

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36046

Axogen, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Minnesota

(State or other jurisdiction of
incorporation or organization)

13631 Progress Blvd., Suite 400 Alachua, FL
(Address of principal executive offices)

41-1301878
(I.R.S. Employer
Identification No.)

32615
(Zip Code)

386-462-6800

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of each exchange on which registered</u> |
|--------------------------------|-----------------------|--|
| Common Stock, \$0.01 par value | AXGN | The Nasdaq Stock Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|--------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 4, 2024, the registrant had 44,008,259 shares of common stock outstanding.

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Forward-Looking Statements

From time to time, in reports filed with the U.S. Securities and Exchange Commission (the "SEC") (including this Quarterly Report on Form 10-Q), in press releases, and in other communications to shareholders or the investment community, Axogen, Inc. (including Axogen, Inc.'s wholly owned subsidiaries, Axogen Corporation, Axogen Processing Corporation, Axogen Germany GmbH, and Axogen Europe GmbH, the "Company," "Axogen," "we," "our," or "us") may provide forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, concerning possible or anticipated future results of operations or business developments. 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 the Company is active, as well as its business plans. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "projects," "forecasts," "continue," "may," "should," "will," "goals," and variations of such words and similar expressions are intended to identify such forward-looking statements.

The forward-looking statements in this Form 10-Q include, but are not limited to the following:

- Our ability to market Avive+, our expectation to drive continued growth within the nerve protection category following its full launch and our expectations that Avive+ will continue to, be regulated solely under Section 361 of the Public Health Service Act;
- Our belief that the submission timeline will allow for a potential approval of the Biologics License Application ("BLA") for Avance Nerve Graft in September 2025;
- Our belief that we will continue to drive growth in the nerve protection category;
- Our optimism associated with interest in and adoption of the Resensation® neurotization techniques for autologous and implant-based breast reconstruction; and
- Our belief that our existing cash and cash equivalents and investments, as well as cash provided by sales of our products will allow us to fund our operations through at least the next 12 months.

The forward-looking statements are and will be subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements. Forward-looking statements contained in this Quarterly Report on Form 10-Q should be evaluated together with the many risks and uncertainties that affect the Company's business and its market, particularly those discussed in the risk factors and cautionary statements set forth in the Company's filings with the SEC, including as described in "Risk Factors" included in Item 1A and "Risk Factor Summary" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. 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 applicable law, the Company assumes no responsibility to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise.

PART 1 — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

Axogen, Inc.
Condensed Consolidated Balance Sheets
(unaudited)
(In thousands, except share and per share amounts)

| | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 18,662 | \$ 31,024 |
| Restricted cash | 6,000 | 6,002 |
| Investments | 5,868 | — |
| Accounts receivable, net of allowance for doubtful accounts of \$888 and \$337, respectively | 24,629 | 25,147 |
| Inventory, net | 29,363 | 23,020 |
| Prepaid expenses and other | 1,730 | 2,811 |
| Total current assets | 86,252 | 88,004 |
| Property and equipment, net | 85,632 | 88,730 |
| Operating lease right-of-use assets | 14,886 | 15,562 |
| Intangible assets, net | 5,215 | 4,531 |
| Total assets | \$ 191,985 | \$ 196,827 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 21,177 | \$ 28,883 |
| Current maturities of long-term lease obligations | 1,856 | 1,547 |
| Total current liabilities | 23,033 | 30,430 |
| Long-term debt, net of debt discount and financing fees | 47,272 | 46,603 |
| Long-term lease obligations | 19,734 | 21,142 |
| Debt derivative liabilities | 2,445 | 2,987 |
| Other long-term liabilities | 94 | — |
| Total liabilities | 92,578 | 101,162 |
| Commitments and contingencies - see Note 12 | | |
| Shareholders' equity: | | |
| Common stock, \$0.01 par value per share; 100,000,000 shares authorized; 44,002,323 and 43,124,496 shares issued and outstanding | 440 | 431 |
| Additional paid-in capital | 390,677 | 376,530 |
| Accumulated deficit | (291,710) | (281,296) |
| Total shareholders' equity | 99,407 | 95,665 |
| Total liabilities and shareholders' equity | \$ 191,985 | \$ 196,827 |

See notes to condensed consolidated financial statements.

Axogen, Inc.
Condensed Consolidated Statements of Operations
(unaudited)
(In thousands, except share and per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Revenues | \$ 48,644 | \$ 41,271 | \$ 137,933 | \$ 116,090 |
| Cost of goods sold | 12,206 | 9,567 | 33,531 | 26,242 |
| Gross profit | 36,438 | 31,704 | 104,402 | 89,848 |
| Costs and expenses: | | | | |
| Sales and marketing | 18,924 | 19,165 | 58,437 | 57,471 |
| Research and development | 6,996 | 6,694 | 21,063 | 20,164 |
| General and administrative | 10,834 | 9,870 | 30,206 | 30,481 |
| Total costs and expenses | 36,754 | 35,729 | 109,706 | 108,116 |
| Loss from operations | (316) | (4,025) | (5,304) | (18,268) |
| Other income (expense): | | | | |
| Investment income | 296 | 367 | 816 | 1,151 |
| Rental income | 90 | — | 90 | — |
| Interest expense | (1,893) | (827) | (6,405) | (992) |
| Change in fair value of derivatives | 13 | 402 | 542 | 649 |
| Other expense | (48) | (6) | (153) | (363) |
| Total other (expense) income, net | (1,542) | (64) | (5,110) | 445 |
| Net loss | \$ (1,858) | \$ (4,089) | \$ (10,414) | \$ (17,823) |
| Weighted average common shares outstanding — basic and diluted | 43,882,110 | 43,022,328 | 43,610,481 | 42,821,284 |
| Loss per common share — basic and diluted | \$ (0.04) | \$ (0.10) | \$ (0.24) | \$ (0.42) |

See notes to condensed consolidated financial statements.

Axogen, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(In thousands)

| | Nine Months Ended | |
|--|-----------------------|-----------------------|
| | September 30, 2024 | September 30, 2023 |
| Cash flows from operating activities: | | |
| Net loss | \$ (10,414) | \$ (17,823) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 4,831 | 2,660 |
| Amortization of right-of-use assets | 889 | 826 |
| Amortization of intangible assets | 202 | 214 |
| Amortization of debt discount and deferred financing fees | 669 | 666 |
| Provision for (recovery of) bad debt | 604 | (311) |
| Change in fair value of derivatives | (542) | (649) |
| Investment (gains) loss | (95) | (660) |
| Share-based compensation | 12,830 | 13,091 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (85) | (766) |
| Inventory | (6,343) | (4,114) |
| Prepaid expenses and other | 1,189 | (623) |
| Accounts payable and accrued expenses | (7,125) | 3,012 |
| Operating lease obligations | (1,303) | (1,012) |
| Cash paid for interest portion of finance leases | (2) | (2) |
| Other liabilities | 495 | (14) |
| Net cash used in operating activities | (4,200) | (5,505) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (2,431) | (12,409) |
| Purchase of investments | (5,773) | (10,203) |
| Proceeds from sale of investments | — | 42,874 |
| Cash payments for intangible assets | (1,280) | (732) |
| Net cash (used in) provided by investing activities | (9,484) | 19,530 |
| Cash flows from financing activities: | | |
| Cash paid for debt portion of finance leases | (6) | (7) |
| Proceeds from exercise of stock options and ESPP stock purchases | 1,326 | 1,543 |
| Net cash provided by financing activities | 1,320 | 1,536 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (12,364) | 15,561 |
| Cash, cash equivalents, and restricted cash, beginning of period | 37,026 | 21,535 |
| Cash, cash equivalents, and restricted cash, end of period | \$ 24,662 | \$ 37,096 |
| Supplemental disclosures of cash flow activity: | | |
| Cash paid for interest, net of capitalized interest | \$ 5,736 | \$ 325 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Acquisition of fixed assets in accounts payable and accrued expenses | \$ 114 | \$ 853 |
| Obtaining a right-of-use asset in exchange for a lease liability | \$ — | \$ 366 |
| Acquisition of intangible assets in accounts payable and accrued expenses | \$ 14 | \$ 420 |

See notes to condensed consolidated financial statements.

Axogen, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(unaudited)
(In thousands, except share amounts)

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Shareholders' Equity |
|--|-------------------|---------------|-------------------------------|------------------------|-------------------------------|
| | Shares | Amount | | | |
| Three Months Ended September 30, 2024 | | | | | |
| Balance at June 30, 2024 | 43,824,738 | \$ 438 | \$ 385,101 | \$ (289,852) | \$ 95,687 |
| Net loss | — | — | — | (1,858) | (1,858) |
| Stock-based compensation | — | — | 5,004 | — | 5,004 |
| Issuance of restricted and performance stock units | 112,185 | 1 | (1) | — | — |
| Exercise of stock options and employee stock purchase plan | 65,400 | 1 | 573 | — | 574 |
| Balance at September 30, 2024 | <u>44,002,323</u> | <u>\$ 440</u> | <u>\$ 390,677</u> | <u>\$ (291,710)</u> | <u>\$ 99,407</u> |
| Nine Months Ended September 30, 2024 | | | | | |
| Balance at December 31, 2023 | 43,124,496 | \$ 431 | \$ 376,530 | \$ (281,296) | \$ 95,665 |
| Net loss | — | — | — | (10,414) | (10,414) |
| Stock-based compensation | — | — | 12,830 | — | 12,830 |
| Issuance of restricted and performance stock units | 695,571 | 7 | (7) | — | — |
| Exercise of stock options and employee stock purchase plan | 182,256 | 2 | 1,324 | — | 1,326 |
| Balance at September 30, 2024 | <u>44,002,323</u> | <u>\$ 440</u> | <u>\$ 390,677</u> | <u>\$ (291,710)</u> | <u>\$ 99,407</u> |
| Three Months Ended September 30, 2023 | | | | | |
| Balance at June 30, 2023 | 42,979,541 | \$ 430 | \$ 370,036 | \$ (273,314) | \$ 97,152 |
| Net loss | — | — | — | (4,089) | (4,089) |
| Stock-based compensation | — | — | 4,747 | — | 4,747 |
| Issuance of restricted and performance stock units | 59,858 | — | — | — | — |
| Balance at September 30, 2023 | <u>43,039,399</u> | <u>\$ 430</u> | <u>\$ 374,783</u> | <u>\$ (277,403)</u> | <u>\$ 97,810</u> |
| Nine Months Ended September 30, 2023 | | | | | |
| Balance at December 31, 2022 | 42,445,517 | \$ 424 | \$ 360,155 | \$ (259,580) | 100,999 |
| Net loss | — | — | — | (17,823) | (17,823) |
| Stock-based compensation | — | — | 13,091 | — | 13,091 |
| Issuance of restricted and performance stock units | 356,236 | 4 | (4) | — | — |
| Exercise of stock options and employee stock purchase plan | 237,646 | 2 | 1,541 | — | 1,543 |
| Balance at September 30, 2023 | <u>43,039,399</u> | <u>\$ 430</u> | <u>\$ 374,783</u> | <u>\$ (277,403)</u> | <u>\$ 97,810</u> |

See notes to condensed consolidated financial statements.

Axogen, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(In thousands, except share and per share amounts)

1. Nature of Business

Axogen, Inc. (together with its wholly-owned subsidiaries, the "Company") was incorporated in Minnesota. Our business is focused on the science, development and commercialization of the technologies used for peripheral nerve regeneration and repair. The Company's products include Avance® Nerve Graft, Axoguard Nerve Connector®, Axoguard Nerve Protector®, Axoguard HA+ Nerve Protector™, Axoguard Nerve Cap®, Avive+ Soft Tissue Matrix™, and Axotouch® Two-Point Discriminator. The Company is headquartered in Florida. The Company has processing, warehousing, and distribution facilities in Texas and Ohio.

The Company manages its operations as a single operating segment. Substantially all of the Company's assets are maintained in the United States. The Company derives substantially all of its revenues from sales to customers in the United States.

2. Summary of Significant Accounting Policies

Please see Note 2 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on March 5, 2024, for a description of all significant accounting policies.

Reclassifications

Certain reclassifications have been made to the prior period financial information to conform to the presentation used in the condensed consolidated statement of operations for the three and nine months ended September 30, 2024.

Effective in the first quarter of 2024, the Company voluntarily changed its accounting policy for shipping and handling costs. Under the new accounting policy, these costs are included in Costs of goods sold, whereas they were previously included in Sales and marketing expenses. Including these expenses in Costs of goods sold better aligns these costs with the related revenue in the gross profit calculation. Although the prior method of accounting continues to be an accepted alternative, the new accounting policy is more widely used in the industry and provides improved comparability of the Company's financial statements to its peers. This change in accounting policy has been applied retrospectively. The consolidated statement of operations for the three and nine months ended September 30, 2023, has been reclassified to reflect this change in accounting policy. The impact of this reclassification was an increase of \$1,460 and \$4,204 to Cost of goods sold for the three and nine months ended September 30, 2023, respectively, and a corresponding decrease to Sales and marketing expenses in the same periods.

Effective in the first quarter of 2024, the Company also ceased allocating certain costs to and from certain departments. Previously such costs had been allocated based on the Company's estimate of the proportionate share of total expense to Cost of goods sold, Sales and marketing, Research and development, and General and administrative. The Company determined that these changes would better reflect industry practice and would provide more meaningful information as well as increased transparency of its operations. To conform the 2023 presentation to the current quarter and year to date presentation, \$1,035 and \$3,019 was reclassified to General and administrative, of which \$295 and \$867 was previously included in Research and development, \$803 and \$2,209 was previously included in Sales and marketing, and \$63 and \$58 was previously included in Cost of goods sold for the three and nine months ended September 30, 2023, respectively, in the condensed consolidated statement of operations.

These reclassifications had no impact on net revenue, loss from operations, net loss, or loss per common share for prior periods and do not represent a restatement of the Company's previously issued condensed consolidated financial statements.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company as of September 30, 2024, and December 31, 2023, and for the three and nine months ended September 30, 2024, and 2023. The Company's condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and; therefore, do not include all information and footnotes necessary for a fair presentation of consolidated financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and should be read in conjunction with the audited financial statements of the

Company for the year ended December 31, 2023, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

The interim condensed consolidated financial statements are unaudited, and in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results for the periods presented. The results of operations for the three and nine months ended September 30, 2024, are not necessarily indicative of the results to be expected for the full year due primarily to the impact of the continued uncertainty of general economic conditions that may impact the Company's markets for the remainder of fiscal year 2024. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents and Concentration

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Certain of the Company's cash and cash equivalents balances exceed Federal Deposit Insurance Corporation ("FDIC") insured limits or are invested in money market accounts with investment banks that are not FDIC-insured. The Company places its cash and cash equivalents in what they believe to be credit-worthy financial institutions. As of September 30, 2024, \$18,162 of the cash and cash equivalents balance was in excess of FDIC limits.

Restricted Cash

Amounts included in restricted cash represent those required to be set aside to meet contractual terms of a lease agreement held by the Company. See Note 8 - Long-Term Debt, Net of Debt Discount and Financing Fees, Other Credit Facilities.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the condensed consolidated balance sheets that sum to the total of the same amounts shown in the condensed consolidated statements of cash flows:

| (in thousands) | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Cash and cash equivalents | \$ 18,662 | \$ 31,024 |
| Restricted cash | 6,000 | 6,002 |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | <u>\$ 24,662</u> | <u>\$ 37,026</u> |

Government Assistance

As there is no authoritative guidance under U.S. GAAP for accounting for grants to for-profit business entities, the Company accounts for the grants by analogy to International Accounting Standard ("IAS") 20 Accounting for Government Grants and Disclosures of Government Assistance ("IAS 20"). Government assistance and grants are recognized when there is reasonable assurance that the Company has met the requirements of the assistance and there is reasonable assurance that the grant will be received. The Company received government grants of \$378 and \$— for the three months ended September 30, 2024 and 2023, respectively and \$544 and \$155 for the nine months ended September 30, 2024 and 2023, respectively. See Note 12 - Commitments and Contingencies.

Shipping and Handling

All shipping and handling costs, including facility and warehousing overhead, directly related to bringing the Company's products to their final selling destination are included in cost of goods sold on the consolidated statements of operations. The Company has elected to account for shipping and handling costs for products shipped to customers as a fulfillment activity as the costs are incurred as part of the transfer of the goods to the customer in accordance with ASC 606. See **Reclassifications** above.

Recent Accounting Pronouncements

All other Accounting Standards Updates ("ASU's") issued and not yet effective as of September 30, 2024, and through the date of this report, were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's current or future financial position or results of operations except for the following:

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update 2023-09 — *Income Taxes (Topic 740) — Improvements to Income Tax Disclosures* ("ASU 2023-09"). The new guidance provides for

disclosure on an annual basis of the following: (i) specific categories in the rate reconciliation, and (ii) additional information for reconciling items that meet a quantitative threshold of greater than 5% of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate. The amendment in ASU 2023-09 is effective for the annual periods beginning after December 15, 2025, early adoption is permitted. The Company expects to enhance annual income tax reporting disclosures based on the new requirements.

In November 2023, the FASB issued Accounting Standard Update 2023-07 — *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). The new guidance requires disclosure on an annual and interim basis of the following: (i) significant segment expenses regularly provided to the chief operating decision maker ("CODM") and a measure of segment profit or loss; (ii) an amount for other segment items by reportable segment and a description of its composition; (iii) all annual disclosures about a reportable segment's profit and loss and assets as currently required by Topic 280; (iv) clarify if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources; and (v) disclose title and position of the CODM and how the CODM uses the reported measures. Public entities with a single reportable segment are required to provide all the disclosures required by this amendment. The amendment in ASU 2023-07 is effective for the annual periods beginning after December 15, 2023, and for the quarters in the years after December 15, 2024, early adoption is permitted. The Company expects to enhance annual segment reporting disclosures based on the new requirements.

3. Inventory

Inventory consists of the following:

| (in thousands) | September 30, 2024 | December 31, 2023 |
|------------------|-----------------------|----------------------|
| Finished goods | \$ 23,766 | \$ 13,545 |
| Work in process | 900 | 2,120 |
| Raw materials | 4,697 | 7,355 |
| Inventory | \$ 29,363 | \$ 23,020 |

As of September 30, 2024, and December 31, 2023, the Company reserved \$1,518 and \$1,342, respectively, for potential losses relating to inventory. The reserve is included in the Inventory, net on the Condensed Consolidated Balance Sheets.

4. Property and Equipment, Net

Property and equipment, net consist of the following:

| (in thousands) | September 30, 2024 | December 31, 2023 |
|---|-----------------------|----------------------|
| Land | \$ 731 | \$ 731 |
| Building | 60,679 | 60,679 |
| Leasehold improvements | 17,889 | 15,348 |
| Processing equipment | 13,883 | 13,116 |
| Furniture and equipment | 9,516 | 8,741 |
| Projects in process | 1,072 | 3,674 |
| Finance lease right-of-use assets | 138 | 138 |
| Property and equipment, at cost | 103,908 | 102,427 |
| Less: accumulated depreciation and amortization | (18,276) | (13,697) |
| Property and equipment, net | \$ 85,632 | \$ 88,730 |

Depreciation expense is as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------|----------------------------------|----------|---------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Depreciation expense | \$ 1,654 | \$ 1,154 | \$ 4,831 | \$ 2,660 |

5. Intangible Assets, Net

Intangible assets consist of the following:

| (in thousands) | September 30, 2024 | | | December 31, 2023 | | |
|--|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortizable intangible assets: | | | | | | |
| Patents | \$ 5,691 | \$ (1,009) | \$ 4,682 | \$ 4,905 | \$ (820) | \$ 4,085 |
| License agreements | — | — | — | 1,101 | (1,087) | 14 |
| Total amortizable intangible assets | 5,691 | (1,009) | 4,682 | 6,006 | (1,907) | 4,099 |
| Unamortized intangible assets: | | | | | | |
| Trademarks | 533 | — | 533 | 432 | — | 432 |
| Total intangible assets | \$ 6,224 | \$ (1,009) | \$ 5,215 | \$ 6,438 | \$ (1,907) | \$ 4,531 |

Amortization expense is as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------|----------------------------------|-------|---------------------------------|--------|
| | 2024 | 2023 | 2024 | 2023 |
| Amortization expense | \$ 65 | \$ 70 | \$ 202 | \$ 214 |

As of September 30, 2024, future amortization of patents and license agreements is as follows:

| Year Ending December 31, | (in thousands) |
|---|-----------------|
| 2024 (excluding the nine months ended September 30, 2024) | \$ 68 |
| 2025 | 272 |
| 2026 | 272 |
| 2027 | 272 |
| 2028 | 272 |
| Thereafter | 3,526 |
| Total | \$ 4,682 |

License Agreements

The Company had various license agreements that required the payment of royalty fees.

Royalty fee expense included in sales and marketing expense is as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|----------------------------------|--------|---------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Royalty fee expense ⁽¹⁾ | \$ — | \$ 930 | \$ — | \$ 2,628 |

⁽¹⁾ Royalty fees are no longer being paid due to the expiration of the patents in 2023.

6. Fair Value Measurement

The following tables present the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2024, and December 31, 2023:

| (in thousands) | September 30, 2024 | | | |
|-----------------------------------|--------------------|-----------|-----------|-----------|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| Assets: | | | | |
| Money market funds ⁽¹⁾ | \$ 13,233 | \$ — | \$ — | \$ 13,233 |
| U.S. government securities | 5,868 | — | — | 5,868 |
| Total assets | \$ 19,101 | \$ — | \$ — | \$ 19,101 |
| Liabilities: | | | | |
| Debt derivative liabilities | \$ — | \$ — | \$ 2,445 | \$ 2,445 |
| Total liabilities | \$ — | \$ — | \$ 2,445 | \$ 2,445 |

⁽¹⁾ Money market funds are included in Cash and cash equivalents on the Condensed Consolidated Balance Sheet.

| (in thousands) | December 31, 2023 | | | |
|-----------------------------------|-------------------|-----------|-----------|-----------|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| Assets: | | | | |
| Money market funds ⁽¹⁾ | \$ 24,977 | \$ — | \$ — | \$ 24,977 |
| Total assets | \$ 24,977 | \$ — | \$ — | \$ 24,977 |
| Liabilities: | | | | |
| Debt derivative liabilities | \$ — | \$ — | \$ 2,987 | \$ 2,987 |
| Total liabilities | \$ — | \$ — | \$ 2,987 | \$ 2,987 |

⁽¹⁾ Money market funds are included in Cash and cash equivalents on the Condensed Consolidated Balance Sheet.

The changes in Level 3 liabilities measured at fair value on a recurring basis for the three and nine months ended September 30, 2024, were as follows (in thousands):

Three Months Ended September 30, 2024

| | |
|---|----------|
| Beginning Balance, July 1, 2024 | \$ 2,458 |
| Change in fair value included in net loss | (13) |
| Ending Balance, September 30, 2024 | \$ 2,445 |

Nine Months Ended September 30, 2024

| | |
|---|----------|
| Beginning Balance, January 1, 2024 | \$ 2,987 |
| Change in fair value included in net loss | (542) |
| Ending Balance, September 30, 2024 | \$ 2,445 |

The fair value of cash, restricted cash, accounts receivable, accounts payable and accrued expenses approximates the carrying values because of the short-term nature of these instruments. The carrying value and fair value of the Credit Facility were \$47,272 and \$51,274 at September 30, 2024, and \$46,603 and \$51,486 at December 31, 2023, respectively. See Note 8 - Long-Term Debt, Net of Debt Discount and Financing Fees.

The debt derivative liabilities are measured using a 'with and without' valuation model to compare the fair value of each tranche of the Credit Facility including the identified embedded derivative features and the fair value of a plain vanilla note with the same terms. The fair value of the Credit Facility including the identified embedded derivative features was determined

using a probability-weighted expected return model based on four potential settlement scenarios, one of which ended December 31, 2023, for the financing agreement as disclosed in the table below. The estimated settlement value of each scenario, which would include any required make-whole payment, (see Note 8 - Long-Term Debt, Net of Debt Discount and Financing Fees), is then discounted to present value using a discount rate that is derived based on the initial terms of the financing agreement at issuance and corroborated utilizing a synthetic credit rating analysis.

The significant inputs that are included in the valuation of the debt derivative liability - first tranche include:

| Input | September 30, 2024 | December 31, 2023 |
|--|----------------------------------|----------------------------------|
| Remaining term (years) | 2.75 years | 3.5 years |
| Maturity date | June 30, 2027 | June 30, 2027 |
| Coupon rate | 9.5% - 13.0% | 9.5% - 13.2% |
| Revenue participation payments | Maximum each year | Maximum each year |
| Discount rate | 11.56% ⁽¹⁾ | 12.06% ⁽¹⁾ |
| Probability of mandatory prepayment 2024 or after | 15.0% ⁽¹⁾ | 15.0% ⁽¹⁾ |
| Estimated timing of mandatory prepayment event 2024 or after | March 31, 2026 ⁽¹⁾ | March 31, 2026 ⁽¹⁾ |
| Probability of optional prepayment event | 5.0% ⁽¹⁾ | 5.0% ⁽¹⁾ |
| Estimated timing of optional prepayment event | December 31, 2025 ⁽¹⁾ | December 31, 2025 ⁽¹⁾ |
| Probability of note held-to-maturity ⁽²⁾ | 80.0% ⁽¹⁾ | 80.0% ⁽¹⁾ |

(1) Represents a significant unobservable input.

(2) See Maturity date in table.

The significant inputs that are included in the valuation of the debt derivative liability - second tranche include:

| Input | September 30, 2024 | December 31, 2023 |
|--|----------------------------------|----------------------------------|
| Remaining term (years) | 3.75 years | 4.5 years |
| Maturity date | June 30, 2028 | June 30, 2028 |
| Coupon rate | 9.5% - 13.0% | 9.5% - 13.2% |
| Revenue participation payments | Maximum each year | Maximum each year |
| Discount rate | 14.92% ⁽¹⁾ | 15.60% ⁽¹⁾ |
| Probability of mandatory prepayment 2024 or after | 15.0% ⁽¹⁾ | 15.0% ⁽¹⁾ |
| Estimated timing of mandatory prepayment event 2024 or after | March 31, 2026 ⁽¹⁾ | March 31, 2026 ⁽¹⁾ |
| Probability of optional prepayment event | 5.0% ⁽¹⁾ | 5.0% ⁽¹⁾ |
| Estimated timing of optional prepayment event | December 31, 2025 ⁽¹⁾ | December 31, 2025 ⁽¹⁾ |
| Probability of held-to-maturity ⁽²⁾ | 80.0% | 80.0% |

(1) Represents a significant unobservable input.

(2) See Maturity date in table.

7. Leases

The Company leases administrative, processing, research and distribution facilities through operating leases. Several of the leases include fixed payments, including rent and non-lease components such as common area or other maintenance costs.

Operating lease expense is as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------|----------------------------------|----------|---------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Operating lease expense | \$ 1,183 | \$ 1,327 | \$ 3,673 | \$ 3,871 |

Supplemental balance sheet information related to the operating and financing leases is as follows:

(in thousands, except lease term and discount rate)

| | September 30, 2024 | December 31, 2023 |
|---|--------------------|-------------------|
| Operating Leases | | |
| Right-of-use operating assets | \$ 14,614 | \$ 15,562 |
| Current maturities of long-term lease obligations | \$ 1,850 | \$ 1,541 |
| Long-term lease obligations | \$ 19,720 | \$ 21,123 |
| Sublease receivable | \$ 272 | \$ — |
| Financing Leases | | |
| Right-of-use financing leases ⁽¹⁾ | \$ 19 | \$ 28 |
| Current maturities of long-term lease obligations | \$ 6 | \$ 6 |
| Long-term lease obligations | \$ 14 | \$ 19 |
| Weighted average operating lease term (in years): | 9.0 | 9.6 |
| Weighted average financing lease term (in years): | 1.7 | 6.5 |
| Weighted average discount rate operating leases | 10.96% | 10.99% |
| Weighted average discount rate financing leases | 6.81% | 13.22% |

⁽¹⁾Financing leases are included in property and equipment, net on the condensed consolidated balance sheets.

Future minimum lease payments under operating and financing leases at September 30, 2024, are as follows:

| (in thousands) | |
|---|-----------|
| 2024 (excluding nine months ended September 30, 2024) | \$ 999 |
| 2025 | 4,143 |
| 2026 | 4,278 |
| 2027 | 3,115 |
| 2028 | 3,113 |
| Thereafter | 18,567 |
| Total | 34,215 |
| Less: Imputed interest | (12,625) |
| Total lease liability | 21,590 |
| Less: Current lease liability | (1,856) |
| Long-term lease liability | \$ 19,734 |

Sublease Agreement

On May 31, 2024, the Company entered into a sublease agreement to sublease a portion of its headquarters in Tampa, FL. The sublease commenced on August 1, 2024. The Company accounts for this sublease in accordance with ASC 842, Leases.

8. Long-Term Debt, Net of Debt Discount and Financing Fees

Long-term debt, net of debt discount and financing fees consists of the following:

| (in thousands) | September 30, 2024 | December 31, 2023 |
|--|--------------------|-------------------|
| Credit Facility - first tranche | \$ 35,000 | \$ 35,000 |
| Credit Facility - second tranche | 15,000 | 15,000 |
| Less - unamortized debt discount and deferred financing fees | (2,728) | (3,397) |
| Long-term debt, net of debt discount and financing fees | \$ 47,272 | \$ 46,603 |

Credit Facility

On June 29, 2023, the Company amended its Credit Facility with Oberland Capital and its affiliates TPC Investments II LP and Argo LLC (collectively, the "Lender"). The term loan agreement for the Credit Facility was amended to transition the base interest rate from three-month LIBOR to Adjusted SOFR. The Company obtained the first tranche of \$35,000 at closing on June 30, 2020. On June 30, 2021, the second tranche of \$15,000 was drawn down by the Company.

Each tranche under the Credit Facility requires quarterly interest payments for seven years. Interest is calculated as 7.5% plus the greater of Adjusted SOFR or 2.0% (12.9% at September 30, 2024), provided that the interest rate shall never be less than 9.5%. Each tranche of the Credit Facility has a term of seven years from the date of issuance (with the first tranche issued on June 30, 2020, maturing on June 30, 2027, and the second tranche issued on June 30, 2021, maturing on June 30, 2028). In connection with the Credit Facility, the Company entered into a revenue participation agreement (the "Revenue Participation Agreement") with the Lender, which provided that, among other things, a quarterly royalty payment as a percentage of the Company's net revenues, up to \$70 million in any given year, after April 1, 2021, ending on the date upon which all amounts owed under the Credit Facility have been paid in full. This structure results in approximately 1.5% per year of additional interest payments on the outstanding loan amount. The Company recorded \$0 as interest expense for this Revenue Participation Agreement for each of the three months ended September 30, 2024, and 2023, and \$756 for each of the nine months ended September 30, 2024, and 2023, respectively. The Company pays the quarterly debt interest on the last day of the quarter and for the three months ended September 30, 2024, and 2023, paid \$1,652 and \$1,642, respectively, and \$4,917 and \$4,776 for the nine months ended September 30, 2024, and 2023, respectively, to the Lender. The Company capitalized interest of \$0 and \$1,043 for the three months ended September 30, 2024, and 2023, respectively, and \$0 and \$5,240 for the nine months ended September 30, 2024, and 2023, towards the costs to construct and retrofit the Axogen Processing Center ("APC Facility") in Vandalia, Ohio which was completed during 2023. As of September 30, 2024, the Company was in compliance with all financial covenants. The borrowings under the Credit Facility are secured by substantially all of the assets of the Company.

Embedded Derivatives

The fair values of the debt derivative liabilities were \$2,445 and \$2,987 at September 30, 2024, and December 31, 2023, respectively. See Note 6 - Fair Value Measurement.

Unamortized Debt Discount and Financing Fees

The unamortized debt discount consists of the remaining initial fair values of the embedded derivatives related to the Credit Facility.

The financing fees for the Credit Facility were \$642 and were recorded as a contra liability to long-term debt on the consolidated balance sheet.

Amortization of debt discount and deferred financing fees for the three months ended September 30, 2024, and 2023 was \$25 and \$224, respectively, and for the nine months ended September 30, 2024, and 2023, was \$669 and \$666, respectively.

Other Credit Facilities

The Company had restricted cash of \$6,000 and \$6,002 at September 30, 2024, and December 31, 2023, respectively for an irrevocable standby letter of credit

9. Stock-Based Compensation

The Company's stock-based compensation plans are described in Note 11. Stock-Based Compensation to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

During the fiscal year 2024, the following stock compensation was awarded to officers and employees. All awards were granted under the 2019 Amended and Restated Long-Term Incentive Plan ("2019 Plan"), with the exception of the inducement shares awarded as material inducement of employment to new employees entering into employment with the Company in accordance with Nasdaq Listing Rule 5635(c)(4).

| Type of Award | Quarter Awarded | Target Shares or Units | Weighted Average Grant Date Fair Value |
|---|-------------------------|------------------------|--|
| Stock Options ⁽¹⁾ | 1st Quarter | — | \$ — |
| | 2nd Quarter | 145,984 | \$ 4.11 |
| Restricted Stock Units ⁽²⁾ | 1st Quarter | 787,688 | \$ 9.05 |
| | 2nd Quarter | 200,108 | \$ 7.56 |
| | 3rd Quarter | 2,875 | \$ 14.29 |
| Performance Stock Units ⁽³⁾⁽⁴⁾ | 1st Quarter | 911,400 | \$ 8.92 |
| | 2nd Quarter | 424,400 | \$ 3.06 |
| Inducement Shares ⁽⁵⁾ | Stock Options | 18,700 | \$ 6.04 |
| | Restricted Stock Units | 310,000 | \$ 7.00 |
| | Restricted Stock Units | 20,000 | \$ 10.43 |
| | Performance Stock Units | 600,000 | \$ 13.38 |

(1) Options granted to the Board of Directors during the second quarter for their annual fee vest in one year from the date of grant.

(2) Restricted Stock Units ("RSUs") awarded to certain officers and employees during the first, second and third quarter vest over a four-year period. Included in the second and third quarter RSUs are 88,099 units awarded to the Board of Directors for their annual fee of which 2,875 were granted to a board member for accepting the Chairmanship of the Board of Directors in September, the units vest in one year from the date of the award. Upon vesting, the outstanding number of RSUs vested are converted into common stock.

(3) Performance Stock Units (PSUs) awarded to certain officers and employees related to their work on the BLA ("2024 BLA PSUs") totaled 487,000 shares during the first quarter of 2024. Participants with 2024 BLA PSUs will earn from 0% to 100% upon achievement of certain milestones related to the BLA submission and U.S. Food and Drug Administration ("FDA") approval. The number of shares available for grant is linked to certain milestones related to the BLA submission to and approval by the FDA. These awards will vest provided the participants remain in continuous service to the Company through the achievement of the applicable performance goal and the one-year anniversary of the grant date.

(4) PSUs were awarded to certain officers and employees with a target of 424,400 shares with performance metrics tied to the achievement of stock price goals between February 2024 through February 2027 ("TSR PSU") during the first and third quarter of 2024. Participants with TSR PSUs will earn from 0% to 200% upon achievement of specific stock price goals. The maximum number of shares that can be issued under this award is 848,800. Vesting occurs at the end of the three-year performance period upon Compensation Committee certification of the results at the end of the performance period.

(5) Inducement shares were issued to officers and new employees as a material inducement to entering into employment with the Company during the first and third quarters of 2024 with the Company in accordance with Nasdaq Listing Rule 5635(c)(4). Vesting for both the stock options and restricted stock units are over both a three- and four-year periods. During the third quarter of 2024, 600,000 PSUs, which included 450,000 of the TSR PSUs and 150,000 2024 BLA

PSUs, were issued to an officer as a material inducement to entering into employment with the Company in accordance with Nasdaq Listing Rule 5635(c)(4). No inducement shares were issued in the second quarter of 2024.

Total stock-based compensation expense is as follows:

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------------|----------------------------------|----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Stock-based compensation expense | \$ 5,004 | \$ 4,747 | \$ 12,830 | \$ 13,091 |

10. Net Loss Per Common Share

The following reflects the net loss attributable to common shareholders and share data used in the basic and diluted earnings per share computations using the two-class method:

| (In thousands, except per share amounts) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------|---------------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Numerator: | | | | |
| Net loss | \$ (1,858) | \$ (4,089) | \$ (10,414) | \$ (17,823) |
| Denominator: | | | | |
| Weighted-average common shares outstanding (Basic) | 43,882,110 | 43,022,328 | 43,610,481 | 42,821,284 |
| Weighted-average common shares outstanding (Diluted) | 43,882,110 | 43,022,328 | 43,610,481 | 42,821,284 |
| Net loss per common share (Basic and Diluted) | \$ (0.04) | \$ (0.10) | \$ (0.24) | \$ (0.42) |

Anti-dilutive shares excluded from the calculation of diluted earnings per share ⁽¹⁾

| | | | | |
|------------------------|-----------|-----------|-----------|-----------|
| Stock options | 1,678,775 | 4,552,919 | 3,077,373 | 4,321,696 |
| Restricted stock units | 319,136 | 1,391,717 | 513,975 | 373,794 |

(1) These common equivalent shares are not included in the diluted per share calculations as they would be anti-dilutive if the Company was in a net income position.

11. Income Taxes

The Company has no recorded income tax expense or income tax benefit for the three and nine months ended September 30, 2024, and 2023 due to the generation of net operating losses, the benefits of which have been fully reserved.

The Company has not recorded current income tax expense due to the generation of net operating losses. Deferred income taxes are accounted for using the balance sheet approach, which requires recognition of deferred tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized. A full valuation allowance has been established on the deferred tax asset as it is more likely than not that a future tax benefit will not be realized. In addition, future utilization of the available net operating loss carryforward may be limited under Internal Revenue Code Section 382 as a result of changes in ownership.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more likely than not probability of the position being upheld when reviewed by the relevant tax authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the condensed consolidated balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's remaining open tax years subject to examination by federal tax authorities include the years ended December 31, 2019, through 2023, and we received a notice of examination from the federal tax authorities for tax year 2021 is currently under examination. For tax years 2005 through 2018, federal taxing authorities may examine and adjust loss carryforwards in the years in which those loss carryforwards are ultimately utilized.

12. Commitments and Contingencies

Service Agreements

The Company pays Community Blood Center, (d/b/a Solvita), formerly d/b/a Community Tissue Service, ("Solvita") a facility fee for the use of clean rooms/manufacturing, storage, and office space and for services in support of its tissue processing including for routine sterilization of daily supplies, providing disposable supplies and microbial services, and office support. Pursuant to the Solvita Agreement, the Company recorded expenses of \$233 and \$600 for the three months ended September 30, 2024, and 2023, respectively, and \$706 and \$1,911 during the nine months ended September 30, 2024, and 2023, is included in cost of goods sold. The Solvita Agreement was amended on June 30, 2024, extending the term through December 31, 2026. The Solvita Agreement may be terminated by either party by providing an eighteen-month written notice. The Company is continuing its use of Solvita for Avive+.

Distribution and Supply Agreements

In August 2008, the Company entered into an exclusive distribution agreement with Cook Biotech Incorporated ("Cook Biotech") to distribute the Axoguard Nerve Connector and Axoguard Nerve Protector products worldwide and the parties subsequently amended the agreement on August 4, 2023. The distribution agreement expires on December 31, 2030. The Cook Biotech agreement establishes a formula for the transfer cost of the Axoguard products and requires certain minimum purchases by the Company, although, through mutual agreement, the parties have not established such minimums; and, to date, have not enforced such provision. Under the Cook Biotech agreement, the Company provides purchase orders to Cook Biotech, and Cook Biotech fulfills the purchase orders. The agreement allows for termination provisions for both parties. The loss of the ability to sell the Axoguard products could have a material adverse effect on the Company's business until other replacement products would be available.

In June 2017, the Company entered into the Nerve End Cap Supply Agreement (the "Supply Agreement") with Cook Biotech whereby Cook Biotech is the exclusive contract manufacturer of the Axoguard Nerve Cap; the parties subsequently amended the agreement on August 4, 2023. The Supply Agreement expires on December 31, 2030. The Supply Agreement establishes the terms and conditions in which Cook Biotech will manufacture the product for the Company. Under the Supply Agreement the Company provides purchase orders to Cook Biotech and Cook Biotech fulfills the purchase orders. The Supply Agreement allows for termination provisions for both parties. The loss of the Company's ability to sell the Axoguard Nerve Cap products could have a material adverse effect on the Company's business until other replacement products would become available.

In May 2023, the Company entered into a Supply and Manufacturing Agreement ("HA+ Supply Agreement") with Cook Biotech whereby Cook Biotech is the exclusive contract manufacturer of the Axoguard HA+ Nerve Protector. The HA+ Supply Agreement expires on July 1, 2030. The HA+ Supply Agreement establishes the terms and conditions in which Cook Biotech will manufacture, package, label and deliver the product to the Company. Under the HA+ Supply Agreement, the Company provides purchase orders to Cook Biotech, and Cook Biotech fulfills the purchase orders. The HA+ Supply Agreement allows for termination provisions for both parties. The loss of the Company's ability to sell the Axoguard products could have a material adverse effect on the Company's business until other replacement products would become available. On January 31, 2024, RTI Surgical, Inc. announced the acquisition of Cook Biotech. The acquisition of Cook Biotech has not had any material impact on our relationship with Cook Biotech or our operations.

Insurance Finance Agreement

We finance certain of our commercial insurance policies ("Insurance Financing Agreement"). Outstanding payments owed under the Insurance Financing Agreement are recorded as "prepaid expenses and other" in our condensed consolidated balance sheets. The amounts owed under the Insurance Financing Agreement included in prepaid expenses and other were \$465 and \$0 as of September 30, 2024, and December 31, 2023, respectively.

Processing Facilities

The Company is highly dependent on the continued availability of its processing facilities at Solvita and APC in Dayton, Ohio and could be harmed if the physical infrastructure of these facilities is unavailable for any prolonged period of time.

Certain Economic Development Grants

The Company obtained certain economic development grants from state and local authorities totaling up to \$2,685 including \$1,250 of cash grants to offset costs to acquire and develop the APC Facility. The economic development grants are subject to certain job creation milestones through December 31, 2023, and have clawback clauses if the Company does not

meet the job creation milestones The Company requested an extension from the grant authorities to extend the job creation milestones and received approval to extend the evaluation date to December 31, 2024, and the expiration date to December 31, 2026. As of September 30, 2024, the Company has received \$1,188 from the cash grants.

Fair Value of the Debt Derivative Liabilities

The fair value of the debt derivative liabilities is \$2,445 as of September 30, 2024. The fair value of the debt derivative liabilities is determined using a probability-weighted expected return model based upon four potential settlement scenarios, one of which ended December 31, 2023, with the Credit Facility. The estimated settlement value of each scenario, which includes any required make-whole payment, is discounted to present value using a discount rate that is derived based upon the initial terms of the Credit Facility at issuance and corroborated utilizing a synthetic rating analysis. The calculated fair values under the four scenarios are then compared to the fair value of a plain vanilla note, with the difference reflecting the fair value of the debt derivative liabilities. The Company estimated the make-whole payments required under each scenario according to the terms of the Credit Facility to generate an internal rate of return equal to 11.5% through the scheduled maturity dates, less the total of all quarterly interest and royalty payments previously paid to the Lender. The calculation utilized the XIRR function in Microsoft Excel as required by the Credit Facility. If the debt is not prepaid but instead is held to its scheduled maturities, the Company's estimate of the make-whole payment for the first tranche and second tranche of the Credit Facility due on June 30, 2027, and June 30, 2028, respectively, are approximately zero. The Company has consistently applied this approach since the inception of the debt agreement on June 30, 2020.

The Company is aware that the Lender may have an alternative interpretation of the calculation of the make-whole payments that the Company believes does not properly utilize the same methodology utilized by the XIRR function in Microsoft Excel as described in the Credit Facility. The Company estimates the top end of the range of the make-whole payments if the debt is held to scheduled maturity under an alternative interpretation to be approximately \$9,000 for the first tranche of the Credit Facility due on June 30, 2027, and approximately \$4,000 for the second tranche of the Credit Facility due on June 30, 2028. Further, if the debt is prepaid prior to the scheduled maturity dates and subject to the alternative interpretation, the make-whole payment would be larger than the amounts herein.

Legal Proceedings

The Company is and may be subject to various claims, lawsuits, and proceedings in the ordinary course of the Company's business. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. While there can be no assurances as to the ultimate outcome of any legal proceeding or other loss contingency involving the Company, in the opinion of management, such claims are either adequately covered by insurance or otherwise indemnified, or are not expected individually or in the aggregate, to result in a material, adverse effect on the Company's financial condition, results of operations or cash flows. However, it is possible that the Company's results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.

ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes thereto appearing elsewhere in this report and our consolidated financial statements for the year ended December 31, 2023, included in our Annual Report on Form 10-K. All dollar amounts in the discussion and analysis, unless noted otherwise, are presented in thousands.

Financial information for prior periods has been reclassified to reflect the retrospective application of voluntary changes in the Company's accounting policy for shipping and handling costs, as discussed under "Note 2 – Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in this Form 10-Q.

Unless the context otherwise requires, all references in this report to “Axogen,” the “Company,” “we,” “us” and “our” refer to Axogen, Inc., and its wholly owned subsidiaries Axogen Corporation (“AC”), Axogen Processing Corporation, Axogen Europe GmbH and Axogen Germany GmbH.

OVERVIEW

We are the leading company focused specifically on the science, development, and commercialization of technologies for peripheral nerve regeneration and repair. We are passionate about providing the opportunity to restore nerve function and quality of life for patients with peripheral nerve injuries. We provide innovative, clinically proven, and economically effective repair solutions for surgeons and healthcare providers. Peripheral nerves provide the pathways for both motor and sensory signals throughout the body. Every day, people suffer traumatic injuries or undergo surgical procedures that impact the function of their peripheral nerves. Physical damage to a peripheral nerve or the inability to properly reconnect peripheral nerves can result in the loss of muscle or organ function, the loss of sensory feeling, or the initiation of pain.

Product Portfolio

- Avance® Nerve Graft, a biologically active off-the-shelf processed human nerve allograft for bridging severed peripheral nerves without the comorbidities associated with a second surgical site.
- Axoguard Nerve Connector®, a porcine (pig) submucosa extracellular matrix ("ECM") coaptation aid for tensionless repair of severed peripheral nerves.
- Axoguard Nerve Protector®, a porcine submucosa ECM product used to wrap and protect damaged peripheral nerves and reinforce the nerve reconstruction while preventing soft tissue attachments.
- Axoguard HA+ Nerve Protector™, is comprised of a processed porcine submucosa ECM base layer with a hyaluronate-alginate gel coating designed to provide short- and long-term protection for peripheral nerve injuries. The gel layer facilitates enhanced nerve gliding to aid in minimizing soft tissue attachments, while the base layer is remodeled into a long-term protective tissue layer.
- Axoguard Nerve Cap®, a porcine submucosa ECM product used to protect a peripheral nerve end and separate the nerve from the surrounding environment to reduce the development of symptomatic or painful neuroma.
- Avive+ Soft Tissue Matrix™, a multi-layer amniotic membrane allograft used to protect and separate tissues in the surgical bed during the critical phase of tissue healing.
- Axotouch® Two-Point Discriminator, used to measure the innervation density of any surface area of the skin.

Our portfolio of products is currently available in the United States ("U.S."), Canada, Germany, United Kingdom, Spain and several other European, Asian and Latin American countries.

Revenue from the distribution of our nerve repair products, Avance® Nerve Graft, Axoguard Nerve Connector®, Axoguard Nerve Protector®, Axoguard HA+ Nerve Protector™, Axoguard Nerve Cap® and Avive+ Soft Tissue Matrix™, in the United States ("U.S.") is the main contributor to our total reported sales and have been the key component of our growth to date.

On June 24, 2024, we announced the full launch of Avive+ Soft Tissue Matrix. Avive+ is processed and distributed in accordance with U.S. Food and Drug Administration ("FDA") requirements for Human Cellular and Tissue-based Products (HCT/P) under 21 CFR Part 1271 regulations and U.S. State regulations as a 361 human tissue product. Products regulated solely under Section 361 of the Public Health Service Act are a product category under close scrutiny by the FDA for

compliance with the regulatory requirements and potentially subject to regulatory change in the future. Failure to comply with applicable regulatory requirements could expose us to potential compliance actions by the FDA or state regulators and could risk the commercial availability of the product.

Our strategy remains focused on deepening our presence in high-potential accounts specifically, Level 1 trauma centers and academic-affiliated hospitals with a high number of trained micro-surgeons. We will drive growth in these accounts through targeted expansion of nerve repair indications, and driving deeper adoption of our Nerve Repair Algorithm across multiple surgical specialties.

Summary of Operational and Business Highlights

- We completed the BLA submission for Avance® Nerve Graft on September 6, 2024. On November 1, 2024 the FDA informed us that they had accepted the BLA for filing and assigned a Prescription Drug User Fee Act (“PDUFA”) goal date of September 5, 2024. The FDA further indicated that it does not currently plan to hold an advisory committee meeting for the application.
- Revenues were \$48,644 for the quarter ended September 30, 2024, an increase of \$7,372 or 17.9% compared to the quarter ended September 30, 2023.
- Gross profit was \$36,438 for the quarter ended September 30, 2024, an increase of \$4,734 or 14.9% compared to the quarter ended September 30, 2023.

Results of Operations

Comparison of the Three Months Ended September 30, 2024, and 2023

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts and percentage of total revenue:

| | Three Months Ended September 30, | | | |
|-------------------------------------|----------------------------------|--------------|------------|--------------|
| | 2024 | | 2023 | |
| | Amount | % of Revenue | Amount | % of Revenue |
| (dollars in thousands) | | | | |
| Revenues | \$ 48,644 | 100.0 % | \$ 41,271 | 100.0 % |
| Cost of goods sold | 12,206 | 25.1 | 9,567 | 23.2 |
| Gross profit | 36,438 | 74.9 | 31,704 | 76.8 |
| Costs and expenses | | | | |
| Sales and marketing | 18,924 | 38.9 | 19,165 | 46.4 |
| Research and development | 6,996 | 14.4 | 6,694 | 16.2 |
| General and administrative | 10,834 | 22.3 | 9,870 | 23.9 |
| Total costs and expenses | 36,754 | 75.6 | 35,729 | 86.6 |
| Loss from operations | (316) | (0.6) | (4,025) | (9.8) |
| Other income (expense): | | | | |
| Investment income | 296 | 0.6 | 367 | 0.9 |
| Rental income | 90 | 0.2 | — | — |
| Interest expense | (1,893) | (3.9) | (827) | (2.0) |
| Change in fair value of derivatives | 13 | — | 402 | 1.0 |
| Other expense | (48) | (0.1) | (6) | — |
| Total other expense net | (1,542) | (3.2) | (64) | (0.2) |
| Net loss | \$ (1,858) | (3.8) % | \$ (4,089) | (9.9) % |

Revenues

Revenues for the three months ended September 30, 2024, increased by \$7,373 or 17.9% to \$48,644 as compared to \$41,271 for the three months ended September 30, 2023. The increase in revenue was driven by an increase in unit volume of 7.7%, product mix of 6.0% and a 4.2% increase in prices.

Gross Profit

Gross profit for the three months ended September 30, 2024, increased by \$4,734 or 14.9% to \$36,438 as compared to \$31,704 for the three months ended September 30, 2023. Gross margin was 74.9% and 76.8% for the three months ended September 30, 2024, and 2023, respectively. The decrease in gross margin is due to the change in our product mix.

Costs and Expenses

Total costs and expenses increased by \$1,025 or 2.9% to \$36,754 for the three months ended September 30, 2024, as compared to \$35,729 for the three months ended September 30, 2023. The net increase in total costs and expenses was primarily due to compensation costs of \$3,552 partially offset by a reduction in royalty fees of \$930, R&D projects of \$874, and marketing programs of \$770.

Sales and marketing expenses decreased by \$241 or 1.3% to \$18,924 for the three months ended September 30, 2024, as compared to \$19,165 for the three months ended September 30, 2023. This decrease was primarily attributable to royalty fees of \$930, marketing programs of \$770 and travel cost of \$80, partially offset by increase in compensation costs of \$1,495.

Research and development expenses increased \$302 or 4.5% to \$6,996 for the three months ended September 30, 2024, as compared to \$6,694 for the three months ended September 30, 2023. The increase was primarily due to product development, clinical expenses, as well as non-clinical expenses related to the BLA for Avance Nerve Graft. Product development expenses represented approximately 52% and 62% of total research and development expense for the three months ended September 30, 2024, and 2023, respectively. Clinical trial expenses represented approximately 48% and 38% of total research and development expense the three months ended September 30, 2024, and 2023, respectively.

General and administrative expenses increased by \$964 or 9.8% to \$10,834 for the three months ended September 30, 2024, as compared to \$9,870 for the three months ended September 30, 2023. The increase was primarily due to compensation costs of \$1,281 of which \$695 was stock compensation related to the departure of the former CEO, bad debt expense of \$350, and certain other cost of \$133, partially offset by a decrease in professional services of \$800.

Other Income and Expense

Other expense, net increased by \$1,478 to \$1,542 for the three months ended September 30, 2024, as compared to other expense, net of \$64 for the three months ended September 30, 2023. The net increase in other expense was due to an increase in interest expense of \$1,066, and the change in the fair value of derivatives of \$389.

Interest expense increased by \$1,066 to \$1,893 for the three months ended September 30, 2024, as compared to \$827 for the three months ended September 30, 2023. The increase was due to the completion of the APC facility in 2023 resulting in no additional interest expense being capitalized for that facility during 2024. We recognized total interest expense of \$1,877 and \$1,866 in connection with the Credit Facility for the three months ended September 30, 2024, and 2023, respectively, of which \$0 and \$1,043 of this interest was capitalized to the construction costs of the APC Facility during the third quarter of 2024 and 2023, respectively.

Income Taxes

We had no income tax expense or benefit during the three months ended September 30, 2024, and 2023, due to the incurrence of net operating losses in each of these periods, the benefits of which have a full valuation allowance. From time to time, we receive notices of examination of prior tax filings from federal and state authorities. We do not believe that there are currently any material outstanding tax expenses or benefits.

Comparison of the Nine Months Ended September 30, 2024, and 2023

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts and percentage of total revenue:

| | Nine Months Ended September 30, | | 2023 | |
|-------------------------------------|---------------------------------|--------------|-------------|--------------|
| | 2024 | | | |
| | Amount | % of Revenue | Amount | % of Revenue |
| (dollars in thousands) | | | | |
| Revenues | \$ 137,933 | 100.0 % | \$ 116,090 | 100.0 % |
| Cost of goods sold | 33,531 | 24.3 % | 26,242 | 22.6 % |
| Gross profit | 104,402 | 75.7 % | 89,848 | 77.40 % |
| Costs and expenses | | | | |
| Sales and marketing | 58,437 | 42.4 % | 57,471 | 49.5 % |
| Research and development | 21,063 | 15.3 % | 20,164 | 17.4 % |
| General and administrative | 30,206 | 21.9 % | 30,481 | 26.3 % |
| Total costs and expenses | 109,706 | 79.5 % | 108,116 | 93.1 % |
| Loss from operations | (5,304) | (3.8) % | (18,268) | (15.74) % |
| Other (expense) income: | | | | |
| Investment income | 816 | 0.6 % | 1,151 | 1.0 % |
| Rental income | 90 | 0.1 % | — | — % |
| Interest expense | (6,405) | (4.6) % | (992) | (0.9) % |
| Change in fair value of derivatives | 542 | 0.4 % | 649 | 0.6 % |
| Other expense | (153) | (0.1) % | (363) | (0.3) % |
| Total other (expense) income, net | (5,110) | (3.7) % | 445 | 0.4 % |
| Net loss | \$ (10,414) | (7.6) % | \$ (17,823) | (15.4) % |

Revenues

Revenues for nine months ended September 30, 2024, increased by \$21,843 or 18.8% to \$137,933 as compared to \$116,090 for the nine months ended September 30, 2023. The increase in revenue was driven by an increase in unit volume of 9.4%, product mix of 6.0% and a 3.4% increase in prices.

Gross Profit

Gross profit for the nine months ended September 30, 2024, increased by \$14,554 or 16% to 104,402 as compared to \$89,848 for the nine months ended September 30, 2023. Gross margin was 75.7% and 77.4% for the nine months ended September 30, 2024, and 2023, respectively.

Costs and Expenses

Total costs and expenses increased by \$1,590 or 1% to \$109,706 for the nine months ended September 30, 2024, as compared to \$108,116 for the nine months ended September 30, 2023. The net increase in total costs and expenses was primarily the result of increased compensation costs of \$5,118, professional services of \$1,892 and bad debt expense of \$915, partially offset by the reduction in royalty fees of \$2,632, research projects of \$2,079, marketing programs of \$982 and other operating expense totaling \$645.

Sales and marketing expenses increased by \$966 or 2% to \$58,437 for the nine months ended September 30, 2024, as compared to \$57,471 for the nine months ended September 30, 2023. This increase was primarily attributable to compensation costs of \$4,425, professional services of \$272, and occupancy costs of \$184, partially offset by the reduction in royalty fees of \$2,632, marketing programs of \$982, and other costs of \$352.

Research and development expenses increased by \$899 or 4% to \$21,063 for the nine months ended September 30, 2024, as compared to \$20,164 for the nine months ended September 30, 2023. The increase was primarily due to product development and clinical expenses as well as non-clinical expenses related to the BLA for Avance Nerve Graft. Product development expenses represented approximately 54% and 60% of total research and development expense for the nine months ended September 30, 2024, and 2023, respectively. Clinical trial expenses represented approximately 46% and 40% of total research and development expense for the nine months ended September 30, 2024, and 2023, respectively.

General and administrative expenses decreased by \$275 or 1% to \$30,206 for the nine months ended September 30, 2024, as compared to \$30,481 for the nine months ended September 30, 2023. The decrease was primarily due to a reduction in net compensation costs of \$1,935 of which \$695 was stock compensation related to the departure of the former CEO, partially offset by an increase in bad debt of \$915, professional service costs of \$542, and other costs of \$203.

Other Income and Expense

Other (expense), net was \$5,110 for the nine months ended September 30, 2024, as compared to other income, net of \$445 for the nine months ended September 30, 2023. The decrease was driven by an increase in interest expense of \$5,413, a decrease in investment income of \$335, and the change in fair value of derivatives of \$107, partially offset by the decrease in other expense of \$210 and rental income of \$90.

Investment income decreased by \$335 or 29% to \$816 for the nine months ended September 30, 2024, as compared to investment income of \$1,151 for the nine months ended September 30, 2023. This change was primarily due to the decrease in investments.

Interest expense increased by \$5,413 to \$6,405 for the nine months ended September 30, 2024, as compared to \$992 for the nine months ended September 30, 2023. We recognized total interest expense of \$6,342 and \$5,442 in connection with the Credit Facility for the nine months ended September 30, 2024, and 2023, respectively, of which \$0 and \$5,240 of this interest was capitalized to the construction costs of the APC Facility during the nine months ended September 30, 2024, and 2023, respectively.

Income Taxes

We had no income tax expense or benefit during the nine months ended September 30, 2024, and 2023, due to the incurrence of net operating losses in each of these periods, the benefits of which have a full valuation allowance. From time to time, we receive notices of examination of prior tax filings from federal and state authorities. We do not believe that there are any additional tax expenses or benefits currently available.

Critical Accounting Estimates

In preparing financial statements, we follow accounting principles generally accepted in the United States, which require us to make certain estimates and apply judgments that affect our financial position and results of operations. Management regularly reviews our accounting policies and financial information disclosures. A summary of significant accounting estimates that require the use of estimates and judgments in preparing the financial statements was provided in our 2023 Annual Report on Form 10-K. During the quarter covered by this report, there have been no material changes to the accounting estimates and assumptions previously disclosed.

Reclassification of Financial Information

Effective as of the first quarter of 2024, we voluntarily changed our accounting policy for shipping and handling costs. Although the prior method of accounting continues to be an accepted alternative, the new accounting policy is more widely used in the industry and provides improved comparability of the Company's financial statements to its peers. Accordingly, the financial information for prior periods has been reclassified to reflect retrospective application of the new policy. Effective as of the first quarter of 2024, we ceased allocating certain costs to and from certain departments. Previously such costs had been allocated based on our estimate of the proportionate share of total expense to each line item. We determined that these changes would better reflect industry practice and would provide more meaningful information as well as increased transparency of our operations. See "Note 2 - Summary of Significant Accounting Policies" for additional discussion.

Liquidity and Capital Resources

As of September 30, 2024, our principal sources of liquidity were our cash and cash equivalents and investments totaling \$24,530. Our cash equivalents are comprised primarily of a money market mutual fund and our investments consist of U.S.

Treasuries. Our cash and cash equivalents and investments decreased by \$6,494 to \$24,530 from \$31,024 at December 31, 2023, primarily as a result of operating activities.

We had working capital of \$63,219 and a current ratio of 3.7x at September 30, 2024, compared to working capital of \$57,574 and a current ratio of 2.9x at December 31, 2023. The increase in our working capital at September 30, 2024, as compared to December 31, 2023, was primarily due to a decrease in accounts payable and accrued expenses. Based on current estimates, we believe that our existing cash and cash equivalents and investments, as well as cash provided by sales of our products will allow us to fund our operations through at least the next 12 months from the date of the accompanying financial statements.

Cash Flow Information

The following table presents a summary of cash flows from operating, investing and financing activities:

| (in thousands) | Nine Months Ended September 30, | |
|--|--|------------------|
| | 2024 | 2023 |
| Net cash (used in) provided by: | | |
| Operating activities | \$ (4,200) | \$ (5,505) |
| Investing activities | (9,484) | 19,530 |
| Financing activities | 1,320 | 1,536 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | <u>\$ (12,364)</u> | <u>\$ 15,561</u> |

Net Cash Used in Operating Activities

Net cash used in operating activities was \$4,200 and \$5,505 during the nine months ended September 30, 2024, and 2023, respectively. The unfavorable change in net cash used in operating activities of \$1,305, or 24%, is due to the net unfavorable change of \$9,656 in working capital accounts partially offset by the decrease in the net loss of \$7,409 and noncash changes of \$3,552.

Net Cash (Used in) Provided by Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2024, was \$9,484 as compared to net cash provided by investing activities of \$19,530 for the nine months ended September 30, 2023, a net increase of \$29,014, or 149% of net cash used in investing activities. The increase of net cash used in investing activities is principally due to the decrease in the net proceeds from the sale and purchase of investments totaling \$38,444, and the increase in purchases of intangible assets of \$548, partially offset by the reduction in purchases of property and equipment of \$9,978 during the nine months ended September 30, 2024.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$1,320 and \$1,536 for the nine months ended September 30, 2024, and 2023, respectively, a decrease of \$216. The unfavorable change in net cash provided by financing activities was primarily due to the decrease in proceeds from the exercise of stock options of \$217 during the nine months ended September 30, 2024.

Credit Facilities

As of September 30, 2024, we had \$50,000 outstanding in indebtedness under a credit facility \$35,000 maturing on June 30, 2027, and \$15,000 maturing on June 30, 2028. Quarterly interest only and revenue participation payments are due through each of the maturity dates. Interest is calculated as 7.5% plus the greater of three-month SOFR plus 0.1% ("Adjusted SOFR") or 2.0% (12.92% as of September 30, 2024). Revenue participation payments are calculated as a percentage of our net revenues, up to \$70,000 in any given year, adding approximately 1.5% per year of additional interest payments on the outstanding indebtedness. Upon each maturity date or upon such date earlier repayment occurs, we will repay the principal balance and provide a make-whole payment calculated to generate an internal rate of return to the lender equal to 11.5%, less the total of all quarterly interest and revenue participation payments previously paid. See Note 8 - Long-Term Debt, Net of Debt Discount and Financing Fees and Note 12 - Commitments and Contingencies.

Sources of Capital

Our expected future capital requirements may depend on many factors including expanding our customer base and sales force and timing and extent of spending in obtaining regulatory approval and introduction of new products. Additional sources of liquidity available to us include issuance of additional equity securities through public or private equity offerings, debt financings or from other sources. The sale of additional equity may result in dilution to our shareholders. Although we have an effective shelf registration statement, there is no assurance that we will be able to secure funding on terms acceptable to us, or at all. The increasing need for capital could also make it more difficult to obtain funding through either equity or debt. Should additional capital not become available to us as needed, we may be required to take certain actions, such as slowing sales and marketing expansion, delaying regulatory approvals, or reducing headcount.

Contractual Obligations and Commitments

| Contractual Obligations | 2024 Remaining | 2025-2026 | 2027-2028 | Thereafter | Total |
|--|-----------------|------------------|------------------|------------------|-------------------|
| (in thousands) | | | | | |
| Credit Facility Principal ⁽¹⁾ | \$ — | \$ — | \$ 50,000 | \$ — | \$ 50,000 |
| Credit Facility Interest ⁽¹⁾⁽²⁾ | 1,615 | 12,920 | 6,131 | — | 20,666 |
| Credit Facility Revenue Participation ⁽¹⁾ | — | 1,512 | 987 | — | 2,499 |
| Credit Facility Make-Whole Payment ⁽¹⁾ | — | — | — | — | — |
| Operating and financing lease obligations ⁽³⁾ | 999 | 8,421 | 6,228 | 18,568 | 34,216 |
| Insurance financing agreement ⁽⁵⁾ | 465 | — | — | — | 465 |
| Consulting fee obligation to former executives | 152 | — | — | — | 152 |
| Transition and separation obligations to former CEO ⁽⁴⁾ | 666 | 1,048 | — | — | 1,714 |
| Total | \$ 3,897 | \$ 23,901 | \$ 63,346 | \$ 18,568 | \$ 109,712 |

⁽¹⁾See Note 8 - Long-Term Debt, Net of Debt Discount and Financing Fees and Note 12 - Commitments and Contingencies in Part I, Item 1 in this Form 10-Q.

⁽²⁾Calculated at 12.92%, the interest rate as of September 30, 2024.

⁽³⁾See Note 7 - Leases in Part I, Item I of this Form 10-Q.

⁽⁴⁾Includes former CEO's 2024 bonus to be paid in March of 2025, senior advisory fees through May 2025, and eighteen months of COBRA payments. See Note 12 - Commitments and Contingencies in Part I, Item 1 in this Form 10-Q.

⁽⁵⁾See Note 12 - Commitments and Contingencies in Part I, Item 1 in this Form 10-Q.

See Note 7 - Leases and Note 12 - Commitments and Contingencies in the Notes to the Consolidated Financial Statements in this Form 10-Q, for further information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our market risks, refer to Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," included in our 2023 Annual Report on Form 10-K.

The amount of interest expense on the outstanding debt is based on Adjusted SOFR. Changes in the Adjusted SOFR rate may affect our interest expense associated with the Credit Facility. Based on the outstanding balance of the Credit Facility as of September 30, 2024, a hypothetical 100 basis point increase in the applicable rate would result in an increase to our annual interest expense of approximately \$500.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, and Board of Directors, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2024, and concluded that our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2024, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(d) or 15d-15(f) of the Exchange Act).

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

As disclosed in Note 12 - Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, we are engaged in certain legal proceedings, and the disclosure set forth in Note 12 - Commitments and Contingencies relating to legal proceedings is incorporated herein by reference.

ITEM 1A - RISK FACTORS

There have been no material changes to the risk factors disclosed in our 2023 Annual Report on Form 10-K. Any investment in our business involves a high degree of risk. Before making an investment decision, you should carefully consider the information we include in this Quarterly Report on Form 10-Q, including our unaudited interim condensed consolidated financial statements and accompanying notes, our Annual Report on Form 10-K for the year ended December 31, 2023, including our financial statements and related notes contained therein, and the additional information in the other reports we file with the Securities and Exchange Commission. These risks may result in material harm to our business and our financial condition and results of operations. In this event, the market price of our common stock may decline, and you could lose part or all of your investment. Additional risks that we currently believe are immaterial may also impair our business operations. Our business, financial conditions and future prospects and the trading price of our common stock could be harmed as a result of any of these risks.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5 - OTHER INFORMATION

During the Company's quarter ended September 30, 2024, no director or officer adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b-51 trading arrangement.

ITEM 6 - EXHIBITS

| Exhibit Number | Description |
|-------------------|---|
| 10.1 | <u>Employment Agreement, dated August 9, 2024, between Axogen Corporation and Michael Dale (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 8, 2024.)</u> |
| 10.2 | <u>Axogen, Inc. Performance-Based Restricted Stock Units Notice Inducement Award Agreement, effective as of August 9, 2024, by and between Axogen, Inc. and Michael Dale (TSR) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 9, 2024.)</u> |
| 10.3 | <u>Axogen, Inc. Performance-Based Restricted Stock Units Notice Inducement Award Agreement, effective as of August 9, 2024, by and between Axogen, Inc. and Michael Dale (Performance) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 9, 2024.)</u> |
| 31.1† | <u>Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 31.2† | <u>Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 32†† | <u>Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 101.INS† | XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH† | XBRL Taxonomy Extension Schema Document. |
| 101.CAL† | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF† | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB† | XBRL Extension Labels Linkbase. |
| 101.PRE† | XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File – The cover pages do not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |

† Filed herewith.

†† Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AXOGEN, INC.

Dated: November 7, 2024

/s/ Michael Dale

Michael Dale
Chief Executive Officer and President
(Principal Executive Officer)

Dated: November 7, 2024

/s/Nir Naor

Nir Naor
Chief Financial Officer
(Principal Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Michael Dale, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Axogen, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Michael Dale

Michael Dale
Chief Executive Officer and Preside

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Nir Naor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Axogen, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/Nir Naor

Nir Naor

Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

In connection with the Quarterly Report on Form 10-Q (the "Report") of Axogen, Inc. (the "Company"), Michael Dale, Chief Executive Officer and President of the Company, and Nir Naor, Chief Financial Officer of the Company, each certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of her/his knowledge that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2024

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/s/ Michael Dale
Michael Dale
Chief Executive Officer and President
(Principal Executive Officer)

/s/ Nir Naor
Nir Naor
Chief Financial Officer
(Principal Financial Officer)