

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:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income attributable to The Ensign Group, Inc.	\$ 57,691	\$ 49,425	\$ 108,031	\$ 98,631
Non-GAAP adjustments				
Stock-based compensation expense(a)	5,616	4,633	10,783	8,687
Results related to operations not at full capacity(b)	—	—	—	657
Legal finding(c)	—	—	3,353	—
Cost of services - gain on sale of assets	(2,567)	—	(2,567)	(540)
Interest expense - write off deferred financing fees(d)	566	—	566	—
Acquisition related costs, new systems implementation costs and other costs(e)	69	399	240	435
Depreciation and amortization - patient base(f)	71	15	127	27
Provision for income taxes on Non-GAAP adjustments(g)	(4,024)	(3,589)	(6,698)	(7,390)
Non-GAAP income	\$ 57,422	\$ 50,883	\$ 113,835	\$ 100,507
Average number of diluted shares outstanding	56,853	56,997	56,862	56,945
Diluted Earnings Per Share				
Net income	\$ 1.01	\$ 0.87	\$ 1.90	\$ 1.73
Adjusted Diluted Earnings Per Share				
Net Income	\$ 1.01	\$ 0.89	\$ 2.00	\$ 1.76

Footnotes:

(a) Represents stock-based compensation expense incurred.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cost of services	\$ 3,670	\$ 2,871	\$ 7,045	\$ 5,371
General and administrative	1,946	1,762	3,738	3,316
Total Non-GAAP adjustment	\$ 5,616	\$ 4,633	\$ 10,783	\$ 8,687

(b) Represents results to operations not at full capacity

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$ —	\$ —	\$ —	\$ (456)
Cost of services	—	—	—	1,040
Rent	—	—	—	38
Depreciation and amortization	—	—	—	35
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 and system implementation costs that are not capitalizable. Other costs includes legal, transactional and other costs incurred related to the formation of Standard Bearer and other real estate related activities.

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