

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:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income attributable to The Ensign Group, Inc.	\$ 56,179	\$ 47,281	\$ 164,210	\$ 145,912
Non-GAAP adjustments				
Stock-based compensation expense(a)	5,898	5,082	16,681	13,769
Results related to operations not at full capacity(b)	—	—	—	657
Cost of services - legal finding(c)	859	—	4,212	—
Cost of services - gain on sale of assets	(900)	—	(3,467)	(540)
Interest expense - write off deferred financing fees(d)	—	—	566	—
Cost of services - acquisition related costs(e)	245	145	416	333
Depreciation and amortization - patient base(f)	86	15	213	42
General and administrative - real estate transactions and other related costs(g)	—	287	—	458
General and administrative - costs incurred related to new systems implementation(h)	321	41	390	117
Provision for income taxes on Non-GAAP adjustments(i)	(3,528)	(1,095)	(10,225)	(8,485)
Non-GAAP income	\$ 59,160	\$ 51,756	\$ 172,996	\$ 152,263
Average number of diluted shares outstanding	56,761	56,971	56,829	56,954
Diluted Earnings Per Share				
Net income	\$ 0.99	\$ 0.83	\$ 2.89	\$ 2.56
Adjusted Diluted Earnings Per Share				
Net Income	\$ 1.04	\$ 0.91	\$ 3.04	\$ 2.67

Footnotes:

(a) Represents stock-based compensation expense incurred.

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cost of services	\$ 3,893	\$ 3,211	\$ 10,938	\$ 8,582
General and administrative	2,005	1,871	5,743	5,187
Total Non-GAAP adjustment	\$ 5,898	\$ 5,082	\$ 16,681	\$ 13,769

(b) Represents results to operations not at full capacity

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$ —	\$ —	\$ —	\$ (456)
Cost of services	—	—	—	1,040
Rent	—	—	—	38
Depreciation and amortization	—	—	—	35
Total Non-GAAP adjustment	\$ —	\$ —	\$ —	\$ 657

(c) Legal finding against our non-emergent transportation subsidiary.

(d) Represents the write off of deferred financing fees associated with the amendment of the credit facility.

(e) Represents costs incurred to acquire operations that are not capitalizable.

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

(g) Real estate transactions and other related costs include costs incurred related to the formation of Standard Bearer and other real estate related activities.

(h) Represents system implementation costs that are not capitalizable.

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