



## Second Quarter 2020 Performance

**Business & Financial Presentation**

**July 30, 2020**

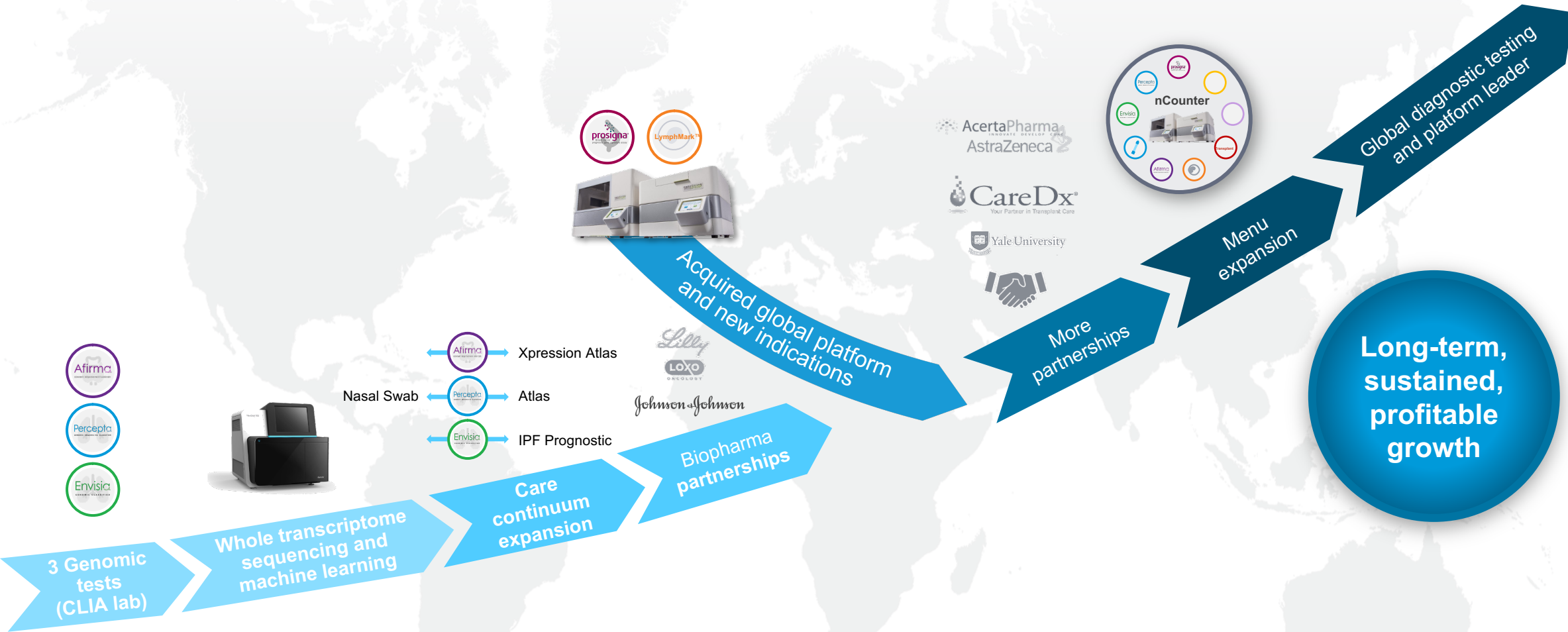
# Forward-Looking Statements

**This presentation contains statements that are not historical and that are based on our beliefs and assumptions and on information currently available to us. These statements constitute forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions, and other factors that could cause actual results to differ materially from our expectations.**

**Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "expect," "believe," "should," "may," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements regarding Veracyte's anticipated timing of the launch of launches of new products in 2021, the timing or success of anticipated catalysts in 2020 and 2021, availability of Veracyte's testing internationally, Veracyte's total addressable market, the current and future impacts of COVID-19 on Veracyte's business, actions Veracyte has taken, or will take, in response to COVID-19, potential timing for a recovery of Veracyte's business, the catalysts to drive momentum through 2021 and Veracyte's long-term outlook. Forward-looking statements are neither historical facts nor assurances of future performance, but are based only on our current beliefs, expectations and assumptions. These statements involve risks and uncertainties, which could cause actual results to differ materially from our predictions, and include, but are not limited to: the impact of COVID-19 on Veracyte's business and operating results, specifically, and the healthcare system and economy more generally, Veracyte's ability to achieve and maintain Medicare coverage for its tests; the benefits of Veracyte's tests and the applicability of clinical results to actual outcomes; the laws and regulations applicable to Veracyte's business, including potential regulation by the Food and Drug Administration or other regulatory bodies; Veracyte's ability to successfully achieve and maintain adoption of and reimbursement for its products; the amount by which use of Veracyte's products are able to reduce invasive procedures and misdiagnosis, and reduce healthcare costs; the occurrence and outcomes of clinical studies; and other risks set forth in Veracyte's filings with the Securities and Exchange Commission, including the risks set forth in its quarterly report on Form 10-Q for the quarter ended March 31, 2020. These forward-looking statements speak only as of the date hereof and Veracyte specifically disclaims any obligation to update these forward-looking statements or reasons why actual results might differ, whether as a result of new information, future events or otherwise.**

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# Our Strategic Growth Pathway



# Veracyte Q2 2020 Takeaways

<b>Solid Q2 results</b> after accounting for COVID-19 impact	<ul style="list-style-type: none"><li>• Testing and product revenue of \$16.9M</li><li>• Genomic testing volume doubled from April low through June</li><li>• Biopharmaceutical and collaboration revenue of \$3.8M</li></ul>
<b>Pipeline advancement:</b> Four genomic test launches on track for 2021	<ul style="list-style-type: none"><li>• Expanding Lung Cancer Portfolio<ul style="list-style-type: none"><li>○ Noninvasive nasal swab test for early lung cancer detection</li><li>○ Percepta Atlas to inform treatment decisions at time of diagnosis</li></ul></li><li>• Envisia Classifier on the nCounter system for international expansion</li><li>• LymphMark test to guide management of patients diagnosed with diffuse large B-cell lymphoma</li></ul>
<b>Biopharma and diagnostic partnerships:</b> levers for value creation	<ul style="list-style-type: none"><li>• Generated revenue from four partners: Eli Lilly/Loxo Oncology (thyroid cancer), Johnson &amp; Johnson (lung cancer), Acerta Pharma/AstraZeneca (lymphoma) and CareDx (transplant)</li><li>• Announced first two diagnostic company partnerships – CareDx and MAVIDx – expanding nCounter test menu</li></ul>



# Catalysts to drive continued momentum through 2021

	Product & Testing Revenue	Collaboration Revenue	Evidence Development	Pipeline Advancement / Menu Expansion
2020	<ul style="list-style-type: none"> <li>TBD due to Covid-19 impact</li> </ul>	<ul style="list-style-type: none"> <li>✓ Loxo/Lilly Thyroid Cancer</li> <li>✓ Acerta Pharma / Astra Zeneca Lymphoma</li> </ul>	<ul style="list-style-type: none"> <li>✓ Envisia publications/abstracts/presentations</li> <li>● Percepta publications/abstracts/presentations</li> <li>● Prosigna publications/abstracts/presentations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Afirma XA enhancements</li> <li>● Nasal swab data</li> <li>● NOBLE trial initiation</li> <li>✓ LymphMark advances</li> </ul>
2021	<ul style="list-style-type: none"> <li>● Guideline inclusion (pulmonology)</li> <li>● Reimbursement Expansion (pulmonology)</li> </ul>	<ul style="list-style-type: none"> <li>● Johnson &amp; Johnson nasal swab lung cancer</li> <li>● Loxo/Lilly Thyroid Cancer</li> <li>● Acerta Pharma / Astra Zeneca Lymphoma</li> </ul>	<ul style="list-style-type: none"> <li>● Nasal swab pivotal clinical validation</li> <li>● Envisia nCounter data</li> </ul>	<ul style="list-style-type: none"> <li>● Nasal Swab US Launch</li> <li>● Envisia nCounter Launch</li> <li>● Percepta Atlas Launch</li> <li>● LymphMark Launch</li> </ul>

# New Reporting Items for 2020

Due to U.S. GAAP requirements, we now delineate service lines using the following categories:

SEC P&L Line Item	Business Discussion	Description	U.S. GAAP	Revenue	Cost of Revenue
1) Testing <sup>1</sup>	<b>Testing + Product</b> <sup>4</sup>	<b>Centralized CLIA testing</b> (includes Afirma, Percepta, Envisia, Cytology, etc.)	ASC 606	Yes	Yes
2) Product <sup>2</sup>		<b>Distributed diagnostic testing</b> (includes Prosigna tests, nCounter FLEX Systems, etc.)	ASC 606	Yes	Yes
3) Biopharmaceutical <sup>3</sup>	<b>Biopharma + Collaborations</b> <sup>5</sup> <small>(Includes transactions with Johnson and Johnson Services, Loxo Oncology, etc.)</small>	<b>Biopharma services</b> (includes sale of services / data, fixed consideration, etc.)	ASC 606 or Analogy	Yes	Yes
4) Collaboration <sup>3</sup>		<b>Collaboration services</b> (includes contingent / variable consideration, milestones, etc.)	ASC 808	Yes	Currently none

Footnotes – Please see disclosures in Forms 10-Q and 10-K.

1. The Company commenced recognizing **Testing** revenue in accordance with the provisions of ASC 606 (“Revenue from Contracts with Customers”)(“ASC 606”) starting January 1, 2018. Prior to January 1, 2018, the Company recognized testing revenue in accordance with the provisions of ASC 954-605 (“Health Care Entities – Revenue Recognition”)(“ASC 954”). These services are completed upon the delivery of test results to the prescribing physician. The Company recognizes revenue related to billings based on estimates of the amount that will ultimately be realized.
2. In December 2019, the Company announced the acquisition of the exclusive global diagnostic license to the nCounter® platform for diagnostic use, as well as the acquisition of NanoString’s Prosigna® breast cancer prognostic test and in-development LymphMark™ lymphoma subtyping assay. The Company began recognizing **Product** revenue in December 2019 for all distributed diagnostics tests, equipment and other services. The Company recognizes product revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration expected to be received in exchange for those products or services. When the applicable revenue recognition standard is met, we report all distributed diagnostic tests, equipment and other services as product revenue.
3. From time to time, the Company enters into arrangements for research and development and/or laboratory services. The underlying terms generally provide for consideration to the Company in the form of non-refundable upfront license fees, development and commercial performance milestone payments, and/or profit sharing. We allocate consideration to each distinct performance obligation and recognize revenue when control of the related goods is transferred or services are performed. Consideration associated with at-risk substantive performance milestones is recognized as revenue when it is probable that a significant reversal of the cumulative revenue recognized will not occur. The Company adopted ASU No. 2018-18, *Collaborative Arrangements (Topic 808 or ASC 808)*, in 2019. A collaborative arrangement within the scope of ASC 808 may be partially within the scope of other U.S. GAAP standards, such as ASC 606. Under ASU 2018-18, transactions in collaborative arrangements are to be accounted for under ASC 606 if the counterparty is a customer for a good or service (or bundle of goods and services) that is a distinct unit of account. Under ASU 2018-18, we are precluded from presenting consideration from transactions with a counterparty that is not a customer together with revenue recognized under ASC 606.
4. In this presentation and in our public statements, we may combine **Testing + Product** revenue when discussing testing services intended for physicians and patients, regardless of whether the test is run in our laboratory, including cytopathology services, or a customer’s laboratory.
5. In this presentation and in our public statements, we may combine **Biopharmaceutical + Collaboration** revenue when discussing revenue from biopharmaceutical arrangements.

**Note: Numbers presented in this presentation may vary from SEC filings due to rounding**

# Financial KPIs vs Prior Year – Q2 2020

Benchmark			Revenue			Gross Margin			Operating Expenses (Excludes Cost of Revenue)			Net Loss			Cash Flow from Operations			Genomic Volume <sup>1</sup>
	+ Variance - Variance	+ Variance - Variance																
Actuals Q2 2020			\$20,703			63%			\$24,100			-\$11,025			-\$8,423			5,379
Prior Year			\$30,136			71%			\$24,461			-\$2,494			-\$2,455			9,663
	-\$9,433	-31%				n/a	-8%		+\$360	+1%		-\$8,531	-342%		-\$5,967	-243%		-4,284 -44%

1. Includes commercial genomic volume for our Afirma, Percepta and Envisia Genomic Classifiers and excludes clinical, registry and product volumes (i.e., Prosigna test volume).

# Revenue vs Prior Year – Q2 2020

Benchmark			Testing Revenue		Product Revenue		Testing + Product Revenue		Biopharma and Collaboration Revenue		Total Revenue	
	+ Variance - Variance	+ Variance - Variance										
Actuals Q2 2020			\$15,212		\$1,712		\$16,924		\$3,779		\$20,703	
As % Of Total Revenue			73%		8%		82%		18%		100%	
Prior Year	\$26,686		\$26,686		\$0		\$26,686		\$3,450		\$30,136	
	-\$11,474	-43%	+\$1,712	n/a	-\$9,762	-37%	+\$329	+10%	-\$9,433	-31%		
As % Of Total Revenue	89%		0%		89%		11%		100%			



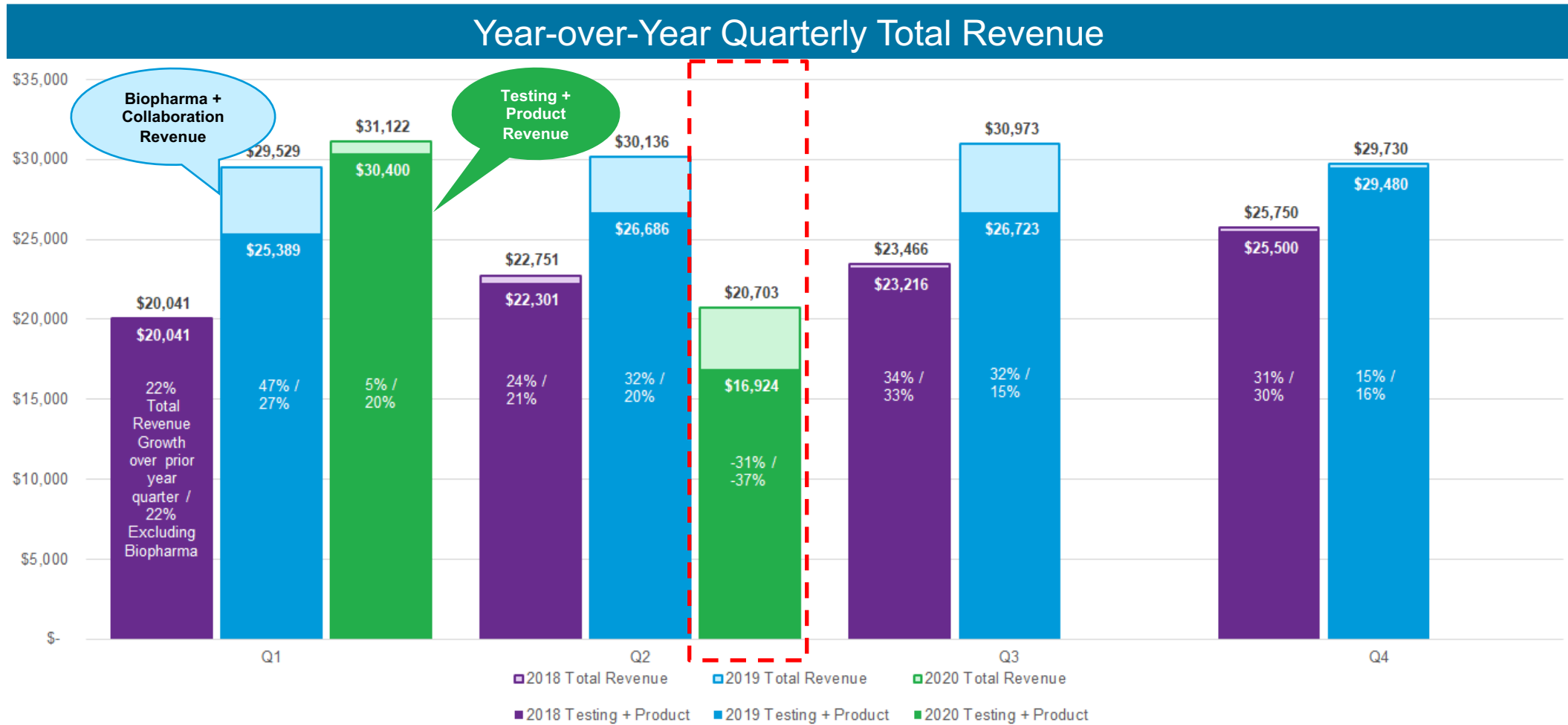
# Financial KPIs vs Prior Year – YTD 2020

Benchmark		Revenue	Gross Margin	Operating Expenses (Excludes Cost of Revenue)	Net Loss	Cash Flow From Operations	Genomic Volume (Testing Services) <sup>1</sup>
+ PY Variance - PY Variance	+ PY Variance - PY Variance						
Q1 2020 Actuals	\$31,122		61%	\$31,079	-\$11,717	-\$5,301	10,559
	+\$1,593	+5%	n/a -11%	-\$7,998 -35%	-\$9,800 -511%	-\$4,291 -425%	+1,397 +15%
Q2 2020 Actuals	\$20,703		63%	\$24,100	-\$11,026	-\$8,422	5,379
	-\$9,433 -31%	n/a -8%	+\$360 +1%	-\$8,531 -342%	-\$5,966 -243%	-4,284 -44%	
YTD June 30, 2020	\$51,825		62%	\$55,180	-\$22,742	-\$13,723	15,938
	-\$7,840 -13%	n/a -9%	-\$7,637 -16%	-\$18,331 -416%	-\$10,257 -296%	-2,887 -15%	

# Revenue vs Prior Year – YTD 2020

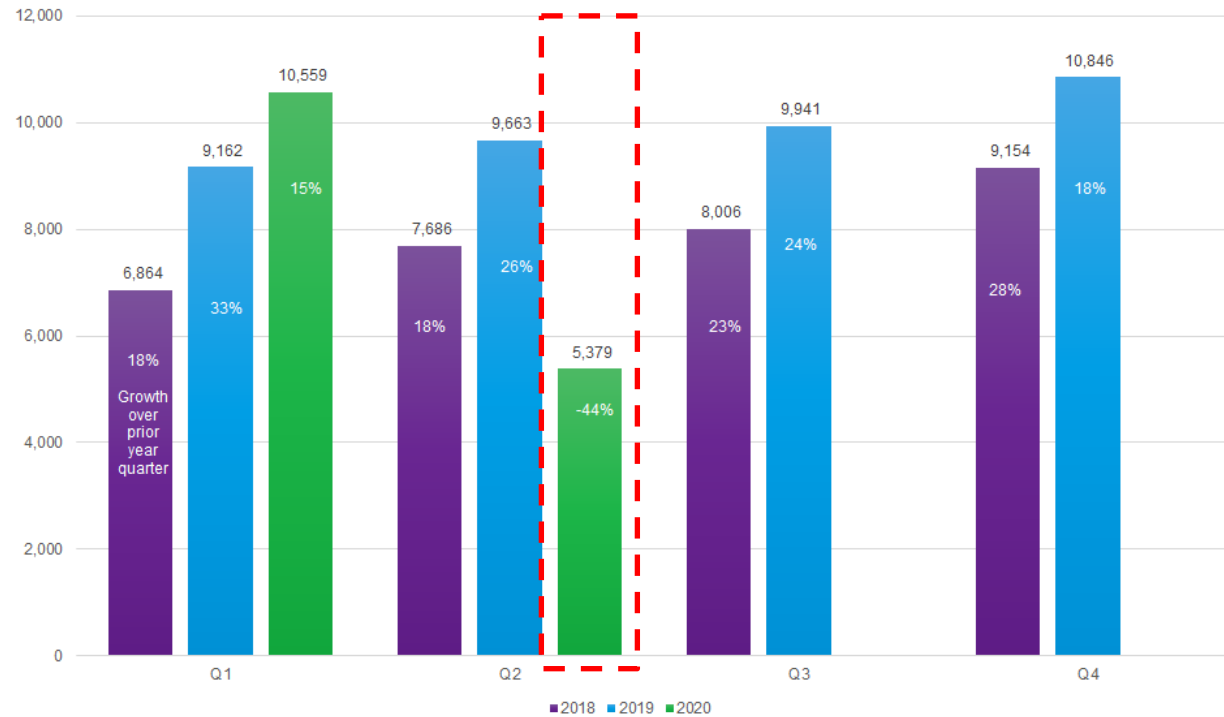
Benchmark		Testing		Product		Testing + Product Revenue		Biopharma + Collaboration Revenue		Total Revenue	
+ PY Variance - PY Variance	+ PY Variance - PY Variance										
Q1 2020 Actuals	\$26,991		\$3,409		\$30,400		\$722		\$31,122		
	+\$1,602	+6%	+\$3,409	n/a	+\$5,011	+20%	-\$3,418	-83%	+\$1,593	+5%	
Q2 2020 Actuals	\$15,212		\$1,712		\$16,924		\$3,779		\$20,703		
	-\$11,474	-43%	+\$1,712	n/a	-\$9,762	-37%	+\$329	+10%	-\$9,433	-31%	
YTD June 30, 2020	\$42,203		\$5,122		\$47,325		\$4,501		\$51,825		
	-\$9,872	-19%	+\$5,122	n/a	-\$4,751	-9%	-\$3,089	-41%	-\$7,840	-13%	

# Revenue

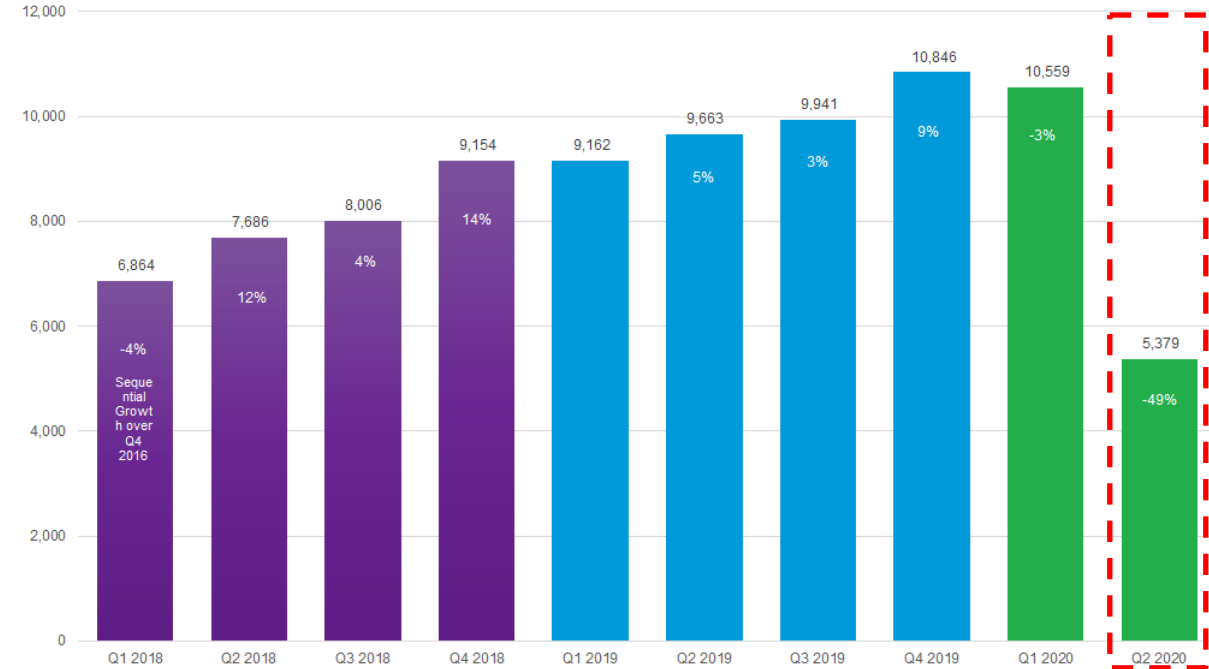


# Genomic Volume (Testing Services)<sup>1</sup>

## Year-Over-Year



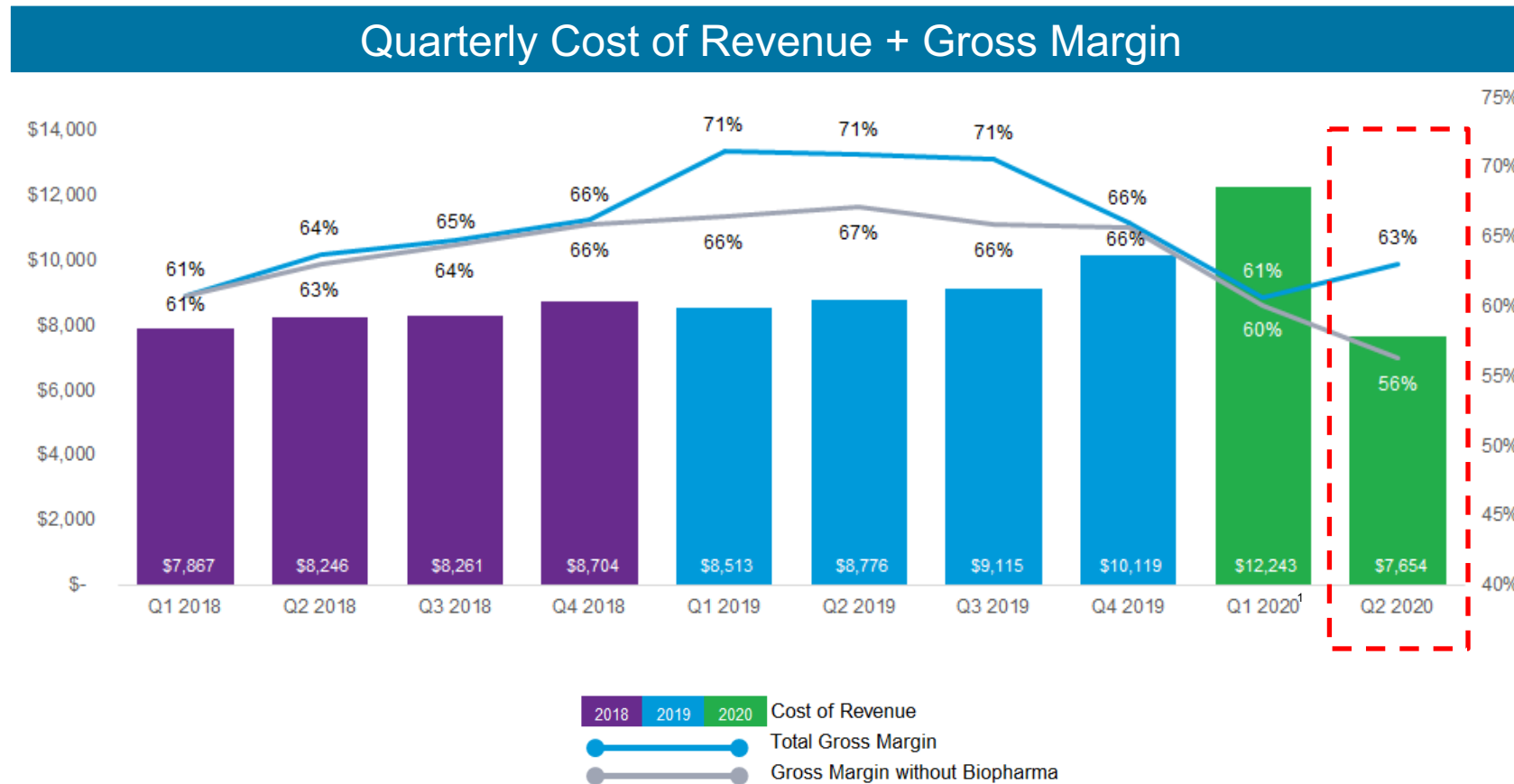
## Sequential



1. Includes only commercial volume for our Afirma, Percepta and Envisia Genomic Classifiers. Excludes clinical and registry volume, as well as Prosigna tests.

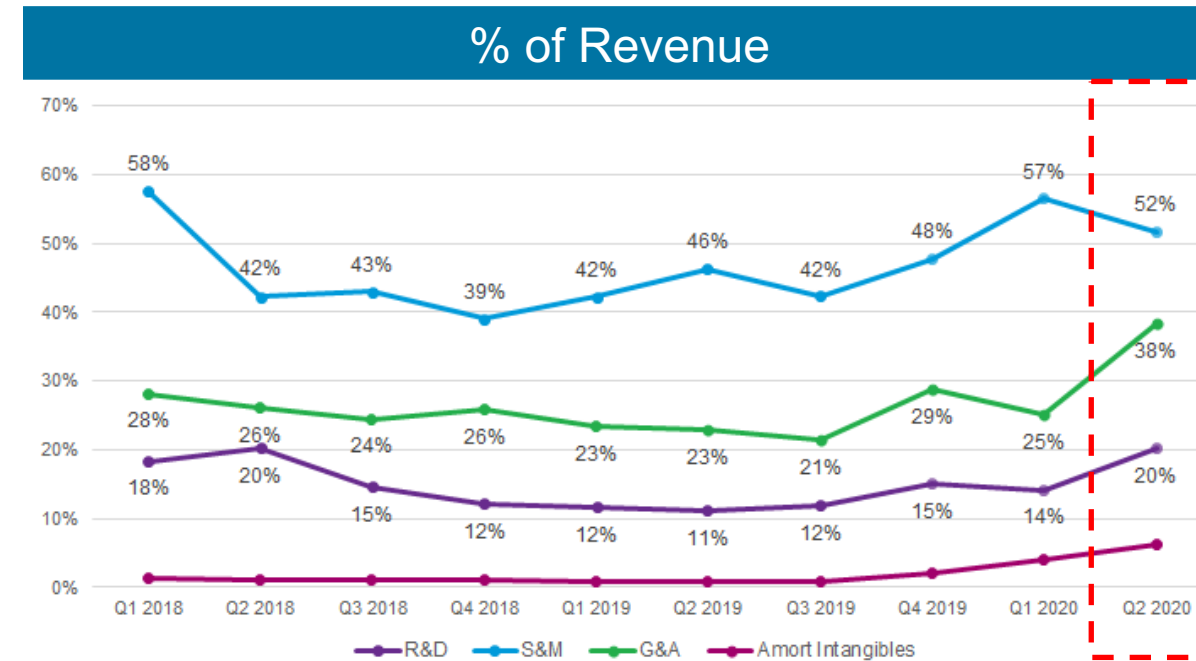
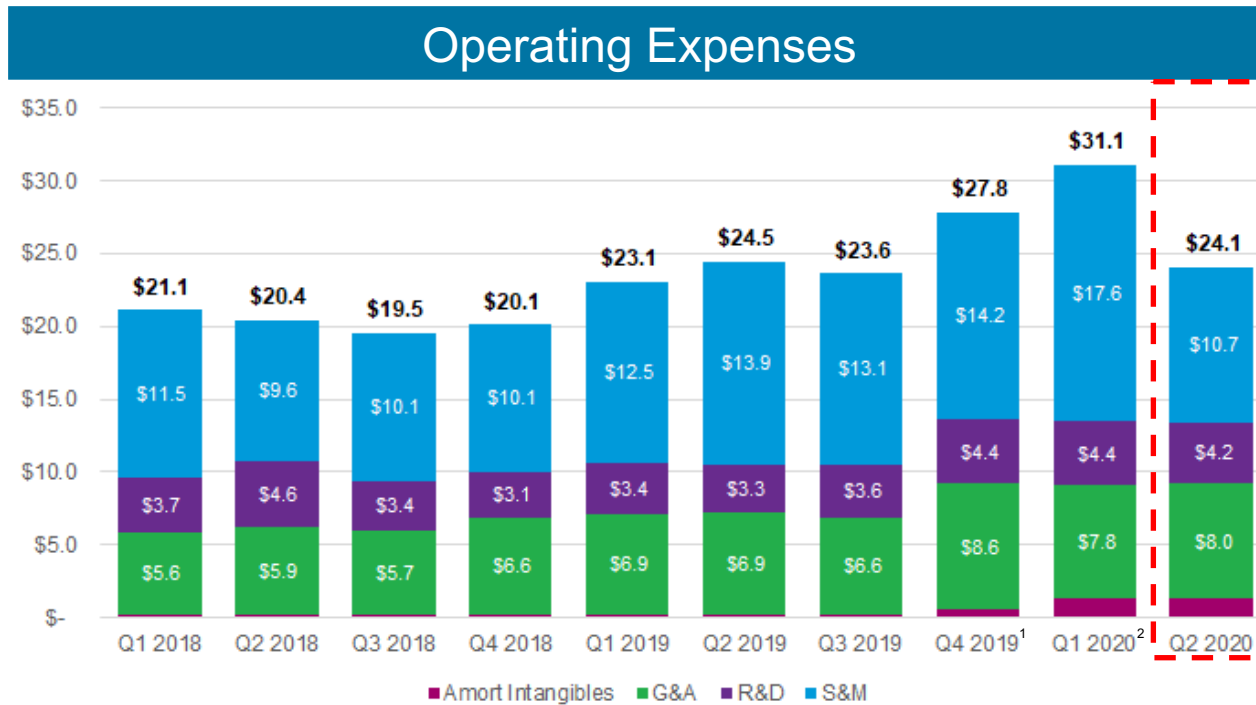


# Cost of Revenue + Gross Margin



1. In the first quarter of 2020, due to the expected impact of the global pandemic on our expected test volumes, we recognized a \$1.1 million write-down of supplies that we recorded in cost of revenue. The write-off resulted in an approximate 350-basis points reduction in our gross margin.

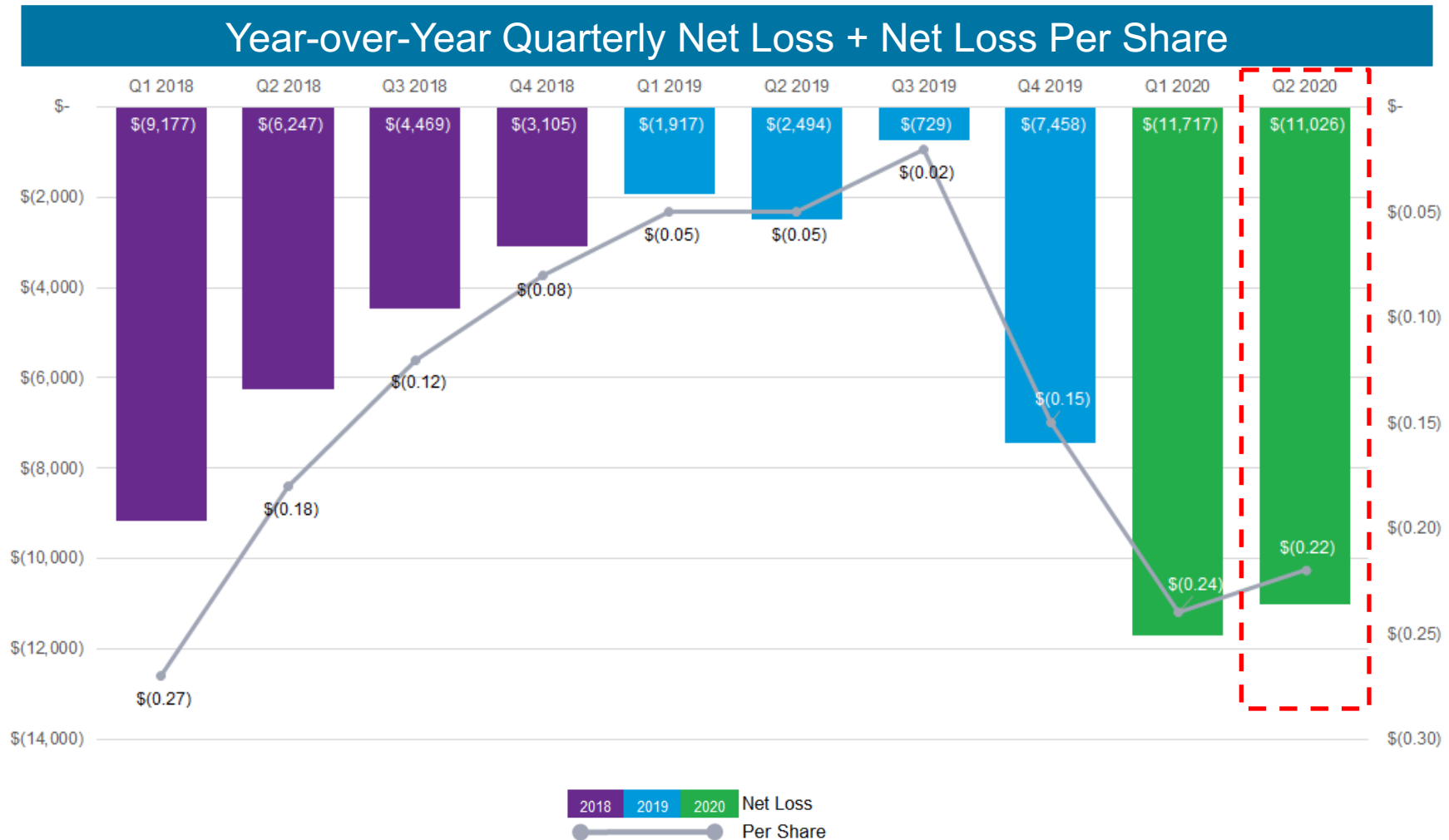
# Operating Expenses



1 – In Q4 2019, G&A Includes \$1.5 million in transaction costs for the NanoString acquisition

2 – In Q1 2020, S&M increased \$5.1 million or 41% compared to the same period in 2019 principally due to a 60% increase in average headcount

# Net Loss

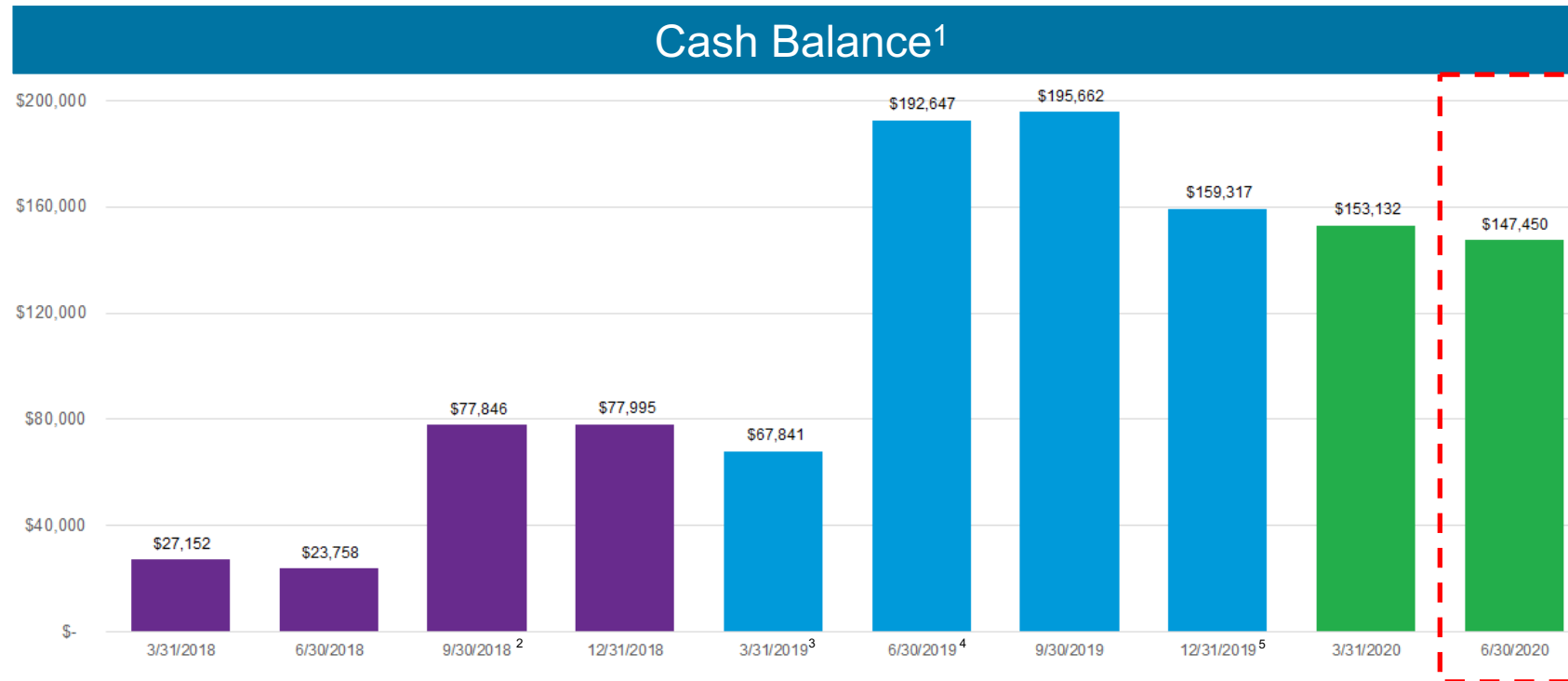


# Cash Flow From Operations





# Cash Balance



1 – Cash balance excluding restricted cash

2 – In July 2018, the Company completed a public offering of 5.8 million shares of its common stock, raising \$55.0 million in net cash proceeds

3 – In January 2019, the Company paid down \$12.5 million in long term debt partially offset by \$4.2 million in option exercises and ESPP purchases

4 – In May 2019, the Company completed a public offering of 6.3 million shares of its common stock, raising \$137.8 million in net cash proceeds partially offset by paying down \$12.4 million in long term debt

5 – In December 2019, the Company paid NanoString Technologies, Inc. \$40.0 million in cash consideration for the acquisition of the exclusive global diagnostic license to the nCounter® platform for diagnostic use, as well as the acquisition of NanoString's Prosigna® breast cancer prognostic test and in-development LymphMark™ lymphoma subtyping assay.