

February 28, 2018



AxoGen, Inc. Reports 2017 Fourth Quarter and Full Year Financial Results

*Record Q4 Revenue of \$17.0 million, representing 49% growth over prior year
Record Full year 2017 Revenue of \$60.4 million, representing 47% growth over prior year*

ALACHUA, Fla., Feb. 28, 2018 (GLOBE NEWSWIRE) -- AxoGen, Inc. (NASDAQ:AXGN), a global leader in developing and marketing innovative surgical solutions for peripheral nerves, today reported financial results and business highlights for the fourth quarter and full year ended December 31, 2017.

Fourth Quarter 2017 Financial Results and Recent Business Highlights

- Revenue of \$17.0 million, up 49% compared to \$11.4 million in the fourth quarter of 2016
- Gross margin of 84.6% compared to 84.0% in the fourth quarter of 2016
- Adjusted EBITDA loss of \$531,000 compared to adjusted EBITDA loss of \$2.2 million in Q4 2016
- Announced expanded application in Breast Reconstruction Neurotization
- Adjusted net loss for the fourth quarter of 2017 was \$2.5 million, or \$0.07 per share, compared with adjusted net loss of \$3.2 million, or \$0.10 per share, in the fourth quarter of 2016
- Raised \$15.6 million in net proceeds through a public offering of common stock on November 20

“We are pleased to report another successful quarter and a solid finish to 2017,” said Karen Zaderej, president and CEO of AxoGen. “These results reflect the strength of our growing platform for nerve repair where we see continued momentum in our core trauma, nerve protection and oral and maxillofacial markets. We enter 2018 with an expanding sales force that will allow us to continue growth in our core markets while also supporting our newest application in breast reconstruction neurotization.”

Additional Fourth Quarter and Recent Operational Highlights

- Increased active accounts in the fourth quarter to 591, up 31% from 452 a year ago
- Ended the quarter with 60 direct sales representatives and 20 independent distributors
- Conducted four national education programs in the fourth quarter
- Increased the number of clinical presentations related to our surgical portfolio by three to a total of 21 for the year
- Announced FDA clearance for AxoGuard® Nerve Cap and will begin a clinical study evaluating its application in the surgical management of pain
- Began training surgeons on the ReSensation™ technique for breast reconstruction

neurotization

- Ended the quarter with \$36.5 million in cash compared to \$22 million at the end of the Q3 2017. The \$14.5 million net increase in cash was the result of the company's \$15.6 million equity raise in November, partially offset by net use of cash in Q4 of \$1.1 million
- Ended the quarter with \$25 million of total bank debt, equivalent to the end of Q3 2017

Full Year 2017 Summary Financial Results and Business Highlights

- 2017 Revenue of \$60.4 million, an increase of 47% compared to \$41.1 million for the prior year
- Gross margin of 84.6% compared to 84.3% in 2016
- Adjusted EBITDA loss of \$3.8 million compared to adjusted EBITDA loss of \$6.3 million in 2016
- Increased total addressable market across all current applications to \$2.2 billion. The increase is a result of expanded use in oral and maxillofacial surgery and the addition of breast reconstruction neurotization.
- Total clinical publications increased by nine to 53, including important data in the areas of mixed and motor, and long gap nerve repair, as well as oral and maxillofacial surgery
- Completed 15 national education programs in 2017 and expect to conduct 18 programs in 2018
- Expanded leadership team with the appointment of Jon Gingrich as Chief Commercial Officer
- Named Employee Engagement Best Practices Award Winner by DecisionWise International

"We continue to produce record revenues and are pleased with 2017 results that demonstrate our ability to consistently and successfully execute our strategy," said Zaderej. "Our efforts to increase market awareness, provide quality surgeon education programs, expand our commercial presence and effectiveness, and further develop clinical data are helping surgeons develop confidence in the adoption of the AxoGen platform for nerve repair."

2018 Financial Guidance

Management expects that 2018 revenue will grow at least 40% over 2017 revenue and gross margins will remain above 80%.

Upcoming Investor Events

Members of the AxoGen senior management team will participate at the following upcoming conferences:

- Canaccord Genuity Musculoskeletal Conference in New Orleans on March 6
- 30th Annual ROTH Conference in Dana Point, CA on March 13

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. We are passionate about helping to restore peripheral nerve function and quality of life to patients with physical damage or discontinuity 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, an 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 Avive[®] Soft Tissue Membrane, a minimally processed human umbilical cord membrane that may be used as a resorbable soft tissue covering to separate tissue layers and modulate inflammation in the surgical bed. Along with these core surgical products, AxoGen also offers AcroVal[®] Neurosensory & Motor Testing System and AxoTouch[®] Two-Point Discriminator. These evaluation and measurement tools assist health care professionals in detecting changes in sensation, assessing return of sensory, grip, and pinch function, evaluating effective treatment interventions, and providing feedback to patients on peripheral nerve function. The AxoGen portfolio of products is available in the United States, Canada, the United Kingdom, 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," 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 regarding our assessment on our internal control over financial reporting, our growth, our 2018 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.

Contacts:

AxoGen, Inc.

Peter J. Mariani, Chief Financial Officer

InvestorRelations@AxoGenInc.com

The Trout Group – Investor Relations

Brian Korb

646.378.2923

bkorb@troutgroup.com

**AXOGEN, INC.
CONSOLIDATED BALANCE SHEETS**

| | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 36,506,624 | \$ 30,014,405 |
| Accounts receivable, net | 11,064,720 | 8,052,203 |
| Inventory | 7,315,942 | 5,458,840 |
| Prepaid expenses and other | 853,381 | 511,804 |
| Total current assets | <u>55,740,667</u> | <u>44,037,252</u> |
| Property and equipment, net | 2,197,039 | 1,494,247 |
| Intangible assets | 936,992 | 828,979 |
| | <u>\$ 58,874,698</u> | <u>\$ 46,360,478</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Borrowings under revolving loan agreement | \$ 4,000,000 | \$ 4,025,023 |
| Accounts payable and accrued expenses | 8,952,061 | 7,002,165 |
| Current maturities of long term obligations | 735,017 | 20,899 |
| Deferred revenue, current | 31,668 | 33,282 |
| Total current liabilities | <u>13,718,746</u> | <u>11,081,369</u> |
| Long Term Obligations, net of current maturities and deferred financing fees | 19,905,286 | 20,265,745 |
| Deferred revenue | 68,631 | 92,215 |
| Total liabilities | <u>33,692,663</u> | <u>31,439,329</u> |
| Shareholders' equity: | | |
| Common stock, \$.01 par value; 50,000,000 shares authorized; 34,350,329 and 33,008,865 shares issued and outstanding | 343,503 | 330,088 |
| Additional paid-in capital | 153,167,817 | 132,474,884 |

| | | |
|-----------------------------------|----------------------|----------------------|
| Accumulated deficit | (128,329,285) | (117,883,823) |
| Total shareholders' equity | <u>25,182,035</u> | <u>14,921,149</u> |
| | <u>\$ 58,874,698</u> | <u>\$ 46,360,478</u> |

AXOGEN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months and Years ended December 31, 2017 and 2016

| | Three Months Ended | | Years Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Revenues | \$ 16,971,005 | \$ 11,408,672 | \$ 60,426,395 | \$ 41,107,538 |
| Cost of goods sold | 2,614,458 | 1,829,804 | 9,311,585 | 6,467,250 |
| Gross profit | 14,356,547 | 9,578,868 | 51,114,810 | 34,640,288 |
| Costs and expenses: | | | | |
| Sales and marketing | 10,120,605 | 8,349,206 | 37,635,871 | 28,425,503 |
| Research and development | 1,971,569 | 1,178,502 | 6,699,120 | 4,212,023 |
| General and administrative | 4,071,349 | 2,770,561 | 14,731,105 | 10,132,624 |
| Total costs and expenses | 16,163,523 | 12,298,269 | 59,066,096 | 42,770,150 |
| Loss from operations | (1,806,976) | (2,719,401) | (7,951,286) | (8,129,862) |
| Other income (expense): | | | | |
| Interest expense | (576,971) | (2,130,694) | (2,216,845) | (5,386,268) |
| Interest expense—deferred financing costs | (109,846) | (780,135) | (246,557) | (875,389) |
| Other income (expense) | (5,386) | 3,246 | (30,774) | (19,625) |
| Total other income (expense) | (692,203) | (2,907,583) | (2,494,176) | (6,281,282) |
| Net loss | \$ (2,499,179) | \$ (5,626,984) | \$ (10,445,462) | \$ (14,411,144) |
| Weighted Average Common Shares outstanding – basic and diluted | 33,845,684 | 32,567,893 | 33,322,767 | 30,702,164 |
| Loss Per Common share - basic and diluted | \$ (0.07) | \$ (0.17) | \$ (0.31) | \$ (0.47) |
| Adjusted net loss | \$ (2,499,179) | \$ (3,176,379) | \$ (10,445,462) | \$ (11,960,539) |
| Adjusted net loss per Common share | \$ (0.07) | \$ (0.10) | \$ (0.31) | \$ (0.39) |

AXOGEN, INC.
RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES
Three Months and Years ended December 31, 2017 and 2016

| | Three Months Ended | | Years Ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Net loss | \$ (2,499,179) | \$ (5,626,984) | \$ (10,445,462) | \$ (14,411,144) |
| Depreciation and amortization expense | 140,772 | 98,484 | 487,611 | 361,617 |
| Amortization expense of intangible assets | 18,534 | 26,821 | 78,993 | 74,871 |
| Income Taxes | 5,347 | - | 29,321 | 21,426 |
| Interest expense | 576,971 | 2,130,694 | 2,216,845 | 5,386,268 |
| Interest expense - deferred financing costs | 109,846 | 780,135 | 246,557 | 875,389 |
| EBITDA - non GAAP | \$ (1,647,709) | \$ (2,590,850) | \$ (7,386,135) | \$ (7,691,573) |

| | | | | |
|-------------------------------------|----------------------|------------------------|------------------------|------------------------|
| Non Cash Stock Compensation Expense | 1,116,926 | 343,913 | 3,608,918 | 1,390,277 |
| Adjusted EBITDA - non GAAP | <u>\$ (530,783)</u> | <u>\$ (2,246,937)</u> | <u>\$ (3,777,217)</u> | <u>\$ (6,301,296)</u> |

AXOGEN, INC.
RECONCILIATION OF NET LOSS TO ADJUSTED NET LOSS
Three Months and Years ended December 31, 2017 and 2016

| | Three Months Ended | | Years Ended | |
|---|------------------------|------------------------|-------------------------|-------------------------|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Net loss | \$ (2,499,179) | (5,626,984) | \$ (10,445,462) | (14,411,144) |
| Prepayment fees net of accrued interest | - | 1,700,131 | - | 1,700,131 |
| Write off of deferred financing fees | - | 750,474 | - | 750,474 |
| Adjusted Net Loss | <u>\$ (2,499,179)</u> | <u>\$ (3,176,379)</u> | <u>\$ (10,445,462)</u> | <u>\$ (11,960,539)</u> |
| Adjusted net loss per Common share | <u>\$ (0.07)</u> | <u>\$ (0.10)</u> | <u>\$ (0.31)</u> | <u>\$ (0.39)</u> |

AXOGEN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016

| | 2017 | 2016 |
|--|---------------------|----------------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (10,445,462) | \$ (14,411,144) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | |
| Depreciation | 487,611 | 361,617 |
| Amortization of intangible assets | 78,993 | 74,871 |
| Amortization of deferred financing costs | 246,557 | 124,915 |
| Write off of deferred financing costs | - | 750,474 |
| Provision for bad debts | 223,323 | 79,593 |
| Stock-based compensation | 3,608,918 | 1,390,277 |
| Interest added to note | - | 1,924,279 |
| Change in assets and liabilities: | | |
| Accounts receivable | (3,235,840) | (3,348,807) |
| Inventory | (1,857,102) | (1,524,880) |
| Prepaid expenses and other | (341,577) | (86,879) |
| Accounts payable and accrued expenses | 1,926,664 | 3,411,507 |
| Deferred liabilities | 70,316 | 17,582 |
| Net cash used for operating activities | <u>(9,237,599)</u> | <u>(11,236,595)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (1,105,212) | (931,634) |
| Acquisition of intangible assets | (187,006) | (225,768) |
| Net cash used for investing activities | <u>(1,292,218)</u> | <u>(1,157,402)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 15,662,905 | 18,668,092 |
| Borrowing on revolving loan | 57,599,165 | 6,684,894 |
| Payments on revolving loan | (57,624,188) | (6,684,894) |
| Repayments of long term debt | (20,899) | (2,446,676) |
| Debt issuance costs | (29,472) | (800,847) |
| Proceeds from exercise of stock options | 1,434,524 | 1,078,333 |
| Net cash provided by financing activities | <u>17,022,035</u> | <u>16,498,902</u> |
| Net increase in cash and cash equivalents | 6,492,218 | 4,104,905 |
| Cash and cash equivalents, beginning of year | <u>30,014,405</u> | <u>25,909,500</u> |

| | | |
|--|----------------------|----------------------|
| Cash and cash equivalents , end of period | <u>\$ 36,506,623</u> | <u>\$ 30,014,405</u> |
| Supplemental disclosures of cash flow activity: | | |
| Cash paid for interest | \$ 2,198,286 | \$ 5,769,372 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Payments of fixed assets in accounts payable | \$ 55,385 | \$ 32,153 |
| Payments of long term debt with proceeds from term loan of \$21,000,000 and revolver loan of \$4,000,000 | \$ - | \$ 25,000,000 |
| Capital lease additions | \$ 61,959 | \$ - |



Source: AxoGen, Inc.