December 3, 2019

# Veracyte Acquires Exclusive License to NanoString Diagnostics Platform, Positioning Veracyte To Expand Its Genomic Testing Business Globally

*Strategic transaction enables Veracyte to access global markets through a world-class, distributed instrument system, with an initial focus on its pulmonology franchise*

*Provides pathway for long-term revenue growth and margin expansion*

*Veracyte to hold conference call and webcast today at 5:30 p.m. Eastern Time*

SOUTH SAN FRANCISCO, Calif.--(BUSINESS WIRE)--Dec. 3, 2019-- Veracyte (Nasdaq: VCYT) today announced that it has executed a definitive agreement with NanoString for the exclusive global license to the nCounter® platform for diagnostic use. The strategic transaction positions Veracyte to expand its genomic diagnostics business globally, with the ability to deliver its advanced genomic tests to physicians and their patients via hospital and clinical laboratories throughout the European Union and other parts of the world.

Veracyte believes that the transaction will ultimately enable it to access a global market worth more than $40 billion for its current and pipeline products, while expanding its margins through test menu expansion on the nCounter platform. The elegantly designed, FDA-cleared, automated nCounter system is expected to enable broad testing utility through its ability to simultaneously analyze RNA, DNA or protein targets in up to 800 genes.

Veracyte expects to begin offering its Envisia® classifier, for use in idiopathic pulmonary fibrosis diagnosis, to international customers in 2021 as a kit-based test that runs on the nCounter system. The company expects its in-development nasal swab classifier, for use in lung cancer diagnosis, to follow on the nCounter system in 2022, after the test becomes available in Veracyte's CLIA laboratory in the United States in early 2021. The nCounter system can also run additional genomic tests developed by Veracyte, as well as by potential diagnostics or biopharmaceutical partners seeking access to global markets.

As part of the transaction, Veracyte has also acquired the NanoString Prosigna® breast cancer prognostic test and in-development LymphMark™ lymphoma subtyping assay, further expanding the company's oncology portfolio.

"NanoString has developed a versatile, world-class diagnostics platform, which we believe will enable us to realize our vision of becoming a leading global provider of advanced genomic testing," said Bonnie H. Anderson, Veracyte's chairman and chief executive officer. "We are especially excited about the opportunity to bring our noninvasive nasal swab classifier to a global market, where it can help save more lives in the fight against lung cancer. Ultimately, this transaction will further our ability to inform clinical care decisions throughout the patient journey in cancer and other clinical indications, while allowing us to deliver profitable, long-term growth for our shareholders."

"Veracyte is a world-class diagnostics company with an expanding menu of innovative genomic tests that are well-positioned for successful global commercialization," said Brad Gray, president and chief executive officer of NanoString. "They are the ideal company to help ensure that our nCounter-based diagnostic platform can benefit as many patients around the world as possible."

Veracyte has agreed to pay NanoString $40 million in cash and $10 million in Veracyte common stock, and up to an additional $10 million in cash contingent upon the commercial launch of Veracyte diagnostic tests for use on the platform.

Veracyte expects to realize a modest revenue contribution through the transaction of $6 million to $8 million in 2020, with a neutral impact to cash flow from the current business.

**Transaction Details and Rationale**

- **World-Class Technology and Instrumentation Platform –** Exclusive worldwide clinical diagnostic rights to the nCounter system technology and instrumentation platform provides Veracyte with pricing, margin and other commercial flexibility for global expansion that would not be possible through third-party distribution partners. The system's automated and simple-to-use design requires less than two hours of hands-on time, making genomic testing more accessible to patients through laboratories that previously may not have had the resources or expertise to perform such complex testing.

  Veracyte expects the expertise of the key technical team that will join the company as part of the transaction to facilitate test integration. Veracyte's product discovery and certain commercial products will continue to be powered by its RNA whole-transcriptome sequencing platform, enabling continued expansion of its world-class biorepositories of patient samples in key clinical indications.

- **Global Commercial Infrastructure –** Key members of the NanoString global diagnostics sales, marketing, medical affairs and distribution teams will join Veracyte, enabling Veracyte to accelerate its global expansion initiatives.

- **Expanded Genomic Test Menu –** The Prosigna test is available on the nCounter system globally and in the United States to inform risk of recurrence in subgroups of women with breast cancer. Veracyte intends to offer the Prosigna test as a distributed kit within and outside of the United States. It will also add the test to its menu of advanced genomic products

offered in the United States through its CLIA-certified laboratory. The LymphMark lymphoma subtyping test is currently in development.

**Advisors**

Fenwick & West LLP is serving as legal advisor to Veracyte.

**Conference Call and Webcast**

Veracyte will host a conference call and webcast to discuss the transaction today at 5:30 p.m. Eastern Time. The call will include a slide presentation, which participants may view at https://investor.veracyte.com/events-presentations. The webcast should be accessed 10 minutes prior to the conference call start time. A replay of the webcast will be available for one year following the conclusion of the live broadcast and will be accessible on the company's website at the above link.

The conference call can be accessed as follows:

| | |
|---|---|
| US/Canada Participant Dial-In Number (toll-free): | (855) 541-0980 |
| International Dial-In Number: | (970) 315-0440 |
| Conference I.D.: | 5672629 |

**About Veracyte**

Veracyte (Nasdaq: VCYT) is a leading genomic diagnostics company that improves patient care by providing answers to clinical questions that inform diagnosis and treatment decisions without the need for costly, risky surgeries that are often unnecessary. The company's products uniquely combine RNA whole-transcriptome sequencing and machine learning to deliver results that give patients and physicians a clear path forward. Since its founding in 2008, Veracyte has commercialized seven genomic tests and is transforming the diagnosis of thyroid cancer, lung cancer and idiopathic pulmonary fibrosis. Veracyte is based in South San Francisco, California. For more information, please visit www.veracyte.com and follow the company on Twitter (@veracyte).

**Cautionary Note Regarding Forward-Looking Statements**

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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, the expected impacts of the transaction on Veracyte, including its ability to expand its platform globally, its ability to increase the efficiency of its advanced genomic testing, its plans to transfer its current and pipeline genomic tests onto the nCounter® system, and its future financial and operating results. 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: our ability to achieve the expected benefits from the NanoString transaction; our ability to successfully develop the Envisia® classifier, nasal swab classifier and other current and pipeline genomic tests for use on the nCounter® system; our ability to obtain all required regulatory approvals and clearances; our ability to achieve and maintain Medicare coverage for our tests; the benefits of our tests and the applicability of clinical results to actual outcomes; the laws and regulations applicable to our business, including potential regulation by the Food and Drug Administration or other regulatory bodies; our ability to successfully achieve and maintain adoption of and reimbursement for our products; the amount by which use of our 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 our filings with the Securities and Exchange Commission, including the risks set forth in our quarterly report on Form 10-Q for the quarter ended September 30, 2019. 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, except as required by law.



View source version on businesswire.com: https://www.businesswire.com/news/home/20191203005990/en/

Source: Veracyte, Inc.

**Investors:**
Keith Kennedy
Chief Operating Officer and Chief Financial Officer
keith@veracyte.com
650-243-6357

**Media:**
Tracy Morris
tracy.morris@veracyte.com
650-380-4413