



VERICEL
Q2 2019 RESULTS
AUGUST 6, 2019

Safe Harbor

This presentation contains forward-looking statements, including, without limitation, statements regarding full year 2019 revenue guidance, 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,” “guidance,” “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 expectations regarding 2019 revenues and operating expenses, updated financial and increased revenue guidance, growth in revenues for MACI and EpiceL, growth in profit and margins, contributions to gross profit and non-GAAP adjusted EBITDA, forecast of positive adjusted EPS for 2019, seasonality estimates, competitive developments, plans to increase target surgeon audience, 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, timing and conduct of clinical trial and product development activities, timing or likelihood of regulatory submissions or approvals, availability of funding from BARDA, 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 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.

Second Quarter 2019

Financial Highlights

- ▷ Total revenue growth of 38% over Q2 2018
 - MACI® revenue +47%
 - Epicel® revenue +9%
- ▷ 700 bps improvement in gross margin over Q2 2018
- ▷ Increased full year 2019 revenue guidance to \$112 to \$116 million
 - Up from previous guidance of \$110 to \$114 million

Business Highlights

- ▷ Record second quarter revenues, marking the ninth consecutive quarter with record revenues for the reported quarter, and the highest Epicel revenue for a second quarter in history
- ▷ Deployed the expanded MACI sales force, which increased from 40 to 48 sales reps, and initiated a sales force sizing assessment based on plans to increase target audience to approximately 5,000 surgeons

NexoBrid® Updates

- ▷ Expanded burn care portfolio through acquisition of North American rights to NexoBrid®
- ▷ Announced that the U.S. Biomedical Advanced Research and Development Authority has agreed to fund NexoBrid expanded access treatment (NEXT) Protocol
- ▷ Plan to submit a BLA for NexoBrid to the FDA in the second quarter of 2020

Second-Quarter 2019 Financial Results

(Includes \$17.5M Upfront Payment to MediWound for NexoBrid License)

Unaudited, amounts in thousands except per share amounts	Three Months Ended June 30,	
	2019	2018
Product sales, net	\$ 26,151	\$ 19,011
Gross profit	17,129	11,284
<i>Gross Margin</i>	66%	59%
Research and development (including \$17.5M upfront payment for NexoBrid)	21,070	3,739
Selling, general and administrative	<u>16,259</u>	<u>11,791</u>
Total operating expenses	37,329	15,530
Loss from operations	<u>(20,200)</u>	<u>(4,246)</u>
Other income (expense)	<u>408</u>	<u>(405)</u>
Net loss	\$ <u>(19,792)</u>	\$ <u>(4,651)</u>
Net loss per share attributable to common shareholders (Basic and Diluted)	\$ (0.45)	\$ (0.12)
Weighted average number of common shares outstanding (Basic and Diluted)	43,956	38,349

Second-Quarter 2019 Non-GAAP Financial Results (Excludes \$17.5M Upfront Payment to MediWound for NexoBrid License)

Unaudited, amounts in thousands except per share amounts	Three Months Ended June 30,		
	2019	2018	% Change
Product sales, net	\$ 26,151	\$ 19,011	38%
Gross profit	17,129	11,284	52%
<i>Gross Margin</i>	66%	59%	+700bps
Research and development (excluding \$17.5M upfront payment for NexoBrid)	3,570	3,739	(5%)
Selling, general and administrative	<u>16,259</u>	<u>11,791</u>	<u>38%</u>
Total Non-GAAP operating expenses	19,829	15,530	28%
<i>Non-GAAP Operating expenses as % of revenue</i>	76%	82%	-600bps
Non-GAAP Loss from operations	<u>(2,700)</u>	<u>(4,246)</u>	
Other income (expense)	<u>408</u>	<u>(405)</u>	
Adjusted net loss	\$ <u>(2,292)</u>	\$ <u>(4,651)</u>	
Adjusted net loss per share attributable to common shareholders (Basic and Diluted)	\$ (0.05)	\$ (0.12)	
Weighted average number of common shares outstanding (Basic and Diluted)	43,956	38,349	

Second-Quarter 2019 Revenue Details

MACI Revenue



*Q2 2017 revenue excludes \$1.4M revenue reserve reversal related to contractual dispute between the company's pharmacy provider at the time and a third-party payer.

Epicel Revenue



MACI momentum continued through the second quarter in terms of new surgeon, implant, and biopsy growth

Reported highest Epicel revenue for a second quarter in history

Revenue Growth Continues To Translate Into Significant Profit Growth



Updated 2019 Financial Guidance

Vericel expects total MACI and Epicel net product revenues to be in the range of \$112 to \$116 million, compared to previous revenue guidance of \$110 to \$114 million

- ▷ Updated product mix
 - MACI revenue growth of >30% in the second half of 2019

2019 Seasonality Estimate	Q1	Q2	Q3	Q4
MACI Revenue at mid-point	~18%	~23%	~21%-22%	~37%-38%

Excluding the \$17.5 million NexoBrid upfront license payment, Vericel expects to report **positive adjusted EPS for 2019**

2019 Net Product Revenues Guidance



VERICEL Q2 2019 FINANCIAL RESULTS

APPENDIX

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

(unaudited, amounts in thousands)

Three Months Ended June 30,

Annual Adjusted EBITDA (In Thousands)	2016	2017	2018	2019
Net Loss (GAAP)	\$(3,044)	\$(2,388)	\$(4,651)	\$(19,792)
Upfront license agreement payment				17,500
Change in fair value of warrants	(1,942)	(441)	37	-
Revenue reserve related to a dispute between pharmacy provider and payer	-	(1,357)	-	-
Stock compensation expense	831	796	2,465	4,182
Depreciation and amortization	478	375	386	376
Net interest expense (income)	1	296	365	(426)
Adjusted EBITDA (Non-GAAP)	\$(3,676)*	\$(2,719)*	\$(1,398)	\$1,840

*Non-GAAP Adjusted EBITDA was not previously reported for these periods; calculations are made on a consistent basis for all periods.

Vericel Capitalization Table

Capitalization (as of June 30, 2019)	Shares	Comment
Common Stock	44,066,165	
December 2017 Warrants	26,951	Strike price=\$4.27; expire December 6, 2023
Options Outstanding	5,625,025	
Unvested Restricted Stock Units	169,242	
Fully Diluted Shares Outstanding	<u>49,887,383</u>	