



# Envoy Medical, Inc.

Reports Q2 results. We believe start of Acclaim CI trial in 2024/25 to be strong catalysts for stock. Raising P/T to \$8.75.

## COMPANY UPDATE

Rating: BUY

Ticker: COCH

Price: \$3.02

Target: \$8.75  
(from \$8.50)

**Reports Q2 results:** Envoy recently (on August 12) reported its fiscal Q2 2024 (ending June) results. Revenue was \$0.1 million, compared to our and consensus estimates of \$0.1 million. Net loss was \$5.3 million or EPS of \$(0.27), which compared with our estimates of \$(0.26) and consensus of \$(0.25). There was no Q2 guidance. Envoy is an early/clinical/commercialization stage medical device development company so it generates minimal revenue.

**No guidance:** Management did not provide forward guidance, but we believe ~\$4 million to be a reasonable near term quarterly cash burn rate.

**Adjusting estimates:** We are maintaining our 2024 revenue estimates of \$0.3 million, but adjusting it for EPS to \$(1.07) from \$(1.09).

**Acclaim CI:** Envoy has developed the Acclaim CI, a fully implanted cochlear implant. The Acclaim CI does not have the need for any external component to be worn on the ear. The Acclaim CI is designed to address severe to profound sensorineural hearing loss that is not adequately addressed by hearing aids.

**Large market potential:** According to the National Center for Health Statistics, hearing loss impacts about 15% of the adult population in the U.S. Among older adults, nearly 25% of people aged 65 to 74 have disabling hearing loss, and 50% of those aged 75 and older have disabling hearing loss, according to the National Institute on Deafness and Other Communications Disorders.

**Acclaim CI market potential:** The company believes there is a significant population of adults in the U.S. who are cochlear implant candidates but choose not to get the therapy because of the external component required for daily hearing. The company believes there will be ~25,000 - 30,000 adults implanted with a cochlear implant in the U.S. every year by 2026, representing an annual market opportunity that exceeds \$750 million. ~50% of the hearing device market is international, so that offers significant opportunity for expansion.

**Late 2024 IDE:** The Acclaim CI is currently in process (expected 2H 2024) to file an IDE application with the FDA to begin clinical testing. The Acclaim currently has three EFS (early feasibility study) participants (enrolled and device implanted at the Mayo Clinic in Rochester, MN in Q4 2022).

**Potential 2026 FDA approval:** The company believes its pivotal clinical trial will require ~50 to 60 patients and take about a year. If the IDE is approved in 2H 2024, clinical trials will start shortly after, and the company anticipates the potential to obtaining FDA approval in 2026.

**Esteem:** The company's first commercial product, the Esteem Fully Implanted Active Middle Ear Implant ("Esteem FI-AMEI"), is a fully implanted active middle ear hearing device. The Esteem FI-AMEI was approved for sale in 2010 by the U.S. FDA (Food and Drug Administration).

**Balance sheet:** In Q2, the company has \$2 million in cash and \$7 million in debt. It recently got another \$10 million credit facility with its largest shareholder. We believe it has enough cash into 2025.

**Positive high risks versus high rewards:** Overall, concerns outweighed by growth prospects and valuation. Envoy Medical's 2 devices still have long development and commercialization roads left and the high risks of clinical trials or commercial failures, but we believe the ~billion dollars market potential presents high rewards for the risks.

**Current valuation attractive:** We are maintaining our BUY rating, but raising our 12-month price target to \$8.75 from \$8.50, based on a NPV analysis, representing significant upside from the current share price. We believe this valuation fairly balances out the high risks with large upside opportunities.

### Company Description

Based in White Bear Lake, MN, Envoy Medical is a hearing health company focused on providing innovative medical technologies for hearing loss.

United States  
Healthcare

September 2, 2024

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### Stock Data

Exchange:	NasdaqCM
52-week Range:	0.75 – 11.72
Shares Outstanding (million):	20
Market cap (\$million):	\$60
EV (\$million):	\$65
Debt (\$million):	\$7
Cash (\$million):	\$2
Avg. Daily Trading Vol. (\$million):	\$0.2
Float (million shares):	7
Short Interest (million shares):	~0
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>	<u>2025E</u> <u>(Cur.)</u>	<u>2025E</u> <u>(Old)</u>
Q1 Mar	0.1A		0.1E	
Q2 Jun	0.1A	0.1E	0.1E	
Q3 Sep	0.1E		0.1E	
Q4 Dec	<u>0.1E</u>		<u>0.1E</u>	
Total	<b>0.3E</b>		<b>0.3E</b>	
EV/Revs	N/A		N/A	

### Earnings per Share (pro forma)

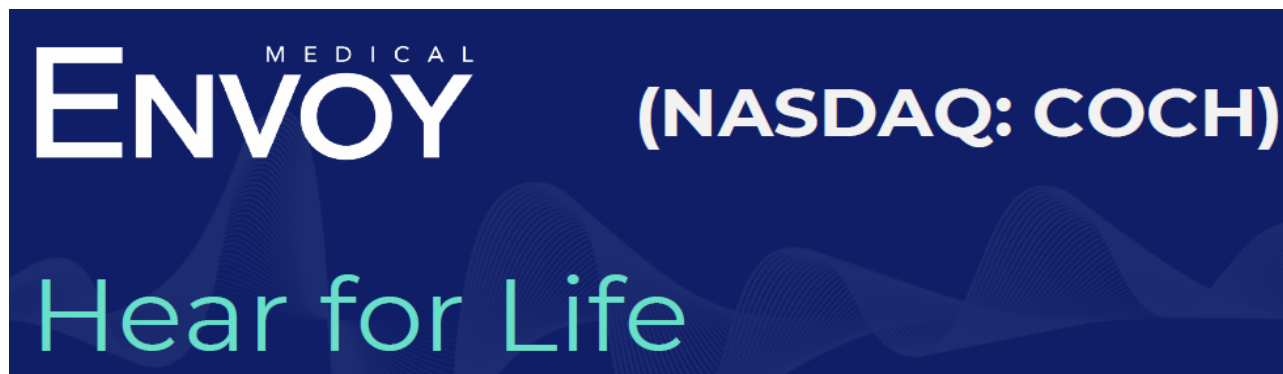
	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>	<u>2025E</u> <u>(Cur.)</u>	<u>2025E</u> <u>(Old)</u>
Q1 Mar	(0.32)A		(0.27)E	(0.26)E
Q2 Jun	(0.27)A	(0.26)E	(0.26)E	
Q3 Sep	(0.24)E	(0.26)E	(0.26)E	(0.25)E
Q4 Dec	<u>(0.24)E</u>	<u>(0.25)E</u>	<u>(0.25)E</u>	<u>(0.24)E</u>
Total	<b>(1.07)E</b>	<b>(1.09)E</b>	<b>(1.05)E</b>	<b>(1.01)E</b>
P/E	N/A		N/A	

### Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 13.

Exhibit 1: Envoy Medical, Inc. Corporate Overview



Who We Are

**COMPANY OVERVIEW**

Envoy Medical (NASDAQ: COCH) is:

- an innovative hearing health company based in the United States (MN) focused on hearing implants,
- leading the way in “fully” or “totally” implanted hearing devices,
- the only company in the world that has successfully gotten a fully implanted hearing device approved by the FDA,
- planning to disrupt a complacent cochlear implant industry,
- dedicated to improving patient access, usability, compliance, and ultimately quality of life.

**We are different because our devices:**

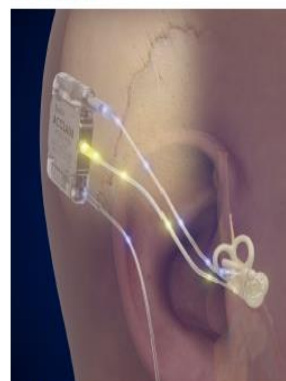
- leverage the natural ear to pick up sound.
- do not rely on artificial microphones.
- allow the outer ear to be used by the patient.

Esteem®



The only FDA-approved, fully-implanted active middle ear implant. FDA approval in 2010. Implanted in approx. 1,000 patients.

Acclaim®



A fully implanted cochlear implant (“FICI” or “TICI”) that represents a paradigm shift in cochlear implants. It is currently in clinical trials and investigational.

Source: Company reports.

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## Exhibit 2: Envoy Medical's Acclaim CI Opportunity

### FULLY IMPLANTED COCHLEAR IMPLANT: AN OBVIOUS OPPORTUNITY

- We believe that if a given an opportunity to choose between a fully-implanted cochlear implant with no externals and a partially-implanted cochlear implant with externals, a significant portion of patients would choose the fully implanted cochlear implant.
- Externals associated with traditional cochlear implants are obvious and can get in the way of a person's life.
- Envoy Medical intends to be the catalyst for change the market wants and, frankly, needs.
- Envoy Medical has developed **an important missing piece in the solution** – our sensor technology.
- Envoy Medical's sensor is an elegant solution for a fully implanted device.
  - Leverages the natural outer and middle ear.
  - Low power needs.
  - Not an artificial microphone.
  - Not a sub-dermal microphone (lowers chances of body noise issues).

Source: Company reports.

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## Exhibit 3: Hearing Loss Global Market Opportunity

### HEARING LOSS: THE OVERALL GLOBAL MARKET

#### Key Facts from the World Health Organization<sup>1</sup>:

- More than 1.5 billion people may have some form of hearing loss during their lifetime.
- Approximately 430 million of those individuals have “disabling hearing loss” that requires intervention.
- It is estimated that nearly \$1 trillion (USD) may be lost every year globally due to a failure to address hearing loss properly.
- By 2050, these numbers are expected to jump significantly:
  - 2.5 billion people are projected to have some degree of hearing loss,
  - 700 million may have “disabling hearing loss” that requires hearing rehabilitation.
- Hearing loss is significantly more common with increased age. Approximately 1 in 4 (25%) of people over the age of 60 are impacted by “disabling hearing loss.”

Sources:

(1) World report on hearing. Geneva: World Health Organization; 2021. License: CC BY-NC-SA 3.0 IGO.

(2) “Disabling hearing” refers to a level of hearing loss that is 35 decibels (dB) or more in the better hearing ear.

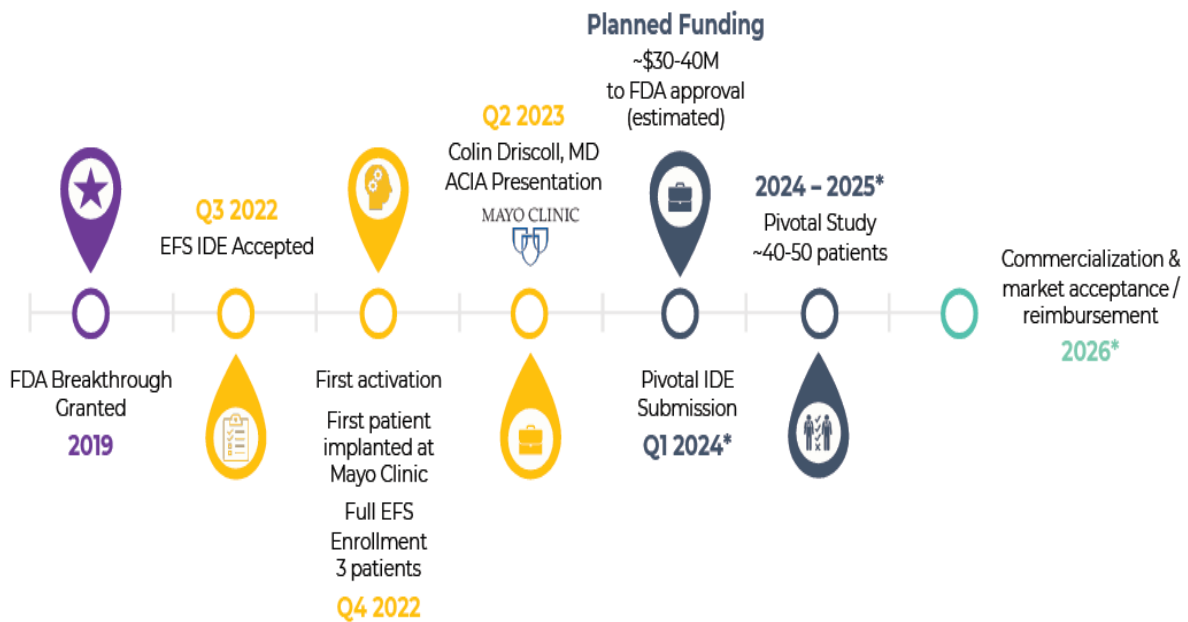
Source: Company reports.

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**Exhibit 4: Envoy Medical Acclaim CI Timeline**

*Clinical Strategy*

**ILLUSTRATIVE TRACK TO COMMERCIALIZATION**



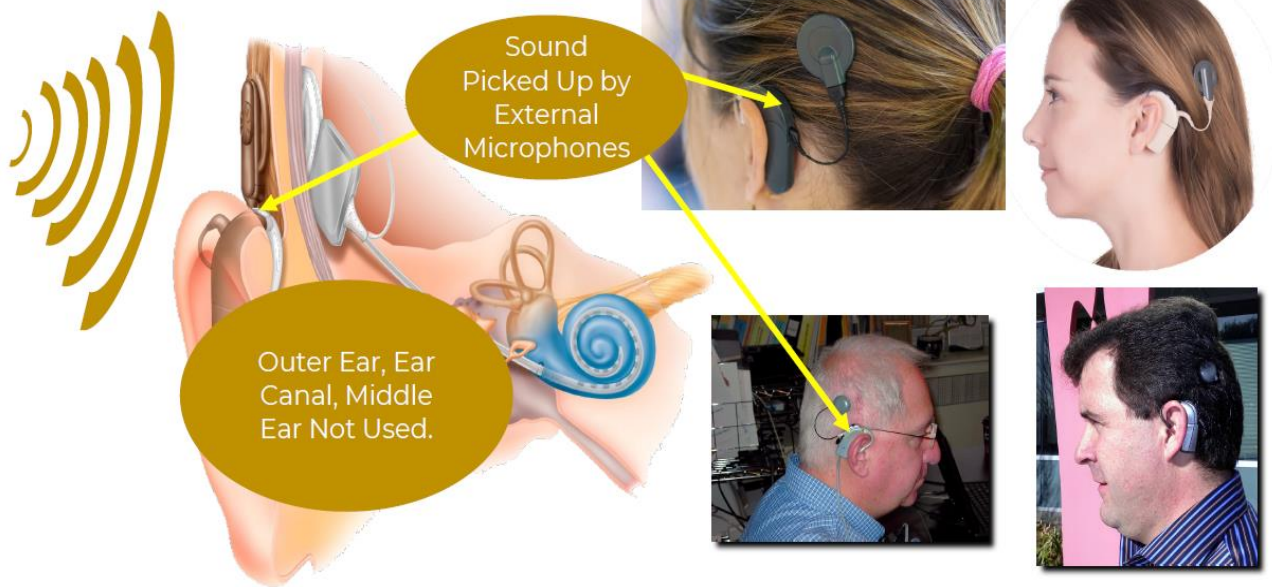
Source: Alzheimer's Association and Alzamend Neuro, Inc.



Exhibit 5: Cochlear Implant Market Opportunity

Acclaim Opportunity

**TRADITIONAL COCHLEAR IMPLANTS**



Acclaim Opportunity

**TRADITIONAL COCHLEAR IMPLANTS**

Cochlear implants replace the function of the inner ear by providing direct electrical stimulation of the auditory nerve.

**Sound processor - External**

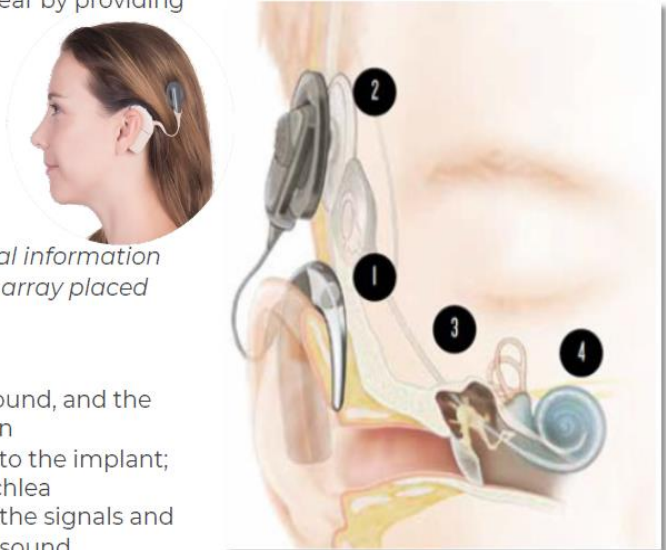
Picks up and processes sound into detailed digital information

**Implant - Internal**

Converts the digital sound information into electrical information that is sent to the auditory nerve from an electrode array placed inside the cochlea

**Illustrative Device Overview:**

- 1) Microphones on the sound processor pick up sound, and the processor converts them into digital information
- 2) This information is transferred through the coil to the implant; the implant sends electrical signals into the cochlea
- 3) The hearing nerve fibers in the cochlea pick up the signals and send them to the brain, giving the sensation of sound





Source: Company reports.

Exhibit 6: Acclaim CI (Cochlear Implant)

*Novel Technology*

# ACCLAIM® EXPECTS TO BE FIRST OF-ITS-KIND FULLY IMPLANTED COCHLEAR IMPLANT (FICI) DEVICE

**FDA**  
Breakthrough  
Device  
Designation

Device not to scale.

**DISCREET**

- No need for externally worn components.
- Ear will pick up the sound naturally. No external artificial microphone needed.

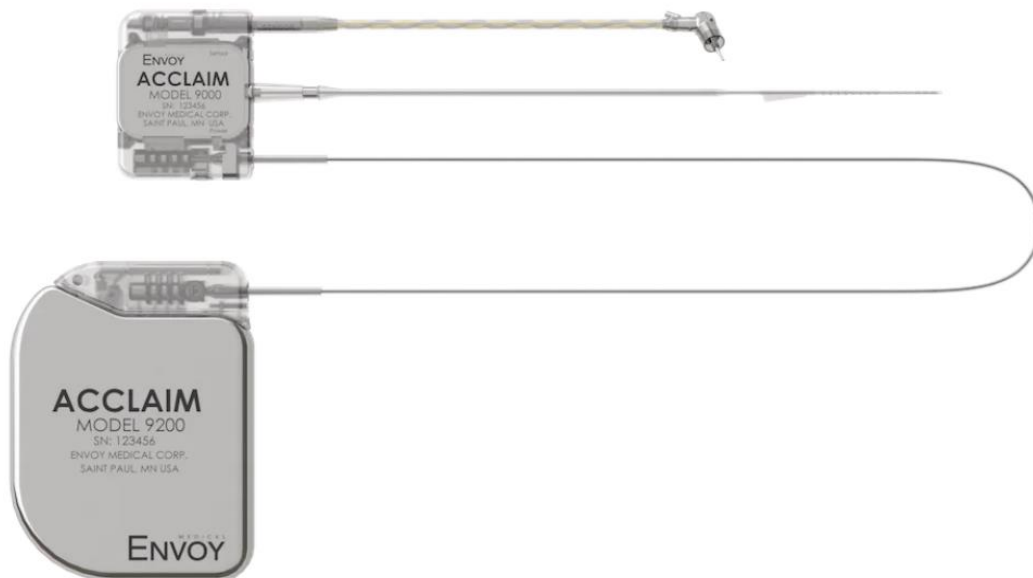
**DEPENDABLE**

- Designed to allow true 24/7 hearing.
- Reliable in many environments and activities.

**EASY**

- No expensive external sound processors to replace when lost or damaged.
- No frequent battery changes or charging. Rechargeable battery expected to last several days between charges and designed to last 8-12 years.
- No magnets. Designed to be MRI compatible.\*

\*MRI compatibility not yet determined.

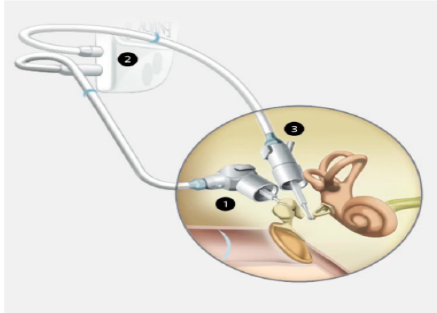


Source: Company reports.

Exhibit 7: Esteem FI-AMEI (Fully Implanted Active Middle Ear Implant)

Executive Summary

**PRODUCT OVERVIEW – ESTEEM®**



The Esteem® is the first and only FDA-approved, fully-implanted active middle ear implant (AMEI).

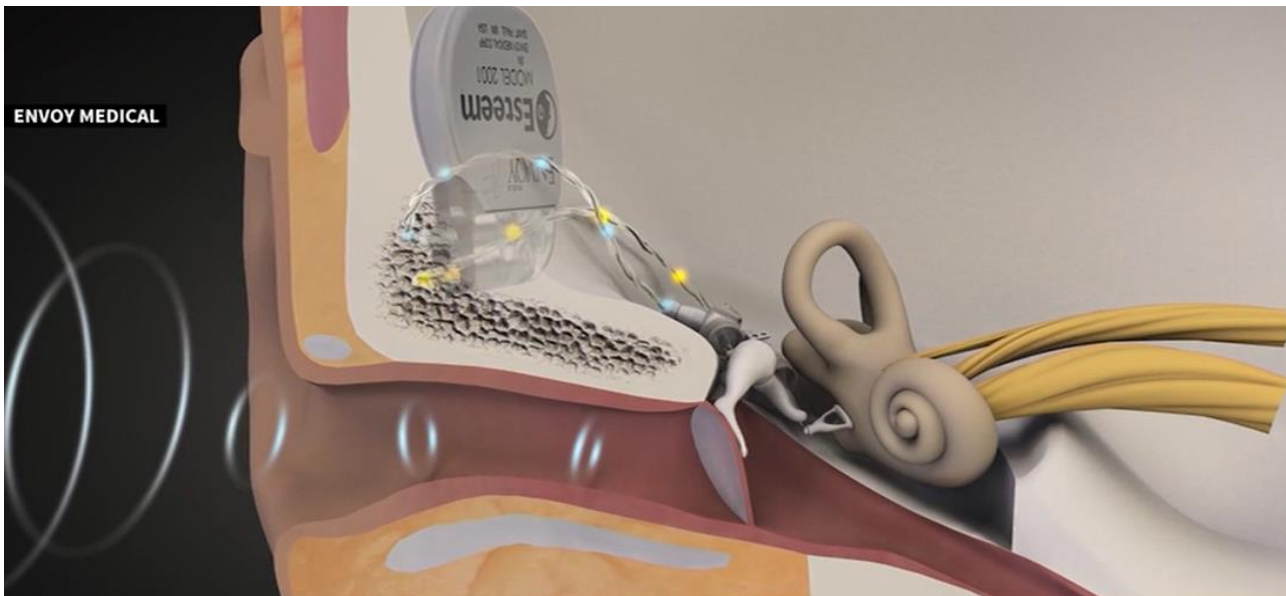
- 1) The Envoy Sensor converts the vibrations into electrical signals that are sent to the implanted Esteem Sound Processor
- 2) The Esteem Sound Processor receives, adjusts and intensifies the signals to fit your unique hearing needs
- 3) The Esteem Driver directly transfers these signals to the inner ear where the hair cells are stimulated, causing you to hear

**Positive Interim Results for IGC-AD1 in Reducing Alzheimer’s Agitation**

At the primary outcome, assessing the change in v as measured by the CMAI at week 6, the Cohen’s d effect size indicating the superiority of IGC-ADI over placebo was 0.66.

*The Esteem® Opportunity*

**THREE FULLY IMPLANTED COMPONENTS**



Source: Company reports.



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## Exhibit 8: Q2 2024 Results and Recent Highlights (as of August 12, 2024)

### Envoy Medical Reports Second Quarter 2024 Results and Provides Business Update

Aug 12, 2024

*Company continues to make significant progress towards disrupting the existing cochlear implant industry with its investigational, breakthrough fully implanted Acclaim<sup>®</sup> cochlear implant; Maintains goal of starting Pivotal Clinical Trial by end of the year*

WHITE BEAR LAKE, Minn., Aug. 12, 2024 (GLOBE NEWSWIRE) -- Envoy Medical<sup>®</sup>, Inc. ("Envoy Medical") (Nasdaq: COCH), a revolutionary hearing health company focused on fully implanted hearing devices, today announces its corporate and financial results for the second quarter ended June 30, 2024.

"We are pleased with the steady progress that Envoy Medical has made this quarter and year-to-date in advancing our goal of becoming a leading cochlear implant company," commented Brent T. Lucas, Envoy Medical's Chief Executive Officer. "We believe the results of our Early Feasibility Study justify further study of our breakthrough fully implanted cochlear implant and intend to submit an IDE application to begin a Pivotal Clinical Trial in the coming months. If our IDE application is approved, we are hopeful that we may begin enrolling the study before year-end."

#### *Timeline Update*

- Envoy Medical maintains its goal of submitting an application for an Investigational Device Exemption (IDE) in the next few months. The company is optimistic that it can begin to enroll that study, should it be approved, by year-end 2024.
- The Company will provide more details on study design once approval is granted to begin the study.
- Assuming approval, the Company maintains its view that commercialization may be achievable by the end of 2026.

Source: Company reports.

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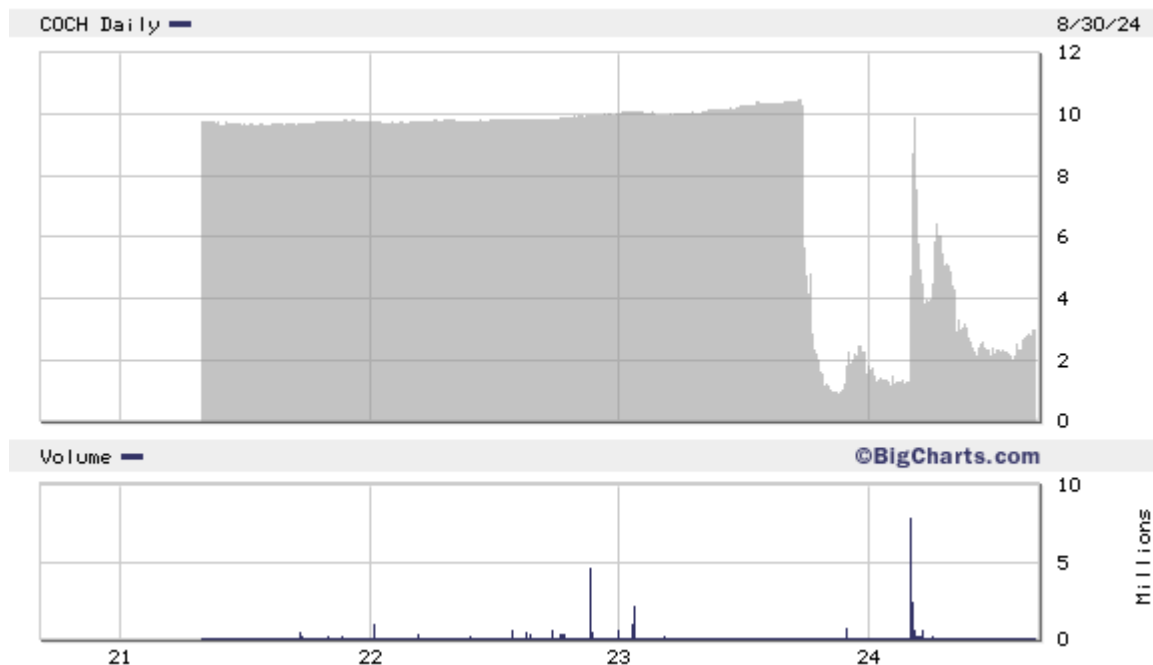


**Exhibit 9: Envoy Medical, Inc. Stock Price (4-years since IPO)**

SPAC (Anzu Special Acquisition Corp I) IPO - 3/4/21

SPAC Merger Announcement (with Envoy Medical Corporation) - 4/17/23

SPAC Merger Completion (to form Envoy Medical, Inc.) - 9/29/23



Source: <https://bigcharts.marketwatch.com/>

**Exhibit 10: Consensus Expectations (as of August 12, 2024)**

	Revenue (mil)			EPS	
	2024E	2025E		2024E	2025E
Q1 Mar	\$0.1A		Q1 Mar	\$(0.32)A	
Q2 Jun	\$0.1E		Q2 Jun	\$(0.25)E	
Q3 Sep	\$0.1E		Q3 Sep	\$(0.26)E	
Q4 Dec			Q4 Dec		
<b>Total</b>	<b>\$0.3E</b>	<b>\$0.4E</b>	<b>Total</b>	<b>\$(1.08)E</b>	<b>\$(1.02)E</b>

\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, LSEG, and Ascendant Capital Markets estimates

## FINANCIAL MODEL

### Envoy Medical, Inc.

Income Statement (\$ mils)	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025
Fiscal Year End: December 31	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Total Revenue</b>	<b>0.310</b>	<b>0.101</b>	<b>0.059</b>	<b>0.057</b>	<b>0.020</b>	<b>0.237</b>	<b>0.078</b>	<b>0.063</b>	<b>0.080</b>	<b>0.095</b>	<b>0.316</b>	<b>0.059</b>	<b>0.068</b>	<b>0.075</b>	<b>0.075</b>	<b>0.277</b>	<b>0.075</b>	<b>0.075</b>	<b>0.075</b>	<b>0.075</b>	<b>0.300</b>
Cost of Revenues	0.769	0.213	0.218	0.106	0.420	0.957	0.294	0.333	0.189	(0.027)	0.789	0.153	0.245	0.150	0.150	0.698	0.150	0.150	0.150	0.150	0.600
Gross Profit	(0.459)	(0.112)	(0.159)	(0.049)	(0.400)	(0.720)	(0.216)	(0.270)	(0.109)	0.122	(0.473)	(0.094)	(0.177)	(0.075)	(0.075)	(0.421)	(0.075)	(0.075)	(0.075)	(0.075)	(0.300)
Research & development	3.939	1.046	1.361	0.935	1.174	4.516	1.809	1.981	1.850	3.316	8.956	2.360	2.591	2.500	2.500	9.951	2.600	2.600	2.600	2.600	10.400
Sales and marketing						0.000				1.666	1.666	0.325	0.497	0.400	0.400	1.622	0.400	0.400	0.400	0.400	1.600
General & administrative	2.473	0.652	0.674	0.812	1.332	3.470	1.746	2.229	1.426	1.875	7.276	2.119	1.595	1.600	1.600	6.914	2.000	2.000	2.000	2.000	8.000
Restructuring and other						0.000					0.000					0.000					0.000
Total operating expenses	6.412	1.698	2.035	1.747	2.506	7.986	3.555	4.210	3.276	6.857	17.898	4.804	4.683	4.500	4.500	18.487	5.000	5.000	5.000	5.000	20.000
<b>Operating income (loss)</b>	<b>(6.871)</b>	<b>(1.810)</b>	<b>(2.194)</b>	<b>(1.796)</b>	<b>(2.906)</b>	<b>(8.706)</b>	<b>(3.771)</b>	<b>(4.480)</b>	<b>(3.385)</b>	<b>(6.735)</b>	<b>(18.371)</b>	<b>(4.898)</b>	<b>(4.860)</b>	<b>(4.575)</b>	<b>(4.575)</b>	<b>(18.908)</b>	<b>(5.075)</b>	<b>(5.075)</b>	<b>(5.075)</b>	<b>(5.075)</b>	<b>(20.300)</b>
Interest income (expense)						0.000					0.000	(0.036)	(0.132)	(0.273)	(0.461)	(0.902)	(0.648)	(0.648)	(0.648)	(0.648)	(2.594)
Other income (expense)	(3.804)	(0.561)	0.458	0.457	(9.571)	(9.217)	(9.982)	(9.266)	4.948	2.763	(11.537)	(1.336)	(0.320)	0.000	0.000	(1.656)	0.000	0.000	0.000	0.000	0.000
Income before income taxes	(10.675)	(2.371)	(1.736)	(1.339)	(12.477)	(17.923)	(13.753)	(13.746)	1.563	(3.972)	(29.908)	(6.270)	(5.312)	(4.848)	(5.036)	(21.466)	(5.723)	(5.723)	(5.723)	(5.723)	(22.894)
Income taxes	0.000					0.000					0.000					0.000					0.000
Net income (loss)	(10.675)	(2.371)	(1.736)	(1.339)	(12.477)	(17.923)	(13.753)	(13.746)	1.563	(3.972)	(29.908)	(6.270)	(5.312)	(4.848)	(5.036)	(21.466)	(5.723)	(5.723)	(5.723)	(5.723)	(22.894)
Nonrecurring/noncash adjustments	0.000					0.000					0.000					0.000					0.000
<b>Net income (pro forma)</b>	<b>(10.675)</b>	<b>(2.371)</b>	<b>(1.736)</b>	<b>(1.339)</b>	<b>(12.477)</b>	<b>(17.923)</b>	<b>(13.753)</b>	<b>(13.746)</b>	<b>1.563</b>	<b>(3.972)</b>	<b>(29.908)</b>	<b>(6.270)</b>	<b>(5.312)</b>	<b>(4.848)</b>	<b>(5.036)</b>	<b>(21.466)</b>	<b>(5.723)</b>	<b>(5.723)</b>	<b>(5.723)</b>	<b>(5.723)</b>	<b>(22.894)</b>
EBITDA																					
Shares, Basic	10.123	10.123	10.123	10.123	10.123	10.123	10.123	10.123	10.214	19.600	12.553	19.600	19.600	20.100	20.600	19.975	21.100	21.600	22.100	22.600	21.850
Shares, Diluted	10.123	10.123	10.123	10.123	10.123	10.123	10.123	10.123	11.215	19.600	12.553	19.600	19.600	20.100	20.600	19.975	21.100	21.600	22.100	22.600	21.850
EPS Basic (pro forma)	(\$1.05)	(\$0.23)	(\$0.17)	(\$0.13)	(\$1.23)	(\$1.77)	(\$1.36)	(\$1.36)	\$0.15	(\$0.20)	(\$2.38)	(\$0.32)	(\$0.27)	(\$0.24)	(\$0.24)	(\$1.07)	(\$0.27)	(\$0.26)	(\$0.26)	(\$0.25)	(\$1.05)
EPS Diluted (pro forma)	(\$1.05)	(\$0.23)	(\$0.17)	(\$0.13)	(\$1.23)	(\$1.77)	(\$1.36)	(\$1.36)	\$0.14	(\$0.20)	(\$2.38)	(\$0.32)	(\$0.27)	(\$0.24)	(\$0.24)	(\$1.07)	(\$0.27)	(\$0.26)	(\$0.26)	(\$0.25)	(\$1.05)
<b>Margins</b>																					
Gross margin	-148%	-111%	-269%	-86%	-2000%	-304%	-277%	-429%	-136%	128%	-150%	-159%	-260%	-100%	-100%	-152%	-100%	-100%	-100%	-100%	-100%
Research & development	1271%	1036%	2307%	1640%	5870%	1905%	2319%	3144%	2313%	3491%	2834%	4000%	3810%	3333%	3333%	3592%	3467%	3467%	3467%	3467%	3467%
General & administrative	798%	646%	1142%	1425%	6660%	1464%	2238%	3538%	1783%	1974%	2303%	3592%	2346%	2133%	2133%	2496%	2667%	2667%	2667%	2667%	2667%
Operating margin	-2216%	-1792%	-3719%	-3151%	-14530%	-3673%	-4835%	-7111%	-4231%	-7089%	-5814%	-8302%	-7147%	-6100%	-6100%	-6826%	-6767%	-6767%	-6767%	-6767%	-6767%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-3444%	-2348%	-2942%	-2349%	-62385%	-7562%	-17632%	-21819%	1954%	-4181%	-9465%	-10627%	-7812%	-6465%	-6715%	-7750%	-7631%	-7631%	-7631%	-7631%	-7631%
<b>Y/Y % change</b>																					
Total Revenue						-24%	-23%	7%	40%	375%	33%	-24%	8%	-6%	-21%	-12%	27%	10%	0%	0%	8%
Gross margin						57%	93%	70%	122%	-131%	-34%	-56%	-34%	-31%	-161%	-11%	-20%	-58%	0%	0%	-29%
Research & development						15%	73%	46%	98%	182%	98%	30%	31%	35%	-25%	11%	10%	0%	4%	4%	5%
General & administrative						40%	168%	231%	76%	41%	110%	21%	-28%	12%	-15%	-5%	-6%	25%	25%	25%	16%
Operating income (loss)						27%	108%	104%	88%	132%	111%	30%	8%	35%	-32%	3%	4%	4%	11%	11%	7%
Net income (loss)						68%	480%	692%	-217%	-68%	67%	-54%	-61%	-410%	27%	-28%	-9%	8%	18%	14%	7%
EPS Diluted (pro forma)						68%	480%	692%	-205%	-84%	35%	-76%	-80%	-273%	21%	-55%	-15%	-2%	7%	4%	-3%

Source: Company reports and Ascendant Capital Markets estimates.

**Envoy Medical, Inc.**

Balance Sheet (\$ mils)	Dec-21	Dec-22	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Fiscal Year End: December 31	Q4A	Q4A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>													
Cash and cash equivalents	1.121	0.183	0.068	7.440	4.218	4.945	1.746	1.338	1.473	(4.079)	(9.632)	(15.184)	(20.737)
Short term investments								0.000	0.000	0.000	0.000	0.000	0.000
Restricted cash				9.400				0.000	0.000	0.000	0.000	0.000	0.000
Accounts receivable, net	0.088	0.041	0.055	0.109	0.070	0.189	0.174	0.063	0.063	0.063	0.063	0.063	0.063
Inventory	1.060	1.295	1.306	1.397	1.404	1.455	1.582	0.750	0.750	0.750	0.750	0.750	0.750
Deferred income taxes								0.000	0.000	0.000	0.000	0.000	0.000
Prepaid expenses and other	0.167	0.129	0.294	1.997	1.133	1.141	1.494	0.075	0.075	0.075	0.075	0.075	0.075
<b>Total current assets</b>	<b>2.436</b>	<b>1.648</b>	<b>1.723</b>	<b>20.343</b>	<b>6.825</b>	<b>7.730</b>	<b>4.996</b>	<b>2.226</b>	<b>2.361</b>	<b>(3.192)</b>	<b>(8.744)</b>	<b>(14.297)</b>	<b>(19.849)</b>
Property and equipment, net	0.188	0.331	0.345	0.378	0.351	0.317	0.632	0.603	0.574	0.545	0.516	0.487	0.458
Leases		0.577	0.525	0.494	0.464	0.433	1.109	1.109	1.109	1.109	1.109	1.109	1.109
Intangibles, net								0.000	0.000	0.000	0.000	0.000	0.000
Deferred income tax								0.000	0.000	0.000	0.000	0.000	0.000
Other								0.000	0.000	0.000	0.000	0.000	0.000
<b>Total assets</b>	<b>2.624</b>	<b>2.556</b>	<b>2.593</b>	<b>21.215</b>	<b>7.640</b>	<b>8.480</b>	<b>6.737</b>	<b>3.938</b>	<b>4.044</b>	<b>(1.538)</b>	<b>(7.119)</b>	<b>(12.701)</b>	<b>(18.282)</b>
<b>Liabilities and stockholders' equity</b>													
Accounts payable	0.661	1.003	2.360	3.381	1.554	0.913	1.589	2.250	2.250	2.250	2.250	2.250	2.250
Accrued expenses	0.475	0.608	0.747	4.052	4.613	5.621	6.004						
Payable to related party				4.000				0.000	0.000	0.000	0.000	0.000	0.000
Deferred revenue								0.000	0.000	0.000	0.000	0.000	0.000
Deferred income tax								0.000	0.000	0.000	0.000	0.000	0.000
Leases		0.125	0.148	0.149	0.158	0.157	0.175	0.175	0.175	0.175	0.175	0.175	0.175
Product warranty liability		0.335	0.256	0.228	0.311	0.305	0.290	0.290	0.290	0.290	0.290	0.290	0.290
Warrant liabilities	0.248			0.846				0.000	0.000	0.000	0.000	0.000	0.000
Other				0.034				0.000	0.000	0.000	0.000	0.000	0.000
Short term debt		0.448	0.676					0.000	0.000	0.000	0.000	0.000	0.000
<b>Total current liabilities</b>	<b>1.384</b>	<b>2.519</b>	<b>4.187</b>	<b>12.690</b>	<b>6.636</b>	<b>6.996</b>	<b>8.058</b>	<b>4.965</b>	<b>4.965</b>	<b>4.965</b>	<b>4.965</b>	<b>4.965</b>	<b>4.965</b>
Deferred income taxes								0.000	0.000	0.000	0.000	0.000	0.000
Product warranty liability	2.750	2.143	2.090	2.025	1.923	1.923	1.923	1.923	1.923	1.923	1.923	1.923	1.923
Leases		0.565	0.467	0.440	0.404	0.378	1.121	1.121	1.121	1.121	1.121	1.121	1.121
Deferred revenue								0.000	0.000	0.000	0.000	0.000	0.000
Warrant liabilities		0.127	0.231	1.274	0.439	1.775	0.730	0.730	0.730	0.730	0.730	0.730	0.730
Other long term liabilities								0.000	0.000	0.000	0.000	0.000	0.000
Long term debt	23.477	33.397	55.324			4.821	7.292	12.292	17.292	17.292	17.292	17.292	17.292
<b>Total other liabilities</b>	<b>26.227</b>	<b>36.232</b>	<b>58.112</b>	<b>3.739</b>	<b>2.766</b>	<b>8.897</b>	<b>11.066</b>	<b>16.066</b>	<b>21.066</b>	<b>21.066</b>	<b>21.066</b>	<b>21.066</b>	<b>21.066</b>
Preferred stock	19.973		19.973					0.000	0.000	0.000	0.000	0.000	0.000
Common stock	1.392	0.001	1.392	0.002	0.002	0.002	0.002	0.144	0.286	0.428	0.570	0.712	0.854
Additional paid-in capital	163.818	189.904	171.528	255.912	255.596	257.581	257.920	257.920	257.920	257.920	257.920	257.920	257.920
Retained earnings	(210.062)	(225.985)	(252.484)	(251.012)	(257.242)	(264.877)	(270.189)	(275.037)	(280.073)	(285.797)	(291.520)	(297.244)	(302.967)
Other								0.000	0.000	0.000	0.000	0.000	0.000
Accumulated other comprehensive in	(0.108)	(0.115)	(0.115)	(0.116)	(0.118)	(0.119)	(0.120)	(0.120)	(0.120)	(0.120)	(0.120)	(0.120)	(0.120)
<b>Total stockholders' equity</b>	<b>(24.987)</b>	<b>(36.195)</b>	<b>(59.706)</b>	<b>4.786</b>	<b>(1.762)</b>	<b>(7.413)</b>	<b>(12.387)</b>	<b>(17.093)</b>	<b>(21.987)</b>	<b>(27.569)</b>	<b>(33.150)</b>	<b>(38.732)</b>	<b>(44.313)</b>
<b>Total stockholders' equity and liabili</b>	<b>2.624</b>	<b>2.556</b>	<b>2.593</b>	<b>21.215</b>	<b>7.640</b>	<b>8.480</b>	<b>6.737</b>	<b>3.938</b>	<b>4.044</b>	<b>(1.538)</b>	<b>(7.119)</b>	<b>(12.701)</b>	<b>(18.282)</b>

**Balance Sheet Drivers**

	Dec-21	Dec-22	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
	Q4A	Q4A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	54%	645%	467%	2496%	1193%	1934%	2197%	100%	100%	100%	100%	100%	100%
Inventory as % of total rev	342%	6475%	2073%	1746%	1478%	2466%	2326%	1000%	1000%	1000%	1000%	1000%	1000%
A/P as % of total rev	213%	5015%	3746%	4226%	1636%	1547%	2337%	3000%	3000%	3000%	3000%	3000%	3000%
Accrued exp related as % of total rev	153%	3040%	1186%	5065%	4856%	9527%	8829%	3000%	3000%	3000%	3000%	3000%	3000%
<b>Activity Ratios</b>													
A/R Days Sales Outstanding	0	185	79	123	66	288	230	75	75	75	75	75	75
<b>Book &amp; Cash Value (per share)</b>													
Book Value per Share (diluted)	-\$2.47	-\$3.58	-\$5.90	\$0.43	-\$0.09	-\$0.38	-\$0.63	-\$0.85	-\$1.07	-\$1.31	-\$1.53	-\$1.75	-\$1.96
Cash per Share (diluted)	\$0.11	\$0.02	\$0.01	\$0.66	\$0.22	\$0.25	\$0.09	\$0.07	\$0.07	-\$0.19	-\$0.45	-\$0.69	-\$0.92
Net cash per Share (diluted)	-\$2.21	-\$3.33	-\$5.53	\$0.66	\$0.22	\$0.01	-\$0.28	-\$0.54	-\$0.77	-\$1.01	-\$1.25	-\$1.47	-\$1.68

Source: Company reports and Ascendant Capital Markets estimates

**Envoy Medical, Inc.**

Cash Flow Statement (\$ mils)	2021	Jun-22	Sep-22	Dec-22	2022	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025	
Fiscal Year End: December 31	FY-A	Q1&2A	Q3A	Q4A	FY-A	Q1&2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																				
Net income	(8.675)	(3.107)	(1.339)	(11.477)	(15.923)	(26.499)	1.472	(4.881)	(29.908)	(6.270)	(3.947)	(4.848)	(5.036)	(20.101)	(5.723)	(5.723)	(5.723)	(5.723)	(22.894)	
Depreciation	0.071	0.027	0.022	0.026	0.075	0.056	0.029	0.048	0.133	0.034	0.042	0.050	0.050	0.176	0.050	0.050	0.050	0.050	0.200	
Amortization					0.000				0.000					0.000					0.000	
Non-cash lease expense					0.000				0.000					0.000					0.000	
Debt related amortization expense					0.000				0.000					0.000					0.000	
Stock comp					0.000			1.575	0.123	0.142	0.142	0.142	0.142	0.549	0.142	0.142	0.142	0.142	0.568	
Deferred income taxes					0.000				0.000			0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Change in fair value of warrant	1.748	(0.899)	(0.551)	8.575	7.125	18.247	(5.042)	(1.602)	11.603	1.336	(1.045)			0.291					0.000	
Lease		0.052	0.030	0.037	0.119	0.052	0.031	(0.211)	(0.128)	0.031	0.058			0.089					0.000	
Inventory reserve	0.001	(0.011)	0.000	(0.030)	(0.041)	(0.017)	(0.105)	0.023	(0.099)	0.089	0.173			0.262					0.000	
Accrued interest					0.000				0.000					0.000					0.000	
Writedowns and impairments					0.000				0.000					0.000					0.000	
Other gains/losses	0.001				0.000				0.000					0.000					0.000	
Other					0.000		4.000	(4.000)	0.000					0.000					0.000	
Changes in operating assets and liabilities:																				
Accounts receivable	(0.019)	(0.009)	0.000	0.056	0.047	(0.014)	(0.054)	(0.137)	(0.205)	(0.119)	0.163	0.112	0.000	0.156	0.000	0.000	0.000	0.000	0.000	
Inventory	0.055	(0.076)	(0.150)	0.032	(0.194)	0.006	0.014	(0.030)	(0.010)	(0.140)	(0.300)	0.832	0.000	0.392	0.000	0.000	0.000	0.000	0.000	
Prepaid expenses & other current assets	(0.023)	0.078	(0.115)	0.075	0.038	(0.165)	(0.703)	0.040	(0.828)	0.101	(0.068)	1.419	0.000	1.452	0.000	0.000	0.000	0.000	0.000	
Income tax					0.000				0.000					0.000					0.000	
Other assets					0.000				0.000	(0.027)	0.062	0.000	0.000	0.035	0.000	0.000	0.000	0.000	0.000	
Accounts payable	0.227	0.092	(0.333)	0.583	0.342	1.357	1.021	(1.827)	0.551	(0.641)	0.641	0.661	0.000	0.661	0.000	0.000	0.000	0.000	0.000	
Accrued expenses	(0.153)	(0.042)	(0.034)	0.203	0.127	0.064	0.529	(0.687)	(0.094)	(0.357)	(0.814)	(3.754)	0.000	(4.925)	0.000	0.000	0.000	0.000	0.000	
Deferred revenue					0.000				0.000					0.000					0.000	
Other liabilities	(0.169)	(0.053)	(0.008)	(0.459)	(0.520)	(0.132)	(0.093)	(0.019)	(0.244)	(0.006)	(0.015)	0.000	0.000	(0.021)	0.000	0.000	0.000	0.000	0.000	
<b>Net cash (used in) provided by</b>	<b>(6.936)</b>	<b>(3.948)</b>	<b>(2.478)</b>	<b>(2.379)</b>	<b>(8.805)</b>	<b>(7.045)</b>	<b>1.099</b>	<b>(11.708)</b>	<b>(17.654)</b>	<b>(5.846)</b>	<b>(4.908)</b>	<b>(5.387)</b>	<b>(4.844)</b>	<b>(20.985)</b>	<b>(5.531)</b>	<b>(5.531)</b>	<b>(5.531)</b>	<b>(5.531)</b>	<b>(22.126)</b>	
<b>Cash flow from investing activities</b>																				
Purchases of property and equipment	(0.125)	(0.101)	(0.076)	(0.041)	(0.218)	(0.070)	(0.062)	(0.021)	(0.153)	(0.109)	(0.248)	(0.021)	(0.021)	(0.399)	(0.021)	(0.021)	(0.021)	(0.021)	(0.084)	
Purchases of short-term investments					0.000				0.000					0.000					0.000	
Acquisitions					0.000				0.000					0.000					0.000	
Other					0.000				0.000		(0.542)			(0.542)					0.000	
<b>Net cash used in investing activities</b>	<b>(0.125)</b>	<b>(0.101)</b>	<b>(0.076)</b>	<b>(0.041)</b>	<b>(0.218)</b>	<b>(0.070)</b>	<b>(0.062)</b>	<b>(0.021)</b>	<b>(0.153)</b>	<b>(0.109)</b>	<b>(0.790)</b>	<b>(0.021)</b>	<b>(0.021)</b>	<b>(0.941)</b>	<b>(0.021)</b>	<b>(0.021)</b>	<b>(0.021)</b>	<b>(0.021)</b>	<b>(0.084)</b>	
<b>Cash flow from financing activities</b>																				
Issuance of debt	8.000	3.000	3.000	2.000	8.000	7.000	3.000		10.000	5.000	2.500	5.000	5.000	17.500	0.000	0.000	0.000	0.000	0.000	
Repayment of debt					0.000				0.000					0.000					0.000	
Issuance of stock					0.000		12.736	(0.891)	11.845	1.683		0.000	0.000	1.683	0.000	0.000	0.000	0.000	0.000	
Proceeds from stock option exercise	0.058		0.092	0.000	0.092				0.000					0.000					0.000	
Other					0.000				0.000					0.000					0.000	
Dividends and distributions					0.000				0.000					0.000					0.000	
<b>Cash provided by (used in) financing activities</b>	<b>8.058</b>	<b>3.000</b>	<b>3.092</b>	<b>2.000</b>	<b>8.092</b>	<b>7.000</b>	<b>15.736</b>	<b>(0.891)</b>	<b>21.845</b>	<b>6.683</b>	<b>2.500</b>	<b>5.000</b>	<b>5.000</b>	<b>19.183</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	
Effect of exchange rate on cash	(0.010)		(0.001)	(0.006)	(0.007)		(0.001)	(0.002)	(0.003)	(0.001)	(0.001)			(0.002)					0.000	
<b>Net increase (decrease) in cash</b>	<b>0.987</b>	<b>(1.049)</b>	<b>0.537</b>	<b>(0.426)</b>	<b>(0.938)</b>	<b>(0.115)</b>	<b>16.772</b>	<b>(12.622)</b>	<b>4.035</b>	<b>0.727</b>	<b>(3.199)</b>	<b>(0.408)</b>	<b>0.135</b>	<b>(2.745)</b>	<b>(5.552)</b>	<b>(5.552)</b>	<b>(5.552)</b>	<b>(5.552)</b>	<b>(22.210)</b>	
<b>Beginning cash and equivalents</b>	<b>0.134</b>	<b>1.121</b>	<b>0.072</b>	<b>0.609</b>	<b>1.121</b>	<b>0.183</b>	<b>0.068</b>	<b>16.840</b>	<b>0.183</b>	<b>4.218</b>	<b>4.945</b>	<b>1.746</b>	<b>1.338</b>	<b>4.218</b>	<b>1.473</b>	<b>(4.079)</b>	<b>(9.632)</b>	<b>(15.184)</b>	<b>(15.184)</b>	
<b>Ending cash and equivalents</b>	<b>1.121</b>	<b>0.072</b>	<b>0.609</b>	<b>0.183</b>	<b>0.183</b>	<b>0.068</b>	<b>16.840</b>	<b>4.218</b>	<b>4.218</b>	<b>4.945</b>	<b>1.746</b>	<b>1.338</b>	<b>1.473</b>	<b>1.473</b>	<b>(4.079)</b>	<b>(9.632)</b>	<b>(15.184)</b>	<b>(20.737)</b>	<b>(20.737)</b>	

Source: Company reports and Ascendant Capital Markets estimates



## **ANALYST CERTIFICATION**

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

## **Envoy Medical, Inc.**

- Ascendant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 months.

## **IMPORTANT DISCLOSURES**

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## **Risks & Considerations**

Risks to attainment of our share price target include balance sheet/liquidity risks, failure of product candidates to demonstrate safety and efficacy in clinical trials, failure to gain regulatory approvals, ability to commercialize product, failure to obtain suitable reimbursement, competition, changing macroeconomic factors, investor sentiment for investing in biotech stocks, and changes in consumer or government priorities for healthcare.

### Ascendant Capital Markets, LLC Rating System

**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

### Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of July 12, 2024)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	58	98%	21	36%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	59	100%	21	36%

### Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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