



VERICEL
Q4 2019 RESULTS
FEBRUARY 25, 2020

Safe Harbor

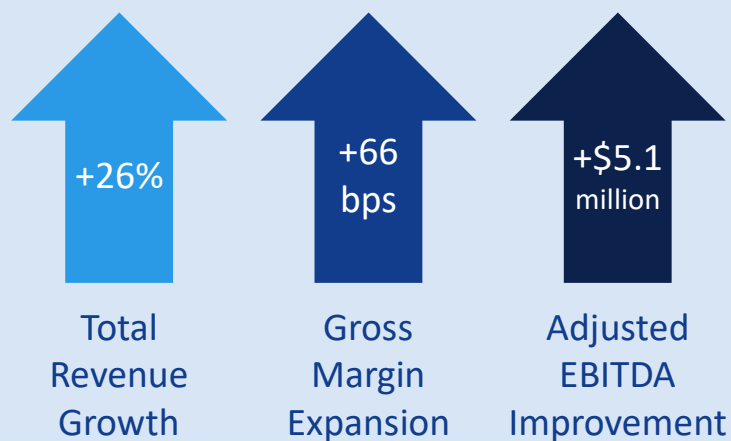
This presentation contains forward-looking statements, including, without limitation, statements regarding full-year 2019 revenue and financial guidance, statements concerning anticipated progress, objectives and expectations regarding the commercial potential of our products and growth in revenues, profit, and cash flow, and objectives and expectations regarding our company as described herein, all of which involve certain risks and uncertainties. These statements are often, but are not always, made through the use of words or phrases such as “anticipates,” “intends,” “estimates,” “plans,” “expects,” “we believe,” “we intend,” “guidance,” “outlook,” “future,” and similar words or phrases, or future or conditional verbs such as “will,” “would,” “should,” “potential,” “could,” “may,” or similar expressions. Actual results may differ significantly from the expectations contained in the forward-looking

statements. Among the factors that may result in differences are the inherent uncertainties associated with our expectations regarding 2020 revenues, growth in revenues for MACI® and Epicel®, the expected target surgeon audience, improvements in gross margins, our need to generate significant sales to become profitable, potential fluctuations in sales volumes and our results of operations over the course of the year, competitive developments, estimating the commercial growth potential of our products and product candidates, timing and conduct of clinical trial and product development activities, timing or likelihood of regulatory submissions or approvals, availability of funding from the Biomedical Advanced Research and Development Authority (“BARDA”) under its agreement with MediWound Ltd. for use in connection with NexoBrid® development activities, market demand for our products,

changes in third party coverage and reimbursement, our ability to maintain and expand our network of direct sales employees, and our ability to supply or meet customer demand for our products. These and other significant factors are discussed in greater detail in Vericel’s Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission (“SEC”) on February 25, 2020, and in other filings with the SEC. These forward-looking statements reflect management’s views as of the date hereof and Vericel does not assume and specifically disclaims any obligation to update any of these forward-looking statements to reflect a change in its views or events or circumstances that occur after the date of this release except as required by law.

Continued Strong Revenue Growth Translated Into Significant Profit Growth

Q4 2019 Financial Performance vs. Q4 2018

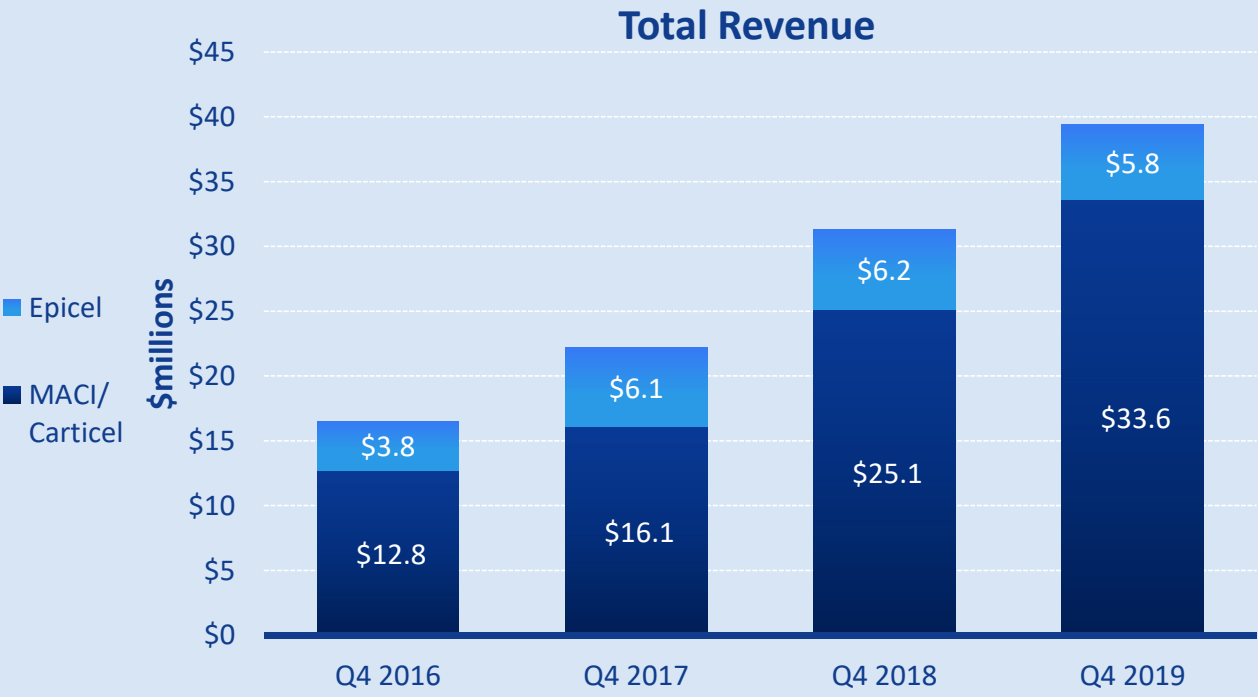


Business Highlights

- ▷ Reported record quarterly revenue and profit in fourth quarter
- ▷ MACI full-year revenue growth of 35%, Epicel full-year revenue growth of 13%
- ▷ Received MACI biopsies from ~1,400 surgeons in 2019, up 25% compared to 2018
- ▷ On track to expand MACI sales force from 49 to 76 sales representatives by the second quarter of 2020
- ▷ Announced that BARDA began procuring NexoBrid for emergency stockpile

Full-year 2020 revenue guidance of \$141-\$146 million

Fourth-Quarter 2019 Revenue Details



MACI momentum continued through the fourth quarter based on new surgeon, implant, and biopsy growth

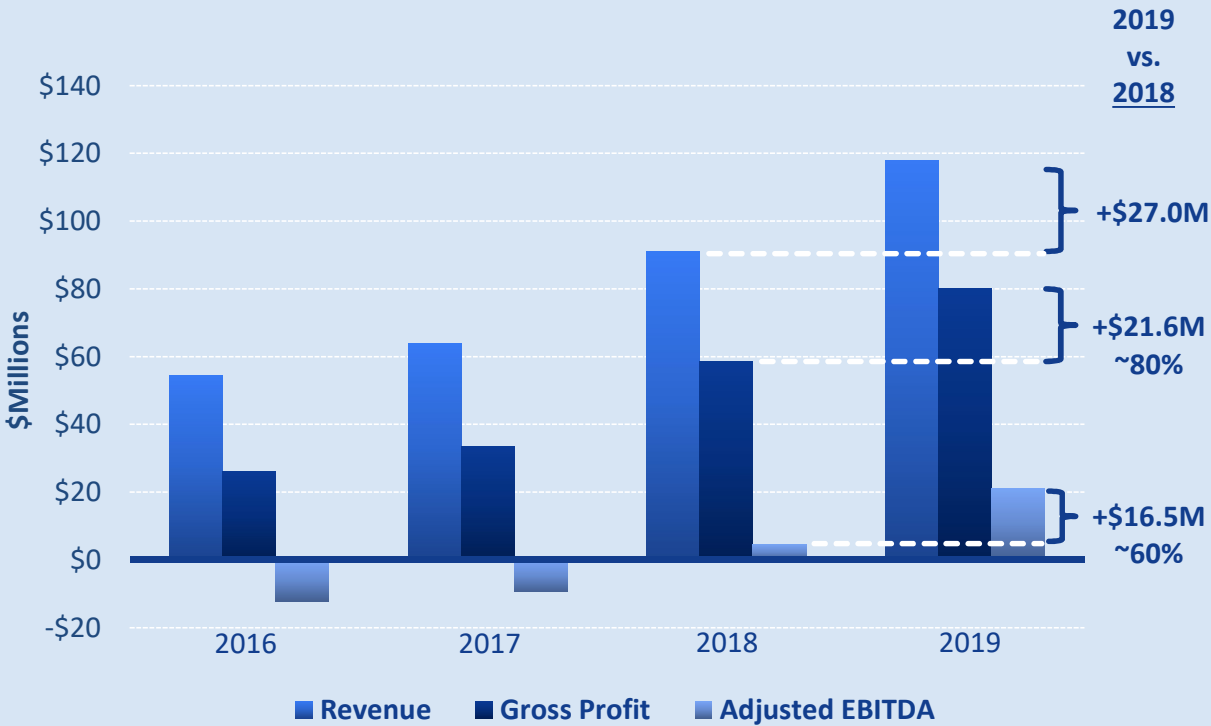
Full-Year 2019 Revenue Details



Cartilage repair revenue has more than doubled since MACI launch in 2017

Double-digit Epicel growth for the third consecutive year

Revenue Growth Has Translated into Significant Enhancement in Profitability



Since MACI launch, ~80% of marginal revenue has converted to gross profit and ~50%+ has converted to adjusted EBITDA*

- ▷ Premium prices, low marginal manufacturing costs and focused call points enable significant margin growth
- ▷ Expect to maintain marginal revenue contribution to gross profit moving forward
- ▷ Expect similar rate of marginal revenue contribution to adjusted EBITDA in 2021 and beyond following sales force expansions

*See slide 11 for EBITDA to GAAP reconciliation
Vericel Q4 2019 Financial Results – February 25, 2020

Fourth-Quarter and Full Year 2019 Financial Results

Unaudited, amounts in thousands except per share amounts	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Net Product Sales	\$ 39,390	\$ 31,335	\$ 117,850	\$ 90,857
Gross Profit	28,805	22,706	80,279	58,697
<i>Gross Margin</i>	73%	72%	68%	65%
Research and Development	3,217	3,018	12,891	13,599
Upfront License Agreement Payment (NexoBrid)	-	-	17,500	-
Selling, General and Administrative	<u>16,378</u>	<u>13,693</u>	<u>61,139</u>	<u>49,007</u>
Total Operating Expenses	19,595	16,711	91,530	62,606
Operating Income (Loss)	<u>9,210</u>	<u>5,995</u>	<u>(11,251)</u>	<u>(3,909)</u>
Other Income (Expense)	<u>291</u>	<u>(753)</u>	<u>1,586</u>	<u>(4,228)</u>
Net Income (Loss)	\$ <u>9,501</u>	\$ <u>5,242</u>	\$ <u>(9,665)</u>	\$ <u>(8,137)</u>
Net Income (Loss) Per Share (Basic)	\$ 0.21	\$ 0.12	\$ (0.22)	\$ (0.20)
Weighted average number of common shares outstanding (Basic)	44,775	43,445	44,180	40,242
Net Income (Loss) Per Share (Diluted)	\$ 0.20	\$ 0.11	\$ (0.22)	\$ (0.20)
Weighted average number of common shares outstanding (Diluted)	46,803	46,153	44,180	40,242

2020 Financial Guidance

Total net revenues of **\$141 to \$146 million**

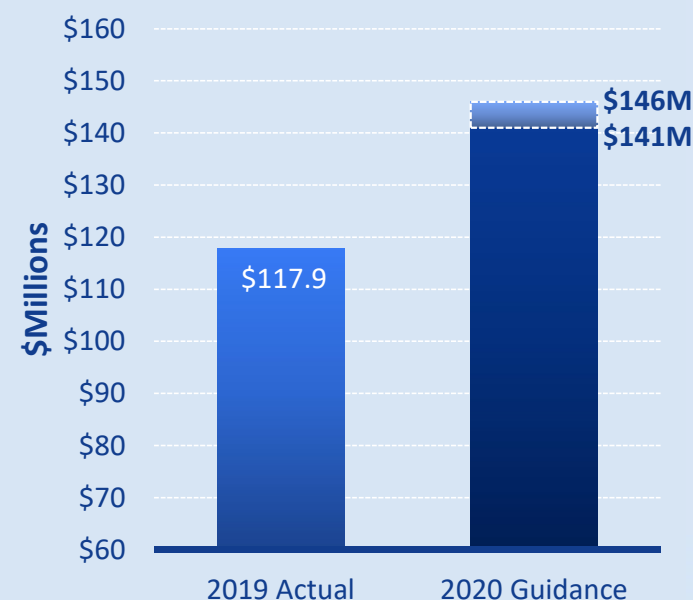
- ▷ Full-year MACI revenue growth of approximately 26%
- ▷ Includes \$3.0 million of anticipated revenue related to BARDA procurement of NexoBrid

Quarterly revenue phasing

- ▷ Expect MACI seasonality to follow 2019, resulting in ~26% growth each quarter over prior year quarter
- ▷ 2020 NexoBrid procurement expected to occur evenly over three quarters starting in Q2
- ▷ Forecasting Q1 Epicel growth in the high single- to low double-digit range compared to Q1 2019

Gross margins approaching **70%** and operating expenses of approximately **\$98 million**

2020 Net Revenues Guidance



VERICEL Q4 2019 FINANCIAL RESULTS

APPENDIX

Reconciliation of Fourth Quarter Reported Net Income (Loss) (GAAP) to Adjusted EBITDA (Non-GAAP Measure) – Unaudited

Three Months Ended December 31,

Quarterly Adjusted EBITDA (In Thousands)	2016	2017	2018	2019
Net (Loss) Income (GAAP)	\$(6,197)	\$287	\$5,242	\$9,501
Change in fair value of warrants	99	(255)	2,524	-
Stock compensation expense	527	627	1,484	3,083
Loss on extinguishment of debt	-	860	838	-
Depreciation and amortization	493	426	293	573
Net interest expense (income)	222	221	(115)	(319)
Intangible asset impairment	2,638	-	-	-
Adjusted EBITDA (Non-GAAP)	\$(2,219)	\$2,166	\$7,742	\$12,838

Reconciliation of Reported Annual Net Loss (GAAP) to Adjusted EBITDA (Non-GAAP Measure) – Unaudited

Year Ended December 31,

Annual Adjusted EBITDA (In Thousands)	2016	2017	2018	2019
Net (Loss) Income (GAAP)	\$(19,566)	\$(17,286)	\$(8,137)	\$(9,665)
Upfront license agreement payment	-	-	-	17,500
Revenue reserve related to a dispute between pharmacy provider and payer	-	1,418	-	-
Change in fair value of warrants	-	257	2,524	-
Stock compensation expense	2,500	2,680	7,223	13,179
Depreciation and amortization	1,886	1,612	1,426	1,744
Loss on extinguishment of debt	-	860	838	-
Net interest expense (income)	306	1,093	835	(1,606)
Intangible asset impairment	2,638	-	-	-
Adjusted EBITDA (Non-GAAP)	\$(12,236)	\$(9,366)	\$4,709	\$21,152

Vericel Capitalization Table

Capitalization (as of December 31, 2019)	Shares
Common Stock	44,863,976
Options Outstanding	5,052,950
Unvested Restricted Stock Units	157,030
Fully Diluted Shares Outstanding	50,073,956