The Ensign Group, Inc.

Reconciliation of GAAP to Non-GAAP Financial Measures
Three Months Ended March 31, 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 the non-controlling interest);
- costs incurred at facilities currently being constructed;
- 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.

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 March 31, 2015	Three Months Ended March 31, 2014
Consolidated Statements of Income Data:		
Net income	$ 15,088	$ 13,041
Less: net loss attributable to noncontrolling interests	(82)	(485)
Interest expense, net	501	3,204
Provision for income taxes	9,585	8,102
Depreciation and amortization	6,517	8,862
EBITDA	$ 31,773	$ 33,694
Rent—cost of services	18,966	3,549
EBITDAR	$ 50,739	$ 37,243
EBITDA	$ 31,773	$ 33,694
Adjustments to EBITDA:		
Expenses related to the Spin-Off(a)	—	1,590
Stock-based compensation expense(b)	1,493	—
Costs incurred related to new systems implementation(c)	287	—
Urgent care center earnings(d)	(940)	(28)
Costs at facilities currently being constructed(e)	146	—
Acquisition related costs(f)	152	44
Breakup fee, net of costs, received in connection with a public auction(g)	(1,019)	—
Costs incurred to recognize income tax credits(h)	26	33
Rent related to item(d) above(i)	489	334
Adjusted EBITDA	$ 32,407	$ 35,667
Rent—cost of services	18,966	3,549
Less: related to items (d) above (i)	(489)	(334)
Adjusted EBITDAR	$ 50,884	$ 38,882

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

(b) Stock-based compensation expense incurred during the three months ended March 31, 2015. Adjusted EBITDA and EBITDAR for the three months ended March 31, 2014 did not include non-gaap adjustment related to stock-based compensation expense of $1,179. If adjusted for stock-based compensation expense, adjusted EBITDA and EBITDAR for the three months ended March 31, 2014 would have been $36,846 and $40,061, respectively.

(c) Costs incurred related to new systems implementation.

(d) Operating results at urgent care centers. This amount for the three months ended March 31, 2015 excluded rent of $489 and depreciation expense of $281. This amount for the three months ended March 31, 2014 excluded rent of $334 and depreciation expense of $131. The results also excluded the net loss attributable to the variable interest entity associated with our urgent care business of approximately $157 and $526 for the three months ended March 31, 2015 and 2014, respectively.

(e) Costs incurred through the first quarter of 2015 at facilities currently being constructed.

(f) Costs incurred to acquire an operation which are not capitalizable.

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

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

(i) Rent related to urgent care centers not included in items (d) above.