PENNANT GROUP

Investor Presentation

May 2020

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-Q and our Form 10-K filed on March 4, 2020, 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 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, wholly-owned 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

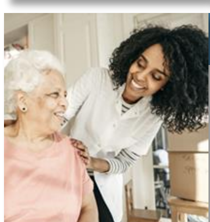
Presence across 14[1] States with 65[1] Home Health and Hospice Agencies and 53[1] Senior Living Operations; Revenue Generated from Multiple Sources

Clinical Excellence Driven by Quality Care and Outcomes

Average Star Rating Across All Pennant Agencies of 4.0 vs. Industry Average of 3.5[2]

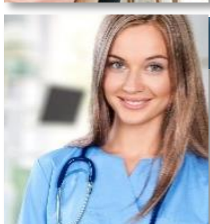
Strong Track Record of Growth

2011 - 2019 Revenue CAGR of ~35% 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 Ensign Leaders with ~60 Years of Cumulative Experience at Ensign and the Industry that Drove Home Health, Hospice and Senior Living Expansion

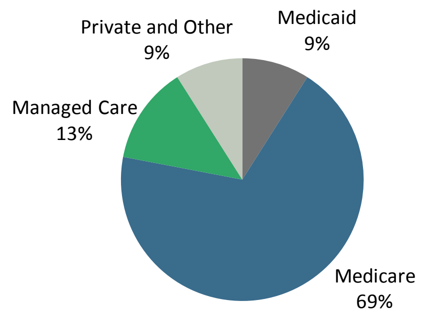
(1) March 31, 2020.
(2) Source: CMS reports dated as of January 2020.

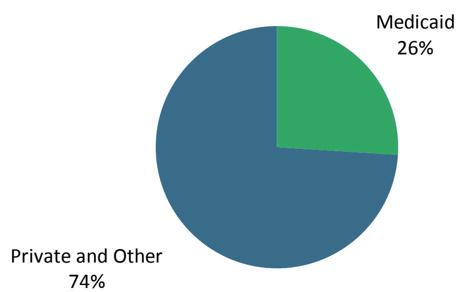
Diversified Business and Payor Mix with Robust Operating Track Record

Home Health and Hospice *(62% of Q1'20 Revenue)*

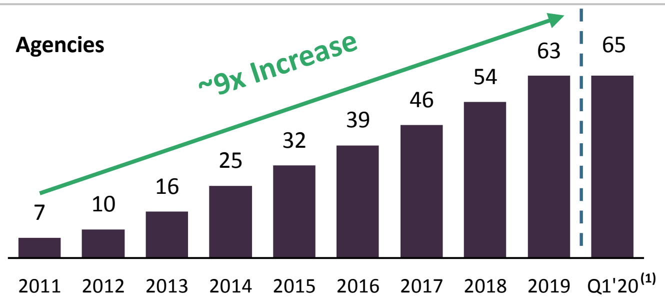
Senior Living *(38% of Q1'20 Revenue)*

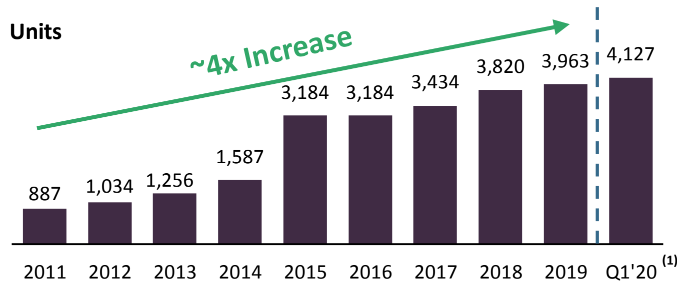
Payor Mix (1)





Units / Agencies





Operating Metrics (1)

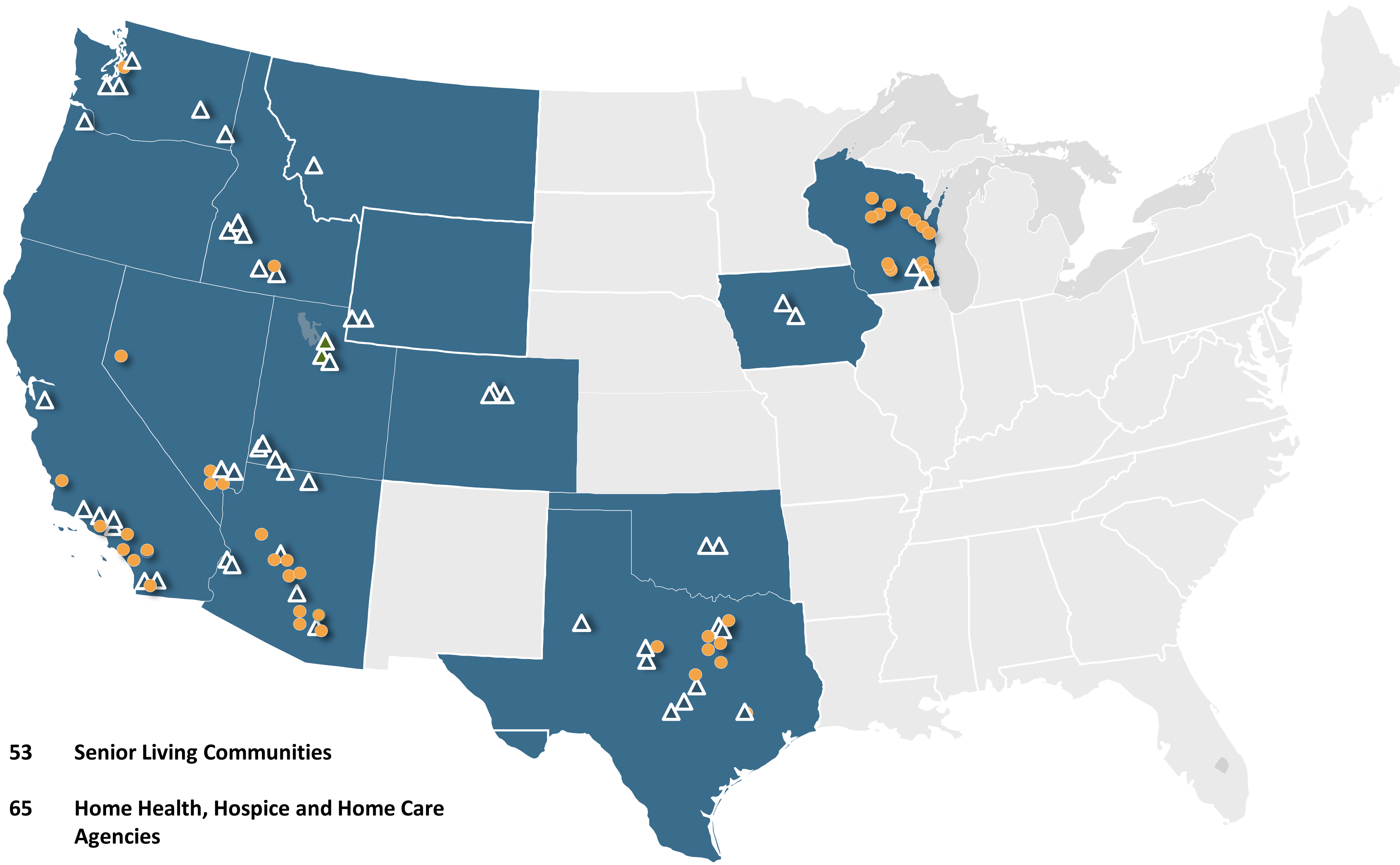
- Total home health admissions: 6,136
- Home Health average Medicare revenue per completed 60-day episode : $3,091
- Hospice average daily census: 1,871
- Total hospice admissions: 1,676
- Hospice Medicare revenue per day: $163

- Unit Occupancy: 80.2%
- Average monthly revenue per occupied unit: $3,206

(1) As of March 31,2020.

Footprint as of May 13, 2020

Diversified Geographic Mix Enables Ability to Strategically Expand within Both Existing and New Markets



53 **Senior Living Communities**

65 **Home Health, Hospice and Home Care Agencies**

Track Record of Strong Financial Growth

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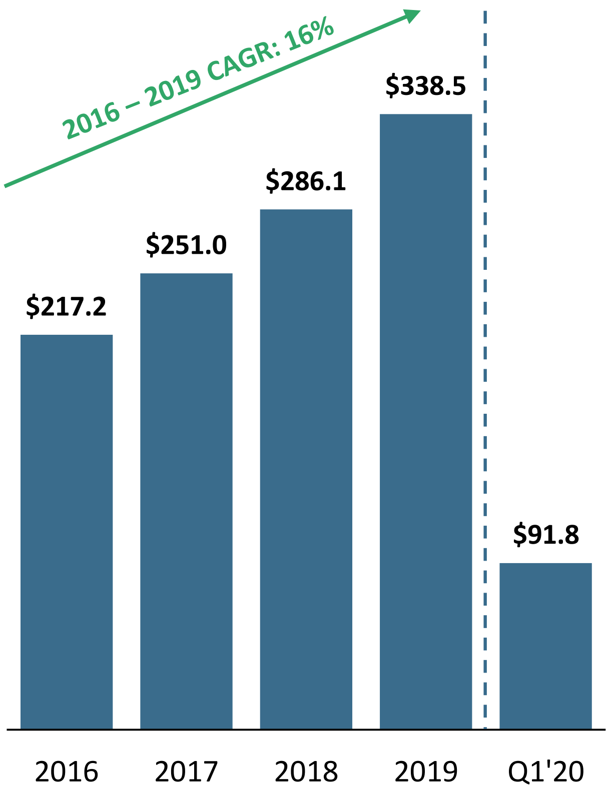
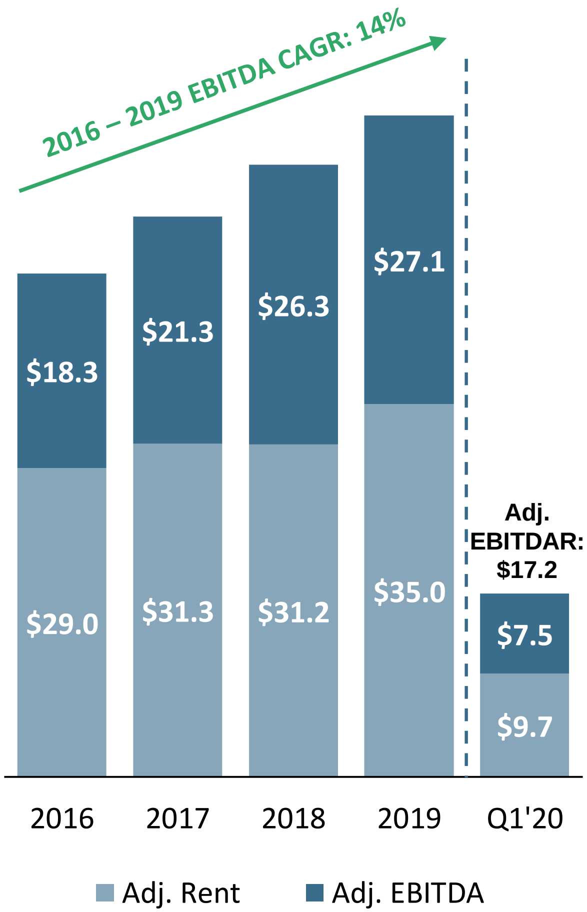
History of Strong Financial Performance and Growth

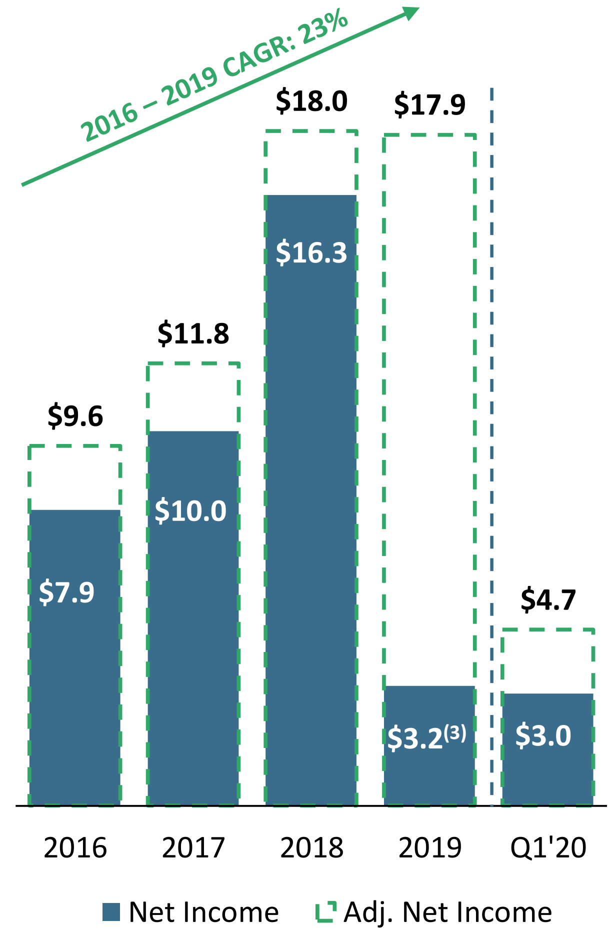
Net Revenue



Adjusted EBITDA and Rent[1]



Net Income and Adjusted Net Income[2]



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

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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…

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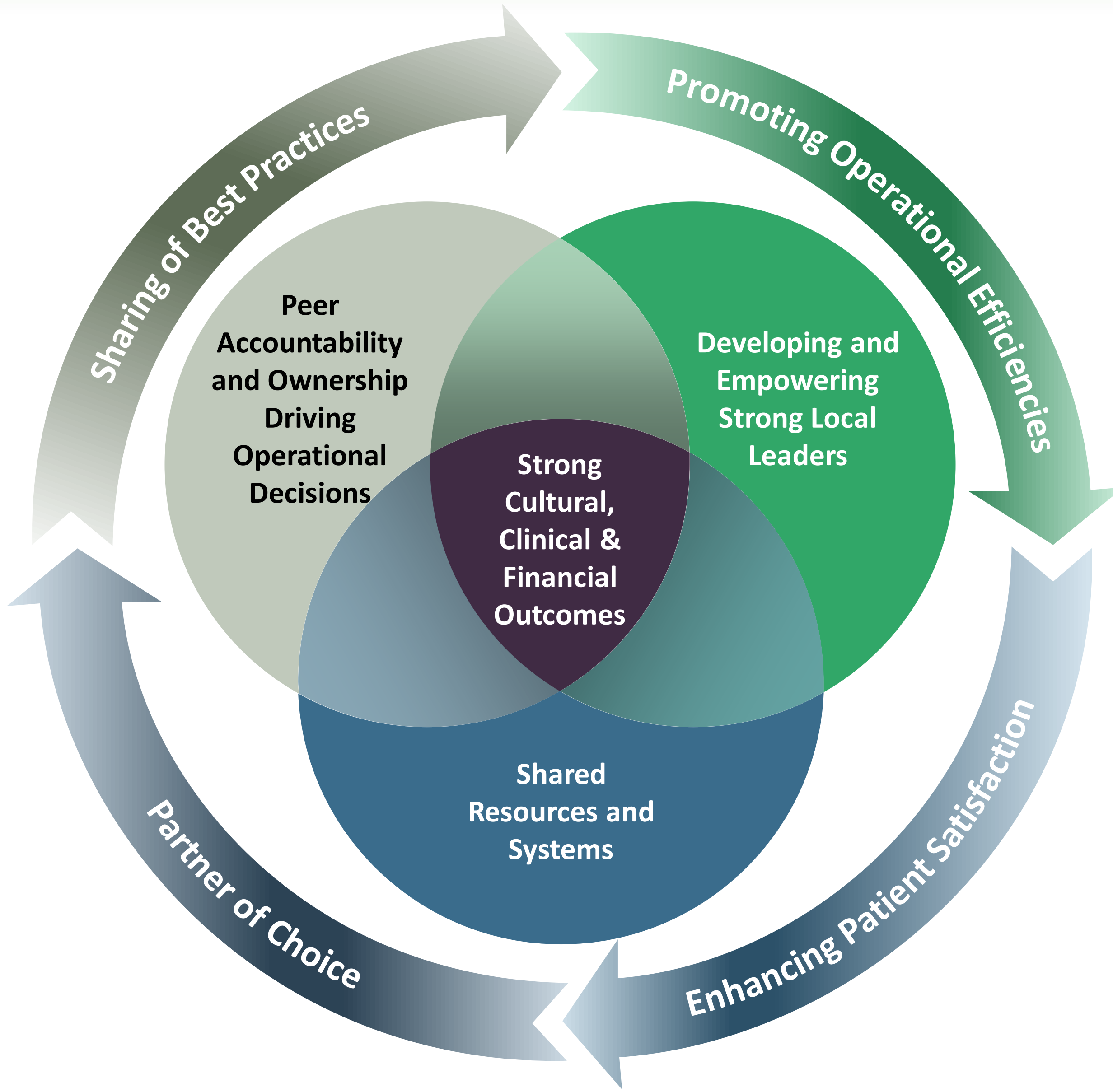


...Helps Us Achieve Superior Care Delivery...

Local

- Healthcare happens locally
- Optimal clinical outcomes driven by strong community relationships

Innovative Operating Model

- 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

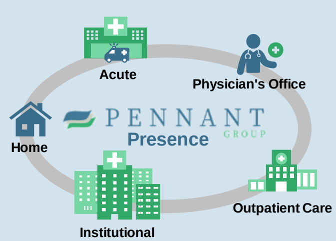
Tailored Services

- Right care, right place, right time
- Ability to adapt to changing needs of patients, partners and community

Strong Community Relationships

- 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



- 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

1 …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

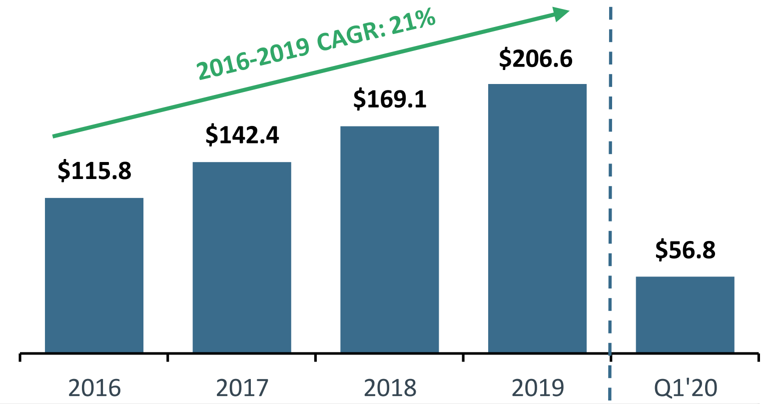
Operating Efficiencies

- 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

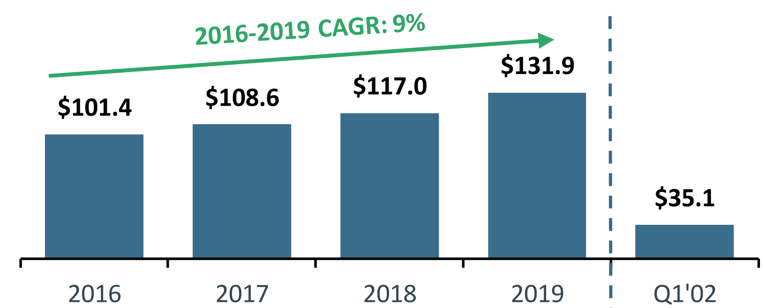
- Benchmarking of labor, DME, food supply and pharmacy costs on a per patient per day level

Home Health & Hospice Revenue



	2016	2017	2018	2019	Q1'20
Adj. EBITDAR(1)	$16.5	$21.0	$26.4	$33.4	$9.8
Rent(3)	1.5	1.8	2.2	3.0	0.9
Adj. EBITDA(2)	15.0	19.2	24.2	30.4	8.9

Senior Living Revenue



	2016	2017	2018	2019	Q1'02
Adj. EBITDAR(1)	$41.3	$44.2	$47.2	$47.3	$12.4
Rent(3)	27.4	29.3	28.9	32.0	8.9
Adj. EBITDA(2)	13.9	14.9	18.3	15.3	3.5

Note: Dollars in millions.
(1) Segment Adjusted EBITDAR from Operations is the GAAP segment measure of profit and loss.
(2) See 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.

2 We Become the Partner of Choice in Our Communities

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

Local Leadership

- Leaders empowered to make key operational decisions at the local level on a real-time basis
- Leaders supported by cutting-edge systems and innovative Service Center

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Superior Clinical Outcomes

- Focus on achieving high quality outcomes in lower cost settings
- Tangible and measurable clinical results supported by local leadership and data-driven analytical approach
- Local leadership incentives aligned with clinical and financial performance

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Partner of Choice

- Local market operation of choice with strong payor, provider and employee relationships in the communities we serve

Demonstrated Clinical Outperformance

1 High Star Ratings & Quality of Care

- ✓ Average **4.0** Star Rating vs. national average of **3.5**
- ✓ Hospice Item Set Composite Score of **91%** vs. national average of **88%**

2 Lower Hospitalizations

- ✓ Only **14.7%** of home health patients admitted to hospital within **60** days vs. national median of **15.6%**

3 Lower Cost

- ✓ Pennant's Medicare Spend Per Beneficiary (MSPB) lower by **1%** compared to National Average

4 Focus on Quality Care

Star Rating	Pennant	Median
Timely initiation of care	98.23	95.3
Mgmt of Oral Meds	72.31	70.7
Improvement in Ambulation	98.73	78.2
Improvement in Bed Transfer	80.87	78.5
Improvement in Bathing	86.85	80.3
Improvement in Pain	84.71	81.4
Improvement in Dyspnea	84.22	80.5
Acute Hospitalization 60-days	14.74	15.6

Source: CMS reports dated as of January 2020.

2 Local Market Operator of Choice

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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

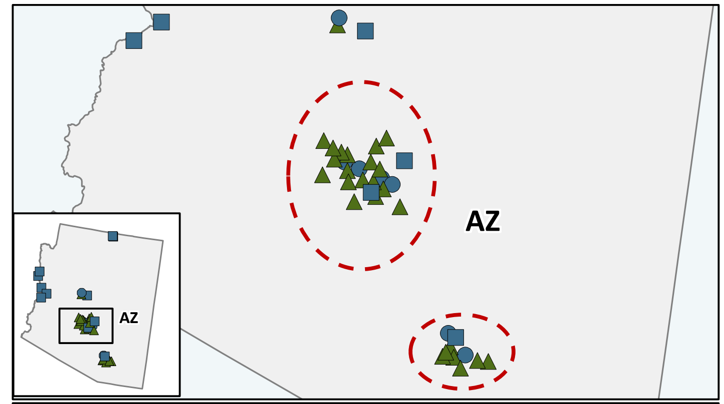
Pennant Has A Unique Care Delivery Approach

- 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

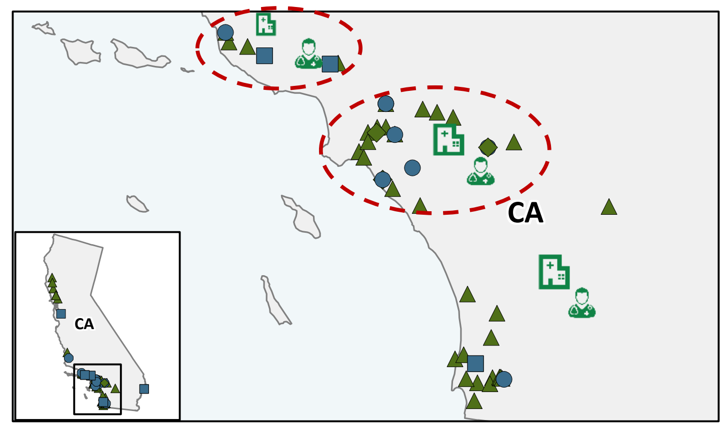
Phoenix Area



Examples of Partners in Area

UnitedHealthcare, St. Joseph's Hospital Health Center, Banner Health, Equality Health, Dignity Health, Honor Health

Southern California Area



Examples of Partners in Area

SCAN Health Plan, Scripps, Kaiser Permanente, CHG Healthcare, UnitedHealthcare

Home Health & Hospice | Senior Living | Ensign SNF via EPCC | Ensign Campus via EPCC | Sphere of Influence

2 Broad and Diversified Referral Sources

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

	Hospital	Clinic and Community Physicians	Skilled Nursing Facilities	Senior Living and Other
Overview	• Long term referral relationships driven by preferred provider arrangements • Innovative care models and pathways help us work closely with hospital partners to reduce readmissions	• 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	• Ensign referrals constitute less than 10% of total admissions • Potential for growth in referrals coming from non-Ensign SNF operators with channel conflict removed	• 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

Chief Executive Officer	Chief Executive Officer
Chief Clinical Officer	Chief Clinical Officer
Medical Director	Physicians
Interdisciplinary Team	Interdisciplinary Team

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2 EPCC Will Continue to Drive Additional Value-Proposition with Our Partners

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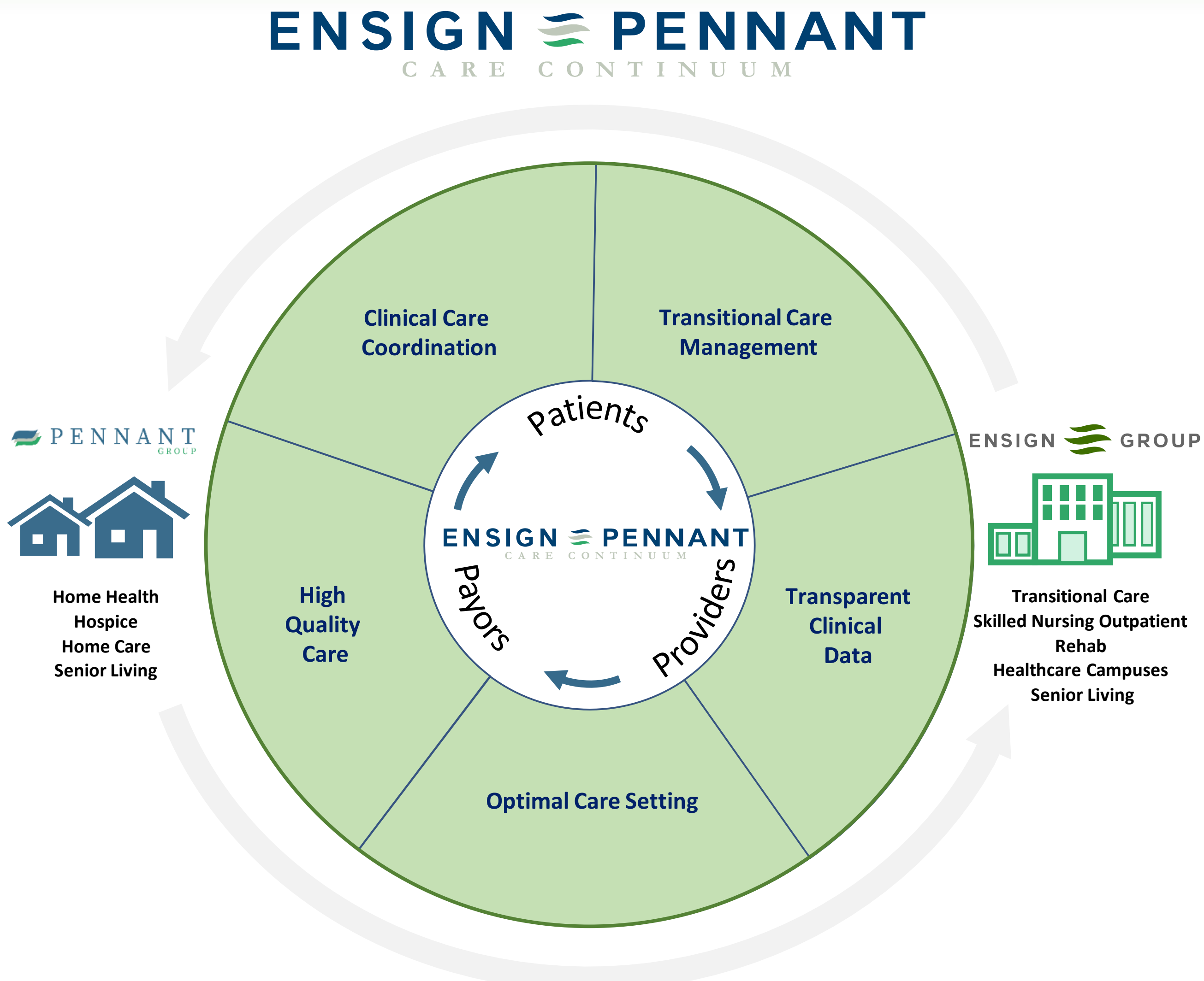
What is it?

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



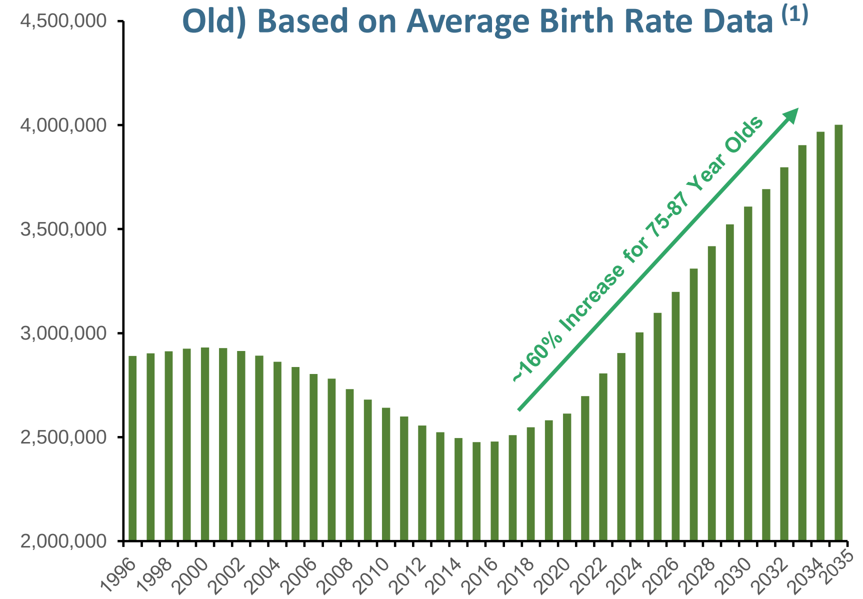
By promoting clinical collaboration, driving best quality care and outcomes, EPCC well positions us to benefit from the shift toward value-based reimbursement

3 Favorable Market Drivers Fuel Long-term Sustainable Growth Potential

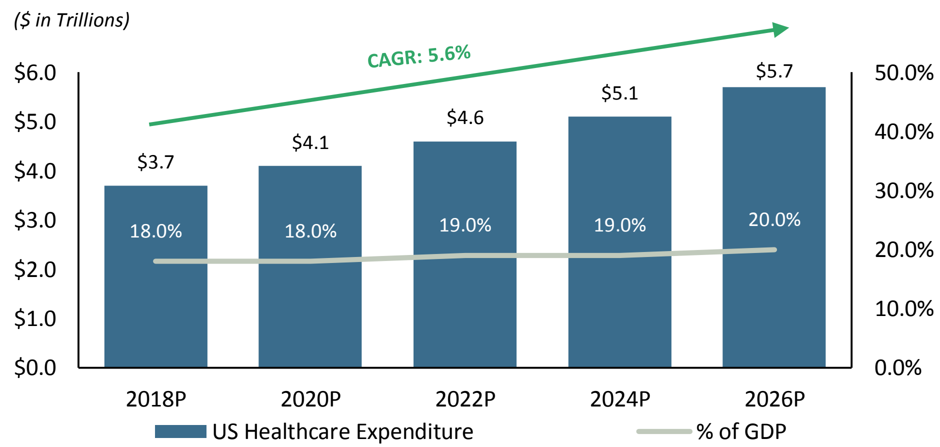
U.S. Healthcare Spending is Growing with a Key Driver Being the Aging Population

- 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

Estimated Annual Increase in Population (75-87 Years Old) Based on Average Birth Rate Data (1)



US National Healthcare Expenditure



Source: Industry research, CMS, ASHA and Census Bureau.

(1) Represents average number of births going back 75-87 years in any given year. For instance, 2000 data represents the average number of births from 1913-1925.

3 Operating in Growing Industries With Attractive Fundamentals

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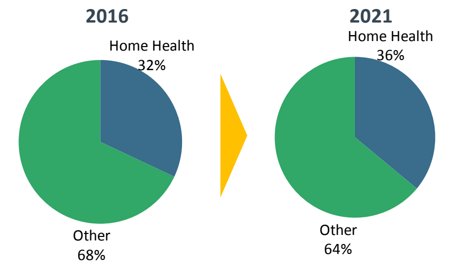
Home Health

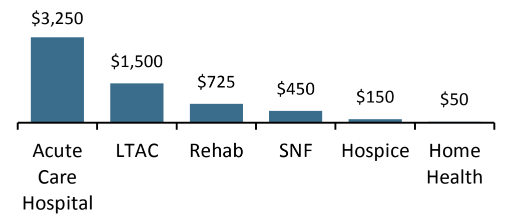
Home Health Services % Share of Post-Acute Spending Expected to Increase

% Share of Post-Acute Care Spending



Home Health saves 65x compared to Acute Care Hospitals

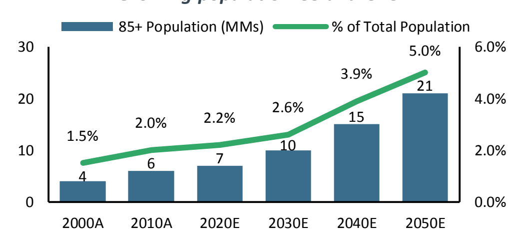
Average Medicare Cost / Day



Hospice

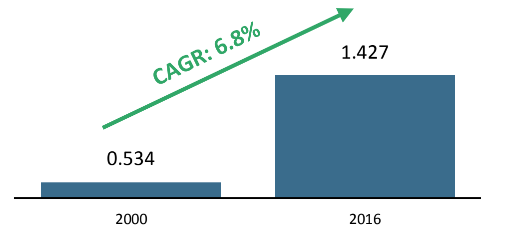
>40% of Hospice Care is Used by Population >85 Years of Age Which is Expected to Triple by 2050

Growing population 85 and Over



Use of Hospice by Medicare Patients Continues to Increase

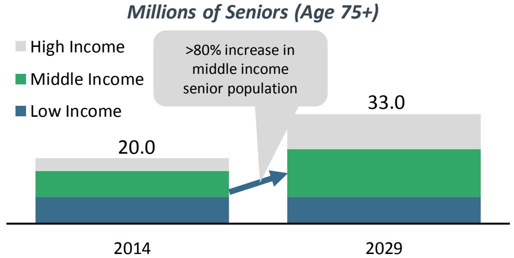
Number of Hospice Users in Millions (Medicare)



Senior Living

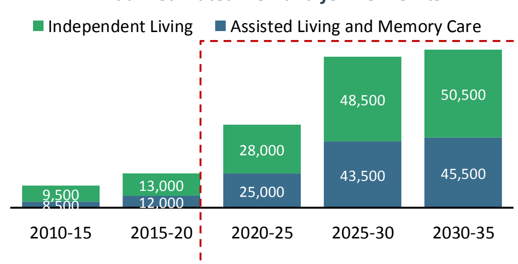
Growing Demand for Senior Living

Millions of Seniors (Age 75+)



Strong Demand Estimated in the Next Decade

Annual Estimated Demand for New Units



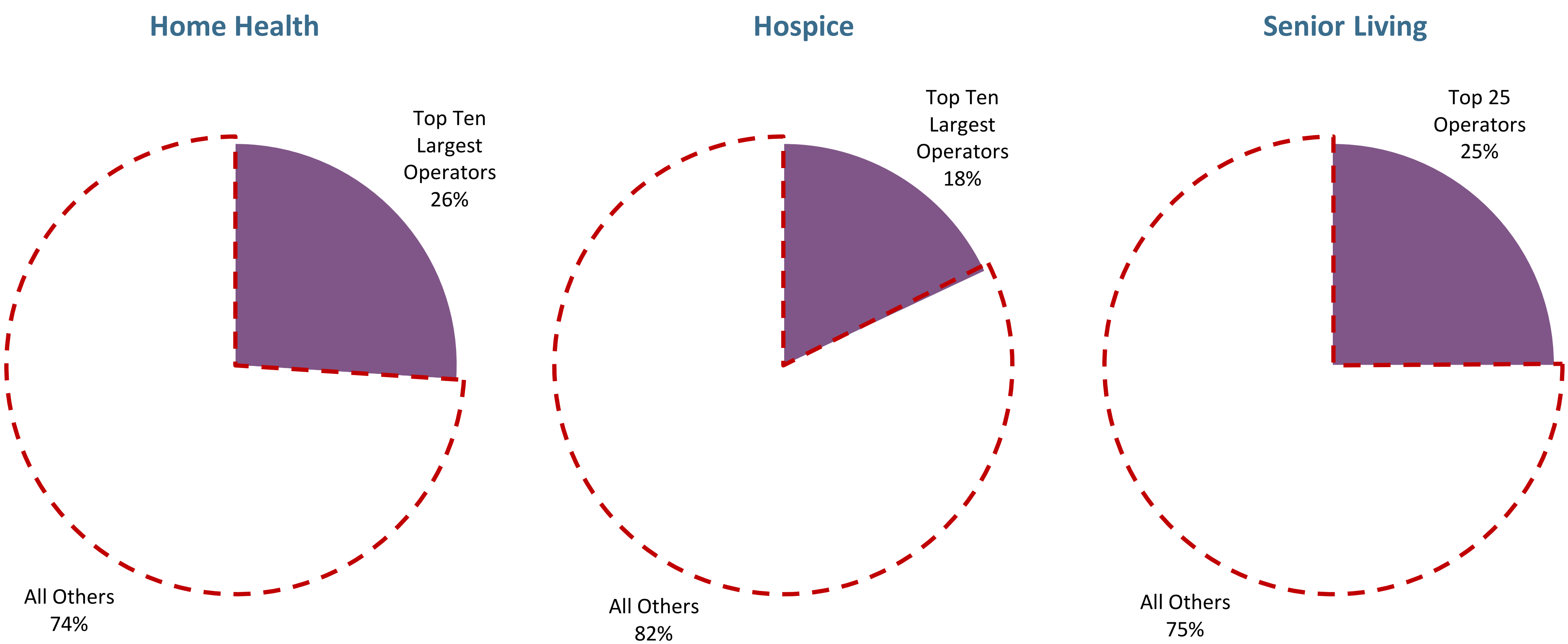
- With its focus on clinical outcomes, Pennant is well-positioned to benefit from value-based reimbursement trends in the home health sector such as PDGM
- Pennant's high touch and community-oriented approach to hospice care positions it to be the provider of choice in a fast-growing hospice market
- 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 we operate in

Source: Industry research, Kaufman Hall, CMS, MedPAC, AARP and ASHA.

4 Highly Fragmented Market with Significant Consolidation Opportunity

Significant Consolidation Opportunity Remains in Each of Our Target Markets

Market Share



Source: Industry research, Kaufman Hall, ASHA, IQVIA and LexisNexis.

4 Disciplined Acquisition and Organic Growth Strategy

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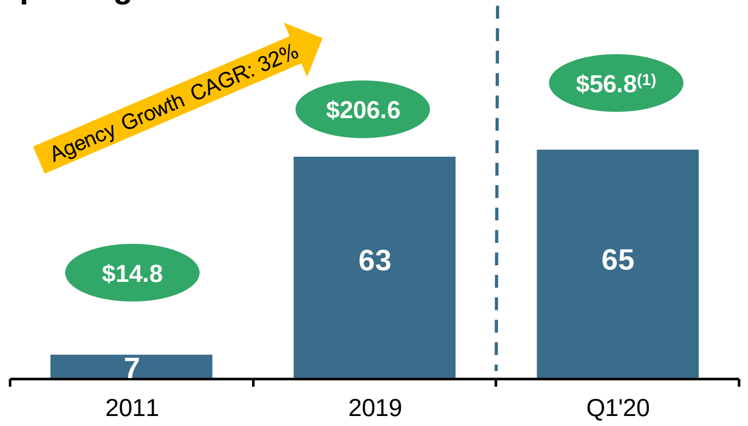
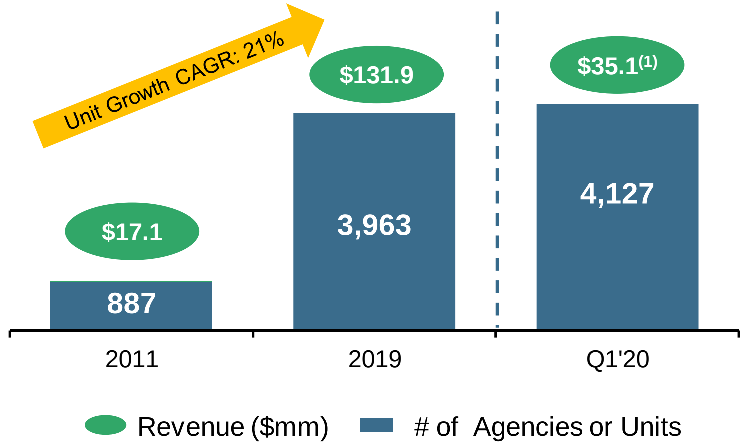
Proven Ability to Execute Acquisitions in Key Markets, Integrate into our Existing Markets and Improve Operations

- 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

Growth in Revenue and # of Home Health & Hospice Agencies



Growth in Revenue and # of Senior Living Units



4 Proven Acquisition Playbook

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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

Resolutions Hospice

- **Location:** Austin, TX and Houston, TX areas
- Strategic location to serve EPCC affiliates
- Legacy of providing excellent hospice care
- Strong interdisciplinary team

Preceptor Home Health | Hospice

- **Location:** Milwaukee, Wisconsin area
- Expands WI continuum of care
- Strong home health, hospice and therapy services provider
- Robust clinical team

4 Transformational Integration of New Operations to Shared Systems and Platforms

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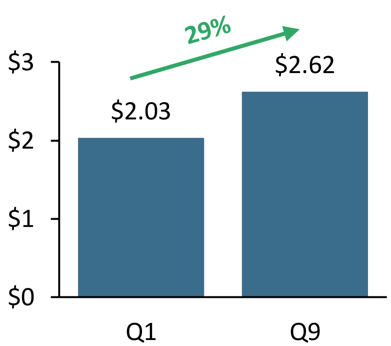
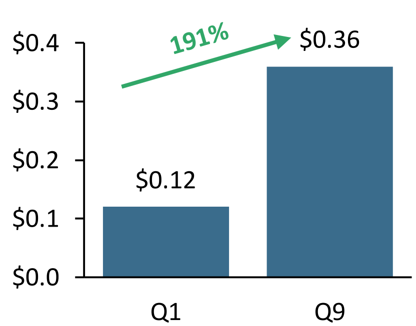
Examples of Improvements in Acquired Home Health and Hospice Agencies Performance

KinderHearts Home Health | Hospice

Revenue Growth

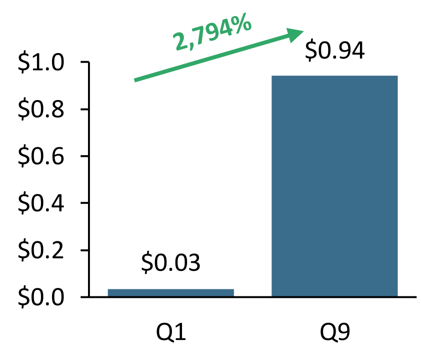


EBITDA Growth

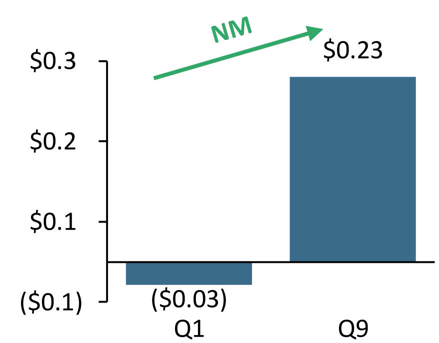


Emblem Hospice Tucson – Life-Changing Service

Revenue Growth



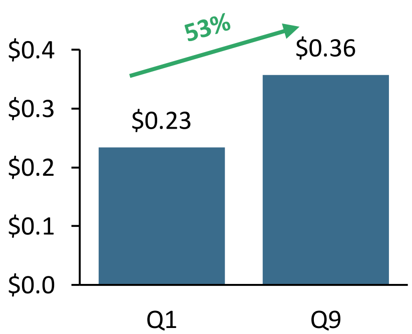
EBITDA Growth



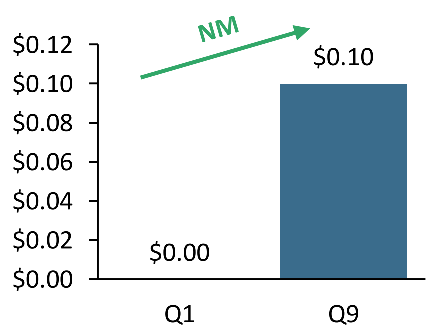
Examples of Improvement in Acquired Senior Living Operations Performance

Park Place Assisted Living

Revenue Growth

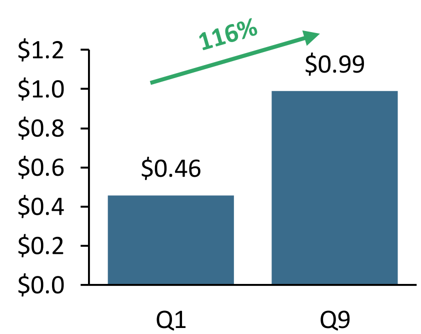


EBITDA Growth

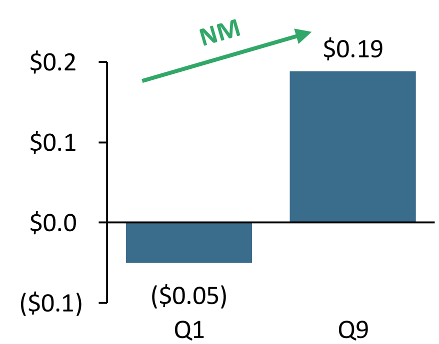


Desert View Senior Living

Revenue Growth



EBITDA Growth



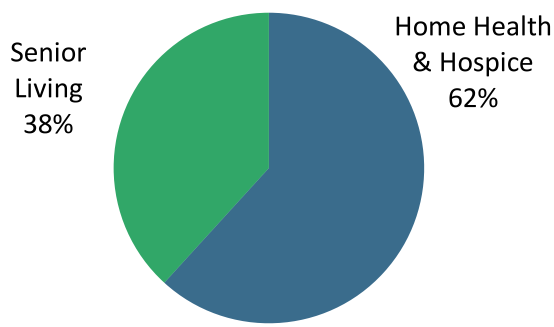
Note: Dollars in millions.
Note: Q1 refers to first completed quarter after acquisition.
Note: Growth %'s are calculated in whole dollars and may not recalculate using the rounded values shown.

5 Strong Financial Results Underlined by Diversified Service and Payor Mix

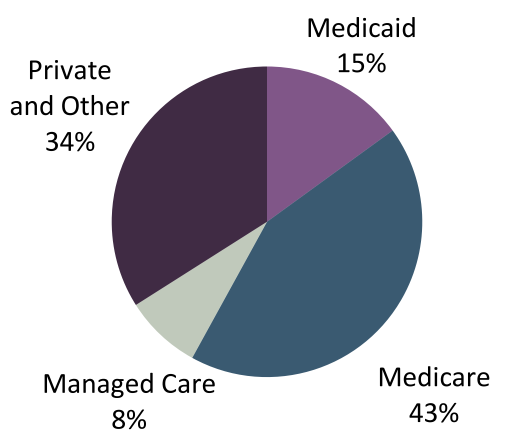
PENNANT GROUP

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

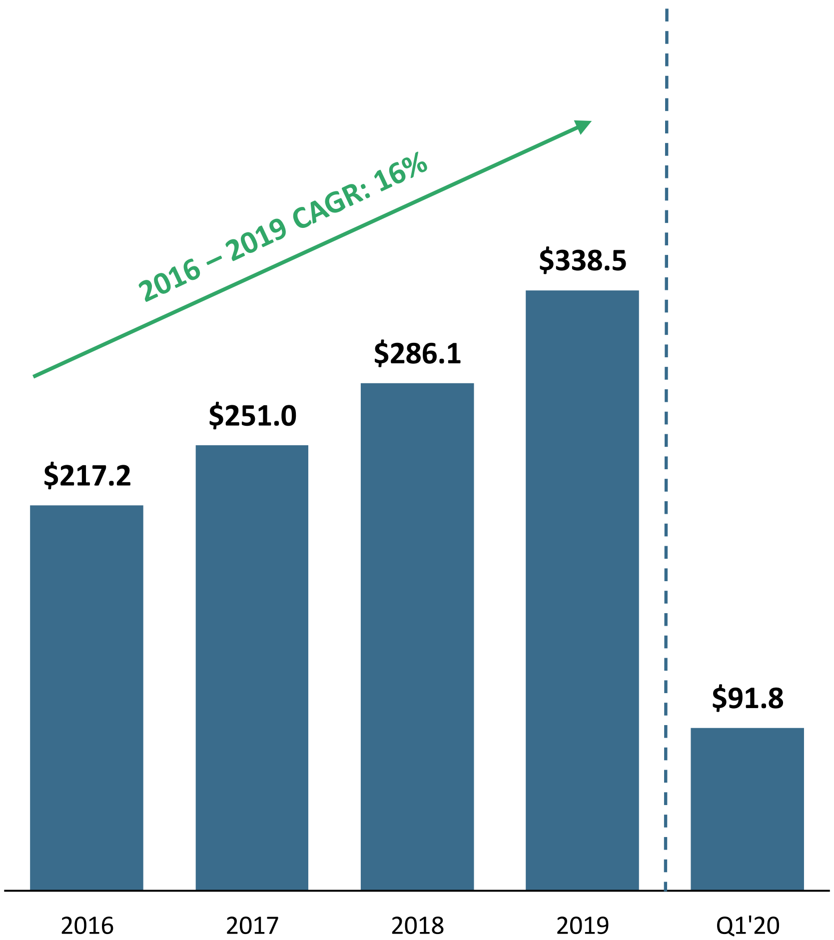
Service Mix (1)



Payor Mix (1)



Net Revenue ($ in millions)

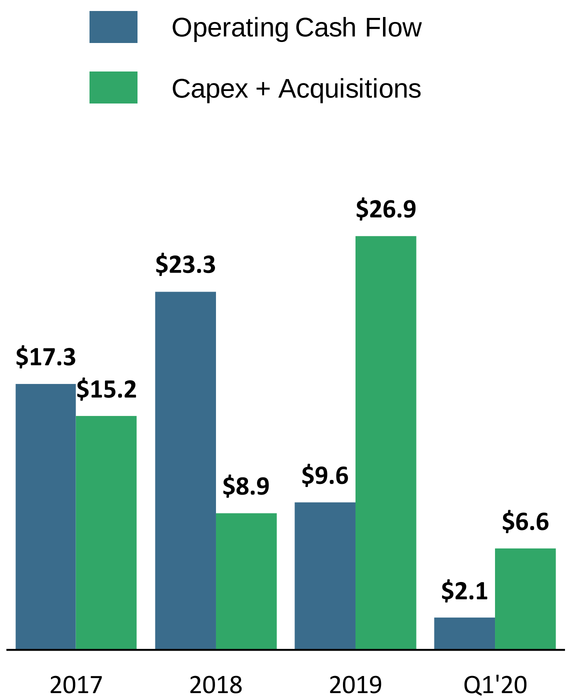


(1) Based on revenue of $91.8 mm for the three months year ended March 31, 2020.

5 Focus on Maintaining a Strong Balance Sheet

PENNANT GROUP

History of Internally-Financed Transactions

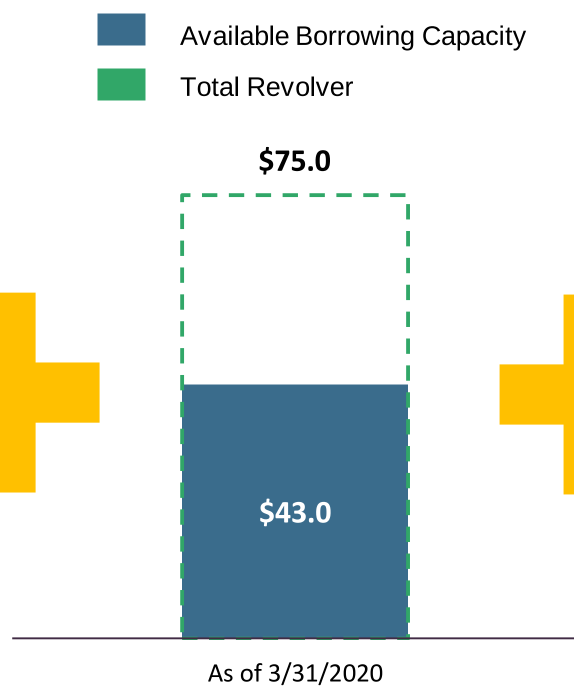


Continued Execution in 2020 – Completed Acquisitions in 2020

HOSPICE OF MISSOULA

HERITAGE ASSISTED LIVING of TWIN FALLS

Acquisition Firepower



Strong Real Estate Partners

Strong, long-standing real estate partnerships allow Pennant to opportunistically pursue larger, asset-heavy senior housing portfolios

Note: Dollars in millions.

6 Experienced Management Team Comprised of Healthcare Industry Veterans

PENNANT GROUP

Best-in-Class Management Team with ~60 Years of Combined Experience at Ensign and the Industry

Daniel Walker

Chief Executive Officer

- Years at Ensign / Pennant: 12
- Served as CEO & President of Cornerstone Healthcare, Ensign's home health subsidiary since 2010
- Played key leadership roles at Ensign, including as the leader of its new business ventures group since 2013
- At Ensign, closed more than 100 healthcare transactions including dozens in home health and hospice space

Jennifer Freeman

Chief Financial Officer

- New addition to Pennant with over 15 years of healthcare experience
- 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.

John Gochnour

Chief Operating Officer

- Years at Ensign / Pennant: 6
- 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

Derek Bunker

Chief Investment Officer

- Years at Ensign / Pennant: 4
- 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

Brent Guerisoli

President, Home Health and Hospice

- Years at Ensign / Pennant: 7
- 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

Brian Hulse

President, Senior Living

- Years at Ensign / Pennant: 16
- Served as market leader of Keystone Healthcare (Ensign affiliate) since 2016
- Previously served as Chief Human Capital Office of Ensign from 2012-2016
- President of Touchstone Care (Affiliate of Ensign) from 2009-2012
- Also Executive Director and CEO of Village Care Center as well as Arroyo Nursing Center (Ensign affiliates)

Growth Strategy & Financial Overview

Growth Strategy

PENNANT GROUP

5. Strategically Invest In and Integrate Other Post-Acute Care Healthcare Businesses
4. Leverage Operational Capabilities to Expand Partnerships
3. Add New Operations
2. Continue to Focus on Organic Growth
1. Grow Talent Base and Develop Future Leaders

UnitedHealthcare · Banner Health · Scripps · St. Joseph's Hospital and Health Center · Honor Health · UC San Diego Health · Dignity Health · SCAN Health Plan · CHG Healthcare · Equality Health · Kaiser Permanente · Ensign · Pennant Care Continuum

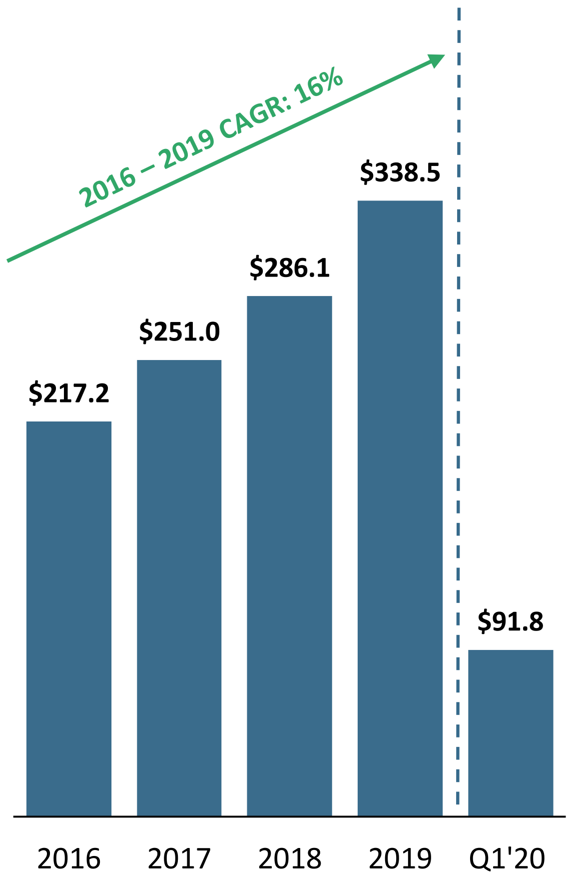
KinderHearts Home Health | Hospice · Emblem Hospice Tucson · Symbii Home Health and Hospice · Horizon Home Health & Hospice · Zion's Way Home Health & Hospice · Hospice of Missoula

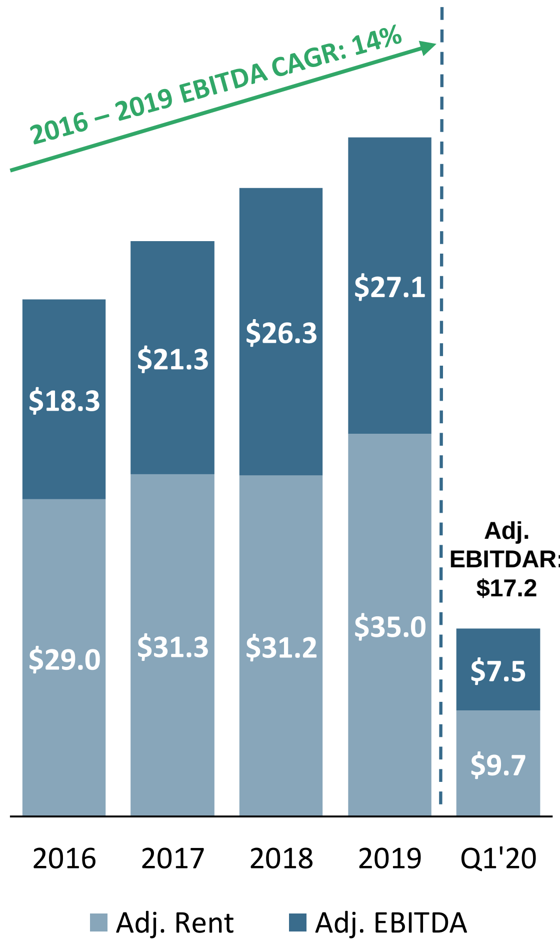
Pennant is well-positioned to perform and grow in large, fragmented markets

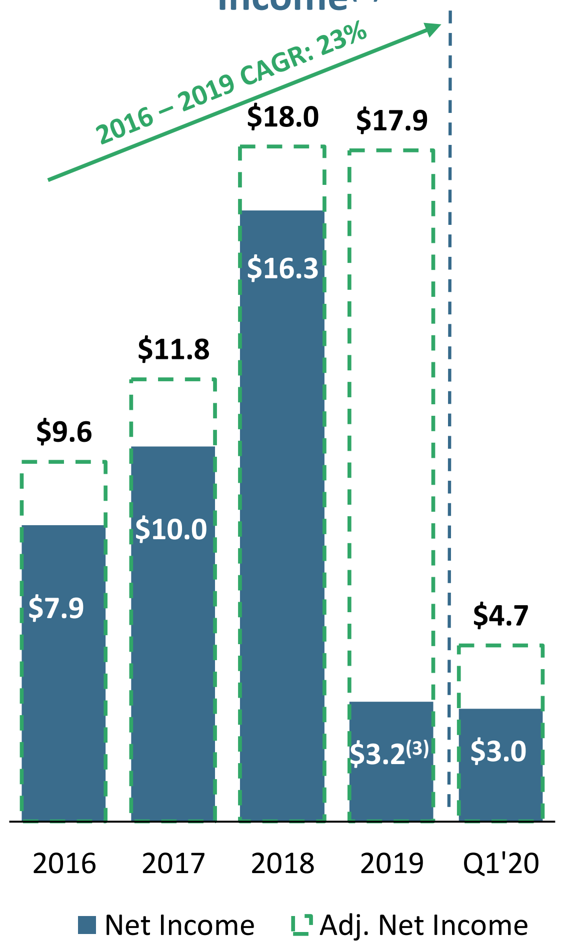
Track Record of Strong Financial Growth

PENNANT GROUP

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.

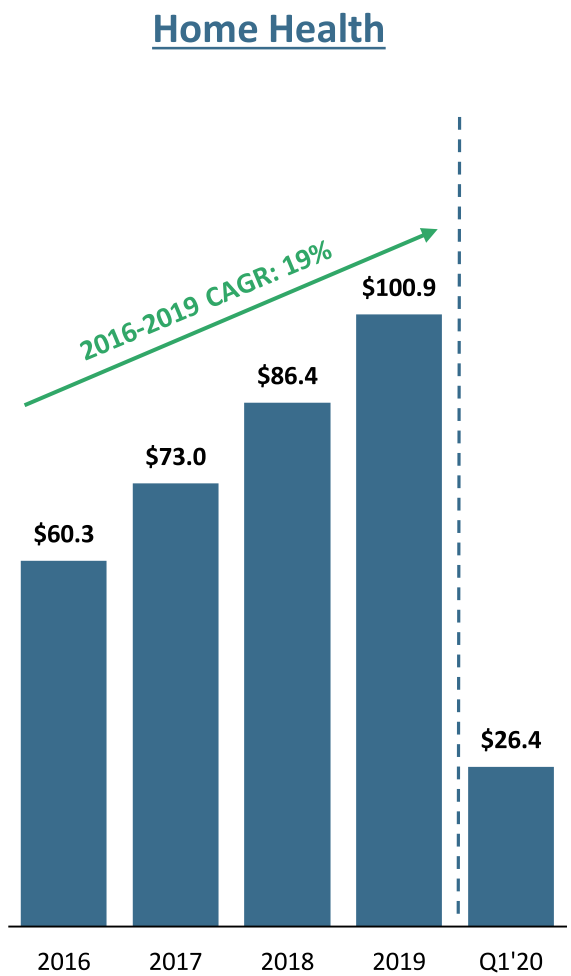
(2) See Appendix for a reconciliation of GAAP to non-GAAP financial measures.

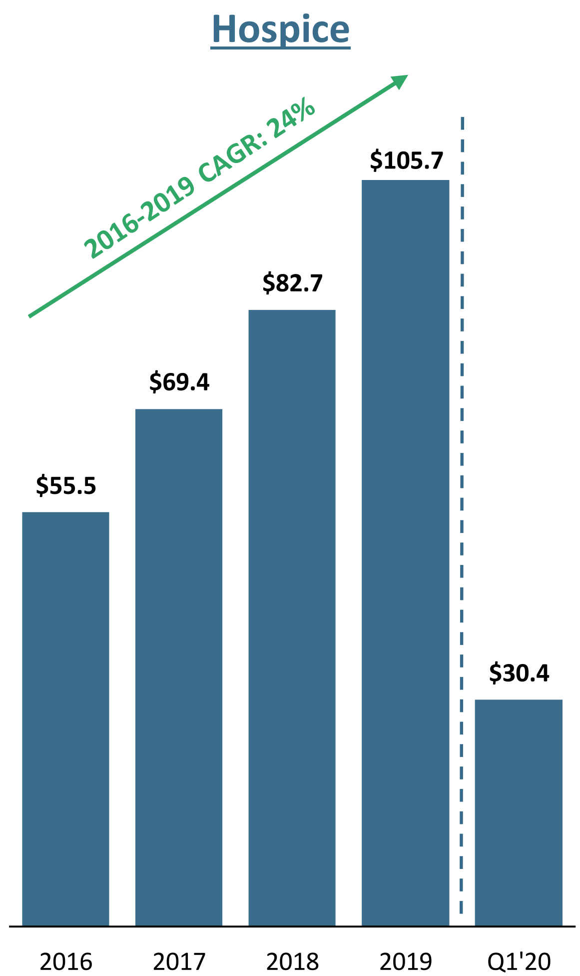
(3) Net income for 2019 includes Spin-off related transaction costs of $13.2 million. See Appendix for additional non-GAAP adjustments.

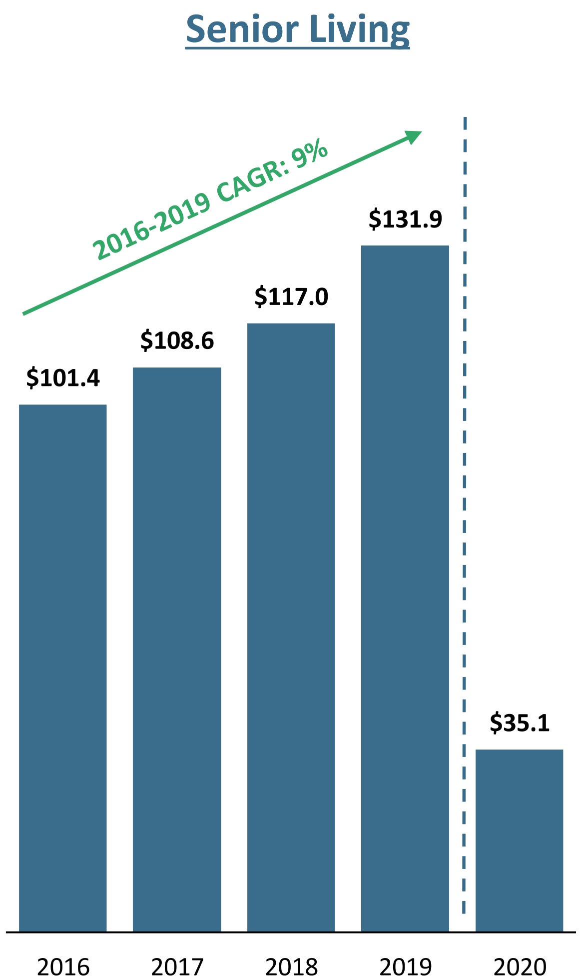
Financial Overview – Segment Growth

PENNANT GROUP

Segment Revenue



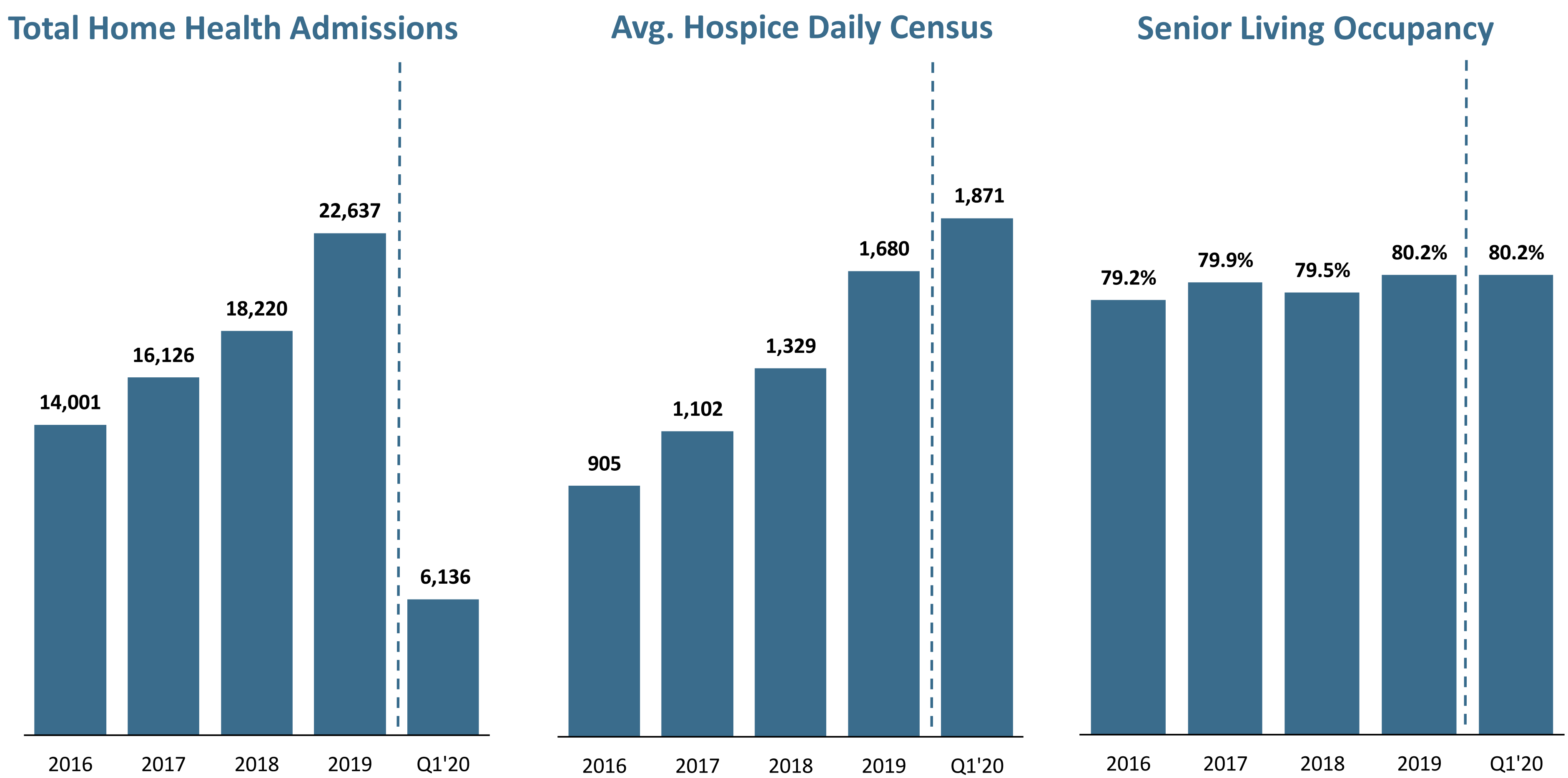




Note: Dollars in millions.

Financial Overview – Segments Metrics

Selected Operating Metrics



Financial Overview – Segment Profitability

PENNANT GROUP

Track Record of Strong Historical Performance at Both Key Business Segments

Segment | **Key Financial Metrics**

Home Health & Hospice

	2016	2017	2018	2019	Q1’20	’16-’19 CAGR
Segment adjusted EBITDAR from Operations	$16.5	$21.0	$26.4	$33.4	$9.8	**26.5%**
% Margin	***14.3%***	***14.8%***	***15.6%***	***16.2%***	***17.1%***	--
Adjusted EBITDA	$15.0	$19.2	$24.2	$30.4	$8.9	**26.5%**
% Margin	***13.0%***	***13.5%***	***14.3%***	***14.7%***	***15.7%***	--

Senior Living

	2016	2017	2018	2019	Q1’20	’16-’19 CAGR
Segment adjusted EBITDAR from Operations	$41.3	$44.2	$47.2	$47.3	$12.4	**4.6%**
% Margin	***40.7%***	***40.7%***	***40.4%***	***35.9%***	***35.3%***	--
Adjusted EBITDA	$13.9	$14.9	$18.3	$15.3	$3.5	**3.3%**
% Margin	***13.7%***	***13.7%***	***15.6%***	***11.6%***	***10.1%***	--

Note: Dollars in millions.

Financial Overview – Expenses

PENNANT GROUP

Expenses as a % of Revenue

(Dollars in millions)	**2016**	**2017**	**2018**	**2019[(1)]**	**Q1'20**
Revenue	**$217.2**	**$251.0**	**$286.1**	**$338.5**	**$91.8**
% Growth	--	*15.5%*	*14.0%*	*18.3%*	*17.9%[(2)]*
% Revenue					
Cost of Services	*73.7%*	*74.6%*	*74.3%*	*76.5%*	*76.4%*
Rent	*13.3%*	*12.5%*	*10.9%*	*10.3%*	*10.6%*
G&A	*5.7%*	*5.8%*	*6.6%*	*6.5%*	*7.2%*
D&A	*1.3%*	*1.0%*	*1.0%*	*1.1%*	*1.1%*
Total Expenses	*94.0%*	*93.9%*	*92.8%*	*94.4%*	*95.3%*

Selected Observations

- Growth reflects expanded operations of nine home health and hospice agencies and two senior living communities in 2019 and one home health agency, one hospice agency and one senior living community in Q1'20.
- Cost of services as a percentage of revenue improved in Q1'20 sequentially over Q4'19 by 60 basis points and rent improved sequentially over Q4'19 by 10 basis points.

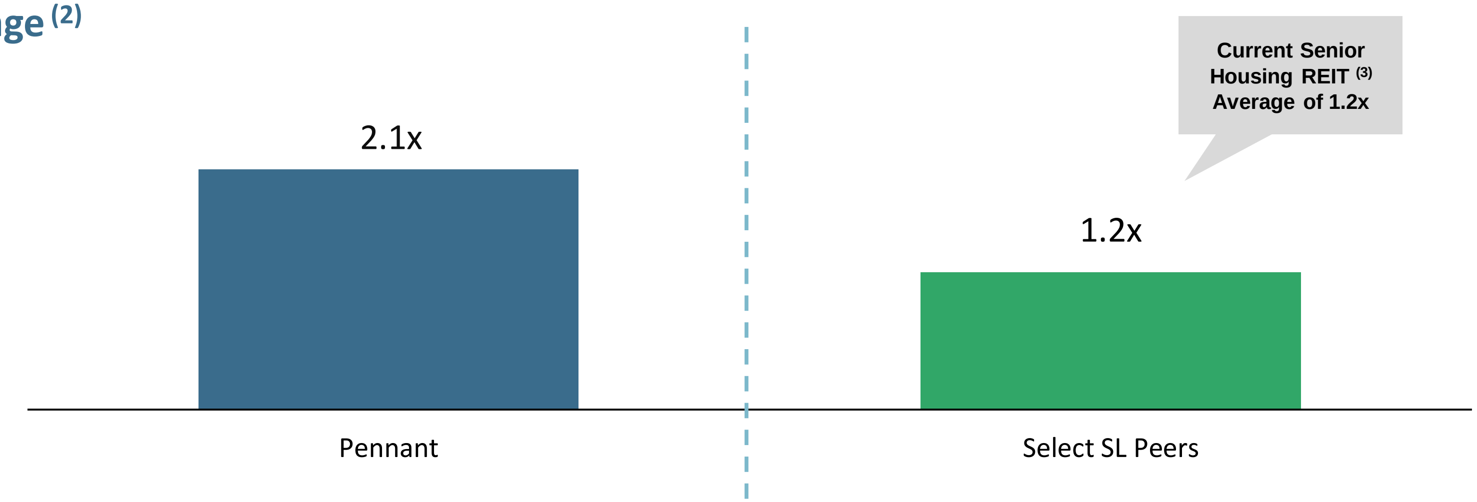
Note: Dollars in millions.
(1) 2019 general and administrative costs were adjusted for one-time transaction related costs of 3.9% of revenue. Without this adjustment general and administrative costs would have been 10.4% of revenue and total expenses would have been $98.3% of revenue.
(2) Growth calculated by comparing Q1'20 to Q1'19.

Lease Profile

Senior Living Lease Terms

- Currently leases 53 senior living communities from long-standing partners
  - Pennant will lease 30 of these from Ensign
- Key terms are as below:
  - Triple-net, non-cancelable operating leases
  - Lease terms generally 10-21 years [1]
  - CPI-based annual escalation with caps
  - Starting coverages are above market

Rent Coverage [2]



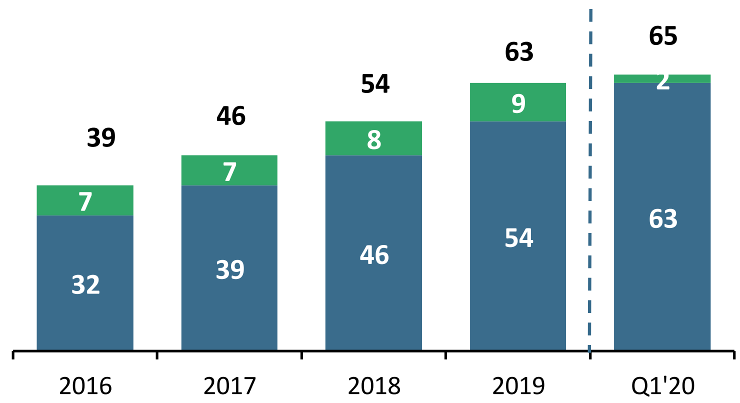
(1) Represents lease terms for senior living facilities only.
(2) Rent Coverage calculated as Adjusted EBITDARM / Rent. Pennant rent coverage is as of 3/31/20, using TTM Adjusted EBITDARM and annualized Q1'20 rent expense.
(3) Senior housing REITS included in average: Ventas, Healthpeak, Welltower, NHI, Sabra, LTC and DHC. Triple net senior housing EBITDARM coverage as of 12/31/19 except NHI, LTC and DHC, which are as of 9/30/19.

Financial Overview – Capex / Cash Flow Metrics

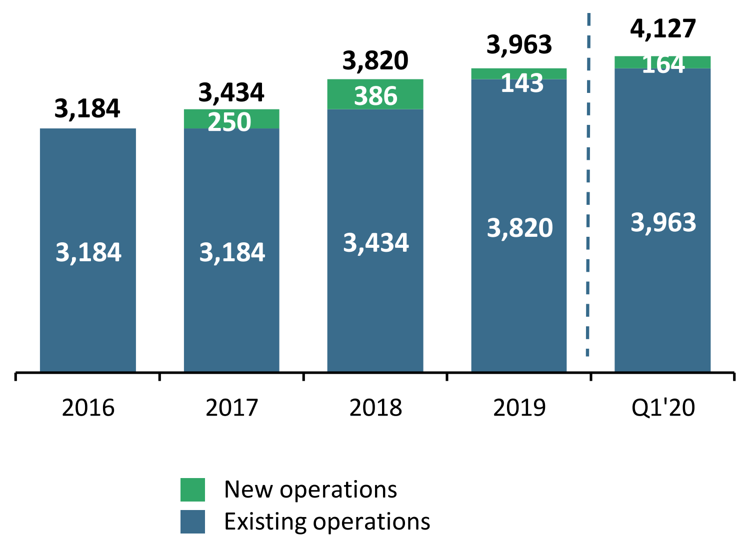
Capex and Key Cash Flow Metrics

(Dollars in millions)	2016	2017	2018	2019	Q1'20
Changes in Working Capital	$0.9	($1.0)	($0.9)	($12.5)	($3.0)
PP&E (Capex)	(3.5)	(3.1)	(3.6)	(6.7)	(2.9)
Asset and business acquisitions	(3.3)	(12.1)	(5.3)	(20.2)	(3.7)
Capex + Acquisitions	(6.8)	(15.2)	(8.9)	(26.9)	(6.6)
Cash Flow From Operations[(1)]	**$16.4**	**$17.3**	**$23.3**	**$9.6**	**$2.1**

Growth in # of Home Health & Hospice Agencies



Growth in # of Senior Living Units



(1) Cash flow from operations is net income adjusted to reconcile net cash provided by operating activities.

Financial Overview – Balance Sheet

Strong Balance Sheet Positions Pennant Well to Continue Acquisition Strategy

Selected Balance Sheet Data:

	December 31,		March 31,
	2018	**2019**	**2020**
Cash & Cash Equivalents	$41	$402	$4,832
Current Assets	29,123	38,683	46,007
Total Assets	**$98,151**	**$447,750**	**$458,987**
Current Liabilities	$29,547	$51,192	$48,983
Long-term Debt		18,526	$27,562
Total Liabilities	**$32,863**	**$376,639**	**$382,802**
Total Equity	**$65,288**	**$71,111**	**$76,185**

Debt Terms – Revolving Credit Facility [(1)]:

Availability	▪ **$75 million**
Amount Drawn[(2)]	▪ **$32 million**[(2)]
Weighted Average Borrowing Rate	▪ **3.94%**
Maturity Date	▪ **2024**
Leverage	▪ **0.84x net debt / 2020 adjusted EBITDA**
Lease-Adjusted Leverage	▪ **4.85x lease-adjusted net debt / 2020 adjusted EBITDAR**

Note: Dollars in thousands.
(1) As of March 31, 2020.
(2) Amount drawn includes $3 million of issued letters of credit.

Adjusted Results and 2020 Annual Guidance (1)

Q1'20 Adjusted Results

Adj. Revenue	$ 91.4 million
Adj. EPS	$ 0.16

Q1'19 Spin-off Adjusted Results

Adj. Revenue	$ 77.9 million
Adj. EPS	$ 0.13

Full Year 2020 Guidance

Annual Revenue(2)	$ 376 million	to	$ 386 million
Adj. EPS(3)	$0.53	to	$0.58

Full Year 2019 Spin-off Adjusted Results

Adj. Revenue	$ 337.7 million
Adj. EPS	$ 0.45

(1) Please refer to the detailed statement on guidance in our Q1'20 earnings press release.
(2) Midpoint represents a 12.8% increase over the midpoint of the Full Year 2019 Spin-off Adjusted Results.
(3) Midpoint represents a 23.3% increase over the midpoint of the Full Year 2019 Spin-off Adjusted Results.

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 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 March 31, 2020	Three Months Ended March 31, 2019
Net Income attributable to the Pennant Group, Inc.	**$ 2,980**	**$ 1,334**
Add: Net income attributable to noncontrolling interest	—	150
Net Income	**$ 2,980**	**$ 1,484**
Non-GAAP adjustments		
Costs at start-up operations [(a)]	245	242
Share-based compensation expense [(b)]	1,956	619
Amortization of patient base [(c)]	—	11
Acquisition related costs [(d)]	—	38
Spin-off related transaction costs [(e)]	—	2,990
Transition services costs [(f)]	258	—
Provision for income taxes on non-GAAP adjustments [(g)]	(781)	(1,089)
Non-GAAP Net Income	**$ 4,658**	**$ 4,295**
Earnings Per Share		
Adjusted diluted earnings per share	$ 0.16	$ 0.15
Weighted average number of dilutive shares outstanding[(h)]	29,873	27,834

Footnotes to Reconciliation of GAAP to Non-GAAP net income.

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

(b) Share-based compensation expense incurred.

(c) Included in depreciation and amortization are amortization expenses related to patient base intangible assets at newly acquired senior living facilities.

(d) Represents costs incurred to acquire an operation that are not capitalizable included in general and administrative expenses.

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

(f) The portion of the costs incurred under the Transition Services Agreement identified as redundant or nonrecurring. Total fees under incurred under the Transition Services agreement, net of the Company's payroll reimbursement, were $1,336 for the three months ended March 31, 2020.

(g) Represents an adjustment to the provision for income tax to our year to date effective tax rate of 26.4% and 25.0% for the three months ended March 31, 2020 and 2019, respectively. This rate excludes the tax benefit of shared-based payment awards.

(h) The total number of common shares distributed on October 1, 2019 of 27,834 is being utilized for the calculation of basic and diluted earnings per share for all prior periods, as no common stock was outstanding prior to the date of the Spin-Off.

Reconciliation of GAAP to Non-GAAP Net Income

$ in thousands	Year Ended December 31,			
	2019	2018	2017	2016
Net Income attributable to the Pennant Group, Inc.	**$ 2,546**	**$ 15,684**	**$ 9,867**	**$ 7,891**
Add: Net income attributable to noncontrolling interest	629	595	160	26
Net Income	**$ 3,175**	**$ 16,279**	**$ 10,027**	**$ 7,917**
Non-GAAP adjustments				
Add: Costs at start-up operations [a]	508	159	540	210
Share-based compensation expense [b]	3,382	2,382	2,298	2,341
Amortization of patient base [c]	39	87	86	150
Acquisition related costs [d]	665	--	--	--
Results related to closed operations [e]	--	--	728	--
Spin-off related transaction costs [f]	13,219	756	--	--
Transition services cost [g]	965	--	--	--
Provision for income taxes on non-GAAP adjustments [h]	(4,023)	(1,653)	(2,040)	(1,035)
Non-GAAP Net Income	**$ 17,930**	**$ 18,010**	**$ 11,796**	**$ 9,583**
Earnings Per Share				
Adjusted diluted earnings per share	$ 0.61			
Weighted average number of dilutive shares outstanding	29,586			

(a) Represents results related to start-up operations. This amount excludes rent, depreciation and amortization expense.
(b) Share-based compensation expense incurred.
(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) Represents results at closed operations. This amount excludes rent, depreciation and amortization expense.
(f) Costs incurred related to the Spin-Off that are included in general and administrative expense.
(g) The portion of the costs incurred under the Transition Services Agreement identified as redundant or nonrecurring that are included in general and administrative expense and depreciation and amortization.
(h) Represents an adjustment to the provision for income tax to our historical year to date effective tax rates of 25.4% 25.0%, 38.6%, and 38.9% for prior years ended December 31, 2019, 2018, 2017, and 2016, respectively. 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 March 31, 2020	Three Months Ended March 31, 2019
Net Income	**$ 2,980**	**$ 1,484**
Less: Net income attributable to noncontrolling interest	—	150
Add: Provision for income taxes	889	343
Interest expense	403	—
Depreciation and amortization	1,021	810
Combined EBITDA	**$ 5,293**	**$ 2,487**
Adjustments to Combined EBITDA:		
Add: Costs at start-up operations [(a)]	232	236
Share-based compensation expense [(b)]	1,956	619
Acquisition related costs[(c)]	—	38
Spin-off related transaction costs[(d)]	—	2,990
Transition services costs [(e)]	50	—
Rent related to items [(a)] above	13	6
Combined Adjusted EBITDA	**$ 7,544**	**$ 6,376**
Add: Rent—cost of services	9,706	8,297
Less: Rent related to items [(a)] above	(13)	(6)
Adjusted Rent—cost of services	9,693	8,291
Total Combined Adjusted EBITDAR from Operations	**$ 17,237**	

Footnotes to Reconciliation of Net Income to Combined EBITDA, Combined Adjusted EBITDA and Total Combined Adjusted EBITDAR from Operations.

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

(b) Share-based compensation expense incurred.

(c) Acquisition related costs that are not capitalizable.

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

(e) The portion of the costs incurred under the Transition Services Agreement identified as redundant or nonrecurring. Total fees under incurred under the Transition Services agreement, net of the Company's payroll reimbursement, were $1,336 for the three months ended March 31, 2020.

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

$ in thousands	Year Ended December 31,			
	2019	2018	2017	2016
Net Income	**$ 3,175**	**$ 16,279**	**$ 10,027**	**$ 7,917**
Less: Net income attributable to noncontrolling interest	629	595	160	26
Add: Provision for income taxes	2,085	4,352	5,375	5,065
Depreciation and amortization	3,810	2,964	2,544	2,855
Interest Expense	410	--	--	--
EBITDA	**$ 8,851**	**$ 23,000**	**$ 17,786**	**$ 15,811**
Adjustments to EBITDA:				
Add: Costs at start-up operations[a]	483	129	478	157
Results related to closed operations[b]	--	--	728	--
Share-based compensation expense[c]	3,382	2,382	2,298	2,341
Spin-off related transaction costs[d]	13,219	756	--	--
Transition services costs[e]	532	--	--	--
Acquisition related costs[f]	665	--	--	--
Rent related to items [a] and [b] above	25	30	190	36
Adjusted EBITDA	**$ 27,157**	**$ 26,297**	**$ 21,480**	**$ 18,345**
Add: Rent—cost of services	34,975	31,199	31,304	28,953
Less: Rent related to items [a] and [b] above	(25)	(30)	(190)	(36)
Adjusted Rent—cost of services	34,950	31,169	31,114	28,917
Adjusted EBITDAR from Operations	**$ 62,107**			

(a) Represents results related to start-up operations. This amount excludes rent, depreciation and amortization expense.
(b) Represents results at closed operations. This amount excludes rent, depreciation and amortization expense.
(c) Share-based compensation expense incurred.
(d) Costs incurred related to the Spin-Off that 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.
(f) Acquisition related costs that are not capitalizable.

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

$ in thousands	Three Months Ended March 31,			
	Home Health and Hospice Services	Senior Living Services	All Other	Total
Three Months Ended March 31, 2020				
Revenue	$ 56,762	$ 35,087	--	$ 91,849
Segment Adjusted EBITDAR from Operations	**$ 9,729**	**$ 12,397**	**$ (4,889)**	**$ 17,237**
Three Months Ended March 31, 2019				
Revenue	$ 46,117	$ 31,790	--	$ 77,907
Segment Adjusted EBITDAR from Operations	**$ 7,271**	**$ 12,117**	**$ (4,721)**	**$ 14,667**

$ in thousands	Three Months Ended March 31,			
	Home Health and Hospice		Senior Living Services	
	2020	2019	2020	2019
Segment Adjusted EBITDAR from Operations	**$ 9,729**	**$ 7,271**	**$ 12,397**	**$ 12,117**
Less: Rent – cost of services	850	635	8,856	7,662
Rent related to start-up operations	(13)	(6)	—	—
Segment Adjusted EBITDA	**$ 8,892**	**$ 6,642**	**$ 3,541**	**$ 4,455**

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

$ in thousands	Home Health and Hospice Services	Senior Living Services	All Other	Total
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
Year Ended December 31, 2016				
Revenue	$ 115,813	$ 101,412	--	$ 217,225
Segment Adjusted EBITDAR from Operations	$ 16,548	$ 41,278	$ (10,564)	$ 47,262

$ in thousands	Year Ended December 31,							
	Home Health and Hospice				Senior Living Services			
	2019	2018	2017	2016	2019	2018	2017	2016
Segment Adjusted EBITDAR from Operations	**$ 33,354**	**$ 26,427**	**$ 21,007**	**$ 16,548**	**$ 47,344**	**$ 47,230**	**$ 44,230**	**$ 41,278**
Less: Rent – cost of services	2,964	2,281	1,977	1,564	32,011	28,918	29,327	27,389
Rent related to start-up and closed operations	(25)	(30)	(190)	(36)	--	--	--	--
Segment Adjusted EBITDA	**$ 30,415**	**$ 24,176**	**$ 19,220**	**$ 15,020**	**$ 15,333**	**$ 18,312**	**$ 14,903**	**$ 13,889**

Reconciliation of Segment Adjusted EBITDAR from Operations to Income from Operations

$ in thousands	Three Months Ended March 31,	
	2020	2019
Segment Adjusted EBITDAR from Operations	**$ 17,237**	**$ 14,667**
Less: Depreciation and amortization	1,021	810
Rent – cost of services	9,706	8,297
Adjustments to Segment EBITDAR from Operations:		
Less: Costs at start-up operations(a)	232	236
Share-based compensation expense(b)	1,956	619
Acquisition related costs(c)	—	38
Spin-off related transaction costs(c)	—	2,990
Transition services costs(d)	50	—
Add: Net income attributable to non-controlling interest	—	150
Income from Operations	**$ 4,272**	**$ 1,827**

a) Represents results related to start-up operations. This amount excludes rent, depreciation and amortization expense.
b) Share-based compensation expense incurred.
c) Acquisition related costs that are not capitalizable.
d) Costs incurred related to the Spin-Off that are included in general and administrative expense
e) The portion of the costs incurred under the Transition Services Agreement identified as redundant or nonrecurring. Total fees under incurred under the Transition Services agreement, net of the Company's payroll reimbursement, were $1,336 for the three months ended March 31, 2020.

Reconciliation of Segment Adjusted EBITDAR from Operations to Income from Operations

PENNANT GROUP

$ in thousands	Year Ended December 31,			
	2019	2018	2017	2016
Segment Adjusted EBITDAR from Operations	**$62,107**	**$ 57,466**	**$ 52,594**	**$ 47,262**
Less: Depreciation and amortization	3,810	2,964	2,544	2,855
Rent – cost of services	34,975	31,199	31,304	28,953
Adjustments to Segment EBITDAR from Operations:				
Less: Costs at start-up operations(a)	483	129	478	157
Share-based compensation expense(b)	3,382	2,382	2,298	2,341
Acquisition related costs(c)	665	--	--	--
Spin-off related transaction costs(d)	13,219	756	--	--
Transition services costs(e)	532	--	--	--
Results related to closed operations(f)	--	--	728	--
Add: Net income attributable to non-controlling interest	629	595	160	26
Income from Operations	**$ 5,670**	**$ 20,631**	**$ 15,402**	**$ 12,982**

(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) A portion of the costs incurred under the Transition Services Agreement identified as redundant or nonrecurring that are included in general and administrative expense.
(f) Operating losses related to the closure of certain, home health, and hospice agencies that were closed in 2017.

Trended Selected Quarterly Metrics

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(a) Averages are based upon the average for the quarter, year-to-date figures will differ based on the period presented.
(b) The metric for Hospice Average length of stay has changed to the Average length of stay for patients who discharged during the month rather than the average length of stay for all patients on service during the quarter,

Metrics	Q1’20	Q1’19	Q4’19	Q4’18	Q3’19	Q3’18	Q2’19	Q2’18
Home Health								
Total Medicare admissions	2,809	2,603	2,777	2,230	2,601	2,225	2,675	2,110
Total admissions	6,136	5,440	5,914	4,724	5,556	4,523	5,727	4,424
Medicare revenue per episode	$3,091	$ 2,966	$ 2,912	$ 3,027	$ 3,173	$3 ,001	$ 3,077	$ 3,064
Hospice								
Hospice ADC	1,871	1,415	1,845	1,386	1,788	1,379	1,673	1,290
Hospice total admissions	1,676	1,334	1,542	1,139	1,701	1,179	1,619	1,174
Average length of stay	101	98	99	107	88	92	97	97
Medicare Hospice revenue per patient day	$ 163	$ 163	$ 163	$ 158	$ 163	$ 159	$ 166	$ 161
Senior Living								
Communities	53	50	52	50	52	45	51	45
Units	4,127	3,820	3,963	3,820	3,963	3,508	3,872	3,508
Occupancy (a)	80.2%	79.8%	81.1%	80.4%	79.6%	80.0%	80.3%	78.6%
Average revenue per unit (a)	$3,206	$ 3,121	$ 3,149	$ 3,038	$ 3,111	$ 3,032	$ 3,098	$ 3,050

Segment Adjusted EBITDAR	Q120	Q119	Q419	Q418	Q319	Q318	Q219	Q218
Home Health and Hospice	$ 9,729	$ 7,271	$ 9,481	$ 6,541	$ 8,499	$ 7,423	$ 8,103	$ 6,301
Senior Living	$12,397	$12,117	$ 11,641	$ 12,456	$ 11,574	$ 11,499	$ 12,012	$ 11,502

(a) Averages are based upon the average for the quarter, year-to-date figures will differ based on the period presented.
(b) The metric for Hospice average length of stay was changed in presentations beginning in March 2020 to the average length of stay for patients who discharged during the month rather than the average length of stay for all patients on service during the quarter, shown previously.