The Ensign Group, Inc.

Reconciliation of GAAP to Non-GAAP Financial Measures
Three Months Ended June 30, 2015
(Financial Table Follows)

Non-GAAP Financial Measures

EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR are supplemental non-GAAP financial measures. Regulation G, Conditions for Use of Non-GAAP Financial Measures, and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. We calculate EBITDA as net income, adjusted for net losses attributable to noncontrolling interest, before (a) interest expense, net, (b) provision for income taxes, and (c) depreciation and amortization. We calculate EBITDAR by adjusting EBITDA to exclude rent—cost of services. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP. These non-GAAP financial measures should not be relied upon to the exclusion of GAAP financial measures. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business.

We believe EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are useful to investors and other external users of our financial statements in evaluating our operating performance because:

- they are widely used by investors and analysts in our industry as a supplemental measure to evaluate the overall operating performance of companies in our industry without regard to items such as interest expense, net and depreciation and amortization, which can vary substantially from company to company depending on the book value of assets, capital structure and the method by which assets were acquired; and

- they help investors evaluate and compare the results of our operations from period to period by removing the impact of our capital structure and asset base from our operating results.

We use EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR:

- as measurements of our operating performance to assist us in comparing our operating performance on a consistent basis;

- to allocate resources to enhance the financial performance of our business;

- to evaluate the effectiveness of our operational strategies; and

- to compare our operating performance to that of our competitors.

We typically use EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR to compare the operating performance of each operation. EBITDA and EBITDAR are useful in this regard because they do not include such costs as net interest expense, income taxes, depreciation and amortization expense, and, with respect to EBITDAR, rent — cost of services, which may vary from period-to-period depending upon various factors, including the method used to finance facilities, the amount of debt that we have incurred, whether a facility is owned or leased, the date of acquisition of a facility or business, and the tax law of the state in which a business unit operates. As a result, we believe that the use of EBITDA and EBITDAR provide a meaningful and consistent comparison of our business between periods by eliminating certain items required by GAAP.

We also establish compensation programs and bonuses for our leaders that are partially based upon the achievement of Adjusted EBITDAR targets.

Despite the importance of these measures in analyzing our underlying business, designing incentive compensation and for our goal setting, EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are non-GAAP financial measures that have no standardized meaning defined by GAAP. Therefore, our EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR measures have limitations as analytical tools, and they should not be considered in isolation, or as a substitute for analysis of our results as reported in accordance with GAAP. Some of these limitations are:

- they do not reflect our current or future cash requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the net interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- they do not reflect any income tax payments we may be required to make;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and EBITDAR do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, which may limit their usefulness as comparative measures.

We compensate for these limitations by using them only to supplement net income on a basis prepared in accordance with GAAP in order to provide a more complete understanding of the factors and trends affecting our business.

(2) Adjusted EBITDA is EBITDA adjusted for non-core business items, which for the reported periods includes, to the extent applicable:

- expenses incurred in connection with our spin-off of real estate assets to CareTrust;
- stock-based compensation expense;
- costs incurred related to new systems implementation;
- results at our urgent care centers (including the portion related to non-controlling interest);
- costs incurred for facilities currently being constructed;
- results at three independent living facilities transferred to CareTrust as part of the Spin-Off transaction;
- acquisition-related costs;
- breakup fee, net of costs, received in connection with a public auction in which we were the priority bidder;
- costs incurred to recognize income tax credits; and

- rent related to our urgent care centers and three independent living facilities which were transferred to CareTrust.

Adjusted EBITDAR is EBITDAR adjusted for the above noted non-core business items.

Management strongly encourages investors to review our consolidated financial statements in their entirety and to not rely on any single financial measure. Because these non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. For information about our financial results as reported in accordance with GAAP, see our consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q.

The table below reconciles net income to EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR for the periods presented:

THE ENSIGN GROUP, INC.
RECONCILIATION OF NET INCOME TO EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR
(in thousands)
(Unaudited)

The table below reconciles net income to EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Consolidated Statements of Income Data:				
Net income	$ 13,233	$ 1,533	$ 28,323	$ 14,574
Less: net loss attributable to noncontrolling interests	45	(474)	(37)	(959)
Interest expense, net	372	8,586	872	11,790
Provision for income taxes	8,379	3,523	17,964	11,625
Depreciation and amortization	6,379	7,804	12,896	16,666
EBITDA	$ 28,318	$ 21,920	$ 60,092	$ 55,614
Rent—cost of services	19,066	8,283	38,031	11,832
EBITDAR	$ 47,384	$ 30,203	$ 98,123	$ 67,446
EBITDA	$ 28,318	$ 21,920	$ 60,092	$ 55,614
Adjustments to EBITDA:				
Expenses related to the Spin-Off(a)	—	7,281	—	8,871
Stock-based compensation expense(b)	1,733	—	3,226	—
Costs incurred related to new systems implementation(c)	858	—	1,145	—
Urgent care center earnings(d)	(625)	(3)	(1,565)	(32)
Costs at facilities currently being constructed (e)	462	—	608	—
Earnings at three operations transferred to REIT (f)	—	(30)	—	(122)
Acquisition related costs(g)	438	90	590	134
Breakup fee, net of costs, received in connection with a public auction(h)	—	—	(1,019)	—
Costs incurred to recognize income tax credits(i)	27	29	53	62
Rent related to item(d) and (f) above(j)	527	525	1,016	1,129
Adjusted EBITDA	$ 31,738	$ 29,812	$ 64,146	$ 65,656
Rent—cost of services	19,066	8,283	38,031	11,832
Less: rent related to items (d) and (f) above(j)	(527)	(525)	(1,016)	(1,129)
Adjusted EBITDAR	$ 50,277	$ 37,570	$ 101,161	$ 76,359

(a) Expenses incurred in connection with the Spin-Off.

(b) Stock-based compensation expense incurred during the three and six months ended June 30, 2015. Adjusted EBITDA and EBITDAR for the three and six months ended June 30, 2014 did not include non-GAAP adjustment related to stock-based compensation expense of $1.2 million and $2.4 million, respectively. If adjusted for stock-based compensation expense, Adjusted EBITDA for the three and six months ended June 30, 2014 would have been $31.0 million and $68.0 million, respectively, and Adjusted EBITDAR for the three and six months ended June 30, 2014 would have been $38.8 million and $78.7 million, respectively. EBITDA for the three and six months ended June 30, 2014 reflects one month increase in rent expense as a result of the Spin-Off compared to three and six months increase in rent expense for the three and six months ended June 30, 2015.

(c) Costs incurred related to new systems implementation.

(d) Operating results at urgent care centers. This amount for the three and six months ended June 30, 2015 excluded rent of $0.5 million and $1.0 million, respectively, and depreciation expense of $0.3 million and 0.6 million, respectively. This amount for the three and six months ended June 30, 2014 excluded rent of $0.4 million and $0.7 million, respectively, and depreciation expense of $0.2 million and $0.3 million, respectively. The results also excluded the net loss attributable to the variable interest entity associated with our urgent care business of approximately $0.2 million for the six months ended June 30, 2015 and $1.0 million and $2.1 million for the three and six months ended June 30, 2014, respectively.

(e) Costs incurred for facilities currently being constructed during the three and six months ended June 30, 2015.

(f) Results at three independent living facilities which were transferred to CareTrust REIT as part of the Spin-Off transaction, excluding rent, depreciation, interest and income taxes.

(g) Costs incurred to acquire operations which are not capitalizable.

(h) Breakup fee, net of costs, received in connection with a public auction in which we were the priority bidder.

(i) Costs incurred to recognize income tax credits which contributed to a decrease in effective tax rate.

(j) Rent related to urgent care centers and three independent living facilities which were transferred to CareTrust not included in item (d) and (f) above.

The table below reconciles net income to EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR for each reportable segment for the periods presented:

THE ENSIGN GROUP, INC.
RECONCILIATION OF NET INCOME TO EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR
(in thousands)
(Unaudited)

The table below reconciles net income to EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR for each reportable segment for the periods presented:

	Three Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
	TSA Services		Home Health and Hospice		TSA Services		Home Health and Hospice	
Statements of Income Data:								
Income from operations, excluding general and administrative expense(a)	$ 35,067	$ 31,372	$ 2,996	$ 2,213	$ 72,366	$ 68,304	$ 5,671	$ 4,085
Depreciation and amortization	4,877	6,600	224	126	9,826	14,461	445	247
EBITDA	$ 39,944	$ 37,972	$ 3,220	$ 2,339	$ 82,192	$ 82,765	$ 6,116	$ 4,332
Rent—cost of services	18,214	7,632	275	206	36,376	10,637	535	365
EBITDAR	$ 58,158	$ 45,604	$ 3,495	$ 2,545	$ 118,568	$ 93,402	$ 6,651	$ 4,697
EBITDA	$ 39,944	$ 37,972	$ 3,220	$ 2,339	$ 82,192	$ 82,765	$ 6,116	$ 4,332
Adjustments to EBITDA:								
Stock-based compensation expense(b)	1,033	—	61	—	1,913	—	122	—
Costs at facilities currently being constructed(c)	462	—	—	—	608	—	—	—
Earnings at three operations transferred to REIT (d)	—	(30)	—	—	—	(122)	—	—
Acquisition related costs(e)	438	90	—	—	590	134	—	—
Rent related to item(d) above(f)	—	226	—	—	—	406	—	—
Adjusted EBITDA	$ 41,877	$ 38,258	$ 3,281	$ 2,339	$ 85,303	$ 83,183	$ 6,238	$ 4,332
Rent—cost of services	18,214	7,632	275	206	36,376	10,637	535	365
Less: rent related to items(d) above(f)	—	$ (226)	—	—	—	(406)	—	—
Adjusted EBITDAR	$ 60,091	$ 45,664	$ 3,556	$ 2,545	$ 121,679	$ 93,414	$ 6,773	$ 4,697

(a) General and administrative expenses are not allocated to any segment for purposes of determining segment profit or loss.
(b) Stock-based compensation expense incurred during the three and six months ended June 30, 2015.
(c) Costs incurred for facilities currently being constructed during the three and six months ended June 30, 2015.
(d) Results at three independent living facilities which were transferred to CareTrust REIT as part of the Spin-Off transaction, excluding rent, depreciation, interest and income taxes.
(e) Costs incurred to acquire operations which are not capitalizable.
(f) Rent related to the three independent living facilities which were transferred to CareTrust not included in item (d) above.