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The Joint Corp. (JYNT) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-06 Earnings Summary

Insights

EPS of -$0.01 misses by $0.08 | Revenue of $15.18M (14.41% Y/Y) beats by $608.66K

The Joint Corp. (JYNT) Q2 2026 Earnings Call August 6, 2026 5:00 PM EDT

Company Participants

Sanjiv Razdan - CEO, President & Director
Scott Bowman - Chief Financial Officer

Conference Call Participants

Richard Land - Alliance Advisors, LLC
Nicholas Sherwood - Maxim Group LLC, Research Division
George Kelly - ROTH Capital Partners, LLC, Research Division

Presentation

Operator

Thank you for standing by. My name is Rebecca, and I will be your conference operator today. At this time, I would like to welcome everyone to The Joint Corporation Second Quarter 2026 Financial Results Conference Call.

[Operator Instructions] I will now turn the call over to Richard Land with Alliance Advisors Investor Relations. Please go ahead.

Richard Land

Alliance Advisors, LLC

Thank you, Rebecca, and good afternoon, everyone. 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 on The Joint's Investor Relations website. This afternoon, The Joint Corp issued a press release for the second quarter ended June 30, 2026. If you do not already have a copy, it can also be found on the company's website.

Please be advised that today's discussion, including any financial and related guidance to be provided, consists of forward-looking statements as defined by securities laws. These statements are based on information currently available to us and involve risks and uncertainties that could cause actual future results, performance and business prospects and opportunities to differ materially from those expressed in or implied by these statements.

Some important factors that could cause such differences are discussed in the risk factor section of The Joint Corp's filing with the Securities and Exchange Commission. Forward-looking statements speak only as of the date the statements are made, and the company assumes no obligation to update them except to the extent required by applicable securities laws.

Management uses non-GAAP financial measures such as EBITDA, adjusted EBITDA, free cash flow, and system-wide sales. A description of these measures is included in the press release issued earlier this afternoon, and reconciliations to the most directly comparable GAAP measures are included in the appendix to the presentation and press release, both of which are available in the investors tab of our website.

With that, I'll now turn the call over to Sanjiv Razdan. Sanjiv, please go ahead.

Sanjiv Razdan

CEO, President & Director

Thank you, Richard. Good afternoon, everyone. The second quarter was a period of continued execution of our Joint 2.0 initiative, with our results reflecting the progress we are making toward a stronger, more profitable financial profile as a capital-light, pure-play franchisor. This was underscored by a $560,000 year-over-year improvement in consolidated net income and a $1.4 million increase in adjusted EBITDA from continuing operations, reflecting the improved operating leverage of the current business.

Meanwhile, we delivered 152% year-over-year growth in cash flow from operating activities, resulting in a $1.6 million increase in free cash flow. These improvements were driven by continued progress on our refranchising initiative, disciplined capital allocation, and significant improvement in our patient retention levels.

First, on refranchising, our 3 previously announced clinic sale bundles are progressing well, with buyers already operating the clinics under management service agreements, while lease assignments are completed and remaining ownership transfers are finalized. Taken together, these transactions mean The Joint effectively operates today as a capital-light, pure-play franchisor.

Second, on patient retention, we posted our best quarterly retention rate in over 5 years, a direct result of the new flexible and expanded plan options introduced earlier this year. These initiatives are working as intended, reducing attrition while making our offerings more attractive to patients.

And third, on capital allocation, we remained disciplined during the quarter, repurchasing approximately $677,000 of shares while also investing in the business and completing 3 regional developer territory buybacks in the quarter, bringing the year-to-date total to 4.

Together, these actions reflect our conviction in the long-term value of this business and our commitment to disciplined, balanced capital deployment. Combined with our progress on optimizing the clinic portfolio, they're driving higher profitability and stronger free cash flow.

Turning to Slide 5, I'll touch on some of our Q2 financial highlights, which reflect the combined benefit of this execution. Revenue grew 14% year-over-year to $15.2 million. Adjusted EBITDA from continuing operations was $1.5 million compared to $88,000 in Q2 2025, an increase of $1.4 million, underscoring the operating leverage we are generating as we shift to a more royalty and fee-based franchise revenue. Consolidated net income increased to $653,000 compared to $93,000 in Q2 2025. And cash flow from operating activities grew 152% year-over-year to $2.2 million, driving a $1.6 million increase in free cash flow to $1.9 million.

Turning to slide 6, now I'd like to provide a little bit more background on the status of our refranchising efforts. Since entering into the sale agreement covering the Southern California clinic bundle, ownership has been transferred for 32 clinics to date, and the remaining 13 clinics are being operated by the buyer under management service agreements while lease assignments are finalized. For the Northern California bundle, a signed asset purchase agreement is in place for 4 clinics.

And finally, for the Southeast bundle, a signed asset purchase agreement is in place -- I beg your pardon. And finally, for the Southeast bundle, ownership has been transferred for 6 clinics to date, with the remaining 15 clinics also operating under management service agreements pending lease reassignments. Once ownership transfers are finalized across these clinic bundles, we will have only 3 remaining company-owned or managed clinics, effectively positioning the company to realize the full benefits of our pure-play, capital-light franchisor model.

Turning to slide 7. While our refranchising efforts nearly behind us, we have more capacity to concentrate on driving growth through franchise system support, new patient acquisition, and long-term network development. We see a significant opportunity to further strengthen new patient acquisition and to win back lapsed patients. This, along with patient retention, remains our primary near-term focus, and we're leaning into targeted marketing and optimized membership offerings to capture demand more effectively.

We've done extensive research recently on our consumer base, and that work is sharpening our focus on the patient and user experience. For example, as a result of these consumer insights, we are piloting a proprietary set of clinical care protocols which, amongst other things, will provide quantifiable mobility scores to our patients.

Our 2025 class of 29 clinic openings continue to outperform prior year cohorts, and the new clinics so far this year are performing even better. In addition, we are working to bring on well-capitalized franchisees with strong multi-site operating experience to support our portfolio optimization efforts as well as to drive net new clinic growth. Also, as we directly engage franchisees previously supported by regional developers, we are finding opportunities to elevate both the quality of operations and the pace of clinic development.

As mentioned on our last call, our longer-term journey will prioritize growth through new channels, expansion into underpenetrated U.S. markets, and potential entry into our first international markets. This longer-term strategy is expected to address shifting consumer trends, including growing interest in longevity, health span, mindfulness, sleep quality, posture, and non-invasive whole-body care. Chiropractic care and The Joint's unique model is exceptionally well positioned against this backdrop.

Moving to slide 8. Now turning to our -- to our marketing efforts and how we are driving top-line momentum. Our messaging continues to center on chiropractic care for pain relief, helping patients improve their mobility and get back to doing the things they love. And we're increasingly emphasizing the quality of the patient experience alongside this.

This message tends to attract patients who stay with us longer. We have seen sequential improvement in active member growth each month this year. We are also increasing focus on our MVPs, or most valuable patients, by exploring ways to personalize their experience, bringing additional value to membership, and ultimately driving LTV, or long-term value. Another focus is on winning back lapsed patients who are familiar with The Joint and have benefited from our membership model in the past.

On the digital side, our ongoing SEO and AI visibility optimization work is driving higher organic traffic and lead quality. Our AI visibility score has held steady in the high 70s, keeping us ahead of competitors on key search topics. Meanwhile, we are seeing continued positive trends in traffic and high intent actions on our local clinic micro sites.

During Q2, we expanded our offering of more flexible plans to drive conversion and longer-term retention. Lastly, in July, we rolled out our $5 and $10 pricing increases to additional clinics, bringing the total number of clinics that have opted to take pricing to over 500. Feedback to date continues to indicate no meaningful patient pushback, and we are using this data to ensure pricing changes support revenue optimization without impacting patient acquisition or retention.

Turning to slide 9, I'll speak to how these initiatives are translating into comps and retention. Comp sales were negative 2.8% in the second quarter, an improvement compared to the first quarter. As I mentioned, our flexible membership options drove our best patient retention rate in over 5 years this quarter and pricing optimization efforts also continued. Together with improving active member trends, these factors are driving consistent recovery in comp trends.

We expect comp sales trends to improve throughout the balance of this year. Growing our active member base remains a central driver of comp sales improvement, and we will continue to drive growth through stronger lead generation, improved retention, and winning back lapsed patients.

With that, I'll turn it over to Scott, our CFO.

Scott Bowman
Chief Financial Officer

Thanks, Sanjiv. First, I'll review some key operating metrics. System-wide sales in the second quarter were $128 million, a decline of 3.7% compared to the same period last year. Comp sales were negative 2.8%, a 140 basis point improvement from the first quarter, consistent with the strengthening trends Sanjiv discussed earlier. Meanwhile, adjusted EBITDA from consolidated operations was $3.2 million, in line with the same period last year.

Turning to slide 12, I'll review results from continuing operations for the second quarter unless otherwise specified. Revenue grew 14% to $15.2 million, reflecting the shift to our pure-play franchisor revenue model. Cost of revenues was $2.5 million, down 11% compared to the same period last year, primarily reflecting lower regional developer royalty costs as we continue to reacquire RD territories.

Selling and marketing expenses were $4.9 million, an increase of 40% compared to the same period last year, driven by a shift in local marketing to national marketing, which has funded incremental investments in patient acquisition and brand initiatives. Meanwhile, G&A expenses decreased 2% to $7.6 million compared to $7.7 million in the same period last year. Included in G&A expenses is approximately $500,000 that relates to expenses incurred for RD buybacks and expenses that will not be recurring post-refranchising.

Net loss from continuing operations was $251,000 compared to a loss of $990,000 in the same period last year. While consolidated net income was $653,000 compared to $93,000 in the prior year period. And lastly, adjusted EBITDA from continuing operations was $1.5 million compared to $88,000 in the same period last year, a clear reflection of the operating leverage we are generating in our new franchisor model.

Now, onto the balance sheet and capital allocation. Unrestricted cash at the end of the second quarter was $22.2 million compared to $23.6 million at the end of 2025. We maintain our $20 million line of credit with JPMorgan Chase, which remains fully undrawn and is available through August 2029. During the quarter, we repurchased approximately 82,000 shares for consideration of $677,000 at an average price of $8.23 per share. We now have $3.8 million remaining under the $12 million authorization approved in November 2025.

As Sanjiv mentioned, we also completed 3 RD territory buybacks during the quarter, further optimizing our portfolio economics. As with prior buybacks, we are already seeing stronger performance in these markets post-transaction. Through the buybacks of the 4 RD territories we have completed year-to-date, we expect to realize approximately $630,000 in reduced RD royalties on an annualized basis, partially offset by internal costs to manage these territories.

On to slide 14, let's discuss our clinic count. Total clinic count was 941 at the end of the second quarter. During the quarter, we opened 5 clinics, closed 7 clinics, and refranchised 29 clinics, reflecting our previously discussed strategy to optimize the portfolio for quality and performance. Meanwhile, our new clinics in 2026 have continued to outperform similar to 2025 and are reaching their breakeven point even earlier at under 6 months. As Sanjiv noted, our refranchising efforts are now substantially complete with the sale of our 3 previously announced clinic bundles progressing well.

On slide 15, with refranchising largely complete, I would like to touch on our pure-play franchisor financial model. Under this new operating model, The Joint is now reshaped with a capital-light operating model with lower G&A expense and higher profitability margins. We expect to achieve this model starting in the back half of 2026 once the transfer of ownership of the remaining clinics is fully complete.

I would like to remind everyone that these are not our long-term targets. They are the starting point once the full benefit of refranchising is realized, and we intend to build on these improvements in 2027 and beyond. As a reminder, our expected starting points for this new model are as follows: gross margin between 83% and 85% of revenues, G&A expense between 40% and 42% of revenues, CapEx of approximately 3% of revenues, and free cash flow conversion, which we define as free cash flow divided by adjusted EBITDA, between 60% and 70%. These starting points would result in an estimated adjusted EBITDA margin of 19% to 21% and net income margin of 13% to 15%.

On to slide 16, we are reiterating our full year 2026 financial guidance as originally provided in March 2026. Our operating model improvements are progressing as expected, and with improving comp sale trends observed in recent months, we continue to expect system-wide sales of from $519 million to $552 million, comp sales in the range of negative 3% to positive 3%, consolidated adjusted EBITDA in the range of $12.5 million to $13.5 million. We expect comp sales to improve in the second half of the year, with the fourth quarter expected to be higher than the third quarter.

We have more visibility on new franchise clinic openings for the year, which we now expect to be in the range of 22 to 26. This compares to prior guidance of 30 to 35 new clinics. New clinic openings will continue to be offset by closures as we reshape the portfolio around stronger operators and healthier sites, meaning that on a net basis, our clinic count at the end of the 2026 year will be lower than 2025. Our clinic portfolio optimization is giving us a stronger, more durable foundation for future growth, and we continue to see potential for more than 1,800 franchise clinics in the U.S. alone.

Finally, on slide 17, I'll briefly speak to our capital allocation. As highlighted by our activities in the second quarter, we remain committed to disciplined capital allocation that prioritizes investments in growth initiatives, share repurchases, and repurchases of RD territories. With that, I'll turn it back over to Sanjiv.

Sanjiv Razdan
CEO, President & Director

Thanks, Scott. Q2 was a quarter defined by continued execution. Our disciplined capital allocation, our best patient retention in over 5 years, and the nearing completion of our refranchising initiatives are together building towards the stronger capital-light financial profile we will deliver. We are securing a strong foundation to launch The Joint 3.0 with a growing national brand, more active members, stronger patient retention, and lifetime value, and an innovation pipeline to improve the patient experience.

Meanwhile, our capital allocation including share repurchases, RD buybacks, and disciplined investment in growth initiatives reflects our conviction in the long-term value of this business and our commitment to delivering returns for stockholders. And finally, we are also building a business that is well aligned with aging demographics and consumer expectations for where healthcare and wellness are heading. This growing consumer demand for longevity, health span, and noninvasive whole body care creates a unique opportunity for The Joint to address this demand at scale.

With that, operator, we are ready for Q&A.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Nicholas Sherwood with Maxim Group. Your line is open.

Nicholas Sherwood

Maxim Group LLC, Research Division

My first question is, one of the things that you've spoken about in the past is making sure that you're optimizing your digital marketing strategy for sort of AI search engine optimization. And there's been a lot of things out there, how click rates on Google are going to 0 in some cases. How are you operating in this new AI search environment and making sure that you're getting customers to click through onto your website?

Sanjiv Razdan

CEO, President & Director

First of all, I want to acknowledge, Nicholas, that the AI search environment is just incredibly rapidly changing and is vitally important for us. The way that we stay ahead of this is in 3 ways. Number one, we have the benefit of about 260 local franchisees and operators who are giving us feedback right at the local level on how our search is showing up in their trade zones, and that allows us to just stay on top of things.

Second thing we do is that we have a digital marketing team that stays on top of the algorithm changes that are happening in the marketplace, not just with Google, which continues to remain dominant, but also all the other platforms now where consumers are searching for us through some kind of AI-enabled search. So we have dedicated resources that are constantly staying on top of the algorithm changes that drive those searches.

The third thing is that we have a measurement system in place which is objective. We look at it through a couple of different measurement systems to make sure that we're not just reliant on internal ways of looking at it. And so as a result of those 3 ways that I've described to you, it gives us enough insight and allows our team to then take corrective action if we need to, to stay on top of it.

For -- when we started this journey sometime, I would say, late last year, our AI score, search score was in the low 70s, 71 to be precise. And for the last several months now, we have been in the high 70s and -- which is a pretty competitive number when we compare it with others who are considered to be strong in the category.

Nicholas Sherwood

Maxim Group LLC, Research Division

Understood. I appreciate the detail. And then my second question is, looking at the -- getting lapsed patients to return, are they -- are these patients lapsing because either they find themselves cured, maybe that they just feel like they need to go do something else, such as traditional physical therapy? Or is it a cost issue? Kind of what is the mix between those 3 for lapsed patients, and how do you attack getting them back into your clinics?

Sanjiv Razdan

CEO, President & Director

Great question. We find invariably that the reasons for our patients to lapse are 1 of 3. Number one, I am no longer in pain. Number two, I may not have the same amount of time to come back for a regular adjustment as when I did when I was in pain or discomfort. Number three, relative to the first 2, I no longer wish to invest that same level of money in getting regular adjustments. So those tend to be for us pain, time, money, the 3 biggest drivers of patients lapsing.

What we found as we've done consumer research is that unlike several brands where the lapsed patients tend to have some degree of disgruntlement with the concept, our lapsed patients actually have fond memories of getting pain relief and are very willing to reconsider us. And I think that's a good insight for us.

Clearly, what -- as we've realized this, we are actively making sure that we are looking to target some of our digital marketing and local marketing efforts towards winning back those lapsed patients. In fact, our August promotion right now is targeted towards them just as we speak. And we're very hopeful that that's going to work for us and, in fact, allow us to acquire more patients into the active member funnel for us at a lower cost of acquisition over time.

Scott Bowman

Chief Financial Officer

And I'll just add a comment on to that as well. We talked about the flexible options a lot that we've rolled out. And that's a big win, too, for these patients. Typically, these patients will lapse from a wellness plan, 4 visits a month for a certain price, depending on location. With this Align One plan that we have, you pay $35, you get 1 visit per month for that, and then you can pay an additional $25 if you need additional visits. That has been a big win for us, because what that has done is given these patients another option to choose from other than the standard wellness plan.

And as a result of that, our conversion rate for those lapsed patients has gone up several hundred basis points. With this new flexible option, we actually have 2 of those. And so that's been an unlock for us here in the last few months.

Operator

Your next question comes from the line of George Kelly with ROTH Capital Partners.

George Kelly
ROTH Capital Partners, LLC, Research Division

I have a few for you. So first, I was wondering if you could provide more detail just on your comp performance -- maybe not sure if you want to give sort of the trends throughout the quarter. And any comment on July would be helpful as well. And then the second question is about pricing. Can you give a breakdown of how much pricing benefited 2Q? And maybe your expectations -- I know more clinics have rolled out the new pricing, maybe your expectations on pricing in the back half of the year.

Scott Bowman
Chief Financial Officer

Sure. Yes. As far as comps go, we did see a little bit better comps towards the end of the quarter and coming into the third quarter. But -- and so, we're encouraged. If you look at the back half of the year, we've indicated that we think that our comps will be better. And so they were slightly better at the end of the quarter. And so we felt pretty good coming into the third quarter as well. And that's why we kind of reiterated that we think that comps will be higher in the back half.

Related to your pricing question, so we had some pricing initiatives earlier in the year and then we had some more at the end of June rollout. And so the way that we look at it, it looks like it's helping in the low single-digit range in terms of pricing. We have a lot of other initiatives going on out there with new offerings and things like that. But isolated just to the wellness plan, it looks like it's about a low single-digit impact. And as we look into the second half, with more clinics with the new pricing, we see that it'll likely be at the high end of that low single-digit range, based on at least our estimates right now.

Sanjiv Razdan
CEO, President & Director

And just -- George, just to -- this is Sanjiv. Just to remind everyone, when we take pricing, what we've been doing is taking pricing only for new patients. So in a membership model for us, it takes time for that pricing impact to catch up when the bulk of the patients then are on that most current pricing model.

George Kelly
ROTH Capital Partners, LLC, Research Division

Okay, yep, that's helpful. And can you comment on July comp performance?

Scott Bowman
Chief Financial Officer

Yes, what I would say, George, is July comps are a bit better than closing out Q2. So not dramatically different, but sequentially a little better than the end of Q2.

George Kelly
ROTH Capital Partners, LLC, Research Division

Okay. Great. And then the second topic I wanted to cover is, you've had this slide in your deck now for a few quarters, the pro forma profitability slide. And I noticed that this time around, you noted in this slide that it's really a starting point. And I think in your prepared remarks, Scott, you talked about there being opportunity for sort of continual margin improvement. So I was wondering if you could provide more context, a, about where you're finding or believe that there could be more opportunity? Is it really just about growth and scale and leveraging your cost structure? Or are there more places where you think you could sort of directly take cost out?

And then the second part of the question is about expectations. I don't know how far sort of in front you want to get. Maybe you don't want to get too far ahead here. But like how should we think about '27 and '28? You've said that I think it's 19% to 21% EBITDA margin targets when the refranchising is done. I don't know if you'd be willing to give what those numbers could look like over the near to medium term?

Scott Bowman

Chief Financial Officer

Yes. Good question, George. We're not ready to guide to '27 and '28, but I'll give you some -- a little bit of color that hopefully will help. So the model that is in the earnings deck, I wanted to make sure that everybody understood that this is a starting point for us. And what I was trying to accomplish was to give everyone the structure of what we would expect to see once refranchising is complete, okay? Not -- it wasn't like a forward projection of what we want to be a year or 2 years from now. It's kind of point in time, what we would expect, okay?

And the expectation was that was a starting point. And as we continue to increase sales, this platform and framework will give us a good opportunity to leverage these additional sales to expand our profitability margin, okay? So that's what I was trying to set this out for. And so this model I think, will allow us the way that we have our G&A structure now, it can withstand some increase in revenue and sales. And so that's why I feel confident that as we add sales, we can leverage this model.

From a refranchising standpoint, in my prepared remarks, I tried to give some color on some of those expenses that we don't expect to recur. The RD buybacks and some of those costs to get through the refranchising, about $0.5 million in the quarter will not recur. And so once we get past the refranchising, that will become more clear. And that will allow us to head towards that G&A target that I have in the deck.

As far as overall cost structure post-refranchising, yes, I think there's some areas we can continue to optimize, and I think that will become more clear as we get past refranchising and we kind of see what the go-forward kind of model will be from a structure standpoint. And from an expense standpoint with the legal costs that we spend and other costs that we spend, it'll be more clear once we get all of the ownership transfers done. So hopefully that gives you something to understand.

Sanjiv Razdan

CEO, President & Director

Just to clarify one more time, I think that $0.5 million that we're saying was associated with RD buybacks and some one-time expenses related to refranchising. It is currently sitting in our SG&A, and we don't expect to have that repeat.

George Kelly

ROTH Capital Partners, LLC, Research Division

Understood. And then last one for me is just on refranchising. What are the remaining proceeds on those clinics that have not yet transferred ownership? Like what are you expecting to get when they do? And when do you expect that process to be complete?

Scott Bowman

Chief Financial Officer

Yes. So we're still working through the process to complete, and it is a rather lengthy process just because we have to work with the landlords to execute the lease assignments to transfer the ownership. In the meantime, we have these management service agreements. And so as far as the remaining proceeds to go, it'll be a little bit less of $500,000 or maybe a little less when all said and done to collect the remaining proceeds.

Operator

I will now turn the call back over to Sanjiv Razdan for closing remarks.

Sanjiv Razdan

CEO, President & Director

Thank you all for joining us today. Have a great day. And remember, at The Joint, we always have your back.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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