



First Quarter 2016 Financial Results

February 1, 2016

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.

First Quarter Earnings Release

Participants

- **John J. Greisch** **President and CEO**
- **Steve Strobel** **CFO**
- **Carlyn Solomon** **COO**
- **Mike Macek** **VP, Treasurer**



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Revenue – Total Hill-Rom

Quarter Ended December 31

	2015 As Reported	Year Over Year Change	Constant Currency Change*
Capital Sales	\$565.1	51.3%	57.2%
Rental Revenue	96.1	4.9%	6.4%
Total Revenue	\$661.2	42.2%	47.2%

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

Revenue – North America

Quarter Ended December 31

	2015 As Reported	Year Over Year Change	Constant Currency Change*
Capital Sales	\$178.7	10.3%	10.9%
Rental Revenue	70.2	11.1%	11.6%
Total Revenue	\$248.9	10.5%	11.1%

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

Revenue – Welch Allyn

	Quarter Ended December 31		
	2015 As Reported	Year Over Year Change	Constant Currency Change
Welch Allyn	\$198.0	N/A	N/A

Revenue – Surgical and Respiratory Care

	Quarter Ended December 31		
	2015 As Reported	Year Over Year Change	Constant Currency Change*
Surgical and Respiratory Care	\$120.6	-4.5%	0.3%

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

Revenue – International

Quarter Ended December 31

	2015 As Reported	Year Over Year Change	Constant Currency Change*
Capital Sales	\$83.8	-17.4%	-8.9%
Rental Revenue	9.9	-17.5%	-8.3%
Total Revenue	\$93.7	-17.4%	-8.8%

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

Gross Profit and Margin – Adjusted*

	Quarter Ended December 31		
	2015	2014	Year Over Year Change
Gross Profit			
Capital sales	\$262.6	\$158.8	
<i>Percent of Related Revenue</i>	46.5%	42.5%	400 bps
Rental revenue	48.7	47.0	
<i>Percent of Related Revenue</i>	50.7%	51.3%	(60) bps
Total Gross Profit	\$311.3	\$205.8	
<i>Percent of Total Revenue</i>	47.1%	44.3%	280 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 December 31		
	2015	2014	Year Over Year Change
Research and development expenses	\$33.6	\$21.8	54.1%
<i>Percent of Total Revenue</i>	<i>5.1%</i>	<i>4.7%</i>	
Selling and administrative expenses	\$190.7	\$142.4	33.9%
<i>Percent of Total Revenue</i>	<i>28.8%</i>	<i>30.6%</i>	

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

Cash Flow

	Quarter Ended December 31	
	2015	2014
Net income	\$ 4.3	\$12.1
Depreciation	23.6	17.3
Amortization	4.3	2.9
Acquisition-related intangible asset amortization	24.2	8.1
Provision for deferred income taxes	22.3	0.3
Loss (gain) on disposal of property, equipment leased to others, intangible assets, and impairments	0.7	(0.3)
Stock compensation	5.0	4.7
Accounts receivable	31.6	36.1
Inventories	17.4	4.3
Other current assets	3.5	(3.2)
Accounts payable and other liabilities	(89.9)	(46.6)
Other	(0.8)	(4.7)
Cash Flows from Operations	46.2	31.0
Capital expenditures	(17.7)	(44.9)
Free Cash Flow	<u>\$28.5</u>	<u>(\$13.9)</u>

Fiscal 2016 Guidance

(\$ in millions, except EPS)

Range

Second Quarter

Reported revenue

\$645 - \$655

Currency impact on revenue

Negative 1% - 2%

Adjusted earnings per share

\$0.68 - \$0.70

Full Year

Reported revenue

\$2.66B - \$2.70B

Currency impact on revenue

Negative 2% - 3%

Adjusted earnings per share

\$3.24 - \$3.30

Cash flow from operations

~ \$315

Capital expenditures

\$110 - \$120



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Appendix

Reconciliations of Non-GAAP Disclosures

Reconciliation: Constant Currency Revenue

Quarter Ended December 31

	2015 As Reported	Foreign Exchange Impact	2015 Adjusted	2014 As Reported	Constant Currency Change
Capital sales	\$565.1	(\$22.0)	\$587.1	\$373.4	57.2%
Rental revenue	96.1	(1.4)	97.5	91.6	6.4%
Total	\$661.2	(\$23.4)	\$684.6	\$465.0	47.2%

Reconciliation: Constant Currency Revenue (by Segment)

	Quarter Ended December 31				
	2015 As Reported	Foreign Exchange Impact	2015 Adjusted	2014 As Reported	Constant Currency Change
North America	\$248.9	(\$ 1.3)	\$250.2	\$225.2	11.1%
Surgical and Respiratory Care	120.6	(6.1)	126.7	126.3	0.3%
International	93.7	(9.8)	103.5	113.5	-8.8%
Welch Allyn	198.0	(6.2)	204.2	-	N/M
Total	\$661.2	(\$23.4)	\$684.6	\$465.0	47.2%

Reconciliation: Capital Gross Profit & Gross Margin

<u>Capital Gross Profit</u>	Quarter Ended December 31	
	<u>2015</u>	<u>2014</u>
Capital Gross Profit (As Reported)	\$242.0	\$152.9
Acquisition and integration costs	19.5	4.8
Field corrective actions	1.1	1.1
Capital Gross Profit (Adjusted)	<u>\$262.6</u>	<u>\$158.8</u>
Adjusted Capital Gross Margin	46.5%	42.5%
Year Over Year Gross Profit Change	<u>65.4%</u>	
Year Over Year Gross Margin Change	<u>400 bps</u>	

Reconciliation: Total Gross Profit & Gross Margin

<u>Total Gross Profit</u>	<u>Quarter Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Gross Profit (As Reported)	\$290.7	\$199.9
Acquisition and integration costs	19.5	4.8
Field corrective actions	1.1	1.1
Gross Profit (Adjusted)	<u>\$311.3</u>	<u>\$205.8</u>
Adjusted Total Gross Margin	47.1%	44.3%
Year Over Year Gross Profit Change	<u>51.3%</u>	
Year Over Year Gross Margin Change	<u>280 bps</u>	

Reconciliation: Operating Expenses

	Quarter Ended December 31	
	<u>2015</u>	<u>2014</u>
Selling and Administrative Expenses (As Reported)	\$221.2	\$155.1
Acquisition and integration costs	(6.3)	(4.1)
Acquisition-related intangible asset amortization	(24.2)	(8.1)
FDA remediation expenses	-	(0.5)
Selling and Administrative Expenses (Adjusted)	<u>\$190.7</u>	<u>\$142.4</u>
Selling and Administrative Expenses As Percent of Total Revenue Adjusted	28.8%	30.6%
Year Over Year % Change	<u>33.9%</u>	
Year Over Year Change	<u>(180) bps</u>	

Reconciliation: Operating Margin and Earnings Per Share

	Quarter Ended December 31, 2015					Quarter Ended December 31, 2014				
	Operating Margin ¹	Income Before Income Taxes	Income Tax Expense	NCI	Diluted EPS ¹	Operating Margin	Income Before Income Taxes	Income Tax Expense	Diluted EPS	
GAAP Basis	4.4%	\$ 5.8	\$ 1.5	\$ (0.5)	\$ 0.07	4.2%	\$ 17.0	\$ 4.9	\$ 0.21	
Adjustments:										
Acquisition and integration costs	3.9%	25.8	7.6	-	0.27	1.9%	8.9	2.8	0.10	
Acquisition-related intangible asset amortization	3.7%	24.2	8.3	-	0.24	1.7%	8.1	2.2	0.10	
FDA remediation expenses	-	-	-	-	-	0.1%	0.5	0.2	0.01	
Field corrective actions	0.2%	1.1	0.2	-	0.01	0.2%	1.1	0.5	0.01	
Special charges	1.1%	7.1	2.0	-	0.08	0.8%	3.7	0.2	0.06	
Adjusted Basis	<u>13.2%</u>	<u>\$ 64.0</u>	<u>\$ 19.6</u>	<u>\$ (0.5)</u>	<u>\$ 0.68</u>	<u>8.9%</u>	<u>\$ 39.3</u>	<u>\$ 10.8</u>	<u>\$ 0.49</u>	

¹ Total does not add due to rounding.

NCI = Net loss attributable to noncontrolling interests