

JOINT Corp
Form 10-Q
August 10, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36724

The Joint Corp.

(Exact name of registrant as specified in its charter)

Delaware **90-0544160**
(State or other jurisdiction of incorporation or
organization) **(IRS Employer Identification No.)**

16767 N. Perimeter Drive, Suite 240, Scottsdale
Arizona **85260**
(Address of principal executive offices) **(Zip**
Code)

(480) 245-5960
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Act). Yes No

As of August 3, 2018, the registrant had 13,725,994 shares of Common Stock (\$0.001 par value) outstanding.

THE JOINT CORP.

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PART I: FINANCIAL INFORMATION**ITEM 1. UNAUDITED FINANCIAL STATEMENTS****THE JOINT CORP. AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2018 (unaudited)	December 31, 2017 (as adjusted)
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,583,025	\$4,216,221
Restricted cash	124,899	103,819
Accounts receivable, net	1,166,722	1,138,380
Notes receivable - current portion	180,706	171,928
Deferred franchise costs - current portion	539,517	498,433
Prepaid expenses and other current assets	632,791	542,342
Total current assets	7,227,660	6,671,123
Property and equipment, net	3,658,823	3,800,466
Notes receivable, net of current portion	259,255	351,857
Deferred franchise costs, net of current portion	2,483,977	2,312,837
Intangible assets, net	1,645,268	1,760,042
Goodwill	2,916,426	2,916,426
Deposits and other assets	596,251	623,308
Total assets	\$18,787,660	\$18,436,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$723,359	\$1,068,669
Accrued expenses	120,941	86,959
Co-op funds liability	107,134	89,681
Payroll liabilities	971,968	867,430
Notes payable - current portion	100,000	100,000
Deferred rent - current portion	164,018	152,198
Deferred franchise revenue - current portion	2,039,598	1,994,182
Deferred revenue from company clinics	937,526	867,804
Other current liabilities	403,160	152,534
Total current liabilities	5,567,704	5,379,457
Notes payable, net of current portion	1,000,000	1,000,000
Deferred rent, net of current portion	731,651	802,492

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Deferred franchise revenue, net of current portion	9,657,869	9,552,746
Deferred tax liability	60,552	136,434
Other liabilities	424,616	411,497
Total liabilities	17,442,392	17,282,626
Commitments and contingencies		
Stockholders' equity:		
Series A preferred stock, \$0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of June 30, 2018, and December 31, 2017	-	-
Common stock, \$0.001 par value; 20,000,000 shares authorized, 13,738,078 shares issued and 13,723,994 shares outstanding as of June 30, 2018 and 13,600,338 shares issued and 13,586,254 outstanding as of December 31, 2017	13,738	13,600
Additional paid-in capital	37,851,248	37,229,869
Treasury stock 14,084 shares as of June 30, 2018 and December 31, 2017, at cost	(86,045)	(86,045)
Accumulated deficit	(36,433,673)	(36,003,991)
Total stockholders' equity	1,345,268	1,153,433
Total liabilities and stockholders' equity	\$18,787,660	\$18,436,059

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE JOINT CORP. AND SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(as adjusted)		(as adjusted)	
Revenues:				
Revenues and management fees from company clinics	\$3,420,685	\$2,679,937	\$6,677,309	\$5,176,271
Royalty fees	2,421,185	1,854,087	4,695,173	3,560,160
Franchise fees	449,144	363,834	797,481	659,374
Advertising fund revenue	687,752	621,578	1,346,782	1,220,014
Software fees	315,910	282,525	623,385	549,538
Regional developer fees	137,412	98,741	272,423	162,887
Other revenues	124,744	99,348	242,194	178,953
Total revenues	7,556,832	6,000,050	14,654,747	11,507,197
Cost of revenues:				
Franchise cost of revenues	977,782	700,986	1,850,550	1,335,841
IT cost of revenues	73,802	65,452	173,366	124,313
Total cost of revenues	1,051,584	766,438	2,023,916	1,460,154
Selling and marketing expenses	1,293,663	1,058,224	2,395,967	2,016,930
Depreciation and amortization	404,975	503,226	792,392	1,081,212
General and administrative expenses	4,656,308	4,667,688	9,731,234	9,231,765
Total selling, general and administrative expenses	6,354,946	6,229,138	12,919,593	12,329,907
Loss on disposition or impairment	250,704	-	250,704	417,971
Loss from operations	(100,402)	(995,526)	(539,466)	(2,700,835)
Other income (expense):				
Bargain purchase gain	75,264	-	75,264	-
Other income (expense), net	(11,689)	(24,031)	(22,884)	(43,496)
Total other income (expense)	63,575	(24,031)	52,380	(43,496)
Loss before income tax expense	(36,827)	(1,019,557)	(487,086)	(2,744,331)
Income tax benefit (expense)	(5,951)	(2,583)	57,404	(43,192)
Net loss and comprehensive loss	\$(42,778)	\$(1,022,140)	\$(429,682)	\$(2,787,523)
Loss per share:				
Basic and diluted loss per share	\$(0.00)	\$(0.08)	\$(0.03)	\$(0.21)
Basic and diluted weighted average shares	13,622,710	13,127,255	13,605,370	13,085,159

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE JOINT CORP. AND SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	Six Months Ended	
	June 30,	
	2018	2017
	(as adjusted)	
Cash flows from operating activities:		
Net loss	\$(429,682)	\$(2,787,523)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	792,392	1,081,212
Loss on sale of property and equipment	974	-
Loss on disposition or impairment of assets	250,704	417,971
Net franchise fees recognized upon termination of franchise agreements	(72,450)	-
Bargain purchase gain	(75,264)	-
Deferred income taxes	(75,882)	55,332
Stock based compensation expense	346,629	227,121
Changes in operating assets and liabilities:		
Accounts receivable	104,939	(161,302)
Income taxes receivable	-	38,960
Prepaid expenses and other current assets	(90,449)	(57,721)
Deferred franchise costs	(260,774)	129,101
Deposits and other assets	42,359	49,187
Accounts payable	(384,538)	(83,621)
Accrued expenses	33,982	(32,572)
Co-op funds liability	17,453	9,337
Payroll liabilities	104,538	(140,877)
Other liabilities	13,041	(96,492)
Deferred rent	(59,021)	(343,191)
Deferred revenue	354,259	906,444
Net cash provided by (used in) operating activities	613,210	(788,634)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(80,000)	-
Purchase of property and equipment	(370,757)	(106,254)
Payments received on notes receivable	83,824	25,826
Net cash used in investing activities	(366,933)	(80,428)
Cash flows from financing activities:		
Borrowings on revolving credit note payable	-	1,000,000
Proceeds from exercise of stock options	141,607	83,495
Repayments on notes payable	-	(231,500)
Net cash provided by financing activities	141,607	851,995
Increase (decrease) in cash	387,884	(17,067)

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Cash and restricted cash, beginning of period	4,320,040
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