



The Ensign Group Reports First Quarter 2009 Earnings of \$0.38 per Share; Reaffirms 2009 Guidance

--Conference Call and Webcast Scheduled for May 7, 2009 at 10:30 a.m. PT

MISSION VIEJO, Calif., May 6, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- The Ensign Group, Inc. (Nasdaq: ENSG), the parent company of the Ensign(TM) group of skilled nursing, rehabilitative care services and assisted living companies, today reported record results for the first quarter of fiscal year 2009.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20071213/LATH168LOGO>)

Quarter-over-Quarter Highlights Include:

- Total revenue was a record \$130.3 million, up 14.5% compared to \$113.8 million for the first quarter of 2008;
- Same-store skilled mix by revenue increased 105 basis points to 48.0%;
- The same-store average daily rate per skilled resident increased by 6.6% to \$452 per day, an increase of \$28 per patient day, as the company's overall patient base continued shifting to a higher acuity mix;
- Consolidated EBITDAR improved 22.4% to \$21.1 million in the quarter, and EBITDAR margins improved by 105 basis points to 16.2%; and
- Consolidated net income climbed 25.1% to \$7.9 million, compared to \$6.3 million the year before.

Operating Results

Commenting on the results, Ensign President and Chief Executive Officer Christopher Christensen said, "We're pleased to be able to post record results while simultaneously continuing to grow through difficult economic times." He credited Ensign's facility-level owner-leaders, whose efforts and expertise drive not only operating results but also sound acquisition decisions, for the company's continued success. "This kind of competent and empowered local leadership is invaluable in a challenging and changing environment," he added.

He also said that the company's same-store Medicare rate improved by \$39 per day, an increase of 7.9%. "We continue to have tremendous built-in upside in our portfolio," he noted, pointing out that both in the quarter and historically the majority of Ensign's overall same-store rate and revenue growth has been heavily driven by the ongoing shift to higher skilled mix and acuity in Ensign's patient base, rather than by market basket adjustments.

In the quarter, revenues and earnings climbed even while same store operational skilled nursing occupancy remained relatively flat at 82.4%. Overall occupancy declined by 2.2%, primarily as a result of low initial occupancy in the newly acquired facilities, which collectively averaged 60% occupancy at acquisition, a decline in assisted living occupancy of 7.0%, and the temporary unavailability of some useable beds as two facilities remodeled and prepared to open new subacute units. One of those units, a 26-bed ventilator unit located within the company's Carmel Mountain Rehabilitation & Healthcare Center in San Diego County, California, opened on March 1, 2009 and is now in fill-up.

The company generated net cash from operations of \$10.4 million in the quarter. Net cash used in investing activities during the quarter was \$17.6 million, which was primarily related to purchases of property and equipment of \$4.9 million, and asset acquisitions and business acquisitions of \$22.1 million, which was partially offset by \$10.1 million in escrowed funds carried over from the immediately preceding quarter.

Consolidated EBITDA grew by 31.5% or \$4.2 million to \$17.4 million from last year's \$13.2 million, and EBITDAR climbed to \$21.1 million from \$17.2 million in the first quarter of 2008, an increase of \$3.9 million. A discussion of the company's use of non-GAAP financial measures is set forth below, and a reconciliation of net income to EBITDAR and EBITDA appears in the

financial data portion of this release.

Fully diluted net earnings per share was \$0.38 for the quarter, compared to \$0.31 per share in the prior year. Excluding FAS 141R acquisition expenses and amortization of patient bases, adjusted net income was \$8.1 million or \$0.39 per diluted share. When acquiring existing operations, the acquired patient base is amortized over a period of four to eight months, resulting in a non-cash charge to earnings. During the quarter the company was still amortizing the acquired patient bases in the 755 operational beds at its eight recent acquisitions.

More complete information is contained in the Company's 10-Q, which was filed with the SEC today and can be viewed on the Company's website at <http://www.ensigngroup.net>.

2009 Guidance Reaffirmed

Management reaffirmed its 2009 annual guidance, projecting revenues of \$543 million to \$548 million, and net income of \$1.58 per share to \$1.63 per share for the year. The guidance is based on diluted weighted average common shares outstanding of 21.5 million and assumes, among other things, no additional acquisitions or dispositions beyond those made to date, and a continued stable reimbursement environment.

Recent Highlights

On January 1, 2009, Ensign acquired Cabrillo Care Center, a 156-bed skilled nursing facility in San Luis Obispo, California. An Ensign operating subsidiary assumed the property's existing long-term lease from a long-time operator who was retiring. The facility, which had an occupancy rate of 58% at acquisition, has an outstanding history of clinical quality, a stable long-term staff and an excellent reputation in the community.

Also on January 1, 2009, Ensign acquired Southland Healthcare Center, a 150-bed skilled nursing facility in Lufkin, Texas. The strategic acquisition, which had an occupancy rate of only 56% at acquisition, enhanced Ensign's growing critical mass in the East Texas area. The physical plant is in good condition and includes 18 highly-desirable private suites.

On February 1, 2009, Ensign expanded into Colorado, acquiring four long-term care facilities in the Denver metropolitan area. The facilities included Littleton Manor, a 35-bed skilled nursing facility in Littleton, Arvada Nursing Center, a 50-bed skilled nursing facility in Arvada, Julia

Temple Center, a 125-bed skilled nursing facility in Englewood, and Chateau des Mons, a 38-bed assisted living facility in Englewood. Ensign purchased the facilities, which had a combined occupancy rate of approximately 86% at acquisition, from a not-for-profit corporation that had owned and operated them since 1990.

On March 27, 2009, Ensign completed the acquisition of Plymouth Tower, a 116-bed continuing care retirement community in Riverside, California. An Ensign operating subsidiary is managing the facility, which had an occupancy rate of 20% at acquisition. The 42-year old facility is slated to undergo extensive renovations in 2009-10, but will remain in partial operation throughout the construction process.

Other Developments

On April 9, 2009, Ensign announced that its Mt. Ogden Health & Rehabilitation Center in Ogden, Utah had successfully graduated from the Centers for Medicare and Medicaid Services' Special Focus Facility program. The 108-bed skilled nursing facility, which was acquired by an Ensign operating subsidiary in July 2006, was added to the Special Focus program in 2007 based largely on events that occurred prior to Ensign's arrival. Special Focus status is invoked based on a facility's operating history going back three years, regardless of whether a change of ownership has occurred over that time. The Mt. Ogden team completed the complex turnaround in less than 16 months, making Mt. Ogden the third Ensign acquisition to successfully graduate from the Special Focus program. At present, one other recently-acquired Ensign facility is working toward graduation from the program.

Conference Call

A live webcast will be held on Thursday, May 7, 2009, at 10:30 a.m. Pacific Time (1:30 p.m. Eastern Time) to discuss Ensign's first quarter financial results. To listen to the webcast, or to view any financial or other statistical information required by SEC Regulation G, please visit the Investors section of the Ensign website at <http://investor.ensigngroup.net>. The webcast will be recorded, and will be available for replay via the website until 5:00 p.m. Pacific Time on Friday, May 15, 2009.

About Ensign(TM)

The Ensign Group, Inc.'s operating subsidiaries provide a broad spectrum of skilled nursing and assisted living services,

physical, occupational and speech therapies, and other rehabilitative and healthcare services for both long-term residents and short-stay rehabilitation patients at 70 care facilities in California, Arizona, Texas, Washington, Utah, Idaho and Colorado. Each of these facilities is operated by a separate, wholly-owned independent operating subsidiary that has its own management, employees and assets. References herein to the consolidated "Company" and "its" assets and activities, as well as the use of the terms "we," "us," "our" and similar verbiage are not meant to imply that The Ensign Group, Inc. has direct operating assets, employees or revenue, or that any of the facilities, the Service Center or the captive insurance subsidiary are operated by the same entity. More information about Ensign is available at <http://www.ensigngroup.net>.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:

This press release contains, and the related conference call and webcast will include, forward-looking statements that are based on management's current expectations, assumptions and beliefs about our business, financial performance, operating results, the industry in which we operate and other future events. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. These forward-looking statements include, but are not limited to, statements regarding our growth prospects, future operating and financial performance, are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause our actual results to materially and adversely differ from those expressed in any forward-looking statement.

These risks and uncertainties relate to our business, our industry and our common stock and include: reduced prices and reimbursement rates for our services; our ability to acquire, develop, manage or improve facilities, our ability to manage our increasing borrowing costs as we incur additional indebtedness to fund the acquisition and development of facilities; our ability to access capital on a cost-effective basis to continue to successfully implement our growth strategy; our operating margins and profitability could suffer if we are unable to grow and manage effectively our increasing number of facilities; competition from other companies in the acquisition, development and operation of facilities; and the application of existing or proposed government regulations, or the adoption of new laws and regulations, that could limit our business operations, require us to incur significant expenditures or limit our ability to relocate our facilities if necessary. Readers should not place undue reliance on any forward-looking statements and are encouraged to review our periodic filings with the Securities and Exchange Commission, including our Form 10-K, which was filed today, for a more complete discussion of the risks and other factors that could affect Ensign's business, prospects and any forward-looking statements. Except as required by the federal securities laws, Ensign does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changing circumstances or any other reason after the date of this press release.

Condensed Consolidated Statements of Income
(in thousands, except per share data)

	Three Months Ended March 31,	

	2009	2008
	----	----
Revenue	\$130,285	\$113,779
Expense:		
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	104,199	91,434
Facility rent-cost of services	3,701	3,999
General and administrative expense	4,961	5,092
Depreciation and amortization	2,965	1,990
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Total expenses	115,826	102,515
Income from operations	14,459	11,264
Other income (expense):		
Interest expense	(1,328)	(1,201)
Interest income	70	483
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Other expense, net	(1,258)	(718)
Income before provision for income taxes	13,201	10,546
Provision for income taxes	5,278	4,212
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Net income	\$7,923	\$6,334
	=====	=====
Net income per share:		
Basic	\$0.39	\$0.31
	=====	=====
Diluted	\$0.38	\$0.31
	=====	=====
Weighted average common shares outstanding:		
Basic	20,572	20,498
	=====	=====
Diluted	20,892	20,647
	=====	=====

Condensed Consolidated Balance Sheets
(in thousands)

	March 31, 2009	December 31, 2008
	----	----
Assets		
Cash and cash equivalents	\$33,060	\$41,326
Other current assets	68,126	63,122
	-----	-----
Total current assets	101,185	104,448
Property and equipment, net	176,485	157,029
Other assets	30,659	35,424
	-----	-----
Total assets	\$308,330	\$296,901
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Current liabilities, excluding current maturities of long-term debt	\$60,175	\$56,575
Current maturities of long-term debt	1,095	1,062
	-----	-----
Total current liabilities	61,270	57,637
Long-term debt-less current maturities	59,181	59,489
Other long-term liabilities	24,196	23,754
Total Stockholders' equity	163,683	156,021
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Total liabilities and stockholders' equity	\$308,330	\$296,901
	=====	=====

Reconciliation of Net Income to EBITDAR
(in thousands)

	Three Months Ended March 31,	

	2009	2008
	----	----
Net income	\$7,923	\$6,334
Interest expense, net	1,258	718
Provision for income taxes	5,278	4,212
Depreciation and amortization	2,965	1,990
Facility rent-cost of services	3,701	3,999
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EBITDAR	\$21,125	\$17,253

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Adjusted Condensed Consolidated Statements of Income
(In thousands, except per share data)

	Three Months Ended March 31, 2009 (As Reported)	Non-GAAP Adjustments	Three Months Ended March 31, 2009 (As Adjusted)
Revenue	\$130,285		\$130,285
Expense:			
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	104,199	(114)(1)	104,085
Facility rent-cost of services	3,701		3,701
General and administrative expense	4,961		4,961
Depreciation and amortization	2,965	(223)(2)	2,742
	-----	-----	-----
Total expenses	115,826	(337)	115,489
Income from operations	14,459	337	14,796
Other income (expense):			
Interest expense	(1,328)		(1,328)
Interest income	70		70
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Other expense, net	(1,258)		(1,258)
Income before provision for income taxes	13,201	337	13,538
Provision for income taxes	5,278	135(3)	5,413
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Net income	\$7,923	202	\$8,125
	=====	===	=====
Net income per share:			
Basic	\$0.39		\$0.39
	=====	===	=====
Diluted	\$0.38		\$0.39
	=====	===	=====
Weighted average common shares outstanding:			
Basic	20,572		20,572
	=====	===	=====
Diluted	20,892		20,892
	=====	===	=====

- (1) Represents acquisition related costs expensed during the first quarter under Statement of Financial Accounting Standards (SFAS) No. 141(R), Business Combinations, which were previously capitalizable under SFAS 141.
- (2) Represents amortization costs incurred during the first quarter of fiscal year 2009 related to acquired patient base intangible assets. Acquired patient base intangible assets are amortized over a period of four to eight months, depending on the number and classification of the existing patients in a new acquisition on the acquisition date.
- (3) Represents the tax impact of non-GAAP adjustments.

Discussion of Non-GAAP Financial Measures

EBITDA consists of net income before (a) interest expense, net, (b) provisions for income taxes, and (c) depreciation and amortization. EBITDAR consists of net income before (a) interest expense, net, (b) provisions for income taxes, (c) depreciation and amortization, and (d) facility rent-cost of services. The Company believes that the presentation of EBITDAR provides important supplemental information to management and investors to evaluate the Company's operating performance. The Company believes disclosure of adjusted non-GAAP net income and non-GAAP diluted earnings per share has economic substance because the excluded expenses are infrequent in nature and are variable in nature, or do not represent current cash expenditures. A material limitation associated with the use of these measures as compared to the GAAP measures of net income and diluted earnings per share is that they may not be comparable with the calculation of net income and diluted earnings per share for other companies in the Company's industry. These non-GAAP financial measures should not be relied upon to the exclusion of GAAP financial measures. For further information regarding why the Company believes that this non-GAAP measure provides useful information to investors, the specific manner in which management uses this measure, and some of the limitations associated with the use of this measure, please refer to the Company's Report on Form 10-Q filed today with the SEC. The Form 10-Q is available on the SEC's website at www.sec.gov or under the "Financial Information" link of the Investor Relations section on Ensign's website.

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