

EARGO

HEAR LIFE TO THE FULLEST

**THIRD QUARTER 2020 EARNINGS CALL
NOVEMBER 19, 2020**

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 13

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 (Securities Act), 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 2020 financial outlook and revenue guidance. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results and events to differ materially from those anticipated, including, but not limited to, risks and uncertainties 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 prospectus filed with the Securities and Exchange Commission (SEC) on October 19, 2020 pursuant to Rule 424(b) under the Securities Act 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, 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.

TRANSFORMING THE HEARING AID INDUSTRY

Large Market with Significant Unmet Need

- ✓ 43M U.S. adults have hearing loss^{1,2}, but only ~27% owned a hearing aid in 2019³

Low Penetration Due To

- ✓ Stigma of visible hearing aids (~88% of 2019 U.S. market)
- ✓ Discomfort of existing in-the-ear hearing aids (~12% of 2019 U.S. market)
- ✓ High cost
- ✓ Inconvenient, cumbersome experience; many visits to the audiologist

Eargo Addresses This Unmet Need

- ✓ Virtually invisible, in-the-ear, FDA regulated, exempt product; high-quality audio
- ✓ Comfortable, all-day wear
- ✓ Lower cost to consumer
- ✓ Efficient, DTC model offers education, purchase and telecare support from home





Strong Financial Profile

- ✓ \$18.2M Q320 net revenue, up 135.3% YoY
- ✓ 70.1% Q320 gross margin, up 16.5 points YoY

1. Prevalence of Hearing Loss by Severity in the United States, Adele M. Goman, PhD, and Frank R. Lin, MD, PhD, 2016
2. U.S. Census International Database
3. Hearing Review; Hearing Industries Association, Industry reports; Eargo estimates



TRADITIONAL HEARING AIDS HAVE SIGNIFICANT LIMITATIONS

	Behind-the-ear hearing aids		In-the-ear hearing aids	
	BEHIND-THE-EAR	MINI BTE	IN-EAR	IN-CANAL
				
	Approximately 88% market share ¹		Approximately 12% market share ¹	
APPLICABILITY	Fit the widest range of hearing loss		Mild to severe hearing loss	
VISIBILITY	Most visible		Less visible	
COMFORT AND OCCLUSION	Most comfortable and least occlusive		Very occlusive	
RECHARGEABILITY	Some		Some	None
AVERAGE COST			\$4,600 ²	
TRIAL PERIOD			Varies; average ~48 Days ³	

¹ Hearing Industries Association

² Represents estimated average retail costs per pair of hearing aids sold through traditional channels in the United States. Hearing aids with custom features that reduce device visibility or improve comfort can retail for significantly more than the industry average.

³ Industry data, Eargo estimates

EARGO ADDRESSES THESE LIMITATIONS



TRADITIONAL HEARING AIDS

STIGMATIZED, VISIBLE, UNATTRACTIVE

EAR CANAL OCCLUSION, DISCOMFORT

BATTERY CHANGING HASSLE







DISEMPOWERING, CUMBERSOME PROCESS

B2B, LAYERS OF COST

\$4,600 AVERAGE COST^{1,2}



EARGO

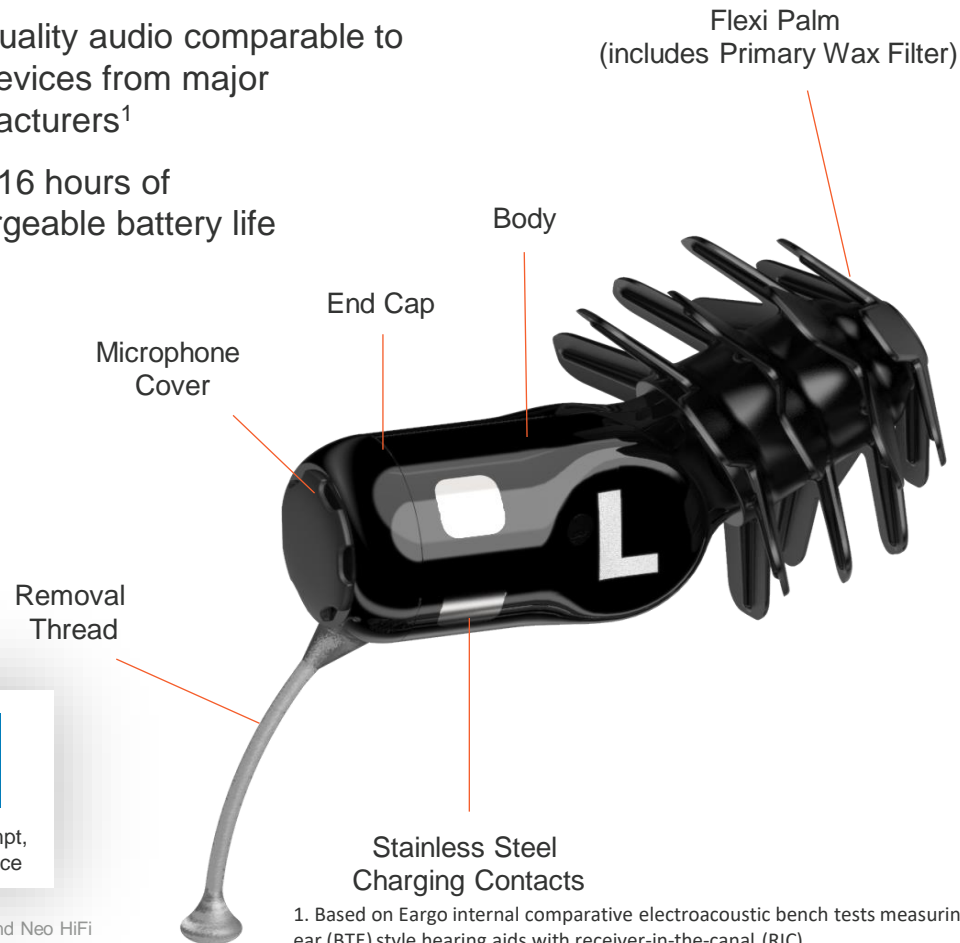
-  VIRTUALLY INVISIBLE
-  COMFORTABLE, NON-OCCLUSIVE
-  RECHARGEABLE, EASY-TO-USE
-  EMPOWERING, CONSUMER-CENTRIC PROCESS
-  DTC, VERTICALLY INTEGRATED
-  \$1,850 - \$2,950²

1. Eargo Estimates of hearing aids sold through traditional channels in the United States
2. Cost data is on a per pair basis

“FIRST AND ONLY” TECHNOLOGY; TELECARE SUPPORT

Eargo Hearing Aid (Close-up View)

- ✓ Patented FlexiPalm design provides comfortable, non-occluding fit
- ✓ High quality audio comparable to BTE devices from major manufacturers¹
- ✓ Up to 16 hours of rechargeable battery life



*Only available on Neo and Neo HiFi

Personalized, Telecare Support

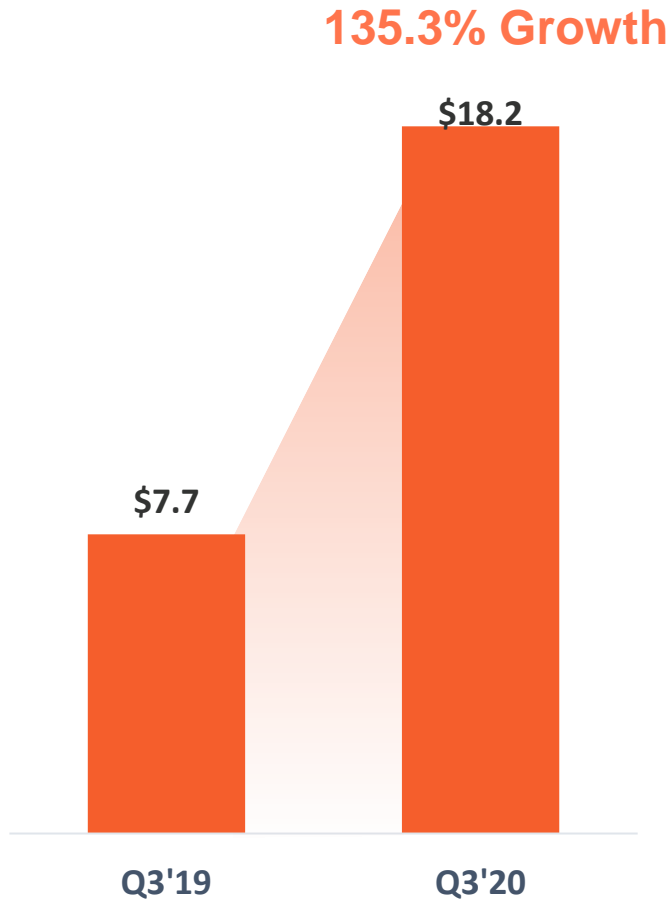
- ✓ Unlimited, lifetime support from licensed hearing professionals
- ✓ No clinic visits: interact via phone, email, text or video
- ✓ Real-time audio profile personalization via the internet*



1. Based on Eargo internal comparative electroacoustic bench tests measuring Eargo Neo against Starkey Livio AI 2400, the Phonak Audeo Marvel M90, and the Resound Linx Quattro 5, all behind-the-ear (BTE) style hearing aids with receiver-in-the-canal (RIC).

3Q20 GROWTH DRIVERS

Net Revenue (\$ in millions)

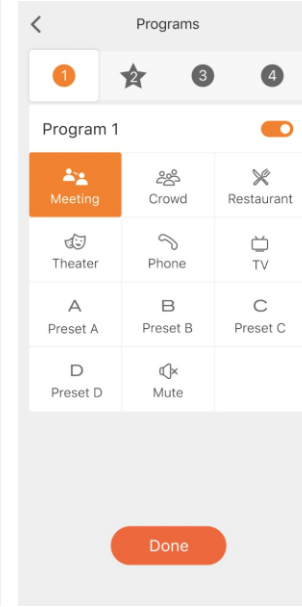
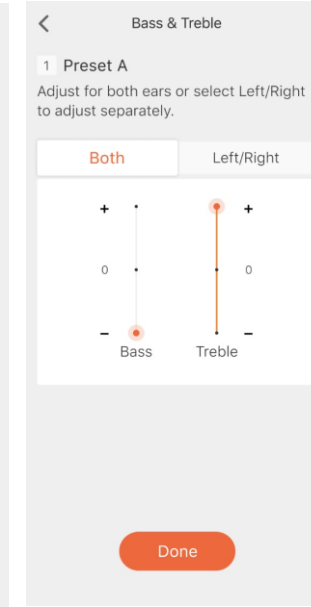
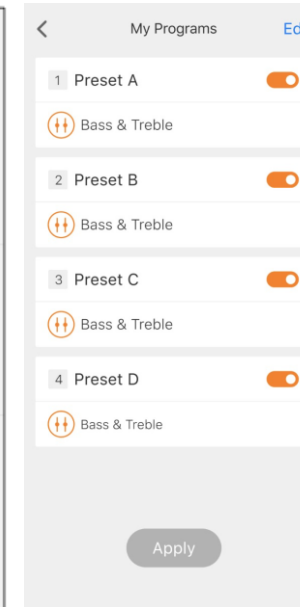
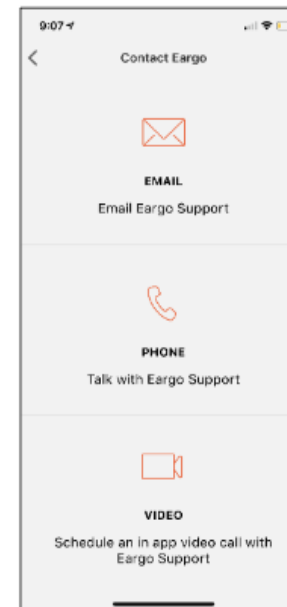
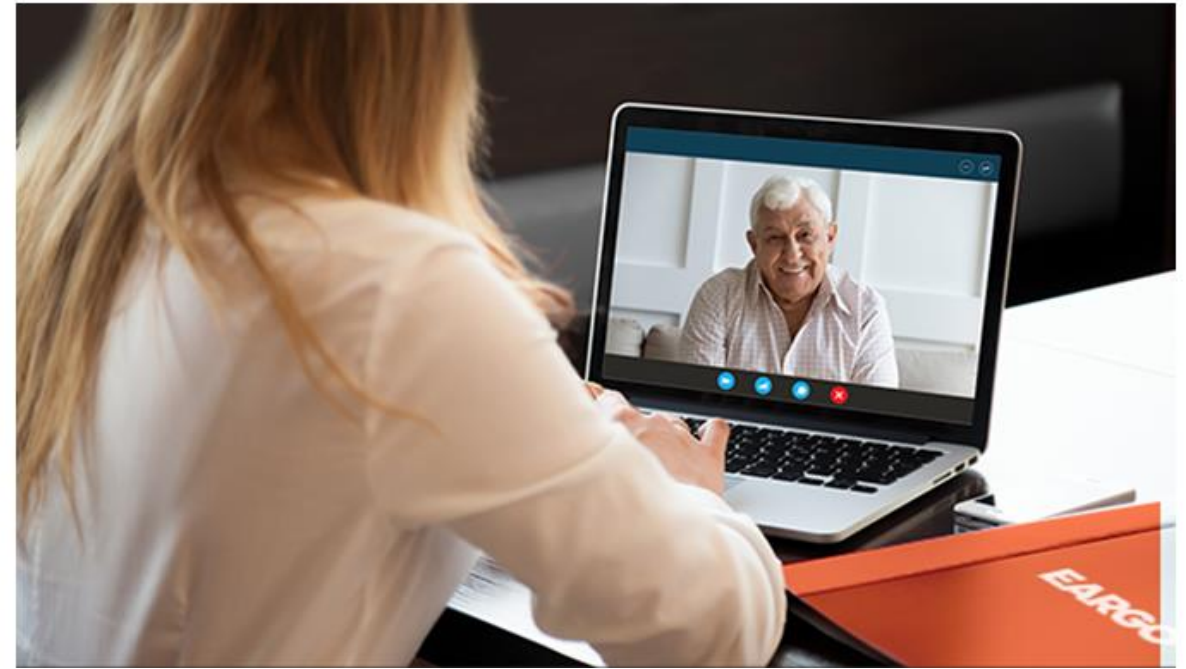


- ✓ Improved media mix and expanded national TV advertising
- ✓ Attracting multiple customer types across cash pay, insurance and repeat customers
- ✓ Continued adoption of HiFi since 1 Q20 launch
- ✓ Increased consumer acceptance of telecare model

EARGO TELECARE MODEL

Unlimited Lifetime Support

- ✓ Initial consultation
- ✓ Hearing screening / results analysis
- ✓ Guidance on proper insertion, charging and cleaning
- ✓ Real-time audio settings modification for individual hearing loss
- ✓ Provided Telecare to 80% of customers within first month of product ownership for the nine months ended September 30, 2020



COMPARISON OF Q319 AND Q320 RESULTS

(all \$ in millions)

Q3 '19

Q3 '20

	Q3 '19	Q3 '20	
Net Revenue	\$7.7	\$18.2	
<i>YoY % Growth</i>	42.8%	135.3%	
Gross Systems Shipped	5,257	10,077	→ Improved media mix; accelerated consumer adoption of telecare model; launch of Neo HiFi in 1Q20
<i>% Growth</i>	11.9%	91.7%	
Return Accrual Rate	35.3%	25.2%	→ Ongoing customer support improvements and mix shift toward higher percentage of insurance and repeat customers
Gross Margin	53.6%	70.1%	→ Higher customer ASP, lower return rate, lower COGS
S&M	\$9.3	\$12.4	
<i>% of Net Rev</i>	120.2%	67.9%	→ Improved customer mix; efficient national media attracting multiple customer types
R&D	\$3.2	\$2.9	
<i>% of Net Rev</i>	41.6%	15.8%	
G&A	\$3.7	\$5.2	→ Increased public company expenses; increased AR reserves driven by greater insurance customer mix
<i>% of Net Rev</i>	47.6%	28.4%	
Total Operating Expenses	\$16.2	\$20.4	→ Includes stock-based compensation expenses of approximately \$0.5M in 3Q19 and \$1.4M in 3Q20
Loss from Operations	(\$12.0)	(\$7.6)	
Cash and Cash Equivalents	\$25.3	\$70.2	→ Does not include net proceeds of approximately \$148M from IPO completed in October 2020

2020 FINANCIAL OUTLOOK

2020 Revenue Guidance

- Full year 2020 net revenues of approximately \$64.5 million, representing approximately 97% growth

SUPPLEMENTAL HISTORICAL FINANCIAL DATA

(all \$ in 000's)

	Q1'19-A	Q2'19-A	Q3'19-A	Q4'19-A	Q1'20-A	Q2'20-A	Q3'20-A
Gross Systems Shipped	5,363	4,955	5,257	7,212	7,030	9,040	10,077
<i>Unit Growth Rate YoY</i>					31.1%	82.4%	91.7%
<i>Total Return Rate</i>	(37%)	(34%)	(35%)	(34%)	(28%)	(27%)	(25%)
Net Revenue	\$7,290	\$7,155	\$7,730	\$10,615	\$12,669	\$15,921	\$18,186
<i>YoY Growth</i>					73.8%	122.5%	135.3%
<i>QoQ Growth</i>		(1.8%)	8.0%	37.3%	19.4%	25.7%	14.2%
COGS	\$3,823	\$3,627	\$3,583	\$4,757	\$4,656	\$5,205	\$5,434
Gross Profit	\$3,467	\$3,528	\$4,147	\$5,858	\$8,013	\$10,716	\$12,752
<i>% Gross Margin</i>	47.6%	49.3%	53.6%	55.2%	63.2%	67.3%	70.1%
S&M	\$7,663	\$7,745	\$9,290	\$11,027	\$10,859	\$10,828	\$12,354
<i>% of Net Rev</i>	105.1%	108.2%	120.2%	103.9%	85.7%	68.0%	67.9%
<i>YoY Growth</i>					96.0%	39.8%	33.0%
R&D	\$2,669	\$2,893	\$3,219	\$4,060	\$2,809	\$2,208	\$2,871
<i>% of Net Rev</i>	36.6%	40.4%	41.6%	38.2%	22.2%	13.9%	15.8%
<i>YoY Growth</i>					28.9%	(23.7%)	(10.8%)
G&A	\$2,421	\$2,677	\$3,683	\$3,689	\$6,078	\$3,257	\$5,163
<i>% of Net Rev</i>	33.2%	37.4%	47.6%	34.8%	48.0%	20.5%	28.4%
<i>YoY Growth</i>					151.1%	21.6%	40.2%
Total Expenses	\$12,753	\$13,315	\$16,192	\$18,776	\$19,746	\$16,293	\$20,388
<i>% of Net Rev</i>	175.0%	186.1%	209.5%	176.9%	155.9%	102.3%	112.1%
Loss From Operations	(\$9,286)	(\$9,787)	(\$12,045)	(\$12,918)	(\$11,733)	(\$5,577)	(\$7,636)
OI&E	\$63	\$28	(\$112)	(\$429)	(\$5)	(\$1,015)	(\$2,090)
Net Operating (Loss) Income	(\$9,223)	(\$9,759)	(\$12,157)	(\$13,347)	(\$11,738)	(\$6,592)	(\$9,726)

THANK YOU