

THE ENSIGN GROUP, INC.

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION (In thousands, except per share data)

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME

The following table reconciles net income to Non-GAAP net income for the periods presented:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income attributable to The Ensign Group, Inc.	\$ 60,471	\$ 48,740	\$ 224,681	\$ 194,652
Non-GAAP adjustments				
Stock-based compensation expense(a)	6,039	4,909	22,720	18,678
Results related to operations not at full capacity(b)	—	—	—	657
Other income - gain on sale of a business	—	(902)	—	(902)
Cost of services - gain on sale of assets and business interruption recoveries	(913)	(1,825)	(4,380)	(2,365)
Cost of services - legal finding(c)	68	—	4,280	—
Interest expense - write off deferred financing fees(d)	—	—	566	—
Cost of services - acquisition related costs(e)	253	50	669	384
Depreciation and amortization - patient base(f)	107	—	320	42
General and administrative - real estate transactions and other related costs(g)	—	5,232	—	5,689
General and administrative - costs incurred related to new systems implementation(h)	682	69	1,072	186
Provision for income taxes on Non-GAAP adjustments(i)	(3,990)	(1,328)	(14,215)	(9,814)
Non-GAAP income	\$ 62,717	\$ 54,945	\$ 235,713	\$ 207,207
Average number of diluted shares outstanding	56,973	56,839	56,871	56,925
Diluted Earnings Per Share				
Net income	\$ 1.06	\$ 0.86	\$ 3.95	\$ 3.42
Adjusted Diluted Earnings Per Share				
Net Income	\$ 1.10	\$ 0.97	\$ 4.14	\$ 3.64

Footnotes:

(a) Represents stock-based compensation expense incurred.

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Cost of services	\$ 3,959	\$ 3,209	\$ 14,897	\$ 11,791
General and administrative	2,080	1,700	7,823	6,887
Total Non-GAAP adjustment	\$ 6,039	\$ 4,909	\$ 22,720	\$ 18,678

(b) Represents results to operations not at full capacity

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Revenue	\$ —	\$ —	\$ —	\$ (456)
Cost of services	—	—	—	1,041
Rent	—	—	—	38
Depreciation and amortization	—	—	—	34
Total Non-GAAP adjustment	\$ —	\$ —	\$ —	\$ 657

(c) Legal finding against our non-emergent transportation subsidiary.

(d) Represents the write off of deferred financing fees associated with the amendment of the credit facility.

(e) Represents costs incurred to acquire operations that are not capitalizable.

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

(g) Real estate transactions and other related costs include costs incurred related to the formation of Standard Bearer and other real estate related activities.

(h) Represents system implementation costs that are not capitalizable.

(i) Represents an adjustment to the provision for income tax to our historical year to date effective tax rate of 25.0%.