

Encompass Health Corporation Board of Directors Declares Distribution of Enhabit Home Health & Hospice

Record date for the distribution of Enhabit shares will be June 24, 2022

Distribution expected to be completed on July 1, 2022

BIRMINGHAM, Ala., June 14, 2022 /PRNewswire/ -- Encompass Health Corporation (NYSE: EHC) ("Encompass Health"), today announced its board of directors has declared a distribution of all of the outstanding shares of common stock of its wholly-owned subsidiary, Enhabit, Inc. ("Enhabit"), to Encompass Health stockholders. Following the spin off, Encompass Health and Enhabit will be independent public companies.

The spin off will be effected through a pro rata distribution of all outstanding shares of Enhabit common stock to Encompass Health stockholders of record as of the close of business on June 24, 2022, the record date for the spin off. Upon completion of the distribution, each Encompass Health stockholder will receive one share of Enhabit common stock for every two shares of Encompass Health common stock held on the record date. Encompass Health stockholders will receive cash in lieu of fractional shares of Enhabit common stock. The distribution is intended to qualify as a tax-free transaction to Encompass Health stockholders for U.S. federal income tax purposes, except with respect to cash received in lieu of fractional shares.



In connection with the spin off, Encompass Health will make available an information statement to its stockholders. The preliminary information statement has been included as an exhibit to Enhabit's Registration Statement on Form 10 filed with the U.S. Securities and Exchange Commission and describes Enhabit's business, certain risks of owning Enhabit common stock, and other details regarding Enhabit and the separation and distribution.

The distribution is expected to be completed on July 1, 2022, subject to the satisfaction or waiver of certain conditions, including the Form 10 being declared effective by the SEC and other conditions described in the preliminary information statement.

Upon completion of the distribution, Encompass Health will continue to trade on the New York Stock Exchange under the ticker symbol "EHC" and Enhabit will trade on the NYSE under the symbol "EHAB". A "when-issued" public trading market for Enhabit common stock is expected to begin on or about June 23, 2022 on the NYSE under the ticker symbol "EHAB WI", with "regular-way" trading of Enhabit common stock under the ticker symbol "EHAB" beginning on July 5, 2022.

Beginning on or about June 23, 2022 and continuing up to and including the distribution date, there will be two markets in Encompass Health common stock on the NYSE: a "regular-way" market and an "ex-distribution" market. Encompass Health common stock trading in the "regular-way" market will include an entitlement to shares of Enhabit common stock to be distributed, such that holders of Encompass Health common stock who sell Encompass Health shares regular way on or before July 1, 2022 will also be selling their right to receive shares of Enhabit common stock. Shares trading in the "ex-distribution" market under the ticker symbol "EHC WI" will trade without an entitlement to Enhabit common stock distributed pursuant to the distribution. Encompass Health investors are encouraged to consult with their financial and tax advisers regarding the specific implications of buying or selling Encompass Health common stock on or before the distribution date and the U.S. federal, state and local or foreign tax consequences of the Enhabit distribution.

No action is required by Encompass Health stockholders to receive their shares of Enhabit common stock as part of the distribution. Computershare will serve as the distribution agent, transfer agent, and registrar for Enhabit common stock.

Enhabit Investor Presentation Available Online

On June 13, 2022, Encompass Health published an investor presentation that reviews Enhabit's investment highlights, operations, financial performance, and growth prospects. The presentation is available on Encompass Health's website, at encompasshealth.com and is included as an exhibit to a Current Report on Form 8-K filed by Encompass Health with the SEC on June 13, 2022.

Advisors

Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC are acting as financial advisors and Wachtell,

Lipton, Rosen & Katz and Bradley Arant Boult Cummings LLP are acting as legal advisors to Encompass Health.

About Encompass Health

Upon completion of the spin off of Enhabit, Encompass Health (NYSE: EHC) will operate 149 inpatient rehabilitation hospitals in 35 states and Puerto Rico. Encompass Health is ranked as one of Fortune's 100 Best Companies to Work For. For more information, visit encompasshealth.com, or follow us on our [newsroom](#), [Twitter](#), [Instagram](#) and [Facebook](#).

About Enhabit Home Health & Hospice

Enhabit Home Health & Hospice is a leading national home health and hospice provider. The company operates a nationwide footprint spanning 252 home health locations and 99 hospice locations across 34 states. For more information, visit ehab.com.

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Forward-Looking Statements

Statements contained in this press release which are not historical facts, such as those relating to the timing and effects, such as the tax-free treatment of the spin off and rebranding of the home health and hospice business and its impact on the business model, outlook and guidance, growth targets, as well Encompass Health's and Enhabit's business and financial assumptions are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, Encompass Health and Enhabit, through senior management, may from time to time make forward-looking public statements concerning the matters described herein. All such estimates, projections, and forward-looking information speak only as of the date hereof, and Encompass Health and Enhabit undertake no duty to publicly update or revise such forward-looking information, whether as a result of new information, future events, or otherwise. Such forward-looking statements are necessarily estimates based upon current information, involve a number of risks and uncertainties, and relate to, among other things, future events, dividend strategies, effective income tax rates, business strategy, financial plans, future financial performances, projected business results or models, ability to return value to stockholders, projected capital expenditures, leverage ratio, growth targets, acquisition opportunities, and the impact of future legislation or regulation. Actual events or results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors which could cause actual events or results to differ materially from those estimated by Encompass Health and Enhabit include, but are not limited to, the possibility that the sum of the values of Encompass Health and Enhabit after separation does not exceed that of the consolidated company due to, among other things, market, regulatory and other factors; the spin off does not occur as anticipated; the potential for disruption to either company's business resulting from the spin off or preparation for the spin off, the continued spread of COVID-19, including the speed, geographic reach and duration of the spread, which could decrease our patient volumes and revenues and lead to staffing and supply shortages and associated cost increases; actions to be taken by either company in response to the pandemic; the legal, regulatory and administrative developments that occur at the federal, state and local levels; either company's infectious disease prevention and control efforts; the demand for either company's services, including based on any downturns in the economy, consumer confidence, or the capital markets and unemployment among family members; any adverse outcome of various lawsuits, claims, and legal or regulatory proceedings involving either company, including any matters related to yet undiscovered issues, if any, in acquired operations; either company's ability to attract and retain key management personnel; any adverse effects on either company's stock price resulting from the integration of acquired operations; potential disruptions, breaches, or other incidents affecting the proper operation, availability, or security of Encompass Health's, Enhabit's or vendors' information systems, including unauthorized access to or theft of patient, business associate, or other sensitive information or inability to provide patient care because of system unavailability as well as unforeseen issues, if any, related to integration of acquired systems; the ability to successfully integrate acquired operations, including realization of anticipated tax benefits, revenues, and cost savings, minimizing the negative impact on margins arising from the changes in staffing and other operating practices, and avoidance of unforeseen exposure to liabilities; either company's ability to successfully complete and integrate de novo developments, acquisitions, investments, and joint ventures consistent with its growth strategy; increases in Medicare audit activity, including increased use of sampling and extrapolation, resulting in additional unpaid reimbursement claims and an increase in the backlog of appealed claims denials; changes, delays in (including in connection

with resolution of Medicare payment reviews or appeals), or suspension of reimbursement for either company's services by governmental or private payors; changes in the regulation of the healthcare industry at either or both of the federal and state levels, including as part of national healthcare reform and deficit reduction (such as the Patient-Driven Groupings Model for home health) and either company's ability to adapt operations to those changes; competitive pressures in the healthcare industry and either company's response thereto; either company's ability to obtain and retain favorable arrangements with third-party payors; either company's ability to control costs, particularly labor and employee benefit costs, including group medical expenses; adverse effects resulting from coverage determinations made by Medicare Administrative Contractors regarding its Medicare reimbursement claims and lengthening delays in either company's ability to recover improperly denied claims through the administrative appeals process on a timely basis; either company's ability to adapt to changes in the healthcare delivery system, including value-based purchasing and involvement in coordinated care initiatives or programs that may arise with its referral sources; either company's ability to attract and retain nurses, therapists, and other healthcare professionals in a highly competitive environment with often severe staffing shortages, which may be worsened by the pandemic, and the impact on either company's labor expenses from potential union activity and staffing shortages; general conditions in the economy and capital markets, including any instability or uncertainty related to armed conflict or an act of terrorism, governmental impasse over approval of the United States federal budget, an increase in the debt ceiling, or an international sovereign debt crisis; the increase in the costs of defending and insuring against alleged professional liability claims, including claims associated with patient and employee exposures to COVID-19, and either company's ability to predict the estimated costs related to such claims; and other factors which may be identified from time to time in Encompass Health's and Enhabit's SEC filings and other public announcements, including Encompass Health's Form 10-K for the year ended December 31, 2021 and Form 10-Q for the quarter ended March 31, 2022 and Enhabit's Form 10.

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SOURCE Encompass Health Corp.

<http://healthsouth.mediaroom.com/2022-06-14-Encompass-Health-Corporation-Board-of-Directors-Declares-Distribution-of-Enhabit-Home-Health-Hospice>