

**ENSIGN**  **GROUP**

August 2020

Investor Presentation

# Disclaimers

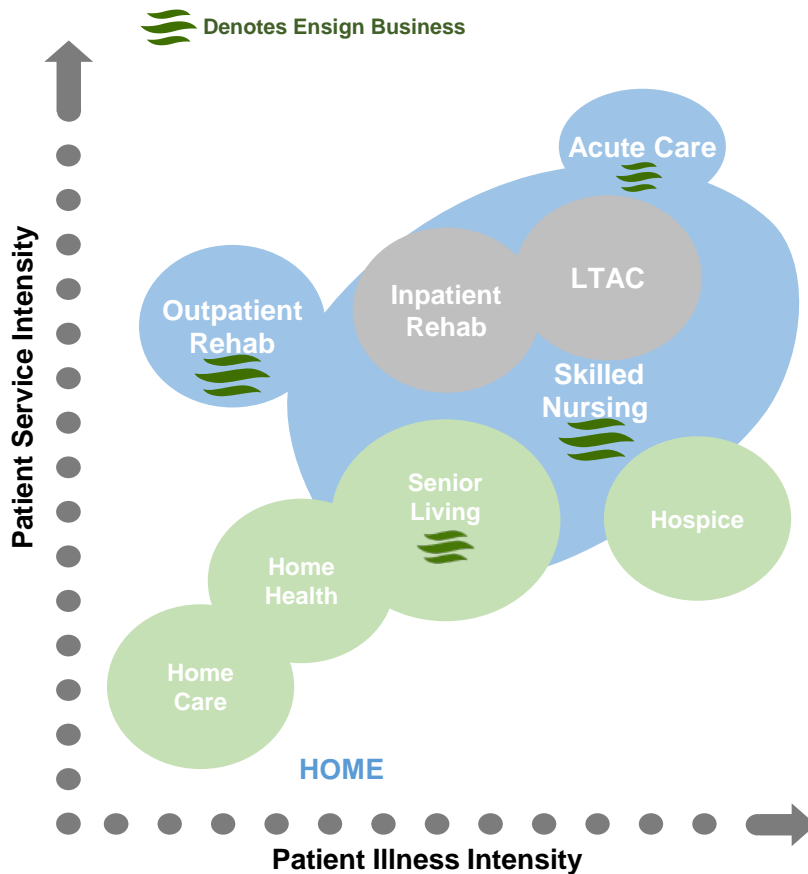
Statements in this presentation concerning The Ensign Group's ("Ensign" or the "Company") future prospects are forward-looking statements based on management's current expectations, assumptions and beliefs about our business, financial performance, operating results, the industry in which we operate and possible future events. These statements include, but are not limited to, statements regarding our growth prospects and future operating and financial performance. They are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause our actual results to materially and adversely differ from those expressed in any forward-looking statement.

Readers should not place undue reliance on any forward-looking statements and are encouraged to review our periodic filings with the Securities and Exchange Commission, including our recently filed Forms 10-K and 10-Q, for a more complete discussion of the risks and other factors that could affect Ensign's business, prospects and any forward-looking statements. These documents are available on our website at [www.ensigngroup.net](http://www.ensigngroup.net). This information is provided as of today's date only, and except as required by federal securities law, Ensign does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changing circumstances or for any other reason after the date of this presentation.

We supplement our GAAP reporting with EBITDA, adjusted EBITDA, adjusted EBITDAR, adjusted net income and adjusted EPS metrics, which are supplemental non-GAAP financial measures. They reflect an additional way of looking at aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. They should not be relied upon to the exclusion of GAAP financial measures. A more ample discussion of these GAAP financial measures is available on the "Investor Relations" tab of our website and a reconciliation to GAAP is included as an appendix to this presentation.

During this presentation we may reference operations in any or all of the transitional, skilled and assisted living operations and other businesses operated by our subsidiaries. Each such business is operated as a separate, wholly-owned independent operating subsidiary that has its own management, employees and assets. References in the presentation to the consolidated "Company" and "its" assets and activities, as well as the use of the terms "we," "us," "our," and similar verbiage are not meant to imply that The Ensign Group, Inc. has direct operating assets, employees or revenue, or that any of the Operations, the Service Center or the captive insurance subsidiary are operated by the same entity.

# Ensign's Commitment to Care Continuum

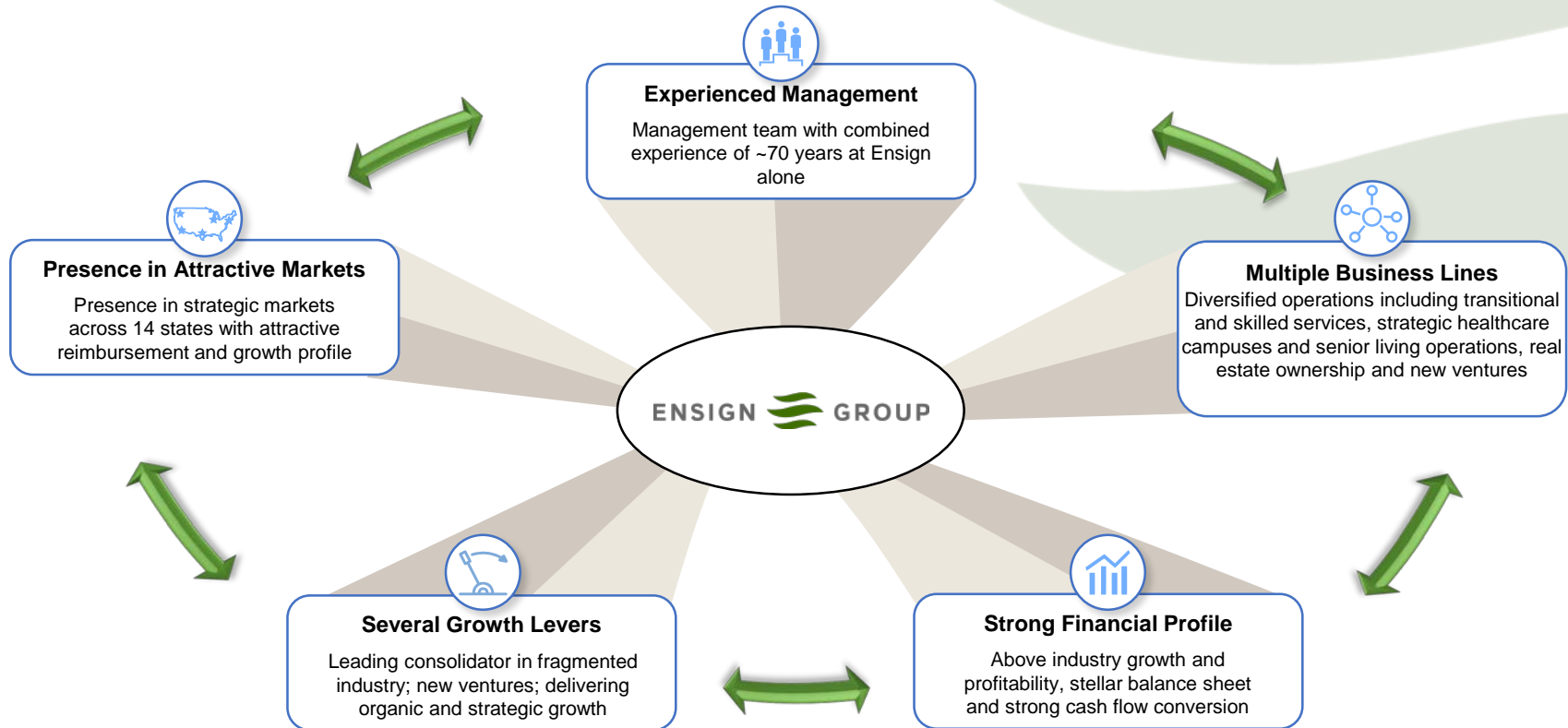


- + Local leadership strategy focused on acquisitions in fragmented markets for core business lines
- + High quality healthcare outcomes across the continuum driving local reputation and partnerships
- + Opportunistically drive new ventures in ancillary businesses and markets through its unique leadership model
- + Access to care continuum through Ensign Pennant Care Continuum

Ensign is Strategically Positioned to Deliver Long-term Value

# Ensign Strategically Positioned to Deliver Long-term Value

Best-in-Class Healthcare Services Company with a Proven Track Record



*Ensign's Capabilities Create an Ecosystem that Enables Connectivity Among All Stakeholders and Drives a Virtuous Cycle of Success*

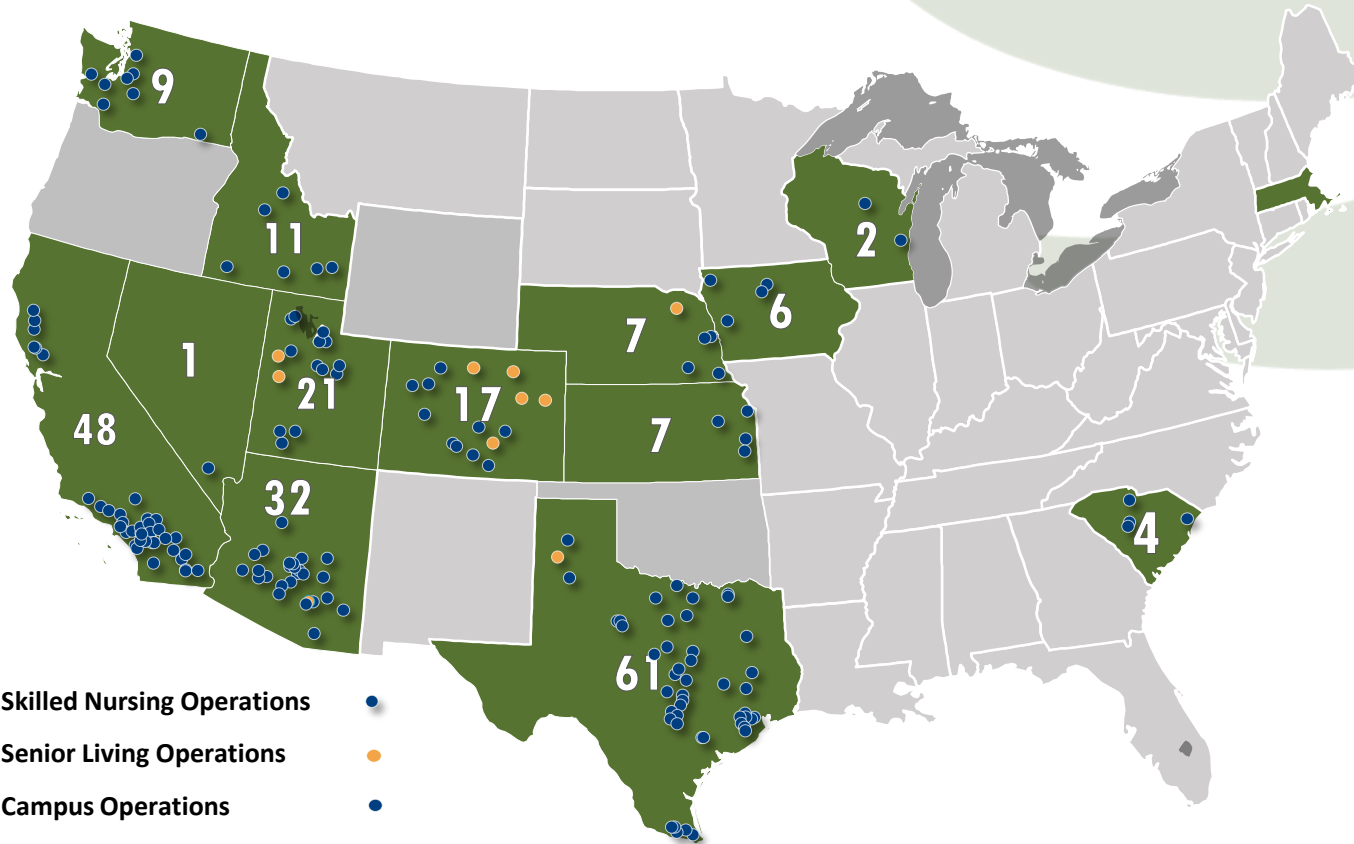
# Ensign Investment Thesis



***Ensign is Positioned to Deliver Superior Clinical Results that Will Generate Strong Financial and Operating Results***

# Leading Presence in Strategically Selected Attractive Markets

## Industry Leader with Strong and Growing National Presence



# Track Record of Attracting, Empowering and Retaining Clinically-Focused Business Leaders Drives Results

Local  
Leadership  
Clusters



Superior  
Clinical  
Outcomes



Local Market  
Operation of  
Choice



# Local Leaders Are Empowered by Our Cluster Model

## What is a Cluster?

- Collaboration and connectivity between operations (“ops”) that are geographically close together
- Best practices, accountability and ownership are shared among and between clusters

## Incentive Driven

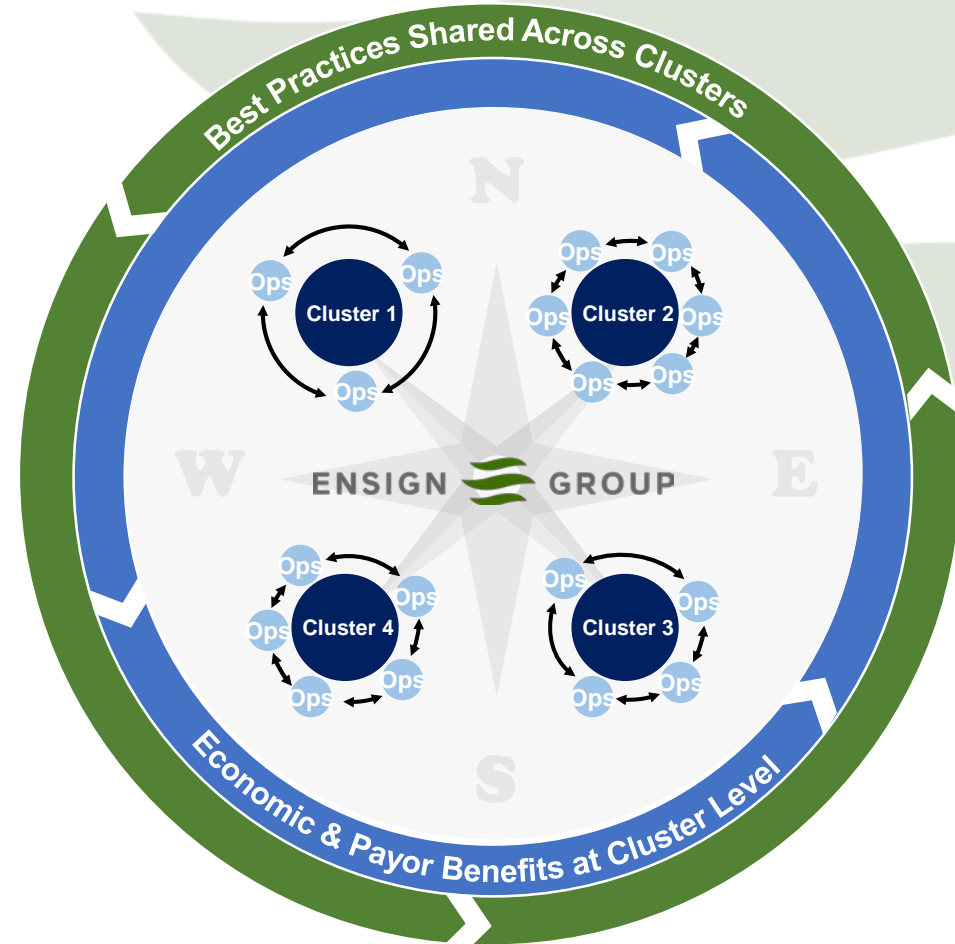
- Each operation has full visibility into and accountability for individual and group results within the cluster
- Compensation is linked to cluster’s clinical and financial success

## Economic Benefits

- Sharing of resources across cluster partners
- Economies of scale/purchasing power

## Payor Benefits

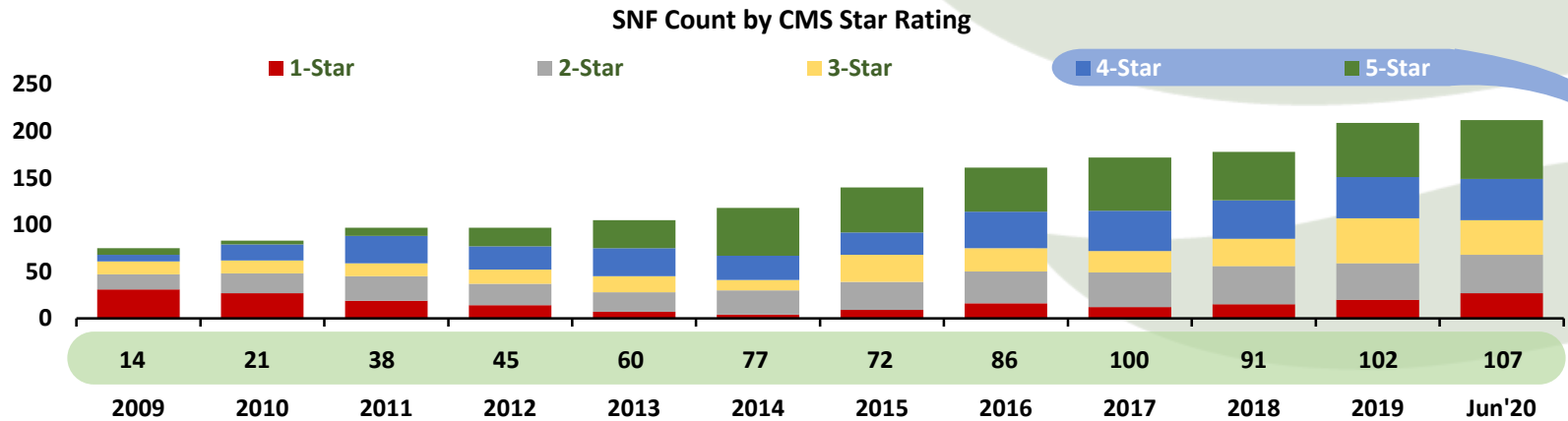
- “Bundle” offering to payors by providing capabilities of cluster model
- Strengthens relationships with payor partners
- Coordinate to drive superior patient outcomes



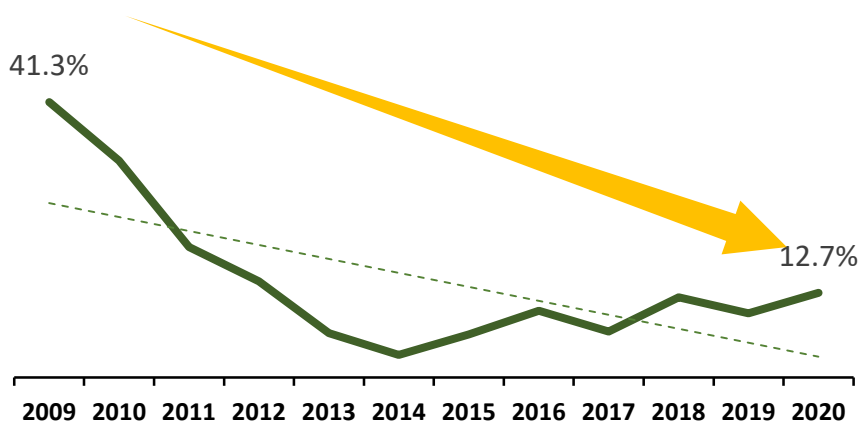


# Organizational Focus on Clinical Quality Ultimately Leads to Superior Financial Results

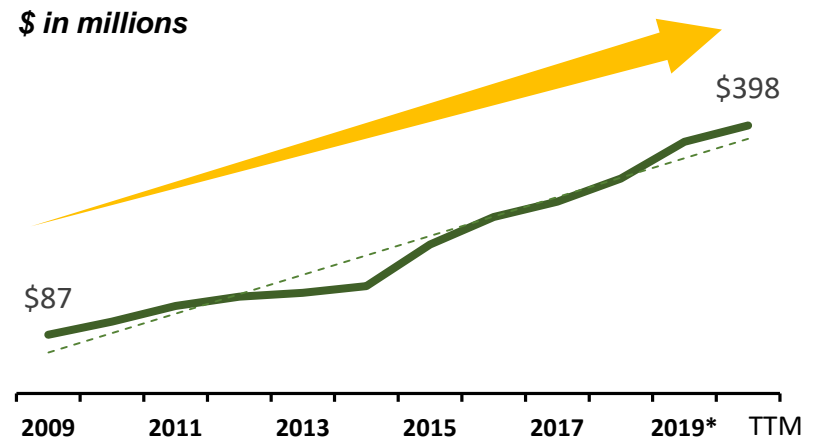
## Clinical Quality Translates to Organic Growth



## Ensign 1-Star Facility % Trend

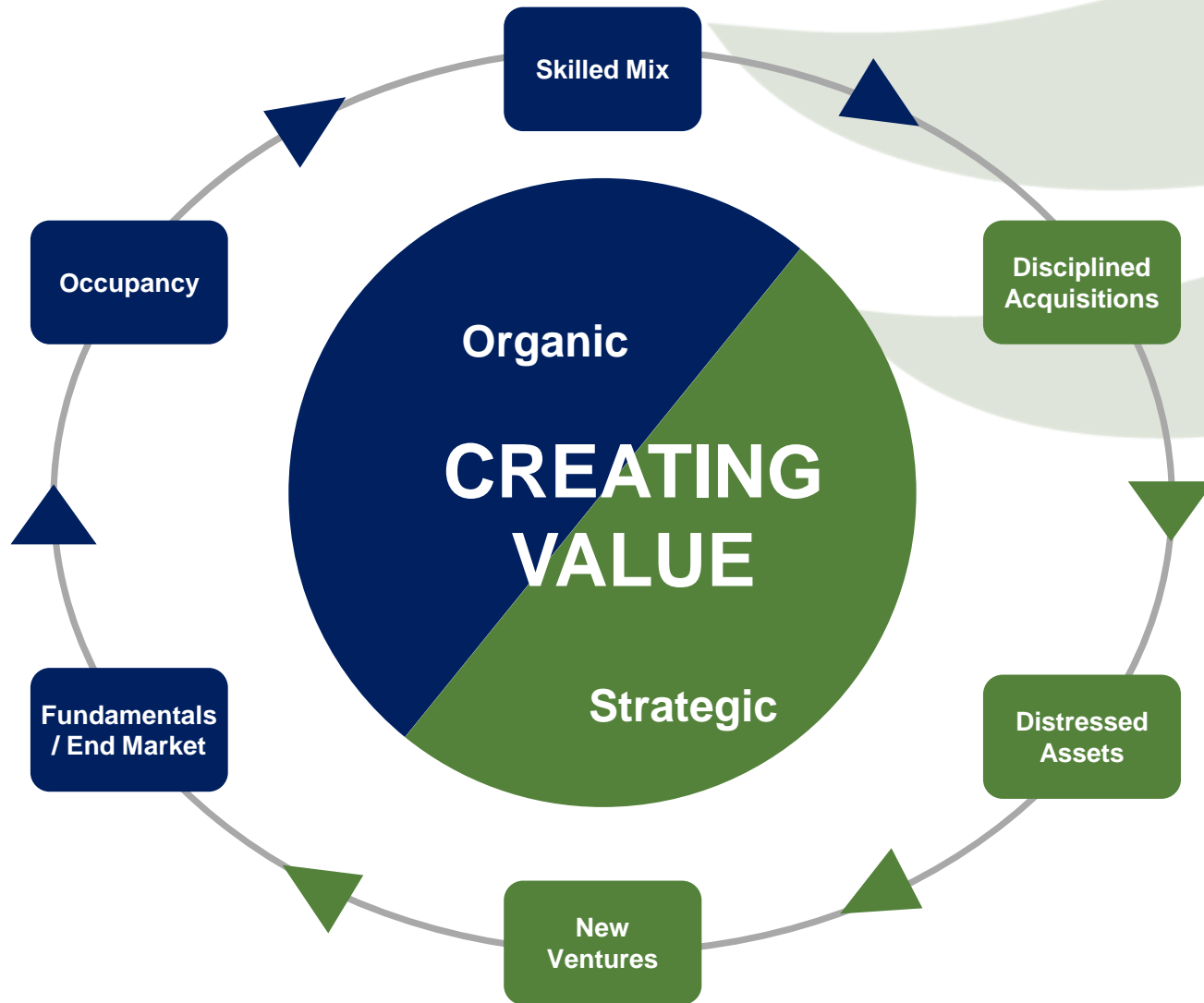


## Ensign Adjusted EBITDAR Trend



Note: Adjusted EBITDAR is a non-GAAP measure and represents net income before (a) interest expense, net, (b) provision for income taxes, (c) depreciation and (d) facility rent expense. See Appendix for a reconciliation of GAAP to non-GAAP financial measures.  
 \* 2019 Adjusted EBITDAR includes 9 months of Pennant financial results.

# Multifaceted Growth Opportunity Driven by Organic as well as Strategic Opportunities

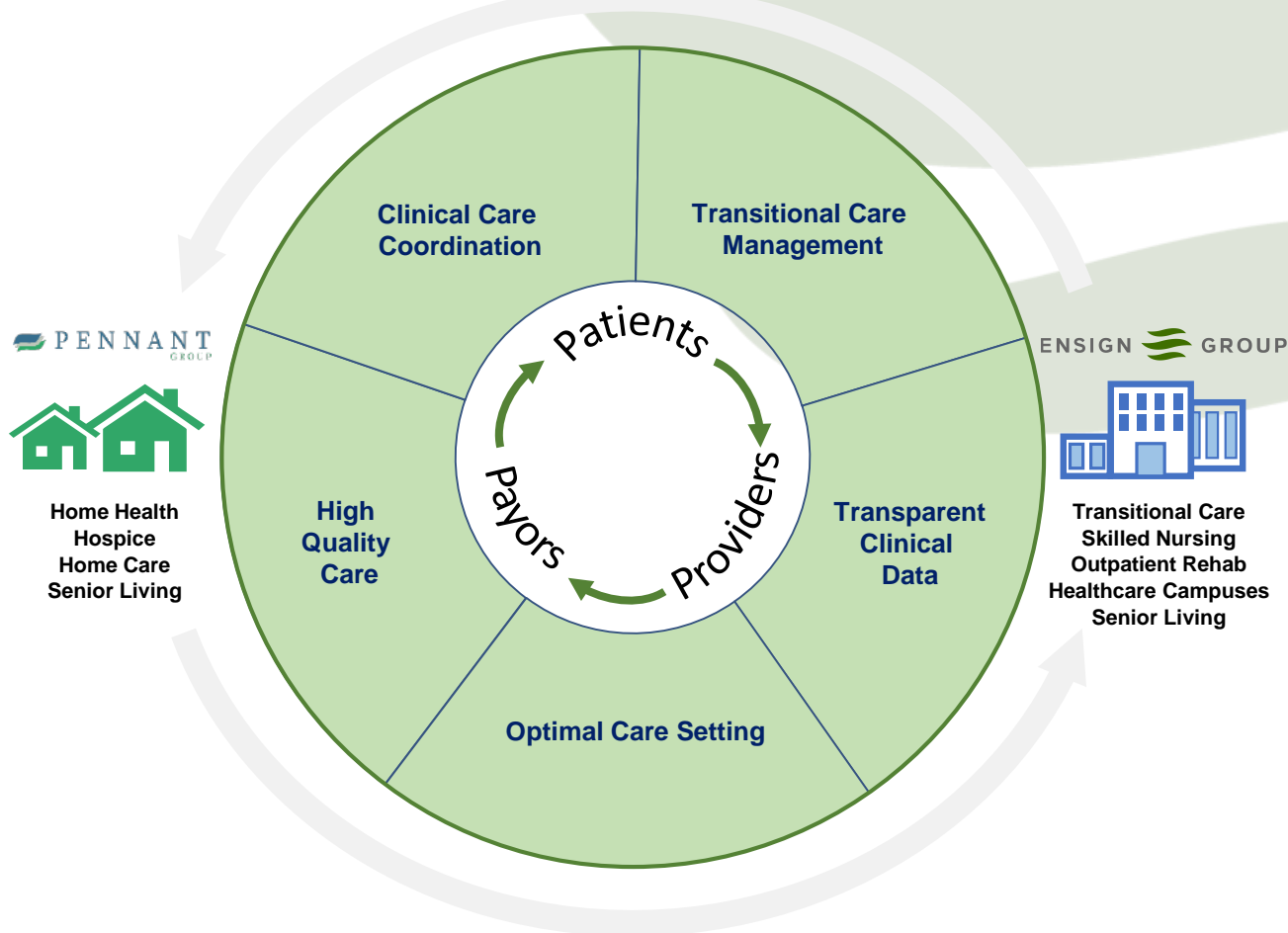


# EPCC Enables Value-Based Care Continuum At the Local Level

**ENSIGN**  **PENNANT**  
CARE CONTINUUM

## What is it?

- ✓ Preferred provider network between Ensign and The Pennant Group, Inc. (Pennant or former subsidiaries of Ensign)
- ✓ Empowers local clinical leaders to opt-in resulting in smart and effective solutions for patients

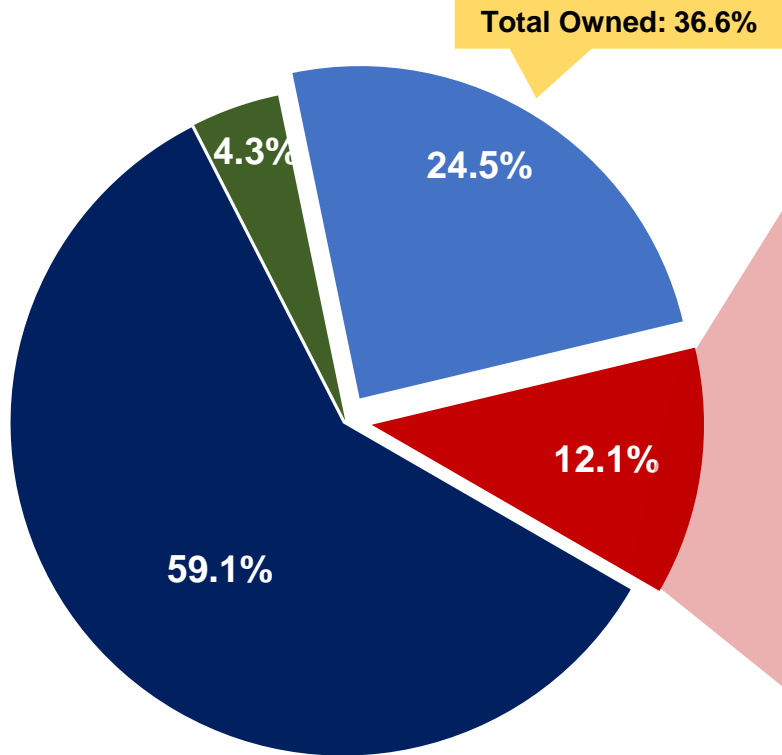


**EPCC<sup>(1)</sup> Enabled Local Ecosystem is Well-Positioned to Existing Clinical Collaboration, Drive Best Quality Care & Outcomes and Benefit From the Shift Toward Value-Based Reimbursement**

(1) Subsidiaries of Ensign and Pennant may opt into a voluntary joint post-acute care preferred provider network called the Ensign Pennant Care Continuum ("the EPCC").

# Significant Real Estate Portfolio as of August 10, 2020

% of 226 Facilities Ensign Operates and 31 Owned Real Estate Leased to Pennant <sup>(1)</sup>



- Leased (without a Purchase Option)
- Leased (with a Purchase Option)
- Owned + Operated
- Owned + Leased to Pennant

Ensign Triple Net Master Lease Pools with Pennant

<b>Lease Structure</b>	<ul style="list-style-type: none"> <li>• Multiple "triple-net" master lease pools</li> </ul>
<b>Terms &amp; Termination</b>	<ul style="list-style-type: none"> <li>• Lease agreements with initial terms between 14 and 16 years, with three 5-year extension options</li> <li>• Consent required for Pennant to sublease, assign, encumber or otherwise transfer or dispose any property</li> </ul>
<b>Rent Terms</b>	<ul style="list-style-type: none"> <li>• Fixed base rent with CPI-based escalators</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>• Pennant responsible for maintenance, capital expenditures, property taxes, insurance and other expenses</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Customary covenants and events of default</li> </ul>

(1) Total as of August 10, 2020.

# Track Record of Successfully Incubating New Ventures

## New Ventures



**PENNANT**  
GROUP

PINNACLE CORNERSTONE

- Completed October 2019



**CareTrust**  
REIT

- Completed in 2014



**ImmediateClinic**  
URGENT CARE

- Completed in 2016



**CAPSTONE**  
TRANSPORTATION



**ENSIGN PENNANT**  
CARE CONTINUUM



**covalence**  
group



**BEACON**  
PURCHASING



**ENSIGN GROUP**  
Real Estate

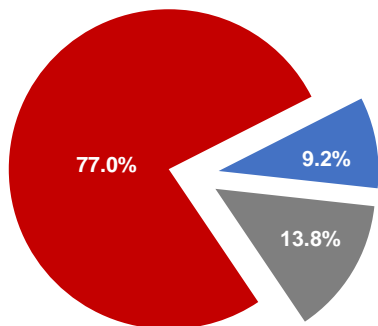


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■ Spin Offs   ■ Divestitures   ■ Current

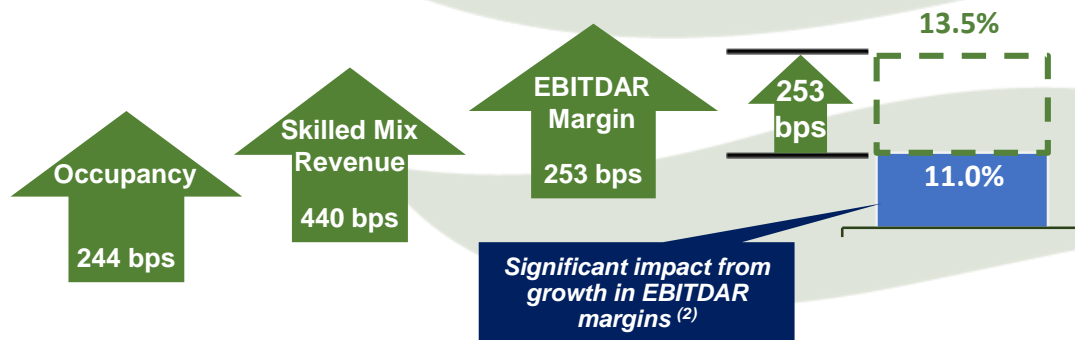
# A Disciplined Approach to Acquisitions and Track Record of Improving Operations to Drive Continued Growth

**1** 23.0% of Ensign's skilled nursing operations have been operated less than three full years

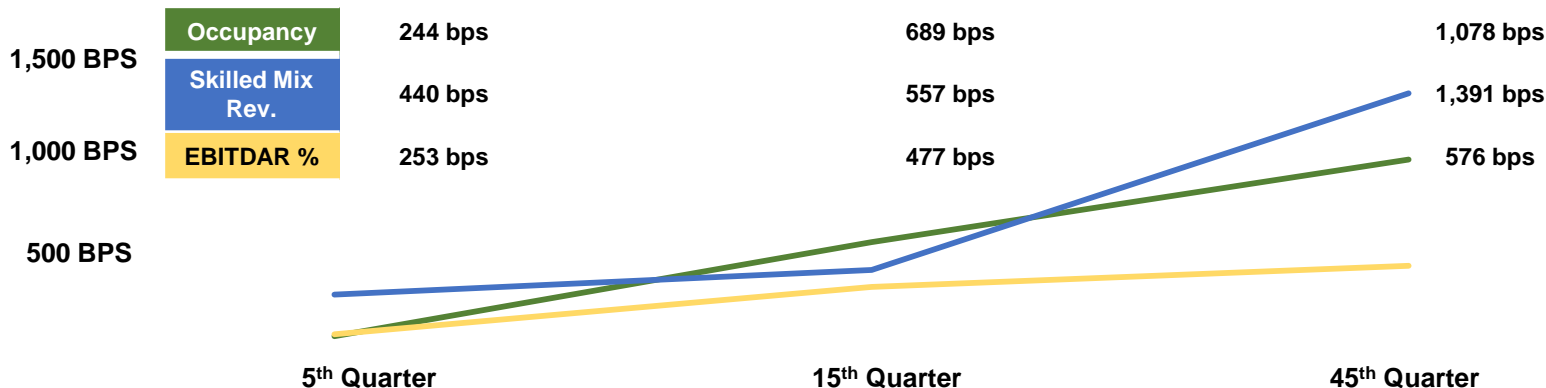


■ Same Facility ■ Transitioning ■ Recently Acquired

**2** Proven track record of achieving significant improvement in just 5 quarters <sup>(1)</sup>



**3** Significant improvement beyond 5<sup>th</sup> quarter to 45<sup>th</sup> quarter

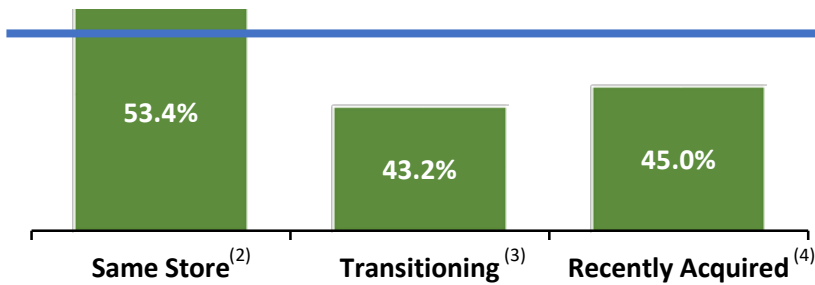


<sup>(1)</sup> Acquisition track record based on an average for all SNF acquisitions from 2001 to March 31, 2019 measuring 5 quarters of operating performance.  
<sup>(2)</sup> 11.0% represents average EBITDAR margin for the 1<sup>st</sup> quarter after acquisition for acquisitions made from 2001 to March 31, 2019.

# Demonstrated Track Record of Significant Operational Improvements of Acquired Assets – Q2 2020

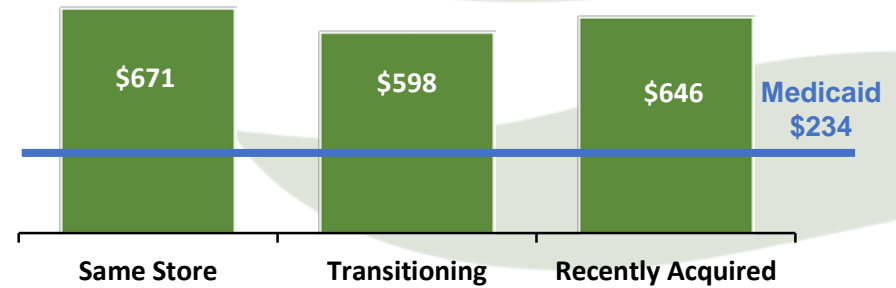
## Skilled Mix Revenue <sup>(1)</sup>

Consolidated 51.4%



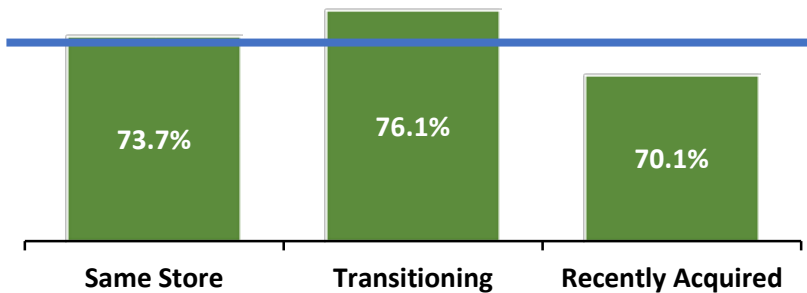
## Medicare Rates

Consolidated \$661.05



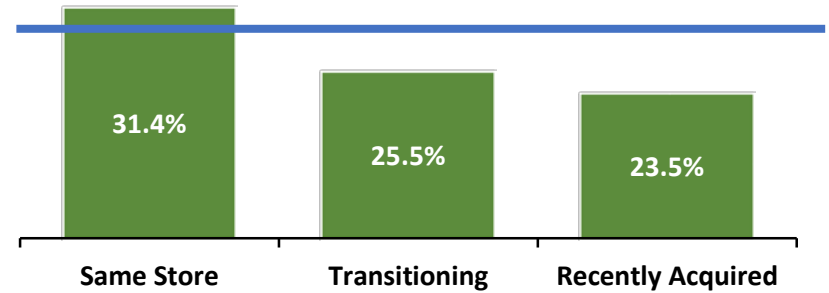
## SNF Occupancy

Consolidated 73.4%



## Skilled Mix Days

Consolidated 29.7%



Source: Data as of Q2'20.

(1) At the end of Q2'20, there were 216 skilled nursing facilities in operation.

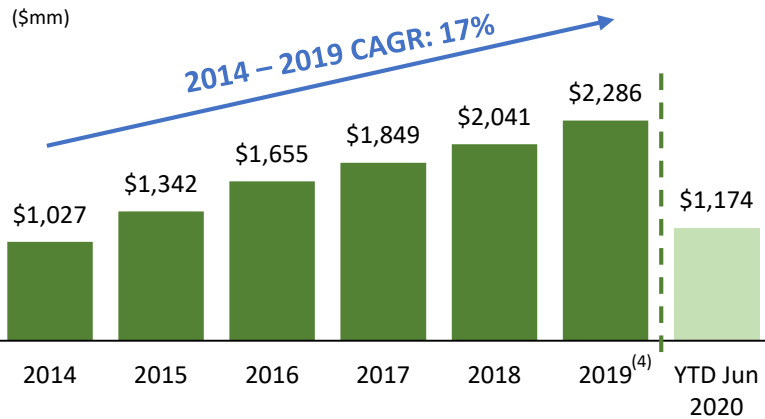
(2) Same Store represents all skilled nursing operations purchased prior to January 1, 2017 totaling 167 facilities.

(3) Transitioning represents all skilled nursing operations purchased from January 1, 2017 to December 31, 2018 totaling 20 facilities.

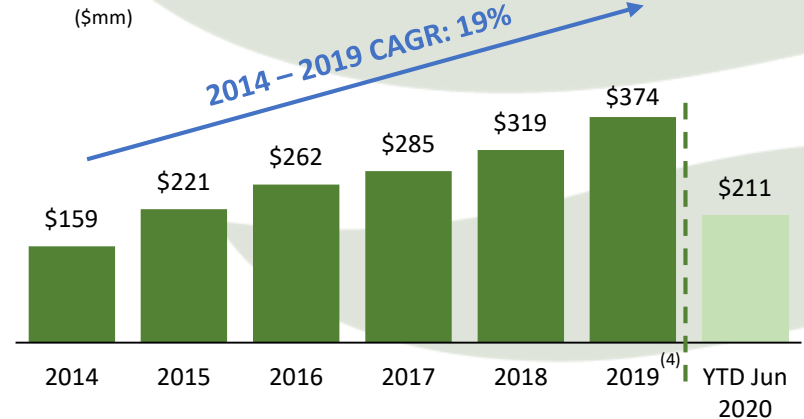
(4) Recently Acquired represents all skilled nursing operations purchased on or subsequent to January 1, 2019 totaling 29 facilities.

# Ensign Represents THE Growth Story in the Facility-Based Healthcare Services & Post-Acute Sector

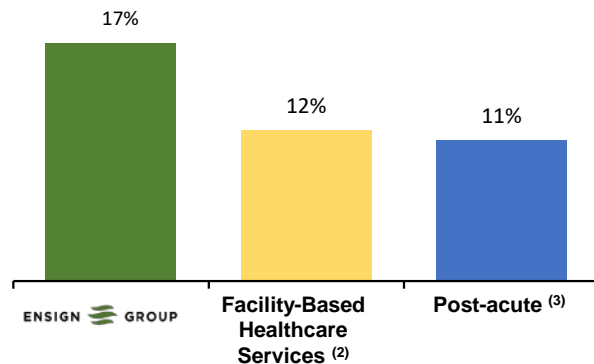
## Revenue (1)



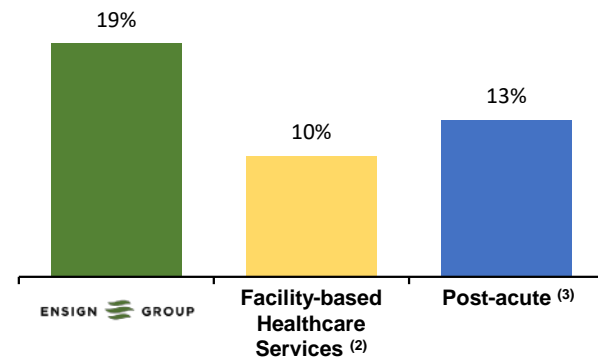
## Adjusted EBITDAR (1)



## 2014 – 2019 Revenue CAGR



## 2014 – 2019 Adjusted EBITDAR CAGR



Note: Adjusted EBITDAR is a non-GAAP measure and represents net income before (a) interest expense, net, (b) provision for income taxes, (c) depreciation and (d) facility rent expense. See Appendix for a GAAP reconciliation.

(1) Revenue and adjusted EBITDAR not pro forma for spin.

(2) Represents average of peer growth from 2014-2020, except for peers that were not in existence for the entire time period, in which case the longest time period available was used. Peers grouped by subsector include: Acute Care: HCA, CYH, THC, LPNT, OHC and UHS; Behavioral: ACHC, AAC and CIVI; ASC: SGRY and SCAL; Dialysis: FMS, DVA and ARA; Home Health and Hospice: AMED, LHCG, ADUS and CHE; Institutional: CSU, BKD, EHC and GEN; Rehab: SEM and USPH.

(3) Represents average of AMED, LHCG, ADUS, CHE, CSU, BKD, EHC and SEM.

(4) 2019 only includes 9 months Pennant financial data as a result of its 10/1/2019 spin-off.



# Quarter-Over-Quarter Highlights<sup>(1)</sup>

		Q2 2020	Q2 2019
		\$ in millions	
Revenue	↑ 18.6%	\$584.7	\$492.9
Same Facility Skilled Revenue	↑ 7.1%	\$433.9	\$405.1
Consolidated Adjusted Net Income	↑ 99.0%	\$43.1	\$21.7

1) Results exclude Pennant financial in 2019 for comparison purpose.

# Liquidity Financial Measures

Summary of Cash Flows (In millions)	Six Months Ended June 30,	
	2020	2019
Net cash provided by (used in):		
Continuing operating activities	\$174.1	\$52.8
Continuing investing activities	(28.3)	(74.4)
Continuing financing activities	(3.2)	33.9
Net Increase in cash from discontinued operations	-	(4.4)
Net increase in cash and cash equivalents	142.6	7.9
Cash and cash equivalents beginning of period, including cash of discontinued operations	59.1	31.1
Cash and cash equivalents end of period, including cash of discontinued operations	\$201.7	\$39.0
Cash and cash equivalents at end of period	<b>\$201.7</b>	<b>\$39.0</b>
<b>Other Liquidity Metrics:</b>		
Availability under Credit Facility	\$320.0	\$90.0
<b>Net Debt to Adjusted EBITDA<sup>(1)</sup></b>	<b>2.54x</b>	<b>3.96x</b>

(1) 2019 Credit Facility included \$150M of term loan and \$300M of credit revolver compared to 2020 Credit Facility comprises \$350M credit revolver.

# EPS Guidance <sup>(1)</sup>

**2020**

**Annual Revenue**  
**\$2.42B to \$2.45B**  
**Diluted Adjusted EPS**  
**\$3.00 to \$3.10**

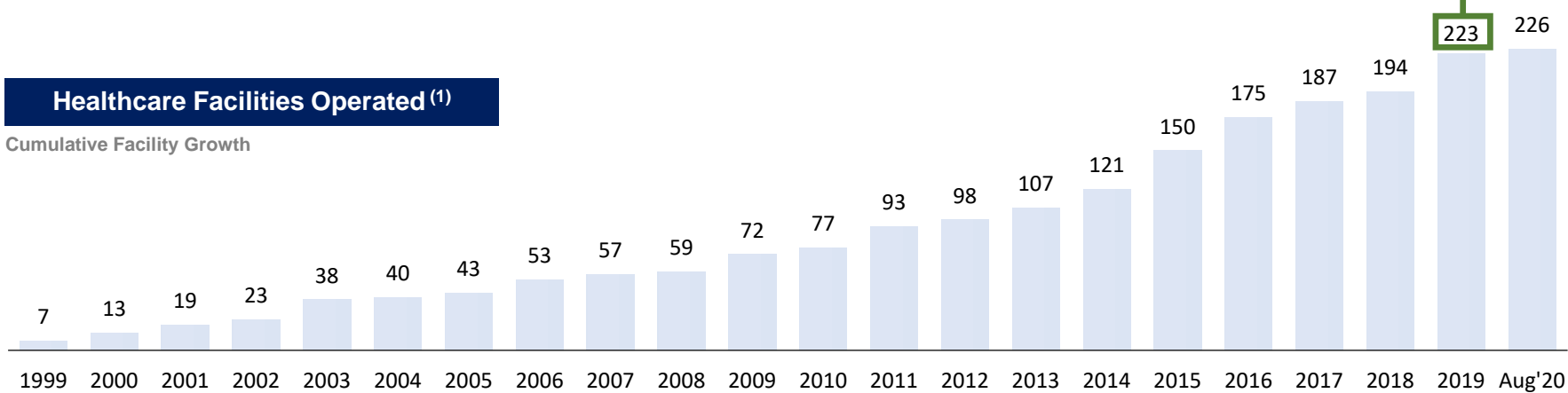
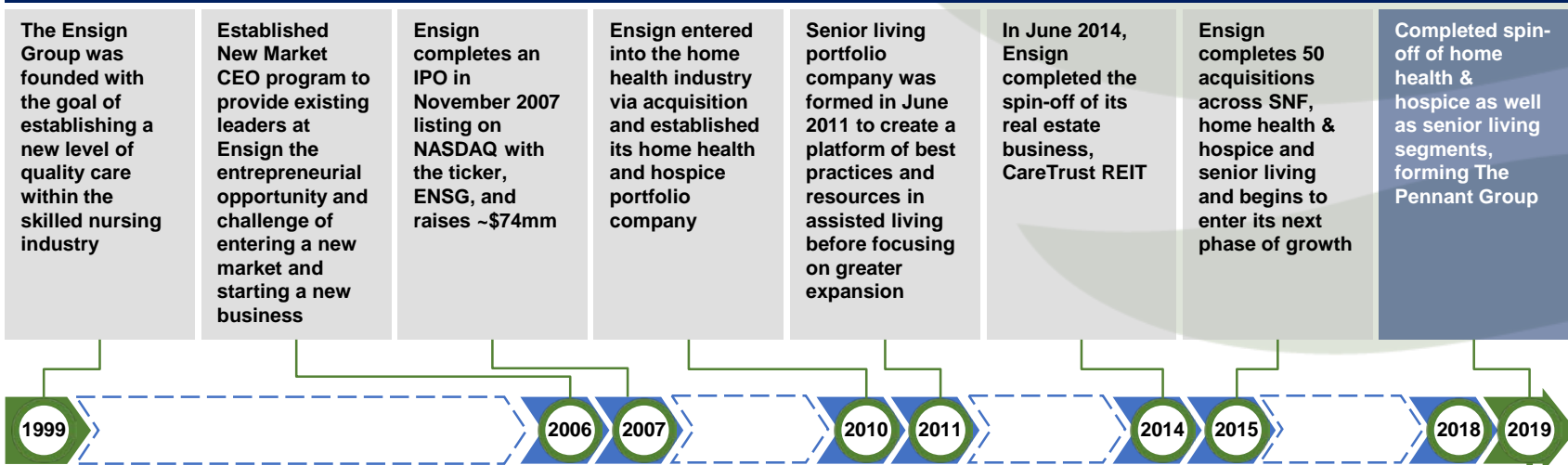


**Midpoint 56.4% over 2019 spin adjusted annual earnings**

(1) See detailed statement on guidance in earnings release.

# Entrepreneurial Evolution of Ensign

## Strong Expansion Since Its Founding in 1999

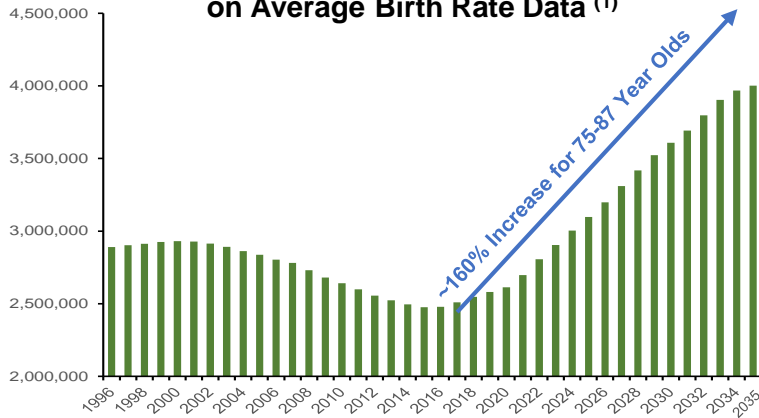


(1) Excludes 53 ALF operations that were transferred to Pennant

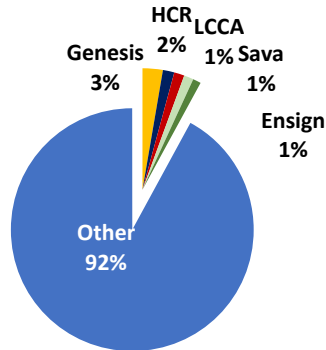
# End Market Fundamentals Remain Favorable for Strong Organic Growth

## Key Drivers of Organic Growth

Estimated Population (75-87 Years) Based on Average Birth Rate Data <sup>(1)</sup>



Market fragmentation creates significant consolidation opportunity<sup>(3)</sup>



- 1 Aging Population**

Population **over 65** projected to nearly **double by 2050** <sup>(2)</sup>
- 2 Shift to Value-based Care**

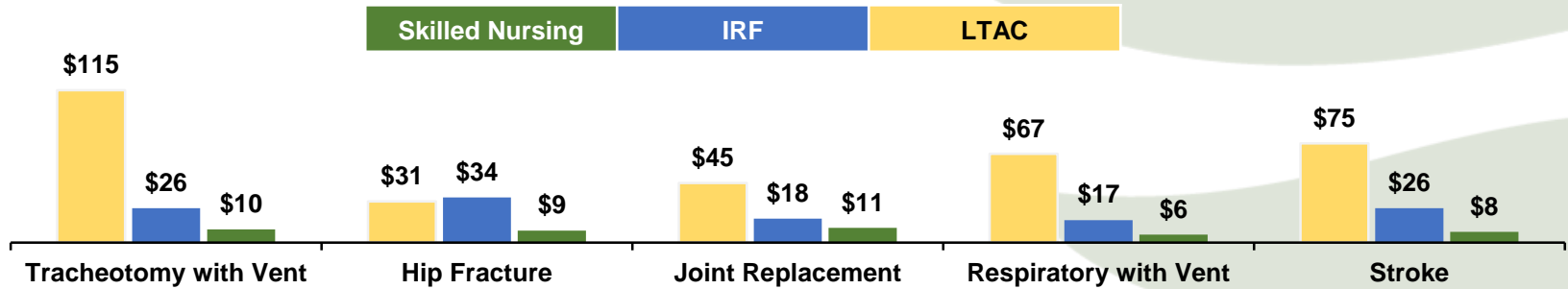
**Shift to value-based care**, will continue to **benefit low cost, high quality settings** (e.g. SNF)
- 3 Reimbursement Environment**

Over the last 10 years the **CMS reimbursement rates** in the SNF industry have increased at a steady rate of **1.0-2.5%**

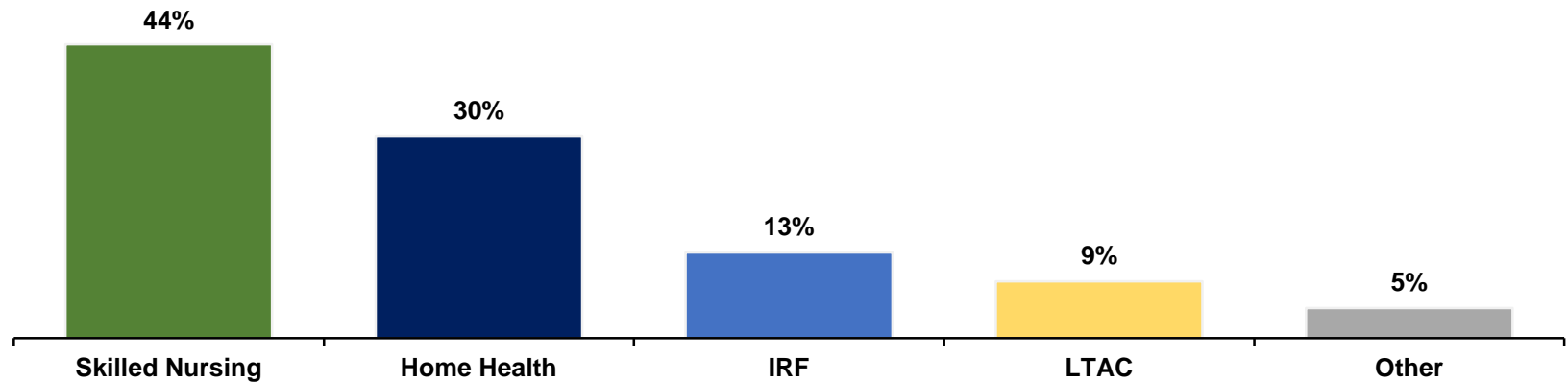
## Favorable Backdrop for Growth in the Transitional Skilled Services Industry

# Largest Beneficiary of Medicare Post-Acute Dollars with Lowest Cost

## Relative Costs of Treatment Across Post-Acute Destinations



## Post-Acute Destinations - % of Medicare Dollars



**Skilled Nursing is the Most Utilized and Lowest Cost Setting for Post-Acute Care**

# Ensign's Management Team

Long Tenured and Successful Management Team with ~70 Years of Cumulative Experience at ENSG Alone



## Christopher Christensen

Title	Tenure at Ensign	Prior Affiliations
Executive Chairman	20 years	<ul style="list-style-type: none"> <li>Former Ensign roles: CEO, President and Director</li> <li>Prior to joining Ensign: Acting Chief Operating Officer of Covenant Care, Inc.</li> </ul>



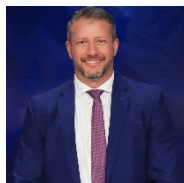
## Barry Port

Title	Tenure at Ensign	Prior Affiliations
Chief Executive Officer and Director	15 years	<ul style="list-style-type: none"> <li>Former Ensign roles: COO, President of Keystone Care and CEO of Bella Vita Health and Rehabilitation Center</li> <li>Prior to joining Ensign: Leader of Strategic Sourcing Initiatives for Sprint Corporation</li> </ul>



## Suzanne Snapper

Title	Tenure at Ensign	Prior Affiliations
Chief Financial Officer and EVP	12 years	<ul style="list-style-type: none"> <li>Former Ensign roles: Vice President of Finance</li> <li>Prior to joining Ensign: Senior Manager at KPMG LLP</li> </ul>



## Chad Keetch

Title	Tenure at Ensign	Prior Affiliations
Chief Investment Officer, EVP and Secretary	9 years	<ul style="list-style-type: none"> <li>Former Ensign roles: Executive Vice President and Secretary, Vice President of Acquisitions and Business Legal Affairs and Assistant Secretary</li> <li>Prior to joining Ensign: Attorney at Kirkland &amp; Ellis LLP</li> </ul>



## Spencer Burton

Title	Tenure at Ensign	Prior Affiliations
President, Chief Operating Officer	13 years	<ul style="list-style-type: none"> <li>Former Ensign roles: President of Pennant Healthcare, Administrator of Pacific Care and Rehabilitation (Ensign-affiliate)</li> </ul>



# Appendix



# Reconciliation of GAAP to Non-GAAP Financial Measures

\$ in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income attributable to The Ensign Group, Inc.	\$40,688	\$28,925	\$81,890	\$56,532
Less: net income attributable to noncontrolling interests in continuing operations	440	116	793	201
Less: Net income from discontinued operations, net of tax	-	8,141	-	14,183
Add: Interest expense, net	1,211	3,379	4,178	6,488
Provision for income taxes	13,535	4,576	26,159	9,851
Depreciation and amortization	13,605	12,366	27,325	24,295
EBITDA from continuing operations	<b>68,599</b>	<b>40,989</b>	<b>138,759</b>	<b>82,782</b>
EBITDA from discontinued operations (c)	-	<b>9,725</b>	-	<b>18,099</b>
EBITDA	<b>\$68,599</b>	<b>\$50,714</b>	<b>\$138,759</b>	<b>\$100,881</b>
<b>Adjustments to EBITDA:</b>				
Results related to closed operations and operations not at full capacity(a)	197	365	539	629
Stock-based compensation expense	3,528	2,930	6,763	5,385
Acquisition related costs(b)	34	49	83	76
Rent related to items above	25	107	47	183
<b>Adjusted EBITDA from continuing operations</b>	<b>72,383</b>	<b>44,440</b>	<b>146,191</b>	<b>89,055</b>
<b>Adjusted EBITDA from discontinued operations(c)</b>	-	<b>12,336</b>	-	<b>24,477</b>
<b>Adjusted EBITDA</b>	<b>72,383</b>	<b>56,776</b>	<b>146,191</b>	<b>113,532</b>
Rent—cost of services	32,484	31,222	64,814	61,403
Less: rent related to items above	(25)	(107)	(47)	(183)
Adjusted rent—cost of services	32,459	31,115	64,767	61,220
<b>Adjusted rent included in discontinued operations</b>	-	<b>5,836</b>	-	<b>11,434</b>
<b>Adjusted EBITDAR from continuing operations</b>	<b>\$104,842</b>		<b>\$210,958</b>	

# Reconciliation of GAAP to Non-GAAP Net Income

\$ in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income from continuing operations	\$40,248	\$20,668	\$81,097	\$42,148
Net income from discontinued operations, net of tax(c)	-	7,941	-	13,833
Net income attributable to The Ensign Group, Inc.	<b>\$40,248</b>	<b>\$28,609</b>	<b>\$81,097</b>	<b>\$55,981</b>
<b>Non-GAAP adjustments</b>				
Stock-based compensation expense	3,528	2,930	6,763	5,385
Results related to operations not at full capacity(a)	277	626	693	975
Acquisition related costs(b)	34	49	83	76
Depreciation and amortization – patient base	20	87	233	157
Provision for income taxes on Non-GAAP adjustments	(986)	(2,687)	(2,795)	(4,848)
Non-GAAP income from continuing operations	\$43,121	\$21,673	\$86,074	\$43,893
Non-GAAP income from discontinued operations(c)	-	\$8,609	-	\$17,192
<b>Non-GAAP net income</b>	<b>\$43,121</b>	<b>\$30,282</b>	<b>\$86,074</b>	<b>\$61,085</b>
Average number of shares outstanding	55,181	56,078	55,489	55,896
<b>Diluted Earnings Per Share As Reported</b>				
Continuing operations	\$0.73	\$0.37	\$1.46	\$0.75
Discontinued operations(c)	-	0.14	-	0.25
<b>Diluted income per share attributable to The Ensign Group, Inc.</b>	<b>\$0.73</b>	<b>\$0.51</b>	<b>\$1.46</b>	<b>\$1.00</b>
<b>Adjusted Diluted Earnings Per Share</b>				
Continuing operations	\$0.78	\$0.39	\$1.55	\$0.79
Discontinued operations(c)	-	0.15	-	0.30
<b>Diluted income per share attributable to The Ensign Group, Inc.</b>	<b>\$0.78</b>	<b>\$0.54</b>	<b>\$1.55</b>	<b>\$1.09</b>

# Reconciliation of GAAP to Non-GAAP Financial Measures

Footnotes to Reconciliation of Net Income to Non-GAAP Net Income, EBITDA, Adjusted EBITDA and Adjusted EBITDAR

- (a) Represents results of operations not at full capacity during the period presented.
- (b) Costs incurred to acquire operations which are not capitalizable.
- (c) All adjustments included in the table above are presented within net income from discontinued operations, net of tax.