



# VERICEL Q1 2020 RESULTS

MAY 5, 2020

# Safe Harbor

Vericel cautions you that all statements other than statements of historical fact included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. Although we believe that we have a reasonable basis for the forward-looking statements contained herein, they are based on current expectations about future events affecting us and are subject to risks, assumptions, uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Our actual results may differ materially from those expressed or implied by the forward-looking statements in this presentation. These statements are often, but are not always, made through the use of words or phrases such as “anticipates,” “intends,” “estimates,” “plans,” “expects,” “continues,” “believe,” “guidance,” “outlook,” “target,” “future,” “potential,” “goals” and similar words or phrases, or future or conditional verbs such as “will,” “would,” “should,” “could,” “may,” or similar expressions.

Among the factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to uncertainties associated with our expectations regarding future revenues, growth in revenues, market penetration for MACI® and Epicel®, growth in profit, gross margins and operating margins, the ability to achieve or sustain

profitability, contributions to adjusted EBITDA, the expected target surgeon audience, the estimate of the commercial growth potential of, and market demand for, our products and product candidates, availability of funding from the Biomedical Research and Development Authority (“BARDA”) under its agreement with MediWound Ltd. for use in connection with NexoBrid® development activities, potential fluctuations in sales and volumes and our results of operations over the course of the year, competitive developments, timing and conduct of clinical trial and product development activities, timing or likelihood of regulatory submissions or approvals, changes in third party coverage and reimbursement, our ability to maintain and expand our network of direct sales employees, our ability to supply or meet customer demand for our products, and the wide-ranging impacts of the COVID-19 pandemic on our business or the economy generally.

With respect to COVID-19, we are currently unable to reasonably estimate the specific extent or duration of the impact of the COVID-19 outbreak on our business, financial and operating results. We are also unable to predict how the outbreak will affect the pace with which state and local governments lift restrictions on the performance of elective surgical procedures, the availability of physicians and/or their treatment prioritizations or the impact of the outbreak on the overall healthcare infrastructure. In addition to impacts

on procedure and surgery volumes, we are experiencing and may experience other disruptions as a result of the COVID-19 outbreak. For example, enrollment in our clinical trials may be adversely affected. In addition, patients who have cancelled or postponed surgeries may not reschedule cases in a timely fashion, or at all. Other disruptions or potential disruptions include restrictions on the ability of Company personnel to travel and access customers for training, promotion and case support, delays in approvals by regulatory bodies, delays in product development efforts, and additional government-imposed quarantines and requirements to “shelter at home” or other incremental mitigation efforts that may impact our ability to source supplies for our operations or our ability or capacity to manufacture, sell and support the use of 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 our 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.

# Balanced Response to COVID-19



## Protecting our employees, their families and healthcare providers

- ▶ Employees not directly involved in the production and delivery of MACI and Epicel are working from home
- ▶ Implemented additional measures to protect the health and safety of workforce



## Supporting our customers and patients during crisis

- ▶ Continue to manufacture both MACI and Epicel to meet critical needs of patients
- ▶ MACI sales representatives and case management team facilitating active communication between patients, healthcare providers and payers

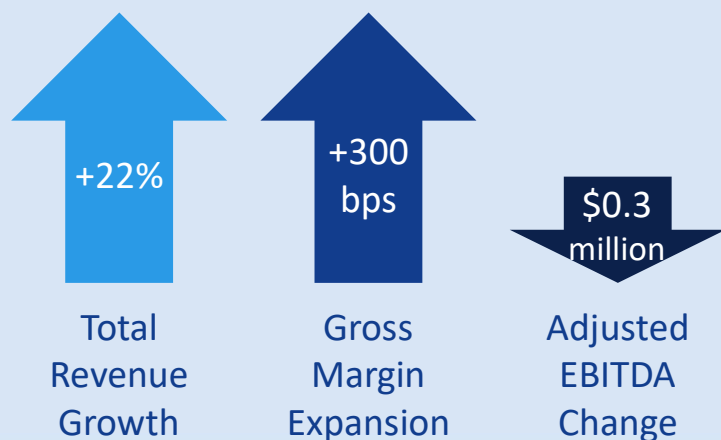


## Conserving cash while maintaining operational readiness

- ▶ Appropriate expense reduction measures have been implemented while preserving capability to handle anticipated surges in demand
- ▶ Flexible operating plan in place that will be re-evaluated on a regular basis as the landscape for elective surgeries evolves

# Strong Q1 2020 Performance Despite COVID-19 Impact in March

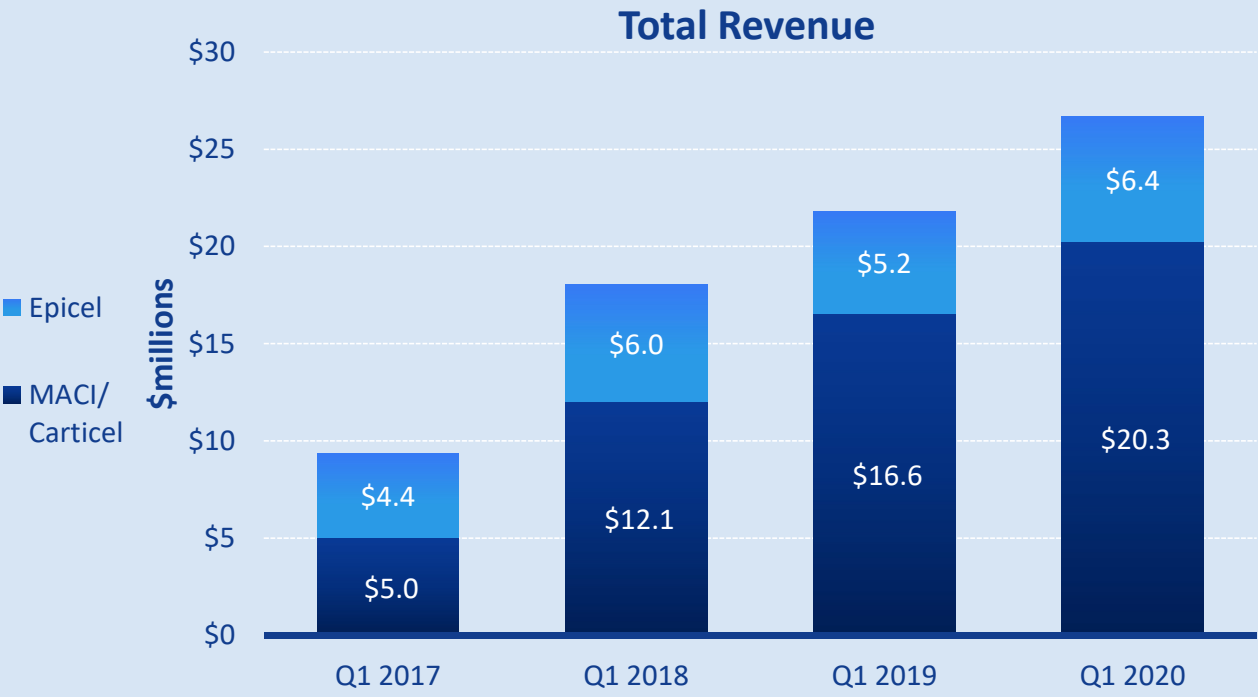
## Q1 2020 Financial Performance vs. Q1 2019



## Business Update

- ▷ Reported twelfth consecutive quarter with record revenues for the reported quarter
- ▷ MACI revenue growth of 22%, Epicel revenue growth of 22%
- ▷ Estimate COVID-19 reduced the volume of scheduled MACI implants for the quarter by ~9%
- ▷ Completed MACI sales force expansion from 49 to 76 sales territories and from six to nine regions
- ▷ Plan for a mid-2020 submission of the NexoBrid Biologics License Application to the FDA

# First-Quarter 2020 Revenue Details



Q1 2020 MACI growth of 22% despite COVID-19 related cancellations late in the quarter, which reduced Q1 volume by ~9%

# COVID-19 Presents Near-Term Challenges, But MACI is Well-Positioned To Resume Growth Trajectory When Conditions Allow

## Strong Revenue Growth Prior to COVID-19 Crisis

- ▷ 2019 full-year MACI revenue growth of 35%
- ▷ Q1 2020 MACI revenue growth of 22%
  - Estimate that Q1 implant volume was reduced by ~9% due to cancellations starting in mid-March related to the COVID-19 crisis

## Staying Connected with Surgeons and Patients

- ▷ Many orthopedic surgeons connecting with patients via telemedicine
- ▷ Virtual sales calls are supported by digital content
- ▷ Case management team continues to work with offices and patients to move cases through the pipeline and reschedule, or prepare to reschedule, existing cases

## Preparing for Potential Volume Surge

- ▷ Orthopedic practices are a significant source of revenue for hospitals; many surgeons are expected to increase surgery volume in 2H 2020
- ▷ Pool of MACI patients in the pipeline could quickly move through to surgery
- ▷ Manufacturing capacity is designed to accommodate large surges in volume

# Strong Balance Sheet Heading Into COVID-19 Pandemic and Appropriate Expense Reduction Measures Implemented

Recent financial performance has Vericel well-positioned for uncertain market dynamics

- ▷ ~\$83 million in cash and investments with majority of investments due to mature in 2020
- ▷ ~\$24 million in Accounts Receivable
- ▷ No debt

Expense reductions balance cash conservation with being prepared for a surge in demand

- ▷ Both COGS and SG&A will be reduced \$0.125 for every \$1.00 of reduced revenue versus Q1 2020
- ▷ SG&A will be reduced a further \$1.5 million per quarter versus Q1 2020
- ▷ Planned 2020 capital expenses have been reduced from ~\$5 million to ~\$2.5 million and new hiring suspended
- ▷ If needed in a downside scenario, additional reductions have been identified

## Timing of Lifting of Elective Surgery Restrictions, Among Other Factors, is Expected to be a Key Driver of Projected Q2 Performance

Time Period	States Without Elective Surgery Restrictions	% U.S. Age 17 - 55 Population	Q2 Recovery Assumptions
Most or All of April	5	<10%	MACI Q2 volume, using Q1 2020 as a base, is expected to generally follow percent of population living in states where elective surgeries have resumed
By Early May	~25	~60%	
Anticipated By June 1 <sup>st</sup>	~35	~80%	

### Critical dynamics that could result in a change to current Q2 recovery assumptions

- ▷ Existing elective surgery restrictions being lifted in accordance with current state plans
- ▷ Potential new state or local orders impacting elective surgeries, including the re-imposition of restrictions
- ▷ Readiness and ability of individual facilities and institutions to resume elective procedures
- ▷ Willingness and ability of patients to return to the clinical setting



# First-Quarter 2020 Financial Results

Three Months Ended  
March 31,

Unaudited, amounts in thousands except per share amounts	2020	2019
Net Product Sales	\$ 26,678	\$ 21,810
Gross Profit	16,756	13,170
<i>Gross Margin</i>	63%	60%
Research and Development	3,763	3,008
Selling, General and Administrative	<u>18,069</u>	<u>13,520</u>
Total Operating Expenses	21,832	16,528
Operating Loss	<u>(5,076)</u>	<u>(3,358)</u>
Other Income (Expense)	<u>371</u>	<u>514</u>
Net Loss	\$ <u>(4,705)</u>	\$ <u>(2,844)</u>
Net Loss Per Share (Basic and Diluted)	\$ (0.10)	\$ (0.07)
Weighted average number of common shares outstanding	44,924	43,725

# VERICEL Q1 2020 FINANCIAL RESULTS

APPENDIX

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

Quarterly Adjusted EBITDA (In Thousands)	Three Months Ended March 31,	
	2020	2019
<b>Net Loss (GAAP)</b>	<b>\$(4,705)</b>	<b>\$(2,844)</b>
Stock compensation expense	3,768	2,628
Depreciation and amortization	533	324
Net interest income	(304)	(478)
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$(708)</b>	<b>\$(370)</b>

## Vericel Capitalization Table

<b>Capitalization (as of March 31, 2020)</b>	<b>Shares</b>
Common Stock	44,962,613
Options Outstanding	6,150,973
Unvested Restricted Stock Units	305,013
<b>Fully Diluted Shares Outstanding</b>	<b>51,418,599</b>