



# CHEMED

CHEMED CORPORATION

Results as of September 30, 2015



# Safe Harbor and Regulation G Statement

This presentation contains information about Chemed's EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT, Adjusted Net Income and Adjusted Diluted EPS, which are not measures derived in accordance with GAAP and which exclude components that are important to understanding Chemed's financial performance. In reporting its operating results, Chemed provides EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT, Adjusted Net Income and Adjusted Diluted EPS measures to help investors and others evaluate the Company's operating results, compare its operating performance with that of similar companies that have different capital structures and evaluate its ability to meet its future debt service, capital expenditures and working capital requirements. Chemed's management similarly uses EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT, Adjusted Net Income and Adjusted Diluted EPS to assist it in evaluating the performance of the Company across fiscal periods and in assessing how its performance compares to its peer companies. These measures also help Chemed's management estimate the resources required to meet Chemed's future financial obligations and expenditures. Chemed's EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT, Adjusted Net Income and Adjusted Diluted EPS should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. We calculated Adjusted EBITDA margin by dividing Adjusted EBITDA by service revenues and sales. We calculated Adjusted EBIT margin by dividing Adjusted EBIT by service revenues and sales. Adjusted Diluted EPS is calculated by dividing Adjusted Net Income by the number of diluted average shares outstanding, and Diluted EPS is calculated by dividing Net Income by the number of diluted average shares outstanding. A reconciliation of Chemed's net income to its EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT and Adjusted Net Income is presented in appendix tables located in the back of this presentation.

## Forward-Looking Statements

Certain statements contained in this presentation and the accompanying tables are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "hope," "anticipate," "plan" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are based on current expectations and assumptions and involve various risks and uncertainties, which could cause Chemed's actual results to differ from those expressed in such forward-looking statements. These risks and uncertainties arise from, among other things, possible changes in regulations governing the hospice care or plumbing and drain cleaning industries; periodic changes in reimbursement levels and procedures under Medicare and Medicaid programs; difficulties predicting patient length of stay and estimating potential Medicare reimbursement obligations; challenges inherent in Chemed's growth strategy; the current shortage of qualified nurses, other healthcare professionals and licensed plumbing and drain cleaning technicians; Chemed's dependence on patient referral sources; and other factors detailed under the caption "Description of Business by Segment" or "Risk Factors" in Chemed's most recent report on form 10-Q or 10-K and its other filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on such forward-looking statements and there are no assurances that the matters contained in such statements will be achieved.

# Cumulative Results Since the VITAS Acquisition

For the years ended December 31, 2003 through 2014

	(1)	(2)	(3)	(4)
	CAGR			
	One	Three	Five	Eleven
	Year	Year	Year	Year
<b>Chemed</b>				
(1) Service revenues and sales	3.0%	2.4%	4.1%	16.9%
(2) Adj. net income	3.2%	2.5%	3.8%	26.8%
(3) Diluted EPS from continuing operations (GAAP)	33.9%	10.8%	11.4%	23.2%
(4) Adj. diluted EPS from continuing operations	8.0%	8.3%	9.1%	28.0%
<b>Roto-Rooter</b>				
(5) Service revenues and sales	6.5%	2.0%	3.1%	3.8%
(6) Adj. net income	5.6%	5.1%	4.6%	11.1%
<b>VITAS</b>				
(7) Service revenues and sales	1.8%	2.6%	4.5%	8.3%
(8) Adj. net income	4.2%	2.6%	4.0%	14.3%

# Chemed – Purchase of Capital Stock

For the Period January 1, 2007, through December 31, 2014

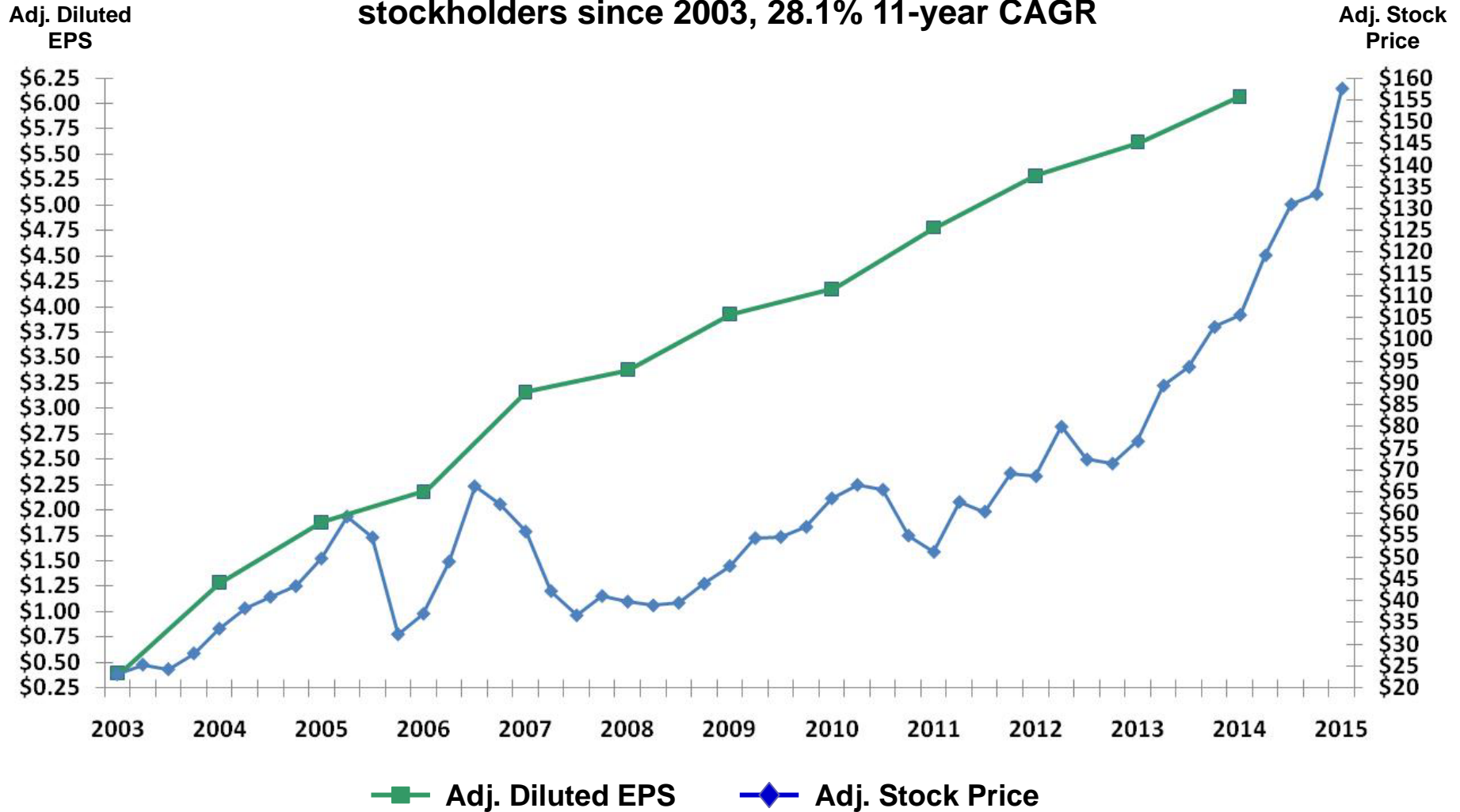
	(1)	(2)	(3)	(4)
	Shares Repurchased	Dividends	Total Returned to Shareholders	Free Cash Flow Generated (1)
(1) Activity in 2007	\$ 127,881,453	\$ 5,888,000	\$ 133,769,453	72,944,000
(2) Activity in 2008	67,125,500	5,543,000	72,668,500	85,989,000
(3) Activity in 2009	741,726	8,157,000	8,898,726	139,336,000
(4) Activity in 2010	104,054,995	11,881,000	115,935,995	60,373,000
(5) Activity in 2011	143,875,353	12,538,000	156,413,353	144,751,000
(6) Activity in 2012	60,529,057	13,026,000	73,555,057	96,516,000
(7) Activity in 2013	92,911,155	14,148,000	107,059,155	121,523,000
(8) Activity in 2014	<u>110,019,257</u>	<u>14,255,000</u>	<u>124,274,257</u>	<u>66,708,000</u>
(9) Cumulative Activity 2007 - 2014 (2)	<u>\$ 707,138,496</u>	<u>\$ 85,436,000</u>	<u>\$ 792,574,496</u>	<u>\$ 788,140,000</u>

(1) Net cash provided by operating activities less capital expenditures.

(2) 11.6 million shares repurchased at an average cost of \$61.13.

# EPS<sup>(1)</sup> and Stock Price<sup>(2)</sup> History

Chemed has delivered strong and consistent EPS to stockholders since 2003, 28.1% 11-year CAGR



- (1) Adjusted Diluted EPS; see Appendix at the back of this presentation for reconciliation from GAAP reported results to adjusted (non-GAAP) results
- (2) Adjusted for stock splits

# Chemed – Consolidated Summary of Operations

For the years ended December 31, 2003 through 2014

(in thousands, except per share data)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13) Average Annual Inc./Dec.)
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
(1) Service Revenues and Sales (a)	\$ 260,776	\$ 734,877	\$ 915,970	\$ 1,018,587	\$ 1,100,058	\$ 1,148,941	\$ 1,190,236	\$ 1,280,545	\$ 1,355,970	\$ 1,430,043	\$ 1,413,329	\$ 1,456,282	16.9%
(2) EBITDA (c)	30,366	72,310	96,992	129,782	138,470	155,032	160,121	174,833	183,943	191,063	171,252	204,012	18.9%
(3) Adj. EBITDA (c)	25,118	91,950	120,513	131,373	161,846	161,754	177,050	189,395	197,273	201,455	206,850	212,562	21.4%
(4) Net Income (GAAP)	11,188	27,512	35,817	50,651	61,641 (b)	67,281 (b)	73,784	81,831	85,979	89,304	77,227	99,317	22.0%
(5) Adj. Net Income (c)	7,894	31,893	49,542	58,102	79,277	78,900	89,289	95,961	100,030	102,317	104,372	107,731	26.8%
(6) Diluted EPS (GAAP)	0.56	1.12	1.36	1.90	2.46	2.88	3.24	3.55	4.10	4.62	4.16	5.57	23.2%
(7) Adj. Diluted EPS (c) (d)	0.40	1.29	1.88	2.18	3.16	3.38	3.93	4.17	4.78	5.29	5.62	6.07	28.0%
(8) Diluted Average Shares Outstanding	19,908	24,636	26,299	26,669	25,077	23,374	22,742	23,031	20,945	19,339	18,585	17,738	(1.0%)

(a) Continuing operations

(b) Restated for the retrospective adoption of FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments that May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)," effective January 1, 2009

(c) See footnote (d) below and the Appendix at the back of this presentation for reconciliation from GAAP reported results to adjusted (non-GAAP results)

(d) Adj. Diluted EPS is calculated by dividing Adj. Net Income by Diluted Average Shares Outstanding, and Diluted EPS is calculated by dividing Net Income by Diluted Average Shares Outstanding

# Chemed - Results from Continuing Operations

(in thousands, except per share data)

	(1)	(2)	(3)	(4)	(5)	(6)
	Full Year Results			Nine Months Ended September 30,		
	2013	2014	Fav/(Unfav) % Growth	2014	2015	Fav/(Unfav) % Growth
(1) Service Revenues and Sales	\$1,413,329	\$1,456,282	3.0%	\$ 1,076,871	\$ 1,144,799	6.3%
(2) Net Income	77,227	99,317	28.6%	69,522	80,345	15.6%
(3) Diluted EPS (b)	4.16	5.57	33.9%	3.87	4.61	19.1%
(4) Adj. EBITDA (a)	206,850	212,562	2.8%	150,831	169,948	12.7%
(5) Adj. EBITDA Margin (a)	14.6%	14.6%	0.0 pts.	14.0%	14.8%	0.8 pts.
(6) Adj. Net Income (a)	104,372	107,731	3.2%	76,351	87,481	14.6%
(7) Adj. Diluted EPS (a) (b)	5.62	6.07	8.0%	4.28	5.02	17.3%
(8) Capital Expenditures	29,324	43,571	(48.6%)	31,745	30,194	4.9%

(a) See footnote (b) below and the Appendix at the back of this presentation for reconciliation from GAAP reported results to adjusted (non-GAAP) results

(b) Adj. Diluted EPS is calculated by dividing Adj. Net Income by Diluted Average Shares Outstanding, and Diluted EPS is calculated by dividing Net Income by Diluted Average Shares Outstanding

# Chemed Corporation Revenue

2013

Roto-Router

26%

74%

VITAS

Chemed

Central Support

1.1%

Chemed  
Adjusted EBITDA  
14.6%<sup>(a)</sup>

Roto-Router  
Central Support

7.2%

Roto-Router  
COS  
13.8%

VITAS  
Central  
Support  
5.7%

VITAS  
COS  
57.6%

2014

Roto-Router

27%

73%

VITAS

Chemed

Central Support

1.4%

Chemed  
Adjusted EBITDA  
14.6%<sup>(a)</sup>

Roto-Router  
Central Support

7.4%

Roto-Router  
COS  
14.3%

VITAS  
Central  
Support  
5.7%

VITAS  
COS  
56.6%

(a) See Appendix at the back of this presentation for reconciliation of EBITDA and Adjusted EBITDA to Net Income



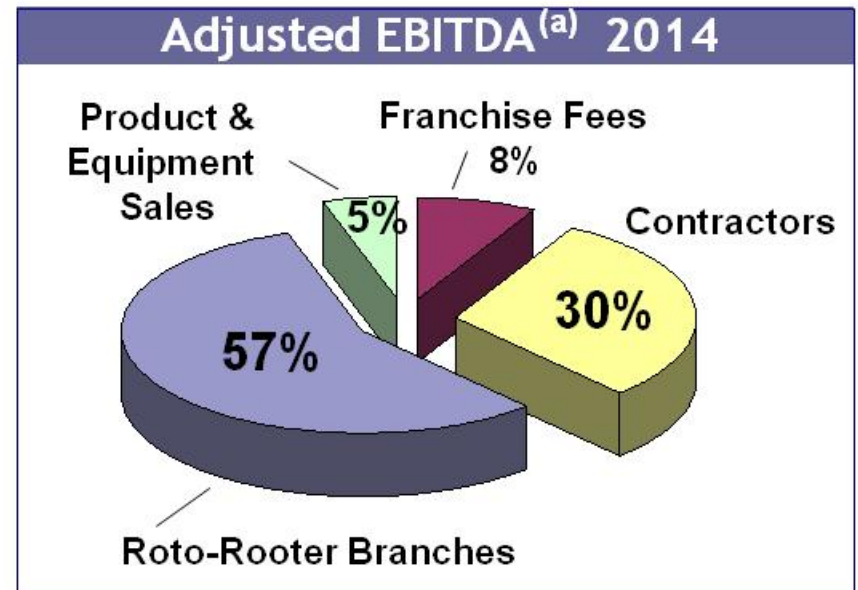
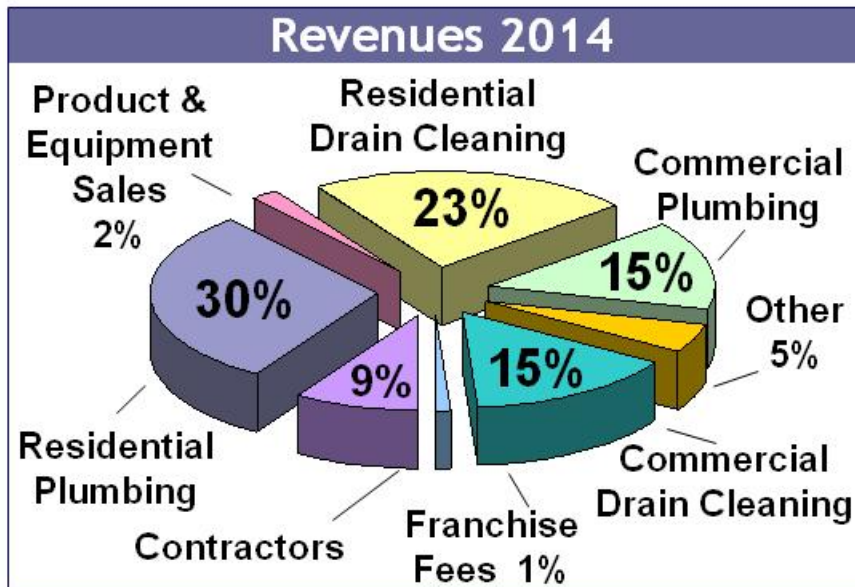


***ROTO-  
ROOTER***®

**PLUMBING &  
DRAIN SERVICE**

# Roto-Rooter Company Overview

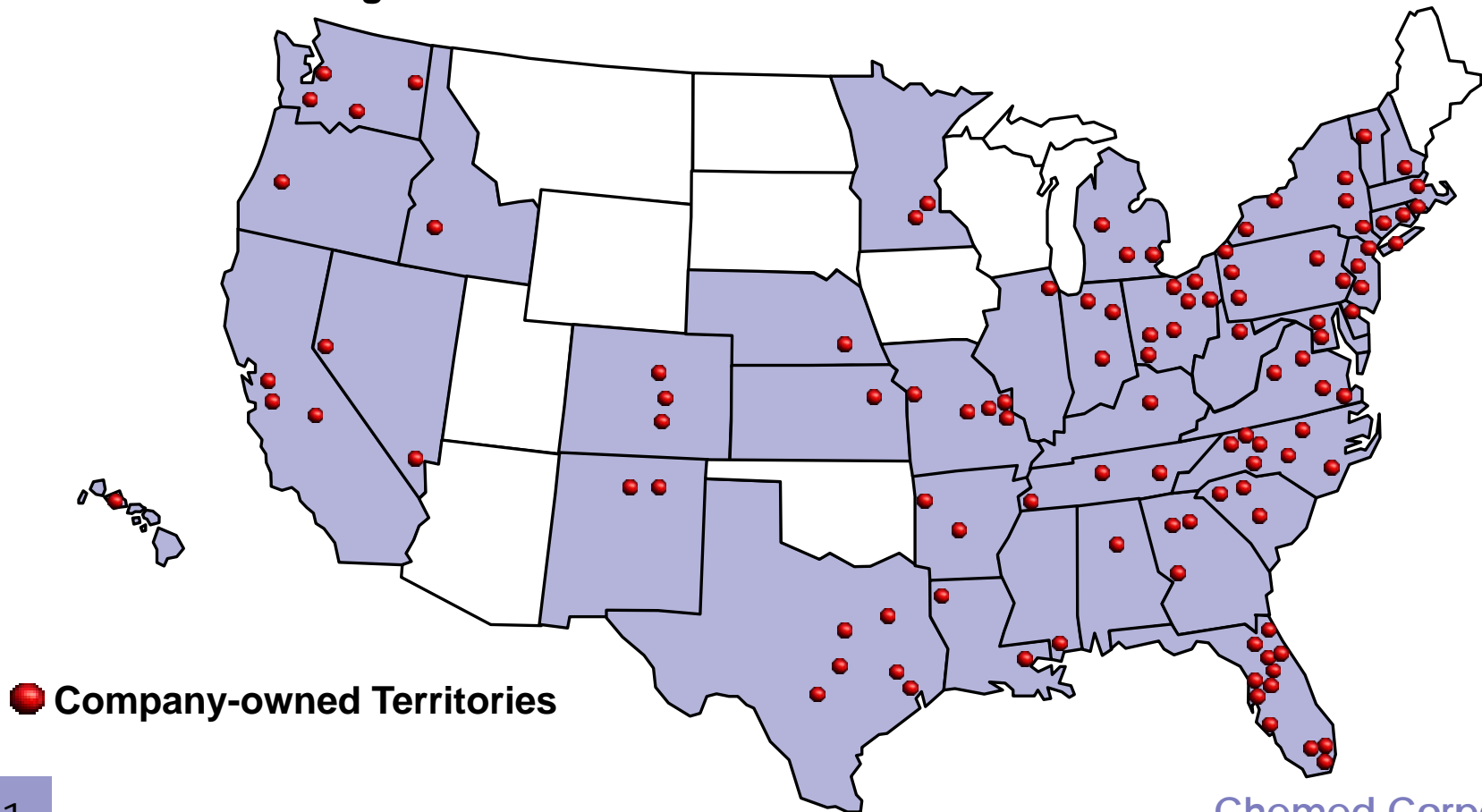
- ◆ Largest provider of plumbing and drain cleaning services in North America
  - ▶ Provides plumbing services to approximately 90% of the United States and 40% of the Canadian population
- ◆ Provides plumbing and drain cleaning services in more than 110 company-owned territories and over 400 franchise territories
- ◆ Maintains an estimated 15% of the drain cleaning market and 2% - 3% share of the same-day service plumbing market
- ◆ Residential customers represent approximately 53% of revenues, while commercial customers represent 30% of revenues



(a) See Appendix at the back of this presentation for reconciliation of EBITDA and Adjusted EBITDA to Net Income

# Chemed Growth Strategy – Roto-Rooter

- ◆ Continue to increase efficiency
- ◆ Acquire franchisee territories at reasonable valuations
  - ▶ \$175 - \$200 million in franchise street sales
  - ▶ Purchase at 4-5 times EBITDA
  - ▶ Minimal capital expenditure
- ◆ Focus on earnings and cash flow



# Roto-Rooter – Summary of Operations

For The Years Ended December 31, 2004 through 2014

(in thousands, except percentages)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Average Annual Inc./(Dec.)
(1) Service Revenues and Sales (a)	\$ 276,611	\$ 297,337	\$ 319,495	\$ 344,632	\$ 340,496	\$ 335,893	\$ 354,735	\$ 369,698	\$ 363,006	\$ 368,216	\$ 392,077	3.6%
(2) EBITDA (b)	38,314	52,598	59,307	72,030	62,924	62,107	59,747	65,319	59,137	56,746	79,473	7.6%
(3) Adj. EBITDA (b)	42,355	49,234	55,548	69,188	59,922	59,862	58,516	64,176	58,232	70,936	75,110	5.9%
(4) Adj. EBITDA Margin (b)	15.3%	16.6%	17.4%	20.1%	17.6%	17.8%	16.5%	17.4%	16.0%	19.3%	19.2%	n.a.
(5) Net Income (GAAP)	18,795	27,626	32,454	38,971	33,427 (c)	33,040 (c)	31,678	34,879	30,905	29,243	42,075	8.4%
(6) Adj. Net Income (b)	21,044	25,486	31,203	40,139	33,785 (c)	33,574 (c)	32,960	36,260	32,276	39,845	42,093	7.2%

(a) Continuing Operations

(b) See Appendix at the back of this presentation for reconciliation from GAAP reported results to adjusted (non-GAAP) results

(c) Restated to include stock award amortization

# Roto-Router – Results from Continuing Operations

(\$000)

	(1)	(2)	(3)	(4)	(5)	(6)
	Full Year Results			Nine Months Ended September 30,		
	2013	2014	Fav/(Unfav) % Growth	2014	2015	Fav/(Unfav) % Growth
(1) Service Revenues and Sales	\$368,216	\$392,077	6.5%	\$287,049	\$313,718	9.3%
(2) Net Income (GAAP)	29,243	42,075	43.9%	30,599	35,122	14.8%
(3) Adj. EBITDA (a)	70,936	75,110	5.9%	\$ 54,001	\$ 63,234	17.1%
(4) Adj. EBITDA Margin (a)	19.3%	19.2%	(0.1) pts.	18.8%	20.2%	1.4 pts.
(5) Adj. EBIT (a)	61,315	63,883	4.2%	45,872	53,228	16.0%
(6) Adj. EBIT Margin (a)	16.7%	16.3%	(0.4) pts.	16.0%	17.0%	1.0 pts.
(7) Capital Expenditures	14,446	21,345	(47.8%)	16,167	14,094	12.8%

(a) Reconciliation from GAAP reported results to adjusted (non-GAAP) results is provided in the Appendix at the back of this presentation

# Future of Roto-Router

## ◆ Continue to Consolidate Franchises

- ▶ Purchase at reasonable multiples
- ▶ Avoid over-paying for current acquisitions
  - ▶ Inflates expectations/demands of remaining franchisees

## ◆ Utilize Cash Flow for:

- ▶ Purchase of franchises
- ▶ Acquisition of hospices
- ▶ Debt pay-down, share buy-back, increased dividends

## ◆ Roto-Router Divestiture Considerations:

- ▶ If arbitrage of buying at low multiples is exhausted
- ▶ If after-tax proceeds can be reinvested at higher return, risk adjusted
- ▶ If Chemed's capital structure and cash flow without Roto-Router provide it significant flexibility to support continued growth of VITAS
- ▶ If tax-free spin-off creates stockholder value



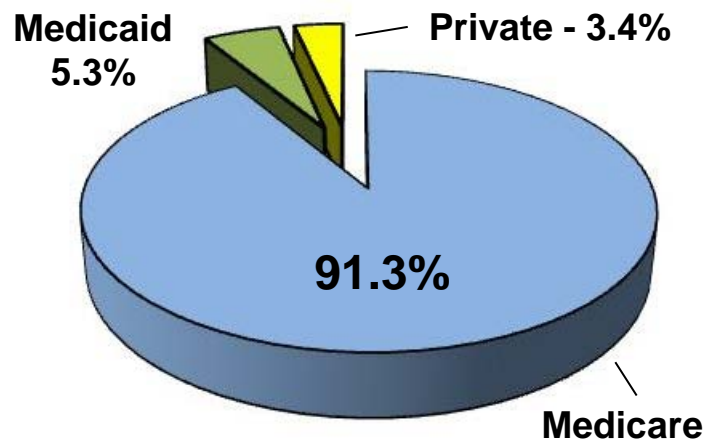
Innovative  
Hospice Care<sup>®</sup>

VITAS<sup>®</sup>

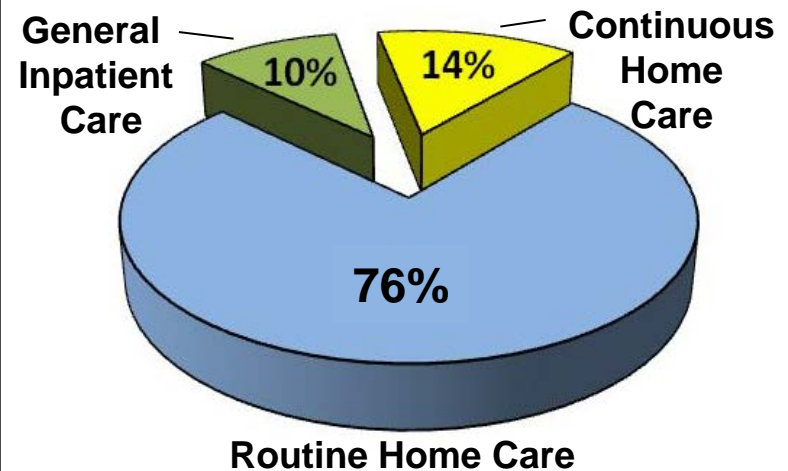
# VITAS Healthcare Company Overview

- ◆ Largest provider of hospice services for patients with severe, life-limiting illnesses with approximately 7% of the U.S. market share
- ◆ Operates a comprehensive range of hospice services through 47 operating programs in 16 states and the District of Columbia
- ◆ Utilizes an approach for customized plans of care which is intended to maximize quality and enhance patient satisfaction
- ◆ Operating statistics:
  - ▶ Revenues: \$285 million (Q3 2015)
  - ▶ Average daily census per established program: approximately 300 ADC, largest approximately 1,600 (Q3 2015)
  - ▶ Average length of stay: 78.6 (Q3 2015)
- ◆ Approximately 11,800 employees, including approximately 4,800 nurses (Q3 2015)

## Revenue by Payer - 2014



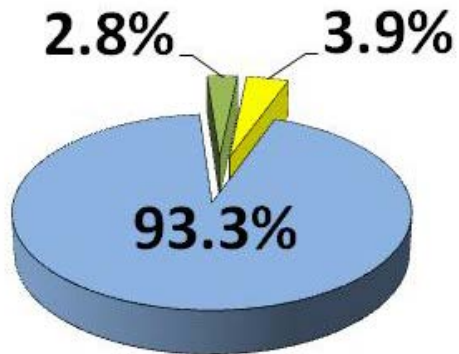
## Revenues - 2014





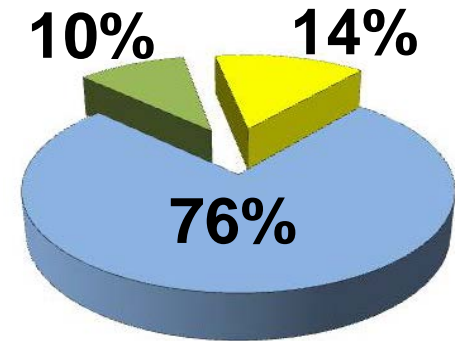
# VITAS – Analysis of Revenue

Days of Care - 2014

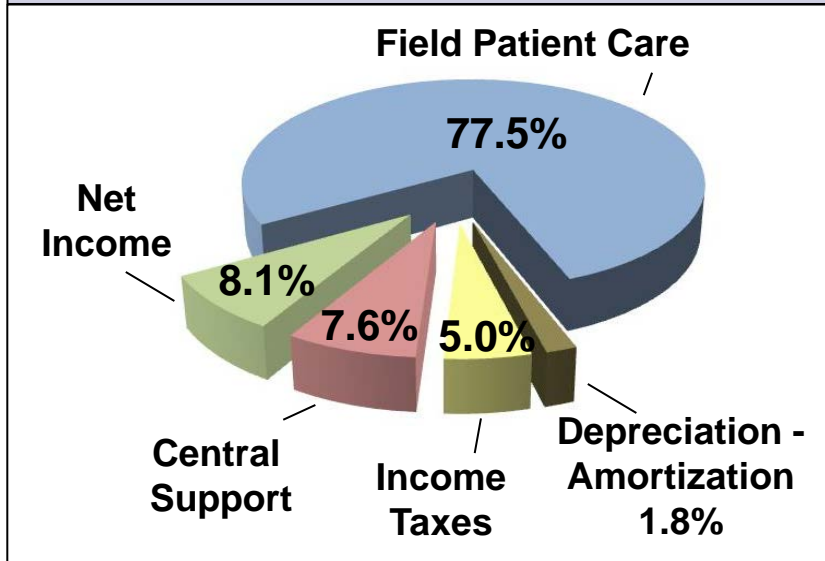


- Routine Home Care
- General Inpatient Care
- Continuous Home Care

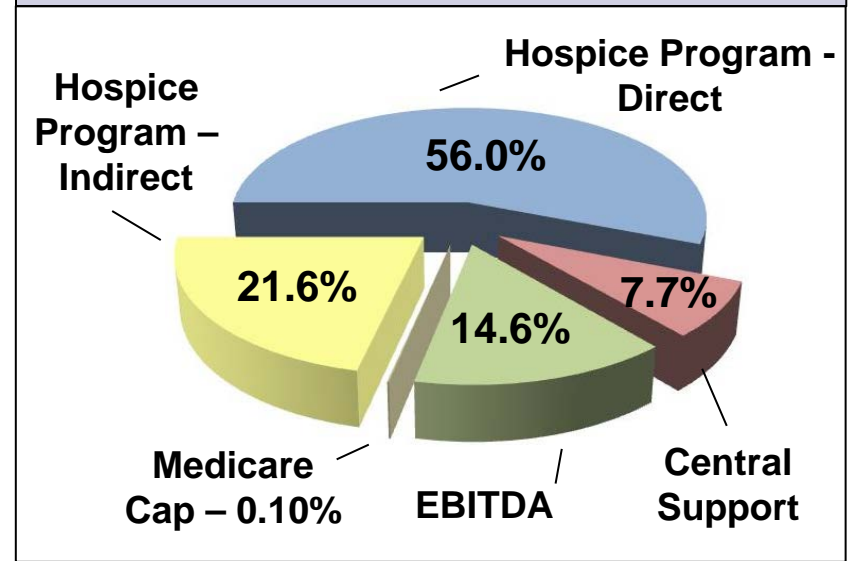
Revenues - 2014



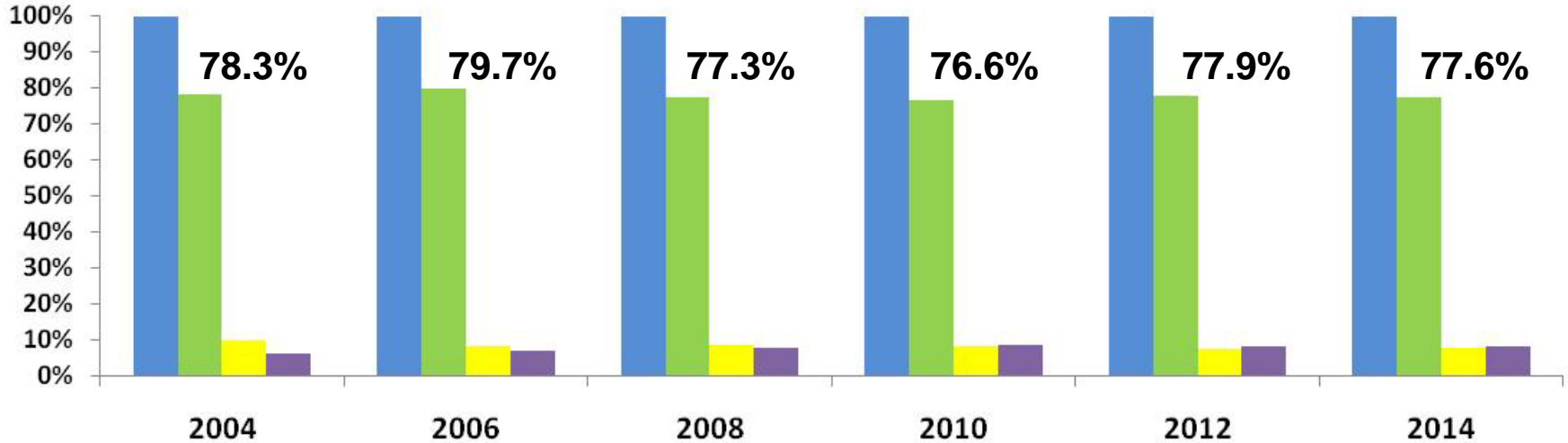
Revenue and Expenses



Adjusted EBITDA 2014

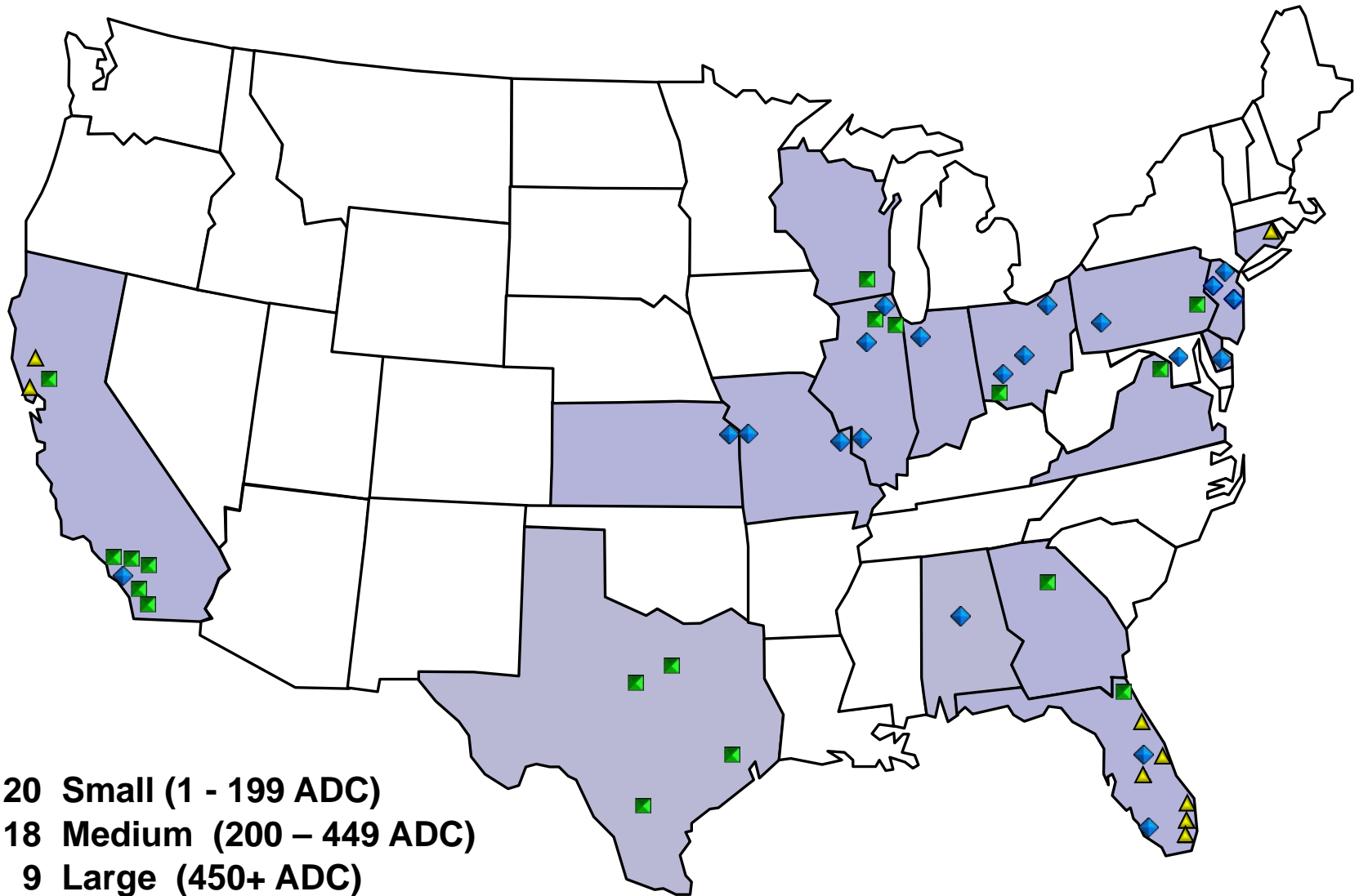


# VITAS – Operations as a Percent of Revenue



- Revenue
- Cost of Field Based Patient Care as a % of Sales
- Central Support Overhead as a % of Revenue
- Adj. Net Income as a % of Sales

# VITAS – Locations & ADC (as of September 30, 2015)



- ◆ 20 Small (1 - 199 ADC)
- 18 Medium (200 – 449 ADC)
- ▲ 9 Large (450+ ADC)
- 0 New Start (Revenue < 12 Mos.)

# VITAS Analysis of 2014 Expenses and Margin

## Per Patient Day-of-Care

	(1)	(2)	(3)	(4)	(5)	(6)
	<b>Per Patient Day-of-Care</b>					
	Direct Patient Care Expenses (1)	Average Per Diem	Direct Patient Cost-of-Care (1)	Direct Care Contribution	Other Field Cost-of-Care (2)	Net Field Hospice Margin
(1) Routine Home Care	46.20%	\$ 163.40	\$ (75.49)	\$ 87.91	\$ (42.96)	\$ 44.95
(2) Continuous Home Care	82.60%	\$ 734.16	\$ (606.42)	\$ 127.74	\$ (42.96)	\$ 84.78
(3) Inpatient Care	94.20%	658.53	(620.34)	38.19	(42.96)	(4.77)
(4) Total High Acuity Care	87.28%	\$ 701.66	\$ (612.41)	\$ 89.25	\$ (42.96)	\$ 46.29
(5) Total Hospice Care	56.03%	\$ 200.16	\$ (112.15)	\$ 88.01	\$ (42.96)	\$ 45.05

(1) Costs directly attribute to bedside care. Labor, fringes, meds, DME, supplies, etc.

(2) Indirect costs for labor and fringes and other expenses for admissions, administrative, medical directors, etc.

# VITAS – Reimbursement Per Diems

	(1)	(2)	(3)
Reimbursement Per Diems	National Rate	VITAS Average	Most Expensive Urban Markets
(1) Routine Home Care	\$ 159.34	\$ 164.58	\$ 229.73
(2) Continuous Home Care <sup>(1)</sup>	701.38	717.48	974.14
(3) Inpatient Care	708.77	657.21	966.76
(4) Blended Average Per Diem	\$ 172.51 <sup>(2)</sup>	\$ 200.62	\$ 255.47
(5) Average LOS	88 <sup>(2)</sup>	82.4	
(6) Median LOS	18 <sup>(2)</sup>	15.0	
(7) % Patients Admitted Who Exceed 180 Days of Care	11.5% <sup>(3)</sup>	11.8%	
(8) % Live Discharges	18.0% <sup>(3)</sup>	17.3% <sup>(4)</sup>	

(1) National rate converted to VITAS average 18.1 hours/day of care

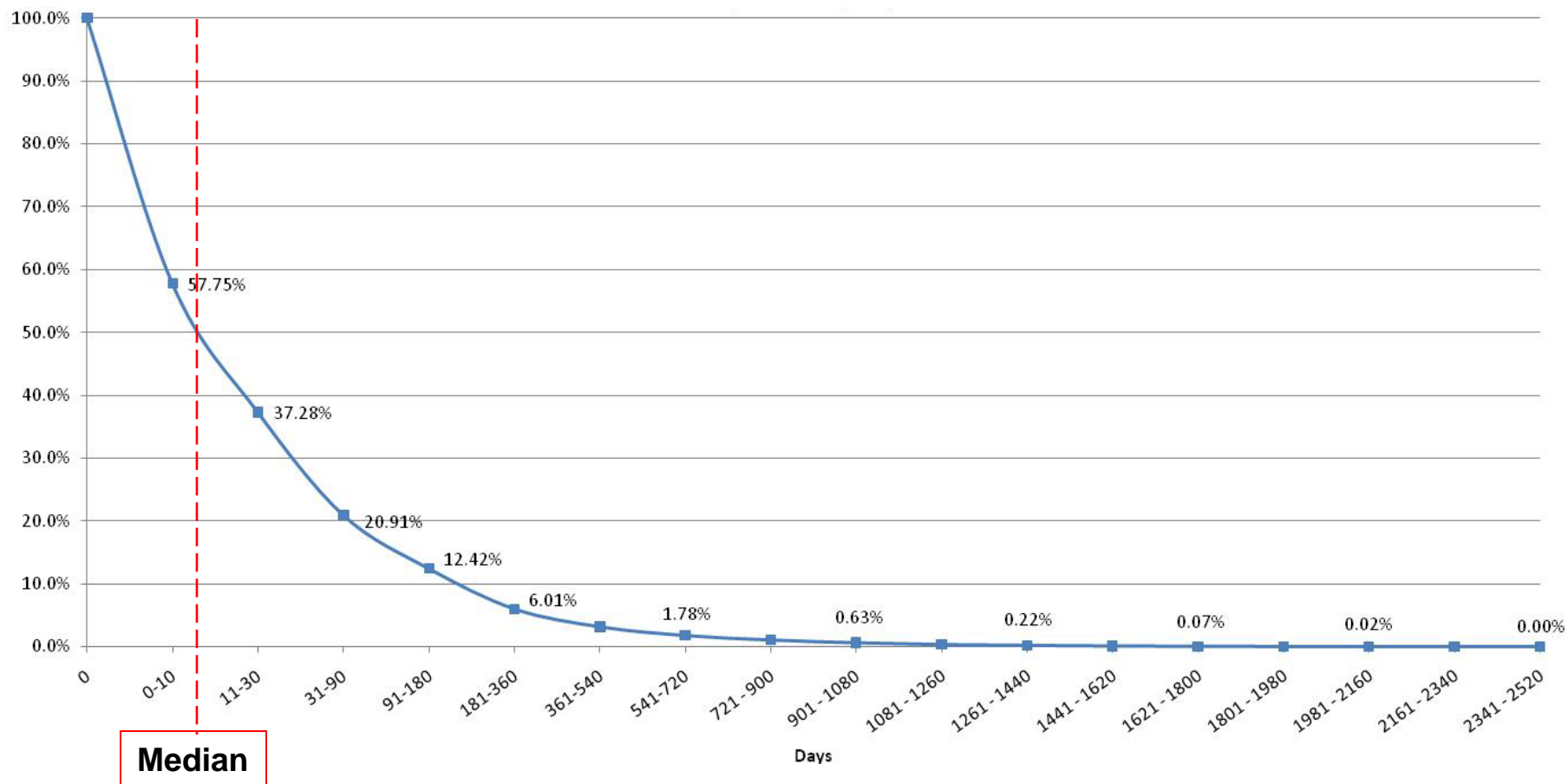
(2) MedPac March 2014

(3) MedPac June 2013

(4) Unusually high as a result of disruption triggered from Debility/Failure To Thrive coding refinement. Live discharges have ranged from 14.9% to 17.3% over the past 5 years.

# VITAS 2014 Discharge Rate – Total

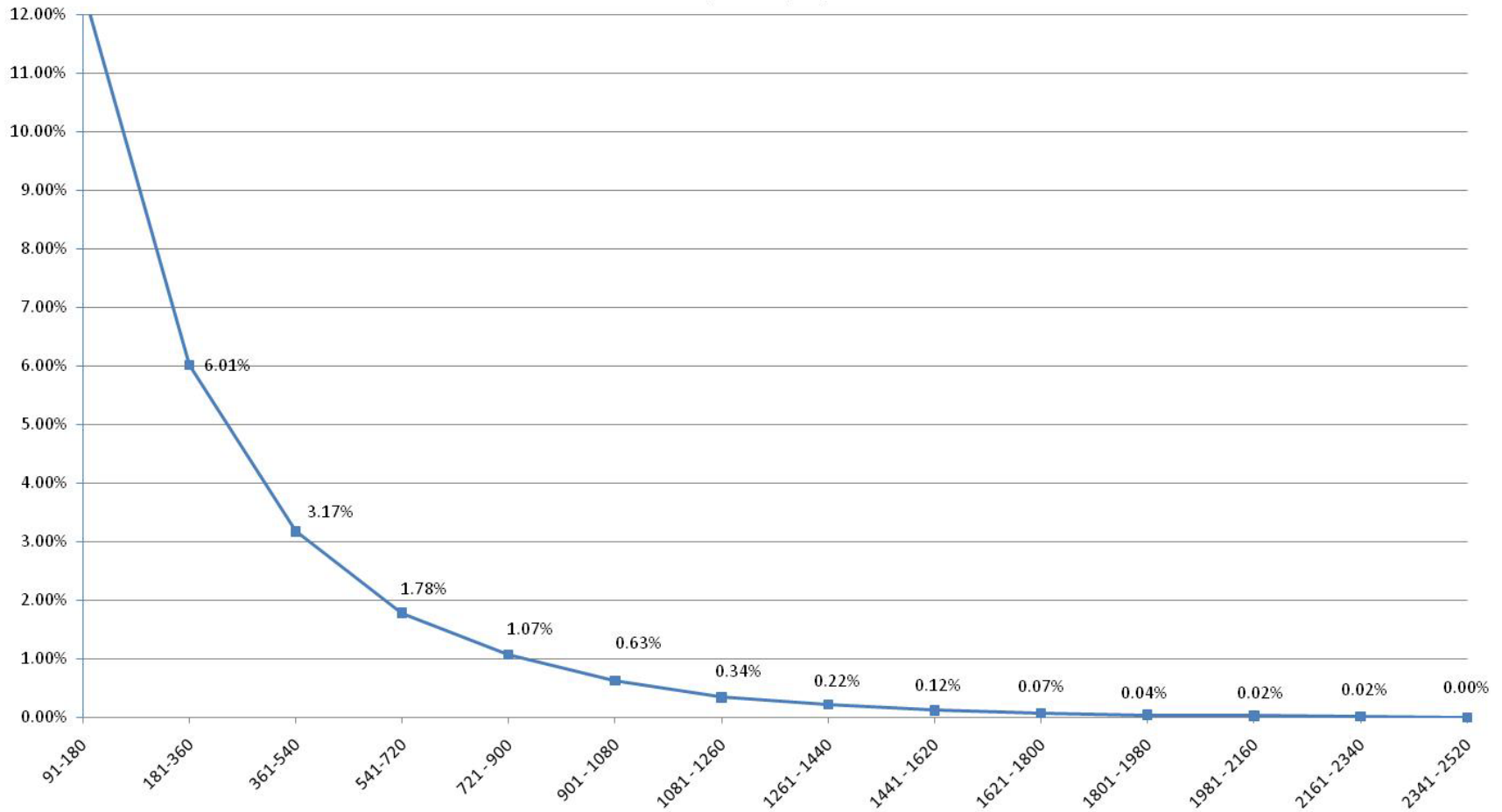
Population: 63,487 patients



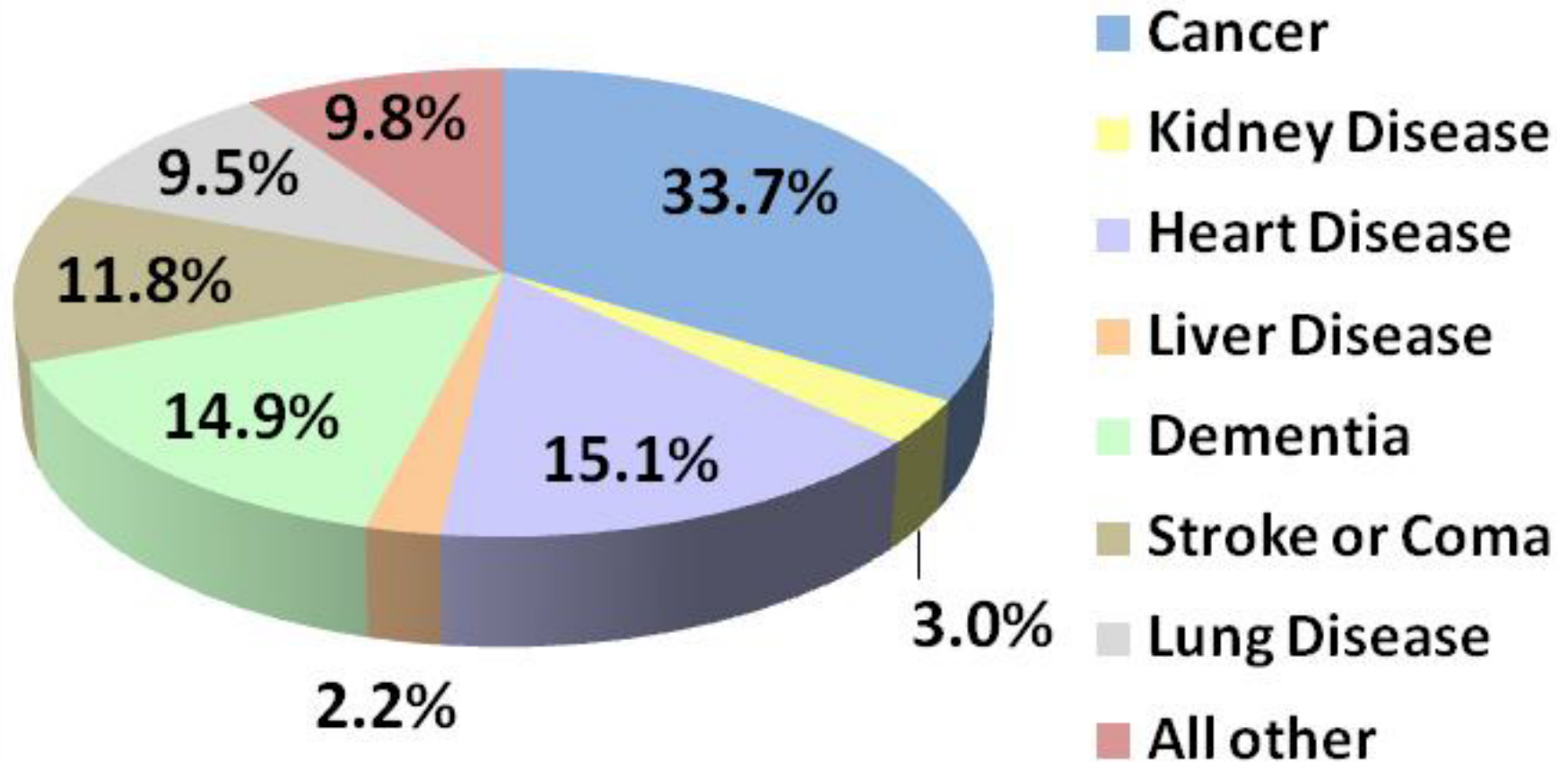
# VITAS 2014 Discharge Rate – Total

## After 180 Days

Population: 7,884 patients



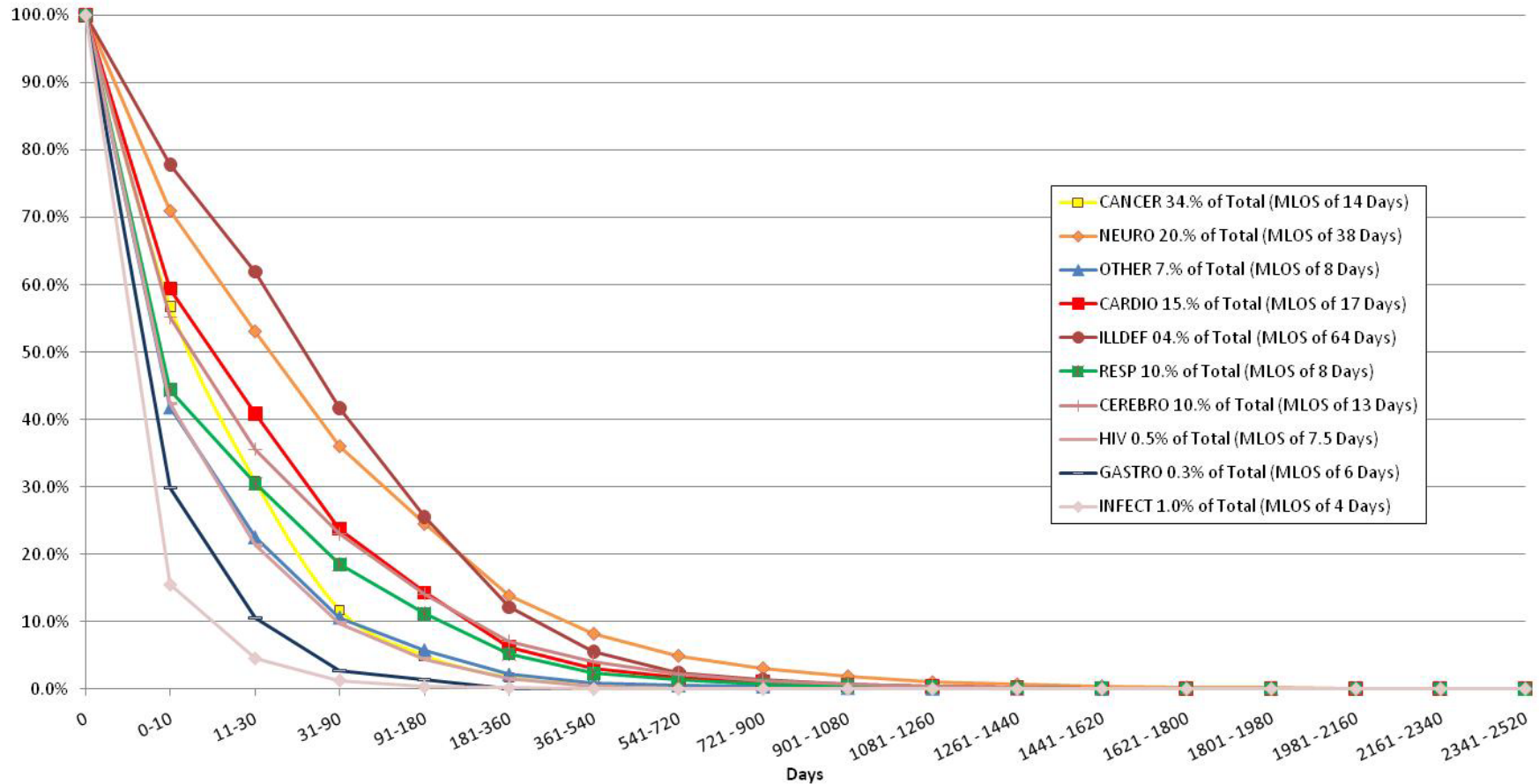
# VITAS Admissions by Diagnosis - 2014



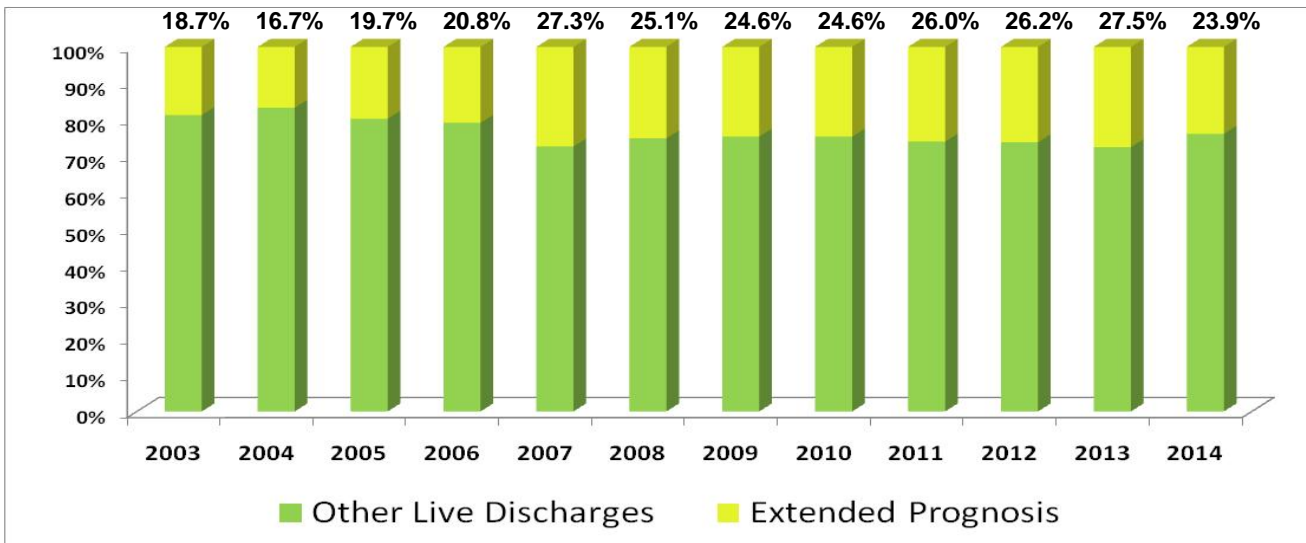
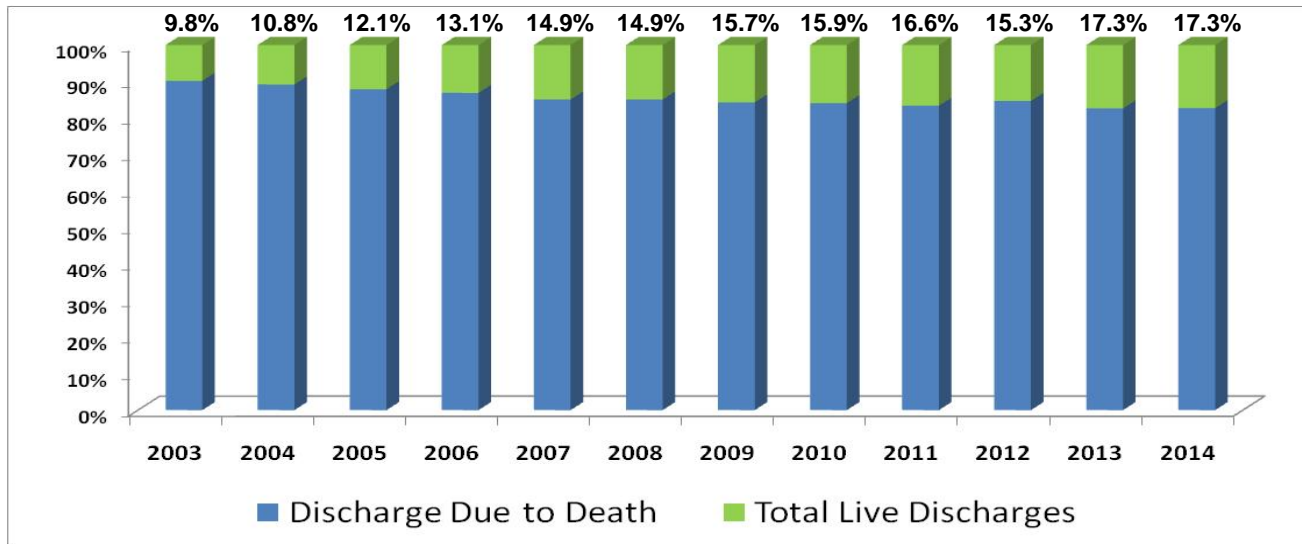


# VITAS 2014 Discharge Rate – All Diagnosis

Population: 63,487

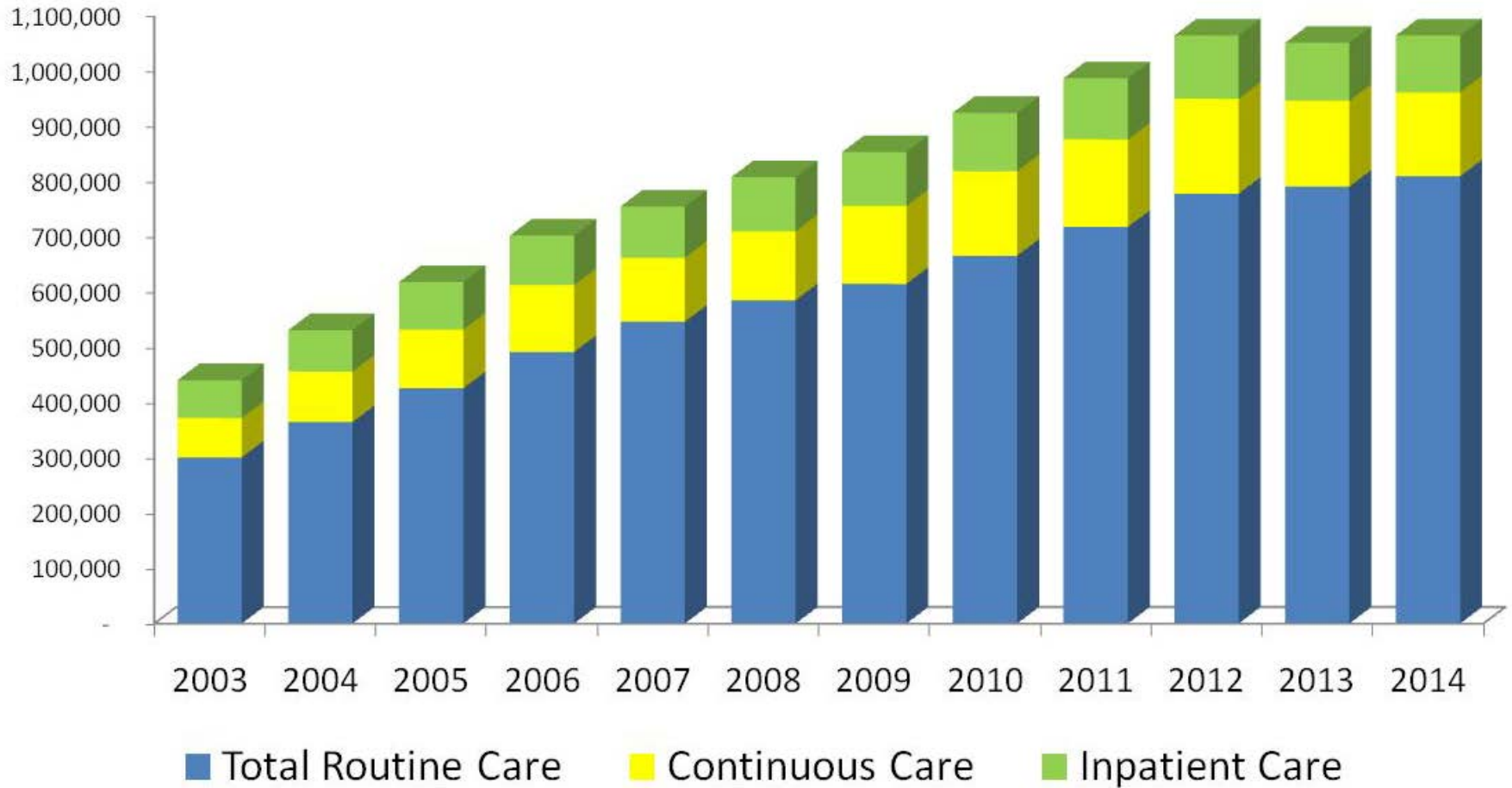


# Analysis of VITAS Discharges 2003-2014



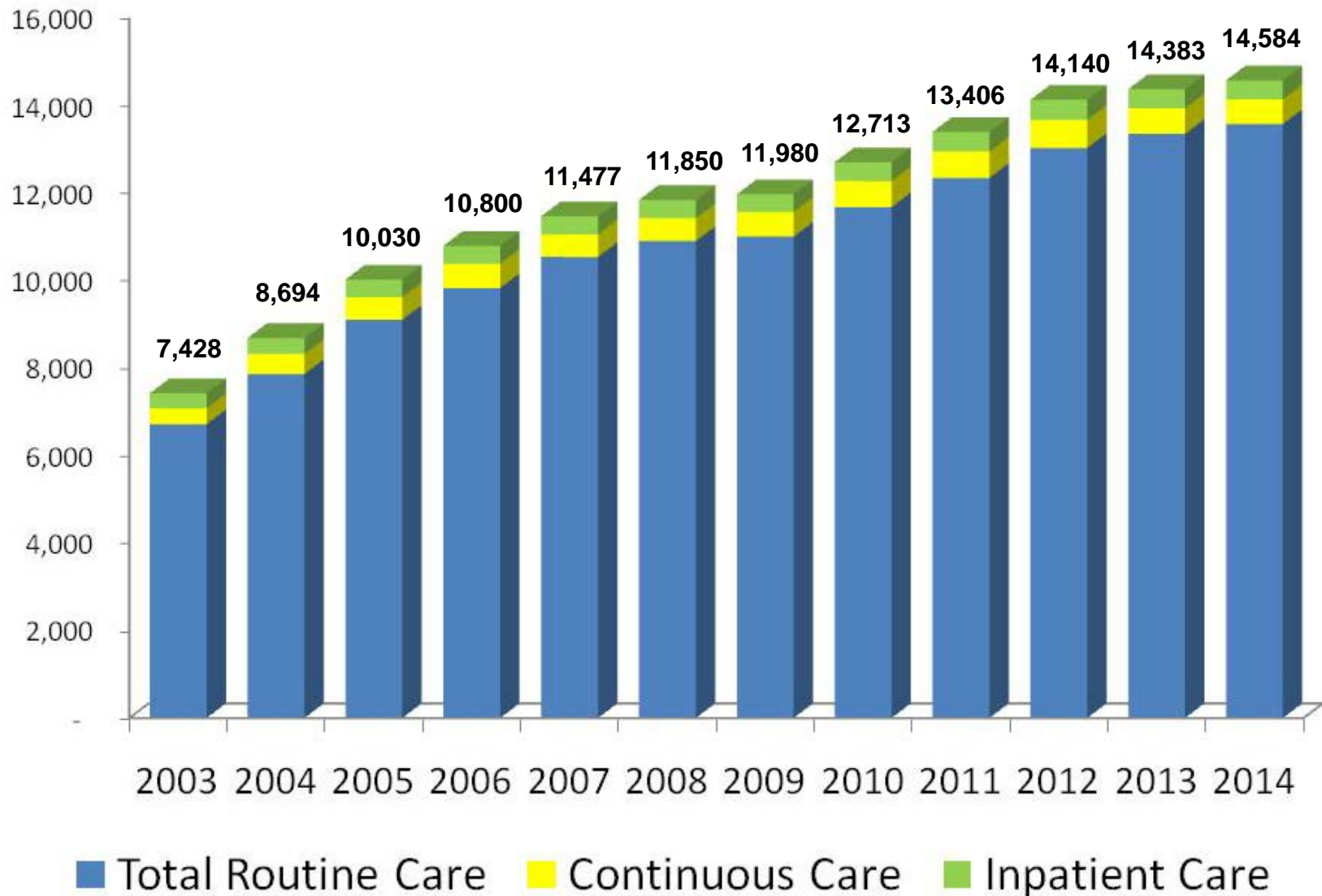
# VITAS Analysis of Revenue By Level of Care

2003 through 2014  
(\$000)



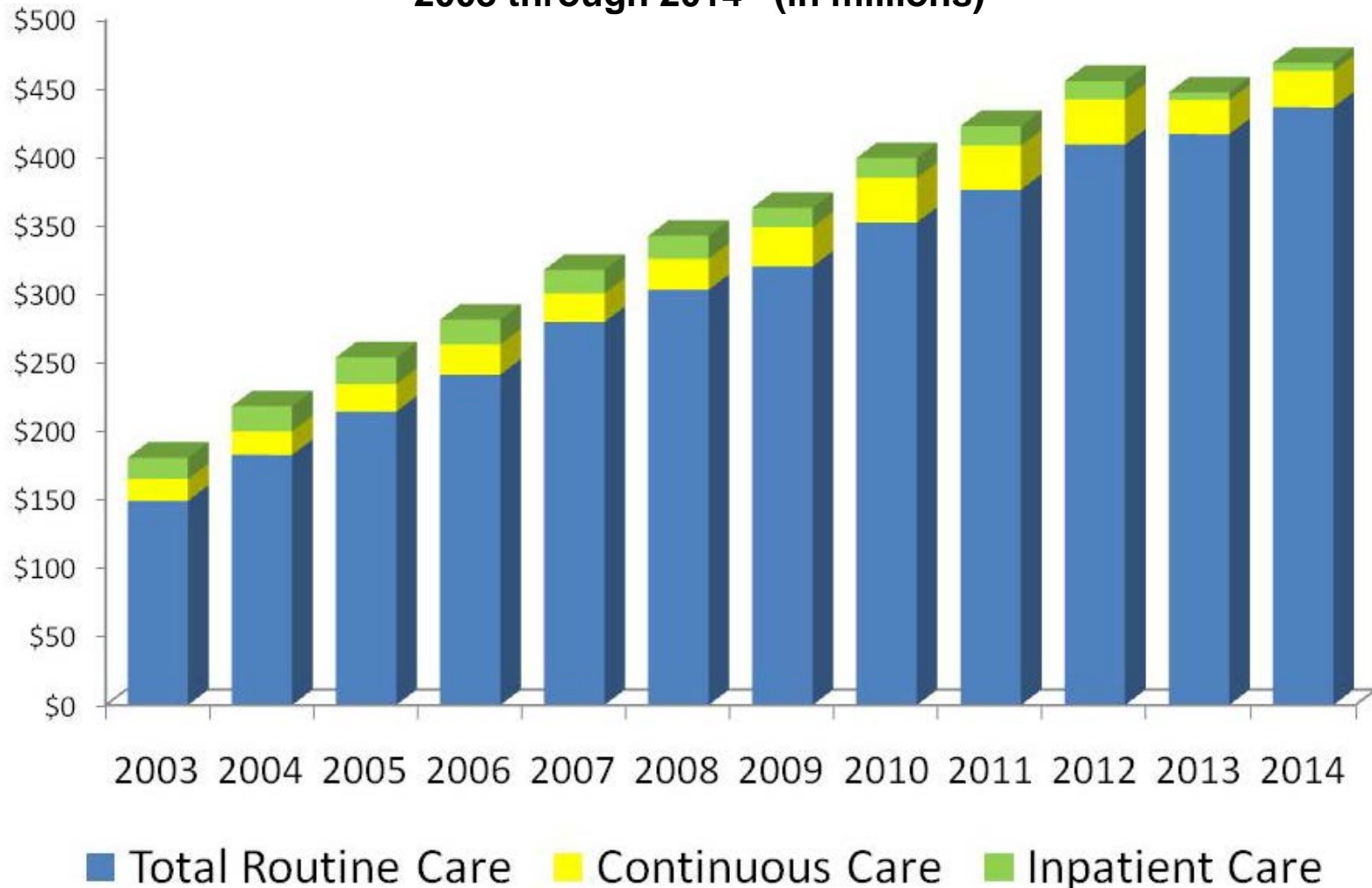
# VITAS Analysis of Average Daily Censes (ADC)

2003 through 2014



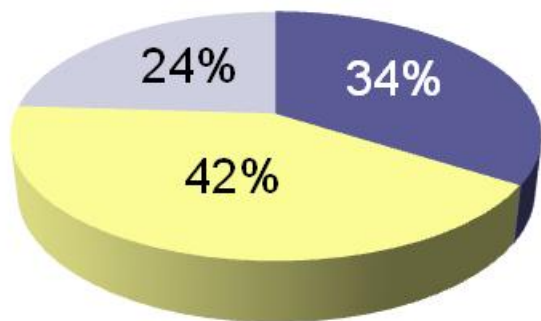
# VITAS Analysis of Direct Gross Profit Contribution Margin By Level of Care

2003 through 2014 (in millions)



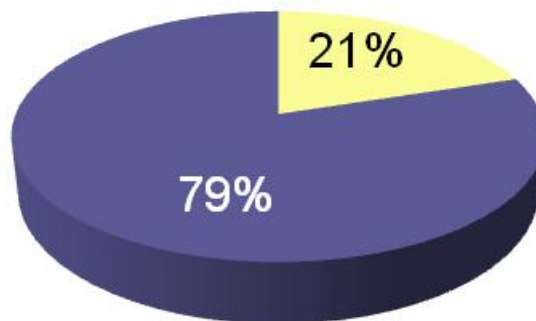
# 2011 Industry Market Penetration

by Death



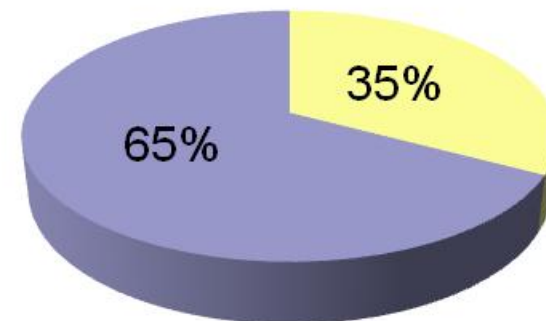
- Hospice Patients Served
- "Non-Anticipatory" Deaths
- "Anticipatory" Non-Hospice Deaths

by Maximum Potential Days of Care



- Hospice Patients Days of Care
- Un-Served Potential Days of Care

by Reasonable Potential Days of Care



- Hospice Patients Days of Care
- Un-Served Potential Days of Care

Actual Data\*

ALOS 69.1  
Median 19.1

Assumptions

ALOS 180  
Median 180

Assumptions

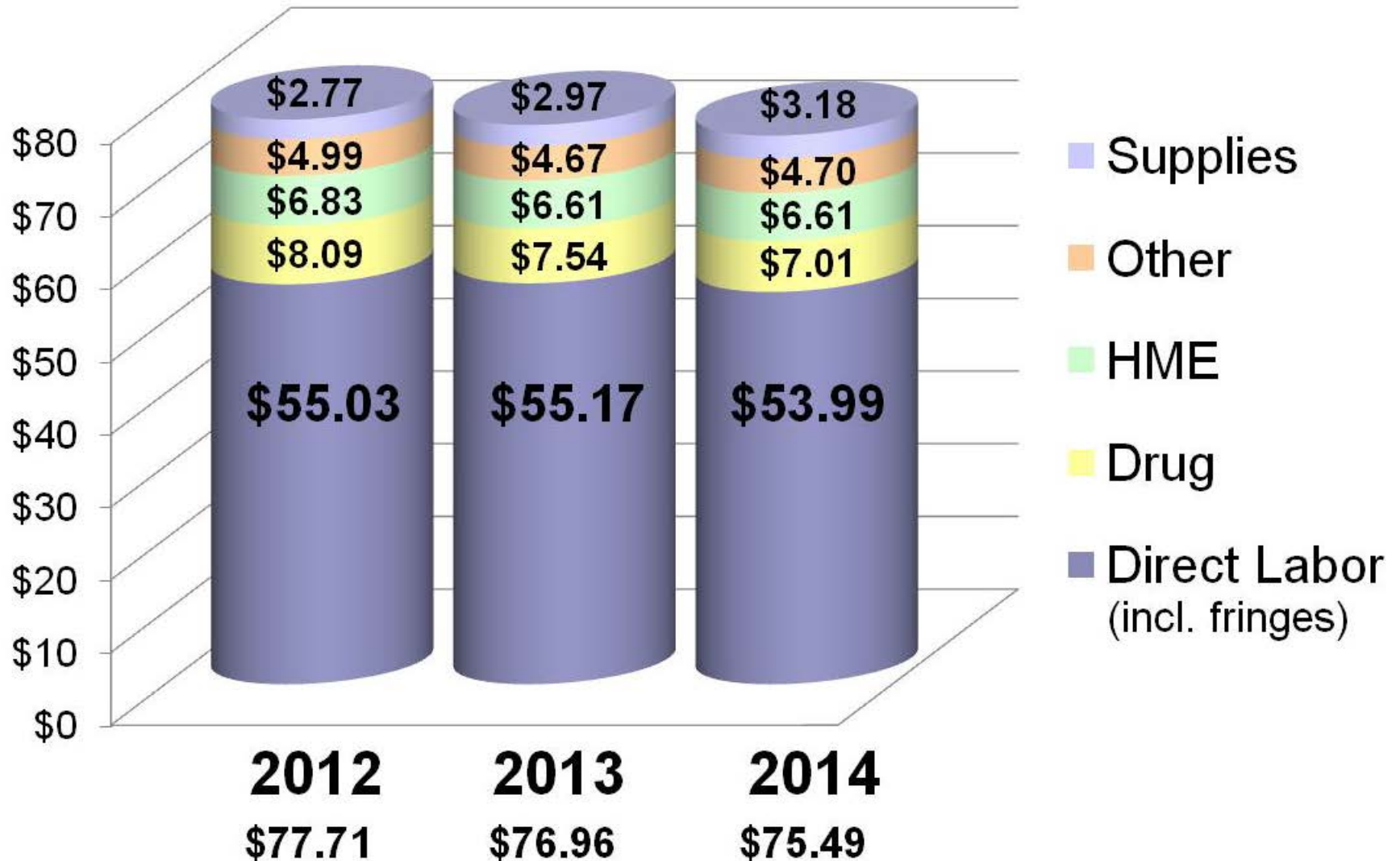
ALOS 110  
Median 50

**2011: 2,513,000 U. S. Deaths\***  
**1,950,000 "Hospice Appropriate" Deaths\***  
**1,059,000 Actual Deaths in Hospice\***

\*Most recent industry data per NHPCO



# VITAS – Homecare Direct Cost Driver



# VITAS – Summary of Operations <sup>(a)</sup>

## For The Years Ended December 31, 2004 through 2014

(in thousands, except percentages)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Average Annual Inc./(Dec.)
(1) Service Revenues and Sales	\$ 531,136	\$ 618,613	\$ 699,092	\$ 755,426	\$ 808,445	\$ 854,343	\$ 925,810	\$ 986,272	\$ 1,067,037	\$ 1,045,113	\$ 1,064,205	7.2%
(2) EBITDA (b)	65,685	65,259	89,983	111,131	120,568	133,680	147,428	147,902	158,945	143,487	159,305	9.3%
(3) Adj. EBITDA (b)	64,553	80,455	85,880	103,953	115,278	129,685	143,656	144,944	156,289	151,156	155,449	9.2%
(4) Adj. EBITDA Margin (b)	12.2%	13.0%	12.3%	13.8%	14.3%	15.2%	15.5%	14.7%	14.6%	14.5%	14.6%	n.a.
(5) Net Income (GAAP)	33,052	34,982	43,546	61,034	64,304 (c)	71,696 (c)	79,796	80,358	86,577	76,144	86,185	10.1%
(6) Adj. Net Income (b)	32,961	44,659	49,249	59,974	64,010 (c)	72,059 (c)	80,465	81,186	87,338	84,023	87,584	10.3%
(7) Adj. Net Income as a percent of Sales	6.2%	7.2%	7.0%	7.9%	7.9%	8.4%	8.7%	8.2%	8.2%	8.0%	8.2%	n.a.

(a) Assumes VITAS was purchased on January 1, 2004

(b) See Appendix at the back of this presentation for reconciliation from GAAP reported results to adjusted (non-GAAP) results

(c) Restated to include stock award amortization



# VITAS – Operating Results<sup>(a)</sup>

(in thousands, except percentages)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	2003 (b)	2004 (b)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Average Annual Inc./Dec.
(1) Net Service Revenue	\$ 441,017	\$ 531,136	\$ 618,633	\$ 699,092	\$ 755,426	\$ 808,445	\$ 854,343	\$ 925,810	\$ 986,272	\$ 1,067,037	\$ 1,045,113	\$ 1,064,205	8.3%
(2) Cost of field patient care	\$ 345,189	\$ 415,341	\$ 484,609	\$ 557,260	\$ 586,435	\$ 625,177	\$ 653,212	\$ 709,094	\$ 766,732	\$ 831,321	\$ 813,600	\$ 825,739	8.3%
(3) Gross profit	\$ 95,828	\$ 115,795	\$ 134,024	\$ 141,832	\$ 168,991	\$ 183,268	\$ 201,131	\$ 216,716	\$ 219,540	\$ 235,716	\$ 231,513	\$ 238,466	8.6%
(4) Selling and G&A expenses	\$ 53,526	\$ 51,266	\$ 54,141	\$ 56,961	\$ 65,103	\$ 67,750	\$ 71,643	\$ 73,755	\$ 75,698	\$ 80,494	\$ 82,252	\$ 84,597	4.2%
(5) Depreciation & amortization	\$ 9,285	\$ 10,149	\$ 11,504	\$ 12,669	\$ 15,430	\$ 16,984	\$ 17,973	\$ 18,900	\$ 18,480	\$ 19,043	\$ 20,251	\$ 19,635	7.0%
(6) Other operating expense	\$ -	\$ -	\$ 17,350	\$ 272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,500	\$ -	n.a
(7) Income from operations	\$ 33,017	\$ 54,380	\$ 51,029	\$ 71,930	\$ 88,458	\$ 98,534	\$ 111,515	\$ 124,061	\$ 125,362	\$ 136,179	\$ 118,510	\$ 134,234	13.6%
(8) EBITDA	\$ 42,986	\$ 65,685	\$ 65,259	\$ 89,983	\$ 111,131	\$ 120,568	\$ 133,680	\$ 147,428	\$ 147,902	\$ 158,945	\$ 143,487	\$ 159,305	12.6%
(9) Adjusted EBITDA	\$ 42,302	\$ 64,553	\$ 80,455	\$ 85,880	\$ 103,953	\$ 115,278	\$ 129,685	\$ 143,656	\$ 144,944	\$ 156,289	\$ 151,156	\$ 155,449	12.6%
<b>Percent of Sales</b>													
(10) Net Service Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(11) Cost of field patient care	78.3%	78.2%	78.3%	79.7%	77.6%	77.3%	76.5%	76.6%	77.7%	77.9%	77.8%	77.6%	77.6%
(12) Gross profit	21.7%	21.8%	21.7%	20.3%	22.4%	22.7%	23.5%	23.4%	22.3%	22.1%	22.2%	22.4%	22.4%
(13) Selling and G&A expenses	12.1%	9.7%	8.8%	8.1%	8.6%	8.4%	8.4%	8.0%	7.7%	7.5%	7.9%	7.9%	7.9%
(14) Depreciation & amortization	2.1%	1.9%	1.9%	1.8%	2.0%	2.1%	2.1%	2.0%	1.9%	1.8%	1.9%	1.8%	1.8%
(15) Other operating expense	0.0%	0.0%	2.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%
(16) Income from operations	7.5%	10.2%	8.2%	10.3%	11.7%	12.2%	13.1%	13.4%	12.7%	12.8%	11.3%	12.6%	12.6%
(17) EBITDA	9.7%	12.4%	10.5%	12.9%	14.7%	14.9%	15.6%	15.9%	15.0%	14.9%	13.7%	15.0%	15.0%
(18) Adjusted EBITDA	9.6%	12.2%	13.0%	12.3%	13.8%	14.3%	15.2%	15.5%	14.7%	14.6%	14.5%	14.6%	14.6%

(a) Continuing operations

(b) VITAS was acquired in February 2004. This schedule assumes VITAS was acquired January 1, 2003.

# VITAS – Results from Continuing Operations

(\$000)

	(1)	(2)	(3)	(4)	(5)	(6)
	Full Year Results			Nine Months Ended September 30,		
	2013	2014	Fav/(Unfav) % Growth	2014	2015	Fav/(Unfav) % Growth
(1) Service Revenues Before Medicare Cap	\$ 1,052,112	\$ 1,065,495	1.3%	\$ 791,618	\$ 830,916	5.0%
(2) Medicare Cap	(6,999)	(1,290)	(81.6%)	(1,796)	165	109.2%
(3) Net Service Revenues and Sales	\$ 1,045,113	\$ 1,064,205	1.8%	\$ 789,822	\$ 831,081	5.2%
(4) Net Income	\$ 76,144	\$ 86,185	13.2%	\$ 60,645	\$ 66,839	10.2%
(5) Adj. EBITDA (a)	151,156	155,449	2.8%	109,756	121,094	10.3%
(6) Adj. EBITDA Margin (a)	14.5%	14.6%	0.1 pts.	13.9%	14.6%	0.7 pts.
(7) Capital Expenditures	14,718	21,880	(48.7%)	15,379	15,108	1.8%

(a) Reconciliation from GAAP reported results to adjusted (Non-GAAP) results is provided in the Appendix at the back of this presentation

# Future of VITAS

## Short-term

- ◆ Continue organic growth
- ◆ Acquisitions
  - ▶ Fragmented industry
  - ▶ Dominated by “Mom & Pop” not-for-profits
  - ▶ Average operating margin in hospice is 4% - 8%\*
  - ▶ Estimated 50% of hospices have negative margin\*
  - ▶ Economies of scale
- ◆ Access to reasonably priced capital critical to expansion

## Long-term

- ◆ Government reimbursement structure will drive VITAS' future
- ◆ Consolidation
  - ▶ Will “pure play” dominate industry? ➡ Consolidation continues
  - ▶ Will continuum of care dominate? ➡ Acquire other healthcare providers
    - ▶ Self referral ➡ Divest VITAS to diverse healthcare provider
    - ▶ Control of patient

\*Source - MedPac

# VITAS – Operating Metrics (\$000)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	2011		2012				2013				2014				2015		
Operating Metrics	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
(1) Average Daily Census (ADC)	13,658	13,724	13,703	14,111	14,277	14,465	14,432	14,679	14,241	14,185	14,317	14,536	14,639	14,838	14,824	15,283	15,722
(2) Admissions	14,879	15,191	16,322	15,912	15,539	16,004	17,137	15,721	14,555	15,445	16,353	15,771	15,653	16,313	17,268	16,683	16,131
(3) Discharges	14,682	15,289	16,196	15,508	15,340	16,120	16,843	15,763	14,971	15,396	16,002	15,673	15,460	16,333	16,990	15,912	15,949
(4) Average Length of Stay (ALOS) (Days)	80.1	79.0	82.4	74.0	78.5	80.3	77.4	84.8	82.2	82.6	81.1	82.4	83.7	82.7	79.0	78.5	78.6
(5) Median Length of Stay (Days)	15	14	14	14	15	15	13	16	16	15	14	16	15	15	13	15	16
(6) Total Revenue Before Medicare Cap Reduction (\$000)	\$252,560	\$257,180	\$258,270	\$265,213	\$267,990	\$273,860	\$270,453	\$264,423	\$257,180	\$260,056	\$259,565	\$264,169	\$267,884	\$273,877	\$269,448	\$276,460	\$285,008
(7) Medicare Cap Reduction	\$384	(\$2,620)	\$2,577	-	-	(\$873)	\$873	(\$855)	(\$3,179)	(\$3,838)	\$847	(\$143)	(\$2,500)	\$506	\$165	\$0	\$0
(8) Revenue After Medicare Cap Reduction (\$000)	\$252,944	\$254,560	\$260,847	\$265,213	\$267,990	\$272,987	\$271,326	\$263,568	\$254,001	\$256,218	\$260,412	\$264,026	\$265,384	\$274,383	\$269,613	\$276,460	\$285,008
(9) % Routine Home Care	72.9%	73.4%	72.2%	72.9%	73.8%	73.5%	72.7%	75.7%	76.4%	76.3%	75.3%	75.9%	76.5%	76.6%	75.9%	77.2%	78.2%
(10) % InPatient	11.2%	10.8%	11.3%	11.0%	10.5%	10.2%	10.5%	9.8%	9.7%	9.9%	10.0%	9.8%	9.3%	9.4%	9.9%	9.2%	8.5%
(11) % Continuous Care	15.9%	15.8%	16.5%	16.1%	15.7%	16.3%	16.8%	14.5%	14.0%	13.8%	14.7%	14.3%	14.2%	14.0%	14.2%	13.6%	13.3%
(12) % Medicare Cap	0.2%	(1.0%)	1.0%	0.0%	0.0%	(0.3%)	0.3%	(0.3%)	(1.3%)	(1.5%)	0.3%	(0.1%)	(0.9%)	0.2%	0.1%	0.0%	0.0%
Direct Care Margins: (a)																	
(13) Routine Home Care	52.4%	53.2%	50.4%	52.4%	52.5%	54.4%	51.9%	52.3%	52.5%	53.8%	52.8%	53.4%	53.8%	54.9%	52.7%	52.4%	53.7%
(14) In Patient Care	12.4%	13.1%	14.1%	12.7%	9.2%	10.5%	10.9%	3.6%	1.7%	5.0%	4.2%	6.9%	4.9%	7.2%	8.4%	6.0%	3.8%
(15) Continuous Care	20.7%	19.9%	19.9%	19.7%	19.0%	18.3%	17.7%	14.6%	14.8%	16.1%	16.6%	17.5%	17.4%	18.2%	15.9%	16.7%	5.7%
(16) Gross Profit (Direct and Indirect) (\$000) (b) (c)	\$56,537	\$58,476	\$55,227	\$57,374	\$59,517	\$63,599	\$58,166	\$57,780	\$56,614	\$58,953	\$55,020	\$58,208	\$58,279	\$66,959	\$57,118	\$60,682	\$66,480
(17) Gross Profit Margin (b) (c)	22.4%	23.0%	21.2%	21.6%	22.2%	23.3%	21.4%	21.9%	22.3%	23.0%	21.1%	22.0%	22.0%	24.4%	21.2%	21.9%	23.3%
(18) Pro Forma Selling, General & Admin Exp (c)	\$18,945	\$18,306	\$19,748	\$20,471	\$20,148	\$20,127	\$21,604	\$21,063	\$18,637	\$20,948	\$21,714	\$21,002	\$20,224	\$21,657	\$21,971	\$22,237	\$22,241
(19) Pro Forma Adjusted EBITDA (\$000) (c)	\$37,825	\$40,030	\$35,489	\$37,055	\$39,774	\$43,972	\$37,577	\$37,675	\$37,314	\$38,589	\$33,939	\$37,478	\$38,339	\$45,694	\$35,954	\$39,828	\$45,311
(20) Pro Forma Adjusted EBITDA Margin (c)	15.0%	15.7%	13.6%	14.0%	14.8%	16.1%	13.8%	14.3%	14.7%	15.1%	13.0%	14.2%	14.4%	16.7%	13.3%	14.4%	15.9%

(a) Excludes any Medicare cap reduction

(b) Includes any Medicare cap reduction

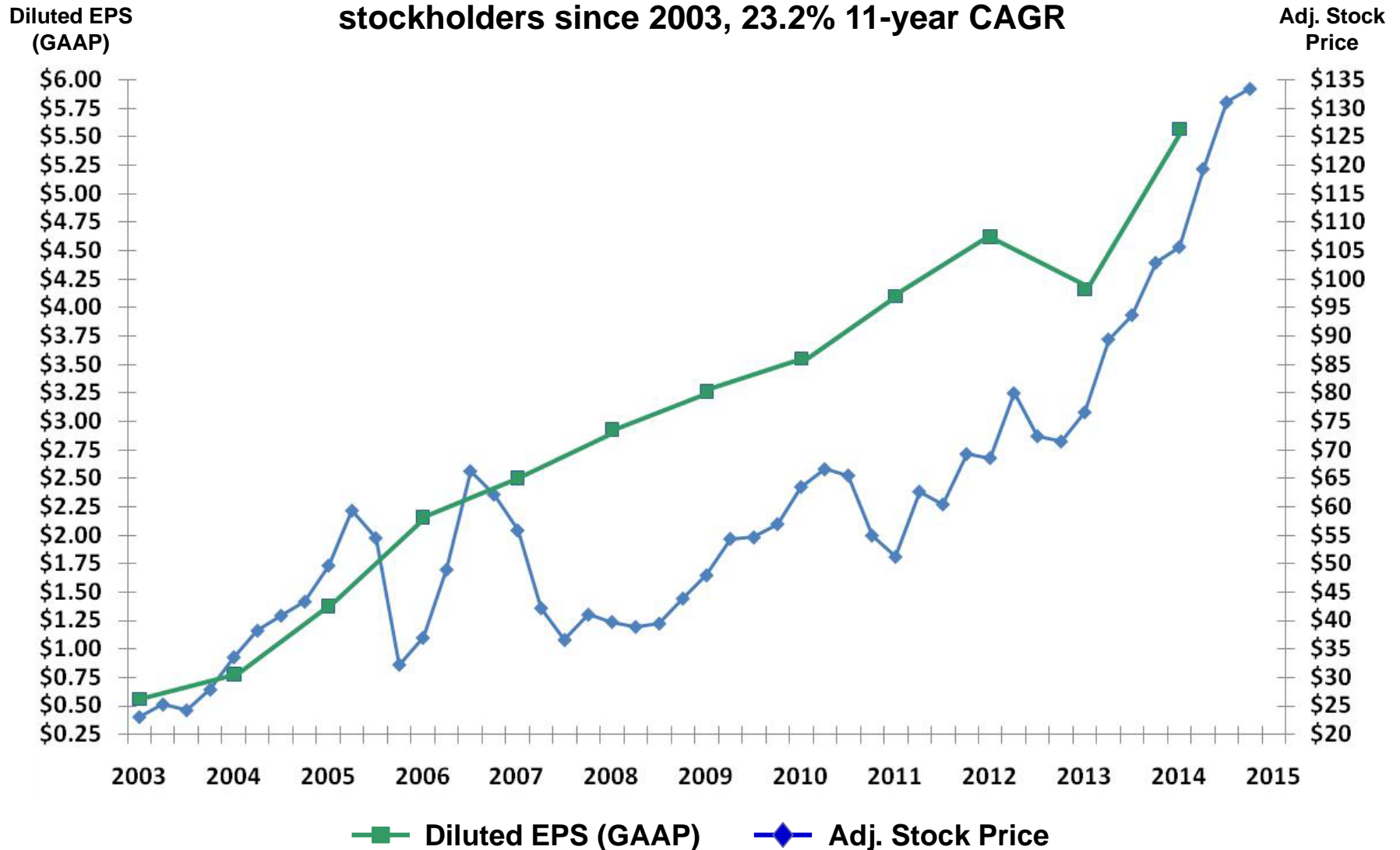
(c) Excludes depreciation, amortization



# Appendix

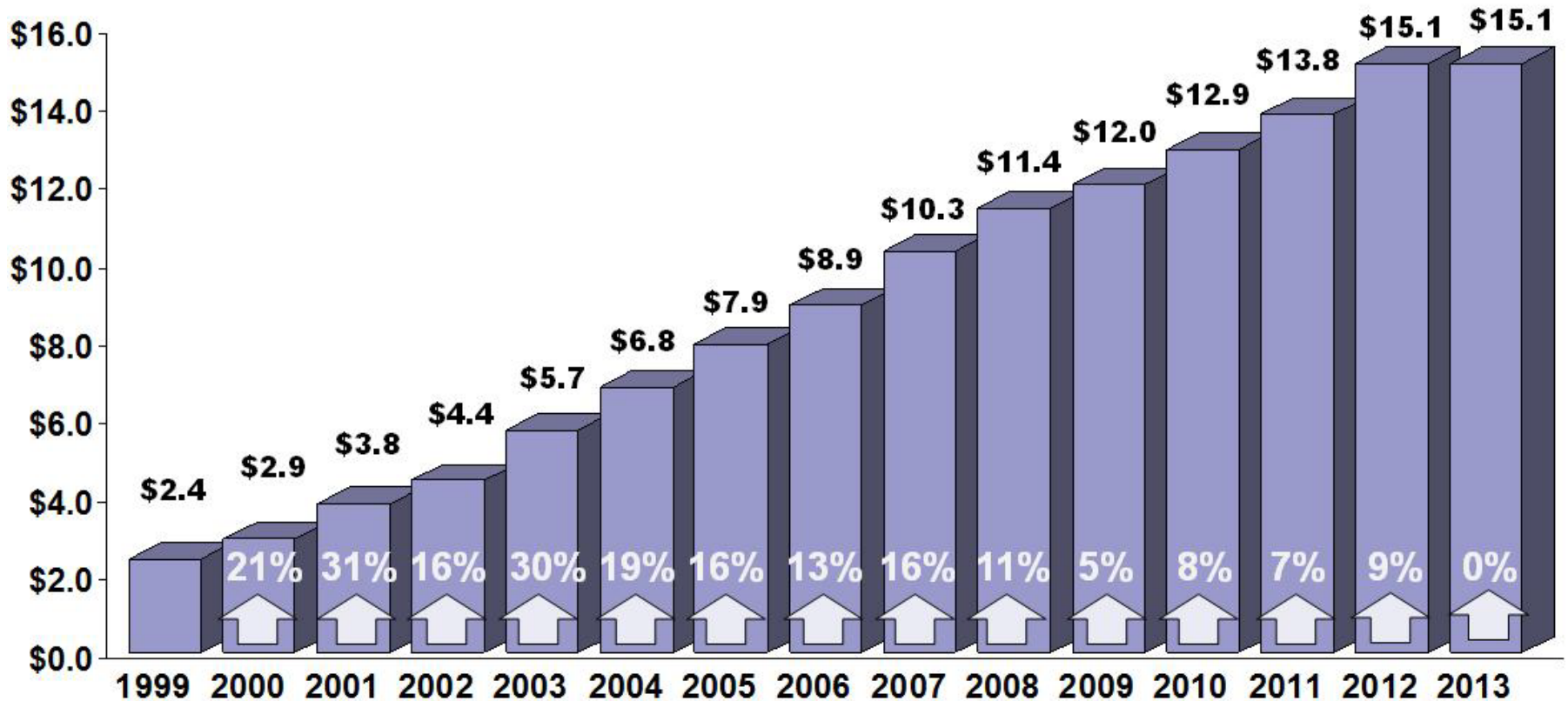
# EPS<sup>(1)</sup> and Stock Price<sup>(2)</sup> History

Chemed has delivered strong and consistent EPS to stockholders since 2003, 23.2% 11-year CAGR



(1) Diluted EPS from continuing operations (GAAP)  
 (2) Adjusted for stock splits

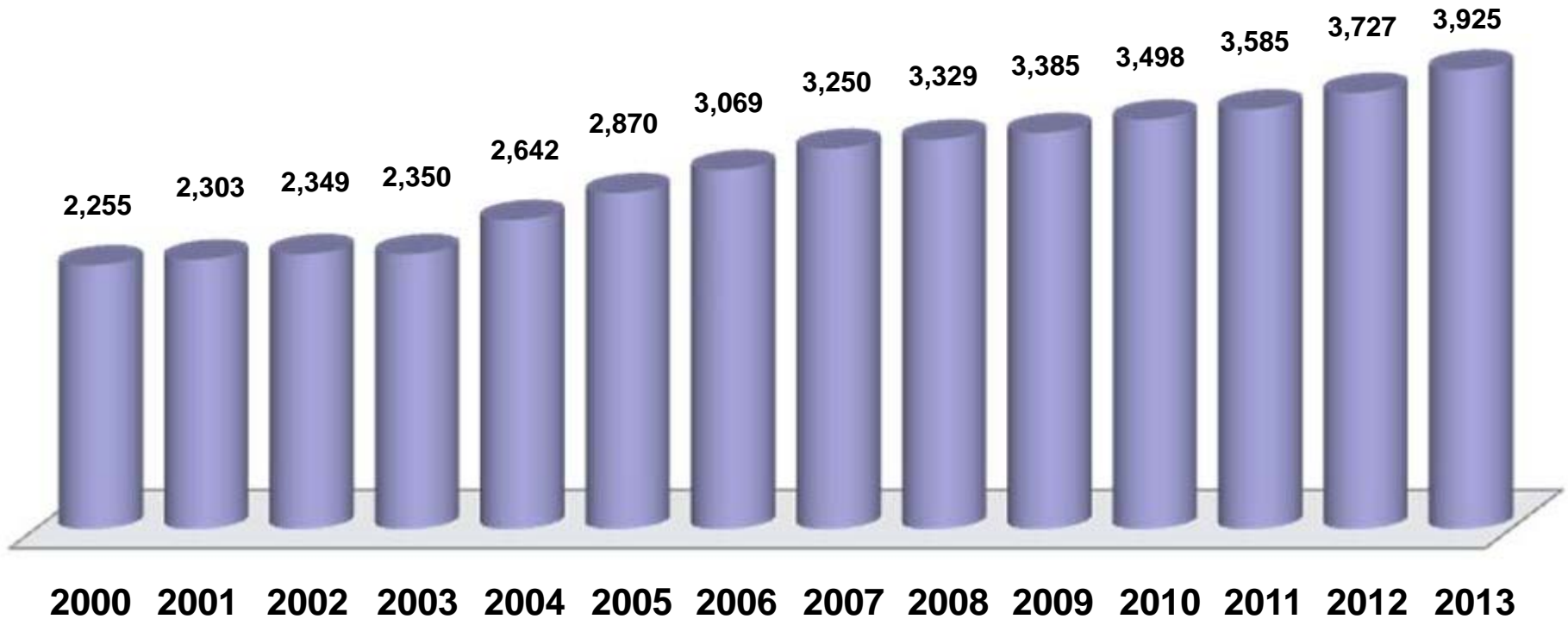
# Medicare Hospice Spending (in billions)



■ **14% Compounded annual growth rate from 1999 to 2013**

Source: MedPAC Report to the Congress – 2011, 2012, 2013, 2014 and 2015

# Growth in Hospice Programs



Source: MedPAC Report to the Congress – 2011, 2012, 2013, 2014 and 2015



**CHEMED CORPORATION**  
**RECONCILIATION OF ADJUSTED EBITDA and ADJUSTED NET INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 THROUGH 2014**  
(In Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Reconciliation of Adjusted EBITDA</b>											
(1) Net income/(loss)	\$ 27,512	\$ 35,817	\$ 50,651	\$ 61,641	\$ 67,281	\$ 73,784	\$ 81,831	\$ 85,979	\$ 89,304	\$ 77,227	\$ 99,317
(2) Discontinued operations	(8,417)	411	7,071	(1,201)	1,088	253	-	-	-	-	-
(3) Interest expense	21,158	21,264	17,468	14,921	12,123	11,599	11,959	13,888	14,723	15,035	8,186
(4) Income taxes	13,736	18,428	32,562	37,721	47,035	46,583	52,000	54,577	56,515	46,602	63,437
(5) Depreciation	14,542	16,150	16,775	20,118	21,581	21,535	24,386	25,247	26,009	27,698	29,881
(6) Amortization	3,779	4,922	5,255	5,270	5,924	6,367	4,657	4,252	4,512	4,690	3,191
(7) EBITDA	72,310	96,992	129,782	138,470	155,032	160,121	174,833	183,943	191,063	171,252	204,012
Add/(deduct):											
(8) (Gains)/losses on investments	-	-	1,445	-	-	(1,211)	-	-	-	-	-
(9) Gain on sale of property	-	-	-	(1,138)	-	-	-	-	-	-	-
(10) Impairment loss on transportation equipment	-	-	-	-	2,699	-	-	-	-	-	-
(11) Severance charges	-	-	-	-	-	-	-	-	-	-	-
(12) Interest income	(1,874)	(2,198)	(2,691)	(3,304)	(743)	(423)	(444)	(426)	(809)	(847)	29
(13) Dividend income from VITAS	-	-	-	-	-	-	-	-	-	-	-
(14) Equity in earnings of VITAS	4,105	-	-	-	-	-	-	-	-	-	-
(15) Advertising cost adjustment	528	691	323	601	225	(540)	(679)	(1,240)	(1,573)	(1,166)	(1,462)
(16) Long-term incentive compensation	8,783	5,477	-	7,067	-	5,007	4,734	3,012	360	1,301	2,569
(17) Loss/(gain) on extinguishment of debt	3,330	3,971	430	13,798	(3,406)	-	-	-	-	-	-
(18) Legal expenses of OIG investigation	-	637	1,068	227	47	586	1,012	1,188	1,212	2,149	2,141
(19) Stock option expense	-	215	1,211	4,665	7,303	8,639	7,762	8,376	8,130	6,042	4,802
(20) Lawsuit settlement	3,135	17,350	272	1,927	-	882	1,853	2,299	1,016	27,646	120
(21) Debt registration expenses	1,191	-	-	-	-	-	-	-	-	-	-
(22) VITAS transactions costs	442	(959)	-	-	-	-	-	-	-	-	-
(23) Prior-period insurance adjustments	-	(1,663)	-	-	597	-	-	-	-	-	-
(24) Expenses associated with contested proxy solicitation	-	-	-	-	-	3,989	-	-	-	-	-
(25) Acquisition Expenses	-	-	-	-	-	-	324	121	188	62	24
(26) Costs to Shut down HVAC operations	-	-	-	-	-	-	-	-	1,126	-	-
(27) Securities litigation	-	-	-	-	-	-	-	-	742	109	327
(28) Severance arrangements	-	-	-	-	-	-	-	-	-	302	-
(29) Other	-	-	(467)	(467)	-	-	-	-	-	-	-
(30) Adjusted EBITDA	\$ 91,950	\$ 120,513	\$ 131,373	\$ 161,846	\$ 161,754	\$ 177,050	\$ 189,395	\$ 197,273	\$ 201,455	\$ 206,850	\$ 212,562
<b>Reconciliation of Adjusted Net Income</b>											
(31) Net income/(loss)	\$ 27,512	\$ 35,817	\$ 50,651	\$ 61,641	\$ 67,281	\$ 73,784	\$ 81,831	\$ 85,979	\$ 89,304	\$ 77,227	\$ 99,317
Add/(deduct):											
(32) Discontinued operations	(8,417)	411	7,071	(1,201)	1,088	253	-	-	-	-	-
(33) (Gains)/losses on investments	-	-	918	-	-	-	-	-	-	-	-
(34) Gain on sale of property	-	-	-	(724)	-	-	-	-	-	-	-
(35) Impairment loss on transportation equipment	-	-	-	-	1,714	-	-	-	-	-	-
(36) Severance charges	-	-	-	-	-	-	-	-	-	-	-
(37) Dividend income from VITAS	-	-	-	-	-	-	-	-	-	-	-
(38) Equity in earnings of VITAS	4,105	-	-	-	-	-	-	-	-	-	-
(39) Long-term incentive compensation	5,437	3,434	-	4,427	-	3,134	2,957	1,880	228	822	1,625
(40) Loss/(gain) on extinguishment of debt	2,030	2,523	273	8,778	(2,156)	-	-	-	-	294	-
(41) Legal expenses of OIG investigation	-	397	662	141	28	363	627	737	752	1,333	1,328
(42) Stock option expense	-	137	769	2,962	4,619	5,464	4,909	5,298	5,143	3,813	3,022
(43) Lawsuit settlement	1,897	10,757	169	1,168	-	534	1,126	1,397	617	16,926	74
(44) Prior period tax adjustments	(1,620)	(1,961)	(2,115)	-	(322)	-	-	-	-	(1,782)	-
(45) Debt registration expenses	727	-	-	-	-	-	-	-	-	-	-
(46) VITAS transactions costs	222	(959)	-	-	-	-	-	-	-	-	-
(47) Prior-period insurance adjustments	-	(1,014)	-	-	358	-	-	-	-	-	-
(48) Non-cash interest on convertible debt	-	-	-	2,335	3,228	3,988	4,313	4,664	5,041	5,448	2,143
(49) Income tax impact of non-taxable investments	-	-	-	46	3,062	(756)	-	-	-	-	-
(50) Expenses associated with contested proxy solicitation	-	-	-	-	-	2,525	-	-	-	-	-
(51) Acquisition Expenses	-	-	-	-	-	-	198	75	114	38	15
(52) Costs to Shut down HVAC operations	-	-	-	-	-	-	-	-	649	-	-
(53) Securities litigation	-	-	-	-	-	-	-	-	469	69	207
(54) Severance arrangements	-	-	-	-	-	-	-	-	-	184	-
(55) Other	-	-	(296)	(296)	-	-	-	-	-	-	-
(56) Adjusted net income	\$ 31,893	\$ 49,542	\$ 58,102	\$ 79,277	\$ 78,900	\$ 89,289	\$ 95,961	\$ 100,030	\$ 102,317	\$ 104,372	\$ 107,731

**ROTO-ROOTER GROUP**  
**RECONCILIATION OF ADJUSTED EBITDA and ADJUSTED NET INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 THROUGH 2014**  
(IN THOUSANDS)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Reconciliation of Adjusted EBITDA</b>											
(1) Net income	\$ 18,795	\$ 27,626	\$ 32,454	\$ 38,971	\$ 33,427	(a) \$ 33,040	(a) \$ 31,678	\$ 34,879	\$ 30,905	\$ 29,243	\$ 42,075
(2) Interest expense	206	563	368	495	246	186	233	358	433	322	363
(3) Income taxes	10,611	16,048	18,748	24,145	20,644	(a) 20,372	(a) 19,547	21,353	18,770	17,560	25,808
(4) Depreciation	8,583	8,271	7,665	8,365	8,294	8,068	7,775	8,130	8,397	9,014	10,702
(5) Amortization	119	90	72	54	313	(a) 441	(a) 514	599	632	607	525
(6) EBITDA	38,314	52,598	59,307	72,030	62,924	62,107	59,747	65,319	59,137	56,746	79,473
Add/(deduct)											
(7) Advertising cost adjustment	528	691	323	601	225	(540)	(679)	(1,240)	(1,573)	(1,166)	(1,462)
(8) Long-term incentive compensation	1,558	-	-	-	-	-	-	-	-	-	-
(9) Lawsuit settlement	3,135	-	-	1,927	-	882	1,853	2,299	1,016	17,146	7
(10) Prior-period insurance adjustments	-	(1,663)	-	-	597	-	-	-	-	-	-
(11) Interest income	(139)	(156)	(85)	(377)	(116)	(73)	(49)	(40)	(30)	(41)	(39)
(12) Intercompany interest income	(1,041)	(2,236)	(3,997)	(4,993)	(3,708)	(2,514)	(2,612)	(2,136)	(1,617)	(2,055)	(2,892)
(13) Acquisition expenses	-	-	-	-	-	-	256	(26)	173	4	23
(14) Severance arrangements	-	-	-	-	-	-	-	-	-	302	-
(15) Costs to shut down HVAC operations	-	-	-	-	-	-	-	-	1,126	-	-
(16) Adjusted EBITDA	<u>\$ 42,355</u>	<u>\$ 49,234</u>	<u>\$ 55,548</u>	<u>\$ 69,188</u>	<u>\$ 59,922</u>	<u>\$ 59,862</u>	<u>\$ 58,516</u>	<u>\$ 64,176</u>	<u>\$ 58,232</u>	<u>\$ 70,936</u>	<u>\$ 75,110</u>
<b>Reconciliation of Adjusted Net Income</b>											
(17) Net income	\$ 18,795	\$ 27,626	\$ 32,454	\$ 38,971	\$ 33,427	(a) \$ 33,040	(a) \$ 31,678	\$ 34,879	\$ 30,905	\$ 29,243	\$ 42,075
Add/(deduct):											
(18) Long-term incentive compensation	982	-	-	-	-	-	-	-	-	-	-
(19) Lawsuit settlement	1,897	-	-	1,168	-	534	1,126	1,397	617	10,416	4
(20) Prior-period insurance adjustments	-	(1,014)	-	-	358	-	-	-	-	-	-
(21) Prior-period tax adjustments	(630)	(1,126)	(1,251)	-	-	-	-	-	-	-	-
(22) Acquisition expenses	-	-	-	-	-	-	156	(16)	105	2	14
(23) Severance arrangements	-	-	-	-	-	-	-	-	-	184	-
(24) Costs to shut down HVAC operations	-	-	-	-	-	-	-	-	649	-	-
(25) Adjusted net income	<u>\$ 21,044</u>	<u>\$ 25,486</u>	<u>\$ 31,203</u>	<u>\$ 40,139</u>	<u>\$ 33,785</u>	(a) <u>\$ 33,574</u>	(a) <u>\$ 32,960</u>	<u>\$ 36,260</u>	<u>\$ 32,276</u>	<u>\$ 39,845</u>	<u>\$ 42,093</u>

(a) Restated to include stock award amortization

**VITAS HEALTHCARE GROUP**  
**RECONCILIATION OF ADJUSTED EBITDA and ADJUSTED NET INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 THROUGH 2014 (a)**  
**(IN THOUSANDS)**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Reconciliation of Adjusted EBITDA</b>											
(1) Net income	\$33,052	\$34,982	\$43,546	\$ 61,034	\$ 64,304	(b) \$ 71,696	(b) \$ 79,796	\$ 80,358	\$ 86,577	\$ 76,144	\$ 86,185
(2) Discontinued operations	(91)	(1,477)	4,872	(1,201)	-	-	-	-	-	-	-
(3) Interest expense	128	153	191	146	155	374	131	229	233	182	207
(4) Income taxes	22,447	20,097	28,705	35,722	38,458	(b) 43,637	(b) 48,601	48,835	53,092	46,910	53,278
(5) Depreciation	6,192	7,557	8,753	11,446	13,000	13,269	16,161	16,583	17,087	18,149	18,601
(6) Amortization	3,957	3,947	3,916	3,984	4,651	(b) 4,704	(b) 2,739	1,897	1,956	2,102	1,034
(7) EBITDA	65,685	65,259	89,983	111,131	120,568	133,680	147,428	147,902	158,945	143,487	159,305
Add/(deduct)											
(8) Legal expenses of OIG investigation	-	637	1,068	227	46	586	1,012	1,188	1,212	2,149	2,141
(9) Lawsuit settlement	-	17,350	272	-	-	-	-	-	-	10,500	113
(10) Interest income	(373)	(237)	(114)	(151)	(137)	(267)	(220)	(295)	(703)	(750)	78
(11) Intercompany interest income	(759)	(2,554)	(5,329)	(7,254)	(5,199)	(4,314)	(4,632)	(3,998)	(3,180)	(4,288)	(6,189)
(12) Acquisition expenses	-	-	-	-	-	-	68	147	15	58	1
(13) Adjusted EBITDA	<u>\$64,553</u>	<u>\$80,455</u>	<u>\$85,880</u>	<u>\$ 103,953</u>	<u>\$ 115,278</u>	<u>\$ 129,685</u>	<u>\$ 143,656</u>	<u>\$ 144,944</u>	<u>\$ 156,289</u>	<u>\$ 151,156</u>	<u>\$ 155,449</u>
<b>Reconciliation of Adjusted Net Income</b>											
(14) Net income	\$33,052	\$34,982	\$43,546	\$ 61,034	\$ 64,304	(b) \$ 71,696	(b) \$ 79,796	\$ 80,358	\$ 86,577	\$ 76,144	\$ 86,185
(15) Add/(deduct):											
(16) Discontinued operations	(91)	(1,477)	4,872	(1,201)	-	-	-	-	-	-	-
(17) Legal expenses of OIG investigation	-	397	662	141	28	363	627	737	752	1,333	1,328
(18) Lawsuit settlement	-	10,757	169	-	-	-	-	-	-	6,510	70
(19) Prior-period tax adjustments	-	-	-	-	(322)	-	-	-	-	-	-
(20) Acquisition expenses	-	-	-	-	-	-	42	91	9	36	1
(21) Adjusted net income	<u>\$32,961</u>	<u>\$44,659</u>	<u>\$49,249</u>	<u>\$ 59,974</u>	<u>\$ 64,010</u>	<u>(b) \$ 72,059</u>	<u>(b) \$ 80,465</u>	<u>\$ 81,186</u>	<u>\$ 87,338</u>	<u>\$ 84,023</u>	<u>\$ 87,584</u>

(a) Assumes VITAS was purchased on January 1, 2004

(b) Restated to include stock award amortization

**CHEMED CORPORATION**  
**RECONCILIATION OF ADJUSTED EBITDA AND ADJUSTED NET INCOME**  
**FOR THE FIRST NINE MONTHS OF 2014 and 2015**

	(1)	(2)
	<u>2014</u>	<u>2015</u>
<b>Reconciliation of Adjusted EBITDA</b>		
(1) Net income	\$ 69,522	\$ 80,345
(2) Interest expense	7,224	2,846
(3) Income taxes	43,913	50,852
(4) Depreciation	21,871	24,189
(5) Amortization	<u>2,461</u>	<u>1,895</u>
(6) EBITDA	144,991	160,127
Add/(deduct)		
(7) Interest income	5	(207)
(8) Advertising cost adjustment	(1,623)	(1,367)
(9) Long-term incentive compensation	1,988	3,755
(10) Legal expenses of OIG investigation	1,608	3,837
(11) Stock option expense	3,430	3,600
(12) Lawsuit settlement	-	-
(13) Acquisition expenses	1	161
(14) Expenses related to litigation settlements	104	5
(15) Expenses related to securities settlements	<u>327</u>	<u>37</u>
(16) Adjusted EBITDA	<u>\$ 150,831</u>	<u>\$ 169,948</u>
<b>Reconciliation of Adjusted Net Income</b>		
(17) Net income	\$ 69,522	\$ 80,345
Add/(deduct):		
(18) Loss(gain) on extinguishment of debt	-	-
(19) Long-term incentive compensation	1,258	2,375
(20) Legal expenses of OIG investigation	997	2,369
(21) Stock option expense	2,159	2,268
(22) Lawsuit settlement	-	23
(23) Non-cash interest on convertible debt	2,143	-
(24) Acquisition expenses	1	98
(25) Expenses related to litigation settlements	64	3
(26) Expenses related to securities litigation	207	-
(27) Uncertain tax position adjustments	-	-
(28) Adjusted net income	<u>\$ 76,351</u>	<u>\$ 87,481</u>

**ROTO-ROOTER GROUP**  
**RECONCILIATION OF ADJUSTED EBIT AND ADJUSTED EBITDA**  
**FOR THE FIRST NINE MONTHS OF 2014 AND 2015**

	(1) <b>2014</b>	(2) <b>2015</b>
<b>Reconciliation of Adjusted EBIT and EBITDA</b>	<u>2014</u>	<u>2015</u>
(1) Net income	\$ 30,599	\$ 35,122
(2) Interest expense	295	274
(3) Income taxes	<u>18,728</u>	<u>21,561</u>
(4) EBIT	49,622	56,957
Add/(deduct)		
(5) Advertising cost adjustment	(1,623)	(1,367)
(6) Lawsuit settlement	(9)	-
(7) Interest income	(28)	(27)
(8) Intercompany interest income	(2,090)	(2,501)
(9) Acquisition expenses	-	161
(10) Expenses related to litigation settlements	<u>-</u>	<u>5</u>
(11) Adjusted EBIT	45,872	53,228
(12) Depreciation	7,732	9,598
(13) Amortization	<u>397</u>	<u>408</u>
(14) Adjusted EBITDA	<u>\$ 54,001</u>	<u>\$ 63,234</u>

**VITAS HEALTHCARE GROUP**  
**RECONCILIATION OF ADJUSTED EBITDA**  
**FOR THE FIRST NINE MONTHS OF 2014 AND 2015**

<b>Reconciliation of Adjusted EBITDA</b>		(1) <b>2014</b>	(2) <b>2015</b>
(1)	Net income	\$ 60,645	\$ 66,839
(2)	Interest expense	167	164
(3)	Income taxes	37,161	41,230
(4)	Depreciation	13,709	14,141
(5)	Amortization	829	523
(6)	EBITDA	<u>112,511</u>	<u>122,897</u>
	Add/(deduct)		
(7)	Legal expenses of OIG investigation	1,608	3,837
(8)	Interest income	43	(179)
(9)	Intercompany interest income	(4,520)	(5,461)
(10)	Litigation settlements	113	-
(11)	Acquisition expenses	1	-
(12)	Adjusted EBITDA	<u><u>\$ 109,756</u></u>	<u><u>\$ 121,094</u></u>



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