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PENNANT GROUP

# Investor Presentation

September 2024

# Disclaimer

Statements in this presentation concerning the future prospects of The Pennant Group, Inc. (“Pennant” or the “Company”) are forward looking statements based on management’s current expectations, assumptions and beliefs about our business, financial performance, operating results, the industry in which we operate and possible future events. These statements include, but are not limited to, statements regarding our growth prospects and future operating and financial performance. They are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause our actual results to materially and adversely differ from those expressed in any forward-looking statement.

Readers should not place undue reliance on any forward-looking statements and are encouraged to review our periodic filings with the Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and our other reports and filings for a more complete discussion of the risks and other factors that could affect Pennant’s business, prospects and any forward-looking statements. This information is provided as of today’s date only, and except as required by federal securities law, Pennant does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changing circumstances or for any other reason after the date of this presentation.

This presentation includes references to certain performance and valuation measures, which are non-GAAP financial measures, including Consolidated EBITDA, Consolidated Adjusted EBITDA, Segment Adjusted EBITDA from Operations, and Consolidated Adjusted EBITDAR (collectively, “Non-GAAP Financial Measures”). Non-GAAP Financial Measures are used in addition to, and in conjunction with, results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Non-GAAP Financial Measures reflect an additional way of viewing aspects of our operations and company that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, we believe can provide a more comprehensive understanding of factors and trends affecting our business. We calculate Consolidated EBITDA as net income, before interest expense, provision for income taxes and depreciation and amortization. We calculate Consolidated Adjusted EBITDA by adjusting Consolidated EBITDA to exclude the effects of non-core business items, which for the reported periods includes, to the extent applicable: costs at start-up operations; share-based compensation expense; acquisition related costs and credit allowances; costs associated with transitioning operations; and unusual, non-recurring, or redundant charges. We calculate Segment Adjusted EBITDA from Operations by adjusting Segment Adjusted EBITDAR from Operations to include rent-cost of services. We calculate Consolidated Adjusted EBITDAR by excluding rent-cost of services and rent related to start up operations from Consolidated Adjusted EBITDA. These Non-GAAP Financial Measures should not be relied upon to the exclusion of GAAP financial measures. A reconciliation of each Non-GAAP Financial Measure to the most directly comparable GAAP financial measures is included as an appendix to this presentation.

We may reference operations in any or all of our home health, hospice or senior living independent operating subsidiaries. Each such business is operated as a separate, independent operating subsidiary that has its own management, employees and assets. References in the presentation to the consolidated “Company” and “its” assets and activities, as well as the use of the terms “we,” “us,” “our,” and similar verbiage are not meant to imply that The Pennant Group, Inc. has direct operating assets, employees or revenue, or that any of the operations or the Service Center or the captive insurance subsidiary are operated by the same entity.

Star Ratings refer to the star rating criteria established by the Centers for Medicare and Medicaid Services (“CMS”).

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# Executive Summary

- Leading operator in a **large, growing market** with **strong secular tailwinds** enabling patients to age in place
- **Innovative, decentralized operating model** that empowers local leaders and **drives proven outcomes**
- Demonstrated **track record of success**
  - **11%** Revenue CAGR from 2021 – 2023
  - **24%** Consolidated Adj. EBITDA CAGR from 2021 – 2023[(1)]
- Current leadership in place **since inception**

(1) Non-GAAP financial measure. See Appendix for reconciliation to the most directly comparable GAAP measure.

# Our Story

## Established Track Record

- Founded in 2010
- Spun-off from Ensign (Nasdaq: ENSG) in 2019
- Strong history of **fostering a new level of patient care and professional competence**
- Achieved **exemplary standards for quality** home health & hospice and senior living services

## Innovative, Decentralized Operating Model

- **Empower local leaders** to drive exceptional **clinical**, **financial**, **community** and **cultural** outcomes
- Community-focused solutions that deliver **industry-leading growth**
- Decentralized structure allows **effective integration of new operations**
- **Dedicated strategic support** from Pennant Services

## Solution of Choice in Our Communities

- Focus on delivering **innovative, high-quality** solutions to **community partners**
- **Employer of choice**
- **Provider of choice**
- **Partner of choice**

**We deliver high quality care through tailored services emphasizing the right care, in the right place, at the right time**

# Our Mission and Values

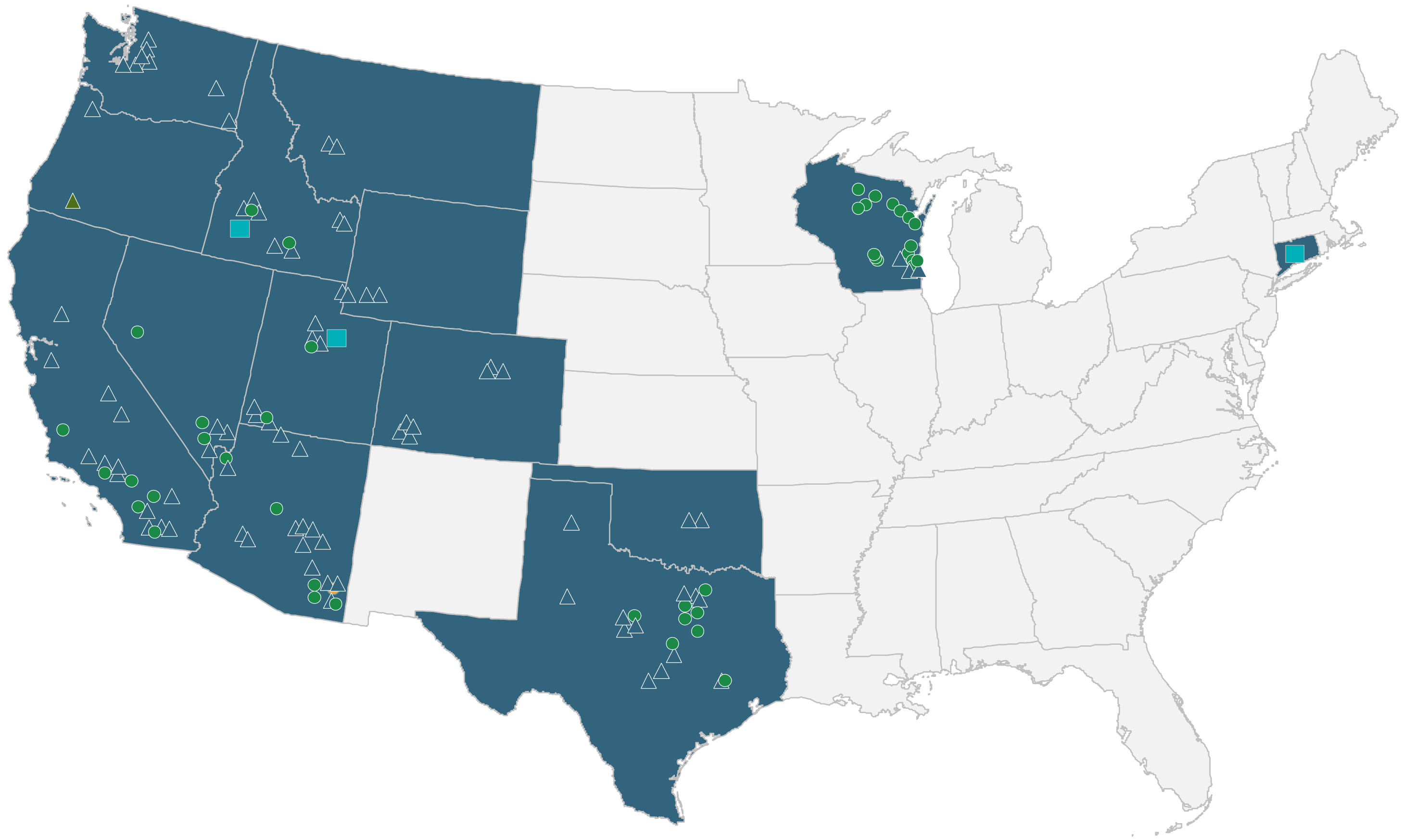
Pennant is a **premier leadership company** providing **life changing opportunities** and setting the **standard for excellence** through our core values and unique operating model.

**CAPLICO**

CUSTOMER SECOND
ACCOUNTABILITY
PASSION FOR LEARNING
LOVE ONE ANOTHER
INTELLIGENT RISK TAKING
CELEBRATION
OWNERSHIP

**Life-Changing Service**

# Pennant at a Glance



▲ Home Health, Hospice and Home Care Agencies

● Senior Living Communities

■ Pennant Service Center(5)

(1) Metrics as of September 30, 2024.
(2) For the nine months ended September 30, 2024. Non-GAAP financial measure. See Appendix for reconciliation to the most directly comparable GAAP measure.
(3) For the three months ended September 30, 2024.
(4) Occupancy rate = total occupied senior units / total available senior living units.
(5) Pennant does not have Agencies or Communities in Connecticut. Pennant signed a management services agreement with Hartford HealthCare at Home (HHCAH) to provide operational support on June 18, 2024.

**$506.3mm**
Q3 YTD 2024 Revenue[2]

**$70.9mm**
Q3 YTD 2024 Consolidated Adj. EBITDAR[2]

**122**
Home Health, Hospice and Home Care Agencies[1]

**54**
Senior Living Communities[1]

**~44k**
HH Admissions[1]

**79.1%**
Average Senior Living Occupancy[3][4]

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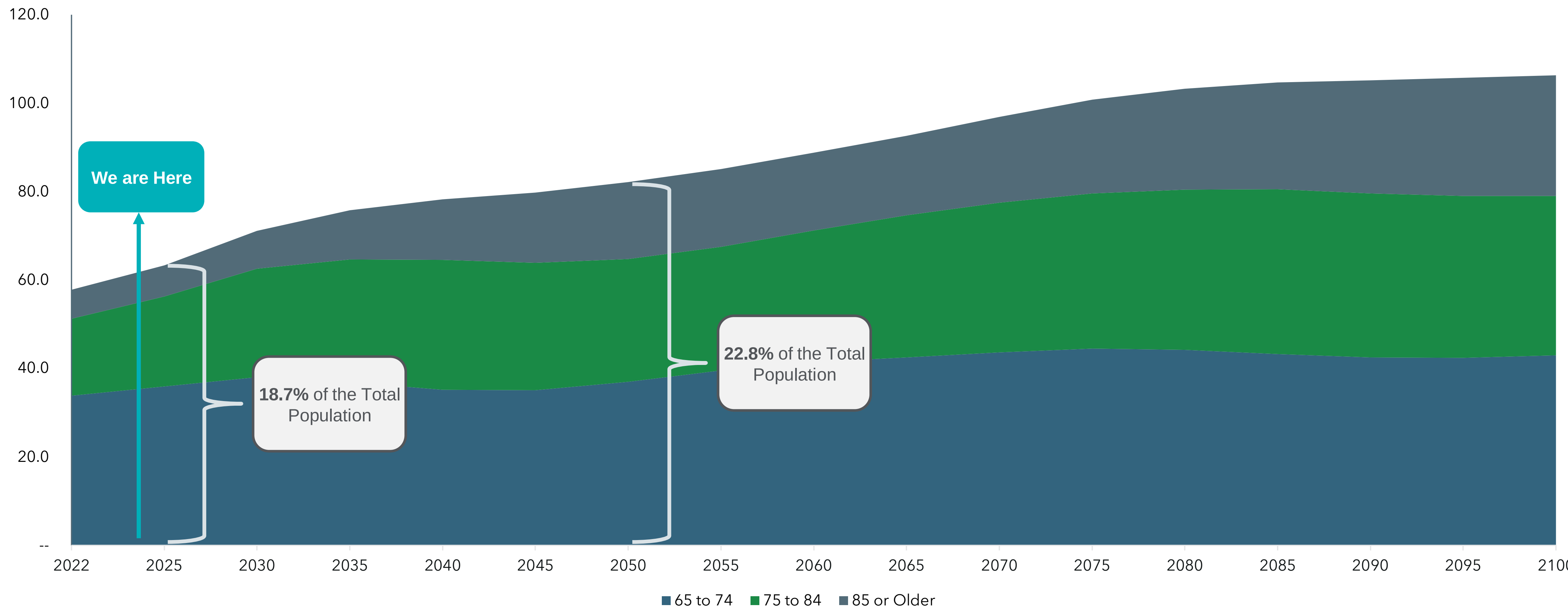
# Underpinned by an Aging US Population….

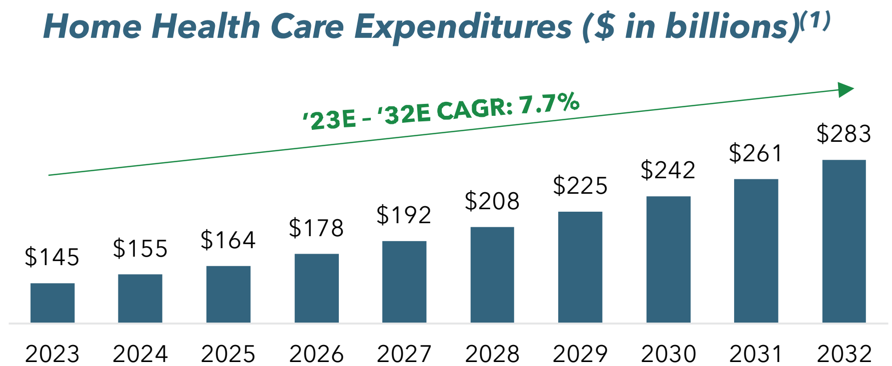
## Projected US Population Over Age 65[1] (in millions)




(1) US Census Bureau. Projected Population by Five-Year Age Group and Sex, 2023. Census.gov.

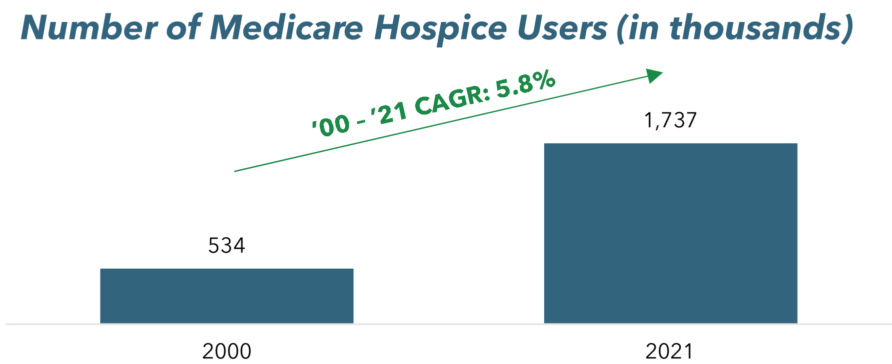
# …Our Industries Have Attractive Fundamentals

## Home Health



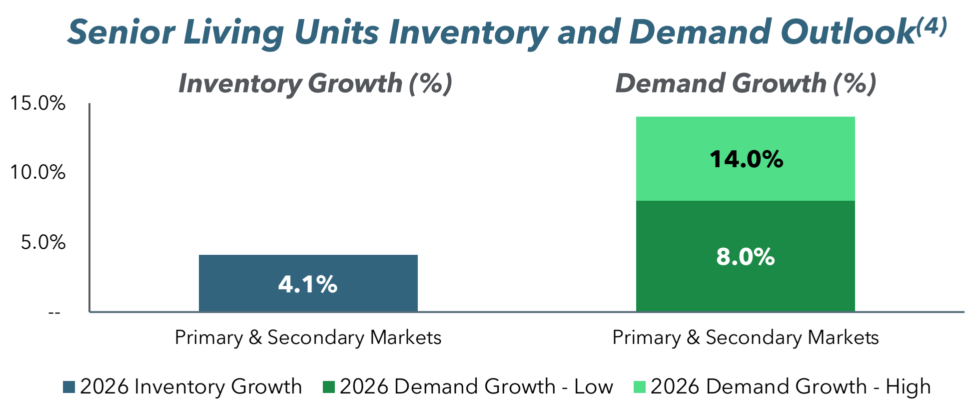

- Home Health expenditures **expected to increase ~95% by 2032**[(1)]
- Home Health remains the **lowest-cost post-acute care setting; ~97% lower** than other facility-based settings (Average Medicare Cost per Day of **$61 for Home Health** vs. **$1,850 for Inpatient Rehab Facilities**)[(2)]

## Hospice




- Number of **hospice care users has increased 225%** through 2021
- **>40%** of Hospice Care is used by population 85 years or older, **which is expected to triple by 2050**[(3)]

## Senior Living




- **Growth in demand ~2-3x higher than inventory growth** from 2023 to 2026
- Estimated demand for units **expected to remain strong** through the next decade



Source: Industry research, Kaufman Hall, CMS, MedPAC, AARP and ASHA.
(1) CMS National Health Expenditures, 2024; CMS.gov.
(2) CMS Program Statistics Medicare 2021 reports; Data.CMS.gov.
(3) Additional details on aging population on prior page.
(4) National Investment Center (NIC) Senior Housing Analyst Review & Outlook, 2023. Primary & Secondary Markets refer to the 99 large core-based statistical areas in the US. Inventory represents total occupied and unoccupied assisted living and independent living units.

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# Our Services are Critical to the Healthcare System

## Our Businesses Provide Life-Changing Services in the Home Setting

**CORNERSTONE**

$377.5mm
Q3 YTD '24 Revenue(1)

**Cornerstone Service Offerings:**

- **Home Health**
- **Hospice**
- **Home Care**

$175bn HH&H TAM(2) / ~8% Growth Rate(2)

**PINNACLE SENIOR LIVING**

$128.9mm
Q3 YTD '24 Revenue(1)

**Pinnacle Service Offerings:**

- **Independent Living**
- **Assisted Living**
- **Memory Care**

$92bn Senior Living TAM(3) / ~5% Growth Rate(3)

## Post-Acute Care Continuum

*Highest Acuity / Cost*

- Short-Term Acute Care Hospital (STACH)
- Long-Term Acute Care Hospital (LTACH)
- Inpatient Rehabilitation Facilities (IRF)
- Skilled Nursing Facilities (SNF)
- Assisted Living / Independent Living Facilities (ALF / ILF)
- Home Health & Hospice (HH&H)

*Lowest Acuity / Cost*

(1) For the nine months ended September 30, 2024.
(2) Source: Grandview Research. Home Health market is estimated at approximately $142.9bn and is expected to grow at a CAGR of 7.5% from 2022 to 2030 and the Hospice industry is estimated at approximately $34.5 billion and is projected to grow at an estimated CAGR of 8.2% from 2022 to 2030.
(3) Source: Grandview Research. Senior living market is estimated at approximately $91.8 billion and is expected to expand at an estimated CAGR of 5.5% between 2022 to 2030



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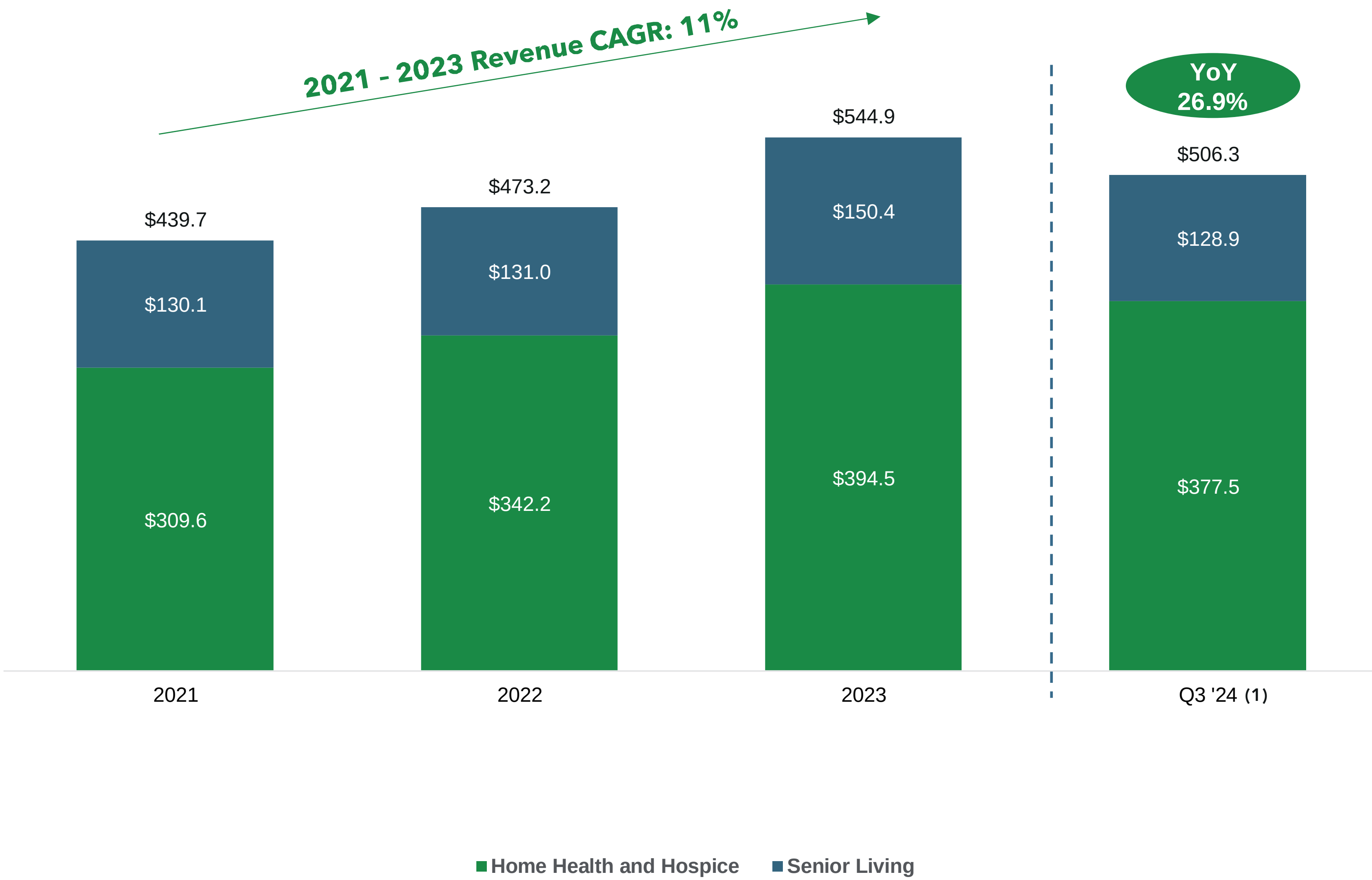
# Strong Track Record of Growth

**Total Revenue** ($ in millions)




- 11% CAGR from 2021 to 2023, demonstrating consistent and robust growth across all segments
- Home Health & Hospice led the way as key drivers of revenue, reflecting strong market demand and operational excellence
- Q3 YTD 2024 revenue reached $506.3 million, with $377.5 million from Home Health & Hospice and $128.9 million from Senior Living, showcasing balanced revenue streams

(1) For the nine months ended September 30, 2024.



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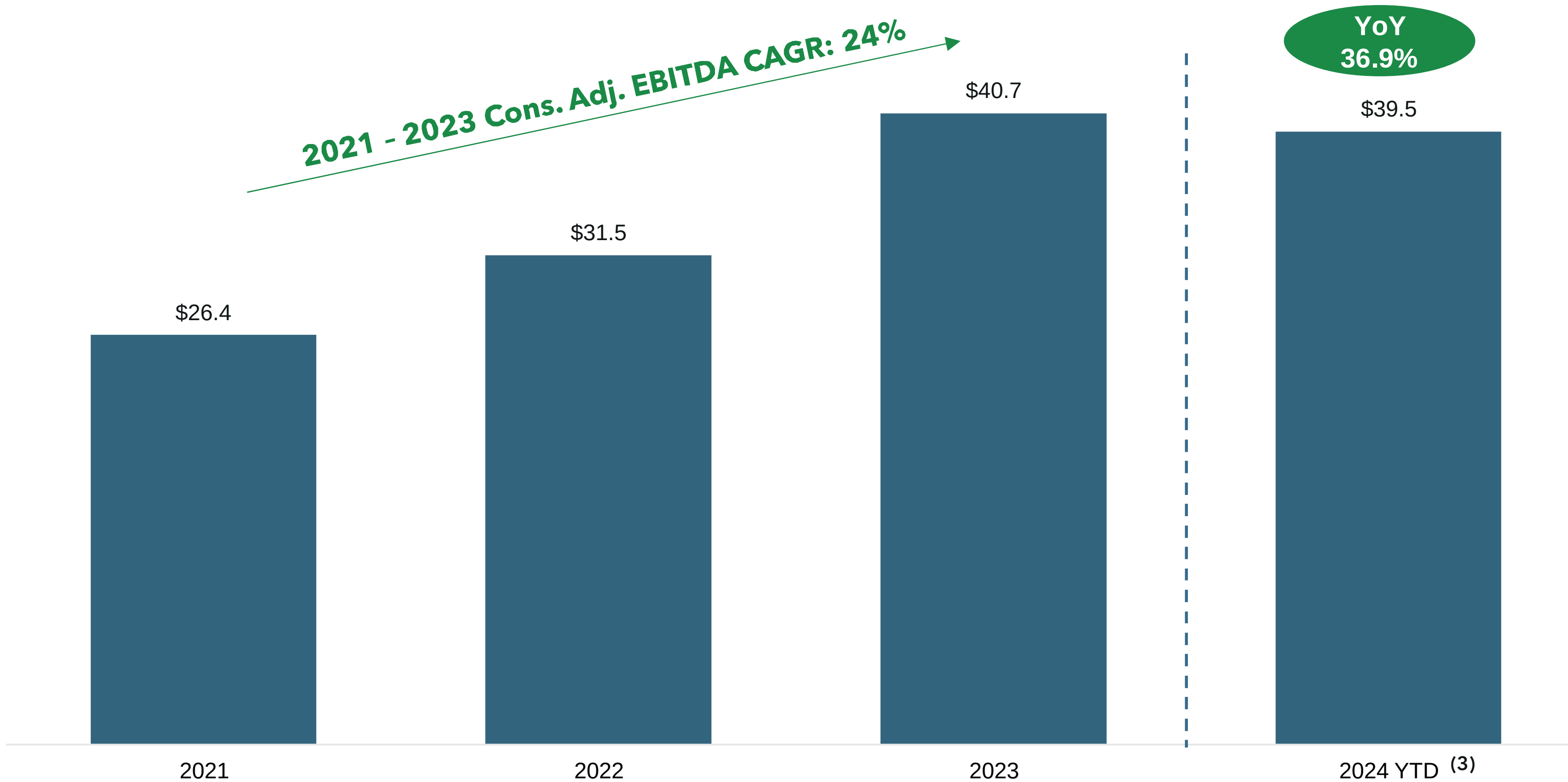
# Strong Track Record of Growth (Cont'd)

## Consolidated Adjusted EBITDA and Rent[(1)(2)] ($ in millions)




| | 2021 | 2022 | 2023 | 2024 YTD (3) |
|---|---|---|---|---|
| Cons. Adj. EBITDA Margin | 6.0% | 6.7% | 7.5% | 7.8% |
| Adj. Rent | $40.5 | $36.4 | $38.5 | $31.4 |

- 24% Consolidated Adjusted EBITDA CAGR from 2021 to 2023, underscoring the company's strong financial momentum
- Consolidated Adjusted EBITDA margin increased from 6.0% in 2021 to 7.5% in 2023, reflecting improved profitability and operational efficiency
- Q3 YTD 2024 Consolidated Adjusted EBITDAR of $70.9 million

(1) Rent is adjusted for the rent related to start-up and transitioning operations added back to adj. EBITDA.
(2) Non-GAAP financial measure. See Appendix for reconciliation to the most directly comparable GAAP measure.
(3) For the nine months ended September 30, 2024.



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# Investment Highlights

# Pennant's Key Investment Highlights

| | | |
|---|---|---|
| 1 | **Model** | Decentralized Operating Model Driven by Local Leaders |
| 2 | **Quality** | Partner of Choice due to High Quality Care |
| 3 | **Growth** | Significant Future Growth Opportunities |
| 4 | **Platform** | Leading Support Services and Technology Offering |
| 5 | **Financial** | Strong Financial Performance and Balance Sheet Management |
| 6 | **Team** | Experienced Management Team with Deep Healthcare Expertise |

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# Our Innovative Operating Model Delivers Superior Outcomes…

## "Cluster" Model Drives…

### Empowered Local Decision Making

Adapt to changing needs of patients, partners and community

### Comprehensive Support

Technology- and people-driven support that allows on-site team to focus squarely on day-to-day care

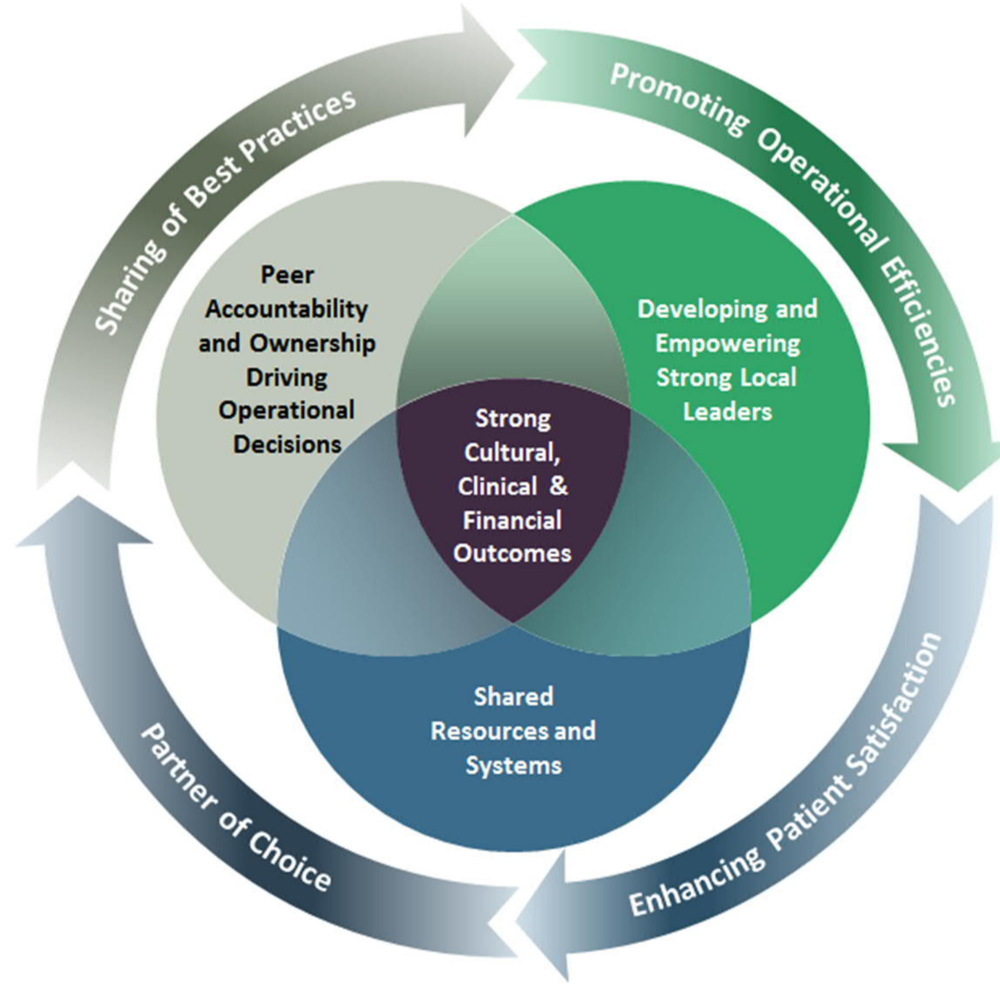
### Exceptional Outcomes

Driving exceptional clinical, financial, community and cultural outcomes

**Our innovative operating model creates local operating companies with extensive back-office support**

*"Healthcare happens locally"*

## Pennant's Model Creates a Flywheel Effect



# 1 …Driven by Our Local Leaders

## Why Our Local Leaders are Critical to Our Success

**We Attract:**

- ✓ Highly-motivated, entrepreneurial leaders who own their results
- ✓ Mission-driven leaders with diverse experience and backgrounds

**We Retain:**

- ✓ Leaders stay with Pennant for the unique professional development that comes with building a local business
- ✓ Leaders have a compelling financial opportunity tied to their operations' performance

**We Inspire:**

- ✓ We have 101 EDs and 30 CEOs leading agencies and communities[(1)]
- ✓ In 2024, 29 EDs have completed the CIT program and 9 EDs earned the CEO award[(1)]

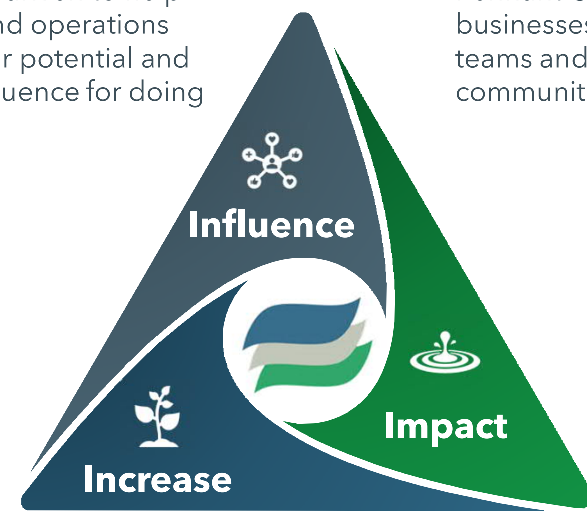
**Leaders in Our Model**

- Each agency and community is under the leadership of a local Executive Director or CEO, who leads a team of clinicians and operators
- Each local team sits within a "cluster," or region of 3-5 teams, where leaders communicate, provide support and share-best practices
- Leaders within clusters share real-time data and hold others accountable for performance and clinical outcomes

## The CEO Opportunity

*Our CEO in training program is designed to help aspiring leaders gain the **skills and experience** they need to **succeed at the highest levels***

- CEOs are driven to help people and operations reach their potential and are an influence for doing good
- Pennant CEOs build businesses that benefit their teams and their local communities




- Our CEO opportunity provides the tools and resources to grow personally and professionally, with strong earning potential through our competitive profit sharing and equity program

Source: Hospital and Healthcare Compensation Service Hospice/Home Care 2023-2024 Salary & Benefits Report.
Note: ED = Executive Director; CIT = CEO-in-Training.
(1) As of September 30, 2024.



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# 2 High Quality Care and Strong Clinical Outcomes….

## Demonstrated Clinical Outperformance…

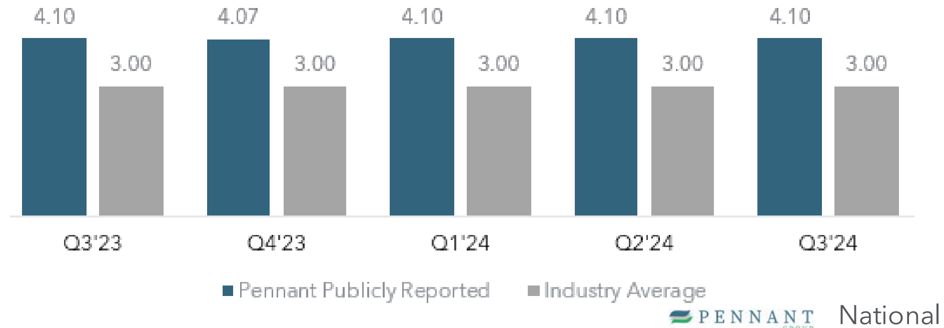
### High Star Rating & Quality of Care(1)

- ✓ Average **4.1** Star Rating vs. National Average of **3.0**
- ✓ Hospice Process Measure Composite Score of **93.0%** vs. national average of **92.0%**

### Lower Hospitalizations

- ✓ Only **13.3%**(2) of Home Health patients admitted to hospital within **60** days vs. national median of **14.1%**
- ✓ **12.2% lower** than national average

### Higher than Industry Avg. Star Ratings Over Time(1)




## …Leads to Strong Community Partnerships

**Community relationships based on communication, transparency and trust**

**Strong referral networks and reputation as provider of choice in our communities**

**Care continuum relationships drive care collaboration and effective transitions between care settings**

***Our goal is to improve care outcomes and the quality of life of our patients and residents in their home***



Source: CMS compare Q3 '24 refresh.
(1) Data.cms.gov HHA provider information. Data as of September 30, 2024.
(2) Represents re-hospitalization rate as of September 30, 2024.

# 2 ….Makes Us the Partner of Choice in Our Communities

## Hospitals

- Long term referral relationships driven by preferred provider arrangements
- Innovative care models and pathways help us work closely with hospital partners to reduce readmissions

## Clinic and Community Physicians

- Referrals driven by Pennant's strong reputation for quality in the local communities
- Generated from hundreds of providers across our markets

## Skilled Nursing Facilities

- Developed strong care continuum networks with leading skilled nursing providers
- Established multiple clinical value-based enterprises (VBE) through our Ensign Pennant Care Continuum (EPCC)

## Senior Living and Other

- Pennant's businesses have a synergistic referral relationship
- Home health and hospice operations provide accessible and convenient care to senior living residents

**Strong clinical outcomes, driven by our local leaders, uniquely position us to be the partner of choice in our communities**

# 3 Significant Growth Opportunities

**1** Grow Talent Base and Develop Leaders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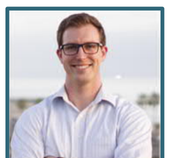
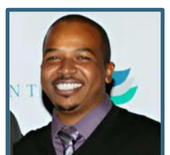

Jesse


George


Kat

**2** Focus on Organic Growth

Zion's Way Home Health & Hospice
symbii home health and hospice
Sequoia Home Health & Hospice
Horizon Home Health & Hospice

**3** Add New Operations

Bluebird homecare
CardioVascular Home Care
Nurses on Wheels
Capitol Hill Senior Living Community
Southgate Senior Living

**4** Leverage Operational Capabilities to Expand Partnerships

UnitedHealthcare
St. Joseph's Hospital Health Center
HonorHealth
SCAN Health Plan
CHG Healthcare
Equality Health
Dignity Health. Formerly Catholic Healthcare West
Ensign Pennant Care Continuum

**5** Strategically Invest in and Integrate Other Post-Acute Care Businesses

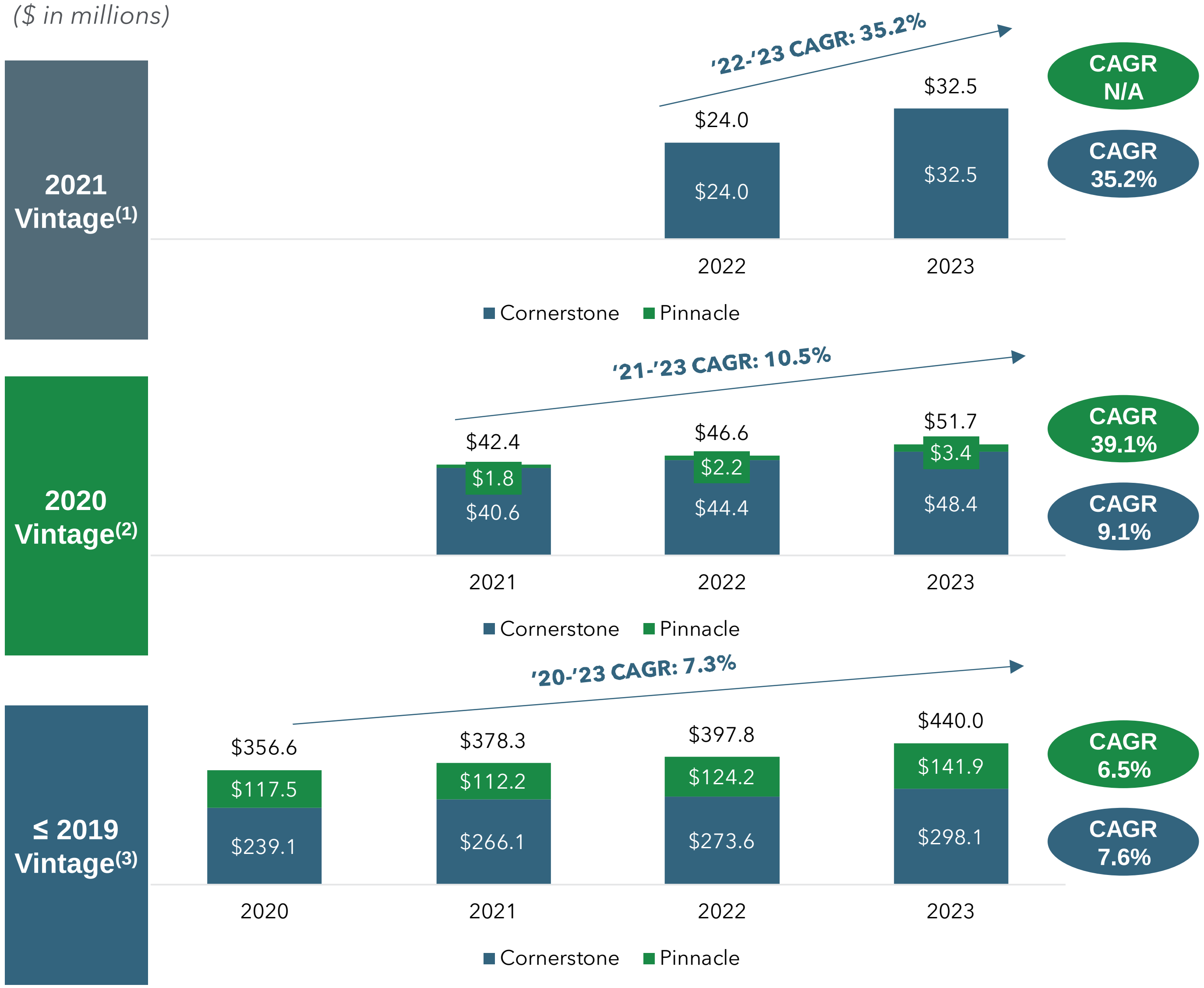
Monitive Health
Safe Harbor Health
Signature healthcare at home. care where you are
Southwestern Palliative Care & Hospice
Kinder Hearts Home Health • Hospice • Pediatrics

**We believe Pennant is well-positioned to perform and grow in large, fragmented markets**

# 3 Proven Performance Through Organic Growth

## Cornerstone & Pinnacle Revenue for Various Acquisition Vintages

*($ in millions)*




## Organic Growth in Existing Operations

Strong revenue growth by both Cornerstone and Pinnacle across various acquisition vintage years demonstrates our ability to consistently grow organically over time

- **35.2%** '22 – '23 growth for the 2021 acquisition vintage, with **~$8.5mm incremental revenue** growth from '22 – '23
- **10.5%** '21 – '23 CAGR for the 2020 acquisition vintage, with **~$4.7mm incremental revenue growth** on average per year
- **7.3%** '20 – '23 CAGR for the 2019 and earlier acquisition vintage, with **~$27.8mm incremental revenue growth** on average per year

(1) Includes acquisitions between January 1, 2021 and December 31, 2021.
(2) Includes acquisitions between January 1, 2020 and December 31, 2020.
(3) Includes existing operations and acquisitions prior to December 31, 2019.

# 3 Well-Positioned to Grow Through Our Disciplined Acquisition Strategy

## Significant Growth Opportunity Remains in Highly-Fragmented Markets…

### % Market Share of Top Operators in Select Pennant End Markets

| Market | Top Operator Market Share | Small Independent Operator Market Share |
|---|---|---|
| Home Health | 13%[1] | 87% |
| Hospice | 14%[2] | 86% |
| Senior Living | 28%[3] | 72% |

## Our Proven M&A Playbook

1. Focus on selectively acquiring strategic and underperforming operations within our target markets
2. Local leaders empowered to identify and pursue acquisition opportunities
3. Expertise in transitioning newly-acquired operations to our innovative operating model and culture
4. Transformational integration of new acquisitions to shared systems and platforms

(1) Represents top-10 largest operators based on number of Medicare-certified home health agency locations / total Medicare-certified home health agencies. As of July 1, 2024. Data.CMS.gov.
(2) Represents top-10 largest operators based on number of Medicare-certified hospice agency locations / total Medicare-certified hospice agencies. As of June 30, 2024. Data.CMS.gov.
(3) Represents top-25 operators based on number of assisted living, independent living, and memory care units / total assisted living, independent living, and memory care units. As of June 30, 2024. Argentum top-150 operators 2024 Report and National Investment Center Senior Housing At-A-Glance Report July 2024.

# 3 Track Record of M&A Success

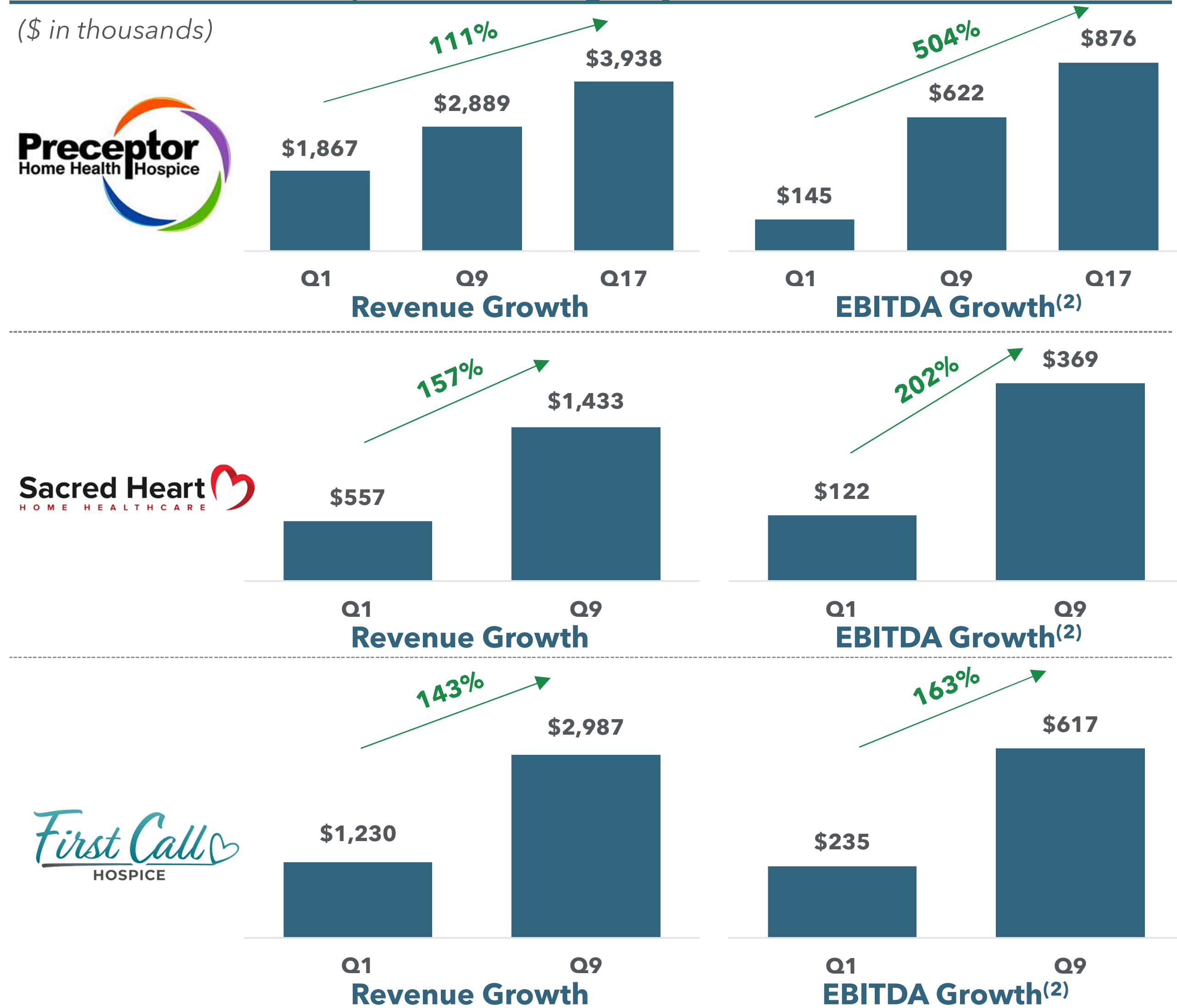
**Reputation as a Partner and Acquiror of Choice Allows Us to Screen a Proprietary Pipeline of Opportunities**

- Our **disciplined approach to M&A** delivers compelling opportunities by evaluating different factors or criteria such as:
  - ✓ Value Creation Opportunity
  - ✓ Size and Scale
  - ✓ Clinical Quality and Processes
  - ✓ Capital Resources and Strategic Fit

- We ask ourselves three questions when evaluating a new M&A opportunity: **Who, What, Why?**

- Our approach to M&A is proven with **35 acquisitions completed** since 2020[(1)]

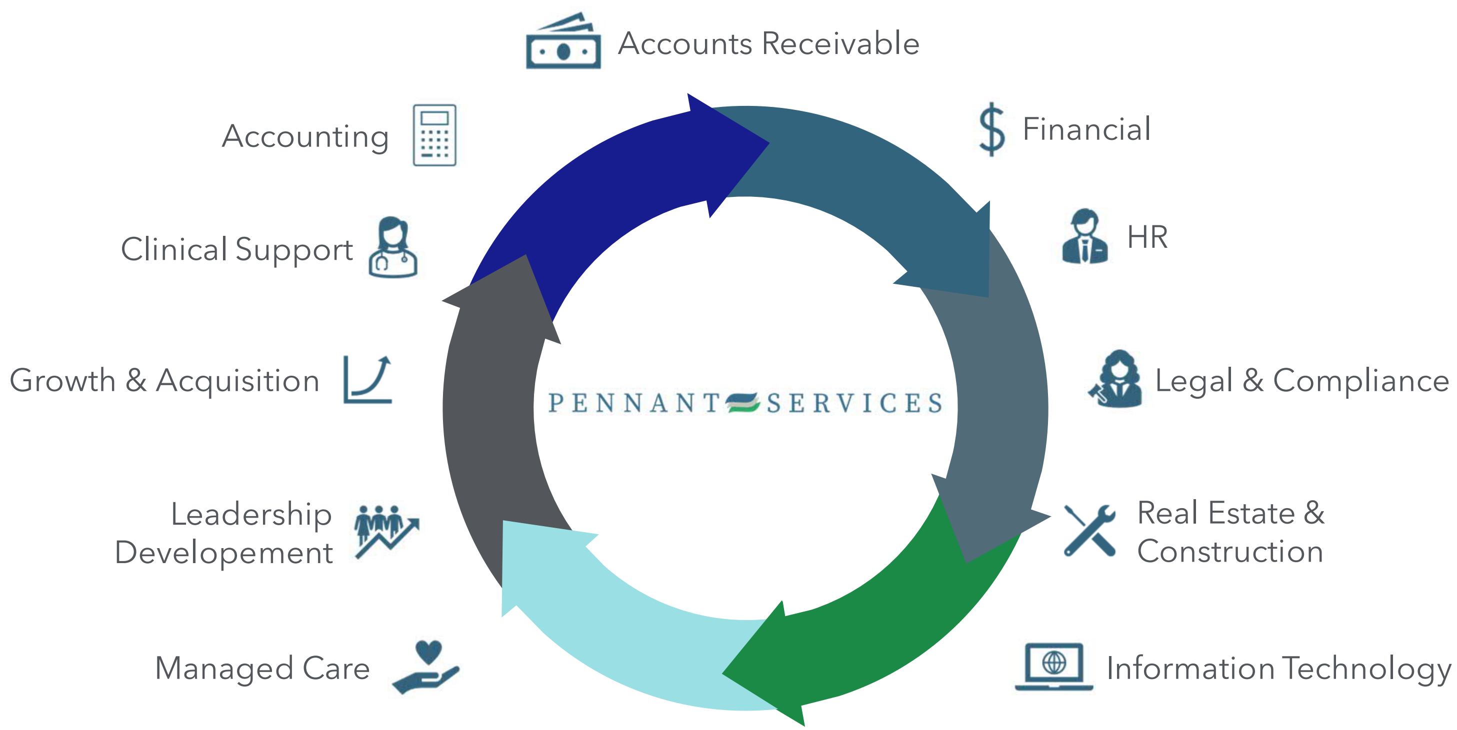
**Demonstrated Improvements in Acquired HH&H Agency Performance**




(1) Includes 7 acquisitions in 2020, 7 acquisitions in 2021, 3 acquisitions in 2022, 9 acquisitions in 2023 and 9 acquisitions in 2024 (through September 30, 2024).
(2) EBITDA is a non-GAAP financial measure. See Appendix for reconciliation to the most directly comparable GAAP measure.

# 4 Dedicated Support Services for Our Agency and Community Partners

## How We Support Affiliate Locations




**Our goal is to be the provider of choice by delivering best-in-class professional support, technology and systems that accelerate operational results, such as:**

- Time and cost **savings**, improved **care coordination**, and **billable opportunities** for hospital systems, providers, skilled nursing facilities, and other care settings

## Tech-Driven Value Adds

| | | |
|---|---|---|
| **EMR Ecosystem** | Innovative use of technology tools that enhance the efficiency and effectiveness of care delivery | MONITIVE HEALTH; homecare homebase Empowering Exceptional Care. |
| **Acceleration Through Automation** | Robotic process automation + business logic to improve back-office and clinical systems | Availity; carelon; naviHealth; carecentrix |
| **Hospital Integration** | Technology solutions to ensure smooth integration with systems | Epic; homecare homebase Empowering Exceptional Care. |
| **Robust Digital Storefronts** | Driving customer engagement through best-in-class digital marketing |   |



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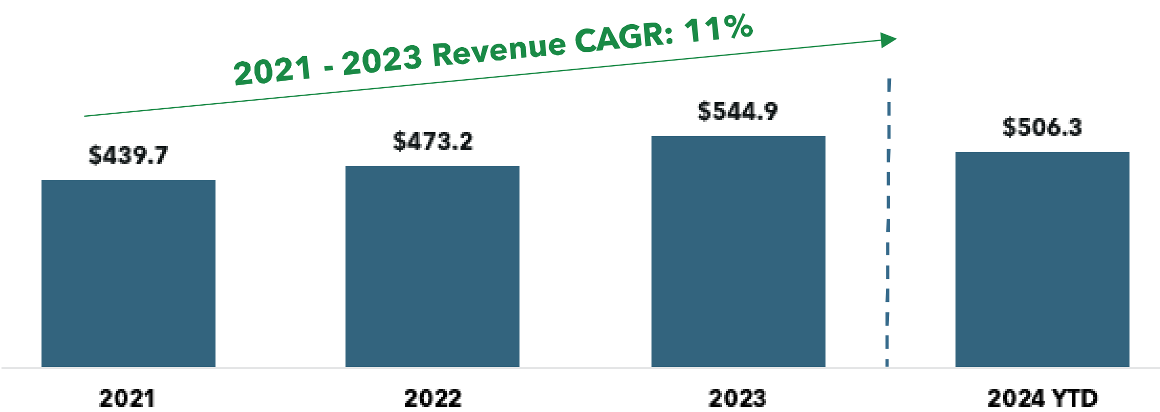
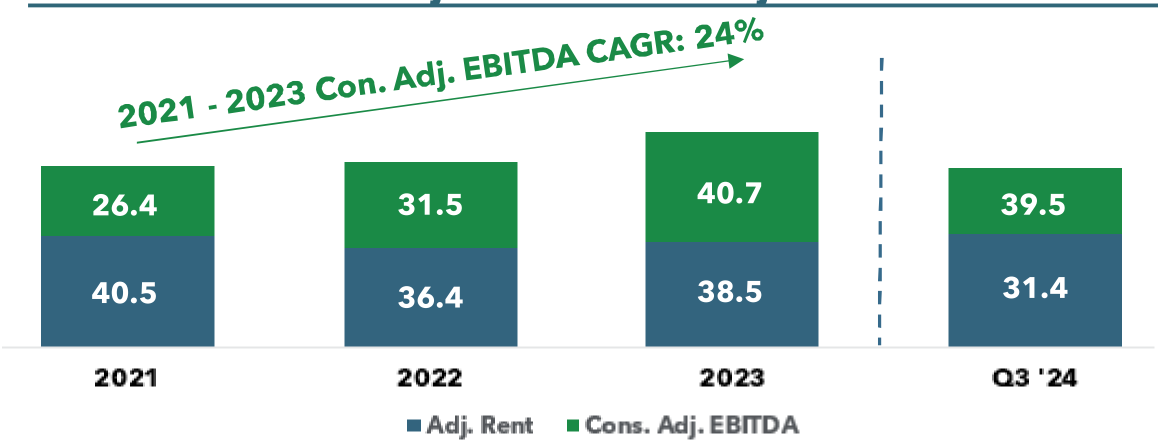
# 5 Strong Financial Performance…

## Strong Revenue Growth




## Cons. Adj. EBITDA and Adj. Rent(1)(2)



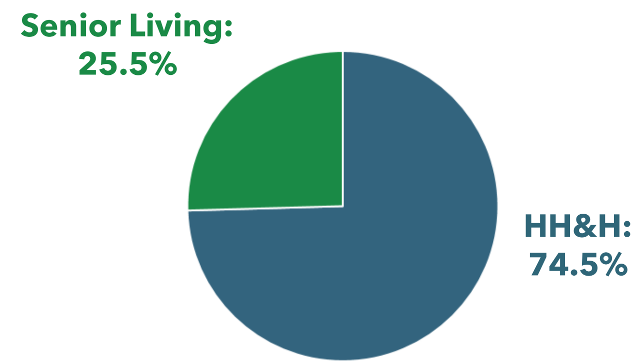

**Consolidated Adj. EBITDA Margin**

| 2021 | 2022 | 2023 | Q3 '24 |
|---|---|---|---|
| 6.0% | 6.7% | 7.5% | 7.8% |

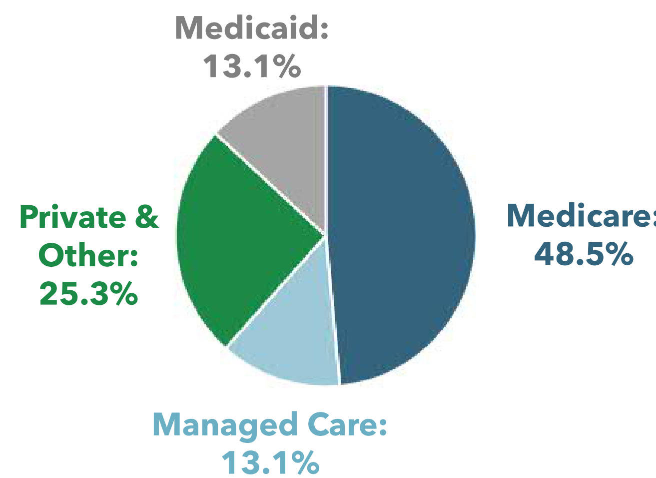
**+150 bps** Adj. EBITDA margin improvement from 2021 to 2023

## Diversified Portfolio Creates Greater Stability

### Service Mix(3)




### Payor Mix(3)



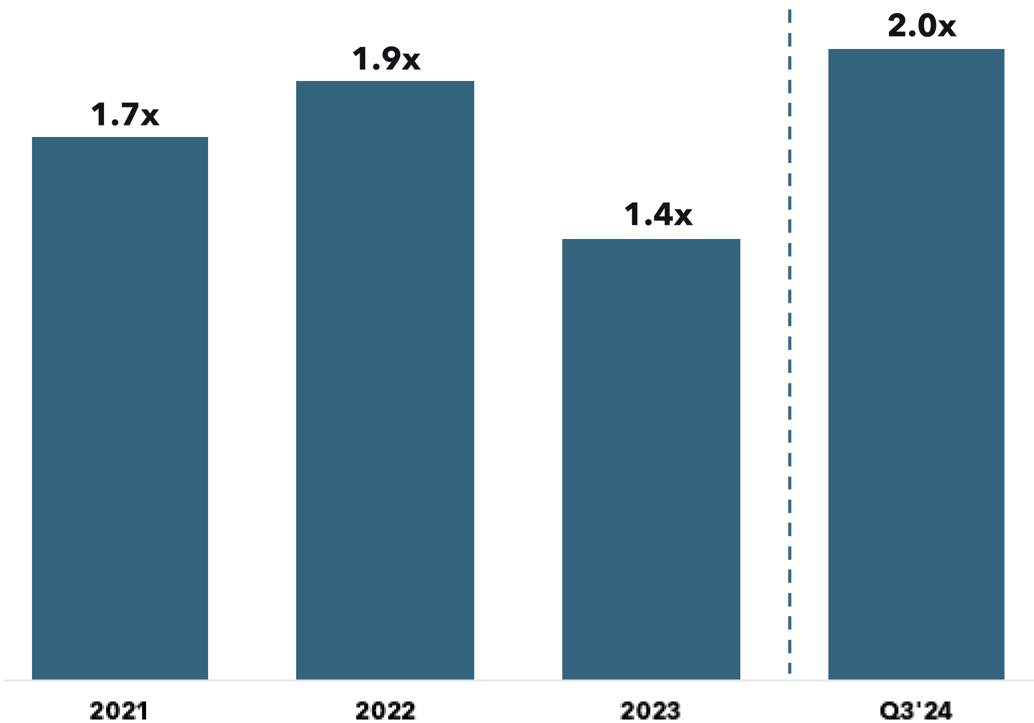



(1) Rent is adjusted for the rent related to start-up and transitioning operations added back to Adj EBITDA.
(2) Consolidated Adjusted EBITDA is a non-GAAP financial measure. See Appendix for reconciliation to the most directly comparable GAAP measure.
(3) For the nine months ended September 30, 2024

# 5 …and Balance Sheet Management

## Focus on Maintaining a Strong Balance Sheet

**Net Debt / LTM Consolidated Adj. EBITDA(1)**




## Debt Terms – Revolving Credit Facility

| | |
|---|---|
| **Total Debt Facility** | $250.0mm[(2)] |
| **Amount Drawn** | $117.2mm[(3)] |
| **Weighted Average Borrowing Rate at September 30, 2024** | 7.87% |
| **Maturity Date** | 2029[(2)] |
| **Leverage** | 2.0x Net Debt / 2024 LTM Consolidated Adjusted EBITDA[(4)] |
| **Lease-Adjusted Leverage** | 4.8x Lease-Adjusted Net Debt / 2024 LTM Consolidated Adjusted EBITDAR[(5)] |

**~$137mm** of acquisition firepower as of September 1, 2024 [(6)]

(1) Calculations based on public filings. Non-GAAP financial measure. See Appendix for reconciliation to the most directly comparable GAAP measure.
(2) On July 31, 2024, Pennant entered into an amendment to the Credit Agreement which increased the Total Debt Facility to $250 million and extended the Maturity Date to 2029.
(3) Amount drawn includes $113.0 million drawn on the line of credit and $4.2 million of issued letters of credit as of September 30, 2024.
(4) As of September 30, 2024.
(5) Calculated as 8x rent expense plus net debt, divided by adjusted EBITDAR, for the nine months ended September 30, 2024.
(6) As of September 30, 2024. Acquisition firepower is calculated by company's available cash plus total revolver availability. Includes $4.5 million of cash as of September 30, 2024 and $132.8 million of revolver availability at September 30, 2024. Revolver availability calculated as $250 million total revolver size (as of September 30, 2024 including $100 million amendment to credit agreement) less $117.2 million drawn at September 30, 2024.



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# Experienced Management Team with Deep Healthcare Expertise

**Best-in-class Management Team with ~61 Years of Combined Experience at Pennant/Ensign and the Industry**

**Brent Guerisoli, Chief Executive Officer**

- Years at Pennant/Ensign: 12
- Previously:
    - President of Pennant and Cornerstone Healthcare
    - President of 1177 Healthcare (affiliate of Cornerstone)
    - CEO and Executive Director of Zion's Way Home Health and Hospice (affiliate of Cornerstone)

**John Gochnour, President and Chief Operating Officer**

- Years at Pennant/Ensign: 11
- President of Cornerstone Healthcare
- Previously:
    - President of Pennant Services and Cornerstone Service Center
    - Led the acquisition development and transition process for Cornerstone and Ensign's other new business ventures

**Lynette Walbom, Chief Financial Officer**

- Started with Pennant in May 2023
- 21 years accounting leadership experience
- Previously:
    - VP of Financial Reporting and Tax at Raising Cane's Restaurants, a company with $3.1 billion in sales
    - CFO for a high-net-worth family office

**Kirk Cheney, Chief Legal Officer**

- Years at Pennant/Ensign: 6
- 15 years of legal experience
- General counsel of Pennant since the spin-off
- Previously:
    - Served as general counsel for Click Sales, Inc., and practiced at leading law firms Vinson & Elkins, LLP and Holland & Hart, LLP

**Jason Steik, Chief Clinical Officer**

- Years at Pennant/Ensign: 6
- 14 years of healthcare leadership experience
- 6 years of acute care experience with more than five years of post-acute leadership in Home Health and Hospice
- Previously:
    - Served as Chief Nursing Officer for St. Joseph Regional Medical Center

**Andrew Rider, President, Pinnacle Senior Living**

- Years at Pennant/Ensign: 9
- Previously:
    - Served as President of Paragon Senior Living markets
    - Served as President of Personal Care Services for Cornerstone
    - Served as CEO and Executive Director of A Gentle Touch Home Care and previously owned and operated PCS operations



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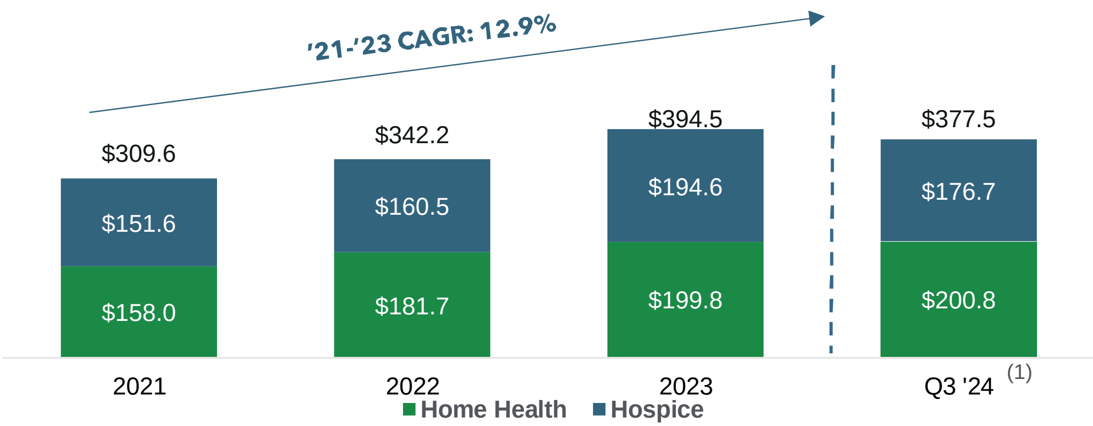
# Appendix

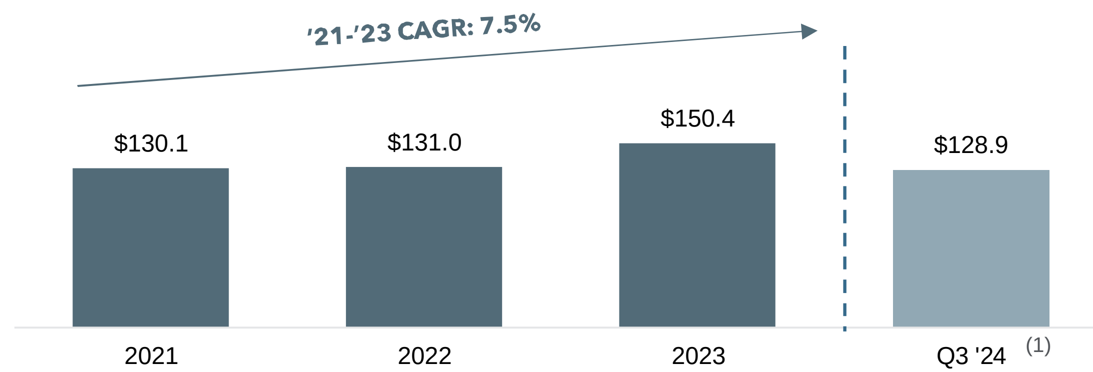
# Financial Overview – Segment Growth

## Segment Revenue ($ in millions)

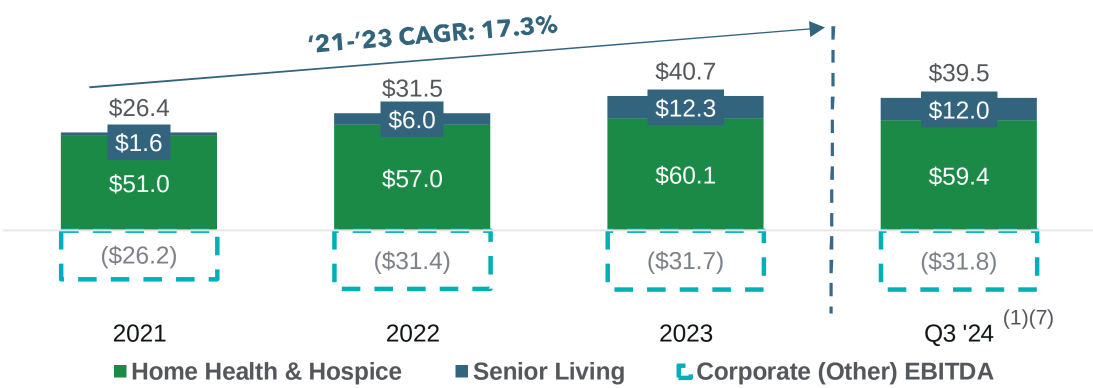
### Home Health & Hospice Revenue




### Senior Living Revenue




### Segment Adj. EBITDA and Consolidated Adj. EBITDA(6)




### Performance Summary

- ✓ Total home health and hospice revenue increased by **15.3%** from 2022 to 2023
- ✓ Same agency health and hospice revenue increased by **10.0%** from 2022 to 2023
  - o Driven by same agency home health admissions growth of **2.8%**, and
  - o Same agency hospice admissions growth of **0.9%**, and
  - o Hospice Medicare revenue per day growth of **3.9%**
- ✓ Total senior living revenue increased by **14.8%**(2) from 2022 to 2023
- ✓ Same store senior living revenue increased by **14.4%**(3) from 2022 to 2023
  - o Driven by occupancy growth of **320 bps**(4), and
  - o Average monthly revenue per occupied unit growth of **10.4%**(5)

(1) 2024 YTD for the nine months ended September 30, 2024.
(2) Calculated as 2023 total senior living revenue $150,427,000, divided by 2022 total senior living revenue $130,992,000.
(3) Calculated as 2023 same store senior living revenue $144,969,000, divided by 2022 same store senior living revenue $126,758,000.
(4) Calculated as 2023 same store senior living occupancy rate 79.7%, divided by 2022 same store senior living occupancy rate 77.2%.
(5) Calculated as 2023 same store senior living average monthly revenue per occupied unit $3,956, divided by 2022 same store senior living average monthly revenue per occupied unit $3,583.
(6) Non-GAAP financial measure. See Appendix for reconciliation to the most directly comparable GAAP measure.
(7) All other includes general and administrative expenses not allocated to reportable segments.



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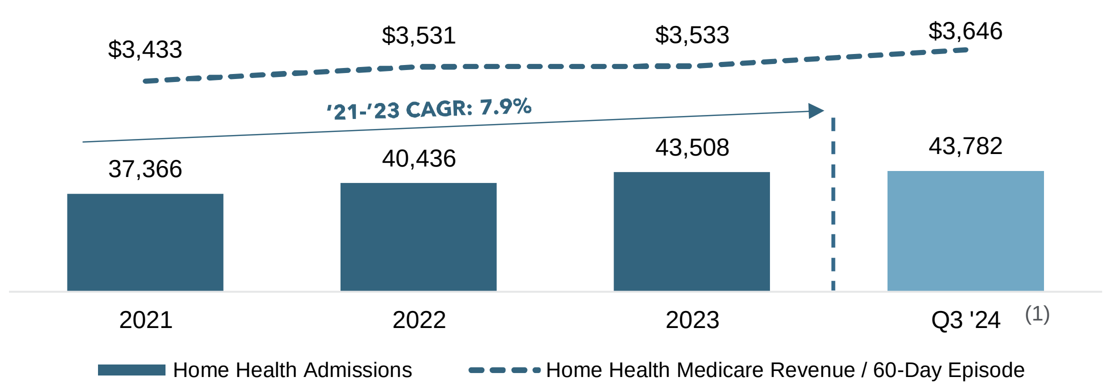
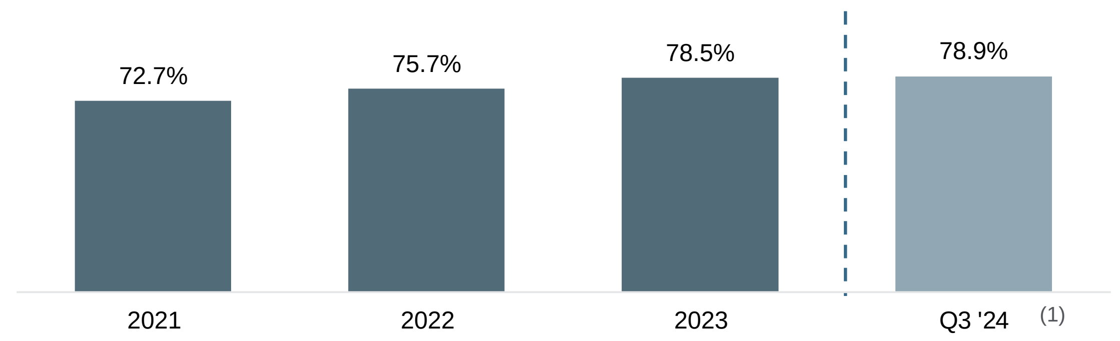
# Financial Overview – Segment Metrics

## Segment Metrics (units in actual, $ in actual / unit)

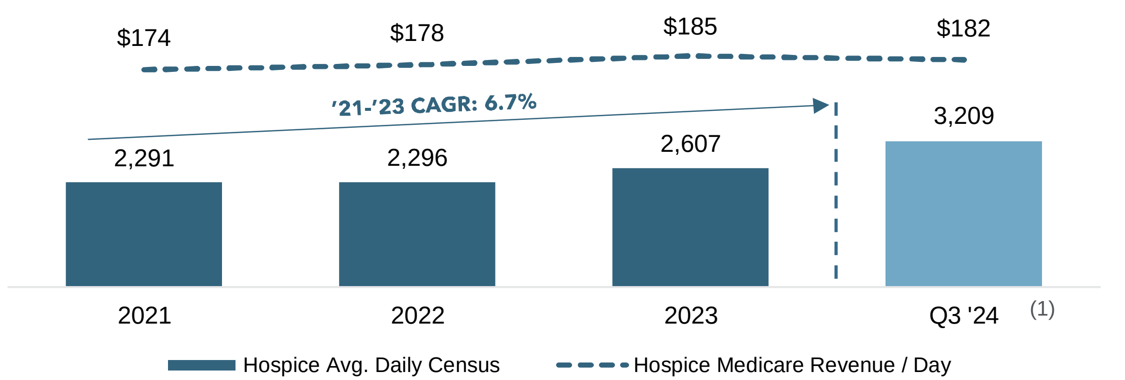
### Home Health Admissions & Avg. Medicare Revenue / Episode



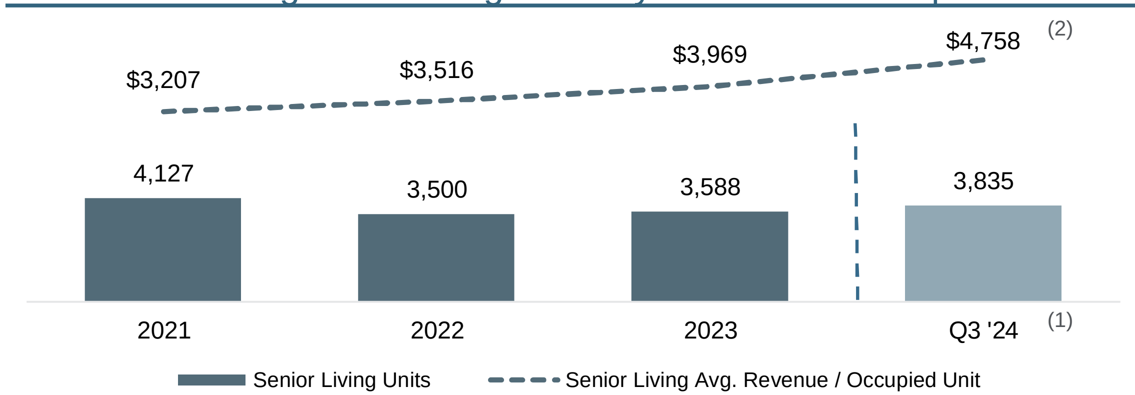

### Senior Living Occupancy Rate (%)




### Hospice Avg. Daily Census & Hospice Medicare Revenue / Day




### Senior Living Units & Avg. Monthly Revenue / Occupied Unit




(1) 2024 YTD for the nine months ended September 30, 2024.
(2) Prior to Q1 2024, the company reported revenue per occupied unit as senior living room and board revenue for senior living services during any measurement period divided by actual occupied senior living units for such measurement period divided by the number of months for such measurement period. Beginning in Q1 2024 the company now reports revenue per occupied unit as the revenue for senior living services during any measurement period divided by actual occupied senior living units for such measurement period divided by the number of months for such measurement period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# Financial Overview – Balance Sheet

**Strong Balance Sheet Positions Pennant Well to Continue Acquisition Strategy**

**Selected Balance Sheet Data:**

| | December 31, | | September 30, |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| Cash | $2,079 | $6,059 | $4,464 |
| Current Assets | 73,822 | 80,077 | 101,796 |
| **Total Assets** | **$512,119** | **$539,691** | **$646,759** |
| Current Liabilities | $70,247 | $71,549 | $90,595 |
| Long Term Debt[(1)] | 64,500 | 65,000 | 113,000 |
| **Total Liabilities** | **$386,462** | **$394,176** | **$459,472** |
| **Total Equity** | **$125,657** | **$145,515** | **$187,287** |

(1) Excludes unamortized debt issuances costs of $4.1 million as of September 30, 2024.



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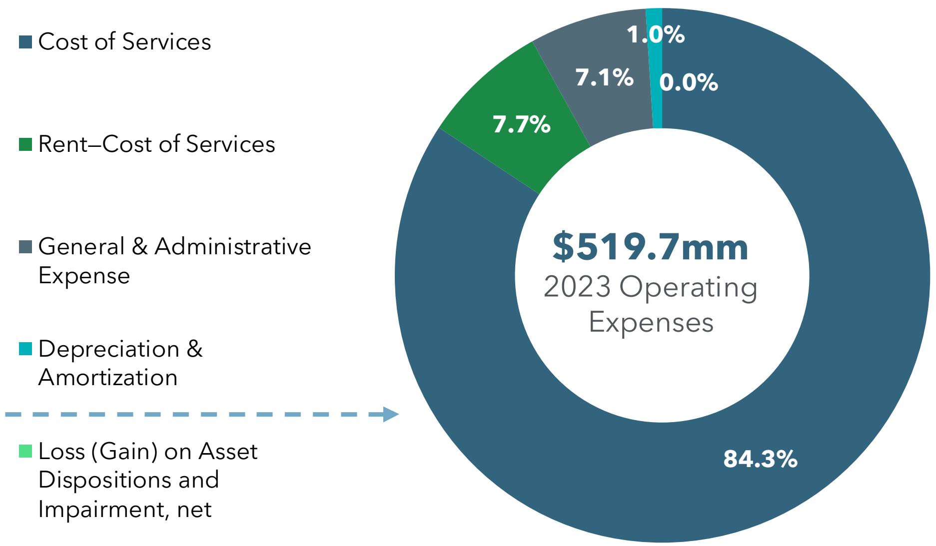
# Financial Overview – Expenses

## Expenses Overview ($ in millions, % of total revenue)

| ($ in millions) | Year Ended December 31, 2021 | 2022 | 2023 | 9-months Q3 2024 |
|---|---|---|---|---|
| **Total Revenue** | **$439.7** | **$473.2** | **$544.9** | **$506.3** |
| *% Growth* | *12.5%* | *7.6%* | *15.1%* | |
| ***Operating Expenses*** | | | | |
| **Cost of Services** | **$350.2** | **$376.6** | **$438.1** | **$405.8** |
| *% of Revenue* | *79.7%* | *79.6%* | *80.4%* | *80.1%* |
| **Rent–Cost of Services** | **$40.9** | **$38.0** | **$39.8** | **$31.8** |
| *% of Revenue* | *9.3%* | *8.0%* | *7.3%* | *6.3%* |
| **General & Administrative Expense** | **$36.3** | **$34.0** | **$36.7** | **$36.3** |
| *% of Revenue* | *8.2%* | *7.2%* | *6.7%* | *7.2%* |
| **Depreciation & Amortization** | **$4.8** | **$4.9** | **$5.1** | **$4.3** |
| *% of Revenue* | *1.1%* | *1.0%* | *0.9%* | *0.8%* |
| **Loss (Gain) on Asset Dispositions and Impairment, net** | **$2.9** | **$7.0** | **$0.1** | **($0.8)** |
| *% of Revenue* | *0.6%* | *1.5%* | *0.0%* | *(0.2%)* |
| **Total Expenses** | **$435.0** | **$460.5** | **$519.7** | **$477.4** |
| *% of Revenue* | *98.9%* | *97.3%* | *95.4%* | *94.3%* |

## 2023 Composition of Expenses (% of total opex)




**Cost of Services** and **Rent–Cost of Services** are the **largest expense categories**, representing **91.9% of operating expenses** in 2023

# Lease Overview

**We Have Favorable, Long-Term Leases and are Viewed as the Tenant of Choice by Our Landlords**

**Triple Net (NNN)**
Lease Agreements

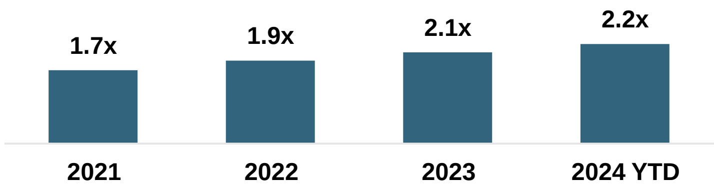
- ✓ Ability to negotiate favorable lease terms as we take on property, insurance and repair expenses
- ✓ Lease extensions negotiated with multiple renewal periods
- ✓ Low annual rent escalators tied to YoY CPI increases

**11.9 Years**
Weighted Average Remaining Lease Tenor(1)

- ✓ 15-25 years initial lease tenor for our senior living communities
- ✓ 1-11 years initial lease tenor for our home health and hospice agencies
- ✓ 29 of our 54 senior living communities are under master lease arrangement with Ensign with initial terms of 14-20 years

**~2.2x**
Average Lease Coverage(2)

**2021-Q3 '24 LTM Lease Coverage(2)**




- ✓ We have demonstrated strong and improving rent coverage for our communities and agencies

**Our relationships with landlord partners and our reputation as a high-quality operator has allowed us to negotiate long-term leases with favorable terms and components**

(1) As of September 30, 2024.
(2) For the last twelve months ended September 30, 2024. Average lease coverage = consolidated adj. EBITDAR / adj. rent–cost of services.

# Reconciliation of Non-GAAP Financial Measures

| ($ in thousands) | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| Consolidated net income | $6,657 | $4,462 | $17,809 | $9,381 |
| Less: Net income attributable to noncontrolling interest | 452 | 79 | 1,008 | 351 |
| Add: Provision for income taxes | 1,354 | 1,066 | 4,957 | 3,894 |
| Net interest expense | 2,892 | 1,496 | 6,306 | 4,355 |
| Depreciation and amortization | 1,493 | 1,323 | 4,292 | 3,817 |
| **Consolidated EBITDA** | **$11,944** | **$8,268** | **$32,356** | **$21,096** |
| *Adjustments to Consolidated EBITDA* | | | | |
| Add: Costs at start-up operations[1] | 65 | (108) | (72) | 160 |
| Share-based compensation expense[2] | 2,342 | 1,391 | 5,817 | 4,164 |
| Acquisition related costs and credit allowances[3] | 494 | 71 | 996 | 175 |
| Costs associated with transitioning operations[4] | 12 | 10 | (583) | 595 |
| Unusual, non-recurring or redundant charges[5] | 239 | 1,009 | 546 | 1,633 |
| Rent related to items (1) and (4) above | 53 | 239 | 463 | 1,041 |
| **Consolidated Adjusted EBITDA** | **$15,149** | **$10,880** | **$39,523** | **$28,864** |
| Rent-cost of services | 10,906 | 10,006 | 31,814 | 29,439 |
| Rent related to items (1) and (2) above | (53) | (239) | (463) | (1,041) |
| Adjusted rent-cost of services | 10,853 | 9,767 | 31,351 | 28,398 |
| **Consolidated Adjusted EBITDAR[6]** | **$26,002** | | **$70,874** | |

(1) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.
(2) Share-based compensation expense and related payroll taxes incurred. Share-based compensation expense and related payroll taxes are included in cost of services and general and administrative expense.
(3) Non-capitalizable costs associated with acquisitions, credit allowances, and write offs for amounts in dispute with the prior owners of certain acquired operations.
(4) During the nine months ended September 30, 2023, an affiliate of the Company placed its memory care units into transition and began seeking to sublease the units to an unrelated third party. The amount above represents the net operating impact attributable to the units in transition. The amounts reported exclude rent and depreciation and amortization expense related to such operations and include legal settlement costs associated with one of the entities transitioned to Ensign.
(5) Represents unusual or non-recurring charges for legal services, implementation costs, integration costs, and consulting fees in general and administrative and cost of services expenses.
(6) This measure is a valuation measure and is displayed thusly, it is not a performance measure as it excludes rent expense, which is a normal and recurring operating expense and, as such, does not reflect our cash requirements for leasing commitments. Our presentation of Consolidated Adjusted EBITDAR should not be construed as a financial performance measure.



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# Reconciliation of Non-GAAP Financial Measures (cont'd)

| *($ in thousands)* | Year Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Consolidated net income | $13,910 | $7,243 | $2,148 |
| Less: Net income (loss) attributable to noncontrolling interest | 531 | 600 | (548) |
| Add: Provision for income taxes | 5,674 | 1,649 | 582 |
| Net interest expense | 5,924 | 3,816 | 1,941 |
| Depreciation and amortization | 5,130 | 4,900 | 4,784 |
| **Consolidated EBITDA** | **$30,107** | **$17,008** | **$10,003** |
| *Adjustments to Consolidated EBITDA* | | | |
| Add: Costs at start-up operations(1) | 102 | 1,435 | 1,045 |
| Share-based compensation expense(2) | 5,565 | 3,363 | 10,040 |
| Acquisition related costs and credit allowances(3) | 476 | 731 | 80 |
| Transition services costs(4) | -- | -- | 2,008 |
| Costs associated with transitioning operations(5) | 612 | 6,103 | 2,835 |
| Unusual or non-recurring charges(6) | 2,575 | 1,297 | -- |
| Rent related to items (1) and (5) above | 1,279 | 1,608 | 396 |
| **Consolidated Adjusted EBITDA** | **$40,716** | **$31,545** | **$26,407** |
| Rent-cost of services | 39,759 | 38,018 | 40,863 |
| Rent related to items (1) and (5) above | (1,279) | (1,608) | (396) |
| Adjusted rent-cost of services | 38,480 | 36,410 | 40,467 |
| **Consolidated Adjusted EBITDAR(7)** | **$79,196** | | |

(1) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.
(2) Share-based compensation expense and related payroll taxes incurred, including the impact of the modification of certain restricted stock units described below in Note 12, Options and Awards, to the Consolidated Financial Statements. Share-based compensation expense and related payroll taxes are included in cost of services and general and administrative expense.
(3) Non-capitalizable costs associated with acquisitions and credit allowances for amounts in dispute with the prior owners of certain acquired operations.
(4) Costs identified as redundant or non-recurring incurred by the Company as a result of the Spin-Off. The 2021 amounts represents part of the costs incurred under the Transition Services Agreement. All amounts are included in general and administrative expense. Fees incurred under the Transition Services Agreement were $1,035, $1,561, and $3,124 for the year ended December 31, 2023, 2022 and 2021, respectively.
(5) During the year ended December 31, 2023, an affiliate of the Company placed its memory care units into transition and is actively seeking to sublease the units to an unrelated third party. The amount above represents the net operating impact attributable to the units in transition. The amounts reported exclude rent and depreciation and amortization expense related to such operations and include legal settlement costs associated with one of the entities transitioned to Ensign. During January 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, providing for the transfer of the operations of certain senior living communities (the "Transaction") from affiliates of the Company to affiliates of Ensign. The closing of the Transaction was completed in two phases with the transfer of two operations on March 1, 2022 and the remainder transferred on April 1, 2022. The amount above represents the net impact on revenue and cost of service attributable to all of the transferred entities. The amounts reported exclude rent and depreciation and amortization expense related to such operations.
(6) Represents unusual or non-recurring charges for legal services, implementation costs, integration costs, and consulting fees in general and administrative and cost of services expenses. The amounts reported for the year ended December 31, 2022 include certain costs identified as redundant or non-recurring incurred by the Company for services provided by Ensign under the Transition Services Agreement, and were included in general and administrative expense.
(7) This measure is a valuation measure and is displayed thusly, it is not a performance measure as it excludes rent expense, which is a normal and recurring operating expense and, as such, does not reflect our cash requirements for leasing commitments. Our presentation of Consolidated Adjusted EBITDAR should not be construed as a financial performance measure.