

May 5, 2015



# **AxoGen, Inc. Reports 58% Year-Over-Year Revenue Growth for the 2015 First Quarter**

**Record Quarterly Revenue of \$4.95 Million; Gross Margin at 80%  
Conference Call Today at 4:30 p.m. ET**

**ALACHUA, FL - May 5, 2015**- AxoGen, Inc. (NASDAQ: AXGN), a leading medical technology company focused on the \$1.6 billion peripheral nerve repair market, reported record revenue of \$4.95 million for the first quarter ended March 31, 2015 compared to \$3.14 million in the year-ago first quarter.

"The market's continued adoption of our proprietary portfolio of nerve repair products - Avance® Nerve Graft, AxoGuard® Nerve Connector and AxoGuard® Nerve Protector - and our solid sales execution delivered another record quarter with revenue increasing 58% year-over-year," commented Karen Zaderej, Chief Executive Officer. "Despite some negative effects of severe weather in January and February, this quarter continues our strong growth momentum of the last 2 years and is directly related to our focus on executing our sales and marketing strategy."

## **2015 First Quarter Financial Results**

For the first quarter ended March 31, 2015, revenue totaled \$4.95 million, a 58% increase compared to \$3.14 million in the prior year first quarter. The Company reported gross margin expanded to 80.1% compared to 77.7% in the first quarter ended March 31, 2014. Net loss was \$3.6 million, or \$0.16 per share compared to a net loss of \$4.2 million, or \$0.24 per share in the year-ago first quarter. The weighted average common shares outstanding for the 2015 first quarter were approximately 22.5 million shares compared to 17.4 million shares in the 2014 first quarter.

As of March 31, 2015, cash and cash equivalents totaled \$19.3 million which includes \$13.6 million of net proceeds related to the public common stock offering in February.

## **2015 Guidance**

Given the market's increasing awareness of AxoGen's product portfolio and the Company's plans to expand its sales footprint and sales pipeline, AxoGen is reaffirming its 2015 full year revenue outlook of at least \$24 million with annual gross margin in the mid to high 70% range.

## **Conference Call**

The Company will host a conference call and webcast for the investment community following the release at 4:30 PM 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 joining via the webcast, should visit <http://axogeninc.equisolvewebcast.com/q1-2015>.

Following the conference call, a replay will be available on the Company's website at [www.AxoGenInc.com](http://www.AxoGenInc.com), under 'Investors.'

## **About AxoGen, Inc.**

AxoGen (NASDAQ: AXGN) is a leading medical technology company dedicated to peripheral nerve repair. AxoGen's portfolio of regenerative medicine products is available in the United States, Canada and several other countries and includes Avance<sup>®</sup> Nerve Graft, an off-the-shelf processed human nerve allograft for bridging severed nerves without the comorbidities associated with a second surgical site, AxoGuard<sup>®</sup> Nerve Connector, a porcine submucosa extracellular matrix ("ECM") coaptation aid for tensionless repair of severed nerves, and AxoGuard<sup>®</sup> Nerve Protector, a porcine submucosa ECM product used to wrap and protect injured peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments.

Avance<sup>®</sup> Nerve Graft is processed in the United States by AxoGen. AxoGuard<sup>®</sup> Nerve Connector and AxoGuard<sup>®</sup> Nerve Protector are manufactured in the United States by Cook Biotech Incorporated, and are distributed worldwide exclusively by AxoGen. AxoGen maintains its corporate offices in Alachua, Florida and is the parent of its wholly owned operating subsidiary, AxoGen Corporation.

## **Cautionary Statement Concerning Forward-Looking Statements**

This Press Release contains "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995, including statements about the closing of the over-allotment option and the AxoGen's proposed use of proceeds. 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", 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 growth, our product development, product potential, or the intended use of proceeds from the offering. 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.

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**AXOGEN, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2015 (unaudited)	December 31, 2014
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 19,255,725	\$ 8,215,791
Accounts receivable	3,161,588	2,872,308
Inventory	3,337,898	3,213,620
Prepaid expenses and other	259,948	109,369
<b>Total current assets</b>	26,015,159	14,411,088
<b>Property and equipment, net</b>	583,420	619,028
<b>Intangible assets</b>	597,453	577,174
<b>Deferred financing costs</b>	939,894	793,499
	\$ 28,135,926	\$ 16,400,789
<b>Liabilities and Shareholders' Equity (Deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,423,272	\$ 2,431,194
Current Deferred Revenue	14,118	14,118
<b>Total current liabilities</b>	3,437,390	2,445,312
<b>Note Payable – Revenue Interest Purchase Agreement</b>	25,269,050	25,085,777
<b>Long Term Deferred Revenue</b>	109,984	115,380
<b>Total liabilities</b>	28,816,424	27,646,469
<b>Shareholders' equity (deficit):</b>		
Common stock, \$.01 par value; 50,000,000 shares authorized; 24,926,014 and 19,488,814 shares issued and outstanding	249,260	194,888
Additional paid-in capital	92,761,697	78,675,686
Accumulated deficit	(93,691,455 )	(90,116,254 )
<b>Total shareholders' equity (deficit)</b>	(680,498 )	(11,245,680 )
	\$ 28,135,926	\$ 16,400,789

**AXOGEN, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Three Months ended March 31, 2015 and 2014**  
(unaudited)

	2015	2014
<b>Revenues</b>	\$ 4,951,316	\$ 3,138,256
<b>Cost of goods sold</b>	982,881	701,300
<b>Gross profit</b>	3,968,435	2,436,956
<b>Costs and expenses:</b>		
Sales and marketing	3,932,522	2,720,707
Research and development	671,036	812,615
General and administrative	1,908,581	1,894,776
<b>Total costs and expenses</b>	6,512,139	5,428,098
<b>Loss from operations</b>	(2,543,704 )	(2,991,142 )
<b>Other expense:</b>		
Interest expense	(994,748 )	(1,191,317 )
Interest expense – deferred financing costs	(33,746 )	(51,216 )
Other expense	(3,003 )	(5,889 )
<b>Total other expense</b>	(1,031,497 )	(1,248,422 )
<b>Net loss</b>	\$ (3,575,201 )	\$ (4,239,564 )
Weighted Average Common Shares outstanding – basic and diluted	22,517,361	17,383,786
Loss Per Common share – basic and diluted	\$ (0.16 )	\$ (0.24 )

**AXOGEN, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Three Months ended March 31, 2015 and 2014**  
(unaudited)

	2015	2014
<b>Cash flows from operating activities:</b>		
Net loss	\$ (3,575,201 )	\$ (4,239,564 )
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	41,898	33,944
Amortization of intangible assets	11,772	10,955
Amortization of deferred financing costs	33,746	51,216
Share-based compensation	368,249	257,542
Stock grants	--	60,125
Interest added to note payable	183,273	891,845
Change in assets and liabilities:		
Accounts receivable	(289,280 )	(71,458 )
Inventory	(124,278 )	(67,661 )
Prepaid expenses and other	(150,579 )	101,230
Accounts payable and accrued expenses	992,078	(175,196 )
Deferred revenue	(5,396 )	(3,571 )
<b>Net cash used for operating activities</b>	<b>(2,513,718 )</b>	<b>(3,150,593 )</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(6,288 )	(195,482 )
Acquisition of intangible assets	(32,051 )	(8,346 )
<b>Net cash used for investing activities</b>	<b>(38,339 )</b>	<b>(203,828 )</b>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options	--	92,424
Proceeds from issuance of common stock	13,772,133	--
Debt issuance costs	(180,142 )	--
<b>Net cash provided by financing activities</b>	<b>13,591,991</b>	<b>92,424</b>
Net increase/(decrease) in cash and cash equivalents	11,039,934	(3,261,997 )
<b>Cash and cash equivalents, beginning of year</b>	<b>8,215,791</b>	<b>20,069,750</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 19,255,725</b>	<b>\$ 16,807,753</b>
<b>Supplemental disclosures of cash flow activity:</b>		
Cash paid for interest	\$ 803,607	\$ 303,919