

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income attributable to The Ensign Group, Inc.	\$ 28,609	\$ 22,011	\$ 55,981	\$ 45,143
Non-GAAP adjustments				
Results related to facilities currently being constructed and other start-up operations(a)	84	1,272	326	2,847
Return of unclaimed class action settlement	-	-	-	(1,664)
Share-based compensation expense(b)	3,302	2,520	6,255	4,829
Results related to closed operations and operations not at full capacity(c)	626	291	975	489
Transaction-related costs(d)	546	83	608	111
Depreciation and amortization - patient base(e)	105	62	186	101
General and administrative - proposed spin-off transaction costs(f)	1,658	-	4,648	-
COS - business interruption gains(g)	-	(675)	-	(675)
Provision for income taxes on Non-GAAP adjustments(h)	(4,648)	(1,863)	(7,893)	(3,416)
Non-GAAP Net Income	\$ 30,282	\$ 23,701	\$ 61,086	\$ 47,765
Diluted Earnings Per Share As Reported				
Net Income	\$ 0.51	\$ 0.41	\$ 1.00	\$ 0.84
Average number of shares outstanding	56,078	54,251	55,896	53,909
Adjusted Diluted Earnings Per Share				
Net Income	0.54	0.44	1.09	0.89
Average number of shares outstanding	56,078	54,251	55,896	53,909

Footnotes:

(a) Represents operating results for facilities currently being constructed and other start-up operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	\$ (75)	\$ (16,343)	\$ (252)	\$ (32,566)
Cost of services	157	13,800	569	27,772
Rent	2	3,571	9	7,154
Depreciation and amortization	-	244	-	487
Total Non-GAAP adjustment	\$ 84	\$ 1,272	\$ 326	\$ 2,847

(b) Represents share-based compensation expense incurred.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cost of services	\$ 1,879	\$ 1,381	\$ 3,519	\$ 2,638
General and administrative	1,423	1,139	2,736	2,191
Total Non-GAAP adjustment	\$ 3,302	\$ 2,520	\$ 6,255	\$ 4,829

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	\$ (1,830)	\$ -	\$ (1,859)	\$ -
Cost of services	2,195	209	2,488	325
Rent	107	75	183	149
Depreciation and amortization	154	7	163	15
Total Non-GAAP adjustment	\$ 626	\$ 291	\$ 975	\$ 489

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cost of services	\$ 468	\$ -	\$ 468	\$ -
General and administrative	78	83	140	111
Total Non-GAAP adjustment	\$ 546	\$ 83	\$ 608	\$ 111

(e) Included in depreciation and amortization 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 our proposed 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) Business interruption recoveries related to insurance claims of the California fires that occurred in the fourth quarter of 2017.

(h) 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, 2019 and 2018. This rate excludes the tax benefit of shared-based payment awards.