2018 J.P. Morgan Healthcare Conference

Mark Tarr, President and Chief Executive Officer
January 9, 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.

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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. The Company’s Form 8-K, dated January 8, 2018, to which the following presentation is attached as Exhibit 99.1, provides further explanation and disclosure regarding Encompass Health’s use of non-GAAP financial measures and should be read in conjunction with this presentation. Schedules 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 are included in that Form 8-K.
Company Overview

National leader of inpatient rehabilitation hospitals and home-based care

127 IRFs
237 Home Health and Hospice Agencies
36 States and Puerto Rico

Committed to delivering high-quality, cost-effective care across the post-acute continuum
Company Overview - Inpatient Rehabilitation

Largest owner and operator of IRFs

- 22% of Licensed beds
- 29% of Medicare patients served

31 States and Puerto Rico

127 Inpatient Rehabilitation Hospitals

42 Operate as joint ventures with acute care hospitals

105 Inpatient rehabilitation hospitals hold one or more disease-specific certifications

~29,400 employees
~169,500 patients
~$3.1 billion revenues
Company Overview - Home Health and Hospice

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

200 Home Health locations

37 Hospice locations

28 States

97% Home health agencies ≥3 stars for quality of care

99% Home health agencies ≥3 stars in patient satisfaction

~8,700 employees

~121,000 home health admissions

~4,500 hospice admissions

~$760 million revenues
Market Overlap
Inpatient Rehabilitation and Home Health

~60% of the Company’s IRFs have an Encompass Health home health location within a 30-mile radius.

- Inpatient Rehabilitation Hospitals
- Home Health Locations
- Future Inpatient Rehabilitation Hospitals (6 previously announced under development)
Investment Thesis

Encompass Health is positioned to become the nation’s leading provider of integrated post-acute services.

The healthcare industry is evolving toward integrated delivery models and value-based care.

- Change Agility
- Strategic Relationships
- Quality of Patient Outcomes
- Cost Effectiveness
- Growth
Both Segments Benefit from a Demographic Tailwind: Growth in the Medicare Beneficiary Population

Projected Population of Age 65+

- Baby Boomer wave reaches average age of an Encompass Health Medicare patient (~76).

<table>
<thead>
<tr>
<th>Age 65-69</th>
<th>Age 70-79</th>
<th>Age 80+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td>41% (19.0M)</td>
<td>43% (22.8M)</td>
<td>45% (27.0M)</td>
</tr>
</tbody>
</table>

CAGR (Population Growth by Age)

<table>
<thead>
<tr>
<th>Age</th>
<th>2014 to 2018</th>
<th>2018 to 2022</th>
<th>2022 to 2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-74</td>
<td>5.1%</td>
<td>3.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td>75-79</td>
<td>4.1%</td>
<td>5.1%</td>
<td>5.0%</td>
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</table>
The Company’s strategy is to expand its network of inpatient rehabilitation hospitals and home health and hospice agencies, further strengthen its relationships with healthcare systems, provider networks, and payors in order to connect patient care across the healthcare continuum, and to deliver superior outcomes.

Elements of Strategy

- Clinical Expertise and High-Quality Outcomes
- Financial Resources
- Advanced Technology
- Sustained Growth
- Post-Acute Innovation
2017 Summary

**GROWTH**
- 4 New Hospitals
- Expanded Existing Hospitals by 166 Beds
- Acquired or Opened 15 Home Health Agencies

**OPERATIONAL INITIATIVES**
- Completed TEAMWORKS Clinical Collaboration
- Piloted Use of Enhanced Predictive Analytics
- Finalized Installation of Clinical Information System (ACE-IT)
- Formed Post-Acute Innovation Center

**CAPITAL STRUCTURE**
- Reduced Leverage
- Increased Liquidity
- Continued Shareholder Distributions
### 2018 Priorities

#### GROWTH

<table>
<thead>
<tr>
<th>Hospitals</th>
<th>Home Health Agencies</th>
<th>Hospice Agencies</th>
</tr>
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</table>

**Continued Growth**

- organic
- de novas
- acquisitions

#### OPERATIONAL INITIATIVES

<table>
<thead>
<tr>
<th>Rebranding and Name Change</th>
<th>Post-Acute Patient Navigation Tools</th>
<th>Clinical Collaboration</th>
<th>Predictive Data Analytics</th>
<th>Alternative Payment Models</th>
</tr>
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#### CAPITAL STRUCTURE

<table>
<thead>
<tr>
<th>Opportunistic Refinancings</th>
<th>Continued Shareholder Distributions</th>
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</table>
The Company currently expects to be in the upper half of these ranges.

2017 Guidance

- **Net Operating Revenues**: $3,900 million to $3,950 million
- **Adjusted EBITDA**: $810 million to $820 million
- **Adjusted Earnings per Share from Continuing Operations Attributable to Encompass Health**: $2.67 to $2.73

2018 Preliminary Guidance

- **Net Operating Revenues**: $4,150 million to $4,250 million
- **Adjusted EBITDA**: $830 million to $850 million
- **Adjusted Earnings per Share from Continuing Operations Attributable to Encompass Health**: $3.25 to $3.40
2018 Guidance Considerations

**Inpatient Rehabilitation**

- Estimated 0.8% increase in Medicare pricing for Q1 through Q3; ~1.25% for Q4
- Salary increase of ~3.0%; benefits increase of ~8.0% to 10.0%
- Bad debt expense of 1.6% to 1.9% of net operating revenues

**Home Health and Hospice**

- Estimated 1.0% net Medicare pricing reduction for CY 2018
- Salary increase of ~3.0%; benefits increase of ~8.0% to 10.0%
- Inclusive of home health and hospice acquisitions in 2018

**Consolidated**

- Includes approximately $11 million to $13 million of operating expenses (included in corporate general and administrative expenses) associated with the rebranding and name change
- Diluted share count of ~99.3 million shares
- Tax rate of ~28% (includes impact from Tax Cuts and Jobs Act)
### Adjusted Free Cash Flow Assumptions

<table>
<thead>
<tr>
<th>Certain Cash Flow Items (millions)</th>
<th>2017 Estimates</th>
<th>2018 Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash interest expense (net of amortization of debt discounts and fees)</td>
<td>~$148</td>
<td>$140 to $150</td>
</tr>
<tr>
<td>Cash payments for taxes, net of refunds</td>
<td>~$100</td>
<td>$125 to $150</td>
</tr>
<tr>
<td>Working Capital and Other</td>
<td>$0 to $25</td>
<td>$50 to $70</td>
</tr>
<tr>
<td>Maintenance CAPEX</td>
<td>$140 to $150</td>
<td>$130 to $150</td>
</tr>
<tr>
<td><strong>Adjusted Free Cash Flow</strong></td>
<td><strong>$387 to $432</strong></td>
<td><strong>$310 to $405</strong></td>
</tr>
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</table>
## Free Cash Flow Priorities

### 2018 Assumptions (In Millions)

<table>
<thead>
<tr>
<th>Growth in Core Business</th>
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<tbody>
<tr>
<td>IRF bed expansions</td>
<td>$30 to $40</td>
</tr>
<tr>
<td>New IRFs</td>
<td></td>
</tr>
<tr>
<td>- De novos</td>
<td>80 to 110</td>
</tr>
<tr>
<td>- Acquisitions</td>
<td>opportunistic</td>
</tr>
<tr>
<td>- Replacement IRFs and other</td>
<td>40 to 50</td>
</tr>
<tr>
<td>New home health and hospice acquisitions</td>
<td>50 to 100</td>
</tr>
<tr>
<td></td>
<td>$200 to $300, excluding IRF acquisitions</td>
</tr>
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### Debt Reduction

- Debt redemptions (borrowings), net: opportunistic

### Shareholder Distributions

- Cash dividends on common stock: ~$100
- Common stock repurchases: opportunistic
Strong and Sustainable Business Fundamentals

- Attractive Healthcare Sectors
- Industry Leading Positions
- Cost-Effectiveness
- Real Estate Ownership
- Financial Strength
- Growth Opportunities
Committed to Delivering High-Quality, Cost-Effective Care Across the Post-Acute Continuum