

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 December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Net income attributable to The Ensign Group, Inc.	\$ 48,740	\$ 46,321	\$ 194,652	\$ 170,478
Non-GAAP adjustments				
Stock-based compensation expense(a)	4,909	3,588	18,678	14,524
Results related to operations not at full capacity(b)	—	647	657	1,499
Other income - Gain on sale of a business	(902)	—	(902)	—
Acquisition related costs(c)	50	—	384	104
Depreciation and amortization - patient base(d)	—	19	42	259
General and administrative - legal, transactional and other costs(e)	5,232	—	5,689	—
General and administrative - costs incurred related to new systems implementation	69	—	186	—
Cost of services - gain on sale of assets and business interruption gain	(1,825)	—	(2,365)	—
Provision for income taxes on Non-GAAP adjustments(f)	(1,328)	(5,693)	(9,814)	(12,256)
Non-GAAP income	<u>\$ 54,945</u>	<u>\$ 44,882</u>	<u>\$ 207,207</u>	<u>\$ 174,608</u>
Non-GAAP income from discontinued operations	—	—	—	—
Non-GAAP net income	<u>\$ 54,945</u>	<u>\$ 44,882</u>	<u>\$ 207,207</u>	<u>\$ 174,608</u>
Average number of diluted shares outstanding	56,839	56,307	56,925	55,787
Diluted Earnings Per Share				
Net income	<u>\$ 0.86</u>	<u>\$ 0.82</u>	<u>\$ 3.42</u>	<u>\$ 3.06</u>
Adjusted Diluted Earnings Per Share				
Net Income	<u>\$ 0.97</u>	<u>\$ 0.80</u>	<u>\$ 3.64</u>	<u>\$ 3.13</u>

Footnotes:

(a) Represents stock-based compensation expense incurred.

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Cost of services	\$ 3,209	\$ 2,277	\$ 11,791	\$ 9,686
General and administrative	1,700	1,311	6,887	4,838
Total Non-GAAP adjustment	<u>\$ 4,909</u>	<u>\$ 3,588</u>	<u>\$ 18,678</u>	<u>\$ 14,524</u>

(b) Represents results to operations not at full capacity

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Revenue	\$ —	\$ (1,020)	\$ (456)	\$ (3,161)
Cost of services	—	1,583	1,041	4,344
Rent	—	28	38	100
Depreciation and amortization	—	56	34	216
Total Non-GAAP adjustment	<u>\$ —</u>	<u>\$ 647</u>	<u>\$ 657</u>	<u>\$ 1,499</u>

(c) Represents costs incurred to acquire operations which are not capitalizable.

(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) Legal, transactional and other costs incurred related to the formation of Standard Bearer and other real estate related activity.

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