

## Encompass Health reports results for third quarter 2021

### Revises full-year guidance for 2021

BIRMINGHAM, Ala., Oct. 27, 2021 /PRNewswire/ -- Encompass Health Corporation (NYSE: EHC), a national leader in integrated healthcare, offering facility-based and home-based patient care through its network of inpatient rehabilitation hospitals and home health and hospice agencies, today reported its results of operations for the third quarter ended September 30, 2021.

"Our consolidated financial results for the third quarter were solid, with year-over-year growth in revenues and Adjusted EBITDA. Our inpatient rehabilitation business continued to experience strong revenue and Adjusted EBITDA growth in spite of labor challenges," said President and Chief Executive Officer of Encompass Health Mark Tarr. "Our home health and hospice business experienced COVID-related headwinds which limited volume growth and increased costs. We remain very confident in the long-term trends for each of our businesses and in our competitive position. Although we have seen improvement in operating trends during October, we are lowering our full-year 2021 guidance as a result of the current and we believe transient challenges."



#### Consolidated results

	Q3 2021	Q3 2020	Growth	
			Dollars	Percent
	(In Millions, Except Per Share Data)			
Net operating revenues	\$ 1,284.8	\$ 1,173.9	\$ 110.9	9.4 %
Income from continuing operations attributable				
to Encompass Health per diluted share	1.00	0.78	0.22	28.2 %
Adjusted earnings per share	1.03	0.78	0.25	32.1 %
Cash flows provided by operating activities	177.6	173.4	4.2	2.4 %
Adjusted EBITDA	245.6	230.2	15.4	6.7 %
Adjusted free cash flow	124.1	124.1	—	— %

	Nine Months Ended September 30,		Dollars	Percent
	2021	2020		
Cash flows provided by operating activities	\$ 592.0	\$ 425.0	\$ 167.0	39.3 %
Adjusted free cash flow	437.1	366.9	70.2	19.1 %

Revenue growth resulted from strong discharge growth and favorable pricing in our inpatient rehabilitation segment, partly offset by volume and cost headwinds in the home health and hospice business.

The increase in income from continuing operations attributable to Encompass Health per diluted share and adjusted earnings per share in 2021 primarily resulted from revenue growth.

The increase in year-to-date cash flows provided by operating activities and adjusted free cash flow primarily resulted from revenue growth and the lower maintenance capital expenditures in 2021, partly offset by higher cash taxes paid year-to-date in 2021.

See attached supplemental information for calculations of non-GAAP measures and reconciliations to their most comparable GAAP measure.

#### Inpatient rehabilitation segment results

	Q3 2021	Q3 2020	Growth	
			Dollars	Percent
	(In Millions)			
<b>Net operating revenues:</b>				
Inpatient	\$ 983.7	\$ 883.2	\$ 100.5	11.4 %
Outpatient and other	27.2	16.2	11.0	67.9 %
<b>Total segment revenue</b>	<b>\$ 1,010.9</b>	<b>\$ 899.4</b>	<b>\$ 111.5</b>	<b>12.4 %</b>
	(Actual Amounts)			
<b>Discharges</b>	49,983	45,962	4,021	8.7 %
Same-store discharge growth				6.7 %
<b>Net patient revenue per discharge</b>	\$ 19,681	\$ 19,216	\$ 465	2.4 %
<b>Revenue reserves related to bad debt as a percent of revenue</b>	2.0 %	1.4 %		60 basis points
	(In Millions)			
<b>Adjusted EBITDA</b>	\$ 231.6	\$ 209.2	\$ 22.4	10.7 %

- *Revenue* - Inpatient revenue growth resulted from increased volumes and pricing. Total discharge growth for the third quarter of 2021 was 8.7% with same-store growth of 6.7%. Revenue reserves related to bad debt as a percent of revenue increased 60 basis points primarily attributable to claims processing delays by managed care payors.

Growth in net patient revenue per discharge of 2.4% primarily resulted from an increase in reimbursement rates and higher patient acuity.

The increase in outpatient and other revenue included an increase of \$11.3 million in provider tax revenues (offset by an increase of approximately \$9.3 million in provider tax expenses included in other operating expenses).

- *Adjusted EBITDA* - The 10.7% increase in Adjusted EBITDA in the third quarter of 2021 primarily resulted from revenue growth partially offset by higher expenses.

#### Home health and hospice segment results

	Q3 2021	Q3 2020	Growth	
			Dollars	Percent
	(In Millions)			
<b>Net operating revenues:</b>				
Home health revenue	\$ 221.1	\$ 223.3	\$ (2.2)	(1.0) %
Hospice revenue	52.8	51.2	1.6	3.1 %
<b>Total segment revenue</b>	<b>\$ 273.9</b>	<b>\$ 274.5</b>	<b>\$ (0.6)</b>	<b>(0.2) %</b>
<b>Adjusted EBITDA</b>	\$ 46.4	\$ 51.8	\$ (5.4)	(10.4) %

Home Health				
	Q3 2021	Q3 2020	Growth	
			Dollars	Percent
	(Actual Amounts)			
<b>Starts of care:</b>				
Episodic admissions	37,577	40,765	(3,188)	(7.8) %
<i>Same-store episodic admissions growth</i>				(9.7) %
Episodic recertifications	27,742	29,830	(2,088)	(7.0) %
<b>Total episodic starts of care</b>	<b>65,319</b>	<b>70,595</b>	<b>(5,276)</b>	<b>(7.5) %</b>
Total admissions	48,412	48,838	(426)	(0.9) %
<i>Same-store total admissions growth</i>				(2.7) %
Total recertifications	32,942	33,786	(844)	(2.5) %
<b>Total starts of care</b>	<b>81,354</b>	<b>82,624</b>	<b>(1,270)</b>	<b>(1.5) %</b>
<b>Revenue per episode</b>	\$ 2,916	\$ 2,910	\$ 6	0.2 %

Hospice				
Admissions:				

Same store	2,884	3,354	(470)	(14.0) %
New store	378	—	378	11.3 %
<b>Total admissions</b>	<u>3,262</u>	<u>3,354</u>	<u>(92)</u>	<u>(2.7) %</u>

- **Revenue** - Total admissions were down 0.9% and same-store admissions were down 2.7%. The decline in admissions was attributable primarily to COVID-related challenges.

Home health revenue per episode increased 0.2%, less than expected, due to the mix between early and late payment periods resulting from the decline of episodic admissions during the quarter.

- **Adjusted EBITDA** - The 10.4% decrease in Adjusted EBITDA resulted primarily from COVID-related challenges that limited volume and increased expenses.

#### General and administrative expenses

	Q3 2021	% of Consolidated Revenue	Q3 2020	% of Consolidated Revenue
General and administrative expenses, excluding stock-based compensation	\$ 32.4	2.5%	\$ 30.8	2.6%

(In Millions)

General and administrative expenses decreased as a percent of consolidated revenue primarily due to the increased revenue base year-over-year.

General and administrative expenses in the above table exclude \$4.6 million in costs associated with the strategic alternatives review of the Company's home health and hospice business for the third quarter of 2021.

#### 2021 guidance

The Company revised its full-year guidance as follows:

	Full-Year 2021 Guidance Ranges	
	Previous Guidance	Updated Guidance
Net operating revenues	\$5,100 to \$5,250	\$5,080 to \$5,130
Adjusted EBITDA	\$1,050 to \$1,070	\$1,025 to \$1,045
Adjusted earnings per share from continuing operations attributable to Encompass Health	\$4.32 to \$4.47	\$4.23 to \$4.38

(In Millions, Except Per Share Data)

The Company's 2021 guidance assumes the continuation of the current structure of the business for 2021.

For additional considerations regarding the Company's 2021 guidance ranges, see the supplemental information posted on the Company's website at <http://investor.encompasshealth.com>. See also the "Other information" section below for an explanation of why the Company does not provide guidance for comparable GAAP measures for Adjusted EBITDA and adjusted earnings per share.

#### Update on Strategic Alternatives Review for Home Health and Hospice Business

The Company expects to effect the partial or full separation of its home health and hospice business into an independent public company via a carve-out IPO, spin-off, or split-off. The Company is targeting such a transaction in the first half of 2022 and expects to announce a more precise timing and the form of the separation transaction in connection with its fourth quarter earnings release. While there can be no assurance that a transaction of this nature will be consummated, the Company has made significant progress on the various tasks necessary to complete a separation transaction and will further its state of readiness over the balance of this year.

The Company has previously indicated that it believes that a full or partial separation of the home health and hospice business will enhance the long-term success and value of the business. The Company has thoroughly evaluated a broad array of public and private transaction alternatives and believes that effecting the separation via the formation of an independent public company is superior to the other alternatives considered. Among other considerations, this belief is based on the anticipated strategic focus, future growth and value creating opportunities, execution risks, and tax efficiency resulting from such a transaction.

As the Company has previously reported, many of the key preparatory actions for a separation have been completed, including but not limited to, audited carve-out financial statements for the home health and hospice business, a confidential submission of a draft registration statement on Form S-1 with the United States Securities and Exchange Commission and certain required regulatory filings.

This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, and shall not constitute an offer, solicitation, or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities law of that jurisdiction.

#### Earnings conference call and webcast

The Company will host an investor conference call at 10:00 a.m. Eastern Time on Thursday, October 28, 2021 to discuss its results for the third quarter of 2021. For reference during the call, the Company will post certain supplemental information at <http://investor.encompasshealth.com>.

The conference call may be accessed by dialing 800 347-7407 and giving the pass code EHCQ321. International callers should dial 203 518-9704 and give the same pass code. Please call approximately ten minutes before the start of the call to ensure you are connected. The conference call will also be webcast live and will be available for on-line replay at <http://investor.encompasshealth.com> by clicking on an available link.

#### About Encompass Health

As a national leader in integrated healthcare services, Encompass Health (NYSE: EHC) offers both facility-based and home-based patient care through its network of inpatient rehabilitation hospitals, home health agencies and hospice agencies. With a national footprint that includes 145 hospitals and 249 home health locations and 95 hospice locations in 42 states and Puerto Rico, the Company provides high-quality, cost-effective integrated healthcare. Encompass Health is ranked as one of Fortune's 100 Best Companies to Work For. For more information, visit [encompasshealth.com](http://encompasshealth.com), or follow us on our newsroom, Twitter, Instagram and Facebook.

#### Other information

The information in this press release is summarized and should be read in conjunction with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "September 2021 Form 10-Q"), when filed, as well as the Company's Current Report on Form 8-K filed on October 27, 2021 (the "Q3 Earnings Form 8-K"), to which this press release is attached as Exhibit 99.1. In addition, the Company will post supplemental information today on its website at <http://investor.encompasshealth.com> for reference during its October 28, 2021 earnings call.

The financial data contained in the press release and supplemental information include non-GAAP financial measures, including the Company's adjusted earnings per share, leverage ratio, Adjusted EBITDA, and adjusted free cash flow. Reconciliations to their most comparable GAAP measure, except with regard to non-GAAP guidance, are included below or in the Q3 Earnings Form 8-K. Readers are encouraged to review the "Note Regarding Presentation of Non-GAAP Financial Measures" included in the Q3 Earnings Form 8-K which provides further explanation and disclosure regarding the Company's use of these non-GAAP financial measures.

Excluding net operating revenues, the Company does not provide guidance on a GAAP basis because it is unable to predict, with reasonable certainty, the future impact of items that are deemed to be outside the control of the Company or otherwise non-indicative of its ongoing operating performance. Such items include 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 instruments; loss on early extinguishment of debt; adjustments to its income tax provision (such as valuation allowance adjustments and settlements of income tax claims); items related to corporate and facility restructurings; and certain other items the Company believes to be non-indicative of its ongoing operations. These items cannot be reasonably predicted and will depend on several factors, including industry and market conditions, and could be material to the Company's results computed in accordance with GAAP.

However, the following reasonably estimable GAAP measures for 2021 would be included in a reconciliation for Adjusted EBITDA if the other reconciling GAAP measures could be reasonably predicted:

- Interest expense and amortization of debt discounts and fees - estimate of \$160 million to \$170 million
- Amortization of debt-related items - approximately \$5 million

The Q3 Earnings Form 8-K and, when filed, the September 2021 Form 10-Q can be found on the Company's website at <http://investor.encompasshealth.com> and the SEC's website at

**Encompass Health Corporation and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(In Millions, Except Per Share Data)			
Net operating revenues	\$ 1,284.8	\$ 1,173.9	\$ 3,802.9	\$ 3,430.0
Operating expenses:				
Salaries and benefits	730.1	664.9	2,125.5	1,995.9
Other operating expenses	173.4	163.4	508.4	471.3
Occupancy costs	19.8	20.3	60.2	60.8
Supplies	53.2	52.5	155.1	148.8
General and administrative expenses	43.9	39.1	136.7	117.7
Depreciation and amortization	64.9	61.2	190.8	180.7
Government, class action, and related settlements	—	—	—	2.8
Total operating expenses	1,085.3	1,001.4	3,176.7	2,978.0
Loss on early extinguishment of debt	—	—	1.0	—
Interest expense and amortization of debt discounts and fees	39.9	49.0	124.5	138.0
Other income	(0.4)	(2.5)	(6.4)	(6.4)
Equity in net income of nonconsolidated affiliates	(0.9)	(1.0)	(2.9)	(2.5)
Income from continuing operations before income tax expense	160.9	127.0	510.0	322.9
Provision for income tax expense	34.1	26.9	108.1	65.8
Income from continuing operations	126.8	100.1	401.9	257.1
Loss from discontinued operations, net of tax	(0.1)	—	(0.4)	—
<b>Net and comprehensive income</b>	126.7	100.1	401.5	257.1
Less: Net and comprehensive income attributable to noncontrolling interests	(26.7)	(22.4)	(80.9)	(58.9)
<b>Net and comprehensive income attributable to Encompass Health</b>	\$ 100.0	\$ 77.7	\$ 320.6	\$ 198.2
<b>Weighted average common shares outstanding:</b>				
Basic	99.0	98.7	99.0	98.5
Diluted	100.2	99.9	100.1	99.7
<b>Earnings per common share:</b>				
<b>Basic earnings per share attributable to Encompass Health common shareholders:</b>				
Continuing operations	\$ 1.01	\$ 0.78	\$ 3.22	\$ 2.01
Discontinued operations	—	—	—	—
Net income	\$ 1.01	\$ 0.78	\$ 3.22	\$ 2.01
<b>Diluted earnings per share attributable to Encompass Health common shareholders:</b>				
Continuing operations	\$ 1.00	\$ 0.78	\$ 3.20	\$ 1.99
Discontinued operations	—	—	—	—
Net income	\$ 1.00	\$ 0.78	\$ 3.20	\$ 1.99
<b>Amounts attributable to Encompass Health common shareholders:</b>				
Income from continuing operations	\$ 100.1	\$ 77.7	\$ 321.0	\$ 198.2
Loss from discontinued operations, net of tax	(0.1)	—	(0.4)	—
Net income attributable to Encompass Health	\$ 100.0	\$ 77.7	\$ 320.6	\$ 198.2

**Encompass Health Corporation and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(Unaudited)

	September 30, 2021	December 31, 2020
	(In Millions)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 94.8	\$ 224.0
Restricted cash	75.9	65.4
Accounts receivable	637.8	572.8
Other current assets	101.3	86.4
Total current assets	909.8	948.6
Property and equipment, net	2,467.9	2,206.6
Operating lease right-of-use assets	239.0	245.7
Goodwill	2,417.6	2,318.7
Intangible assets, net	424.3	431.3
Other long-term assets	263.1	295.0
<b>Total assets</b>	\$ 6,721.7	\$ 6,445.9
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 65.9	\$ 38.3
Current operating lease liabilities	40.7	44.8
Accounts payable	149.4	115.0
Accrued expenses and other current liabilities	537.9	519.2
Total current liabilities	793.9	717.3
Long-term debt, net of current portion	3,142.0	3,250.6
Long-term operating lease liabilities	208.4	209.6
Deferred income tax liabilities	60.4	51.8
Other long-term liabilities	223.5	215.0
Total long-term liabilities	4,428.2	4,444.3
Commitments and contingencies		
Redeemable noncontrolling interests	32.5	31.6
<b>Shareholders' equity:</b>		
Encompass Health shareholders' equity	1,842.7	1,588.0
Noncontrolling interests	418.3	382.0
Total shareholders' equity	2,261.0	1,970.0
<b>Total liabilities and shareholders' equity</b>	\$ 6,721.7	\$ 6,445.9

**Encompass Health Corporation and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

Nine Months Ended September 30,

	2021	2020
	(In Millions)	
<b>Cash flows from operating activities:</b>		
Net income	\$ 401.5	\$ 257.1
Loss from discontinued operations, net of tax	0.4	—
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	190.8	180.7
Loss on early extinguishment of debt	1.0	—
Stock-based compensation	21.7	25.3
Deferred tax expense (benefit)	4.4	(5.7)
Other, net	(0.2)	15.5
Changes in assets and liabilities, net of acquisitions—		
Accounts receivable	(36.7)	(71.8)
Other assets	(27.0)	17.3
Accounts payable	8.8	10.3
Accrued payroll	30.0	86.7
Accrued interest payable	(23.0)	(0.2)
Other liabilities	20.9	(90.0)
Net cash used in operating activities of discontinued operations	(0.6)	(0.2)
Total adjustments	190.1	167.9
<b>Net cash provided by operating activities</b>	<b>592.0</b>	<b>425.0</b>
<b>Cash flows from investing activities:</b>		
Acquisition of businesses, net of cash acquired	(98.8)	(1.1)
Purchases of property and equipment	(336.3)	(256.2)
Additions to capitalized software costs	(13.0)	(5.7)
Proceeds from disposal of assets	18.5	0.1
Other, net	(16.0)	(1.9)
<b>Net cash used in investing activities</b>	<b>(445.6)</b>	<b>(264.8)</b>

**Encompass Health Corporation and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (Continued)**  
**(Unaudited)**

	Nine Months Ended September 30,	
	2021	2020
	(In Millions)	
<b>Cash flows from financing activities:</b>		
Proceeds from bond issuance	—	592.5
Principal payments on debt, including pre-payments	(210.9)	(14.7)
Borrowings on revolving credit facility	110.0	330.0
Payments on revolving credit facility	(20.0)	(375.0)
Principal payments under finance lease obligations	(18.6)	(16.7)
Debt amendment and issuance costs	—	(13.5)
Taxes paid on behalf of employees for shares withheld	(16.4)	(15.7)
Contributions from consolidated affiliates	36.1	24.7
Dividends paid on common stock	(84.7)	(84.3)
Distributions paid to noncontrolling interests of consolidated affiliates	(77.8)	(52.9)
Repurchases of common stock, including fees and expenses	—	(4.9)
Purchase of equity interests in consolidated affiliates	—	(162.3)
Other, net	(0.1)	1.1
<b>Net cash (used in) provided by financing activities</b>	<b>(282.4)</b>	<b>208.3</b>
<b>(Decrease) increase in cash, cash equivalents, and restricted cash</b>	<b>(136.0)</b>	<b>368.5</b>
<b>Cash, cash equivalents, and restricted cash at beginning of year</b>	<b>310.9</b>	<b>159.6</b>
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 174.9</b>	<b>\$ 528.1</b>
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash</b>		
Cash and cash equivalents at beginning of period	\$ 224.0	\$ 94.8
Restricted cash at beginning of period	65.4	57.4
Restricted cash included in other long-term assets at beginning of period	21.5	7.4
Cash, cash equivalents, and restricted cash at beginning of period	<b>\$ 310.9</b>	<b>\$ 159.6</b>
Cash and cash equivalents at end of period	\$ 94.8	\$ 450.0
Restricted cash at end of period	75.9	57.2
Restricted cash included in other long-term assets at end of period	4.2	20.9
Cash, cash equivalents, and restricted cash at end of period	<b>\$ 174.9</b>	<b>\$ 528.1</b>
<b>Supplemental schedule of noncash operating, investing and financing activities:</b>		
Property and equipment additions through finance leases	\$ 46.2	\$ 5.1
Accrued purchases of property & equipment	25.5	14.7
Operating lease additions	32.2	21.2

**Encompass Health Corporation and Subsidiaries**  
**Supplemental Information**  
**Earnings Per Share**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(In Millions, Except Per Share Data)			
<b>Adjusted EBITDA</b>	\$ 245.6	\$ 230.2	\$ 775.3	\$ 620.4
Depreciation and amortization	(64.9)	(61.2)	(190.8)	(180.7)
Interest expense and amortization of debt discounts and fees	(39.9)	(49.0)	(124.5)	(138.0)
Stock-based compensation expense	(6.9)	(8.3)	(21.7)	(25.3)
Gain (loss) on disposal or impairment of assets	5.2	(7.5)	2.4	(10.6)
	139.1	104.2	440.7	265.8
Certain items non-indicative of ongoing operating performance:				
Loss on early extinguishment of debt	—	—	(1.0)	—
Costs associated with the strategic alternatives review	(4.6)	—	(9.6)	—
Costs associated with the Frontier acquisition	—	—	(1.3)	—
Gain on consolidation of former equity method location	—	—	—	2.2
Change in fair market value of equity securities	(0.3)	0.4	0.3	0.3
Government, class action, and related settlements	—	—	—	(2.8)
Payroll taxes on SARs exercise	—	—	—	(1.5)
<b>Pre-tax income</b>	<b>134.2</b>	<b>104.6</b>	<b>429.1</b>	<b>264.0</b>
Income tax expense	(34.1)	(26.9)	(108.1)	(65.8)
<b>Income from continuing operations <sup>(1)</sup></b>	<b>\$ 100.1</b>	<b>\$ 77.7</b>	<b>\$ 321.0</b>	<b>\$ 198.2</b>

Basic shares	99.0	98.7	99.0	98.5
Diluted shares	100.2	99.9	100.1	99.7
<b>Basic earnings per share <sup>(1)</sup></b>	<b>\$ 1.01</b>	<b>\$ 0.78</b>	<b>\$ 3.22</b>	<b>\$ 2.01</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$ 1.00</b>	<b>\$ 0.78</b>	<b>\$ 3.20</b>	<b>\$ 1.99</b>

(1) Income from continuing operations attributable to Encompass Health

**Encompass Health Corporation and Subsidiaries  
Supplemental Information  
Adjusted Earnings Per Share**

	Q3		9 Months	
	2021	2020	2021	2020
<b>Earnings per share, as reported</b>	<b>\$ 1.00</b>	<b>\$ 0.78</b>	<b>\$ 3.20</b>	<b>\$ 1.99</b>
Adjustments, net of tax:				
Government, class action, and related settlements	—	—	—	0.02
Costs associated with the strategic alternatives review	0.03	—	0.07	—
Costs associated with the Frontier acquisition	—	—	0.01	—
Income tax adjustments	—	—	(0.04)	(0.05)
Loss on early extinguishment of debt	—	—	0.01	—
Gain on consolidation of former equity method location	—	—	—	(0.02)
Payroll taxes on SARs exercise	—	—	—	0.01
<b>Adjusted earnings per share*</b>	<b>\$ 1.03</b>	<b>\$ 0.78</b>	<b>\$ 3.26</b>	<b>\$ 1.96</b>

\* Adjusted EPS may not sum due to rounding.

**Encompass Health Corporation and Subsidiaries  
Supplemental Information  
Adjusted Earnings Per Share**

	For the Three Months Ended September 30, 2021				
	As Reported	Income Tax Adjustments	Costs Associated with the Strategic Alternatives Review	Change in Fair Market Value of Equity Securities	As Adjusted
	(In Millions, Except Per Share Amounts)				
<b>Adjusted EBITDA*</b>	<b>\$ 245.6</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 245.6</b>
Depreciation and amortization	(64.9)	—	—	—	(64.9)
Interest expense and amortization of debt discounts and fees	(39.9)	—	—	—	(39.9)
Stock-based compensation	(6.9)	—	—	—	(6.9)
Gain on disposal or impairments of assets	5.2	—	—	—	5.2
Costs associated with the strategic alternatives review	(4.6)	—	4.6	—	—
Change in fair market value of equity securities	(0.3)	—	—	0.3	—
<b>Income from continuing operations before income tax expense</b>	<b>134.2</b>	<b>—</b>	<b>4.6</b>	<b>0.3</b>	<b>139.1</b>
Provision for income tax expense	(34.1)	(0.2)	(1.2)	(0.1)	(35.6)
<b>Income from continuing operations attributable to Encompass Health</b>	<b>\$ 100.1</b>	<b>\$ (0.2)</b>	<b>\$ 3.4</b>	<b>\$ 0.2</b>	<b>\$ 103.5</b>
<b>Diluted earnings per share from continuing operations**</b>	<b>\$ 1.00</b>	<b>\$ —</b>	<b>\$ 0.03</b>	<b>\$ —</b>	<b>\$ 1.03</b>
<b>Diluted shares used in calculation</b>	<b>100.2</b>				

\* Reconciliation to GAAP provided on page 17

\*\* Adjusted EPS may not sum across due to rounding.

**Encompass Health Corporation and Subsidiaries  
Supplemental Information**

**Adjusted Earnings Per Share**

	For the Three Months Ended September 30, 2020			
	As Reported	Income Tax Adjustments	Change in Fair Market Value of Equity Securities	As Adjusted
	(In Millions, Except Per Share Amounts)			
<b>Adjusted EBITDA*</b>	<b>\$ 230.2</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 230.2</b>
Depreciation and amortization	(61.2)	—	—	(61.2)
Interest expense and amortization of debt discounts and fees	(49.0)	—	—	(49.0)
Stock-based compensation	(8.3)	—	—	(8.3)
Loss on disposal or impairments of assets	(7.5)	—	—	(7.5)
Change in fair market value of equity securities	0.4	—	(0.4)	—
<b>Income from continuing operations before income tax expense</b>	<b>104.6</b>	<b>—</b>	<b>(0.4)</b>	<b>104.2</b>
Provision for income tax expense	(26.9)	0.1	0.1	(26.7)
<b>Income from continuing operations attributable to Encompass Health</b>	<b>\$ 77.7</b>	<b>\$ 0.1</b>	<b>\$ (0.3)</b>	<b>\$ 77.5</b>
<b>Diluted earnings per share from continuing operations**</b>	<b>\$ 0.78</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 0.78</b>
<b>Diluted shares used in calculation</b>	<b>99.9</b>			

\* Reconciliation to GAAP provided on page 17

\*\* Adjusted EPS may not sum across due to rounding.

**Encompass Health Corporation and Subsidiaries  
Supplemental Information  
Adjusted Earnings Per Share**

**For the Nine Months Ended September 30, 2021**

Adjustments  
Costs Associated      Costs      Chang

	As Reported	Loss on Early Exting. of Debt	Income Tax Adjustments	with the Strategic Alternatives Review	Associated with the Frontier Acquisition	Fair Market Value Equity Securities
	(In Millions, Except Per Share Amounts)					
<b>Adjusted EBITDA*</b>	\$ 775.3	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation and amortization	(190.8)	—	—	—	—	—
Loss on early extinguishment of debt	(1.0)	1.0	—	—	—	—
Interest expense and amortization of debt discounts and fees	(124.5)	—	—	—	—	—
Stock-based compensation	(21.7)	—	—	—	—	—
Gain on disposal or impairment of assets	2.4	—	—	—	—	—
Costs associated with the strategic alternatives review	(9.6)	—	—	9.6	—	—
Costs associated with the Frontier acquisition	(1.3)	—	—	—	1.3	—
Change in fair market value of equity securities	0.3	—	—	—	—	(0)
<b>Income from continuing operations before income tax expense</b>	429.1	1.0	—	9.6	1.3	(0)
Provision for income tax expense	(108.1)	(0.3)	(3.6)	(2.5)	(0.3)	(0)
<b>Income from continuing operations attributable to Encompass Health</b>	\$ 321.0	\$ 0.7	\$ (3.6)	\$ 7.1	\$ 1.0	\$ (0)
<b>Diluted earnings per share from continuing operations**</b>	\$ 3.20	\$ 0.01	\$ (0.04)	\$ 0.07	\$ 0.01	\$ —
<b>Diluted shares used in calculation</b>	<b>100.1</b>					

\* Reconciliation to GAAP provided on page 17

\*\* Adjusted EPS may not sum across due to rounding.

**Encompass Health Corporation and Subsidiaries  
Supplemental Information  
Adjusted Earnings Per Share**

For the Nine Months Ended September 30, 2020

	As Reported	Gov't, Class Action, & Related Settlements	Income Tax Adjustments	Change in Fair Market Value of Equity Securities	Gain on Consolidation of Former Equity Method Location	Payroll Taxes on SARs Exercise
	(In Millions, Except Per Share Amounts)					
<b>Adjusted EBITDA*</b>	\$ 620.4	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation and amortization	(180.7)	—	—	—	—	—
Government, class action, and related settlements	(2.8)	2.8	—	—	—	—
Interest expense and amortization of debt discounts and fees	(138.0)	—	—	—	—	—
Stock-based compensation	(25.3)	—	—	—	—	—
Loss on disposal or impairment of assets	(10.6)	—	—	—	—	—
Change in fair market value of equity securities	0.3	—	—	(0.3)	—	—
Gain on consolidation of former equity method location	2.2	—	—	—	(2.2)	—
Payroll taxes on SARs exercise	(1.5)	—	—	—	—	1.5
<b>Income from continuing operations before income tax expense</b>	264.0	2.8	—	(0.3)	(2.2)	1.5
Provision for income tax expense	(65.8)	(0.7)	(4.6)	0.1	0.6	(0.4)
<b>Income from continuing operations attributable to Encompass Health</b>	\$ 198.2	\$ 2.1	\$ (4.6)	\$ (0.2)	\$ (1.6)	\$ 1.1
<b>Diluted earnings per share from continuing operations**</b>	\$ 1.99	\$ 0.02	\$ (0.05)	\$ —	\$ (0.02)	\$ 0.01
<b>Diluted shares used in calculation</b>	<b>99.7</b>					

\* Reconciliation to GAAP provided on page 17

\*\* Adjusted EPS may not sum across due to rounding.

**Encompass Health Corporation and Subsidiaries  
Supplemental Information  
Reconciliation of Net Income to Adjusted EBITDA**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In Millions)			
<b>Net income</b>	\$ 126.7	\$ 100.1	\$ 401.5	\$ 257.1
Loss from discontinued operations, net of tax, attributable to Encompass Health	0.1	—	0.4	—
Net income attributable to noncontrolling interests	(26.7)	(22.4)	(80.9)	(58.9)
Government, class action, and related settlements	—	—	—	2.8
Provision for income tax expense	34.1	26.9	108.1	65.8
Interest expense and amortization of debt discounts and fees	39.9	49.0	124.5	138.0
Depreciation and amortization	64.9	61.2	190.8	180.7
Loss on early extinguishment of debt	—	—	1.0	—
(Gain) loss on disposal or impairment of assets	(5.2)	7.5	(2.4)	10.6
Stock-based compensation expense	6.9	8.3	21.7	25.3
Costs associated with the strategic alternatives review	4.6	—	9.6	—
Costs associated with the Frontier acquisition	—	—	1.3	—
Gain on consolidation of former equity method location	—	—	—	(2.2)
Change in fair market value of equity securities	0.3	(0.4)	(0.3)	(0.3)
Payroll taxes on SARs exercise	—	—	—	1.5
<b>Adjusted EBITDA</b>	<b>\$ 245.6</b>	<b>\$ 230.2</b>	<b>\$ 775.3</b>	<b>\$ 620.4</b>

**Reconciliation of Segment Adjusted EBITDA to Income from Continuing Operations  
Before Income Tax Expense**

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2021	2020	2021	2020	2020
	(In Millions)				
<b>Total segment Adjusted EBITDA</b>	\$ 278.0	\$ 261.0	\$ 879.4	\$ 712.8	\$ 986.3
General and administrative expenses	(43.9)	(39.1)	(136.7)	(117.7)	(155.5)
Depreciation and amortization	(64.9)	(61.2)	(190.8)	(180.7)	(243.0)
Gain (loss) on disposal or impairment of assets	5.2	(7.5)	2.4	(10.6)	(11.6)
Government, class action, and related settlements	—	—	—	(2.8)	(2.8)
Loss on early extinguishment of debt	—	—	(1.0)	—	(2.3)
Interest expense and amortization of debt discounts and fees	(39.9)	(49.0)	(124.5)	(138.0)	(184.2)
Net income attributable to noncontrolling interests	26.7	22.4	80.9	58.9	84.6
Change in fair market value of equity securities	(0.3)	0.4	0.3	0.3	0.4

Payment exercises of common equity method location	—	—	—	(12.5)	(12.5)
<b>Income from continuing operations before income tax expense</b>	<b>\$ 160.9</b>	<b>\$ 127.0</b>	<b>\$ 510.0</b>	<b>\$ 322.9</b>	<b>\$ 472.6</b>

**Encompass Health Corporation and Subsidiaries  
Supplemental Information  
Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDA**

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2021	2020	2021	2020	2020
	(In Millions)				
<b>Net cash provided by operating activities</b>	\$ 177.6	\$ 173.4	\$ 592.0	\$ 425.0	\$ 704.7
Interest expense and amortization of debt discounts and fees	39.9	49.0	124.5	138.0	184.2
Equity in net income of nonconsolidated affiliates	0.9	1.0	2.9	2.5	3.5
Net income attributable to noncontrolling interests in continuing operations	(26.7)	(22.4)	(80.9)	(58.9)	(84.6)
Amortization of debt-related items	(1.8)	(2.0)	(5.8)	(5.1)	(7.2)
Distributions from nonconsolidated affiliates	(0.9)	(0.8)	(2.7)	(2.8)	(3.8)
Current portion of income tax expense	35.9	23.5	103.7	71.5	51.4
Change in assets and liabilities	16.0	7.2	27.0	47.7	7.3
Cash used in operating activities of discontinued operations	—	0.1	0.6	0.2	0.2
Costs associated with the strategic alternatives review	4.6	—	9.6	—	—
Costs associated with the Frontier acquisition	—	—	1.3	—	—
Payroll taxes on SARs exercise	—	—	—	1.5	1.5
Change in fair market value of equity securities	0.3	(0.4)	(0.3)	(0.3)	(0.4)
Other	(0.2)	1.6	3.4	1.1	3.5
<b>Adjusted EBITDA</b>	<b>\$ 245.6</b>	<b>\$ 230.2</b>	<b>\$ 775.3</b>	<b>\$ 620.4</b>	<b>\$ 860.3</b>

**Encompass Health Corporation and Subsidiaries  
Supplemental Information  
Reconciliation of Net Cash Provided by Operating Activities to Adjusted Free Cash Flow**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In Millions)			
<b>Net cash provided by operating activities</b>	\$ 177.6	\$ 173.4	\$ 592.0	\$ 425.0
Impact of discontinued operations	—	0.1	0.6	0.2
Net cash provided by operating activities of continuing operations	177.6	173.5	592.6	425.2
Capital expenditures for maintenance	(32.1)	(34.0)	(85.9)	(107.5)
Distributions paid to noncontrolling interests of consolidated affiliates	(25.1)	(15.4)	(77.8)	(52.9)
<b>Items non-indicative of ongoing operations:</b>				
Cash paid for SARs exercise (inclusive of payroll taxes)	—	—	—	102.1
Transaction costs and related assumed liabilities	3.7	—	8.2	—
<b>Adjusted free cash flow</b>	<b>\$ 124.1</b>	<b>\$ 124.1</b>	<b>\$ 437.1</b>	<b>\$ 366.9</b>

For the three months ended September 30, 2021, net cash used in investing activities was \$124.0 million and primarily resulted from capital expenditures. Net cash used in financing activities during the three months ended September 30, 2021 was \$18.5 million and primarily resulted from cash dividends paid on common stock and distributions to noncontrolling interests of consolidated affiliates, offset by net debt borrowings.

For the three months ended September 30, 2020, net cash used in investing activities was \$89.7 million and primarily resulted from capital expenditures. Net cash used in financing activities during the three months ended September 30, 2020 was \$45.6 million and primarily resulted from cash dividends paid on common stock and distributions paid to noncontrolling interests of consolidated affiliates.

For the nine months ended September 30, 2021, net cash used in investing activities was \$445.6 million and primarily resulted from capital expenditures and the acquisition of assets from Frontier Home Health and Hospice. Net cash used in financing activities during the nine months ended September 30, 2021 was \$282.4 million and primarily resulted from net debt payments, cash dividends paid on common stock and distributions to noncontrolling interests of consolidated affiliates.

For the nine months ended September 30, 2020, net cash used in investing activities was \$264.8 million and primarily resulted from capital expenditures. Net cash provided by financing activities during the nine months ended September 30, 2020 was \$208.3 million and primarily resulted from the issuance of additional senior notes in May 2020 offset by the settlement of the final put and exercise of the Home Health Holdings rollover shares and SARs, cash dividends paid on common stock, and distributions paid to noncontrolling interests of consolidated affiliates.

**Encompass Health Corporation and Subsidiaries  
Forward-Looking Statements**

Statements contained in this press release and the supplemental information which are not historical facts, such as those relating to the strategic alternatives review, the nature of the COVID-19 pandemic and its impact on Encompass Health's business and financial assumptions, financial guidance, balance sheet and cash flow plans, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, Encompass Health, through its 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 undertakes 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, Encompass Health's plan to repurchase its debt or equity securities, dividend strategies, effective income tax rates, its business strategy, its financial plans, its future financial performance, its projected business results or model, its ability to return value to shareholders, its projected capital expenditures, its leverage ratio, its 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 include, but are not limited to, the possibility that the Company may not be able to realize higher values for its home health and hospice business through strategic transactions; the possibility that the Company may decide not to undertake a transaction following the review of strategic alternatives or that it is not able to consummate any proposed transactions resulting from the review due to, among other things, market, regulatory and other factors; the potential for disruption to the Company's business resulting from the review of strategic alternatives or the undertaking of any transactions following the review; any potential adverse effects of the Company's stock price resulting from the announcement of the results of the strategic review; the continued spread of COVID-19, including the speed, depth, 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 the Company in response to the pandemic; the legal, regulatory and administrative developments that occur at the federal, state and local levels; the Company's infectious disease prevention and control efforts; the demand for the Company's services, including based on any downturns in the economy, consumer confidence, or the capital markets and unemployment among family members; the price of Encompass Health's common stock as it affects the Company's willingness and ability to repurchase shares and the financial and accounting effects of any repurchases; any adverse outcome of various lawsuits, claims, and legal or regulatory proceedings involving Encompass Health, including any matters related to yet undiscovered issues, if any, in acquired operations; Encompass Health's ability to attract and retain key management personnel; any adverse effects on Encompass Health'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 or its 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; Encompass Health'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 Encompass Health'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 Encompass Health's ability to adapt operations to those changes; competitive pressures in the healthcare industry and Encompass Health's response thereto; Encompass Health's ability to obtain and retain favorable arrangements with third-party payors; Encompass Health'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 Encompass Health's ability to recover improperly denied claims through the administrative appeals process on a timely basis; Encompass Health'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; Encompass Health'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 Encompass Health'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 Encompass Health'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 SEC filings and other public announcements, including Encompass Health's Form 10-K for the year ended December 31, 2020 and Form 10-Q for the quarters ended March 31, 2021, June 30, 2021, and September 30, 2021, when filed.*

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