BETTER INVESTING™
Rocky Mountain Chapter

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Ensign Group Inc. (ENSG)

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September 21, 2022

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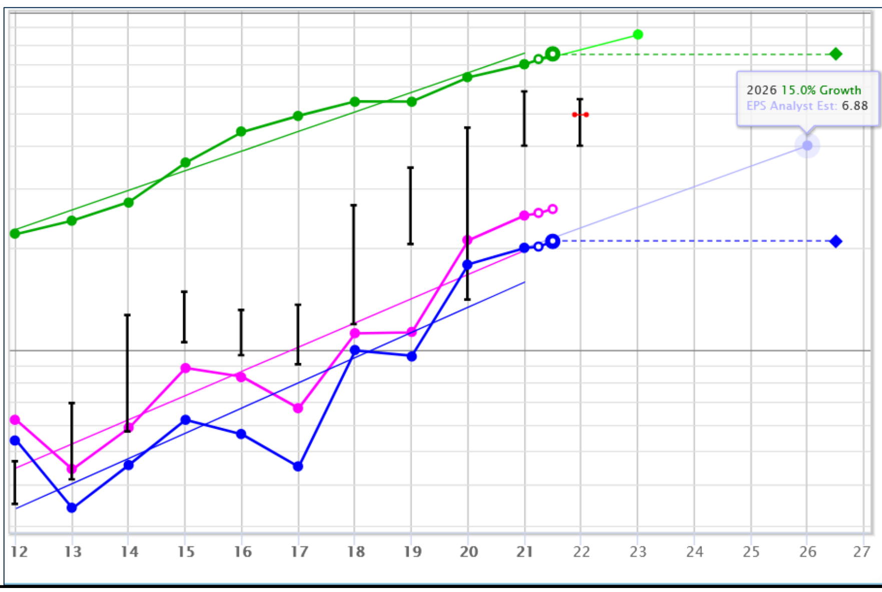
Visual Analysis - Ensign Group Inc.



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Ensign Group Inc.

How it makes money

ENSG provides under long-term lease arrangements:

- Skilled nursing and assisted living services
- Physical, occupational and speech therapies
- Home health and hospice services
- Urgent care services

ENSG owns:

- Real estate portfolio (Standard Bearer)

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Ensign Group Inc.

How it is organized

Operates through two segments:

Skilled services

The operation of skilled nursing facilities and rehabilitation therapy services

Regional subsidiaries oversee skilled nursing, assisted living, home health and hospice, mobile ancillary, and urgent care operations

Real Estate

Properties owned by the company and leased to skilled nursing and assisted living operations

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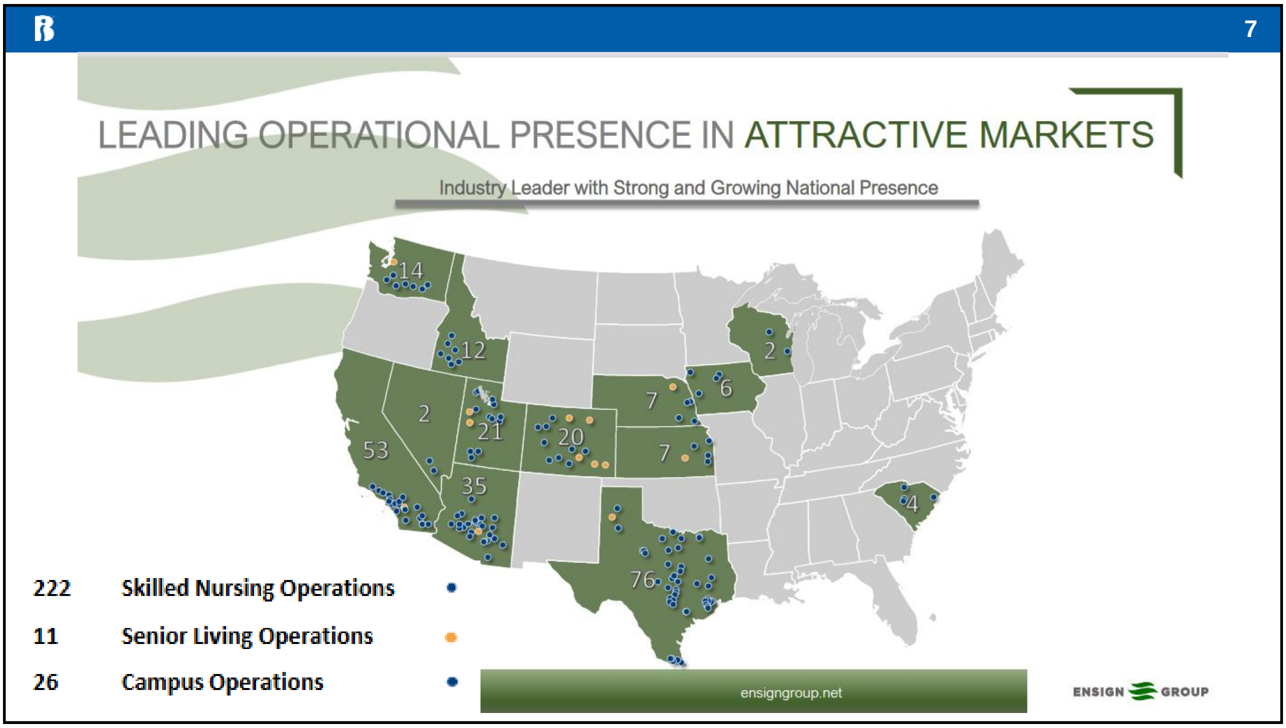
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LEADING OPERATIONAL PRESENCE IN ATTRACTIVE MARKETS
Industry Leader with Strong and Growing National Presence
14
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222 Skilled Nursing Operations
11 Senior Living Operations
26 Campus Operations
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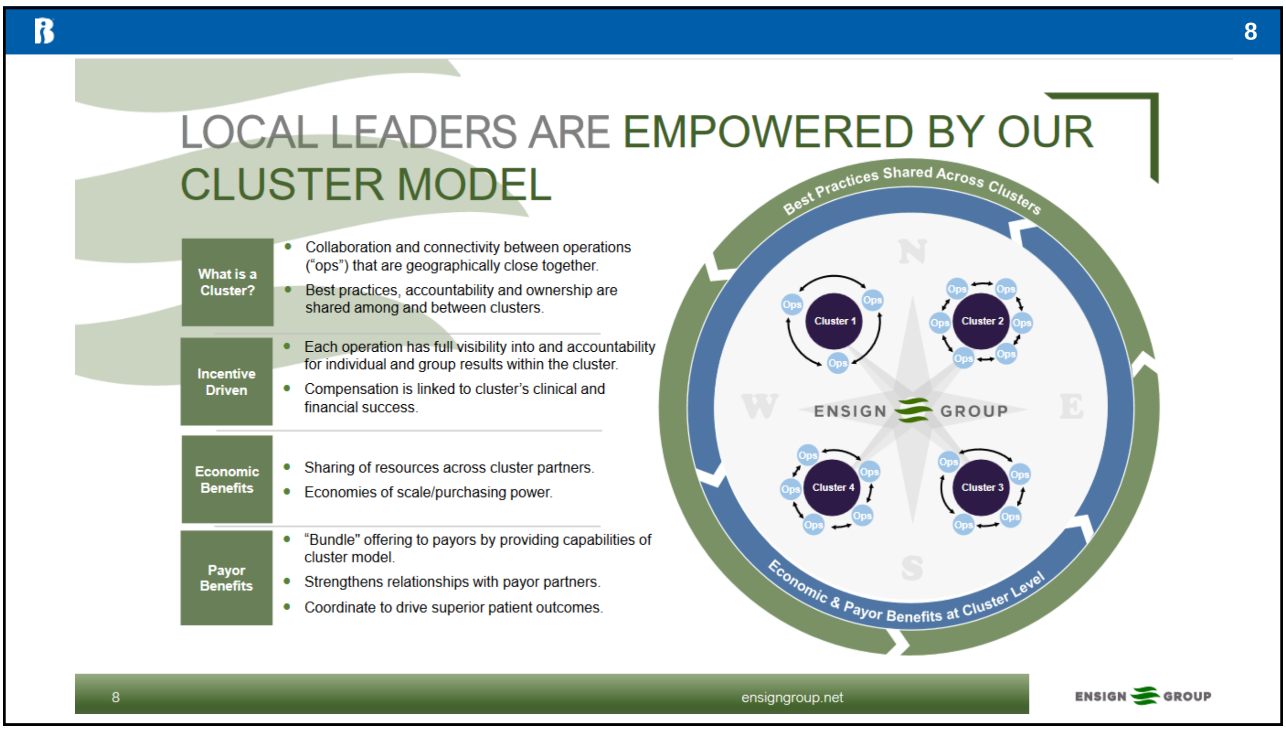
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LOCAL LEADERS ARE EMPOWERED BY OUR CLUSTER MODEL
What is a Cluster?
Collaboration and connectivity between operations ("ops") that are geographically close together.
Best practices, accountability and ownership are shared among and between clusters.
Incentive Driven
Each operation has full visibility into and accountability for individual and group results within the cluster.
Compensation is linked to cluster's clinical and financial success.
Economic Benefits
Sharing of resources across cluster partners.
Economies of scale/purchasing power.
Payor Benefits
"Bundle" offering to payors by providing capabilities of cluster model.
Strengthens relationships with payor partners.
Coordinate to drive superior patient outcomes.
Best Practices Shared Across Clusters
Cluster 1
Cluster 2
Cluster 3
Cluster 4
Ops
ENSIGN GROUP
Economic & Payor Benefits at Cluster Level
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Ensign Group Inc.

Positioned in the Medical Services Industry

- The medical services industry ranks in the top 25% of current Value Line rankings
- During downturns the medical services industry is known as a defensive bulwark
- Inflation is causing higher costs for medical supplies and devices
- Labor shortages are a major problem
- Major players are making acquisitions
- Health management organizations are showing strength
- Over 65 population expected to double by 2060

SWOT

- **S**trengths – Internal factors that may positively influence company performance
- **W**eaknesses – Internal factors that may negatively influence company performance
- **O**pportunities – External factors that may positively influence company performance
- **T**hreats – External factors that may negatively influence company performance

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Ensign Group Inc.
Strengths

- Liquidity strong with $285.58M cash, $593.3M line of credit
- 20-year history paying dividend, currently $0.22 annually; yields .26% at the current price.
- Completed authorized buyback program
- Acquisition of 11 operations in second quarter
- Revenue guidance for 2022 was raised, with midpoint earnings guidance up 13%
- Majority of revenue for services is from Medicare/Medicaid

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Ensign Group Inc.
Weaknesses

- Labor shortage, especially nurses
- Increased costs across the board due to inflation, possible recession
- Majority of revenue for services is from Medicare/Medicaid
- Has little base in-home health care
- Remote work means more help at home
- Debt - over 100% debt to equity; debt to equity trending up

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Ensign Group Inc.

Opportunities

- Medical services industry is considered a defensive strength for investors.
- Population over 65 modelled to double from 45K in 2016 to 90K in 2060
- Medicare payments projected to double, most to post acute care
- Improving acquisition environment

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Ensign Group Inc.

Threats

- Certain Covid subsidies are continuing on borrowed time
- Inflation/Recession
- Continuing labor shortages
- More services provided by home health care
- Negative impression due to industry activities during the pandemic

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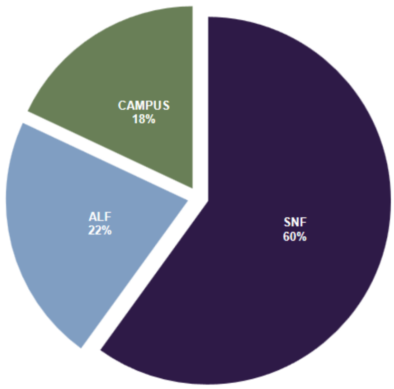
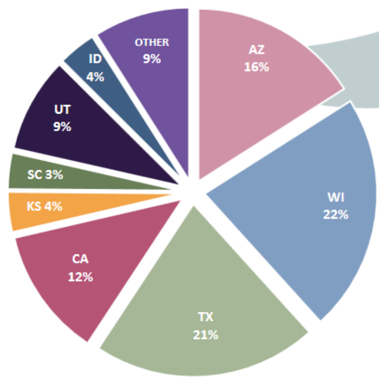
PORTFOLIO DIVERSIFICATION

Diversification by Property Type [1][2]



Diversification by State[1]



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(1) Based on percentage of annualized rent
(2) The number of SNF beds and ALF units for SNF, ALF and Campus are 6,384, 1,712 and 1,940, respectively. The valuations for SNF, ALF and Campus are $647 million, $245 million and $133 million, respectively. The range of implied capitalization rates for SNF is 5.5% to 8.8%, ALF is 6.3% to 8.0% and Campus is 6.3% to 7.0%.

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STANDARD BEARER

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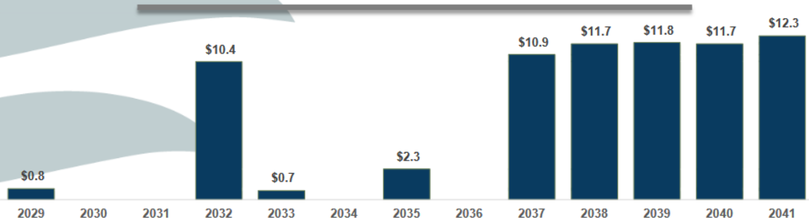
STRONG LONG-TERM LEASES

Annualized Rent Revenue Expirations by Year



16.6 years
Weighted Avg. Lease Tenor

99%
of leases expire after 2031

Tenant Rent Coverage Summary

Tenant	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Internal tenant	2.46	2.68	2.66	2.67	2.72
External tenant	0.99	0.95	1.00	1.00	1.07
Total	**2.16**	**2.29**	**2.26**	**2.31**	**2.39**

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(1) Leases have two or three extension options of five years.

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STANDARD BEARER

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STOCK SELECTION GUIDE

Adding Judgment

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Selecting Sales Growth

Fundamental Company Data

	2012	2021	Growth(%)	Forecast (%
Historical Sales ($M)	825	2,627	14.3%	
Historical EPS ($)	0.93	3.42	18.7%	

Analyst Consensus Estimates

Sales 2 Year Estimate:	10.5%
EPS Long Term Estimate:	15.0%

Analyst Consensus Estimates provided by Morningstar

Member Judgment Forecasts from Recent Studies (Total Completed Studies = 88 in past 90 days)

Sel	Last Update	Sales (%)	EPS (%)	High PE	High EPS	High Price	Low PE	Low EPS	Low Price	Payout (%)	Pot. Return
	AVERAGE	10.0	11.8	25.92	6.19	160.51	16.04	3.25	52.04	13.1	14.0

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Selecting Earnings Growth

Fundamental Company Data	2012		2021	Growth(%)	Forecast (%)
Historical Sales ($M)	825		2,627	14.3%	
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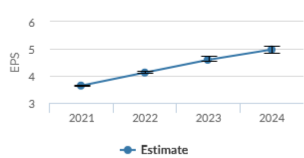
YEARLY NUMBERS

ESTIMATES

	2021	2022	2023	2024
High	3.65	4.17	4.72	5.10
Low	3.61	4.10	4.52	4.84
Average	3.64	4.12	4.59	4.97

ENSG will report 2022 earnings on 02/08/2023



Return Rate (Discount Rate / CAGR) Calculator

Inputs	
Present Value:	$ 3.64
Future Value:	$ 4.97
Years:	3
Calculate	
Results	
Compound Annual Growth Rate:	10.94 %

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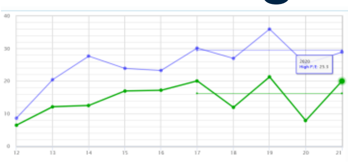
Selecting a high P/E



	A	B	C	D	E
	Price		Earnings	Price Earnings Ratio	
	High	Low	Per Share	High A / C	Low B / C
2017	23.2	15.4	0.77	30.1	20.0
2018	45.8	20.3	1.70	26.9	11.9
2019	58.9	34.9	1.64	35.9	21.3
2020	77.3	24.1	3.06	25.3	7.9
2021	98.7	68.3	3.42	28.8	20.0
AVERAGE				**29.4**	**16.2**
CURRENT/TTM			**3.59**	**26.3**	**19.0**
AVERAGE PRICE EARNINGS RATIO: 22.8					**CURRENT PRICE E**

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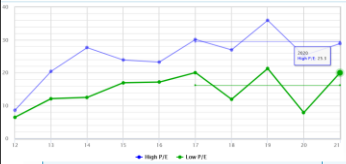
Selecting a low P/E



	A	B	C	D	E
	Price		Earnings	Price Earnings Ratio	
	High	Low	Per Share	High A / C	Low B / C
2017	23.2	15.4	0.77	30.1	20.0
2018	45.8	20.3	1.70	26.9	11.9
2019	58.9	34.9	1.64	35.9	21.3
2020	77.3	24.1	3.06	25.3	7.9
2021	98.7	68.3	3.42	28.8	20.0
AVERAGE		[illegible]		[illegible]	**16.2**
CURRENT/TTM			**3.59**	**26.3**	**19.0**
AVERAGE PRICE EARNINGS RATIO: 22.8					**CURRENT PRICE E**

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	AVERAGE	10.0	11.8	25.92	6.19	160.5	16.04	3.25	52.04	13.1	14.0

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Estimating a low Earnings per Share

	A	B	C	
Year	Price		Earnings	
	High	Low	Per Share	Hi
2017	23.2	15.4	0.77	
2018	45.8	20.3	1.70	
2019	58.9	34.9	1.64	
2020	77.3	24.1	3.06	
2021	98.7	68.3	3.42	
AVERAGE		**32.6**		
CURRENT/TTM			**3.59**	

Is there a trend?
Have earnings always increased?
Has growth been consistent?

Last full year earnings per share

TTM EPS – Default setting

Member Judgment Forecasts from Recent Studies (Total Completed Studies = 88 in past 90 days)

Sel	Last Update	Sales (%)	EPS (%)	High PE	High EPS	High Price	Low PE	Low EPS	Low Price	Payout (%)	Pot. Return
	AVERAGE	10.0	11.8	25.92	6.19	160.51	16.04	3.25	52.04	13.1	14.0

Ensign Group Inc. Investor presentation, September 2022

EPS GUIDANCE 2022

Diluted Adjusted EPS
$4.05 to $4.15

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Judgment Choices

- Sales Growth
- Earnings Growth
- High estimated P/E
  (High P/E * est. high EPS = High stock price forecast)
- Low estimated P/E
- Low EPS
  (Low P/E * low est. EPS = Forecast low stock price)

Results?

- Zone
- Forecasted High Price
- Forecasted Low Price
- Closing Price
- Upside Downside ratio
- Potential price appreciation

- Final Poll

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Question and Comments

Ensign Group, Inc. (ENSG)

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Resources

Jane Nelson, Director, Rocky Mountain Chapter
Ensign Group investor presentation, September 2022
Value Line, June 3, 2022
Marketwatch.com
http://www.moneychimp.com/calculator/discount_rate_calculator.htm
BetterInvesting SSG+

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