

August 4, 2021



Axogen, Inc. Reports 2021 Second Quarter Financial Results

ALACHUA, Fla. and TAMPA, Fla., Aug. 04, 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 second quarter ended June 30, 2021.

Second Quarter 2021 Financial Results and Recent Business Highlights

- Net revenue was \$33.6 million during the quarter, a 52% increase compared to second quarter 2020 revenue of \$22.1 million.
- Gross margin was 78.9% for the quarter, compared to 74.7% one year ago. Gross margin would have been approximately 83.1% excluding the impact of a one-time charge of approximately \$1.4 million reflecting the write-down of inventory and production costs related to the previously disclosed suspension of market availability of Avive[®] Soft Tissue Membrane pending ongoing discussions with the FDA.
- Net loss for the quarter was \$7.9 million, or \$0.19 per share, compared to a net loss of \$8.1 million, or \$0.20 per share, in the second quarter of 2020.
- Adjusted net loss was \$3.7 million for the quarter, or \$0.09 per share, compared with adjusted net loss of \$5.9 million, or \$0.15 per share, in the second quarter of 2020.
- Adjusted EBITDA loss was \$2.4 million for the quarter, compared to an adjusted EBITDA loss of \$5.7 million in the second quarter of 2020.
- The balance of cash, cash equivalents, and investments on June 30, 2021 was \$106.2 million, compared to a balance of \$97.2 million on March 31, 2021. The net increase includes \$15.0 million of additional debt proceeds drawn from the Company's debt facility with Oberland Capital, and net operating cash flow in the quarter of \$1.2 million, partially offset by facilities capital expenditures of \$7.2 million.
- Appointed John H. Johnson to the Axogen, Inc. Board of Directors on July 19, 2021. Mr. Johnson has more than 30 years of experience in the biopharma industry, currently serves on the board of directors of Strongbridge Biopharma, Verastem Oncology, and BioAgilytix and is the CEO of Strongbridge Biopharma.

"I am pleased with our Q2 performance, as our team continued to execute in a dynamic healthcare market," commented Karen Zaderej, chairman, CEO, and president of Axogen, Inc. "Surgeon demand for our products continued to increase as we drove deeper penetration in our customer accounts. Despite the ongoing impact of the pandemic, the success of our commercial strategy, supported by our ten-year investment in meaningful clinical data, provides us with increasing confidence in the long-term growth outlook for our business."

Additional Operational and Business Highlights

- Core accounts in the second quarter were 306, a 34% increase compared to 228 in the second quarter of 2020 and continue to represent approximately 60% of total revenue.
- Active accounts were 959, a 22% increase compared to 789 in the second quarter a year ago. Revenue from the top 10% of our active accounts continued to represent approximately 35% of total revenue in the quarter.
- Ended the quarter with 109 direct sales representatives, an increase of three from the prior quarter and compared to 112 one year ago.
- Ended the quarter with 164 peer-reviewed clinical publications featuring Axogen's nerve repair product portfolio.

Updating 2021 Financial Guidance

Management is updating financial guidance, expecting full-year 2021 revenue will be in the range of \$134.5 million to \$137.5 million versus the prior range of \$133.0 million to \$136.0 million. Additionally, management continues to expect full-year 2021 gross margin to remain above 80%.

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; and 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. The Axogen portfolio of products is available in the United States, Canada, the United Kingdom, South Korea, and several other European and international 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, our 2021 financial guidance, product development, product potential, regulatory process and approvals, APC renovation timing and expense, 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 for the fiscal year ended December 31, 2020, 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 condensed 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:

Axogen, Inc.

Peter J. Mariani, Executive Vice President and Chief Financial Officer

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AXOGEN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(In Thousands, Except Share Amounts)

	June 30,	December 31,
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 53,078	\$ 48,767
Restricted cash	6,333	6,842
Investments	46,839	55,199
Accounts receivable, net	18,182	17,618
Inventory	13,415	12,529
Prepaid expenses and other	3,948	4,296
Total current assets	141,795	145,251
Property and equipment, net	50,952	38,398
Operating lease right-of-use assets	15,272	15,614
Finance lease right-of-use assets	53	64
Intangible assets	2,460	2,054
Total assets	\$ 210,532	\$ 201,381
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 19,839	\$ 21,968
Current maturities of long-term lease obligations	1,789	863
Total current liabilities	21,628	22,831
Long-term debt, net of financing fees	46,081	32,027
Debt derivative liability	3,776	2,497
Long-term lease obligations	20,344	20,874
Other long-term liabilities	—	3
Total liabilities	91,829	78,232
Shareholders' equity:		
Common stock, \$.01 par value per share; 100,000,000 shares authorized; 40,842,717 and 40,618,766 shares issued and outstanding	413	406
Additional paid-in capital	336,495	326,390
Accumulated deficit	(218,205)	(203,647)
Total shareholders' equity	118,703	123,149
Total liabilities and shareholders' equity	\$ 210,532	\$ 201,381

AXOGEN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Six Months ended June 30, 2021 and 2020
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues	\$ 33,580	\$ 22,116	\$ 64,617	\$ 46,377
Cost of goods sold	7,092	5,605	12,264	10,421
Gross profit	26,488	16,511	52,353	35,956
Costs and expenses:				
Sales and marketing	19,250	14,290	37,224	32,128
Research and development	5,723	4,071	11,471	8,685
General and administrative	8,669	6,404	17,032	11,906
Total costs and expenses	33,642	24,765	65,727	52,719
Loss from operations	(7,154)	(8,254)	(13,374)	(16,763)
Other income (expense):				
Interest income	29	237	63	548
Interest expense	(565)	(31)	(1,010)	(62)
Change in fair value of derivatives	(84)	—	(105)	—
Other expense	(124)	(57)	(132)	(20)
Total other expense	(744)	149	(1,184)	466
Net loss	\$ (7,898)	\$ (8,105)	\$ (14,558)	\$ (16,297)
Weighted average common shares outstanding – basic and diluted	41,081	39,823	40,894	39,761
Loss per common share – basic and diluted	\$ (0.19)	\$ (0.20)	\$ (0.36)	\$ (0.41)
Adjusted net loss - non GAAP	(3,694)	(5,883)	(6,823)	(13,519)
Adjusted loss per common share – basic and diluted	\$ (0.09)	\$ (0.15)	\$ (0.17)	\$ (0.34)

AXOGEN, INC.
RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES
Three and Six Months ended June 30, 2021 and 2020
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Gross profit	\$ 26,488	\$ 16,511	\$ 52,353	\$ 35,956
Avive inventory write-down and production costs	1,429	-	1,429	-
Adjusted gross Profit	\$ 27,917	\$ 16,511	\$ 53,782	\$ 35,956
Net loss	\$ (7,898)	\$ (8,105)	\$ (14,558)	\$ (16,297)
Depreciation and amortization expense	661	346	1,501	665
Investment income	(29)	(237)	(63)	(548)
Income tax	62	58	67	38
Interest expense	565	31	1,010	62
EBITDA - non GAAP	\$ (6,639)	\$ (7,907)	\$ (12,043)	\$ (16,080)
Non cash stock compensation expense	3,804	2,222	6,499	2,778
Litigation and related costs	400	—	1,236	-
Adjusted EBITDA - non GAAP	\$ (2,435)	\$ (5,685)	\$ (4,308)	\$ (13,302)

Net loss	\$ (7,898)	\$ (8,105)	\$ (14,558)	\$ (16,297)
Non cash stock compensation expense	3,804	2,222	6,499	2,778
Litigation and related costs	400	—	1,236	—
Adjusted Net Loss - non GAAP	\$ (3,694)	\$ (5,883)	\$ (6,823)	\$ (13,519)
Weighted average common shares outstanding – basic and diluted	41,081	39,823	40,894	39,761
Adjusted loss per common share – basic and diluted	\$ (0.09)	\$ (0.15)	\$ (0.17)	\$ (0.34)

AXOGEN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Six Months Ended June 30, 2021 and 2020
(unaudited)

	Common Stock		Additional Paid- in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
For the Three Months Ended June 30, 2021:					
Balance at March 31, 2021	40,842,717	\$ 408	\$ 329,603	\$ (210,307)	\$ 119,704
Net loss	-	-	-	(7,898)	(7,898)
Stock-based compensation	-	-	3,804	-	3,804
Issuance of restricted /performance service awards	44,411	-	-	-	-
Exercise of stock options and employee stock purchase plan	449,980	5	3,088	-	3,093
Balance at June 30, 2021	41,337,108	\$ 413	\$ 336,495	\$ (218,205)	\$ 118,703
For the Six Months Ended June 30, 2021:					
Balance at December 31, 2020	40,618,766	\$ 406	\$ 326,390	\$ (203,647)	\$ 123,149
Net loss	-	-	-	(14,558)	(14,558)
Stock-based compensation	-	-	6,499	-	6,499
Issuance of restricted /performance service awards	138,944	1	(1)	-	-
Shares surrendered by employees to pay taxes	-	-	-	-	-
Exercise of stock options and employee stock purchase plan	579,398	6	3,607	-	3,613
Balance at June 30, 2021	41,337,108	\$ 413	\$ 336,495	\$ (218,205)	\$ 118,703
For the Three Months Ended June 30, 2020:					
Balance at March 31, 2020	39,738,767	\$ 397	\$ 311,850	\$ (188,053)	\$ 124,194
Net loss	-	-	-	(8,105)	(8,105)
Stock-based compensation	-	-	2,222	-	2,222
Issuance of restricted and performan stock units	10,021	-	-	-	-
Shares surrendered by employees to pay taxes	(1,766)	-	(17)	-	(17)
Exercise of stock options and employee stock purchase plan	273,758	3	1463	-	1,466
Balance at June 30, 2020	40,020,780	\$ 400	\$ 315,518	\$ (196,158)	\$ 119,760
For the Six Months Ended June 30, 2020:					
Balance at December 31, 2019	39,589,755	\$ 396	\$ 311,618	\$ (179,861)	\$ 132,153
Net loss	-	-	-	(16,297)	(16,297)
Stock-based compensation	-	-	2,778	-	2,778
Issuance of restricted /performance service awards	145,943	1	(1)	-	-
Shares surrendered by employees to pay taxes	(38,736)	(1)	(657)	-	(658)
Exercise of stock options and employee stock purchase plan	323,818	4	1,780	-	1,784

Balance at June 30, 2020

40,020,780 \$ 400 \$ 315,518 \$ (196,158) \$ 119,760

AXOGEN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months ended June 30, 2021 and 2020
(unaudited)

	Six Months Ended	
	June 30, 2021	June 30, 2020
Cash flows from operating activities:		
Net loss	\$ (14,558)	\$ (16,297)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,405	618
Amortization of right-of-use assets	960	802
Amortization of intangible assets	96	72
Amortization of deferred financing fees	227	—
Provision for bad debt	(65)	(115)
Provision for inventory write down	2,455	1,624
Change in fair value of derivatives	105	—
Change in investment gains and losses	31	(141)
Share-based compensation	6,499	2,778
Change in assets and liabilities:		
Accounts receivable	(498)	3,010
Inventory	(3,341)	(600)
Prepaid expenses and other	199	(1,699)
Accounts payable and accrued expenses	(5,061)	(4,212)
Operating Lease Obligations	35	(915)
Cash paid for interest portion of Finance Leases	(1)	—
Contract and other liabilities	(3)	(6)
Net cash used in operating activities	(11,515)	(15,081)
Cash flows from investing activities:		
Purchase of short-term investments	(10,924)	(13,183)
Purchase of property and equipment	(23,966)	(22,965)
Sale/Maturities of short-term investments	32,295	59,883
Cash payments for intangible assets	(692)	(216)
Net cash provided by/ (used for) investing activities	(3,287)	23,519
Cash flows from financing activities:		
Proceeds from the issuance long term debt	15,000	35,000
Proceeds from the paycheck protection program	—	7,820
Repayment of paycheck protection program	—	(7,820)
Payments of debt issuance costs	—	(350)
Payments for repurchase of common stock for employee tax withholding	—	(658)
Cash paid for debt portion of finance leases	(8)	(8)
Proceeds from exercise of stock options and warrants	3,612	1,784
Net cash provided by financing activities	18,604	35,768
Net increase in cash, cash equivalents and restricted cash	3,802	44,206
Cash, cash equivalents and restricted cash, beginning of year	55,609	41,724
Cash, cash equivalents and restricted cash, end of period	\$ 59,411	\$ 85,930
Supplemental disclosures of cash flow activity:		
Cash paid for interest	739	23
Supplemental disclosure of non-cash investing and financing activities		
Acquisition of fixed assets in accounts payable and accrued expenses	3,035	617

Obtaining a right-of-use asset in exchange for a lease liability
Embedded derivative associated with the long-term debt
Acquisition of intangible assets in accounts payable and accrued expenses

<u>371</u>	<u>796</u>
<u>1,173</u>	<u>2,563</u>
<u>190</u>	<u>—</u>



Source: Axogen, Inc.