



PENNANT
GROUP

Investor Presentation

August 2022



Disclaimers and Other Important Information



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, including our recently filed Form 10-K filed on February 28, 2022 for a more complete discussion of the risks and other factors that could affect Pennant’s business, prospects and any forward-looking statements. These documents are available on our website at www.pennantgroup.com. 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.

We supplement our GAAP reporting with supplemental non-GAAP financial measures. These include performance measures (EBITDA, Adjusted EBITDA, and Segment Adjusted EBITDA), non-GAAP net income and a valuation measure (Adjusted Consolidated EBITDAR). We believe these non-GAAP financial measures reflect an additional way of looking at aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. They should not be relied upon to the exclusion of GAAP financial measures. A more ample discussion of these non-GAAP financial measures is available in our Form 10-K, which was filed with the SEC, and a reconciliation to GAAP is included as an appendix to this presentation.

During 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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The Pennant Group Overview

Pennant Group at a Glance



Highly Diversified by Payor, Service and Geography

Presence across **14⁽¹⁾** States with **89⁽¹⁾** Home Health and Hospice Agencies and **48⁽¹⁾** Senior Living Operations; Revenue Generated from Multiple Sources



Clinical Excellence Driven by Quality Care and Outcomes

Average Star Rating Across All Pennant Agencies of **4.2** vs. Industry Average of 3.0⁽²⁾



Strong Track Record of Growth

2012 - 2021 Revenue CAGR of **~29%** Driven by Solid Organic Growth and Disciplined Acquisition Strategy



Growing End Markets with Significant White Space

Approximately **20%** of Home Health, Hospice and Senior Living Operations Owned by Large Operators – Significant Consolidation Opportunity



Proven Leadership Team

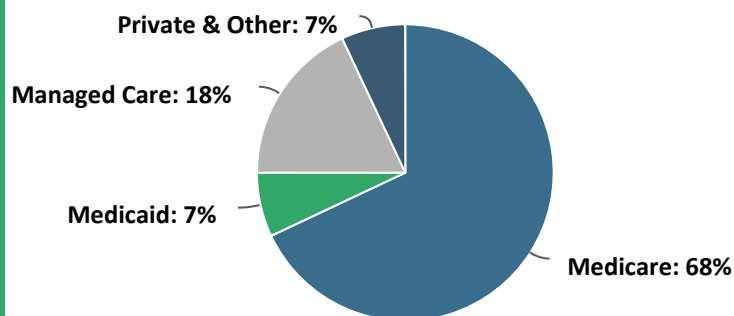
Management Team Comprised of Healthcare Leaders with **~59** Years of Cumulative Experience at Pennant/Ensign and the Industry that drove Home Health, Hospice and Senior Living Expansion

1. As of June 30, 2022
2. Source: data.cms.gov Home Health Care Datasets April 22' refresh

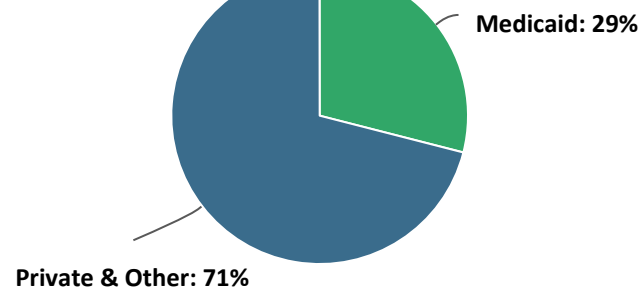
Diversified Business and Payor Mix with Robust Operating Track Record

Home Health and Hospice (72% of YTD 2022 Revenue)

Payor Mix ⁽¹⁾

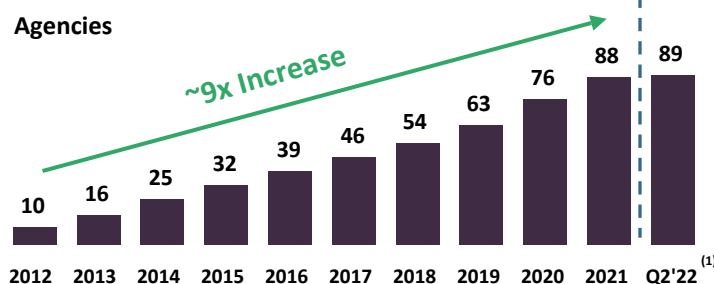


Senior Living (28% of YTD 2022 Revenue)

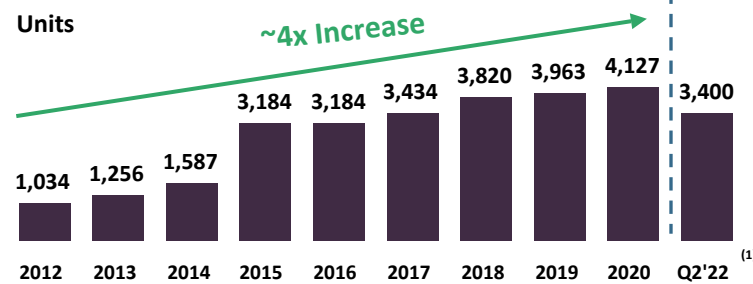


Units / Agencies

Agencies



Units

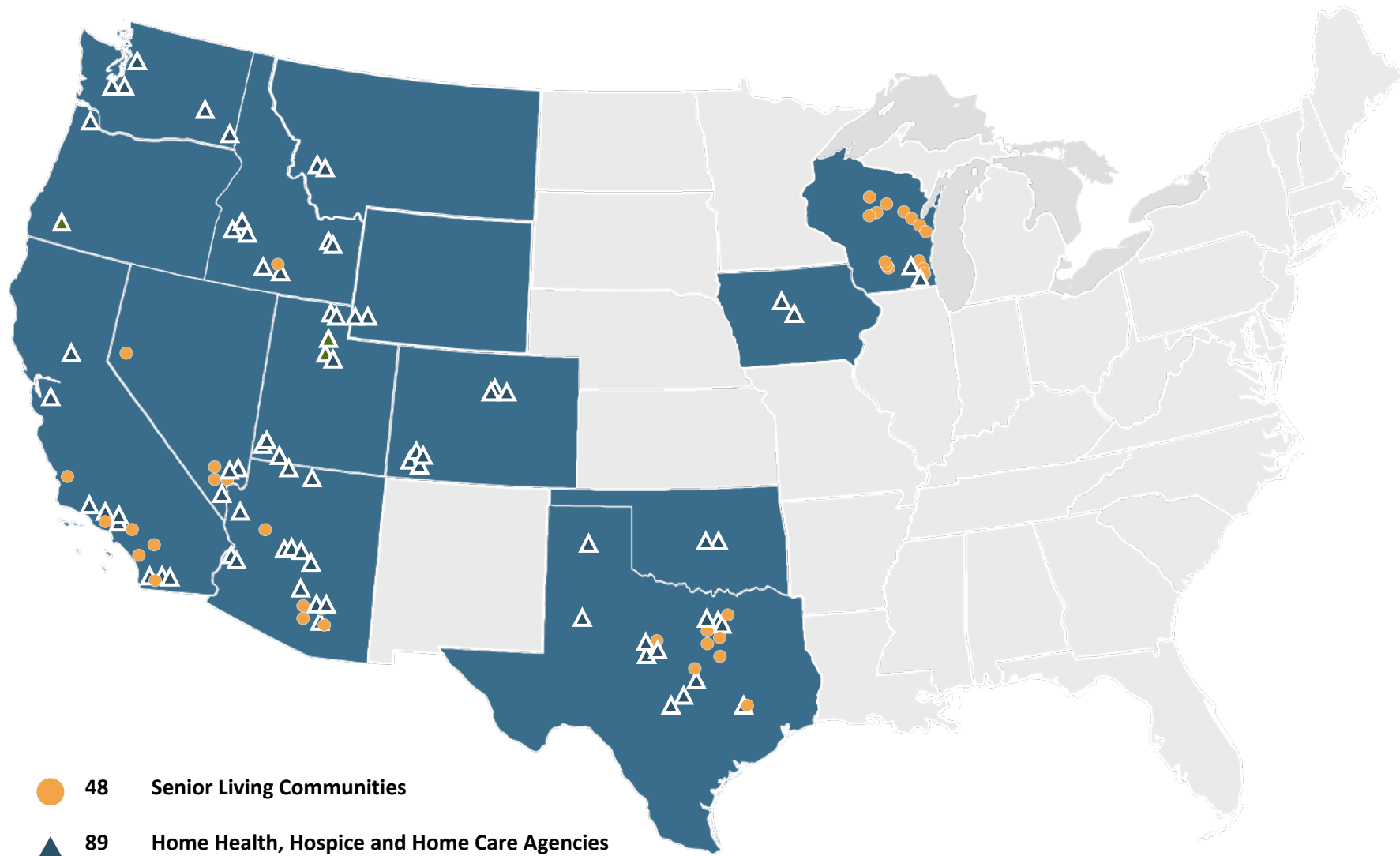


Operating Metrics ⁽²⁾

- Total home health admissions: 20,237
- Home Health average Medicare revenue per completed 60-day episode : \$3,561
- Hospice average daily census: 2,259
- Total hospice admissions: 4,528
- Hospice Medicare revenue per day: \$177

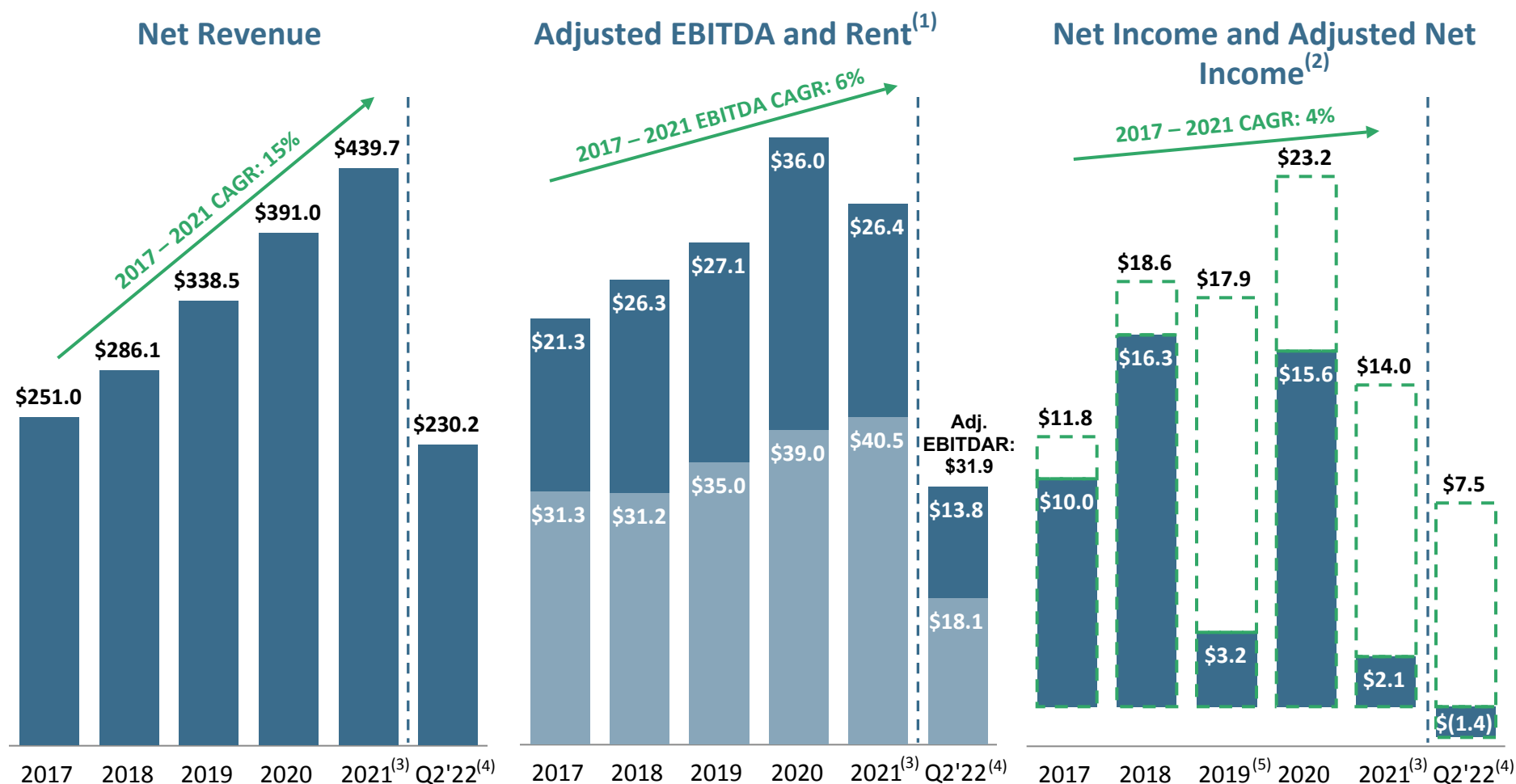
- Unit Average Occupancy: 74.4%
- Average monthly revenue per occupied unit: \$3,418

Footprint as of June 30, 2022



Track Record of Strong Financial Growth

History of Strong Financial Performance and Growth



Note: Dollars in millions.

1. Rent is adjusted for the rent related to rent at start-up and closed operations added back to Adj. EBITDA.

2. See Appendix for a reconciliation of GAAP to non-GAAP financial measures.

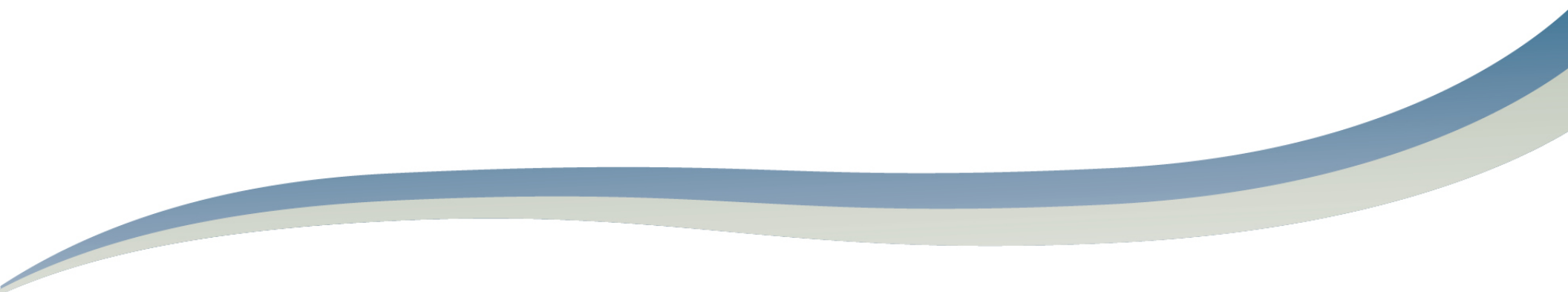
3. Beginning in the first quarter of fiscal year 2021, we updated our definition of Segment Adjusted EBITDAR, Adjusted EBITDA, and Adjusted Net Income no longer include an adjustment for COVID-19 expenses offset by the amount of sequestration relief. Fiscal year 2020 measures were not updated to exclude the COVID-19 adjustment. For further details see the Appendix for a reconciliation of GAAP to non-GAAP financial measures.

4. For the six months ended June 30, 2022.

5. Net income for 2019 includes Spin-off related transaction costs of \$13.2 million. See Appendix for additional non-GAAP adjustments.



Investment Highlights

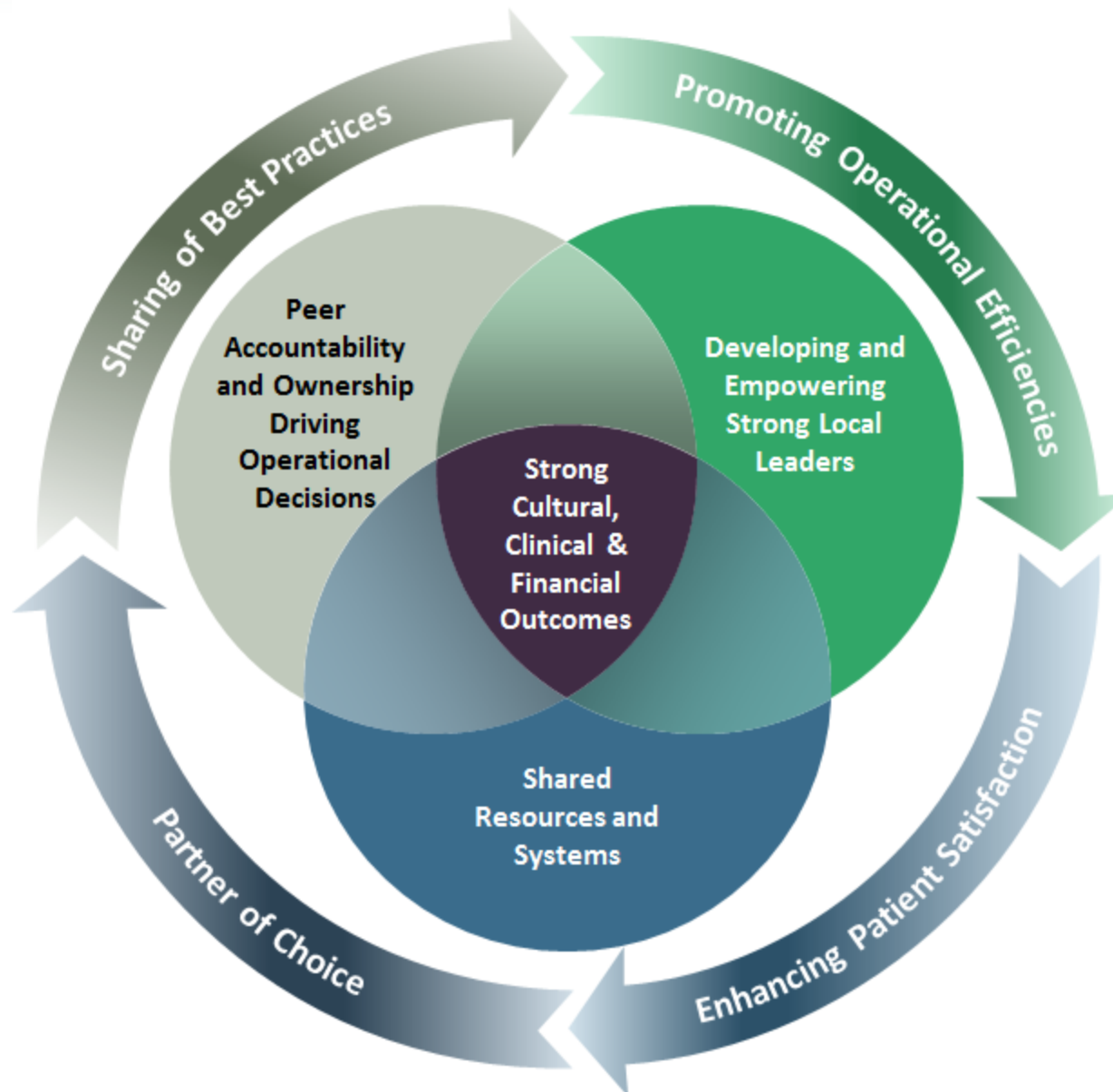


Investment Highlights





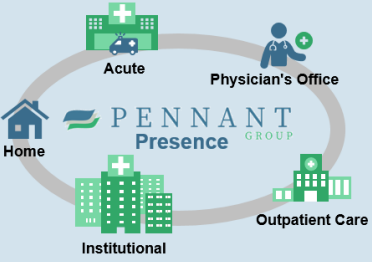


- 1 Superior Performance Delivered Through Our Innovative Operating Model**
- 2 Partner of Choice Driven By Empowered Local Leaders and Strong Clinical Outcomes**
- 3 Poised to Successfully Navigate Industry and Regulatory Dynamics**
- 4 Well Positioned to Grow Through Our Disciplined Acquisition Strategy**
- 5 Proven Financial Performance with a Focus on Maintaining a Strong Balance Sheet**
- 6 Experienced Management Team Comprised of Healthcare Industry Experts**

1 Our Innovative Operating Model...



1 ...Helps Us Achieve Superior Care Delivery...

Local	 <ul style="list-style-type: none"> • Healthcare happens locally • Optimal clinical outcomes driven by strong community relationships
Innovative Operating Model	 <ul style="list-style-type: none"> • Innovative operating model places clinical decision making and program development in the hands of our local clinical leaders • Clinical and operational leaders empowered to create and enhance clinical care to produce high quality outcomes
Tailored Services	 <ul style="list-style-type: none"> • Right care, right place, right time • Ability to adapt to changing needs of patients, partners and community
Strong Community Relationships	 <ul style="list-style-type: none"> • Community relationships based on communication, transparency and trust • Strong referral network • EPCC and other local relationships drive care collaboration and effective transitions between care settings
Driving Superior Care Delivery	 <ul style="list-style-type: none"> • Driving optimal outcomes by helping patients navigate through the care continuum based on their needs • Care continuum strengthened by additional ventures and partnerships such as palliative care, personal care services and mobile physician services

...While Driving Shared Responsibility for Financial Outcomes

Pennant's Cost Management Philosophy



Patient-Centered Approach to Care

- Clinical decisions based on individual patient needs
- Thoughtful cost containment at population level



Accountability Through Shared P&L Responsibility

- Robust data tools to allow local leaders to pinpoint areas for financial improvement
- Transparency combined with shared responsibility and incentives creates alignment of interests

Operating Efficiencies

- Strong technology infrastructure across home health, hospice and senior living
- Early adopter of Homecare Homebase EMR
- Staffing efficiencies through sharing of resources across functional areas
- Transformational integration of new acquisitions to shared systems and platforms



Focus on Non-Clinical Operating Costs

- Benchmarking of labor, DME, food supply and pharmacy costs on a per patient per day level

Note: Dollars in millions.

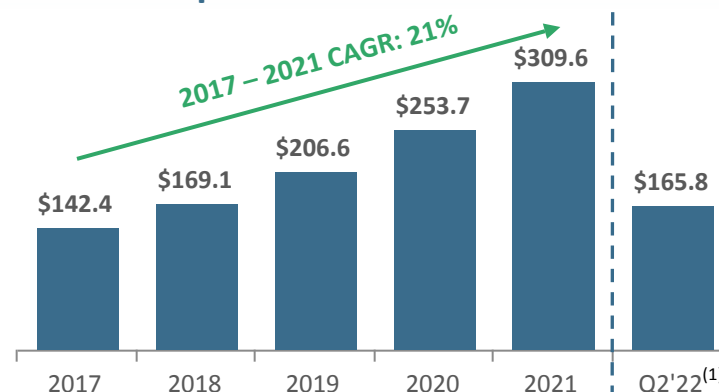
1. For the six months ended June 30, 2022.

2. Segment Adjusted EBITDAR from Operations is the GAAP segment measure of profit and loss. Beginning in the first quarter of fiscal year 2021, we updated our definition of Segment Adjusted EBITDAR and Adjusted EBITDA to no longer include an adjustment for COVID-19 expenses offset by the amount of sequestration relief. Fiscal year 2020 measures were not updated to exclude the COVID-19 adjustment. For further details see the Appendix for a reconciliation of GAAP to non-GAAP financial measures.

3. Rent is adjusted for the rent related to rent at start-up and closed operations added back to Adj. EBITDA.

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Home Health & Hospice Revenue



Adj. EBITDAR ⁽²⁾	\$	21.0	\$	26.4	\$	33.4	\$	49.5	\$	55.6	\$	29.7
Rent ⁽³⁾		1.8		2.2		3.0		3.5		4.6		2.5
Adj. EBITDA ⁽⁴⁾		19.2		24.2		30.4		46.0		51.0		27.2

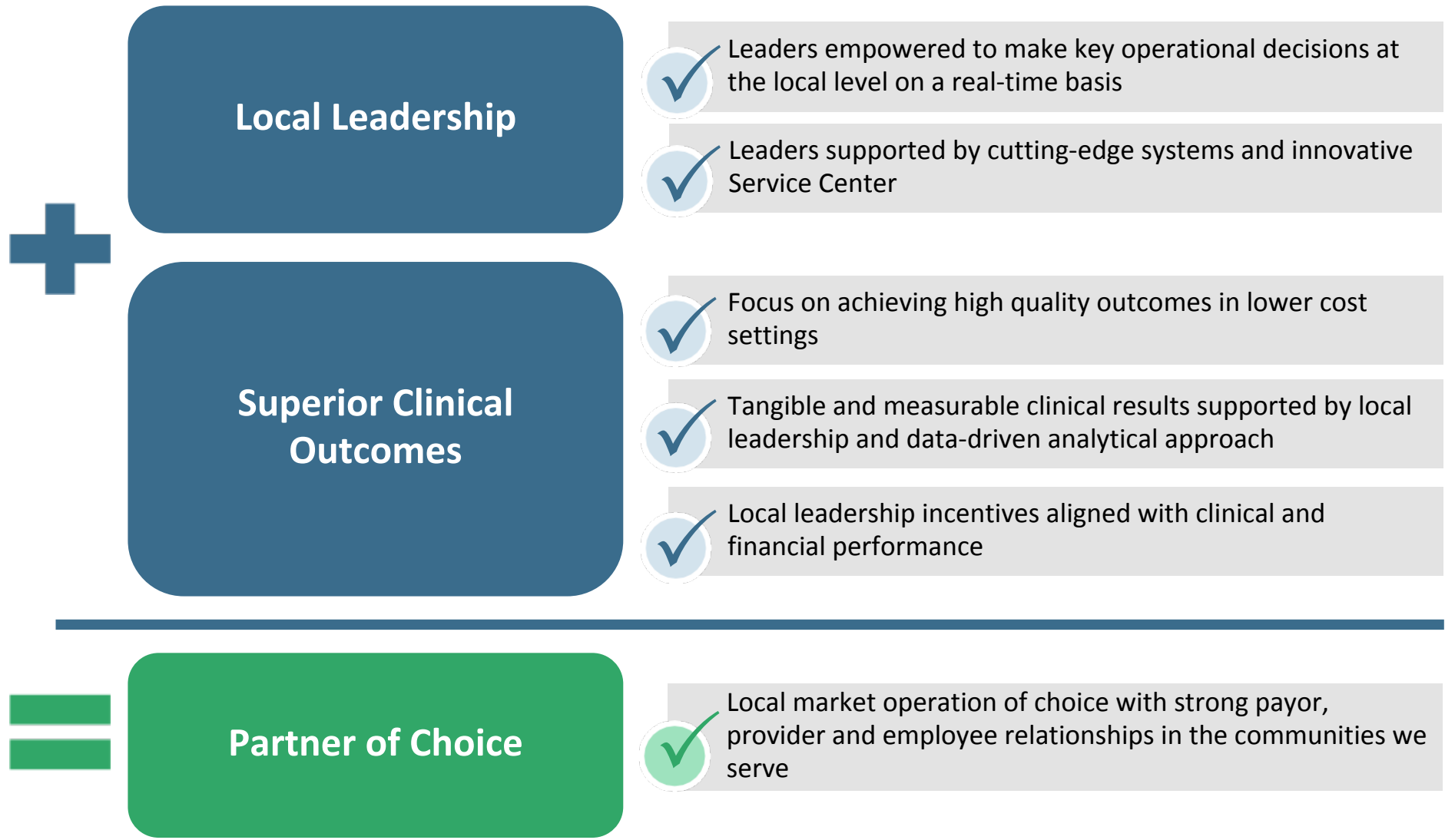
Senior Living Revenue



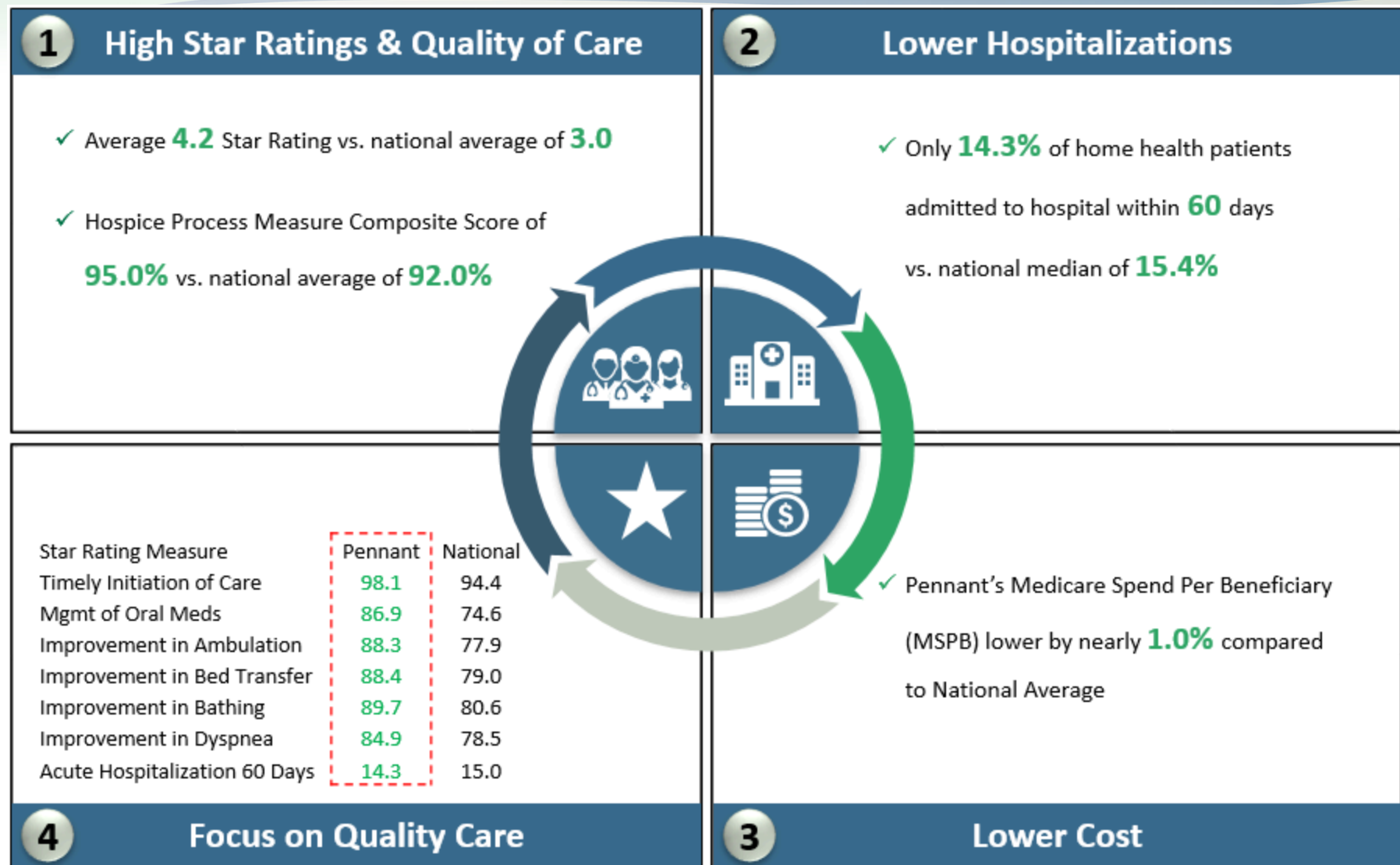
Adj. EBITDAR ⁽²⁾	\$	44.2	\$	47.2	\$	47.3	\$	48.3	\$	37.5	\$	18.2
Rent ⁽³⁾		29.3		28.9		32.0		35.5		35.9		15.7
Adj. EBITDA ⁽⁴⁾		14.9		18.3		15.3		12.8		1.6		2.5

We Become the Partner of Choice in Our Communities

Strong Clinical Outcomes, Driven by Our Local Leaders, Uniquely Position Us to Be the Partner of Choice in Our Communities



2 Demonstrated Clinical Outperformance



2 Local Market Operator of Choice

Pennant Has Strong Local Presence

- Relationship with local providers matters to patients
- Access to full continuum of care close to home helps patients migrate through care settings as their needs change

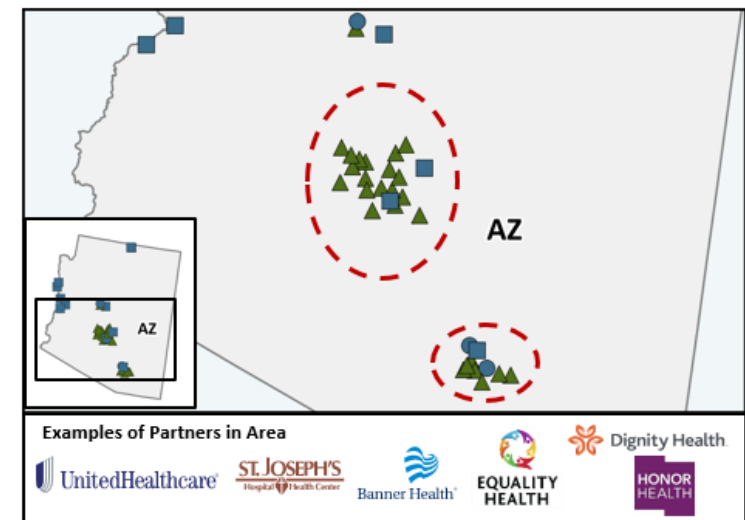
Pennant Has A Unique Care Delivery Approach

- Strong relationship in local markets with payors, hospitals and physician groups
- Communication, transparent data-sharing and responsiveness create breadth and depth of clinical collaboration across the care continuum

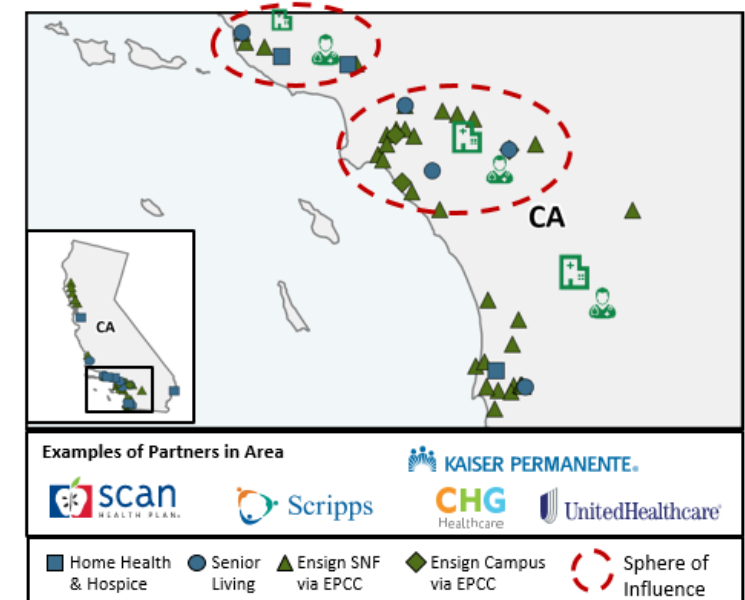
Making Pennant A Provider of Choice

- Providing superior care with improved quality and better outcomes while driving down costs
- Driving dialogue around embracing value-based care by leading by example
- Continued growth potential in local markets through partnerships expansion
- Sustained volume growth and financial outcomes

Phoenix Area

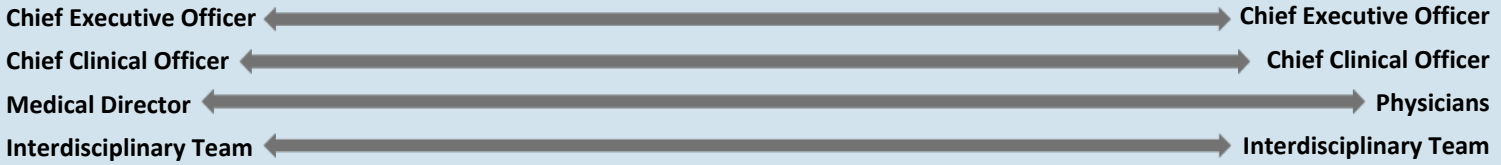


Southern California Area



2 Broad and Diversified Referral Sources

Overall, referrals generated from hundreds of sources across various local markets; no one source accounts for over 10%

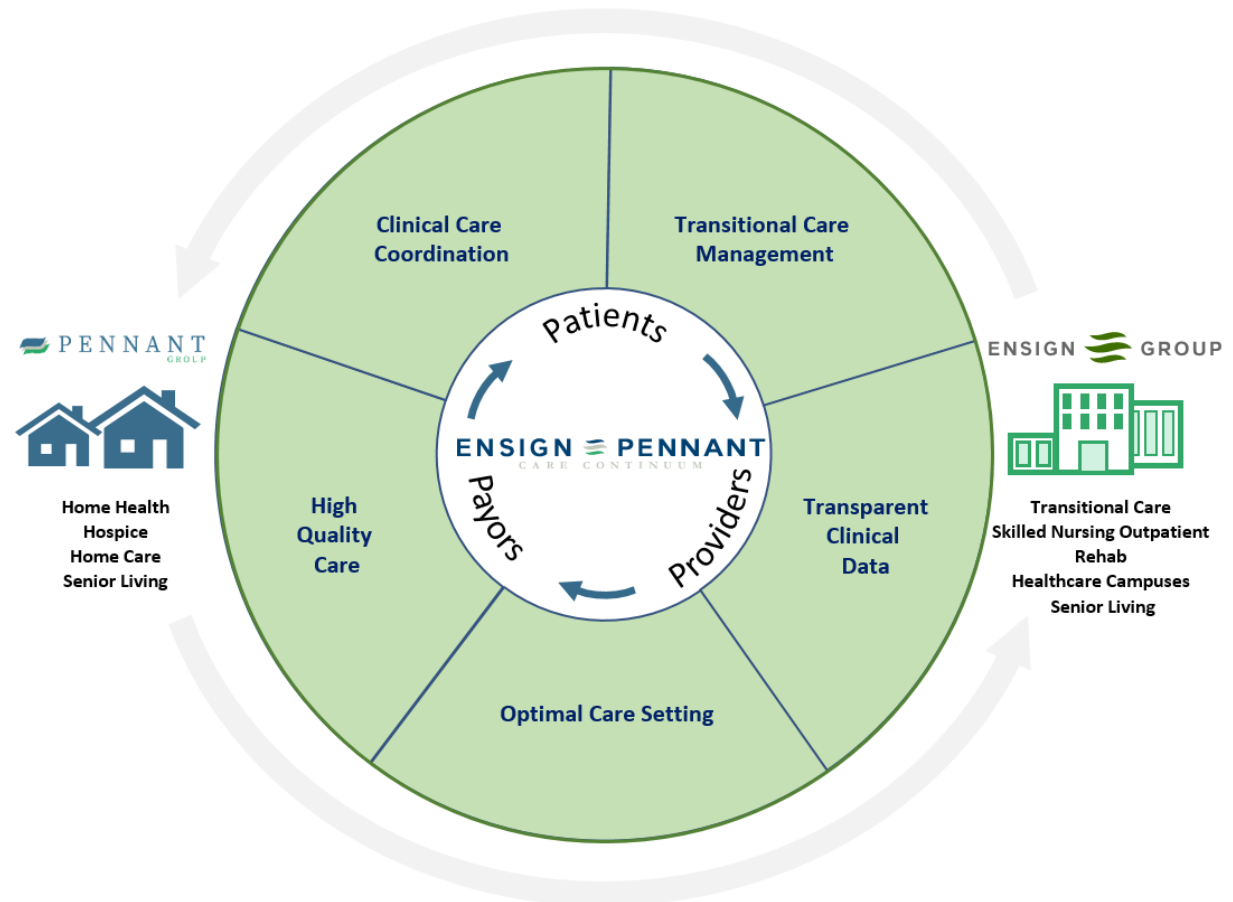
	Hospital	Clinic and Community Physicians	Skilled Nursing Facilities	Senior Living and Other
Overview	<ul style="list-style-type: none"> Long term referral relationships driven by preferred provider arrangements Innovative care models and pathways help us work closely with hospital partners to reduce readmissions 	<ul style="list-style-type: none"> Referrals driven by Pennant's strong reputation for quality in the local communities Generated from hundreds of clinics and physician practices in all of our markets 	<ul style="list-style-type: none"> Ensign referrals constitute less than 10% of total admissions Potential for growth in referrals coming from non-Ensign SNF operators with channel conflict removed 	<ul style="list-style-type: none"> Pennant's businesses have a synergistic referral relationship Home health and hospice operations provide accessible and convenient care to senior living residents
Local Referral Relationships				

EPCC Will Continue to Drive Additional Value Proposition with Our Partners

ENSIGN CARE CONTINUUM PENNANT

What is it?

- ✓ Preferred provider network between Ensign and Pennant
- ✓ Empowers local clinical leaders to opt-in resulting in smart and effective solutions for patients

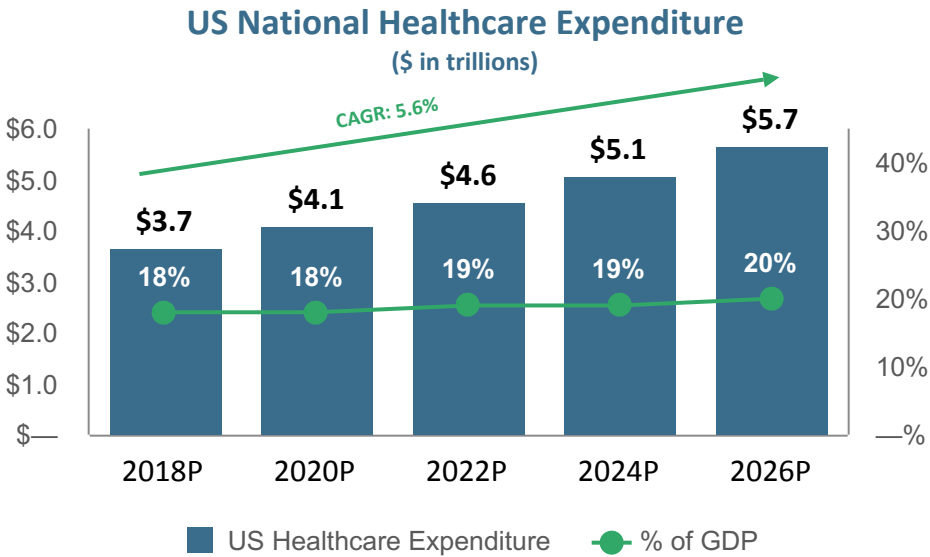
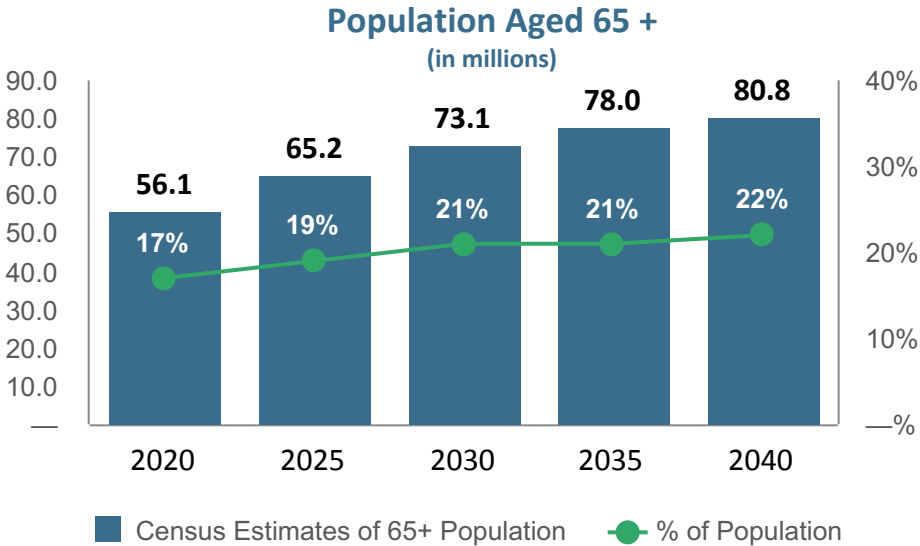


By promoting clinical collaboration, driving best quality care and outcomes, EPCC well positions us to benefit from the shift toward value-based reimbursement

Favorable Market Drivers Fuel Long-term Sustainable Growth Potential

U.S. Healthcare Spending is Growing with a Key Driver Being the Aging Population

- Population above 65 projected to nearly double by 2050
- ~70% of Americans who reach age 65 require some form of long-term care for an average of 3 years
 - >70% of home health patients are seniors
 - >83% of hospice patients are over 65 years old
 - Anticipated need for 2 million additional senior housing units by 2040
- Healthcare spending currently represents 18% of U.S. GDP
- Increased CMS focus on reducing costs



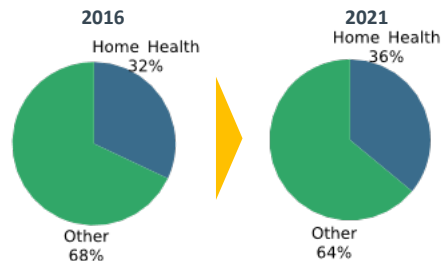
3 Operating in Growing Industries With Attractive Fundamentals



Home Health

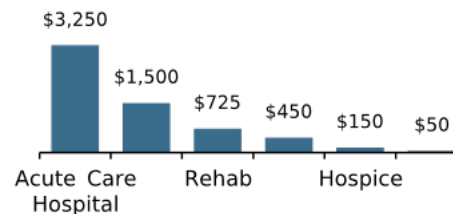
Home Health Services % Share of Post-Acute Spending Expected to Increase

% Share of Post-Acute Care Spending



Home Health saves 65x compared to Acute Care Hospitals

Average Medicare Cost / Day



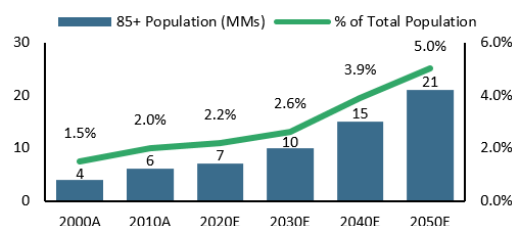
- With its focus on clinical outcomes, Pennant is well-positioned to benefit from value-based reimbursement trends in the home health sector such as PDGM



Hospice

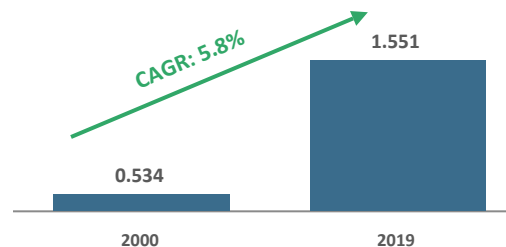
>40% of Hospice Care is Used by Population >85 Years of Age Which is Expected to Triple by 2050

Growing population 85 and Over



Use of Hospice by Medicare Patients Continues to Increase

Number of Hospice Users in Millions (Medicare)



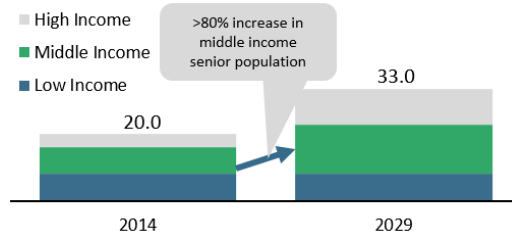
- Pennant's high touch and community-oriented approach to hospice care positions it to be the provider of choice in a fast-growing hospice market



Senior Living

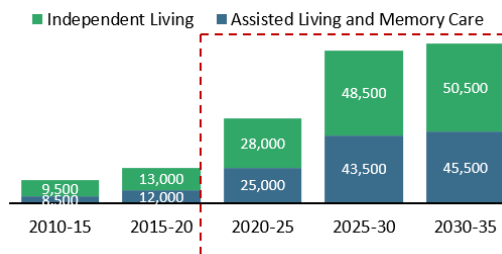
Growing Demand for Senior Living

Millions of Seniors (Age 75+)



Strong Demand Estimated in the Next Decade

Annual Estimated Demand for New Units



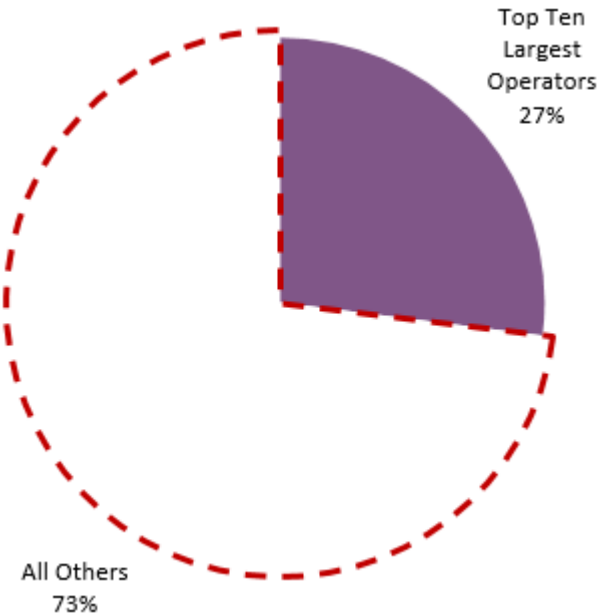
- Pennant's opportunistic acquisition approach and disciplined operating strategy position us well to take advantage of the evolving demand and supply imbalance in the senior living markets in which we operate

Highly Fragmented Market with Significant Consolidation Opportunity

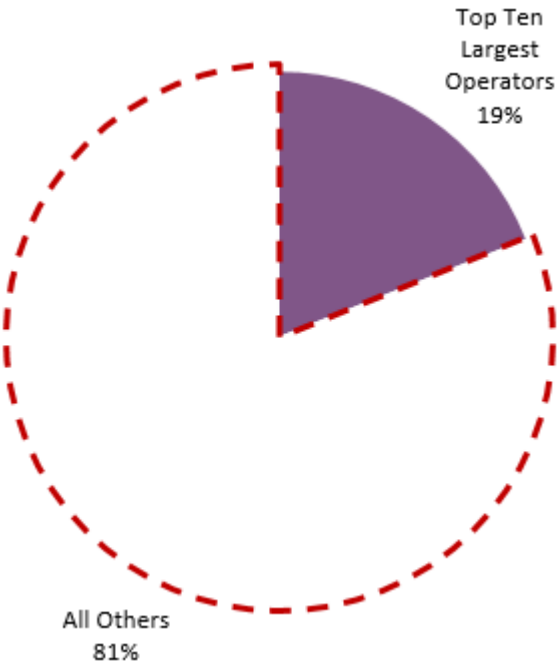
Significant Consolidation Opportunity Remains in Each of Our Target Markets

Market Share

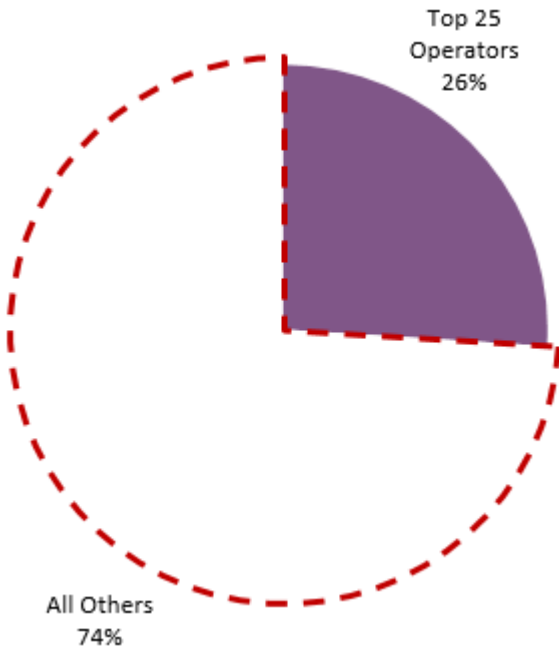
Home Health



Hospice



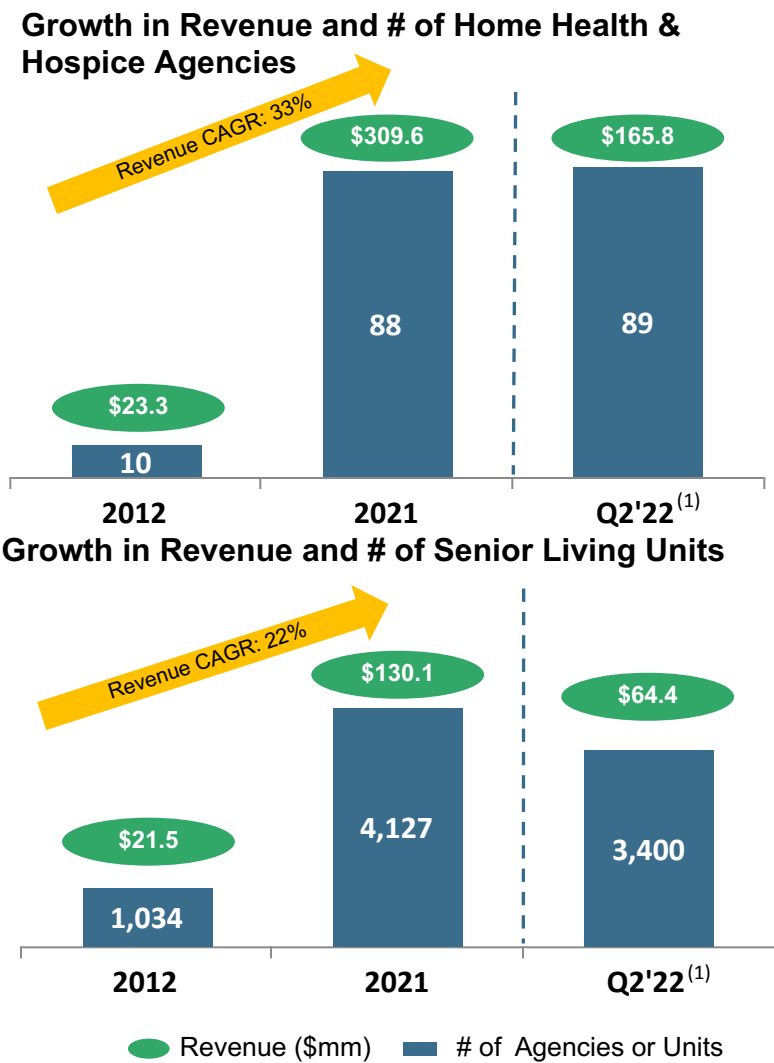
Senior Living



Disciplined Acquisition and Organic Growth Strategy

Proven Ability to Execute Acquisitions in Key Markets, Integrate into our Existing Markets and Improve Operations

- ✓ Focused on selectively acquiring strategic and underperforming operations within our target markets
- ✓ Local leaders empowered to identify and pursue acquisition opportunities
- ✓ Expertise in transitioning newly-acquired operations to our innovative operating model and culture
- ✓ From 2011 to 2018, we increased our number of home health / hospice and senior living operations by >300%
- ✓ Transformational integration of new acquisitions to shared systems and platforms



1. For the six months ended June 30, 2022

4 Proven Acquisition Playbook

Factors Considered When Evaluating Acquisition Targets

Small Yet Well Established Businesses in Local Markets

- “Mom & Pop” business profile – typically low-single to mid-teens revenue (\$mm)
- Strong reputation in local markets (no change in name post-acquisition)
- Business getting hard to manage for owners due to changing regulatory requirements

Clinical Product With Potential to Improve

- Culture of “patient-first”
- Reputation of delivering patient-centered care
- Well-regarded within referral sources – physicians, hospitals, health institutions, community

Constrained by Balance Sheet

- Limited financial resources to grow business despite aspirations of growth

Strategic Fit

- Assets offer unique access to Pennant from a geography or market standpoint
- Asset fits Pennant’s offerings in its markets or fills a gap

Selected Examples



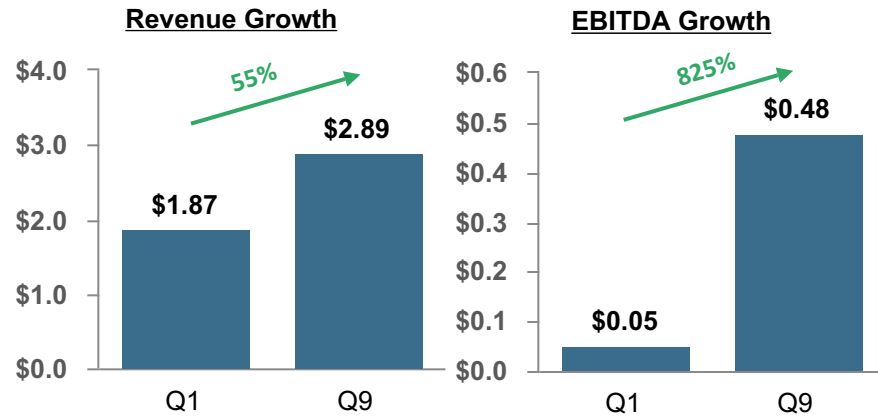
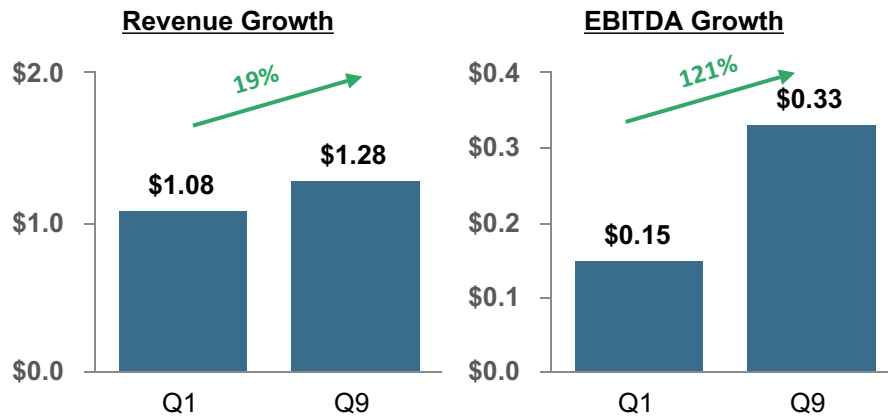
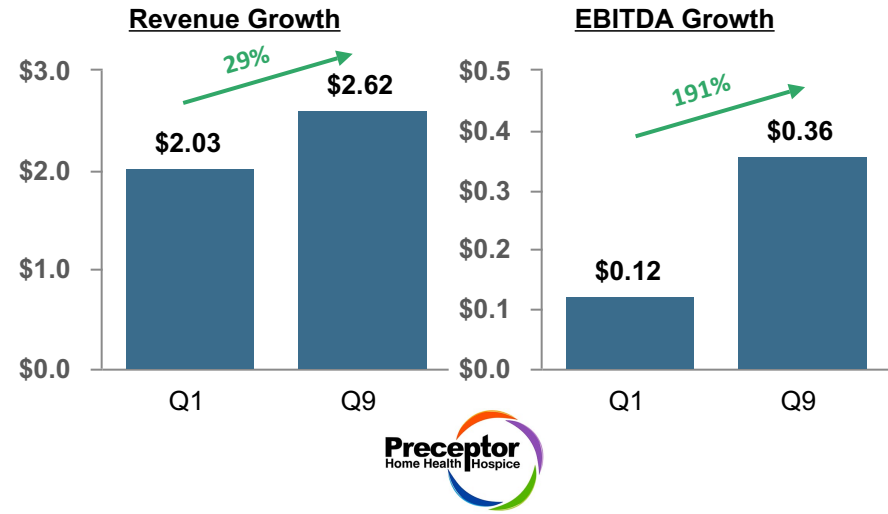
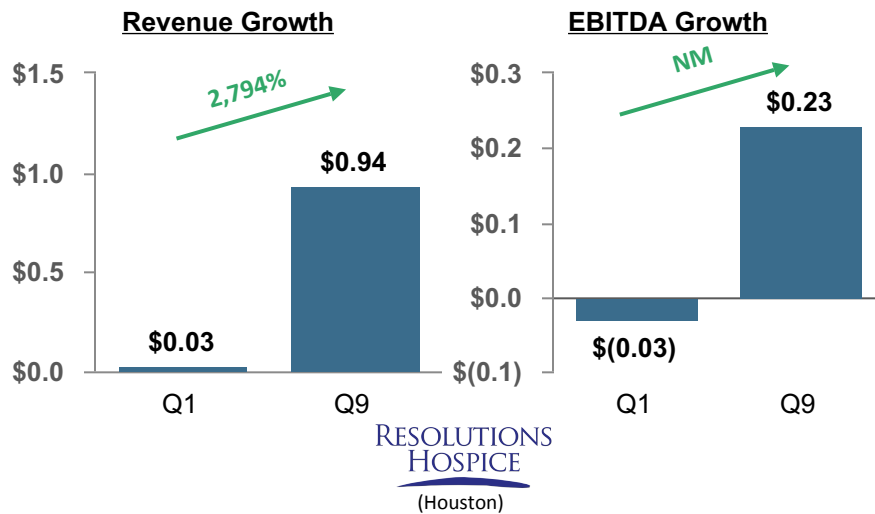
- **Location:** Grants Pass, Oregon area
- Strategic location that expands our presence in the state and opens the door to further growth throughout the region
- Highly respected home health provider with outstanding community relationships
- Legacy of providing excellent home health services



- **Location:** Sacramento, California
- Strategic acquisition that expands Northern California presence
- Well established hospice agency with legacy of compassionate care
- Robust clinical team

Transformational Integration of New Operations to Shared Systems and Platforms

Examples of Improvements in Acquired Home Health and Hospice Agencies Performance



Note: Dollars in millions

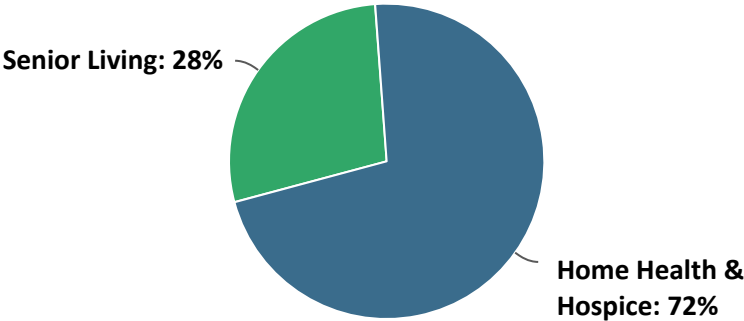
Note: Q1 refers to first completed quarter after acquisition.

Note: Growth %'s are calculated in whole dollars and may not recalculate using the rounded values shown.

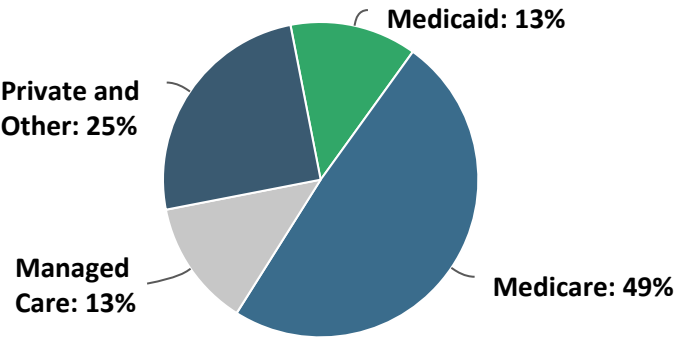
Strong Financial Results Underlined by Diversified Service and Payor Mix

Diversified Portfolio Provides Greater Stability and Insulation from Industry or Macro Economic Cycles

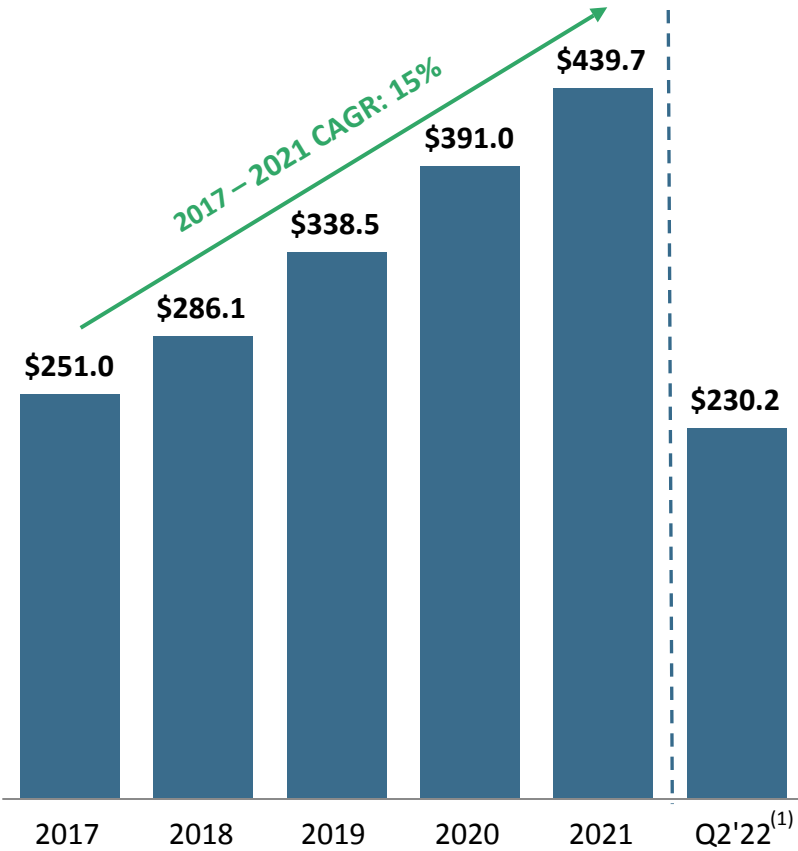
Service Mix ⁽¹⁾



Payor Mix ⁽¹⁾

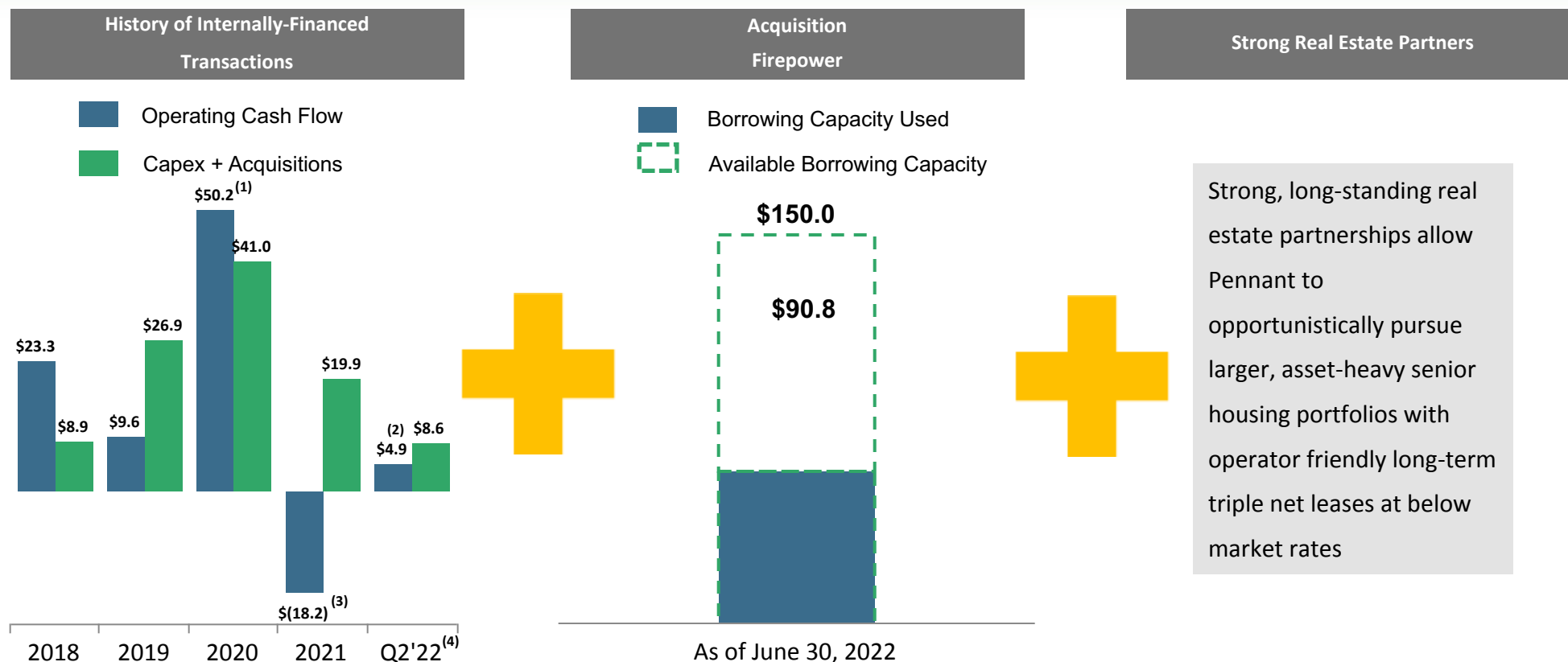


Net Revenue (\$ in millions)



1. For the six months ended June 30, 2022

5 Focus on Maintaining a Strong Balance Sheet



Continued Execution in 2022 – Acquisitions Since the Spin-Off



Note: Dollars in millions.

1. Excluding the Medicare advanced payments of \$28.0 received during the year ended December 31, 2020, the operating cash inflow would have been \$22.2.
2. Excluding the recoupment of Medicare advanced payments of \$6.2 for the six months ended June 30, 2022, the net cash flows from operations would have been \$11.1.
3. Excluding the recoupment of Medicare advanced payments of \$21.8 for the year ended December 31, 2021, the net cash flows from operations would have been \$3.6.
4. For the six months ended June 30, 2022.

Experienced Management Team Comprised of Healthcare Industry Veterans

Best-in-Class Management Team with ~59 Years of Combined Experience at Pennant / Ensign and the Industry



Brent Guerisoli, Chief Executive Officer

- Years at Pennant / Ensign: 10
- Served as President of Home Health and Hospice since 2018
- Served as President of 1177 Healthcare (affiliate of Cornerstone) since March 2015
- Previously CEO and executive Director of Zion's Way Home Health and Hospice (affiliate of Cornerstone) since Feb 2012
- Prior to joining Ensign, served as Chief of Staff/ business Manager IT at AT&T



Derek Bunker, Chief Investment Officer

- Years at Pennant / Ensign: 7
- Currently responsible for overseeing strategic growth, investments, real estate matters, investor relations and various public company matters
- Also responsible for assisting the board in corporate governance matters in his role as corporate secretary
- Prior to joining Pennant, served as VP, Acquisitions and Business Legal Affairs of Ensign Services since 2015



Jennifer Freeman, Chief Financial Officer

- Years at Pennant / Industry: 17
- Served as CFO of Northpoint Recovery Holdings since 2017
- Prior to joining Northpoint, served as VP of Finance for MCG Health, LLC, leading their finance and contract teams
- Also served as VP of Finance for Coordinated Care Corporation, and CFO for Qualis Health and Molina Healthcare of Washington, Inc



Brian Wayment, President, Home Health and Hospice

- Years at Pennant / Ensign: 9
- Served as President of Midwest/Texas Market since 2018
- Previously CEO of Excell Homecare and Hospice (affiliate of Cornerstone) since Oct 2017
- Served as Leadership Development Lead of Cornerstone from 2015-2017
- Previously CEO- and Executive Director of Elite Home Health and Hospice (affiliate of Cornerstone) since July 2013



John Gochnour, Chief Operating Officer

- Years at Pennant / Ensign: 9
- Served as Executive Vice President and General Counsel at Cornerstone since 2013
- Also led the sourcing, negotiation, and other aspects of the acquisition process of Cornerstone and Ensign's other new business ventures
- Prior to joining Cornerstone, served as an attorney at the law firm Paul Hastings LLP

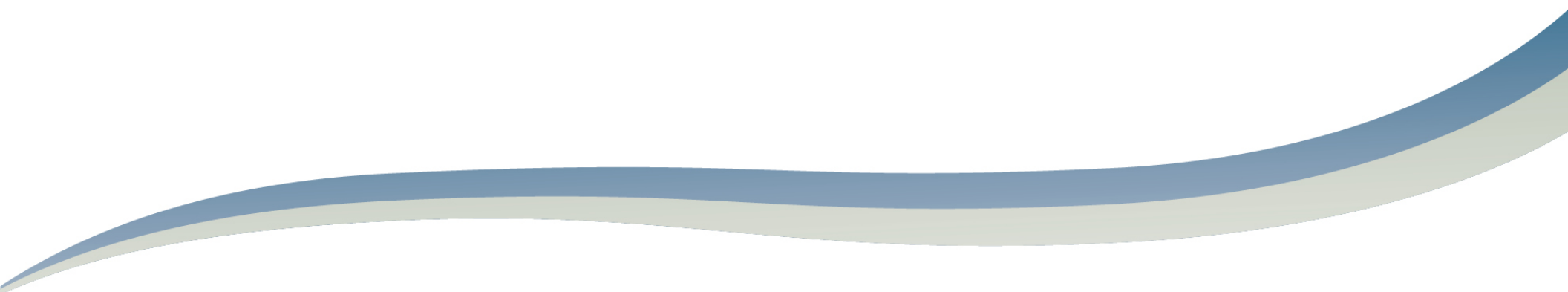


Andrew Rider, President, Senior Living

- Years at Pennant / Ensign: 7
- Served as President of Paragon Senior Living (affiliate of Pinnacle) markets since 2021
- Previously served as President of Personal Care Services - new business venture for Cornerstone since 2016
- Previously served as CEO and Executive Director of A Gentle Touch Home Care (affiliate of Cornerstone) since May 2015
- Prior to joining Ensign, owned and operated multi-site personal care service operations.



Growth Strategy & Financial Overview



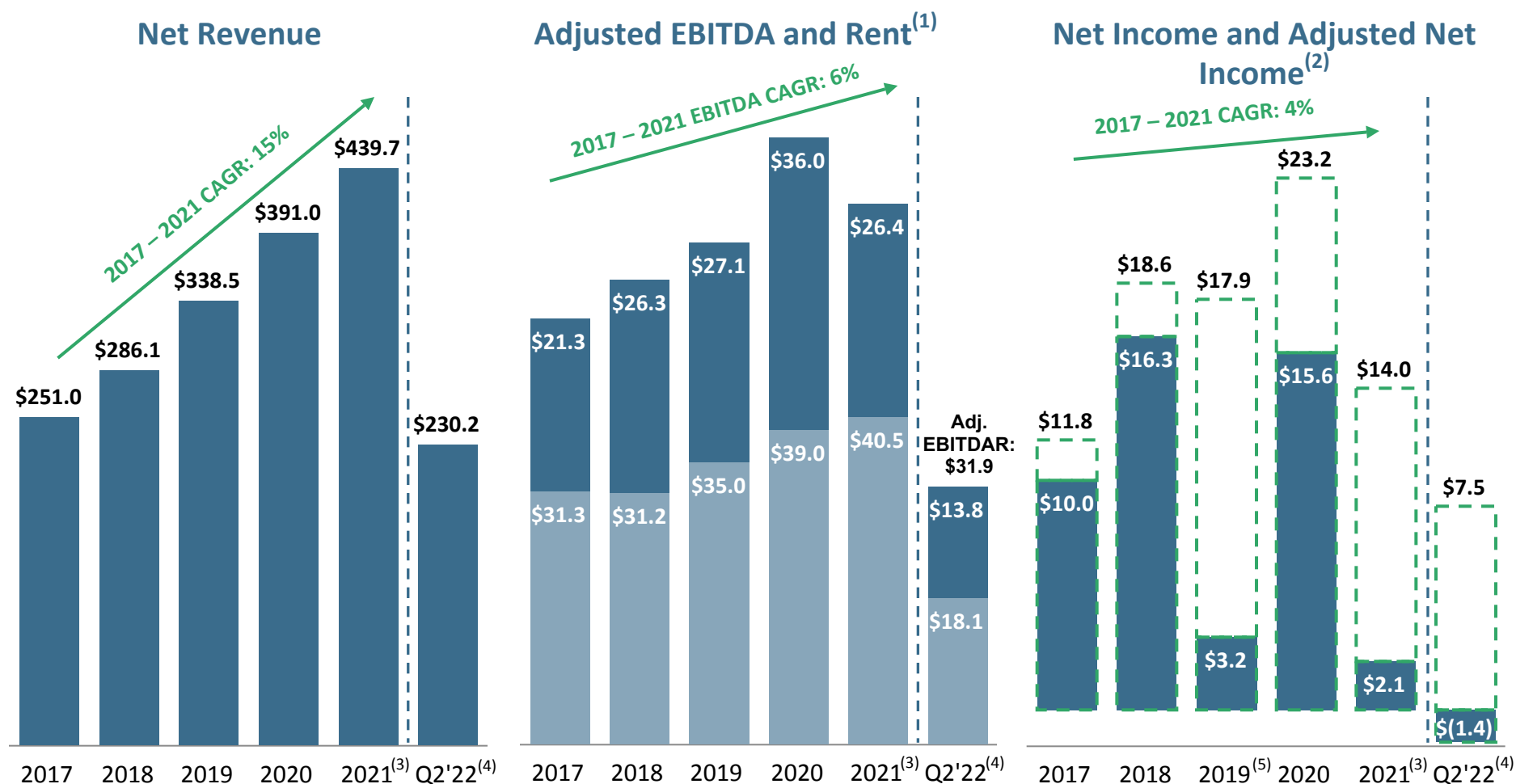
Growth Strategy



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

Track Record of Strong Financial Growth

History of Strong Financial Performance and Growth



Note: Dollars in millions.

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2. See Appendix for a reconciliation of GAAP to non-GAAP financial measures.

3. Beginning in the first quarter of fiscal year 2021, we updated our definition of Segment Adjusted EBITDAR, Adjusted EBITDA, and Adjusted Net Income no longer include an adjustment for COVID-19 expenses offset by the amount of sequestration relief. Fiscal year 2020 measures were not updated to exclude the COVID-19 adjustment. For further details see the Appendix for a reconciliation of GAAP to non-GAAP financial measures.

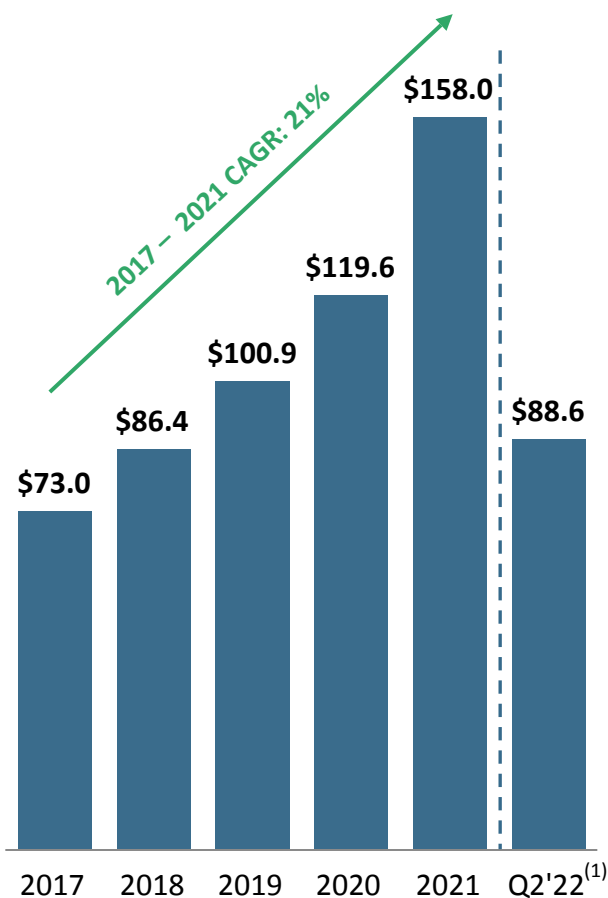
4. For the six months ended June 30, 2022.

5. Net income for 2019 includes Spin-off related transaction costs of \$13.2 million. See Appendix for additional non-GAAP adjustments.

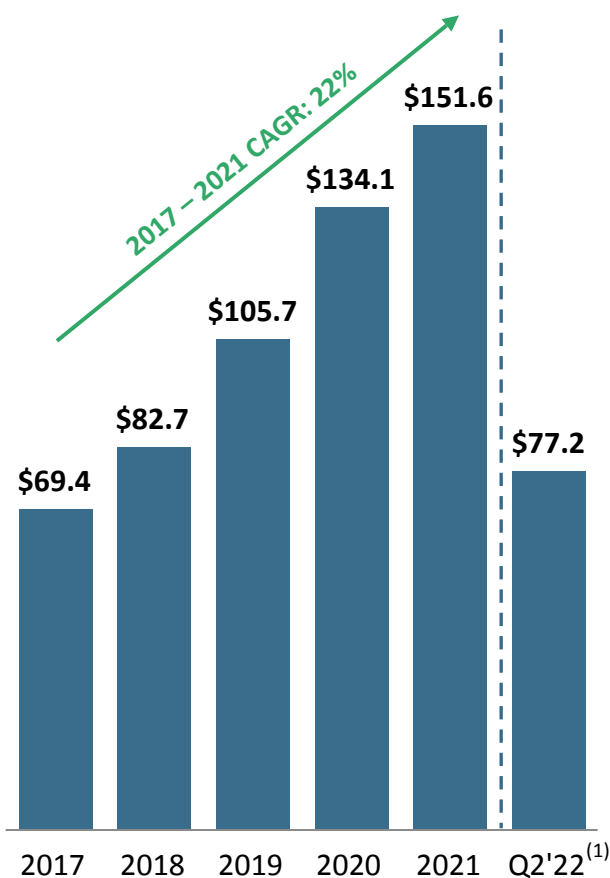
Financial Overview – Segment Growth

Segment Revenue

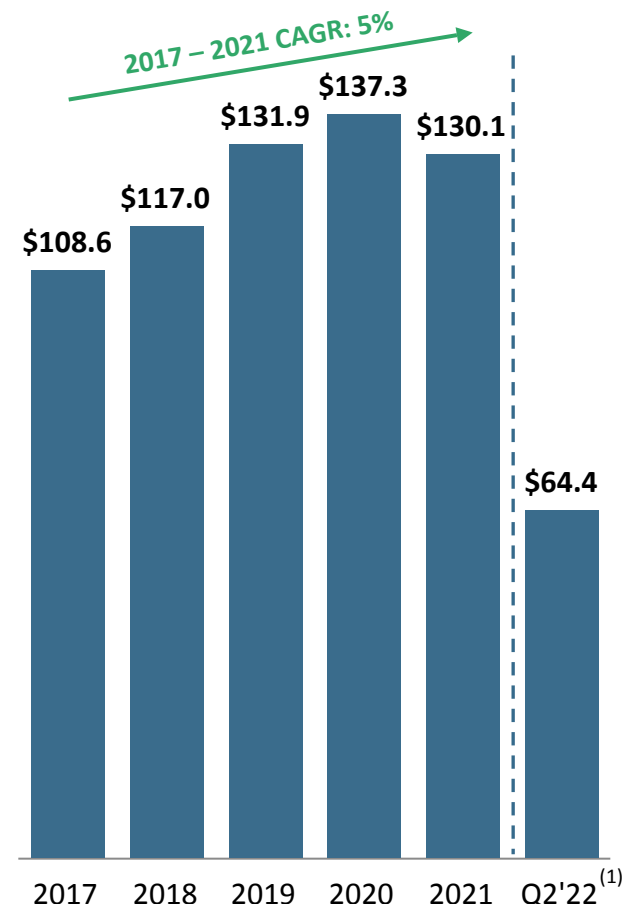
Home Health



Hospice



Senior Living



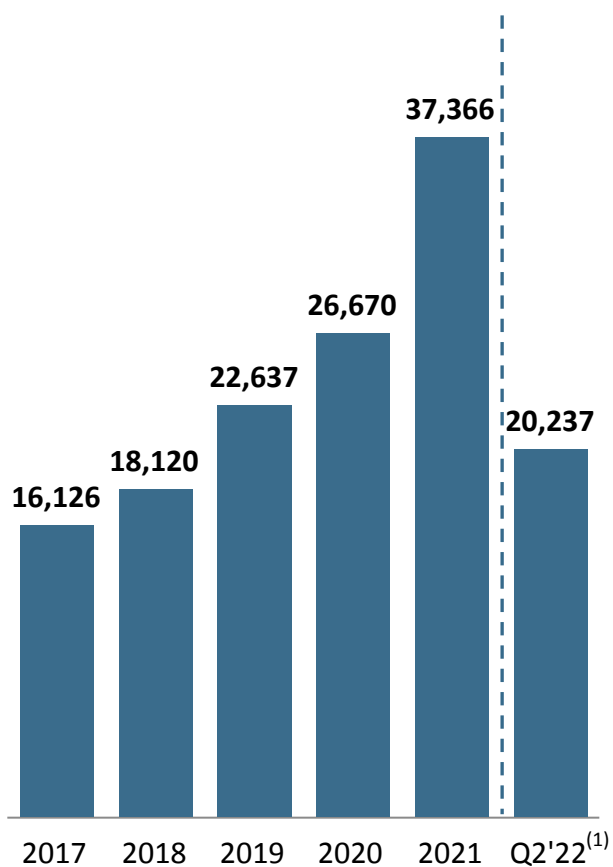
Note: Dollars in millions.

1. For the six months ended June 30, 2022.

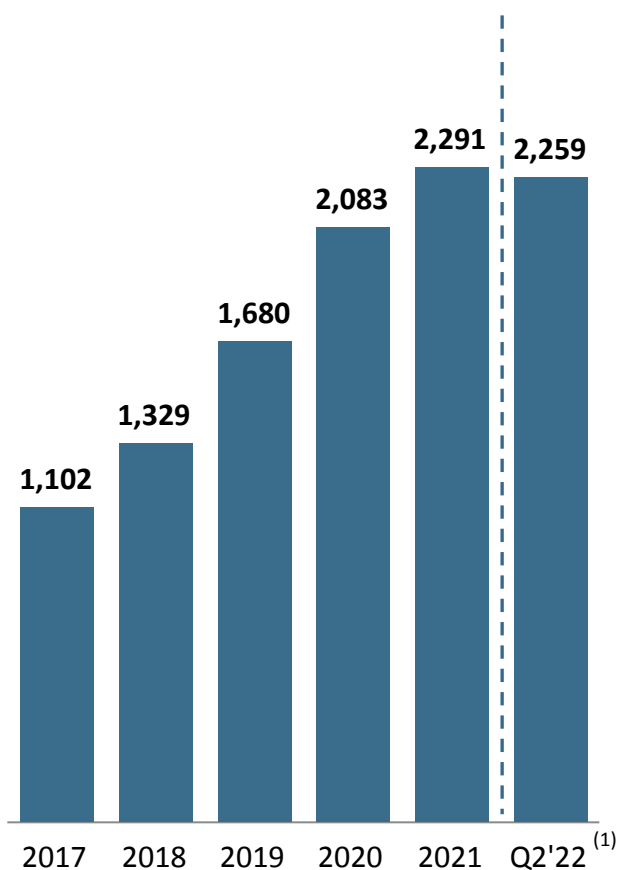
Financial Overview – Segment Metrics

Segment Metrics

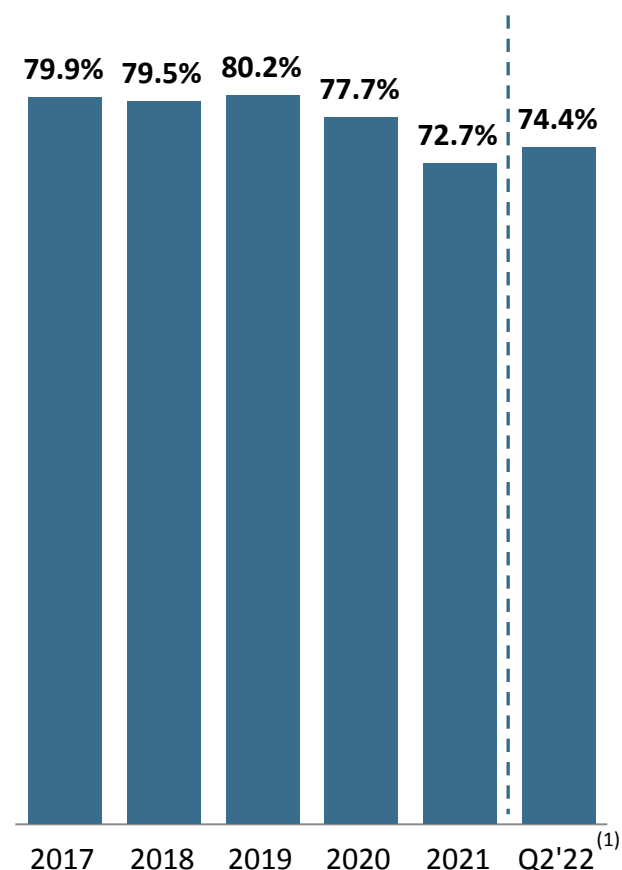
Total Home Health Admissions



Avg. Hospice Daily Census



Senior Living Occupancy



1. For the six months ended June 30, 2022.

Financial Overview – Segment Profitability

Track Record of Strong Historical Performance at Both Key Business Segments

Segment	Key Financial Metrics							
Home Health & Hospice		2017	2018	2019	2020	2021	Q2'22 ⁽¹⁾	'17-'21 CAGR
	Segment adjusted EBITDAR from Operations ⁽²⁾	\$21.0	\$26.4	\$33.4	\$49.5	\$55.6	\$29.7	27.6%
	% Margin ⁽³⁾	14.8%	15.6%	16.2%	20.3%	18.8%	18.1%	--
	Adjusted EBITDA ⁽⁴⁾	\$19.2	\$24.2	\$30.4	\$46.0	\$51.0	\$27.2	27.7%
	% Margin ⁽³⁾	13.5%	14.3%	14.7%	18.8%	17.3%	16.6%	--
Senior Living		2017	2018	2019	2020	2021	Q2'22 ⁽¹⁾	'17-'21 CAGR
	Segment adjusted EBITDAR from Operations ⁽²⁾	\$44.2	\$47.2	\$47.3	\$48.3	\$37.5	\$18.2	(4.0)%
	% Margin ⁽³⁾	40.7%	40.4%	35.9%	35.3%	28.8%	29.8%	--
	Adjusted EBITDA ⁽⁴⁾	\$14.9	\$18.3	\$15.3	\$12.8	\$1.6	\$2.5	(42.8)%
	% Margin ⁽³⁾	13.7%	15.6%	11.6%	9.4%	1.2%	4.1%	--

Note: Dollars in millions

1. For the six months ended June 30, 2022.

2. Segment Adjusted EBITDAR from Operations is the GAAP segment measure of profit and loss. Beginning in the first quarter of fiscal year 2021, we updated our definition of Segment Adjusted EBITDAR and Adjusted EBITDA to no longer include an adjustment for COVID-19 expenses offset by the amount of sequestration relief. Fiscal year 2020 measures were not updated to exclude the COVID-19 adjustment. For further details see the Appendix for a reconciliation of GAAP to non-GAAP financial measures.

3. Margin is calculated using segment level non-GAAP revenue.

4. See Appendix for a reconciliation of GAAP to non-GAAP financial measures.

Financial Overview – Expenses

Expenses as a % of Revenue

(Dollars in millions)	2017	2018	2019 ⁽¹⁾	2020	2021	Q2'22 ⁽²⁾
Revenue	\$251.0	\$286.1	\$338.5	\$391.0	\$439.7	\$230.2
% Growth	15.5%	14.0%	18.3%	15.5%	12.5%	6.6%
% Revenue						
Cost of Services	74.6%	74.3%	76.5%	75.9%	80.3%	79.5%
Rent	12.5%	10.9%	10.3%	10.1%	9.3%	8.3%
G&A	5.8%	6.6%	6.5%	8.0%	8.2%	8.6%
D&A	1.0%	1.0%	1.1%	1.2%	1.1%	1.1%
Loss on asset dispositions and impairment, net	—%	—%	—%	—%	—%	2.9%
Total Expenses	93.9%	92.8%	94.4%	95.2%	98.9%	100.4%

Selected Observations

- Revenue growth includes organic along with acquired home health and hospice agencies and senior living communities.
- The increase in cost of sales is primarily due to increased wage rates.
- The increase in G&A as a percent of revenue is primarily related to an increase of 12.0% in wage and benefits related to increased headcount during the six months ended June 30, 2022 when compared to the six months ended June 30, 2021.

Note: Dollars in millions

1. 2019 general and administrative costs were adjusted for one-time transaction related costs of 3.9% of revenue. Without this adjustment general and administrative costs would have been 10.4% of revenue and total expenses would have been 98.3% of revenue.
2. For the six months ended June 30, 2022.
3. See Reconciliation of GAAP to Non-GAAP income on Slide 40.

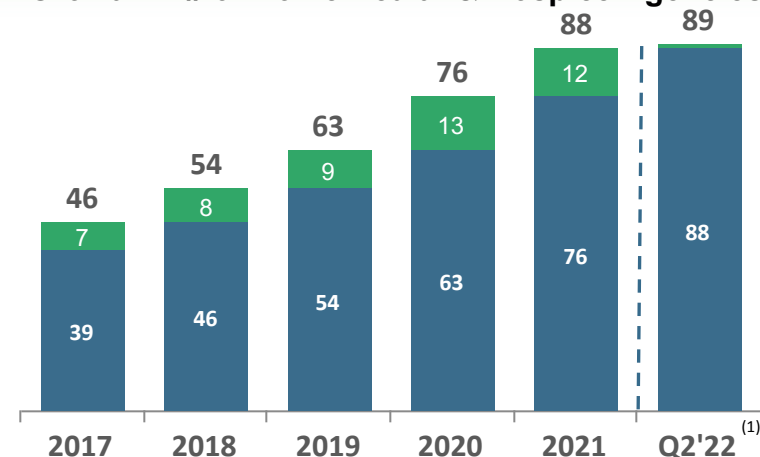
Financial Overview – Capex / Cash Flow Metrics



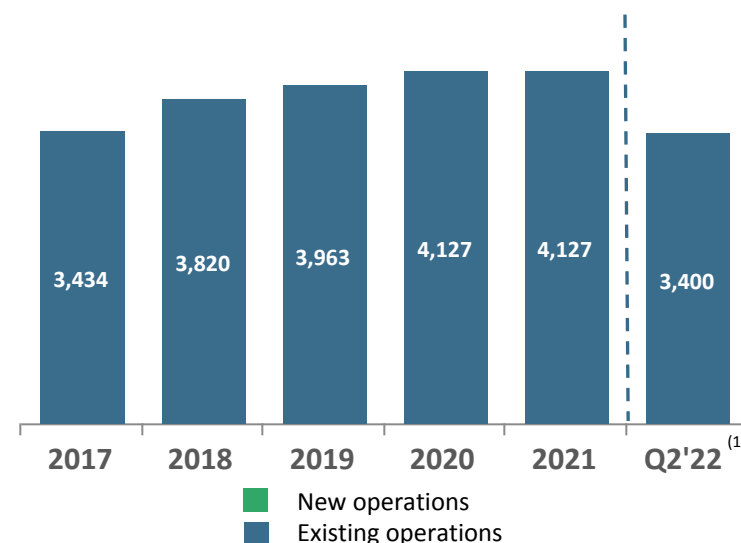
Capex and Key Cash Flow Metrics

	2017	2018	2019	2020	2021	Q2'22 ⁽¹⁾
Working Capital	\$0.4	\$(0.4)	\$(12.5)	\$(29.4) ⁽²⁾	4.2 ⁽³⁾	\$(0.2)
PP&E (Capex)	(3.1)	(3.6)	(6.7)	(7.3)	(6.3)	(7.9)
Asset and business acquisitions	(12.1)	(5.3)	(20.2)	(33.7)	(13.6)	(0.8)
Capex + Acquisitions	(15.2)	(8.9)	(26.9)	(41.0)	(19.9)	(8.6)
Cash Flow From Operations	\$17.3	\$23.3	\$9.6	\$50.2 ⁽⁴⁾	\$(18.2) ⁽⁵⁾	\$4.9 ⁽⁶⁾

Growth in # of Home Health & Hospice Agencies



Growth in # of Senior Living Units



Note: Dollars in millions

- As of June 30, 2022.
- Excluding the Medicare advanced payments included in current liabilities of \$22.8 as of December 31, 2020, and received during 2020, the working capital would have been \$(6.6).
- Excluding the Medicare advanced payments included in current liabilities of \$6.2 as of December 31, 2021, and received during 2020, the working capital would have been \$10.4.
- Excluding the Medicare advanced payments of \$28.0 received during the year ended December 31, 2020, the operating cash inflow would have been \$22.2.
- Excluding the recoupment of Medicare advanced payments of \$21.8 for the year ended December 31, 2021, the net cash flows from operations would have been \$3.6.
- Excluding the recoupment of Medicare advanced payments of \$6.2 for the six months ended June 30, 2022, the net cash flows from operations would have been \$11.1.

Financial Overview – Balance Sheet

Strong Balance Sheet Positions Pennant Well to Continue Acquisition Strategy

Selected Balance Sheet Data:

	December 31,		June 30,
	2020	2021	2022
Cash & Cash Equivalents	\$ 43	\$ 5,190	\$ 3,200
Current Assets	59,599	75,841	74,637
Total Assets	\$ 506,976	\$ 530,297	\$ 496,431
Current Liabilities	\$ 89,015	\$ 71,635	\$ 74,868
Long-term Debt ⁽³⁾	9,500	53,500	55,000
Total Liabilities	\$ 405,804	\$ 416,053	\$ 378,444
Total Equity	\$ 101,172	\$ 114,244	\$ 117,987

Debt Terms – Revolving Credit Facility:

Total Debt Facility	• \$150.0 million
Amount Drawn	• \$59.2 million ⁽¹⁾
Weighted Average Borrowing Rate at June 30, 2022	• 4.67%
Maturity Date	• 2026
Leverage	• 1.96 net debt / 2022 TTM adjusted EBITDA ⁽²⁾
Lease-Adjusted Leverage	• 5.67 lease-adjusted net debt / 2022 TTM adjusted EBITDAR ⁽⁴⁾

Note: Dollars in thousands except where noted

1. Amount drawn includes \$55.0 million drawn on the line of credit and \$4.2 million of issued letters of credit as of June 30, 2022.
2. As of June 30, 2022.
3. Excludes unamortized debt issuances costs of \$1.9 million as of June 30, 2022.
4. Calculated as 8x rent expense plus net debt, divided by adjusted EBITDAR, for the six months ended June 30, 2022.

2022 Full Year Non-GAAP Guidance ⁽¹⁾				
	Guidance Low		Guidance High	
Adjusted Revenue (in millions)	\$	450.0	\$	460.0
	Midpoint represents a 7.0% increase over the midpoint of the 2021 Non-GAAP results			
Adj. EPS	\$	0.60	\$	0.68
	Midpoint represents a 39.1% increase over the midpoint of the 2021 Non-GAAP results			

1. Please refer to the detailed statement on 2022 guidance in our Q2'22 earnings press release dated August 8, 2022.



Appendix

Non-GAAP Metrics

We supplement our GAAP reporting with supplemental non-GAAP financial measures. These include performance measures (EBITDA, Adjusted EBITDA, and Segment Adjusted EBITDA), non-GAAP net income and a valuation measure (Adjusted Consolidated EBITDAR). We believe these non-GAAP financial measures reflect an additional way of looking at aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. They should not be relied upon to the exclusion of GAAP financial measures. A more ample discussion of these non-GAAP financial measures is available in our Form 10-K, which was filed with the SEC, and a reconciliation to GAAP is included as an appendix to this presentation.

Reconciliation of GAAP to Non-GAAP Net Income

\$ in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net Income attributable to the Pennant Group, Inc.	\$ (2,676)	\$ 2,650	\$ (1,662)	\$ 3,600
Add: Net loss attributable to noncontrolling interest	80	(181)	224	(218)
Net Income	\$ (2,596)	\$ 2,469	\$ (1,438)	\$ 3,382
Non-GAAP adjustments				
Add: Costs at start-up operations ^(a)	431	513	586	659
Share-based compensation expense ^(b)	2,380	2,499	4,820	4,915
Acquisition related costs ^(c)	14	30	14	37
Transition services costs ^(d)	40	687	77	1,589
Operating results of transferred senior living facilities ^(e)	6,701	—	—	—
Provision for income taxes on non-GAAP adjustments ^(f)	(2,796)	(1,088)	(3,441)	(2,156)
Non-GAAP Net Income	\$ 4,174	\$ 5,110	\$ 7,500	\$ 8,426
Earnings Per Share				
Adjusted diluted earnings per share	\$ 0.14	\$ 0.17	\$ 0.25	\$ 0.27
Weighted average number of dilutive shares outstanding	30,231	30,647	30,188	30,785

(a) Represents results related to start-up operations.

(b) Share-based compensation expense incurred which is included in cost of services and general and administrative expense.

(c) Acquisition related costs related to business combinations during the periods.

(d) Costs identified as redundant or nonrecurring 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 \$458 and \$1,101 for the three and six months ended June 30, 2022, and \$747 and \$1,735 for the three and six months ended June 30, 2021.

(e) On January 27, 2022, affiliates of the Company, entered into certain operations transfer agreements (collectively, the "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 includes \$6,500 for the three and six months ended June 30, 2022 to cover post-closing capital expenditures and operating losses related to one of the communities transferred on April 1, 2022. The amount above also includes \$191 and \$(566) for the three and six months ended June 30, 2022, respectively, for the related net impact on revenue and cost of service attributable to the transferred entities. This amount excludes rent and depreciation and amortization expense related to such operations.

(f) Represents an adjustment to the provision for income tax to our year to date effective tax rate. This rate excludes the tax benefit of shared-based payment awards.

Reconciliation of GAAP to Non-GAAP Net Income

\$ in thousands	Year Ended December 31,				
	2021	2020	2019	2018	2017
Net Income attributable to the Pennant Group, Inc.	\$ 2,696	\$ 15,744	\$ 2,546	\$ 15,684	\$ 9,867
Add: Net loss attributable to noncontrolling interest	(548)	(191)	629	595	160
Net Income	\$ 2,148	\$ 15,553	\$ 3,175	\$ 16,279	\$ 10,027
Non-GAAP adjustments					
Add: Costs at start-up operations ^(a)	1,470	2,010	508	159	540
Share-based compensation expense ^(b)	10,040	8,335	3,382	2,382	2,298
Amortization of patient base ^(c)	—	—	39	87	86
Acquisition related costs ^(d)	80	99	665	—	—
Spin-off related transaction costs ^(e)	—	—	13,219	756	—
Transition services cost ^(f)	2,008	2,282	965	—	—
Covid-19 related costs and supplies ^(g)	—	447	—	—	—
Results related to closed operations ^(h)	—	—	—	—	728
Impairment of long-lived assets ⁽ⁱ⁾	2,835	—	—	—	—
Provision for income taxes on non-GAAP adjustments ^(j)	(4,573)	(5,543)	(4,023)	(1,653)	(2,040)
Non-GAAP Net Income	\$ 14,008	\$ 23,183	\$ 17,930	\$ 18,010	\$ 11,796

Earnings Per Share

Adjusted diluted earnings per share	\$ 0.46	\$ 0.77	\$ 0.61
Weighted average number of dilutive shares outstanding	30,642	30,228	29,586

- (a) Represents results related to start-up operations.
- (b) Share-based compensation expense incurred which is included in cost of services and general and administrative expense.
- (c) Included in depreciation and amortization are amortization expenses related to patient base intangible assets at newly acquired senior living facilities.
- (d) Acquisition related costs that are not capitalizable.
- (e) Costs incurred related to the Spin-Off are included in general and administrative expense.
- (f) The portion of the costs incurred under the Transition Services Agreement identified as redundant or nonrecurring that are included in general and administrative expense or depreciation and amortization.
- (g) Represents incremental costs incurred as part of the Company's response to COVID-19 including direct medical supplies, labor, and other expenses, net of \$2,765 in increased revenue related to the 2% payment increase in Medicare reimbursements for sequestration relief for the year ended December 31, 2020. Beginning in the first quarter of fiscal year 2021, we updated our definition of Segment Adjusted EBITDAR to no longer include an adjustment for COVID-19 expenses offset by the amount of sequestration relief. COVID-19 expenses continue to be part of daily operations for which less specific identification is visible. Sequestration relief was \$3,555 for the year ended December 31, 2021.
- (h) Operating losses related to the closure of certain, home health, and hospice agencies that were closed in 2017.
- (i) On January 27, 2022, affiliates of the Company, entered into certain operations transfer agreements (collectively, the "Transfer Agreements") with affiliates of Ensign, providing for the transfer of the operations of certain senior living communities (the "Transaction"). The closing of the Transaction is anticipated to occur in the first half of 2022. The Company impaired certain leasehold improvements included in property and equipment primarily related to the operations included in the transaction with Ensign.
- (j) Represents an adjustment to the provision for income tax to our year to date effective tax rate. This rate excludes the tax benefit of shared-based payment awards.

Reconciliation of Net Income to Non-GAAP EBITDA, Adjusted EBITDA and Adjusted EBITDAR



\$ in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net Income	\$ (2,596)	\$ 2,469	\$ (1,438)	\$ 3,382
Less: Net loss attributable to noncontrolling interest	80	(181)	224	(218)
Add: Provision for income taxes	(1,375)	604	(833)	944
Depreciation and amortization	821	472	1,450	832
Interest Expense	1,279	1,170	2,426	2,345
Consolidated EBITDA	\$ (1,951)	\$ 4,896	\$ 1,381	\$ 7,721
Adjustments to Consolidated EBITDA:				
Add: Costs at start-up operations ^(a)	377	347	508	459
Share-based compensation expense ^(b)	2,380	2,499	4,820	4,915
Acquisition related costs ^(c)	14	30	14	37
Transition services costs ^(d)	40	687	77	1,589
Operating results of transferred senior living facilities ^(e)	6,691	—	5,934	—
Rent related to items (a) and (e) above	57	165	1,019	199
Consolidated Adjusted EBITDA	\$ 7,608	\$ 8,624	\$ 13,753	\$ 14,920
Add: Rent—cost of services	9,078	10,156	19,129	20,121
Less: Rent related to items ^(a) above	(57)	(165)	(1,019)	(199)
Adjusted Rent—cost of services	9,021	9,991	18,110	19,922
Total Consolidated Adjusted EBITDAR from Operations	\$ 16,629	\$	\$ 31,863	

(a) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.

(b) Share-based compensation expense incurred which is included in cost of services and general and administrative expense.

(c) Acquisition related costs related to business combinations during the periods.

(d) Costs identified as redundant or nonrecurring 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 \$458 and \$1,101 for the three and six months ended June 30, 2022, and \$747 and \$1,735 for the three and six months ended June 30, 2021.

(e) On January 27, 2022, affiliates of the Company, entered into certain operations transfer agreements (collectively, the "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 includes \$6,500 for the three and six months ended June 30, 2022 to cover post-closing capital expenditures and operating losses related to one of the communities transferred on April 1, 2022. The amount above also includes \$191 and \$(566) for the three and six months ended June 30, 2022, respectively, for the related net impact on revenue and cost of service attributable to the transferred entities. This amount excludes rent and depreciation and amortization expense related to such operations.

Reconciliation of Net Income to Non-GAAP EBITDA, Adjusted EBITDA and Adjusted EBITDAR



\$ in thousands	Year Ended December 31,				
	2021	2020	2019	2018	2017
Net Income	\$ 2,148	\$ 15,553	\$ 3,175	\$ 16,279	\$ 10,027
Less: Net loss attributable to noncontrolling interest	(548)	(191)	629	595	160
Add: Provision for income taxes	582	2,350	2,085	4,352	5,375
Depreciation and amortization	1,941	4,675	3,810	2,964	2,544
Interest Expense	4,784	1,239	410	—	—
Consolidated and Combined EBITDA	\$ 10,003	\$ 24,008	\$ 8,851	\$ 23,000	\$ 17,786
Adjustments to Consolidated and Combined EBITDA:					
Add: Costs at start-up operations ^(a)	1,045	1,787	483	129	478
Results related to closed operations ^(b)	—	—	—	—	728
Share-based compensation expense ^(c)	10,040	8,335	3,382	2,382	2,298
Spin-off related transaction costs ^(d)	—	—	13,219	756	—
Transition services costs ^(e)	2,008	1,181	532	—	—
Acquisition related costs ^(f)	80	99	665	—	—
COVID-19 related costs and supplies ^(g)	—	447	—	—	—
Impairment of long-lived assets ^(h)	2,835	—	—	—	—
Rent related to items ^(a) and ^(b) above	396	223	25	30	190
Adjusted Consolidated and Combined EBITDA	\$ 26,407	\$ 36,048	\$ 27,157	\$ 26,297	\$ 21,480
Add: Rent—cost of services	40,863	39,191	34,975	31,999	31,304
Less: Rent related to items ^(a) and ^(b) above	(396)	(223)	(25)	(30)	(190)
Adjusted Rent—cost of services	40,467	38,968	34,950	31,169	31,114
Adjusted Consolidated and Combined EBITDAR from Operations	\$ 66,874				

(a) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.

(b) Operating losses related to the closure of certain, home health, and hospice agencies that were closed in 2017.

(c) Share-based compensation expense incurred which is included in cost of services and general and administrative expense.

(d) Costs incurred related to the Spin-Off are included in general and administrative expense.

(e) The portion of the costs incurred under the Transition Services Agreement identified as redundant or nonrecurring that are included in general and administrative expense or depreciation and amortization.

(f) Acquisition related costs that are not capitalizable.

(g) Represents incremental costs incurred as part of the Company's response to COVID-19 including direct medical supplies, labor, and other expenses, net of \$2,765 in increased revenue related to the 2% payment increase in Medicare reimbursements for sequestration relief for the year ended December 31, 2020. Beginning in the first quarter of fiscal year 2021, we updated our definition of Segment Adjusted EBITDAR to no longer include an adjustment for COVID-19 expenses offset by the amount of sequestration relief. COVID-19 expenses continue to be part of daily operations for which less specific identification is visible. Sequestration relief was \$3,555 for the year ended December 31, 2021.

(h) On January 27, 2022, affiliates of the Company, entered into certain operations transfer agreements (collectively, the "Transfer Agreements") with affiliates of Ensign, providing for the transfer of the operations of certain senior living communities (the "Transaction"). The closing of the Transaction is anticipated to occur in the first half of 2022. The Company impaired certain leasehold improvements included in property and equipment primarily related to the operations included in the transaction with Ensign.

GAAP Segment Adjusted EBITDAR from Operations



<i>\$ in thousands</i>	Home Health and Hospice Services	Senior Living Services	All Other	Total
Three Months Ended June 30, 2022				
Revenue	\$ 85,344	\$ 30,972	\$ —	116,316
Segment Adjusted EBITDAR from Operations	\$ 15,728	\$ 8,771	\$ (7,870)	16,629
Three Months Ended June 30, 2021				
Revenue	\$ 78,105	\$ 32,240	\$ —	110,345
Segment Adjusted EBITDAR from Operations	\$ 14,931	\$ 9,752	\$ (6,068)	18,615
<i>\$ in thousands</i>	Home Health and Hospice Services	Senior Living Services	All Other	Total
Six Months Ended June 30, 2022				
Revenue	\$ 165,819	\$ 64,407	\$ —	230,226
Segment Adjusted EBITDAR from Operations	\$ 29,676	\$ 18,203	\$ (16,016)	31,863
Six Months Ended June 30, 2021				
Revenue	\$ 152,712	\$ 63,296	\$ —	216,008
Segment Adjusted EBITDAR from Operations	\$ 28,722	\$ 18,586	\$ (12,466)	34,842

Reconciliation by Segment of GAAP to Non-GAAP Adjusted EBITDA



\$ in thousands	Three Months Ended June 30,			
	Home Health and Hospice		Senior Living Services	
	2022	2021	2022	2021
Segment Adjusted EBITDAR from Operations	\$ 15,728	\$ 14,931	\$ 8,771	\$ 9,752
Less: Rent—cost of services	1,241	1,199	7,837	8,957
Rent related to start-up and transferred operations	(47)	(135)	(10)	(30)
Segment Adjusted EBITDA from Operations	\$ 14,534	\$ 13,867	\$ 944	\$ 825

\$ in thousands	Six Months Ended June 30,			
	Home Health and Hospice		Senior Living Services	
	2022	2021	2022	2021
Segment Adjusted EBITDAR from Operations	\$ 29,676	\$ 28,722	\$ 18,203	\$ 18,586
Less: Rent – cost of services	\$ 2,503	\$ 2,329	\$ 16,626	\$ 17,792
Rent related to start-up and transferred operations	\$ (71)	\$ (249)	\$ (948)	\$ 50
Segment Adjusted EBITDAR from Operations	\$ 27,244	\$ 26,642	\$ 2,525	\$ 744

GAAP Segment Adjusted EBITDAR from Operations and Reconciliation by Segment of GAAP to Non-GAAP Adjusted EBITDA

<i>\$ in thousands</i>	Home Health and Hospice Services		Senior Living Services		All Other	Total
Year Ended December 31, 2021						
Revenue	\$	309,570	\$	130,124	\$ —	\$ 439,694
Segment Adjusted EBITDAR from Operations	\$	55,565	\$	37,517	\$ (26,208)	\$ 66,874
Year Ended December 31, 2020						
Revenue	\$	253,659	\$	137,294	\$ —	\$ 390,953
Segment Adjusted EBITDAR from Operations	\$	49,501	\$	48,309	\$ (22,762)	\$ 75,048
Year Ended December 31, 2019						
Revenue	\$	206,624	\$	131,907	\$ —	\$ 338,531
Segment Adjusted EBITDAR from Operations	\$	33,354	\$	47,344	\$ (18,591)	\$ 62,107
Year Ended December 31, 2018						
Revenue	\$	169,037	\$	117,021	\$ —	\$ 286,058
Segment Adjusted EBITDAR from Operations	\$	26,427	\$	47,230	\$ (16,191)	\$ 57,466
Year Ended December 31, 2017						
Revenue	\$	142,403	\$	108,588	\$ —	\$ 250,991
Segment Adjusted EBITDAR from Operations	\$	21,007	\$	44,230	\$ (12,643)	\$ 52,594

<i>\$ in thousands</i>	Year Ended December 31,									
	Home Health and Hospice					Senior Living Services				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Segment Adjusted EBITDAR from Operations	\$ 55,565	\$ 49,501	\$ 33,354	\$ 26,427	\$ 21,007	\$ 37,517	\$ 48,309	\$ 47,344	\$ 47,230	\$ 44,230
Less: Rent – cost of services	\$ 4,906	\$ 3,629	\$ 2,964	\$ 2,281	\$ 1,977	\$ 35,957	\$ 35,562	\$ 32,011	\$ 28,918	\$ 29,327
Rent related to start-up and closed operations	\$ (386)	\$ (143)	\$ (25)	\$ (30)	\$ (190)	\$ (10)	\$ (80)	\$ —	\$ —	\$ —
Segment Adjusted EBITDA from Operations	\$ 51,045	\$ 46,051	\$ 30,415	\$ 24,176	\$ 19,220	\$ 1,570	\$ 12,827	\$ 15,333	\$ 18,312	\$ 14,903

Reconciliation of Segment Adjusted EBITDAR from Operations to Income from Operations

\$ in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Segment Adjusted EBITDAR from Operations	\$ 16,629	\$ 18,615	\$ 31,863	\$ 34,842
Less: Depreciation and amortization	1,279	1,170	2,426	2,345
Rent – cost of services	9,078	10,156	19,129	20,121
Other Income	(35)	(24)	(32)	(24)
Adjustments to Segment EBITDAR from Operations:				
Less: Costs at start-up operations ^(a)	377	347	508	459
Share-based compensation expense ^(b)	2,380	2,499	4,820	4,915
Acquisition related costs ^(c)	14	30	14	37
Transition services costs ^(d)	40	687	77	1,589
Loss related to senior living operations and assets transferred to Ensign ^(e)	6,691	—	5,934	—
Add: Net loss attributable to non-controlling interest	80	(181)	224	(218)
Consolidated Income from Operations	\$ (3,115)	\$ 3,569	\$ (789)	\$ 5,182

(a) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.

(b) Share-based compensation expense incurred which is included in cost of services and general and administrative expense.

(c) Acquisition related costs related to business combinations during the periods.

(d) Costs identified as redundant or nonrecurring 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 \$458 and \$1,101 for the three and six months ended June 30, 2022, and \$747 and \$1,735 for the three and six months ended June 30, 2021.

(e) On January 27, 2022, affiliates of the Company, entered into certain operations transfer agreements (collectively, the "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 includes \$6,500 for the three and six months ended June 30, 2022 to cover post-closing capital expenditures and operating losses related to one of the communities transferred on April 1, 2022. The amount above also includes \$191 and \$(566) for the three and six months ended June 30, 2022, respectively, for the related net impact on revenue and cost of service attributable to the transferred entities. This amount excludes rent and depreciation and amortization expense related to such operations.

Reconciliation of Segment Adjusted EBITDAR from Operations to Income from Operations

\$ in thousands	Year Ended December 31,				
	2021	2020	2019	2018	2017
Segment Adjusted EBITDAR from Operations	\$ 66,874	\$ 75,048	\$ 62,107	57,466	52,594
Less: Depreciation and amortization	4,784	4,675	3,810	2,964	2,544
Rent – cost of services	40,863	39,191	34,975	31,199	31,304
Other (expense)/ income	(24)	225	—	—	—
Adjustments to Segment EBITDAR from Operations:					
Less: Costs at start-up operations ^(a)	1,045	1,787	483	129	478
Share-based compensation expense ^(b)	10,040	8,335	3,382	2,382	2,298
Acquisition related costs ^(c)	80	99	665	—	—
Spin-off related transaction costs ^(d)	—	—	13,219	756	—
Transition services costs ^(e)	2,008	1,181	532	—	—
Covid-19 related costs and supplies ^(f)	—	447	—	—	—
Impairment of long-lived assets ^(g)	2,835	—	—	—	—
Results related to closed operations ^(h)	—	—	—	—	728
Add: Net (loss) income attributable to non-controlling interest	(548)	(191)	629	595	160
Consolidated and Combined Income from Operations	\$ 4,695	\$ 18,917	5,670	20,631	15,402

(a) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.

(b) Share-based compensation expense incurred which is included in cost of services and general and administrative expense.

(c) Acquisition related costs that are not capitalizable.

(d) Costs incurred related to the Spin-Off are included in general and administrative expense.

(e) The portion of the costs incurred under the Transition Services Agreement identified as redundant or nonrecurring that are included in general and administrative expense or depreciation and amortization.

(f) Represents incremental costs incurred as part of the Company's response to COVID-19 including direct medical supplies, labor, and other expenses, net of \$2,765 in increased revenue related to the 2% payment increase in Medicare reimbursements for sequestration relief for the year ended December 31, 2020. Beginning in the first quarter of fiscal year 2021, we updated our definition of Segment Adjusted EBITDAR to no longer include an adjustment for COVID-19 expenses offset by the amount of sequestration relief. COVID-19 expenses continue to be part of daily operations for which less specific identification is visible. Sequestration relief was \$3,555 for the year ended December 31, 2021.

(g) On January 27, 2022, affiliates of the Company, entered into certain operations transfer agreements (collectively, the "Transfer Agreements") with affiliates of Ensign, providing for the transfer of the operations of certain senior living communities (the "Transaction"). The closing of the Transaction is anticipated to occur in the first half of 2022. The Company impaired certain leasehold improvements included in property and equipment primarily related to the operations included in the transaction with Ensign.

(h) Operating losses related to the closure of certain, home health, and hospice agencies that were closed in 2017.

Trended Selected Quarterly Metrics

Metrics	Q2'22	Q2'21	Q1'22	Q1'21	Q4'21	Q4'20	Q3'21	Q3'20
Home Health								
Total admissions ^(a)	10,055	10,069	10,182	9,097	9,286	8,522	9,213	6,771
Total Medicare admissions	4,682	4,406	4,633	4,498	4,241	4,288	4,211	3,418
Medicare revenue per episode	\$ 3,629	\$ 3,390	\$ 3,539	\$ 3,395	\$ 3,425	\$ 3,372	\$ 3,404	\$ 3,448
Hospice								
Hospice total admissions	2,119	2,047	2,409	2,154	2,193	2,423	2,219	2,133
Hospice ADC	2,285	2,296	2,232	2,308	2,256	2,308	2,337	2,177
Average length of stay	97	97	87	93	99	101	107	105
Medicare Hospice revenue per patient day	\$ 176	\$ 171	\$ 179	\$ 172	\$ 176	\$ 171	\$ 174	\$ 164
Senior Living								
Communities	48	54	52	54	54	54	54	54
Units	3,400	4,127	3,719	4,127	4,127	4,127	4,127	4,127
Occupancy ^(b)	76.5 %	72.7 %	72.6 %	72.1 %	72.4 %	75.5 %	73.7 %	76.8 %
Average revenue per unit ^(b)	\$ 3,470	\$ 3,176	\$ 3,371	\$ 3,186	\$ 3,291	\$ 3,166	\$ 3,174	\$ 3,173

Segment Adjusted EBITDAR ^(c)	Q2'22	Q2'21	Q1'22	Q1'21	Q4'21	Q4'20	Q3'21	Q3'20
Home Health and Hospice	\$ 15,728	\$ 14,931	\$ 13,948	\$ 13,791	\$ 12,434	\$ 14,820	\$ 14,409	\$ 13,530
Senior Living	\$ 8,771	\$ 9,752	\$ 9,432	\$ 8,834	\$ 9,825	\$ 10,636	\$ 9,106	\$ 11,684

(a) Q2'21 HHH were adjusted to eliminate certain non-skilled admissions that were inadvertently included in the original calculation.

(b) Averages are based upon the average for the quarter, year-to-date figures will differ based on the period presented.

(c) Segment Adjusted EBITDAR dollars are reported in thousands.