



# 2025 Fourth Quarter Earnings Call

February 6, 2026  
Supplemental information



# Forward-looking statements

*The information contained in this presentation includes certain estimates, projections and other forward-looking information that reflect Encompass Health's current outlook, views and plans with respect to future events, including the business outlook, guidance and growth targets, future reimbursement rates, labor availability and costs, the effect of tariffs on costs, legislative and regulatory developments, such as the effects of RCD and TEAM, strategy, capital expenditures, acquisition and other development activities, such as the de novo pipeline, costs, growth and timelines, operational and quality of care initiatives, dividend strategies, leverage, repurchases of securities, outstanding shares of common stock, effective tax rates, financial performance, financial assumptions and considerations, balance sheet and cash flow plans, market barriers to entry, and addressable market size. These estimates, projections and other forward-looking information are based on assumptions the Company believes, as of the date hereof, are reasonable. Inevitably, there will be differences between such estimates and actual events or results, and those differences may be material.*

*There can be no assurance any estimates, projections or forward-looking information will be realized.*

***All such estimates, projections and forward-looking information speak only as of the date hereof. Encompass Health undertakes no duty to publicly update or revise the information contained herein.***

*You are cautioned not to place undue reliance on the estimates, projections and other forward-looking information in this presentation as they are based on current expectations and general assumptions and are subject to various risks, uncertainties and other factors, including those set forth in the earnings release attached as Exhibit 99.1 to the Company's Form 8-K dated February 5, 2026 (the "Q4 Earnings Release Form 8-K"), the Form 10-K for the year ended December 31, 2024, the Forms 10-Q for the quarters ended March 31, 2025, June 30, 2025, September 30, 2025, the Form 10-K for the year ended December 31, 2025, when filed, and in other documents Encompass Health previously filed with the SEC, many of which are beyond Encompass Health's control, that may cause actual events or results to differ materially from the views, beliefs and estimates expressed herein.*

## ***Note regarding presentation of non-GAAP financial measures***

*The following presentation includes certain "non-GAAP financial measures" as defined in Regulation G under the Securities Exchange Act of 1934, including Adjusted EBITDA, leverage ratios, adjusted earnings per share, and adjusted free cash flow. Schedules are attached that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States. The Q4 Earnings Release Form 8-K provides further explanation and disclosure regarding Encompass Health's use of non-GAAP financial measures and should be read in conjunction with this supplemental information.*

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# Summary

(\$ in millions, except per share data)	Q4			Full Year		
	2025	2024	% $\Delta$	2025	2024	% $\Delta$
<b>Encompass Health</b>						
Net operating revenue	\$ 1,544.6	\$ 1,405.0	9.9 %	\$ 5,935.2	\$ 5,373.2	10.5 %
Adjusted EBITDA	\$ 335.6	\$ 289.6	15.9 %	\$ 1,267.9	\$ 1,103.7	14.9 %
Adjusted EPS	\$ 1.46	\$ 1.17	24.8 %	\$ 5.45	\$ 4.43	23.0 %
Adjusted free cash flow	\$ 235.4	\$ 190.5	23.6 %	\$ 817.9	\$ 690.3	18.5 %

## Key takeaways

### ► Capacity additions

- Opened 50-bed hospitals in St. Petersburg, FL, Amarillo, TX and Lake Worth, FL in Q4; opened 8 hospitals totaling 390 beds in 2025
- Net pre-opening and ramp up costs of \$2.9 million in Q4; \$13.9 million in 2025
- Added 37 beds to existing hospitals in Q4; added 127 beds to existing hospitals in 2025

### ► Balance sheet

- Net leverage of 1.9x at year-end 2025

### ► Shareholder distributions

- Paid quarterly dividends of \$0.17 per share in January, April and July 2025, and \$0.19 per share in October 2025
- Repurchased 677,815 shares of common stock for \$76.3 million in Q4; repurchased 1,465,233 shares for \$158.0 million in 2025

# Revenue

(\$ in millions)	Q4 2025	Q4 2024	% Change*
<b>Net operating revenue:</b>			
Inpatient	\$ 1,497.6	\$ 1,366.1	9.6%
Other <sup>(1)</sup>	47.0	38.9	20.8%
<b>Total revenue</b>	<b>\$ 1,544.6</b>	<b>\$ 1,405.0</b>	<b>9.9%</b>

(Actual Amounts)

<b>Discharges</b>	<b>67,238</b>	<b>63,839</b>	<b>5.3%</b>
New-store discharge growth			2.1%
Same-store discharge growth			3.2%
Net patient revenue per discharge	\$ 22,273	\$ 21,399	4.1%
Revenue reserves related to bad debt as a percent of revenue	2.1 %	2.1 %	—

► Other revenue includes an \$8.9 million increase in Medicaid supplemental payments<sup>(2)</sup>.

# Adjusted EBITDA<sup>(3)</sup>

(\$ in millions)	Q4 2025	% of Revenue	Q4 2024	% of Revenue
<b>Net operating revenue</b>	<b>\$ 1,544.6</b>		<b>\$ 1,405.0</b>	
Operating expenses:				
Salaries and benefits	(801.1)	51.9 %	(756.8)	53.9 %
Other operating expenses <sup>(a)</sup>	(226.0)	14.6 %	(200.3)	14.3 %
Supplies	(64.5)	4.2 %	(62.3)	4.4 %
Occupancy costs	(14.5)	0.9 %	(14.7)	1.0 %
Hospital operating expenses	(305.0)	19.7 %	(277.3)	19.7 %
General and administrative expenses <sup>(b)</sup>	(49.2)	3.2 %	(41.8)	3.0 %
Other income <sup>(c)</sup>	2.5		3.6	
Equity in nonconsolidated affiliates	0.8		0.2	
Noncontrolling interests in continuing operations	(57.0)		(43.3)	
<b>Adjusted EBITDA</b>	<b>\$ 335.6</b>		<b>\$ 289.6</b>	

- ▶ Other operating expenses includes an \$8.3 million increase in provider tax expenses<sup>(2)</sup>.
- ▶ Supplies expense benefited from purchases accelerated into Q3-25 ahead of the Oracle Fusion conversion.
- ▶ General and administrative expense includes approximately \$4 million of Oracle Fusion post-implementation support costs.

(\$ in millions)	Q4 2025	Q4 2024
<b>In arriving at Adjusted EBITDA, the following were excluded:</b>		
(a) Loss on disposal or impairment of assets	\$ 0.3	\$ 6.1
(b) Stock-based compensation and the change in fair market value of the non-qualified deferred comp plan	\$ 19.2	\$ 12.7
(c) Change in fair market value of marketable securities and the non-qualified deferred comp plan	\$ (1.2)	\$ 1.5

# Earnings per share - as reported

(\$ in millions, except per share data)	Q4		Year Ended	
	2025	2024	2025	2024
<b>Adjusted EBITDA</b>	\$ 335.6	\$ 289.6	\$ 1,267.9	\$ 1,103.7
Depreciation and amortization	(86.4)	(78.0)	(327.9)	(299.6)
Interest expense and amortization of debt discounts and fees	(30.2)	(33.0)	(123.2)	(137.4)
Stock-based compensation	(18.4)	(12.5)	(56.5)	(48.3)
Loss on disposal or impairment of assets <sup>(4)</sup>	(0.3)	(6.1)	(2.7)	(17.4)
	200.3	160.0	757.6	601.0
<b>Items not indicative of ongoing operating performance:</b>				
Loss on early extinguishment of debt <sup>(5)(6)</sup>	—	(0.2)	—	(0.6)
Change in fair market value of marketable securities	0.4	(1.7)	2.5	1.0
Asset impairment impact on noncontrolling interests <sup>(4)</sup>	—	—	—	7.3
<b>Pre-tax income</b>	200.7	158.1	760.1	608.7
Income tax expense	(55.4)	(37.6)	(192.9)	(150.2)
<b>Income from continuing operations*</b>	<u>\$ 145.3</u>	<u>\$ 120.5</u>	<u>\$ 567.2</u>	<u>\$ 458.5</u>
Diluted shares (see page 26)	102.0	102.3	102.2	102.2
<b>Diluted earnings per share*</b>	<u>\$ 1.42</u>	<u>\$ 1.18</u>	<u>\$ 5.55</u>	<u>\$ 4.49</u>

# Adjusted earnings per share<sup>(7)</sup>

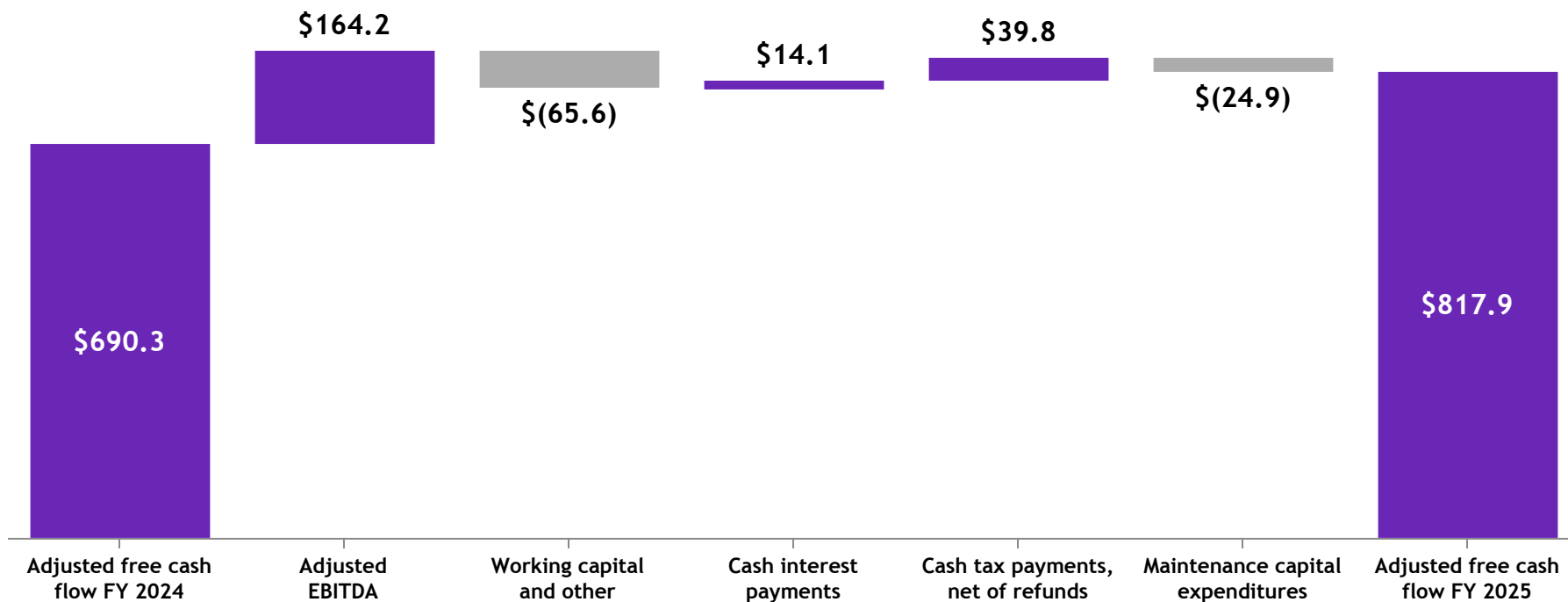
	Q4		Year Ended	
	2025	2024	2025	2024
Diluted earnings per share, as reported	\$ 1.42	\$ 1.18	\$ 5.55	\$ 4.49
Adjustments, net of tax:				
Asset impairment impact <sup>(4)</sup>	—	—	—	0.02
Income tax adjustments <sup>(8)</sup>	0.04	(0.03)	(0.08)	(0.08)
Change in fair market value of marketable securities	—	0.01	(0.02)	(0.01)
Adjusted earnings per share*	<u>\$ 1.46</u>	<u>\$ 1.17</u>	<u>\$ 5.45</u>	<u>\$ 4.43</u>

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

\* Adjusted EPS may not sum due to rounding. See complete calculations of adjusted earnings per share on pages 30-33.

# 2025 Adjusted free cash flow<sup>(9)</sup>

(\$ in millions)



# 2026 Guidance

	2025 Actuals	2026 Guidance
(\$ in millions, except per share data)		
Net Operating Revenue	\$5,935.2	\$6,365 to \$6,465
Adjusted EBITDA <sup>(3)</sup>	\$1,267.9	\$1,340 to \$1,380
Adjusted earnings per share from continuing operations attributable to Encompass Health <sup>(7)</sup>	\$5.45	\$5.81 to \$6.10

# 2026 Guidance considerations

## ► Pricing

- Medicare pricing increase of approximately 3.0%
- Managed Care pricing increase of 2.0% to 3.0%
- Bad debt reserves of 2.0% to 2.5% of revenue

## ► Labor

- SWB per FTE increase of 3.0% to 3.5%

## ► Capacity additions

- 8 new hospitals with a total of 389 beds
- Net pre-opening and ramp-up costs of \$18 million to \$22 million (inclusive of costs associated with 2027 openings incurred in 2026)
- Approximately 175 beds to existing hospitals

## ► Corporate

- Tax rate of approximately 26%
- Diluted share count of approximately 102 million shares

# Review Choice Demonstration (“RCD”)

RCD is a five-year demonstration project initiated by the Centers for Medicare & Medicaid Services (“CMS”) providing either pre-claim or post-payment claim review to demonstrate compliance with Medicare IRF rules. This demonstration is only applicable to Medicare fee-for-service claims.

## Status of RCD rollout

State	MAC	# of EHC hospitals impacted	Start Date
Alabama	Palmetto	7	August 2023
Pennsylvania	Novitas	2*	June 2024
Texas	Novitas	24*	March 2026
California	Noridian	3	May 2026

## Encompass Health RCD experience with Palmetto in Alabama

- Our hospitals are operating under 100% pre-claim review.
- As of January 30, 2026, our average affirmation rate is 93% for the current cycle.

## Other IRF providers’ RCD experience with Novitas in Pennsylvania

- Encompass Health currently has nine hospitals in Pennsylvania, none of which are subject to RCD. The two Pennsylvania de novos opening in 2026 will be subject to RCD.
- IRF providers in Pennsylvania electing pre-claim review averaged an affirmation rate of approximately 98% in both cycle 1 and cycle 2.
  - ✓ Novitas will administer RCD in Texas beginning March 2026

\*Inclusive of hospitals opening in Texas (1) and Pennsylvania (2) later in 2026.

# Transforming Episode Accountability Model (“TEAM”)

A CMS 30-day bundled payment initiative for certain acute care hospitals (“ACHs”) covering five surgical episode groups

## TEAM bundled payment model details

- ▶ Medicare FFS population only
- ▶ 5-year period from Jan. 2026 to Dec. 2030
- ▶ Impacts discharges in 189 of 935 CBSAs (700+ ACHs)
  - **89 EHC hospitals are in TEAM markets; 41 are joint ventures**
- ▶ Surgical episode groups included:
  - Lower extremity joint replacement (LEJR); surgical hip and femur fracture treatment (SHFFT); coronary artery bypass graft (CABG); spinal fusion; major bowel procedure
- ▶ ACHs are responsible for total cost of care for the inpatient stay / outpatient procedure plus 30-days post discharge.
  - Total cost of care is compared to target prices established by CMS
  - ACHs will either earn a bonus or owe a repayment to CMS based on their aggregate annual performance relative to target prices subject to quality and other adjustments.
  - Year 1 (2026) has no downside risk to ACHs under the default track. Years 2 through 5 include upside / downside risk corridors.
  - Revenue cycle not disrupted (no change to payment stream for acute or post-acute providers; ACHs are subject to annual reconciliation)
- ▶ **Quality of outcomes impacts ACHs’ bonus / repayment amounts.**
- ▶ **ACHs may not restrict Medicare beneficiaries’ choice of post-acute provider.**
- ▶ **Medicare beneficiaries eligible for Medicare on the basis of having end stage renal disease are excluded from TEAM.**

## EHC discharges within TEAM parameters

- Based on 2024 data, ~2% of EHC total discharges were within TEAM geographic, condition (procedure) and payor parameters.

## EHC has a proven track record of managing through alternative payment models, including:

BPCI Original	2014 - 2018
CJR	2016 - 2024
BPCI - A	2018 - 2025

# Adjusted free cash flow<sup>(9)</sup> assumptions

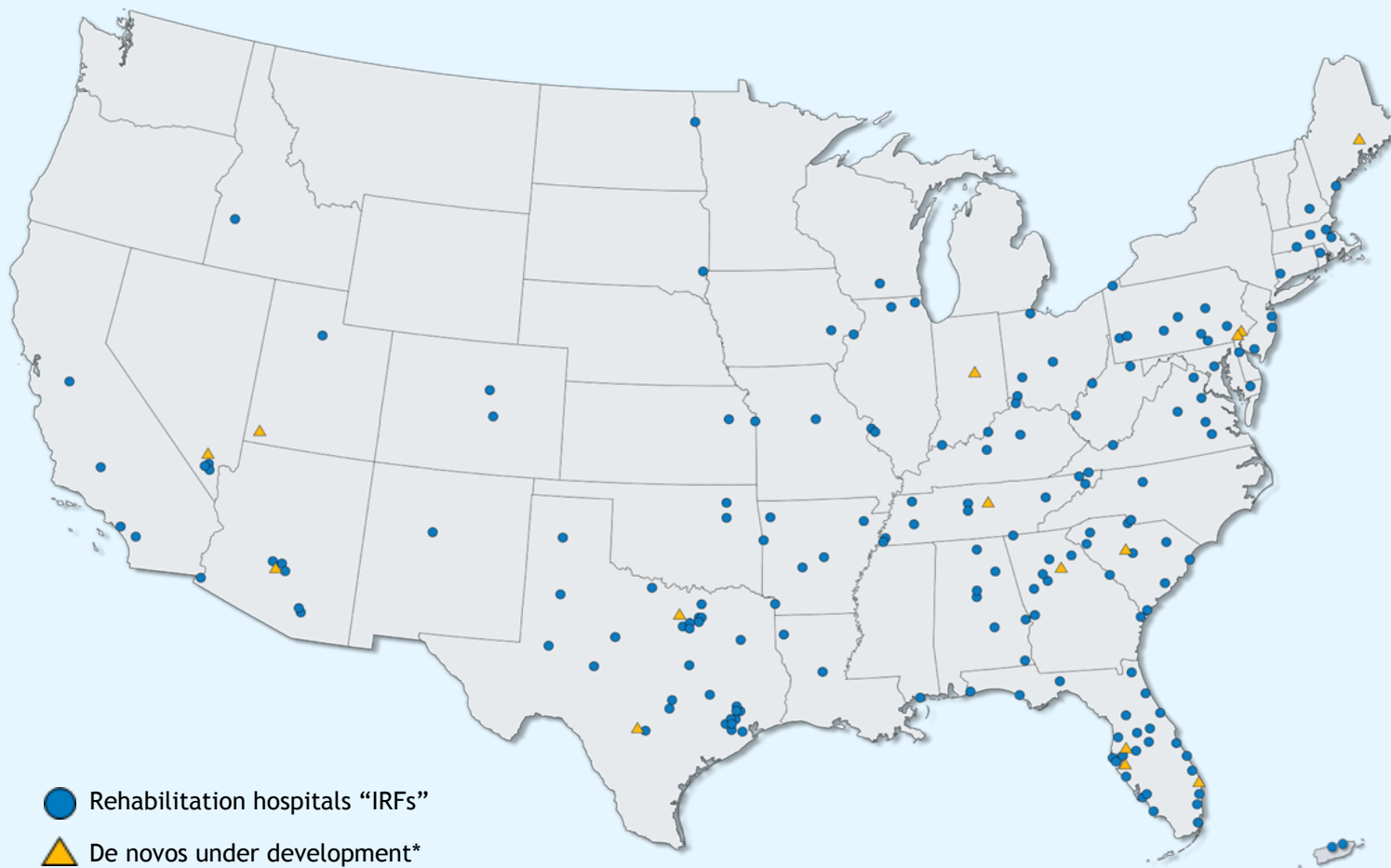
Certain cash flow items (\$ in millions)	2025 Actuals	2026 Assumptions
Cash interest payments (net of amortization of debt discounts and fees)	\$113.6	\$105 to \$115
Cash payments for income taxes, net of refunds	\$124.0	\$150 to \$180
Working capital and other	\$2.9	\$10 to \$40
Maintenance CAPEX	\$209.5	\$225 to \$240
<b>Adjusted free cash flow</b>	<b>\$817.9</b>	<b>\$765 to \$890</b>

# Uses of free cash flow

(\$ in millions)		2025 Actuals	2026 Assumptions
Growth	Capacity expansions	\$526.4	\$675 to \$725
	Replacement IRFs	0.5	20 to 30
		\$526.9	\$695 to \$755
Debt reduction	Change in total debt <sup>(10)</sup>	\$7.0	TBD
Shareholder distributions	Dividends on common stock	\$71.1	~ \$77
	Common stock repurchases	\$158.0	TBD

- Approximately \$332 million remaining under current authorization as of December 31, 2025<sup>(11)</sup>

# Appendix



Company profile  
as of 12/31/25

**173**

Rehabilitation  
hospitals “IRFs”

67 are joint  
ventures

**16**

IRFs under  
development\*\*

**39**

States and  
Puerto Rico

## 2025 Key statistics

**~263,300**  
patient discharges

**~\$5.9**  
Billion in revenue

**~42,300**  
employees

\*De novos under development - previously announced de novo hospitals under development as of February 5, 2026

\*\*IRFs under development as of February 5, 2026, include de novo and remote and satellite locations.<sup>(12)</sup>

Refer to pages 34-35 for end notes.

# Growth targets, fundamentals and value drivers

## ► 2023 - 2027 Growth targets

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

## ► Large, under penetrated, and growing inpatient rehabilitation market

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

## ► Shareholder distributions

- Cash dividend (currently \$0.19 per share per quarter)
- Approximately \$332 million remaining under current stock repurchase authorization as of December 31, 2025<sup>(1)</sup>

# Multiple modalities for capacity expansion - beginning 2026

## De novos

(6-10 hospitals per year)

- Freestanding hospitals (inclusive of remote and satellite locations<sup>(12)</sup>) with greater than 30 beds
- 4-8 acres of real estate
- Two primary prototypes - one and two story - to best fit available real estate
- Typically can accommodate future expansion

## Bed additions

(150-200 beds per year)

- Addresses high occupancy levels at existing hospitals
- Project size can vary depending on market demand, available land, CON requirements, etc.
- Leverages existing market demand, established referral sources and payor contracts, and elements of fixed infrastructure and management team

## Small format hospitals

(1-4 hospitals per year)

- First opening to occur in 2027
- Freestanding hospital with 20-30 beds
- Facilitates a hub and spoke strategy in large and growing markets
- 2-3 acres of real estate within 35 miles of an existing hospital to operate as a remote location
- Leverages management of existing Encompass Health hospital
- Non-expandable

# Development activity

Inpatient Rehabilitation Hospitals opened or under development					
	Joint venture	Expected open date	2025	2026	2027
<b>De novos*</b>					
Athens, GA	✓		40	—	—
Fort Myers, FL	✓		60	—	—
Daytona Beach, FL			50	—	—
Danbury, CT			40	—	—
St. Petersburg, FL			50	—	—
Amarillo, TX	✓		50	—	—
Lake Worth, FL			50	—	—
Irmo, SC		1Q26	—	49	—
Concordville, PA		2Q26	—	50	—
Loganville, GA	✓	2Q26	—	40	—
Norristown, PA		3Q26	—	50	—
San Antonio, TX		4Q26	—	50	—
Bangor, ME		4Q26	—	50	—
Avondale, AZ		4Q26	—	60	—
Wesley Chapel, FL			—	—	50
St. George, UT			—	—	50
Apollo Beach, FL			—	—	50
Haslet, TX			—	—	50
Fishers, IN			—	—	50
<b>Remote and satellite<sup>(12)*</sup></b>					
Wildwood, FL (The Villages)			50	—	—
Cleveland, TN		4Q26	—	40	—
<b>Other bed additions</b>			127	150 - 200	150 - 200
<b>*All dates are tentative and subject to change</b>			517	539 - 589	400 - 450

16

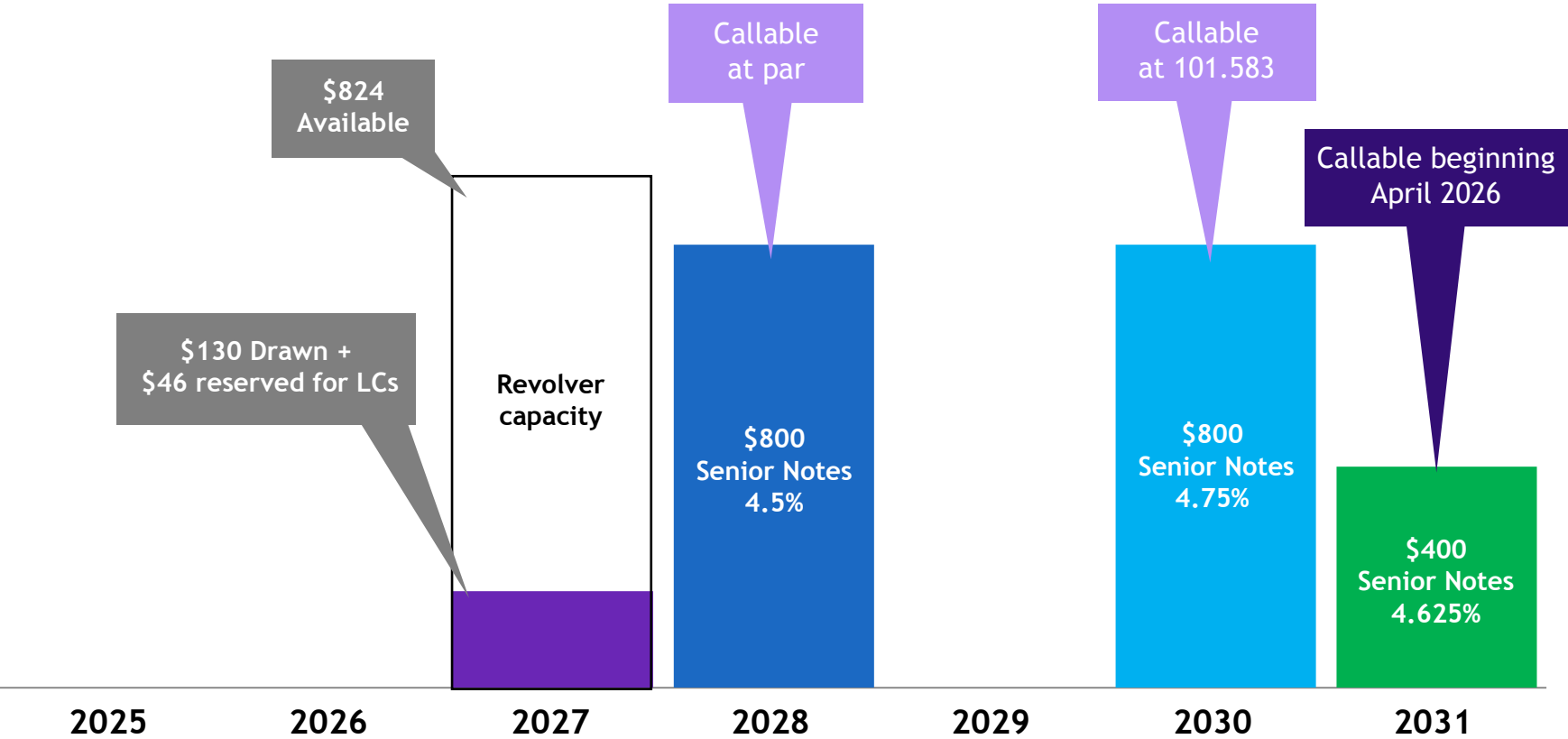
IRF development projects announced and underway\*\*

4Q 2025 Development activity highlights		
De novos opened	# of beds	JV
• St. Petersburg, FL	50	
• Amarillo, TX	50	✓
• Lake Worth, FL	50	
Beds added to existing hospitals		
	37	
De novo announcements		
• Lebanon, TN	40	✓
• Fishers, IN	50	

# Debt maturity profile - face value

As of December 31, 2025\*

(\$ in millions)



▶ Retired remaining \$100 million of 5.75% Senior Note due 2025.

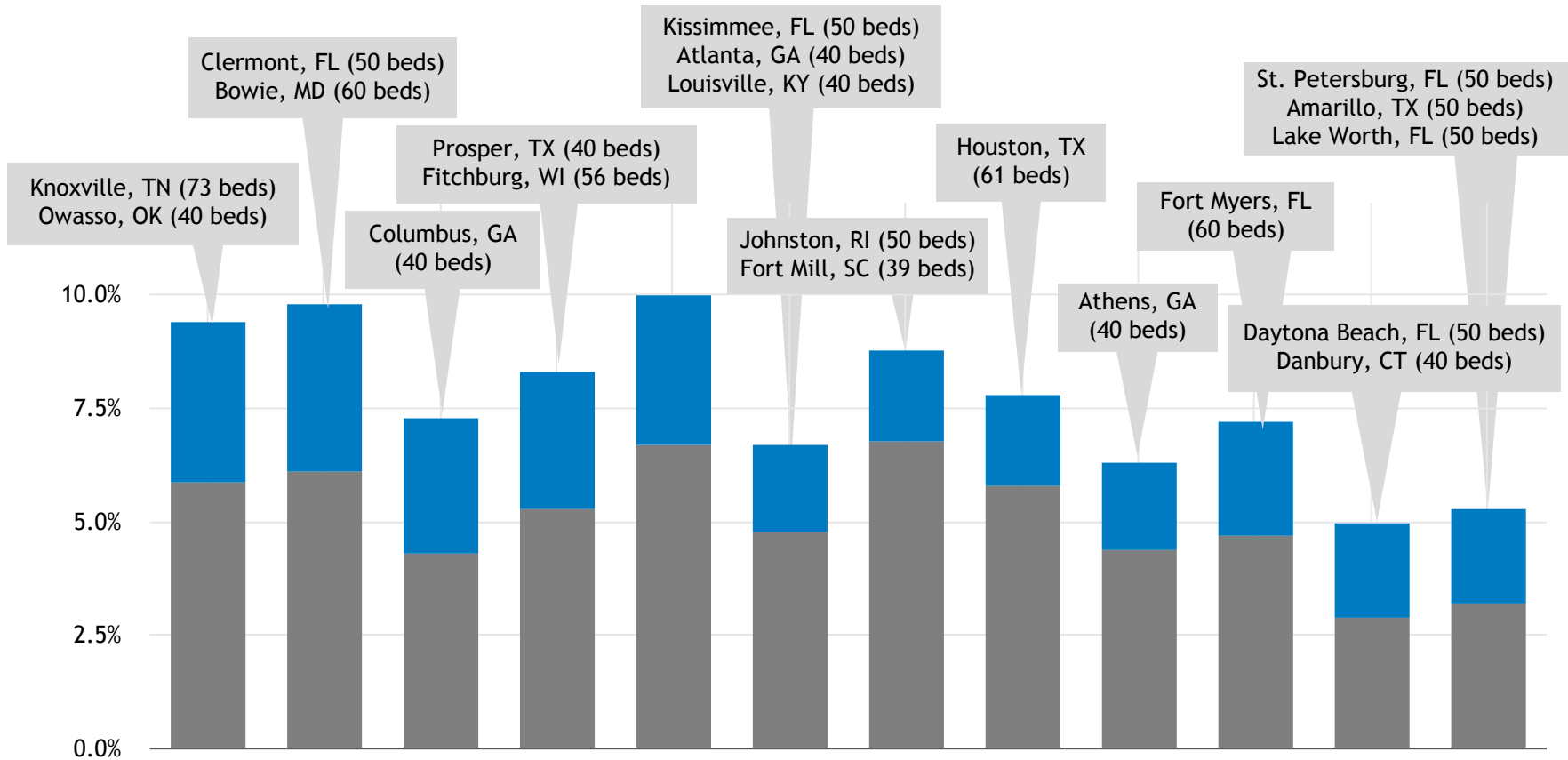
# Debt schedule

(\$ in millions)	December 31, 2025	December 31, 2024	Change in Debt vs. YE 2024
Advances under \$1 billion revolving credit facility	\$ 130.0	\$ 20.0	\$ 110.0
Bonds Payable:			
5.75% Senior Notes due 2025	—	99.8	(99.8)
4.50% Senior Notes due 2028	792.0	788.4	3.6
4.75% Senior Notes due 2030	787.0	784.2	2.8
4.625% Senior Notes due 2031	393.6	392.5	1.1
Other notes payable	93.6	94.5	(0.9)
Finance lease obligations	294.6	318.4	(23.8)
<b>Long-term debt</b>	<b>\$ 2,490.8</b>	<b>\$ 2,497.8</b>	<b>\$ (7.0)</b>
<b>Debt to Adjusted EBITDA</b>	<b>2.0x</b>	<b>2.3x</b>	
<b>Leverage net of cash and cash equivalents</b>	<b>1.9x</b>	<b>2.2x</b>	

The leverage ratio for 2025 stated in terms of the most comparable GAAP measurement would be Debt to Net cash provided by operating activities: 2.1x

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

# New-store/same-store growth



Discharges	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
New store	3.5%	3.6%	3.0%	3.0%	3.3%	1.9%	2.0%	2.0%	1.9%	2.5%	2.1%	2.1%
Same store <sup>(13)</sup>	5.9%	6.2%	4.3%	5.3%	6.7%	4.8%	6.8%	5.8%	4.4%	4.7%	2.9%	3.2%
Total by quarter	9.4%	9.8%	7.3%	8.3%	10.0%	6.7%	8.8%	7.8%	6.3%	7.2%	5.0%	5.3%
Total by year				8.7%				8.3%				6.0%
Same store by year <sup>(13)</sup>				4.8%				5.6%				3.4%

# Payment sources (percent of revenues)

	Q4		Full Year	
	2025	2024	2025	2024
Medicare	66.5 %	65.6 %	65.4 %	65.1 %
Medicare Advantage	15.7 %	16.5 %	16.4 %	16.8 %
Managed care	10.4 %	10.5 %	10.7 %	10.8 %
Medicaid	3.0 %	3.2 %	3.1 %	3.3 %
Other third-party payors	0.7 %	0.8 %	0.7 %	0.8 %
Workers' compensation	0.5 %	0.5 %	0.5 %	0.5 %
Patients	0.3 %	0.3 %	0.3 %	0.3 %
Other income	2.9 %	2.6 %	2.9 %	2.4 %
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

# Operational metrics

	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Full Year 2025	Full Year 2024
Net patient revenue-inpatient	\$1,497.6	\$1,427.3	\$1,413.7	\$1,417.7	\$1,366.1	\$1,316.2	\$1,265.5	\$1,282.7	\$5,756.3	\$5,230.5
Net patient revenue-other revenues	47.0	50.2	44.0	37.7	38.9	34.8	35.7	33.3	178.9	142.7
Net operating revenues	<u>\$1,544.6</u>	<u>\$1,477.5</u>	<u>\$1,457.7</u>	<u>\$1,455.4</u>	<u>\$1,405.0</u>	<u>\$1,351.0</u>	<u>\$1,301.2</u>	<u>\$1,316.0</u>	<u>\$5,935.2</u>	<u>\$5,373.2</u>
Discharges <sup>(14)</sup>	67,238	65,839	65,237	64,985	63,839	62,715	60,833	61,111	263,299	248,498
Net patient revenue per discharge	\$ 22,273	\$ 21,679	\$ 21,670	\$ 21,816	\$ 21,399	\$ 20,987	\$ 20,803	\$ 20,990	\$ 21,862	\$ 21,048
Outpatient visits	22,325	22,361	21,597	19,955	26,434	28,544	29,312	29,744	86,238	114,034
Average length of stay	12.0	12.1	12.0	12.2	12.0	12.2	12.2	12.3	12.1	12.2
Occupancy %	76.3 %	76.2 %	76.6 %	78.8 %	75.3 %	75.4 %	74.5 %	76.7 %	75.9 %	74.6 %
# of licensed beds	11,465	11,352	11,233	11,159	11,094	11,041	10,948	10,781	11,465	11,094
Occupied beds	8,748	8,650	8,604	8,793	8,354	8,325	8,156	8,269	8,702	8,276
Full-time equivalents (FTEs) - internal	29,236	29,198	28,784	28,572	28,188	27,938	27,297	27,209	28,948	27,658
Contract labor FTEs	313	354	379	375	394	430	450	434	355	427
Total FTEs <sup>(15)</sup>	<u>29,549</u>	<u>29,552</u>	<u>29,163</u>	<u>28,947</u>	<u>28,582</u>	<u>28,368</u>	<u>27,747</u>	<u>27,643</u>	<u>29,303</u>	<u>28,085</u>
EPOB <sup>(16)</sup>	3.38	3.42	3.39	3.29	3.42	3.41	3.40	3.34	3.37	3.39

# Share information

(in millions)	Weighted Average for the Period				
	Q4		Full Year		
	2025	2024	2025	2024	2023
<b>Basic shares outstanding</b>	100.2	100.0	100.5	99.9	99.5
Restricted stock awards, dilutive stock options, and restricted stock units	1.8	2.3	1.7	2.3	1.8
<b>Diluted shares outstanding</b>	<b>102.0</b>	<b>102.3</b>	<b>102.2</b>	<b>102.2</b>	<b>101.3</b>

(in millions)	End of Period				
	Q4		Full Year		
	2025	2024	2025	2024	2023
<b>Basic shares outstanding</b>	100.0	100.8	100.0	100.8	100.3

# Net cash provided by operating activities reconciled to Adjusted EBITDA<sup>(3)</sup>

(\$ in millions)	Q4		Full Year	
	2025	2024	2025	2024
<b>Net cash provided by operating activities</b>	\$ 346.0	\$ 278.8	\$ 1,175.6	\$ 1,002.8
Interest expense and amortization of debt discounts and fees	30.2	33.0	123.2	137.4
(Loss) gain on sale of investments, excluding impairments	(0.3)	(3.1)	5.9	2.7
Equity in net income of nonconsolidated affiliates	0.8	0.2	4.3	3.0
Net income attributable to noncontrolling interests in continuing operations	(57.0)	(43.3)	(192.9)	(140.9)
Amortization of debt-related items	(2.4)	(2.4)	(9.6)	(9.7)
Distributions from nonconsolidated affiliates	(2.7)	(0.9)	(4.1)	(4.0)
Current portion of income tax expense	36.3	29.0	170.6	139.5
Change in assets and liabilities	(13.9)	(2.8)	(4.3)	(21.9)
Cash (provided by) used in operating activities of discontinued operations	(1.1)	(0.6)	1.4	3.1
Asset impairment impact on noncontrolling interests <sup>(4)</sup>	—	—	—	(7.3)
Change in fair market value of marketable securities	(0.4)	1.7	(2.5)	(1.0)
Other	0.1	—	0.3	—
<b>Adjusted EBITDA</b>	<u>\$ 335.6</u>	<u>\$ 289.6</u>	<u>\$ 1,267.9</u>	<u>\$ 1,103.7</u>

# Reconciliation of net income to Adjusted EBITDA<sup>(3)</sup>

(\$ in millions)	Q4		Full Year	
	2025	2024	2025	2024
<b>Net income</b>	\$ 203.1	\$ 164.2	\$ 759.1	\$ 596.6
(Income) loss from discontinued operations, net of tax, attributable to Encompass Health	(0.8)	(0.4)	1.0	2.8
Net income attributable to noncontrolling interests included in continuing operations	(57.0)	(43.3)	(192.9)	(140.9)
Provision for income tax expense	55.4	37.6	192.9	150.2
Interest expense and amortization of debt discounts and fees	30.2	33.0	123.2	137.4
Depreciation and amortization	86.4	78.0	327.9	299.6
Loss on early extinguishment of debt <sup>(5)(6)</sup>	—	0.2	—	0.6
Loss on disposal or impairment of assets <sup>(4)</sup>	0.3	6.1	2.7	17.4
Stock-based compensation	18.4	12.5	56.5	48.3
Asset impairment impact on noncontrolling interests <sup>(4)</sup>	—	—	—	(7.3)
Change in fair market value of marketable securities	(0.4)	1.7	(2.5)	(1.0)
<b>Adjusted EBITDA</b>	<u>\$ 335.6</u>	<u>\$ 289.6</u>	<u>\$ 1,267.9</u>	<u>\$ 1,103.7</u>

# Reconciliation of net cash provided by operating activities to adjusted free cash flow<sup>(9)</sup>

(\$ in millions)	Q4		Full Year	
	2025	2024	2025	2024
<b>Net cash provided by operating activities</b>	\$ 346.0	\$ 278.8	\$ 1,175.6	\$ 1,002.8
Impact of discontinued operations	(1.1)	(0.6)	1.4	3.1
Net cash provided by operating activities of continuing operations	344.9	278.2	1,177.0	1,005.9
Capital expenditures for maintenance	(69.0)	(50.8)	(209.5)	(184.6)
Distributions paid to noncontrolling interests of consolidated affiliates	(42.7)	(39.5)	(152.1)	(125.0)
<b>Items not indicative of ongoing operating performance:</b>				
Transaction costs and related liabilities	2.2	2.6	2.5	(6.0)
<b>Adjusted free cash flow</b>	<b>\$ 235.4</b>	<b>\$ 190.5</b>	<b>\$ 817.9</b>	<b>\$ 690.3</b>
Cash dividends on common stock	\$ 19.0	\$ 17.0	\$ 71.1	\$ 62.8

# Adjusted EPS<sup>(7)</sup> - Q4 2025

	For the Three Months Ended December 31, 2025			
	Adjustments			
	As Reported	Income Tax Adjustments <sup>(8)</sup>	Change in Fair Market Value of Marketable Securities	As Adjusted
	(\$ in millions, except per share amounts)			
Adjusted EBITDA	\$ 335.6	\$ —	\$ —	\$ 335.6
Depreciation and amortization	(86.4)	—	—	(86.4)
Interest expense and amortization of debt discounts and fees	(30.2)	—	—	(30.2)
Stock-based compensation	(18.4)	—	—	(18.4)
Loss on disposal or impairment of assets	(0.3)	—	—	(0.3)
Change in fair market value of marketable securities	0.4	—	(0.4)	—
Income from continuing operations before income tax expense	200.7	—	(0.4)	200.3
Provision for income tax expense	(55.4)	3.9	—	(51.5)
Income from continuing operations attributable to Encompass Health	\$ 145.3	\$ 3.9	\$ (0.4)	\$ 148.8
Diluted earnings per share from continuing operations*	\$ 1.42	\$ 0.04	\$ —	\$ 1.46
Diluted shares used in calculation	102.0			

# Adjusted EPS<sup>(7)</sup> - Q4 2024

	For the Three Months Ended December 31, 2024				
	Adjustments				
	As Reported	Loss on Early Exting. of Debt	Income Tax Adjustments <sup>(8)</sup>	Change in Fair Market Value of Marketable Securities	As Adjusted
	(\$ in millions, except per share amounts)				
Adjusted EBITDA	\$ 289.6	\$ —	\$ —	\$ —	\$ 289.6
Depreciation and amortization	(78.0)	—	—	—	(78.0)
Interest expense and amortization of debt discounts and fees	(33.0)	—	—	—	(33.0)
Stock-based compensation	(12.5)	—	—	—	(12.5)
Loss on disposal or impairment of assets	(6.1)	—	—	—	(6.1)
Loss on early extinguishment of debt <sup>(6)</sup>	(0.2)	0.2	—	—	—
Change in fair market value of marketable securities	(1.7)	—	—	1.7	—
Income from continuing operations before income tax expense	158.1	0.2	—	1.7	160.0
Provision for income tax expense	(37.6)	(0.1)	(2.6)	(0.4)	(40.7)
Income from continuing operations attributable to Encompass Health	\$ 120.5	\$ 0.1	\$ (2.6)	\$ 1.3	\$ 119.3
Diluted earnings per share from continuing operations*	\$ 1.18	\$ —	\$ (0.03)	\$ 0.01	\$ 1.17
Diluted shares used in calculation	102.3				

# Adjusted EPS<sup>(7)</sup> - 2025

	For the Year Ended December 31, 2025			
	Adjustments			
	As Reported	Income Tax Adjustments <sup>(8)</sup>	Change in Fair Market Value of Marketable Securities	As Adjusted
	(\$ in millions, except per share amounts)			
Adjusted EBITDA	\$1,267.9	\$ —	\$ —	\$1,267.9
Depreciation and amortization	(327.9)	—	—	(327.9)
Interest expense and amortization of debt discounts and fees	(123.2)	—	—	(123.2)
Stock-based compensation	(56.5)	—	—	(56.5)
Loss on disposal or impairment of assets	(2.7)	—	—	(2.7)
Change in fair market value of marketable securities	2.5	—	(2.5)	—
Income from continuing operations before income tax expense	760.1	—	(2.5)	757.6
Provision for income tax expense	(192.9)	(7.9)	0.6	(200.2)
Income from continuing operations attributable to Encompass Health	\$ 567.2	\$ (7.9)	\$ (1.9)	\$ 557.4
Diluted earnings per share from continuing operations*	\$ 5.55	\$ (0.08)	\$ (0.02)	\$ 5.45
Diluted shares used in calculation	102.2			

# Adjusted EPS<sup>(7)</sup> - 2024

For the Year Ended December 31, 2024						
	Adjustments					
As Reported	Asset Impairment Impact	Loss on Early Exting. of Debt	Income Tax Adjustments <sup>(8)</sup>	Change in Fair Market Value of Marketable Securities	As Adjusted	
(\$ in millions, except per share amounts)						
\$1,103.7	\$ —	\$ —	\$ —	\$ —	\$1,103.7	
(299.6)	—	—	—	—	(299.6)	
(137.4)	—	—	—	—	(137.4)	
(48.3)	—	—	—	—	(48.3)	
(17.4)	10.4	—	—	—	(7.0)	
(0.6)	—	0.6	—	—	—	
1.0	—	—	—	(1.0)	—	
7.3	(7.3)	—	—	—	—	
608.7	3.1	0.6	—	(1.0)	611.4	
(150.2)	(1.3)	(0.2)	(7.7)	0.3	(159.1)	
<u>\$ 458.5</u>	<u>\$ 1.8</u>	<u>\$ 0.4</u>	<u>\$ (7.7)</u>	<u>\$ (0.7)</u>	<u>\$ 452.3</u>	
<u>\$ 4.49</u>	<u>\$ 0.02</u>	<u>\$ —</u>	<u>\$ (0.08)</u>	<u>\$ (0.01)</u>	<u>\$ 4.43</u>	
102.2						

# End notes

- (1) Historically, we used the term “Outpatient and other” revenue to report revenue related to our outpatient business and other revenue sources. As we have decreased our outpatient business, the associated revenues do not represent the primary source of “Outpatient and other” revenue. As of December 31, 2025, this category of revenue is referred to as “Other” revenue.
- (2) Historically, we have used the term “provider tax revenues” to refer to “Medicaid supplemental payments,” both of which represent amounts received in connection with state Medicaid programs that are not included in the specific Medicaid claim reimbursements we receive. These amounts include state directed and supplemental payment programs associated with Medicaid. Provider taxes are amounts paid by us to fund, in part, state Medicaid programs. We have used the term “net provider tax revenues” to represent the difference between provider taxes paid and the Medicaid supplemental payments received.
- (3) Adjusted EBITDA is a non-GAAP financial measure. The Company’s leverage ratio (total consolidated debt to Adjusted EBITDA for the trailing four quarters) is, likewise, a non-GAAP measure. Management and some members of the investment community utilize Adjusted EBITDA as a financial measure and the leverage ratio as a liquidity measure on an ongoing basis. These measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance or liquidity. In evaluating Adjusted EBITDA, the reader should be aware that in the future the Company may incur expenses similar to the adjustments set forth.
- (4) In January 2024, we received notice that our joint venture partner, Hospital Sisters Health System, intended to close its acute-care hospital, Sacred Heart Hospital in Eau Claire, WI, in which our joint venture inpatient rehabilitation hospital was located. We closed that joint venture hospital in February 2024 and incurred a one-time impairment charge of \$10.4 million. The impact to net income attributable to Encompass Health during the twelve months ended December 31, 2024, resulting from the impairment was \$1.8 million after reductions for net income attributable to noncontrolling interests of \$7.3 million and the provision for income tax expense of \$1.3 million.
- (5) In the third quarter of 2024, the Company redeemed \$150 million of its 5.75% Senior Notes due 2025. The redemption was completed at 100% of par using cash on hand. As a result of the redemption, the Company recorded a \$0.4 million loss on early extinguishment of debt in the third quarter of 2024.
- (6) In the fourth quarter of 2024, the Company redeemed \$100 million of its 5.75% Senior Notes due 2025. The redemption was completed at 100% of par using cash on hand. As a result of the redemption, the Company recorded a \$0.2 million loss on early extinguishment of debt in the fourth quarter of 2024.
- (7) The Company is providing adjusted earnings per share from continuing operations attributable to Encompass Health (“adjusted earnings per share”), which is a non-GAAP measure. The Company believes the presentation of adjusted earnings per share provides useful additional information to investors because it provides better comparability of ongoing operating performance to prior periods given that it excludes the impact of government, class action, and related settlements, professional fees - accounting, tax, and legal, mark-to-market adjustments for stock appreciation rights, gains or losses related to hedging and equity instruments, loss on early extinguishment of debt, adjustments to its income tax provision (such as valuation allowance adjustments, settlements of income tax claims, windfall tax benefits and executive compensation disallowance), items related to corporate and facility restructurings, and certain other items deemed to be non-indicative of ongoing operating performance. It is reasonable to expect that one or more of these excluded items will occur in future periods, but the amounts recognized can vary significantly from period to period and may not directly relate to the Company’s ongoing operating performance. Accordingly, they can complicate comparisons of the Company’s results of operations across periods and comparisons of the Company’s results to those of other healthcare companies. Adjusted earnings per share should not be considered as a measure of financial performance under generally accepted accounting principles in the United States as the items excluded from it are significant components in understanding and assessing financial performance. Because adjusted earnings per share is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, it may not be comparable as presented to other similarly titled measures of other companies.
- (8) Income tax adjustments primarily relate to windfall tax benefits and executive compensation disallowance.

# End notes (continued)

- (9) The definition of adjusted free cash flow, which is a non-GAAP measure, is net cash provided by operating activities of continuing operations minus capital expenditures for maintenance, distributions to noncontrolling interests, and certain items deemed to be non-indicative of ongoing operating performance. Common stock dividends are not included in the calculation of adjusted free cash flow. Because this measure is not determined in accordance with GAAP and is susceptible to varying calculations, it may not be comparable to other similarly titled measures presented by other companies.
- (10) Cash used for net debt redemptions were \$29.0 million and \$242.1 million during the twelve months ended December 31, 2025, and twelve months ended December 31, 2024, respectively.
- (11) On October 28, 2013, the Company announced its board of directors authorized the repurchase of up to \$200 million of its common stock. On February 14, 2014, the Company's board approved an increase in this common stock repurchase authorization from \$200 million to \$250 million. As of June 30, 2018, the remaining repurchase authorization was approximately \$58 million. On July 24, 2018, the Company's board approved resetting the aggregate common stock repurchase authorization to \$250 million. As of June 30, 2024, the remaining repurchase authorization was approximately \$181 million. On July 24, 2024, the Company's board approved resetting the aggregate common stock repurchase authorization to \$500 million. As of December 31, 2025, the remaining repurchase authorization was approximately \$332 million.
- (12) Our inpatient rehabilitation hospitals ("IRFs") may operate one or more satellite and/or remote locations. Satellite and remote locations are located within 35 miles to one of our existing IRFs but do not have a separate Medicare provider number. As such, they are considered a bed addition, are included in same store results from the day of opening, and are not included in our count of total open hospitals. As of December 31, 2025, we operated 10 remote locations.
- (13) Same-store comparisons are calculated based on hospitals open throughout both the full current periods and prior periods presented. These comparisons include the financial results of market consolidation transactions and capacity expansions (including the addition of satellite and remote hospitals) in existing markets.
- (14) Represents discharges from 173 consolidated hospitals in Q4 2025; 170 consolidated hospitals in Q3 2025; 168 consolidated hospitals in Q2 2025; 167 consolidated hospitals in Q1 2025; 166 consolidated hospitals in Q4 2024; 165 consolidated hospitals in Q3 2024; 163 consolidated hospitals in Q2 2024; and 160 consolidated hospitals in Q1 2024.
- (15) Total full-time equivalents included in the table represent Encompass Health employees who participate in or support the operations of our hospitals and include full-time equivalents related to contract labor.
- (16) Employees per occupied bed, or "EPOB," is calculated by dividing the number of total full-time equivalents, including full-time equivalents from the utilization of contract labor, by the number of occupied beds during each period.