The Ensign Group, Inc. (ENSG)

Updated February 16th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$128	**5 Year CAGR Estimate:**	9.7%	**Market Cap:**	$7.3 B
Fair Value Price:	$138	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	03/27/2025[1]
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.4%	**Dividend Payment Date:**	04/30/2025[2]
Dividend Yield:	0.2%	**5 Year Price Target**	$202	**Years Of Dividend Growth:**	18
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

The Ensign Group, Inc. (ENSG) is a healthcare company founded in 1999 and headquartered in San Juan Capistrano, California. The company operates 288 healthcare facilities in 13 states, providing skilled nursing, senior living, rehabilitative care services, and ancillary businesses such as mobile diagnostics and medical transportation. The Ensign Group competes with other healthcare providers in the market. Still, its focus on delivering quality care and creating solid relationships with patients and their families has helped it establish a competitive advantage. The company's revenue segments are divided into four categories: skilled nursing services, assisted living services, home health and hospice services, and other services.

On February 5th, 2025, the company announced results for its fourth quarter of 2024. ENSG reported Q4 non-GAAP EPS of $1.49 for the period, beating analysts' estimates by $0.01. In addition, the company reported revenues of $1.13 billion for the quarter, which were up 15.3% year-over-year.

The company delivered another record-breaking year, driven by higher occupancy rates, strong skilled revenue growth, and expanding managed care volumes. Same facility and transitioning facility occupancy increased 2.7% and 4.1% for the year, highlighting strong demand across its portfolio. Total skilled services revenue reached $4.1 billion, up 13.9%, while consolidated GAAP revenue rose 14.2% to $4.26 billion. CEO Barry Port emphasized the company's continued momentum, adding 64 new operations since 2023, demonstrating both organic and acquisition-driven growth.

The company added 38 new operations in 2024, including real estate acquisitions under Standard Bearer, its growing real estate investment arm. Liquidity remains strong, with $464.6 million in cash and $572.1 million in available credit. The company maintains an aggressive acquisition strategy, targeting both performing and underperforming assets to further consolidate its leadership in the post-acute care sector.

Looking ahead, Ensign issued 2025 earnings guidance of $6.16 to $6.34 per diluted share and revenue guidance of $4.83 billion to $4.91 billion, representing a 13.8% EPS increase at the midpoint. With a well-capitalized balance sheet, operational excellence, and ongoing facility expansion, Ensign is poised for another strong year in 2025 as it continues to capture long-term growth opportunities in skilled nursing and senior living markets.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.06	$0.83	$0.91	$1.70	$1.64	$3.06	$3.42	$3.95	$3.65	$5.12	***$6.25***	***$9.18***
DPS	$0.15	$0.16	$0.17	$0.18	$0.19	$0.20	$0.21	$0.22	$0.23	$0.24	***$0.25***	***$0.32***
Shares[3]	51.4	51.9	51.4	52.6	53.5	54.6	55.2	55.7	55.7	56.7	***57.3***	***60.6***

Notwithstanding the macro environment, growth was robust, and occupancy rates returned to levels before the pandemic. Ensign Group is well financed to continue supporting its growth efforts, and we saw that the tail of its asset returns continues to generate value. However, as earnings normalize and reach pre-pandemic levels, there is less room

[1] The ex-dividend date is estimated based on historical data.
[2] The dividend payment date is estimated based on historical data.
[3] In millions.

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for growth, and we have assumed an annual EPS growth rate of 8.0% through 2030. We revised our EPS estimate for 2025, matching the midpoint of analysts' estimates at $6.25. In addition, DPS has consistently increased for the last 18 years, and we remain confident that the company can keep on this track. We expect the company's DPS to grow slightly slower than its EPS at 5.0% through 2030, in-line with its long-term averages.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.1	23.6	21.5	18.8	28.7	16.8	24.1	21.3	26.4	26.0	***20.5***	***22.0***
Avg. Yld.	0.7%	0.8%	0.9%	0.6%	0.4%	0.4%	0.3%	0.3%	0.2%	0.2%	***0.2%***	***0.2%***

ENSG has attracted a relatively high P/E multiple in the past couple of years, and the stock is trading at a forward P/E of 20.5, lower than its 10-year and five-year averages of 22.7 and 22.9, respectively. However, considering the growth prospects, we believe that a P/E of 22.0 accurately reflects the risk/reward of the stock, which leads to our estimated fair value of the company at $202 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

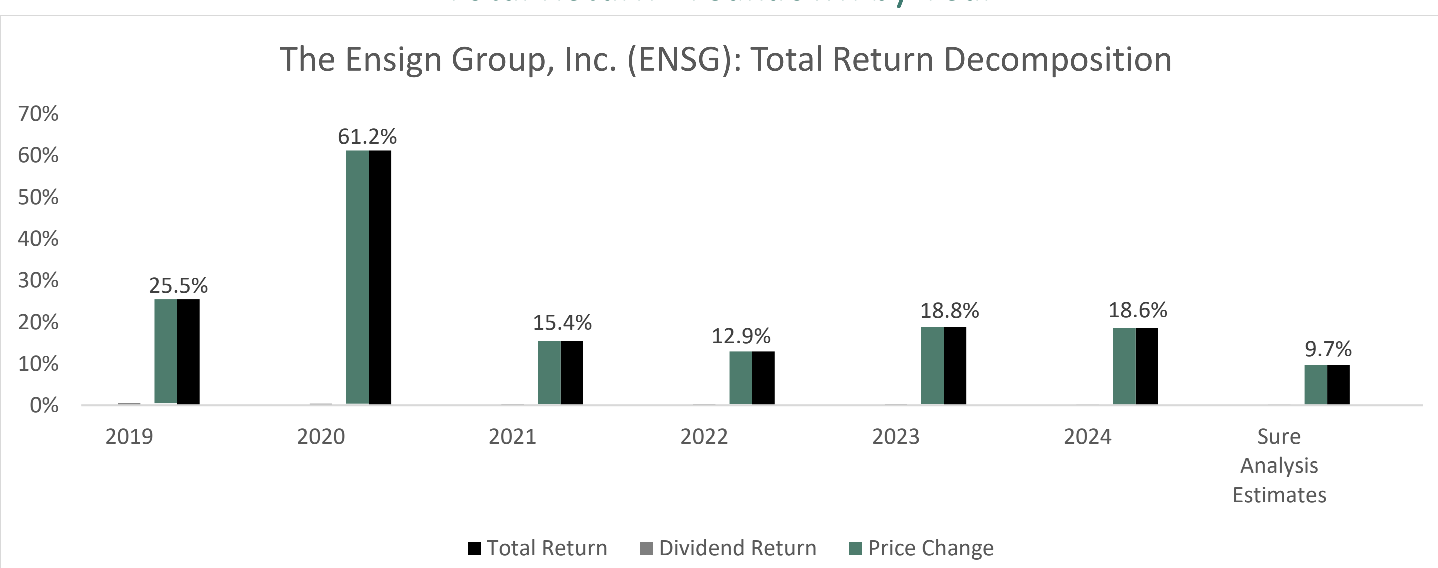
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	14%	19%	19%	11%	12%	7%	6%	6%	6%	5%	***4%***	***3%***

The Ensign Group's distinctive business model, which focuses on buying and renovating troubled healthcare facilities to restore performance and profitability, gives them a competitive advantage. In addition, the organization has performed well during recessions thanks to its solid financial position and capacity to adapt to the evolving healthcare market. As of December 31st, 2024, The Ensign Group maintained a strong liquidity position, with $464.6 million in cash on hand and $572.1 million in available capacity under its line of credit. This robust financial flexibility supports the company's ongoing acquisition strategy, operational expansions, and shareholder returns, positioning it well for continued growth in 2025.

Final Thoughts & Recommendation

We remain confident in The Ensign Group's prospects, as its outlook is still favorable, with strong growth ahead. However, we maintain our hold rating, premised upon the 9.7% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 8.0%, the 0.2% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,027	1,342	1,655	1,598	1,755	2,037	2,403	2,627	3,025	3,729
Gross Profit	156	185	188	173	219	291	407	468	518	591
Gross Margin	15.2%	13.8%	11.4%	10.8%	12.5%	14.3%	17.0%	17.8%	17.1%	15.8%
SG&A Exp.	57	64	69	74	91	111	130	152	159	263
D&A Exp.	26	28	39	42	45	51	55	56	62	72
Operating Profit	73	93	81	57	83	129	223	260	297	255
Op. Margin	7.1%	6.9%	4.9%	3.5%	4.7%	6.3%	9.3%	9.9%	9.8%	6.8%
Net Profit	36	55	50	40	92	111	170	195	225	209
Net Margin	3.5%	4.1%	3.0%	2.5%	5.3%	5.4%	7.1%	7.4%	7.4%	5.6%
Free Cash Flow	31	(27)	8	25	159	121	323	206	185	270
Income Tax	27	35	33	14	13	24	46	60	64	63

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	494	748	1,001	1,102	1,182	2,362	2,546	2,851	3,452	4,178
Cash & Equivalents	50	42	58	42	31	59	237	262	316	510
Acc. Receivable	130	209	244	265	252	309	305	329	408	485
Goodwill & Int.	78	105	122	139	83	61	61	67	83	83
Total Liabilities	236	321	541	602	580	1,706	1,727	1,829	2,203	2,680
Accounts Payable	33	36	39	39	40	45	51	58	77	93
Long-Term Debt	68	100	284	313	243	328	116	157	153	149
Total Equity	259	427	456	492	591	654	818	1,021	1,247	1,492
LTD/E Ratio	0.26	0.23	0.62	0.64	0.41	0.50	0.14	0.15	0.12	0.10

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.7%	8.9%	5.7%	3.8%	8.1%	6.2%	6.9%	7.2%	7.1%	5.5%
Return on Equity	11.7%	16.2%	11.3%	8.5%	17.1%	17.8%	23.2%	21.2%	19.8%	15.3%
ROIC	7.6%	13.0%	7.9%	5.2%	11.1%	12.1%	17.8%	18.4%	17.4%	13.7%
Shares Out.	45.2	51.4	51.9	51.4	52.6	53.5	54.6	55.2	55.7	57.3
Revenue/Share	22.24	25.70	31.74	30.25	32.26	36.38	43.07	46.16	53.20	65.06
FCF/Share	0.68	(0.51)	0.16	0.48	2.93	2.16	5.79	3.62	3.25	4.72

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.