



Enhabit Home Health & Hospice

June 2022

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Introduction

1

Enhabit at a Glance



We are a leading provider of home health and hospice services that strives to provide **superior, cost-effective care where patients prefer it: in their homes**



For over 20 years we've provided care with **high-quality outcomes** becoming a **trusted partner** of health systems, payors and other risk-bearing entities



We are a leading provider of home health and hospice services nationally with 10,000+ employees and 351 locations across 34 states



We foster an **award-winning culture** that is a strategic advantage in attracting and retaining talent as well as a main contributor to our continued success

>\$1.1bn

CY2021 Revenue

~\$184mm

CY2021 Adj. EBITDA⁽¹⁾

~14%

'15-'21 Revenue CAGR

16.6%

CY2021 Adj. EBITDA Margin⁽¹⁾

~200 bps

Lower 30-Day Readmission Rate
vs. National Average in 2021

15.8%

Lower Cost Per Visit vs. Public
Peer Average in 2021⁽²⁾

10 Years

Consecutively Voted Modern
Healthcare's 'Best Place to Work'

144

'Best Place to Work' Awards
Over Last 11 Years

1. Pro forma adjusted EBITDA includes additional corporate overhead and standalone costs totaling ~\$28mm; 2. Public peers include Amedysis, Inc. and LHC Group, Inc.



Leading Provider of Medicare-Certified Skilled Home Health Services⁽¹⁾



252

Home Health locations⁽²⁾

34

States⁽²⁾



Top 5

share in majority of
our Home Health
states

~80%

of revenue is Medicare
(fee-for-service)⁽⁴⁾

8,507

Employees⁽²⁾⁽³⁾

200,626

Total admissions⁽⁴⁾

~\$897 million

Revenues⁽⁴⁾

1. Based on 2020 Medicare expenditures; 2. As of March 31, 2022; 3. Excludes corporate employees not assigned to either home health or hospice; 4. For the twelve months ended December 31, 2021.



Leading Provider of Medicare-Certified Hospice Services⁽¹⁾



99

Hospice Locations⁽²⁾

22

States⁽²⁾

85

Hospice locations co-located with Home Health locations⁽²⁾

~22%

'18-'21 revenue CAGR

1,667

Employees⁽²⁾⁽³⁾

3,762

Average daily patient census⁽⁴⁾

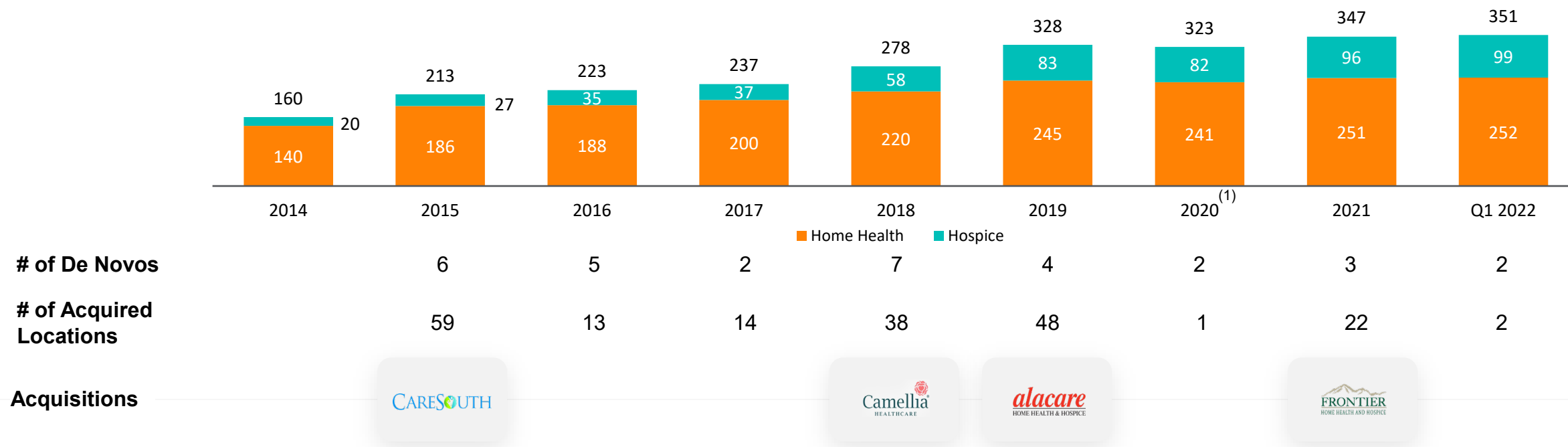
~\$209 million

Revenues⁽⁴⁾

1. Based on 2020 Medicare expenditures; 2. As of March 31, 2022; 3. Excludes corporate employees not assigned to either home health or hospice; 4. For the twelve months ended December 31, 2021.

Active History of Growth and Expansion Initiatives...

Home Health & Hospice Locations Over Time

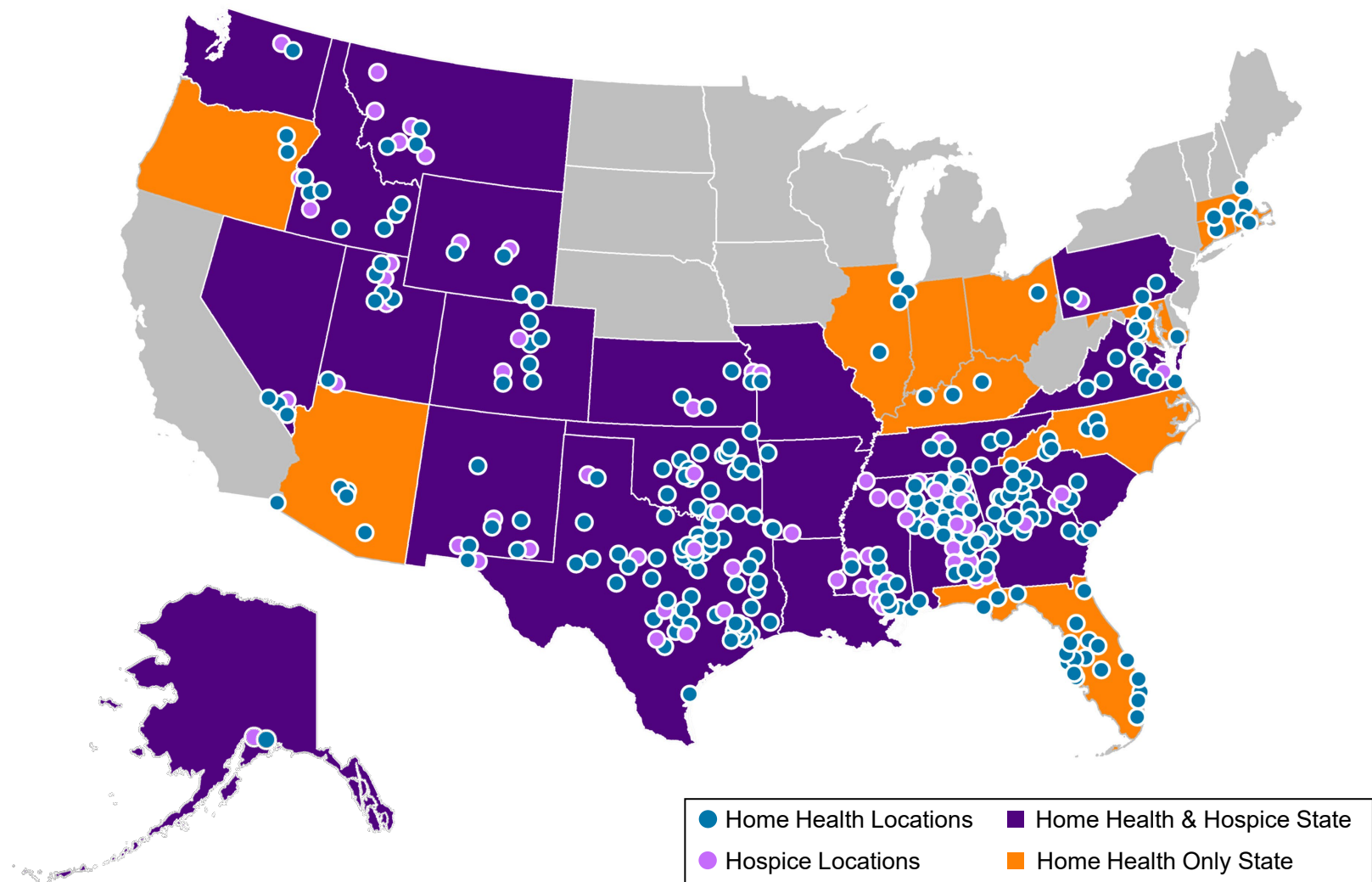


Note: Acquired locations include incremental acquisitions to the headline transaction.

Note: As of year-end except Q1 2022.

1. The 2019–2020 decline is due to the merging of certain Home Health and Hospice locations.

...That Has Led to a Scaled Footprint



11

states where we are #1 or #2 in Home Health⁽¹⁾

85

Hospice locations co-located with Home Health locations⁽²⁾

~69%

of total Medicare home health spend occurs in states in which we operate⁽¹⁾

1. Based on 2020 Home Health Medicare revenues; 2. As of March 31, 2022.

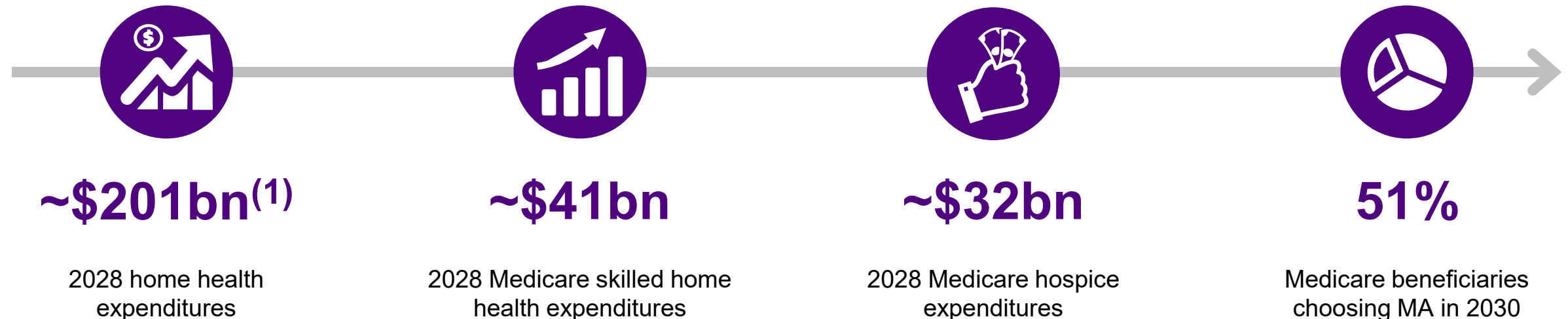
Industry Overview

2

Industry Opportunity

Key Highlights

- In 2020, **~\$124 billion⁽¹⁾** was spent on broader home health expenditures. This is expected to grow at a **6.3% CAGR** until at least 2028
- Medicare skilled **home health** and **hospice** expenditures in 2020 were **~\$17 billion** and **~\$22 billion**, respectively
- On a national basis:
 - **44% of Medicare beneficiaries** chose a Medicare Advantage plan over traditional Medicare in November 2021 on a 12-month rolling basis
 - Total Medicare Advantage beneficiaries grew **~12% year over year**



Source: Centers for Medicare & Medicaid Services, Medicare Trustees' Report Nov 2021.
1. 2020 National Health Expenditures reported by Centers for Medicare & Medicaid Services.

Growth in the Home Health & Hospice Space is Driven by Several Tailwinds

Emphasis on Value-Based Payment Models

- Rising costs are contributing to an increased payor emphasis on value-based models that tie financial incentives to quality of care and efficiency
- We believe payors will emphasize reimbursement models driven by value and seek out our clinical outcomes and cost-efficient services

Near-Term Consolidation Opportunities⁽¹⁾

- As of 2020, there were over 11,300 home health agencies operating, near an all-time high. Similar to home health, the hospice space is highly fragmented with 1.7 million Medicare beneficiaries receiving hospice services from 5,000+ providers
- Approximately 92% of home health agencies generate annual revenue of less than \$5.0 million, and the four largest players in the space account for approximately 22% of total home health Medicare spend

Underutilization of end-of-life care

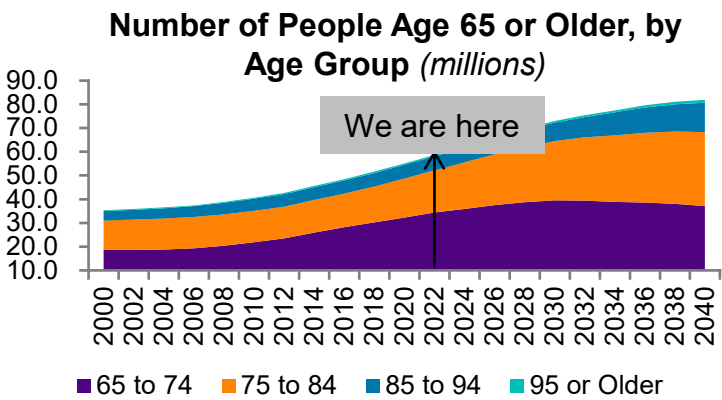
- Hospice programs are currently being underutilized, with a high number of individuals beginning hospice care in the last seven days of their life even though hospice is intended for patients who have up to six months to live
- As the efficacy of hospice programs continues to improve and utilization increases, we believe our growing hospice footprint and clinical expertise will provide the framework to address increasing demand

1. MedPAC Medicare payment policy March 2021.

Our Approach to Home Health & Hospice Services

Prioritizing Patient Care Quality While Maximizing Cost Efficiency

The Macro: Aging Population



Avg. age of our patients

Home Health = 77

Hospice = 82

~5%

expected growth in target population over the next five years⁽²⁾

The Payor's Perspective

Cost Efficiency of Home Care		
Post-Acute service sector	Annual Medicare spending (2020)	Average Medicare cost per day (2020)
Skilled Nursing Facilities (SNF)	\$28.6 billion	\$534
Hospice	\$22.4 billion	\$175
Home Health ⁽¹⁾	\$17.1 billion	\$63

~8.5x

lower cost than other care settings

The Patient's Perspective

Consumer preference for home-based care

- Aging in place offers numerous benefits such as life satisfaction, a healthy living environment and self-esteem
- A study by the Kaiser Family Foundation produced in 2017 found that seven in ten Americans would prefer to spend their last days at home as opposed to any other setting of care
- COVID-19 has increased the appeal of high-quality home-based care and is generally expected to strengthen

75%

of those age 50 and over want to stay in their residence as they age⁽³⁾

Source: MedPAC Report to Congress as of March 2021 and CMS Program Statistics (CPS) data, 2021.
1. Calculated based on 60 days per home health episode; 2. Target population represents ages 75 to 79; 3. AARP 2018 survey.

Competitive Strengths & Investment Highlights

3

Scale and Density

We are able to drive low cost of care, high-quality outcomes and high standard of care for our patients through economies of scale and density in key states

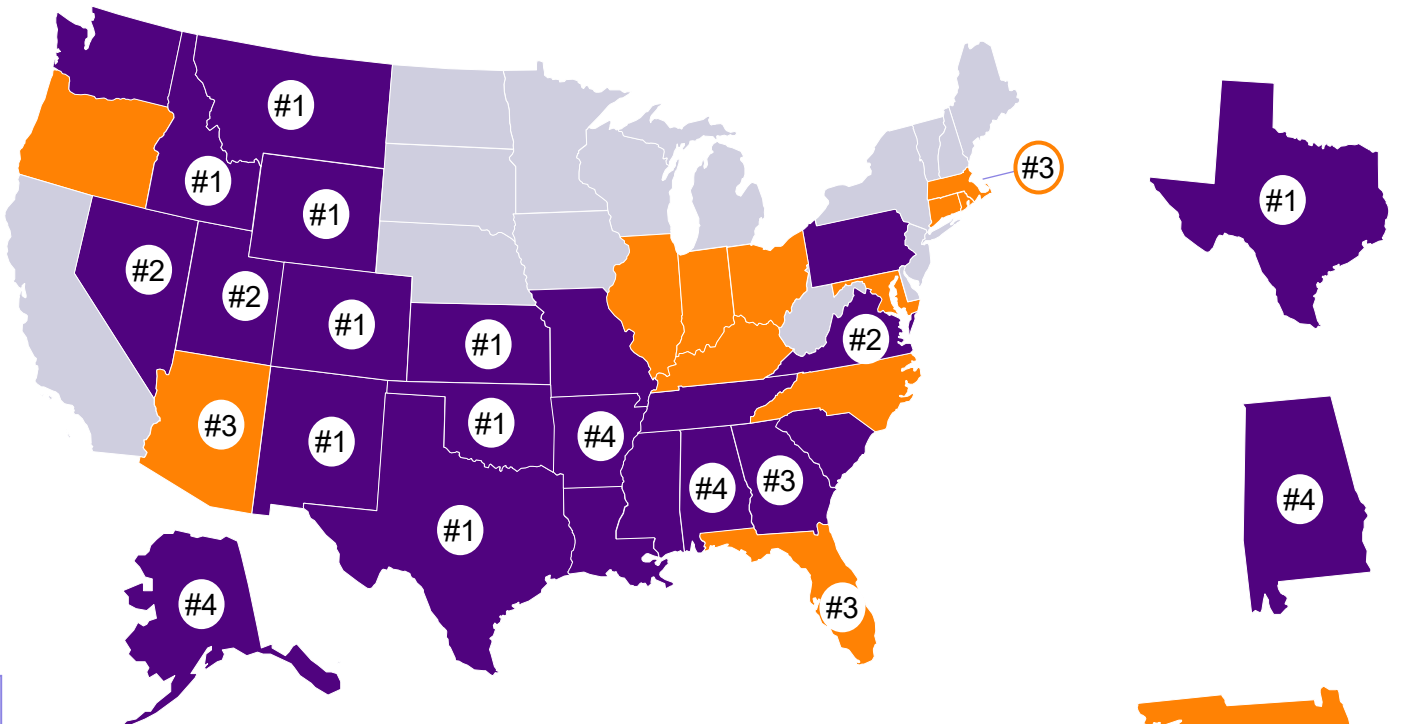
Advantages of our Scale & Density

- Optimizing operating efficiency
- Increase brand awareness
- Minimize gaps in care from co-location strategy
- Significant opportunities for growth in our hospice business

■ Home Health & Hospice State

■ Home Health Only

Ⓢ Position in Home Health Market⁽¹⁾



11

states where we hold the #1 or #2 position in Home Health⁽¹⁾

85

Hospice locations co-located with Home Health locations⁽³⁾

69%

of total Medicare home health spend occurs in states in which we operate⁽¹⁾

Texas

# of Locations	66
# of Patient Visits ⁽²⁾	~1.6mm
Net Revenue ⁽²⁾	~\$296mm

Alabama

# of Locations	56
# of Patient Visits ⁽²⁾	~801k
Net Revenue ⁽²⁾	~\$144mm

Florida

# of Locations	21
# of Patient Visits ⁽²⁾	~554k
Net Revenue ⁽²⁾	~\$93mm

1. Based on 2020 Home Health Medicare revenues; 2. TTM through March 31, 2022; 3. As of March 31, 2022.

Consistent and Disciplined Operating Model | Low-Cost Provider

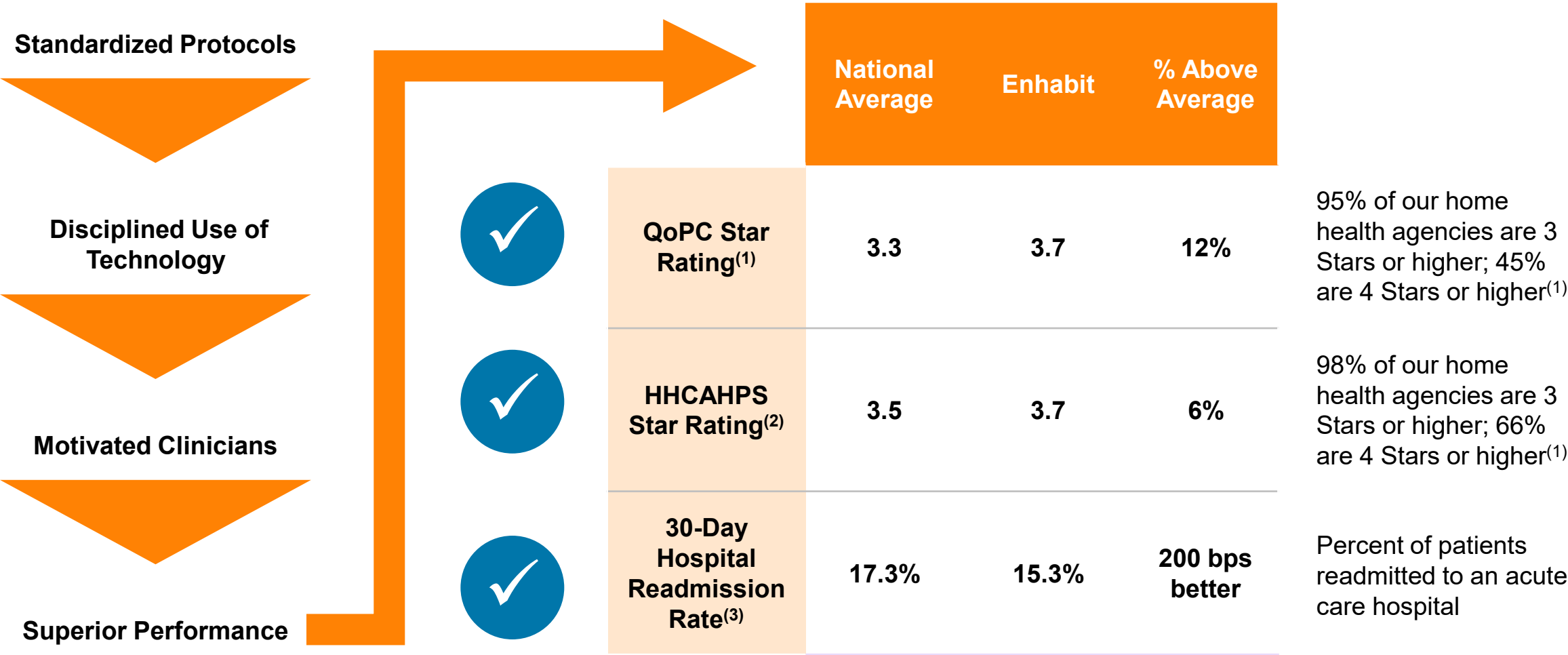
Overview

- In 2021, our cost per visit of \$83 was **15.8%** lower than the average of our publicly-traded peers
- Our disciplined operating model positions us to:
 - Achieve a high level of clinical quality more efficiently than our publicly-traded peers
 - Operate profitably even in the event of unforeseen changes to our reimbursement model

	Home Health Segment		
	2021	2020	2019
Cost Per Visit	\$83	\$84	\$80
Public Peer Average Cost Per Visit	\$99	\$96	\$87
Cost Per Visit vs. Public Peers Average	(15.8)%	(12.1)%	(7.8)%

Note: Public peers include Amedisys and LHC Group.

Clinical Expertise and High-Quality Outcomes



1. Quality of Patient Care (QoPC) Star Rating as of January 2022; 2. Home Health Care Consumer Assessment of Healthcare Providers (HHCAHPS) Patient Survey Star Ratings as of January 2022; 3. CMS Home Health Claims Data for 2021.

Multi-faceted Growth Strategy with Clearly Defined Areas of Opportunity

We have a history of executing transactions in the fragmented Home Health & Hospice industry and are well positioned to continue robust top line growth



Drive organic growth at existing operations

Currently located in states that represent **~69%** of 2020 total Medicare home health spend

~3% market share of total Medicare home health and hospice spend, suggesting significant runway for growth in our existing footprint



Execute on de novo strategy

Expecting to open 10 De Novo locations per year

Since 2015, we have opened 31 locations across 15 states, with opportunity to increase de novo growth going forward



Pursue strategic acquisitions

In 2022, we expect to spend approximately \$50 to \$100mm on acquisitions

We have deployed \$760mm+ of capital from 2015 through 2022 YTD on 38 different acquisitions



Leverage care transitions expertise

Attractive partner due to quality of outcomes, data management capabilities, scale and market density

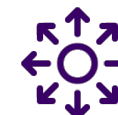
Emphasis on value-based care shown through our involvement in ~175 alternative payment models



Expand Medicare Advantage focus

Total Medicare beneficiaries choosing Medicare Advantage expected to grow to 51% by 2030 compared to ~44% in 2021

Continue to partner with leading Medicare Advantage payors to serve a growing patient population



Explore adjacent service offerings

Explore adjacent verticals to further bolster our footprint in home health services

Continue to evaluate these evolving alternatives and expand into adjacent service offerings both organically and through strategic acquisitions

Company Overview

4

Our Patients | Home Health



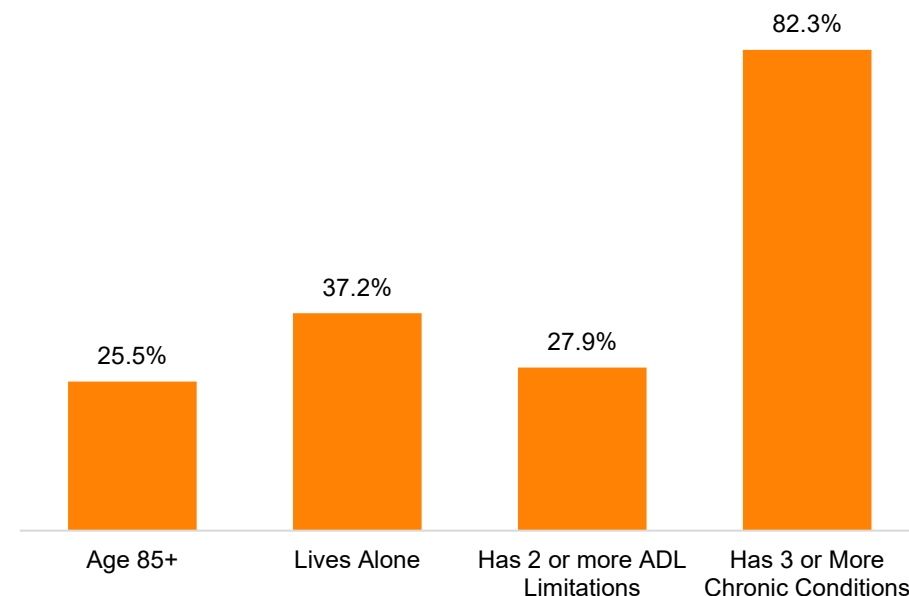
Qualifications for Home Health

- For Medicare, a patient must be **confined to the home** and **need intermittent skilled services**
- The patient must be **under the care of a physician** and **receive services under a home health plan of care** established and periodically reviewed by a physician
- Medicare also requires a **face-to-face encounter** with a physician or an allowed non-physician practitioner certifying the primary reason the patient requires home health services

Our Admission Sources⁽²⁾

- Acute care hospitals – **36%**
- Physician offices / community – **37%**
- IRFs / LTCHs / SNFs – **27%**

Demographics of Medicare Home Health Users⁽¹⁾



Average age of our Home Health patients:
All Patients = 77 | Medicare FFS = 78

1. Avalere Health and Alliance for Home Health Quality and Innovation Home Health Chart Book 2021; 2. Represents data as of 2021A.

Specialty Programs | Home Health



Cardiopulmonary



Heart Failure



COPD



Hypertension



Heart & Vascular



Hip & Knee



Shoulder



Spine



Foot & Ankle



General Surgery

Orthopedics

Community Care



Diabetes



Memory Care



Fall Prevention



Vestibular



Low Vision



Care Transitions



Care Connections

Balance & Fall Prevention

Coordinated Care Services

Our Patients | Hospice



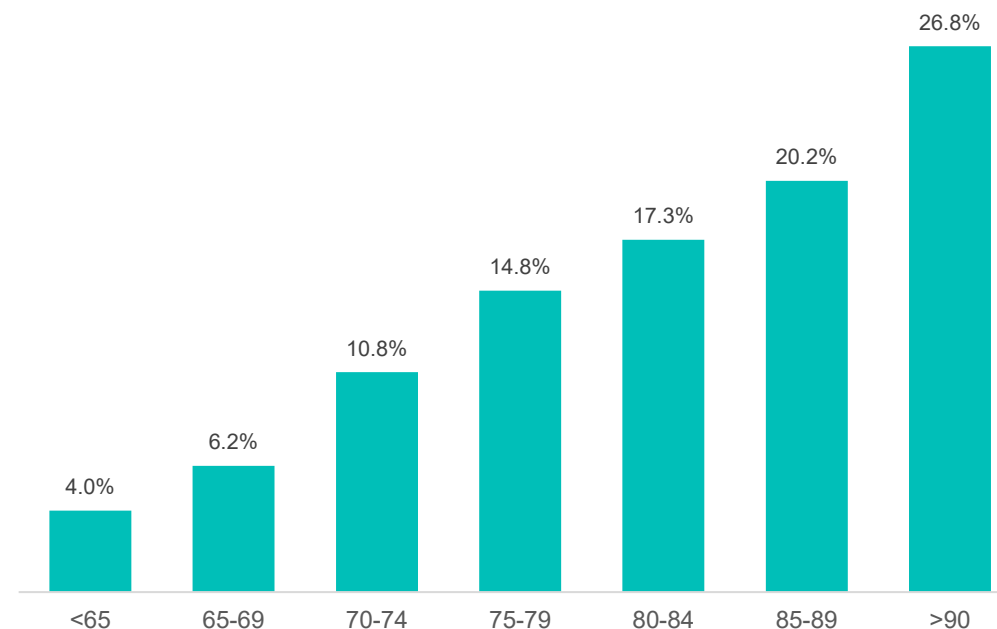
Qualifications for Hospice

- To be eligible for hospice care, a patient **must be diagnosed with a terminal illness with a prognosis of six months or less**
- Patients are able to stay on hospice services past six months if their physician and care team decide it is still the best option for their care
- In 2021, 22.0% of our admits had a cancer diagnosis; 17.6% of patients had a dementia/Alzheimer's diagnosis²

Our Admission Sources⁽²⁾

- Community Residential Setting – **88%**
- Short-Stay Acute Hospital – **3%**
- Long-Term Care Facility / Skilled Nursing Facility / Other – **9%**

Demographics of Our Hospice Patients⁽¹⁾



Average Age of our Hospice Patients: 82

1.Represents breakdown of the Company's Medicare Hospice admits. Represents 2021A data; 2.Represents data as of 2021A.

Geographic Presence by State

252 Home health locations

99 Hospice locations

351 Total locations

State	Home Health	Hospice	Total
Alabama ⁽¹⁾	29	27	56
Alaska	1	1	2
Arizona	5	—	5
Arkansas ⁽¹⁾	3	2	5
Colorado	6	2	8
Connecticut	1	—	1
Florida	21	—	21
Georgia ⁽¹⁾	21	4	25
Idaho	8	6	14
Illinois	3	—	3
Indiana	1	—	1
Kansas	4	2	6
Kentucky ⁽¹⁾	3	—	3
Louisiana	1	2	3
Maryland ⁽¹⁾	3	—	3
Massachusetts	5	—	5
Mississippi ⁽¹⁾	9	11	20

State	Home Health	Hospice	Total
Missouri	1	1	2
Montana	3	5	8
Nevada	3	1	4
New Mexico	5	3	8
North Carolina ⁽¹⁾	6	—	6
Ohio	1	—	1
Oklahoma	19	2	21
Oregon	2	—	2
Pennsylvania	3	1	4
Rhode Island ⁽¹⁾	1	—	1
South Carolina ⁽¹⁾	3	1	4
Tennessee ⁽¹⁾	7	1	8
Texas	51	15	66
Utah	6	6	12
Virginia	11	2	13
Washington	1	1	2
Wyoming	5	3	8
Total	252	99	351

Note: Represents data as of March 31, 2022.

1. Home health or hospice certificate of need state or U.S. territory.

Comprehensive Compliance Program

Program Overview

- ① Our comprehensive compliance program helps ensure we meet regulatory and legal requirements applicable to our business
- ② Process is supported by technology systems and highly coordinated workflows between all involved parties
- ③ Centralized quality assessment functions completed outside individual branches to ensure full credibility
- ④ Program is overseen by Compliance / Quality of Care Committee of our Board of Directors
- ⑤ Chief Compliance Officer provides regular reports to the committee

Experienced Management Team

Barb Jacobsmeyer, Chief Executive Officer



- Named CEO in June 2021
- Previously served as the Encompass Health's Executive Vice President of Operations since 2016
- Joined Encompass Health in 2007 and has served in various executive roles including President of Encompass Health's central region and CEO of the Rehabilitation Hospital of St. Louis
- Prior to joining Encompass Health, Barb served as COO of Des Peres Hospital

Crissy Carlisle, Chief Financial Officer



- Named CFO in August 2021
- Previously served as Encompass Health's Chief Investor Relations Officer since 2015
- Joined Encompass Health in 2005 as Director of SEC Reporting
- Previously served as a Director within the corporate recovery division of FTI Consulting and a Manager within PricewaterhouseCoopers LLP's audit practice

Management Team



Chad Knight
General Counsel



Julie Jolley
*EVP, Home Health
Operations*



Dan Peoples
*EVP, Sales
and Marketing*



Jeanne Kalvaitis
*EVP, Hospice
Operations*



Bud Langham
*EVP, Clinical Excellence
& Strategy*



Tanya Marion
*Chief Human Resources
Officer*

Financial Overview

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Enhabit's Financial Highlights At-a-Glance

1	Scalable Business Model	>\$1.1bn CY2021 Revenue	\$184mm CY2021 Pro Forma Adj. EBITDA
2	Strong Admissions Growth	~3.3% Home Health '20-'21FY Admissions CAGR	~1.8% Hospice '20-'21FY Admissions CAGR
3	Proven De Novo and Acquisitions Strategy	31 De Novo Expansions Since 2015	~\$117mm in Average Annual Acquisition Spend L3Y
4	Significant Free Cash Flow Generation ⁽¹⁾	~75% Average Free Cash Flow Conversion L3Y ⁽²⁾	

Note: Please reference appendix for non-GAAP reconciliation; 1. Reflects Pro Forma Free Cash Flow calculated as Pro Forma Adj. EBITDA minus maintenance capital expenditures, cash taxes and change in net working capital. 2. Conversion calculated as Pro Forma Free Cash Flow / Pro Forma Adj. EBITDA.

Basis of Presentation | Historical Financials

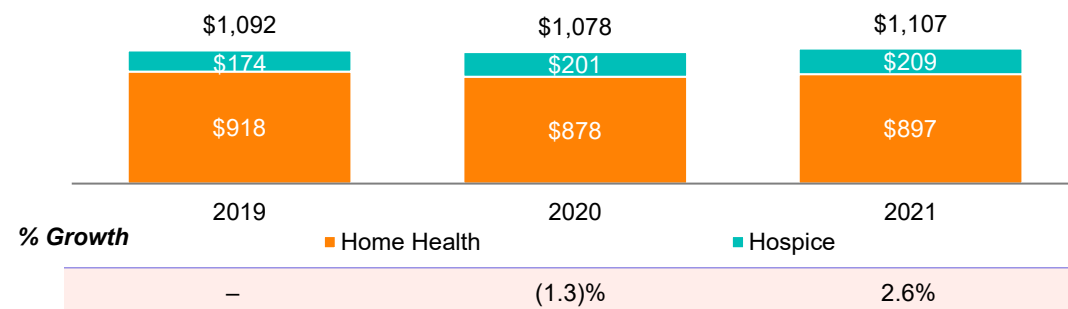
Historical Financials

- Financial information for historical periods through December 31, 2021 presented consistent with Home Health & Hospice's audited carve out financial statements, adjusted to reflect the following:
 - **Elimination of corporate allocations** from EHC to Home Health & Hospice pertaining to certain EHC corporate overhead expenses
 - **Inclusion of estimated incremental standalone costs** necessary to support Home Health & Hospice as a public standalone company and replace EHC corporate support
 - Based on comprehensive review of required functional support
- Financial information is presented by Home Health & Hospice service lines: **Home Health** and **Hospice**
- **Corporate** includes corporate G&A incurred within Home Health & Hospice (and not allocated to Home Health or Hospice segments) as well as incremental standalone costs referenced above

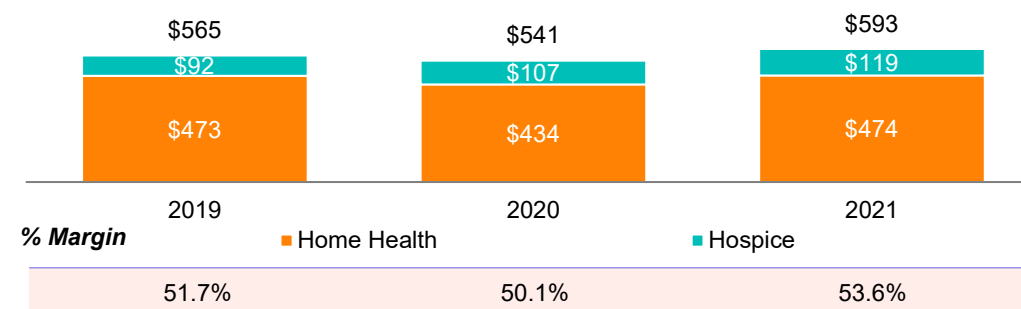
Financial Overview

(\$ in millions)

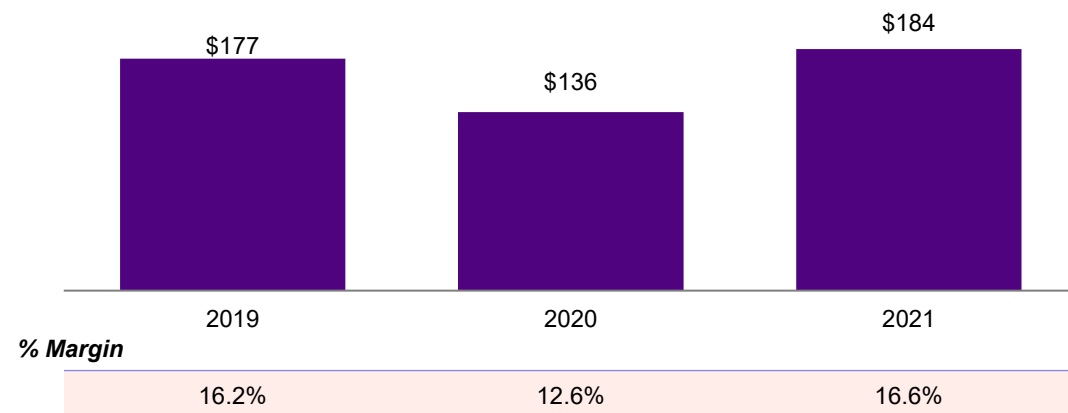
Net Service Revenue



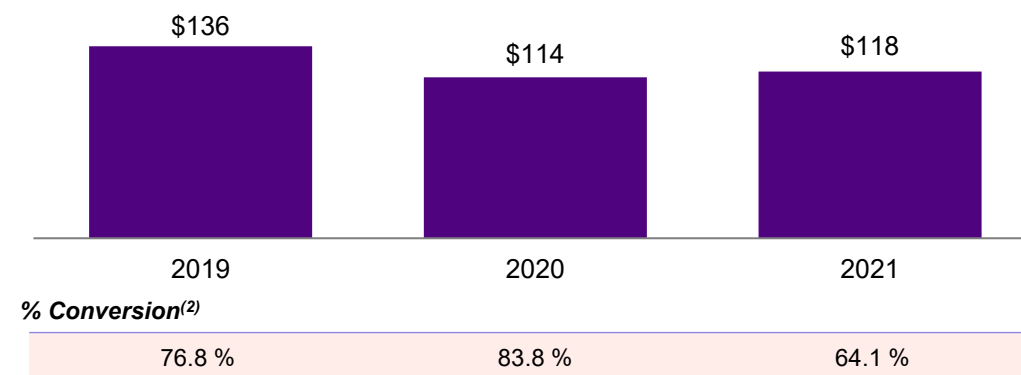
Gross Margin



Pro Forma Adjusted EBITDA



Pro Forma Free Cash Flow⁽¹⁾



Note: Please reference appendix for non-GAAP reconciliation. 1. Pro Forma Free Cash Flow calculated as Pro Forma Adj. EBITDA minus maintenance capital expenditures, cash taxes and change in net working capital. It has not been burdened with interest. 2. Conversion calculated as Pro Forma Free Cash Flow / Pro Forma Adj. EBITDA.

Consolidated Financial Summary

	Fiscal Year Ended December 31 st			'19-'21 CAGR
(\$ in Millions)	2019	2020	2021	
Home Health	\$918	\$878	\$897	(1.1)%
Hospice	174	201	209	9.7 %
Net Service Revenue	\$1,092	\$1,078	\$1,107	0.7 %
% Growth	17.3%	(1.3)%	2.6 %	
Home Health	\$473	\$434	\$474	0.1 %
Hospice	92	107	119	13.6 %
Gross Margin	\$565	\$541	\$593	2.5 %
% Margin	51.7 %	50.1 %	53.6 %	
Home Health	\$228	\$185	\$230	0.4 %
Hospice	49	47	56	6.8 %
Corporate ¹	(88)	(80)	(89)	
Adj. EBITDA	\$190	\$151	\$197	1.9 %
Incremental Standalone Costs	(13)	(15)	(13)	
Pro Forma Adj. EBITDA	\$177	\$136	\$184	2.0 %
% Margin	16.2 %	12.6 %	16.6 %	
% Growth		(23.1)%	35.2 %	

Note: Please reference appendix for non-GAAP reconciliation.

1. Includes an overhead allocation of \$15 million, \$13 million and \$15 million from Encompass as part of the carve out audits for the years ended December 31, 2019, 2020, and 2021, respectively.

Home Health Historical Performance

	Fiscal year ending December 31 st			CAGR
(\$ in millions, except where otherwise noted)	2019	2020	2021	'19A-'21
Net Revenue	\$918	\$878	\$897	(1.1)%
(-) Cost of Services	(446)	(444)	(424)	(2.5)%
Gross Margin	\$473	\$434	\$474	0.1 %
(-) A&G	(245)	(249)	(244)	(0.1)%
(-/+) NCI / Other Income	0	(1)	1	11.8 %
Adj. EBITDA	\$228	\$185	\$230	0.4 %
% Margin	24.9 %	21.0 %	25.6 %	
% Growth		(19.1)%	24.6 %	
Operational Metrics				
Non-Episodic Visits	721,363	729,289	898,099	11.6 %
Non-Episodic Revenue per Visit	\$116	\$113	\$114	(0.9)%
Episodic Admissions	159,727	158,912	155,357	(1.4)%
% Same Store Growth	7.7%	(6.1)%	(3.6)%	
% New Store Growth	8.6%	5.6 %	1.4%	
Completed Episodes	275,578	268,508	264,581	(2.0)%
Revenue per Episode ¹	\$2,972	\$2,905	\$2,954	(0.3)%
Episodic Visits per Episode	17.1	16.4	15.4	(5.1)%
Cost Per Visit	\$80	\$84	\$83	2.0 %

Commentary

- The 4.4% decline in home health Net service revenue during 2020 compared to 2019 was driven by decreased episodic volumes and lower pricing. Same-store episodic admissions declined 6.1% during 2020 compared to 2019 primarily due to the pandemic. New-store episodic admissions growth of 5.6% for 2020 primarily resulted from the acquisition of Alacare on July 1, 2019. Revenue per episode during 2020 compared to 2019 was negatively impacted by the implementation of PDGM on January 1, 2020, which was partially offset by the suspension of sequestration starting in May 2020.
- The increase in home health Net service revenue in 2021 was driven by an increase in volumes and pricing. Total admissions and recertifications increased during 2021 compared to 2020 primarily due to the acquisition of Frontier on June 1, 2021 and increased non-episodic admissions and recertifications as a result of our national contract with United Healthcare. Episodic admissions declined primarily due to the conversion of admissions to non-episodic under the national contract discussed above. Same store episodic admissions decreased 3.6% due to staffing challenges as a result of the pandemic and resulting constraints on ability to accept new patients. The increase in revenue per episode during 2021 compared to 2020 resulted from an increase in reimbursement rates and the suspension of sequestration partially offset by the mix between early and late payment periods.
- The decrease in 2020 home health EBITDA resulted from the decrease in segment revenue, as discussed above, and an increase in Cost of service and General and administrative expenses as a percentage of revenue. Cost of service as a percentage of revenue increased primarily due to COVID-related impacts on patient volumes, staff productivity and medical supplies. Cost per visit also increased during 2020 compared to 2019 as a result of the matters noted here for Cost of service when combined with the lower overall visit volumes from the impact of COVID-19 during 2020. Our General and administrative expenses increased during 2020 as compared to 2019 due to the full-year impact of the 2019 Alacare acquisition partially offset by a decrease in travel and meals & entertainment expenses as a result of the pandemic.
- The increase in 2021 EBITDA resulted from the increase in net patient service revenues and a decrease in Cost of services as a percent of revenue. Cost of services decreased as a percent of revenue primarily due to lower cost per visit resulting from additional paid-time-off awarded to employees in the second quarter of 2020 (discussed above) partially offset by increases in clinician compensation rates, including the impact of industry wide staffing shortages in 2021.

Note: Please reference appendix for non-GAAP reconciliation;

Segment Adjusted EBITDA is presented in conformity with ASC 280, Segment Reporting, as a measure reported to management for purposes of making decisions on allocating resources and addressing the performance of our segments. Segment Adjusted EBITDA is calculated similarly to consolidated Adjusted EBITDA but excludes corporate overhead costs that are not allocated to reportable segments because they are not considered when management evaluates segment performance.

1. Excludes depreciation and amortization

Hospice Historical Performance

	Fiscal year ending December 31 st			CAGR '19A-'21
(\$ in millions, except where otherwise noted)	2019	2020	2021	
Net Revenue	\$174	\$201	\$209	9.7 %
(–) Cost of Services ¹	(82)	(94)	(90)	5.1 %
Gross Margin	\$92	\$107	\$119	13.6 %
(–) A&G	(43)	(60)	(63)	20.9 %
(–/+) NCI / Other Income	-	0	(0)	n/a
Adj. EBITDA	\$49	\$47	\$56	6.8 %
% Margin	28.3 %	23.3 %	26.9 %	
% Growth		(5.3)%	20.3 %	
Operational Metrics				
Admissions	10,452	12,878	13,113	12.0 %
% Same Store Growth	12.2%	8.1%	(5.3)%	
% New Store Growth	27.6%	15.1%	7.1%	
Patient Days	1,197,927	1,367,060	1,372,980	7.1 %
Revenue per Day	\$145	\$147	\$152	2.5 %
Cost per Day	\$68	\$69	\$66	(1.8)%

Commentary

- The 15.4% increase in revenue from 2019 to 2020 was primary driven by increased volumes from organic growth and the full year benefit of the Alacare acquisition in July 2019. Same-store admissions increased 8.1% due to the growth and maturing of our existing market operations. The average daily census increase trailed the increase in admissions as a result of a declining average length of stay. The revenue per patient day increased was primarily the result of annual Medicare pricing increases and the suspension of sequestration starting in May 2020.
- The increase in hospice Net service revenue during 2021 was driven by increased volumes, primarily due to the acquisition of Frontier on June 1, 2021, and higher pricing. Same store admissions declined in 2021 compared to 2020 due to staffing challenges as a result of the pandemic and resulting constraints on ability to accept new patients. The average daily census increase trailed the increase in admissions as a result of a declining average length of stay. The increase in revenue per patient day was primarily the result of the annual Medicare pricing increase and the suspension of sequestration.
- The decrease in hospice EBITDA during 2020 compared to 2019 resulted from increased medical supplies and the award of additional paid-time-off to employees in response to the pandemic, along with increases in General and administrative expenses principally from additional investments in sales and marketing initiatives. Our Cost of service as a percentage of revenue decreased, primarily due to the impact of lower visit volumes as a result of the pandemic. This decrease, along with continued improvements in clinical productivity, more than offset the increases during 2020 in medical supplies and the award of additional paid-time-off to employees in response to the pandemic. General and administrative expenses increased in real dollars from the full-year impact of the Alacare acquisition in July 2019.
- The increase in hospice Segment Adjusted EBITDA during 2021 compared to 2020 resulted from the increase in Net service revenue and the additional paid-time-off awarded to employees in the second quarter of 2020 (discussed above).

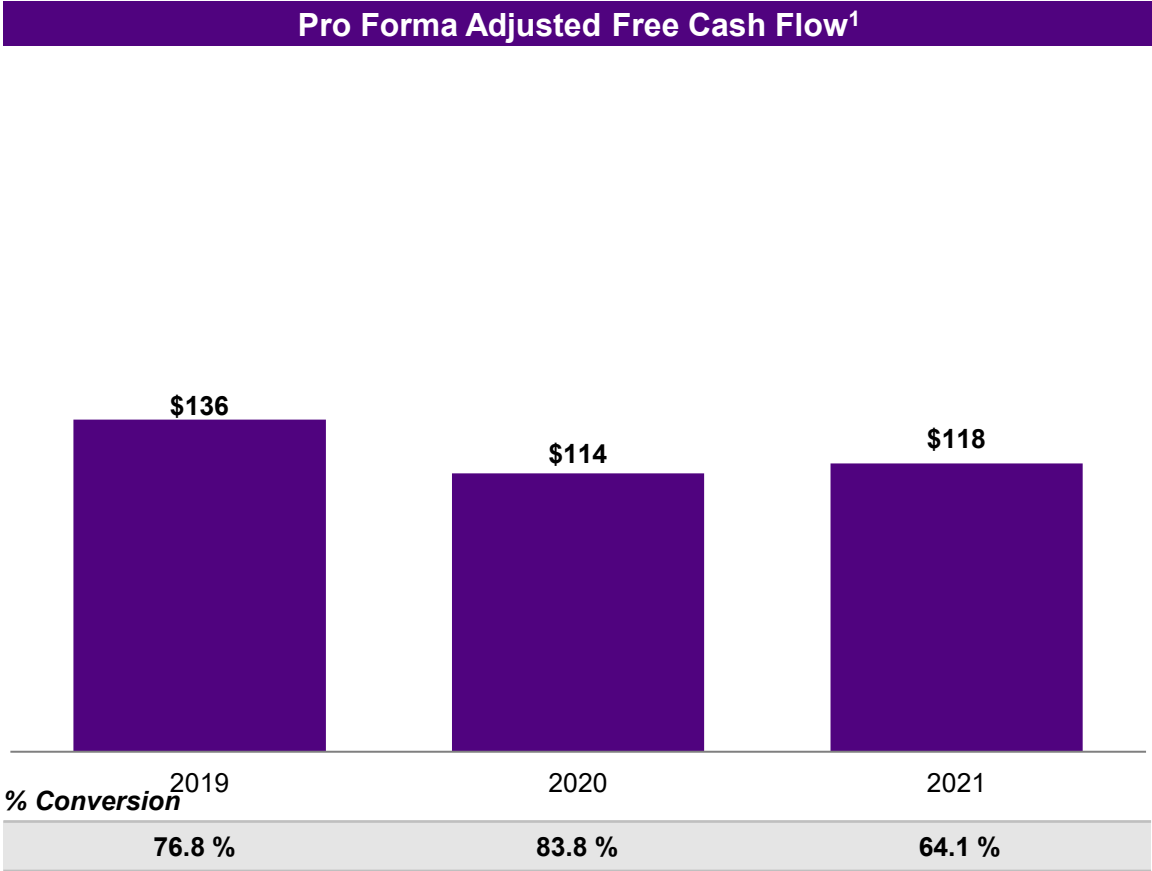
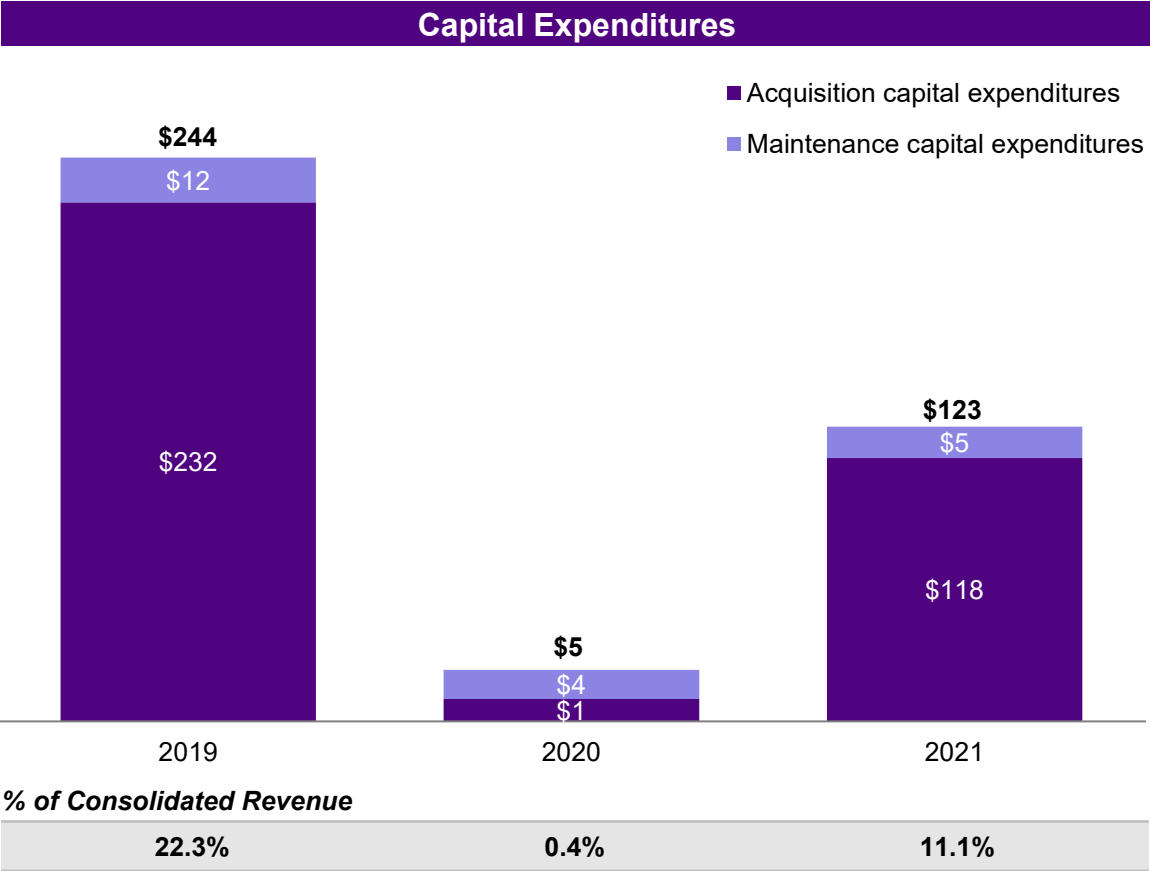
Note: Please reference appendix for non-GAAP reconciliation;

Segment Adjusted EBITDA is presented in conformity with ASC 280, Segment Reporting, as a measure reported to management for purposes of making decisions on allocating resources and addressing the performance of our segments. Segment Adjusted EBITDA is calculated similarly to consolidated Adjusted EBITDA but excludes corporate overhead costs that are not allocated to reportable segments because they are not considered when management evaluates segment performance.

1. Excludes depreciation and amortization

Capital Expenditures Overview

(\$ in millions)



Note: Please reference appendix for non-GAAP reconciliation. 1. Pro Forma Free Cash Flow calculated as Pro Forma Adj. EBITDA minus maintenance capital expenditures, cash taxes and change in net working capital. It has not been burdened with interest. 2. Conversion calculated as Pro Forma Free Cash Flow / Pro Forma Adj. EBITDA.

Pro Forma Capitalization

(\$ in millions)

	At Close
Cash and Cash Equivalents	\$ 5
\$350M Revolver due 2027	170
Term Loan A due 2027	400
Total Secured Debt	\$ 570
Finance Lease Obligations	7
Other Notes Payable	2
Total Debt¹	\$ 579
Net Debt	\$ 573
12/31/2021 Pro Forma Adjusted EBITDA ²	\$ 184
Gross Leverage	3.1 x
Net Leverage	3.1 x

¹Does not net debt issuance costs of \$3.5 million

²2021 Pro Forma Adjusted EBITDA reflects 2021 Adjusted EBITDA of \$197.2 million (including allocated corporate overhead costs of \$14.3 million) and standalone costs of \$13.2 million

2022 Enhabit Guidance

(\$ in millions, except per share data)	Enhabit 2022 Guidance ¹
Net Service Revenue	\$1,080 to \$1,120
Adjusted EBITDA	\$165 to \$185
Adjusted EPS	\$1.64 to \$2.01
Working Capital and Other	\$25 to \$35
Maintenance Capex	\$5 to \$10
Adjusted FCF	\$83 to \$128 ²
2022-2026 Growth Targets	~10% home health admissions CAGR 10-15% Hospice admissions CAGR \$50-\$100mm Acquisitions / year

Considerations
Home Health <ul style="list-style-type: none"> An increase of 3.4% in Medicare pricing prior to resumption of sequestration Cost per visit increase of 4% to 5%
Hospice <ul style="list-style-type: none"> Capacity constraints related to staffing early in 2022 led to a decline in hospice referrals; recovery of volumes has been slower than anticipated An increase of 2.0% in Medicare pricing prior to resumption of sequestration Cost per patient day increase of 3% to 4%
Consolidated <ul style="list-style-type: none"> Incremental general and administrative costs of \$22 million to \$24 million³ Incremental expense of \$2 million to \$3 million for de novo locations Initial funded debt of approximately \$570 million, resulting in interest expense of \$7 million to \$12 million Tax rate of ~ 26% Diluted share count of ~ 50 million shares Guidance assumes substantial improvement in operating trends in the second half of the year Guidance excludes non-recurring costs related to the separation from Encompass Health

1. As of 7-Jun-2022. 2. Enhabit assumes 2022 Interest Payments of \$7-\$12 million and Cash Payments for Income Taxes of \$20-\$25 million. 3. The incremental G&A costs for Enhabit on a full-year basis are expected to be \$26 million to \$28 million, with that run rate achieved by the end of FY 2023.

Appendix

Pro Forma Adjusted EBITDA Reconciliation

(\$ in millions)

	For the year ended December 31		
	2019A	2020A	2021A
Net Income	\$ 25	\$ 76	\$ 113
Income Tax Expense	9	24	35
Interest Expense	28	5	0
Depreciation and Amortization	38	40	37
(Gain) Loss on Disposal or Impairment of Assets	–	1	(1)
Stock-Based Compensation	85	4	4
Stock-Based Compensation Included in Overhead Allocation	3	2	2
Net Income Attributable to Noncontrolling Interest	(1)	(1)	(2)
Transaction Costs	2	–	12
Gain on Consolidation of Joint Venture Formerly Accounted for Under the Equity Method of Accounting	–	(2)	(3)
Payroll Taxes on SARs Exercise	1	2	–
Adjusted EBITDA	190	151	197
Standalone Costs	(13)	(15)	(13)
Pro Forma Adjusted EBITDA	\$ 177	\$ 136	\$ 184

Pro Forma Free Cash Flow Reconciliation

(\$ in millions)

	For the Year ended December 31		
	2019A	2020A	2021A
Pro Forma Adjusted EBITDA	\$ 177	\$ 136	\$ 184
Maintenance capex	(12)	(4)	(5)
Cash taxes	(22)	-	(28)
Working Capital	(7)	(18)	(33)
Pro Forma Free Cash Flow	\$ 136	\$ 114	\$ 118

Reconciliation of net cash provided by operating activities to adjusted free cash flow:

Net cash provided by operating activities	\$ 59	\$ 25	\$ 123
Maintenance capex	(12)	(4)	(5)
Distributions paid to noncontrolling interests of consolidated affiliates	(1)	(1)	(2)
Stock-based compensation included in overhead allocation	3	2	3
Standalone costs	(13)	(15)	(13)
Items not indicative of ongoing operating performance:			
Cash paid for SARs exercise (inclusive of payroll taxes)	72	102	-
Payments to Encompass for interest ¹	28	5	-
Transaction costs and related assumed liabilities	-	-	12
Pro Forma Free Cash Flow	\$ 136	\$ 114	\$ 118

1. Reflects interest payments under Promissory Note with Encompass which was retired in 2020.

GAAP Measure Reconciling Items for 2022 Adjusted EBITDA

Excluding net service revenues, Enhabit 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 companies or otherwise not indicative of 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 companies believe to be not indicative of ongoing operations. These items cannot be reasonably predicted and will depend on several factors, including industry and market conditions, and could be material to results computed in accordance with GAAP.

However, the following reasonably estimable GAAP measures for 2022 would be included in a reconciliation for Adjusted EBITDA if the other reconciling GAAP measures could be reasonably predicted:

	Estimable 2022 GAAP Measures
Interest expense and amortization of debt discounts and fees	\$7 million to \$12 million
Amortization of debt-related items	~\$0.3 million

Risk Factors

Investing in our common stock involves a high degree of risk, including risks related to government reimbursement of healthcare costs, other governmental regulation, operational and financial aspects of our business, the effects of the COVID-19 pandemic, the separation from and our relationship with Encompass, and this offering and ownership of our common stock. You should carefully consider these risks before investing in our common stock. Such risks may offset our competitive strengths or have a negative effect on our business strategy, which could cause a decline in the price of our common stock and result in a loss of all or a portion of your investment. Set forth below is a high level summary of some, but not all, of these risks. The following summary of risk factors is not exhaustive:

Reimbursement	<ul style="list-style-type: none"> The cost of healthcare is funded substantially by government and private insurance programs. If such funding is reduced, limited or no longer available, our business may be adversely impacted. Our primary source of reimbursement is the Medicare program, and Medicare reimbursement is subject to significant changes from time to time. Delays in the administrative appeals process associated with denied Medicare reimbursement claims could delay or reduce our reimbursement for services previously provided. Additionally, reimbursement claims are subject to various audits, which may negatively affect the reimbursement we receive.
Regulation	<ul style="list-style-type: none"> We conduct business in a heavily regulated industry, and changes in regulations, including alternative payment models and value-based purchasing initiatives, may significantly affect our business and results of operations. Compliance with laws and regulations requires substantial time, effort and expense. Further, the enforcement of these regulations and any violations of these regulations may result in increased costs or sanctions that reduce our revenues and profitability.
Collections	<ul style="list-style-type: none"> Delays in collection or non-collection of our accounts receivable, including delays associated with the appeals process for Medicare claim denials, could adversely affect our business, financial position, results of operations and liquidity.
Relationships with Referral Sources	<ul style="list-style-type: none"> If we are unable to maintain or develop relationships with patient referral sources, including the Encompass rehabilitation hospitals which accounted for approximately 27,000 admissions in 2021, our growth and profitability could be adversely affected. There can be no assurance that individuals will not attempt to steer patients to competing post-acute providers or otherwise limit our access to potential referrals. The establishment of joint ventures or networks between referral sources, such as acute care hospitals, and other post-acute providers may hinder patient referrals to us. The growing emphasis on integrated care delivery across the healthcare continuum increases that risk.
Payor and Patient Mix	<ul style="list-style-type: none"> Changes in the mix of our payors, such as a shift from Medicare fee for service to Medicare Advantage and to other payors, as well as changes to our patient mix, may adversely affect our profitability.
Staffing	<ul style="list-style-type: none"> Competition for staffing, shortages of qualified personnel, union activity or other factors may increase turnover and otherwise increase our staffing costs and reduce profitability. Our operations are dependent on the efforts, abilities, and experience of our medical personnel, such as physical therapists, occupational therapists, speech pathologists, nurses and other healthcare professionals. We compete with other healthcare providers in recruiting and retaining qualified personnel responsible for the daily operations of each of our locations. In some markets, the lack of availability of medical personnel is a significant operating issue facing all healthcare providers, including us.
Cyber and Privacy and Security Laws	<ul style="list-style-type: none"> The proper function, availability, and security of our and our vendors' information systems are critical to our business, and failure by us or our vendors to maintain proper function, availability, or security of information systems or protect data against unauthorized access could have a material adverse effect on our business, financial position, results of operations, and cash flows. Our information systems and protection, collection, storage, use, retention, security and processing of confidential, sensitive and personal information, including patient health information, must comply with a number of federal and state privacy and security laws, which are evolving and changing rapidly.
Competition	<ul style="list-style-type: none"> We face intense competition for patients from other healthcare providers and others. We compete with a variety of companies in both home health and hospice, some of which, including several large public companies, may have greater financial and other resources and may be more established in their respective communities. In addition, from time to time, there are efforts in states with certificate of need laws to weaken those laws, which could potentially increase competition in those states.
COVID-19	<ul style="list-style-type: none"> The COVID-19 pandemic has significantly affected and is expected to continue to significantly affect our operations, business and financial condition, and our liquidity could be negatively impacted, particularly if the operations of a significant number of acute care hospitals and physician practices are disrupted for a lengthy period of time. The pandemic has also disrupted our supply chain for equipment, pharmaceuticals and medical supplies and resulted in an increase in staffing shortages. Because of the nature of our business and the types of patients we serve, we may be more vulnerable to the effects of public health catastrophes, including the COVID-19 pandemic.
Failure to Execute on Growth Strategy	<ul style="list-style-type: none"> Our success depends in large part on organic growth at existing operations through increased referrals from patient referral sources in the communities we serve. We may not be able to maintain our existing referral source relationships or be able to develop and maintain new relationships in existing or new markets. Additionally, we may face limitations on our ability to identify and complete acquisition transactions, which could delay or increase the cost of executing on our growth strategy. If we fail to successfully integrate our acquired businesses, we may not realize the benefits of our acquisition transactions.
Litigation	<ul style="list-style-type: none"> We operate in a highly regulated industry in which healthcare providers are routinely subject to litigation. As a result, various lawsuits, claims and regulatory proceedings have been and can be asserted against us. Substantial damages, fines or other remedies assessed against us or agreed to in settlements could have a material adverse effect on our business.
Offering	<ul style="list-style-type: none"> No market currently exists for our common stock, and an active trading market for our common stock may not develop. We cannot predict the extent to which investor interest in us will lead to the development of a trading market for our common stock or how liquid that market might become.
Separation	<ul style="list-style-type: none"> We may not achieve some or all of the expected benefits of the separation. Further, our ability to operate our business effectively may suffer if we are unable to cost-effectively establish our own administrative and other support functions in order to operate as a stand-alone company after the expiration of our shared services and other intercompany agreements with Encompass. Enhabit has no history of operating as an independent, publicly traded company, and its historical and pro forma financial information is not necessarily representative of the results that it would have achieved as a separate, publicly traded company and may not be a reliable indicator of its future results. Furthermore, we cannot be certain that we will continue to receive the same level of referrals from Encompass's inpatient rehabilitation facilities after the separation.