



# Fourth Quarter 2015 Financial Results

November 5, 2015

Enhancing outcomes for  
patients and their caregivers:

**Hill-Rom**

# 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.

# Fourth Quarter Earnings Release

## Participants

- **John J. Greisch**                      **President and CEO**
- **Steve Strobel**                        **CFO**
- **Carlyn Solomon**                      **COO**
- **Blair A. (Andy) Rieth**              **VP, Investor Relations**



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# Revenue – Total Hill-Rom

## Quarter Ended September 30

	<b>2015 As Reported</b>	<b>Year Over Year Change</b>	<b>Constant Currency Change*</b>
Capital Sales	\$478.6	22.9%	28.7%
Rental Revenue	95.3	5.5%	7.8%
<b>Total Revenue</b>	<b>\$573.9</b>	<b>19.6%</b>	<b>24.8%</b>

## Year Ended September 30

	<b>2015 As Reported</b>	<b>Year Over Year Change</b>	<b>Constant Currency Change*</b>
Capital Sales	\$1,604.5	23.3%	29.9%
Rental Revenue	383.7	-0.3%	1.7%
<b>Total Revenue</b>	<b>\$1,988.2</b>	<b>17.9%</b>	<b>23.5%</b>

\*See reconciliation of actual change to constant currency change in the appendices to this slide deck.

# Revenue – North America

## Quarter Ended September 30

	<b>2015 As Reported</b>	<b>Year Over Year Change</b>	<b>Constant Currency Change*</b>
Capital Sales	\$208.2	11.8%	12.6%
Rental Revenue	69.3	13.4%	14.1%
<b>Total Revenue</b>	<b>\$277.5</b>	<b>12.2%</b>	<b>13.0%</b>

## Year Ended September 30

	<b>2015 As Reported</b>	<b>Year Over Year Change</b>	<b>Constant Currency Change*</b>
Capital Sales	\$ 726.1	17.2%	18.0%
Rental Revenue	275.9	2.4%	2.7%
<b>Total Revenue</b>	<b>\$1,002.0</b>	<b>12.7%</b>	<b>13.4%</b>

\*See reconciliation of actual change to constant currency change in the appendices to this slide deck.

# Revenue – Surgical and Respiratory Care

## Quarter Ended September 30

	<b>2015 As Reported</b>	<b>Year Over Year Change</b>	<b>Constant Currency Change*</b>
Surgical and Respiratory Care	\$140.6	32.0%	40.0%

## Year Ended September 30

	<b>2015 As Reported</b>	<b>Year Over Year Change</b>	<b>Constant Currency Change*</b>
Surgical and Respiratory Care	\$506.6	68.0%	78.3%

\*See reconciliation of actual change to constant currency change in the appendices to this slide deck.

# Revenue – International

## Quarter Ended September 30

	<b>2015 As Reported</b>	<b>Year Over Year Change</b>	<b>Constant Currency Change*</b>
Capital Sales	\$ 95.5	-15.3%	-4.5%
Rental Revenue	10.1	-23.5%	-11.4%
<b>Total Revenue</b>	<b>\$105.6</b>	<b>-16.2%</b>	<b>-5.2%</b>

## Year Ended September 30

	<b>2015 As Reported</b>	<b>Year Over Year Change</b>	<b>Constant Currency Change*</b>
Capital Sales	\$384.7	-12.9%	-1.8%
Rental Revenue	44.7	-16.8%	-4.3%
<b>Total Revenue</b>	<b>\$429.4</b>	<b>-13.4%</b>	<b>-2.1%</b>

\*See reconciliation of actual change to constant currency change in the appendices to this slide deck.



# Gross Profit and Margin – Adjusted\*

	Quarter Ended September 30		
	2015	2014	Year Over Year Change
Gross Profit			
Capital sales	\$220.7	\$173.8	
<i>Percent of Related Revenue</i>	46.1%	44.6%	150 bps
Rental revenue	47.0	45.1	
<i>Percent of Related Revenue</i>	49.3%	49.9%	(60) bps
Total Gross Profit	\$267.7	\$218.9	
<i>Percent of Total Revenue</i>	46.6%	45.6%	100 bps

	Year Ended September 30		
	2015	2014	Year Over Year Change
Gross Profit			
Capital sales	\$704.0	\$572.7	
<i>Percent of Related Revenue</i>	43.9%	44.0%	(10) bps
Rental revenue	197.0	205.9	
<i>Percent of Related Revenue</i>	51.3%	53.5%	(220) bps
Total Gross Profit	\$901.0	\$778.6	
<i>Percent of Total Revenue</i>	45.3%	46.2%	(90) 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 September 30		
	2015	2014	Year Over Year Change
Research and development expenses	\$24.5	\$21.6	13.4%
<i>Percent of Total Revenue</i>	4.3%	4.5%	
Selling and administrative expenses	\$159.2	\$137.7	15.6%
<i>Percent of Total Revenue</i>	27.7%	28.7%	

	Year Ended September 30		
	2015	2014	Year Over Year Change
Research and development expenses	\$91.8	\$73.1	25.6%
<i>Percent of Total Revenue</i>	4.6%	4.3%	
Selling and administrative expenses	\$574.2	\$511.3	12.3%
<i>Percent of Total Revenue</i>	28.9%	30.3%	

\*See reconciliation of operating expenses to adjusted operating expenses in the appendices to this slide deck.

# Cash Flow

	<b>Year Ended September 30</b>	
	<b>2015</b>	<b>2014</b>
Net income	\$46.8	\$ 60.6
Depreciation	73.6	65.4
Amortization	10.5	12.2
Acquisition-related intangible asset amortization	34.1	28.8
Provision for deferred income taxes	(22.3)	3.9
Loss on disposal of property and impairments, equipment leased to others and intangible assets	0.5	7.2
Pension settlement charge	9.6	-
Stock compensation	25.0	18.0
Accounts receivable	(39.7)	17.1
Inventories	11.0	9.1
Other current assets	(7.7)	(2.6)
Accounts payable and other liabilities	54.5	(5.5)
Other	17.9	(3.9)
<b>Cash Flows from Operations</b>	<b>213.8</b>	<b>210.3</b>
<b>Capital expenditures</b>	<b>(121.3)</b>	<b>(62.7)</b>
<b>Free Cash Flow</b>	<b>\$92.5</b>	<b>\$147.6</b>

# Fiscal 2016 Guidance

*(\$ in millions, except EPS)*

**Range**

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## **First Quarter**

Reported revenue

\$645 - \$655

*Currency impact on revenue*

*Negative 3% - 4%*

Adjusted earnings per share

\$0.60 - \$0.62

## **Full Year**

Reported revenue

\$2.66B - \$2.70B

*Currency impact on revenue*

*Negative 1% - 2%*

Adjusted earnings per share

\$3.08 - \$3.14

Cash flow from operations

~ \$300

Capital expenditures

\$110 - \$120



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# Appendix

## Reconciliations of Non-GAAP Disclosures

# Reconciliation: Constant Currency Revenue

## Quarter Ended September 30

	2015 As Reported	Foreign Exchange Impact	2015 Adjusted	2014 As Reported	Constant Currency Change
Capital sales	\$478.6	(\$22.8)	\$501.4	\$389.5	28.7%
Rental revenue	95.3	(2.0)	97.3	90.3	7.8%
<b>Total</b>	<b>\$573.9</b>	<b>(\$24.8)</b>	<b>\$598.7</b>	<b>\$479.8</b>	<b>24.8%</b>

## Year Ended September 30

	2015 As Reported	Foreign Exchange Impact	2015 Adjusted	2014 As Reported	Constant Currency Change
Capital sales	\$1,604.5	(\$86.2)	\$1,690.7	\$1,301.4	29.9%
Rental revenue	383.7	(7.6)	391.3	384.7	1.7%
<b>Total</b>	<b>\$1,988.2</b>	<b>(\$93.8)</b>	<b>\$2,082.0</b>	<b>\$1,686.1</b>	<b>23.5%</b>

# Reconciliation: Constant Currency Revenue (by Segment)

	Quarter Ended September 30				
	2015 As Reported	Foreign Exchange Impact	2015 Adjusted	2014 As Reported	Constant Currency Change
North America	\$277.5	(\$ 1.9)	\$279.4	\$247.3	13.0%
Surgical and Respiratory Care	140.6	(8.5)	149.1	106.5	40.0%
International	105.6	(13.8)	119.4	126.0	-5.2%
Welch Allyn	50.2	(0.6)	50.8	-	N/M
<b>Total</b>	<b>\$573.9</b>	<b>(\$24.8)</b>	<b>\$598.7</b>	<b>\$479.8</b>	<b>24.8%</b>

	Year Ended September 30				
	2015 As Reported	Foreign Exchange Impact	2015 Adjusted	2014 As Reported	Constant Currency Change
North America	\$1,002.0	(\$ 5.9)	\$1,007.9	\$ 888.9	13.4%
Surgical and Respiratory Care	506.6	(31.3)	537.9	301.6	78.3%
International	429.4	(56.0)	485.4	495.6	-2.1%
Welch Allyn	50.2	(0.6)	50.8	-	N/M
<b>Total</b>	<b>\$1,988.2</b>	<b>(\$93.8)</b>	<b>\$2,082.0</b>	<b>\$1,686.1</b>	<b>23.5%</b>

N/M - Not Meaningful



# Reconciliation: Capital/Rental Gross Profit & Gross Margin

<b>Capital Gross Profit</b>	<b>Quarter Ended September 30</b>		<b>Year Ended September 30</b>	
	2015	2014	2015	2014
Capital Gross Profit (As Reported)	\$209.7	\$168.2	\$683.3	\$571.2
Employee benefits change	-	-	-	(2.8)
Field corrective actions	(0.4)	-	4.5	(1.7)
Acquisition and integration costs	11.4	5.6	16.2	6.0
Capital Gross Profit (Adjusted)	<u>\$220.7</u>	<u>\$173.8</u>	<u>\$704.0</u>	<u>\$572.7</u>
Adjusted Capital Gross Margin	46.1%	44.6%	43.9%	44.0%
Year Over Year Gross Profit Change	<u>27.0%</u>		<u>22.9%</u>	
Year Over Year Gross Margin Change	<u>150 bps</u>		<u>(10) bps</u>	

<b>Rental Gross Profit</b>	<b>Quarter Ended September 30</b>		<b>Year Ended September 30</b>	
	2015	2014	2015	2014
Rental Gross Profit (As Reported)	\$47.0	\$45.1	\$197.0	\$208.7
Employee benefits change	-	-	-	(2.8)
Rental Gross Profit (Adjusted)	<u>\$47.0</u>	<u>\$45.1</u>	<u>\$197.0</u>	<u>\$205.9</u>
Adjusted Rental Gross Margin	49.3%	49.9%	51.3%	53.5%
Year Over Year Gross Profit Change	<u>4.2%</u>		<u>-4.3%</u>	
Year Over Year Gross Margin Change	<u>(60) bps</u>		<u>(220) bps</u>	

# Reconciliation: Total Gross Profit & Gross Margin

	Quarter Ended September 30		Year Ended September 30	
	2015	2014	2015	2014
<b>Total Gross Profit</b>				
Gross Profit (As Reported)	\$256.7	\$213.3	\$880.3	\$779.9
Employee benefits change	-	-	-	(5.6)
Field corrective actions	(0.4)	-	4.5	(1.7)
Acquisition and integration costs	11.4	5.6	16.2	6.0
Gross Profit (Adjusted)	<u>\$267.7</u>	<u>\$218.9</u>	<u>\$901.0</u>	<u>\$778.6</u>
Adjusted Total Gross Margin	46.6%	45.6%	45.3%	46.2%
Year Over Year Gross Profit Change	<u>22.3%</u>		<u>15.7%</u>	
Year Over Year Gross Margin Change	<u>100 bps</u>		<u>(90) bps</u>	

# Reconciliation: Operating Expenses

	Quarter Ended September 30		Year Ended September 30	
	2015	2014	2015	2014
Research and Development Expenses (As Reported)	\$24.5	\$21.6	\$91.8	\$71.9
Employee benefits change	-	-	-	1.2
Research and Development Expenses (Adjusted)	<u>\$24.5</u>	<u>\$21.6</u>	<u>\$91.8</u>	<u>\$73.1</u>
Year Over Year % Change	<u>13.4%</u>		<u>25.6%</u>	

	Quarter Ended September 30		Year Ended September 30	
	2015	2014	2015	2014
Selling and Administrative Expenses (As Reported)	\$208.7	\$151.6	\$664.2	\$548.3
Acquisition and integration costs	(31.9)	(4.3)	(46.6)	(10.3)
Acquisition-related intangible asset amortization	(10.7)	(7.9)	(34.1)	(28.8)
Supplemental stock compensation charge	(6.1)	-	(6.1)	-
Litigation settlements and expenses	-	-	0.6	-
Employee benefits change	-	-	-	6.6
FDA remediation expenses	(0.8)	(1.7)	(3.8)	(4.5)
Selling and Administrative Expenses (Adjusted)	<u>\$159.2</u>	<u>\$137.7</u>	<u>\$574.2</u>	<u>\$511.3</u>
Selling and Administrative Expenses As Percent of Total Revenue Adjusted	27.7%	28.7%	28.9%	30.3%
Year Over Year % Change	<u>15.6%</u>		<u>12.3%</u>	
Year Over Year Change	<u>(100) bps</u>		<u>(140) bps</u>	

# Reconciliation: Operating Margin and Earnings Per Share

	Quarter Ended September 30, 2015					Quarter Ended September 30, 2014				
	Operating Margin	Income (Loss) Before Income Taxes	Income Tax Expense (Benefit)	NCI	Diluted EPS	Operating Margin <sup>1</sup>	Income Before Income Taxes	Income Tax Expense	Diluted EPS <sup>1</sup>	
GAAP Basis	-1.0%	\$ (16.5)	\$ (6.4)	\$ (0.5)	\$ (0.16)	7.4%	\$ 34.2	\$ 9.6	\$ 0.42	
Adjustments:										
Acquisition and integration costs	7.5%	43.3	11.7	-	0.53	2.1%	9.9	2.8	0.12	
Acquisition-related intangible asset amortization	1.9%	10.7	3.3	-	0.12	1.6%	7.9	2.4	0.09	
FDA remediation expenses	0.1%	0.8	0.2	-	0.01	0.4%	1.7	0.6	0.02	
Field corrective actions	-0.1%	(0.4)	(0.1)	-	-	-	-	-	-	
Special charges	5.1%	29.3	9.5	-	0.33	1.0%	4.7	0.4	0.07	
Supplemental stock compensation charge	1.1%	6.1	2.2	-	0.06	-	-	-	-	
Foreign valuation allowance and acquisition dividend tax	-	-	-	-	-	-	-	(0.7)	0.01	
Adjusted Basis	<u>14.6%</u>	<u>\$ 73.3</u>	<u>\$ 20.4</u>	<u>\$ (0.5)</u>	<u>\$ 0.89</u>	<u>12.4%</u>	<u>\$ 58.4</u>	<u>\$ 15.1</u>	<u>\$ 0.74</u>	

	Year to Date Ended September 30, 2015					Year to Date Ended September 30, 2014				
	Operating Margin <sup>1</sup>	Income Before Income Taxes	Income Tax Expense	NCI	Diluted EPS	Operating Margin <sup>1</sup>	Income Before Income Taxes	Income Tax Expense	Diluted EPS <sup>1</sup>	
GAAP Basis	4.2%	\$ 65.1	\$ 18.3	\$ (0.9)	\$ 0.82	7.3%	\$ 115.2	\$ 54.6	\$ 1.04	
Adjustments:										
Acquisition and integration costs	3.2%	62.8	18.0	-	0.76	1.0%	16.3	5.0	0.19	
Acquisition-related intangible asset amortization	1.7%	34.1	9.8	-	0.42	1.7%	28.8	8.7	0.34	
Employee benefits change	-	-	-	-	-	-0.8%	(13.4)	(5.1)	(0.14)	
FDA remediation expenses	0.2%	3.8	1.2	-	0.04	0.3%	4.5	1.7	0.05	
Field corrective actions	0.2%	4.5	1.4	-	0.05	-0.1%	(1.7)	(0.6)	(0.02)	
Litigation settlements and expenses	-	(0.6)	(0.2)	-	(0.01)	-	-	-	-	
Special charges	2.1%	41.2	10.7	-	0.52	2.2%	37.1	10.9	0.45	
Supplemental stock compensation charge	0.3%	6.1	2.2	-	0.07	-	-	-	-	
Foreign valuation allowance and acquisition dividend tax	-	-	1.9	-	(0.03)	-	-	(20.3)	0.35	
Adjusted Basis	<u>11.8%</u>	<u>\$ 217.0</u>	<u>\$ 63.3</u>	<u>\$ (0.9)</u>	<u>\$ 2.64</u>	<u>11.5%</u>	<u>\$ 186.8</u>	<u>\$ 54.9</u>	<u>\$ 2.25</u>	

<sup>1</sup> Total does not add due to rounding.

NCI = Net loss attributable to noncontrolling interests