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Invacare Corporation

Fourth Quarter 2022 Financial Performance
May 9, 2023



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 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, 2022, 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.

Favorable Developments Drive Improved 4Q22 Performance

Developments

- **Improved access to key material and components** as a result of increased funding secured in 3Q22 and 4Q22
- **Strong demand and orders** for lifestyle and mobility & seating products in 4Q22
- **Benefit of prior restructuring actions** partially realized
- **Gross margin improved** driven by operational efficiencies, favorable product mix and lower input costs for select materials and freight, with exceptions primarily including electronic components

4Q22 vs 3Q22

- **Revenue growth** on a reported and constant currency basis was driven by higher sales in all regions and in all product categories
- **Adjusted EBITDA improvement** was driven by net sales growth, gross margin expansion, operational efficiencies and restructuring benefits partially offset by unfavorable foreign exchange
- **Europe** returned to profit delivering constant currency net sales growth and gross margin improvements with operational efficiencies

Key Financial Metrics 4Q22 vs. 4Q21 – Consolidated



Key Metrics

(in millions USD)	4Q22	4Q21	Change Fav (Unfav)
Net Sales	\$181.3	\$226.2	(\$44.9)
Constant Currency Net Sales	\$201.0	\$226.2	(\$25.2)
Gross Profit	\$48.3	\$63.3	(\$15.0)
Gross Margin	26.6%	28.0%	140 bps
SG&A	\$52.2	\$53.5	\$1.3
Constant Currency SG&A	\$55.7	\$53.5	\$2.2
Operating Income (Loss)	(\$15.6)	\$9.8	(\$25.4)
Adjusted EBITDA	\$0.0	\$13.1	(\$13.1)
Free Cash Flow (Usage)	(\$8.9)	\$19.2	(\$28.1)

4Q22 compared to 4Q21

- ❑ **Reported net sales** decreased 19.8% and constant currency net sales decreased 11.2%, in part due to product rationalization including lower respiratory and component shortages influenced by supply chain challenges
 - Reported sales of respiratory products down \$12.4 million, or 50.1%, due to the company's decision to exit the business, along with lower demand
- ❑ **Gross margin** decreased 140 bps due to higher input costs partially offset by pricing actions and product mix
- ❑ **Constant currency SG&A** expense increased 4.1% largely due to
 - Higher IT expenses classified as operating costs of \$2.7 million
 - Unfavorable foreign currency transactions partially offset by lower employment costs
- ❑ **Operating loss** increased \$25.4 million and **Adjusted EBITDA** declined by \$13.1 million driven primarily by lower gross profit from lower revenues; Operating loss also impacted by
 - Higher restructuring expenses of \$9.4 million
 - Intangible impairment charge of \$2.2 million
- ❑ **Free cash flow usage** increased \$28.1 million due to
 - Funding of operating losses and working capital usage including higher accounts payable payments

Key Financial Metrics 4Q22 vs. 3Q22 – Consolidated



Key Metrics

(in millions USD)	4Q22	3Q22	Change Fav (Unfav)
Net Sales	\$181.3	\$170.4	\$10.9
Constant Currency Net Sales	\$185.7	\$170.4	\$15.3
Gross Profit	\$48.3	\$31.4	\$16.9
Gross Margin	26.6%	18.4%	820 bps
SG&A	\$52.2	\$55.4	\$3.1
Constant Currency SG&A	\$53.0	\$55.4	4.2%
Operating Loss	(\$15.6)	(\$33.4)	\$17.8
Adjusted EBITDA	\$0.0	(\$11.8)	\$11.8
Free Cash Flow (Usage)	(\$8.9)	(\$20.5)	\$11.6

4Q22 compared to 3Q22

- ❑ **Reported net sales** increased 6.4% driven by revenue growth in all key product categories and all regions
- ❑ **Gross margin** increased 820 bps driven by
 - One-time charge of \$8.7 million, or 510 bps, taken in 3Q22 related to the exit of respiratory manufacturing
 - Favorable product mix and freight costs
- ❑ **SG&A** expense decreased 4.2% on constant currency basis driven by
 - Lower product liability and employment costs
 - Partially offset by unfavorable foreign exchange transactions
- ❑ **Operating loss** improved by \$17.8 million and **Adjusted EBITDA** increased \$11.8 million driven largely by higher gross margin from higher net sales; Operating loss also impacted by
 - Inventory and purchase obligations write down of \$8.7 million related to respiratory products in 3Q22
 - Restructuring and intangible impairment charges
- ❑ **Free cash flow usage** improved \$11.6 million primarily driven by reduced operating loss

Appendix: Key Financial Metrics – Europe



Key Metrics

(in millions USD)	4Q22	3Q22	Change Fav (Unfav)
Reported Sales	\$106.0	\$97.5	\$8.6
Lifestyle	\$53.4	\$46.9	\$6.5
Mobility & Seating	\$47.1	\$43.8	\$3.4
Respiratory	\$2.2	\$2.3	(\$0.1)
Other	\$3.4	\$4.6	(\$1.2)
Operating Income	\$9.3	(\$2.6)	\$11.9

4Q22 compared to 3Q22

- ❑ **Reported net sales** increased 8.8% and constant currency net sales increased 12.9% primarily driven by
 - Lifestyle product constant currency sales growth of 18.6%
 - Mobility and seating product constant currency sales growth of 11.8%
- ❑ **Gross margin** improved by 630 basis points, or \$8.9 million, driven by
 - Favorable product mix, lower freight costs and operational efficiencies from increased net sales
 - 90 basis points of the improvement was attributable to charges for respiratory-related inventory taken in 3Q22
- ❑ **Operating income** improved by \$11.9 million driven by
 - Higher gross margin from higher net sales
 - Lower SG&A expense driven by lower employment costs and favorable foreign exchange transactions
 - Respiratory inventory charge of \$0.9 million taken in 3Q22

Appendix: Key Financial Metrics – North America



Key Metrics

(in millions USD)	4Q22	3Q22	Change Fav (Unfav)
Reported Sales	\$67.5	\$65.3	\$2.2
Lifestyle	\$33.1	\$34.4	(\$1.3)
Mobility & Seating	\$24.2	\$23.5	\$0.8
Respiratory	\$9.7	\$7.2	\$2.5
Other	\$0.5	\$0.2	\$0.3
Operating Income (Loss)	(\$4.6)	(\$15.0)	\$10.4

4Q22 compared to 3Q22

- ❑ **Reported net sales** increased 3.4% and constant currency net sales increased 3.7% primarily driven by
 - Growth in respiratory and mobility and seating products
- ❑ **Gross margin** increased by 960 basis points, or \$7.7 million, driven by
 - One-time charge of \$7.7 million taken in 3Q22 related to the exit of respiratory manufacturing
 - Favorable product mix and lower freight costs offset by higher material costs
- ❑ **Operating income (loss)** improved by \$10.4 million largely due to
 - Higher gross margin with higher net sales
 - Respiratory inventory charge of \$7.7 million taken in 3Q22
 - Lower SG&A expense related to product liability

Appendix: Key Financial Metrics – All Other



Key Metrics

(in millions USD)	4Q22	3Q22	Change Fav (Unfav)
Reported Sales in Asia Pacific	\$7.7	\$7.6	\$0.1
Lifestyle	\$3.0	\$2.6	\$0.4
Mobility & Seating	\$2.9	\$3.3	(\$0.4)
Respiratory	\$0.5	\$0.4	\$0.1
Other	\$1.3	\$1.3	(\$0.0)
Operating Loss	(\$8.6)	(\$6.4)	(\$2.2)

4Q22 compared to 3Q22

- ❑ **Reported net sales** in the Asia Pacific region increased 1.8% and constant currency net sales increased 4.2%
 - Growth driven by lifestyle products
- ❑ **Gross margin** increased by \$0.2 million, or 210 basis points, driven by
 - Favorable product mix
 - Partially offset by higher material and freight costs
- ❑ **Operating loss** increased \$2.2 million in part due to
 - Higher corporate spending related to employment costs including stock compensation
 - Partially offset by improved profitability in the Asia Pacific region due to gross margin

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

(Dollars in millions)	4Q22	4Q21
Net Income (Loss)	(20.6)	1.9
Income Taxes	(0.1)	1.6
Earnings (Loss) before Income Taxes	(20.7)	3.6
Interest Expense *	5.7	6.2
Interest Income	(0.0)	(0.0)
Net Loss (Gain) on Convertible Debt Derivatives	(0.6)	-
Operating Income (Loss)	(15.6)	9.8
Depreciation and Amortization	3.7	4.3
Impairment of an intangible asset	2.2	-
EBITDA	(9.7)	14.1
Restructuring Charges	9.4	0.1
Stock Compensation	0.2	(1.0)
Adjusted EBITDA	0.0	13.1
Net Cash Provided (Used) by Operating Activities	(8.4)	22.5
Plus: Sales of PPE, including advances	-	(0.0)
Less: Purchases of Property and Equipment	(0.5)	(3.3)
Free Cash Flow	(8.9)	19.2
Reported Net Sales % Change	-19.8%	1.0%
Less: Foreign Exchange Impact	-8.6%	0.6%
Less: Impact of Divested Entities	0.0%	0.0%
Constant Currency Sales % Change	-11.2%	0.3%
Reported SG&A % Change	-2.4%	-13.2%
Less: Foreign Exchange Impact	-6.5%	-0.1%
Less: Impact of Divested Entities	0.0%	0.0%
Constant Currency SG&A % Change	4.1%	-13.1%

* Includes (gain) loss on debt extinguishment including financing charges & fees

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- ❑ "EBITDA" – Earnings (loss) before income taxes, interest expense-net, gain/loss on debt extinguishment including debt financing charges and fees, gain/loss on sale of business, impairment of goodwill, impairment of intangible assets, and depreciation and amortization.
- ❑ "Adjusted EBITDA" – EBITDA plus stock compensation, charges related to restructuring activities, and restructuring related to exit of product lines.
- ❑ "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.
- ❑ "Constant currency net sales" – Net sales excluding the impact of foreign currency translation.
- ❑ "Constant currency SG&A" – SG&A excluding the impact of foreign currency translation.