Invacare Corporation

Fourth Quarter and Year End 2020 Conference Call Webcast

Invacare 4Q20 and FY2020 Earnings Release Conference Call Webcast Slides – February 10, 2021

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that describe future outcomes or expectations that are usually identified by words such as "will," "should," "could," "plan," "intend," "expect," "continue," "forecast," "believe," and "anticipate" and include, for example, any statement made regarding the company's future results. Actual results may differ materially as a result of various risks and uncertainties, including those expressed in the cautionary statement in the company's earnings press release for the fourth quarter 2020 posted on www.invacare.com/investorrelations, as well as in the company's annual reports on Form 10-K, quarterly reports on Form 10-Q and other filings with the Securities and Exchange Commission. The company may not be able to predict and may have little or no control over many factors or events that may influence its future results and, except as required by law, shall have no obligation to update any forward-looking statements.

Financial results presented are as of December 31, 2020, unless otherwise noted.

Non-GAAP Financial Measures

Some of the information in this presentation is derived from the company's consolidated financial data but not presented in its financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data points are considered "non-GAAP financial measures" under Securities and Exchange Commission rules. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered an alternative to the GAAP measure. The reconciliations to their most directly comparable GAAP financial measures are included in the accompanying table and Appendix.

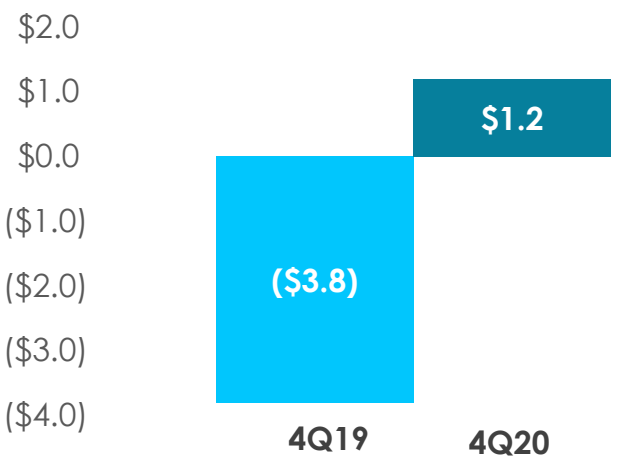
A Stronger Invacare is Well-Positioned for Growth

- Delivered solid results in 2020, despite the pandemic
  - Improved full-year profitability
  - Achieved breakeven free cash flow
  - Strengthened financial flexibility
  - Introduced compelling new products
  - Optimized manufacturing footprint
  - Adapted to new work environment
- Looking ahead, Invacare is in a stronger position
  - Overall healthcare market grows along with the population, in the low single-digits annually
  - Targeted to grow beyond market rates and regain market share in North America, driven by new product introductions with improved commercial effectiveness, and pent-up demand from the pandemic
  - Durable improvements to the business to increase margins and lower SG&A expenses as a percent of net sales over the long-term
  - Ongoing IT initiatives to simplify the business and improve the customer experience

Fourth Quarter 2020 Financial Highlights

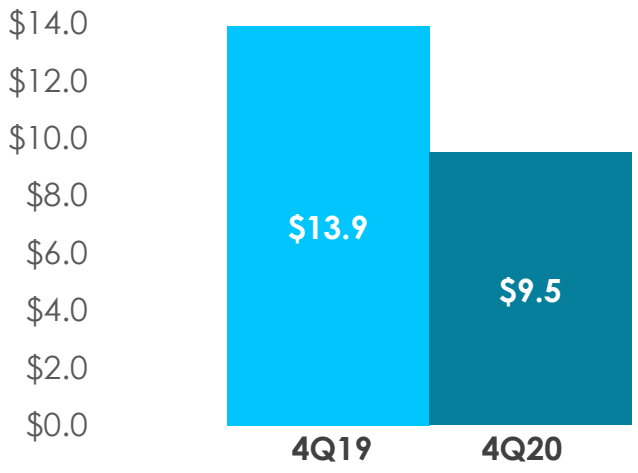
Operating Income

⇧ **$5.0 million driven by:**
- Higher gross profit margin from favorable product mix
- Lower SG&A and restructuring expenses



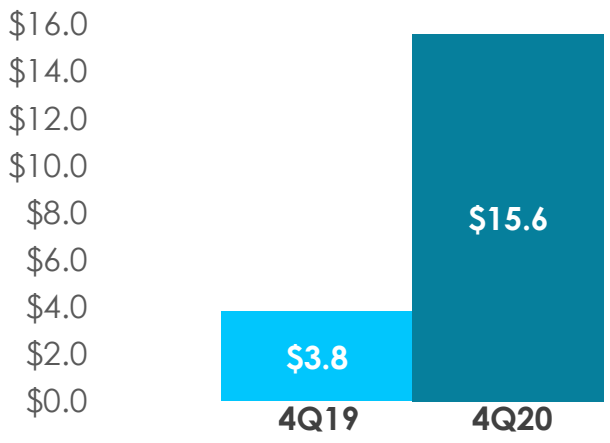
Adjusted EBITDA

⇩ **$4.4 million YOY due to:**
- Reduced gross profit dollars on lower sales
- Partially offset by lower SG&A expenses



Free Cash Flow

⇧ **$11.8 million YOY driven by:**
- Lower working capital
- Higher operating income

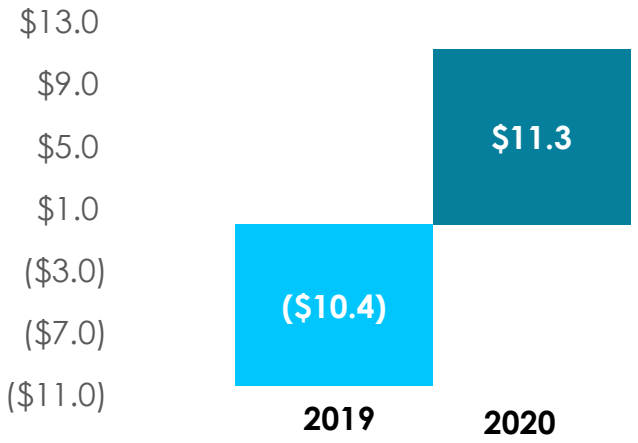


Ongoing product mix shift and disciplined cost structure drove profitable growth

2020 Financial Highlights

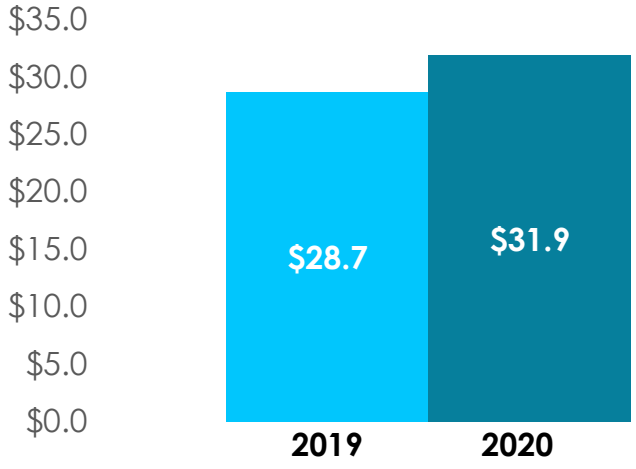
Operating Income

⇧ **$21.7 million driven by:**
- Lower SG&A and restructuring expenses
- Gain from divestiture
- Offset by decreased gross profit dollars on lower sales



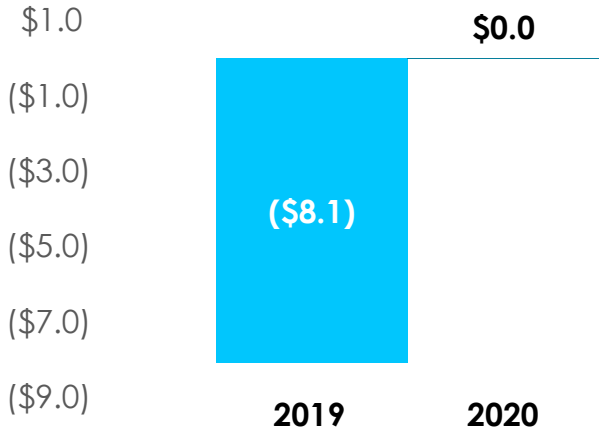
Adjusted EBITDA

⇧ **$3.2 million driven by:**
- Lower SG&A expenses
- Partially offset by decreased gross profit dollars on lower net sales



Free Cash Flow

⇧ **$8.1 million driven by:**
- Higher operating income
- Reduced working capital



Significant improvement in key metrics despite the pandemic

Culture of Innovation & Process Improvements Paves Way for Growth

Product introductions in all categories to drive incremental sales at higher margins

AVIVA®
FWD and RWD power wheelchairs

MPS Mini Maxx
CWD w/standing capabilities

Kompas ™
Lightweight, foldable power chair

SMOOV® one
Power add-on

Küschall® Series
Hydroforming technology

Clematis Pro
Tilt-in-space

Cetus
Scooter

Scorpius
Foldable scooter

Action Ampla ™
Bariatric manual

NordBed Kid
Bed that grows with the child

ISA™ Lift and Optisling
Safe patient handling

Pico Green
Eco-friendly shower chair

Business Optimization

- ✓ Completed the outsourcing of the IT infrastructure and began deploying our modernized IT system in the first stages in Canada and New Zealand
- ✓ Completed German plant consolidation for anticipated $5 million of annual cost savings in 2021

ESG Program to Enhance Shareholder Value and Company Mission

Program Highlights and Goals

Environmental

- Expanding sustainability objectives in new product development:
  - Launched product line replacing plastic with 'green' materials
  - Developing new respiratory product with recyclable materials and minimal mixed materials
- Implemented lithium sieve recycling program to reduce solid waste
- Moved to new eco-friendly German manufacturing site
- Renewable energy credits for Ohio campus utilities
- Targeting 85% of worldwide facilities to report energy consumption to enable estimation of our global carbon footprint
- Implemented waste minimization policy to reduce consumption and lower landfill use

Social

- Emphasizing Diversity, Equity & Inclusion
- Expanded board diversity; gender recognition in 2020
- Long-time supporter: Paralyzed Veterans of America (PVA) Games; Wounded Warriors; Invictus Games; Special Olympics; Junior Achievement, United Way and Easter Seals
- Promote ethical and socially conscious supply chain through Supplier Code of Conduct

Governance

- Developing new framework for ESG/DEI reporting
- Aligning to certify to ISO 14001 in key European operations
- Augmenting global team for coordinating and prioritizing E&S reporting and investments

Quarterly Board Reviews of ESG Program

Financial Results

Key Financial Metrics – 4Q20 Consolidated

Compared to 4Q19

(in millions USD)	4Q20	4Q19	$ Change Fav/(Unfav)	% Change Fav/(Unfav)
Net Sales	**$224.0**	$232.9	$(8.9)	(3.8%)
Constant Currency Net Sales*	**$215.9**	$228.9	($13.1)	(5.7%)
Gross Profit % of Net Sales	**29.3%**	29.2%		10 bps
Gross Profit	**$65.6**	$68.0	($2.4)	(3.5%)
Reported SG&A	**$61.7**	$63.0	$1.3	2.1%
Constant Currency SG&A*	**$59.6**	$62.0	$2.4	3.9%
Operating Income (Loss)	**$1.2**	($3.8)	$5.0	--
Adjusted EBITDA	**$9.5**	$13.9	($4.4)	(31.6%)
Free Cash Flow	**$15.6**	$3.8	$11.8	313.3%

** Based on 4Q19 FX rates*

- Constant currency net sales decreased 5.7% vs. prior year
  - Revenue growth in respiratory products more than offset by lower sales of mobility & seating and lifestyle products
- Constant currency sequential net sales increased 4.2%
  - Driven by growth in lifestyle and respiratory products
- Gross profit increased 10 bps to 29.3%
  - Driven by favorable product mix and lower freight and R&D costs
  - Partially offset by unfavorable manufacturing variances on lower volumes
  - Sequential gross profit improved 100 basis points driven by favorable product mix
- Constant currency SG&A decreased by $2.4 million, or by 3.9%
  - Driven by lower employment costs including stock compensation
  - Constant currency sequential SG&A increased $5.3 million, or 9.6%, due to higher employment costs
- Operating income improved by $5.0 million
  - Driven by lower restructuring costs and SG&A expense
- Adjusted EBITDA decreased by $4.4 million with decline in gross profit on lower sales volumes, primarily in Europe
- Free Cash Flow improved by $11.8 million
  - Driven by improved working capital, primarily inventory

Cost savings initiatives support improved profitability as sales momentum rebuilds

Key Financial Metrics – 2020 Consolidated

Compared to 2019

(in millions USD)	2020	2019	$ Change Fav/(Unfav)	% Change Fav/(Unfav)
Net Sales	**$850.7**	$928.0	($77.3)	(8.3%)
Constant Currency Net Sales*	**$848.4**	$914.3	($65.9)	(7.2%)
Gross Profit % of Net Sales	**28.8%**	28.2%		60 bps
Gross Profit	**$245.3**	$262.1	($16.8)	(6.4%)
Reported SG&A	**$236.4**	$260.1	$23.7	9.1%
Constant Currency SG&A*	**$234.6**	$256.6	$22.0	8.6%
Operating Income (Loss)	**$11.3**	($10.4)	$21.7	--
Adjusted EBITDA	**$31.9**	$28.7	$3.2	11.1%
Free Cash Flow (Usage)	**$0.0**	$(8.1)	$8.1	--

** Based on FY19 FX rates*

- Constant currency net sales decreased 7.2% vs. prior year
  - Revenue growth in respiratory products more than offset by lower sales of mobility & seating and lifestyle products
- Gross profit increased 60 bps to 28.8%
  - Driven by favorable product mix
  - Offset by unfavorable manufacturing variances from lower volume
- Constant currency SG&A decreased $22.0 million, or by 8.6%
  - Driven by reduced employment costs and commercial expenses
  - 2020 spending includes benefit of furloughs and reduced work hours implemented as result of the pandemic
- Operating income improved by $21.7 million
  - Driven primarily by lower SG&A expenses
  - Gain from the divesture of Dynamic Controls
  - Lower restructuring costs
  - Offset by decreased gross profit on lower sales
- Adjusted EBITDA improved 11.1%, or by $3.2 million
- Free Cash improved by $8.1 million, to breakeven
  - Driven primarily by stronger operating results
  - Reduced working capital

Key strategic initiatives driving improved profitability in spite of pandemic

Consolidated Sales by Product Line

Compared to 4Q19 and 3Q20

(in millions USD)	4Q20	4Q19	YOY $ Change Fav/ (Unfav)	YOY % Change Fav/ (Unfav)	3Q20	Seq.% Change Fav/ (Unfav)
Reported Sales	**$224.0**	$232.9	$(8.9)	(3.8%)	$211.9	5.7%
Mobility & Seating	**$84.2**	$103.1	$(18.9)	(18.3%)	$84.1	0.2%
Lifestyle	**$105.7**	$108.2	$(2.5)	(2.3%)	$95.5	10.7%
Respiratory	**$27.1**	$15.4	$11.7	75.5%	$25.7	5.6%
Other	**$6.9**	$6.1	$0.8	13.3%	$6.6	5.0%

- Mobility & Seating
  - Decreased 18.3% as result of limited access to customers and end users due to the pandemic
  - North America achieved sequential sales growth of 3.3%
  - Europe sequential sales decreased 2.6% driven by lower sales of scooters, which are seasonally stronger in the third quarter
- Lifestyle
  - Decreased 2.3% driven by non-bed products
  - Sequential growth driven by Europe, primarily in bed and bed-related products
- Respiratory
  - Increased 75.5% driven by continued elevated demand for stationary oxygen concentrators for COVID-19 response
  - Demand remains elevated globally, with all segments reporting growth compared to the prior year
  - Managing through global supply chain challenges
  - Expect higher demand to persist with pandemic

Anticipate strengthening sales from pent-up demand, improved access to healthcare facilities and new products

Segment Performance – Europe

4th Quarter ($M)	4Q20	4Q19	% /$Δ YOY
Reported Sales	**$128.9**	$136.8	(5.8%)
Mobility & Seating	**$53.4**	$64.3	(17.0%)
Lifestyle	**$62.0**	$63.9	(2.9%)
Respiratory	**$8.1**	$4.4	84.9%
Other	**$5.3**	$4.3	25.6%
Operating Income	**$6.1**	$13.6	(55.3%)

Full Year ($M)	2020	2019	% /$Δ YOY
Reported Sales	**$468.0**	$533.0	(12.2%)
Mobility & Seating	**$200.7**	$249.1	(19.5%)
Lifestyle	**$222.7**	$246.0	(9.5%)
Respiratory	**$24.8**	$19.3	28.7%
Other	**$19.9**	$18.7	6.7%
Operating Income	**$22.7**	$36.2	(37.3%)

Note: the numbers in the table above reflect reported sales; for the definition of constant currency net sales and constant currency sequential net sales, refer to the Appendix

Compared to 4Q19

- Constant currency net sales decreased 11.4% vs. prior year
  - Revenue growth in respiratory products more than offset by lower sales of mobility & seating and lifestyle products
- Reported net sales increased 10.8% sequentially
  - Driven by a 23.3% increase in lifestyle products and 33.5% increase in respiratory products
- Gross profit decreased 220 bps
  - Due to unfavorable manufacturing variances from lower volume
- Operating income decreased by $7.5 million, or 55.3%
  - Due to lower gross profit, including unfavorable manufacturing variances from lower volume

Compared to Full Year 2019

- Constant currency net sales decreased 12.8%
  - Due to a 18.3% decrease in mobility and seating products and 9.4% decline in lifestyle products
- Gross profit decreased 110 bps
  - Due to unfavorable product mix including unfavorable manufacturing variances from lower volume
- Operating income decreased $13.5 million
  - Due to reduced gross profit from lower net sales

Sequential improvement in net sales driven by strong sales of lifestyle and respiratory products

Segment Performance – North America

4th Quarter	($M)	4Q20	4Q19	% /$Δ YOY
	Reported Sales	**$86.7**	$85.3	1.7%
	Mobility & Seating	**$27.4**	$32.3	(15.1%)
	Lifestyle	**$40.4**	$41.8	(3.4%)
	Respiratory	**$18.7**	$10.8	72.2%
	Other	**$0.2**	$0.4	(32.8%)
	Operating Income (Loss)	**$3.7**	($0.3)	--

Full Year	($M)	2020	2019	% /$Δ YOY
	Reported Sales	**$348.3**	$348.2	0.1%
	Mobility & Seating	**$109.9**	$122.0	(9.9%)
	Lifestyle	**$165.3**	$173.0	(4.5%)
	Respiratory	**$72.3**	$51.6	40.0%
	Other	**$0.8**	$1.6	(46.6%)
	Operating Income (Loss)	**$9.4**	($7.6)	--

Note: the numbers in the table above reflect reported sales; for the definition of constant currency net sales and constant currency sequential net sales, refer to the Appendix

Compared to 4Q19

- Constant currency net sales increased 1.6% vs. prior year
  - Driven by a 72.2% increase in respiratory sales partially offset by a decrease in mobility & seating and lifestyle products
- Reported net sales decreased 1.5% sequentially due to lower sales of lifestyle products
  - Mobility and seating products grew sequentially by 3.3%
- Gross profit improved 510 basis points
  - Driven by favorable sales mix and lower freight and material costs
- Operating income improved $4.0 million
  - Driven by higher gross profit

Compared to Full Year 2019

- Constant currency net sales increased 0.1%
  - Driven primarily by a 40.1% increase in respiratory sales
  - Offset by decreases in mobility & seating and lifestyle products
- Gross profit improved 260 bps
  - Driven by favorable sales mix and lower freight and material costs
  - Partially offset by unfavorable manufacturing variances
- Operating income improved $17.0 million
  - Driven by improved gross profit and lower SG&A expenses

Strong improvement in gross profit setting stage for profitable growth

Segment Performance – All Other*

4th Quarter ($M)	4Q20	4Q19	% /$Δ YOY
Reported Sales	**$8.4**	$10.8	(21.8%)
Mobility & Seating	**$3.4**	$6.5	(47.5%)
Lifestyle	**$3.3**	$2.6	29.5%
Respiratory	**$0.3**	$0.2	54.6%
Other	**$1.4**	$1.5	(10.2%)
Operating Loss	**($5.9)**	($8.3)	29.8%

Full Year ($M)	2020	2019	% /$Δ YOY
Reported Sales	**$34.3**	$46.7	(26.5%)
Mobility & Seating	**$14.2**	$28.4	(50.3%)
Lifestyle	**$13.5**	$10.8	24.7%
Respiratory	**$1.4**	$1.3	7.8%
Other	**$5.3**	$6.2	(13.8%)
Operating Loss	**($23.2)**	($26.6)	12.6%

** Includes Asia Pacific, unallocated corporate SG&A and intersegment eliminations.*

Note: the numbers in the table above reflect reported sales; for the definition of constant currency net sales and constant currency sequential net sales, refer to the Appendix

Compared to 4Q19

- Constant currency net sales increased 16.2% vs. prior year
  - Driven by all product categories, with a 35.9% improvement in mobility & seating products
- Reported net sales increased 11.5% sequentially, driven primarily by mobility & seating products
- Operating loss improved $2.5 million
  - Driven by improved operating profit in the ANZ distribution business due primarily to sales growth
  - Decreased SG&A related to corporate stock compensation expense

Compared to Full Year 2019

- Constant currency net sales increased 5.3%
  - Driven by increased sales of lifestyle products, primarily beds and mattresses
- Operating loss improved $3.3 million
  - Driven by improved operating profit in the Asia Pacific business due primarily to sales growth and lower SG&A expense
  - Decreased SG&A related to corporate stock compensation expense

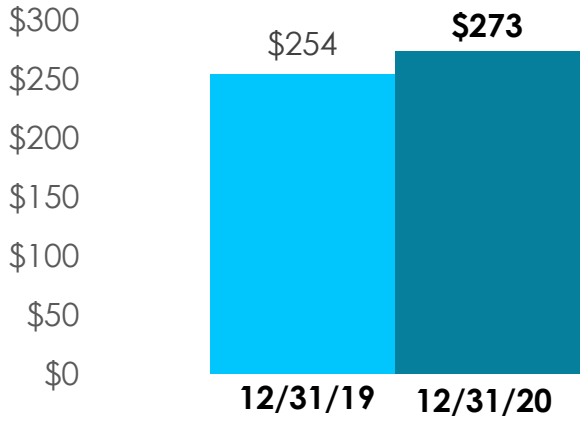
Sequential improvement in net sales driven by strong sales of mobility and seating products

Balance Sheet Supports Strategic Growth

Debt*

Total Debt of $273 million comprised of:

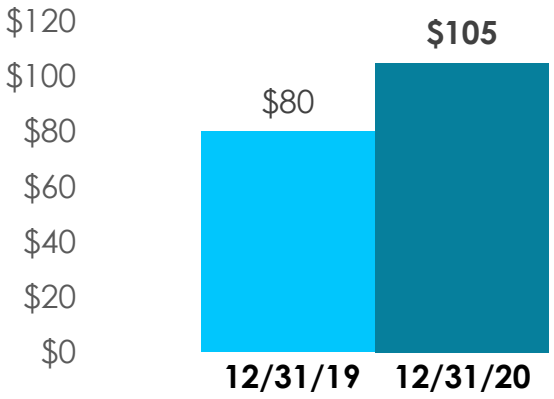
- $231.3 million in convertible debt
- $42.1 million of other debt including amounts drawn on the ABL credit facility and government loan programs



Cash

Total Cash increased to $105 million due to:

- Cash borrowed on the company's credit facility
- Proceeds from the sale of DCL
- Government loan programs
- Offset by cash used to retire convertible notes and to extend the maturity of a portion of convertible notes to 2024



In 3Q20, the company retired $24.5 million of convertible notes due in 2021, with the remaining balance of $1.3 million to be settled this month.

In 2Q20, the company extended the debt maturities of a significant portion of its 2021 and 2022 Notes, until November 2024

The company has accessed global government programs to bolster short-term liquidity including the temporary delay of direct and indirect tax payments

The company has a U.S. Federal tax loss carryforward and tax credits in excess of $443 million as of December 31, 2020.

The company continues to believe that generation of Adjusted EBITDA driven by operational performance, cash balances on hand, and expected free cash flow will support the company's ongoing transformation plans and enable it to address future debt maturities

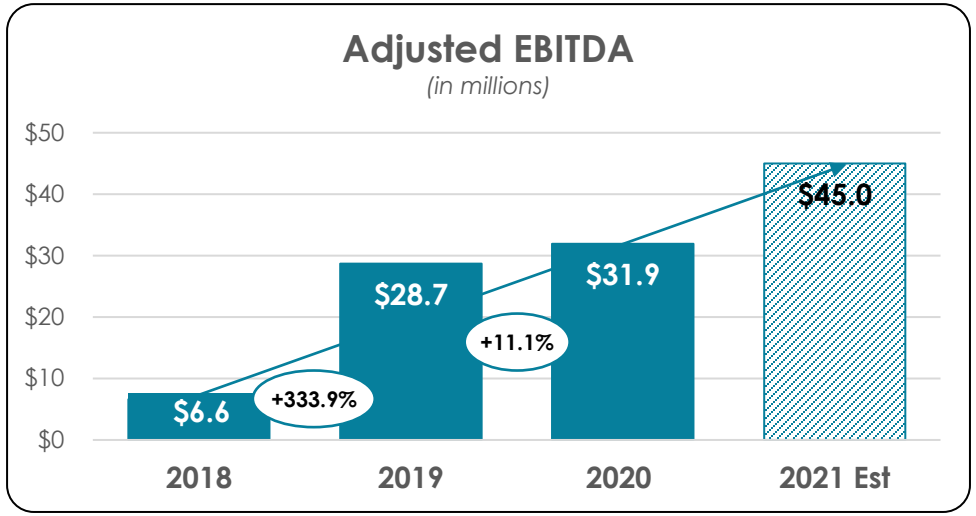
** Excludes $79.0 million of financing and operating lease obligations as of 12/31/20 as compared to $47.8 million as of 12/31/19*

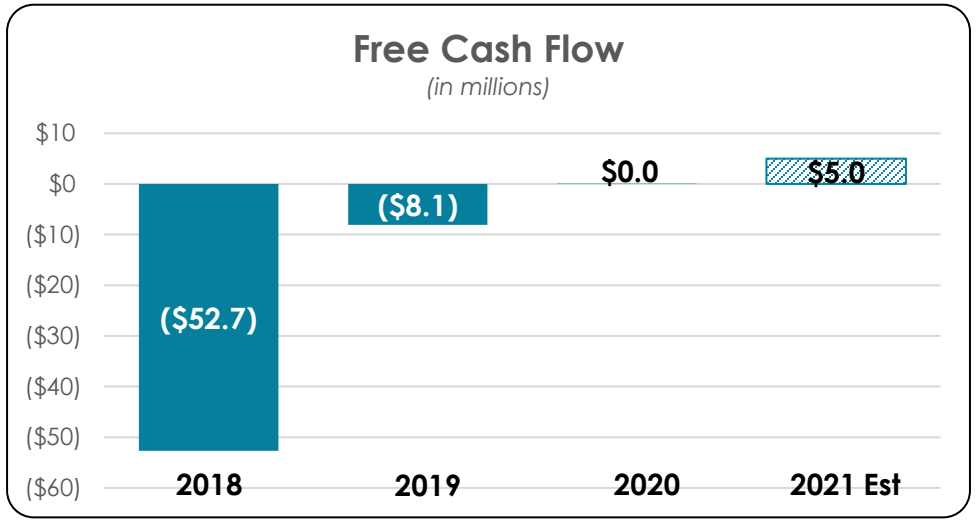
Full Year 2021 Guidance

Based on expectations of continued progress of the company's performance, increased visibility into the path of recovery for its customers, expected improvements to healthcare access, improvements to global pandemic-related supply chain disruptions, and pent-up demand from the prior year, the company expects operating results for the full year 2021 consisting of:

- Constant currency net sales growth in the range of 4% to 7%;
- Adjusted EBITDA improvement of 41%, to $45 million; and,
- Free cash flow of $5 million.

1Q21 sales, profitability and free cash flow anticipated to be impacted by limitations to access to healthcare impacted by the pandemic as compared to 1Q20.





Key Takeaways

- Improved financial performance in 2020
  - Achieved higher profitability on lower net sales
  - Expanded gross margin through operational improvements, despite significant volume declines and global supply challenges
  - Attained breakeven free cash flow
  - Achieved long-stated goal of returning North America to profitability
  - Launched new products and found creative ways to engage with customers virtually
- 2021 Objectives
  - Return to sales growth and generate market share gains in key markets
  - Continue to deliver significant improvement in profitability and free cash flow
  - Continue to launch new products with features that meet the needs of both customers and end users
  - Improve the customer experience
  - Simplify business operations
  - Strive to be the best supplier to customers and end users
  - Remain nimble and ready to adapt as the pandemic persists

Thank you for your time

Q&A

Appendix: Reconciliation of Non-GAAP Performance Metrics to GAAP Financial Measures

(Dollars in millions)	4Q19	FY19	3Q20	4Q20	FY20
Net Loss	(18.7)	(53.3)	(7.3)	(5.1)	(28.3)
Income Taxes	2.0	9.3	2.1	(1.1)	3.8
Loss Before Taxes	(16.7)	(44.0)	(5.2)	(6.2)	(24.4)
Interest Expense*	12.9	35.2	8.2	7.4	35.9
Interest Income	(0.1)	(0.4)	(0.0)	(0.0)	(0.1)
Net Gain on Convertible Debt Derivatives	-	(1.2)	-	-	-
Operating Income (Loss)	(3.8)	(10.4)	2.9	1.2	11.3
Operating Income (Loss)	(3.8)	(10.4)	2.9	1.2	11.3
Depreciation and Amortization**	4.4	16.2	3.7	4.0	14.3
Gain on Sale of Business	-	-	-	-	(9.8)
EBITDA	0.5	5.7	6.6	5.1	15.9
Restructuring Charges	8.2	11.8	1.6	2.7	7.4
Stock Compensation	5.2	11.1	1.6	1.7	8.6
Adjusted EBITDA	13.9	28.7	9.8	9.5	31.9
Net Cash Provided by Operating Activities	7.5	2.7	4.1	21.1	21.9
Plus: Sales of PPE, including advances	-	(0.1)	(0.0)	-	(0.4)
Less: Purchases of Property and Equipment	(3.7)	(10.9)	(5.9)	(5.5)	(22.3)
Free Cash Flow	3.8	(8.1)	(1.8)	15.6	0.0
Reported Net Sales % Change	-4.8%	-4.6%	-10.1%	-3.8%	-8.3%
Less: Foreign Exchange Impact	-2.7%	-3.7%	1.5%	3.6%	0.4%
Less: Impact of Divested Entities	0.0%	0.0%	-1.6%	-1.7%	-1.5%
Constant Currency Sales % Change	-2.1%	-0.9%	-10.0%	-5.7%	-7.2%
Reported SG&A % Change	-5.8%	-7.7%	-12.6%	-2.1%	-9.1%
Less: Foreign Exchange Impact	-1.7%	-2.5%	1.5%	3.4%	0.8%
Less: Impact of Divested Entities	0.0%	0.0%	-1.6%	-1.6%	-1.3%
Constant Currency SG&A % Change	-4.1%	-5.2%	-12.5%	-3.9%	-8.6%

** Includes loss on debt extinguishment including financing charges & fees*
*** 2019 includes asset write-off related to intangible assets*

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- "Adjusted EBITDA" – EBITDA plus stock compensation and charges related to restructuring activities.
- "Constant currency net sales" – net sales excluding the impact of foreign currency translation and divestiture.
- "Constant currency sequential net sales" – a given quarter's net sales compared to the most recent prior quarter's net sales with each quarter's net sales translated using the prior quarter's foreign exchange rates.
- "Constant currency SG&A" – SG&A excluding the impact of foreign currency translation and divestiture.
- "Constant currency sequential SG&A" – a given quarter's SG&A expense compared to the most recent prior quarter's SG&A expense with each quarter's SG&A expense translated using the prior quarter's foreign exchange rates.
- "EBITDA" – net earnings (loss) from continuing operations plus: income taxes, interest expense-net, net gain or loss on debt extinguishment including debt financing charges and fees, net gain or loss on convertible debt derivatives, gain/loss on sale of business, asset write-downs related to intangible assets, and depreciation and amortization.
- "Free cash flow" – net cash provided (used) by operating activities less purchases of property and equipment plus proceeds, including the advances from sales of property and equipment.