

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 March 31,	
	2021	2020
Net income	\$ 49,206	\$ 40,849
Non-GAAP adjustments		
Stock-based compensation expense(a)	4,054	3,235
Results related to operations not at full capacity(b)	657	416
Acquisition related costs(c)	36	50
Depreciation and amortization - patient base(d)	12	213
Cost of services - gain on sale of assets	(540)	—
Provision for income taxes on Non-GAAP adjustments(e)	(3,801)	(1,809)
Non-GAAP income	<u>\$ 49,624</u>	<u>\$ 42,954</u>
Average number of diluted shares outstanding	56,891	55,796
Diluted Earnings Per Share		
Net income	<u>\$ 0.86</u>	<u>\$ 0.73</u>
Adjusted Diluted Earnings Per Share		
Net Income	<u>\$ 0.87</u>	<u>\$ 0.77</u>

Footnotes:

(a) Represents stock-based compensation expense incurred.

	Three Months Ended March 31,	
	2021	2020
Cost of services	\$ 2,500	\$ 2,111
General and administrative	1,554	1,124
Total Non-GAAP adjustment	<u>\$ 4,054</u>	<u>\$ 3,235</u>

(b) Represents results to operations not at full capacity

	Three Months Ended March 31,	
	2021	2020
Revenue	\$ (456)	\$ (729)
Cost of services	1,040	1,071
Rent	38	22
Depreciation and amortization	35	52
Total Non-GAAP adjustment	<u>\$ 657</u>	<u>\$ 416</u>

(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, 2021 and 2020.