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The Joint Corp. (JYNT) Q4 2025 Earnings Call Transcript

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Q4: 2026-03-12 Earnings Summary

Insights



EPS of \$0.06 **beats by \$0.02** | Revenue of \$15.17M (-52.55% Y/Y) **beats by \$1.05M**

The Joint Corp. ([JYNT](#)) Q4 2025 Earnings Call March 12, 2026 5:00 PM EDT

Company Participants

Sanjiv Razdan - CEO, President & Director

Scott Bowman - Chief Financial Officer

Conference Call Participants

Jeff Van Sinderen - B. Riley Securities, Inc., Research Division

William Forsberg - Craig-Hallum Capital Group LLC, Research Division

Nicholas Sherwood - Maxim Group LLC, Research Division

George Kelly - ROTH Capital Partners, LLC, Research Division

Presentation

Operator

Good day, and welcome to The Joint Corp. Fourth 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 Richard Land, Investor Relations. Please go ahead.

Unknown Attendee

Thank you, Chloe, and good afternoon, everyone. This is Richard Land of 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 ir.thejoint.com/events.

This afternoon, The Joint Corp. issued a press release for the fourth quarter and full year ended December 31, 2025. If you do not already have a copy of this press release, it can be found in the Investor Relations section of the company's website.

As provided on Slide 2, 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 forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws.

Management uses non-GAAP financial measures such as EBITDA, adjusted EBITDA and system-wide sales. A description of these non-GAAP financial measures is included in the press release issued earlier today and reconciliations of these non-GAAP financial measures to their 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.

Turning to Slide 3. With that, it's my pleasure now to turn the call over to Sanjiv Razdan. Sanjiv, please go ahead.

Sanjiv Razdan*CEO, President & Director*

Thank you, Richard, and I welcome everyone to the call.

Turning to Slide 4. Today, I will review the fourth quarter results and provide an update on the progress we have achieved over the last year. On our 2024 fourth quarter results conference call a year ago, I introduced the key strategies underlying Joint 2.0, the first phase of our transformation journey to reignite growth and improve profitability. I noted at that time that completing this first phase would take 18 to 24 months, and I'm pleased to report that we are on track to complete our work on Joint 2.0 on schedule by the end of this year.

Among the key progress points we have achieved to date are: we have significantly strengthened our management team, with 6 of our senior leaders having extensive health care industry experience and a number of us having franchise management experience. We have made significant progress with our refranchising efforts as we now have 48 corporate-owned clinics remaining in our portfolio compared to 135 at the start of this process. We are in active conversations with multiple parties about the refranchising of the remaining corporate clinics.

As evidenced by the better-than-expected adjusted EBITDA performance in Q4 and for the full year, we are making progress with improving our operating leverage. As we complete the transition to a pure-play franchise-owned model, our operating leverage will continue to significantly improve, which Scott will review later on this call. We have also focused on strengthening our marketing activities to drive new patient acquisition and strengthen the returns we generate on our marketing investments.

Progress on this initiative includes centering our message on chiropractic care for pain relief to improve mobility and get patients back to doing the things they love. And finally, we wanted to optimize our capital allocation, which we are achieving through more diligent return-focused growth investments and opportunistic share repurchases. While the full financial benefit of these strategies will take time, these initiatives are improving the financial position of our franchisees and stockholders. And as we complete our transformation journey, The Joint will be a highly efficient, capital-light pure-play franchisor with more consumer touch points and with strong free cash flow generation.

Turning to Slide 5 now. I'll summarize our Q4 2025 financial results compared to Q4 2024, and our CFO, Scott Bowman, will provide greater detail in a moment. Revenue from continuing operations increased 3.1%, and consolidated adjusted EBITDA increased 7.8%. This improvement reflects the benefit of rightsizing our costs. In the fourth quarter, we repurchased 1.1 million shares for total consideration of \$9 million. And for 2025, we repurchased 1.3 million shares for total consideration of \$11.3 million. At December 31, 2025, our unrestricted cash and cash equivalents remained strong at \$23.6 million.

Turning to Slide 6. I will review the progress we have made with refranchising our remaining company-owned clinics. Towards the end of the 2025 fourth quarter, we signed an asset purchase agreement for the sale of 22 corporate-owned or managed clinics for \$1.5 million to 3 buying groups. The buyers have assumed business operations via management service agreements, pending the completion of the lease reassignments, which we expect to be completed in the second quarter.

All 3 of the buying groups are either current franchisees or have several years of experience operating within our system. In March, we entered into a letter of intent for the sale of 5 corporate-owned or managed clinics. This leaves us with 48 remaining company-owned clinics, or just 5% of our total clinic portfolio, all but 2 of which are in California.

We continue to be in active dialogue with buyers for the sale of our corporate clinics and remain confident we will complete our refranchising initiative and become a pure-play franchisor this year. Given how close we are to completing this process, later on this call, Scott will provide an overview of what our operating and financial model looks like as a pure-play franchisor.

Let's review our marketing efforts. Turning to Slide 7. As we have noted previously, to drive stronger new patient demand and lead generation, we have shifted marketing content from broad wellness-focused communications to a message centered on chiropractic care for pain relief, so that patients can improve their mobility and get back to doing the things they love to do. While brand awareness initiatives take longer to produce results, we are inclined to attract patients who remain with us for longer.

As noted on our Q3 call, we have shifted a portion of our marketing investment to target an earlier stage in the sales funnel. We are shifting from predominantly local spend to one that also leverages our national scale. The goal is to increase awareness of The Joint, so that when individuals first experience discomfort, they are predisposed to think of us to alleviate their pain. This high-impact national media program started in November.

We also previously discussed the updates we are making in our digital marketing efforts. These efforts are focused on improving search visibility, including within AI-driven search environments. These are key drivers of organic traffic and leads to our new microsites or localized clinic pages. All of our clinic microsites have now been migrated to the new template and have returned to growth with overall traffic and organic traffic continuing to trend up.

Importantly, high-intent actions have strengthened, with phone calls and overall submissions, both also continuing to increase. At the same time, we launched a redesigned national blog in January with fresh content and digital linkage. Overall -- and organic traffic are reflecting early benefit from our ongoing SEO work and awareness investment.

In addition, updates to national website pages are enhancing visibility among early awareness audiences, searching for topics such as back pain, neck pain and mobility or lifestyle improvement. As a result of shifting to more national advertising and our improving SEO, we have seen improvement in our new patient acquisition trends each month since program launch, indicating that these efforts are driving consideration and new patients, albeit at a rate that remains lower than last year.

Turning to Slide 8. We are making progress with sales driving initiatives to reignite system-wide sales growth and drive long-term profitability. To recap, we are working to improve comp sales by growing our active member base. This will be accomplished by stronger lead generation, better conversion within our clinics to drive new patients, improved retention of our existing patients and optimized pricing. For Q4, similar to the last several quarters, we improved our patient attrition rate through the introduction of an offering for low-frequency patients. We are now maintaining patient attrition at a level that provides a solid foundation from which we can drive growth as comp sales begin to improve. That said, Q4 sales comps were lower than expected, largely due to lower new patient count.

One of our initiatives targets taking pricing in the near term. To give some perspective on this, we last took meaningful enterprise-wide pricing in 2022. Since November, we have been piloting 3 different levels of price increases across 3 diverse demographic areas. We continue to test and optimize pricing in approximately 300 clinics before we roll out adjustments across our system. We expect comp sales trends will improve during the course of the year as our new national brand awareness campaign continues to roll out as we benefit from improvements to SEO and implement the optimized pricing structure nationally.

Turning to Slide 9. We are focused on elevating our patients' experience through improved technology. We are continuing to introduce feature updates for our patient-facing mobile app. In addition, more than 23,000 patients have shared app feedback through our survey, giving us an average rating of 4.9 out of the -- 4.91 out of 5. 75% of patients reported waiting less than 5 minutes, while 17% waited less than 10. Lastly, our intent to recommend is 9.7 on a 10-point scale, indicating that patients are having consistently positive experiences.

With that, I will turn the call to Scott.

Scott Bowman

Chief Financial Officer

Thanks, Sanjiv.

Turning to Slide 11. Let's discuss our operating metrics. In the fourth quarter, system-wide sales were down 3.9% to \$140 million. Comp sales were down 3.8%, and adjusted EBITDA for consolidated operations grew 7.8% to \$3.6 million. For the full year, system-wide sales of \$532 million were flat compared to the prior year. Comp sales declined 0.4%, and adjusted EBITDA from consolidated operations rose 13.9% to \$13 million.

Turning to Slide 12. Let's discuss our clinic count and new clinic performance. Our total clinic count of 960 at year-end compares to 967 clinics in the prior year. During 2025, we opened 29 clinics, refranchised 41 and closed 36 clinics for a total clinic count of 885 franchised clinics and 75 company-owned clinics. This includes the 27 clinics that are currently under an asset purchase agreement or letter of intent for their sale. Our efforts to improve new clinic performance through improved pre-opening protocols have resulted in clinics reaching a breakeven point in half the time compared to prior years.

Turning to Slide 13. Let's discuss our financials. I'll review continuing operations for the fourth quarter unless otherwise specified. Revenue grew 3% to \$15.2 million, mainly due to additional marketing funding for national advertising. Cost of revenues was \$2.8 million, down 11%, reflecting lower regional developer royalties. Selling and marketing expenses were \$3.5 million, up 25% due to enhanced national marketing and one-off costs associated with transitioning to a new marketing agency.

G&A expenses increased 2% to \$7.7 million, mainly due to increased payroll costs and other costs that will decline as we complete refranchising. Consolidated net income was \$1 million for the quarter, and adjusted EBITDA from consolidated operations improved 8% to \$3.6 million, and adjusted EBITDA for continuing operations was \$1.6 million compared to \$2 million in the same period last year.

Turning to Slide 14. Let's discuss our full-year financials compared to the prior year. Revenue was \$54.9 million compared to \$52.2 million in 2024. Consolidated net income increased \$8.7 million to \$2.9 million, which compares to a \$5.8 million loss in 2024. Net loss from continuing operations was \$268,000 compared to a loss of \$1.6 million in 2024. Adjusted EBITDA from consolidated operations increased 14% to \$13 million, while adjusted EBITDA from continuing operations improved to \$3.1 million compared to \$2.3 million in 2024.

On to Slide 15, I'll review our liquidity and stock repurchase plan. At the end of the fourth quarter, unrestricted cash was \$23.6 million compared to \$25.1 million in the prior year. We maintained our line of credit with JPMorgan Chase for \$20 million and had 0 funds drawn during the quarter.

During the fourth quarter, we repurchased 1.1 million shares for \$9 million, averaging \$8.45 per share. For the full year, we repurchased 1.3 million shares for total consideration of \$11.3 million, averaging \$8.73 per share. At the end of 2025, we had \$5.7 million remaining on our share repurchase plan that was authorized in November 2025.

On to Slide 16, we are initiating our full-year 2026 guidance as follows. We expect system-wide sales to range from \$519 million to \$552 million. We expect comp sales to be in the range of negative 3% to positive 3%. We expect consolidated adjusted EBITDA to be in the range of \$12.5 million to \$13.5 million. And on a net basis, we expect our clinic count at the end of 2026 will be lower than at the end of 2025 as new clinics opened this year will be offset by closures as we reshape our portfolio, with a focus on stronger operators and healthier sites.

We continue to believe that over time, there is potential for more than 1,800 clinics in the U.S. alone. This short-term optimization of our portfolio will leave us with a stronger foundation to grow from. Due to our refranchising efforts and realignment of corporate costs, we expect 2026 continuing operations to be more profitable than 2025. Given the progress of our refranchising efforts, the next few slides will provide you certain key attributes of our go-forward model as a pure-play franchisor starting in mid-2026.

Slide 17 shows that our revenue target as a pure-play franchisor will be approximately 11% of system-wide sales, which compares to 10.3% in 2025.

On Slide 18, we are showing our expected run-rate financials once we complete refranchising in mid-2026. In this case, gross margin would be between 83% and 85% of revenues, which compares to 90% in 2025. G&A expense would be between 40% and 42% of revenues, which compares to 64% in 2025. CapEx would be approximately 3% of revenues, and free cash flow conversion would be between 60% and 70%.

For this purpose, we define free cash flow conversion as free cash flow divided by adjusted EBITDA. These assumptions result in an estimated adjusted EBITDA margin of 19% to 21% compared to 12% in 2025, and net income margin of 13% to 15% compared to 3% in 2025. For CapEx, our internal IRR target for growth projects is 25%. Keep in mind that these estimates are what we believe will be the starting point once refranchising is complete, and we intend to build on these returns over time.

To further illustrate how our model works as we generate revenue growth, I will review some assumptions for our run-rate financials in the future based on a couple of growth examples. If we were to generate 5% revenue growth, this would result in an estimated adjusted EBITDA margin of 20% to 22%, and an estimated net income margin of 14% to 16%. And if we were to generate 10% revenue growth, this would result in an estimated adjusted EBITDA margin of 22% to 24%, and an estimated net income margin of 16% to 18%.

Finally, on Slide 19, I will highlight that with the expected strong free cash flow we will generate, we will remain committed to disciplined capital allocation with current priorities being investments in growth initiatives, share repurchases and the repurchase of RD territories where feasible.

And with that, I will turn the call back over to Sanjiv.

Sanjiv Razdan

CEO, President & Director

Thanks, Scott.

Turning to Slide 21. With the full financial benefit of our strategies -- while the full financial benefit of our strategies will take time to come to fruition, we are making consistent progress with improving the financial position of our franchisees and stockholders. Phase 1 of our transformation journey has us on track to become a pure-play franchisor. We continue to drive forward with our cost savings initiatives, which are beginning to drive improved operating leverage. And our allocation of capital towards stock repurchases highlights our strong conviction that we will achieve our long-term goals of growing system-wide sales, comp sales, net new clinic openings and adjusted EBITDA.

I noted at the top of the call that we are on track to complete the first phase of our transformation journey, The Joint 2.0, by the end of this year. As we move closer to this goal, we are beginning to focus more time and attention on Joint 3.0, the next phase of this journey, which will begin in earnest in 2027. That phase will prioritize growth through expansion of our operations into new channels, B2B and entering new markets in the U.S. where we are underpenetrated as well as into our first international markets.

We are seeing secular trends around longevity, health span, mindfulness, sleep quality and non-invasive whole body care. Hence, we see significant opportunity to further define and activate our brand promise around the notion of moving better and feeling better. This means deepening our focus on clear differentiated proof points like creating options for signature-integrated treatments, nutrition, orthotics and finding ways to integrate data from wearable technology to shape treatment plans, while we also establish new ways to measure quantifiable positive patient outcomes.

With that, operator, I'm ready to begin Q&A.

Question-and-Answer Session

Operator

[Operator Instructions] The first question today comes from Jeff Van Sinderen with B. Riley Securities.

Jeff Van Sinderen

B. Riley Securities, Inc., Research Division

I'm just wondering if you can share the attrition and new patient add metrics maybe sequentially and year-over-year. Any color or any metrics you can share there would be helpful.

Scott Bowman

Chief Financial Officer

Yes, I can start off on that one. We typically don't give the specific metrics. But what I can tell you is what we're focused on is active member growth. And so when you think of active member growth, you have to draw in new patients, you have to convert those new patients to a plan and then you have to retain them. And so of those 3 different components of active member growth, new patient flow has been the weakest for us.

And so the new marketing that we have out there to create brand awareness as well as improve our SEO is helping. But as you can imagine, it does take time to build, but the early signs that we're seeing are positive. When we look at conversion and when we look at attrition, those numbers were actually slightly better than last year. Not to say that there's not room for improvement, but new patients is our largest focus right now.

Jeff Van Sinderen

B. Riley Securities, Inc., Research Division

Okay. That's helpful. And then maybe you can touch on how -- I know you gave some color in your prepared comments, but any more you can add on how you're evolving marketing initiatives for 2026?

Sanjiv Razdan

CEO, President & Director

Yes, I'm happy to take that one, Jeff. I think the focus continues to remain where we've been. So, let's break that down. Number one, we believe that we continue to make -- shift investment from local to national in order to amplify brand awareness and activation. We are seeing positive outcomes as a result of that. So, we will continue to double-down on that, together with our franchisees. We will continue to evolve creative messaging to make sure that, that message cuts through is on point and is in keeping with the consumer needs.

The second thing that has worked well for us that we continue to work on is addressing the shift in search behaviors as a result of AI. We made a massive amount of progress in that in quarter 4 and made a significant investment to do that, and we will continue to work because that is just a moving target. So, we will continue to focus on making sure that we are relevant when it comes to shifting search behaviors.

The third thing that we're working on is then around the whole conversion piece of it. We got on a new operations leader, Ron Stilwell, who joined us in the first week of January, and he's already working with our franchisees on very specific in-clinic training on making sure our wellness coordinators are focused on converting leads. They have the right scripts. They have the right things to say to our patients in terms of what is their benefit and converting them to a plan. So, that is a huge area of focus for us, the whole conversion activity.

And last but certainly not the least, like we are finding ways of addressing the reasons for attrition, right? So where we have patients that may be looking for reduced frequency treatment because they're already feeling they're no longer in pain as when they came to us or may feel like they don't have the time, we introduced a package for them called Align 1, which gets them a minimum of 1 adjustment per month at the cost of \$35 and allows them to add on incremental visits on a flexible and discounted basis. We've also just gone into test with something that we're calling Align 2, which is 2 visits per month, right?

So, I think we're recognizing that there may be patients who are not able to afford the time or the cost or need the 4 visits of on plan and testing various options. In fact, the Align 1 is already live. So, we're attacking the full fulcrum, bringing on new leads, making sure we're visible, right message, converting strongly and coming up with plans that help our wellness coordinators to prevent attrition when patients feel a whole lot better and are no longer in pain. So hopefully, that gives you a sense, Jeff, for what we're doing on the marketing front.

Jeff Van Sinderen

B. Riley Securities, Inc., Research Division

Yes. That's really helpful. And then just one last one, if I could squeeze it in. How did the 3-tiered pricing pilot go? And then how do you evolve that going forward?

Scott Bowman

Chief Financial Officer

Yes. So, we have some pricing tests out there, as you know, at the \$2, \$5 and \$10 increase. \$2 increase didn't really show us much. I don't think it was really big enough to cause a big difference. So, we're focused more on the \$5 and \$10. And I would say, overall, the \$10 increases are showing a little bit more benefit. And so we're going to continue to test. We just launched some new markets a few weeks ago to get a read on some additional markets to give this a little bit broader perspective. But overall, we feel pretty good about it. But at the same time, we want to give it a little bit more time before we roll it out further. But we think that will be a component of our growth going forward for sure.

Sanjiv Razdan

CEO, President & Director

Just in addition to what Scott has shared, I think I'd like to add to that perspective. Our patients -- 70% of our patients really are in the average household income of somewhere in the range of \$60,000 to \$110,000 a year. That patient base or that consumer base has felt the impact of the macroeconomic climate probably most significantly than some others. So as we're testing and optimizing for this price increase, we're being very mindful of timing, regional impacts, and that is why we're being very, very purposeful and thoughtful about this test and reading these results very carefully before we extend it beyond the 300 clinics that it's already in.

Operator

The next question comes from Jeremy Hamblin with Craig-Hallum.

William Forsberg

Craig-Hallum Capital Group LLC, Research Division

This is Will on for Jeremy. I'm just wondering if you could give us a sense for how the comp progressed throughout the quarter and then what you've kind of seen here quarter-to-date. I know you're facing a little bit easier comp in Q1, but just trying to get a sense for where things are.

Scott Bowman

Chief Financial Officer

Yes. Sure. Our comps were down the most in the month of November, and they were the best in December as we closed the year. Now, some of that is we had a little bit of a timing change in some of our year-end promotions. And so -- but I think on balance, December was slightly better than the other 2 months.

William Forsberg

Craig-Hallum Capital Group LLC, Research Division

Got it. And then I was just wondering if you could give us a sense for the relative performance of the remaining 50-ish clinics compared to those in the Southeast that were sold. I think those California clinics might be a little bit higher in productivity, but I guess anything you could share there would be helpful.

Sanjiv Razdan

CEO, President & Director

Yes, Will. The California clinics on the balance are better performers than the clinics in the Southeast.

Operator

The next question comes from Nick Sherwood with Maxim Group.

Nicholas Sherwood

Maxim Group LLC, Research Division

So, what specific leading indicators give you confidence that comps will improve in 2026? And when do you think we can expect an inflection point?

Scott Bowman

Chief Financial Officer

Yes, it's a good question. So, 2 things that I think about on that question. Number one, just the initiatives that we're working on right now do take some time, but we're encouraged just on some of the early signs that we're seeing that could help us in the coming months. So, I think that's number one. And then number two is just the comps that we saw this past year and just the distribution of those comps. We were positive about 2% in the first half of the year last year and negative 3% for the back half of the year. And so we have some easier compares in the back half. So that, plus more traction on our initiatives leads us to believe that second half should be quite a bit better.

Nicholas Sherwood*Maxim Group LLC, Research Division*

Okay. And then 2 follow-ups. Can you elaborate on some of those positive early signs that you're seeing? And then looking at comps, it was down this past year. Was that more due to higher rates of attrition from repeat customers, or an inability to bring in new customers to replace people that are leaving?

Scott Bowman*Chief Financial Officer*

Yes. So, I'll answer the last question first. The key issue for us is just fewer new customers coming in. And so that's why our marketing efforts are so important right now, creating brand awareness, improving our SEO, being more visible on AI searches. And so that is the key focus right now. But we're still working on conversion and attrition because even though they were slightly better than last year, there's still opportunity there. And so just broadly from a marketing standpoint, Sanjiv can tag on as well, what we're seeing is we've been at work for a while now on improving SEO and that takes some time to actually get traction. And so we expected that.

But we're starting to see some good signs in terms of our measurement of SEO effectiveness was quite a bit under the average, and now it's at or even slightly above average. And so good progression there. And then as we look at our website activity and our leads coming in, we've seen steady improvement in the leads being generated from that new marketing and from the SEO improvement. Now, that has also led to some degree of improved run rate, sequential run rate in new patients, still negative, but less negative, but it's been a steady trend over the last few weeks. So, we're still relatively cautious there. But those things are kind of lining up for us, saying that it is working to some extent, although it will take time to really show through on inflection in comps.

Nicholas Sherwood*Maxim Group LLC, Research Division*

Okay. And then my last question is this new AI SEO marketing investment. Is this something that costs significantly more than your old marketing? Or is this more so just reallocating resources and it's not actually going to be increasing your marketing spend substantially? Or is there some sort of upfront or higher investment required with this?

Scott Bowman*Chief Financial Officer*

Yes. So it is an incremental spend. And so we're doing that while we are also spending money on brand awareness and more top of funnel. And so we have shifted some of the local marketing being spent by the franchisees to national marketing, okay? And so that has given us more funding to fund some more brand awareness campaigns and in SEO. And so on balance, we're not spending really any more net dollars because we're getting more NMF funds from the franchisees to spend on these additional initiatives.

Sanjiv Razdan

CEO, President & Director

Nick, just to recap, so everybody on the call understands what we're doing because, obviously, this is an important topic for us. We're going after it in 3 different ways, right? Generating more leads, converting those leads to active members and then preventing attrition by improving retention. What are we doing to improve lead generation? Number one, we pivoted our messaging from general wellness to pain. We refreshed all our creative. 82% of our patients cite discomfort of pain as a reason for why they come to us, so it becomes a much more compelling reason to use The Joint.

Now that we have that message pivoted to pain, we did 2 things. We shifted some local marketing dollars to national. The bulk of those dollars were invested behind high-impact media purchases on the demographic that we believe gives us the highest yield and comes to us most often. That's the -- the benefit of that, what we're seeing is sequential improvement in lead generation and new patients.

SEO to offset search behaviors due to AI was the other investment that, that shift went into and the combined impact of pain-related message, higher impact media with search optimized for AI is what is giving us that. And the early indicators on the search, as Scott indicated, was we are actually now able to measure benchmarks, measure our effectiveness on search against benchmarks, and we're finding that we are actually slightly ahead of the benchmarks after the catch-up that we've had to do. So, that's number one.

Number two is once the patient is in, how we're getting after converting them to active members, which we're tackling more through operations and training, which we have initiated and expect to see even more traction as time goes by. Our conversion year-on-year has remained more or less flat. Our attrition or retention has actually improved. Retention of patients is improving because we are finding ways to keep those patients longer and are putting in place offers that allow patients whose needs shift and are no longer in pain, require lower frequency, lower-cost solutions to stay with us. We have put that in place and doing more around that. So, that is what is giving us confidence that we will see an improvement in our comps and are already seeing sequential underlying metrics improve.

Operator

Our next question comes from George Kelly with ROTH Capital Partners.

George Kelly

ROTH Capital Partners, LLC, Research Division

First one for you -- or I guess, first couple for you on your comp guide. I was curious if you could at least directionally help us with what you've seen in January and February. Just curious if there has been an improvement there from what you reported in Q4? And then secondly, I'm wondering if you included a pricing increase in your guide.

Scott Bowman

Chief Financial Officer

Yes, George. This is Scott. So, what we've seen so far is similar trends than what we saw in Q4, okay? And so like I said, we're seeing some early signs on the leads and new patients, but still the comps are about where they were. We are rolling over some higher comps from last year. So, I think that's part of it. And so that's why I said I think the second half of the year, we should see more of an inflection in comps. And between now and then, we should see some incremental improvement as well because of the traction we see right now, we will accelerate and we have easier comps in the back half.

George Kelly

ROTH Capital Partners, LLC, Research Division

And does your guide include a pricing increase?

Scott Bowman

Chief Financial Officer

No, it doesn't include any pricing increase right now because we were just in -- just because we would have some tests out in the market, we didn't know for sure what the result of that would be. And so we were a little cautious and did not include that in the guide.

George Kelly

ROTH Capital Partners, LLC, Research Division

Okay. Okay. Understood. And then a question on your capital allocation priorities. The slide, I think it's 19, you just -- you list the 3 different key priorities. And so I guess, on 2 of them on investing in growth initiatives, I'm just a little unsure on what that might include. So, could you highlight some of the different investments you're contemplating and size of those?

And then secondly, on the buyback RD territories, I was curious if you could give us an update just on the status of those kind of ongoing negotiations. Do you feel like you're getting closer on any RD buybacks?

Scott Bowman

Chief Financial Officer

Sure. Yes. So the first question on investing in growth initiatives. So, we want to be prudent in that category, but still invest in the business. And I mentioned a target of about 3% of revenues for that category with a target IRR of about 25%, and that's an average. And so when we look at initiatives like that, we have things, a lot of in the technology area where we can rework our whole martech stack, make it more efficient as we capture leads and as we use those leads to fuel the marketing engine that we have. And so lots of opportunities there, and we're doing some good work there to improve that platform and to bring it in-house. And so that's one good example.

Another example is where we're making a lot of improvements for kind of the front-facing user interface for each of our wellness coordinators in our clinics. So as you can imagine, with each individual customer and all the plans and packages that we have, there's a lot of different options. And so doing some really good work there to really consolidate that user interface. And so it's much easier for the wellness coordinator to communicate the different plans available and to transact with that patient seamlessly. And so that will be a big win from an operations standpoint in our clinic. So, those are just 2 examples. But I think the major theme here is how can we invest in technology or other areas to grow the business and that have a positive ROI for those projects.

George Kelly

ROTH Capital Partners, LLC, Research Division

Okay. Okay. But it sounds like those are fairly modest investments. And then the RD stuff, any update on those negotiations?

Scott Bowman

Chief Financial Officer

Yes. So, we are in active negotiations on some of those RD territories. And so some of them are getting fairly close, but we'll continue those conversations and making sure that we understand kind of the value in those buybacks and understanding what improvements that we can make. And so those will be ongoing. And as we make further progress, we'll report back on what that's going to look like going forward.

George Kelly

ROTH Capital Partners, LLC, Research Division

Okay. Okay. And then one last one for me. The previous slide, I guess, it's 18, where you go through the post-refranchising run-rate profitability and everything. Is the margin target there -- the 19% to 21% EBITDA margin target, I'm just struggling a little bit to triangulate with your gross margin target and your G&A target. Is there a marketing investment beyond the fund that's incorporated in that 19% to 21% guide? Or is there something else that maybe I'm missing? Just trying to kind of bridge the different OpEx lines to get there.

Scott Bowman

Chief Financial Officer

No, that's a good question. So, that is the main difference there because marketing expense is not in G&A. It's a separate line item.

George Kelly

ROTH Capital Partners, LLC, Research Division

I guess I'm just wondering if you're overinvesting. Do you plan to spend more marketing dollars than you're bringing in?

Scott Bowman

Chief Financial Officer

No, we do not. We will -- no, it's a good question. We will spend more dollars, but the extra dollars that we're spending are being funded by the franchisees as they shift some of the local dollars into our national campaign.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Sanjiv Razdan for any closing remarks.

Sanjiv Razdan

CEO, President & Director

Thank you for joining us. Have a good day. And know that at The Joint, we always have your back.

Operator

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

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