

February 29, 2016



## AxoGen Inc. Reports Record Revenue Results

- Record Annual Revenue of \$27.33 Million and Fourth Quarter Revenue of \$7.81 Million
- 2016 Outlook Provided

**ALACHUA, FL – February 29, 2016**– AxoGen, Inc. (NASDAQ: AXGN), a leader in developing and marketing innovative surgical solutions for peripheral nerve injuries, today reported record 2015 revenue of \$27.33 million and fourth quarter revenue of \$7.81 million. For both the full year and fourth quarter, the Company's revenue increased approximately 63% as compared to the prior corresponding period. In addition, management introduced revenue and gross margin guidance for 2016 that anticipates continued strong growth.

"Our fourth quarter and full year performance reflects the successful execution of our growth strategies and continued adoption of our product portfolio," commented Karen Zaderej, President and Chief Executive Officer. "As more surgeons become aware of and evaluate the clinical and economic benefits of Avance® Nerve Graft, AxoGuard® Nerve Connector and AxoGuard® Nerve Protector, they are adopting our product portfolio to achieve better treatment outcomes for their patients. As we enter 2016, we are financially stronger than we were a year ago and our surgeon education forums continue to drive surgeon acceptance. Our strength and momentum, combined with a larger and more knowledgeable sales force, gives us confidence we can continue to significantly grow our top line during 2016. As a result, our plan for the coming year is for revenue to approach \$39 million."

### 2015 Fourth Quarter Financial Results

For the fourth quarter ended December 31, 2015, revenue totaled \$7.81 million, a 63% increase when compared to \$4.79 million reported in the same quarter last year. The Company generated a gross margin of 81.9% compared to 80.0% in the fourth quarter of 2014.

Operating expenses for the quarter totaled \$9.0 million compared to \$6.5 million for the fourth quarter of 2014, reflecting the increased investment in sales and marketing to raise awareness of AxoGen's product portfolio and expand its sales footprint. Operating loss was comparable between the quarters at \$2.7 million. Net loss was \$3.6 million, or \$0.12 per share, compared to a net loss of \$6.5 million, or \$0.35 per share for the fourth quarter of 2014. In the year-ago fourth quarter,

the net loss included one-time interest expenses and the write off of non-cash deferred financing charges totaling \$2.5 million that were related to the retirement of the PDL Royalty Contract.

## **2015 Full Year Financial Results**

For the full year ended December 31, 2015, revenue totaled \$27.33 million, a 63% increase when compared to \$16.82 million reported in 2014. Gross margin for the full year expanded to 82.3% compared to 79.5% for the full year ended December 31, 2014. Operating expenses were \$31.7 million compared to \$23.2 million for the 2014 full year. The increased operating expenses primarily reflect management's continued investment in sales and marketing to raise awareness of AxoGen's product portfolio and expand its sales footprint, as well, to a lesser extent, increased activity related to initiating the RECON clinical trial, product development and increased compensation and general expenses of operating a larger organization. As a percentage of revenue, total cost and expenses decreased 21.6% from 2014 to 2015. For the full year ended December 31, 2015, the net loss was \$13.4 million, or \$0.51 per share compared to a net loss of \$17.7 million, or \$0.99 per share for the full year ended December 31, 2014.

As of December 31, 2015, cash and cash equivalents totaled \$25.9 million. The weighted common average shares for the fourth quarter were 29.9 million, an increase from 18.6 million shares for the fourth quarter of the prior year due to a common stock offering in the first and third quarters of 2015.

## **2016 Guidance**

The Company is forecasting full year 2016 revenue to approach \$39 million and gross margin for the year in the high 70% range.

## **Conference Call**

The Company will host a conference call and webcast for the investment community at 4:30 PM 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 joining via the webcast, should visit <http://axogeninc.equisolvewebcast.com/q4-2015>.

Following the conference call, a replay will be available on the Company's website at [www.AxoGenInc.com](http://www.AxoGenInc.com), under 'Investors.'

## **About AxoGen, Inc.**

AxoGen (NASDAQ: AXGN) is a leading medical technology company dedicated to peripheral nerve repair. AxoGen's portfolio of regenerative medicine products is available in the United States,

Canada and several other countries and includes Avance® Nerve Graft, an off-the-shelf processed human nerve allograft for bridging severed 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 nerves, and AxoGuard® Nerve Protector, a porcine submucosa ECM product used to wrap and protect injured peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments.

## **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" variations of such words and similar expressions are intended to identify such forward-looking statements. The forward-looking statements may include, without limitation, statements regarding our growth, our 2016 guidance, product development, product potential, financial performance, sales growth, product adoption, market awareness of our products, data validation, our visibility at and sponsorship of conferences and educational events. The forward-looking statements are subject to risks and uncertainties, which may cause results to differ materially from those set forth in the statements. Forward-looking statements in this release should be evaluated together with the many uncertainties that affect AxoGen's business and its market, particularly those discussed in the risk factors and cautionary statements in AxoGen's filings with the Securities and Exchange Commission. Forward-looking statements are not guarantees 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 law, AxoGen assumes no responsibility to update any forward-looking statements, whether as a result of new information, future events or otherwise.

**AXOGEN, INC.**  
**CONDENSED CONSOLIDATED STATEMENT**  
**Years ended December 31, 2015 and**

<b>Revenues</b>	<u>\$</u>
<b>Cost of goods sold</b>	<u>          </u>
<b>Gross profit</b>	<u>          </u>
<b>Costs and expenses:</b>	
Sales and marketing	
Research and development	
General and administrative	
<b>Total costs and expenses</b>	<u>          </u>
<b>Loss from operations</b>	<u>          </u>
<b>Other expense:</b>	
Interest expense	
Interest expense – deferred financing costs	
Other income (expense)	
<b>Total other income (expense)</b>	<u>          </u>
<b>Net Loss</b>	<u>          </u>
Weighted Average Common Shares outstanding – basic and diluted	<u>          </u>
Loss Per Common share – basic and diluted	<u>\$</u>

**AXOGEN, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**December 31, 2015 and 2014**

<b>Assets</b>	<u>          </u>
<b>Current assets:</b>	

Cash and cash equivalents	\$
Accounts receivable	
Inventory	
Prepaid expenses and other	
<b>Total current assets</b>	<hr/>
<b>Property and equipment, net</b>	
<b>Intangible assets</b>	
<b>Deferred financing costs</b>	
	<hr/>
	\$
	<hr/>
<b>Liabilities and Shareholders' Equity (Deficit)</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$
Current deferred revenue	
<b>Total current liabilities</b>	<hr/>
<b>Note Payable</b>	
<b>Long Term Deferred Revenue</b>	
<b>Total liabilities</b>	<hr/>
<b>Shareholders' equity (deficit):</b>	<hr/>
Common stock, \$.01 par value; 50,000,000 shares authorized; 29,984,591 and 19,488,814 shares issued and outstanding	
Additional paid-in capital	
Accumulated deficit	
<b>Total shareholders' equity (deficit)</b>	<hr/>
	\$
	<hr/>

**AXOGEN, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS**  
**Years ended December 31, 2015 and**

<b>Cash flows from operating activities:</b>	<hr/>
Net loss	\$



Adjustments to reconcile net loss to net cash used for operating activities:

Depreciation  
Amortization of intangible assets  
Amortization of deferred financing costs  
Write off of deferred financing costs  
Provision for bad debt  
Stock-based compensation  
Stock grants  
Interest added to note payable  
Change in assets and liabilities:  
    Accounts receivable  
    Inventory  
    Prepaid expenses and other  
    Accounts payable and accrued expenses  
    Deferred revenue

**Net cash used for operating activities**

**Cash flows from investing activities:**

Purchase of property and equipment  
Acquisition of intangible assets

**Net cash used for investing activities**

**Cash flows from financing activities:**

Proceeds from issuance of common stock  
Repayments of long-term debt  
Debt issuance costs  
Proceeds from exercise of stock options

**Net cash provided by (used in) financing activities**

Net increase (decrease) in cash and cash equivalents

**Cash and cash equivalents, beginning of year**

**Cash and cash equivalents, end of period**

\$

**Supplemental disclosures of cash flow activity:**

Cash paid for interest

\$

**Supplemental disclosure of non-cash investing and financing activities:**

Payments of fixed assets in accounts payable	\$
Payments of long term debt with proceeds from note payable of \$25,000,000 and issuance of shares of \$3,550,000	