



# VERICEL Q1 2019 RESULTS

MAY 7, 2019

# Safe Harbor

This presentation contains forward-looking statements, including, without limitation, statements concerning anticipated progress, objectives and expectations regarding profitability, growth in revenue, the commercial potential of our products, and objectives of the company, 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,” “target,” “goals” 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 risks and uncertainties

associated with our updated financial guidance, growth in revenues for MACI and Epicel, growth in profit and margins, contributions to adjusted EBITDA, competitive developments, ability to achieve or sustain profitability, our need to generate significant sales to become profitable, potential fluctuations in sales volumes and our results of operations, estimating the commercial potential of our products and product candidates and growth in revenues and improvement in costs, market demand for our products, our ability to secure consistent reimbursement for our products, changes in third party coverage and reimbursement, any disruption or delays in operations at our facilities, our dependence on a limited number of third party suppliers, our ability to maintain and expand our network of direct sales employees and productivity per sales

representative, our long-term plans 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, 2018, filed with the Securities and Exchange Commission (“SEC”) on February 26, 2019, Quarterly Reports on Form 10-Q and other documents filed by the Company with the SEC from time to time.

These forward-looking statements reflect management’s current views and Vericel does not undertake 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.

# First Quarter 2019

## Financial Highlights

- ▶ 21% revenue growth over Q1 2018
- ▶ MACI® revenue increased 38% over Q1 2018
- ▶ 300 bps improvement in gross margin over Q1 2018
- ▶ Positive operating and net cash flow

## Business Highlights

- ▶ Deployed increased MACI sales force (48 territories vs. 40 in 2018)
- ▶ Publication of outcomes data from burn patients treated with Epicel® in the Journal of Burn Care and Research
- ▶ Expanded burn care portfolio through acquisition of North American rights to NexoBrid®

## NexoBrid® Agreement Details

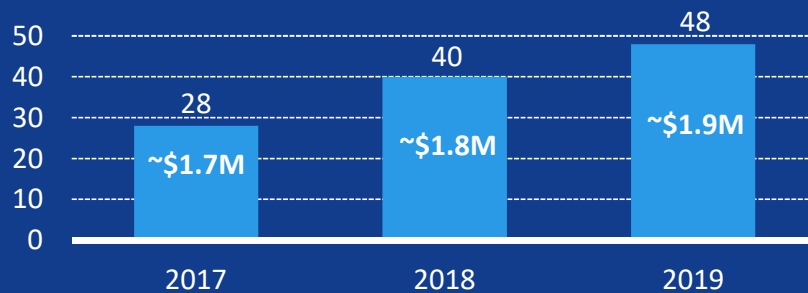
- ▶ Excellent strategic fit with advanced therapy business model
- ▶ Compelling clinical and pharmacoeconomic data
- ▶ Highly synergistic with existing burn franchise and significantly increases presence in burn care market
- ▶ Attractive deal terms and financial profile

# Expanding Commercial Footprint In Both Franchises

## MACI

- ▷ Expansion to 48 territories complete
- ▷ Sales representative productivity continues to increase even as sales force expands
- ▷ Evaluating long-term sales force sizing based on targeting general orthopedic surgeons

**MACI Sales Representatives**  
(Number and Revenue Per Representative)

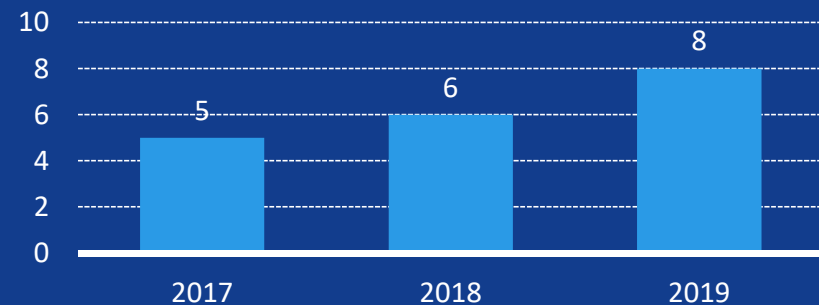


Rep productivity calculated based on weighted average headcount for the year, 2019 projection based on updated guidance

## Burn

- ▷ Increase in burn team planned to support continued expansion of Epicel and prepare for NexoBrid launch
- ▷ Planned increase of 33% (~2 burn therapy specialists) in 2019

**Burn Therapy and Clinical Specialists**

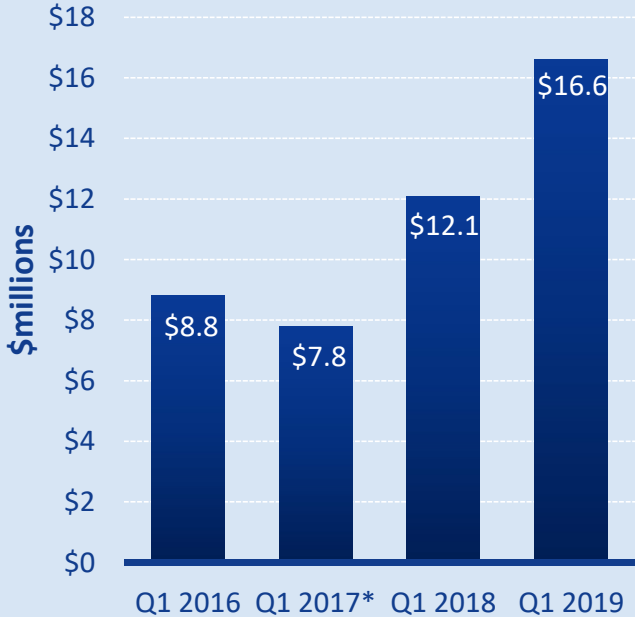


# First-Quarter 2019 GAAP Financial Results

Unaudited, amounts in thousands except per share amounts	Three Months Ended March 31,		
	2019	2018	% Change
Product sales, net	\$ 21,810	\$ 18,027	21%
Gross profit	13,170	10,361	27%
<i>Gross Margin</i>	60%	57%	+300bps
Research and development	3,008	3,729	(19%)
Selling, general and administrative	<u>13,520</u>	<u>10,954</u>	<u>23%</u>
Total operating expenses	16,528	14,683	13%
<i>Operating expenses as % of revenue</i>	75%	81%	-600bps
Loss from operations	<u>(3,358)</u>	<u>(4,322)</u>	
Other income (expense)	<u>514</u>	<u>(3,337)</u>	
Net loss	\$ <u>(2,844)</u>	\$ <u>(7,659)</u>	
Net loss per share attributable to common shareholders (Basic and Diluted)	\$ (0.07)	\$ (0.21)	
Weighted average number of common shares outstanding (Basic and Diluted)	43,725	36,140	

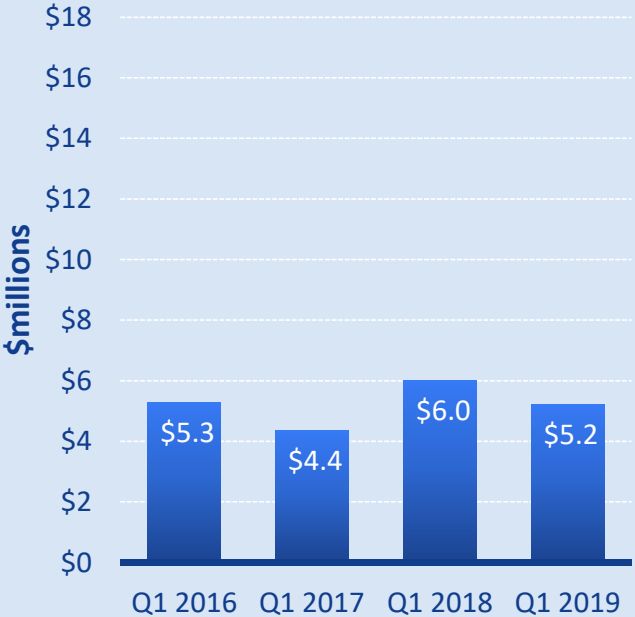
# First-Quarter 2019 Revenue Details

### MACI Revenue



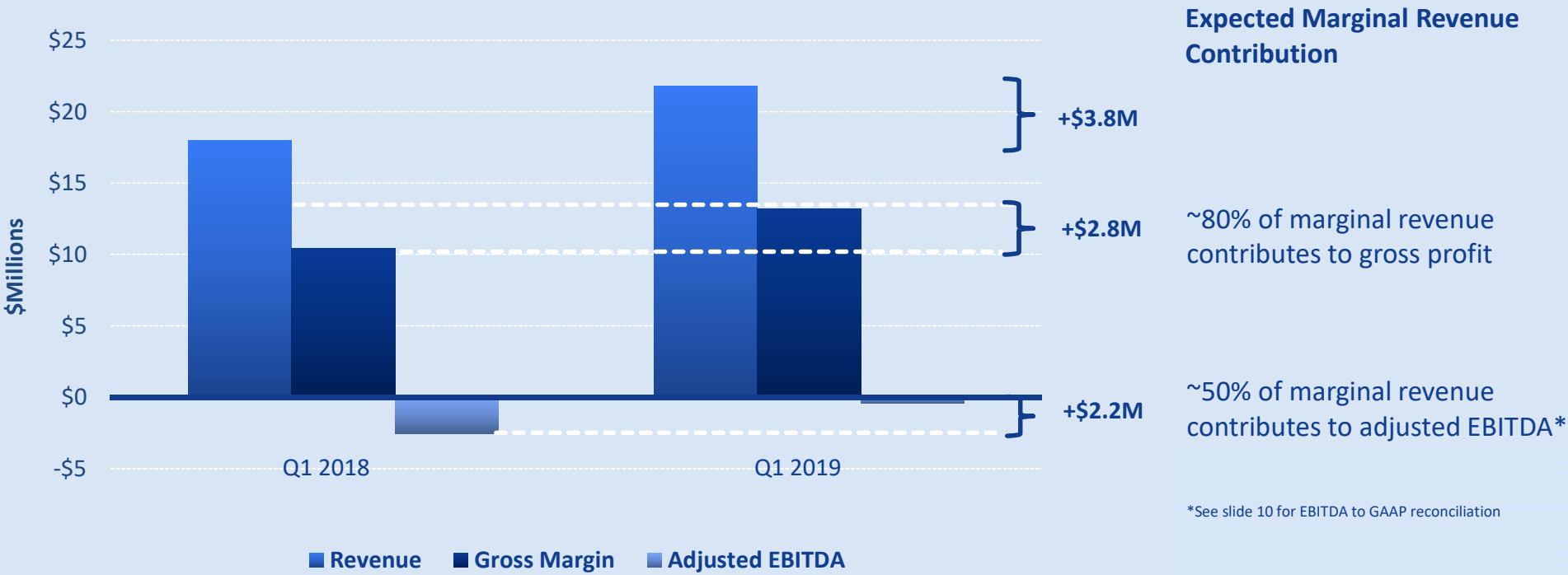
\*Q1 2017 revenue excludes \$2.8M revenue reserve related to contractual dispute between the company's pharmacy provider at the time and a third-party payer

### Epicel Revenue



MACI momentum continuing in 2019 with solid first quarter results in terms of implant, new surgeon and biopsy growth

# Revenue Growth Continues To Translate Into Significant Profit Growth



# Updated Financial Guidance

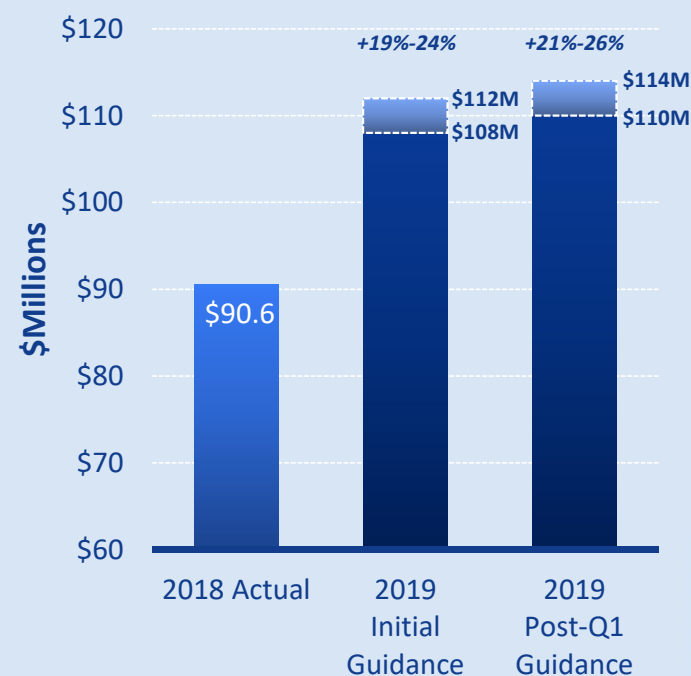
Vericel expects total MACI and Epicel net product revenues to be in the range of \$110 million to \$114 million, compared to initial full year revenue guidance of \$108 million to \$112 million

- ▷ Updated product mix
  - MACI revenue of at least \$90 million

MACI revenue is expected to follow similar seasonality pattern as 2018

2018 Seasonality	Q1	Q2	Q3	Q4
MACI Revenue	18%	21%	24%	37%

## 2019 Net Product Revenues Guidance





# VERICEL Q1 2019 FINANCIAL RESULTS

APPENDIX

## RECONCILIATION OF REPORTED NET LOSS (GAAP) TO ADJUSTED EBITDA (NON-GAAP MEASURE) – UNAUDITED

(unaudited, amounts in thousands except per share amounts)

Three Months Ended March 31,

Annual Adjusted EBITDA (In Thousands)	2016	2017	2018	2019
Net Loss (GAAP)	\$ (3,650)	\$ (9,778)	\$ (7,659)	\$ (2,844)
Change in fair value of warrants	1,640	(107)	2,907	-
Revenue reserve related to a dispute between pharmacy provider and payer	-	2,775	-	-
Stock compensation expense	488	502	1,342	2,628
Depreciation and amortization	445	409	427	324
Net interest (income) expense	(2)	261	432	(478)
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ (1,079)</b>	<b>\$ (5,938)</b>	<b>\$ (2,551)</b>	<b>\$ (370)</b>

## Vericel Capitalization Table

Capitalization (as of March 31, 2019)	Shares	Comment
Common Stock	43,824,730	
December 2017 Warrants	26,951	Strike price=\$4.27; expire December 6, 2023
Options Outstanding	6,021,742	
Unvested Restricted Stock Units	176,062	
<b>Fully Diluted Shares Outstanding</b>	<b><u>50,049,485</u></b>	