



Unusual Bullish Positioning in Joint Corp.

Ticker/Price: JYNT (\$18.75)

Analysis:

Joint Corp (JYNT) spread selling 500 April \$15 puts to buy the \$17.5/\$25 call spreads, same trade that opened Friday 500X and unusual for a name with very little open interest. JYNT shares jumped sharply in Q1/Q2 and since have consolidated in a \$16/\$20 range for the most part, looking to extend up to a new high. JYNT was a small cap write-up in May of 2018 and its market cap has since risen 150%, though remains an intriguing story as a disruptor of the fragmented chiropractic market. The \$250M Co. trades 55.2X Earnings and 6.45X Sales with revenue growth tracking at 45.7% this year, up from 27.6% last year and EPS jumping 900% to \$0.20 in FY19 and seen at \$0.34 in FY20. In the US the chiropractic market is a \$15B market and JYNT's management has vast experience operating a franchise model. JYNT is changing the traditional industry model offering more affordable solutions with no appointment necessary and private payments as opposed to insurance. Its clinics are seeing 1,000+ patient visits per month compared to 600 per month at traditional medical centers/offices. It also has strong visibility with 75% of its revenues from recurring memberships. It is operating in a highly fragmented market with 39,000 estimated independent offices, and its 373 clinics in 30 states makes it the largest player with a franchise model. The company estimates the ability to grow to 1,700+ clinics based on current usage patterns. Short interest has risen to 12% of the float. B. Riley started coverage at Buy with a \$23 target in June, and JYNT will speak at a B. Riley Conference on 10-3. B. Riley sees two primary drivers for JYNT's business model, consumers with a growing interest in wellness, and many chiropractic doctors want to escape the insurance-based model. Furthermore, JYNT is attracting new customers to chiropractic services at a rate considerably higher than that of the broader industry. They also believe that JYNT has the potential to outperform during economic downturns, as healthcare expenditures in the U.S. demonstrated growth and increased as a percentage of GDP during the previous two recessions. Firm expects JYNT shares to reflect strong company growth while simultaneously offering the qualities of a defensive stock.

Hawk Vision:



Hawk's Perspective: JYNT shares have already risen considerably since discovering this last year but continue to really like this niche business model and impressive performance, a long-term name to own.

Confidence Ranking: \$\$