

Hill-Rom

Third Quarter 2016 Financial Results

August 4, 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.

Third Quarter Earnings Release

Participants

- **John J. Greisch** **President and CEO**
- **Steve Strobel** **CFO**
- **Mary Kay Ladone** **VP, Investor Relations**

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Revenue – Total Hill-Rom

	Quarter Ended June 30		
	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$556.0	47.6%	48.1%
Rental Revenue	99.4	1.7%	1.9%
Total Revenue	\$655.4	38.1%	38.6%

	Year To Date Ended June 30		
	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$1,650.4	46.6%	49.2%
Rental Revenue	298.8	3.6%	4.3%
Total Revenue	\$1,949.2	37.8%	40.1%

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

Revenue – North America

	Quarter Ended June 30		
	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$195.6	7.9%	8.2%
Rental Revenue	72.2	1.4%	1.5%
Total Revenue	\$267.8	6.1%	6.3%

	Year To Date Ended June 30		
	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$567.7	9.6%	10.1%
Rental Revenue	218.8	5.9%	6.1%
Total Revenue	\$786.5	8.6%	8.9%

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

Revenue – Front Line Care

Quarter Ended June 30

	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$175.8	N/M	N/M
Rental Revenue	16.9	8.3%	8.3%
Total Revenue	\$192.7	N/M	N/M

Year To Date Ended June 30

	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$549.1	N/M	N/M
Rental Revenue	49.1	3.8%	3.8%
Total Revenue	\$598.2	N/M	N/M

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

Revenue – Surgical Solutions

	Quarter Ended June 30		
	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$101.7	3.1%	3.3%

	Year To Date Ended June 30		
	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$296.1	-2.3%	0.1%

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

Revenue – International

Quarter Ended June 30

	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$82.9	-8.4%	-8.2%
Rental Revenue	10.3	-5.5%	-4.6%
Total Revenue	\$93.2	-8.1%	-7.8%

Year To Date Ended June 30

	2016 As Reported	Year Over Year Change	Constant Currency Change*
Product Sales and Service	\$237.5	-16.9%	-13.2%
Rental Revenue	30.9	-10.4%	-6.1%
Total Revenue	\$268.4	-16.2%	-12.5%

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

Gross Profit and Margin – Adjusted*

	Quarter Ended June 30		
	2016	2015	Year Over Year Change
Gross Profit			
Product sales and service	\$262.4	\$161.5	
<i>Percent of Related Revenue</i>	47.2%	42.9%	430 bps
Rental revenue	53.0	50.6	
<i>Percent of Related Revenue</i>	53.3%	51.8%	150 bps
Total Gross Profit	\$315.4	\$212.1	
<i>Percent of Total Revenue</i>	48.1%	44.7%	340 bps
	Year To Date Ended June 30		
	2016	2015	Year Over Year Change
Gross Profit			
Product sales and service	\$774.0	\$483.3	
<i>Percent of Related Revenue</i>	46.9%	42.9%	400 bps
Rental revenue	155.9	150.0	
<i>Percent of Related Revenue</i>	52.2%	52.0%	20 bps
Total Gross Profit	\$929.9	\$633.3	
<i>Percent of Total Revenue</i>	47.7%	44.8%	290 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 June 30		
	2016	2015	Year Over Year Change
Research and development expenses	\$33.6	\$23.3	44.2%
<i>Percent of Total Revenue</i>	5.1%	4.9%	
Selling and administrative expenses	\$182.3	\$134.4	35.6%
<i>Percent of Total Revenue</i>	27.8%	28.3%	

	Year To Date Ended June 30		
	2016	2015	Year Over Year Change
Research and development expenses	\$101.5	\$67.3	50.8%
<i>Percent of Total Revenue</i>	5.2%	4.8%	
Selling and administrative expenses	\$554.2	\$415.0	33.5%
<i>Percent of Total Revenue</i>	28.4%	29.3%	

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

Cash Flow

	Year to Date Ended June 30	
	2016	2015
Net income	\$71.4	\$56.9
Depreciation	71.9	53.1
Amortization	12.9	8.3
Acquisition-related intangible asset amortization	72.1	23.4
Provision for deferred income taxes	(7.9)	(12.3)
Loss on disposal of property, equipment leased to others, intangible assets, and impairments	1.4	-
Stock compensation	18.1	14.0
Accounts receivable	33.5	4.7
Inventories	11.8	(3.4)
Other current assets	16.5	(5.1)
Accounts payable and other liabilities	(94.3)	(17.8)
Other	(2.0)	2.6
Cash Flows from Operations	205.4	124.4
Capital expenditures	(60.7)	(102.6)
Free Cash Flow	\$144.7	\$21.8

Fiscal 2016 Guidance

(\$ in millions, except EPS)

Range

Fourth Quarter

Reported revenue

\$695 - \$705

Currency impact on revenue

~ Negative 1%

Adjusted earnings per share

\$1.12 - \$1.14

Full Year

Reported revenue

~ \$2.65B

Currency impact on revenue

~ Negative 2%

Adjusted earnings per share

\$3.32 - \$3.34

Cash flow from operations

~ \$320

Capital expenditures

~ \$90

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Appendix

Reconciliations of Non-GAAP Disclosures

Reconciliation: Constant Currency Revenue

	Quarter Ended June 30				
	2016 As Reported	Foreign Exchange Impact	2016 Adjusted	2015 As Reported	Constant Currency Change
Product sales and service	\$556.0	(\$2.0)	\$558.0	\$376.8	48.1%
Rental revenue	99.4	(0.2)	99.6	97.7	1.9%
Total	\$655.4	(\$2.2)	\$657.6	\$474.5	38.6%

	Year To Date Ended June 30				
	2016 As Reported	Foreign Exchange Impact	2016 Adjusted	2015 As Reported	Constant Currency Change
Product sales and service	\$1,650.4	(\$29.9)	\$1,680.3	\$1,125.9	49.2%
Rental revenue	298.8	(2.0)	300.8	288.4	4.3%
Total	\$1,949.2	(\$31.9)	\$1,981.1	\$1,414.3	40.1%

Reconciliation: Constant Currency Revenue (by Segment)

	Quarter Ended June 30				
	2016 As Reported	Foreign Exchange Impact	2016 Adjusted	2015 As Reported	Constant Currency Change
North America	\$267.8	(\$0.6)	\$268.4	\$252.4	6.3%
Front Line Care	192.7	(1.1)	193.8	22.1	N/M
Surgical Solutions	101.7	(0.2)	101.9	98.6	3.3%
International	93.2	(0.3)	93.5	101.4	-7.8%
Total	\$655.4	(\$2.2)	\$657.6	\$474.5	38.6%

	Year Ended June 30				
	2016 As Reported	Foreign Exchange Impact	2016 Adjusted	2015 As Reported	Constant Currency Change
North America	\$786.5	(\$2.8)	\$789.3	\$724.5	8.9%
Front Line Care	598.2	(10.1)	608.3	66.6	N/M
Surgical Solutions	296.1	(7.1)	303.2	303.0	0.1%
International	268.4	(11.9)	280.3	320.2	-12.5%
Total	\$1,949.2	(\$31.9)	\$1,981.1	\$1,414.3	40.1%

N/M - Not Meaningful

Reconciliation: Product Sales and Service Gross Profit & Gross Margin

Product Sales and Service Gross Profit	Quarter Ended June 30		Year To Date Ended June 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Product Sales and Service Gross Profit (As Reported)	\$262.4	\$158.9	\$754.4	\$473.6
Field corrective actions	-	2.6	0.1	4.9
Inventory step-up	-	-	19.5	4.8
Product Sales and Service Gross Profit (Adjusted)	<u>\$262.4</u>	<u>\$161.5</u>	<u>\$774.0</u>	<u>\$483.3</u>
Adjusted Product Sales and Service Gross Margin	47.2%	42.9%	46.9%	42.9%
Year Over Year Gross Profit Change	<u>62.5%</u>		<u>60.1%</u>	
Year Over Year Gross Margin Change	<u>430 bps</u>		<u>400 bps</u>	

Reconciliation: Total Gross Profit & Gross Margin

Total Gross Profit	Quarter Ended June 30		Year To Date Ended June 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Gross Profit (As Reported)	\$315.4	\$209.5	\$910.3	\$623.6
Field corrective actions	-	2.6	0.1	4.9
Inventory step-up	-	-	19.5	4.8
Gross Profit (Adjusted)	<u>\$315.4</u>	<u>\$212.1</u>	<u>\$929.9</u>	<u>\$633.3</u>
Adjusted Total Gross Margin	48.1%	44.7%	47.7%	44.8%
Year Over Year Gross Profit Change	<u>48.7%</u>		<u>46.8%</u>	
Year Over Year Gross Margin Change	<u>340 bps</u>		<u>290 bps</u>	

Reconciliation: Operating Expenses

	Quarter Ended June 30		Year To Date Ended June 30	
	2016	2015	2016	2015
Selling and Administrative Expenses (As Reported)	\$209.9	\$150.5	\$640.5	\$455.5
Acquisition and integration costs	(3.5)	(6.8)	(14.2)	(14.7)
Acquisition-related intangible asset amortization	(24.1)	(7.7)	(72.1)	(23.4)
FDA remediation expenses	-	(1.3)	-	(3.0)
Litigation credit	-	(0.3)	-	0.6
Selling and Administrative Expenses (Adjusted)	<u>\$182.3</u>	<u>\$134.4</u>	<u>\$554.2</u>	<u>\$415.0</u>
Selling and Administrative Expenses As Percent of Total Revenue Adjusted	27.8%	28.3%	28.4%	29.3%
Year Over Year % Change	<u>35.6%</u>		<u>33.5%</u>	
Year Over Year Change	<u>(50) bps</u>		<u>(90) bps</u>	

Reconciliation: Operating Margin and Earnings Per Share

	Quarter Ended June 30, 2016				Quarter Ended June 30, 2015			
	Operating Margin	Income Before Income Taxes	Income Tax Expense	Diluted EPS	Operating Margin ¹	Income Before Income Taxes	Income Tax Expense	Diluted EPS
GAAP Basis	8.9%	\$ 35.3	\$ (9.7)	\$ 0.68	6.6%	\$ 28.0	\$ 9.3	\$ 0.33
Adjustments:								
Acquisition and integration costs	0.5%	3.5	0.7	0.04	1.4%	6.8	2.3	0.08
Acquisition-related intangible asset amortization	3.7%	24.1	8.2	0.24	1.6%	7.7	2.1	0.10
FDA remediation expenses	-	-	-	-	0.3%	1.3	0.4	0.02
Field corrective actions	-	-	-	-	0.5%	2.6	0.8	0.03
Litigation settlements and expenses	-	-	-	-	0.1%	0.3	0.1	-
Special charges	2.1%	13.7	4.7	0.13	0.9%	4.4	0.9	0.06
Foreign valuation allowance and acquisition dividends	-	-	18.8	(0.28)	-	-	-	-
Adjusted Basis	<u>15.2%</u>	<u>\$ 76.6</u>	<u>\$ 22.7</u>	<u>\$ 0.81</u>	<u>11.5%</u>	<u>\$ 51.1</u>	<u>\$ 15.9</u>	<u>\$ 0.62</u>

	Year to Date Ended June 30, 2016				Year To Date Ended June 30, 2015			
	Operating Margin ¹	Income Before Income Taxes	Income Tax Expense	Diluted EPS	Operating Margin	Income Before Income Taxes	Income Tax Expense	Diluted EPS ¹
GAAP Basis	7.0%	\$ 69.2	\$ (2.2)	\$ 1.09	6.3%	\$ 81.6	\$ 24.7	\$ 0.99
Adjustments:								
Acquisition and integration costs	1.7%	33.7	9.7	0.36	1.4%	19.5	6.3	0.23
Acquisition-related intangible asset amortization	3.7%	72.1	24.7	0.71	1.7%	23.4	6.5	0.29
FDA remediation expenses	-	-	-	-	0.2%	3.0	1.0	0.03
Field corrective actions	-	0.1	(0.1)	-	0.3%	4.9	1.5	0.06
Litigation settlements and expenses	-	-	-	-	-	(0.6)	(0.2)	(0.01)
Special charges	1.6%	31.5	10.5	0.32	0.8%	11.9	1.2	0.18
Foreign valuation allowance and acquisition dividends	-	-	18.8	(0.28)	-	-	1.9	(0.03)
Adjusted Basis	<u>14.1%</u>	<u>\$ 206.6</u>	<u>\$ 61.4</u>	<u>\$ 2.20</u>	<u>10.7%</u>	<u>\$ 143.7</u>	<u>\$ 42.9</u>	<u>\$ 1.75</u>

¹ Total does not add due to rounding.