Hill-Rom

Second Quarter 2016 Financial Results

April 29, 2016



Forward Looking Statements

Certain statements in this presentation contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the Company's future plans, objectives, beliefs, expectations, representations and projections. It is important to note that forward-looking statements are not guarantees of future performance, and the Company's actual results could differ materially from those set forth in any forward-looking statements. For a more in depth discussion of factors that could cause actual results to differ from those contained in forward-looking statements, see the discussions under the heading "Risk Factors" in the Company's previously filed most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. The Company assumes no obligation to update or revise any forward-looking statements.

Certain financial figures presented herein have been presented on an adjusted basis (non-GAAP). Reconciliations between non-GAAP financial measures and reported US GAAP measures are included in the appendices to this slide deck.



Second Quarter Earnings Release

Participants

John J. Greisch
 President and CEO

• Steve Strobel CFO

Carlyn Solomon COO

Mike Macek
 VP, Treasurer

Hill-Rom

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April 29, 2016



Revenue – Total Hill-Rom

Quarter Ended March 31

	Quarter Ended March 31					
_	2016	Year Over	Constant			
	As Reported	Year Change	Currency Change*			
Product Sales and Service	\$529.3	40.9%	42.5%			
Rental Revenue	103.3	4.2%	4.6%			
Total Revenue	\$632.6	33.2%	34.6%			

Year To Date Ended March 31

	real to bate Linded March 31					
	2016	Year Over	Constant			
	As Reported	Year Change	Currency Change*			
Product Sales and Service	\$1,094.4	46.1%	49.8%			
Rental Revenue	199.4	4.6%	5.5%			
Total Revenue	\$1,293.8	37.7%	40.8%			



Revenue – North America

Quarter Ended March	3	h	cl	r	a	/	Λ	d	e	10	Er	er	rt	ıa	u	Q
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_	2016	Year Over	Constant			
_	As Reported	Year Change	Currency Change*			
Product Sales and Service	\$193.4	10.7%	11.2%			
Rental Revenue	76.4	5.8%	6.0%			
Total Revenue	\$269.8	9.3%	9.6%			

Year To Date Ended March 31

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_	2016	Year Over	Constant			
_	As Reported	Year Change	Currency Change*			
Product Sales and Service	\$372.1	10.5%	11.0%			
Rental Revenue	146.6	8.3%	8.6%			
Total Revenue	\$518.7	9.9%	10.3%			



Revenue – Front Line Care

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_	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$169.1	N/M	N/M
Rental Revenue	16.2	6.6%	6.6%
Total Revenue	\$185.3	N/M	N/M

Year To Date Ended March 31

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_	2016	Year Over	Constant			
	As Reported	Year Change	Currency Change*			
Product Sales and Service	\$373.3	N/M	N/M			
Rental Revenue	32.2	1.6%	1.6%			
Total Revenue	\$405.5	N/M	N/M			



Revenue – Surgical Solutions

_	Quarter Ended March 31				
. -	2016 As Reported	Year Over Year Change	Constant Currency Change*		
Product Sales and Service	\$95.1	-4.3%	-3.4%		

	Year To Date Ended March 31				
	2016 As Reported	Year Over Year Change	Constant Currency Change*		
Product Sales and Service	\$194.4	-4.9%	-1.5%		



Revenue – International

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_	2016	Year Over	Constant			
_	As Reported	Year Change	Currency Change*			
Product Sales and Service	\$71.7	-24.0%	-22.5%			
Rental Revenue	10.7	-8.5%	-6.0%			
Total Revenue	\$82.4	-22.3%	-20.6%			

Year To Date Ended March 31

	160	ii 10 Date Ended Marc	GII 3 I
	2016	Year Over	Constant
_	As Reported	Year Change	Currency Change*
Product Sales and Service	\$154.6	-20.8%	-15.6%
Rental Revenue	20.6	-12.7%	-6.8%
Total Revenue	\$175.2	-19.9%	-14.6%



Gross Profit and Margin – Adjusted*

	Qu	arter Ended Marc	h 31
	2016	2015	Year Over Year Change
Gross Profit			
Product sales and service	\$249.0	\$163.0	
Percent of Related Revenue	47.0%	43.4%	360 bps
Rental revenue	54.2	52.4	
Percent of Related Revenue	52.5%	52.9%	(40) bps
Total Gross Profit	\$303.2	\$215.4	•
Percent of Total Revenue	47.9%	45.4%	250 bps

	Year 7	Γο Date Ended Μ	larch 31
			Year Over
	2016	2015	Year Change
Gross Profit			_
Product sales and service	\$511.6	\$321.8	
Percent of Related Revenue	46.7%	43.0%	370 bps
Rental revenue	102.9	99.4	
Percent of Related Revenue	51.6%	52.1%	(50) bps
Total Gross Profit	\$614.5	\$421.2	_
Percent of Total Revenue	47.5%	44.8%	270 bps

^{*}See reconciliation of gross profit and margin to adjusted gross profit and margin in the appendices to this slide deck.



Operating Expenses – Adjusted*

	Quarter Ended March 31		
	2016	2015	Year Over Year Change
Research and development expenses	\$34.3	\$22.2	54.5%
Percent of Total Revenue	5.4%	4.7%	
Selling and administrative expenses	\$181.2	\$138.2	31.1%
Percent of Total Revenue	28.6%	29.1%	

	Year T	Year To Date Ended March 31		
	2016	2015	Year Over Year Change	
Research and development expenses Percent of Total Revenue	\$67.9 <i>5.2%</i>	\$44.0 <i>4.7%</i>	54.3%	
Selling and administrative expenses Percent of Total Revenue	\$371.9 <i>28.7%</i>	\$280.6 <i>29.9%</i>	32.5%	

^{*}See reconciliation of operating expenses to adjusted operating expenses in the appendices to this slide deck.



Cash Flow

	Year to Date Ended March 31	
	2016	2015
Net income	\$26.4	\$38.2
Depreciation	46.9	34.9
Amortization	8.5	5.5
Acquisition-related intangible asset amortization	48.0	15.7
Provision for deferred income taxes	14.9	(6.2)
Loss (gain) on disposal of property, equipment		
leased to others, intangible assets, and impairments	1.5	(0.2)
Stock compensation	12.1	9.9
Accounts receivable	28.9	22.6
Inventories	12.0	(3.9)
Other current assets	6.8	(2.8)
Accounts payable and other liabilities	(117.9)	(26.0)
Other	(0.6)	(0.6)
Cash Flows from Operations	87.5	87.1
Capital expenditures	(46.4)	(80.3)
Free Cash Flow	\$41.1	\$6.8



Fiscal 2016 Guidance

(\$ in millions, except EPS)

Range

Third Quarter

Reported revenue \$640 - \$650

Currency impact on revenue Negative 1%

Adjusted earnings per share \$0.75 - \$0.77

Full Year

Reported revenue \$2.64B - \$2.67B

Currency impact on revenue Negative 2% - 3%

Adjusted earnings per share \$3.26 - \$3.30

Cash flow from operations ~ \$315

Capital expenditures \$110 - \$120

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April 29, 2016



Appendix

Reconciliations of Non-GAAP Disclosures



Reconciliation: Constant Currency Revenue

Quarter Efficed March 51	Quarte	r Ended	March 31
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Product sales and service
Rental revenue
Total

2016 As Reported	Foreign Exchange Impact	2016 Adjusted	2015 As Reported	Constant Currency Change
\$529.3	(\$5.9)	\$535.2	\$375.7	42.5%
103.3	(0.4)	103.7	99.1	4.6%
\$632.6	(\$6.3)	\$638.9	\$474.8	34.6%

Year To Date Ended March 31

Product sales and service
Rental revenue
Total

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2016	Foreign Exchange	2016	2015	Constant Currency
As Reported	Impact	Adjusted	As Reported	Change
\$1,094.4	(\$27.9)	\$1,122.3	\$749.1	49.8%
199.4	(1.8)	201.2	190.7	5.5%
\$1,293.8	(\$29.7)	\$1,323.5	\$939.8	40.8%

Reconciliation: Constant Currency Revenue (by Segment)

North America Front Line Care Surgical Solutions International

Quarter Ended March 31						
2016	Foreign Exchange	2016	2015	Constant Currency		
As Reported	Impact	Adjusted	As Reported	Change		
\$269.8	(\$0.9)	\$270.7	\$246.9	9.6%		
185.3	(2.7)	188.0	22.4	N/M		
95.1	(0.9)	96.0	99.4	-3.4%		
82.4	(1.8)	84.2	106.1	-20.6%		
\$632.6	(\$6.3)	\$638.9	\$474.8	34.6%		

North America Front Line Care Surgical Solutions International

2016	Foreign Exchange	2016	2015	Constant Currenc
As Reported	s Reported Impact Adjusted		As Reported	Change
\$ 518.7	(\$ 2.2)	\$ 520.9	\$472.1	10.3%
405.5	(9.0)	414.5	44.5	N/M
194.4	(6.9)	201.3	204.4	-1.5%
175.2	(11.6)	186.8	218.8	-14.6%
\$1,293.8	(\$29.7)	\$1,323.5	\$939.8	40.8%

N/M - Not Meaningful



Reconciliation: Product Sales and Service Gross Profit & Gross Margin

	Quarter Ended	d March 31	Year To Date E	nded March 31
Product Sales and Service Gross Profit	2016	2015	2016	2015
Product Sales and Service Gross Profit (As Reported)	\$250.0	\$161.8	\$492.0	\$314.7
Field corrective actions	(1.0)	1.2	0.1	2.3
Inventory step-up		-	19.5	4.8
Product Sales and Service Gross Profit (Adjusted)	\$249.0	\$163.0	\$511.6	\$321.8
Adjusted Product Sales and Service Gross Margin	47.0%	43.4%	46.7%	43.0%
Year Over Year Gross Profit Change	52.8%		59.0%	
Year Over Year Gross Margin Change	360 bps		370 bps	

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Reconciliation: Total Gross Profit & Gross Margin

	Quarter End	ed March 31	Year To Date Ended March 31				
Total Gross Profit	2016	2015	2016	2015			
Gross Profit (As Reported)	\$304.2	\$214.2	\$594.9	\$414.1			
Field corrective actions	(1.0)	1.2	0.1	2.3			
Inventory step-up			19.5	4.8			
Gross Profit (Adjusted)	\$303.2	\$215.4	\$614.5	\$421.2			
Adjusted Total Gross Margin	47.9%	45.4%	47.5%	44.8%			
Year Over Year Gross Profit Change	40.8%		45.9%				
Year Over Year Gross Margin Change	250 bps		270 bps				

Reconciliation: Operating Expenses

	Quarter End	ed March 31	Year To Date E	Ended March 31		
	2016	2015	2016	2015		
Selling and Administrative Expenses (As Reported)	\$209.4	\$149.9	\$430.6	\$305.0		
Acquisition and integration costs	(4.4)	(3.8)	(10.7)	(7.9)		
Acquisition-related intangible asset amortization	(23.8)	(7.6)	(48.0)	(15.7)		
FDA remediation expenses	-	(1.2)	-	(1.7)		
Litigation credit	<u>-</u>	0.9		0.9		
Selling and Administrative Expenses (Adjusted)	\$181.2	\$138.2	\$371.9	\$280.6		
Selling and Administrative Expenses As Percent of Total Revenue Adjusted	28.6%	29.1%	28.7%	29.9%		
Year Over Year % Change	31.1%		32.5%			
Year Over Year Change	(50) bps		(120) bps			

Reconciliation: Operating Margin and Earnings Per Share

Quarter Ended March 31, 2016

	Operating Margin	Before Income Taxes	In	Income Tax Expense		luted EPS	Operating Margin ¹	Before Income Taxes		Income Tax Expense		luted EPS ¹
GAAP Basis	7.9%	\$ 28.	1 \$	6.0	\$	0.33	8.1%	\$	36.6	\$	10.5	\$ 0.45
Adjustments:												
Acquisition and integration costs	0.7%	4.4	4	1.4		0.05	0.8%		3.8		1.2	0.05
Acquisition-related intangible asset amortization	3.8%	23.8	3	8.2		0.24	1.6%		7.6		2.2	0.10
FDA remediation expenses	-	-		-		-	0.3%		1.2		0.4	0.01
Field corrective actions	-0.2%	(1.0	0)	(0.3)		(0.01)	0.3%		1.2		0.2	0.02
Litigation settlements and expenses	-	-		-		-	-0.2%		(0.9)		(0.3)	(0.01)
Special charges	1.7%	10.	7	3.8		0.10	0.8%		3.8		0.1	0.06
Foreign valuation allowance and acquisition dividends	-	-		-		-	-		-		1.9	(0.03)
Adjusted Basis	13.9%	\$ 66.	\$	19.1	\$	0.71	11.6%	\$	53.3	\$	16.2	\$ 0.64

	Year	Year To Dated Ended March 31, 2015												
		Income						•	In	come				
	Operating Margin	Before Income Taxes		Income Tax Expense		Diluted		Operating Margin	Before Income Taxes		Income Tax Expense		Dilute EPS ¹	
GAAP Basis	6.1%	\$	33.9	\$	7.5	\$	0.41	6.1%	\$	53.6	\$	15.4	\$	0.66
Adjustments:														
Acquisition and integration costs	2.3%		30.2		9.0		0.32	1.4%		12.7		4.0		0.15
Acquisition-related intangible asset amortization	3.7%		48.0		16.5		0.47	1.7%		15.7		4.4		0.20
FDA remediation expenses	-		-		-		-	0.2%		1.7		0.6		0.02
Field corrective actions	-		0.1		(0.1)		-	0.2%		2.3		0.7		0.03
Litigation settlements and expenses	-		-		-		-	-0.1%		(0.9)		(0.3)		(0.01)
Special charges	1.4%		17.8		5.8		0.18	0.8%		7.5		0.3		0.12
Foreign valuation allowance and acquisition dividends	-		-		-		-	-		-		1.9		(0.03)
Adjusted Basis	13.5%	\$	130.0	\$	38.7	\$	1.39	10.3%	\$	92.6	\$	27.0	\$	1.13

¹ Total does not add due to rounding.



Quarter Ended March 31, 2015