

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income attributable to The Ensign Group, Inc.	\$ 47,281	\$ 43,060	\$ 145,912	\$ 124,157
Non-GAAP adjustments				
Stock-based compensation expense(a)	5,082	4,173	13,769	10,936
Results related to operations not at full capacity(b)	—	159	657	852
Acquisition related costs(c)	145	20	333	104
Depreciation and amortization - patient base(d)	15	7	42	240
General and administrative -costs incurred related to real estate due diligence	287	—	458	—
General and administrative - costs incurred related to new systems implementation	41	—	117	—
Cost of services - gain on sale of assets	—	—	(540)	—
Provision for income taxes on Non-GAAP adjustments(e)	(1,095)	(3,769)	(8,485)	(6,564)
Non-GAAP income	\$ 51,756	\$ 43,650	\$ 152,263	\$ 129,725
Average number of diluted shares outstanding	56,971	55,713	56,954	55,585
Diluted Earnings Per Share				
Net income	\$ 0.83	\$ 0.77	\$ 2.56	\$ 2.23
Adjusted Diluted Earnings Per Share				
Net Income	\$ 0.91	\$ 0.78	\$ 2.67	\$ 2.33

Footnotes:

(a) Represents stock-based compensation expense incurred.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of services	\$ 3,211	\$ 2,972	\$ 8,582	\$ 7,409
General and administrative	1,871	1,201	5,187	3,527
Total Non-GAAP adjustment	\$ 5,082	\$ 4,173	\$ 13,769	\$ 10,936

(b) Represents results to operations not at full capacity

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ —	\$ (877)	\$ (456)	\$ (2,141)
Cost of services	—	958	1,040	2,761
Rent	—	25	38	72
Depreciation and amortization	—	53	35	160
Total Non-GAAP adjustment	\$ —	\$ 159	\$ 657	\$ 852

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

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

(e) 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, 2021 and 2020.