

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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to The Ensign Group, Inc.	\$ 27,159	\$ 20,861	\$ 83,140	\$ 66,004
Non-GAAP adjustments				
Results related to operations in the start-up phase(a)	63	500	390	3,347
Return of unclaimed class action settlement	-	-	-	(1,664)
Share-based compensation expense(b)	2,978	2,811	9,233	7,639
Results related to closed operations and operations not at full capacity(c)	1,219	224	2,192	712
Transaction-related costs(d)	139	228	748	338
Depreciation and amortization - patient base(e)	110	48	296	150
General and administrative - spin-off transaction costs(f)	3,261	-	7,908	-
Gain on sale of/impairment charges to fixed assets(g)	(1,402)	-	(1,402)	-
COS - business interruption gains(h)	-	-	-	(675)
COS - Goodwill and intangible assets impairment(i)	-	3,177	-	3,177
Provision for income taxes on Non-GAAP adjustments(j)	(2,584)	(2,890)	(10,478)	(6,309)
Non-GAAP Net Income	\$ 30,943	\$ 24,959	\$ 92,027	\$ 72,719

Diluted Earnings Per Share As Reported

Net Income	\$ 0.48	\$ 0.38	\$ 1.48	\$ 1.22
Average number of shares outstanding	56,364	54,632	56,054	54,176

Adjusted Diluted Earnings Per Share

Net Income	\$ 0.55	\$ 0.46	\$ 1.64	\$ 1.34
Average number of shares outstanding	56,364	54,632	56,054	54,176

Footnotes:

(a) Represents operating results for start-up operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	\$ (73)	\$ (17,011)	\$ (325)	\$ (49,577)
Cost of services	132	13,672	702	41,444
Rent	4	3,596	13	10,750
Depreciation and amortization	-	243	-	730
Total Non-GAAP adjustment	\$ 63	\$ 500	\$ 390	\$ 3,347

(b) Represents share-based compensation expense incurred.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of services	\$ 1,853	\$ 1,533	\$ 5,371	\$ 4,170
General and administrative	1,125	1,278	3,862	3,469
Total Non-GAAP adjustment	\$ 2,978	\$ 2,811	\$ 9,233	\$ 7,639

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	\$ (2,567)	\$ -	\$ (4,427)	\$ -
Cost of services	3,122	139	5,609	464
Rent	295	76	478	225
Depreciation and amortization	369	9	532	23
Total Non-GAAP adjustment	\$ 1,219	\$ 224	\$ 2,192	\$ 712

(d) Represents costs incurred to acquire an operation which are not capitalizable

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of services	\$ 66	\$ -	\$ 505	\$ -
General and administrative	73	228	243	338
Total Non-GAAP adjustment	\$ 139	\$ 228	\$ 748	\$ 338

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

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

(g) Gain on sale of/impairment charges to fixed assets includes a gain recognized for the sale of land of \$2.9 million, offset by impairment charges to fixed assets at two of our senior living operations of \$1.5 million during the three and nine months ended September 30, 2019.

(h) Business interruption recoveries related to insurance claims of the California fires that occurred in the fourth quarter of 2017.

(i) Impairment charges to goodwill and intangible assets for one of our other ancillary operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of services	\$ -	\$ 3,653	\$ -	\$ 3,653
Non-controlling interest	-	(476)	-	(476)
Total Non-GAAP adjustment	\$ -	\$ 3,177	\$ -	\$ 3,177

(j) 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 nine months ended September 30, 2019 and 2018. This rate excludes the tax benefit of shared-based payment awards.