

# AREX

CAPITAL MANAGEMENT

October 5, 2023

**Via Electronic Mail**

The Board of Directors  
Enhabit, Inc.  
6688 N. Central Expressway  
Suite 1300  
Dallas, TX 75206

Attention: Barbara A. Jacobsmeyer, Chief Executive Officer

Dear Barbara and Members of the Board:

AREX Capital Management, LP and its affiliates (together, “AREX” or “we”), are collectively the beneficial owners of approximately 2.4 million shares of Enhabit, Inc. (“Enhabit” or the “Company”), representing approximately 4.7% of the Company’s common shares outstanding.

Poor communications have again caused unnecessary and substantial harm to Enhabit’s shareholders. Somehow, the Company took the simple act of proactively attempting to streamline their strategic alternatives review process and created confusion for investors—with the Company’s initial 8-K on Monday failing to even mention the process! Last night’s clarification was better but shouldn’t have been necessary.

Monday’s disclosure also needlessly implied that Enhabit’s lenders had slashed their Revolving Credit Facility commitments, an error that was repeated by several sell-side analysts. This inference is simply wrong. There was, in fact, no change at all to lenders’ permanent commitments or to the overall facility size, and there was virtually no change to the Company’s effective revolver limit, which stood at \$239 million on June 30th and now stands at \$230 million. Likewise, the fact that the waiver was granted for a five-basis-point consent fee with no change to the facility’s interest rate grid highlights what a non-event this was for the Company’s lenders and showcases their strong support for the Company’s strategic alternatives review. We are perplexed as to why all of this wasn’t explained with straightforward language.

As we stated in yesterday’s conversation with you and Chairman Lee Higdon, this latest debacle has once again proven the already blindingly obvious point that Enhabit must not remain a standalone public company. The value of the Company’s highly strategic assets has been obscured by underwhelming execution and bloated overhead. Thankfully, Enhabit’s strategic alternatives review process should ultimately result in a sale. We strongly emphasize to the Board that there should be absolutely no question that the highest bid received in a full and fair auction is Enhabit’s fair value. **A sale of the Company is the only acceptable outcome for this process.**

We can only hope that the Board is as exhausted by these persistent disappointments as its shareholders. But let us be perfectly clear: we will act decisively to protect our rights if the Company has not announced a sale by early next year.

Best regards,



Andrew Rechtschaffen  
Managing Partner



James T. Corcoran  
Partner