



# Invacare Corporation

Second Quarter 2022 Conference Call Webcast  
August 8, 2022

# 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 2022 posted on [www.invacare.com/investorrelations](http://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, 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.

# Ongoing Transformative Actions Driving Business Improvement

## 2Q vs 1Q Highlights

- ✓ **Adjusted EBITDA and free cash flow** improved as a result of increased pricing effectiveness, favorable product mix and lower SG&A expense
- ✓ **Reported and constant currency net sales growth** of mobility & seating products driven by powered mobility devices
- ✓ **Gross margin improved** driven by the benefit of pricing actions and favorable product mix despite foreign exchange headwinds
- ✓ **SG&A expense** decreased as a result of transformative actions to reduce operating costs began to take effect

## Operational Highlights

- **Continued elevated backlog** in all product categories
- **Strong demand** for mobility & seating and lifestyle products; respiratory products anticipated to normalize to below pandemic peaks given less COVID demand due to readily available treatments in the market
- **Secured strategic funding** in July which increased liquidity and flexibility
  - enables the company to more efficiently address supply chain challenges and fulfill elevated backlog
  - accelerates transformative plans to drive long-term profitability
- **Industry recognition** for outstanding product and technology in mobility & seating

Transformative actions anticipated to drive continued sequential quarterly improvement in profitability



# Financial Results



# Key Financial Metrics vs. 2Q21 – Consolidated



## Key Metrics

(in millions USD)	2Q22	2Q21	Change Fav (Unfav)
Net Sales	<b>\$189.0</b>	\$225.9	(\$36.8)
Constant Currency Net Sales	<b>\$201.7</b>	\$225.9	(\$24.1)
Gross Profit	<b>\$48.0</b>	\$60.8	(\$12.8)
Gross Profit % of Net Sales	<b>25.4%</b>	26.9%	(150 bps)
SG&A	<b>\$58.6</b>	\$63.8	\$5.1
Constant Currency SG&A	<b>\$61.3</b>	\$63.8	\$2.4
Operating Loss	<b>(\$14.8)</b>	(\$3.5)	(\$11.3)
Adjusted EBITDA	<b>(\$4.8)</b>	\$5.5	(\$10.2)
Free Cash Flow (Usage)	<b>\$0.1</b>	(\$27.2)	\$27.3

## As compared to 2Q21

- ❑ **Reported net sales** decreased 16.3% and constant currency net sales decreased 10.7%
  - Revenues were impacted by continued supply chain challenges and component availability
- ❑ **Gross margin** decreased 150 bps due to
  - Benefit of pricing actions lagging higher input costs
  - Intermittent production stoppages during the quarter with supply chain challenges and unfavorable foreign exchange
- ❑ **Constant currency SG&A** expense decreased 3.8%
  - Lower employment costs partially offset by higher IT expenses classified as operating costs
- ❑ **Operating loss** increased by \$11.3 million and **Adjusted EBITDA** decreased \$10.2 million due to
  - Lower gross profit from lower revenues
  - Higher restructuring expenses of \$3.6 million
  - IT expenses of \$2.7 million classified as operating costs as a result of a temporary pause in the ERP roll out
- ❑ **Free cash flow** improved \$27.3 million
  - Driven by accounts receivable and inventory

Achieved significant improvement in free cash flow

# Key Financial Metrics vs. 1Q22 – Consolidated



## Key Metrics

(in millions USD)	2Q22	1Q22	Change Fav (Unfav)
Net Sales	<b>\$189.0</b>	\$201.0	(\$12.0)
Constant Currency Net Sales	<b>\$194.5</b>	\$201.0	(\$6.5)
Gross Profit	<b>\$48.0</b>	\$47.7	\$0.3
Gross Profit % of Net Sales	<b>25.4%</b>	23.7%	160 bps
SG&A	<b>\$58.6</b>	\$60.6	\$1.9
Constant Currency SG&A	<b>\$59.8</b>	\$60.6	\$0.7
Operating Loss	<b>(\$14.8)</b>	(\$16.6)	\$1.8
Adjusted EBITDA	<b>(\$4.8)</b>	(\$8.6)	\$3.8
Free Cash Flow (Usage)	<b>\$0.1</b>	(\$29.8)	\$29.9

## As compared to 1Q22

- ❑ **Reported net sales** decreased 6.0% and constant currency net sales decreased 3.2%
  - Growth in mobility & seating products was achieved in all regions, driven primarily by higher sales of powered mobility products
- ❑ **Gross margin** increased 160 bps
  - Driven by increased effectiveness of pricing actions
  - Partially offset by higher input costs and operating inefficiencies due to supply chain challenges, component availability and unfavorable foreign exchange
- ❑ **Constant currency SG&A** expense decreased 1.2%
  - Due primarily to lower product liability costs
  - Partially offset by higher stock compensation expense
- ❑ **Operating loss** improved by \$1.8 million and **Adjusted EBITDA** improved \$3.8 million
  - Driven by higher gross profit and lower SG&A expense
- ❑ **Free cash flow** improved \$29.9 million
  - Driven by reduced loss and improved working capital

Achieved sequential improvement in Adjusted EBITDA and significantly higher free cash flow

# Second Half 2022 Outlook



- For 2H22, the company anticipates:
  - The benefit of additional liquidity available to the business to improve access to components and support 2H22 improvement in net sales, but this benefit is not anticipated to have a meaningful impact until later in the year
  - Adjusted EBITDA to improve as compared to 1H22 driven by gross profit improvement with increased effectiveness of pricing actions, and restructuring benefits partially offset by continued higher input costs
  - Sales of respiratory products to lessen in the next several quarters given less COVID-related demand
  
- Given the continuing supply chain challenges , the company has suspended its full year 2022 financial guidance and will provide updates to the market as the year progresses and as circumstances evolve
  
- The company continues to focus on its transformation plan, revenue growth for clinically relevant product categories, and effectiveness of pricing actions to drive significant improvement in financial performance and deliver enhanced long-term shareholder value



# Thank You



# Appendix: Key Financial Metrics – Europe



## Key Metrics

(in millions USD)	2Q22	1Q22	Change Fav (Unfav)
<b>Reported Sales</b>	<b>\$112.8</b>	\$118.1	(\$5.3)
Lifestyle	\$55.0	\$61.1	(\$6.1)
Mobility & Seating	\$47.8	\$47.4	\$0.4
Respiratory	\$4.9	\$4.7	\$0.3
Other	\$5.0	\$5.0	\$0.1
<b>Operating Income</b>	<b>\$3.5</b>	\$3.2	\$0.3

## As compared to 1Q22

- ❑ **Reported net sales** decreased 4.5%
  - Constant currency net sales were flat with growth in mobility & seating and respiratory offset by lower sales of lifestyles products
  - Lifestyle product availability impacted by component/product availability
- ❑ **Gross profit** increased by 30 basis points
  - Driven by increased effectiveness of pricing actions
  - Partially offset by higher input costs and operating inefficiencies due to supply chain challenges and component availability and unfavorable foreign exchange
- ❑ **Operating income** increased \$0.3 million
  - Driven by reduced SG&A expense driven primarily by employment costs

## Appendix: Key Financial Metrics – North America



### Key Metrics

(in millions USD)	2Q22	1Q22	Change Fav (Unfav)
<b>Reported Sales</b>	<b>\$68.7</b>	\$75.3	(\$6.6)
Lifestyle	\$33.9	\$34.3	(\$0.5)
Mobility & Seating	\$26.0	\$25.4	\$0.6
Respiratory	\$8.7	\$15.5	(\$6.8)
Other	\$0.2	\$0.1	\$0.1
<b>Operating Loss</b>	<b>(\$6.3)</b>	(\$8.3)	\$2.1

### As compared to 1Q22

- ❑ **Reported net sales** decreased 8.8%
  - Mobility & seating products achieved constant currency net sales growth of 2.4% driven by powered mobility devices
  - Respiratory products declined \$6.8 million impacted by supply chain issues which limited the availability of material and components
- ❑ **Gross profit** increased by 310 basis points
  - Driven by increased effectiveness of pricing actions
  - Partially offset by higher input costs and operating inefficiencies due to supply chain challenges and component availability
- ❑ **Operating loss** improved \$2.1 million
  - Driven by increased gross profit and lower SG&A expense driven by lower product liability costs

## Appendix: Key Financial Metrics – All Other



### Key Metrics

(in millions USD)	2Q22	1Q22	Change Fav (Unfav)
<b>Reported Sales in Asia Pacific</b>	<b>\$7.5</b>	<b>\$7.6</b>	<b>(\$0.6)</b>
Lifestyle	\$2.9	\$2.8	\$0.0
Mobility & Seating	\$3.0	\$2.7	\$0.3
Respiratory	\$0.4	\$0.8	(\$0.4)
Other	\$1.3	\$1.3	\$0.1
<b>Operating Loss</b>	<b>(\$7.9)</b>	<b>(\$7.7)</b>	<b>(\$0.1)</b>

### As compared to 1Q22

- ❑ **Reported net sales** in the Asia Pacific region decreased 0.8%
  - Constant currency net sales increased 1.7% driven by growth in mobility & seating products
- ❑ **Operating loss** increased \$0.1 million
  - Due to increased stock compensation expense of \$1.7 million
  - Asia Pacific distribution business profit improved with higher gross margins driven by pricing actions to mitigate increased input costs

## Appendix: Net Sales by Product Line – Consolidated



### Key Metrics

(in millions USD)	2Q22	1Q22	Change Fav (Unfav)
<b>Reported Sales</b>	<b>\$189.0</b>	<b>\$201.0</b>	<b>(\$12.0)</b>
Lifestyle	\$91.7	\$98.2	(\$6.5)
Mobility & Seating	\$76.8	\$75.5	\$1.3
Respiratory	\$14.0	\$20.9	(\$6.9)
Other	\$6.5	\$6.4	\$0.2

### As compared to 1Q22

#### ❑ Lifestyle

– Net sales decreased primarily related to bed and patient transport impacted by availability of components

#### ❑ Mobility & Seating

– Net sales increased with growth in all regions

#### ❑ Respiratory

– Net sales decreased limited by component shortages to fulfill orders primarily in North America

– While backlog remains elevated, sales are anticipated to normalize in the next several quarters to pre-pandemic levels given less COVID-related demand for these products

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

(Dollars in millions)	2Q21	1Q22	2Q22
Net Loss	(10.7)	(24.2)	(21.9)
Income Taxes	1.1	1.3	0.9
Loss before Income Taxes	(9.6)	(22.9)	(21.0)
Net Interest Expense	6.1	6.3	6.2
Operating Loss	(3.5)	(16.6)	(14.8)
Depreciation and Amortization	4.2	3.9	3.9
EBITDA	0.7	(12.7)	(10.9)
Restructuring Charges	0.5	3.8	4.2
Stock Compensation	4.2	0.3	2.0
Adjusted EBITDA	5.5	(8.6)	(4.8)
Net Cash Provided (Used) by Operating Activities	(22.3)	(27.7)	0.8
Plus: Sales of PPE, including advances	-	-	-
Less: Purchases of Property and Equipment	(4.9)	(2.1)	(0.6)
Free Cash Flow (Usage)	(27.2)	(29.8)	0.1
Reported Net Sales % Change	15.1%	2.4%	-16.3%
Less: Foreign Exchange Impact	7.3%	-4.0%	-5.6%
Constant Currency Sales % Change	7.8%	6.4%	-10.7%
Reported SG&A % Change	11.1%	-2.9%	-8.1%
Less: Foreign Exchange Impact	5.9%	-3.0%	-4.3%
Constant Currency SG&A % Change	5.2%	5.9%	-3.8%

### Non-GAAP Financial Measures

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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.
- ❑ "Constant currency SG&A" – SG&A excluding the impact of foreign currency translation.
- ❑ "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.