

EARGO

HEAR LIFE TO THE FULLEST

**FOURTH QUARTER 2020 EARNINGS CALL
FEBRUARY 25, 2021**

CONFERENCE CALL LOGISTICS

Available Documents

- Release, accompanying slides and replay web cast are available online at ir.eargo.com
- Supplemental historical financial information provided on slide 10

Digital Conference Call Replay

- ir.eargo.com

TODAYS SPEAKERS

Christian Gormsen, President and Chief Executive Officer

Adam Laponis, Chief Financial Officer

Nick Laudico, Vice President, Investor Relations

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact contained in this presentation are forward-looking statements, including statements regarding our full year 2021 financial outlook, the insurance market opportunity and our intention to pursue additional insurance coverage for our products in the future, and our 2021 plan for continued efficient growth driven by improved customer mix, stable return accrual rate compared to 2020, continued scale up of national advertising, second quarter 2021 launch of Eargo 5 and capitalization to execute our long-term growth plan. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and assumptions that could cause actual results and events to differ materially from those anticipated, including, but not limited to, risks, uncertainties, and assumptions related to: our expectations concerning additional orders by existing customers; our expectations regarding the potential market size and size of the potential consumer populations for our products and any future products, including our ability to increase insurance coverage of Eargo hearing aids; our ability to release new hearing aids and the anticipated features of any such hearing aids; developments and projections relating to our competitors and our industry, including competing products; our ability to maintain our competitive technological advantages against new entrants in our industry; the pricing of our hearing aids; our expectations regarding the ability to make certain claims related to the performance of our hearing aids relative to competitive products; our expectations with regard to changes in the regulatory landscape for hearing aid devices, including the implementation of the pending over the counter hearing aid pathway regulatory framework; and our estimates regarding the COVID-19 pandemic, including but not limited to, its duration and its impact on our business and results of operations. These and other risks are described in greater detail under the section titled “Risk Factors” contained in Eargo’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on November 20, 2020 and the company’s other filings with the SEC. Any forward-looking statements in this presentation are made pursuant to the Private Securities Litigation Reform Act of 1995, as amended, are based on current expectations, forecasts and assumptions, and speak only as of the date of this presentation. Except as required by law, the company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

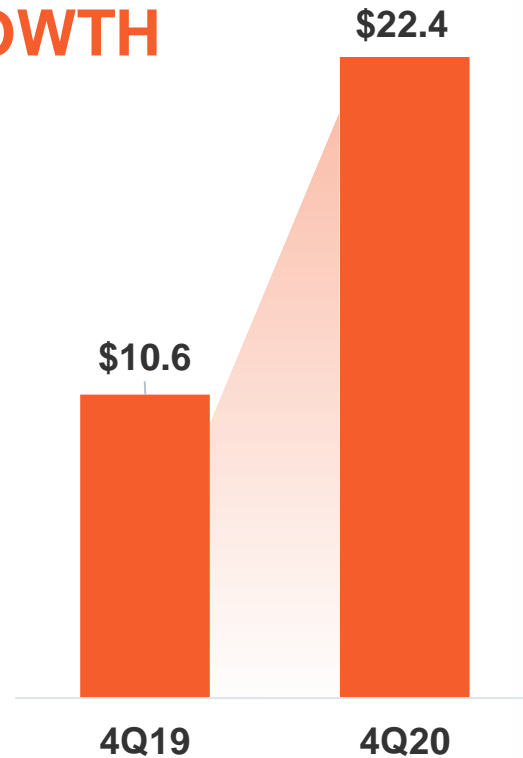
Use of Non-GAAP Financial Measures

The company may report non-GAAP results for gross profit/loss, gross margin, operating expenses, operating margins, net income/loss, and basic and diluted net income/loss per share in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The company’s financial measures under GAAP include charges such as stock-based compensation, as listed in the itemized reconciliations between GAAP and non-GAAP financial measures included in this presentation. Management has excluded the effects of this item in non-GAAP measures to assist investors in analyzing and assessing past and future operating performance. Reconciliations of non-GAAP measures disclosed in this presentation appear below. The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business.

4Q AND FY20 FINANCIAL PERFORMANCE

111% YOY GROWTH

Net Revenue
(\$ in millions)



Gross Systems Shipped
YoY Growth

7,212	12,096
	68%

4Q20 Revenue Drivers

- ✓ Increased consumer demand during holiday buying season
- ✓ Strong performance of national advertising
- ✓ Further penetration of insurance market
- ✓ Increased acceptance of telecare model

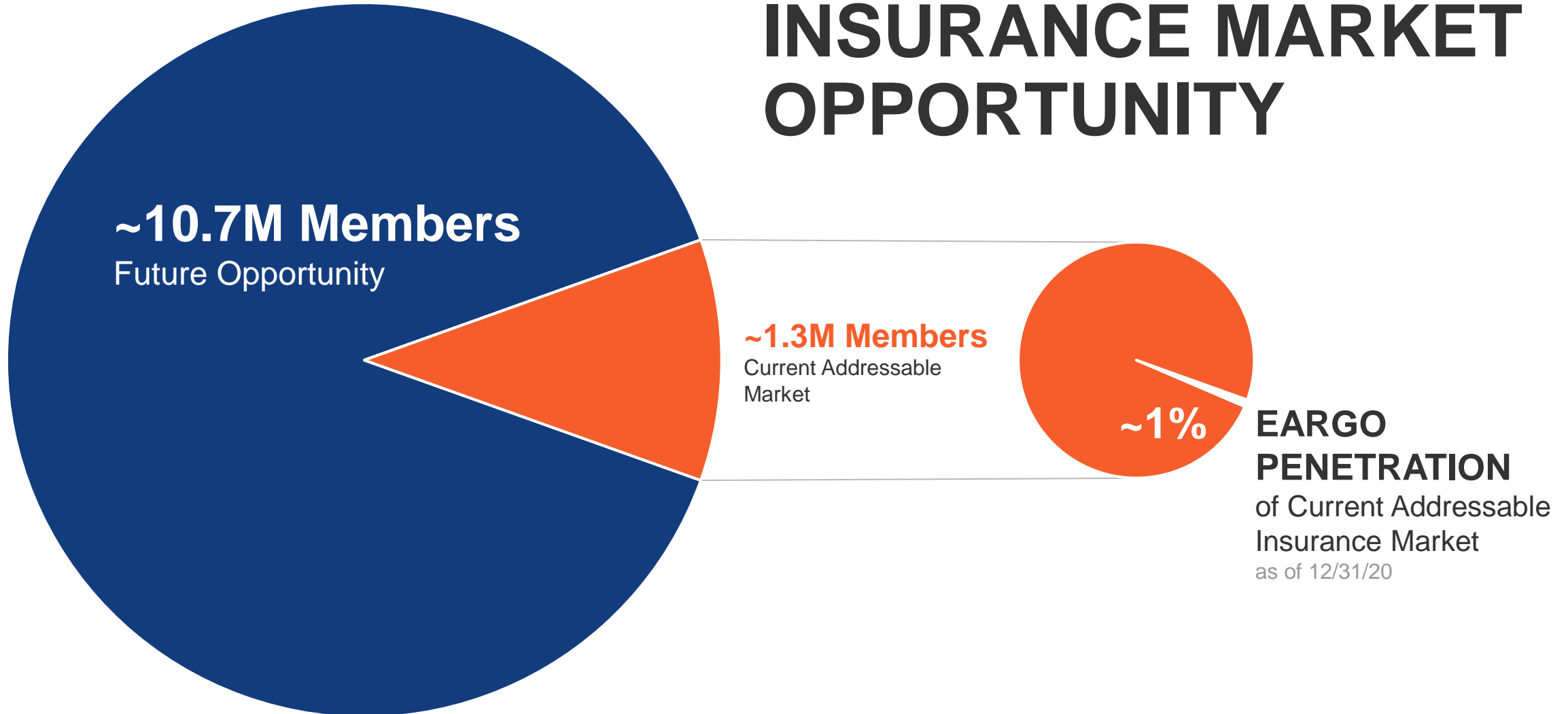
FY20 Results

- ✓ FY20 revenues of \$69.2M, up ~111% YoY
- ✓ FY20 gross shipments of 38,243, up ~68% YoY

~12M PEOPLE IN THE U.S.

over 50 who have both hearing loss and access to hearing aid benefits under certain health insurance plans^{1,2}

A LARGE, UNTAPPED INSURANCE MARKET OPPORTUNITY



1. CMS; U.S. Office of Personnel Management; California Healthcare Foundation, Kaiser Family Foundation, US Census, Eargo estimates.

2. Eargo has achieved only limited coverage of Eargo hearing aids under these health insurance plans, and Eargo intends to pursue additional coverage in the future

COMPARISON OF 4Q20 AND 4Q19 RESULTS

(all \$ in millions)

4Q '19

4Q '20

	4Q '19	4Q '20	
Net Revenue	\$10.6	\$22.4	
<i>YoY % Growth</i>	43.8%	110.8%	
Gross Systems Shipped	7,212	12,096	→ Increased consumer demand during holiday buying season; strong performance of national advertising; increased penetration of insurance market;
<i>% Growth</i>	13.9%	67.7%	
Return Accrual Rate	34.0%	24.4%	→ Ongoing customer support improvements and mix shift toward higher percentage of insurance and repeat customers
Non-GAAP Gross Margin	55.3%	70.8%	→ Higher customer ASP, lower return rate, lower COGS
Non-GAAP S&M	\$11.0	\$14.5	
<i>% of Net Rev</i>	103.3%	64.6%	→ Improved customer mix; efficient national media attracting multiple customer types
Non-GAAP R&D	\$4.0	\$3.9	
<i>% of Net Rev</i>	37.8%	17.4%	
Non-GAAP G&A	\$3.5	\$4.7	→ Increased public company expenses
<i>% of Net Rev</i>	32.7%	21.0%	
Non-GAAP Total Operating Expenses	\$18.4	\$23.0	
Non-GAAP Operating Loss	(\$12.6)	(\$7.2)	
Cash and Cash Equivalents	\$13.4	\$212.2	→ Includes net proceeds of approximately \$148M from IPO completed in October 2020

2021 FINANCIAL OUTLOOK

- Full year 2021 net revenues to be in a range of between \$87 million and \$93 million
- Full year 2021 GAAP gross margin of between 68% and 71%
- Full year 2021 non-GAAP gross margin of between 70% and 72%

STRONG PLATFORM FOR 2021 EXECUTION

2020 Accomplishments

- ✓ **\$69.2M in FY20 net revenues, up 110.9% YoY**
- ✓ **Diversified customer base with low-cost insurance and repeat customers, driving efficient growth**
- ✓ **~9 point improvement in return accrual rate**
- ✓ **Launched national advertising campaign**
- ✓ **Launched Eargo Neo HiFi, driving incremental consumer demand**
- ✓ **Raised net proceeds of approximately \$67M in Series E financing and approximately \$148M in IPO**

2021 Plan

- ✓ **\$87M - \$93M in net revenues**
- ✓ **Continued efficient growth driven by improved customer mix**
- ✓ **Stable return accrual rate compared to FY20**
- ✓ **Continued scale up of national advertising**
- ✓ **2Q21 launch of Eargo 5, our most revolutionary product ever**
- ✓ **Well capitalized to execute long-term growth plan**

GAAP TO NON-GAAP RECONCILIATION

(all \$ in 000's)

	Q1'19A	Q2'19A	Q3'19A	Q4'19A	Q1'20A	Q2'20A	Q3'20A	Q4'20A	FY19	FY20
Gross Systems Shipped	5,363	4,955	5,257	7,212	7,030	9,040	10,077	12,096	22,787	38,242
Unit Growth Rate YoY					31.1%	82.4%	91.7%	67.7%		67.8%
Total Return Rate	(37%)	(34%)	(35%)	(34%)	(28%)	(27%)	(25%)	(24%)	(35%)	(26%)
Net Revenue	\$7,290	\$7,155	\$7,730	\$10,615	\$12,669	\$15,921	\$18,186	\$22,378	\$32,790	\$69,154
YoY Growth					73.8%	122.5%	135.3%	110.8%		110.9%
QoQ Growth		(1.8%)	8.0%	37.3%	19.4%	25.7%	14.2%	23.1%		
GAAP Gross Profit	\$3,467	\$3,528	\$4,147	\$5,858	\$8,013	\$10,716	\$12,751	\$15,800	\$17,000	\$47,281
% Gross Margin	47.6%	49.3%	53.6%	55.2%	63.2%	67.3%	70.1%	70.6%	51.8%	68.4%
SBC expense	\$1	\$3	\$3	\$9	\$5	\$4	\$9	\$43	\$16	\$60
Non-GAAP Gross Profit	\$3,467	\$3,531	\$4,150	\$5,867	\$8,018	\$10,720	\$12,761	\$15,843	\$17,016	\$47,341
% Non-GAAP Gross Margin	47.6%	49.4%	53.7%	55.3%	63.3%	67.3%	70.2%	70.8%	51.8%	68.5%
GAAP S&M	\$7,663	\$7,745	\$9,290	\$11,027	\$10,859	\$10,828	\$12,354	\$15,484	\$35,725	\$49,525
% of Net Rev	105.1%	108.2%	120.2%	103.9%	85.7%	68.0%	67.9%	69.2%	109.0%	71.6%
SBC expense	(\$7)	(\$46)	(\$73)	(\$62)	(\$123)	(\$126)	(\$344)	(\$1,035)	(\$188)	(\$1,629)
Non-GAAP S&M	\$7,656	\$7,698	\$9,217	\$10,965	\$10,736	\$10,702	\$12,009	\$14,449	\$35,537	\$47,896
% of Net Rev	105.0%	107.6%	119.2%	103.3%	84.7%	67.2%	66.0%	64.6%	108.4%	69.3%
GAAP R&D	\$2,669	\$2,893	\$3,219	\$4,060	\$2,809	\$2,208	\$2,871	\$4,157	\$12,841	\$12,045
% of Net Rev	36.6%	40.4%	41.6%	38.2%	22.2%	13.9%	15.8%	18.6%	39.2%	17.4%
SBC expense	(\$16)	(\$84)	(\$83)	(\$49)	(\$164)	(\$91)	(\$295)	(\$272)	(\$232)	(\$822)
Non-GAAP R&D	\$2,654	\$2,809	\$3,136	\$4,011	\$2,645	\$2,118	\$2,577	\$3,885	\$12,609	\$11,223
% of Net Rev	36.4%	39.3%	40.6%	37.8%	20.9%	13.3%	14.2%	17.4%	38.5%	16.2%
GAAP G&A	\$2,421	\$2,677	\$3,683	\$3,689	\$6,078	\$3,257	\$5,163	\$6,084	\$12,470	\$20,582
% of Net Rev	33.2%	37.4%	47.6%	34.8%	48.0%	20.5%	28.4%	27.2%	38.0%	29.8%
SBC expense	(\$84)	(\$300)	(\$298)	(\$222)	(\$233)	(\$250)	(\$719)	(\$1,376)	(\$903)	(\$2,578)
Non-GAAP G&A	\$2,337	\$2,378	\$3,385	\$3,467	\$5,845	\$3,006	\$4,444	\$4,708	\$11,567	\$18,004
% of Net Rev	32.1%	33.2%	43.8%	32.7%	46.1%	18.9%	24.4%	21.0%	35.3%	26.0%
GAAP Total Operating Expenses	\$12,753	\$13,315	\$16,192	\$18,776	\$19,746	\$16,293	\$20,388	\$25,725	\$61,036	\$82,152
% of Net Rev	174.9%	186.1%	209.5%	176.9%	155.9%	102.3%	112.1%	115.0%	186.1%	118.8%
SBC expense	(\$106)	(\$430)	(\$454)	(\$333)	(\$520)	(\$467)	(\$1,358)	(\$2,683)	(\$1,323)	(\$5,029)
Non-GAAP Total Operating Expenses	\$12,647	\$12,885	\$15,738	\$18,443	\$19,226	\$15,826	\$19,030	\$23,042	\$59,714	\$77,123
% of Net Rev	173.5%	180.1%	203.6%	173.7%	151.8%	99.4%	104.6%	103.0%	182.1%	111.5%
GAAP Loss from Operations	(\$9,286)	(\$9,787)	(\$12,045)	(\$12,918)	(\$11,733)	(\$5,577)	(\$7,637)	(\$9,925)	(\$44,036)	(\$34,871)
Stock-based compensation	\$107	\$433	\$457	\$342	\$525	\$471	\$1,367	\$2,726	\$1,339	\$5,089
Non-GAAP Loss from Operations	(\$9,180)	(\$9,354)	(\$11,588)	(\$12,576)	(\$11,208)	(\$5,106)	(\$6,269)	(\$7,199)	(\$42,698)	(\$29,782)
OI&E	\$63	\$28	(\$112)	(\$429)	(\$5)	(\$1,015)	(\$2,090)	(\$1,874)	(\$450)	(\$4,984)
GAAP Net loss and comprehensive loss	(\$9,223)	(\$9,759)	(\$12,157)	(\$13,347)	(\$11,738)	(\$6,592)	(\$9,726)	(\$11,799)	(\$44,486)	(\$39,855)
Stock-based compensation	\$107	\$433	\$457	\$342	\$525	\$471	\$1,367	\$2,726	\$1,339	\$5,089
Non-GAAP Net loss and comprehensive loss	(\$9,116)	(\$9,326)	(\$11,700)	(\$13,005)	(\$11,214)	(\$6,121)	(\$8,359)	(\$9,073)	(\$43,147)	(\$34,767)
COGS	\$1	\$3	\$3	\$9	\$5	\$4	\$9	\$43	\$16	\$60
S&M	\$7	\$46	\$73	\$62	\$123	\$126	\$344	\$1,035	\$188	\$1,629
R&D	\$16	\$84	\$83	\$49	\$164	\$91	\$295	\$272	\$232	\$822
G&A	\$84	\$300	\$298	\$222	\$233	\$250	\$719	\$1,376	\$903	\$2,578
Total stock-based compensation	\$107	\$433	\$457	\$342	\$525	\$471	\$1,367	\$2,726	\$1,339	\$5,089

Totals may not tie to financial statements due to rounding

GAAP TO NON-GAAP GROSS MARGIN GUIDANCE RECONCILIATION

Reconciliation Between GAAP and non-GAAP Full Year 2021 Forecasted Gross Margin

	Low	High
GAAP Gross Margin	68%	71%
<i>Stock-based Compensation Expense</i>	<i>2.0%</i>	<i>1.0%</i>
Non-GAAP Gross Margin	70%	72%

THANK YOU