REFINITIV

DELTA REPORT

10-Q

PNTG - PENNANT GROUP, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	795
CHANGES	257
DELETIONS	327
ADDITIONS	211

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2023 March 31, 2024.

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from __________to __________.

Commission file number: 001-38900

THE PENNANT GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**83-3349931**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1675 East Riverside Drive, Suite 150, Eagle, ID 83616
(Address of Principal Executive Offices and Zip Code)
(208) 506-6100
(Registrant's Telephone Number, Including Area Code)
None
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	PNTG	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☒	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of November 6, 2023 May 3, 2024, 29,926,501 30,045,760 shares of the registrant's common stock were outstanding.

THE PENNANT GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 MARCH 31, 2024
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item I. *Financial Statements*

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except par value)

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Assets	**Assets**				
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash	Cash	$ 3,383	$ 2,079		
Accounts receivable—less allowance for doubtful accounts of $931 and $592, respectively		59,353	53,420		
Cash					
Cash					

Accounts receivable—less allowance for doubtful accounts of $197 and $259, respectively			
Prepaid expenses and other current assets	Prepaid expenses and other current assets	9,460	18,323
Total current assets	Total current assets	72,196	73,822
Property and equipment, net	Property and equipment, net	27,983	26,621
Right-of-use assets	Right-of-use assets	262,987	260,868
Deferred tax assets, net		126	2,149
Restricted and other assets			
Restricted and other assets			
Restricted and other assets	Restricted and other assets	7,983	10,545
Goodwill	Goodwill	86,132	79,497
Other indefinite-lived intangibles	Other indefinite-lived intangibles	62,908	58,617
Total assets	Total assets	$ 520,315	$ 512,119
Liabilities and equity	**Liabilities and equity**		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 12,182	$ 13,647
Accrued wages and related liabilities	Accrued wages and related liabilities	24,660	23,283
Operating lease liabilities—current	Operating lease liabilities—current	16,341	16,633
Other accrued liabilities	Other accrued liabilities	15,577	16,684
Total current liabilities	Total current liabilities	68,760	70,247
Long-term operating lease liabilities—less current portion	Long-term operating lease liabilities—less current portion	249,574	247,042
Deferred tax liabilities. net			
Other long-term liabilities	Other long-term liabilities	8,679	6,281

Long-term debt, net	Long-term debt, net	53,783	62,892	
Total liabilities	Total liabilities	380,796	386,462	
Commitments and contingencies	Commitments and contingencies			Commitments and contingencies
Equity:	Equity:			
Common stock, $0.001 par value; 100,000 shares authorized; 30,266 and 29,919 shares issued and outstanding, respectively, at September 30, 2023; and 30,149 and 29,692 shares issued and outstanding, respectively, at December 31, 2022		29	29	
Common stock, $0.001 par value; 100,000 shares authorized; 30,371 and 30,036 shares issued and outstanding, respectively, at March 31, 2024; and 30,297 and 29,948 shares issued and outstanding, respectively, at December 31, 2023				
Common stock, $0.001 par value; 100,000 shares authorized; 30,371 and 30,036 shares issued and outstanding, respectively, at March 31, 2024; and 30,297 and 29,948 shares issued and outstanding, respectively, at December 31, 2023				
Common stock, $0.001 par value; 100,000 shares authorized; 30,371 and 30,036 shares issued and outstanding, respectively, at March 31, 2024; and 30,297 and 29,948 shares issued and outstanding, respectively, at December 31, 2023				
Additional paid-in capital	Additional paid-in capital	104,245	99,764	
Retained earnings	Retained earnings	30,314	21,284	
Treasury stock, at cost, 3 shares at September 30, 2023 and December 31, 2022		(65)	(65)	
Treasury stock, at cost, 3 shares at March 31, 2024 and December 31, 2023				
Total The Pennant Group, Inc. stockholders' equity	Total The Pennant Group, Inc. stockholders' equity	134,523	121,012	
Noncontrolling interest	Noncontrolling interest	4,996	4,645	
Total equity	Total equity	139,519	125,657	

Total liabilities and equity	Total liabilities and equity	$ 520,315	$ 512,119

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands, except for per-share amounts)

		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
		Three Months Ended September 30,		**Nine Months Ended September 30,**	
Revenue					
		2023	**2022**	**2023**	**2022**
Revenue					
Revenue	Revenue	$ 140,192	$ 118,350	$ 398,937	$ 348,576
Expense	Expense				
Expense					
Expense					
Cost of services					
Cost of services					
Cost of services	Cost of services	112,384	94,680	321,162	277,658
Rent—cost of services	Rent—cost of services	10,006	9,391	29,439	28,520
Rent—cost of services					
Rent—cost of services					
General and administrative expense					
General and administrative expense					
General and administrative expense	General and administrative expense	9,417	5,879	26,913	25,653
Depreciation and amortization	Depreciation and amortization	1,323	1,251	3,817	3,677
Loss on asset dispositions and impairment, net		1	5	4	6,713
Depreciation and amortization					
Depreciation and amortization					
Gain on disposition of property and equipment, net					
Gain on disposition of property and equipment, net					
Gain on disposition of property and equipment, net					
Total expenses					
Total expenses					
Total expenses	Total expenses	133,131	111,206	381,335	342,221
Income from operations	Income from operations	7,061	7,144	17,602	6,355

Other (expense) income:					
Other (expense) income		(37)	(18)	28	(50)
Income from operations					
Income from operations					
Other income (expense), net:					
Other income (expense), net:					
Other income (expense), net:					
Other income					
Other income					
Other income					
Interest expense, net	Interest expense, net	(1,496)	(1,058)	(4,355)	(2,508)
Other (expense), net		(1,533)	(1,076)	(4,327)	(2,558)
Interest expense, net					
Interest expense, net					
Other expense, net					
Other expense, net					
Other expense, net					
Income before provision for income taxes					
Income before provision for income taxes					
Income before provision for income taxes	Income before provision for income taxes	5,528	6,068	13,275	3,797
Provision for income taxes	Provision for income taxes	1,066	1,074	3,894	241
Provision for income taxes					
Provision for income taxes					
Net income					
Net income					
Net income	Net income	4,462	4,994	9,381	3,556
Less: Net income attributable to noncontrolling interest	Less: Net income attributable to noncontrolling interest	79	163	351	387
Less: Net income attributable to noncontrolling interest					
Less: Net income attributable to noncontrolling interest					
Net income attributable to The Pennant Group, Inc.					
Net income attributable to The Pennant Group, Inc.					
Net income attributable to The Pennant Group, Inc.	Net income attributable to The Pennant Group, Inc.	$ 4,383	$ 4,831	$ 9,030	$ 3,169
Earnings per share:	Earnings per share:				
Earnings per share:					
Earnings per share:					
Basic					
Basic					
Basic	Basic	$ 0.15	$ 0.16	$ 0.30	$ 0.11
Diluted	Diluted	$ 0.15	$ 0.16	$ 0.30	$ 0.10
Diluted					
Diluted					

Weighted average common shares outstanding:					
Weighted average common shares outstanding:					
Weighted average common shares outstanding:	Weighted average common shares outstanding:				
Basic	Basic	29,912	29,335	29,825	28,840
Basic					
Basic					
Diluted	Diluted	30,206	30,172	30,178	30,182
Diluted					
Diluted					

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited, in thousands)

	Common Stock								
	Shares								
	Shares								
	Shares					Amount	Shares	Amount	Total
		Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Non-controlling Interest	Total
		Shares	Amount			Shares	Amount		
Balance at December 31, 2022		30,149	$ 29	$ 99,764	$ 21,284	3	$ (65)	$ 4,645	$ 125,657
Balance at December 31, 2023									
Balance at December 31, 2023									
Balance at December 31, 2023									
Net income attributable to The Pennant Group, Inc.	Net income attributable to The Pennant Group, Inc.	—	—	—	1,850	—	—	—	1,850
Noncontrolling interests assumed related to acquisitions									
Net income attributable to noncontrolling interests	Net income attributable to noncontrolling interests	—	—	—	—	—	—	147	147
Share-based compensation	Share-based compensation	—	—	1,367	—	—	—	—	1,367

	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Treasury Amount	Non-controlling Interest	Total
Issuance of common stock from the exercise of stock options	26	—	203	—	—	—	—	203
Net issuance of restricted stock	28	—	—	—	—	—	—	—
Balance at March 31, 2023	30,203	$ 29	$ 101,334	$ 23,134	3	$ (65)	$ 4,792	$ 129,224
Net income attributable to The Pennant Group, Inc.	—	—	—	2,797	—	—	—	2,797
Net income attributable to noncontrolling interests	—	—	—	—	—	—	125	125
Stock-based compensation	—	—	1,303	—	—	—	—	1,303
Issuance of common stock from the exercise of stock options	38	—	249	—	—	—	—	249
Net issuance of restricted stock	10	—	—	—	—	—	—	—
Balance at June 30, 2023	30,251	$ 29	$ 102,886	$ 25,931	3	$ (65)	$ 4,917	$ 133,698
Net income attributable to The Pennant Group, Inc.	—	—	—	4,383	—	—	—	4,383
Net income attributable to noncontrolling interests	—	—	—	—	—	—	79	79
Stock-based compensation	—	—	1,341	—	—	—	—	1,341
Issuance of common stock from the exercise of stock options	4	—	18	—	—	—	—	18
Net issuance of restricted stock	11	—	—	—	—	—	—	—
Balance at September 30, 2023	30,266	$ 29	$ 104,245	$ 30,314	3	$ (65)	$ 4,996	$ 139,519
Balance at March 31, 2024								

THE PENNANT GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (Continued)

(unaudited, in thousands)

	Common Stock							
	Shares							
	Shares							
	Shares				Amount	Shares	Amount	Total
	Common Stock		**Additional Paid-In Capital**	**Retained Earnings**	**Treasury Stock**		**Non-controlling Interest**	**Total**
	Shares	**Amount**			**Shares**	**Amount**		
Balance at December 31, 2021	28,826	$ 28	$ 95,595	$ 14,641	3	$ (65)	$ 4,045	$ 114,244
Balance at December 31, 2022								
Balance at December 31, 2022								

Balance at December 31, 2022									
Net income attributable to The Pennant Group, Inc.	Net income attributable to The Pennant Group, Inc.	—	—	—	1,014	—	—	—	1,014
Net income attributable to noncontrolling interests	Net income attributable to noncontrolling interests	—	—	—	—	—	—	144	144
Share-based compensation	Share-based compensation	—	—	2,440	—	—	—	—	2,440
Issuance of common stock from the exercise of stock options	Issuance of common stock from the exercise of stock options	21	1	89	—	—	—	—	90
Net issuance of restricted stock	Net issuance of restricted stock	2	—	—	—	—	—	—	—
Balance at March 31, 2022		28,849	$ 29	$ 98,124	$ 15,655	3	$ (65)	$ 4,189	$ 117,932
Net loss attributable to The Pennant Group, Inc.		—	—	—	(2,676)	—	—	—	(2,676)
Net income attributable to noncontrolling interests		—	—	—	—	—	—	80	80
Share-based compensation		—	—	2,380	—	—	—	—	2,380
Issuance of common stock from the exercise of stock options		33	—	271	—	—	—	—	271
Net issuance of restricted stock		4	—	—	—	—	—	—	—
Balance at June 30, 2022		28,886	$ 29	$ 100,775	$ 12,979	3	$ (65)	$ 4,269	$ 117,987
Net income attributable to The Pennant Group, Inc.		—	—	—	4,831	—	—	—	4,831
Net income attributable to noncontrolling interests		—	—	—	—	—	—	163	163
Share-based compensation		—	—	(2,747)	—	—	—	—	(2,747)
Issuance of common stock from the exercise of stock options		52	—	606	—	—	—	—	606
Net issuance of restricted stock		1,208	—	—	—	—	—	—	—
Balance at September 30, 2022		30,146	$ 29	$ 98,634	$ 17,810	3	$ (65)	$ 4,432	$ 120,840
Balance at March 31, 2023									

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

		Nine Months Ended September 30,	
		2023	2022
	Three Months Ended March 31,		Three Months Ended March 31,
	2024	2024	2023
Cash flows from operating activities:	Cash flows from operating activities:		
Net income			
Net income			
Net income	Net income	$ 9,381	$ 3,556
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	Depreciation and amortization	3,817	3,677
Depreciation and amortization			
Depreciation and amortization			
Amortization of deferred financing fees	Amortization of deferred financing fees	391	390
Impairment of long-lived assets		—	218
Gain on disposition of property and equipment, net			
Provision for doubtful accounts	Provision for doubtful accounts	620	603
Share-based compensation	Share-based compensation	4,011	2,073
Deferred income taxes	Deferred income taxes	3,066	752
Change in operating assets and liabilities, net of acquisitions:	Change in operating assets and liabilities, net of acquisitions:		
Change in operating assets and liabilities, net of acquisitions:			
Change in operating assets and liabilities, net of acquisitions:			
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	(5,560)	1,734

Prepaid expenses and other assets	Prepaid expenses and other assets	11,387	(1,429)
Operating lease obligations	Operating lease obligations	121	(140)
Accounts payable	Accounts payable	(866)	1,655
Accrued wages and related liabilities	Accrued wages and related liabilities	1,376	1,278
Other accrued liabilities	Other accrued liabilities	(394)	4,333
Contract liabilities (CARES Act advance payments)		—	(6,211)
Income taxes payable			
Income taxes payable			
Income taxes payable			
Other long-term liabilities	Other long-term liabilities	560	485
Net cash provided by operating activities	Net cash provided by operating activities	27,910	12,974
Cash flows from investing activities:	Cash flows from investing activities:		
Purchase of property and equipment	Purchase of property and equipment	(5,746)	(10,426)
Purchase of property and equipment			
Purchase of property and equipment			
Cash payments for business acquisitions	Cash payments for business acquisitions	(11,662)	(9,680)
Cash payments for asset acquisitions			
Escrow deposits			
Escrow deposits			
Escrow deposits			
Other	Other	(168)	(70)
Net cash used in investing activities	Net cash used in investing activities	(17,576)	(20,176)

Cash flows from financing activities:	Cash flows from financing activities:		
Proceeds from Revolving Credit Facility	Proceeds from Revolving Credit Facility	131,500	82,000
Proceeds from Revolving Credit Facility			
Proceeds from Revolving Credit Facility			
Payments on Revolving Credit Facility	Payments on Revolving Credit Facility	(141,000)	(78,000)
Finance lease obligations			
Issuance of common stock upon the exercise of options	Issuance of common stock upon the exercise of options	470	967
Net cash (used in) provided by financing activities		(9,030)	4,967
Net increase (decrease) in cash		1,304	(2,235)
Issuance of common stock upon the exercise of options			
Issuance of common stock upon the exercise of options			
Net cash provided by (used in) financing activities			
Net (decrease) increase in cash			
Cash beginning of period	Cash beginning of period	2,079	5,190
Cash end of period	Cash end of period	$ 3,383	$ 2,955

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2023	2022
Three Months Ended March 31,	Three Months Ended March 31,	
2024	2024	2023

Supplemental disclosures of cash flow information:	Supplemental disclosures of cash flow information:		
Cash paid during the period for:	Cash paid during the period for:		
Cash paid during the period for:			
Cash paid during the period for:			
Interest			
Interest			
Interest	Interest	$ 3,997	$ 2,114
Income taxes	Income taxes	$ 176	$ 77
Lease liabilities	Lease liabilities	$ 27,231	$ 27,092
Right-of-use assets obtained in exchange for new operating lease obligations	Right-of-use assets obtained in exchange for new operating lease obligations	$ 9,357	$ 10,326
Non-cash adjustment to right-of-use assets and lease liabilities from lease modifications		$ 5,195	$ 6,270
Non-cash adjustment to right-of-use assets and lease liabilities from lease terminations and assignments		$ —	$ (43,136)
Non-cash investing activity:			
Non-cash investing activity:			
Non-cash investing activity:	Non-cash investing activity:		
Capital expenditures in accounts payable	Capital expenditures in accounts payable	$ 680	$ 1,100
Capital expenditures in accounts payable			
Capital expenditures in accounts payable			

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data and operational senior living units)

1. DESCRIPTION OF BUSINESS

The Pennant Group, Inc. (herein referred to as “Pennant,” the “Company,” “it,” or “its”), is a holding company with no direct operating assets, employees or revenue. The Company, through its independent operating subsidiaries, provides healthcare services across the post-acute care continuum. As of September 30, 2023 March 31, 2024, the

Company's subsidiaries operated 103 112 home health, hospice and home care agencies and 51 53 senior living communities located in Arizona, California, Colorado, Idaho, Iowa, Montana, Nevada, Oklahoma, Oregon, Texas, Utah, Washington, Wisconsin and Wyoming.

Certain of the Company's subsidiaries, collectively referred to as the Service Center, provide accounting, payroll, human resources, information technology, legal, risk management, and other services to the operations through contractual relationships.

Each of the Company's affiliated operations are operated by separate, independent subsidiaries that have their own management, employees and assets. References herein to the consolidated "Company" and "its" assets and activities are not meant to imply, nor should they be construed as meaning, that Pennant has direct operating assets, employees or revenue, or that any of the subsidiaries are operated by Pennant.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited condensed consolidated financial statements of the Company (the "Interim Financial Statements") reflect the Company's financial position, results of operations, and cash flows of the business. The Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and pursuant to the regulations of the Securities and Exchange Commission ("SEC"). Management believes that the Interim Financial Statements reflect, in all material respects, all adjustments which are of a normal and recurring nature necessary to present fairly the Company's financial position, results of operations, and cash flows for the periods presented in conformity with GAAP. The results reported in these Interim Financial Statements are not necessarily indicative of results that may be expected for the entire year.

The Condensed Consolidated Balance Sheet as of December 31, 2022 December 31, 2023 is derived from the Company's annual audited Consolidated Financial Statements for the fiscal year ended December 31, 2022 December 31, 2023, which should be read in conjunction with these Interim Financial Statements. Certain information in the accompanying footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with GAAP.

All significant intercompany transactions and balances between the various legal entities comprising the Company have been eliminated in consolidation. The Company presents noncontrolling interests within the equity section of its Condensed Consolidated Balance Sheets and the amount of consolidated net income that is attributable to the Company and the noncontrolling interest in its Condensed Consolidated Statements of Income.

The Company consists of various limited liability companies and corporations established to operate home health, hospice, home care, and senior living operations. The Interim Financial Statements include the accounts of all entities controlled by the Company through its ownership of a majority voting interest.

Estimates and Assumptions - The preparation of the Interim Financial Statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenue and expenses during the reporting periods. The most significant estimates in the Interim Financial Statements relate to self-insurance reserves, revenue recognition, and intangible assets and goodwill, right-of-use assets and lease liabilities for leases greater than 12 months, self-insurance reserves, and income taxes. goodwill. Actual results could differ from those estimates.

CARES Act: The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted on March 27, 2020 in the United States. The CARES Act allowed for deferred payment of the employer-paid portion of social security taxes through the end of 2020, with 50% due on December 31, 2021 and the remainder due on December 31, 2022. The Company deferred approximately $7,836 of the employer-paid portion of social security taxes, all of which was repaid by December 31, 2022. The CARES Act also expanded the Centers for Medicare & Medicaid Services' ("CMS") ability to provide accelerated/advance payments intended to increase the cash flow of healthcare providers and suppliers impacted by COVID-19. During 2020, the Company applied for and received $27,997 in funds under the Accelerated and Advance Payment ("AAP") Program, all of which was recouped as of June 23, 2022.

State relief funding. The Company receives state relief funding through programs from various states, including healthcare relief funding under the American Rescue Plan Act (ARPA), and other state specific relief programs. The funding generally incorporates specific use requirements primarily for direct patient care including labor related expenses that are attributable to the COVID-19 pandemic or are associated with providing patient care.

These funds are recognized as a reduction of cost of services expenses when related expenses are incurred. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had $872 $383 and $1,479 $780 in unapplied state relief funds, respectively. The unapplied state relief funds received are recorded in other accrued liabilities. The Company recognized state relief funding

totaling $923 and $3,005 $453 for the three and nine months ended September 30, 2023 March 31, 2024, respectively, and $734 and $1,980 $685 for the three and nine months ended September 30, 2022 March 31, 2023, respectively, which the Company recognized as a reduction of cost of services expense.

Recent Accounting Pronouncements

Except for rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws and a limited number of grandfathered standards, the FASB ASC is the sole source of authoritative GAAP literature recognized by the FASB and applicable to the Company. For any new pronouncements announced, the Company considers whether the new pronouncements could alter previous generally accepted accounting principles and determines whether any new or modified principles will have a material impact on the Company's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of the Company's financial management and certain standards are under consideration.

On August 23, 2023, In November 2023, the FASB issued ASU 2023-05 2023-07, "*Business Combinations—Joint Venture Formations (Subtopic 805-60)" Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"* (ASU 2023-05) under , which requires the Company to expand the breadth and frequency of segment disclosures to include additional information about significant segment expenses, the chief operating decision maker and other items, and also require the annual disclosures on an entity that qualifies as either a joint venture or a corporate joint venture, as defined in the ASC master glossary, interim basis. This guidance is required to apply a new basis of accounting upon the formation of the joint venture. Specifically, ASU 2023-05 stipulates that a joint venture or a corporate joint venture must initially measure its assets and liabilities at fair value on the formation date. The amendments in ASU 2023-05 are effective for all joint ventures within annual periods beginning after December 15, 2023, which will be the ASU's scope that are formed on or after January 1, 2025. Early Company's fiscal year 2024, with early adoption is permitted. The Company is currently evaluating this the impact of the ASU on its Quarterly and notes that Annual Reports.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures"*, which requires the Company to disclose disaggregated jurisdictional and categorical information for the tax rate reconciliation, income taxes paid and other income tax related amounts. This guidance is effective for annual periods beginning after December 15, 2024, which will be the Company's fiscal year 2025, with early adoption permitted. The Company doesn't expect it to have any impact to financial statements would be dependent on the facts and circumstances surrounding any new joint venture formed after the date of adoption. material impacts.

3. TRANSACTIONS WITH ENSIGN

On October 1, 2019, The Ensign Group, Inc. ("Ensign") completed the separation of Pennant (the "Spin-Off"). Pennant and Ensign continue to partner in the provision of services along the healthcare continuum.

The Company incurred costs of $254 and $719 $280 for the three and nine months ended September 30, 2023 March 31, 2024, and $231 and $1,332 $273 for the three and nine months ended September 30, 2022 March 31, 2023, respectively, that related primarily to shared services at proximate operations.

Expenses related to room and board charges at Ensign skilled nursing facilities for hospice patients were $1,217 and $3,171 $1,500 for the three and nine months ended September 30, 2023 March 31, 2024, respectively, and $812 and $2,035 $940 for the three and nine months ended September 30, 2022 March 31, 2023, respectively, and are included in cost of services.

The Company's independent operating subsidiaries leased 29 communities from subsidiaries of Ensign under a master lease arrangement as of both September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023. See further discussion below at Note 8, 13, Leases.

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 five senior living communities (the "Transaction"). The Transfer Agreements required one of the transferors to place $6,500 in escrow to cover post-closing capital expenditures and operating losses related to one of the communities, and such escrow was funded by an initial payment by the transferor at closing followed by eight equal monthly installments. The Company recorded the amount in loss on asset dispositions and impairment, net during the three months ended June 2022. The Transaction closed in April 2022.

4. NET INCOME PER COMMON SHARE

Basic net income (loss) per share is computed by dividing net income (loss) attributable to stockholders of the Company by the weighted average number of outstanding common shares for the period. The computation of diluted net income (loss) per share is similar to the computation of basic net income (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

The following table sets forth the computation of basic and diluted net income (loss) per share for the periods presented:

	Three Months Ended March 31,
	Three Months Ended March 31,

Three Months Ended March 31,

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Numerator:				
Net income attributable to The Pennant Group, Inc.	$4,383	$4,831	$9,030	$3,169
Denominator:				
Weighted average shares outstanding for basic net income per share	29,912	29,335	29,825	28,840
Plus: assumed incremental shares from exercise of options and assumed conversion or vesting of restricted stock(a)	294	837	353	1,342
Adjusted weighted average common shares outstanding for diluted income per share				

Numerator:
Numerator:
Numerator:
Net income attributable to The Pennant Group, Inc.
Net income attributable to The Pennant Group, Inc.
Net income attributable to The Pennant Group, Inc.
Denominator:
Denominator:
Denominator:
Weighted average shares outstanding for basic net income per share
Weighted average shares outstanding for basic net income per share
Weighted average shares outstanding for basic net income per share
Plus: assumed incremental shares from exercise of options and assumed conversion or vesting of restricted stock(a)
Plus: assumed incremental shares from exercise of options and assumed conversion or vesting of restricted stock(a)
Plus: assumed incremental shares from exercise of options and assumed conversion or vesting of restricted stock(a)
Adjusted weighted average common shares outstanding for diluted income per share

Adjusted weighted average common shares outstanding for diluted income per share	Adjusted weighted average common shares outstanding for diluted income per share	30,206	30,172	30,178	30,182
Earnings Per Share:	**Earnings Per Share:**				

Earnings Per Share:

Earnings Per Share:

Basic net income per common share

Basic net income per common share

Basic net income per common share	Basic net income per common share	$ 0.15	$ 0.16	$ 0.30	$ 0.11
Diluted net income per common share	Diluted net income per common share	$ 0.15	$ 0.16	$ 0.30	$ 0.10

Diluted net income per common share

Diluted net income per common share

(a) The diluted per share amounts do not reflect common equivalent shares share equivalents outstanding of 2,718 and 2,278 2,043 for the three and nine months ended September 30, 2023 March 31, 2024, respectively, and 1,858 and 1,806 2,002 for the three and nine months ended September 30, 2022 March 31, 2023, respectively, because of their anti-dilutive effect.

5. REVENUE AND ACCOUNTS RECEIVABLE

Revenue is recognized when services are provided to the patients at the amount that reflects the consideration to which the Company expects to be entitled from patients and third-party payors, including Medicare, Medicaid, Commercial and managed care programs (Medicare (Commercial, Medicare Advantage and Managed Medicaid plans), in exchange for providing patient care. . The healthcare services in home health and hospice patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Routine services are treated as a single performance obligation satisfied over time as services are rendered. As such, patient care services represent a bundle of services that are not capable of being distinct within the context of the contract. Additionally, there may be ancillary services which are not included in the rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Revenue recognized from healthcare services is adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration. The Company uses the expected value method in determining the variable component that should be used to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payor type. The amount of variable consideration which is included in the transaction price may be constrained, and is included in the net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. If actual amounts of consideration ultimately received differ from the Company's estimates, the Company adjusts these estimates, which would affect net service revenue in the period such variances become known.

Combined revenue from the Medicare and Medicaid programs accounted for 62.7% and 62.5% of the Company's revenue for the three and nine months ended September 30, 2023, respectively, and 62.4% and 62.3% for the three and nine months ended September 30, 2022, respectively. The Company records revenue from these governmental and managed care programs as services are performed at their expected net realizable amounts under these programs. The Company's revenue from governmental and managed care programs is subject to audit and retroactive adjustment by governmental and third-party agencies. Consistent with healthcare industry accounting practices, any changes to these governmental revenue estimates are recorded in the period the change or adjustment becomes known based on final settlement.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with its patients by reportable operating segments and payors. The Company has determined that disaggregating revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company's service specific revenue recognition policies are as follows:

Home Health Revenue

Medicare Revenue

Net service revenue is recognized in accordance with the Patient Driven Groupings Model ("PDGM"). Under PDGM, Medicare provides agencies with payments for each 30-day payment period provided to beneficiaries. If a beneficiary is still eligible for care after the end of the first 30-day payment period, a second 30-day payment period can begin. There are no limits to the number of periods of care a beneficiary who remains eligible for the home health benefit can receive. While payment for each 30-day payment period is adjusted to reflect the beneficiary's health condition and needs, a special outlier provision exists to ensure appropriate payment for those beneficiaries that have the most expensive care needs. The payment under the Medicare program is also adjusted for certain variables including, but not limited to: (a) a low utilization payment adjustment if the number of visits is below an established threshold that varies based on the diagnosis of a beneficiary; (b) a partial payment if the patient transferred to another provider or the Company received a patient from another provider before completing the period of care; (c) adjustment to the admission source of claim if it is determined that the patient had a qualifying stay in a post-acute care setting within 14 days prior to the start of a 30-day payment period; (d) the timing of the 30-day payment period provided to a patient in relation to the admission date, regardless of whether the same home health provider provided care for the entire series of episodes; (e) changes to the acuity of the patient during the previous 30-day payment period; (f) changes in the base payments established by the Medicare program; (g) adjustments to the base payments for case mix and geographic wages; and (h) recoveries of overpayments.

The Company adjusts Medicare revenue on completed episodes to reflect differences between estimated and actual payment amounts, an inability to obtain appropriate billing documentation and other reasons unrelated to credit risk. Therefore, the Company believes that its reported net service revenue and patient accounts receivable will be the net amounts to be realized from Medicare for services rendered.

In addition to revenue recognized on completed episodes and periods, the Company also recognizes a portion of revenue associated with episodes and periods in progress. Episodes in progress are 30-day payment periods that begin during the reporting period but were not completed as of the end of the period. As such, the Company estimates revenue and recognizes it on a daily basis. The primary factors underlying this estimate are the number of episodes in progress at the end of the reporting period, expected Medicare revenue per period of care or episode of care and the Company's estimate of the average percentage complete based on the scheduled end of period and end of episode dates.

Non-Medicare Revenue

Episodic Based Revenue - The Company recognizes revenue in a similar manner as it recognizes Medicare revenue for episodic-based rates that are paid by other insurance carriers, including carriers administrating Medicare Advantage programs. These rates can vary based upon the negotiated terms.

Non-episodic Based Revenue - Revenue is recognized on an accrual basis based upon the date of service at amounts equal to its established or estimated per visit rates, as applicable.

Hospice Revenue

Revenue is recognized on an accrual basis based upon the date of service at amounts equal to the estimated payment rates. The estimated payment rates are calculated as daily rates for each of the levels of care the Company delivers. Revenue is adjusted for an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit risk. Additionally, as Medicare hospice revenue is subject to an inpatient cap and an overall payment cap, the Company monitors its provider numbers and estimates amounts due back to Medicare if a cap has been exceeded. The Company regularly evaluates and records these adjustments as a reduction to revenue and an increase to other accrued liabilities.

Senior Living Revenue

The Company has elected the lessor practical expedient within ASC Topic 842, *Leases* and therefore recognizes, measures, presents, and discloses the revenue for services rendered under the Company's senior living residency agreements

based upon the predominant component, either the lease or non-lease component, of the contracts. The Company has determined that the services included under the Company's senior living residency agreements each have the same timing and pattern of transfer. The Company recognizes revenue under ASC Topic 606, *Revenue from Contracts with Customers* for its senior residency agreements, for which it has determined that the non-lease components of such residency agreements are the predominant component of each such contract.

The Company's senior living revenue consists of fees for basic housing and assisted living care. Accordingly, the Company records revenue when services are rendered on the date services are provided at amounts billable to individual residents. Residency agreements are generally for a term of 30 days, with resident fees billed monthly in advance. For residents under reimbursement arrangements with Medicaid, revenue is recorded based on contractually agreed-upon amounts or rates on a per resident, daily basis or as services are rendered.

Revenue By Payor

Revenue by payor for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, is summarized in the following tables:

	Three Months Ended September 30, 2023				
	Home Health and Hospice Services				
	Home Health Services	Hospice Services	Senior Living Services	Total Revenue	Revenue %
Medicare	$ 24,076	$ 43,849	$ —	$ 67,925	48.5 %
Medicaid	2,521	5,190	12,182	19,893	14.2
Subtotal	26,597	49,039	12,182	87,818	62.7
Managed care	17,927	1,231	—	19,158	13.6
Private and other(a)	6,579	101	26,536	33,216	23.7
Total revenue	$ 51,103	$ 50,371	$ 38,718	$ 140,192	100.0 %

	Three Months Ended March 31, 2024					Three Months E March 31, 20
	Home Health and Hospice Services					
	Home Health Services	Hospice Services	Senior Living Services	Total Revenue	Revenue %	
Medicare	$ 29,842	$ 47,139	$ —	$ 76,981	49.1	4
Medicaid						
Subtotal						
Managed care						
Private and other(a)						
Total revenue	$ 61,883	$ 54,607	$ 40,425	$ 156,915	100.0	10

(a) Private and other payors in the Company's home health and hospice services segment includes revenue from all payors generated in the Company's home care operations.

	Three Months Ended September 30, 2022				
	Home Health and Hospice Services				
	Home Health Services	Hospice Services	Senior Living Services	Total Revenue	Revenue %

	Three Months Ended March 31, 2023	Three Months E March 31, 20

	Home Health and Hospice Services				
	Home Health Services				
Medicare	$ 23,040	$ 35,367	$ —	$ 58,407	49.4 %
Medicaid	2,151	4,065	9,127	15,343	13.0
Subtotal	25,191	39,432	9,127	73,750	62.4
Managed care	14,594	1,062	—	15,656	13.2
Private and other(a)	5,472	28	23,444	28,944	24.4
Total revenue	$ 45,257	$ 40,522	$ 32,571	$ 118,350	100.0 %

	Home Health Services	Hospice Services	Senior Living Services	Total Revenue	Revenue %
Medicare	$ 23,376	$ 37,380	$ —	$ 60,756	48.0
Total revenue	$ 47,790	$ 43,289	$ 35,385	$ 126,464	100.0

(a) Private and other payors in the Company's home health and hospice services segment includes revenue from all payors generated in the Company's home care operations.

Revenue by payor for the nine months ended September 30, 2023 and 2022, is summarized in the following tables:

	Nine Months Ended September 30, 2023				
	Home Health and Hospice Services				
	Home Health Services	Hospice Services	Senior Living Services	Total Revenue	Revenue %
Medicare	$ 71,372	$ 121,523	$ —	$ 192,895	48.3 %
Medicaid	7,178	14,470	34,807	56,455	14.2
Subtotal	78,550	135,993	34,807	249,350	62.5
Managed care	49,696	3,842	—	53,538	13.4
Private and other(a)	19,105	387	76,557	96,049	24.1
Total revenue	$ 147,351	$ 140,222	$ 111,364	$ 398,937	100.0 %

(a) Private and other payors in the Company's home health and hospice services segment includes revenue from all payors generated in the Company's home care operations.

	Nine Months Ended September 30, 2022				
	Home Health and Hospice Services				
	Home Health Services	Hospice Services	Senior Living Services	Total Revenue	Revenue %
Medicare	$ 67,861	$ 103,322	$ —	$ 171,183	49.1 %
Medicaid	7,389	11,189	27,502	46,080	13.2
Subtotal	75,250	114,511	27,502	217,263	62.3
Managed care	42,106	2,999	—	45,105	13.0
Private and other(a)	16,538	194	69,476	86,208	24.7
Total revenue	$ 133,894	$ 117,704	$ 96,978	$ 348,576	100.0 %

(a) Private and other payors in the Company's home health and hospice services segment includes revenue from all payors generated in the Company's home care operations.

Balance Sheet Impact

Included in the Company's Condensed Consolidated Balance Sheets are contract assets, comprised of billed accounts receivable and unbilled receivables, which are the result of the timing of revenue recognition, billings and cash collections, as well as, contract liabilities, which primarily represent payments the Company receives in advance of services provided.

Accounts receivable, net as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is summarized in the following table:

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Medicare	Medicare	$ 33,709	$ 31,321		
Medicaid	Medicaid	12,699	10,700		
Managed care	Managed care	11,422	9,370		
Private and other	Private and other	2,454	2,621		
Accounts receivable, gross	Accounts receivable, gross	60,284	54,012		
Less: allowance for doubtful accounts	Less: allowance for doubtful accounts	(931)	(592)		
Accounts receivable, net	Accounts receivable, net	$ 59,353	$ 53,420		

Concentrations - Credit Risk

The Company has significant accounts receivable balances, the collectability of which is dependent on the availability of funds from certain governmental programs, primarily Medicare and Medicaid. These receivables represent the only significant concentration of credit risk for the Company. The Company does not believe there are significant credit risks associated with these governmental programs. The Company believes that an appropriate allowance has been recorded for the possibility of these receivables proving uncollectible, and continually monitors and adjusts these allowances as necessary. The Company's gross receivables from the Medicare and Medicaid programs accounted for approximately 77.0% 74.7% and 77.8% 77.0% of its total gross accounts receivable as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Combined revenue from reimbursement under the Medicare and Medicaid programs accounted for 62.7% and 62.5% 65.1% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, and 62.4% and 62.3% 62.0% of the Company's revenue for the three and nine months ended September 30, 2022, respectively. March 31, 2023.

Practical Expedients and Exemptions

As the Company's contracts have an original duration of one year or less, the Company uses the practical expedient applicable to its contracts and does not consider the time value of money. Further, because of the short duration of these contracts, the Company has not disclosed the transaction price for the remaining performance obligations as of the end of each reporting period or when the Company expects to recognize this revenue. In addition, the Company has applied the practical expedient provided by ASC 340, *Other Assets and Deferred Costs*, and all incremental customer contract acquisition costs are expensed as they are incurred because the amortization period would have been one year or less.

6. BUSINESS SEGMENTS

The Company classifies its operations into the following reportable operating segments: (1) home health and hospice services, which includes the Company's home health, hospice and home care businesses; and (2) senior living services, which includes the operation of assisted living, independent living and memory care communities. The reporting segments are business units that offer different services and are managed separately to provide greater visibility into those operations. The Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"), reviews financial information at the operating segment level. The Company also reports an "all other" category that includes general and administrative expense from the Company's Service Center.

As of September 30, 2023 March 31, 2024, the Company provided services through 103 112 affiliated home health, hospice and home care agencies, and 51 53 affiliated senior living operations. The Company evaluates performance and allocates capital resources to each segment based on an operating model that is designed to maximize the quality of care provided and profitability. The Company's Service Center provides various services to all lines of business. The Company does not review assets by segment and therefore assets by segment are not disclosed below.

The CODM uses Segment Adjusted EBITDAR from Operations as the primary measure of profit and loss for the Company's reportable segments and to compare the performance of its operations with those of its competitors. Segment Adjusted EBITDAR from Operations is net income (loss) attributable to the Company's reportable segments excluding interest expense, provision for income taxes, depreciation and amortization expense, rent, and, in order to view the operations performance on a comparable basis from period to period, certain adjustments including: (1) costs at start-up operations, (2) share-based compensation, (3) acquisition related costs and credit allowances, (4) the costs associated with transitioning operations, (5) unusual, non-recurring or redundant charges, and (6) net income attributable to noncontrolling interest. General

operations, (5) unusual, non-recurring or redundant charges, and (6) net income attributable to noncontrolling interest. General and administrative expenses are not allocated to the reportable segments, and are included as “All Other”, accordingly the segment earnings measure reported is before allocation of corporate general and administrative expenses. The Company's segment measures may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

The following tables present certain financial information regarding the Company’s reportable segments, general and administrative expenses are not allocated to the reportable segments and are included in “All Other” for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Home Health and Hospice Services	Senior Living Services	All Other	Total
Three Months Ended September 30, 2023				
Revenue	$ 101,474	$ 38,718	$ —	$ 140,192
Segment Adjusted EBITDAR from Operations	$ 17,271	$ 11,473	$ (8,097)	$ 20,647
Three Months Ended September 30, 2022				
Revenue	$ 85,779	$ 32,571	$ —	$ 118,350
Segment Adjusted EBITDAR from Operations	$ 15,380	$ 9,370	$ (7,779)	$ 16,971

		Home Health and Hospice Services	Senior Living Services	All Other	Total
Nine Months Ended September 30, 2023					
	Home Health and Hospice Services	**Home Health and Hospice Services**	**Senior Living Services**	**All Other**	**Total**
Three Months Ended March 31, 2024					
Revenue					
Revenue					
Revenue	Revenue	$ 287,573	$111,364	$ —	$398,937
Segment Adjusted EBITDAR from Operations	Segment Adjusted EBITDAR from Operations	$ 47,364	$ 33,394	$(23,496)	$ 57,262
Nine Months Ended September 30, 2022					
Three Months Ended March 31, 2023					
Revenue					
Revenue					
Revenue	Revenue	$ 251,598	$ 96,978	$ —	$348,576

Segment Adjusted EBITDAR from Operations	Segment Adjusted EBITDAR from Operations	$ 45,056	$ 27,573	$(23,795)	$ 48,834

The following table provides a reconciliation of Segment Adjusted EBITDAR from Operations to income from operations:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	**2022**	**2023**	**2022**
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Segment Adjusted EBITDAR from Operations					
Segment Adjusted EBITDAR from Operations					
Segment Adjusted EBITDAR from Operations	Segment Adjusted EBITDAR from Operations	$ 20,647	$ 16,971	$ 57,262	$ 48,834
Less: Depreciation and amortization	Less: Depreciation and amortization	1,323	1,251	3,817	3,677
Less: Depreciation and amortization					
Less: Depreciation and amortization					
Rent—cost of services	Rent—cost of services	10,006	9,391	29,439	28,520
Other (expense) income		(37)	(18)	28	(50)
Rent—cost of services					
Rent—cost of services					
Other income					
Other income					
Other income					
Adjustments to Segment EBITDAR from Operations:					
Adjustments to Segment EBITDAR from Operations:					
Adjustments to Segment EBITDAR from Operations:	Adjustments to Segment EBITDAR from Operations:				
Less: Costs at start-up operations(a)	Less: Costs at start-up operations(a)	(108)	430	160	938
Less: Costs at start-up operations(a)					
Less: Costs at start-up operations(a)					
Share-based compensation expense and related taxes(b)	Share-based compensation expense and related taxes(b)	1,391	(2,501)	4,164	2,319
Share-based compensation expense and related taxes(b)					
Share-based compensation expense and related taxes(b)					
Acquisition related costs and credit allowances(c)					

Acquisition related costs and credit allowances(c)					
Acquisition related costs and credit allowances(c)	Acquisition related costs and credit allowances(c)	71	1,000	175	1,014
Costs associated with transitioning operations(d)	Costs associated with transitioning operations(d)	10	144	595	6,078
Costs associated with transitioning operations(d)					
Costs associated with transitioning operations(d)					
Unusual, non-recurring or redundant charges(e)					
Unusual, non-recurring or redundant charges(e)					
Unusual, non-recurring or redundant charges(e)	Unusual, non-recurring or redundant charges(e)	1,009	293	1,633	370
Add: Net income attributable to noncontrolling interest	Add: Net income attributable to noncontrolling interest	79	163	351	387
Add: Net income attributable to noncontrolling interest					
Add: Net income attributable to noncontrolling interest					
Condensed Consolidated Income from Operations	Condensed Consolidated Income from Operations	$ 7,061	$ 7,144	$ 17,602	$ 6,355
Condensed Consolidated Income from Operations					
Condensed Consolidated Income from Operations					

(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 and related payroll taxes incurred. Share-based compensation expense and related payroll taxes are included in cost of services and general and administrative expense.

(c) Non-capitalizable costs associated with acquisitions, credit allowances, and write offs for amounts in dispute with the prior owners of certain acquired operations.

(d) During the nine three months ended September 30, 2023 March 31, 2023, an affiliate of the Company placed its memory care units into transition and is actively seeking to sublease the units to an unrelated third party. The amount above represents the net operating impact attributable to the units in transition. The amounts reported exclude rent and depreciation and amortization expense related to such operations and include legal settlement costs associated with one of the entities transitioned to Ensign.

During January 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, providing for the transfer of the operations of certain senior living communities (the “Transaction”) from affiliates of the Company to affiliates of Ensign. The closing of the Transaction was completed in two phases with the transfer of two operations on March 1, 2022 and the remainder transferred on April 1, 2022. The amount above represents the net impact on revenue and cost of service attributable to all of the transferred entities. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

(e) Represents unusual or non-recurring charges for legal services, implementation costs, integration costs, and consulting fees in general and administrative and cost of services expenses. The amounts reported for the nine months ended September 30, 2022 include certain costs identified as redundant or non-recurring incurred by the Company for services provided by Ensign under the Transition Services Agreement, and were included in general and administrative expense.

7. ACQUISITIONS

The Company is focused on acquiring operations that are complementary to the Company’s current businesses, accretive to the Company’s business or otherwise advance the Company’s strategy. The results of all the Company’s

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

independent operating subsidiaries are included in the Interim Financial Statements subsequent to the date of acquisition. Acquisitions are accounted for using the acquisition method of accounting.

2023 2024 Acquisitions

During the nine three months ended September 30, 2023 March 31, 2024, the Company expanded its operations with the addition of three one home health agencies, agency described below and two senior living communities. The Company acquired the real estate of the two senior living communities. These new communities included 223 operational senior living units to be operated by the Company's independent subsidiaries.

On January 1, 2024, the Company announced it closed on a home health joint venture with John Muir Health ("Muir"), a leading nonprofit integrated health system serving communities throughout the east bay region of San Francisco, California. The transaction combines certain assets and the operations of Muir's home health business and the assets and operations of a local Pennant-affiliated home health agency. The joint venture is majority-owned and managed by an independent operating subsidiary of the Company and provide home health services to patients throughout the San Francisco east bay region. Along with the assets contributed by a local Pennant-affiliated home health agency, the Company paid Muir $11,680 for a majority interest in the joint venture.

The fair value of assets for the joint venture acquiredwas mostly concentrated in goodwill and intangible assets and as such, these transaction was classified as business combination in accordance with ASC Topic 805, *Business Combinations* ("ASC 805"). The fair value of assets acquired for the business combination was $23,406, which preliminarily consisted of goodwill of $16,206 and indefinite-lived intangible assets of $7,200 related to a Medicare and Medicaid license. The Company acquired 60.0% ownership interest in the joint venture. The contributions of assets by Muir to the joint venture, resulted in the Company recording a noncontrolling interest with a fair value of $11,726. The Company anticipates that the total goodwill recognized will be fully deductible for tax purposes.

The aggregate purchase price of the real estate of the two senior living communities acquired was $10,380 which preliminarily consisted primarily of land and building.

There were no material acquisition costs that were expensed related to the business combinations during the three hospice agencies, two months ended March 31, 2024.

2023 Acquisitions

During the three months ended March 31, 2023, the Company expanded its operations with the addition of one home care agencies, and health agency as well as two senior living communities. In connection with the addition of the two senior living communities, the Company entered into a new long-term "triple-net" lease. A subsidiary of the Company entered into a separate operations transfer agreement with the prior operator of each acquired operation as part of each transaction.

The fair value of assets for two home health agencies, three hospice agencies, and two home care agencies acquired were mostly concentrated in goodwill and intangible assets and as such, these transactions were classified as business combinations in accordance with ASC Topic 805, *Business Combinations* ("ASC 805"). The purchase price for the business combinations was $11,662, which preliminarily consisted of of goodwill of $6,635, indefinite-lived intangible assets of $3,895 related to Medicare and Medicaid licenses, equipment and other assets of $1,027 related to accounts receivable, and other indefinite-lived intangible assets of $186, less assumed liabilities of $81. The Company anticipates that the total goodwill recognized will be fully deductible for tax purposes.

One one home health agency acquired was a Medicare license and is considered an asset acquisition. The fair value of the home health license acquired was $210 and was recorded in allocated to indefinite-lived intangible assets.

There were no material acquisition costs that were expensed related to the business combinations during the nine months ended September 30, 2023.

2022 Acquisitions

During the nine months ended September 30, 2022, the Company expanded its operations with the addition of two home health and four hospice agencies as well as one senior living community. A subsidiary of the Company entered into a separate operations transfer agreement with the prior operator of each acquired operation as part of each transaction.

The fair value of assets for home health acquisitions was mostly concentrated in goodwill and intangible assets and as such, these transactions were classified as business combinations in accordance with ASC 805. The purchase price for the business combinations was $9,680, which consisted of equipment and other assets of $188, goodwill of $4,925, indefinite-lived intangible assets of $4,714 related to Medicare and Medicaid licenses, and other intangible assets of $40, net of assumed liabilities of $187. The Company anticipates that the total goodwill recognized will be fully deductible for tax purposes. There

were no material acquisition costs that were expensed related to the business combinations during the nine months ended September 30, 2022.

Subsequent Events

On October 2, 2023 April 12, 2024, the Company closed on an acquisition of one home health agency in Washington. On May 1, 2024, the Company expanded its operations with one senior living community in Idaho and the acquisition of one home health and one hospice agency in California. On November 1, 2023, Utah. In connection with the addition of the senior living community, the Company closed on an acquisition of two hospice agencies, one in Texas and one in Oklahoma. entered into a new long-term "triple-net" lease.

The total purchase price of the three two home health agencies and the one hospice agencies agency was $6,600. $1,000. As of the date of this report, the preliminary allocation of the purchase price for the acquisitions acquired subsequent to September 30, 2023 March 31, 2024 were not completed as necessary valuation information was not yet available. As such, the determination whether these acquisitions should be classified as business combinations or asset acquisitions under ASC 805 will be determined upon completion of the allocation of the purchase price.

8. PROPERTY AND EQUIPMENT—NET

Property and equipment, net consist of the following:

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Land	Land	$ 96	$ 96		
Building	Building	1,890	1,890		
Leasehold improvements	Leasehold improvements	20,496	18,759		
Equipment	Equipment	28,730	25,532		
Furniture and fixtures	Furniture and fixtures	1,271	1,151		
		52,483	47,428		
	66,973				
Less: accumulated depreciation	Less: accumulated depreciation	(24,500)	(20,807)		
Property and equipment, net	Property and equipment, net	$ 27,983	$ 26,621		

Depreciation expense was $1,321 and $3,807 $1,331 for the three and nine months ended September 30, 2023 March 31, 2024, respectively, and $1,244 and $3,640 $1,275 for the three and nine months ended September 30, 2022, respectively. March 31, 2023.

The Company measures certain assets at fair value on a non-recurring basis, including long-lived assets, which are evaluated for impairment. Long-lived assets include assets such as property and equipment, operating lease assets and certain intangible assets. The inputs used to determine the fair value of long-lived assets in the impairment analysis are considered Level 3 measurements due to their subjective nature. Management has evaluated its long-lived assets and determined there was no impairment recorded during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

9. GOODWILL AND OTHER INDEFINITE-LIVED INTANGIBLE ASSETS

The following table represents activity in goodwill by segment for the nine three months ended September 30, 2023 March 31, 2024:

	Home Health and Hospice Services	Senior Living Services	Total
December 31, 2022	$ 75,855	$ 3,642	$ 79,497
Additions	6,635	—	6,635
September 30, 2023	$ 82,490	$ 3,642	$ 86,132

	Home Health and Hospice Services	Senior Living Services	Total
December 31, 2023	$ 87,372	$ 3,642	$ 91,014
Additions	16,206	—	16,206
March 31, 2024	$ 103,578	$ 3,642	$ 107,220

Other indefinite-lived intangible assets consist of the following:

	March 31, 2024	December 31, 2023
Trade name	$ 1,385	$ 1,385
Medicare and Medicaid licenses	73,557	66,357
Total	$ 74,942	$ 67,742

No goodwill or intangible asset impairment charges were recorded during the three months ended March 31, 2024 and 2023.

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Other indefinite-lived intangible assets consist of the following:

	September 30, 2023	December 31, 2022
Trade name	$ 1,571	$ 1,385
Medicare and Medicaid licenses	61,337	57,232
Total	$ 62,908	$ 58,617

No goodwill or intangible asset impairments were recorded during the three and nine months ended September 30, 2023 and 2022.

10. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Refunds payable	Refunds payable	$ 1,754	$ 2,244		
Deferred revenue	Deferred revenue	1,786	1,592		
Resident deposits	Resident deposits	2,657	4,315		
Property taxes	Property taxes	1,254	1,027		
Deferred state relief funds	Deferred state relief funds	872	1,479		
Accrued self-insurance liabilities	Accrued self-insurance liabilities	4,590	3,546		
Other	Other	2,664	2,481		
Other					
Other					
Other accrued liabilities	Other accrued liabilities	$ 15,577	$ 16,684		

Refunds payable includes payables related to overpayments, duplicate payments and credit balances from various payor sources. Deferred revenue occurs when the Company receives payments in advance of services provided. Resident deposits include refundable deposits to residents.

11. DEBT

Long-term debt, net consists of the following:

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Revolving Credit Facility	Revolving Credit Facility	$ 55,000	$ 64,500		
Less: unamortized debt issuance costs(a)	Less: unamortized debt issuance costs(a)	(1,217)	(1,608)		
Long-term debt, net	Long-term debt, net	$ 53,783	$ 62,892		

(a) Amortization expense for debt issuance costs was $130 and $391 for the three and nine months ended September 30, 2023 March 31, 2024, respectively, and $130 and $390 for the three and nine months ended September 30, 2022 March 31, 2023, respectively, and is recorded in interest expense, net on the Condensed Consolidated Statements of Income.

On February 23, 2021, Pennant entered into an amendment to its existing credit agreement (as amended, the "Credit Agreement"), which provides for an increased revolving credit facility with a syndicate of banks with a borrowing capacity of $150,000 (the "Revolving Credit Facility"). On June 12, 2023, Pennant entered into a second amendment to the Credit Agreement that modified the reference rate from LIBOR to Standard Overnight Financing Rate ("SOFR"). The interest rates applicable to loans under the Revolving Credit Facility are, at the Company's election, either (i) Adjusted Term SOFR (as defined in the Credit Agreement) plus a margin ranging from 2.25% to 3.25% per annum or (ii) Base Rate plus a margin ranging from 1.25% to 2.25% per annum, in each case, based on the ratio of Consolidated Total Net Debt to Consolidated EBITDA (each, as defined in the Credit Agreement). In addition, Pennant pays a commitment fee on the undrawn portion of the commitments under the Revolving Credit Facility which ranges from 0.35% to 0.50% per annum, depending on the Consolidated Total Net Debt to Consolidated EBITDA ratio of the Company and its subsidiaries. The Company is not required to repay any loans under the Credit Agreement prior to maturity in 2026, other than to the extent the outstanding borrowings

exceed the aggregate commitments under the Credit Agreement. As of September 30, 2023 March 31, 2024, the Company's weighted average interest rate on its outstanding debt was 8.17% 8.22%. As of September 30, 2023 March 31, 2024, the Company had available borrowing on the Revolving Credit Facility of $90,814, $61,564, which is net of outstanding letters of credit of $4,186.

The fair value of the Revolving Credit Facility approximates carrying value, due to the short-term nature and variable interest rates. The fair value of this debt is categorized within Level 2 of the fair value hierarchy based on the observable market borrowing rates.

The Credit Agreement is guaranteed, jointly and severally, by certain of the Company's independent operating subsidiaries, and is secured by a pledge of stock of the Company's material independent operating subsidiaries as well as a first lien on substantially all of each material operating subsidiary's personal property. The Credit Agreement contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and its independent operating subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions,

mergers or consolidations, amend certain material agreements and pay certain dividends and other restricted payments. Financial covenants require compliance with certain levels of leverage ratios that impact the amount of interest. As of September 30, 2023 March 31, 2024, the Company was compliant with all such financial covenants.

12. OPTIONS AND AWARDS

Outstanding options and restricted stock awards of the Company were granted under the 2019 Omnibus Incentive Plan (the "OIP") and Long-Term Incentive Plan (the "LTIP", and together with the OIP, the "Pennant Plans").

Under the Pennant Plans, stock-based payment awards, including employee stock options, restricted stock awards ("RSA"), and restricted stock units ("RSU" and together with RSA, "Restricted Stock") are issued based on estimated fair value. The following disclosures represent share-based compensation expense relating to employees of the Company's subsidiaries and non-employee directors who have awards under the Pennant Plans.

Total share-based compensation expense for all Plans for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was:

	Three Months Ended September 30,	Nine Months Ended September 30,

		2023	2022	2023	2022		
		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,					
	2024					2024	2023
Share-based compensation expense related to stock options	Share-based compensation expense related to stock options	$1,044	859	$2,878	$2,480		
Share-based compensation expense related to Restricted Stock	Share-based compensation expense related to Restricted Stock	178	(3,664)	535	(643)		
Share-based compensation expense related to Restricted Stock to non-employee directors	Share-based compensation expense related to Restricted Stock to non-employee directors	119	58	598	236		
Total share-based compensation	Total share-based compensation	$1,341	$(2,747)	$4,011	$2,073		

In future periods, the Company estimates it will recognize the following share-based compensation expense for unvested stock options and unvested Restricted Stock as of September 30, 2023 March 31, 2024:

		Unrecognized Compensation Expense	Weighted Average Recognition Period (in years)					
	Unrecognized Compensation Expense					Unrecognized Compensation Expense		Weighted Average Recognition Period (in years)
Unvested Stock Options	Unvested Stock Options	$ 12,492	3.4	Unvested Stock Options	$14,536	3.7		3.7
Unvested Restricted Stock	Unvested Restricted Stock	2,573	3.7	Unvested Restricted Stock	1,971	3.3		3.3
Total unrecognized share-based compensation expense	Total unrecognized share-based compensation expense	$ 15,065						

On July 25, 2022 the Company modified certain outstanding RSUs granted to the former chief executive officer of the Company in connection with the Spin-off. All the RSUs had an original vesting date of October 1, 2022. The modification resulted in the forfeiture of 250 outstanding RSUs and accelerated the vesting on the remaining 943 RSUs from October 1, 2022 to July 31, 2022. The modification of the award resulted in a net reduction of share-based compensation expense related to the awards of $3,812 recorded in general and administrative expense in the third quarter of 2022.

Stock Options

Under the Pennant Plans, options granted to employees of the subsidiaries of Pennant generally vest over five years at 20% per year on the anniversary of the grant date. Options expire ten years after the date of grant.

The Company uses the Black-Scholes option-pricing model to recognize the value of stock-based compensation expense for share-based payment awards under the Plans. Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility and expected option life. The Company develops estimates based on historical data and market information, which can change significantly over time.

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The fair value of each option is estimated on the grant date using a Black-Scholes option-pricing model with the following weighted average assumptions for stock options granted as of September 30: March 31:

Grant Year	Grant Year	Options Granted	Risk-Free Interest Rate	Expected Life(a)	Expected Volatility(b)	Dividend Yield	Weighted Average Fair Value of Options	Grant Year	Options Granted	Risk-Free Interest Rate	Expected Life(a)	Expected Volatility(b)	Dividend Yield	Weighted Average Fair Value of Options
2024														
2023	2023	874	4.1 %	6.5	41.8 %	— %	$ 6.61							
2022		349	2.3 %	6.5	39.8 %	— %	$ 6.71							

(a) Under the midpoint method, the expected option life is the midpoint between the contractual option life and the average vesting period for the options being granted. This resulted in an expected option life of 6.5 years for the options granted.

(b) Because the Company's equity shares have been traded for a relatively short period of time, expected volatility assumption was based on the volatility of related industry stocks.

The following table represents the employee stock option activity during the nine three months ended September 30, 2023 March 31, 2024:

	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Vested	Weighted Average
	Number of Options Outstanding	Weighted Average Exercise Price		
December 31, 2022 2023	2,219 2,924	20.76 18.79		
Granted	874 498	13.62 18.79		
Exercised	(66) (73)	7.06 6.90		
Forfeited	(48) (64)	21.63 23.73		
Expired	(49) (11)	19.87 32.32		
September 30, 2023 March 31, 2024	2,930 3,274	$ 18.79 18.89		

Restricted Stock

A summary of the status of Pennant's non-vested Restricted Stock, and changes during the nine three months ended September 30, 2023 M

	Non-Vested Restricted Stock	Weighted Average Grant Date Fair Value
December 31, 2022	418	$ 14.26

Non-Vested Restricted Stock	Non-Vested Restricted Stock	Weighted Av

December 31, 2023			
Granted	Granted	53	11.40
Vested	Vested	(199)	13.51
Forfeited	Forfeited	(3)	15.61
September 30, 2023		269	$ 15.36
March 31, 2024			

13. LEASES

The Company's independent operating subsidiaries lease 51 senior living communities and its administrative offices under non-cancelab terms ranging from 15 to 25 years. The Company's independent operating subsidiaries also lease the administrative offices of home health and ho years. Most of these leases contain renewal options, most involve rent increases and none contain purchase options. The lease term excludes lea bargain, there are no economic penalties for the Company to renew the lease, and it is not reasonably certain that the Company will exercis accounting policy practical expedients in ASC 842 to: (i) combine associated lease and non-lease components into a single lease component; an use assets and liabilities on the consolidated balance sheets. Non-lease components, which are not significant overall, are combined with lease co

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As of March 31, 2024, the Company's independent operating subsidiaries leased 29 senior living communities from subsidiaries of Ensign arrangement as.The existing leases with subsidiaries of both September 30, 2023 and September 30, 2022. Each of the leases have an Ensign ar from the lease commencement date. years. The total amount of rent expense included in rent - cost of services paid to subsidiaries of Ensign wa months ended September 30, 2023 March 31, 2024, respectively, and $3,760 and $10,250 $3,416 for the three and nine months ended September rent, each of the operating companies are required to pay the following: (1) all impositions and taxes levied on or with respect to the leased properti all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties; (3) all insura and the business conducted on the leased properties; (4) all community maintenance and repair costs; and (5) all fees in connection with any licens leased properties and the business conducted on the leased properties.

Fourteen of the Company's affiliated senior living communities, excluding the communities that are operated under the Ensign Leases (as master lease arrangements. Under these master leases, a breach at a single community could subject one or more of the other communities co risk. Failure to comply with Medicare and Medicaid provider requirements is a default under several of the Company's leases and master leases. W composition of the portfolio or economic terms of the master lease without the consent of the landlord.

As further described in Note 3, on January 27, 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, pr senior living communities. The closing of the Transaction was completed in two phases with the transfer of two operations on March 1, 2022 and the of the lease terminations, the Company reduced both the right of use assets and the lease liabilities by $42,515. Four of the terminated leases were transferred leases being removed from the master lease arrangement, the remaining lease components under the master lease arrangement were lease liability and ROU asset balance of $6,522 for the nine months ended September 30, 2022.

On July 7, 2023 the Company modified one of its master leases, which included nine locations, with an unrelated party to extend the te March 31, 2038. As a result of the modification, the lease components under the master lease arrangement were modified which resulted in a net i of $5,195 for the three and nine months ended September 30, 2023.

The components of operating lease cost, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended March 31,			

		Three Months Ended March 31, Three Months Ended March 31,			
	2024				2024
Operating Lease Costs:	**Operating Lease Costs:**				
Community Rent—cost of services	Community Rent—cost of services	$ 8,567	$8,129	$25,303	$24,755
Community Rent—cost of services					
Community Rent—cost of services					
Office Rent—cost of services	Office Rent—cost of services	1,439	1,262	4,136	3,765
Rent—cost of services					
Rent—cost of services					
Rent—cost of services	Rent—cost of services	$10,006	$9,391	$29,439	$28,520
General and administrative expense	General and administrative expense	$ 94	$ 86	$ 291	$ 241
General and administrative expense					
General and administrative expense					
Variable lease cost (a)	Variable lease cost (a)	$ 1,876	$1,590	$ 5,367	$ 4,463

(a) Represents variable lease cost for operating leases, which costs include property taxes and insurance, common area maintenance, and consumer price index increases, included in cost of services for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

The following table shows the lease maturity analysis for all leases as of March 31, 2024, for the years ended December 31:

Year
2024 (Remainder)
2025
2026
2027
2028
Thereafter
Total lease payments
Less: present value adjustments
Present value of total lease liabilities
Less: current lease liabilities
Long-term operating lease liabilities

The following table shows the lease maturity analysis for all leases as of September 30, 2023, for the years ended December 31:

Year
2023 (Remainder)
2024
2025
2026
2027
Thereafter
Total lease payments
Less: present value adjustments
Present value of total lease liabilities
Less: current lease liabilities
Long-term operating lease liabilities

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In det Company used its incremental borrowing rate based on the information available at each lease's commencement date to determine each lea 2023 March 31, 2024, the weighted average remaining lease term is 12.8 12.3 years and the weighted average discount rate is 8.1%.

14. INCOME TAXES

The Company recorded income tax expense of $1,066 $1,759 and $1,074 $907, or 19.3% 25.8% and 17.7% 31.2% of earnings before inco 2023 March 31, 2024 and 2022, 2023, respectively. The increase decrease in the effective tax rate is primarily due to the modification of certain ou off and not having the impact of the Transaction in the current year.

The Company recorded income tax expense of $3,894 and $241, or 29.3% and 6.3% of earnings before income taxes for the nine months The increase in the effective tax rate is primarily due to the modification of certain outstanding RSUs granted in connection with the Spin-off and no year. deductible equity compensation.

15. DEFINED CONTRIBUTION PLAN

The Company has a 401(k) defined contribution plan (the "401(k) Plan"), whereby eligible employees may contribute up to 90% of their Internal Revenue Code limits. Additionally, the 401(k) Plan provides for discretionary matching contributions (as defined in the 401(k) Plan) by contributions to the 401(k) Plan of $291 and $213 during the three months ended March 31, 2024 and 2023, respectively.

During fiscal year 2021, the Company implemented a non-qualified deferred compensation plan (the "DCP") for executives, other highly co non-employee directors which went into effect on June 1, 2021, effective for compensation to be paid in 2022 and thereafter. The independent co ineligible for participation in the Company's 401(k) plan. The DCP allows participants to defer the receipt of a portion of their base compensation, 80% of their base salary and bonus compensation or director fees. At the participant's election, payments can be deferred until a specific date termination of engagement with the Company and can be paid in a lump sum or in up to ten annual installments. Separate deferral elections can b existing payment elections may be changed. The amounts deferred are credited with earnings and losses based upon the actual performance of The rate of return for each participant varies depending on the specific investment elections made by the participant. Additionally, the plan depos funds are generally invested in individual variable life insurance contracts owned by the Company that are specifically designed to informally fund related administrative costs, which were immaterial during the fiscal years presented.

As of March 31, 2024 and 2023, the Company's deferred compensation liabilities were $1,965 and $855, respectively, in other long-term lia surrender value of the individual variable life insurance contracts is based on investment funds that shadow the investment allocations specified b 2023, the cash surrender value of the company owned life insurance ("COLI") policies were $1,997 and $852, respectively, and were included a consolidated balance sheets. There are no outstanding loan amounts offset against the cash surrender value of the COLI policies. The losses re immaterial for each period presented.

16. COMMITMENTS AND CONTINGENCIES

Regulatory Matters - The Company provides services in complex and highly regulated industries. The Company's compliance with applical governing these industries may be subject to governmental review and adverse findings may result in significant regulatory action, which could in which may not be covered by insurance), and even exclusion from government programs. The Company is a party to various regulatory and ordinary course of business and cannot predict the ultimate outcome of any federal or state regulatory survey, audit or investigation. While gover administrative appeals, the appeals process, even if successful, may take several years to resolve and penalties subject to appeal may remai suspension, termination, or revocation of participation in governmental programs for the payment of the services the Company provides. The De enforcement and regulatory agencies may conduct additional investigations related to the Company's businesses. The Company believes it is pre applicable laws and regulations.

Cost-Containment Measures - Government and third-party payors have instituted cost-containment measures designed to limit payme propose future cost-containment measures, and there can be no assurance that future measures designed to limit payments made to providers will

Indemnities - From time to time, the Company enters into certain types of contracts that contingently require the Company to indemnify primarily include (i) certain real estate leases, under which the Company may be required to indemnify property owners or prior operators for pos claims arising from the Company's use of the applicable premises, (ii) operations transfer agreements, in which the Company agrees to indemn Company acquires against certain liabilities arising from the transfer of the operation and/or the operation thereof after the transfer, (iii) certain Ens with management, directors and employees, under which the subsidiaries of the Company may be required to indemnify such persons for liabilitie terms of such obligations vary by contract and, in most instances, a specific or maximum dollar amount is not explicitly stated therein. Generally, a estimated until a specific claim is asserted. Consequently, because no claims have been asserted, no liabilities have been recorded for these obli Balance Sheets for any of the periods presented.

Litigation - The Company's businesses involve a significant risk of liability given the age and health of the patients and residents ser Company, its operating companies, and others in the industry may be subject to a number of claims and lawsuits, including professional liability cla personal injury, elder abuse, wrongful death or other related claims. Healthcare litigation (including class action litigation) is common and is filed ba the Company is routinely subjected to these claims in the ordinary course of business, including potential claims related to patient care and employment-related claims. Certain of the states where we conduct business, including California, recently adopted laws that increase the maxim awarded to a successful plaintiff in a claim for professional negligence or malpractice arising from care provided by our independent operating sub increase the cost of obtaining and maintaining professional liability insurance to pay for the defense of, and any liability arising under, such claims. these claims or an increase in amounts owing should plaintiffs be successful in their prosecution of these claims, this could materially adversely results of operations and cash flows. In

addition, the defense of these lawsuits may result in significant legal costs, regardless of the outcome, and may result in large settlement amounts o

In addition to the potential lawsuits and claims described above, the Company also is subject to potential lawsuits under the False Claims submission of fraudulent claims for services to any governmental healthcare program (such as Medicare) or commercial payor. A violation may p healthcare programs. Such exclusions could have a correlative negative impact on the Company's financial performance. Some states, including whistleblower and false claims laws and regulations. In addition, the Deficit Reduction Act of 2005 created incentives for states to enact anti-fraud have qualified, including California and Texas, where we conduct business. As such, the Company could face scrutiny, potential liability and legal ex claims acts in markets in which it conducts business.

Under the Fraud Enforcement and Recovery Act ("FERA") and its associated rules, healthcare providers face significant penalties for the k if no false claim was involved. Providers have an obligation to proactively exercise "reasonable diligence" to identify overpayments and retu "identification" or the date any corresponding cost report is due, whichever is later. Retention of overpayments beyond this period may create whistleblowers (including employees, contractors, and agents) from retaliation.

The Company cannot predict or provide any assurance as to the possible outcome of any litigation. If any litigation were to proceed, subjected to, alleged to be liable for, or agree to a settlement of, claims or obligations under federal Medicare statutes, the FCA, or similar sta Company's business, financial condition and results of operations and cash flows could be materially and adversely affected. Among other things, a of substantial sums to settle any alleged civil violations, and may also include the assumption of specific procedural and financial obligations by the

independent operating subsidiaries going forward under a corporate integrity agreement and/or other arrangement with the government.

Medicare Revenue Recoupments - The Company is subject to probe reviews relating to Medicare services, billings and potential over ("UPIC"), Recovery Audit Contractors ("RAC"), Zone Program Integrity Contractors ("ZPIC"), Program Safeguard Contractors ("PSC"), Supple Medicaid Integrity Contributors ("MIC") programs, each of the foregoing collectively referred to as "Reviews."

As of September 30, 2023 March 31, 2024, nine ten of the Company's independent operating subsidiaries had Reviews scheduled, on ap
post-payment. If an operation fails an initial or subsequent Review, the operation could then be subject to extended Review, suspension of paym
billing in the same time period. The Company, from time to time, receives record requests in Reviews which have resulted in claim denials on p
substantially all denials arising from these Reviews using the applicable appeals process. As of September 30, 2023 March 31, 2024, and through
Company's independent operating subsidiaries have responded to the Reviews that are currently ongoing, on appeal or in dispute resolution
outcome of any regulatory and other governmental Reviews. While such Reviews are the subject of administrative appeals, the appeals process, e
The costs to respond to and defend such Reviews may be significant and an adverse determination in such Reviews may subject the Compa
findings, additional recoupments, fines, other penalties (some of which may not be covered by insurance), and termination from Medicare progran
have a material adverse effect on the Company's business and financial condition.

From June 2021 to May 2022, one hospice provider number was subject to a Medicare payment suspension imposed by a UPIC. The tota
all Medicare payments due to the provider number during the suspension. As of September 30, 2023 March 31, 2024, the total amount due from the
$1,915 $1,774 and was recorded in long-term other assets.

In May 2022, the Company received communication that the Medicare payment suspension, for the above-referenced hospice provider n
complete. The UPIC reviewed 107 patient records covering a 10-month period to determine whether, in its view, a Medicare overpayment was m
initially alleged sampled and extrapolated overpayments of $5,105, and withheld that amount through

continued recoupment of Medicare payments. The Company is pursuing its appeal rights through the administrative appeals process, includin
perform statistical extrapolation. To date the Company has been successful in appealing some most of the previously denied claims. The Company
totaling $3,191 and $3,222 for $3,363 as of March 31, 2024. Subsequent to March 31, 2024, the three and nine months ended September 30, 202
totaling $1,431. The Company continues to work through the appeals process for the remaining denied claims of $1,915 and expects to be suc
currently available to the Company, the Company cannot predict the timing or the ultimate outcome of this review including refunds to be receiv
Company has an accrued liability that is immaterial for this review which was recorded as an offset to revenue.

Insurance - The Company retains risk for a substantial portion of potential claims for general and professional liability, workers' compensati
that increase the maximum damages that may be recovered for professional negligence or malpractice claims in states where we operate, includir
insurance policies may increase in the future. The Company recognizes obligations associated with these costs, up to specified deductible limits in
respect to both reported claims and claims incurred but not reported. The general and professional liability insurance has a retention limit of $150 p
pocket retention we must satisfy for claims within the policy year before the carrier will reimburse losses. The workers' compensation insurance
policies held in Texas, Washington and Wyoming which are subject to state insurance and possess their own limits.

The Company is self-insured for claims related to employee health, dental, and vision care. To protect itself against loss exposure, the Co
coverage that insures individual health claims that exceed $350 for each covered person for fiscal year 2023 2024 and fiscal year 2022. 2023.

16. COMMON STOCK REPURCHASE PROGRAM

On December 12, 2022, the Board of Directors of the Company approved a share repurchase program under which the Company may repu
share repurchase program, the Company may repurchase shares from time to time through open market purchases, including through the use o
under the Securities Exchange Act of 1934. The timing and total amount of stock repurchases will depend upon business, economic and marke
prevailing stock prices, and other considerations. The authorization expires on December 12, 2023, and may be suspended or discontinued at any
any amount of common stock. No shares were repurchased during the three and nine months ended September 30, 2023.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

*You should read the following discussion and analysis in conjunction with the Interim Financial Statements and the related notes thereto c
Form 10-Q (this "Quarterly Report"). The information contained in this Quarterly Report is not a complete description of our business or the risks a
We urge you to carefully review and consider the various disclosures made by us in this Quarterly Report and in our other reports filed with the Sec
our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "2022 "2023 Annual Report"), which discusses ou
as subsequent reports we may file from time to time on Form 10-K, Form 10-Q and Form 8-K, for additional information. The section entitled "Ris
describes some of the important risk factors that may affect our business, financial condition, results of operations and/or liquidity. You should ca
information in this Quarterly Report and in our other filings with the SEC, before deciding to purchase, hold or sell our common stock.*

Special Note About Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities L
management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include all stateme
by the use of forward-looking terminology such as the words "outlook," "believes," "expects," "potential," "continues," "may," "might," "will," "shoulc
"projects," "predicts," "guidance," "target," "intends," "plans," "estimates," "anticipates", the negative version of these words or other comparable wo

limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resource legislation or regulations and other non-historical statements.

The risk factors discussed in this Quarterly Report and the 2022 2023 Annual Report under the heading "Risk Factors," could cause our results looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limit

- federal and state changes to, or delays receiving, reimbursement and other aspects of Medicaid and Medicare;
- changes in, and compliance with, the laws and regulations affecting the U.S. healthcare industry;
- proposed changes to payment models and reimbursement amounts within the Medicare and Medicaid fee schedules for future calendar yea
- future cost containment measures undertaken by payors;
- government reviews, audits and investigations of our business;
- potential additional regulation affecting the transparency, ownership, operating standards, and staffing of businesses in our industry;
- increased competition and increased cost of acquisition or retention for, or a shortage of, skilled personnel;
- achievement and maintenance of competitive quality of care ratings and referrals from referral sources;
- changes in, and compliance with, state and federal employment, fair housing, safety, licensing and other laws;
- competition from other healthcare providers, state efforts to regulate or deregulate the healthcare services industry, or the construction or senior living operations;
- actions of labor unions, including strikes, work stoppages, unfair labor practices claims, or related labor activity;
- costs associated with litigation or any future litigation settlements;
- the leases of our affiliated senior living communities;
- inability to complete future acquisitions at attractive prices or at all, and failure to successfully or efficiently integrate new acquisitions into ou
- general economic conditions, including a housing downturn, which could affect seniors' ability to afford resident fees, or inflation and incr and borrowing capital, which may affect the delivery and affordability of our services;

- security breaches and other cyber security incidents;
- the performance of the financial and credit markets and uncertainties related to our ability to obtain financing or the terms of such financing;
- uncertainties related to the lingering effect of the COVID-19 pandemic, including new regulatory risks impacting our operations, potential liti

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forw reliance on any forward-looking statements in this Quarterly Report. Although we may from time to time voluntarily update our prior forward-lookin except as required by applicable securities laws.

Overview

We are a leading provider of high-quality healthcare services to patients of all ages, including the growing senior population, in the United communities we serve through our innovative operating model. We operate in multiple lines of businesses including home health, hospice ar Colorado, Idaho, Iowa, Montana, Nevada, Oklahoma, Oregon, Texas, Utah, Washington, Wisconsin and Wyoming. As of September 30, 2023 Mar provided home health, hospice and home care services from 103 112 agencies operating across these 14 13 states, and our senior living business six states.

The following table summarizes our affiliated home health and hospice agencies and senior living communities as of:

	December 31,					
	2015	2016	2017	2018	2019	2020
Home health and hospice agencies	32	39	46	54	63	76
Senior living communities[a]	36	36	43	50	52	54
Senior living units[a]	3,184	3,184	3,434	3,820	3,963	4,127
Total number of home health, hospice, and senior living operations[a]	68	75	89	104	115	130

	December 31,

	2016	2017	2018	2019	2020	2021
Home health and hospice agencies	39	46	54	63	76	88
Senior living communities	36	43	50	52	54	54
Senior living units	3,184	3,434	3,820	3,963	4,127	4,127
Total number of home health, hospice, and senior living operations	75	89	104	115	130	142

(a) See Footnote 3 Transactions with Ensign for discussion of the 2022 Transaction.

Recent Activities

Acquisitions. During the nine three months ended September 30, 2023 March 31, 2024, we expanded our operations with the addition agencies, two home care agencies, as well as agency and two senior living communities. A subsidiary of the Company entered into a separate ope each acquired operation as part of each transaction.

Trends

We have experienced modest senior living occupancy improvement through the nine three months ended September 30, 2023 March 31, trends and renewed consideration of senior living communities as a home-based care setting. setting as the negative impacts of the global panc improvements in occupancy throughout 2022 2023 and 2023, the first quarter of 2024, the highly competitive environment for senior living residen rate at which we cannot be sure when the return our occupancy levels in our senior living communities will return to pre-pandemic levels.

When we acquire turnaround or start-up operations, we expect that our combined metrics may be impacted. We expect these metrics to v the operations within our portfolio. We have generally experienced lower occupancy rates and higher costs at our senior living communities and lo hospice agencies for recently acquired operations; as a result, we generally anticipate lower and/or fluctuating consolidated and segment margins d

Government Regulation

We have disclosed under the heading “Government Regulation” in the 2022 2023 Annual Report a summary of regulations that we believe results of operations. Since the time of the filing of the 2022 2023 Annual Report, the following regulations have been updated.

On July 28, 2023 April 22, 2024, CMS published the Ensuring Access to Medicaid Services (the “Access Rule”) which creates new oblig services (“HCBS”), including non-skilled personal care services in the home. The Access Rule requires that, beginning in 2030, states must implem that, subject to exceptions, Medicaid-funded HCBS providers spend at least 80% of their Medicaid HCBS reimbursement on compensation fo overhead or profits. The Access Rule further requires states to establish hardship exemptions and separate requirements for small providers. The C Rule, or offsetting Medicaid rate increases, before its ultimate implementation in six years.

On March 28, 2024, CMS issued the 2025 Hospice Payment Rate Update final proposed rule (the “Hospice Payment Final Proposed Final Proposed Rule’s hospice payment update percentage is 3.1% 2.6%, which is an estimated increase of $780 million $705 million in paymen percentage of 3.1% is based on a 3.3% 3.0% market basket percentage increase, which is reduced by a 0.2% 0.4% productivity adjustment. The Hospice Quality Reporting program (“HQRP”) data submission threshold policy adopted in the 2016 Hospice Payment Rule Update final rule, whic required data within 30 days of the relevant reporting event. Hospices that fail to meet quality reporting requirements will receive a 4% reductior increase for that year, which would more than negate the payment update percentage for fiscal year 2024 2025 contained in the Hospice Paymen required quality reporting data to CMS.

On November 1, 2023, CMS finalized rules regarding In addition, the administration of Hospice Payment Proposed Rule updates the statut per patient that may be made to a hospice annually. The proposed hospice cap amount for the 2025 fiscal year is $34,364.85. The Hospice Special Under this final rule, CMS established the data sources for identifying hospices for inclusion in the HSFP, defined the scoring system, and set the cr comments, CMS is finalizing the HSFP without any modifications of the proposed rule with respect Payment Proposed Rule also proposes clarifying proposes to update statistical area delineations, and solicits comments regarding a proposed separate payment mechanism for certain high-intensit standardization of HCI scores, and addressing how missing scores will be handled in services. As this is a proposed rule, the HSFP algorithm. Spec hospice’s missing score with a zero after standardization, which is equivalent to replacing a non-reporting hospice’s missing data with the average v mandates hospices that is expected later in 2024 may contain significant changes, or even remove, the HSFP provisions contained within the Hospi

On March 6, 2024, the SEC issued its final climate disclosure rule (the “Climate Rule”), intended to be surveyed at least semiannually over successful completion regulate how public companies report on the risks and exit from the HSFP, impacts of climate-related matters. The Clima manage and assess climate-related risks, as well as termination from how the Medicaid program for those hospices that cannot meet substantial management oversee these risks. The Climate Rule also mandates companies to disclose the HSFP. financial consequences of extreme weather financial statements. Additionally, the final rule implements an informal resolution process for disputes between CMS and hospices related larger similar to the process for home health agencies.

On November 1, 2023, CMS issued the CY 2024 Home Health Prospective Payment System Final Rule (“Home Health Payment Final Ru an estimated 0.8% aggregate increase to all home health agencies in CY 2024. This increase reflects the effects of the 3.0 percent home health pa estimated 2.6 percent decrease that reflects the net effects of CMS’s finalized prospective permanent behavior assumption adjustment across all pa million decrease), and an estimated 0.4 percent increase that reflects the effects of an update to the fixed-dollar loss ratio (FDL) used in determinin finalized recalibrated case-mix weights and low utilization payment adjustment thresholds using 2022 data. Overall, the Home Health Payment Fina health agencies will increase in the aggregate by $140.0 million based report on its contents.

On October 7, 2023, California enacted SB 253 and SB 261, which require new climate disclosures from companies doing business in revenues of $1 billion or more to disclose their greenhouse gas emissions. SB 261 requires companies with annual revenues of $500 million or assurance requirement. The Company anticipates that it will be required to disclose their climate-related information about its management and greenhouse gas emissions beginning in 2029, assuming no further changes to the measures they use Climate Rule, or to reduce the Company’s s Climate Rule is the subject of litigation in various courts and adapt to those risks. These reports are first due from companies in 2026. Additional d requirements SEC stayed the Climate Rule pending the outcome of these laws will be included in future regulations. cases.

Segments

We have two reportable segments: (1) home health and hospice services, which includes our home health, home care and hospice busin the operation of assisted living, independent living and memory care communities. Our Chief Executive Officer, who is our Chief Operating Decisi the operating segment level. We also report an “all other” category that includes general and administrative expense from our Service Center.

Common Stock Repurchase Program

On December 12, 2022, the Board of Directors of the Company approved a share repurchase program under which the Company may Under the share repurchase program, the Company may repurchase shares from time to time through open market purchases, including through t 10b5-1 under the Securities Exchange Act of 1934, as amended. The timing and total amount of stock repurchases will depend upon busines regulatory requirements, prevailing stock prices, and other considerations. The authorization expires on December 12, 2023, and may be suspend the Company to acquire any amount of common stock. No shares were repurchased during the three and nine months ended September 30, 2023.

Key Performance Indicators

We manage the fiscal aspects of our business by monitoring key performance indicators that affect our financial performance. These indica

Home Health and Hospice Services

- ***Total home health admissions***. Total admissions of home health patients, including new acquisitions, new admissions and readmissions.
- ***Total Medicare home health admissions***. Total admissions of home health patients, who are receiving care under Medicare reimbur admissions and readmissions.

- ***Average Medicare revenue per completed 60-day home health episode***. The average amount of revenue for each completed 60-day h receiving care under Medicare reimbursement programs.
- ***Total hospice admissions***. Total admissions of hospice patients, including new acquisitions, new admissions and recertifications.
- ***Average hospice daily census***. The average number of patients who are receiving hospice care during any measurement period divide period.
- ***Hospice Medicare revenue per day***. The average daily Medicare revenue recorded during any measurement period for services provided

The following table summarizes our overall home health and hospice statistics for the periods indicated:

Three Months Ended September 30,	Nine Months Ended September 30,

		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
	2024				2024
Home health services:	Home health services:				
Total home health admissions					
Total home health admissions					
Total home health admissions	Total home health admissions	10,829	10,152	32,180	30,389
Total Medicare home health admissions	Total Medicare home health admissions	4,640	4,637	14,437	13,952
Average Medicare revenue per 60-day completed episode(a)	Average Medicare revenue per 60-day completed episode(a)	$3,585	$3,553	$3,536	$3,543
Hospice services:	Hospice services:				
Total hospice admissions	Total hospice admissions	2,433	2,392	7,206	6,920
Total hospice admissions					
Total hospice admissions					
Average hospice daily census	Average hospice daily census	2,698	2,293	2,544	2,270
Hospice Medicare revenue per day	Hospice Medicare revenue per day	$ 183	$ 176	$ 184	$ 177

(a) The year-to-date average Medicare revenue per 60-day completed episode includes post period claim adjustments for prior quarters.

Senior Living Services

- ***Occupancy***. The ratio of actual number of days our units are occupied during any measurement period to the number of days units are period.
- ***Average monthly revenue per occupied unit***. The room and board revenue for senior living services during any measurement period d measurement period divided by the number of months for such measurement period.

The following table summarizes our senior living statistics for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,				
		2023	2022	2023	2022			
		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,						
	2024							
Occupancy	Occupancy	78.9 %	76.5 %	78.4 %	75.1 %	Occupancy	78.5	%
Average monthly revenue per occupied unit	Average monthly revenue per occupied unit	$3,991	$3,560	$3,927	$3,465			

Revenue Sources

Home Health and Hospice Services

Home Health. We derive the majority of our home health revenue from Medicare and managed care. The Medicare payment is adjusted fo amounts, an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit ri with PDGM methodology. Under PDGM, Medicare provides agencies with payments for each 30-day period of care provided to beneficiaries. If a b first 30-day payment period, a second 30-day payment period can begin. There are no limits to the number of periods of care a beneficiary who rem

eligible for the home health benefit can receive. While payment for each 30-day period of care is adjusted to reflect the beneficiary's health conc ensure appropriate payment for those beneficiaries that have the most expensive care needs. The PDGM payment under the Medicare program is limited to: (a) a low utilization payment adjustment if the number of visits is below an established threshold that varies based on the diagnosis transferred to another provider or the Company received a patient from another provider before completing the period of care; (c) adjustment to the patient had a qualifying stay in a post-acute care setting within 14 days prior to the start of a 30-day payment period; (d) the timing of the 30-day p admission date, regardless of whether the same home health provider provided care for the entire series of episodes; (e) changes to the acuity of t (f) changes in the base payments established by the Medicare program; (g) adjustments to the base payments for case mix and geographic wag detail regarding PDGM see the *Government Regulation* section of our 2022 2023 Annual Report.

Hospice. We derive the majority of our hospice business revenue from Medicare reimbursement. The estimated payment rates are calcu deliver. Rates are set based on specific levels of care, are adjusted by a wage index to reflect healthcare labor costs across the country and are following are the four levels of care provided under the hospice benefit:

- ***Routine Home Care ("RHC").*** Care that is not classified under any of the other levels of care, such as the work of nurses, social workers o
- ***General Inpatient Care.*** Pain control or acute or chronic symptom management that cannot be managed in a setting other than an inp skilled nursing facility or hospice inpatient facility.
- ***Continuous Home Care.*** Care for patients experiencing a medical crisis that requires nursing services to achieve palliation and symptor hours of care within a 24-hour period.
- ***Inpatient Respite Care.*** Short-term, inpatient care to give temporary relief to the caregiver who regularly provides care to the patient.

CMS has established a two-tiered payment system for RHC. Hospices are reimbursed at a higher rate for RHC services provided from da subsequent days of service. CMS also provides for a Service Intensity Add-On, which increases payments for certain RHC services provided patients during the final seven days of life.

Medicare reimbursement is adjusted for an inability to obtain appropriate billing documentation or authorizations acceptable to the payor ar as Medicare hospice revenue is subject to an inpatient cap limit and an overall payment cap, we monitor our provider numbers and estimate amo has been exceeded.

Senior Living Services. As of September 30, 2023March 31, 2024, we provided assisted living, independent living and memory care se operations, we generate revenue primarily from private pay sources, with a portion earned from Medicaid or other state-specific programs.

Primary Components of Expense

Cost of Services (excluding rent, general and administrative expense and depreciation and amortization). Our cost of services operating subsidiaries, which primarily consists of payroll and related benefits, supplies, purchased services, and ancillary expenses such as the patients. Cost of services also includes the cost of general and professional liability insurance and other general cost of services specifically attribut

Rent—Cost of Services. Rent—cost of services consists solely of base minimum rent amounts payable under lease agreements to our l not own the underlying real estate at our operations, and these amounts do not include taxes, insurance, impounds, capital reserves or other charg

General and Administrative Expense. General and administrative expense consists primarily of payroll and related benefits and travel e training and other operational support. General and

administrative expense also includes professional fees (including accounting and legal fees), costs relating to information systems, stock-based con

Depreciation and Amortization. Property and equipment are recorded at their original historical cost. Depreciation is computed using the of the depreciable assets (ranging from one to 40 years). Leasehold improvements are amortized on a straight-line basis over the shorter of their es

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on Interim Financial Statements, which hav accepted accounting principles ("GAAP"). The preparation of the Interim Financial Statements and related disclosures requires us to make judgmen

assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial s expenses during the reporting period. On an ongoing basis we review our judgments and estimates, including but not limited to those related to assets, goodwill, and income taxes. goodwill. We base our estimates and judgments upon our historical experience, knowledge of current conditi considering available information, including assumptions that we believe to be reasonable under the circumstances. By their nature, these estimate uncertainty, and actual results could differ materially from the amounts reported. While we believe that our estimates, assumptions, and judgm available when the estimate was made. Refer to Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, within the 2022 202 accounting estimates and policies, which are as follows:

- ***Self-insurance reserves*** - The valuation methods and assumptions used in estimating costs up to retention amounts to settle open clair claims up to retention amounts that have been incurred but not reported;
- ***Revenue recognition*** - The amounts owed by private pay individuals for services and estimate of variable considerations to arrive at the tr used to determine settlements with Medicare and Medicaid payors or retroactive adjustments due to audits and reviews;
- ***Leases*** - We use our estimated incremental borrowing rate based on the information available at lease commencement date in determining
- ***Acquisition accounting*** **accounting and goodwill** - The assumptions used to allocate the purchase price paid for assets acquir acquisitions; acquisitions, and
- ***Income taxes*** - The estimation the review of valuation allowance goodwill for impairment at the Company's annual impairment test date or liabilities for uncertain tax position. a triggering event.

Recent Accounting Pronouncements

Information concerning recently issued accounting pronouncements, if applicable, are included in Note 2, *Basis of Presentation and Summa* Financial Statements.

Results of Operations

The following table sets forth details of our revenue, expenses and earnings as a percentage of total revenue for the periods indicated:

	Three Months Ended March 31,					
	Three Months Ended March 31,					
	Three Months Ended March 31,					
	2024					
		Three Months Ended September 30,				
		2023		2022		
Total revenue						
Total revenue						
Total revenue	Total revenue	100.0	%	100.0	%	1(
Expense:	Expense:					
Expense:						
Expense:						
Cost of services						
Cost of services						
Cost of services	Cost of services	80.2		80.0		8
Rent—cost of services	Rent—cost of services	7.1		7.9		
Rent—cost of services						
Rent—cost of services						
General and administrative expense						
General and administrative expense						
General and administrative expense	General and administrative expense	6.7		5.0		
Depreciation and amortization	Depreciation and amortization	1.0		1.1		
Loss on asset dispositions and impairment, net		—		—		
Depreciation and amortization						
Depreciation and amortization						
Gain on disposition of property and equipment, net						
Gain on disposition of property and equipment, net						
Gain on disposition of property and equipment, net						
Total expenses						
Total expenses						
Total expenses	Total expenses	95.0		94.0		9
Income from operations	Income from operations	5.0		6.0		
Income from operations						
Income from operations						
Other expense:	Other expense:					
Other expense:						
Other expense:						
Other income						
Other income						
Other income						
Interest expense, net						
Interest expense, net						
Interest expense, net	Interest expense, net	(1.1)		(0.9)		(
Other expense, net	Other expense, net	(1.1)		(0.9)		(
Other expense, net						

Other expense, net

Income before provision for income taxes

Income before provision for income taxes

Income before provision for income taxes	Income before provision for income taxes	3.9	5.1	
Provision for income taxes	Provision for income taxes	0.7	0.9	

Provision for income taxes

Provision for income taxes

Net income

Net income

Net income	Net income	3.2	4.2	
Less: net income attributable to noncontrolling interest	Less: net income attributable to noncontrolling interest	0.1	0.1	

Less: net income attributable to noncontrolling interest

Less: net income attributable to noncontrolling interest

Net income attributable to Pennant	Net income attributable to Pennant	3.1 %	4.1 %	

Net income attributable to Pennant

Net income attributable to Pennant

The following table presents our consolidated GAAP Financial measures for the three and nine months ended September 30, 2023 March 3

		Three Months Ended September 30,		Ni
		2023	2022	2023
			(In thousands)	

Three Months Ended March 31,

Three Months Ended March 31,
Three Months Ended March 31,

2024

(In thousands)

(In thousands)
(In thousands)

Consolidated GAAP Financial Measures:	Consolidated GAAP Financial Measures:			
Total revenue	Total revenue	$ 140,192	$ 118,350	$ 398

Total revenue

Total revenue

Total expenses

Total expenses

Total expenses	Total expenses	$ 133,131	$ 111,206	$ 381
Income from operations	Income from operations	$ 7,061	$ 7,144	$ 17

Income from operations

Income from operations

The following tables present certain financial information regarding our reportable segments. General and administrative expense and are included in "All Other":

	Home Health and Hospice Services	Senior Living Services
		(In thousan
Segment GAAP Financial Measures:		
Three Months Ended September 30, 2023		
Revenue	$ 101,474	$ 38,718 $
Segment Adjusted EBITDAR from Operations	$ 17,271	$ 11,473 $
Three Months Ended September 30, 2022		
Revenue	$ 85,779	$ 32,571 $
Segment Adjusted EBITDAR from Operations	$ 15,380	$ 9,370 $

		Home Health and Hospice Services	Senior Living Services	All Other	Total
		(In thousands)			
		Home Health and Hospice Services	Home Health and Hospice Services	Sen	
		(In thousands)			
Segment GAAP Financial Measures:	**Segment GAAP Financial Measures:**				
Nine Months Ended September 30, 2023					
Three Months Ended March 31, 2024					
Three Months Ended March 31, 2024					
Three Months Ended March 31, 2024					
Revenue					
Revenue					
Revenue	Revenue	$ 287,573	$111,364	$ —	$398,937
Segment Adjusted EBITDAR from Operations	Segment Adjusted EBITDAR from Operations	$ 47,364	$ 33,394	$(23,496)	$ 57,262
Nine Months Ended September 30, 2022					
Three Months Ended March 31, 2023					
Revenue					
Revenue					
Revenue	Revenue	$ 251,598	$ 96,978	$ —	$348,576

Segment Adjusted EBITDAR from Operations	Segment Adjusted EBITDAR from Operations	$	45,056	$ 27,573	$(23,795)	$ 48,834

The table below provides a reconciliation of Segment Adjusted EBITDAR from Operations to Condensed Consolidated Income from operati

		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
		(In thousands)			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
	2024				2024
	(In thousands)				
Segment Adjusted EBITDAR from Operations(a)	Segment Adjusted EBITDAR from Operations(a)	$20,647	$16,971	$57,262	$48,834
Less: Depreciation and amortization	Less: Depreciation and amortization	1,323	1,251	3,817	3,677
Rent—cost of services	Rent—cost of services	10,006	9,391	29,439	28,520
Other (expense) income	Other (expense) income	(37)	(18)	28	(50)
Adjustments to Segment EBITDAR from Operations:	Adjustments to Segment EBITDAR from Operations:				
Less: Costs at start-up operations(b)					
Less: Costs at start-up operations(b)					
Less: Costs at start-up operations(b)	Less: Costs at start-up operations(b)	(108)	430	160	938
Share-based compensation expense(c)	Share-based compensation expense(c)	1,391	(2,501)	4,164	2,319
Acquisition related costs and credit allowances(d)	Acquisition related costs and credit allowances(d)	71	1,000	175	1,014
Costs associated with transitioning operations(e)	Costs associated with transitioning operations(e)	10	144	595	6,078
Costs associated with transitioning operations(e)					
Costs associated with transitioning operations(e)					

Unusual, non-recurring or redundant charges(f)	Unusual, non-recurring or redundant charges(f)	1,009	293	1,633	370
Add: Net income attributable to noncontrolling interest	Add: Net income attributable to noncontrolling interest	79	163	351	387
Condensed Consolidated Income from Operations	Condensed Consolidated Income from Operations	$ 7,061	$ 7,144	$17,602	$ 6,355

(a) Segment Adjusted EBITDAR from Operations is net income (loss) attributable to the Company's reportable segments excluding interest expense, provision for income taxes, the operations performance on a comparable basis from period to period, certain adjustments including: (1) costs at start-up operations, (2) share-based compensation, associated with transitioning operations, (5) unusual, non-recurring or redundant charges, and (6) net income attributable to noncontrolling interest. General and administrativ included as "All Other", accordingly the segment earnings measure reported is before allocation of corporate general and administrative expenses. The Company's segment other companies and, therefore, comparability may be limited.

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

(c) Share-based compensation expense and related payroll taxes incurred. Share-based compensation expense and related payroll taxes are included in cost of services and ger

(d) Non-capitalizable costs associated with acquisitions, credit allowances, and write offs for amounts in dispute with the prior owners of certain acquired operations.

(e) During the nine three months ended September 30, 2023 March 31, 2023, an affiliate of the Company placed its memory care units into transition and is actively seeking to represents the net operating impact attributable to the units in transition. The amounts reported exclude rent and depreciation and amortization expense related to such operat entities transitioned to Ensign.

During January 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, providing for the transfer of the operations of certain senior living 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 and cost of service attributable to all of the transferred entities. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

(f) Represents unusual or non-recurring charges for legal services, implementation costs, integration costs, and consulting fees in general and administrative and cost of servi September 30, 2022 include certain costs identified as redundant or non-recurring incurred by the Company for services provided by Ensign under the Transition Servic expense.

Performance and Valuation Measures:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			

	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended March 31,	
	2024	2024
	(In thousands)	(I
Consolidated Non-GAAP Financial Measures:	Consolidated Non-GAAP Financial Measures:	

Performance Metrics Performance Metrics

Performance Metrics

Performance Metrics

Consolidated EBITDA

Consolidated EBITDA

Consolidated EBITDA	Consolidated EBITDA	$ 8,268	$8,214	$21,096	$ 9,595
Consolidated Adjusted EBITDA	Consolidated Adjusted EBITDA	$10,880	$7,895	$28,864	$21,648
Valuation Metric	Valuation Metric				
Consolidated Adjusted EBITDAR	Consolidated Adjusted EBITDAR	$20,647		$57,262	

Consolidated Adjusted EBITDAR

Consolidated Adjusted EBITDAR

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			

Three Months Ended March 31,

Three Months Ended March 31,

Three Months Ended March 31,

	2024	2024
	(In thousands)	(In

Segment Non-GAAP Measures:(a)	**Segment Non-GAAP Measures:(a)**				
Segment Adjusted EBITDA from Operations	Segment Adjusted EBITDA from Operations				

Segment Adjusted EBITDA from Operations

Segment Adjusted EBITDA from Operations

Home health and hospice services

Home health and hospice services

Home health and hospice services	Home health and hospice services	$15,904	$14,208	$43,476	$41,452

Senior living services	Senior living services	$ 3,073	$ 1,466	$ 8,884	$ 3,991

(a) General and administrative expenses are not allocated to any segment for purposes of determining segment profit or loss.

The tables below reconcile Consolidated Net Income to the consolidated Non-GAAP financial measures, Consolidated EBITDA and Co valuation measure, Consolidated Adjusted EBITDAR, for the periods presented:

		Three Months Ended September 30,		
		2023	2022	20
		(In thousands)		
		Three Months Ended March 31,		
		Three Months Ended March 31,		
		Three Months Ended March 31,		
		2024		
		2024		
		2024		
		(In thousands)		
		(In thousands)		
		(In thousands)		
Consolidated net income	Consolidated net income	$ 4,462	$ 4,994	$
Less: Net income attributable to noncontrolling interest	Less: Net income attributable to noncontrolling interest	79	163	
Less: Net income attributable to noncontrolling interest				
Less: Net income attributable to noncontrolling interest				
Add: Provision for income taxes				
Add: Provision for income taxes				
Add: Provision for income taxes	Add: Provision for income taxes	1,066	1,074	
Interest expense, net	Interest expense, net	1,496	1,058	
Interest expense, net				
Interest expense, net				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization	Depreciation and amortization	1,323	1,251	
Consolidated EBITDA	Consolidated EBITDA	8,268	8,214	
Consolidated EBITDA				
Consolidated EBITDA				
Adjustments to Consolidated EBITDA				
Adjustments to Consolidated EBITDA				
Adjustments to Consolidated EBITDA	Adjustments to Consolidated EBITDA			
Add: Costs at start-up operations(a)	Add: Costs at start-up operations(a)	(108)	430	
Add: Costs at start-up operations(a)				
Add: Costs at start-up operations(a)				

Share-based compensation expense(b)	Share-based compensation expense(b)	1,391	(2,501)	
Share-based compensation expense(b)				
Share-based compensation expense(b)				
Acquisition related costs and credit allowances(c)				
Acquisition related costs and credit allowances(c)				
Acquisition related costs and credit allowances(c)	Acquisition related costs and credit allowances(c)	71	1,000	
Costs associated with transitioning operations(d)	Costs associated with transitioning operations(d)	10	144	
Costs associated with transitioning operations(d)				
Costs associated with transitioning operations(d)				
Unusual, non-recurring or redundant charges(e)				
Unusual, non-recurring or redundant charges(e)				
Unusual, non-recurring or redundant charges(e)	Unusual, non-recurring or redundant charges(e)	1,009	293	
Rent related to items (a) and (d) above	Rent related to items (a) and (d) above	239	315	
Rent related to items (a) and (d) above				
Rent related to items (a) and (d) above				
Consolidated Adjusted EBITDA				
Consolidated Adjusted EBITDA				
Consolidated Adjusted EBITDA	Consolidated Adjusted EBITDA	10,880	7,895	
Rent—cost of services	Rent—cost of services	10,006	9,391	
Rent—cost of services				
Rent—cost of services				
Rent related to items (a) and (d) above				
Rent related to items (a) and (d) above				
Rent related to items (a) and (d) above	Rent related to items (a) and (d) above	(239)	(315)	
Adjusted rent—cost of services	Adjusted rent—cost of services	9,767	9,076	
Adjusted rent—cost of services				
Adjusted rent—cost of services				
Consolidated Adjusted EBITDAR	Consolidated Adjusted EBITDAR	$ 20,647		$
Consolidated Adjusted EBITDAR				
Consolidated Adjusted EBITDAR				

(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 and related payroll taxes incurred. Share-based compensation expense and related payroll taxes are included in cost of services and ger

(c) Non-capitalizable costs associated with acquisitions, credit allowances, and write offs for amounts in dispute with the prior owners of certain acquired operations.

(d) During the nine three months ended September 30, 2023 March 31, 2023, an affiliate of the Company placed its memory care units into transition and is actively seeking to represents the net operating impact attributable to the units in transition. The amounts reported exclude rent and depreciation and amortization expense related to such operat entities transitioned to Ensign.

During January 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, providing for the transfer of the operations of certain senior living 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 and cost of service attributable to all of the transferred entities. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

(e) Represents unusual or non-recurring charges for legal services, implementation costs, integration costs, and consulting fees in general and administrative and cost of servi September 30, 2022 include certain costs identified as redundant or non-recurring incurred by the Company for services provided by Ensign under the Transition Servic expense.

The tables below reconciles Segment Adjusted EBITDAR from Operations to Segment Adjusted EBITDA from Operations for the periods pr

		Three Months Ended September 30,			
		Home Health and Hospice		Senior Living	
		2023	2022	2023	2022
		(In thousands)			
Segment Adjusted EBITDAR from Operations	Segment Adjusted EBITDAR from Operations	$17,271	$15,380	$11,473	$9,370
Less: Rent—cost of services	Less: Rent—cost of services	1,439	1,262	8,567	8,129
Rent related to start-up and transitioning operations	Rent related to start-up and transitioning operations	(72)	(90)	(167)	(225)
Segment Adjusted EBITDA from Operations	Segment Adjusted EBITDA from Operations	$15,904	$14,208	$ 3,073	$1,466

Three Months Ended March 31,			
Home Health and Hospice		Home Health and Hospice	
2024	2024	2023	202
(In thousands)			

	Nine Month	
	Home Health and Hospice	
	2023	2022
	(	
Segment Adjusted EBITDAR from Operations	$ 47,364	$ 4
Less: Rent—cost of services	4,136	
Rent related to start-up and transitioning operations	(248)	
Segment Adjusted EBITDA from Operations	$ 43,476	$ 4

The following discussion includes references to certain performance and valuation measures, which are non-GAAP financial measures, inc EBITDA, Segment Adjusted EBITDA from Operations, and Consolidated Adjusted EBITDAR (collectively, "Non-GAAP Financial Measures"). Non-G in conjunction with, results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Non-G viewing aspects of our operations and company that, when viewed with our GAAP results and the accompanying reconciliations to corresponding more comprehensive understanding of factors and trends affecting our business.

We believe these Non-GAAP Financial Measures are useful to investors and other external users of our financial statements regarding our

- they are widely used by investors and analysts in our industry as a supplemental measure to evaluate the overall performance of compa interest expense, rent expense and depreciation and amortization, which can vary substantially from company to company depending on th were acquired, and differences in capital structures;
- they help investors evaluate and compare the results of our operations from period to period by removing the impact of our asset base and
- Consolidated Adjusted EBITDAR is used by investors and analysts in our industry to value the companies in our industry without regard to c

We use Non-GAAP Financial Measures:

- as measurements of our operating performance to assist us in comparing our operating performance on a consistent basis from period to pe
- to allocate resources to enhance the financial performance of our business;
- to assess the value of a potential acquisition;
- to assess the value of a transformed operation's performance;
- to evaluate the effectiveness of our operational strategies; and
- to compare our operating performance to that of our competitors.

We typically use Non-GAAP Financial Measures to compare the operating performance of each operation from period to period. We find th purpose because they do not include such costs as interest expense, income taxes, depreciation and amortization expense, which may vary fro including the method used to finance operations, the date of acquisition of a community or business, and the tax law of the state in which a busines

We also establish compensation programs and bonuses for our leaders that are partially based upon the achievement of Consolidated Adju

Non-GAAP Financial Measures have no standardized meaning defined by GAAP. Therefore, our Non-GAAP Financial Measures have lin considered in isolation, or as a substitute for analysis of our results as reported in accordance with GAAP. Some of these limitations are:

- they do not reflect our current or future cash requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the net interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- in the case of Consolidated Adjusted EBITDAR, it does not reflect rent expenses, which are normal and recurring operating expenses that a
- they do not reflect any income tax payments we may be required to make;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in for such replacements; and
- other companies in our industry may calculate the same Non-GAAP Financial Measures differently than we do, which may limit their usefuln

We compensate for these limitations by using Non-GAAP Financial Measures only to supplement net income on a basis prepared in complete understanding of the factors and trends affecting our business. Our use of Non-GAAP Financial Measures should not be construed as an unusual or unexpected items.

We strongly encourage investors to review the Interim Financial Statements, included in this Quarterly Report in their entirety and to not r Non-GAAP Financial Measures are not standardized, it may not be possible to compare these financial measures with other companies' non-G names. These Non-GAAP Financial Measures should not be considered a substitute for, nor superior to, financial results and measures determined urge you to review the reconciliation of Consolidated Net Income to the Non-GAAP Financial Measures in the table presented above, along with included elsewhere in this Quarterly Report.

We believe the following Non-GAAP Financial Measures are useful to investors as key operating performance measures and valuation mea

Performance Measures:

Consolidated EBITDA

We believe Consolidated EBITDA is useful to investors in evaluating our operating performance because it helps investors evaluate and period by removing the impact of our asset base (depreciation and amortization expense) from our operating results.

We calculate Consolidated EBITDA as net income, before (a) interest expense (b) provision for income taxes and (c) depreciation and amo

Consolidated Adjusted EBITDA

We adjust Consolidated EBITDA when evaluating our performance because we believe that the exclusion of the additional items describe investors regarding our ongoing operating performance. We believe that the presentation of Consolidated Adjusted EBITDA, when considered with Income is beneficial to an investor's complete understanding of our operating performance.

We calculate Consolidated Adjusted EBITDA by adjusting Consolidated EBITDA to exclude the effects of non-core business items, wh applicable:

- costs at start-up operations;
- share-based compensation expense;
- acquisition related costs and credit allowances;
- costs associated with transitioning operations; and
- unusual, non-recurring, or redundant charges.

Segment Adjusted EBITDA from Operations

We calculate Segment Adjusted EBITDA from Operations by adjusting Segment Adjusted EBITDAR from Operations to include rent-cost of services provides useful supplemental information to investors regarding our ongoing operating performance for each segment.

***Valuation Measure*:**

Consolidated Adjusted EBITDAR

We use Consolidated Adjusted EBITDAR as one measure in determining the value of prospective acquisitions. It is also a measure comm compare the enterprise value of different companies in the healthcare industry, without regard to differences in capital structures. Additionally, we allows us, research analysts and investors to compare operational results of companies with operating and finance leases. A significant portion of whereas operating lease expenditures are recorded in rent expense.

This measure is not displayed as a performance measure as it excludes rent expense, which is a normal and recurring operating expense for leasing commitments. Our presentation of Consolidated Adjusted EBITDAR should not be construed as a financial performance measure.

The adjustments made and previously described in the computation of Consolidated Adjusted EBITDA are also made when computi Consolidated Adjusted EBITDAR by excluding rent-cost of services and rent related to start up operations from Consolidated Adjusted EBITDA.

Three Months Ended September 30, 2023 March 31, 2024 Compared to the Three Months Ended September 30, 2022 March 31, 2023

Revenue

	Three Months Ended September 30,								
	2023		2022						
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage					
	(In thousands)								
Home health and hospice services									
Home health	$ 44,921	32.0 %	$ 39,873	33.8 %	$ 57,212	36.5	36.5	%	$41,780
Hospice	50,371	35.9	40,522	34.2					
Home care and other(a)	6,182	4.4	5,384	4.5					
Total home health and hospice services	101,474	72.3	85,779	72.5					
Senior living services	38,718	27.7	32,571	27.5					
Total revenue	$140,192	100.0 %	$118,350	100.0 %	Total revenue	$156,915	100.0	100.0 %	

	Three Months Ended March 31,		
	2024		2024
	Revenue Dollars	Revenue Dollars	Revenue Percentage
	(In thousands)		
Home health			
Home health			

(a) Home care and other revenue is included with home health revenue in other disclosures in this Quarterly Report.

Our total revenue increased $21.8 million $30.5 million, or 18.5% 24.1%, during the three months ended September 30, 2023. We e
operational performance in our Home Health and Hospice segment from increased admissions and rates when compared to the three months en
Living segment resulted in an increase in revenue of $6.1 million driven primarily by the combination of increased occupancy and improved average

Home Health and Hospice Services

	Three Months Ended September 3	
	2023	2022
	(In thousands)	
Home health and hospice revenue		
Home health services	$ 44,921	$ 39
Hospice services	50,371	40
Home care and other	6,182	5
Total home health and hospice revenue	$ 101,474	$ 85

	Three Months Ended September 3	
	2023	2022
Home health services:		
Total home health admissions	10,829	10
Total Medicare home health admissions	4,640	4
Average Medicare revenue per 60-day completed episode	$ 3,585	$ 3

Hospice services:		
Total hospice admissions	2,433	2
Average daily hospice census	2,698	2
Hospice Medicare revenue per day	$ 183	$
Number of home health and hospice agencies at period end	103	

Home health and hospice revenue increased $15.7 million, or 18.3%. Revenue grew due to an increase in certain key performance ind health admissions, an increase in total hospice admissions of 1.7%, an increase in average daily hospice census of 17.7%, and an increase of 4. three months ended September 30, 2023 compared to the prior year quarter. Growth was also driven by the addition of nine home health and h September 30, 2023, resulting in an increase of $3.8 million or 4.4%.

Senior Living Services

	Three Months Ended September 30,	
	2023	2022
Revenue (in thousands)	$ 38,718	$ 32,571
Number of communities at period end	51	49
Occupancy	78.9 %	76.5
Average monthly revenue per occupied unit	$ 3,991	$ 3,560

Senior living revenue increased $6.1 million, or 18.9%, for the three months ended September 30, 2023 compared to the prior year quarter average monthly revenue per occupied unit and an increase of 240 basis points in occupancy between September 30, 2022 and September 30, senior living communities between September 30, 2022 and September 30, 2023, resulting in an increase of $0.6 million or 1.8% overall.

Cost of Services

The following table sets forth total cost of services by each of our reportable segments for the periods indicated:

	Three Months Ended September 30	
	2023	2022
	(In thousands)	
Home Health and Hospice	$ 84,795	$ 71,
Senior Living	27,589	23,
Total cost of services	$ 112,384	$ 94,

Total consolidated cost of services increased $17.7 million, or 18.7%, for the three months ended September 30, 2023 when compared to t services as a percentage of revenue increased by 20 basis points from 80.0% to 80.2% for the three months ended September 30, 2023 when c 2022.

Home Health and Hospice Services

	Three Months Ended September 30,	
	2023	2022
	(In thousands)	
Cost of service	$ 84,795	$ 71,112
Cost of services as a percentage of revenue	83.6 %	82.9

Cost of services related to our Home Health and Hospice Services segment increased $13.7 million, or 19.2%, primarily due to increased percentage of revenue for the three months ended September 30, 2023 increased 70 basis points for the three months ended September 30 September 30, 2022, primarily due to increased wages, benefits and other staffing costs.

Senior Living Services

	Three Months Ended September 30,	
	2023	2022
	(In thousands)	
Cost of service	$ 27,589	$ 23,568
Cost of services as a percentage of revenue	71.3 %	72.4

Cost of services related to our Senior Living Services segment increased $4.0 million, or 17.1%, primarily due to increased wages and be decreased by 110 basis points for the three months ended September 30, 2023 when compared to the three months ended September 30, 2022.

Rent—Cost of Services. Rent expense increased 6.5% from $9.4 million to $10.0 million in the three months ended September 30, 2023 wh 30, 2022, primarily as a result of the newly acquired senior living communities. Rent as a percentage of total revenue decreased 80 basis poi September 30, 2023 compared to the three months ended September 30, 2022.

General and Administrative Expense. Our general and administrative expense increased $3.5 million or 60.2% from $5.9 million to $9.4 mil when compared to the three months ended September 30, 2022. General and administrative expense as a percentage of revenue increased 170 b the increase in general and administrative expense was the increase in share-based compensation of $3.7 million due primarily to the modification ended September 30, 2022 that resulted in a reduction of expense in that quarter. For further detail see Note 12, *Options and Awards* to the Inte Quarterly Report.

*Depreciation and Amortization.*Depreciation and amortization expense was essentially flat as a percentage of total revenue. The impact o offset by the prior year impairment of assets that were transferred to Ensign during the current year.

Provision for Income Taxes. We recorded income tax expense of $1.1 million and $1.1 million or 19.3% and 17.7% of earnings before inco 2023 and 2022, respectively. The increase in the effective tax rate is primarily due to not having the impact of the Ensign Transaction in the current y

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

Revenue

	Nine Months Ended S		
	2023		
	Revenue Dollars	Revenue Percentage	
	(In thousan		
Home health and hospice services			
Home health	$ 129,112	32.4 %	$
Hospice	140,222	35.1	
Home care and other(a)	18,239	4.6	
Total home health and hospice services	287,573	72.1	
Senior living services	111,364	27.9	
Total revenue	$ 398,937	100.0 %	$

(a) Home care and other revenue is included with home health revenue in other disclosures in this Quarterly Report.

Our total revenue increased $50.4 million, or 14.4%, during the nine months ended September 30, 2023March 31, 2024. The increase in home health and hospice and senior living, including hospice admissions, hospice revenue per day, hospice average daily census, senior living room.

Home Health and Hospice Services

Nine Months Ended September 30,			
2023	2022	Change	% Change

(In thousands)

Three Months Ended March 31,

2024

2024

2024

2023

(In thousands)

		2024	2023	Change	% Change				
Home health and hospice revenue	Home health and hospice revenue								
Home health and hospice revenue									
Home health and hospice revenue									
Home health services									
Home health services									
Home health services	Home health services	$129,112	$117,962	$11,150	9.5 %	$ 57,212	$	$41,780	
Hospice services	Hospice services	140,222	117,704	22,518	19.1				
Home care and other	Home care and other	18,239	15,932	2,307	14.5				
Total home health and hospice revenue	Total home health and hospice revenue	$287,573	$251,598	$35,975	14.3 %	Total home health and hospice revenue	$116,490	$	$91,07

Nine Months Ended September 30,

		2023	2022	Change	% Change				
		Three Months Ended March 31,							
		Three Months Ended March 31,							
		Three Months Ended March 31,							
		2024							
		2024							
		2024							2023
Home health services:	Home health services:								
Total home health admissions									
Total home health admissions									
Total home health admissions	Total home health admissions	32,180	30,389	1,791	5.9 %	14,649	10,910	10,910	
Total Medicare home health admissions	Total Medicare home health admissions	14,437	13,952	485	3.5				

Average Medicare revenue per 60-day completed episode(a)	Average Medicare revenue per 60-day completed episode(a)	$ 3,536	$ 3,543	$ (7)	(0.2)
Hospice services:	Hospice services:				
Total hospice admissions	Total hospice admissions	7,206	6,920	286	4.1
Total hospice admissions					
Total hospice admissions					
Average daily census	Average daily census	2,544	2,270	274	12.1
Hospice Medicare revenue per day	Hospice Medicare revenue per day	$ 184	$ 177	$ 7	4.0
Number of home health and hospice agencies at period end	Number of home health and hospice agencies at period end	103	94	9	9.6

(a) The year-to-date average for Medicare revenue per 60-day completed episode includes post period claim adjustments for prior periods.

Home health and hospice revenue increased $36.0 million $25.4 million, or 14.3% 27.9% during the nine three months ended Septembe compared to the same period in the prior year primarily due to an increase in hospice average daily census of 12.1% 21.4%, an increase of 5.9 increase in total Medicare home health admissions of 3.5% 28.3%, and an increase of 4.1% 25.7% in hospice admissions. The addition of nine si September 30, 2022 March 31, 2023 and September 30, 2023 March 31, 2024, added revenue of $5.7 million $12.8 million or 2.3% 14.1%.

Senior Living Services

		Three Months Ended March 31, 2024						2023		
		2024								
		2024								
		Nine Months Ended September 30, 2023	2022	Change	% Change					
Revenue (in thousands)										
Revenue (in thousands)										
Revenue (in thousands)	Revenue (in thousands)	$111,364	$96,978	$14,386	14.8 %	$ 40,425	$	$ 35,385	$	$ 5,040
Number of communities at period end	Number of communities at period end	51	49	2	4.1					
Occupancy	Occupancy	78.4 %	75.1 %	3.3 %						
Average monthly revenue per occupied unit	Average monthly revenue per occupied unit	$ 3,927	$ 3,465	$ 462	13.3					

Average monthly revenue per occupied unit

Average monthly revenue per occupied unit

Senior living revenue increased $14.4 million $5.0 million, or 14.8% 14.2%, for the nine three months ended September 30, 2023 March 31, primarily due to an increase of 13.3% 8.5% in average monthly revenue per occupied unit and an increase of 330 40 basis points in the occupanc and September 30, 2023 March 31, 2024. The acquisition of two senior living communities between September 30, 2022 March 31, 2023 and million $1.5 million or 1.2% 4.1% in revenue.

Cost of Services

	Nine Months Ended September 30,			
	2023	2022	Change	% Change
	(In thousands)			
Home Health and Hospice	$242,280	$208,345	$33,935	16.3 %
Senior Living	78,882	69,313	9,569	13.8
Total cost of services	$321,162	$277,658	$43,504	15.7 %

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Home Health and Hospice	$ 97,320	$ 77,406
Total cost of services	$ 125,995	$ 102,602

Consolidated cost of services increased $43.5 $23.4 million, or 15.7% 22.8%, during the nine three months ended September 30, 2023. M prior year. Cost of services as a percentage of revenue for the nine three months ended September 30, 2023 increased March 31, 2024 d 79.7% 81.1% compared to the nine three months ended September 30, 2022 March 31, 2023.

Home Health and Hospice Services

	Nine Months Ended September 30,			
	2023	2022	Change	% Change
Cost of service (in thousands)	$242,280	$208,345	$33,935	16.3 %

	Three Months Ended March 31,	
	2024	2023
Cost of service (in thousands)	$ 97,320	$ 77,40

Cost of services as a percentage of revenue	Cost of services as a percentage of revenue	84.2 %	82.8 %	1.4 %

Cost of services related to our Home Health and Hospice services segment increased $33.9 million $19.9 million, or 16.3% 25.7%, compar to the increased volume of services from the growth in admissions and average daily census. Cost of services as a percentage of revenue for increased March 31, 2024 decreased by 140 150 basis points compared to the nine three months ended September 30, 2022 March 31, 202 benefits. benefits as a percent of revenue.

Senior Living Services

		Nine Months Ended September 30,			
		2023	2022	Change	% Change
		Three Months Ended March 31,			
		2024			
		2024			2023
		2024			
Cost of service (in thousands)	Cost of service (in thousands)	$78,882	$69,313	$9,569	13.8 % Cost of service (in thousands) $ 28,675 $ $ 25,19
Cost of services as a percentage of revenue	Cost of services as a percentage of revenue	70.8 %	71.5 %	(0.7)%	

Cost of services related to our Senior Living services segment increased $9.6 million $3.5 million, or 13.8%, during the nine three months e to the same period in response the prior year primarily due to higher occupancy and wage rate increases. As a percentage of revenue, costs of nine three months ended September 30, 2023 March 31, 2024 when compared to the nine three months ended September 30, 2022 March 31, 2023

Rent—Cost of Services. Rent increased 3.2% 8.2% from $28.5 million $9.6 million to $29.4 million $10.4 million during the nine three m compared to the same period in the prior year, primarily as a result of the newly acquired senior living communities. As a percentage of revenue, r when compared to the nine three months ended September 30, 2022 March 31, 2023 due to improved senior living performance.

General and Administrative Expense. Our general and administrative expense increased $1.3 $2.7 million, or 4.9% 31.4%, from $25.7 mi nine three months ended September 30, 2023 March 31, 2024 when compared to the nine three months ended September 30, 2022 March 31 expense was due to an increase of $1.4 million $2.2 million in share-based compensation, payroll and related benefits, for the nine three months compared to the nine three months ended September 30, 2022 March 31, 2023.

Depreciation and Amortization. Depreciation and amortization expense was essentially flat as a percentage of total revenue. flat.

Loss Gain on asset dispositions disposition of property and impairment, equipment, net. Loss on asset dispositions and impairment, net de insurance proceeds received in excess of the nine carrying values of related assets during the three months ended September 30, 2023 when cor property and equipment was recorded during the nine three months ended September 30, 2022 due to senior living communities transferred to Ensi

Provision for Income Taxes. We recorded income tax expense of $3.9 million $1.8 million and $0.2 million $0.9 million, or 29.3% 25.8% and nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The increase decrease in the effective tax rate is p Transaction increase in the current year. deductible equity compensation.

Liquidity and Capital Resources

Our primary sources of liquidity are net cash provided by operating activities and borrowings under our revolving credit facility.

Revolving Credit Facility

On February 23, 2021, Pennant entered into an amendment to its existing credit agreement (as amended, the “Credit Agreement”), which p a syndicate of banks with a borrowing capacity of $150.0 million (the “Revolving Credit Facility”). The Revolving Credit Facility is not subject to required to repay any loans under the Revolving Credit Facility prior to maturity in 2026. On June 12, 2023, Pennant entered into a second am reference rate from LIBOR to Standard Overnight Financing Rate (“SOFR”). The Company is permitted to prepay all or any portion of the loans without premium or penalty, subject to reimbursement of any SOFR breakage costs of the lenders.

The Credit Agreement contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of the Co grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, amend certain other restricted payments. Financial covenants require compliance with certain levels of leverage ratios that impact the amount of interest. As of was compliant with all such financial covenants.

As of September 30, 2023 March 31, 2024, we had $3.4 million $2.7 million of cash and $90.8 million $61.6 million of available borrowing ca

We believe that our existing cash, cash generated through operations, and access to available borrowing capacity under our existing Cre liquidity for the next twelve months for our operating activities and for opportunities of acquisition growth.

The following table presents selected data from our Condensed Consolidated Statement of Cash Flows for the periods presented:

		Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
		(In thousands)	
	Three Months Ended March 31, 2024	2024	Three Months Ended March 2023
	(In thousands)		(In thousands)
Net cash provided by operating activities	Net cash provided by operating activities	$27,910	$12,974
Net cash used in investing activities	Net cash used in investing activities	(17,576)	(20,176)
Net cash (used in) provided by financing activities		(9,030)	4,967
Net increase (decrease) in cash		1,304	(2,235)
Net cash provided by (used in) financing activities			
Net (decrease) increase in cash			
Cash at beginning of period	Cash at beginning of period	2,079	5,190
Cash at end of period	Cash at end of period	$ 3,383	$ 2,955

Nine Three Months Ended September 30, 2023 March 31, 2024 Compared to the Nine Three Months Ended September 30, 2022 March 31, 2

Our net cash flow from operating activities for the nine three months ended September 30, 2023 increased March 31, 2024 decreased nine three months ended September 30, 2022 March 31, 2023. The primary driver of this difference was a $5.9 million increase in Net income, ar from the change in operating assets and liabilities of $10.5 million net and a decrease of $1.0 million in non-cash expenses partially offset by a d non-cash expenses. $3.1 million.

Our net cash used in investing activities for the nine three months ended September 30, 2023 decreased March 31, 2024 increased by $ months ended September 30, 2022 March 31, 2023, primarily driven by a $2.1 million an increase in business acquisitions and asset acquisitions.

and other assets offset by a $4.7 million decrease in purchases of property and equipment during the nine months ended September 30, 2023 c 2022.

Our net cash used in financing activities increased by approximately $14.0 million $25.6 million for the nine three months ended September months ended September 30, 2022 March 31, 2023. The increase was primarily due to a net reduction increase in the balance on our line of credi 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023.

Contractual Obligations, Commitments and Contingencies

We continue to make draws and payments on our Revolving Credit Facility, as described in Note 11, *Debt*, to the Interim Financial Stateme have right-of-use assets obtained in exchange for new operating lease obligations, as described in the supplemental disclosures of cash flow infor Cash Flows and in Note 13, *Leases,* to the Interim Financial Statements in Part I of this Quarterly Report.

Besides Other than those transactions there have been no other material changes to our total obligations during the period covered by this business.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk. We are exposed to risks associated with market changes in interest rates. On June 12, 2023, Pennant entered into modified the reference rate from LIBOR to SOFR. A 1.0% interest rate change would cause interest expense to change by approximately $0.6 $0. term debt as of September 30, 2023 March 31, 2024. We manage our exposure to this market risk by monitoring available financing alternatives.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the " by this Quarterly Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processe specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) un recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

We are involved in various claims and lawsuits arising in the ordinary course of business, none of which, in the opinion of management, results of operations or financial condition. However, the results of such matters cannot be predicted with certainty and we cannot assure you that proceeding or dispute will not have a material adverse effect on our business, financial condition, results of operations and cash flows. See Note Financial Statements for a description of claims and legal actions arising in the ordinary course of our business.

Item 1A. *Risk Factors*

We have disclosed under the heading “Risk Factors” in the 2022 2023 Annual Report risk factors that materially affect our business, fina carefully consider the risk factors set forth in the 2022 2023 Annual Report and the other information set forth elsewhere in this Quarterly Report. Y information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem our business, financial condition and/or operating results. Since the filing of our 2022 Annual Report on February 23, 2023, the following addit disclosed.

Any economic downturn, deepening of an economic downturn, continued deficit spending by the Federal Government or state budget and covered services. Adverse economic developments in the United States could lead to a reduction in Federal Government expenditures, inc participate, such as Medicare and Medicaid. In addition, if at any time the Federal Government is not able to meet its debt payments due to Con these obligations, the Federal Government may stop or delay making payments on its obligations, including funding for government programs in w Failure of the government to make payments under these programs could have a material adverse effect on our business and consolidated finan Further, any failure by the United States Congress to complete the federal budget process and fund government operations may result in a Fede incur substantial costs without reimbursement under the Medicare program, which could have a material adverse effect on our business and conso cash flows. As an example, the failure of the 2011 Joint Select Committee to meet its Deficit Reduction goal resulted in an automatic reduction in beginning April 1, 2013 ("sequestration" - suspended from May 1, 2020 through March 31, 2022; reinstated at 1% for the period April 1, 2022 throu the Federal Reserve has increased interest rates repeatedly and significantly in recent quarters and may further increase or decrease interest rates operating costs, and the economy as a whole.

Union activity is increasing and could impact our operations. Throughout 2023, there has been a trend of increasing union activity, including such as California, in which we operate. Labor disputes and unionization efforts, among our own employees or among the employees of our refer acquisition targets, or other parties, could lead to work stoppages, slowdown, strikes, lockouts, and increased costs, which could materially impact o

Item 6. Exhibits

EXHIBIT INDEX

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of The Pennant Group, Inc., effective as of September 27, 2019 (incorp Group, Inc.’s Current Report on Form 8-K (File No. 001-38900) filed with the SEC on October 3, 2019).
3.2	Second Amended and Restated Bylaws of The Pennant Group, Inc., effective as of February 21, 2022 (incorporated by refe Current Report on Form 8-K (File No. 001-38900) filed with the SEC February 22, 2022).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are emb
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by

The Pennant Group, Inc.

Dated: November 7, 2023 May 6, 2024

BY: /s/ LYNETTE B. WALBOM

Lynette B. Walbom

Chief Financial Officer (Principal F

I, Brent J. Guerisoli, certify that:

1. I have reviewed this annual quarterly report on Form 10-Q of The Pennant Group, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to m circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respec cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defi for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supe the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under ou regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with gener
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about th procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most r quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal co
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporti committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reas ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal

Date: November 7, 2023 May 6, 2024

/s/ BRENT J. GUERISOLI

Name:	Brent J. Guerisoli
Title:	Chief Executive Officer (Principal

I, Lynette B. Walbom, certify that:

1. I have reviewed this annual quarterly report on Form 10-Q of The Pennant Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to m circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respec cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defi
for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supe
the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under ou
regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with gener

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about th
procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most r
quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal co

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporti
committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reas
ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal

Date: November 7, 2023 May 6, 2024

/s/ LYNETTE B. WALBOM

Name:	Lynette B. Walbom
Title:	*Chief Financial Officer (Principal* *Accounting Officer and Duly Auth*

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Quarterly Report of The Pennant Group, Inc. (the Company) on Form 10-Q for the period ended September 30, 20
Exchange Commission on the date hereof (the Report), I, Brent J. Guerisoli, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C
Sarbanes-Oxley Act of 2002, that to my knowledge:

1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the C

/s/ BRENT J. GUERISOLI

Name:	Brent J. Guerisoli
Title:	Chief Executive Officer (Principal Ex

November 7, 2023 May 6, 2024

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Compa
Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Quarterly Report of The Pennant Group, Inc. (the Company) on Form 10-Q for the period ended September 30, 2(Exchange Commission on the date hereof (the Report), I, Lynette B. Walbom, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C Sarbanes-Oxley Act of 2002, that to my knowledge:

1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Co

/s/ LYNETTE B. WALBOM

Name:	Lynette B. Walbom
Title:	*Chief Financial Officer (Principal Fin* *Accounting Officer and Duly Authori*

November 7, 2023 May 6, 2024

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Compa Commission or its staff upon request.

DISCLAIMER