

REFINITIV

## DELTA REPORT

### 10-Q

VCEL - VERICEL CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 1022

■ CHANGES	141
■ DELETIONS	580
■ ADDITIONS	301

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: **September 30, 2023** **March 31, 2024**

or

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

Commission File Number 001-35280

## VERICEL CORPORATION

(Exact name of registrant as specified in its charter)

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Michigan

94-3096597

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

64 Sidney Street

Cambridge, MA 02139

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(617) 588-5555**

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

Title of Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock (No par value)	VCEL	NASDAQ

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, 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 checked="" 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 2, 2023** **April 30, 2024**, **47,724,543** **48,601,736** shares of Common Stock, no par value per share, were outstanding.

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements (Unaudited)

#### VERICEL CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited, amounts in thousands)

ASSETS	ASSETS					March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022				
Current assets:	Current assets:			Current assets:			
Cash and cash equivalents	Cash and cash equivalents	\$ 60,473	\$ 51,067				
Restricted cash	Restricted cash	23,088	—				
Short-term investments	Short-term investments	44,870	68,471				
Accounts receivable (net of allowance for doubtful accounts of \$44 and \$47, respectively)		39,729	46,539				
Accounts receivable (net of allowance for doubtful accounts of \$87 and \$43, respectively)							
Inventory	Inventory	12,621	15,986				

Other current assets	Other current assets	5,430	4,803
Total current assets	Total current assets	186,211	186,866
Property and equipment, net	Property and equipment, net	30,216	15,837
Intangible assets, net	Intangible assets, net	7,031	7,500
Right-of-use assets	Right-of-use assets	73,294	41,535
Long-term investments	Long-term investments	20,231	19,962
Other long-term assets	Other long-term assets	1,142	1,303
Total assets	Total assets	\$318,125	\$273,003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:	Current liabilities:		Current liabilities:
Accounts payable	Accounts payable	\$ 15,051	\$ 16,930
Accrued expenses	Accrued expenses	13,628	16,190
Current portion of operating lease liabilities	Current portion of operating lease liabilities	7,267	4,302
Other current liabilities		—	41
Total current liabilities			
Total current liabilities			
Total current liabilities	Total current liabilities	35,946	37,463
Operating lease liabilities	Operating lease liabilities	77,734	43,268
Other long-term liabilities	Other long-term liabilities	65	—
Total liabilities	Total liabilities	113,745	80,731
<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>	<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>		<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>
Shareholders' equity:	Shareholders' equity:		Shareholders' equity:
Common stock, no par value; shares authorized — 75,000; shares issued and outstanding — 47,684 and 47,253, respectively		621,013	593,245
Common stock, no par value; shares authorized — 75,000; shares issued and outstanding — 48,489 and 47,829, respectively			
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(463)	(978)

Accumulated deficit	Accumulated deficit	(416,170)	(399,995)
Total shareholders' equity	Total shareholders' equity	204,380	192,272
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	<u>\$318,125</u>	<u>\$273,003</u>

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

**VERICEL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Uunaudited, amounts in thousands, except per share amounts)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Product sales, net	Product sales, net	\$ 45,581	\$ 38,326	\$ 132,520	\$ 111,004
Other revenue		—	225	—	667
Product sales, net					
Product sales, net					
Total revenue					
Total revenue	Total revenue	45,581	38,551	132,520	111,671
Cost of product sales	Cost of product sales	14,973	13,318	45,451	40,132
Cost of product sales					
Cost of product sales					
Gross profit					
Gross profit	Gross profit	30,608	25,233	87,069	71,539
Research and development	Research and development	5,676	5,046	16,141	14,698
Research and development					
Research and development					
Selling, general and administrative					
Selling, general and administrative					
Selling, general and administrative	Selling, general and administrative	29,989	26,975	90,123	79,984
Total operating expenses	Total operating expenses	35,665	32,021	106,264	94,682
Total operating expenses					
Total operating expenses					
Loss from operations					
Loss from operations					
Loss from operations	Loss from operations	(5,057)	(6,788)	(19,195)	(23,143)
Other income (expense):	Other income (expense):				
Other income (expense):					
Interest income					

Interest income					
Interest income	Interest income	1,262	342	3,196	578
Interest expense	Interest expense	(150)	(105)	(444)	(143)
Other (expense) income		(1)	(5)	(18)	98
Interest expense					
Interest expense					
Other expense					
Other expense					
Total other income	Total other income	1,111	232	2,734	533
Loss before income taxes		(3,946)	(6,556)	(16,461)	(22,610)
Income tax (benefit) expense		(286)	21	(286)	21
Total other income					
Total other income					
Net loss					
Net loss					
Net loss	Net loss	\$ (3,660)	\$ (6,577)	\$ (16,175)	\$ (22,631)
Net loss per common share:	Net loss per common share:				
Net loss per common share:					
Basic and diluted	Basic and diluted	\$ (0.08)	\$ (0.14)	\$ (0.34)	\$ (0.48)
Weighted-average common shares outstanding:	Weighted-average common shares outstanding:				
Weighted-average common shares outstanding:					
Weighted-average common shares outstanding:					
Basic and diluted	Basic and diluted				
Basic and diluted	Basic and diluted				
Basic and diluted	Basic and diluted	47,649	47,182	47,537	47,096

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

**VERICEL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Uncaudited, amounts in thousands)

	Net loss	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023		2022	
		\$ (3,660)	\$ (6,577)	\$ (16,175)	\$ (22,631)
Net loss	Net loss				
Other comprehensive loss:					
Unrealized gain (loss) on investments		158	(291)	515	(992)
Net loss					
Net loss					
Other comprehensive (loss) gain:					
Other comprehensive (loss) gain:					

Other comprehensive (loss) gain:						
Unrealized (loss) gain on investments						
Unrealized (loss) gain on investments						
Unrealized (loss) gain on investments						
Comprehensive loss	Comprehensive loss	\$ (3,502)	\$ (6,868)	\$ (15,660)	\$ (23,623)	
Comprehensive loss						
Comprehensive loss						

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

**VERICEL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Uaudited, amounts in thousands)

	Common Stock		Accumulated			Shareholders' Equity
			Comprehensive	Accumulated	Total	
	Shares	Amount	Gain (Loss)	Deficit		
BALANCE, DECEMBER 31, 2022	47,253	\$593,245	\$ (978)	\$ (399,995)	\$ 192,272	
	Common Stock					
	Common Stock					
	Common Stock					
	Shares					
BALANCE, DECEMBER 31, 2023						
BALANCE, DECEMBER 31, 2023						
BALANCE, DECEMBER 31, 2023						
Net loss	Net loss	—	—	—	(7,495)	(7,495)
Stock-based compensation expense	Stock-based compensation expense	—	8,731	—	—	8,731
Stock option exercises	Stock option exercises	132	2,009	—	—	2,009
Shares issued under the Employee Stock Purchase Plan	Shares issued under the Employee Stock Purchase Plan	11	216	—	—	216
Issuance of restricted stock unit vesting	Issuance of restricted stock unit vesting	183	—	—	—	—
Restricted stock withheld for employee tax remittance	Restricted stock withheld for employee tax remittance	(72)	(2,097)	—	—	(2,097)
Unrealized gain on investments		—	—	342	—	342

BALANCE, MARCH 31,					
2023	<u>47,507</u>	<u>\$602,104</u>	<u>\$ (636)</u>	<u>\$ (407,490)</u>	<u>\$ 193,978</u>
Net loss	—	—	—	(5,020)	(5,020)
Stock-based compensation expense	—	8,761	—	—	8,761
Stock option exercises	68	889	—	—	889
Shares issued under the Employee Stock Purchase Plan	18	384	—	—	384
Issuance of stock for restricted stock unit vesting	26	—	—	—	—
Restricted stock withheld for employee tax remittance	(3)	(79)	—	—	(79)
Unrealized gain on investments	—	—	15	—	15
BALANCE, JUNE 30, 2023	<u>47,616</u>	<u>\$612,059</u>	<u>\$ (621)</u>	<u>\$ (412,510)</u>	<u>\$ 198,928</u>
Net loss	—	—	—	(3,660)	(3,660)
Stock-based compensation expense	—	7,924	—	—	7,924
Stock option exercises	50	787	—	—	787
Shares issued under the Employee Stock Purchase Plan	13	329	—	—	329
Issuance of stock for restricted stock unit vesting	8	—	—	—	—
Restricted stock withheld for employee tax remittance	(3)	(86)	—	—	(86)
Unrealized gain on investments	—	—	158	—	158
BALANCE, SEPTEMBER 30, 2023	<u>47,684</u>	<u>\$621,013</u>	<u>\$ (463)</u>	<u>\$ (416,170)</u>	<u>\$ 204,380</u>
Unrealized loss on investments					
BALANCE, MARCH 31, 2024					

	Accumulated				
	Common Stock		Other	Total	
	Shares	Amount	Comprehensive Loss	Accumulated Deficit	Shareholders' Equity
BALANCE, DECEMBER 31, 2021	46,880	\$553,902	\$ (154)	\$ (383,286)	\$ 170,462

	Common Stock				
	Shares	Common Stock	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Shareholders' Equity
BALANCE, DECEMBER 31, 2022					
BALANCE, DECEMBER 31, 2022					
BALANCE, DECEMBER 31, 2022					
BALANCE, DECEMBER 31, 2022					

Net loss	Net loss	—	—	—	(7,091)	(7,091)
Stock-based compensation expense	Stock-based compensation expense	—	9,531	—	—	9,531
Stock option exercises	Stock option exercises	125	1,155	—	—	1,155
Shares issued under the Employee Stock Purchase Plan	Shares issued under the Employee Stock Purchase Plan	9	310	—	—	310
Issuance of stock for restricted stock unit vesting	Issuance of stock for restricted stock unit vesting	108	—	—	—	—
Restricted stock withheld for employee tax remittance	Restricted stock withheld for employee tax remittance	(41)	(1,423)	—	—	(1,423)
Unrealized loss on investments		—	—	(459)	—	(459)
<b>BALANCE, MARCH 31, 2022</b>		<b>47,081</b>	<b>\$563,475</b>	<b>\$ (613)</b>	<b>\$ (390,377)</b>	<b>\$ 172,485</b>
Net loss		—	—	—	(8,963)	(8,963)
Stock-based compensation expense		—	10,808	—	—	10,808
Stock option exercises		32	428	—	—	428
Shares issued under the Employee Stock Purchase Plan		10	318	—	—	318
Issuance of stock for restricted stock unit vesting		19	—	—	—	—
Restricted stock withheld for employee tax remittance		(1)	(18)	—	—	(18)
Unrealized loss on investments		—	—	(242)	—	(242)
<b>BALANCE, JUNE 30, 2022</b>		<b>47,141</b>	<b>\$575,011</b>	<b>\$ (855)</b>	<b>\$ (399,340)</b>	<b>\$ 174,816</b>
Net loss		—	—	—	(6,577)	(6,577)
Stock-based compensation expense		—	9,104	—	—	9,104
Stock option exercises		41	498	—	—	498
Shares issued under the Employee Stock Purchase Plan		15	331	—	—	331
Issuance of stock for restricted stock unit vesting		6	—	—	—	—
Restricted stock withheld for employee tax remittance		(2)	(44)	—	—	(44)
Unrealized loss on investments		—	\$ —	\$ (291)	\$ —	\$ (291)
<b>BALANCE, SEPTEMBER 30, 2022</b>		<b>47,201</b>	<b>\$584,900</b>	<b>\$ (1,146)</b>	<b>\$ (405,917)</b>	<b>\$ 177,837</b>

Unrealized  
gain on  
investments  
BALANCE,  
MARCH 31,  
2023

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

**VERICEL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited, amounts in thousands)

	Operating activities:	Nine Months Ended September 30,		Three months ended March 31,	
				2024	2023
		2023	2022		
Operating activities:	Operating activities:				
Net loss	Net loss	\$(16,175)	\$(22,631)		
Adjustments to reconcile net loss to net cash flows from operating activities:	Adjustments to reconcile net loss to net cash flows from operating activities:				
Depreciation and amortization expense	Depreciation and amortization expense	3,483	2,942		
Stock-based compensation expense	Stock-based compensation expense	25,416	29,443		
Amortization of premiums and discounts on marketable securities	Amortization of premiums and discounts on marketable securities	(788)	305		
Amortization of debt issuance costs	Amortization of debt issuance costs	161	36		
Non-cash lease costs	Non-cash lease costs	4,291	3,120		
Other	Other	18	21		
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:				
Inventory	Inventory	3,365	(3,348)		
Accounts receivable	Accounts receivable	6,810	3,141		

Other current assets	Other current assets	(627)	(164)
Accounts payable	Accounts payable	360	(37)
Accrued expenses	Accrued expenses	(2,562)	(97)
Operating lease liabilities	Operating lease liabilities	1,408	(2,019)
Other non-current assets and liabilities, net	Other non-current assets and liabilities, net	65	—
Net cash provided by operating activities	Net cash provided by operating activities	25,225	10,712
Investing activities:	Investing activities:		Investing activities:
Purchases of investments	Purchases of investments	(36,254)	(43,950)
Sales and maturities of investments	Sales and maturities of investments	60,890	35,944
Expenditures for property and equipment	Expenditures for property and equipment	(12,178)	(6,471)
Purchases of intangible assets	Purchases of intangible assets	(7,500)	—
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	4,958	(14,477)
Net cash (used in) provided by investing activities			
Financing activities:	Financing activities:		Financing activities:
Net proceeds from common stock issuance	Net proceeds from common stock issuance	4,614	3,040
Debt issuance costs	Debt issuance costs	—	(1,076)
Payments on employee's behalf for taxes related to vesting of restricted stock unit awards			
Payments on employee's behalf for taxes related to vesting of restricted stock unit awards			

Payments on employee's behalf for taxes related to vesting of restricted stock unit awards	Payments on employee's behalf for taxes related to vesting of restricted stock unit awards	(2,262)	(1,485)
Other	Other	(41)	(39)
Net cash provided by financing activities	Net cash provided by financing activities	2,311	440
Net increase (decrease) in cash, cash equivalents, and restricted cash		32,494	(3,325)
Net (decrease) increase in cash, cash equivalents, and restricted cash			
Cash, cash equivalents, and restricted cash at beginning of period	Cash, cash equivalents, and restricted cash at beginning of period	51,067	68,541
Cash, cash equivalents, and restricted cash at end of period	Cash, cash equivalents, and restricted cash at end of period	\$ 83,561	\$ 65,216

**VERICEL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(Uaudited, amounts in thousands)

	Three months ended March 31, 2024	Three months ended March 31, 2023
<b>Supplemental disclosure of cash flow information:</b>		
Non-cash information:		
Non-cash information:		
Non-cash information:		
Right-of-use asset and lease liability recognized		

Right-of-use asset and lease liability recognized
Right-of-use asset and lease liability recognized
Additions to property and equipment included in accounts payable

Nine Months Ended  
September 30,  
2023      2022

**Supplemental disclosure of cash flow information:**

Non-cash information:
Right-of-use asset and lease liability recognized \$ 36,022 \$137
Additions to property and equipment included in accounts payable 5,568 482

Nine Months Ended  
September 30,  
2023      2022

Reconciliation to amounts within the condensed consolidated balance sheets:	Reconciliation to amounts within the condensed consolidated balance sheets:
Cash and cash equivalents	Cash and cash equivalents
Cash and cash equivalents	Cash and cash equivalents
Cash and cash equivalents	Cash and cash equivalents \$ 60,473 \$65,216

Three months ended March 31,  
2024      2024

Three months ended March 31,  
2023

Restricted cash	Restricted cash	23,088	—
<b>Total cash, cash equivalents, and restricted cash at end of period</b>	<b>Total cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 83,561</b>	<b>\$65,216</b>

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

**VERICEL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization**

Vericel Corporation, a Michigan corporation (together with its consolidated subsidiaries referred to herein as the Company, or Vericel), was incorporated in March 1989 and began employee-based operations in 1991. The Company is a fully-integrated, commercial-stage biopharmaceutical company and is a leader in leading provider of advanced therapies for the sports medicine and severe burn care markets. Vericel currently markets three commercial-stage products in the U.S., MACI®, Epicel® and NexoBrid®.

MACI (autologous cultured chondrocytes on porcine collagen membrane) is an autologous cellularized scaffold product indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults. Epicel (cultured epidermal autografts) is a permanent skin replacement for the treatment of adult and pediatric patients with deep-dermal or full-thickness burns comprising greater than or equal to 30 percent of total body surface area ("TBSA"). The Company also holds an exclusive license from MediWound Ltd. ("MediWound") for North American rights to commercialize NexoBrid (anacaulase-bcdB) ("NexoBrid") in North America. On December 28, 2022, the U.S. Food and Drug Administration ("FDA") approved a Biologics License Application ("BLA") for NexoBrid, granting a license for commercial use in the U.S. On September 20, 2023, the Company announced the U.S. commercial availability of NexoBrid and, subsequently, has commenced commercial sales of the product. NexoBrid is a topically-administered biological orphan product containing proteolytic enzymes, and which is indicated for the removal of eschar in adults with deep partial-thickness and/or full thickness thermal burns. Following the FDA's approval of a Biologics License Application for NexoBrid on December 28, 2022, the Company began commercial sales of NexoBrid in the U.S. during the third quarter of 2023. The Company operates its business primarily in the U.S. in one reportable segment ■ the research, product development, manufacture and distribution of cellular therapies and specialty biologics for use in the treatment of specific diseases, conditions.

The Company is subject to risks common to companies in the life sciences industry including, but not limited to, development by the Company or its competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, commercialization of existing and new products, and compliance with FDA regulations and approval requirements, as well as the ability to grow the Company's business through appropriate commercial strategies.

**COVID-19**

On May 11, 2023, the U.S. Department of Health and Human Services announced the expiration of the federal Public Health Emergency for COVID-19. At this juncture, the pandemic's effects on the Company's business and results of operations have largely moderated and we have seen a return to more normal operations. Should a resurgence of COVID-19 occur, or new virus variants emerge, it could result in additional disruptions that could impact the Company's business and operations in the future, including U.S. hospital or surgical center staffing shortages, periodic cancellation or delay of elective MACI surgical procedures, intermittent restrictions on the ability of Company personnel to travel and access customers for selling, marketing, training, case support and product development feedback, delays in approvals by regulatory bodies, delays in product development efforts, and additional government requirements or other incremental mitigation efforts that may further impact the Company's capacity to manufacture, sell and support the use of its products.

**The War in Ukraine**

The ongoing war between Russia and Ukraine and the related sanctions and other penalties imposed by countries across the globe against Russia are continuing to create substantial uncertainty in the global economy and have contributed to heightened inflation and supply chain disruptions. While the Company does not have operations in Russia or Ukraine and does not have exposure to distributors, or third-party service providers in Russia or Ukraine, it is unable to predict the ultimate impact that these actions will have on the global economy or on its financial condition, results of operations, and cash flows as of the date of these condensed consolidated financial statements.

**The War in Israel and Gaza**

In May 2019, the Company entered into exclusive license and supply agreements with MediWound, under which MediWound manufactures and supplies NexoBrid to the U.S. market on a unit price basis. MediWound develops and manufactures NexoBrid, in part, at its facilities in Yavne, Israel.

The Company continues to monitor the ongoing conflict in Israel and is in close communication with MediWound leadership. MediWound's NexoBrid manufacturing operations are continuing and, as of the date of this disclosure, MediWound does not anticipate a disruption to its ongoing supply of commercial NexoBrid to the United States. To the extent the war between Israel and Hamas intensifies or expands to include additional countries or militant groups in the region and MediWound's facilities in Israel are damaged or destroyed, travel to and from Israel is halted or inhibited, or significant key MediWound operational personnel are called to military service, MediWound's ability to continue to supply NexoBrid to the U.S. market could be disrupted.

#### **Liquidity**

The accompanying condensed consolidated financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As of **September 30, 2023**, **March 31, 2024**, the Company had an accumulated deficit of **\$416.2 million** **\$407.0 million** and had a net loss of **\$16.2 million** **\$3.9 million** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**. The Company had cash and cash equivalents of **\$60.5 million** **\$62.9 million** and investments of **\$65.1 million** **\$77.1 million** as of **September 30, 2023** **March 31, 2024**. The Company expects that cash from the sales of its products and existing cash, cash equivalents, investments, and available borrowing capacity will be sufficient to support the Company's current operations through at least 12 months from the issuance of these condensed consolidated

financial statements. If revenues decline for a sustained period, the Company may need to access additional capital; however, the Company may not be able to obtain additional financing on acceptable terms or at all. The terms of any additional financing may adversely affect the holdings or the rights of the Company's shareholders.

#### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents and investments in marketable debt securities. The Company may maintain deposits in financial institutions in excess of the insurance coverage offered by the Federal Deposit Insurance Corporation, the loss of which could have a negative effect on **our** **its** operations and liquidity. The Company believes that it is not exposed to significant credit risk as its deposits, including cash and cash equivalents, are held at multiple high credit quality financial institutions. The Company has not experienced any losses on these deposits; however no assurances can be provided that there will not be losses experienced in the future. The Company believes that the market risk arising from its holdings of these financial instruments is mitigated based on the fact that many of these securities are either government-backed or of high credit rating.

## **2. Basis of Presentation**

The accompanying condensed consolidated financial statements of Vericel are unaudited and have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates, judgments, and assumptions that may affect the reported amounts of assets, liabilities, equity, revenue and expenses. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to such rules and regulations.

The financial statements reflect, in the opinion of management, all adjustments (consisting only of normal, recurring adjustments) necessary to state fairly the financial position and results of operations as of and for the periods indicated. The Company bases its estimates on historical experience and on various other assumptions that it believes are reasonable, the results of which form the basis for making judgments about the carrying values of assets, liabilities and equity and the amount of revenue and expenses.

The condensed consolidated balance sheet as of **December 31, 2022** **December 31, 2023** has been derived from the audited consolidated financial statements at that date, but does not include all the information and notes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, as filed with the SEC on **February 23, 2023** **February 29, 2024** ("Annual Report").

#### **Recent Accounting Pronouncements**

No new accounting standards were adopted during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**. The Company considers the applicability and impact of any recent Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). **Based**, as noted below:

**In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures**, to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The disclosure requirements must be applied retrospectively to all prior periods presented in the financial statements. The effective date for the standard is for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effects adoption of this guidance will have on the **assessment**, the **ASUs** **were determined to be either not applicable or are expected to have minimal impact on the Company's condensed consolidated financial statements**.

**In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures**, to provide more detailed income tax disclosure requirements. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as information on income taxes paid. The disclosure requirements will be applied on a prospective basis, with the option to apply it retrospectively. The effective date for the standard is for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effects adoption of this guidance will have on the consolidated financial statements.

### 3. Revenue

#### **Revenue Recognition and Product Sales, Net**

The Company recognizes product revenue from sales of MACI biopsy kits, MACI implants, Epicel grafts, and NexoBrid following the five-step model in Accounting Standards Codification 606, *Revenue Recognition*.

##### *MACI Biopsy Kits*

MACI biopsy kits are sold directly to hospitals and ambulatory surgical centers based on contracted rates in an approved contract or sales order. The Company recognizes MACI kit revenue upon delivery of the biopsy kit, at which time the customer (the facility) is in control of the kit. The kit is used by the doctor to provide a sample of cartilage tissue to the Company, which can later be used to manufacture a MACI implant. The ordering of the kit does not obligate the Company to manufacture an implant nor does the receipt of the cartilage tissue by the Company from the customer following biopsy. The customer's order of an implant is separate from the process of ordering the biopsy kit. Therefore, the sale of the biopsy kit and any subsequent sale of an implant are distinct contracts and are accounted for separately.

##### *MACI Implants*

The Company contracts with two specialty pharmacies, Orsini Pharmaceutical Services, Inc. ("Orsini") and AllCare Plus Pharmacy, Inc. ("AllCare") to distribute MACI in a manner in which the Company retains the credit and collection risk from the end customer. The Company pays each specialty pharmacy a fee in each instance when it dispenses MACI for use in treating a patient. Both Orsini and AllCare perform collection activities to collect payment from customers. In addition, the Company sells MACI directly to hospitals pursuant to an agreed upon purchase order and to a distributor, DMS Pharmaceutical Group, Inc. ("DMS") at a contracted rate for the treatment of patients at military facilities throughout the U.S. The Company engages a third party to provide services in connection with a patient support program to manage patient cases and to ensure that complete and correct billing information is provided to the insurers and hospitals.

Prior authorization and confirmation of coverage level by the patient's private insurance plan, hospital or government payer is a prerequisite to the shipment of **product a MACI implant** to a patient. The Company recognizes product revenue from sales of all MACI implants upon delivery at which time the customer obtains control of the implant and the claim is billable. The total consideration that the Company expects to collect in exchange for MACI implants (the "Transaction Price") may be fixed or variable. Direct sales to hospitals or distributors are recorded at a contracted price, and there are typically no forms of variable consideration.

When the Company sells MACI through its specialty pharmacies, the Company is typically reimbursed by a third-party insurer or government payer, subject to a patient co-pay amount. Reimbursements from third-party insurers and government payers vary by patient and payer and are based on either contracted rates, publicly available rates, fee schedules or past payer precedents. Net product revenue is recognized net of estimated contractual allowances, which considers historical collection experience from both the payer and patient, denial rates and the terms of the Company's contractual arrangements. The Company estimates expected collections for these transactions using the portfolio approach. The Company records a reduction to revenue at the time of sale for its estimate of the amount of consideration that will not be collected. In addition, potential credit risk exposure has been evaluated for the Company's accounts receivable in accordance with ASC 326, *Financial Instruments - Credit Losses*. The Company assesses risk and determines a loss percentage by pooling accounts receivable based on similar risk characteristics. The loss percentage is calculated through the use of forecasts that are based on current and historical economic and financial information. This loss percentage was applied to the accounts receivables as of **September 30, 2023** **March 31, 2024**. The total allowance for uncollectible consideration as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was **\$4.9 million** **\$5.3 million** and **\$6.1 million** **\$5.6 million**, respectively. Changes to the estimate of the amount of consideration that will not be collected could have a material impact on the revenue recognized. A 50 basis points change to the estimated uncollectible percentage could result in an approximately **\$0.3 million** **\$0.4 million** decrease or increase in the revenue recognized for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**.

Changes in estimates of the Transaction Price are recorded through revenue in the period in which such change occurs. Changes in estimates related to prior periods are shown in the Revenue by Product and Customer table below and relate primarily to changes in the initial expected reimbursement or collection expectation upon completion of the billing claims process for MACI implants that occurred in a prior period.

##### *Epicel*

The Company sells Epicel directly to hospitals and burn centers based on contracted rates stated in an approved contract or purchase order. Similar to MACI, there is no obligation to manufacture Epicel grafts upon receipt of a skin biopsy, and Vericel

has no contractual right to receive payment until the product is delivered to the hospital. The Company recognizes product revenue from sales of Epicel upon delivery to the hospital, at which time the customer is in control of the Epicel grafts and the claim is billable to the hospital.

##### *NexoBrid*

The Company entered into exclusive license and supply agreements with MediWound in May 2019, pursuant to which MediWound will manufacture and supply NexoBrid on a unit price basis, which may be increased pursuant to the terms of the agreements. Additionally, beginning in 2020 the U.S. Biomedical Advanced Research and Development Authority ("BARDA") procured quantities of NexoBrid from MediWound, for use as a medical countermeasure in the event of a mass casualty emergency in the U.S. involving thermal burns. The initial, quarterly, procurement of NexoBrid by BARDA under its agreement with MediWound completed during the third quarter of 2022. The Company recognized revenue based on a percentage of gross profits for sales of NexoBrid to BARDA upon delivery, at which time BARDA was in control of the product. As of **September 30, 2023** **March 31, 2024**, the Company did not hold a direct contract or distribution agreement with BARDA, or take title to the product procured by BARDA.

On May 9, 2023, MediWound announced BARDA's award of additional funding under the parties' existing agreement, \$3.0 million of which will support the replacement of NexoBrid, previously procured for emergency response preparedness, which has since expired. Pursuant to the terms of the Company's license agreement with MediWound, the Company would recognize revenue based on a percentage of gross profits, minus a percentage of net sales, on any sales of NexoBrid directly to BARDA upon delivery, pursuant to this additional award.

Additionally, on December 28, 2022, the FDA approved a BLA for NexoBrid, granting a license for commercial use in the U.S. NexoBrid is a topically-administered biological orphan product containing proteolytic enzymes, and which is indicated for the removal of eschar in adults with deep partial-thickness and/or full thickness thermal burns. On September 20, 2023, the Company announced the U.S. commercial availability of NexoBrid and, subsequently, has commenced commercial sales of the product.

The Company sells NexoBrid to specialty distributors. These customers subsequently resell NexoBrid to hospitals and burn centers. Product revenue is recorded net of reserves for specialty distributor fees, prompt payment discounts and allowances for returns, as applicable. The Company recognizes product revenue from sales of NexoBrid when the specialty distributors take control of the product, which typically occurs upon delivery to the specialty distributors.

#### **Revenue by Product and Customer**

The following table and descriptions below show the products from which the Company generated its revenue for the periods indicated:

Revenue by product (in thousands)	Revenue by product (in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		
		2023	2022	2023	2022	
<b>Revenue by product (in thousands)</b>						
<b>Revenue by product (in thousands)</b>						
<b>MACI implants and kits</b>						
<b>MACI implants and kits</b>						
MACI implants and kits	MACI implants and kits					
Implants based on contracted rate sold through a specialty pharmacy <sup>(a)</sup>	Implants based on contracted rate sold through a specialty pharmacy <sup>(a)</sup>	\$22,598	\$19,377	\$ 68,220	\$ 50,718	
Implants based on contracted rate sold through a specialty pharmacy <sup>(a)</sup>						
Implants based on contracted rate sold through a specialty pharmacy <sup>(a)</sup>						
Implants subject to third party reimbursement sold through a specialty pharmacy <sup>(b)</sup>						
Implants subject to third party reimbursement sold through a specialty pharmacy <sup>(b)</sup>						

Implants subject to third party reimbursement sold through a specialty pharmacy (b)	Implants subject to third party reimbursement sold through a specialty pharmacy (b)	5,030	4,207	13,526	12,015
Implants sold direct based on contracted rates (c)	Implants sold direct based on contracted rates (c)	5,797	6,457	19,932	17,846
Implants sold direct based on contracted rates (c)					
Implants sold direct based on contracted rates (c)					
Implants sold direct subject to third-party reimbursement (d)					
Implants sold direct subject to third-party reimbursement (d)					
Implants sold direct subject to third-party reimbursement (d)	Implants sold direct subject to third-party reimbursement (d)	1,432	898	2,974	2,331
Biopsy kits - direct bill	Biopsy kits - direct bill	457	498	1,517	1,565
Biopsy kits - direct bill					
Biopsy kits - direct bill					
Change in estimates related to prior periods (e)					
Change in estimates related to prior periods (e)					
Change in estimates related to prior periods (e)	Change in estimates related to prior periods (e)	2,275	(428)	1,945	1,142
Total MACI implants and kits	Total MACI implants and kits	37,589	31,009	108,114	85,617
Total MACI implants and kits					
Total MACI implants and kits					
Epicel	Epicel				
Epicel	Epicel				
Epicel	Epicel				
Direct bill (hospital)					
Direct bill (hospital)					
Direct bill (hospital)	Direct bill (hospital)	7,394	7,317	23,808	25,387
NexoBrid (f)	NexoBrid (f)	598	225	598	667
NexoBrid (f)					
NexoBrid (f)					
Total revenue					
Total revenue					
Total revenue	Total revenue	\$45,581	\$38,551	\$132,520	\$111,671

<p>(a) Represents implants sold through Orsini and AllCare whereby such specialty pharmacies have a direct contract with the underlying insurance provider. The amount of reimbursement is based on contracted rates at the time of sale supported by the pharmacy's direct contracts.</p>	<p>(a) Represents implants sold through Orsini and AllCare whereby such specialty pharmacies have a direct contract with the underlying insurance provider. The amount of reimbursement is based on contracted rates at the time of sale supported by the pharmacy's direct contracts.</p>
<p>(a) Represents implants sold through Orsini and AllCare whereby such specialty pharmacies have a direct contract with the underlying insurance provider. The amount of reimbursement is based on contracted rates at the time of sale supported by the pharmacy's direct contracts.</p>	
<p>(b) Represents implants sold through Orsini and AllCare whereby such specialty pharmacy does not have a direct contract with the underlying payer, and are subject to third-party reimbursement. The amount of reimbursement is established based on publicly available rates, fee schedules or past payer precedents.</p>	
<p>(b) Represents implants sold through Orsini and AllCare whereby such specialty pharmacy does not have a direct contract with the underlying payer, and are subject to third-party reimbursement. The amount of reimbursement is established based on publicly available rates, fee schedules or past payer precedents.</p>	
<p>(b) Represents implants sold through Orsini and AllCare whereby such specialty pharmacy does not have a direct contract with the underlying payer, and are subject to third-party reimbursement. The amount of reimbursement is established based on publicly available rates, fee schedules or past payer precedents.</p>	<p>(c) Represents implants sold directly from the Company to the facility based on a contract and known price agreed upon prior to the surgery date. Also represents direct sales under a contract to specialty distributor DMS.</p>
<p>(c) Represents implants sold directly from the Company to the facility based on a contract and known price agreed upon prior to the surgery date. Also represents direct sales under a contract to specialty distributor DMS.</p>	
<p>(c) Represents implants sold directly from the Company to the facility based on a contract and known price agreed upon prior to the surgery date. Also represents direct sales under a contract to specialty distributor DMS.</p>	
<p>(d) Represents implants sold directly from the Company to the facility based on a contract and known price agreed upon prior to the surgery date. The payment terms are subject to third-party reimbursement from an underlying insurance provider.</p>	
<p>(d) Represents implants sold directly from the Company to the facility based on a contract and known price agreed upon prior to the surgery date. The payment terms are subject to third-party reimbursement from an underlying insurance provider.</p>	
<p>(d) Represents implants sold directly from the Company to the facility based on a contract and known price agreed upon prior to the surgery date. The payment terms are subject to third-party reimbursement from an underlying insurance provider.</p>	<p>(e) Primarily represents changes in estimates related to implants sold through Orsini or AllCare and relate to changes to the initial expected reimbursement or collection expectations upon completion of the billing claims process. The change in estimates is a result of additional information, changes in collection expectations or actual cash collections received in the current period.</p>
<p>(e) Primarily represents changes in estimates related to implants sold through Orsini or AllCare and relate to changes to the initial expected reimbursement or collection expectations upon completion of the billing claims process. The change in estimates is a result of additional information, changes in collection expectations or actual cash collections received in the current period.</p>	
<p>(e) Primarily represents changes in estimates related to implants sold through Orsini or AllCare and relate to changes to the initial expected reimbursement or collection expectations upon completion of the billing claims process. The change in estimates is a result of additional information, changes in collection expectations or actual cash collections received in the current period.</p>	<p>(f) Represents commercial revenue for the three and nine months ended September 30, 2023. Represents revenue based on a percentage of gross profits for sales of NexoBrid to BARDA, pursuant to the license agreement between the Company and MediWound, in the three and nine months ended September 30, 2022 (see Note 11).</p>
<p>(f) Represents U.S. commercial revenue of NexoBrid.</p>	
<p>(f) Represents U.S. commercial revenue of NexoBrid.</p>	
<p>(f) Represents U.S. commercial revenue of NexoBrid.</p>	

#### 4. Selected Balance Sheet Components

### Inventory

Inventory consisted of the following:

(In thousands)	(In thousands)	September 30, 2023	December 31, 2022	(In thousands)	March 31, 2024	December 31, 2023
Raw materials	Raw materials	\$11,436	\$15,101			
Work-in-process	Work-in-process	967	832			
Finished goods	Finished goods	218	53			
Total inventory	Total inventory	<u>\$12,621</u>	<u>\$15,986</u>			

### Property and Equipment

Property and Equipment, net consisted of the following:

(In thousands)	(In thousands)	September 30, 2023	December 31, 2022	(In thousands)	March 31, 2024	December 31, 2023
Machinery and equipment	Machinery and equipment	\$ 5,562	\$ 5,041			
Furniture, fixtures and office equipment	Furniture, fixtures and office equipment	1,710	1,710			
Computer equipment and software	Computer equipment and software	8,365	8,224			
Leasehold improvements	Leasehold improvements	14,901	13,689			
Construction in process	Construction in process	20,883	5,438			
Financing right-of-use lease		9	37			
Total property and equipment, gross						
Total property and equipment, gross						
Total property and equipment, gross	Total property and equipment, gross	51,430	34,139			
Less accumulated depreciation	Less accumulated depreciation	(21,214)	(18,302)			
Total property and equipment, net	Total property and equipment, net	<u>\$30,216</u>	<u>\$15,837</u>			

Depreciation expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$1.0 million and \$3.0 million, respectively, \$1.2 million and \$1.0 million, and \$2.9 million, respectively, for the same periods in 2022, respectively.

## Intangible Assets

Intangible assets, net consisted of the following:

		September 30, 2023				December 31, 2022				March 31, 2024				December 31, 2023				
		Useful Life		Amortization		Accumulated Amortization		Accumulated Amortization		Useful Life		Amortization		Accumulated Amortization		Accumulated Amortization		
(In thousands)	(In thousands)	(in years)	Method	Cost	Amortization	Net	Cost	Amortization	Net	(In thousands)	years	Method	Cost	Amortization	Net	Cost	Amortization	Net
NexoBrid license	NexoBrid license	12	Straight-line	\$ 7,500	\$ (469)	\$ 7,031	\$ 7,500	\$ —	\$ 7,500									

Amortization expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$0.2 million and \$0.5 million, respectively.

Future amortization expense of intangible assets as of September 30, 2023 March 31, 2024 is estimated to be as follows:

(In thousands)	(In thousands)	Amount (in thousands)	Amount
Remainder of 2023		\$ 156	
2024		625	
Remainder of 2024			
2025	2025	625	
2026	2026	625	
2027	2027	625	
2028			
Thereafter	Thereafter	4,375	
Total	Total	<u>\$ 7,031</u>	

## Accrued Expenses

Accrued Expenses consisted of the following:

(In thousands)	(In thousands)	September 30, 2023	December 31, 2022	(In thousands)	March 31, 2024	December 31, 2023
Bonus-related compensation	Bonus-related compensation	\$ 6,622	\$ 7,132			
Employee-related accruals	Employee-related accruals	2,629	3,101			
Insurance reimbursement-related liabilities	Insurance reimbursement-related liabilities	3,949	5,030			
Other accrued expenses	Other accrued expenses	428	927			
Total accrued expenses	Total accrued expenses	<u>\$ 13,628</u>	<u>\$ 16,190</u>			

## 5. Leases

The Company leases facilities in Ann Arbor, Michigan, Cambridge, Massachusetts and Cambridge, Burlington, Massachusetts. The Ann Arbor facility includes office space, and the Cambridge facilities include clean rooms, laboratories for MACI and Epicel manufacturing and office space. The Company also leases offsite warehouse space and other computer-related equipment.

With respect to the Ann Arbor facility, in March 2023, the Company entered into an amendment to that lease extending its term until April 30, 2025. Monthly contractual payments are expected to range from \$17,000 to \$18,000.

On January 28, 2022, the Company entered into a lease agreement (the "Burlington Lease") to lease approximately 126,000 square feet of to-be-constructed manufacturing, laboratory and office space in Burlington, Massachusetts (the "Premises"), which is currently being constructed. Once constructed, the Premises will serve as the Company's new corporate headquarters and primary manufacturing facility.

In April 2023, in connection with the Burlington Lease, the Company entered into a construction escrow agreement (the "Construction Escrow Agreement") with the facility's landlord and an escrow agent. Pursuant to the terms of the Construction Escrow Agreement, in April 2023, the Company began funding, into an escrow account maintained by the escrow agent, a portion of its share of tenant improvement construction costs at the facility, which are designated as restricted cash. At the same time, the facility's landlord began funding a portion of its tenant improvement allowance through a separate escrow account. To date, The Company funded the Company has transferred into its escrow account remaining 50% of its required cost amount, or approximately \$28.3 million. The Company anticipates funding million, with cash on hand, pursuant to the remaining 50% of its required cost amount Construction Escrow Agreement in early April 2024.

The term of the Burlington Lease began on June 1, 2023, (the "Commencement Date"), when the Company gained control of and commenced tenant improvement work at the Premises. The Company's obligation to pay rent for the Premises will begin on the earlier of: 13 months from the Commencement Date; or the date on which the Company first occupies the Premises to conduct operations (the "Rent Commencement Date"). The initial term of the Lease is 144 months following the Rent Commencement Date. The Company has a one-time option to extend the term of the Lease for an additional 10 years, exercisable under certain conditions and at a market rate determined in accordance with the Burlington Lease.

The annual base rent of the Burlington Lease is initially \$57 per square foot per year, subject to annual increases of 2.5%. Monthly contractual payments are expected to range from \$0.6 million to \$0.8 million. Additionally, the Company is responsible for reimbursing the landlord for the Company's share of the Premises' property taxes and certain other operating expenses. The Burlington Lease also provides for a tenant improvement allowance from the landlord in an amount equal to \$200 per square foot of the Premises, or approximately \$24.4 million. The tenant improvement allowance will be used towards the design and construction of the tenant improvements made to the Premises, subject to the terms set forth in the Burlington Lease.

The Company was not involved in the initial construction of the core and shell of the building. On June 1, 2023, the Company gained control of the Premises to begin construction of its tenant improvements. As such, the corresponding right-of-use asset and lease liability of \$35.5 million was recorded on the Company's condensed consolidated balance sheet. As there was not an implicit rate within the lease available, the Company estimated the incremental borrowing rate of 7.7%, based on the rate of interest the Company would have to pay to borrow a similar amount on a collateralized basis over a similar term. The lease term of 13.1 years does not include the lease extension option, as the Company is not reasonably certain to exercise that option. The Company has determined that certain improvements to the Premises are landlord-owned improvements and costs incurred for these improvements are accounted for as a variable lease payment. In the three months ended March 31, 2024, the Company recorded a right-of-use asset related to landlord-owned improvements incurred of approximately \$1.8 million.

In January 2022, in connection with the execution of the Burlington Lease, the Company issued a letter of credit collateralized by cash deposits of approximately \$6.0 million. Subsequent to the execution of the Revolving Credit Agreement on July 29, 2022 (see Note 8, "Revolving Credit Agreement" for further details), the letter of credit is issued under the sub-facility limit of the Revolving Credit Agreement. Such letter of credit shall be reduced to approximately \$4.2 million and \$1.8 million at the conclusion of the third and sixth lease years, respectively, provided certain conditions set forth in the Burlington Lease are satisfied.

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, lease expense of less than \$0.1 million was recorded related to short-term leases. For the three and nine months ended September 30, March 31, 2024 and 2023, the Company recognized \$3.2 million and \$7.1 million, respectively, of operating lease expense and \$1.7 million and \$5.2 million, respectively, for the same period in 2022, expense. For the three and nine months ended September 30, 2023 and 2022, March 31, 2023, the Company recognized less than \$0.1 million of financing lease expense, expense.

Operating and finance lease assets and liabilities are as follows:

(In thousands)	Classification	September 30, 2023	December 31, 2022
<b>Assets</b>			
Operating	Right-of-use assets	\$ 73,294	\$ 41,535
Finance	Property and equipment, net	9	37
<b>Total leased assets</b>		<b>\$ 73,303</b>	<b>\$ 41,572</b>
<b>Liabilities</b>			
<i>Current</i>			
Operating	Current portion of operating lease liabilities	\$ 7,267	\$ 4,302
Finance	Other current liabilities	—	41

<i>Non-current</i>			
Operating	Operating lease liabilities	\$ 77,734	\$ 43,268
<b>Total leased liabilities</b>		<b>\$ 85,001</b>	<b>\$ 47,611</b>

Future minimum lease payments under non-cancellable leases as of September 30, 2023 are as follows:

(In thousands)	Operating Leases
Remainder of 2023	\$ 1,789
2024	10,743
2025	13,677
2026	13,969
2027	14,351
Thereafter	103,229
Total lease payments	\$ 157,758
Less: tenant improvement allowances	(23,121)
Less: interest	(49,636)
<b>Total leased liabilities</b>	<b>\$ 85,001</b>

(In thousands)	Classification	March 31, 2024	December 31, 2023
<b>Assets</b>			
Operating	Right-of-use assets	\$ 73,682	\$ 73,462
<b>Liabilities</b>			
<i>Current</i>			
Operating	Current portion of operating lease liabilities	\$ 6,012	\$ 6,187
<i>Non-current</i>			
Operating	Operating lease liabilities	\$ 86,141	\$ 81,856
<b>Total leased liabilities</b>		<b>\$ 92,153</b>	<b>\$ 88,043</b>

## 6. Investments

Marketable debt securities held by the Company are classified as available-for-sale pursuant to ASC 320, *Investments – Debt and Equity Securities*, and carried at fair value in the accompanying condensed consolidated balance sheets on a settlement date basis. The following tables summarize the gross unrealized gains and losses of the Company's marketable securities:

September 30, 2023							
Gross							
Unrealized							
March 31, 2024							
(In thousands)	(In thousands)	Amortized Cost	Gains	Losses	Credit Losses	Estimated	Fair Value
Commercial paper	Commercial paper	\$ 8,612	\$ —	\$ (4)	\$ —	Estimated	Fair Value
Commercial paper							
Commercial paper							
Corporate notes	Corporate notes	38,036	—	(367)	—	37,669	
U.S. government securities							

U.S.	U.S.					
government	government					
agency	agency					
bonds	bonds	18,914	—	(90)	—	18,824
		\$65,562	\$ —	\$ (461)	\$ —	\$65,101
		\$				
Classified	Classified					
as:	as:					
Short-term	Short-term					
investments	investments					\$44,870
Short-term investments						
Short-term investments						
Long-term	Long-term					
investments	investments					20,231
						\$65,101
		\$				

December 31, 2022						
		Gross	Unrealized	Estimated		
					December 31, 2023	Fair Value
		Gross	Unrealized		Gross	Unrealized
(In	(In	Amortized	Credit			
thousands)	thousands)	Cost	Gains	Losses		
Commercial	Commercial					Estimated
paper	paper	\$15,707	\$ —	\$ (101)	\$ —	Fair Value
Commercial paper						
Commercial paper						
Corporate	Corporate					
notes	notes	52,159	—	(831)	—	51,328
U.S.	government					
securities						
U.S.	U.S.					
government	government					
agency	agency					
bonds	bonds	21,545	—	(46)	—	21,499
		\$89,411	\$ —	\$ (978)	\$ —	\$88,433
		\$				
Classified	Classified					
as:	as:					
Short-term	Short-term					
investments	investments					\$68,471
Short-term investments						
Short-term investments						
Long-term	Long-term					
investments	investments					19,962
						\$88,433
		\$				

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, all marketable securities held by the Company had remaining contractual maturities of three years or less. There have been no impairments of the Company's assets measured and carried at fair value during the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**.

## 7. Fair Value Measurements

The Company's fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The commercial paper, corporate notes, U.S. government securities, and U.S. government agency bonds are classified as Level 2 as they were valued based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. There were no transfers into or out of Level 3 from **December 31, 2022** **December 31, 2023** to **September 30, 2023** **March 31, 2024**.

The following table summarizes the valuation of the Company's financial instruments that are measured at fair value on a recurring basis:

(In thousands)	(In thousands)	September 30, 2023			December 31, 2022			(In thousands)	March 31, 2024			(In thousands)
		Fair value measurement category			Fair value measurement category				Fair value measurement category			
		Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2
<b>Assets:</b>												
Money market funds	Money market funds	\$ 9,050	\$ 9,050	\$ —	\$ —	\$ 1,262	\$ 1,262	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper (a)	Commercial paper (a)	15,071	—	15,071	—	15,606	—	15,606	—	15,606	—	—
Corporate notes	Corporate notes	37,669	—	37,669	—	51,328	—	51,328	—	51,328	—	—
U.S. government agency bonds (a)												
U.S. government securities (a)	U.S. government securities (a)	23,881	—	23,881	—	—	—	—	—	—	—	—
U.S. government agency bonds (a)		18,824	—	18,824	—	27,976	—	27,976	—	27,976	—	—
		\$104,495	\$ 9,050	\$ 95,445	\$ —	\$ 96,172	\$ 1,262	\$ 94,910	\$ —	\$ —	\$ —	\$ —
		\$	=									

(a) Approximately **\$6.5** **\$1.5** million of commercial paper and **\$23.9** **\$21.3** million of U.S. government securities as of September 30, 2023, and approximately **\$6.5** million of U.S. government agency bonds as of December 31, 2022 had an original maturity of 90 days or less and **were** **is** recorded as a cash **equivalent**, equivalent as of March 31, 2024. Approximately **\$23.9** million of U.S. government securities and **\$1.2** million of commercial paper had an original maturity of 90 days or less and is recorded as a cash equivalent as of December 31, 2023.

The fair values of the cash equivalents and marketable securities are based on observable market prices. The Company's accounts receivables, accounts payable and accrued expenses are valued at cost, which approximates fair value.

## 8. Revolving Credit Agreement

On July 29, 2022, the Company, as borrower, entered into a \$150.0 million five-year senior secured revolving credit agreement by and among the Company, the other loan parties thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as the administrative agent (the "Revolving Credit Agreement"). The Revolving Credit Agreement includes a \$15.0 million sub-facility for the issuance of letters of credit, of which the Company is utilizing approximately \$6.2 million. Amounts available under the Revolving Credit Agreement are for the working capital needs and other general corporate purposes of the Company. The Company incurred and capitalized approximately \$1.1 million of debt issuance costs related to the Revolving Credit Agreement.

Outstanding borrowings under the Revolving Credit Agreement bear interest, with pricing based from time to time at the Company's election at (i) the Secured Overnight Financing Rate ("SOFR") plus 0.10% plus a spread ranging from 1.25% to 2.50% as determined by the Company's Total Net Leverage Ratio (as defined in the Revolving Credit Agreement) or (ii) the alternative base rate (as defined in the Revolving Credit Agreement) plus a spread ranging from 0.25% to 1.50% as determined by the Company's Total Net Leverage Ratio. The Revolving Credit Agreement also includes a commitment fee, which ranges from 0.20% to 0.25% as determined by the Company's Total Net Leverage Ratio.

The Company is permitted to voluntarily prepay borrowings under the Revolving Credit Agreement, in whole or in part, without premium or penalty. On any business day on which the total amount of outstanding Revolving Loans (as defined in the

Revolving Credit Agreement) and letters of credit exceeds the total Revolving Commitments (as defined in the Revolving Credit Agreement), the Company must prepay the Revolving Loans in an amount equal to such excess. As of **September 30, 2023** **March 31, 2024**, there are no outstanding borrowings under the Revolving Credit Agreement.

The Revolving Credit Agreement contains a number of affirmative, negative, reporting and financial covenants, in each case subject to certain exceptions and materiality thresholds. The Revolving Credit Agreement requires the Company to be in quarterly compliance, measured on a trailing four quarter basis, with a financial covenant. The maximum Total Net Leverage Ratio (as defined in the Revolving Credit Agreement) is 3.50 to 1.00. The Company may elect to increase the maximum Total Net Leverage Ratio to 4.00 to 1.00 for a period of four consecutive quarters in connection with a Permitted Acquisition (as defined in the Revolving Credit Agreement).

The Revolving Credit Agreement contains usual and customary restrictions on the ability of the Company and its subsidiaries to: (i) incur additional indebtedness; (ii) create liens; (iii) consolidate, merge, sell or otherwise dispose of all, or substantially all, of its assets; (iv) sell certain assets; (v) pay dividends on, repurchase or make distributions in respect of capital stock or make other restricted payments; (vi) make certain investments; (vii) repay subordinated indebtedness prior to stated maturity; and (viii) enter into certain transactions with its affiliates.

Obligations under the Revolving Credit Agreement are secured by first priority liens over substantially all of the assets of Vericel Corporation, excluding certain subsidiaries (subject to customary exclusions set forth in the Revolving Credit Agreement and the other transaction documents).

## 9. Stock-Based Compensation

The Vericel Corporation 2022 Omnibus Incentive Plan ("2022 Plan") was approved on April 27, 2022, and provides incentives through the grant of stock options, stock appreciation rights, restricted stock awards and restricted stock units. The exercise price of stock options granted under the 2022 Plan shall not be less than the fair market value of the Company's common stock on the date of grant. The 2022 Plan replaced the 1992 Stock Option Plan, the 2001 Stock Option Plan, the Amended and Restated 2004 Equity Incentive Plan, the 2009 Second Amended and Restated Omnibus Incentive Plan, the 2017 Omnibus Incentive Plan, and the Amended and Restated 2019 Omnibus Incentive Plan (collectively the "Prior Plans"), and no new grants have been granted under the Prior Plans after approval of the 2022 Plan. However, the expiration or forfeiture of options previously granted under the Prior Plans will increase the number of shares available for issuance under the 2022 Plan.

### Stock Compensation Expense

Non-cash stock-based compensation expense (service-based stock options, restricted stock units and employee stock purchase plan) is summarized in the following table:

(in thousands)	(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		
		2023	2022	2023	2022	
<b>(in thousands)</b>						
<b>(in thousands)</b>						
Cost of product sales						
Cost of product sales						
Cost of product sales	Cost of product sales	\$ 660	\$ 840	\$ 2,341	\$ 2,992	
Research and development	Research and development	892	1,273	2,862	4,143	
Research and development						

Research and development					
Selling, general and administrative					
Selling, general and administrative					
Selling, general and administrative	Selling, general and administrative	6,372	6,991	20,213	22,308
Total non-cash stock-based compensation expense	Total non-cash stock-based compensation expense	\$ 7,924	\$ 9,104	\$ 25,416	\$ 29,443
Total non-cash stock-based compensation expense					
Total non-cash stock-based compensation expense					

#### Service-Based Stock Options

During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company granted service-based options to purchase common stock of 58,500 507,162 and 594,217, respectively, and 42,890 and 1,206,539, respectively, for the same periods in 2022. The weighted-average grant-date fair value of service-based options granted during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$22.36 \$28.21 and \$18.80 \$18.00 per option, respectively, and \$15.58 and \$20.55, respectively, for the same periods in 2022, respectively.

#### Restricted Stock Units

During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company granted 23,520 538,425 and 552,841 496,505 restricted stock units, respectively, and 16,734 and 399,502, respectively, for the same periods in 2022. The weighted-average grant-date fair value of restricted stock units granted during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$36.51 \$48.25 and \$30.24 \$29.82 per unit, respectively, and \$27.52 and \$34.35, respectively, for the same periods in 2022, respectively.

#### 10. Net Loss Per Common Share

A summary of net loss per common share is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,		
(Amounts in thousands, except per share amounts)	2023	2022	2023	2022	
(Amounts in thousands, except per share amounts)					
(Amounts in thousands, except per share amounts)					
Net loss					
Net loss					
Net loss	Net loss	\$(3,660)	\$(6,577)	\$(16,175)	\$(22,631)
		=====	=====	=====	=====

Basic weighted-average common shares outstanding  
Basic weighted-average common shares outstanding

Basic weighted-average common shares outstanding	Basic weighted-average common shares outstanding	47,649	47,182	47,537	47,096
Effect of dilutive stock options and restricted stock units	Effect of dilutive stock options and restricted stock units	—	—	—	—
Effect of dilutive stock options and restricted stock units	Effect of dilutive stock options and restricted stock units	—	—	—	—
Diluted weighted-average common shares outstanding	Diluted weighted-average common shares outstanding	—	—	—	—
Diluted weighted-average common shares outstanding	Diluted weighted-average common shares outstanding	—	—	—	—
Diluted weighted-average common shares outstanding	Diluted weighted-average common shares outstanding	47,649	47,182	47,537	47,096
Basic loss per common share	Basic loss per common share	\$ (0.08)	\$ (0.14)	\$ (0.34)	\$ (0.48)
Basic loss per common share	Basic loss per common share	—	—	—	—
Diluted loss per common share	Diluted loss per common share	\$ (0.08)	\$ (0.14)	\$ (0.34)	\$ (0.48)
Diluted loss per common share	Diluted loss per common share	—	—	—	—
Anti-dilutive shares excluded from diluted net loss per common share:	Anti-dilutive shares excluded from diluted net loss per common share:	—	—	—	—
Anti-dilutive shares excluded from diluted net loss per common share:	Anti-dilutive shares excluded from diluted net loss per common share:	—	—	—	—
Stock options	Stock options	6,859	6,536	6,859	6,536

Restricted stock units	Restricted stock units	943	633	943	633
Restricted stock units					
Restricted stock units					

## 11. NexoBrid License and Supply Agreements

On May 6, 2019, the Company entered into exclusive license and supply agreements with MediWound to commercialize NexoBrid in North America. The FDA subsequently approved a BLA for the product on December 28, 2022. On September 20, 2023, the Company announced the U.S. commercial availability of NexoBrid and, subsequently, has commenced commercial sales of the product. NexoBrid is a topically-administered biological orphan product, which contains proteolytic enzymes and is indicated for the removal of eschar in adults with deep partial-thickness and/or full thickness thermal burns.

Pursuant to the terms of the license agreement, following the FDA approval of NexoBrid, MediWound transferred the BLA to Vericel effective February 20, 2023. Both MediWound and Vericel, under the supervision of a Central Steering Committee comprised of members of both companies will continue to guide the development of NexoBrid in North America (the "Central Steering Committee"). NexoBrid is approved in the European Union ("EU") and other international markets and has been designated as an orphan biologic in the U.S., EU and other international markets.

In May 2019, the Company paid MediWound \$17.5 million in consideration for the license, which was recorded as research and development expense during 2019. Pursuant to the FDA's December 2022 approval of NexoBrid resulted in the achievement of a \$7.5 million regulatory milestone payment pursuant to the terms of the license agreement, in February 2023, the Company tendered to MediWound a \$7.5 million regulatory milestone payment following the FDA's BLA approval of NexoBrid on December 28, 2022, agreement. The Company recorded the \$7.5 million \$7.5 million milestone payment for the licensing rights to commercially sell NexoBrid in the U.S., as an intangible asset as of December 31, 2022 (see Note 4, "Selected Balance Sheet Components" for further details). The \$7.5 million milestone payment was paid to MediWound in February of 2023.

The Company commenced commercial sales of NexoBrid in Additionally, the U.S. in September 2023. The Company is obligated to pay MediWound up to \$125.0 million, which is contingent upon meeting certain sales milestones. The first sales milestone payment of \$7.5 million would be triggered when annual net sales of NexoBrid or improvements to NexoBrid in North America exceed \$75.0 million. As of September 30, 2023 March 31, 2024, the sales milestone payments are not yet probable and therefore, not recorded as a liability. The Company also will pay MediWound tiered royalties on net sales ranging from mid-high single-digit to mid-teen percentages, subject to customary reductions. Pursuant to the terms of the Company's supply agreement with MediWound, MediWound is manufacturing and will continue to manufacture NexoBrid for the Company on a unit price basis, which may be increased pursuant to the terms of the supply agreement. MediWound is obligated to supply the Company with NexoBrid for sale in North America on an exclusive basis for the first five years of the term of the supply agreement. Under the supply agreement, the Company possesses the option to extend the initial term of the agreement by an additional 24 months, which it did in May 2022. After the initial term, the Company may extend the supply agreement on an annual basis for up to 10 additional years, at its sole discretion. Under the supply agreement, the Company is permitted to establish an alternate source of supply in certain circumstances, including the event of a supply failure.

Additionally, beginning in 2020, BARDA procured quantities of NexoBrid from MediWound for use as a medical countermeasure in the event of a mass casualty emergency in the U.S. involving thermal burns. The initial, quarterly, procurement of NexoBrid by BARDA under its agreement with MediWound completed during the third quarter of 2022. As a part of BARDA's commitment to procure NexoBrid, the Company has received a percentage of gross profit for sales directly to BARDA. As of September 30, 2023 March 31, 2024, the Company did not hold a direct contract or distribution agreement with BARDA, or take title to the product procured by BARDA.

On May 9, 2023, MediWound announced BARDA's award of additional funding under the parties' existing agreement, \$3.0 million of which will support the replacement of NexoBrid, previously procured for emergency response preparedness, which has since expired. Pursuant to the terms of the Company's license agreement with MediWound, the Company will recognize revenue based on a percentage of gross profits, minus a percentage of net sales, on any sales of NexoBrid directly to BARDA, upon delivery, pursuant to this additional award.

## 12. Commitments and Contingencies

From time to time, time-to-time, the Company could be a party to various legal proceedings arising in the ordinary course of business. The costs and outcome of litigation, regulatory, investigatory or other proceedings cannot be predicted with certainty, and some lawsuits, claims, actions or proceedings may be disposed of unfavorably to the Company and could have a material adverse effect on the Company's results of operations or financial condition. In addition, intellectual property disputes often have a risk of injunctive relief which, if imposed against the Company, could materially and adversely affect its financial condition or results of operations. If a matter is both probable to result in a material liability and the amount of loss can be reasonably estimated, the Company estimates and discloses the possible material loss or range of loss. If such loss is not probable or cannot be reasonably estimated, a liability is not recorded in its condensed consolidated financial statements.

As of September 30, 2023 March 31, 2024, the Company has had no material ongoing litigation in which the Company was a party or any material ongoing regulatory or other proceedings and had no knowledge of any investigations by government or regulatory authorities in which the Company is a target that could have a material adverse effect on its current business.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## Overview

Vericel Corporation is a fully-integrated, commercial-stage biopharmaceutical company and a **leader in** leading provider of advanced therapies for the sports medicine and severe burn care markets. Whether we are treating damaged cartilage or severe burns, we provide advanced therapies to repair serious injuries and restore lives. Our highly differentiated portfolio of cell therapy and specialty biologic products combines innovations in biology with medical technologies. We were among the first companies to achieve commercial success in the complex field of cell therapies with treatments that use tissue engineering to regenerate skin and healthy knee cartilage. We currently market two U.S. Food and Drug Administration ("FDA") approved autologous cell therapy products and one FDA-approved specialty biologic product in the U.S. MACI® is an autologous cellularized scaffold product indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults. Epicel® is a permanent skin replacement Humanitarian Use Device ("HUD") for the treatment of adult and pediatric patients with deep-dermal or full-thickness burns comprising greater than or equal to 30 percent of total body surface area ("TBSA"). We also hold an exclusive license from MediWound Ltd. ("MediWound") for North American rights to NexoBrid® (anacaulase-bcd). On December 28, 2022, the FDA approved a Biologics License Application ("BLA") for NexoBrid, a topically-administered biological **orphan** product containing proteolytic enzymes, which is now indicated for the removal of eschar in adults with deep partial-thickness and/or full thickness full-thickness thermal burns. Following NexoBrid's approval, we began cross-functional commercial launch activities for the product, including education, training and engagement activities and the deployment of additional NexoBrid account managers. On September 20, 2023, the Company announced the U.S. commercial availability of NexoBrid and, subsequently, has commenced commercial sales of the product.

## COVID-19

On May 11, 2023, the U.S. Department of Health and Human Services announced the expiration of the federal Public Health Emergency for COVID-19. At this juncture, the pandemic's effects on our business and results of operations have largely moderated and we have seen a return to more normal operations. Should a resurgence of COVID-19 occur, or new virus variants emerge, it could result in additional disruptions that could impact our business and operations in the future, including U.S. hospital or surgical center staffing shortages, periodic cancellation or delay of elective MACI surgical procedures, intermittent restrictions on the ability of our personnel to travel and access customers for selling, marketing, training, case support and product development feedback, delays in approvals by regulatory bodies, delays in product development efforts, and additional government requirements or other incremental mitigation efforts that may further impact our capacity to manufacture, sell and support the use of our products.

## The War in Ukraine

The ongoing war between Russia and Ukraine and the related sanctions and other penalties imposed by countries across the globe against Russia are continuing to create substantial uncertainty in the global economy and have contributed to heightened inflation and supply chain disruptions. While we do not have operations in Russia or Ukraine and do not have exposure to distributors, or third-party service providers in Russia or Ukraine, we are unable to predict the ultimate impact that these actions will have on the global economy or on our financial condition, results of operations, and cash flows as of the date of these condensed consolidated financial statements.

## The War in Israel and Gaza

In May 2019, we entered into exclusive license and supply agreements with MediWound, under which MediWound manufactures and supplies NexoBrid to the U.S. market on a unit price basis. MediWound develops and manufactures NexoBrid, contains an active pharmaceutical ingredient of concentrate of proteolytic enzymes enriched in bromelain. For its part, MediWound has entered into an agreement with Challenge Bioproducts Corporation, Ltd. ("CBC"), through which CBC supplies Bromelain SP, a material derived from pineapple stems, and which is manufactured by CBC at its facility in Taiwan. Once produced, MediWound uses Bromelain SP in the development and manufacture of NexoBrid at its facilities in Yavne, Israel.

We continue to monitor the ongoing conflict in Israel and are in close communication with MediWound leadership. MediWound's NexoBrid manufacturing operations are continuing and, as of the date of this disclosure, MediWound does not anticipate a disruption to its ongoing supply of commercial NexoBrid to the United States. To the extent the war between Israel and Hamas intensifies or expands to include additional countries or militant groups in the region and MediWound's facilities in Israel are damaged or destroyed, travel to and from Israel is halted or inhibited, or significant key MediWound operational personnel are called to military service, MediWound's ability to continue to supply NexoBrid to the U.S. market could be disrupted. For further detail, see the risk factor titled "We rely on MediWound for the manufacture, production, and supply of NexoBrid, and our business, financial condition, and results of operations could be materially adversely affected to the extent the manufacture, production, and supply of NexoBrid is disrupted or delayed" included in the Company's Annual Report on 10-K for the year ended December 31, 2022, as filed with the SEC on February 23, 2023.

## Manufacturing

We have a cell manufacturing facility in Cambridge, Massachusetts, which is used for U.S. manufacturing and distribution of MACI and Epicel. The manufacturing process for NexoBrid is conducted by MediWound, primarily at manufacturing locations in Israel. Certain raw materials utilized in NexoBrid's manufacture, including the supply of the active ingredient bromelain, are obtained sourced from Taiwan.

On July 1, 2023, we renewed our long-term supply agreement with Matricel GmbH ("Matricel") for the supply of ACI-Maix collagen membranes used in the manufacture of MACI (the "Matricel Supply Agreement"). In the event Matricel is unable to supply the membranes, we may license the technology and procure the membranes from another source. The Matricel Supply Agreement provides that Matricel shall supply the ACI-Maix membranes exclusively to us during the term of the agreement. The Matricel Supply Agreement is effective until December 31, 2030, with an option to extend its term for three additional years to December 31, 2033. Thereafter, the Matricel Supply Agreement may be renewed for additional three-year periods.

## Product Portfolio

Our marketed products include two FDA-approved autologous cell therapies: therapies and one FDA-approved specialty biologic product. MACI is a third-generation autologous cellularized scaffold product indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults; and Epicel is a permanent skin replacement for the treatment of adult and pediatric patients with deep-dermal or full-thickness burns comprising greater than or equal to 30 percent TBSA. Both autologous cell therapy products are currently manufactured and marketed in the U.S. Our product portfolio also includes a FDA-approved specialty biologic, NexoBrid which is a topically-administered biological orphan product containing proteolytic enzymes that is indicated for eschar removal in adults with deep partial-thickness and/or full-thickness burns. We have entered into hold exclusive license and supply agreements with MediWound to commercialize NexoBrid in North America. On December 28, 2022, the FDA approved a BLA for

NexoBrid, granting a license for commercial use in the U.S. The Company operates its business primarily in the U.S. in one reportable segment — the research, product development, manufacture and distribution of cellular therapies and specialty biologics for use in the treatment of specific conditions.

#### MACI

MACI is a third-generation autologous chondrocyte implantation ("ACI") product indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults.

Our target audiences are orthopedic surgeons who self-identify and/or have formal specialty training in sports medicine, and a subpopulation of general orthopedic surgeons who perform a high volume of cartilage repair procedures involving the knee. As Our MACI commercial team consists of the date of this report, we employ approximately 75 MACI individual sales representatives to enable the sales force to reach that regularly engage with our target audience. The team is divided into geographic regions, each managed by a Regional Manager and led by a Senior Vice President of National MACI Sales. Most private payers have a medical policy that covers treatment with MACI with the top 30 largest commercial payers having a formal medical policy for MACI or ACI in general. With respect to private commercial payers that have not yet approved a medical policy for MACI, we often obtain approval on a case-by-case basis.

MACI is currently implanted into the patient's cartilage defect through an open surgical procedure. We are currently evaluating the potential for focused on the arthroscopic delivery of MACI to the cartilage defect – a procedure in which a surgeon can evaluate, prepare and treat the cartilage defect under direct arthroscopic visualization using specialized instruments delivered through a number of smaller incisions or portals. The arthroscopic delivery of MACI could increase the ease of MACI's use for physicians and reduce both the length of the procedure as well as procedure-induced trauma, ultimately resulting in a reduction of a patient's post-operative pain and accelerating a patient's recovery. We have designed and are currently developing novel and specialized instruments to be used in and help facilitate such a procedure. We have recently discussed with the FDA a non-clinical regulatory strategy to support the potential inclusion of arthroscopic delivery in MACI's approved labeling. Specifically, following a Type C meeting with the FDA, we submitted a protocol for a MACI arthroscopic delivery human factors validation study, which we conducted and completed during the third quarter of 2023. We expect The FDA is currently reviewing the FDA to review data generated during the human factors validation study in the form of a prior approval supplement, seeking which seeks to add instructions for arthroscopic delivery of MACI to the product's approved labeling in the near future, and we labeling. We anticipate the commercial launch of the MACI arthroscopic delivery program during the first half third quarter of 2024.

We also are evaluating the feasibility and potential market opportunity involved in delivering MACI treatment to patients suffering from cartilage damage in the ankle. We believe that this potential lifecycle enhancement and indication expansion for MACI will require conducting an additional randomized clinical trial concerning the product's use in the ankle. Earlier this year, ankle and we conducted pre-IND interactions with are on track to initiate a MACI Ankle clinical trial beginning in 2025. If approved, we believe MACI's expansion into the FDA concerning our clinical development program ankle will be a significant longer-term growth driver for MACI to treat cartilage injuries the product, beginning in the ankle, and based on feedback from latter half of the FDA, our team is actively working to finalize our non-clinical testing and propose a clinical development plan/protocol to FDA for review. decade.

#### Epicel

Epicel is a permanent skin replacement for deep-dermal or full-thickness burns comprising greater than or equal to 30 percent TBSA. Epicel is regulated by the Center for Biologics Evaluation and Research ("CBER") of the FDA under medical device authorities, and is the only FDA-approved cultured epidermal autograft product available for large total surface area burns in both adult and pediatric patients. Epicel was designated as a HUD in 1998 and a Humanitarian Device Exemption ("HDE") application for the product was submitted in 1999. HUDs are devices that are intended for diseases or conditions that affect fewer than 8,000 individuals annually in the U.S. Under an HDE approval, and certain HUDs are restricted by the amount which a HUD cannot be sold manufacturer may charge for an amount that exceeds the cost of research and development, fabrication and distribution unless certain conditions are met. A HUD is eligible to be sold for profit after receiving HDE approval if the device meets certain eligibility criteria, including where the device is intended for the treatment of a disease or condition that occurs in pediatric patients and such device is labeled for use in pediatric patients. If the FDA determines that a HUD meets the eligibility criteria, the HUD is permitted to be sold for profit so long as the number of devices distributed in any calendar year does not exceed the Annual Distribution Number ("ADN"). The ADN is defined as the number of devices reasonably needed to treat a population of 8,000 individuals per year in the U.S. its use.

On Epicel is not price-restricted in this manner because on February 18, 2016, the FDA approved our HDE supplement to revise the labeled indications of use for Epicel to specifically include pediatric patients. patients, thus allowing Epicel to be sold for profit. The revised product label also now specifies that the probable benefit of Epicel, mainly related to survival, was demonstrated in two Epicel clinical experience databases and a physician-sponsored study comparing outcomes in patients with large burns treated with Epicel relative to standard care. Because of the change in the label to specifically include use in pediatric patients, Epicel is no longer subject to the HDE profit restrictions. In conjunction with adding the pediatric labeling and meeting the pediatric eligibility criteria, the FDA has determined the ADN number for Epicel to be 360,400 which is approximately 40 times larger than the volume of grafts sold in 2022. As of the date of this report, our Our burn care field force consists of individual sales and clinical representatives that regularly engage with our target audience. The team is divided into geographic regions, each managed by a Regional Manager and led by a Vice President of National Burn Care Sales.

## NexoBrid

Our portfolio of commercial-stage products now includes NexoBrid (anacaulase-bcdb), a topically-administered biological **orphan** product containing proteolytic enzymes. The FDA approved NexoBrid on December 28, 2022, and the product is indicated for the removal of eschar in adults with deep partial-thickness and/or **full thickness** **full-thickness** thermal burns. Following NexoBrid's approval we immediately began cross-functional commercial launch activities for the product, including education, training, and engagement activities. We began U.S. commercial sales of NexoBrid in September 2023.

NexoBrid is approved in the European Union ("EU") and other international markets and has been designated as an orphan biologic in the U.S., EU and other international markets. NexoBrid has the potential to change the standard of care for eschar removal with respect to hospitalized burn patients and treat a significant addressable market in the U.S. With respect to NexoBrid, of the approximately 40,000 people that are hospitalized in the U.S. each year for burn-related injuries, the majority, over 30,000, have thermal burns and will likely require some level of eschar removal. NexoBrid's FDA approval expands our burn care franchise's total addressable market, which will permit us to treat a significantly larger segment of hospitalized burn patients than with Epicel alone. The expansion of our target addressable market supports a broader commercial footprint, and we believe that this may help drive both increased NexoBrid use as well as increased Epicel awareness throughout the burn care space. **With NexoBrid's approval, our cross-functional commercial launch activities for the product are underway, including education, training, and engagement activities.**

In May 2019, we entered into exclusive license and supply agreements with MediWound to commercialize NexoBrid in North America. The manufacturing process for NexoBrid is conducted by MediWound, primarily at manufacturing locations in Israel. Certain raw materials utilized in NexoBrid's manufacture, including the supply of the active ingredient bromelain are **obtained** **sourced** from Taiwan.

## Results of Operations

The following is a summary of our condensed consolidated results of operations:

		Three Months Ended September 30,				Nine Months Ended September 30,			
(In thousands)	(In thousands)	2023	2022	Change \$	Change %	2023	2022	Change \$	Change %
<b>(In thousands)</b>									
<b>(In thousands)</b>									
<b>Total revenue</b>									
<b>Total revenue</b>									
Total revenue	Total revenue	\$ 45,581	\$ 38,551	\$ 7,030	18.2 %	\$ 132,520	\$ 111,671	\$ 20,849	18.7 %
Cost of product sales	Cost of product sales	14,973	13,318	1,655	12.4 %	45,451	40,132	5,319	13.3 %
<b>Cost of product sales</b>									
<b>Cost of product sales</b>									
<b>Gross profit</b>									
<b>Gross profit</b>									
Gross profit	Gross profit	30,608	25,233	5,375	21.3 %	87,069	71,539	15,530	21.7 %
Research and development	Research and development	5,676	5,046	630	12.5 %	16,141	14,698	1,443	9.8 %
<b>Research and development</b>									
<b>Research and development</b>									
<b>Selling, general and administrative</b>									
<b>Selling, general and administrative</b>									
Selling, general and administrative	Selling, general and administrative	29,989	26,975	3,014	11.2 %	90,123	79,984	10,139	12.7 %
Total operating expenses	Total operating expenses	35,665	32,021	3,644	11.4 %	106,264	94,682	11,582	12.2 %
<b>Total operating expenses</b>									
<b>Total operating expenses</b>									
<b>Loss from operations</b>									

Loss from operations									
Loss from operations	Loss from operations	(5,057)	(6,788)	1,731	(25.5) %	(19,195)	(23,143)	3,948	(17.1) %
Total other income	Total other income	1,111	232	879	378.9 %	2,734	533	2,201	412.9 %
Income tax (benefit) expense		(286)	21	(307)	(1461.9) %	(286)	21	(307)	(1461.9) %
Total other income									
Total other income									
Net loss	Net loss	\$ (3,660)	\$ (6,577)	\$ 2,917	(44.4) %	\$ (16,175)	\$ (22,631)	\$ 6,456	(28.5) %
Net loss									
Net loss									

**Comparison of the Periods Ended September 30, 2023 March 31, 2024 and 2022 2023**

**Total Revenue**

Revenue by product is as follows:

(In thousands)	(In thousands)	Three Months Ended September 30,				Nine Months Ended September 30,				
		2023	2022	Change \$	Change %	2023	2022	Change \$	Change %	
(In thousands)										
(In thousands)										
MACI	MACI	\$ 37,589	\$ 31,009	\$ 6,580	21.2 %	\$ 108,114	\$ 85,617	\$ 22,497	26.3 %	
Epicel	Epicel	7,394	7,317	77	1.1 %	23,808	25,387	(1,579)	(6.2) %	
Epicel	Epicel									
NexoBrid	NexoBrid	598	225	373	165.8 %	598	667	(69)	(10.3) %	
Total revenue	Total revenue	\$ 45,581	\$ 38,551	\$ 7,030	18.2 %	\$ 132,520	\$ 111,671	\$ 20,849	18.7 %	
Total revenue	Total revenue									

Total revenue increase for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022, was driven primarily by higher MACI price and the commercial launch of NexoBrid after its commercial availability on September 20, 2023. In the three months ended September 30, 2022, NexoBrid revenue was associated with the delivery of NexoBrid to BARDA for emergency response preparedness.

Total revenue increase for the nine months ended September 30, 2023 compared to the same period in 2022, 2023, was driven primarily by MACI volume and price growth. Additionally, for the nine months ended September 30, 2023, NexoBrid revenue is related to growth, Epicel volume growth and the commercial launch availability of NexoBrid after its commercial availability on September 20, 2023 compared to revenue associated with the delivery of NexoBrid to BARDA for emergency response preparedness during the nine months ended September 30, 2022. NexoBrid.

**Seasonality.** As a result of the uncertainty and other impacts of the COVID-19 pandemic and the resulting shifts of timing in some revenue, our historically observable seasonality of MACI revenues has been impacted or obscured in 2022 and 2023 and potentially beyond, partially impacted. At this juncture, the

pandemic's effects on our business and results of operations have largely moderated, although there continues to be a level of uncertainty whether MACI seasonality will return to pre-pandemic patterns. In the last five years through 2022 2023, MACI sales volumes from the first through the fourth quarter on average represented 20% (18%-21% -22% range), 21% 22% (16%-24% range), 24% 23% (21%-26% range) and 35% (33%-38% range) respectively, of total annual volumes. Historically, MACI orders are normally stronger in the fourth quarter due to several factors including the satisfaction by patients of insurance deductible limits and the time of year patients prefer to start rehabilitation. Due to the low

incidence and variable occurrence of severe burns, Epicel revenue has inherent variability from quarter-to-quarter and does not exhibit significant seasonality. We are currently unable to predict the level to which seasonality will impact NexoBrid revenue due to only beginning U.S. commercial sales in the third quarter of 2023.

#### Gross Profit

Gross profit increase for the three and nine months ended September 30, 2023 March 31, 2024, compared to the same periods period in 2022, 2023, was driven by higher revenue growth from MACI, Epicel and NexoBrid, combined with our fixed manufacturing cost structure which more than offset higher employee costs, raw material price increases, NexoBrid related amortization consists mainly of labor and costs and higher external storage and manufacturing facility costs.

#### Research and Development Expenses

The following table summarizes research and development expenses, which include materials, professional fees and an allocation of employee-related salary and fringe benefit costs for our research and development projects:

		Three Months Ended September 30,					Nine Months Ended September 30,				
(In thousands)	(In thousands)	2023	2022	Change \$	Change %	2023	2022	Change \$	Change %		
(In thousands)											
(In thousands)											
MACI											
MACI	MACI	\$ 4,020	\$ 3,000	\$ 1,020	34.0 %	\$ 10,412	\$ 8,961	\$ 1,451	16.2 %		
Epicel	Epicel	890	1,166	(276)	(23.7) %	2,975	3,624	(649)	(17.9) %		
Epicel											
Epicel											
NexoBrid											
NexoBrid	NexoBrid	766	880	(114)	(13.0) %	2,754	2,113	641	30.3 %		
Total research and development expenses	Total research and development expenses	\$ 5,676	\$ 5,046	\$ 630	12.5 %	\$ 16,141	\$ 14,698	\$ 1,443	9.8 %		
Total research and development expenses											
Total research and development expenses											

Research and development expenses increased for the three and nine months ended September 30, 2023 March 31, 2024 compared to the same periods period in 2022, 2023. The increase is primarily due to lower reimbursement of higher headcount and employee expenses, from MediWound related to NexoBrid BLA resubmission that occurred in the first half of 2022 and as well as increased MACI arthroscopic development program costs in 2023, 2024.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 2023 March 31, 2024 were \$30.0 million \$34.4 million, compared to \$27.0 million \$29.5 million for the same period in 2022, 2023. The increase in selling, general and administrative expenses was primarily due to higher headcount and employee expenses, additional travel and in-person events across the commercial organization, and lease expense associated with the Burlington Lease.

Selling, general and administrative expenses for the nine months ended September 30, 2023 were \$90.1 million, compared to \$80.0 million for the same period in 2022. The increase in selling, general and administrative expenses was primarily due to higher headcount and employee expenses, additional travel and in-person events across the commercial organization, and as well as lease expense associated with the Burlington Lease.

#### Total Other Income

The change in other income for the three and nine months ended September 30, 2023 March 31, 2024, compared to the same periods in 2022, 2023 was due to an increase in interest income primarily due to fluctuations in the rates of return on our investments in various marketable debt securities slightly offset by interest expense related to our Revolving Credit Agreement, and money market funds.

#### Stock-based Compensation Expense

Non-cash stock-based compensation expense is summarized in the following table:

(In thousands)	(In thousands)	Three Months Ended September 30,						Nine Months Ended September 30,						
		2023	2022	Change \$	Change %	2023	2022	Change \$	Change %					
<b>(In thousands)</b>														
<b>(In thousands)</b>														
<b>Cost of product sales</b>														
Cost of product sales	Cost of product sales	\$ 660	\$ 840	\$ (180)	(21.4) %	\$ 2,341	\$ 2,992	\$ (651)	(21.8) %					
Research and development	Research and development	892	1,273	(381)	(29.9) %	2,862	4,143	(1,281)	(30.9) %					
<b>Research and development</b>														
<b>Selling, general and administrative</b>														
Selling, general and administrative	Selling, general and administrative	6,372	6,991	(619)	(8.9) %	20,213	22,308	(2,095)	(9.4) %					
Total non-cash stock-based compensation expense	Total non-cash stock-based compensation expense	\$ 7,924	\$ 9,104	\$ (1,180)	(13.0) %	\$ 25,416	\$ 29,443	\$ (4,027)	(13.7) %					
<b>Total non-cash stock-based compensation expense</b>														
<b>Total non-cash stock-based compensation expense</b>														

The **decrease** **increase** in stock-based compensation expense for the three **and nine** months ended **September 30, 2023** **March 31, 2024**, compared to the same periods in **2022, 2023**, was due primarily to fluctuations in stock prices and the mix of service-based options and restricted stock units, which impacts the fair value of the options and restricted stock units awarded and the expense recognized in the period.

## Liquidity and Capital Resources

### Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

(In thousands)	Nine Months Ended September 30,			Three months ended March 31,		
	(In thousands)	2023	2022	(In thousands)	2024	2023
Net cash provided by operating activities	Net cash provided by operating activities	\$ 25,225	\$ 10,712			

Net cash provided by (used in) investing activities	4,958	(14,477)
Net cash (used in) provided by investing activities		
Net cash provided by financing activities	2,311	440
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$32,494	\$ (3,325)
Net (decrease) increase in cash, cash equivalents, and restricted cash		

#### Net Cash Provided by Operating Activities

Our cash, cash equivalents and restricted cash totaled \$83.6 million \$70.7 million, short-term investments totaled \$44.9 million \$47.7 million and long-term investments totaled \$20.2 million \$29.4 million as of September 30, 2023 March 31, 2024. The \$25.2 million \$7.2 million of cash provided by operations during the nine three months ended September 30, 2023 March 31, 2024 was primarily the result of non-cash charges of \$25.4 million \$9.8 million related to stock-based compensation expense, \$4.3 million \$1.8 million of operating lease amortization and \$3.5 million \$1.4 million in depreciation and amortization expense, offset by a net loss of \$16.2 million \$3.9 million and a net increase decrease of \$8.8 million \$1.9 million related to movements in our working capital accounts. The overall increase in cash from our working capital accounts was primarily driven by a decrease in accounts receivable due to cash collections on the sales from the previous sequential quarter and receipts of tenant improvement allowances which exceeded payments on operating leases amortization, offset by a decrease in accounts payable and accrued expenses due to timing of payments.

Our cash and cash equivalents totaled \$65.2 million \$61.8 million, short-term investments totaled \$45.7 \$57.4 million and long-term investments totaled \$21.7 \$19.9 million as of September 30, 2022 March 31, 2023. The \$10.7 million \$7.9 million of cash provided by operations during the nine three months ended September 30, 2022 March 31, 2023 was primarily the result of non-cash charges of \$29.4 million \$8.7 million related to stock-based compensation expense, \$3.1 million \$1.1 million of operating lease amortization and \$2.9 million \$1.2 million in depreciation and amortization expense, offset by a net loss of \$22.6 million \$7.5 million and a net decrease increase of \$2.5 million \$4.6 million related to movements in our working capital accounts. The overall decrease increase in cash from our working capital accounts was primarily driven by an increase in inventory due to increased production needs and payments on operating leases offset by a decrease in accounts receivable due to cash collections. collections on the sales from the previous sequential quarter, offset by a decrease in accounts payable and accrued expenses due to timing of payments.

#### Net Cash Provided By (Used In) Investing Activities

Net cash used in investing activities during the three months ended March 31, 2024 was the result of \$22.6 million in investment purchases and \$14.0 million of property and equipment purchases primarily for construction in process related to the Burlington Lease, offset by \$11.1 million of investment sales and maturities.

Net cash provided by investing activities during the nine three months ended September 30, 2023 March 31, 2023 was the result of \$60.9 million \$21.5 million of investment sales and maturities, securities, offset by \$36.3 million \$9.8 million in investment purchases, a \$7.5 million regulatory milestone payment to MediWound resulting from the FDA's approval of the NexoBrid BLA, and \$12.2 million of property and equipment purchases primarily for construction in process related to the Burlington Lease.

Net cash used in investing activities during the nine months ended September 30, 2022 was the result of \$44.0 million in investments purchases and \$6.5 million \$1.4 million of property and equipment purchases primarily for manufacturing upgrades and leasehold improvements, offset by \$35.9 million of investment sales and maturities. construction in process related to the Burlington Lease.

#### Net Cash Provided by Financing Activities

Net cash provided by financing activities during the nine three months ended September 30, 2023 March 31, 2024 was the result of net proceeds from the exercise of stock options and the employee stock purchase plan of \$7.0 million, partially offset by the payment of employee withholding taxes related to the vesting of restricted stock units of \$4.9 million.

Net cash provided by financing activities during the three months ended March 31, 2023 was the result of net proceeds from the exercise of stock options and purchases under the employee stock purchase plan of \$4.6 million \$2.2 million, partially offset by the payment of employee withholding taxes related to the vesting of restricted stock units of \$2.3 million \$2.1 million.

Net cash provided by financing activities during the nine months ended September 30, 2022 was the result of net proceeds from the exercise of stock options and purchases under the employee stock purchase plan of \$3.0 million, offset by the payment of employee withholding taxes related to the vesting of restricted stock units of \$1.5 million and payments of debt issuance costs of \$1.1 million.

#### **Liquidity**

Since our acquisition of MACI and Epicel in 2014, our primary focus has been to invest in our existing commercial business with the goal of growing revenue. We have raised significant funds in order to advance and complete our product development and product life-cycle management programs and to market and commercialize our products, including NexoBrid. To date, we have financed our operations primarily through cash received through MACI, Epicel and Epicel NexoBrid sales, debt, and public and private sales of our equity securities. We may finance our operations through the sales of equity securities, revolver borrowings or other debt financings, in addition to cash generated from operations.

We believe that our current cash on hand, cash equivalents, investments, and available borrowing capacity will be sufficient to support our current operations through at least 12 months from the issuance of the condensed consolidated financial statements included in this report. Although the effects of the COVID-19 pandemic have largely moderated in recent months, our business and operations may be adversely affected in the future if conditions were to worsen. Our actual cash requirements may differ from projections and will depend on many factors, including the level and pace of future research and development efforts, the scope and results of ongoing and potential clinical trials, the costs involved in filing, prosecuting and enforcing patents, the need for additional manufacturing capacity, competing technological and market developments, global macroeconomic conditions, costs associated with possible acquisitions or development of complementary business activities, and the cost to market our products.

As of September 30, 2023 March 31, 2024, we were not party to any off-balance sheet arrangements.

#### **Sources of Capital**

On August 27, 2021, we entered into a Sales Agreement with Leerink Partners (f/k/a SVB Leerink LLC), as sales agent (the "Sales Agreement"), pursuant to which we may offer and sell up to \$200.0 million \$200.0 million of shares of our common stock, no par value per share ("ATM Shares"). The ATM Shares to be offered and sold under the Sales Agreement will be issued and sold pursuant to an automatically effective shelf registration statement on Form S-3ASR (File No. 333-259119) filed by us on August 27, 2021, which expires three years from the filing date. We also filed a prospectus supplement relating to the offering and sale of the ATM Shares on August 27, 2021. We are not obligated to make any sales of ATM Shares, and Leerink Partners is not required to sell any specific number or dollar amount of the ATM Shares under the Sales Agreement. As of September 30, 2023 March 31, 2024, we have sold no shares pursuant to the Sales Agreement.

On July 29, 2022, we entered into a \$150.0 million five-year senior secured revolving credit agreement by and among the Company, the other loan parties thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as the administrative agent (the "Revolving Credit Agreement"). We have no immediate plans to borrow under the Revolving Credit Agreement, but we may use the facility for working capital needs and other general corporate purposes. As of September 30, 2023 March 31, 2024, there are no outstanding borrowings under the Revolving Credit Agreement, and we are in compliance with all applicable covenant requirements. See Note 8, "Revolving Credit Agreement" in the accompanying condensed consolidated financial statements for further details.

#### **Contractual Obligations and Commitments**

The disclosure of our contractual obligations and commitments is set forth in the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Contractual Obligations" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. In connection with the Burlington Lease, the Company funded the remaining 50% of its required cost amount, or approximately \$28.3 million, with cash on hand, pursuant to the Construction Escrow Agreement in April 2024. There have been no other material changes, outside of the ordinary course of business, to our contractual obligations and commitments since December 31, 2022, except as noted below.

In April 2023, in connection with the Burlington Lease, we entered into a construction escrow agreement (the "Construction Escrow Agreement") with the facility's landlord and an escrow agent. Pursuant to the terms of the Construction Escrow Agreement, in April 2023 we began funding into an escrow account maintained by the escrow agent a portion of our share of tenant improvement construction costs at the facility, which will be designated as restricted cash. At the same time, the facility's landlord began funding a portion of its tenant improvement allowance through a separate escrow account. To date, we have transferred into our escrow account 50% of our required cost amount, or approximately \$28.3 million December 31, 2023. We anticipate funding the remaining 50% of our required cost amount in early 2024. Additionally, and in order to support the expansion of our autologous cell manufacturing operations at the new facility in Burlington, we plan to invest in the acquisition and installation of certain specialized manufacturing and laboratory equipment.

On July 1, 2023, we renewed our long-term supply agreement with Matricel for the supply of ACI-Maix collagen membranes used in the manufacture of MACI. Under the terms of the Matricel Supply Agreement, we have committed to annual minimum purchase values totaling approximately €12.5 million over the eight-year term.

#### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, expenses, and related disclosures. Actual results may differ materially from these estimates under different assumptions and conditions.

There have been no material changes to our critical accounting policies and estimates in the **nine** **three** months ended **September 30, 2023** **March 31, 2024**. For further information, refer to our summary of significant accounting policies and estimates in our Annual Report on Form 10-K filed for the year ended **December 31, 2022** **December 31, 2023**.

#### **Cautionary Note Regarding Forward-Looking Statements**

This report, including the documents incorporated by reference herein, contains certain statements that describe our management's beliefs concerning future business conditions, plans and prospects, growth opportunities and the outlook for our business based upon information currently available. Such statements are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Wherever possible, we have identified these forward-looking statements by words such as "will," "may," "anticipates," "believes," "intends," "estimates," "expects," "plans," "projects," "trends," "opportunity," "current," "intention," "position," "assume," "potential," "outlook," "remain," "continue," "maintain," "sustain," "seek," "target," "achieve," "continuing," "ongoing," and similar words or phrases, or future or conditional verbs such as "would," "should," "could," "may," or similar expressions. Among the factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, uncertainties associated with our expectations regarding future revenue, growth in revenue, market penetration for MACI®, Epicel®, and NexoBrid®, growth in profit, gross margins and operating margins, the ability to continue to scale our manufacturing operations to meet the demand for our cell therapy products, including the timely completion of a new headquarters and manufacturing facility in Burlington, Massachusetts, the ability to achieve or sustain profitability, contributions to adjusted EBITDA, the expected target surgeon audience, potential fluctuations in sales and volumes and our results of operations over the course of the year, timing and conduct of clinical trial and product development activities, timing and likelihood of the FDA's potential approval of the arthroscopic delivery of MACI to the knee or the use of MACI to treat cartilage defects in the ankle, the estimate of the commercial growth potential of our products and product candidates, competitive developments, changes in third-party coverage and reimbursement, physician and burn center adoption of NexoBrid, supply chain disruptions or other events **or factors** affecting **MediWound Ltd.**'s **MediWound**'s ability to manufacture and supply **sufficient quantities** of NexoBrid to meet customer demand, including but not limited to the ongoing Israel-Hamas war, negative impacts on the global economy and capital markets resulting from the conflict in Ukraine and the Israel-Hamas war, adverse developments affecting financial institutions, companies in the financial services industry or the financial services industry generally, global geopolitical tensions or record inflation and potential future impacts on our business or the economy generally stemming from a resurgence of COVID-19 or another similar public health emergency. These forward-looking statements are based upon assumptions our management believes are reasonable. Such forward-looking statements are subject to risks and uncertainties, which could cause our actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements, including, among others, the risks and uncertainties listed in our Annual Report under "Part I, Item 1A Risk Factors" and the risk listed in this **Quarterly Report** on Form 10-K under "Part I, Item 1A Risk Factors."

Because our forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different and any or all of our forward-looking statements may turn out to be wrong. Forward-looking statements speak only as of the date made and can be affected by assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in our discussion in our Annual Report on Form 10-K will be important in determining future results. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. Consequently, we cannot assure you that our expectations or forecasts expressed in such forward-looking statements will be achieved. Except as required by law, we undertake no obligation to publicly update any of our forward-looking or other statements, whether as a result of new information, future events, or otherwise.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

For quantitative and qualitative disclosures about market risk, see Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. Our exposures to market risk have not changed materially since **December 31, 2022** **December 31, 2023**.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer (its Certifying Officers), evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the evaluation as of **September 30, 2023** **March 31, 2024**, the Company's Certifying Officers concluded that the Company's disclosure controls and procedures were effective.

The Company has established disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management of the Company, with the participation of its Certifying Officers, as appropriate, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

During the three months ended **September 30, 2023** **March 31, 2024**, there were no material changes made in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

#### **PART II - OTHER INFORMATION**

##### **Item 1. Legal Proceedings**

We are currently not party to any material legal proceedings, although from time to time we may become involved in disputes in connection with the operation of our business.

##### **Item 1A. Risk Factors**

Factors that could cause the Company's actual results to differ materially from those in this Quarterly Report are any of the risks described in our Annual Report on Form 10-K for the fiscal year ended **December 31, 2022** **December 31, 2023** filed with the SEC on **February 23, 2023** **February 29, 2024**. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. As of the date of this Quarterly Report on Form 10-Q, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended **December 31, 2022**, except as follows.

***Adverse developments affecting financial institutions, companies in the financial services industry or the financial services industry generally, such as actual events or concerns involving liquidity, defaults or non-performance, could adversely affect our operations and liquidity.***

We regularly maintain cash balances with leading financial institutions in excess of the U.S. Department of Treasury, Federal Deposit Insurance Corporation ("FDIC") insurance limit. Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems.

Our access to our cash and cash equivalents in amounts adequate to finance our operations could be significantly impaired if the financial institutions with which we have arrangements directly face liquidity constraints or failures. In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any material decline in available funding or our ability to access our cash and cash equivalents could adversely impact our ability to meet our operating expenses, result in breaches of our contractual obligations or result in violations of federal or state wage and hour laws, any of which could have material adverse impacts on our operations and liquidity. Furthermore, should our customers have relationships with financial institutions that fail, this may result in a delay of collecting outstanding receivables, which could have a material adverse effect on our business.

***We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability, ongoing wars between Russia and Ukraine and between Israel and Hamas, and record inflation. Our business, financial condition and results of operations could be materially adversely affected by any negative impact on the global economy and capital markets resulting from the war in Ukraine, the Israel-Hamas war, geopolitical tensions, or record inflation.***

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions due in part to the conflict in Ukraine and the Israel-Hamas war. Although the length and impact of the ongoing military conflict in Ukraine and the Israel-Hamas war is highly unpredictable, the geopolitical uncertainty caused in part by the conflicts has led to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions, which has contributed to record inflation globally. We are continuing to monitor inflation, the situations in Ukraine and Israel and global capital markets and assessing the potential impact on our business.

Although, to date, our business has not been materially impacted by the ongoing military conflict between Russia and Ukraine or the Israel-Hamas war, geopolitical tensions, or record inflation, it is impossible to predict the extent to which our operations will be impacted in the short and long term, or the ways in which such matters may impact our business. The extent and duration of the war in Ukraine and the Israel-Hamas war, geopolitical tensions, record inflation and resulting market disruptions are impossible to predict but could be substantial. **December 31, 2023.**

##### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable.

##### **Item 3. Defaults Upon Senior Securities**

Not applicable.

#### Item 4. Mine Safety Disclosures

Not applicable.

#### Item 5. Other Information

##### Rule 10b5-1 Trading Plans

During the fiscal quarter ended **September 30, 2023** **March 31, 2024**, the following Section 16 officers and directors adopted, modified or terminated a "Rule 10b5-1 trading arrangement" (as defined in Item 408 of Regulation S-K of the Exchange Act):

- On March 11, 2024, Kevin McLaughlin, a member of the Vericel Corporation Board of Directors, entered into a Rule 10b5-1 trading arrangement providing for the potential sale of up to 35,000 shares of our common stock between August 7, 2024, and August 8, 2025;
- On **August 11, 2023** **March 12, 2024**, Robert Zerbe, Chairman of the Vericel Corporation Board of Directors, entered into a Rule 10b5-1 trading arrangement providing for the potential sale of up to **17,000** **17,500** shares of our common stock between **November 15, 2023** **September 3, 2024**, and **August 30, 2024** **August 29, 2025**;
- On **August 17, 2023** **March 13, 2024**, Jonathan Hopper, Sean Flynn, Vericel Corporation's Chief **Medical** **Legal** Officer, entered into a Rule 10b5-1 trading arrangement providing for the potential sale of up to **15,000** **40,075** shares of our common stock between **November 20, 2023** **June 13, 2024** and **October 31, 2024** **May 30, 2025**;
- On **August 31, 2023**, Michael Halpin, Vericel Corporation's Chief Operating Officer, entered into a Rule 10b5-1 trading arrangement providing for the potential sale of up to **32,834** shares of our common stock between **November 30, 2023** and **August 30, 2024**;
- On September 1, 2023, Dominick Colangelo, Vericel Corporation's President and Chief Executive Officer, entered into a Rule 10b5-1 trading arrangement providing for the potential sale of up to **431,849** shares of our common stock between **December 6, 2023** and **December 31, 2024**; and
- On **September 14, 2023** **March 13, 2024**, Jonathan Siegal, Vericel Corporation's Principal Accounting Officer, entered into a 10b5-1 Plan providing for the potential sale of up to **23,800** **42,577** shares of our common stock between **December 13, 2023** **June 13, 2024** and **May 17, 2024** **February 28, 2025**; and
- On March 15, 2024, Joseph Mara, Vericel Corporation's Chief Financial Officer, entered into a Rule 10b5-1 trading arrangement providing for the potential sale of up to **5,000** shares of our common stock between **June 13, 2024** and **May 30, 2025**.

There were no "non-Rule 10b5-1 trading arrangements" (as defined in Item 408 of Regulation S-K of the Exchange Act) adopted, modified or terminated during the fiscal quarter ended **September 30, 2023** **March 31, 2024** by our directors and section 16 officers. Each of the Rule 10b5-1 trading arrangements are in accordance with our Statement of Company Policy on Insider Trading and Disclosure and actual sale transactions made pursuant to such trading arrangements will be disclosed publicly in Section 16 filings with the SEC in accordance with applicable securities laws, rules and regulations.

#### Item 6. Exhibits

The Exhibits listed in the Exhibit Index are filed as a part of this Quarterly Report on Form 10-Q.

##### EXHIBIT INDEX

Exhibit Number	Description of Exhibits	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
3.1	<a href="#">Restated Articles of Incorporation of the Company.</a>	8-K	000-22025	4.1	December 17, 2009
	<a href="#">Certificate of Amendment to Restated Articles of Incorporation of the Company dated February 9, 2010.</a>				
3.2	<a href="#">Certificate of Amendment to Restated Articles of Incorporation of the Company dated March 22, 2011.</a>	S-1	333-160044	3.2	March 31, 2010
	<a href="#">Certificate of Amendment to the Restated Articles of Incorporation of the Company, dated November 21, 2014.</a>				
3.3	<a href="#">Amended and restated bylaws.</a>	8-K	000-22025	3.1	March 25, 2011
3.4		8-K	001-35280	3.1	November 24, 2014
3.5		8-K	000-22025	3.1	November 12, 2010

4.1	<a href="#">Description of Capital Stock.</a> <a href="#">Form of New Hire Incentive Stock Option Agreement under the 2022 Omnibus Incentive Plan amended July 25, 2023.</a>	10-K	001-35280	4.5	February 25, 2020
10.1*	<a href="#">Form of Current Employee Incentive Stock Option Agreement under the 2022 Omnibus Incentive Plan amended July 25, 2023.</a>				
10.2*	<a href="#">Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors under the 2022 Omnibus Incentive Plan amended July 25, 2023.</a>				
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
32.1*	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
104*	<a href="#">Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).</a>				

Exhibit Number	Description of Exhibits	Incorporated by Reference			
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3.4	<a href="#">Amended and restated bylaws.</a>	8-K	001-35280	3.1	November 24, 2014
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31.2*	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				
32.1*	<a href="#">Form of Restricted Stock Unit Award Agreement for Employees under the 2022 Omnibus Plan, amended February 21, 2024.</a>				
10.1#	<a href="#">Description of Capital Stock.</a>				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
104*	<a href="#">Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).</a>				

# Management contract or compensatory plan or arrangement covering executive officers or directors of Vericel.

\* Filed 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.

Date: November 8, 2023 May 8, 2024

VERICEL CORPORATION

/s/ DOMINICK C. COLANGELO

Dominick C. Colangelo

*President and Chief Executive Officer*

*(Principal Executive Officer)*

/s/ JOSEPH A. MARA

Joseph A. Mara

*Chief Financial Officer*

*(Principal Financial Officer)*

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**Exhibit 10.1** 10.1

### **Form of New Hire Incentive Stock Option Award Agreement Under the 2022 Plan**

#### **Vericel Corporation 2022 Omnibus Incentive Plan**

#### **Incentive Restricted Stock Option Unit Award Agreement for Company Employees**

AWARD AGREEMENT (the "Agreement"), effective as

Name of [[GRANTDATE]] (the "Grant Date"), is entered into by and between Vericel Corporation, a Michigan corporation (the "Company"), and Participant: [[FIRSTNAME]] [[LASTNAME]] (the "Participant").

**1.** Grant No. of Option. The Company hereby grants to the Participant a stock option (the "Option") to purchase Restricted Stock Units: [[SHARESGRANTED]] shares of common stock of the Company, no par value (the "Shares"), at the exercise price of [[GRANTPRICE]] per Share (the "Exercise Price").

**2.** Subject Grant Date: [[GRANTDATE]]

Vesting Start Date: [[VESTINGSTARTDATE]]

Pursuant to the Plan. This Agreement is subject to and governed by the terms and provisions of the Vericel Corporation 2022 Omnibus Incentive Plan as amended through the date hereof (the "Plan"), Vericel Corporation (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Participant named above. Each Restricted Stock Unit shall relate to one share of common stock, no par value per share (each, a "Share") of the Company.

**1.** Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Participant, and unless any Shares issuable with respect to the context requires Award may not be sold, transferred, pledged, assigned or otherwise terms used herein shall encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and

(ii) Shares have been issued to the same meaning as Participant in accordance with the Plan. In the event of a conflict between the provisions of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse as to 25% of the number of Restricted Stock Units on each of the first four anniversaries of the Vesting Start Date (each such date, a "Vesting Date"), provided that the Participant remains an employee of the Company or an Affiliate on the relevant Vesting Date. Subject to the terms of the Plan, shall control, the Committee may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Term Termination of Option. Unless the Option terminates earlier pursuant to the provisions of this Agreement, the Option shall expire on the tenth anniversary of the Grant Date.

4. Vesting Employment. Subject to the discretion of the Committee to accelerate the exercisability permit continued vesting of the Option, Restricted Stock Units, if the Option shall become vested Participant's employment with the Company and exercisable over four years, with 25% its Affiliates terminates for any reason other than the Participant's death, Disability or Retirement (as defined below), prior to the satisfaction of the Shares vesting on the first anniversary conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of the Grant Date such date shall automatically and 6.25% of the Shares vesting quarterly thereafter, provided that without notice terminate and be forfeited, and neither the Participant is employed by the Company nor any of his or an Affiliate on the applicable date. In addition, upon her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

(a) Death or Disability. Upon termination of the Participant's employment due to the Participant's death or Disability, the restrictions and conditions of Paragraph 1 of this Option Agreement shall become vested and exercisable in full, lapse as to 100% of the number of Restricted Stock Units. For purposes of this Award, "Disability" shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4).

5. (b) Exercise of Option.

(a) Manner of Exercise Retirement. To Upon termination of the extent vested, the Option may be exercised, in whole or in part, by delivering written notice Participant's employment due to the Company in such form as Participant's Retirement, the Company may require from time to time. Such notice shall specify the number restrictions and conditions of Shares subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan. The Option may be exercised only in multiples of whole Shares and no fractional Shares shall be issued.

(b) Status of the Option. This Stock is intended to qualify as an "incentive stock option" under Section 422 of Code, but the Company does not represent or warrant that this Option qualifies as such. The Participant should consult with his or her own tax advisors regarding the tax effects Paragraph 1 of this Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. To the extent any portion of this Option does not so qualify as an "incentive stock option," such portion Agreement shall be deemed to be a non-qualified stock option.

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Exhibit 10.1#

lapse as to 25% of the number of Restricted Stock Units, only to the extent that such restrictions and conditions have not 100% lapsed as of the Participant's Retirement date. For purposes of this Award, "Retirement" shall mean the Participant's voluntary termination of employment with the Company and its Affiliates after attainment of age 59, with at least ten (10) years of employment with or service to the Company and its Affiliates, and after having provided the Company with notice of the Participant's intention to retire at least 90 days prior to the last day of employment.

(c) 4. Issuance of Shares. As soon as practicable following each Vesting Date, or vesting event pursuant to Paragraphs 3(a) or 3(b), as applicable (but in no event later than two and one-half months after the exercise end of the Option, payment of the Exercise Price for the Shares as to year in which the Option is exercised and compliance to the satisfaction of the Committee with all requirements under applicable laws Vesting Date or regulations in connection with such transfer and with the requirements hereof and of the Plan, vesting event occurs), the Company shall issue to the Participant the applicable number of Shares in equal to the form aggregate number of fully paid Restricted Stock Units that have vested pursuant to Paragraphs 2 and nonassessable Shares. The determination 3 of this Agreement on such date and the Participant shall thereafter have all the rights of

a stockholder of the Committee as Company with respect to such compliance Shares. Notwithstanding the foregoing, Restricted Stock Units subject to Section 409A that are to be made upon a "separation from service" as defined under Section 409A of the Code to the Participant pursuant to Paragraphs 3(a) and 3(b) on any date when Participant is a "specified employee" as defined under Section 409A of the Code shall not be final and binding on paid before the Participant date that is six (6) months following Participant's "separation from service" or, if earlier, Participant's death, to the extent required by Section 409A.

(d) 5. **Capitalization Adjustments Change in Control.** The number of Shares subject to the Option and the Exercise Price shall be equitably and appropriately adjusted, if applicable, as provided in Section 11.2 of the Plan.

(e) a. **Notice of Disposition Effect on Award.** The Participant agrees in the event of a Change in Control, to notify the Company in writing within fifteen (15) days after extent the successor company (or a subsidiary or parent thereof) does not assume or substitute for the Award on substantially the same terms and conditions, the Award shall (i) vest and become nonforfeitable on the day prior to the date of any disposition of any of the Shares issued upon exercise of the Option that occurs before the later of two (2) years after the Grant Date or one (1) year after such Shares are transferred to the Participant.

(f) **Withholding.** The provisions of this paragraph will apply only to the extent that the Option is not treated as an incentive stock option pursuant to paragraph (b) of this Section. No Shares will be issued on exercise of the Option unless and until the Participant pays to the Company, or makes satisfactory arrangements with the Company for payment of, any federal, state or local taxes required by law to be withheld Change in respect of the exercise of the Option. The Participant hereby agrees that the Company may withhold from the Participant's wages or other remuneration the applicable taxes. At the discretion of the Company, the applicable taxes may be withheld from the Shares otherwise deliverable to the Participant on exercise of the Option, up to the Participant's minimum required withholding rate or such other rate that will not trigger a negative accounting impact.

6. **Termination of Option.** To the extent that an Option is vested, it may be exercised at any time specified in this Agreement, provided that, except as set forth in the following provisions of this Section 6, Control if the Participant is still employed by the Company at the time of exercise. In all other cases, the Option shall terminate as set forth in the following subsections. Except as provided herein and subject to the discretion of the Committee to permit continued vesting of the Option, any portion of this Option that has not vested as of the date of termination of employment shall immediately terminate and be of no further force or effect.

(a) **Death.** Upon the death of an Optionee while then employed by the Company or an Affiliate this Option shall be exercisable in full by and (ii) terminate on the person or persons entitled to do so under the will date of the Participant, Change in Control. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) assumes or substitutes for the Participant shall fail to make testamentary disposition Award on substantially the same terms and conditions (which may include providing for settlement in the common stock of the Option, successor company (or a subsidiary or parent thereof)), if within twelve (12) months following the Participant shall die intestate, by date of the Change in Control the Participant's executor or personal representative, at any time prior to the expiration date of this Option or within one (1) year of the Participant's date of death, whichever employment is the shorter period.

(b) **Disabled Participant.** Upon the termination of employment terminated by the Company or an Affiliate of (or the successor company or a Disabled Participant for reasons other than subsidiary or parent thereof) without Cause the unexercised, vested portion of this Option shall be exercisable or by the Participant at any time prior to for Good Reason, the expiration Award shall become fully vested and nonforfeitable on the date of such Option or within one year of the Participant's date of termination of

employment whichever is the shorter period. For purposes of this Agreement, a "Disabled Participant" shall mean the Participant is disabled within the meaning of Section 22(e)(3) of the Code, or as otherwise determined by the Committee in its discretion. The Committee may require such proof of disability as the Committee in its sole and absolute discretion deems appropriate and the Committee's determination as to whether the Participant is a Disabled Participant shall be final and binding on all parties concerned.

(c) **Termination without Cause.** Upon the termination of employment with the Company or an Affiliate of a Participant other than a Disabled Participant, for reasons other than death or Cause, the unexercised, vested portion of this Option shall be exercisable by the Participant at any time prior to the expiration date of such Option or within three (3) months of the Participant's date of termination of employment, whichever is the shorter period, terminated.

(d) b. **Termination for Cause.** Upon the termination of the Participant's employment by the Company or an Affiliate for Cause, unless the Option has earlier terminated, the Option shall immediately terminate in its entirety and shall thereafter not be exercisable to any extent whatsoever. For purposes of this Agreement, except as otherwise provided in a written employment or severance agreement between the Participant and the Company or an Affiliate or a severance plan of the Company or an Affiliate covering the Participant, Paragraph 5(d), "Cause" shall mean a determination by the Committee that the Participant has (i) materially breached his or her employment or service contract with the Company, (ii) been

engaged in disloyalty to the Company or an Affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his or her employment or service, which will materially harm the interests of the Company or the Affiliate, (iii) disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information, (iv) breached any written noncompetition or nonsolicitation agreement between the Participant and the Company or an Affiliate in a manner which the Committee determines will cause material harm to the interests of the Company or an Affiliate, or (v)

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Exhibit 10.1#

engaged in such other behavior materially detrimental to the interests of the Company, in each case as the Committee determines.

The Committee's determination of the reason for termination of the Participant's employment shall be conclusive and binding on the Participant and his or her representatives or legatees.

(e) Extension of Exercise Period. Notwithstanding any provisions of paragraphs (a), (b), (c) or (d) of this Section to the contrary, if exercise of the Option following termination of employment during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Option shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Option or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the time period set forth in the applicable paragraph.

(f) Exercise at Conclusion of Option Term. Notwithstanding the foregoing, and with respect only to such portion of the Option that is deemed to be a non-qualified stock option, if on the last day of the term of an Option the fair market value of one Share exceeds the

Option price per share, the Participant has not exercised the Option and the Option has not expired, the Option shall be deemed to have been exercised by the Participant on such day with payment made by withholding Shares otherwise issuable in connection with the exercise of the Option. In such event, the Company shall deliver to the Participant the number of Shares for which the Option was deemed exercised, less the number of Shares required to be withheld for the payment of the total purchase price and required withholding taxes.

## 7. Change in Control.

(a) Effect on Option. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) does not assume or substitute for the Option on substantially the same terms and conditions, the Option shall (i) vest and become exercisable on the day prior to the date of the Change in Control if the Participant is then employed by the Company or an Affiliate and (ii) terminate on the date of the Change in Control. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) assumes or substitutes for the Option on substantially the same terms and conditions (which may include providing for settlement in the common stock of the successor company (or a subsidiary or parent thereof)), if within twelve (12) months following the date of the Change in Control the Participant's employment is terminated by the Company or an Affiliate (or the successor company or a subsidiary or parent thereof) without Cause or by the Participant for Good Reason, the Option shall become fully vested and exercisable, and may be exercised by the Participant at any time prior to the expiration date of such Option or within three months of the Participant's date of termination of employment, whichever is the shorter period.

Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price, then the Option shall terminate as of the date of the Change in Control, except as otherwise determined by the Committee.

(b) c. Good Reason. For purposes of this Agreement, except as otherwise provided in paragraph (c) of this Section, Paragraph 5(d), "Good Reason" shall mean (i) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% in Participant's rate of annual base salary as in effect immediately prior to such Change in Control; (ii) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% of the Participant's individual annual target or bonus opportunity, except under circumstances where the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) implement changes to the bonus structure of similarly situated employees, including but not limited to changes to the bonus structure designed to integrate the Company's or Affiliate's personnel with other personnel of the successor company (or an subsidiary or parent thereof); (iii) a significant and substantial reduction by the

Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of the Participant's responsibilities and authority, as compared with the Participant's responsibilities and authority in effect immediately preceding the Change in Control; or (iv) any requirement of the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) that Participant be based anywhere more than fifty (50) miles from Participant's primary office location at the time of the Change in **Control**; provided the Participant provides at least ninety (90) days' notice to the Company following the initial occurrence of any such event and the Company fails to cure such event within thirty (30) days thereafter.

(c) **d.** Other Agreement or Plan. The provisions of this **Section Paragraph 5** (including the definitions of Cause and Good Reason), shall be superseded by the specific provisions, if any, of

a written employment or severance agreement between the Participant and the Company or a severance plan of the Company covering the Participant, including a change in control severance agreement or plan, to the extent such a provision provides a greater benefit to the Participant.

**8. Miscellaneous.**

(a) **6.** No Rights Incorporation of Stockholder Plan. The Participant shall not have any of the rights of a stockholder with respect Notwithstanding anything herein to the Shares contrary, this Agreement shall be subject to this Option until such Shares have been issued to him or her upon the due exercise of the Option.

(b) Transferability of Option. As set forth in paragraph 6 of this Agreement, at the time of a Participant's death the Option shall become transferable and governed by will or pursuant to the laws of descent and distribution. Further, to the extent a portion of the Option is deemed to be a non-qualified stock option, such portion may be assigned or transferred to a "family member" as such term is defined in the General Instructions to Form S-8 (whether by gift or a domestic relations order) (each a "Permitted Assignee"), provided that such Permitted Assignee shall: (1) be bound by and subject to all the terms and conditions of the Plan, and including the powers of the Committee set forth in Section 4.2 of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

**7. Tax Withholding**. The Participant shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Committee for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Unless otherwise determined by the Committee, the Company shall cause the required tax withholding obligation to be satisfied by withholding from Shares to be issued to the Participant a number of Shares with an aggregate Fair Market Value that would satisfy the withholding amount due.

**8. Section 409A of the Code**. This Agreement is intended to comply with Section 409A of the Code or be exempt from the requirements of Section 409A of the Code as a "short-term

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**Exhibit 10.1#**

deferral" as described in Section 409A and shall be interpreted in such a manner that all provisions relating to the transferred Option; and (2) execute an agreement satisfactory to the Company evidencing such obligation. Following any such transfer the Participant shall remain bound by all applicable terms and conditions settlement of the Plan. Notwithstanding the provisions of this paragraph (b), in no event may the Option be transferred for consideration to a third-party financial institution. Award are consistent with such intent.

(c) **9. Severability**. If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

(d) **10. Governing Law**. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Michigan, other than its conflict of laws principles.

(e) **11. Headings**. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(f) **12. Notices.** All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

Vericel Corporation  
64 Sidney Street  
Cambridge, MA 02139  
Attention: Chief Financial Officer

Notice to the Participant should be addressed to the Participant at the Participant's address as it appears on the Company's records.

The Company or the Participant may by writing to the other party, designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

(g) **13. No Obligation to Continue Employment.** Neither the Company nor any **subsidiary Affiliate** is obligated by or as a result of the Plan or this Agreement to continue the Participant in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any **subsidiary Affiliate** to terminate the employment of the Participant at any time.

(h) **Data Privacy Consent.** In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and Affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Participant (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Participant may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

(i) **14. Entire Agreement; Modification.** The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto, and may be rescinded only by a written agreement signed by both parties.

**Form of Current Employee Incentive Stock Option Award Agreement Under the 2022 Plan**

**Vericel Corporation 2022 Omnibus Incentive Plan**  
**Incentive Stock Option Award Agreement**

**AWARD AGREEMENT** (the "Agreement"), effective as of [[GRANTDATE]] (the "Grant Date"), is entered into by and between Vericel Corporation, a Michigan corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] (the "Participant").

**1. Grant of Option.** The Company hereby grants to the Participant a stock option (the "Option") to purchase [[SHARESGRANTED]] shares of common stock of the Company, no par value (the "Shares"), at the exercise price of [[GRANTPRICE]] per Share (the "Exercise Price").

**2. Subject to the Plan.** This Agreement is subject to and governed by the terms and provisions of the Vericel Corporation 2022 Omnibus Incentive Plan (the "Plan"), and, unless the context requires otherwise, terms used herein shall have the same meaning as in the Plan. In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control.

**3. Term of Option.** Unless the Option terminates earlier pursuant to the provisions of this Agreement, the Option shall expire on the tenth anniversary of the Grant Date.

**4. Vesting.** Subject to the discretion of the Committee to accelerate the exercisability of the Option, the Option shall become vested and exercisable in equal quarterly installments over four years commencing on the Grant Date, provided that the Participant is employed by the Company or an Affiliate on the applicable date. In addition, upon termination of the Participant's employment due to the Participant's death or Disability, this Option shall become vested and exercisable in full. For purposes of this Option, "Disability" shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4).

**5. Exercise of Option.**

(a) **Manner of Exercise.** To the extent vested, the Option may be exercised, in whole or in part, by delivering written notice to the Company in such form as the Company may require from time to time. Such notice shall specify the number of Shares subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan. The Option may be exercised only in multiples of whole Shares and no fractional Shares shall be issued.

(b) **Status of the Option.** This Stock is intended to qualify as an "incentive stock option" under Section 422 of Code, but the Company does not represent or warrant that this Option qualifies as such. The Participant should consult with his or her own tax advisors regarding the tax effects of this Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. To the extent any portion of this Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option.

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**Exhibit 10.1#**

(c) **Issuance of Shares.** As soon as practicable following the exercise of the Option, payment of the Exercise Price for the Shares as to which the Option is exercised and compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan, the Company shall issue to the Participant the applicable number of Shares in the form of fully paid and nonassessable Shares. The determination of the Committee as to such compliance shall be final and binding on the Participant.

(d) **Capitalization Adjustments.** The number of Shares subject to the Option and the Exercise Price shall be equitably and appropriately adjusted, if applicable, as provided in Section 11.2 of the Plan.

(e) **Notice of Disposition.** The Participant agrees to notify the Company in writing within fifteen (15) days after the date of any disposition of any of the Shares issued upon exercise of the Option that occurs before the later of two (2) years after the Grant Date or one (1) year after such Shares are transferred to the Participant.

(f) **Withholding.** The provisions of this paragraph will apply only to the extent that the Option is not treated as an incentive stock option pursuant to paragraph (b) of this Section. No Shares will be issued on exercise of the Option unless and until the Participant pays to the Company, or makes satisfactory arrangements with the Company for payment of, any federal, state or local taxes required by law to be withheld in respect of the exercise of the Option. The Participant hereby agrees that the Company may withhold from the Participant's wages or other remuneration the applicable taxes. At the discretion of the Company, the applicable taxes may be withheld from the Shares otherwise deliverable to the Participant on exercise of the Option, up to the Participant's minimum required withholding rate or such other rate that will not trigger a negative accounting impact.

**6. Termination of Option.** To the extent that an Option is vested, it may be exercised at any time specified in this Agreement, provided that, except as set forth in the following provisions of this Section 6, the Participant is still employed by the Company at the time of exercise. In all other cases, the

Option shall terminate as set forth in the following subsections. Except as provided herein and subject to the discretion of the Committee to permit continued vesting of the Option, any portion of this Option that has not vested as of the date of termination of employment shall immediately terminate and be of no further force or effect.

(a) Death. Upon the death of an Optionee while employed by the Company or an Affiliate, this Option shall be exercisable in full by the person or persons entitled to do so under the will of the Participant, or, if the Participant shall fail to make testamentary disposition of the Option, or if the Participant shall die intestate, by the Participant's executor or personal representative, at any time prior to the expiration date of this Option or within one (1) year of the Participant's date of death, whichever is the shorter period.

(b) Disabled Participant. Upon the termination of employment by the Company or an Affiliate of a Disabled Participant for reasons other than Cause, the unexercised, vested portion of this Option shall be exercisable by the Participant at any time prior to the expiration date of such Option or within one year of the Participant's date of termination of employment, whichever is the shorter period. For purposes of this Agreement, a "Disabled Participant" shall

mean the Participant is disabled within the meaning of Section 22(e)(3) of the Code, or as otherwise determined by the Committee in its discretion. The Committee may require such proof of disability as the Committee in its sole and absolute discretion deems appropriate and the Committee's determination as to whether the Participant is a Disabled Participant shall be final and binding on all parties concerned.

(c) Termination without Cause. Upon the termination of employment by the Company or an Affiliate of a Participant other than a Disabled Participant, for reasons other than death or Cause, the unexercised, vested portion of this Option shall be exercisable by the Participant at any time prior to the expiration date of such Option or within three (3) months of the Participant's date of termination of employment, whichever is the shorter period.

(d) Termination for Cause. Upon the termination of the Participant's employment with the Company or an Affiliate for Cause, unless the Option has earlier terminated, the Option shall immediately terminate in its entirety and shall thereafter not be exercisable to any extent whatsoever. For purposes of this Agreement, except as otherwise provided in a written employment or severance agreement between the Participant and the Company or an Affiliate or a severance plan of the Company or an Affiliate covering the Participant, "Cause" shall mean a determination by the Committee that the Participant has (i) materially breached his or her employment or service contract with the Company, (ii) been engaged in disloyalty to the Company or an Affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his or her employment or service, which will materially harm the interests of the Company or the Affiliate, (iii) disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information, (iv) breached any written noncompetition or nonsolicitation agreement between the Participant and the Company or an Affiliate in a manner which the Committee determines will cause material harm to the interests of the Company or an Affiliate, or (v) engaged in such other behavior materially detrimental to the interests of the Company, in each case as the Committee determines.

The Committee's determination of the reason for termination of the Participant's employment shall be conclusive and binding on the Participant and his or her representatives or legatees.

(e) Extension of Exercise Period. Notwithstanding any provisions of paragraphs (a), (b), (c) or (d) of this Section to the contrary, if exercise of the Option following termination of employment during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Option shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Option or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the time period set forth in the applicable paragraph.

(f) Exercise at Conclusion of Option Term. Notwithstanding the foregoing, and with respect only to such portion of the Option that is deemed to be a non-qualified stock option, if on the last day of the term of an Option the fair market value of one Share exceeds the Option price per share, the Participant has not exercised the Option and the Option has not expired, the Option

shall be deemed to have been exercised by the Participant on such day with payment made by withholding Shares otherwise issuable in connection with the exercise of the Option. In such event, the Company shall deliver to the Participant the number of Shares for which the Option was deemed exercised, less the number of Shares required to be withheld for the payment of the total purchase price and required withholding taxes.

## 7. Change in Control.

(a) Effect on Option. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) does not assume or substitute for the Option on substantially the same terms and conditions, the Option shall (i) vest and become exercisable on the day prior

to the date of the Change in Control if the Participant is then employed by the Company or an Affiliate and (ii) terminate on the date of the Change in Control. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) assumes or substitutes for the Option on substantially the same terms and conditions (which may include providing for settlement in the common stock of the successor company (or a subsidiary or parent thereof)), if within twelve (12) months following the date of the Change in Control the Participant's employment is terminated by the Company or an Affiliate (or the successor company or a subsidiary or parent thereof) without Cause or by the Participant for Good Reason, the Option shall become fully vested and exercisable, and may be exercised by the Participant at any time prior to the expiration date of such Option or within three months of the Participant's date of termination of employment, whichever is the shorter period.

Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price, then the Option shall terminate as of the date of the Change in Control, except as otherwise determined by the Committee.

(b) **Good Reason.** For purposes of this Agreement, except as otherwise provided in paragraph (c) of this Section, "Good Reason" shall mean (i) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% in Participant's rate of annual base salary as in effect immediately prior to such Change in Control; (ii) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% of the Participant's individual annual target or bonus opportunity, except under circumstances where the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) implement changes to the bonus structure of similarly situated employees, including but not limited to changes to the bonus structure designed to integrate the Company's or Affiliate's personnel with other personnel of the successor company (or an subsidiary or parent thereof); (iii) a significant and substantial reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of the Participant's responsibilities and authority, as compared with the Participant's responsibilities and authority in effect immediately preceding the Change in Control; or (iv) any requirement of the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) that Participant be based anywhere more than fifty (50) miles from Participant's primary office location at the time of the Change in Control.

(c) **Other Agreement or Plan.** The provisions of this Section (including the definitions of Cause and Good Reason), shall be superseded by the specific provisions, if any, of a written employment or severance agreement between the Participant and the Company or a

severance plan of the Company covering the Participant, including a change in control severance agreement or plan, to the extent such a provision provides a greater benefit to the Participant.

## 8. Miscellaneous.

(a) **No Rights of Stockholder.** The Participant shall not have any of the rights of a stockholder with respect to the Shares subject to this Option until such Shares have been issued to him or her upon the due exercise of the Option.

(b) **Transferability of Option.** As set forth in paragraph 6 of this Agreement, at the time of a Participant's death the Option shall become transferable by will or pursuant to the laws of descent and distribution. Further, to the extent a portion of the Option is deemed to be a non-qualified stock option, such portion may be assigned or transferred to a "family member" as such term is defined in the General Instructions to Form S-8 (whether by gift or a domestic relations order) (each a "Permitted Assignee"), provided that such Permitted Assignee shall: (1) be bound by and subject to all the terms and conditions of the Plan and this Agreement relating to the transferred Option; and (2) execute an agreement satisfactory to the Company evidencing such obligation. Following any such transfer the Participant shall remain bound by all applicable terms and conditions of the Plan. Notwithstanding the provisions of this paragraph (b), in no event may the Option be transferred for consideration to a third-party financial institution.

(c) **Severability.** If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

(d) **Governing Law.** This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Michigan, other than its conflict of laws principles.

(e) **Headings.** The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(f) **Notices.** All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

Vericel Corporation  
64 Sidney Street  
Cambridge, MA 02139  
Attention: Chief Financial Officer

Notice to the Participant should be addressed to the Participant at the Participant's address as it appears on the Company's records.

The Company or the Participant may by writing to the other party, designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

(g) No Obligation to Continue Employment. Neither the Company nor any subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Participant in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any subsidiary to terminate the employment of the Participant at any time.

(h) Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and Affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Participant (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Participant may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

(i) Entire Agreement; Modification. The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto, and may be rescinded only by a written agreement signed by both parties.

Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors  
Under the 2022 Plan

**Vericel Corporation 2022 Omnibus Incentive Plan**  
**Non-Qualified Stock Option Award Agreement for Non-Employee Directors**

AWARD AGREEMENT (the "Agreement"), effective as of [[GRANTDATE]] (the "Grant Date"), is entered into by and between Vericel Corporation, a Michigan corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] (the "Participant").

1. Grant of Option. The Company hereby grants to the Participant a non-qualified stock option (the "Option") to purchase [[SHARESGRANTED]] shares of common stock of the Company, no par value (the "Shares"), at the exercise price of \$[[GRANTPRICE]] per Share (the "Exercise Price"). The Option is not intended to qualify as an incentive stock option under Section 422 of the Code.

2. Subject to the Plan. This Agreement is subject to and governed by the terms and provisions of the Vericel Corporation 2022 Omnibus Incentive Plan (the "Plan"), and, unless the context requires otherwise, terms used herein shall have the same meaning as in the Plan. In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control.

3. Term of Option. Unless the Option terminates earlier pursuant to the provisions of this Agreement, the Option shall expire on the tenth anniversary of the Grant Date.

4. Vesting. Subject to the discretion of the Committee to accelerate the exercisability of the Option, the Option shall become vested and exercisable [over a one-year period following the grant date, in twelve (12) equal monthly installments, provided that the Participant is then providing services to the Company as a Director] OR [over a three-year period following the grant date, in thirty-six (36) equal monthly installments, provided that the Participant is then providing services to the Company as a Director].

5. Exercise of Option

(a) Manner of Exercise. To the extent vested, the Option may be exercised, in whole or in part, by delivering written notice to the Company in such form as the Company may require from time to time. Such notice shall specify the number of Shares subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan. The Option may be exercised only in multiples of whole Shares and no fractional Shares shall be issued.

(b) Issuance of Shares. As soon as practicable following the exercise of the Option, payment of the Exercise Price for the Shares as to which the Option is exercised and compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan, the Company shall issue to the Participant the applicable number of Shares in the form of fully paid

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and nonassessable Shares. The determination of the Committee as to such compliance shall be final and binding on the Participant.

(c) Capitalization Adjustments. The number of Shares subject to the Option and the Exercise Price shall be equitably and appropriately adjusted, if applicable, as provided in Section 11.2 of the Plan.

6. Termination of Option.

(a) Termination of Service as a Board Member. Unless the Option has earlier terminated, the Option shall terminate in its entirety, regardless of whether the Option is vested, on the earlier of (i) twenty-four (24) months from the date that the Participant ceases to be a member of the Board of Directors or (ii) the original expiration date of the Option. Subject to the discretion of the Committee to permit continued vesting of the Option, if the Participant's services as a Director terminates for any reason other than due to the Participant's death or Disability prior to the satisfaction of the vesting conditions set forth in Paragraph 4 above, any portion of the Option that is not vested at the time the Participant ceases to be a Director shall immediately terminate and be of no further force or effect. Upon termination of the Participant's services as a Director due to the Participant's death or Disability, this Option shall become vested and exercisable in full. For purposes of this Award, "Disability" shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4).

(b) Extension of Exercise Period. Notwithstanding any provisions of paragraph (a) of this Section to the contrary, if exercise of the Option following termination of service during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Option shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Option or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the time period set forth in the applicable paragraph.

(c) Automatic Exercise. Notwithstanding the foregoing, if on the last business day immediately preceding the expiration of the Option (i) the Fair Market Value per Share exceeds the Exercise Price, (ii) the Option is vested and Participant has not exercised the Option, and (iii) the Option has not expired or otherwise terminated, the Option shall automatically be deemed to have been exercised by the Participant on such day with payment made by "net exercise" pursuant to which payment will be made by withholding Shares otherwise issuable in connection with the exercise of the Option. In such event, the Company shall deliver to the Participant the number of Shares for which the Option was deemed exercised, less the

number of Shares required to be withheld for the payment of the aggregate exercise price and required withholding taxes; provided, however, that any fractional Share shall be settled in cash.

**7. Change in Control.**

(a) Effect on Option. In the event of a Change in Control, the Option shall (i) vest and become exercisable on the day prior to the date of the Change in Control if the

Participant is then providing services to the Company or an Affiliate and (ii) terminate on the date of the Change in Control.

(b) Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price, then the Option shall terminate as of the date of the Change in Control, except as otherwise determined by the Committee.

**8. Miscellaneous.**

(a) No Rights of Stockholder. The Participant shall not have any of the rights of a stockholder with respect to the Shares subject to this Option until such Shares have been issued to him or her upon the due exercise of the Option.

(b) Transferability of Option. As set forth in paragraph 6 of this Agreement, at the time of a Participant's death the Option shall become transferable by will or pursuant to the laws of descent and distribution. Further, the Option may be assigned or transferred to a "family member" as such term is defined in the General Instructions to Form S-8 (whether by gift or a domestic relations order) (each a "Permitted Assignee"), provided that such Permitted Assignee shall: (1) be bound by and subject to all the terms and conditions of the Plan and this Agreement relating to the transferred Option; and (2) execute an agreement satisfactory to the Company evidencing such obligation. Following any such transfer the Participant shall remain bound by all applicable terms and conditions of the Plan. Notwithstanding the provisions of this paragraph (b), in no event may the Option be transferred for consideration to a third-party financial institution.

(c) Severability. If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

(d) Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Michigan, other than its conflict of laws principles.

(e) Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(f) Notices. All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

Vericel Corporation

64 Sidney Street

Cambridge, MA 02139

Attention: Chief Financial Officer

Notice to the Participant should be addressed to the Participant at the Participant's address as it appears on the Company's records.

The Company or the Participant may by writing to the other party, designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

(g) **No Obligation to Continue as a Director.** Neither the Plan nor this Option confers upon the Participant any rights with respect to continuance as a Director.

(g) **Agreement Not a Contract.** This Agreement (and the grant of the Option) is not an employment or service contract, and nothing in the Option shall be deemed to create in any way whatsoever any obligation on Participant's part to continue his or her service, or of the Company or an Affiliate to continue Participant's service.

(h) **Entire Agreement; Modification.** The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto, and may be rescinded only by a written agreement signed by both parties.

(i) **15. Data Privacy Consent.** In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Participant (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Participant may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first above written.

**VERICEL CORPORATION**

By: \_\_\_\_\_

Title: President and CEO

**PARTICIPANT**

\_\_\_\_\_

**NOTICE OF EXERCISE OF  
STOCK OPTION**

TO: [ ]

Pursuant to the Stock Option Agreement dated \_\_\_\_\_, 20\_\_\_\_, under the Vericel Corporation 2022 Omnibus Incentive Plan, the undersigned exercises the right to purchase \_\_\_\_\_ shares of the common stock of Vericel Corporation and encloses: (i) payment of the purchase price in full; and (ii) executed copies of any additional documents and agreements required by the Stock Option Agreement. All shares are to be issued to the undersigned in the name as printed below and delivered to the address shown.

Dated: _____	Name _____ Address _____ _____
	Signature: _____
	Social Security Number: _____

Please print name as it is to appear on the stock certificate:

EXHIBIT 31.1

**CERTIFICATION**

I, Dominick C. Colangelo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vericel Corporation;
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 8, 2023** May 8, 2024

/s/ DOMINICK C. COLANGELO

Dominick C. Colangelo

*President and Chief Executive Officer*

*(Principal Executive Officer)*

#### EXHIBIT 31.2

#### CERTIFICATION

I, Joseph A. Mara, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vericel Corporation;

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(s) 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(s) 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 8, 2023** **May 8, 2024**

/s/ JOSEPH A. MARA

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Joseph A. Mara  
*Chief Financial Officer*  
(*Principal Financial Officer*)

**EXHIBIT 32.1**

**18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Vericel Corporation (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), the following:

- (1) The Report fully complies with the requirements of section 13(a) and 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.

Date: **November 8, 2023** **May 8, 2024**

/s/ DOMINICK C. COLANGELO

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Dominick C. Colangelo  
*President and Chief Executive Officer*  
(*Principal Executive Officer*)

/s/ JOSEPH MARA

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Joseph Mara  
*Chief Financial Officer*  
(*Principal Financial Officer*)

A signed original of this written statement required by Section 906 has been provided to Vericel Corporation and will be retained by Vericel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

#### DISCLAIMER

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