Encompass Health

2018 Morgan Stanley Leveraged Finance Conference

Doug Coltharp, Executive Vice President and
Chief Financial Officer
June 5, 2018

Forward-Looking Statements

The information contained in this presentation includes certain estimates, projections and other forward-looking information that reflect Encompass Health's current outlook, views and plans with respect to future events, including legislative and regulatory developments, strategy, capital expenditures, acquisition and other development activities, cyber security, dividend strategies, repurchases of securities, effective tax rates, financial performance, financial assumptions, business model, balance sheet and cash flow plans, disintermediation, and shareholder value-enhancing transactions. These estimates, projections and other forward-looking information are based on assumptions the Company believes, as of the date hereof, are reasonable. Inevitably, there will be differences between such estimates and actual events or results, and those differences may be material.

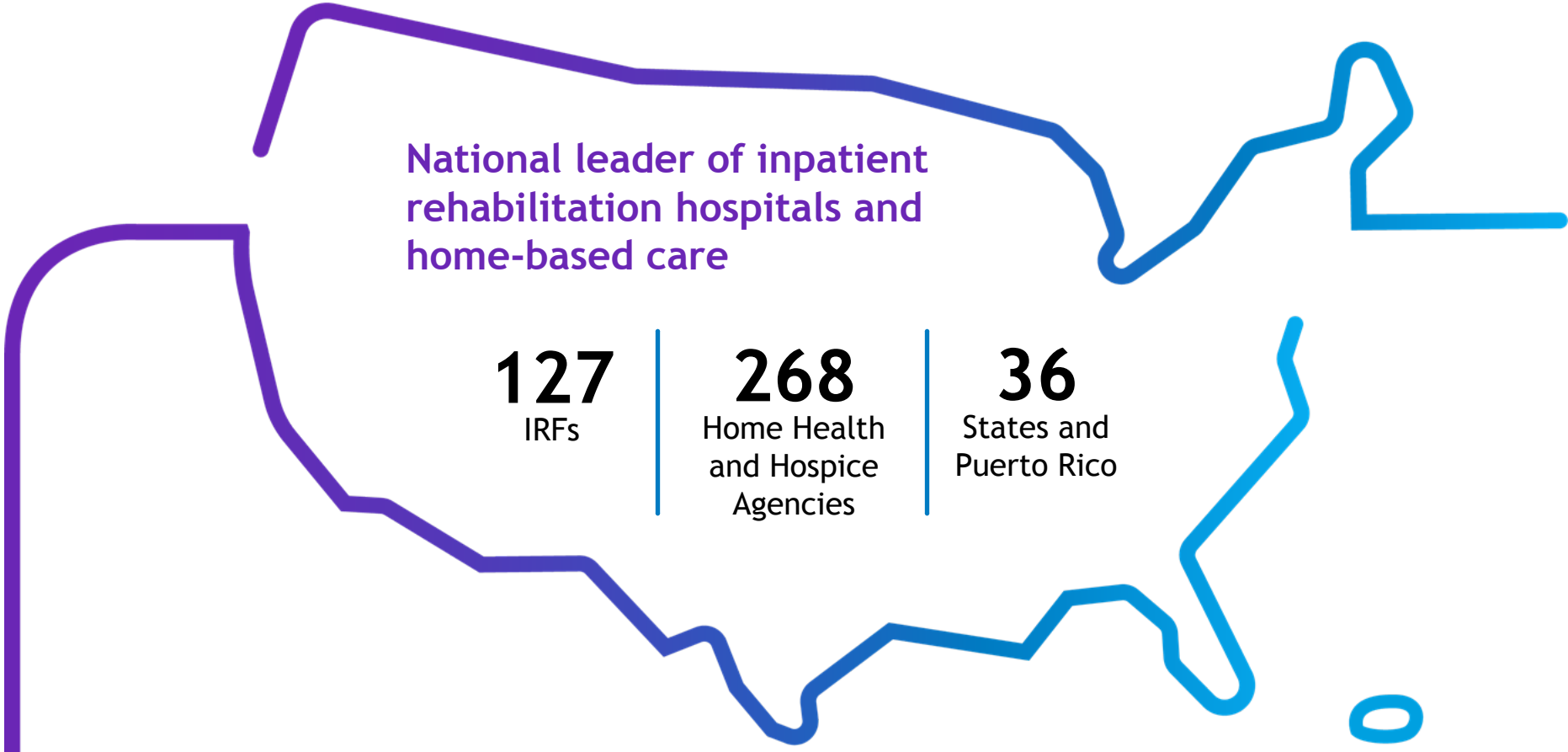
There can be no assurance any estimates, projections or forward-looking information will be realized.

All such estimates, projections and forward-looking information speak only as of the date hereof. Encompass Health undertakes no duty to publicly update or revise the information contained herein.

You are cautioned not to place undue reliance on the estimates, projections and other forward-looking information in this presentation as they are based on current expectations and general assumptions and are subject to various risks, uncertainties and other factors, including those set forth in the Form 10-K for the year ended December 31, 2017, Form 10-Q for the quarter ended March 31, 2018, and in other documents Encompass Health previously filed with the SEC, many of which are beyond Encompass Health's control, that may cause actual events or results to differ materially from the views, beliefs and estimates expressed herein.

Note Regarding Presentation of Non-GAAP Financial Measures
The following presentation includes certain "non-GAAP financial measures" as defined in Regulation G under the Securities Exchange Act of 1934, including Adjusted EBITDA, leverage ratios, adjusted earnings per share, and adjusted free cash flow. Further explanation and disclosure regarding Encompass Health's use of non-GAAP financial measures, as well as schedules that reconcile the non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States, can be found at https://investor/encompasshealth.com and should be read in conjunction with this presentation.

Company Overview - Encompass Health



National leader of inpatient rehabilitation hospitals and home-based care

127
IRFs

268
Home Health and Hospice Agencies

36
States and Puerto Rico

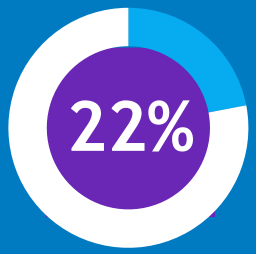
Committed to delivering high-quality, cost-effective care across the post-acute continuum

FORTUNE 100 BEST COMPANIES TO WORK FOR 2017

Modern Healthcare BEST PLACES TO WORK 2017

Company Overview - Inpatient Rehabilitation

Largest owner and operator of IRFs



of Licensed beds



of Medicare patients served

31
States and Puerto Rico

127
Inpatient Rehabilitation Hospitals

42
Operate as joint ventures with acute care hospitals

106
Hospitals hold one or more disease-specific certifications

~29,700
employees

~174,800
patients

~$3.2 billion
revenues

Company Overview - Home Health and Hospice

4th largest provider of Medicare-certified skilled home health services

212
Home Health Locations

56
Hospice Locations

30
States

96%
Home health agencies ≥ 3 stars for quality of care

95%
Home health agencies ≥ 3 stars in patient satisfaction

~8,800
employees

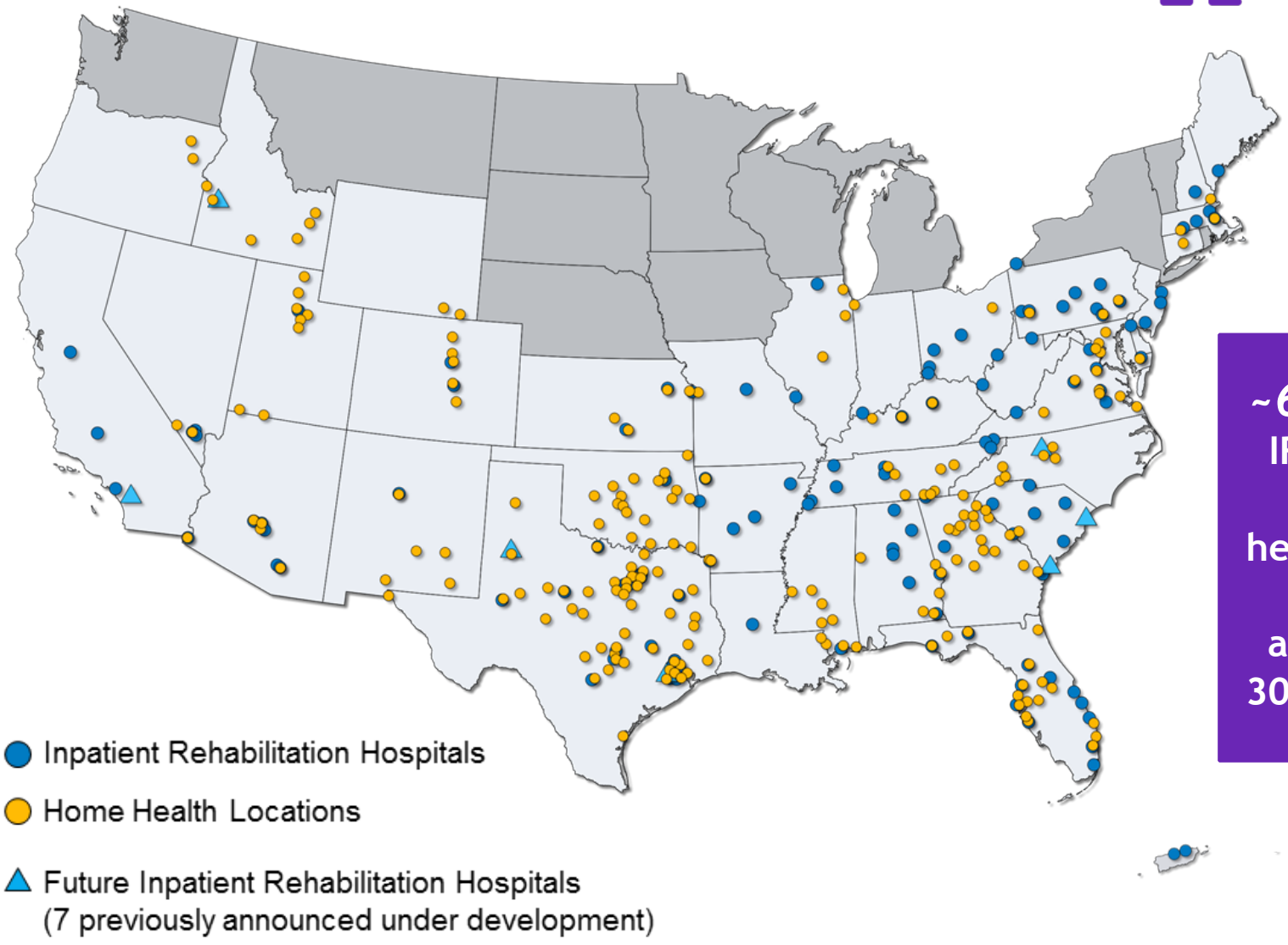
~128,000
home health admissions

~5,300
hospice admissions

~$800 million
revenues

Market Overlap

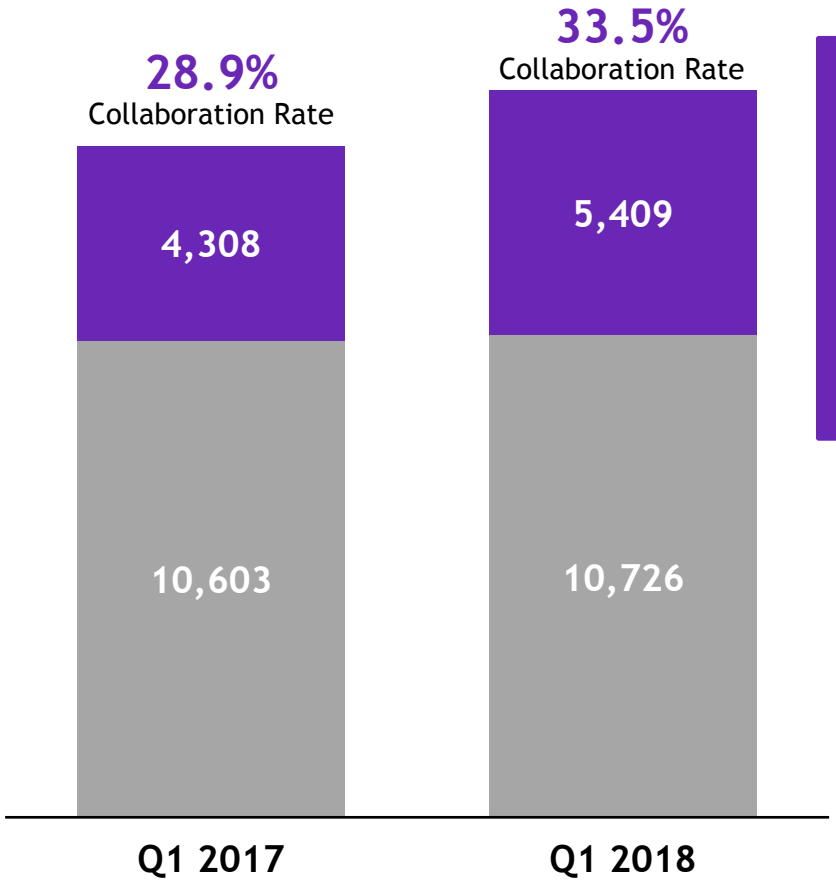
Inpatient Rehabilitation and Home Health



~60% of EHC's IRFs have an EHC home health location within an approximate 30-mile radius.

Clinical Collaboration

Improving the Patient Experience and Reducing Total Costs Through Integrated Care Delivery



460 Basis Points Year-Over-Year Increase

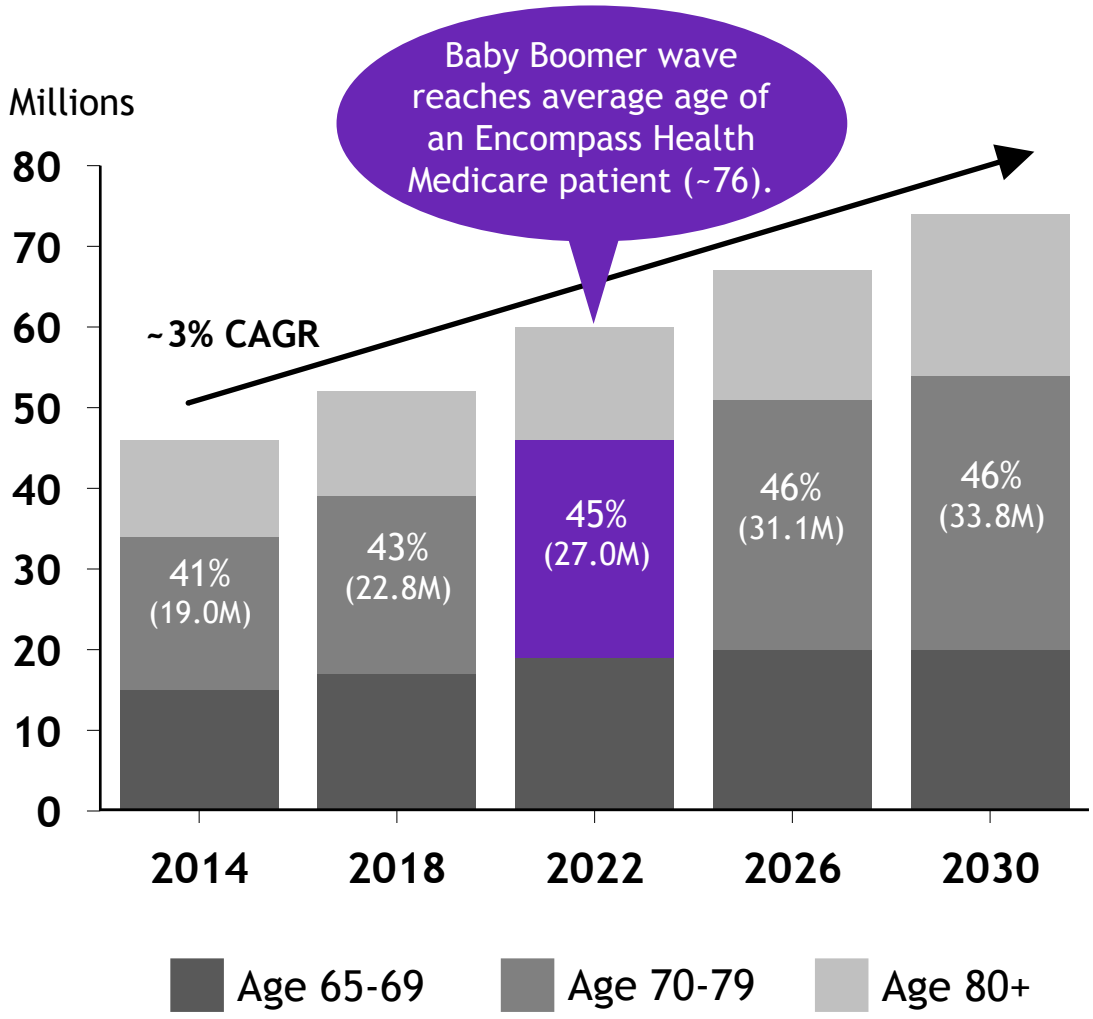
Near-term Goal = 35% - 40%

Encompass Health IRF Discharges to:

- Encompass Health Home Health
- Non-Encompass Health Home Health

Both Segments Benefit from a Demographic Tailwind: Growth in the Medicare Beneficiary Population

Projected Population of Age 65+



CAGR (Population Growth by Age)			
Age	2014 to 2018	2018 to 2022	2022 to 2026
70-74	5.1%	3.8%	2.6%
75-79	4.1%	5.1%	5.0%

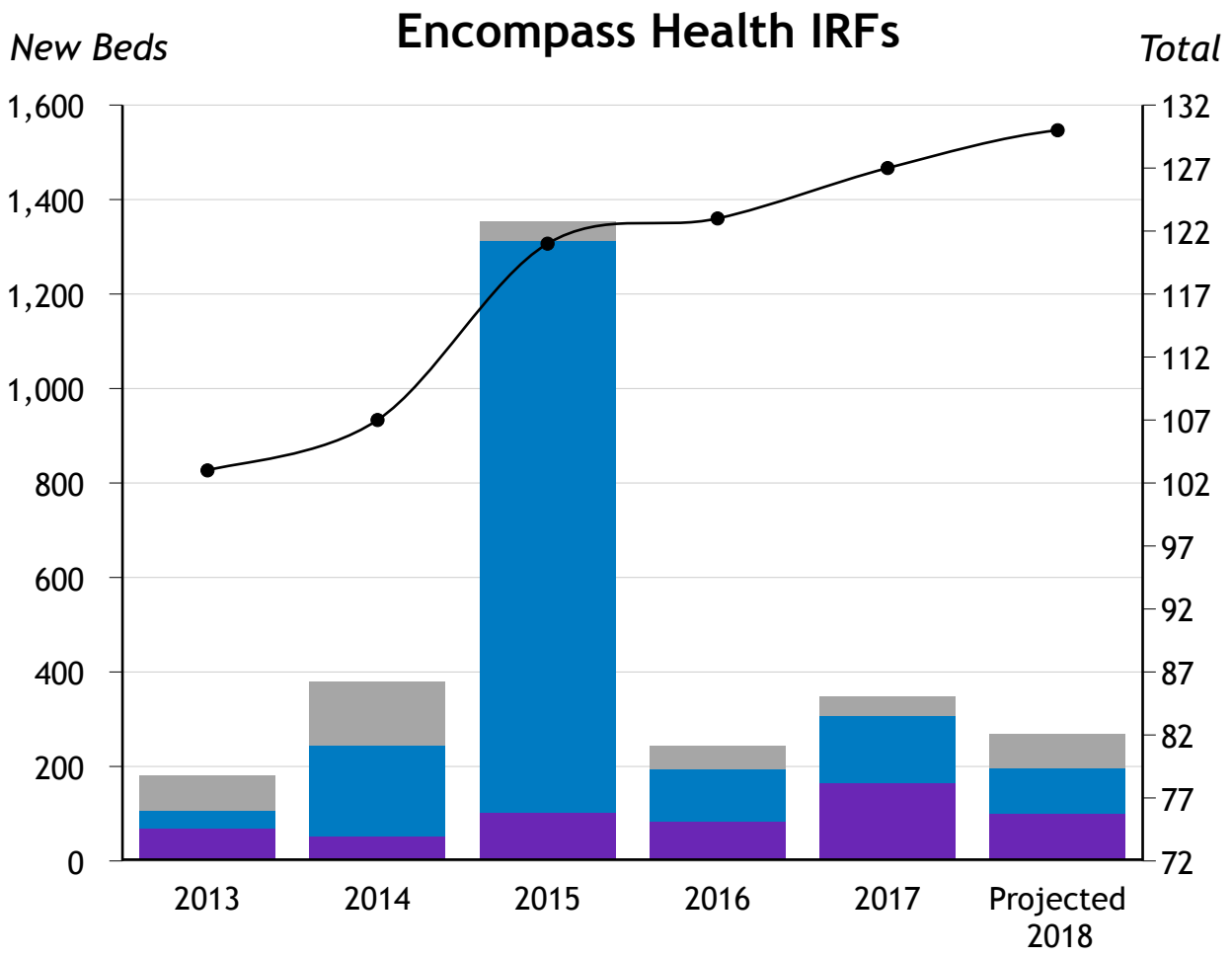
Multi-faceted Growth Strategy - Inpatient Rehabilitation

Wholly Owned and Joint Ventures

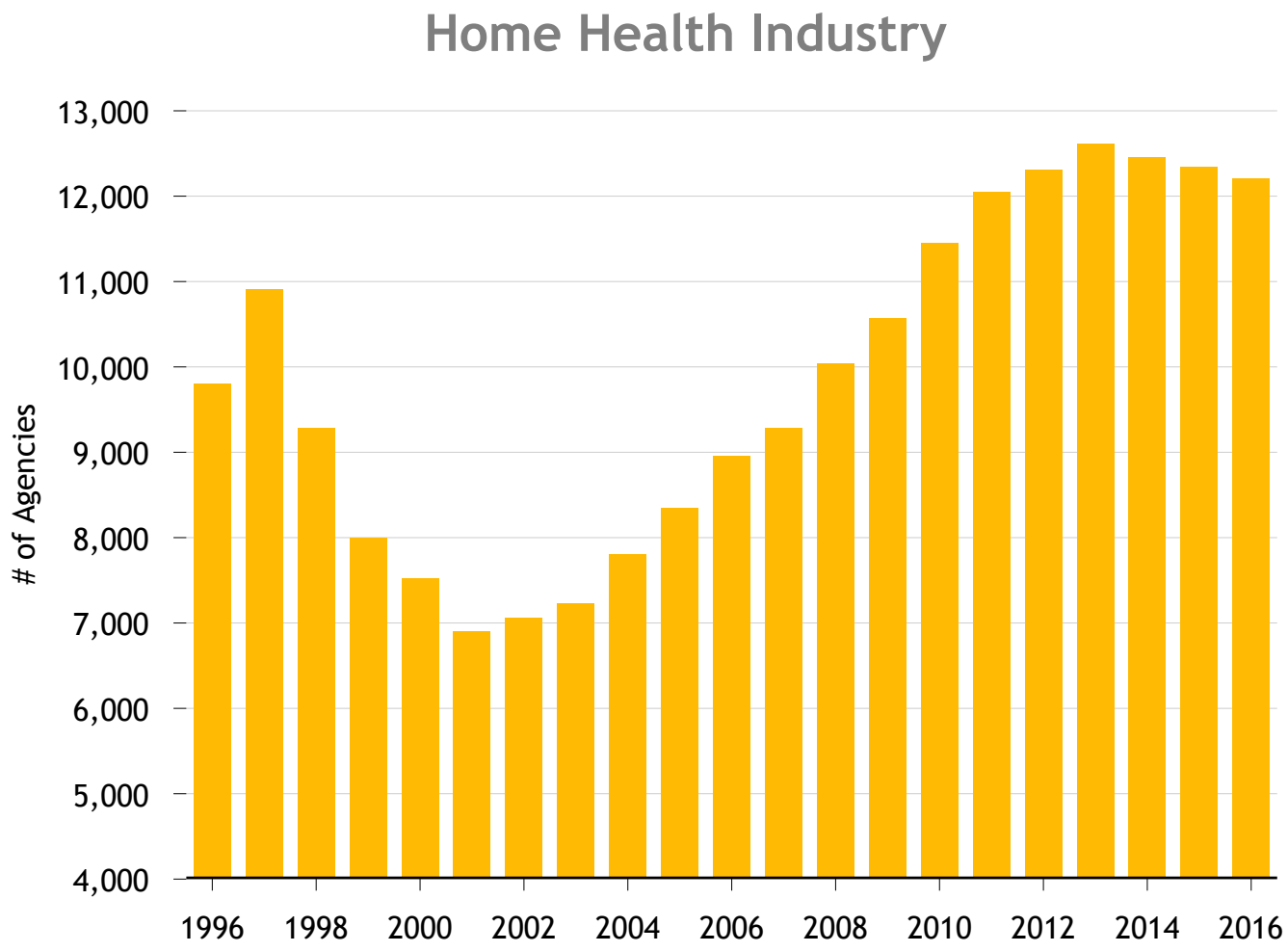
De Novos

Acquisitions

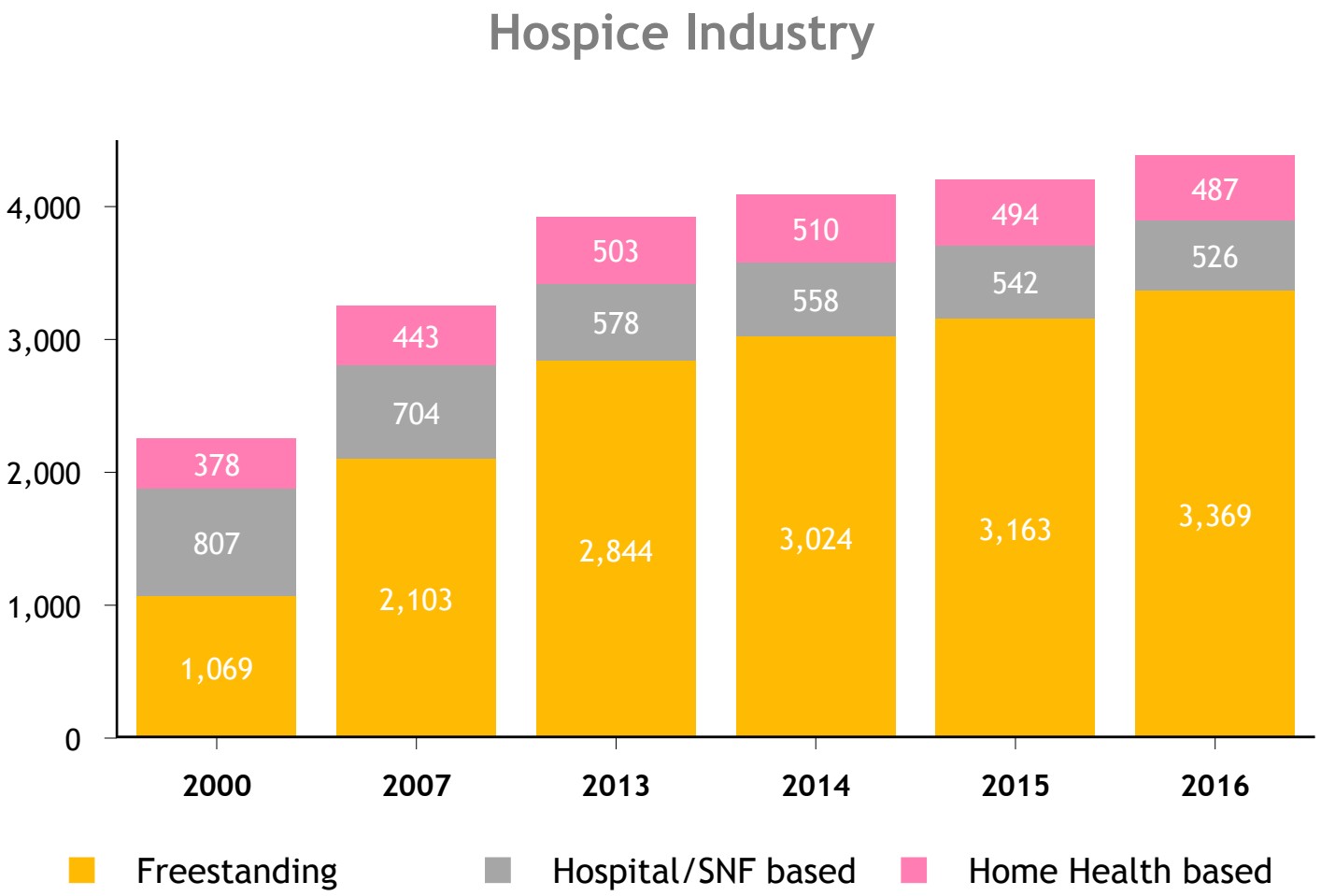
Bed Expansions



Multi-faceted Growth Strategy - Home Health



Multi-faceted Growth Strategy - Hospice



Adjusted Free Cash Flow Assumptions

Certain Cash Flow Items (millions)	2018 Assumptions	2017 Actual
• Cash interest expense (net of amortization of debt discounts and fees)	$140 to $150	$145.7
• Cash payments for taxes, net of refunds	$105 to $135	$94.5
• Working capital and other	$50 to $70	$(24.1)
• Maintenance CAPEX	$130 to $150	$138.3
• Adjusted Free Cash Flow	$340 to $440	$468.7

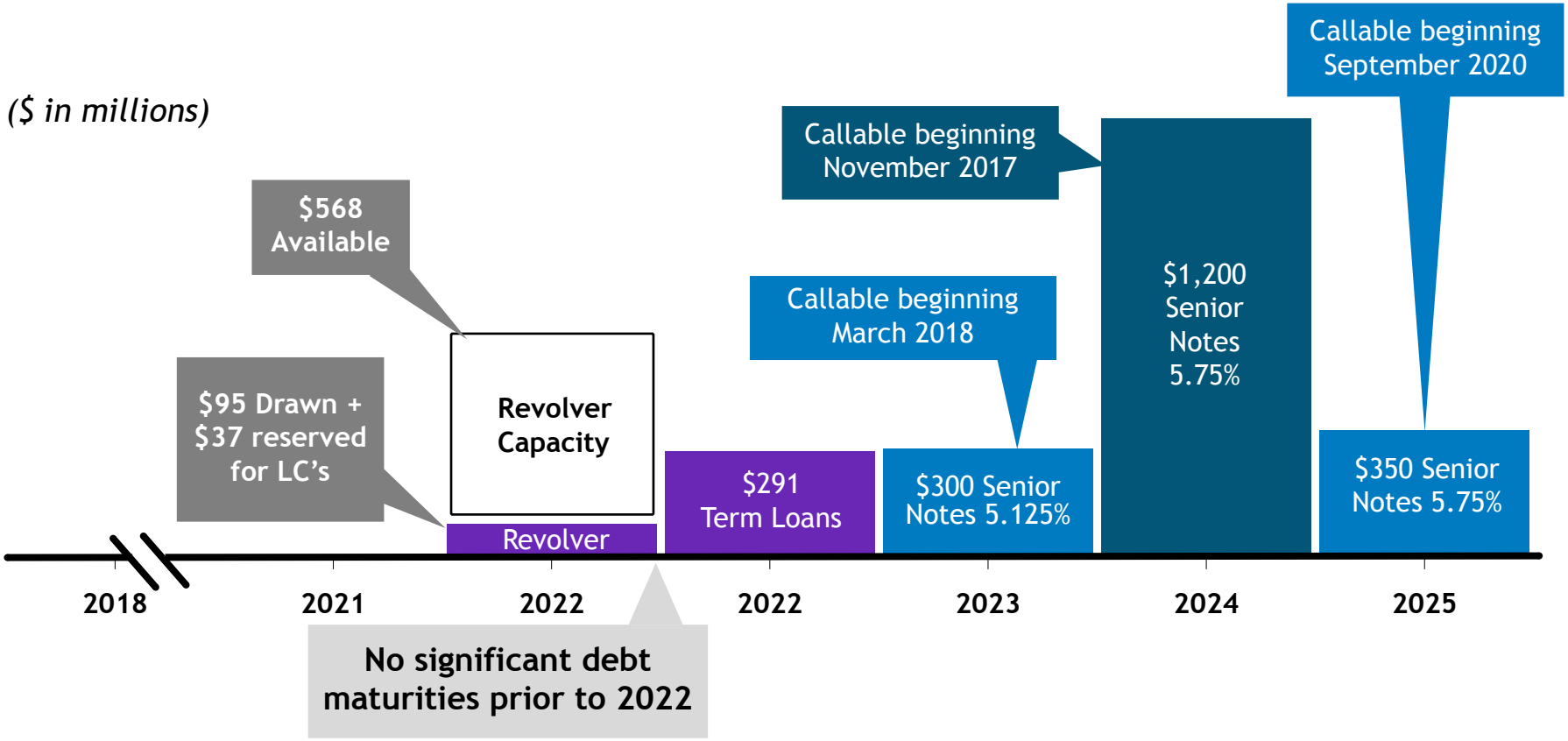
Free Cash Flow Priorities

2018 Assumptions (In Millions)	
Growth in Core Business	
IRF bed expansions	$30 to $40
New IRFs	
- De novos	80 to 110
- Acquisitions	opportunistic
- Replacement IRFs and other	40 to 50
Home health and hospice acquisitions (includes Camellia in 2018)	160 to 185
	$310 to $385, excluding IRF acquisitions
Debt Reduction	
Debt redemptions (borrowings), net	opportunistic
Shareholder Distributions	
Cash dividends on common stock	~$100
Purchase of Home Health Holdings Rollover Shares	~65
Common stock repurchases	opportunistic

Debt Maturity Profile - Face Value

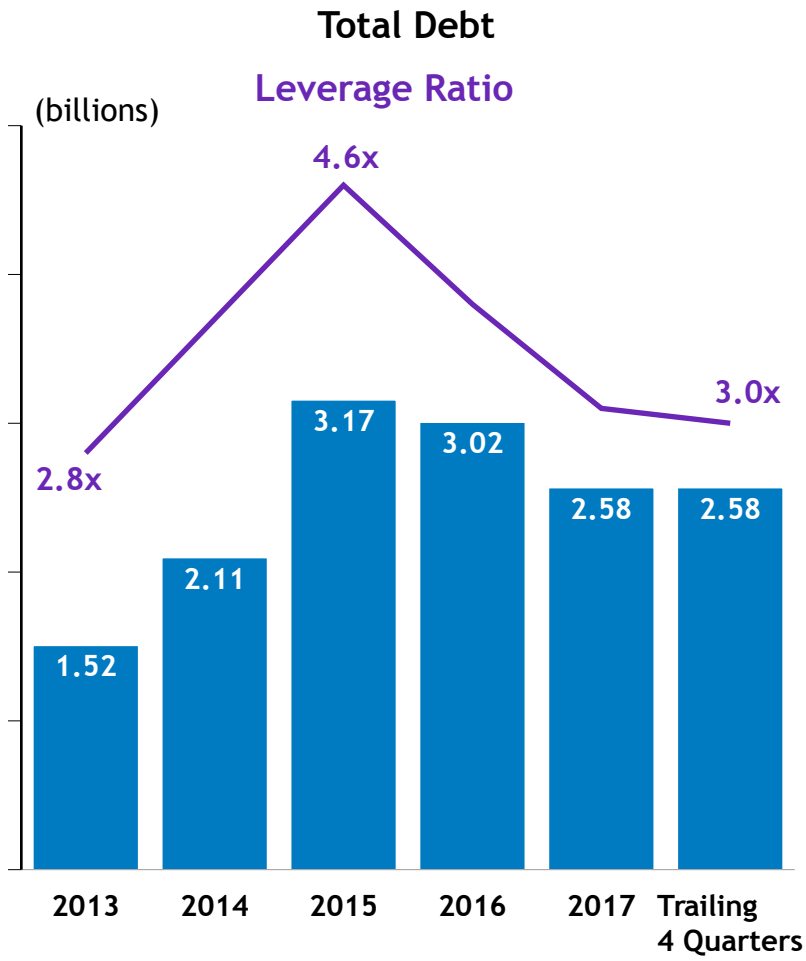
As of March 31, 2018*

($ in millions)



* This chart does not include ~$268 million of capital lease obligations or ~$88 million of other notes payable.

Financial Leverage and Liquidity



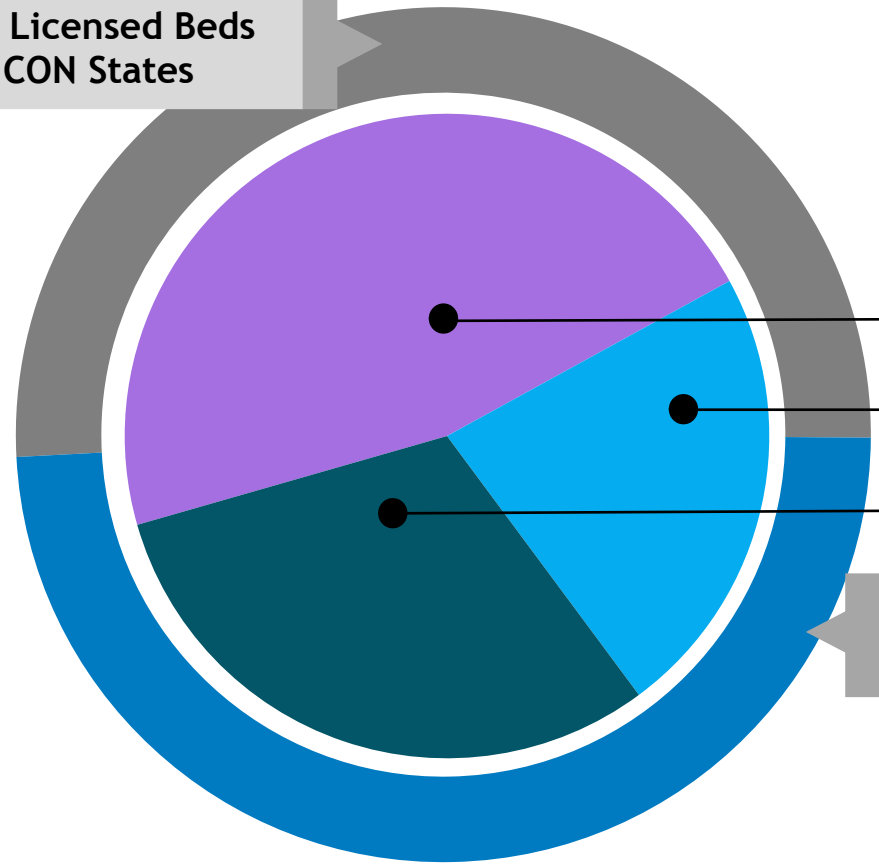
Liquidity

	March 31, 2018	December 31, 2017
Cash Available	$ 86.4	$ 54.4
Revolver	$ 700.0	$ 700.0
Less:		
- Draws	(95.0)	(95.0)
- Letters of Credit	(37.2)	(35.4)
Available	$ 567.8	$ 569.6
Total Liquidity	$ 654.2	$ 624.0

Credit Ratings

	S&P	Moody's
Corporate Rating	BB-	Ba3
Outlook	Stable	Stable
Revolver Rating	BB+	Baa3
Senior Notes Rating	B+	B1

IRF Real Estate Portfolio
127 Inpatient Rehabilitation Hospitals: 8,831 Licensed Beds



As of March 31, 2018

59 Own Building and Land

29 Own Building Only

39 Lease Building and Land

Strong and Sustainable Business Fundamentals

- Attractive Healthcare Sectors
- Industry Leading Positions
- Cost-Effectiveness
- Real Estate Ownership
- Financial Strength
- Growth Opportunities



Encompass Health



Committed to Delivering High-Quality, Cost-Effective Care Across the Post-Acute Continuum