



2025 First Quarter Earnings Call

April 25, 2025
Supplemental information



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 the business outlook, guidance and growth targets, labor availability and costs, the effect of tariffs on costs, legislative and regulatory developments, strategy, capital expenditures, acquisition and other development activities, such as the de novo pipeline, costs, growth and timelines, operational initiatives, dividend strategies, leverage, repurchases of securities, outstanding shares of common stock, effective tax rates, financial performance, financial assumptions and considerations, balance sheet and cash flow plans, market barriers to entry, and addressable market size. 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 earnings release attached as Exhibit 99.1 to the Company's Form 8-K dated April 24, 2025 (the "Q1 Earnings Release Form 8-K"), the Form 10-K for the year ended December 31, 2024, the Form 10-Q for the quarter ended March 31, 2025, when filed, 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. Schedules are attached that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States. The Q1 Earnings Release Form 8-K provides further explanation and disclosure regarding Encompass Health's use of non-GAAP financial measures and should be read in conjunction with this supplemental information.

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Q1 2025 Summary

(\$ in millions, except per share data)	Q1		
	2025	2024	% Δ
Encompass Health			
Net operating revenue	\$ 1,455.4	\$ 1,316.0	10.6 %
Adjusted EBITDA	\$ 313.6	\$ 273.0	14.9 %
Adjusted EPS	\$ 1.37	\$ 1.12	22.3 %
Adjusted free cash flow	\$ 222.4	\$ 167.6	32.7 %

► Capacity additions

- Opened 1 de novo hospital with 40 beds in Athens, GA
- Net pre-opening and ramp up costs of \$2.1 million
- Added 25 beds to existing hospitals

► Balance sheet

- Net leverage of 2.1x

► Shareholder distributions

- Paid quarterly cash dividend of \$0.17 per share in January 2025
- Repurchased 333,679 shares of common stock for \$32.1 million

Revenue

(\$ in millions)	Q1 2025	Q1 2024	% Change*
Net operating revenue:			
Inpatient	\$ 1,417.7	\$ 1,282.7	10.5%
Outpatient and other	37.7	33.3	13.2%
Total revenue	\$ 1,455.4	\$ 1,316.0	10.6%

(Actual Amounts)

Discharges	64,985	61,111	6.3%
New-store discharge growth			1.9%
Same-store discharge growth			4.4%
Net patient revenue per discharge	\$ 21,816	\$ 20,990	3.9%
Revenue reserves related to bad debt as a percent of revenue	2.0 %	2.2 %	(20) bps

▶ Outpatient and other revenue includes a \$5.3 million increase in Medicaid supplemental payments.⁽¹⁾

Adjusted EBITDA⁽²⁾

(\$ in millions)	Q1 2025	% of Revenue	Q1 2024	% of Revenue
Net operating revenue	\$ 1,455.4		\$ 1,316.0	
Operating expenses:				
Salaries and benefits	(762.3)	52.4 %	(711.6)	54.1 %
Other operating expenses ^(a)	(217.3)	14.9 %	(190.2)	14.5 %
Supplies	(62.2)	4.3 %	(58.5)	4.4 %
Occupancy costs	(14.9)	1.0 %	(14.0)	1.1 %
Hospital operating expenses	(294.4)	20.2 %	(262.7)	20.0 %
General and administrative expenses ^(b)	(43.3)	3.0 %	(38.9)	3.0 %
Other income ^(c)	2.3		3.1	
Equity in nonconsolidated affiliates	0.9		0.7	
Noncontrolling interests in continuing operations ^(d)	(45.0)		(33.6)	
Adjusted EBITDA	\$ 313.6		\$ 273.0	
Percent change	14.9 %			

▶ Other operating expenses includes a \$7.1 million increase in provider tax expenses.⁽¹⁾

(\$ in millions)	Q1 2025	Q1 2024
In arriving at Adjusted EBITDA, the following were excluded:		
(a) Loss on disposal or impairment of assets ⁽³⁾	\$ 0.2	\$ 13.7
(b) Stock-based compensation and the change in fair market value of the non-qualified deferred comp plan	\$ 9.0	\$ 11.3
(c) Change in fair market value of equity securities and the non-qualified deferred comp plan	\$ (0.2)	\$ (2.3)
(d) Asset impairment impact on noncontrolling interests ⁽³⁾	\$ —	\$ (7.3)

Earnings per share - as reported

(\$ in millions, except per share data)	Q1	
	2025	2024
Adjusted EBITDA	\$ 313.6	\$ 273.0
Depreciation and amortization	(79.2)	(70.3)
Interest expense and amortization of debt discounts and fees	(31.8)	(35.2)
Stock-based compensation	(9.5)	(9.3)
Loss on disposal or impairment of assets ⁽³⁾	(0.2)	(13.7)
	192.9	144.5
Items not indicative of ongoing operating performance:		
Change in fair market value of equity securities	0.7	0.3
Asset impairment impact on noncontrolling interests ⁽³⁾	—	7.3
Pre-tax income	193.6	152.1
Income tax expense	(41.6)	(38.3)
Income from continuing operations*	\$ 152.0	\$ 113.8
Diluted shares (see page 23)	102.1	102.2
Diluted earnings per share*	\$ 1.48	\$ 1.11

* Earnings per share are determined using income from continuing operations attributable to Encompass Health. Reconciliations to GAAP provided on pages 24-29. Refer to pages 30-31 for end notes.

Adjusted earnings per share⁽⁴⁾

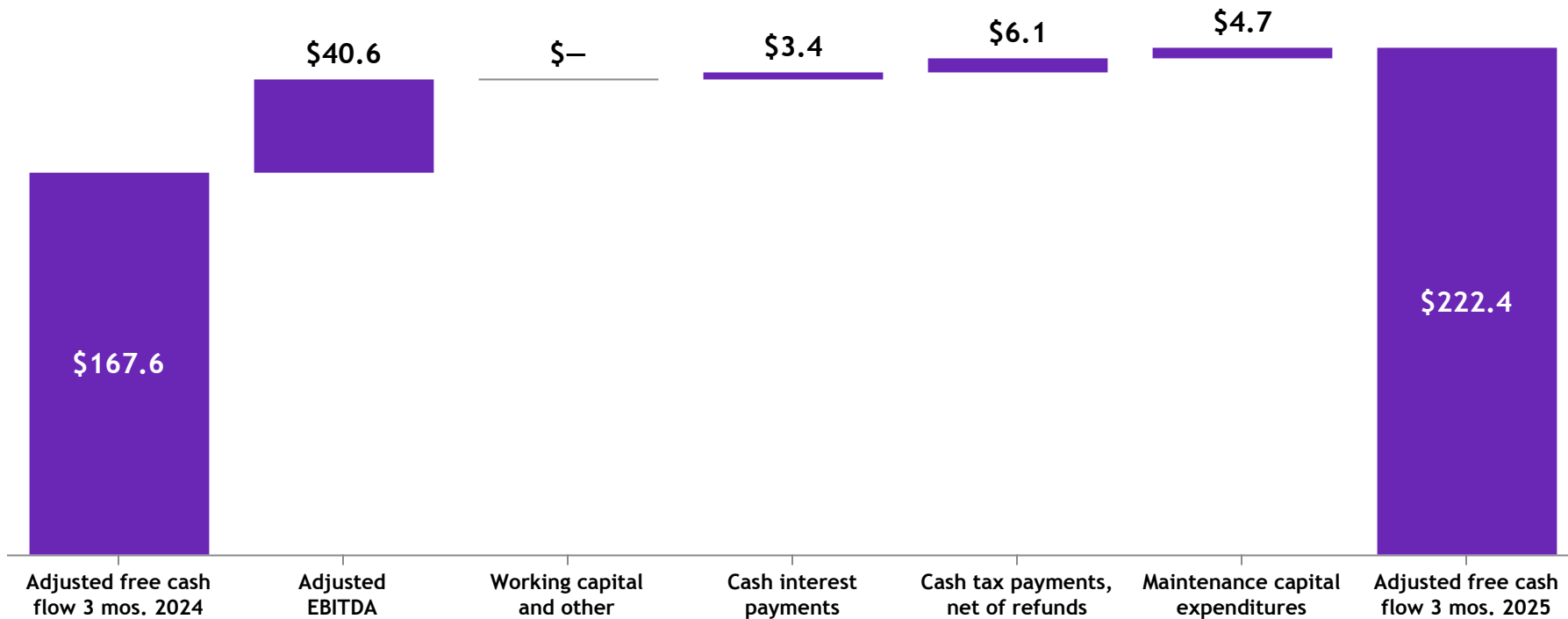
	Q1	
	2025	2024
Diluted earnings per share, as reported	\$ 1.48	\$ 1.11
Adjustments, net of tax:		
Asset impairment impact ⁽³⁾	—	0.02
Income tax adjustments ⁽⁵⁾	(0.12)	(0.01)
Adjusted earnings per share*	\$ 1.37	\$ 1.12

- ▶ Adjusted earnings per share removes from GAAP earnings per share the impact of items the Company believes are not indicative of its ongoing operating performance.

* Adjusted EPS may not sum due to rounding. See complete calculations of adjusted earnings per share on pages 27-29.

Q1 2025 Adjusted free cash flow⁽⁶⁾

(\$ in millions)



2025 Guidance - updated as of April 24, 2025

	Previous Guidance	Updated Guidance
(\$ in millions, except per share data)		
Net Operating Revenue	\$5,800 to \$5,900	\$5,850 to \$5,925
Adjusted EBITDA ⁽²⁾	\$1,160 to \$1,200	\$1,185 to \$1,220
Adjusted earnings per share from continuing operations attributable to Encompass Health ⁽⁴⁾	\$4.67 to \$4.96	\$4.85 to \$5.10

2025 Guidance considerations - updated as of April 24, 2025

▶ Pricing

- Medicare pricing increase of 3.3% for Q2 and Q3 and an estimated 2.7% for Q4
- Managed Care pricing increase of 2.0% to 3.0%
- Bad debt reserves of 2.0% to 2.5% of revenue

▶ Labor

- SWB per FTE* increase of 3.25% to 3.75%

▶ Capacity additions

- 7 de novo hospitals with 340 beds and a 50-bed satellite hospital⁽⁷⁾
- Net pre-opening and ramp-up costs of \$18 million to \$22 million (inclusive of costs associated with 2026 openings incurred in 2025)
- 100 to 120 beds to existing hospitals

▶ Corporate

- Adjusted EBITDA impact of \$11.5 million to \$13.5 million
 - ✓ Oracle Fusion implementation costs of \$5.5 million to \$6.5 million (\$2.3 million in 2024)
 - ✓ Addition of Augusta, GA, hospital to Piedmont joint venture increasing income attributable to noncontrolling interests (NCI) by \$6.0 million to \$7.0 million (\$3.2 million in 2024)
- Tax rate of approximately 26%
- Diluted share count of 102 to 103 million shares

*Includes contract labor and sign-on and shift bonuses

Adjusted free cash flow⁽⁶⁾ assumptions

Certain cash flow items (\$ in millions)	3 Months 2025 Actuals	2024 Actuals	2025 Assumptions	
Cash interest payments (net of amortization of debt discounts and fees)	\$29.4	\$127.7	\$110 to \$120	Decreased cash interest payments due to repayment of \$250 million of Senior Notes during 2024
Cash payments for income taxes, net of refunds	\$0.5	\$163.8	\$160 to \$180	Cash tax payments include an increase in pre-tax income offset by overpayment from 2024
Working capital and other	\$27.3	\$(62.7)	\$20 to \$40	Increased working capital due to growth in revenue and normalized growth in group medical reserves
Maintenance CAPEX	\$34.0	\$184.6	\$215 to \$225	Increased maintenance CAPEX related to major renovation projects and programmatic hospital asset replacements
Adjusted free cash flow	\$222.4	\$690.3	\$620 to \$715	

Uses of free cash flow

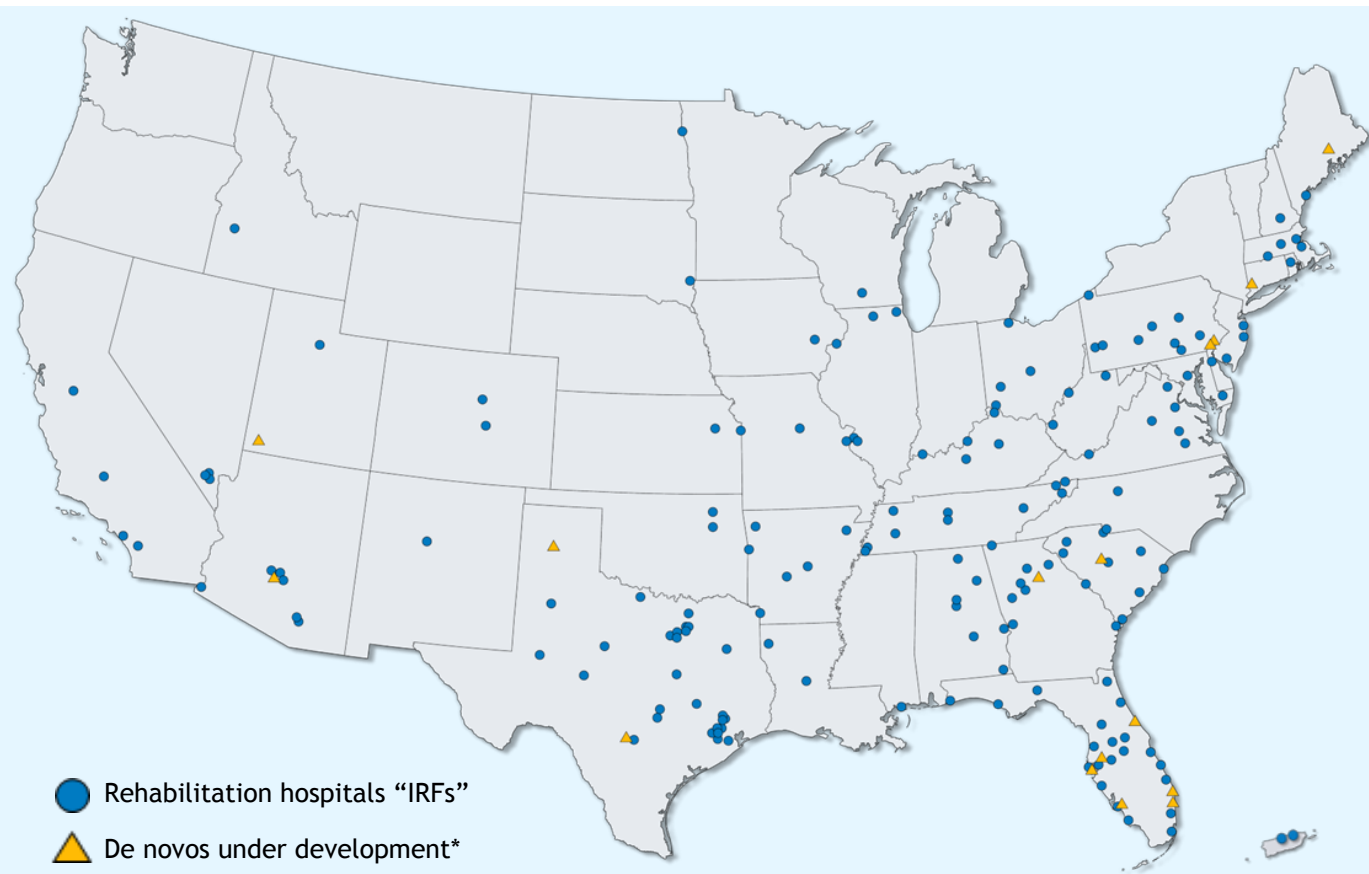
(\$ in millions)

		3 Months 2025 Actuals	2024 Actuals	2025 Assumptions
Growth	IRF bed expansions	\$41.4	\$96.8	\$160 to \$175
	New IRFs			
	- De novos	87.7	358.1	380 to 390
	- Replacement IRFs and other	—	3.0	TBD
		<u>\$129.1</u>	<u>\$457.9</u>	<u>\$540 to \$565</u>
Debt reduction	Change in total debt ⁽⁸⁾	\$25.9	\$214.8	TBD
Shareholder distributions	Cash dividends on common stock	\$18.0	\$62.8	~ \$72
	Common stock repurchases	\$32.1	\$31.1	TBD

- ~\$458 million remaining under current authorization as of March 31, 2025⁽⁹⁾

Appendix

Encompass Health | Largest owner and operator of rehabilitation hospitals



Company profile as of 03/31/25

167

Rehabilitation hospitals “IRFs”

66 are joint ventures

17

IRFs under development**

38

States and Puerto Rico

Key statistics trailing four quarters

~252,400
patient discharges

~\$5.5 Billion in revenue

~40,900
employees



2025 Fortune World’s Most Admired Companies™
2025 Forbes Most Trusted Companies in America
2024 Becker’s Top Places to Work in Healthcare

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* De novos under development - previously announced de novo hospitals under development as of April 23, 2025

** IRFs under development include de novo and remote and satellite locations⁽⁷⁾

Refer to pages 30-31 for end notes.

Growth targets, fundamentals and value drivers

▶ 2023 - 2027 Growth targets

- 6 to 10 de novos per year
- 80 to 120 bed additions per year
- 6% to 8% discharge CAGR

▶ Large, under penetrated, and growing inpatient rehabilitation market

- Large addressable market indicated by low conversion rate of presumptively eligible inpatient rehabilitation patients
- Favorable demographics driving increased demand for rehabilitation services
- Unparalleled clinical expertise for treating inpatient rehabilitation conditions with consistent delivery of high-quality, cost-effective care
- De novo and bed addition strategy delivers attractive financial returns
- Cash flow and capital availability to fund capacity additions
- Fragmented sector presents unit acquisition and joint venture opportunities
- Significant barriers to entry and economies of scale
- Resilient business model with focus on non-discretionary conditions occurring predominantly in an aging population

▶ Shareholder distributions

- Cash dividend (currently \$0.17 per share per quarter)
- Approximately \$458 million remaining under current stock repurchase authorization as of March 31, 2025⁽⁹⁾

Development activity

17

IRF development projects announced and underway**

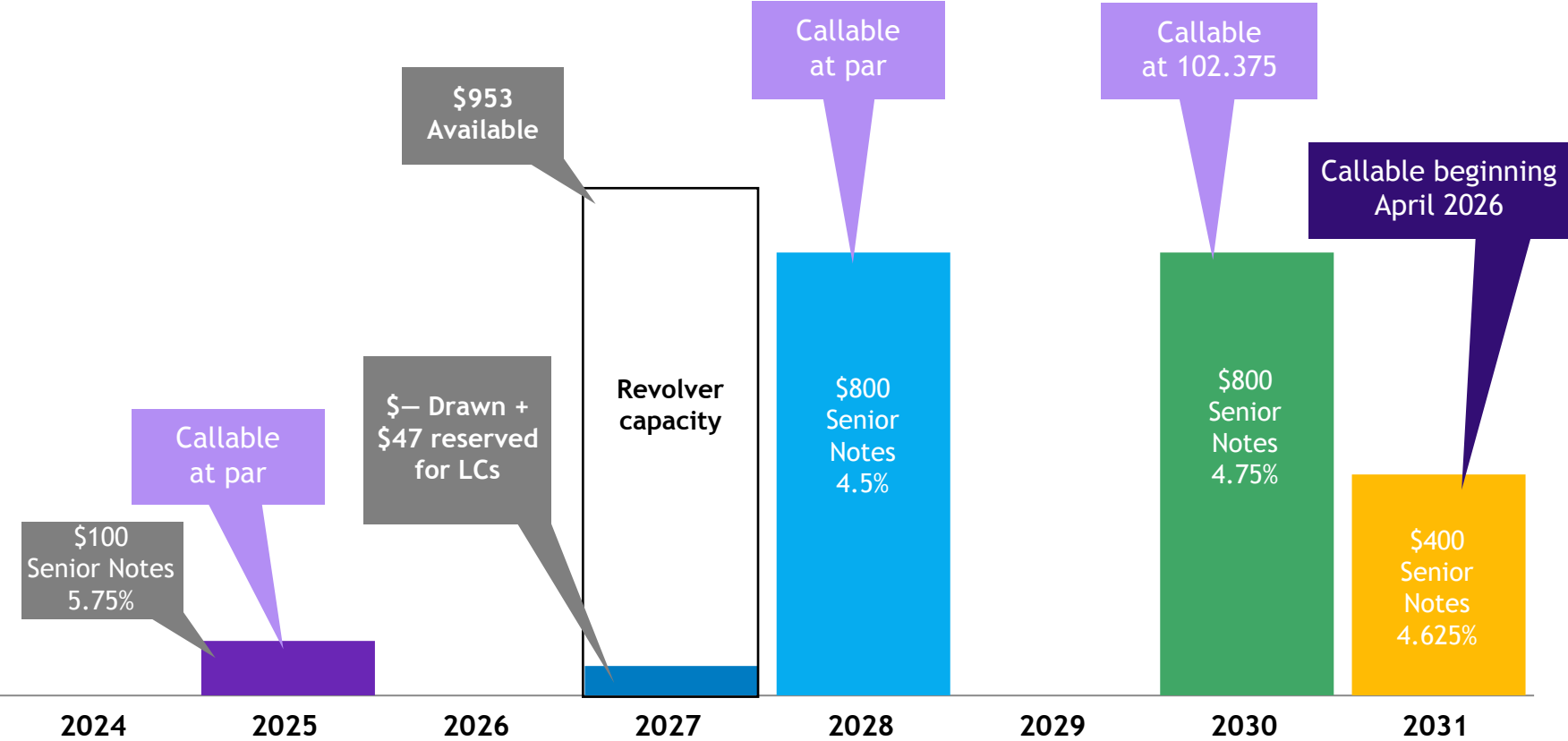
Inpatient Rehabilitation Hospitals opened or under development					
	Joint venture	Expected open date	2025	2026	2027
De novos*					
	✓		40	—	—
1	✓	2Q25	60	—	—
2		2Q25	50	—	—
3		3Q25	40	—	—
4		4Q25	50	—	—
5		4Q25	50	—	—
6		4Q25	50	—	—
7			—	50	—
8			—	50	—
9	✓		—	40	—
10			—	50	—
11			—	60	—
12			—	50	—
13			—	—	50
14			—	—	50
15			—	—	50
16			—	—	50
Remote and satellite⁽⁷⁾*					
17		3Q25	50	—	—
Other bed additions			~110	~120	~120
*All dates are tentative and subject to change			~500	~420	~320

1Q 2025 Development activity highlights		
Opened de novos	# of beds	JV
• Athens, GA	40	✓
Beds added to existing hospitals		
	25	

Debt maturity profile - face value

As of March 31, 2025*

(\$ in millions)

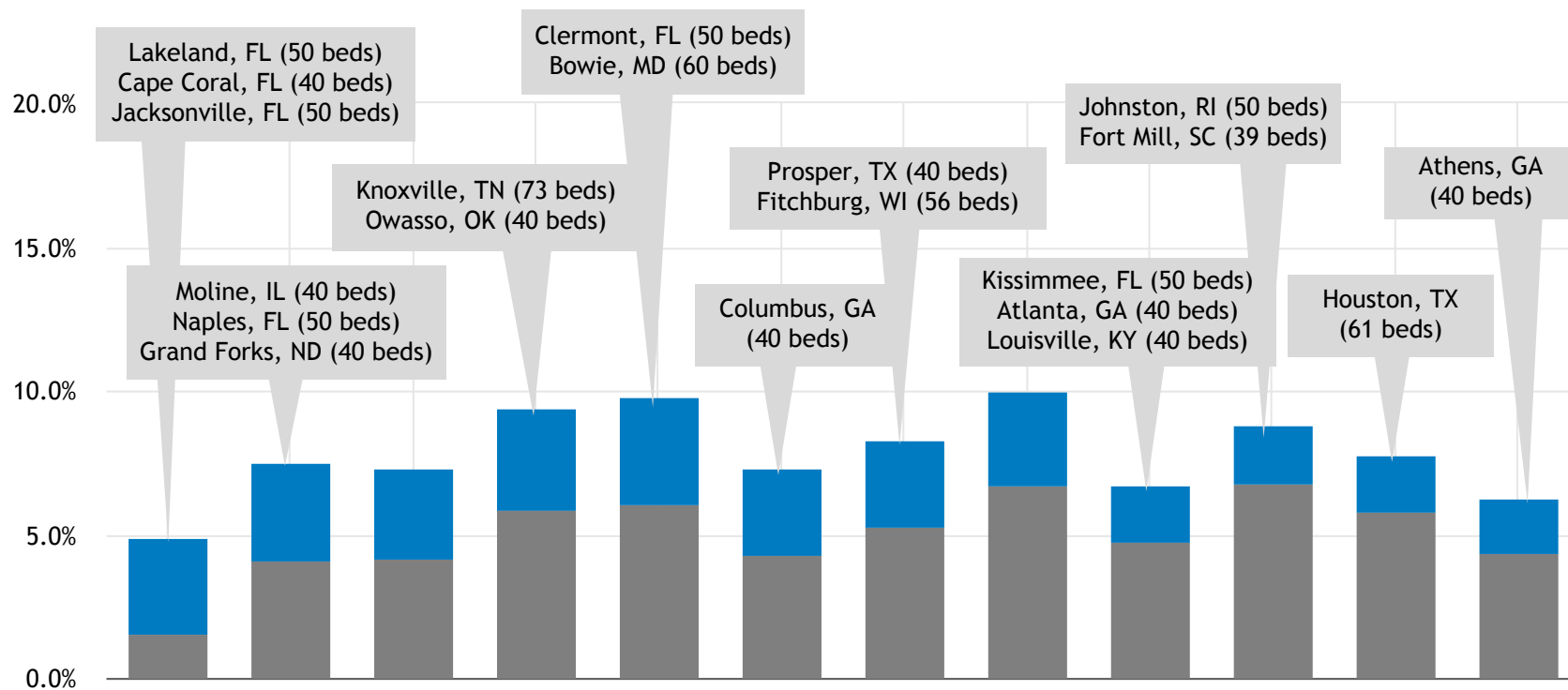


Debt schedule

(\$ in millions)	March 31, 2025	December 31, 2024	Change in Debt vs. YE 2024
Advances under \$1 billion revolving credit facility	\$ —	\$ 20.0	\$ (20.0)
Bonds Payable:			
5.75% Senior Notes due 2025	99.9	99.8	0.1
4.50% Senior Notes due 2028	789.3	788.4	0.9
4.75% Senior Notes due 2030	784.9	784.2	0.7
4.625% Senior Notes due 2031	392.8	392.5	0.3
Other notes payable	92.4	94.5	(2.1)
Finance lease obligations	312.6	318.4	(5.8)
Long-term debt	\$ 2,471.9	\$ 2,497.8	\$ (25.9)
Debt to Adjusted EBITDA	2.2 x	2.3 x	
Leverage net of cash and cash equivalents	2.1 x	2.2 x	

The leverage ratio for 1Q25 stated in terms of the most comparable GAAP measurement would be Debt to Net cash provided by operating activities: 2.3x
The leverage ratio for 2024 stated in terms of the most comparable GAAP measurement would be Debt to Net cash provided by operating activities: 2.5x

New-store/same-store growth



<u>Discharges</u>	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
New store	3.3%	3.4%	3.1%	3.5%	3.6%	3.0%	3.0%	3.3%	1.9%	2.0%	2.0%	1.9%
Same store ⁽¹⁰⁾	1.6%	4.1%	4.2%	5.9%	6.2%	4.3%	5.3%	6.7%	4.8%	6.8%	5.8%	4.4%
Total by quarter	4.9%	7.5%	7.3%	9.4%	9.8%	7.3%	8.3%	10.0%	6.7%	8.8%	7.8%	6.3%
Total by year			6.8%				8.7%				8.3%	
Same store by year ⁽¹⁰⁾			3.1%				4.8%				5.6%	

Payment sources (percent of revenues)

	Q1		Full Year
	2025	2024	2024
Medicare	67.0 %	64.9 %	65.1 %
Medicare Advantage	16.5 %	17.0 %	16.8 %
Managed care	10.0 %	10.9 %	10.8 %
Medicaid	2.9 %	3.4 %	3.3 %
Other third-party payors	0.6 %	0.7 %	0.8 %
Workers' compensation	0.4 %	0.5 %	0.5 %
Patients	0.2 %	0.3 %	0.3 %
Other income	2.4 %	2.3 %	2.4 %
Total	100.0 %	100.0 %	100.0 %

Operational metrics

	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Full Year 2024
Net patient revenue-inpatient	\$1,417.7	\$1,366.1	\$1,316.2	\$1,265.5	\$1,282.7	\$5,230.5
Net patient revenue-outpatient and other revenues	37.7	38.9	34.8	35.7	33.3	142.7
Net operating revenues	<u>\$1,455.4</u>	<u>\$1,405.0</u>	<u>\$1,351.0</u>	<u>\$1,301.2</u>	<u>\$1,316.0</u>	<u>\$5,373.2</u>
Discharges ⁽¹¹⁾	64,985	63,839	62,715	60,833	61,111	248,498
Net patient revenue per discharge	\$ 21,816	\$ 21,399	\$ 20,987	\$ 20,803	\$ 20,990	\$ 21,048
Outpatient visits	19,955	26,434	28,544	29,312	29,744	114,034
Average length of stay	12.2	12.0	12.2	12.2	12.3	12.2
Occupancy %	78.8 %	75.3 %	75.4 %	74.5 %	76.7 %	74.6 %
# of licensed beds	11,159	11,094	11,041	10,948	10,781	11,094
Occupied beds	8,793	8,354	8,325	8,156	8,269	8,276
Full-time equivalents (FTEs) - internal	28,572	28,188	27,938	27,297	27,209	27,658
Contract labor FTEs	375	394	430	450	434	427
Total FTEs ⁽¹²⁾	<u>28,947</u>	<u>28,582</u>	<u>28,368</u>	<u>27,747</u>	<u>27,643</u>	<u>28,085</u>
EPOB ⁽¹³⁾	3.29	3.42	3.41	3.40	3.34	3.39

Share information

(in millions)	Weighted Average for the Period				
	Q1		Full Year		
	2025	2024	2024	2023	2022
Basic shares outstanding	100.5	99.8	99.9	99.5	99.2
Restricted stock awards, dilutive stock options, and restricted stock units	1.6	2.4	2.3	1.8	1.2
Diluted shares outstanding	102.1	102.2	102.2	101.3	100.4

(in millions)	End of Period				
	Q1		Full Year		
	2025	2024	2024	2023	2022
Basic shares outstanding	100.9	100.7	100.8	100.3	99.8

Net cash provided by operating activities reconciled to Adjusted EBITDA⁽²⁾

(\$ in millions)	Q1		Full Year
	2025	2024	2024
Net cash provided by operating activities	\$ 288.6	\$ 238.8	\$ 1,002.8
Interest expense and amortization of debt discounts and fees	31.8	35.2	137.4
(Loss) gain on sale of investments, excluding impairments	(0.1)	1.3	2.7
Equity in net income of nonconsolidated affiliates	0.9	0.7	3.0
Net income attributable to noncontrolling interests in continuing operations	(45.0)	(26.3)	(140.9)
Amortization of debt-related items	(2.4)	(2.4)	(9.7)
Distributions from nonconsolidated affiliates	(0.5)	(0.8)	(4.0)
Current portion of income tax expense	32.8	31.8	139.5
Change in assets and liabilities	7.5	1.6	(21.9)
Cash used in operating activities of discontinued operations	0.7	0.7	3.1
Asset impairment impact on noncontrolling interests ⁽³⁾	—	(7.3)	(7.3)
Change in fair market value of equity securities	(0.7)	(0.3)	(1.0)
Adjusted EBITDA	<u>\$ 313.6</u>	<u>\$ 273.0</u>	<u>\$ 1,103.7</u>

Reconciliation of net income to Adjusted EBITDA⁽²⁾

(\$ in millions)	Q1		Full Year
	2025	2024	2024
Net income	\$ 196.5	\$ 138.8	\$ 596.6
Loss from discontinued operations, net of tax, attributable to Encompass Health	0.5	1.3	2.8
Net income attributable to noncontrolling interests included in continuing operations	(45.0)	(26.3)	(140.9)
Provision for income tax expense	41.6	38.3	150.2
Interest expense and amortization of debt discounts and fees	31.8	35.2	137.4
Depreciation and amortization	79.2	70.3	299.6
Loss on early extinguishment of debt ⁽¹⁴⁾⁽¹⁵⁾	—	—	0.6
Loss on disposal or impairment of assets ⁽³⁾	0.2	13.7	17.4
Stock-based compensation	9.5	9.3	48.3
Change in fair market value of equity securities	(0.7)	(0.3)	(1.0)
Asset impairment impact on noncontrolling interests ⁽³⁾	—	(7.3)	(7.3)
Adjusted EBITDA	<u>\$ 313.6</u>	<u>\$ 273.0</u>	<u>\$ 1,103.7</u>

Reconciliation of net cash provided by operating activities to adjusted free cash flow⁽⁶⁾

(\$ in millions)	Q1		Full Year
	2025	2024	2024
Net cash provided by operating activities	\$ 288.6	\$ 238.8	\$ 1,002.8
Impact of discontinued operations	0.7	0.7	3.1
Net cash provided by operating activities of continuing operations	289.3	239.5	1,005.9
Capital expenditures for maintenance	(34.0)	(38.7)	(184.6)
Distributions paid to noncontrolling interests of consolidated affiliates	(32.9)	(24.7)	(125.0)
Items not indicative of ongoing operating performance:			
Transaction costs and related liabilities	—	(8.5)	(6.0)
Adjusted free cash flow	\$ 222.4	\$ 167.6	\$ 690.3
Cash dividends on common stock	\$ 18.0	\$ 15.9	\$ 62.8

Adjusted EPS⁽⁴⁾ - Q1 2025

	For the Three Months Ended March 31, 2025			
	As Reported	Adjustments		As Adjusted
Income Tax Adjustments		Change in Fair Market Value of Equity Securities		
	(\$ in millions, except per share amounts)			
Adjusted EBITDA	\$ 313.6	\$ —	\$ —	\$ 313.6
Depreciation and amortization	(79.2)	—	—	(79.2)
Interest expense and amortization of debt discounts and fees	(31.8)	—	—	(31.8)
Stock-based compensation	(9.5)	—	—	(9.5)
Loss on disposal or impairment of assets	(0.2)	—	—	(0.2)
Change in fair market value of equity securities	0.7	—	(0.7)	—
Income from continuing operations before income tax expense	193.6	—	(0.7)	192.9
Provision for income tax expense	(41.6)	(12.0)	0.2	(53.4)
Income from continuing operations attributable to Encompass Health	\$ 152.0	\$ (12.0)	\$ (0.5)	\$ 139.5
Diluted earnings per share from continuing operations*	\$ 1.48	\$ (0.12)	\$ —	\$ 1.37
Diluted shares used in calculation	102.1			

Adjusted EPS⁽⁴⁾ - Q1 2024

	For the Three Months Ended March 31, 2024				
	As Reported	Adjustments			As Adjusted
		Asset Impairment Impact	Income Tax Adjustments	Change in Fair Market Value of Equity Securities	
(\$ in millions, except per share amounts)					
Adjusted EBITDA	\$ 273.0	\$ —	\$ —	\$ —	\$ 273.0
Depreciation and amortization	(70.3)	—	—	—	(70.3)
Interest expense and amortization of debt discounts and fees	(35.2)	—	—	—	(35.2)
Stock-based compensation	(9.3)	—	—	—	(9.3)
Loss on disposal or impairment of assets ⁽³⁾	(13.7)	10.4	—	—	(3.3)
Change in fair market value of equity securities	0.3	—	—	(0.3)	—
Asset impairment impact on noncontrolling interests ⁽³⁾	7.3	(7.3)	—	—	—
Income from continuing operations before income tax expense	152.1	3.1	—	(0.3)	154.9
Provision for income tax expense	(38.3)	(1.3)	(0.6)	0.1	(40.1)
Income from continuing operations attributable to Encompass Health	<u>\$ 113.8</u>	<u>\$ 1.8</u>	<u>\$ (0.6)</u>	<u>\$ (0.2)</u>	<u>\$ 114.8</u>
Diluted earnings per share from continuing operations*	<u>\$ 1.11</u>	<u>\$ 0.02</u>	<u>\$ (0.01)</u>	<u>\$ —</u>	<u>\$ 1.12</u>
Diluted shares used in calculation	<u>102.2</u>				

Adjusted EPS⁽⁴⁾ - 2024

For the Year Ended December 31, 2024

	Adjustments					As Adjusted
	As Reported	Asset Impairment Impact	Loss on Early Extng. of Debt	Income Tax Adjustments	Change in Fair Market Value of Equity Securities	
	(\$ in millions, except per share amounts)					
Adjusted EBITDA	\$1,103.7	\$ —	\$ —	\$ —	\$ —	\$1,103.7
Depreciation and amortization	(299.6)	—	—	—	—	(299.6)
Interest expense and amortization of debt discounts and fees	(137.4)	—	—	—	—	(137.4)
Stock-based compensation	(48.3)	—	—	—	—	(48.3)
Loss on disposal or impairment of assets ⁽³⁾	(17.4)	10.4	—	—	—	(7.0)
Loss on early extinguishment of debt ⁽¹⁴⁾⁽¹⁵⁾	(0.6)	—	0.6	—	—	—
Change in fair market value of equity securities	1.0	—	—	—	(1.0)	—
Asset impairment impact on noncontrolling interests ⁽³⁾	7.3	(7.3)	—	—	—	—
Income from continuing operations before income tax expense	608.7	3.1	0.6	—	(1.0)	611.4
Provision for income tax expense	(150.2)	(1.3)	(0.2)	(7.7)	0.3	(159.1)
Income from continuing operations attributable to Encompass Health	\$ 458.5	\$ 1.8	\$ 0.4	\$ (7.7)	\$ (0.7)	\$ 452.3
Diluted earnings per share from continuing operations*	\$ 4.49	\$ 0.02	\$ —	\$ (0.08)	\$ (0.01)	\$ 4.43
Diluted shares used in calculation	102.2					

End notes

- (1) Historically, we have used the term “provider tax revenues” to refer to “Medicaid supplemental payments,” both of which represent amounts received in connection with state Medicaid programs that are not included in the specific Medicaid claim reimbursements we receive. These amounts include state directed and supplemental payment programs associated with Medicaid. Provider taxes are amounts paid by us to fund, in part, state Medicaid programs. We have used the term “net provider tax revenues” to represent the difference between provider taxes paid and the Medicaid supplemental payments received.
- (2) Adjusted EBITDA is a non-GAAP financial measure. The Company’s leverage ratio (total consolidated debt to Adjusted EBITDA for the trailing four quarters) is, likewise, a non-GAAP measure. Management and some members of the investment community utilize Adjusted EBITDA as a financial measure and the leverage ratio as a liquidity measure on an ongoing basis. These measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance or liquidity. In evaluating Adjusted EBITDA, the reader should be aware that in the future the Company may incur expenses similar to the adjustments set forth.
- (3) In January 2024, we received notice that our joint venture partner, Hospital Sisters Health System, intended to close its acute-care hospital, Sacred Heart Hospital in Eau Claire, WI, in which our joint venture inpatient rehabilitation hospital is located. We closed that joint venture hospital in February 2024 and incurred a one-time impairment charge of \$10.4 million. The impact to net income attributable to Encompass Health during the three months ended March 31, 2024 and the twelve months ended December 31, 2024 resulting from the impairment was \$1.8 million after reductions for net income attributable to noncontrolling interests of \$7.3 million and the provision for income tax expense of \$1.3 million.
- (4) The Company is providing adjusted earnings per share from continuing operations attributable to Encompass Health (“adjusted earnings per share”), which is a non-GAAP measure. The Company believes the presentation of adjusted earnings per share provides useful additional information to investors because it provides better comparability of ongoing operating performance to prior periods given that it excludes the impact of government, class action, and related settlements, professional fees - accounting, tax, and legal, mark-to-market adjustments for stock appreciation rights, gains or losses related to hedging and equity instruments, loss on early extinguishment of debt, adjustments to its income tax provision (such as valuation allowance adjustments, settlements of income tax claims and windfall tax benefits), items related to corporate and facility restructurings, and certain other items deemed to be non-indicative of ongoing operating performance. It is reasonable to expect that one or more of these excluded items will occur in future periods, but the amounts recognized can vary significantly from period to period and may not directly relate to the Company’s ongoing operating performance. Accordingly, they can complicate comparisons of the Company’s results of operations across periods and comparisons of the Company’s results to those of other healthcare companies. Adjusted earnings per share should not be considered as a measure of financial performance under generally accepted accounting principles in the United States as the items excluded from it are significant components in understanding and assessing financial performance. Because adjusted earnings per share is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, it may not be comparable as presented to other similarly titled measures of other companies.
- (5) Income tax adjustments for the first quarter 2025, first quarter 2024, and year ended 2024 relate primarily to removal of windfall tax benefits from GAAP earnings per share.
- (6) The definition of adjusted free cash flow, which is a non-GAAP measure, is net cash provided by operating activities of continuing operations minus capital expenditures for maintenance, distributions to noncontrolling interests, and certain items deemed to be non-indicative of ongoing operating performance. Common stock dividends are not included in the calculation of adjusted free cash flow. Because this measure is not determined in accordance with GAAP and is susceptible to varying calculations, it may not be comparable to other similarly titled measures presented by other companies.

End notes (continued)

- (7) Our inpatient rehabilitation hospitals (“IRFs”) may operate one or more satellite and/or remote locations. Satellite and remote locations are located proximate to one of our existing IRFs but do not have a separate Medicare provider number. As such, they are considered a bed addition, are included in same store results from the day of opening, and are not included in our count of total open hospitals. As of March 31, 2025, we operate 11 satellite and remote locations.
- (8) Cash used for net debt redemptions were \$27.8 million and \$242.1 million during the three months ended March 31, 2025 and twelve months ended December 31, 2024, respectively.
- (9) On October 28, 2013, the Company announced its board of directors authorized the repurchase of up to \$200 million of its common stock. On February 14, 2014, the Company's board approved an increase in this common stock repurchase authorization from \$200 million to \$250 million. As of June 30, 2018, the remaining repurchase authorization was approximately \$58 million. On July 24, 2018, the Company's board approved resetting the aggregate common stock repurchase authorization to \$250 million. As of June 30, 2024, the remaining repurchase authorization was approximately \$181 million. On July 24, 2024, the Company's board approved resetting the aggregate common stock repurchase authorization to \$500 million. As of March 31, 2025, the remaining repurchase authorization was approximately \$458 million.
- (10) Same-store comparisons are calculated based on hospitals open throughout both the full current periods and prior periods presented. These comparisons include the financial results of market consolidation transactions and capacity expansions (including the addition of satellite and remote hospitals) in existing markets.
- (11) Represents discharges from 167 consolidated hospitals in Q1 2025; 166 consolidated hospitals in Q4 2024; 165 consolidated hospitals in Q3 2024; 163 consolidated hospitals in Q2 2024; 160 consolidated hospitals in Q1 2024.
- (12) Total full-time equivalents included in the table represent Encompass Health employees who participate in or support the operations of our hospitals and include full-time equivalents related to contract labor.
- (13) Employees per occupied bed, or “EPOB,” is calculated by dividing the number of total full-time equivalents, including full-time equivalents from the utilization of contract labor, by the number of occupied beds during each period.
- (14) In the third quarter of 2024, the Company redeemed \$150 million of its 5.75% Senior Notes due 2025. The redemption was completed at 100% of par using cash on hand. As a result of the redemption, the Company recorded a \$0.4 million loss on early extinguishment of debt in the third quarter of 2024.
- (15) In the fourth quarter of 2024, the Company redeemed \$100 million of its 5.75% Senior Notes due 2025. The redemption was completed at 100% of par using cash on hand. As a result of the redemption, the Company recorded a \$0.2 million loss on early extinguishment of debt in the fourth quarter of 2024.