a few updates and comments. We welcomed two new directors, increasing Board membership to eight. Sandi Karrmann, most recently Senior Vice President and Chief Human Resources Officer for Kimberly-Clark, brings over two decades of extensive experience with publicly traded health care companies and franchises, both in the U.S. and globally. Chris Grandpre, an operating partner with Mid-Ocean charged with targeting franchise consumer business for investment, brings over 30 years of experience leading multi-branded franchise companies and in M&A investment banking. Also, we will be conducting some non-deal roadshows. Please contact Alliance Advisors Investor Relations if you would like to connect. With that, operator, I am ready to begin Q&A.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from George Kelly from ROTH Capital.

George Arthur Kelly

The first one is just on the lowered comp guide. I was wondering if you could give more detail behind that change.

Scott Justin Bowman

Yes, I can start off on that, George, and then I can hand it over to Sanjiv for any further comments. When we looked at the guide, we looked at a couple of things. Number one, we looked at our recent trends. And recent trends were a little bit softer. And so that had a part to play. And as we look at that softness, it's mainly in new patients, right? And so as we look at our conversion rate, our conversion rate is actually up year-over-year and attrition is in line with last year. And so you couple that and you also look at our comparables from last year in the back half, especially in the fourth quarter, and we have some tougher compares. So that was a data point as well. And just looking at kind of the macro headwinds that are out there, weaker consumer sentiment getting a little better, but coming off of a bottom. So there was a couple of data points from a macro view that we took into account as well, okay? And so that's really what colored our decision on the guidance and the main reason why we're a little bit softer in the quarter.

But we are addressing those headwinds, we're looking at a few things that we think will help, not immediately, but over time, we think it will help. Number one is we're shifting more of our marketing dollars into top-of-funnel brand awareness to capture more of those customers and cast a wider net. We also see some opportunity in SEO optimization. There are some very tangible actions there that we can take and we're starting to execute on that we think will help that organic search component. And then we're exploring some additional programs. In some of the survey work that we've done, I think just consumers in general out there, they're looking for value, they're looking for affordability. And we think we give great day-to-day value. But some of our package are priced pretty high. There's very good value there. But from an affordability standpoint, it's a higher upfront cost. And so we're looking for some options to buy now, pay later. And so that can take different forms. But we're exploring that because we think that could be an unlock for some of those customers that want to buy those longer-term packages, but the higher price point may be an issue.

George Arthur Kelly

Okay, that's helpful, thank you. And so it sounds like you're kind of backing off the planned broader pricing increase that was previously anticipated for the back half?

Sanjiv Razdan

George, this is Sanjiv. I think part of our strategy remains what we're calling dynamic revenue management. We have already taken some pricing actions. December of last year, we increased our walk-in price, which has helped overall increase our conversions as well as contribute to our comps. We have also, in July, in fact, July 1, initiated something that we are calling Kickstart plan, where patients when they sign up for a wellness plan are able to buy either 4, 6 or 8 incremental adjustments upfront at a time, which is to make sure that they get the best care possible, but it's also optimizing that revenue opportunity upfront for us. And we will continue to work with our franchise community to optimize pricing in the back half of the year as well. So we will keep watching the market and also make sure that we're not walking away from the affordability aspect of our value proposition.

George Arthur Kelly

Okay. And then last questions are just on the EBITDA guide. So two questions on that. First, can you break down the guidance by continuing versus discontinued ops? And then secondly, your expense structure in the first half, if I look at selling and marketing, you're overspending your ad fee collections and your G&A in 2Q was -- I know it was down a little bit year-over-year, but still at almost record quarterly levels. How should we think about the back half of the year? Are you starting to get more aggressive after this recent refranchising transaction? Or should we expect those two lines to remain kind of elevated in the back half?

Scott Justin Bowman

Right. So first off, we don't really -- we don't typically split out continuing and discontinued on our guidance. And I think, keep in mind, too, when you look at kind of the results for discontinued ops, it's not entirely clear, or a good picture, because there are certain things from an accounting standpoint that distort that number a bit. Number one is we don't record rent for those clinics held for sale, and we also don't include depreciation, okay? And so that can distort that number a little bit on discontinued ops.

So I would just caution you on making any significant kind of assumptions on that because we do have some accounting that distorts that a little bit. As we look at the G&A for the remainder of the year, we have some initiatives that have helped us so far. We think as we get further down the path on refranchising, we'll see even more favorability there. We want to make sure that we maintain a balance there as we transition and not get ahead of ourselves. And so as we get closer to the end on refranchising, we should see some more benefit there.

Operator

Your next question comes from Jeremy Hamblin from Craig-Hallum Capital Group.

Jeremy Scott Hamblin

And I wanted to kind of explore a bit more on the change in the system's -- the total system sales and just understand how much of the total change -- I guess you could call it maybe 300 basis point change in same-store sales is due to traffic, whether it's new patient traffic or just overall? And that's part one.

Part two is just understanding the implication on price increase and whether or not that might be creating some sticker shock, particularly you noted the struggles of new patient acquisition and whether or not would you plan on testing potentially lowering price and seeing what that does for the system or for a portion of the system?

Scott Justin Bowman

I'll start off on the traffic piece of it, and then Sanjiv can chime in as well on the price increases. So first off, on the traffic, it's a good question. I see it as mainly a traffic problem when we think about new patients. Once we get the patients in the door, we have a -- we really do a good job on converting. And like I said, the attrition year-over-year is about -- it's about the same. So it's all about attracting those new patients in the door. And so that's why we're really focused on kind of the marketing effort right now, the top of funnel work that we want to do, but also really beef up our SEO and maximize that capability for organic search. So we're really focused on those two areas to get new patients in the door. Once we do that, we have a pretty good chance of converting them. And then -- I'll start off on the price increase.

The sticker shock comment hits home for us because that goes back to where -- to Sanjiv's comment about making sure that we're balancing the affordability of our pricing. And so we're really careful and kind of keep within the guardrails of what we think is reasonable, but still giving a good value. Part of that also includes some test and learn work, right? And so if we have some ideas about pricing, in many cases, we will test those first, to make sure that our assumptions are correct. And then if they're not correct, then we have a chance to adjust before we push it out for a broader group of clinics.

Sanjiv Razdan

Yes. Just to add to what Scott was saying, as a reminder, our patients make about \$50,000 to \$105,000 in annual household income. So as there is uncertainty in the environment, we find that any expense or investment as it relates to their wellness could potentially be pulled back. As we thought about that quite deeply, we are pivoting our external messaging to a much more sharper pain-related message. 80% of our existing patients come to us citing some aches and pains. That's about the same number that shows up as we research the use of chiropractic profession as a category. So, Jeremy, that's why we are shifting our external messaging around a much more pain-focused message and positioning ourselves as the solution for noninvasive holistic pain care. So I think that will help us.

Second thing is that from a pricing perspective, the last time we took anything -- what I would call meaningful pricing was in March of 2022. So in terms of over that period of time, the value proposition has only strengthened because we've held our wellness plan pricing from March of 2022. How much longer we're able to hold at that same price point remains to be seen, but we are keeping a close eye on the situation. 80% of our sales come from wellness plans and packages. So we're holding our pricing over there for now,

right? But we will continue to find opportunities of taking small bites of the apple. And don't want to put ourselves in the position where we have to wait another 3.5 years to take meaningful pricing. So that's just an opportunistic, well-thought through, purposeful approach that we will take.

As Scott mentioned, just to repeat, search engine optimization is an opportunity that is emerging for us, especially given the change in search behavior due to AI, which we are working to address that. And then finding ways of working with our franchisees to increase the investment in brand awareness all around, so that we can create more awareness amongst our potential patients about how to leverage the Joint when it comes to pain care and last but certainly not the least, finding ways of exploring any buy now, pay later type options, especially when we have those packages where you can have if you buy for 10 months, you get 2 months free, 5 plus 1, you buy for 5 months, you get 1 month free. That is when the upfront cost is excellent value, but in absolute terms, we're trying to find ways of helping our patients to be able to buy now pay later. And those are solutions we are actively exploring as well. So we're feeling quietly confident about our approach for the back half of this year.

Jeremy Scott Hamblin

Got it. And then I want to explore a little bit of the deals, the refranchising, that you've done. So I think you said for Arizona, New Mexico, 31 units, \$8.3 million that those were sold for. I think that would imply the other 6 locations, you realized about \$2.9 million for those. I wanted to get a sense for kind of the sales volumes and the profitability of the collective of the 37 locations. Are those fairly typical? Are they slightly better locations, slightly worse locations? What kind of color can you share with us on that?

Scott Justin Bowman

Yes, I can start on that. So if you think about the 31 locations in Arizona and New Mexico, many of those locations are higher performers, okay? Kansas City had five clinics, they were lower performers. And so I think it -- I think you bring up a good question because as we look at the remainder of the clinics, there is a range of -- based on geography and volume and profitability that will influence the proceeds from the sale. And so, when we sold the 37 clinics in total, there's actually about \$11.2 million in gross proceeds, and then we used \$2.8 million of that to buy back some RD territory rights in the Northwest, okay? And so that's kind of how you get that \$8.3 million - \$8.4 million net effect. But the total proceeds for the sale of clinics was about \$11 million. So that's going to vary based on those criteria that I just mentioned. And so you can't necessarily extrapolate that number over the remaining clinics and come to a number. But I think having said that, those clinics in Arizona and New Mexico are higher performers, that gives you some sense that they've over-indexed a bit on the proceeds.

Jeremy Scott Hamblin

I see. So just clarifying, the total cash received for all of the 37 was about \$8.3 million?

Scott Justin Bowman

Yes, \$8.3 million net. So we got a little over \$11 million on the proceeds. And then we used about \$2.8 million of that to buy back those RD territory rights in the Northwest.

Jeremy Scott Hamblin

Got it. All right. And then just a follow-up on the prior question around sales and marketing, right? So in terms of thinking about total sales and marketing costs in the second half of the year, it sounds like you're making some investment in that. So we would assume that, that might actually turn a little bit higher in the back half of the year. Is that a fair assumption?

Scott Justin Bowman

It could be slightly higher. And part of that depends on what results that we see. And so as we spend some dollars and focus on upper funnel marketing, if we see good results coming from that, then that could change our opinions on if we spend more, maybe we can get a good return on those dollars. So it will be somewhat variable based on the performance of the dollars we're putting towards upper funnel marketing.

Sanjiv Razdan

To add to that, Jeremy, I think when we were, in our prepared remarks, sharing a shifting of marketing investment dollars working with our franchisees to further up in the funnel around brand activation and more brand awareness, that was more taking -- shifting the investment from lower down in the funnel to upper -- upper in the marketing funnel. So not necessarily sort of signaling incremental investment, but shifting where we're spending the money or what we're spending the money on.

Jeremy Scott Hamblin

Got it. Thanks so much for taking the questions, and best wishes.

Operator

[Operator Instructions] Your next question comes from Nick Sherwood from Maxim Group.

Nicholas Sherwood

Can you -- kind of talking about the effect of those recent clinic sales, how is that going to affect your back-office expenses? Should we be expecting any restructuring expenses in the near term? And then what are some of those long-term savings you'll have moving those clinics from the corporate side to the franchise side?

Scott Justin Bowman

Yes. So near term, we want to make sure that we get a good transition over to the franchise clinics. And so, probably, we'll continue to see some reduction in G&A because of that, that unallocated piece. Longer term, there's other areas of spend that we can also look at from the payroll side, from other categories like insurance and software costs and legal fees and travel. So there's quite a few line items that we're taking a look at, being careful not to cut too soon, but to identify what the opportunity is, and then over time, tightening up those expense line items as we continue to transition.

Nicholas Sherwood

Okay. Thank you for the detail. And then, talking about the dynamic revenue management system, are you trying out -- are you piloting certain price points in certain locations to get a better idea of that like price elasticity of demand, so that you know when to change prices in certain areas? Or can you kind of talk about how you're testing prices in this dynamic revenue system?

Sanjiv Razdan

Yes. So if we take a step back, I want to provide some context again, right? I think traditionally, what the Joint has done has taken our prices for our wellness plans that tiered at \$59, \$69 and \$79 packages depending on the part of the country that you're in. And when we have taken pricing historically, it's gone up from whatever price band you were in by \$10. So if you were at \$59, you go up to the \$69 and \$69 to \$79 and so on. And back in March of 2022, that is what we did. And prior to that, that is also what we did. Those substantive percentage price increases meant that you could take those higher percentage increases, but very infrequently.

In our assessment, the consumer climate has shifted, and we no longer have permission from the consumers to take such significant price increases. As a result of which, we have to find ways of offsetting our input cost inflation at clinic level. In order to do that, while still not pushing our new patients away, right, in any shape or form, we are finding ways of taking much more nominal price increases. That we think we may be able to come back 6 or 8 or 10 months later and then take another nominal price increase instead of waiting 3 years to do that. So we have various options of what that might look like, how do we find ways of taking some price increase without eroding our core value proposition. And then we work with our franchisees to shape them, test them, validate them and implement them. So that's what we mean by dynamic revenue management.

Operator

Your next question comes from Jeff Van Sinderen from B. Riley.

Jeffrey Wallin Van Sinderen

Sanjiv, I know you made a comment or you focused a little bit on pain management. And given that it seems like you're really in the pain management business as far as most of the customers that go to the Joint perceive you, how do you lean more into that role as a pain manager, maybe more comprehensively as an enterprise and as a pain management destination? Maybe you could just touch on sort of exploration of adding other products and services to the Joint and, I guess, where you are in contemplating actions you might take there?

Sanjiv Razdan

Yes. Jeff, thank you for that question. So I think, first of all, I want to go back to our mission to try and answer your question. Our mission is to provide routine -- improve the quality of life by providing routine and affordable chiropractic care. That is really what we want to do. Now when we look at the actuality of what attracts patients to us and the chiropractic profession in general. More often than not, 80% of people tend to first come to a chiropractor because they were in some sort of ache or pain. So what we're trying to do is to shift the external messaging, the advertising, our language that we're using to help our consumers, our patients, understand that we are a great option for pain relief.

Once they do become patients, right from day one, when they come to us and we -- our doctors examine them and prepare a -- their care plan for them, that day itself starts the journey of educating our patients of the role chiropractic care plays in their wellness journeys. And in order to truly invest behind your overall wellness, chiropractic care requires an ongoing routine care. So what we do is -- or what we're doing is pivoting the external communication towards more pain orientation. And from the moment you come inside our clinic, and engage with our doctors and wellness coordinators, to start transitioning you towards more of the wellness philosophy of chiropractic profession through the doctors, through education and over time, using the electronic methods we have at our disposable example, the mobile app, right? So that's what we're trying to do here.

As far as the pain management piece relates to does that now allow us the ability to provide incremental products or services, we believe it does. And we're absolutely committed to exploring what might be the most meaningful ways of us testing that without disrupting the simplicity of our operating model. At the moment, if you recall, we're in Joint 2.0, where we believe we have work to be done to strengthen the core, become a pure-play franchisor, reignite growth, shed our overhead and create operating leverage. That's the phase we're in. We think that would -- as I laid those plans out earlier this year, we think we probably have another 12 months, approximately, in that phase. But during these 10-12 months, we will start testing some of these things which are around incremental products and services that will become meaningful revenue drivers for us around things that we don't do today. So definitely more to follow. It's on the road map, but we want to crawl, walk, run in this regard.

Jeffrey Wallin Van Sinderen

Okay. Fair enough. And then just your latest thoughts on timing of completing the remaining corporate clinic refranchises. And then also, can you remind us which -- I know you just repurchased the, I guess, the Northwest RD rights. Which RD rights remain to be -- or are you targeting reacquiring at this juncture?

Sanjiv Razdan

So let me first take the refranchising question. We have now refranchised about 1/3 of our corporate clinics, and we are actively engaged in refranchising the other 2/3. Our intent and effort is to exit 2025 as a pure-play franchisor. So we're doing everything possible to make that happen. As far as RDs go, we have now got 15 RDs left in our system that represent coverage of about 52% of our system, down from about 57% of the system. So we were 16 RDs, 57%. We are now at 15 RDs, 52% of system coverage. And we will continue to explore with our RDs that option and continue to work with our Board on RD buybacks as an appropriate vehicle for capital allocation and shareholder value creation. That is an ongoing dialogue that we're having both with our RDs and our Board at the same time. So no time lines on that. That's just -- if the deal is right, if there's a value creation opportunity, if the RDs are willing to sell at a price that makes sense for the Joint shareholders, that is what will lead to those outcomes.

Jeffrey Wallin Van Sinderen

Thanks for taking my questions, I'll take the rest offline.

Operator

There are no further questions at this time. I now hand the call back over to Sanjiv Razdan for any closing remarks.

Sanjiv Razdan

Thank you, operator, and thank you all for joining us. I look forward to getting to know you at conferences and non-deal roadshows. Have a good day and know that at the Joint, we always have your back. Operator, over to you. Thank you.

Operator

Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

Read more current JYNT [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Newest  