

EARGO

HEAR LIFE TO THE FULLEST

FIRST QUARTER 2021 EARNINGS CALL
MAY 12, 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 slides 9 and 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, second quarter 2021 launch of Eargo 5 and Eargo 5 features. 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, statements regarding our full year 2021 financial guidance, our ability to deliver on that guidance while driving innovation, the future of telecare and our position as a leader in market disruption. 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 maintain or 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 Annual Report on Form 10-K, and Quarterly Reports on Form 10-Q and the company’s other filings with the SEC. Any forward-looking statements in this press release 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 press release. 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.

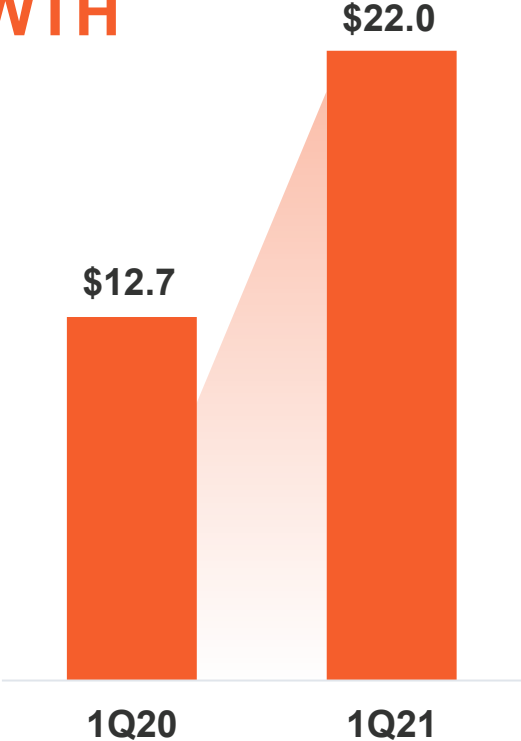
Use of Non-GAAP Financial Measures

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.

1Q21 FINANCIAL PERFORMANCE

74% YOY GROWTH

Net Revenue
(\$ in millions)



1Q21 Revenue Drivers

- ✓ Increased penetration into insurance market
- ✓ Accelerating consumer awareness driven by mix of digital and offline advertising
- ✓ Continued adoption of telecare model

Gross Systems Shipped
YoY Growth

	1Q20	1Q21
Gross Systems Shipped	7,030	11,704
YoY Growth	31.1%	66.5%

EARGO 5

Our **most revolutionary product** ever



✓ Features And Benefits:

- Smaller physical design
- More audiological gain
- In-situ hearing screen and profile adjustment
- Inductive charging
- Lithium-ion battery
- Waterproof
- Launching with new mobile app

✓ Late 2Q Launch, with material revenues beginning in 3Q21

COMPARISON OF 1Q21 AND 1Q20 RESULTS

(all \$ in millions)

	1Q '20	1Q '21	
Net Revenue	\$12.7	\$22.0	
<i>YoY % Growth</i>	73.8%	74.0%	
Gross Systems Shipped	7,030	11,704	→ Strong performance of digital and national advertising, increased insurance market penetration
<i>% Growth</i>	31.1%	66.5%	
Return Accrual Rate	28.2%	23.2%	→ Strong mix of insurance customers
Non-GAAP Gross Margin	63.3%	72.2%	→ Higher customer ASP, lower return rate, lower COGS
Non-GAAP S&M	\$10.7	\$15.0	
<i>% of Net Rev</i>	84.7%	68.0%	→ Improved customer mix; efficient national media attracting multiple customer types
Non-GAAP R&D	\$2.6	\$3.7	
<i>% of Net Rev</i>	20.9%	16.8%	
Non-GAAP G&A	\$5.8	\$5.5	
<i>% of Net Rev</i>	46.1%	24.8%	
Non-GAAP Total Operating Expenses	\$19.2	\$24.2	
Non-GAAP Operating Loss	(\$11.2)	(\$8.2)	

2021 FINANCIAL OUTLOOK

- Increasing full year net revenue guidance from between \$87 million and \$93 million to between \$89 million and \$93 million
- Reiterating GAAP gross margin guidance of between 68% and 71%
- Reiterating non-GAAP gross margin of between 70% and 72%



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	Q1'21A
Gross Systems Shipped	5,363	4,955	5,257	7,212	7,030	9,040	10,077	12,096	11,704
<i>Unit Growth Rate YoY</i>					31.1%	82.4%	91.7%	67.7%	66.5%
<i>Total Return Rate</i>	(37%)	(34%)	(35%)	(34%)	(28%)	(27%)	(25%)	(24%)	(23%)
Net Revenue	\$7,290	\$7,155	\$7,730	\$10,615	\$12,669	\$15,921	\$18,186	\$22,378	\$22,048
<i>YoY Growth</i>					73.8%	122.5%	135.3%	110.8%	74.0%
<i>QoQ Growth</i>		(1.8%)	8.0%	37.3%	19.4%	25.7%	14.2%	23.1%	(1.5%)
GAAP Gross Profit	\$3,467	\$3,528	\$4,147	\$5,858	\$8,013	\$10,716	\$12,751	\$15,800	\$15,751
<i>% Gross Margin</i>	47.6%	49.3%	53.6%	55.2%	63.2%	67.3%	70.1%	70.6%	71.4%
<i>SBC expense</i>	<u>\$1</u>	<u>\$3</u>	<u>\$3</u>	<u>\$9</u>	<u>\$5</u>	<u>\$4</u>	<u>\$9</u>	<u>\$43</u>	<u>\$186</u>
Non-GAAP Gross Profit	\$3,467	\$3,531	\$4,150	\$5,867	\$8,018	\$10,720	\$12,761	\$15,843	\$15,937
<i>% Non-GAAP Gross Margin</i>	47.6%	49.4%	53.7%	55.3%	63.2%	67.3%	70.2%	70.8%	72.2%

GAAP TO NON-GAAP RECONCILIATION (CONTINUED)

(all \$ in 000's)

	Q1'19A	Q2'19A	Q3'19A	Q4'19A	Q1'20A	Q2'20A	Q3'20A	Q4'20A	Q1'21A
GAAP S&M	\$7,663	\$7,745	\$9,290	\$11,027	\$10,859	\$10,828	\$12,354	\$15,484	\$16,855
% of Net Rev	105.1%	108.2%	120.2%	103.9%	85.7%	68.0%	67.9%	69.2%	76.4%
SBC expense	<u>(\$7)</u>	<u>(\$46)</u>	<u>(\$73)</u>	<u>(\$62)</u>	<u>(\$123)</u>	<u>(\$126)</u>	<u>(\$344)</u>	<u>(\$1,035)</u>	<u>(\$1,856)</u>
Non-GAAP S&M	\$7,656	\$7,698	\$9,217	\$10,965	\$10,736	\$10,702	\$12,009	\$14,449	\$14,999
% of Net Rev	105.0%	107.6%	119.2%	103.3%	84.7%	67.2%	66.0%	64.6%	68.0%
GAAP R&D	\$2,669	\$2,893	\$3,219	\$4,060	\$2,809	\$2,208	\$2,871	\$4,157	\$4,778
% of Net Rev	36.6%	40.4%	41.6%	38.2%	22.2%	13.9%	15.8%	18.6%	21.7%
SBC expense	<u>(\$16)</u>	<u>(\$84)</u>	<u>(\$83)</u>	<u>(\$49)</u>	<u>(\$164)</u>	<u>(\$91)</u>	<u>(\$295)</u>	<u>(\$272)</u>	<u>(\$1,067)</u>
Non-GAAP R&D	\$2,654	\$2,809	\$3,136	\$4,011	\$2,645	\$2,118	\$2,577	\$3,885	\$3,711
% of Net Rev	36.4%	39.3%	40.6%	37.8%	20.9%	13.3%	14.2%	17.4%	16.8%
GAAP G&A	\$2,421	\$2,677	\$3,683	\$3,689	\$6,078	\$3,257	\$5,163	\$6,084	\$7,487
% of Net Rev	33.2%	37.4%	47.6%	34.8%	48.0%	20.5%	28.4%	27.2%	34.0%
SBC expense	<u>(\$84)</u>	<u>(\$300)</u>	<u>(\$298)</u>	<u>(\$222)</u>	<u>(\$233)</u>	<u>(\$250)</u>	<u>(\$719)</u>	<u>(\$1,376)</u>	<u>(\$2,022)</u>
Non-GAAP G&A	\$2,337	\$2,378	\$3,385	\$3,467	\$5,845	\$3,006	\$4,444	\$4,708	\$5,465
% of Net Rev	32.1%	33.2%	43.8%	32.7%	46.1%	18.9%	24.4%	21.0%	24.8%
GAAP Total Operating Expenses	\$12,753	\$13,315	\$16,192	\$18,776	\$19,746	\$16,293	\$20,388	\$25,725	\$29,120
% of Net Rev	174.9%	186.1%	209.5%	176.9%	155.9%	102.3%	112.1%	115.0%	132.1%
SBC expense	<u>(\$106)</u>	<u>(\$430)</u>	<u>(\$454)</u>	<u>(\$333)</u>	<u>(\$520)</u>	<u>(\$467)</u>	<u>(\$1,358)</u>	<u>(\$2,683)</u>	<u>(\$4,945)</u>
Non-GAAP Total Operating Expenses	\$12,647	\$12,885	\$15,738	\$18,443	\$19,226	\$15,826	\$19,030	\$23,042	\$24,175
% of Net Rev	173.5%	180.1%	203.6%	173.7%	151.8%	99.4%	104.6%	103.0%	109.6%
GAAP Loss from Operations	(\$9,286)	(\$9,787)	(\$12,045)	(\$12,918)	(\$11,733)	(\$5,577)	(\$7,637)	(\$9,925)	(\$13,369)
Stock-based compensation	<u>\$107</u>	<u>\$433</u>	<u>\$457</u>	<u>\$342</u>	<u>\$525</u>	<u>\$471</u>	<u>\$1,367</u>	<u>\$2,726</u>	<u>\$5,131</u>
Non-GAAP Loss from Operations	(\$9,180)	(\$9,354)	(\$11,588)	(\$12,576)	(\$11,208)	(\$5,106)	(\$6,269)	(\$7,199)	(\$8,238)
OI&E	\$63	\$28	(\$112)	(\$429)	(\$5)	(\$1,015)	(\$2,090)	(\$1,874)	(\$252)
GAAP Net loss and comprehensive loss	(\$9,223)	(\$9,759)	(\$12,157)	(\$13,347)	(\$11,738)	(\$6,592)	(\$9,726)	(\$11,799)	(\$13,621)
Stock-based compensation	<u>\$107</u>	<u>\$433</u>	<u>\$457</u>	<u>\$342</u>	<u>\$525</u>	<u>\$471</u>	<u>\$1,367</u>	<u>\$2,726</u>	<u>\$5,131</u>
Non-GAAP Net loss and comprehensive loss	(\$9,116)	(\$9,326)	(\$11,700)	(\$13,005)	(\$11,214)	(\$6,121)	(\$8,359)	(\$9,073)	(\$8,490)
COGS	\$1	\$3	\$3	\$9	\$5	\$4	\$9	\$43	\$186
S&M	\$7	\$46	\$73	\$62	\$123	\$126	\$344	\$1,035	\$1,856
R&D	\$16	\$84	\$83	\$49	\$164	\$91	\$295	\$272	\$1,067
G&A	\$84	\$300	\$298	\$222	\$233	\$250	\$719	\$1,376	\$2,022
Total stock-based compensation	\$107	\$433	\$457	\$342	\$525	\$471	\$1,367	\$2,726	\$5,131

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