

THE ENSIGN GROUP, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION
(In thousands, except per share data)
(Unaudited)

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME

	Three Months Ended March 31,	
	2020	2019
Net income from continuing operations	\$ 40,849	\$ 21,480
Net income from discontinued operations, net of tax	-	5,892
Net income attributable to The Ensign Group, Inc.	\$ 40,849	\$ 27,372
Non-GAAP adjustments for continuing operations:		
Share-based compensation expense(a)	3,235	2,456
Results related to operations not at full capacity(b)	416	349
Acquisition related costs(c)	50	26
Depreciation and amortization - patient base(d)	213	70
Provision for income taxes on Non-GAAP adjustments(e)	(1,809)	(2,161)
Non-GAAP income from continuing operations	\$ 42,954	\$ 22,220
Non-GAAP income from discontinued operations(f)	-	8,583
Non-GAAP Net Income	\$ 42,954	\$ 30,803
Average number of shares outstanding	55,796	55,698

Diluted Earnings Per Share As Reported

Continuing operations	\$ 0.73	\$ 0.39
Discontinued operations	-	0.10
Diluted income per share attributable to The Ensign Group, Inc.	\$ 0.73	\$ 0.49

Adjusted Diluted Earnings Per Share

Continuing operations	\$ 0.77	\$ 0.40
Discontinued operations	-	0.15
Diluted income per share attributable to The Ensign Group, Inc.	\$ 0.77	\$ 0.55

Footnotes:

(a) Represents share-based compensation expense incurred.

	Three Months Ended March 31,	
	2020	2019
Cost of services	\$ 2,111	\$ 1,516
General and administrative	1,124	940
Total Non-GAAP adjustment	\$ 3,235	\$ 2,456

(b) Represents results to operations not at full capacity

	Three Months Ended March 31,	
	2020	2019
Revenue	\$ (729)	\$ -
Cost of services	1,071	264
Rent	22	76
Depreciation and amortization	52	9
Total Non-GAAP adjustment	\$ 416	\$ 349

(c) Represents costs incurred to acquire an operation which are not capitalizable.

(d) Included in depreciation and amortization are expenses related to patient base intangible assets at newly acquired skilled nursing and senior living facilities.

(e) Represents an adjustment to the provision for income tax to our historical year to date effective tax rate of 25.0% for the three months ended March 31, 2020 and 2019.

(f) Represents results of the home health, hospice and senior living operations we transferred to the Pennant Group, Inc. as a result of the Spin-Off.

	Three Months Ended March 31,	
	2020	2019
Revenue	\$ -	\$ 77,730
Cost of services	-	(57,448)
General and administrative expenses	-	(2,393)
Rent	-	(5,598)
Depreciation and amortization	-	(658)
Interest income, net	-	11
Provision for income taxes	-	(2,911)
Non-controlling interest	-	(150)
Non-GAAP net income from discontinued operations	\$ -	\$ 8,583