

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	\$ 49,425	\$ 40,248	\$ 98,631	\$ 81,097
Non-GAAP adjustments				
Stock-based compensation expense(a)	4,633	3,528	8,687	6,763
Results related to operations not at full capacity(b)	—	277	657	693
Acquisition related costs(c)	152	34	188	83
Depreciation and amortization - patient base(d)	15	20	27	233
General and administrative -costs incurred related to real estate due diligence	171	—	171	—
General and administrative - costs incurred related to new systems implementation	76	—	76	—
Cost of services - gain on sale of assets	—	—	(540)	—
Provision for income taxes on Non-GAAP adjustments(e)	(3,589)	(986)	(7,390)	(2,795)
Non-GAAP income	\$ 50,883	\$ 43,121	\$ 100,507	\$ 86,074
Average number of diluted shares outstanding	56,997	55,181	56,945	55,489

Diluted Earnings Per Share

Net income	\$ 0.87	\$ 0.73	\$ 1.73	\$ 1.46
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Adjusted Diluted Earnings Per Share

Net Income	\$ 0.89	\$ 0.78	\$ 1.76	\$ 1.55
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Footnotes:

(a) Represents stock-based compensation expense incurred.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of services	\$ 2,871	\$ 2,326	\$ 5,371	\$ 4,437
General and administrative	1,762	1,202	3,316	2,326
Total Non-GAAP adjustment	\$ 4,633	\$ 3,528	\$ 8,687	\$ 6,763

(b) Represents results to operations not at full capacity

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ —	\$ (535)	\$ (456)	\$ (1,264)
Cost of services	—	732	1,040	1,803
Rent	—	25	38	47
Depreciation and amortization	—	55	35	107
Total Non-GAAP adjustment	\$ —	\$ 277	\$ 657	\$ 693

(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 and six months ended June 30, 2021 and 2020.