THE JOINT CORPORATION

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AVENEL FINANCIAL GROUP — EST 1999 —

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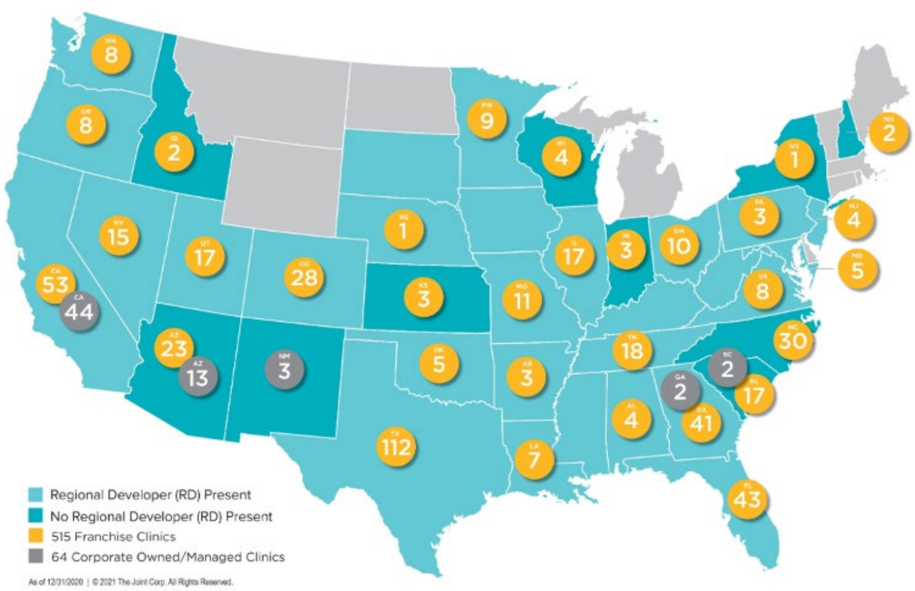
The Joint Corporation (JYNT) has been one of the best performing securities in recent memory, having appreciated over 1000% since the lows of March 2020. The aim of this paper is to explore aspects of performance that led The Joint to 14-bagger status. This will not be an exhaustive study, but rather a short, yearly summary of what was going on in the business, and how the business was valued in the market given those results at the end of each year. Our information—the management discussion of results and financials—is taken directly from the company's filings listed on its website, starting with 2014. The 'Results of Operations' sections are given as the company reported them, so that readers can see the information as it was presented at the time. The company was initially featured as an investment opportunity on the MicroCapClub's forum in 2018, attracting the likes of Alta Fox's Conor Haley, Bandera Partners' Jeff Gramm, Old Well Partners' Matthew Miller and Mike Schellinger.

Company Description

Originally founded in 1999, The Joint had a dream to revamp routine chiropractic care for the general public. In 2010, the acquisition of the original eight clinics made the company reborn again and headquartered in Scottsdale, Arizona. Current day, the Joint operates approximately 600 locations in 35 states. The map below from The Joint's 2020 Form 10-K shows the locations by state.



The Joint provides patients with a low-cost plan that allows them to visit their locations for treatments without insurance billings, copays, deductibles, declined reimbursements and all of the other inconveniences patients can imagine while visiting a chiropractor. Typically, once a patient visits a location, they get a full exam to educate them on healthy living, a consultation and an adjustment. Then they are presented with a plan that best benefits them in their healthy living journey. Patients can show up to their clinic of choice and choose times that are convenient to them without sticking to a specific appointment. They pay prices that are about 52% lower than the industry average. The industry average for chiropractic care involving spinal manipulation is approximately $60 per visit. The Joint's service offerings are broken down into a single visit, packages and memberships. In that order, the service cost per visit totals $39, $21-$33 and $17-$20.

The Joint is focused on the customer. Their brand awareness, extended hours, flexible appointment schedule and other marketing tools allowed them to attract ~1,086 "new patients per clinic during the year ended December 31, 2020, as compared to the 2020 chiropractic industry average of 333 new patients per year." The Joint employs 1,675 fully licensed chiropractic doctors that provide care focused on "pain relief and ongoing wellness to promote healthy and active lifestyles." As clinics are providing care to an average of 305 patients visits per week, doctors are continuously executing and practicing their skills. The Joint is attracting first class chiropractic talent because they allow doctor's more time to sharpen the saw without having to perform administrative duties and creating a larger customer base.

Yearly Summaries

2014

Results of Operations

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Revenues. Revenues increased from $5,958,067 to $7,116,662, or 19% over the prior period.

> *Royalty Fees*. "We collect royalties based upon the terms of our franchise disclosure document and our franchise agreements, currently equal to 7% of gross sales from open clinics."
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> *Franchise Fees*. "Our revenues from franchise fees are derived from the sale of franchises and are recognized when a franchised clinic is opened."
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> *Regional Developer Fees*. "During 2011, we established a regional developer program to engage independent contractors to assist in developing specified geographical regions. Under this program, regional developers pay a license fee of 25% of the then current franchise fee for each franchise they receive the right to develop within a specified geographical region. Each regional developer agreement establishes a minimum number of franchises that the regional developer must develop. Regional developers receive 50% of franchise fees collected upon the sale of franchises within their region, and a royalty of 3% of sales generated by franchised clinics in their region. Regional developer fees are non-refundable and are recognized as revenue when we have performed substantially all initial services required by the regional developer agreement, which generally is considered to be upon the opening of each franchised clinic. IT Related Income and Software Fees. We collect a monthly computer software fee of $275 per month for each open clinic for use of our proprietary chiropractic software, for related computer support and related Internet service support. A combined software and supportive hardware package was made available to all clinics in April 2012."
>
> *IT Related Revenue*. "Represents a flat fee paid by our franchisees to purchase computer equipment, operating software, pre-installed chiropractic system software, keycard scanner and credit card receipt printer and to have access to and support of our proprietary chiropractic software."

Advertising Fund Revenue. "We have established an advertising fund for national marketing and advertising of services offered by the clinics owned by the franchisees. As stipulated in our typical franchise agreement, a franchisee pays a monthly marketing fee of 1% of gross sales, which increased at our discretion to 2% in January 2015. We segregate the marketing funds collected and use the funds for specific purposes as outlined in our franchise disclosure document. As amounts are expended from the fund, we recognize advertising fund revenue and a related expense. Amounts collected in excess of marketing expenditures are included in restricted cash on our consolidated balance sheets."

Cost of Revenues. Cost of revenues increased $240,243 between periods and decreased as a percentage of revenues from 34% to 32%. "Cost of revenues includes franchise sales commissions, regional developer royalties and commissions and payments to contracted sales professionals. These costs are recognized upon the opening and ongoing operations of the clinics. Also included in cost of revenues are the costs of computer hardware and software sold to each franchisee."

Expenses. Total selling, general and administrative expenses increased 85% to $6,496,932 from $3,512,082 in 2013 and increased as a percentage of revenues to 91% from 59% in the prior period. "Components of these costs include executive management, supervisory and staff salaries, bonuses and related taxes and employee benefits, marketing, travel, information systems, training, support center rent and related occupancy costs, and professional and consulting fees."

Net Income. The Company experienced a net loss before taxes of $(1,690,784) for 2014 as compared to net income before taxes of $407,789 in 2013. The Company had a net loss of $(3,031,220) in 2014 as compared to net income of $155,635 in 2013.

2014

Stock Price at Year-End	$6.38	Diluted Earnings-Per-Share (EPS)	$ (0.56)
Total Shares Outstanding	9,662,510	YOY Diluted EPS Growth	N/A
Market Cap	$61,646,814		
		Price/Sales	8.66
		P/E	N/A
Sales	$ 7,116,662		
YOY Sales Growth	19.45%		
Loss before income tax (expense) benefit	$ (1,690,784)	Stock IRR to June 30, 2021	48.6%
Net Loss and Comprehensive Loss	$ (3,031,220)	Total Return to June 30, 2021	1,215.4%

Key Press Releases

- The Joint Files Registration Statement for Proposed IPO
- The Joint prices IPO of 3,000,000 shares of common stock at an initial price of $6.50
- The Joint announces closing of IPO and receives aggregate net proceeds of $17,285,000
- The Joint reports third quarter and announces appointment of Francis T. Joyce as CFO

2015

Results of Operations

Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

Revenues. Revenues increased from $7,116,662 to $13,835,431, or 94% over the prior period.

> *Royalty Fees*. "Increased due to an increase in the number of clinics in operation during the year along with continued growth of existing clinics. As of December 31, 2015 and 2014, there were 265 and 246 franchised clinics in operation, respectively."
>
> *Franchise Fees*. "Increased due to the recognition of $957,000 in revenues from terminated franchise licenses, partially offset by lower franchise clinic openings in the period. For the years ended December 31, 2015 and 2014, 54 and 73 new franchise clinics opened, respectively."
>
> *Regional Developer Fees*. "Increased largely due to revenue recognition of approximately $283,000 on the default and termination of regional developer rights and fees associated with license transfers."
>
> *IT Related Income and Software Fee and Revenue*. "Declined in the aggregate primarily due to lower franchise computer build fee income."
>
> *Other Revenue*. "Increased due to merchant income attributed to the growth in yearly sales compared to 2014."

Cost of Revenues. Cost of revenues increased $474,091 between periods and decreased as a percentage of revenues from 33% to 20%. "For the year ended December 31, 2015, as compared with the same period last year, the total cost of revenues increased primarily due to increased RD royalties of $390,000 triggered by an increase of royalty revenues of approximately 40% during the year, increased RD commissions of $130,000 due to regional developer commissions recognized in connection with the franchise license terminations in the period, and an increase in regional developer royalties due to corresponding increased royalty revenue earned in regional developer territories."

Expenses. Total selling, general and administrative expenses increased 213% to $20,331,960 from $6,496,932 in 2014 and increased as a percentage of revenues to 147% from 91% in the prior period. "Components of these costs include executive management, supervisory and staff salaries, bonuses and related taxes and employee benefits, marketing, travel, information systems, training, support center rent and related occupancy costs, and professional and consulting fees."

Net Income. The company reported a net loss before taxes of $(9,033,176) for 2015 as compared to a net loss before taxes of $(1,690,784) in 2014. Additionally, the company had a net loss of $(8,797,321) in 2015 as compared to a net loss of $(3,031,220) in 2014.

2015

Stock Price at Year-End	$5.97	Diluted Earnings-Per-Share (EPS)	$ (0.88)
Total Shares Outstanding	12,536,180	YOY Diluted EPS Growth	-57.14%
Market Cap	$74,840,995		
		Price/Sales	5.41
		P/E	N/A
Sales	$ 13,835,431		
YOY Sales Growth	94.41%		
Loss before income tax (expense) benefit	$ (9,033,176)	Stock IRR to June 30, 2021	61.7%
Net Loss and Comprehensive Loss	$ (8,797,321)	Total Return to June 30, 2021	1,305.7%

Key Press Releases

- Reacquisition of Los Angeles County Franchises and Regional Developer Rights Positions The Joint Corp. for Company-Owned Unit Expansion in Los Angeles
- The Joint Corp. Announces Aggressive Franchise Expansion Plans
- The Joint Corp. Surpasses Two Million Chiropractic Adjustments Per Year
- The Joint Corp. Announces Closing of Follow-On Public Offering of Common Stock

2016

Results of Operations

Year Ended December 31, 2016 compared to the Year Ended December 31, 2015

Revenues. Revenues increased from $13,835,431 to $20,523,640, or 48% over the prior period.

> *Royalty Fees*. "Increased due to an increase in the number of franchised clinics in operation during the current period along with continued sales growth in existing franchised clinics. As of December 31, 2016 and 2015, there were 309 and 265 franchised clinics in operation, respectively."
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> *Franchise Fees*. "Decreased due to the timing of franchise license terminations. In the year ended December 31, 2016 and 2015, we recognized revenue from terminations of $0.5 million and $1.0 million, respectively, offset by year-to-date openings."
>
> *Regional Developer Fees*. "Decreased due to the timing of regional developer license acquisitions and terminations. We recognized revenue in relation to regional developer acquisitions or terminations of $0.1 million and $0.5 million during the years ended December 31, 2016 and 2015, respectively."
>
> *IT Related Income and Software Fee and Revenue*. "Increased due to an increase in our franchise clinic base as described above."

Cost of Revenues. Cost of revenues increased $119,696 between periods and decreased as a percentage of revenues from 20% to 14%. "For the year ended December 31, 2016, as compared with the year ended December 31, 2015, the total cost of revenues increased due to increased regional developer royalties of $0.3 million triggered by an increase of royalty revenues of approximately 32% as compared to the prior year, offset by a decrease of $0.2 million due to fewer regional developer commissions recognized in conjunction with franchise license terminations or openings in the period as compared to prior year."

Expenses. Total selling, general and administrative expenses increased 43% to $29,086,399 from $20,331,960 in 2015 and decreased as a percentage of revenues to 142% from 147% in the prior period. "Components of these costs include executive management, supervisory and staff salaries, bonuses and related taxes and employee benefits, marketing, travel, information systems, training, support center rent and related occupancy costs, and professional and consulting fees."

Net Income. The company reported a net loss before taxes of $(15,009,443) for 2016 as compared to a net loss before taxes of $(9,033,176) in 2015. Additionally, the company had a net loss of $(15,173,872) in 2016 as compared to a net loss of $(8,797,321) in 2015.

2016

Stock Price at Year-End	$2.65	Diluted Earnings-Per-Share (EPS)	$ (1.20)
Total Shares Outstanding	13,020,889	YOY Diluted EPS Growth	-36.36%
Market Cap	$34,505,356		
		Price/Sales	1.68
		P/E	N/A
Sales	$ 20,523,640		
YOY Sales Growth	48.34%		
Loss before income tax (expense) benefit	$ (15,009,443)	Stock IRR to June 30, 2021	115.5%
Net Loss and Comprehensive Loss	$ (15,173,872)	Total Return to June 30, 2021	3,066.8%

Key Press Releases

- Consumer-Focused Approach to Chiropractic Care Helps The Joint Exceed the 3 Million Visit Mark
- The Joint Corp. Announces Departure of John B. Richards and Appointment of Peter D. Holt as Acting Chief Executive Officer
- The Joint Corp. Tops Single Day System-Wide Sales Record

2017

Results of Operations

Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

Revenues. Revenues increased from $20,523,640 to $24,918,868, or 21% over the prior period. Plante & Moran, PLLC audited the adjustments to the 2017 financial statements retrospectively in order to apply the change in revenue recognition as a result of the adoption of ASC Topic 606, "Revenue from Contracts with Customers", as described in Note 1 to the financial statements.

> *Royalty Fees*. "Increased due to an increase in the number of franchised clinics in operation along with continued sales growth in existing franchised clinics. As of December 31, 2017 and 2016, there were 352 and 309 franchised clinics in operation, respectively."

Franchise Fees. "Decreased due to the timing of franchise license terminations and fewer clinic openings. In the year ended December 31, 2017 and 2016, we recognized revenue from terminations of $0.1 million and $0.5 million, respectively. In the year ended December 31, 2017 and 2016, we had 41 and 56 franchised clinic openings, respectively."

Regional Developer Fees. "Decreased due to the timing of regional developer terminations. We recognized revenue in relation to regional developer terminations of $0 and $0.1 million during the years ended December 31, 2017 and 2016, respectively."

IT Related Income and Software Fee, Advertising Fund Revenue and Other Revenues. "Increased due to an increase in our franchise clinic base as described above."

Cost of Revenues. Cost of revenues increased $284,629 between periods and decreased as a percentage of revenues from 14% to 13%. "For the year ended December 31, 2017, as compared with the year ended December 31, 2016, the total cost of revenues increased due to an increase in regional developer royalties of $0.6 million triggered by an increase of royalty revenues of approximately 29%, offset by a reduction of $0.2 million in regional developer commissions recognized in conjunction with franchise openings."

Expenses. Total selling, general and administrative expenses decreased 15% to $24,608,736 from $29,086,399 in 2016 and decreased as a percentage of revenues to 99% from 142% in the prior period. "Components of these costs include executive management, supervisory and staff salaries, bonuses and related taxes and employee benefits, marketing, travel, information systems, training, support center rent and related occupancy costs, and professional and consulting fees."

Net Income. The company reported a net loss before taxes of $(3,396,532) for 2017 as compared to a net loss before taxes of $(15,009,443) in 2016. Additionally, the company had a net loss of $(3,432,412) in 2017 as compared to a net loss of $(15,173,872) in 2016.

2017

Stock Price at Year-End	$4.96	**Diluted Earnings-Per-Share (EPS)**	$ (0.26)
Total Shares Outstanding	13,586,254	**YOY Diluted EPS Growth**	78.33%
Market Cap	$67,387,820		
		Price/Sales	2.70
		P/E	N/A
Sales	$ 24,918,868		
YOY Sales Growth	21.42%		
Loss before income tax (expense) benefit	$ (3,396,532)	**Stock IRR to June 30, 2021**	124.4%
Net Loss and Comprehensive Loss	$ (3,432,412)	**Total Return to June 30, 2021**	1,591.9%

Key Press Releases

- The Joint Corp. Sells Chicago Area Regional Developer Rights to Existing Franchisees

2018

Results of Operations

Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

Revenues. Revenues increased from $24,918,868 to $31,789,249, or 28% over the prior period.

> *Royalty Fees and Advertising Fund Revenue*. "Increased due to an increase in the number of franchised clinics in operation during the current period, along with continued sales growth in existing franchised clinics. As of December 31, 2018, and 2017, there were 394 and 352 franchised clinics in operation, respectively."
>
> *Franchise Fees*. "Increased due to an increase in executed franchise agreements, as these fees are recognized ratably over the term of the respective franchise agreement. For the year ended December 31, 2018, there were 99 executed franchise license sales or letters-of intent, compared to 37 for the year ended December 31, 2017."
>
> *Regional Developer Fees*. "Increased due to the sale of additional developer territories throughout 2017 and 2018 and the related revenue recognition over the life of the regional developer agreements. We sold four new regional developer territories in 2018 and 10 new territories in 2017. Given the ratable recognition of the revenue, the agreements executed during the course of 2017 now have a full year of recognition in 2018."
>
> *Software Fees Revenue*. "Increased due to an increase in our franchise clinic base as described above."

Cost of Revenues. Cost of revenues increased $1,086,011 between periods and increased as a percentage of revenues from 13% to 14%. "For the year ended December 31, 2018, as compared with the year ended December 31, 2017, the total cost of revenues increased due to an increase in regional developer royalties of $0.9 million, triggered by an increase in franchise royalty revenues of approximately 31% coupled with a larger portion of our franchise base operating in regional developer territories, and an increase of $0.2 million in regional developer commissions due to the larger number of franchise licenses sold in regional developer territories."

Expenses. Total selling, general and administrative expenses increased 8% to $26,679,926 from $24,608,736 in 2017 and decreased as a percentage of revenues to 84% from 99% in the prior period. "Components of these costs include executive management, supervisory and staff salaries, bonuses and related taxes and employee benefits, marketing, travel, information systems, training, support center rent and related occupancy costs, and professional and consulting fees."

Net Income. The company reported net income before taxes of $215,355 for 2018 as compared to a net loss before taxes of $(3,396,532) in 2017. Additionally, the company had net income of $253,083 in 2018 as compared to a net loss of $(3,432,412) in 2017.

2018

Stock Price at Year-End	$8.32	**Diluted Earnings-Per-Share (EPS)**	$ 0.02
Total Shares Outstanding	13,742,530	**YOY Diluted EPS Growth**	N/A
Market Cap	$114,337,850		
		Price/Sales	3.60
		P/E	451.78
Sales	$ 31,789,249		
YOY Sales Growth	27.57%		
Income (loss) before income tax expense	$ 215,355	**Stock IRR to June 30, 2021**	152.1%
Net Income and Comprehensive Income	$ 253,083	**Total Return to June 30, 2021**	908.7%

Key Press Releases

- The Joint Corp. Appoints Jake Singleton CFO

2019

Results of Operations

Year Ended December 31, 2019 compared to the Year Ended December 31, 2018

Revenues. Revenues increased from $31,789,249 to $48,450,900, or 52% over the prior period.

> *Royalty Fees and Advertising Fund Revenue*. “Increased due to an increase in the number of franchised clinics in operation along with continued sales growth in existing franchised clinics. As of December 31, 2019, and 2018, there were 453 and 394 franchised clinics in operation, respectively.”
>
> *Franchise Fees*. “Increased due to an increase in executed franchise agreements, as these fees are recognized ratably over the term of the respective franchise agreement. For the year ended December 31, 2019, there were 126 executed franchise license sales or letters-of-intent, compared to 99 for the year ended December 31, 2018.”
>
> *Regional Developer Fees*. “Increased due to the sale of additional developer territories and the related revenue recognition over the life of the regional developer agreements. We sold three new regional developer territories in 2019 and four new territories in 2018. Given the ratable recognition of the revenue, the agreements executed during the course of 2018 now have a full year of recognition in 2019.”
>
> *Software Fees Revenue*. “Increased due to an increase in our franchise clinic base and the related revenue recognition over the term of the franchise agreement as described above.”
>
> *Other Revenues*. “Primarily consist of merchant income associated with credit card transactions.”

Cost of Revenues. Cost of revenues increased $1,255,668 between periods and decreased as a percentage of revenues from 14% to 11.5%. “For the year ended December 31, 2019, as compared with the year ended December 31, 2018, the total cost of revenues increased primarily due to an increase in regional developer royalties of $1.0 million, which is in line with an increase in 35 Table of Contents franchise royalty revenues of 34% coupled with a larger portion of our franchise base operating in regional developer territories.”

Expenses. Total selling, general and administrative expenses increased 48% to $39,355,996 from $26,679,926 in 2018 and decreased as a percentage of revenues to 81% from 84% in the prior period. “Components of these costs include executive management, supervisory and staff salaries, bonuses and related taxes and employee benefits, marketing, travel, information systems, training, support center rent and related occupancy costs, and professional and consulting fees.”

Net Income. The company reported net income before taxes of $3,372,418 for 2019 as compared to net income before taxes of $215,355 in 2018. Additionally, the company had net income of $3,323,712 in 2019 as compared to net income of $253,083 in 2018.

2019

Stock Price at Year-End	$16.14	Diluted Earnings-Per-Share (EPS)	$ 0.23
Total Shares Outstanding	13,882,932	YOY Diluted EPS Growth	1050.00%
Market Cap	$224,070,522		
		Price/Sales	4.62
		P/E	67.42
Sales	$ 48,450,900		
YOY Sales Growth	52.41%		
Income before income tax (benefit) expense	$ 3,372,418	Stock IRR to June 30, 2021	200.1%
Net Income and Comprehensive Income	$ 3,323,712	Total Return to June 30, 2021	420.0%

Key Press Releases

- Alta Fox Presentation
- The Joint Corp. Joins Russell 2000® and 3000® Indexes
- The Joint Chiropractic is the Official Chiropractor for Georgia Tech Athletics
- The Joint Chiropractic Reaches Milestone: Opening of 500th Clinic

2020

Results of Operations

Year Ended December 31, 2020 compared to the Year Ended December 31, 2019

Revenues. Revenues increased from $48,450,900 to $58,682,976, or 21% over the prior period.

> *Royalty Fees and Advertising Fund Revenue*. "Increased due to an increase in the number of franchised clinics in operation along with continued sales growth in existing franchised clinics. These increases were partially offset by the 36 Table of Contents sales decline in the existing franchised clinics due to the pandemic. As of December 31, 2020, and 2019, there were 515 and 453 franchised clinics in operation, respectively."
>
> *Franchise Fees*. "Increased due to an increase in executed franchise agreements, as these fees are recognized ratably over the term of the respective franchise agreement. For the year ended December 31, 2020, there were executed franchise license sales or letters-of-intent for 121 franchise licenses, compared to 126 for the year ended December 31, 2019."
>
> *Regional Developer Fees*. "Increased due to the sale of additional developer territories and the related revenue recognition over the life of the regional developer agreements. We entered into two new regional developer agreements in 2020 collectively covering five states and one new regional developer agreement in 2019 covering a number of counties in each of three states. Given the ratable recognition of the revenue, the agreements executed during the course of 2019 now have a full year of recognition in 2020."
>
> *Software Fees Revenue*. "Increased due to an increase in our franchise clinic base and the related revenue recognition over the term of the franchise agreement as described above."
>
> *Other Revenues*. "Primarily consist of merchant income associated with credit card transactions."

Cost of Revenues. Cost of revenues increased $941,551 between periods and decreased as a percentage of revenues from 11.5% to 11%. “For the year ended December 31, 2020, as compared with the year ended December 31, 2019, the total cost of revenues increased primarily due to an increase in regional developer royalties of $0.9 million, which is in line with an increase in franchise royalty revenues of 17%, coupled with a larger portion of our franchise base operating in regional developer territories.”

Expenses. Total selling, general and administrative expenses increased 19% to $46,734,699 from $39,355,996 in 2019 and decreased as a percentage of revenues to 80% from 81% in the prior period. “Components of these costs include executive management, supervisory and staff salaries, bonuses and related taxes and employee benefits, marketing, travel, information systems, training, support center rent and related occupancy costs, and professional and consulting fees.”

Net Income. The company reported net income before taxes of $5,412,652 for 2020 as compared to net income before taxes of $3,372,418 in 2019. Additionally, the company had net income of $13,167,314 in 2020 as compared to net income of $$3,323,712 in 2019. “As of December 31, 2020, we recorded an income tax benefit of $7.8 million primarily due to the reduction in the valuation allowance. The valuation allowance was reduced because the weight of evidence regarding the future realizability of the deferred tax assets had become predominately positive and realization of the deferred tax assets was more likely than not. The positive evidence considered in our assessment of the realizability of the deferred tax assets included the generation of significant positive cumulative income for the three-year period ended December 31, 2020 and projections of future taxable income. Based on our earnings performance trend and expected continued profitability, management determined it was more likely than not that all of our deferred tax assets would be realized.”

2020

Stock Price at Year-End	$26.26	Diluted Earnings-Per-Share (EPS)	$ 0.90
Total Shares Outstanding	14,157,070	YOY Diluted EPS Growth	291.00%
Market Cap	$371,764,658		
		Price/Sales	6.34
		P/E	28.23
Sales	$ 58,682,976		
YOY Sales Growth	21.12%		
Income before income tax (benefit) expense	$ 5,412,652	Stock IRR to June 30, 2021 (6 mos)	219.6%
Net Income and Comprehensive Income	$ 13,167,314	Total Return to June 30, 2021	219.6%

Key Press Releases

- The Joint Corp. Secures $7.5 Million Line of Credit with J.P. Morgan Chase Bank
- Letter to The Joint Community
- Matt Miller Value Investors Club write-up

Nine Months Ended 2021

Results of Operations

Nine Months Ended September 30, 2021 compared to Nine Months Ended September 30, 2020

Revenues. Revenues increased from $41,644,832 to $58,758,383, or 41% over the prior period.

> *Corporate Clinics*. "Revenues from company-owned or managed clinics increased, primarily due to improved same-store sales growth, as well as due to the expansion of our corporate owned or managed clinics portfolio and the negative impact of the same-store sale decline due to the pandemic in the second quarter of 2020 relative to the same quarter of 2021, which decline is included in the revenues for company-owned or managed clinics for the nine months ended September 30, 2020."
>
> *Royalty Fees and Advertising Fund Revenue*. "Increased due to an increase in the number of franchised clinics in operation during the current period along with continued sales growth in existing franchised clinics and the negative impact of the same-store sale decline due to the pandemic in the second quarter of 2020 relative to the same quarter of 2021, which decline is included in the revenues for franchised clinics for the nine months ended September 30, 2020. As of September 30, 2021 and 2020, there were 583 and 497 franchised clinics in operation, respectively."
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> *Franchise Fees*. "Increased due to an increase in executed franchise agreements, as these fees are recognized ratably over the term of the respective franchise agreement."
>
> *Software Fees Revenue*. "Increased due to an increase in our franchised clinic base and the related revenue recognition over the term of the franchise agreement as described above."
>
> *Other Revenues*. "Primarily consist of merchant income associated with credit card transactions."

Cost of Revenues. Cost of revenues increased $1,537,934 between periods and decreased as a percentage of revenues from 11% to 10%. "For the nine months ended September 30, 2021, as compared with the nine months ended September 30, 2020, the total cost of revenues increased due to an increase in regional developer royalties and sales commissions of $1.0 million and due to an increase in website hosting cost of $0.5 million."

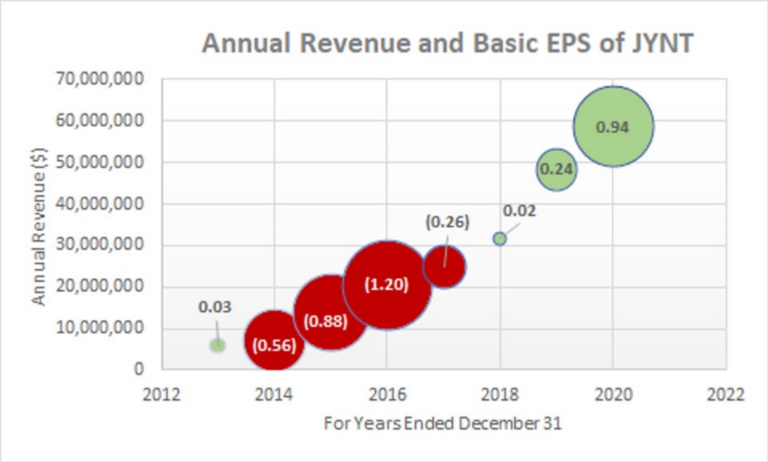
Expenses. Total selling, general and administrative expenses increased 37% to $47,292,135 from $34,414,913 nine months ended 2020 and decreased as a percentage of revenues to 80% from 83% in the prior period. "Components of these costs include executive management, supervisory and staff salaries, bonuses and related taxes and employee benefits, marketing, travel, information systems, training, support center rent and related occupancy costs, and professional and consulting fees."

Net Income. The company reported net income before taxes of $5,291,255 nine months ended 2021 as compared to net income before taxes of $2,662,042 nine months ended 2020. Additionally, through nine months ended, the company had net income of $6,935,751 in 2021 as compared to net income of $2,534,491 in 2020.

2021			
Stock Price as of 9/30	$98.02	Diluted Earnings-Per-Share (EPS)	$ 0.46
Total Shares Outstanding	14,413,339	YOY Diluted EPS Growth	171.00%
Market Cap	$1,412,795,489		
		Price/Sales TTM	20.4
		P/E TTM	82.85
Sales	$ $58,758,383		
YOY Sales Growth	37.42%		
Income before income tax (benefit) expense	$ 5,291,255		
Net Income	$ 6,935,751		

Key Press Releases

- The Joint Corp. Acquires 8 Previously Franchised Clinics and Opens 2 Greenfield Clinics, Increasing the Corporate Portfolio to 74 Clinics
- The Joint Corp. Set to Join S&P SmallCap 600
- Third Quarter 2021 Financial Results Released



Alex Klaus Interview

Alex Klaus, a premium member of the Co/Investor Club, is the chief investment officer and founder of Addisco Value LLC. Addisco Value aims "to positively and sustainably impact human lives, and the communities" within which they serve. "In 2013, Alex brought the addition of The Joint chiropractic clinics to the company" and opened 10 units in less than three years. Originally from Germany, Alex graduated from Coastal Carolina in 2005 and now sits on the board of visitors for the Wall College of Business while simultaneously representing the Wall Fellows program as an executive board member. As an operator, we believe Alex offers a unique view of The Joint's business and we requested an interview with him. A summary of our discussion follows:

Question (1): What attracted you to the Joint's franchising opportunities?

Originally, I was attracted to The Joint because of the highly fragmented industry in chiropractic care without any large recognizable brand. On top, The Joint business model solved (and still solves) some critical issues in the delivery of chiropractic care: It makes care affordable, and convenient in regards to opening times and (no) appointment setting.

Question (2): In your opinion, what is the weakest component of the Joint's business?

At this point, and eight years into the journey as a multi-unit franchise owner in the brand, the big issue is a shortage in doctors of chiropractic: Even though we pay above-market comp, we are currently unable to attract the doctors we need to grow our top line.

Question (3): Do you anticipate increasing headwinds moving forward?

Realistically, we are facing some headwinds: As The Joint has grown, it has grabbed so many doctors of chiropractic from the available labor pool that cost of labor will continue to rise and push margins lower, and lack of doctors will also lead to top line stagnation, in my opinion. Some copy cats are emerging and will increase competition, so the upcoming five years will be much harder than the previous five.

Question (4): What do you think caused the market to recognize The Joint's value in such a brief period of time?

After going public in 2014, then-CEO John Richards and CFO David Orwasher made some grave mistakes in judgment, which lead to increased cash burn and eventually forced the company towards secondary offerings to stay afloat, tanking shares.

Humility and reason returned to the culture when Peter Holt took over the CEO role in 2016. Why it took public markets almost 3 years to appreciate the change back to an asset-light, franchise sales focused strategy, I don't know. Everyone willing to listen could have seen the turnaround in 2017 and beyond. My guess is the market cap and float were too small for most market players to pay attention.

Question (5): What is The Joint currently doing that its competitors are not?

Ten years ago, The Joint was creating an evolution in the delivery of chiropractic care. It has benefited from its first mover advantage, and possibly from a fixed mindset in the chiropractic industry. But is The Joint doing anything competitors are not? I don't think so - unless you consider traditional chiropractors' competitors, which I personally don't. If you ask patients, however, they will tell you that The Joint is affordable and easy to use (no appointments, first come first serve), open weekends.

Summary

JYNT spent much of the second half of 2016 in the $2 range since SG&A expenses had soared as a percentage of revenue. In hindsight, this created an optimal buying opportunity as the company continued to increase sales and execute on its growth plans, with only a modest increase in the total number of shares outstanding over this period. However, it should be noted that other buying opportunities were available despite classic value metrics appearing expensive at first glance. Had an investor purchased JYNT at a 450x multiple of earnings in 2018, their total return would have neared 1,000%.

This paper expresses no opinion over the future direction of JYNT's stock, but rather is meant to be a record of the Joint's financial history. Given the success of The Joint, there has been a wave bulls and bears. We have taken both viewpoints into account. The bulls believe JYNT has a larger positive upside and provided aggressive valuations. The bears have raised concerns in public light both of the valuation and business model.