Invacare Corporation

Second Quarter 2021
Conference Call
Webcast

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 second quarter 2021 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 June 30, 2021, 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.

Strengthening Demand Drives Improved Results

- 2Q21 demand yielded strong revenue growth as expected
  - High single-digit constant currency net sales growth driven by strong new order intake and the partial conversion of excess backlog from 1Q21
  - Increased adoption of new products launched over the last 18 months
  - Excess backlog at the end of 2Q21 of $15 million, similar to 1Q21 levels
  - Gross profit benefited from favorable sales mix driven by higher sales of mobility & seating products
- Taking actions to rectify temporary gross margin impact
  - Supply chain disruptions resulted in delays in the receipt of components
  - Short-term actions in place are expected to enable gross margin to rebound
- Free Cash Flow usage increased to support net sales growth
  - Reflects higher accounts receivable and increased inventory levels, as previously discussed
  - Positive free cash flow expected in the second half of the year with achievement of Adjusted EBITDA, and as collection of accounts receivable and inventory is converted to sales

$225.9 million

Reported Net Sales

$5.5 million

Adjusted EBITDA

($27.2) million

Free Cash Flow

Well-Positioned to Achieve Full Year Guidance

- 2021 2H business environment expected to improve
  - Restored access to healthcare is anticipated to continue to improve and accelerate sales growth
  - Continued alleviation of global supply chain-related issues
- Strong demand for products
  - Seeing positive trends in early 3Q21 in orders for lifestyle products and quote rates for mobility & seating products
  - Conversion of elevated backlog to sales, primarily in Europe
  - Increased adoption and continued launch of new products
- Gross margin improvement
  - Driven by increased volume, favorable sales mix and operating leverage
  - Ongoing demand trends support confidence in full-year guidance
  - Expect sequential net sales growth in 3Q21 and 4Q21
  - Adjusted EBITDA and free cash flow growth expected to accelerate driven by sales growth and gross margin improvement

Financial Results

Key Financial Metrics – Consolidated

Key Metrics

(in millions USD)	2Q21	2Q20	Change Fav (Unfav)
Net Sales	**$225.9**	$196.3	15.1%
Constant Currency Net Sales	**$211.6**	$196.3	7.8%
Gross Profit	**$60.8**	$56.7	7.4%
Gross Profit % of Net Sales	**26.9%**	28.9%	(200 bps)
SG&A	**$63.8**	$57.4	(11.1%)
Constant Currency SG&A	**$60.4**	$57.4	(5.2%)
Operating Loss	**($3.5)**	($2.2)	(56.1%)
Adjusted EBITDA	**$5.5**	$6.6	(17.5%)
Free Cash Flow Usage	**($27.2)**	($1.9)	--

As compared to 2Q20

- **Constant currency net sales** increased 7.8%
  - Driven by 14.9% growth in mobility & seating and 10.4% growth in respiratory products
- **Gross profit** increased $4.2 million
  - Gross margin decreased 200 basis points, with 80% of the decline attributable to delays in the timing of receipt of inventory, and to a lesser extent higher freight and material costs
  - Partially offset by favorable product mix
- **Constant currency SG&A** expense increased 5.2%
  - Prior year expense benefited from reduced commercial expenses, including lower commission expense, and discretionary spending given the significant impact of the pandemic on sales, as well as gain of $1.0 million on sale of building
  - Current year includes increased spending for sales, marketing and commission programs supporting sales growth
- **Operating loss** increased by $1.3 million
  - Due to increased SG&A expense partially offset by higher gross profit related to revenue growth and lower restructuring costs
- **Adjusted EBITDA** decreased $1.2 million
- **Free cash flow usage** increased $25.4 million
  - To support net sales growth in 2Q21, the increased usage included a larger investment in working capital
  - Higher accounts receivable of $20.2 million and increased inventory levels of $11.1 million, expected to convert to cash in 2H 2021

Excess backlog due to strong order intake supports future growth

Net Sales by Product Line – Consolidated

Key Metrics

(in millions USD)	2Q21	2Q20	Change Fav (Unfav)
Reported Sales	**$225.9**	$196.3	15.1%
Lifestyle	**$104.7**	$96.2	8.9%
Mobility & Seating	**$85.8**	$68.6	25.1%
Respiratory	**$29.2**	$25.6	14.2%
Other	**$6.1**	$5.9	3.2%

As compared to 2Q20

- **Lifestyle**
  - Constant currency net sales increased 2.9% driven by growth in manual wheelchairs, hygiene products and lifts.
  - Follows strong 2Q20 where bed and bed-related products benefited from pandemic-related orders
- **Mobility & Seating**
  - Constant currency net sales increased 14.9%
  - Strong growth in both Europe and North America
  - Benefit of new products introduced in last year, e.g., Smoov power add-on, power wheelchairs with standing capabilities, Aviva power wheelchairs, and improved access to customers
- **Respiratory**
  - Constant currency net sales increased 10.4%, with continued strong demand in North America influenced by the pandemic

Strong product reception bodes well as supply chain issues start to resolve

Key Financial Metrics – Europe

Key Metrics

(in millions USD)	2Q21	2Q20	Change Fav (Unfav)
Reported Sales	**$121.3**	$101.9	19.0%
Lifestyle	**$61.6**	$52.0	18.5%
Mobility & Seating	**$51.9**	$39.6	30.9%
Respiratory	**$3.4**	$5.7	(41.0%)
Other	**$4.4**	$4.6	(3.4%)
Operating Income	**$5.0**	$2.2	129.6

As compared to 2Q20

- **Constant currency net sales** increased 7.0%
  - Driven by 17.9% growth in mobility & seating and 6.3% in lifestyle products
  - Improvement in access to healthcare in key markets
  - Partially offset by lower sales of respiratory products, impacted by supply chain constraints
- **Gross profit** increased $5.7 million and gross margin was flat
  - Favorable product mix offset by supply chain-related plant disruptions and higher freight costs
- **Operating income** increased $2.8 million
  - Driven by increased gross profit from higher net sales
  - Prior year included $1.0 million gain on the sale of a building

Access to healthcare in key markets continues to see steady improvement

Key Financial Metrics – North America

Key Metrics

(in millions USD)	2Q21	2Q20	Change Fav (Unfav)
Reported Sales	**$96.2**	$86.6	11.2%
Lifestyle	**$40.1**	$40.5	(1.0%)
Mobility & Seating	**$31.1**	$26.3	18.1%
Respiratory	**$24.8**	$19.6	26.7%
Other	**$0.3**	$0.2	67.9%
Operating Income	**$1.6**	$4.8	(67.0%)

As compared to 2Q20

- **Constant currency net sales** increased 10.1%
  - Driven by sales growth in all product categories
  - North America mobility & seating achieved 12.6% constant currency net sales growth
  - Sales of respiratory products remained elevated with pandemic-related demand
- **Gross profit** declined $0.9 million and gross margin declined 160 basis points
  - Due primarily to supply chain-related disruptions, as well as increased material and freight costs
  - Partially offset by favorable product mix
- **Operating income** decreased $3.2 million
  - Due to reduced gross profit and higher SG&A expense to support revenue growth

Strong constant currency sales growth in all product categories

Key Financial Metrics – All Other

Key Metrics

(in millions USD)	2Q21	2Q20	Change Fav (Unfav)
Reported Sales	**$8.3**	$7.8	6.2%
Lifestyle	**$3.0**	$3.7	(18.7%)
Mobility & Seating	**$2.9**	$2.7	7.5%
Respiratory	**$1.1**	$0.3	233.3%
Other	**$1.4**	$1.2	19.8%
Operating Loss	**($9.5)**	($7.7)	(23.1%)

As compared to 2Q20

- **Constant currency net sales** in Asia Pacific decreased 7.7%
  - Due to lower sales in lifestyle and mobility & seating products
  - Partially offset by higher sales of respiratory products
  - Net sales growth was impacted by the delayed receipt of products
- **Operating loss** increased $1.8 million
  - Due to reduced profitability in the Asia Pacific region impacted by lower net sales, unfavorable gross margin, and higher SG&A expense
  - Corporate expenses increased $0.2 million due to higher employment costs, including stock compensation expense

Global shipping issues impacted sales growth in the Asia Pacific region

Balance Sheet Supports Strategic Growth

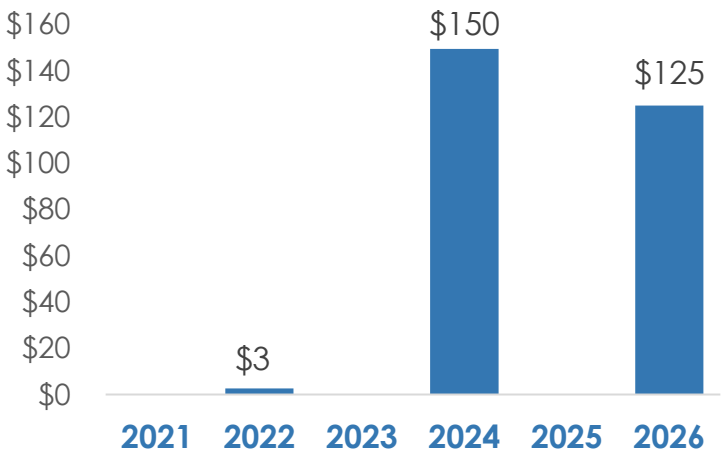
Total Debt *

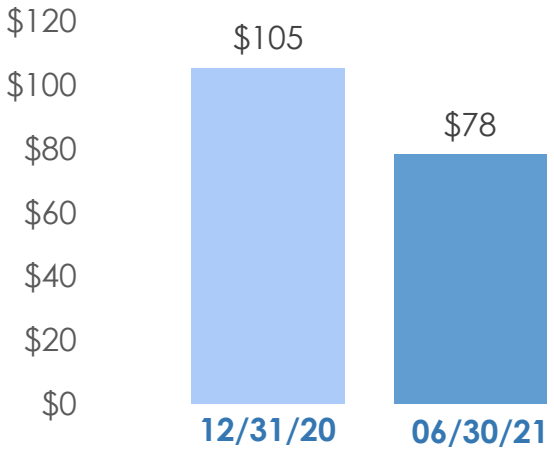
Total Debt of $322 million comprised of:
- $278 million in convertible debt
- $44 million of other debt including amounts drawn on the ABL credit facility and government loan programs

Cash

Cash of $78 million:
- Decreased primarily as a result of cash used to fund working capital needs and capital expenditures
- Reflects higher accounts receivable balance of $20.2 million in the quarter (an increase of 7.4 days outstanding) to support sales growth
- Includes higher inventory levels of $11.1 million in the quarter, a portion to mitigate supply chain challenges

Convertible Debt Maturity Schedule





** Excludes $85.7 million of financing and operating lease obligations as of 06/30/21 as compared to $81.6 million as of 12/31/20*

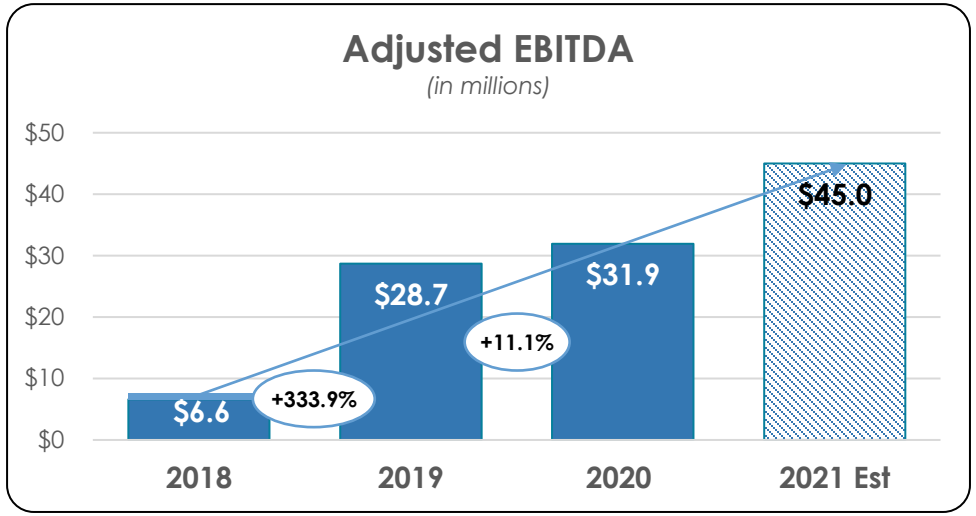
Re-Affirming Full Year 2021 Guidance

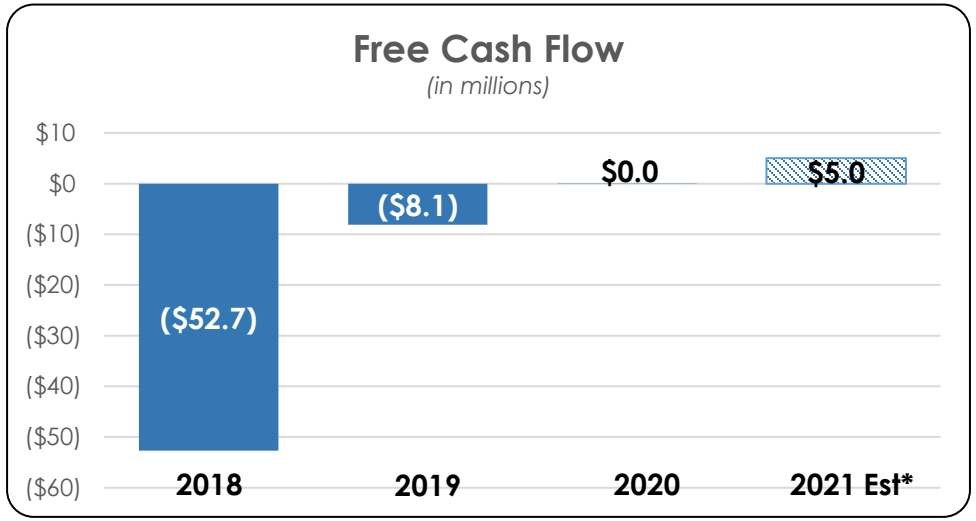
Based on expectations of continued progress of the company's performance, increased visibility into the path of recovery for its customers, expected improvements to healthcare access, healthy order book, normalization of the global supply chain, fulfillment of excess order backlog, and pent-up demand from the prior year coming to market, 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.

Based on positive trends in each of the segments through July 2021, including the level of new order intake, and order fulfillment to reduce excess backlog, constant currency net sales are anticipated to increase sequentially in 3Q21 and 4Q21. Adjusted EBITDA and free cash flow should benefit from sales growth driven by favorable product mix and gross margin expansion from improvements in manufacturing efficiency. The company anticipates ongoing supply chain challenges over the next few quarters, which may negatively impact gross margins, but will continue to take actions to mitigate the impact, where possible.

Quarterly free cash flow is anticipated to be impacted by sales growth which may impact timing of accounts receivable collections in a given quarter.

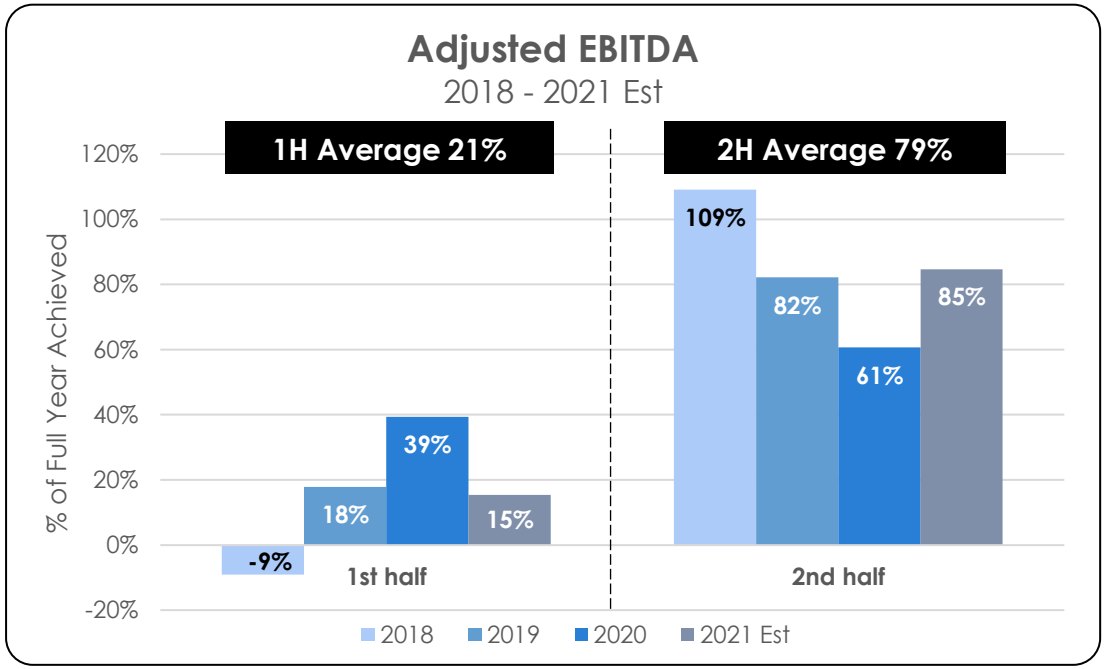




** Includes one-time payment totaling $15 million related to German severance and the repayment of delayed VAT and other taxes from 2020*

2021 Guidance In Line with Historical Performance

- Easing of healthcare restrictions in key markets is steadily improving
- Robust revenue growth expected in the second half of 2021 with sequential and year-over-year improvement
- Actions to mitigate supply chain disruptions and higher costs expected to become increasingly effective as the year progresses
- Adjusted EBITDA and free cash flow seasonally stronger in the second half of the year
  - Should benefit from sales growth, gross margin improvement and increased operating leverage
- Based on this outlook, we have reaffirmed our full year 2021 financial guidance



Thank you for your time

Q&A

INVACARE
Yes, you can.

Appendix: 2Q21 Financial Results

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

(Dollars in millions)	2Q21	2Q20
Net Loss	($10.7)	($16.6)
Income Taxes	1.1	0.7
Loss before Income Taxes	(9.6)	(15.9)
Interest Expense *	6.1	13.7
Interest Income	0.0	(0.0)
Operating Loss	(3.5)	(2.2)
Depreciation and Amortization	4.2	3.3
Gain on Sale of Business	0.0	(0.2)
EBITDA	0.7	0.8
Restructuring Charges	0.5	1.7
Stock Compensation	4.2	4.1
Adjusted EBITDA	5.5	6.6
Net Cash Provided (Used) by Operating Activities	(22.3)	6.5
Plus: Sales of Property and Equipment, incl advances	0.0	0.4
Less: Purchases of Property and Equipment	(4.9)	(8.8)
Free Cash Flow (Usage)	($27.2)	($1.9)
Reported Net Sales % Change	15.1%	-16.8%
Less: Foreign Exchange Impact	7.3%	-1.9%
Less: Impact of Divested Entities	0.0%	-2.0%
Constant Currency Sales % Change	7.8%	-12.9%
Reported SG&A % Change	11.1%	-15.9%
Less: Foreign Exchange Impact	5.9%	-1.0%
Less: Impact of Divested Entities	0.0%	-1.7%
Constant Currency SG&A % Change	5.2%	-13.2%

** Includes loss on debt extinguishment including financing charges & fees*

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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 SG&A" – SG&A excluding the impact of foreign currency translation and divestiture.
- "EBITDA" – Earnings (loss) before income taxes, interest expense-net, loss on debt extinguishment including debt financing charges and fees, gain/loss on sale of business, 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.