

February 22, 2021



Axogen, Inc. Reports 2020 Fourth Quarter and Full-Year Financial Results

ALACHUA, Fla., Feb. 22, 2021 (GLOBE NEWSWIRE) -- Axogen, Inc. (NASDAQ: AXGN), a global leader in developing and marketing innovative surgical solutions for peripheral nerve injuries, today reported financial results and business highlights for the fourth quarter and full year ended December 31, 2020.

Fourth Quarter 2020 Financial Results and Business Highlights

- Net revenue was \$32.5 million during the quarter, a 15% increase compared to fourth quarter 2019 revenue of \$28.2 million.
- Gross margin was 83.2% for the quarter, compared to 82.7% in the fourth quarter of 2019.
- Net loss for the quarter was \$6.0 million, or \$0.15 per share, compared to a net loss of \$7.0 million, or \$0.18 per share, in the fourth quarter of 2019.
- Adjusted net loss was \$3.3 million for the quarter, or \$0.08 per share, compared with adjusted net loss of \$4.0 million, or \$0.10 per share, in the fourth quarter of 2019.
- Adjusted EBITDA loss was \$2.1 million for the quarter, compared to an adjusted EBITDA loss of \$4.2 million in the fourth quarter of 2019.
- The balance of cash, cash equivalents, and investments on December 31, 2020 was \$110.8 million, compared to a balance of \$106.7 million on September 30, 2020. The net increase includes \$3.5 million of equity proceeds received from Oberland Capital related to the option exercise associated with their debt facility, positive operating cash flow in the quarter of \$3.4 million, partially offset by capital expenditures of \$2.8 million related to our new facilities in Tampa and Dayton.
- Active accounts in the fourth quarter were 893, a 12% increase compared to 797 in the fourth quarter a year ago, and revenue from the top 10% of our active accounts continued to represent approximately 35% of total revenue in the quarter.

“Our fourth quarter and 2020 results are a testament to the resilience of our Axogen team and the ability to successfully execute our focused strategy while also managing the challenges associated with the COVID-19 pandemic,” said Karen Zaderej, chairman, CEO, and president of Axogen, Inc. “We adapted quickly and met each challenge with innovative thinking and a patient-first approach. As a result of the efficiencies and skills gained, we are now even better positioned to meet the growing surgeon demand for our evidence-based nerve repair solutions.”

Full-Year 2020 Financial Results and Business Highlights

- Full-year 2020 revenue was \$112.3 million, a 5% increase compared to 2019 revenue

of \$106.7 million.

- Gross margin was 80.8% for the full year, compared to 83.7% in 2019.
- Net loss for the full year was \$23.8 million, or \$0.60 per share, compared to \$29.1 million, or \$0.74 per share, in 2019.
- Adjusted net loss was \$15.3 million for the full year, or \$0.38 per share, compared to \$16.4 million, or \$0.42 per share, in 2019
- Adjusted EBITDA loss was \$13.1 million for the full year, compared to an adjusted EBITDA loss of \$17.7 million in 2019.
- Ended the year with 111 direct sales representatives, compared to 109 at the end of 2019.
- Ended the year with 147 peer-reviewed clinical publications featuring Axogen's nerve repair product portfolio.
- Surpassed 50,000 Avance[®] Nerve Grafts implanted since launch.

Conference Call

The Company will host a conference call and webcast for the investment community today at 4:30 p.m. ET. Investors interested in participating by phone are invited to call toll free at 1-877-407-0993 or use the direct dial-in number 1-201-689-8795. Those interested in listening to the conference call live via the Internet can do so by visiting the Investors page of the Company's website at www.axogeninc.com and clicking on the webcast link on the Investors home page.

Following the conference call, a replay will be available on the Company's website at www.axogeninc.com under Investors.

About Axogen

Axogen (AXGN) is the leading company focused specifically on the science, development, and commercialization of technologies for peripheral nerve regeneration and repair. Axogen employees are passionate about helping to restore peripheral nerve function and quality of life to patients with physical damage or transection to peripheral nerves by providing innovative, clinically proven, and economically effective repair solutions for surgeons and health care providers. Peripheral nerves provide the pathways for both motor and sensory signals throughout the body. Every day, people suffer traumatic injuries or undergo surgical procedures that impact the function of their peripheral nerves. Physical damage to a peripheral nerve, or the inability to properly reconnect peripheral nerves, can result in the loss of muscle or organ function, the loss of sensory feeling, or the initiation of pain.

Axogen's platform for peripheral nerve repair features a comprehensive portfolio of products, including Avance[®] Nerve Graft, a biologically active off-the-shelf processed human nerve allograft for bridging severed peripheral nerves without the comorbidities associated with a second surgical site; Axoguard Nerve Connector[®], a porcine submucosa extracellular matrix (ECM) coaptation aid for tensionless repair of severed peripheral nerves; Axoguard Nerve Protector[®], a porcine submucosa ECM product used to wrap and protect damaged peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments; Axoguard Nerve Cap[®], a porcine submucosa ECM product used to protect a peripheral nerve end and separate the nerve from the surrounding environment to reduce the development of symptomatic or painful neuroma; and Avive[®] Soft Tissue Membrane, a processed human umbilical cord intended for surgical use as a resorbable soft tissue barrier.

The Axogen portfolio of products is available in the United States, Canada, Germany, United Kingdom, Spain, South Korea, and several other countries.

Cautionary Statements Concerning Forward-Looking Statements

This press release contains “forward-looking” statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations or predictions of future conditions, events, or results based on various assumptions and management's estimates of trends and economic factors in the markets in which we are active, as well as our business plans. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “projects,” “forecasts,” “continue,” “may,” “should,” “will,” “goals,” and variations of such words and similar expressions are intended to identify such forward-looking statements. The forward-looking statements may include, without limitation, statements related to the expected impact of COVID-19 on our business, statements regarding our growth, product development, product potential, financial performance, sales growth, product adoption, market awareness of our products, data validation, our assessment of our internal controls over financial reporting, our visibility at and sponsorship of conferences and educational events. The forward-looking statements are and will be subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements. Forward-looking statements contained in this press release should be evaluated together with the many uncertainties that affect our business and our market, particularly those discussed under Part I, Item 1A., “Risk Factors,” of our Annual Report on Form 10-K, as amended on Form 10-K/A, for the fiscal year ended December 31, 2019, as well as other risks and cautionary statements set forth in our filings with the U.S. Securities and Exchange Commission. Forward-looking statements are not a guarantee of future performance, and actual results may differ materially from those projected. The forward-looking statements are representative only as of the date they are made and, except as required by applicable law, we assume no responsibility to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances, or otherwise.

About Non-GAAP Financial Measures

To supplement our consolidated financial statements, we use the non-GAAP financial measures of EBITDA, which measures earnings before interest, income taxes, depreciation and amortization, and Adjusted EBITDA which further excludes non-cash stock compensation expense and litigation and related expenses. We also use the non-GAAP financial measures of Adjusted Net Income or Loss and Adjusted Net Income or Loss Per Common Share - basic and diluted which excludes non-cash stock compensation expense and litigation and related expenses from Net Loss and Net Loss Per Common Share - basic and diluted, respectively. These non-GAAP measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures should be read in conjunction with our financial statements prepared in accordance with GAAP. The reconciliations of Axogen's GAAP financial measures to the corresponding non-GAAP measures should be carefully evaluated.

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance

and that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. We believe these non-GAAP financial measures are useful to investors because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the performance of our business.

Contact:

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AXOGEN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 48,767	\$ 35,724
Restricted Cash	6,842	6,000
Investments	55,199	60,786
Accounts receivable, net	17,618	16,944
Inventory	12,529	13,861
Prepaid expenses and other	4,296	1,706
Total current assets	145,251	135,021
Property and equipment, net	38,398	14,887
Operating lease right-of-use assets	15,614	3,133
Finance lease right-of-use assets	64	87
Intangible assets	2,054	1,515
Total assets	\$ 201,381	\$ 154,643
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 21,968	\$ 19,144
Current maturities of lease liabilities	863	1,736
Total current liabilities	22,831	20,880
Long-term debt, net of financing fees	32,027	—
Debt derivative liability	2,497	—
Long-term lease obligations	20,874	1,595
Other long-term liabilities	3	15
Total liabilities	78,232	22,490
Shareholders' equity:		
Common stock, \$.01 par value; 100,000,000 shares authorized; 40,618,766 and 39,589,775 shares issued and outstanding	406	396
Additional paid-in capital	326,390	311,618
Accumulated deficit	(203,647)	(179,861)

Total shareholders' equity	123,149	132,153
Total liabilities and shareholders' equity	\$ 201,381	\$ 154,643

AXOGEN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Twelve Months ended December 31, 2020 and 2019
(unaudited)

	Three Months Ended		Fiscal Year Ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Revenues	\$ 32,495	\$ 28,162	\$ 112,300	\$ 106,712
Cost of goods sold	5,463	4,881	21,581	17,349
Gross profit	27,032	23,281	90,719	89,363
Costs and expenses:				
Sales and marketing	19,805	18,804	69,659	71,950
Research and development	4,931	4,912	17,846	17,514
General and administrative	7,670	6,984	26,396	31,305
Total costs and expenses	32,406	30,700	113,901	120,769
Loss from operations	(5,374)	(7,419)	(23,182)	(31,406)
Other income (expense):				
Interest income	29	439	605	2,364
Interest expense	(595)	(8)	(1,054)	(40)
Change in fair value of derivative liabilities	(46)	—	(117)	—
Other expense	(24)	(50)	(38)	(53)
Total other expense	(636)	381	(604)	2,271
Net loss	\$ (6,010)	\$ (7,038)	\$ (23,786)	\$ (29,135)
Weighted average common shares outstanding – basic and diluted	40,246	39,485	39,967	39,235
Loss per common share – basic and diluted	\$ (0.15)	\$ (0.18)	\$ (0.60)	\$ (0.74)
Adjusted net loss - non GAAP	(3,265)	(3,978)	(15,281)	(16,364)
Adjusted net loss per common share - basic and diluted	\$ (0.08)	\$ (0.10)	\$ (0.38)	\$ (0.42)

AXOGEN, INC.
RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES
Three and Twelve Months ended December 31, 2020 and 2019
(unaudited)

	Three Months Ended		Fiscal Year Ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Net loss	\$ (6,010)	\$ (7,038)	\$ (23,786)	\$ (29,135)
Depreciation and amortization expense	556	299	1,660	1,056
Investment income	(29)	(439)	(605)	(2,364)
Income tax	77	(52)	77	(67)
Interest expense	595	8	1,054	40
EBITDA - non GAAP	\$ (4,811)	\$ (7,222)	\$ (21,600)	\$ (30,470)
Non cash stock compensation expense	2,745	2,920	8,470	10,304
Litigation and related costs	—	140	35	2,467
Adjusted EBITDA - non GAAP	\$ (2,066)	\$ (4,162)	\$ (13,095)	\$ (17,699)
Net loss	\$ (6,010)	\$ (7,038)	\$ (23,786)	\$ (29,135)
Non cash stock compensation expense	2,745	2,920	8,470	10,304

Litigation and related costs	—	140	35	2,467
Adjusted Net Loss - non GAAP	\$ (3,265)	\$ (3,978)	\$ (15,281)	\$ (16,364)
Weighted average common shares outstanding – basic and diluted	40,246	39,485	39,967	39,235
Adjusted net loss per common share - basic and diluted	\$ (0.08)	\$ (0.10)	\$ (0.38)	\$ (0.42)

AXOGEN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Fiscal Year Ended December 31, 2020 and 2019
(unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
For the Three Months Ended December 31, 2020:				
Balance at September 30, 2020	\$ 401	\$ 318,949	\$ (197,637)	\$ 121,713
Net Loss	-	-	(6,010)	(6,010)
Stock-based compensation	-	2,745	-	2,745
Shares surrendered by employees to pay tax withholdings	1	(6)	-	(5)
Issuance of common stock from exercise of option (Oberland)	2	3,680	-	3,682
Exercise of stock options and employee stock purchase plan	2	1,022	-	1,024
Balance at December 31, 2020	\$ 406	\$ 326,390	\$ (203,647)	\$ 123,149
For the Fiscal Year Ended December 31, 2020:				
Balance at December 31, 2019	\$ 396	\$ 311,618	\$ (179,861)	\$ 132,153
Net Loss	-	-	(23,786)	(23,786)
Stock-based compensation	-	8,470	-	8,470
Shares surrendered by employees to pay tax withholdings	-	(670)	-	(670)
Issuance of common stock from exercise of option (Oberland), net of derivative	2	3,680	-	3,682
Issuance of restricted and performance stock units	2	(2)	-	-
Exercise of stock options and employee stock purchase plan	6	3,294	-	3,300
Balance at December 31, 2020	\$ 406	\$ 326,390	\$ (203,647)	\$ 123,149
For the Three Months Ended December 31, 2019:				
Balance at September 30, 2019	\$ 395	\$ 307,839	\$ (172,823)	\$ 135,411
Net Loss	-	-	(7,038)	(7,038)
Issuance of common stock	-	-	-	-
Stock-based compensation	-	2,919	-	2,919
Exercise of stock options and employee stock purchase plan	1	860	-	861
Balance at December 31, 2019	\$ 396	\$ 311,618	\$ (179,861)	\$ 132,153
For the Fiscal Year Ended December 31, 2019:				
Balance at December 31, 2018	\$ 389	\$ 297,319	\$ (150,726)	\$ 146,982
Net Loss	-	-	(29,135)	(29,135)
Stock-based compensation	-	10,304	-	10,304
Exercise of stock options and employee stock purchase plan	7	3,995	-	4,002
Balance at December 31, 2019	\$ 396	\$ 311,618	\$ (179,861)	\$ 132,153

AXOGEN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal Year Ended December 31, 2020 and 2019
(unaudited)

	Fiscal Year	
	December 31, 2020	December 31, 2019
Cash flows from operating activities:		
Net loss	\$ (23,786)	\$ (29,135)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,507	933
Amortization of right-of-use assets	1,800	1,821
Amortization of intangible assets	153	123
Write-down of trademark	-	104
Loss on disposal of assets	3	—
Amortization of deferred financing costs	232	—
Change in fair value of derivatives	117	—
Provision for bad debt	(105)	514
Provision for inventory write down	2,242	1,887
Change in investment gains and losses	(47)	(972)
Share-based compensation	8,470	10,304
Change in assets and liabilities:		
Accounts receivable	(635)	(2,136)
Inventory	(910)	(3,767)
Prepaid expenses and other	(2,524)	(661)
Accounts payable and accrued expenses	4,958	2,920
Operating Lease Obligations	(1,086)	(1,773)
Cash paid for interest portion of Finance Leases	(3)	(4)
Contract and other liabilities	(12)	(30)
Net cash used in operating activities	(9,626)	(19,872)
Cash flows from investing activities:		
Purchase of property and equipment	(21,905)	(4,664)
Purchase of short-term investments	(77,806)	(121,074)
Sale/Maturities of short-term investments	83,440	153,571
Cash payments for intangible assets	(692)	(562)
Net cash provided by/ (used for) investing activities	(16,963)	27,271
Cash flows from financing activities:		
Proceeds from the issuance of common stock	3,500	—
Proceeds from the issuance of long-term debt	35,000	—
Proceeds from the paycheck protection program	7,820	—
Repayment of the paycheck protection program	(7,820)	—
Payment of debt issuance costs	(642)	—
Payments of employee tax withholding in exchange of common stock awards	(670)	—
Cash paid for debt portion of finance leases	(14)	29
Proceeds from exercise of stock options and warrants	3,300	4,002
Net cash provided by financing activities	40,474	4,031
Net increase in cash, cash equivalents and restricted cash	13,885	11,430
Cash, cash equivalents and restricted cash, beginning of year	41,724	30,294

Cash, cash equivalents and restricted cash, end of period	\$ 55,609	\$ 41,724
Supplemental disclosures of cash flow activity:		
Cash paid for interest	\$ 822	\$ 34
Supplemental disclosure of non-cash investing and financing activities		
Acquisition of fixed assets in accounts payable and accrued expenses	\$ 1,077	\$ 3,212
Acquisition of leasehold asset	\$ 5,250	\$ -
Right-of-use asset and operating lease liability	\$ 14,259	\$ 26
Embedded derivative associated with the long term debt	\$ 2,563	\$ -
Conversion of the Oberland Option	\$ 182	\$ -



Source: Axogen, Inc.