The Ensign Group, Inc. Reports Fourth Quarter 2008 Earnings of $0.38 per Share; Issues 2009 Guidance

--Conference Call and Webcast Scheduled for February 19, 2009 at 10:30 am PT

MISSION VIEJO, Calif., Feb 18, 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 fourth quarter of fiscal year 2008.

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

Fourth Quarter Highlights Include:

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    --  Total revenue was $123.9 million, up 13.7%, compared to $109.0 million
        for the prior year quarter;
    --  Skilled mix by revenue increased 268 basis points to 46.4%;
    --  EBITDA grew by $3.8 million to $16.5 million, an increase of 30.0% over
        the fourth quarter of 2007;
    --  Same store operational skilled nursing occupancy increased by 62 basis
        points to 83.0%; and
    --  Consolidated net income for the quarter was $7.9 million, compared to
        $6.2 million the year before, an improvement of 26.2%.
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Fiscal 2008 Highlights Include:

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    --  Total revenue was $469.4 million, up 14.1%, compared to $411.3 million
        for the prior year;
    --  Overall skilled mix by revenue increased 372 basis points to 46.9%;
    --  Same store skilled revenue mix increased 370 basis points to 47.2%;
    --  EBITDA grew by $14.0 million to $57.7 million, a 32.0% increase over
        fiscal 2007; and
    --  Net income grew by 34.0% to $27.5 million from $20.5 million, while the
        net margin increased to 5.9%, up from 5.0% in 2007.
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Operating Results

Commenting on the results, Ensign President and Chief Executive Officer Christopher Christensen said, "Notwithstanding the challenges in the wider economy, we are pleased to be reporting record earnings and continued growth in our operations." He attributed the company's continuing success largely to the efforts of Ensign's 200-plus owner-leaders, who "continue to improve clinical quality, serve more skilled residents, adjust quickly to changing economic environments, and lead previously underperforming operations to higher levels."

Referring to the company's prior comments regarding anticipated acquisition opportunities in the current economic cycle, Mr. Christensen noted that the company has acquired seven very compelling facilities since its last earnings release.

"We are particularly pleased to report our recent expansion into the important state of Colorado," he said. On February 1, Ensign acquired a portfolio of four facilities in the Denver metro market. "These outstanding facilities and, more importantly, the wonderful leaders we've been fortunate to retain with them, will be an excellent platform for further expansion into Colorado and neighboring states," he added. The company expects the Colorado facilities to be accretive to earnings in 2009. Additional facilities were acquired in California, Texas and Utah.

Mr. Christensen also discussed Ensign's balance sheet and its industry-low debt ratio, noting that the company's adjusted net-debt-to-EBITDAR ratio is less than 2.0x. As of December 2008, cash and cash equivalents were $41.3 million, which excludes approximately $10.1 million in additional cash which was held in escrow on December 31 to complete two then-pending January 1, 2009 acquisitions. The company generated net cash from operations of $46.7 million for the year. Net cash used in investing activities for the year was $50.9 million, which was primarily related to purchases of property and equipment, asset acquisitions and business acquisitions of $50.4 million, and which includes the escrowed $10.1 million mentioned above.

EBITDA grew by $14.0 million in 2008 to $57.7 million, a 32% increase over fiscal 2007. 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 $0.30 per share in the prior year taking into account the effects of the November 2007 issuance of 4,000,000 additional shares at Ensign's initial public offering, and to $0.32 per share for the prior year quarter on a GAAP basis. Fully diluted net earnings per share was $1.33 for the year, compared to $1.15 per share in the prior year taking into account the effects of the initial public offering, and to $1.17 per share for 2007 on a GAAP basis.

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

2009 Guidance Issued

Management issued 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 December 1, 2008, Ensign completed the acquisition of Alta Care & Rehabilitation Center, an 85-bed skilled nursing facility in Salt Lake City, Utah. The Alta acquisition grew Ensign's footprint in Utah to six long-term care facilities with over 600 licensed beds. An Ensign operating subsidiary acquired the facility, which had an occupancy rate of 51% at acquisition, under a long-term lease with the property owner. The lease includes a fixed-price purchase option that Ensign can exercise at any time during the lease term.

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 54-bed skilled nursing facility in Arvada, Julia Temple Center, a 128-bed skilled nursing facility in Englewood, and Chateau des Mons, a 48-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.

Other Developments

In December 2008, Ensign's Board of Directors raised the quarterly cash dividend to $0.045 per share of Ensign common stock, a 12.5% increase over the prior quarterly cash dividend of $0.04 per share. Ensign has been a dividend-paying company since 2002.

On December 1, 2008, Ensign announced that its Pocatello Care & Rehabilitation Center in Pocatello, Idaho had successfully graduated from the Centers for Medicare and Medicaid Services' Special Focus program. The 88-bed skilled nursing facility received official notice from the Idaho Department of Health & Welfare that it had graduated from the Special Focus program on November 29, 2008. In its letter, IDHW recognized and commended "Ensign's commitment to improving the quality of services provided to the residents" of Pocatello Care & Rehabilitation Center. It was the second Ensign acquisition to graduate from the CMS 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, February 19, 2009, at 10:30 a.m. Pacific Time (1:30 p.m. Eastern Time) to discuss Ensign's fourth quarter and fiscal year 2008 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, March 20, 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 69 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.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
Revenue	$123,947	$108,979	$469,372	$411,318
Expense:				
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	98,378	87,837	376,742	335,014
Facility rent-cost of				

services	3,703	4,164	14,932	16,675
General and administrative expense	5,389	4,307	20,017	15,945
Depreciation and amortization	2,513	1,962	9,026	6,966
Total expenses	109,983	98,270	420,717	374,600
Income from operations	13,964	10,709	48,655	36,718
Other income (expense):				
Interest expense	(1,231)	(1,206)	(4,784)	(4,844)
Interest income	280	584	1,374	1,558
Other expense, net	(951)	(622)	(3,410)	(3,286)
Income before provision for income taxes	13,013	10,087	45,245	33,432
Provision for income taxes	5,154	3,858	17,736	12,905
Net income	$7,859	$6,229	$27,509	$20,527
Net income per share:				
Basic	$0.38	$0.35	$1.34	$1.39
Diluted	$0.38	$0.32	$1.33	$1.17
Weighted average common shares outstanding:				
Basic	20,546	17,566	20,520	14,497
Diluted	20,841	19,204	20,715	17,470

Consolidated Balance Sheets
(in thousands)

	December 31,	
	2008	2007
Assets		
Cash and cash equivalents	$41,326	$51,732
Other current assets	63,122	68,631
Total current assets	104,448	120,363
Property and equipment, net	157,029	124,861
Other assets	35,424	22,165
Total assets	$296,901	$267,389
Liabilities and stockholders' equity		
Current liabilities:		
Current liabilities, excluding current maturities of long-term debt	$56,575	$54,401
Current maturities of long-term debt	1,062	2,993
Total current liabilities	57,637	57,394
Long-term debt-less current maturities	59,489	60,577
Other long-term liabilities	23,754	19,741
Total Stockholders' equity	156,021	129,677

Total liabilities and stockholders' equity	$296,901	$267,389

Reconciliation of Net Income to EBITDAR
(in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
Net income	$7,859	$6,229	$27,509	$20,527
Interest expense, net	951	622	3,410	3,286
Provision for income taxes	5,154	3,858	17,736	12,905
Depreciation and amortization	2,513	1,962	9,026	6,966
Facility rent-cost of services	3,703	4,164	14,932	16,675
EBITDAR	$20,180	$16,835	$72,613	$60,359

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 EBITDA before facility rent-cost of services. The Company believes that the presentation of EBITDA and EBITDAR provides important supplemental information to management and investors to evaluate the Company's operating performance. 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 these non-GAAP measures provide useful information to investors, the manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to the Company's Report on Form 10-K filed today with the SEC. The Form 10-K is available on the SEC's website at www.sec.gov or under the "Financial Information" link of the Investor Relations section of Ensign's website at www.ensigngroup.net.

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