

JOINT Corp
Form 10-Q
November 09, 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 September 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 **(IRS Employer Identification No.)**
organization)

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 every Interactive Data File required to be submitted 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 such files). Yes No

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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
Non-accelerated filer Smaller reporting company
Emerging growth company

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 November 2, 2018, the registrant had 13,734,193 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**

	September 30, 2018 (unaudited)	December 31, 2017 (as adjusted)
ASSETS		
Current assets:		
Cash and cash equivalents	\$5,611,008	\$4,216,221
Restricted cash	185,396	103,819
Accounts receivable, net	1,204,957	1,138,380
Notes receivable - current portion	145,677	171,928
Deferred franchise costs - current portion	573,893	498,433
Prepaid expenses and other current assets	702,233	542,342
Total current assets	8,423,164	6,671,123
Property and equipment, net	3,269,739	3,800,466
Notes receivable, net of current portion and reserve	167,466	351,857
Deferred franchise costs, net of current portion	2,668,493	2,312,837
Intangible assets, net	1,765,322	1,760,042
Goodwill	2,916,426	2,916,426
Deposits and other assets	593,009	623,308
Total assets	\$19,803,619	\$18,436,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$911,618	\$1,068,669
Accrued expenses	103,801	86,959
Co-op funds liability	145,766	89,681
Payroll liabilities	1,288,436	867,430
Notes payable - current portion	100,000	100,000
Deferred rent - current portion	143,713	152,198
Deferred franchise revenue - current portion	2,165,112	1,994,182
Deferred revenue from company clinics	1,002,578	867,804
Other current liabilities	327,924	152,534
Total current liabilities	6,188,948	5,379,457
Notes payable, net of current portion	1,000,000	1,000,000
Deferred rent, net of current portion	724,651	802,492

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Deferred franchise revenue, net of current portion	10,148,199	9,552,746
Deferred tax liability	-	136,434
Other liabilities	407,028	411,497
Total liabilities	18,468,826	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 September 30, 2018, and December 31, 2017	-	-
Common stock, \$0.001 par value; 20,000,000 shares authorized, 13,748,678 shares issued and 13,734,008 shares outstanding as of September 30, 2018 and 13,600,338 shares issued and 13,586,254 outstanding as of December 31, 2017	13,749	13,600
Additional paid-in capital	37,997,377	37,229,869
Treasury stock 14,670 shares as of September 30, 2018 and 14,084 shares as of December 31, 2017, at cost	(90,856)	(86,045)
Accumulated deficit	(36,585,477)	(36,003,991)
Total stockholders' equity	1,334,793	1,153,433
Total liabilities and stockholders' equity	\$19,803,619	\$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 September 30,		Nine Months Ended September 30,	
	2018	2017 (as adjusted)	2018	2017 (as adjusted)
Revenues:				
Revenues and management fees from company clinics	\$3,674,704	\$2,929,850	\$10,352,013	\$8,106,121
Royalty fees	2,588,666	1,958,249	7,283,839	5,518,409
Franchise fees	457,516	381,777	1,254,997	1,041,151
Advertising fund revenue	736,987	775,221	2,083,769	1,995,235
Software fees	324,250	290,250	947,635	839,788
Regional developer fees	142,651	99,215	415,075	262,102
Other revenues	137,776	103,336	379,970	282,289
Total revenues	8,062,550	6,537,898	22,717,298	18,045,095
Cost of revenues:				
Franchise cost of revenues	1,005,162	735,554	2,855,712	2,071,394
IT cost of revenues	79,545	103,590	252,911	227,903
Total cost of revenues	1,084,707	839,144	3,108,623	2,299,297
Selling and marketing expenses	1,194,595	1,172,559	3,590,562	3,189,489
Depreciation and amortization	389,269	468,800	1,181,661	1,550,013
General and administrative expenses	5,242,026	4,462,922	14,973,261	13,694,691
Total selling, general and administrative expenses	6,825,890	6,104,281	19,745,484	18,434,193
Loss on disposition or impairment	343,255	-	593,960	417,971
Loss from operations	(191,302)	(405,527)	(730,769)	(3,106,366)
Other income (expense):				
Bargain purchase gain	-	-	75,264	-
Other income (expense), net	(10,672)	9,907	(33,556)	(33,589)
Total other income (expense)	(10,672)	9,907	41,708	(33,589)
Loss before income tax expense	(201,974)	(395,620)	(689,061)	(3,139,955)
Income tax benefit (expense)	50,171	(36,085)	107,575	(79,277)
Net loss and comprehensive loss	\$(151,803)	\$(431,705)	\$(581,486)	\$(3,219,232)
Loss per share:				
Basic and diluted loss per share	\$(0.01)	\$(0.03)	\$(0.04)	\$(0.24)
Basic and diluted weighted average shares	13,727,712	13,262,032	13,646,599	13,144,764

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)**

	Nine Months Ended September 30,	
	2018	2017 (as adjusted)
Cash flows from operating activities:		
Net loss	\$(581,486)	\$(3,219,232)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,181,661	1,550,013
(Gain) loss on sale of fixed assets	974	(34,355)
Loss on disposition or impairment of assets	593,960	417,971
Net franchise fees recognized upon termination of franchise agreements	(186,850)	(46,115)
Bargain purchase gain	(75,264)	-
Deferred income taxes	(136,434)	66,697
Stock based compensation expense	469,405	412,512
Changes in operating assets and liabilities:		
Accounts receivable	(59,857)	(303,590)
Income taxes receivable	-	38,960
Prepaid expenses and other current assets	(159,891)	(105,252)
Deferred franchise costs	(510,266)	110,145
Deposits and other assets	45,601	70,632
Accounts payable	(225,839)	(336,535)
Accrued expenses	14,628	(168,332)
Co-op funds liability	56,085	24,942
Payroll liabilities	421,006	(216,540)
Other liabilities	(79,783)	(493,122)
Deferred rent	(86,326)	(377,995)
Deferred revenue	1,207,089	1,015,775
Net cash provided by (used in) operating activities	1,888,413	(1,593,421)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(100,000)	-
Purchase of property and equipment	(531,162)	(190,589)
Reacquisition and termination of regional developer rights	(278,250)	-
Payments received on notes receivable	210,642	39,888
Net cash used in investing activities	(698,770)	(150,701)
Cash flows from financing activities:		
Borrowings on revolving credit note payable	-	1,000,000
Purchases of treasury stock under employee stock plans	(4,811)	(2,655)
Proceeds from sale of treasury stock	-	292,671
Proceeds from exercise of stock options	291,532	127,466

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Repayments on notes payable	-	(231,500)
Net cash provided by financing activities	286,721	1,185,982
Increase (decrease) in cash		