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The Joint Corp. (JYNT) Q3 2026 Earnings Call Transcript

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Q3: 2026-11-05 Earnings Summary

Insights

EPS of $0.13 beats by $0.05 | Revenue of $13.55M (1.28% Y/Y) misses by $1.30M

The Joint Corp. (JYNT) Q3 2026 Earnings Call November 5, 2026 5:00 PM EST

Company Participants

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

Conference Call Participants

Richard Land - Alliance Advisors, LLC
Jeremy Pearlman - Maxim Group LLC, Research Division

Presentation

Operator

Good day, and welcome to the Joint Corp. Third Quarter 2026 Financial Results Conference Call. [Operator Instructions] Please note, this event is being recorded. I would now like to turn the conference over to Richard Land with Alliance Advisors. Please go ahead.

Richard Land
Alliance Advisors, LLC

Thank you, Danielle, 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 IR website. This afternoon, The Joint Corp. issued a press release for the third quarter ended September 30, 2026. The release is available 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 Factors section of The Joint Corp.'s filings 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 and free cash flow. 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 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, and good afternoon, everyone. Our third quarter results show that the actions we have taken to strengthen patient engagement and reshape our operating model are beginning to work together. We are encouraged by progress in several of our leading patient metrics while recognizing that the consumer environment continues to weigh on spending and our comparable sales.

Our active membership count grew during the quarter as our initiative to win back lapsed patients gained momentum. Patients are also staying with us longer and spending more over the course of their relationship with The Joint, supporting higher patient lifetime value. At the same time, ongoing pressure on consumer spending led to fewer new patients and lower average patient spend per month, which weighed on comp sales. Comp sales were negative 1.9% in the third quarter, improving from negative 2.8% in the second quarter and negative 4.2% in the first quarter.

Financially, we continue to see the benefits of our capital-light model with revenue growth and stronger profitability from continuing operations. Scott will walk through the results in more detail. Overall, we are pleased to see that the underlying membership and lifetime value trends are improving and our franchisor model is producing stronger profitability. Our updated outlook takes a realistic view of the consumer, while our focus remains squarely on returning to positive comp sales.

Turning to Slide 5. Let me briefly highlight our third quarter financial results. Revenue increased 1% year-over-year to $13.6 million. System-wide sales were $123.3 million, down 3.1% from the prior year period, while comp sales were negative 1.9% versus negative 2.8% in the second quarter. Net income from continuing operations increased by $1.2 million to $1.5 million compared with $290,000 in the third quarter of 2025. Adjusted EBITDA from continuing operations increased by $900,000 to $2.3 million compared with $1.4 million in the prior year period. Together, these results reflect the improving operating leverage of our franchisor model.

Turning to Slide 6. Now turning to membership and patient metrics. We saw encouraging progress during the quarter. Conversion and retention improved, supporting active membership growth. Active members per clinic increased compared with prior year period and compared with the second quarter of 2026. We also increased the average number of months per active member and total dollars per active member, improving patient lifetime value. In short, members are staying with us longer and spending more over their relationship with The Joint.

However, lower average patient spend per month partially offset these benefits, which is why the underlying gains have not yet translated into positive comps. While the longer-term value of the patient relationship is improving, near-term spending remains under pressure. Our focus remains on building the active member base and delivering value in a way that supports patients and the franchisees through the current environment.

Turning to Slide 7. We are pursuing growth in 3 ways: improving comp sales, expanding our clinic network and responding to growing consumer interest in longevity and health span. I'll start with comp sales, where our initiatives follow the patient journey, attracting new patients, converting them to members and keeping them engaged longer.

First, we are improving new patient acquisition by strengthening lead management. We are on track to launch a new AI-powered lead management platform supported by 6 AI agents in January 2027. We believe it can begin contributing to comp sales growth during 2027. Among other things, it has the capability to follow up on leads, book appointments and answer frequently asked questions. This builds on our broader digital efforts to help more patients find The Joint and understand how we can help. Our SEO and AI visibility work continues to support online discovery with our AI visibility score remaining in the mid-70s, ahead of competitors across key search topics. We also recently updated our website to highlight our doctors' experience and address common patient questions about pain and specific conditions helping turn online interest into clinic visits.

Second, we are improving conversion through flexible membership plans. Our flexible membership options give patients more choice while preserving the affordability and accessibility of The Joint model. Lowering the barrier to joining helps us convert more first-time visitors into members and gives existing members a reason to stay rather than cancel.

Third, we are improving retention and winning back lapsed patients. These patients already know The Joint and have benefited from our membership model when they were previously in discomfort. During the third quarter, targeted outreach and promotions helped drive higher lapsed patient win back compared with the prior year period, supporting active membership growth. The cost to bring back a lapsed patient is significantly lower compared to the cost to acquire someone new to The Joint.

And finally, we are also improving member engagement by personalizing the experience for our MVPs or most valuable patients to increase their lifetime value. During the third quarter, we launched new app features addressing some of their most requested needs, including adding clinic wait times, which doctor is on schedule, in-app registration, along with birthday and membership anniversary recognition.

Turning to Slide 8. Beyond improving comp sales, we are also focused on expanding our clinic network using 3 strategies. First, we are improving new clinic economics. Our 2025 clinic class continues to outperform prior year cohorts and clinics opened in 2026 are performing even better. For example, our recent average time to breakeven for new 2026 clinics is approximately 3 months compared with approximately 18 months historically. This performance has been supported by more disciplined site selection and more rigorous preopening protocols.

Second, we are attracting franchisees with the capacity to expand. We are targeting well-capitalized, experienced multisite operators while supporting strong existing franchisees that are interested in adding locations. Our compact clinic footprint, low capital requirement and lean staffing model are well suited to multiunit ownership.

And third, we are advancing development in reacquired regional developer territories. Buying back RD rights allows us to support franchisees directly, strengthen clinic performance and recruit operators for specific markets. Across the 5 territories reacquired this year, we have identified potential for more than 150 additional clinics, providing a meaningful development opportunity. Supporting all 3, we recently signed with a franchise broker network to accelerate franchisee recruitment and drive new clinic openings.

Turning to Slide 9. Our third growth opportunity is to elevate the patient experience and our care offerings to align with growing consumer interest in longevity, health span, mobility and noninvasive whole body care. As Americans live longer, there is a growing consumer need for improving health span. We believe that The Joint model of improving patient mobility and lowering pain is relevant to this need. We are using consumer research to better understand patient needs and personalize the experience, which is helping us to match our offerings with patients' demands.

Pain relief and improved mobility remain central to our message alongside the quality of the patient experience. Our goal is to help patients get back to doing the things they love and encourage long-term engagement. We are in early stages of testing proprietary clinical care protocols with measurable health outcomes. This includes mobility scores, giving patients clear visibility into their improvement in mobility, pain and functional health over time, all with the intent of providing our patients with more personalized care and the motivation for consistent ongoing care. And finally, we are piloting complementary retail offerings, including orthotics and nutritional supplements as we evaluate additional ways to address patient needs and supporting our positioning around mobility and whole body care.

Let's turn to Slide 10. Now moving on to refranchising efforts. Supporting these growth priorities is our transition to a capital-light pure-play franchisor model. With refranchising substantially complete, our management team is focusing more directly on franchisee support, patient acquisition and network development with less operational complexity from company-owned clinics. The ownership transfers for our 15 remaining company-owned or managed clinics continue to progress as lease assignments and related steps are completed. Once those transfers are complete, we will have no remaining company-owned or managed clinics.

The benefits of the model are increasingly visible in our results. Through the first 9 months of 2026, net income from continuing operations improved to $2.3 million from a net loss of $1.2 million a year ago, while adjusted EBITDA from continuing operations increased to $5.9 million from $1.5 million. This structure is helping to improve margins, profitability and cash generation from continuing operations. While we still have work to do to restore consistent system-wide growth, the business is leaner and better positioned to convert future growth into earnings and cash flow. With that, I'll turn it over to Scott.

Scott Bowman
Chief Financial Officer

Thanks, Sanjiv. First, I'll review some key operating metrics. System-wide sales in the third quarter were $123.3 million, a decline of 3.1% compared with the same period last year. Comp sales were negative 1.9% versus negative 2.8% in the second quarter, consistent with the sequential progress Sanjiv discussed earlier. Adjusted EBITDA from consolidated operations was $3.3 million, in line with the third quarter of 2025.

Turning to Slide 13. I'll review the financial results in more detail. Revenue increased 1% to $13.6 million from $13.4 million in the prior year period. Royalty fees increased 2% to $8.3 million, outpacing system-wide sales as refranchised clinics generated royalties that were not included in the prior year period. Cost of revenues were $2.4 million, down 10% from the period -- same period last year, primarily reflecting lower regional developer royalty costs as we continue to reacquire RD territories.

Selling and marketing expense was $2.7 million, down 4% from the prior year period, primarily due to lower system sales. Depreciation and amortization expense was $262,000, while G&A expense decreased 6% to $6.9 million from $7.3 million in the third quarter of 2025. Net income from continuing operations was $1.5 million compared with $290,000 in the same period last year. Including discontinued operations, consolidated net loss was $117,000 or $0.01 per share compared with consolidated net income of $855,000 or $0.06 per diluted share in the prior year period. Adjusted EBITDA from continuing operations increased to $2.3 million from $1.4 million a year ago, reflecting the improved operating leverage of our franchisor model.

Now on to the balance sheet and liquidity. Unrestricted cash at the end of the third quarter was $18.3 million compared with $22.2 million at the end of the second quarter. Subsequent to quarter end, we paid $8 million at closing to reacquire the Texas RD rights. Operating cash flow was negative $128,000 and free cash flow was negative $509,000 in the third quarter, primarily reflecting a $1.5 million payment in the quarter for a legal settlement from 2024. This compares to operating cash flow of $1.8 million and free cash flow of $1.5 million in the prior year period. We expect free cash flow to improve as the remaining ownership transfers are completed.

We maintained our $20 million line of credit with JPMorgan Chase, which remains fully undrawn and available through August 2029. Together, our cash position and undrawn credit facility provide flexibility to execute our capital allocation framework while maintaining appropriate liquidity.

Turning to Slide 15. Our approach to capital allocation remains balanced. Our first priority is to invest in initiatives that support sustainable system-wide growth. We also evaluate regional developer territory buybacks and share repurchases based on their expected returns, strategic value and the liquidity needs of the business. RD territory buybacks improve our economics by allowing us to recapture approximately 2/3 of the royalties previously paid to the regional developer. They also give us a more direct relationship with franchisees, supporting the operating and development priorities Sanjiv outlined.

As I just noted, on October 1, we reacquired the regional developer rights for Texas, our largest RD territory, representing 141 franchise clinics for $8 million in cash at closing and up to $2 million in potential additional consideration tied to gross sales in the region over the next 2 years. Including Texas, we have announced 5 RD territory buybacks in 2026, totaling 189 clinics. Together, these territories are expected to reduce RD royalties by approximately $3 million on an annualized basis, with about 1/3 of that benefit offset by internal costs to manage them.

Share repurchases are another way to create value and return capital to shareholders when market conditions make them an attractive use of cash. During the third quarter, we repurchased approximately 461,000 shares for $3.8 million at an average price of $8.30 per share, completing the $12 million authorization approved in November 2025. Subsequent to quarter end, our Board approved an additional $5 million authorization, giving us continued flexibility to repurchase shares opportunistically. We will continue to balance these uses of capital while preserving appropriate liquidity and the capacity to invest in the business.

On to Slide 16, let's discuss our clinic count. Total clinic count was 930 at the end of the third quarter. During the quarter, we opened 4 clinics, closed 15 clinics and refranchised 26 clinics. Our newer clinics continue to perform well, supporting our confidence that our more disciplined approach to operator quality, site selection and opening support is producing a healthier foundation for future unit growth. We continue to work with franchise owners to optimize the existing clinic base. This includes closing underperforming clinics, which we expect will result in the overall clinic count at year-end being approximately 50 clinics below year-end 2025. We expect to get back to clinic growth beginning next year.

On Slide 17, I would like to briefly revisit the financial profile of our pure-play franchisor model. The Joint is now operating with a capital-light structure with lower G&A expense and improved profitability from continuing operations. We continue to view the model parameters previously introduced as starting points once the remaining ownership transfers are complete rather than long-term targets. As a reminder, these starting points include gross margin of 83% to 85% of revenue, G&A expense of 40% to 42% of revenue, capital expenditures of approximately 3% of revenue and free cash flow conversion of 60% to 70%. Together, these starting points would imply an adjusted EBITDA margin of 19% to 21% and a net income margin of 13% to 15%. We intend to build on this profile in 2027 and beyond.

On Slide 18, we are updating our full year 2026 financial guidance to reflect results through the first 9 months and continued macroeconomic pressure on consumer spending. We now expect system-wide sales of $508 million to $512 million compared with our prior range of $519 million to $552 million. System-wide comp sales are expected to be in the range of negative 3.5% to negative 2.5% compared with our prior range of negative 3% to positive 3%. We are reiterating our consolidated adjusted EBITDA guidance of $12.5 million to $13.5 million. As noted earlier, we expect total clinic count at year-end 2026 to be approximately 50 units below year-end 2025 as we continue to optimize the existing clinic base.

Our updated outlook reflects continued pressure on consumer spending. At the same time, improvements in active membership, retention, patient lifetime value and newer clinic performance give us confidence that the business is well positioned to return to growth as our initiatives take hold. With that, I'll turn it back over to Sanjiv.

Sanjiv Razdan
CEO, President & Director

Thanks, Scott. Let's look at Slide 20. The third quarter reflects meaningful progress in the areas that will support the long-term health of the business. We grew our active membership count with members staying with us longer. Total dollars per active member increased and conversion and retention are improving. Together with stronger new clinic performance, these are important building blocks for future growth. We are confident that the underlying operating indicators are moving in the right direction. The business is structurally stronger and our priorities remain clear. Our priority for 2027 is clear. We are single-mindedly focused on improving comp sales. With that, operator, we are ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions] The first question comes from Jeremy Pearlman from Maxim Group.

Jeremy Pearlman
Maxim Group LLC, Research Division

Firstly, you mentioned that some of the newer franchise clinics are actually performing well. What do you think you attribute that to? And how do you replicate that to the current franchise base?

Sanjiv Razdan
CEO, President & Director

Yes, great question, Jeremy. Thank you. This is Sanjiv. We attribute that to three fundamental things. Number one, the rigor that we are applying to site selection is exponentially more than what we have applied historically. Number two, we have brought on some very well-capitalized, strong operators, boots on the ground and the openings that we've seen with them are very strong.

Third and perhaps the most importantly, we are enforcing compliance with preopening protocols of how we expect franchisees to market a clinic even before it opens. In a membership-based model, it's highly critical to have strong lead generation even before the doors open to make sure that the franchisee in the clinic gets to breakeven sales very, very quickly. And we feel like we have that playbook, and we are not allowing any clinic to open without compliance with that playbook, and we're also supporting our franchisees in their ability to achieve the outcomes.

Jeremy Pearlman
Maxim Group LLC, Research Division

Okay. Understood. That's great. And then maybe just you're rationalizing the actual base. You said there's going to be 50 or less locations by the end of this year compared to '25. Is that -- is that just pretty much all the rationalization? And in '27, I think you mentioned that you're going to start to ramp the openings back up and...

Sanjiv Razdan
CEO, President & Director

That is accurate.

Jeremy Pearlman
Maxim Group LLC, Research Division

Okay. That's great. And then just last question referring -- you said your active membership is up has to do with a new membership structure. So is that -- is this -- is that new membership structure generating incremental patient demand? Or is it primarily improving retention among the existing customers?

Sanjiv Razdan
CEO, President & Director

Yes. Let me provide some additional context to that. So first of all, we're really pleased and encouraged that we have more active members on our -- in our system per clinic today than we did same time last year. To frame something we've shared previously, the average household income of our patients tends to be somewhere between $60,000 to $110,000. The lower end of that, right, of that income band is also what is now often referred to as the bottom of the K-shaped economy. Those members are pressured in terms of disposable income.

We had done a significant amount of research earlier this year and last year to understand what the shifting consumer needs were. And what we learned was 3 things: patients stop staying with us because they are no longer in pain. They don't want to pay the membership fee or they feel unable to afford the membership fee for much longer. And often, they don't have the time to enjoy the -- up to 4 visits per month that their standard membership enables.

So as a result of that, we introduced some flexible membership options, which were not only lower price, but also allowed them lower frequency of visits. These have been leveraged by our teams to help convert new patients into members and also prevent existing members from canceling their memberships. So what we're finding is that, as a result, our retention is much higher, our conversion is much higher and the patients that have come on to these flexible plans are staying with us for longer because this is -- comes at a price and a visit frequency that they feel meets their needs better. So that is what we're seeing.

Now what is the upside of this? The upside is that the overall lifetime value is increasing, both in time spent and dollars. The downside of it is that in the short term, we are seeing a spend dilution per patient per month of roughly to give you a sense of about $2. So it's not -- when you think about $2, it's not in itself an enormous amount, but it is meaningful enough to erode the benefit at the moment of the upside that we're seeing in active members. So we are now working to double down on retention and double down on improving our conversion and leveraging these. So that's a long way of saying two things. One, we are converting more patients into members as a result of these options. And two, we're also preventing more cancellations as a result of these options.

Scott Bowman
Chief Financial Officer

Yes, just two quick thoughts here. Those new plans that Sanjiv mentioned, the intent, one is for two visits a month, for one visit a month. And one of the use cases is if like Sanjiv said, if they can't afford or don't have the time for four visits a month, they can do two visits a month with the optionality of buying more visits for $25. And then -- so that's a really good step down. If somebody doesn't want the full wellness plan, you can step them down to that. If somebody wants to cancel, they come in and they want to cancel their plan because they don't have the money or time. We can offer that or we can offer the visit plan that has been very popular.

And so we're still optimizing the sales process of that to make sure that the sales of those plans are mostly incremental, which in most cases, they are. There's some fine-tuning we'll continue to do though. But we feel like those two plans really round out our offering, especially in times where people are a little strained financially. It works very well in that situation. So as we continue to optimize that mix, we think good things will happen. We're already seeing the retention and conversion improvement, early days, but there'll be more to come.

Jeremy Pearlman
Maxim Group LLC, Research Division

Okay. Great. And then just last question. How much of the same-store comp sales, the decrease, how much, let's say, do you attribute that to weakness in the underlying consumer versus maybe the franchise owner is not operating as well as he could be?

Scott Bowman
Chief Financial Officer

I mean I think it's probably a combination. I mean I think the macro -- I don't think it's changed that much. I think the gas prices and overall inflation has had probably a little bit larger impact in the quarter. So I think there's that. So I think these new plans have helped us. But as Sanjiv mentioned, they've been somewhat offset by the lower spend in average spend in the near term.

Operator

This concludes our question-and-answer session. I would like to turn the conference 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. Thank you, operator. Let's close out the call.

Operator

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

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