

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 GAAP net income to Non-GAAP net income for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income attributable to The Ensign Group, Inc.	\$ 78,444	\$ 63,863	\$ 218,286	\$ 187,708
Non-GAAP adjustments				
Stock-based compensation expense ^(a)	9,183	7,237	26,406	22,691
Litigation ^(b)	(555)	2,783	(1,425)	1,965
Cost of services - loss on long-lived assets and gain on business interruption recoveries	486	(259)	2,335	(1,009)
Cost of services - acquisition related costs ^(c)	239	150	518	722
General and administrative - costs incurred related to system implementations	89	—	2,522	875
Depreciation and amortization - patient base ^(d)	236	135	449	182
Provision for income taxes on Non-GAAP adjustments ^(e)	(6,981)	(4,946)	(16,157)	(13,274)
Non-GAAP Net Income	\$ 81,141	\$ 68,963	\$ 232,934	\$ 199,860
Average number of diluted shares outstanding	58,444	57,337	58,125	57,245
Diluted Earnings Per Share	\$ 1.34	\$ 1.11	\$ 3.76	\$ 3.28
Adjusted Diluted Earnings Per Share	\$ 1.39	\$ 1.20	\$ 4.01	\$ 3.49

Footnotes:

(a) Represents stock-based compensation expense incurred.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of services	\$ 6,007	\$ 5,053	\$ 17,326	\$ 15,271
General and administrative	3,176	2,184	9,080	7,420
Total Non-GAAP adjustment	\$ 9,183	\$ 7,237	\$ 26,406	\$ 22,691

(b) Represents specific proceedings and adjustments arising outside of the ordinary course of business.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of services	\$ —	\$ —	\$ (1,634)	\$ (818)
General and administrative	(555)	2,783	209	2,783
Total Non-GAAP adjustment	\$ (555)	\$ 2,783	\$ (1,425)	\$ 1,965

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

(d) Represents amortization 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%.