

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,	
	2019	2018
Net income attributable to The Ensign Group, Inc.	\$ 27,372	\$ 23,132
Non-GAAP adjustments		
Results related to facilities currently being constructed and other start-up operations(a)	242	1,575
Return of unclaimed class action settlement	-	(1,664)
Share-based compensation expense(b)	2,953	2,309
Results related to closed operations and operations not at full capacity (c)	349	198
Depreciation and amortization - patient base(d)	81	39
General and administrative - acquisition-related costs(e)	62	28
General and administrative - proposed spin-off transaction costs(f)	2,990	-
Provision for income taxes on Non-GAAP adjustments(g)	(3,246)	(1,553)
Non-GAAP Net Income	<u>\$ 30,803</u>	<u>\$ 24,064</u>
Diluted Earnings Per Share As Reported		
Net Income	<u>\$ 0.49</u>	<u>\$ 0.43</u>
Average number of shares outstanding	<u>55,698</u>	<u>53,518</u>
Adjusted Diluted Earnings Per Share		
Net Income	<u>0.55</u>	<u>0.45</u>
Average number of shares outstanding	<u>55,698</u>	<u>53,518</u>

Footnotes:

(a) Represents operating results for facilities currently being constructed and other start-up operations.

	Three Months Ended March 31,	
	2019	2018
Revenue	\$ (177)	\$ (16,224)
Cost of services	413	13,972
Rent	6	3,583
Depreciation and amortization	-	244
Total Non-GAAP adjustment	<u>\$ 242</u>	<u>\$ 1,575</u>

(b) Represents share-based compensation expense incurred.

	Three Months Ended March 31,	
	2019	2018
Cost of services	\$ 1,640	\$ 1,257
General and administrative	1,313	1,052
Total Non-GAAP adjustment	<u>\$ 2,953</u>	<u>\$ 2,309</u>

(c) Represents results at closed operations and operations not at full capacity

	Three Months Ended March 31,	
	2019	2018
Revenue	\$ -	\$ -
Cost of services	264	116
Rent	76	74
Depreciation and amortization	9	8
Total Non-GAAP adjustment	<u>\$ 349</u>	<u>\$ 198</u>

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

(e) Included in general and administrative expense are costs incurred to acquire an operation which are not capitalizable.

(f) Included in general and administrative expense are costs incurred in connection with our proposed spin-off of our home health and hospice operations and substantially all of our senior living and other ancillary operations to a newly formed publicly traded company.

(g) 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, 2019 and 2018.