



Veracyte to Acquire Decipher Biosciences

February 3, 2021

Further solidifies global leadership in differentiated, genomics-driven cancer diagnostics

Expands TAM with presence in 7 of the 10 most common cancers

Expected to accelerate revenue growth

Tina Nova, Ph.D., Decipher Biosciences' president and CEO, has left Veracyte's board and will become Veracyte's GM, urologic cancers

Investor conference call and webcast today at 8:00 a.m. Eastern Time

SOUTH SAN FRANCISCO, Calif., & SAN DIEGO, Calif.--(BUSINESS WIRE)--Feb. 3, 2021-- [Veracyte Inc.](#) (Nasdaq: VCYT) and Decipher Biosciences, Inc., a commercial-stage precision oncology company focused on urologic cancers, today announced they have entered into a definitive agreement through which Veracyte will acquire Decipher, further solidifying Veracyte's global leadership in the genomic cancer diagnostics market while accelerating revenue growth.

"By combining Decipher Biosciences' leadership in urologic cancers with our comprehensive genomic testing menu, Veracyte will be able to serve patients across the clinical care continuum in 7 of the 10 most prevalent cancers in the United States with highly differentiated and clinically impactful tests, significantly accelerating revenue growth and driving shareholder value. Further, with our best-in-class nCounter diagnostics platform, we are well-positioned to deliver comprehensive genomic cancer testing to physicians and their patients worldwide," said Bonnie Anderson, Veracyte's chairman and chief executive officer. "I am also delighted that Dr. Tina Nova, Decipher's president and CEO, and a veteran diagnostics industry leader, will join Veracyte as general manager, urologic cancers, and that Decipher's talented employees will also join our team."

Dr. Nova has been a member of Veracyte's board since 2015, but was not involved in Veracyte's deliberations regarding the transaction and is resigning from the Veracyte board in connection with the transaction.

Decipher has established a market-leading position for its comprehensive portfolio of tests in urologic cancers, which leverage whole transcriptome analysis and proprietary machine learning algorithms to improve patient decision-making across the clinical care continuum and accelerate adoption of new therapies. Collectively, Decipher's genomic tests have been used by more than 3,200 urologists and radiation oncologists, including at all 28 National Comprehensive Cancer Network (NCCN) centers in the United States. The Decipher Prostate Biopsy and post-radical prostatectomy (RP) tests are included in NCCN guidelines and the Decipher Prostate RP test is the only genomic molecular diagnostic test recommended in NCCN guidelines for use in patients with localized prostate cancer. They are also broadly reimbursed by Medicare and private payers and included in practice-changing clinical trials, with growing adoption within the urology community. Further, the company's Decipher Bladder test is expected to launch commercially in 2021 and its kidney cancer test is in development. Decipher GRID, a large, well-annotated urologic cancer database, is fueling the company's biopharmaceutical partnerships and product innovation.

"Our goal is to enable better treatment decisions and patient outcomes in urologic cancers by providing valuable information about the underlying biology of a patient's tumor," said Dr. Nova. "Our team has made significant progress in advancing our mission and is thrilled to join Veracyte to benefit from their expertise and infrastructure, accelerating commercial expansion of our tests in the United States and globally."

Global Leadership in Genomic Diagnostics for Cancer

Veracyte currently offers high-value advanced genomic tests that address unmet clinical needs at multiple points in the care continuum for lung cancer, breast cancer, thyroid cancer and interstitial lung diseases, and its lymphoma subtyping test is in development. With the addition of Decipher's genomic tests in prostate, bladder and kidney cancers, Veracyte will provide an expanded comprehensive testing menu and, with the nCounter system, is uniquely positioned to make its tests available to physicians and their patients in global markets, where hospitals and laboratories can perform them locally. Veracyte estimates that approximately 1.1 million patients in the United States alone, based on cancer incidence, will potentially be able to benefit from the company's comprehensive menu of advanced genomic tests.

In addition, the Decipher GRID is expected to augment Veracyte's extensive biorepositories, further positioning Veracyte to advance biopharmaceutical company partnerships and its pipeline development efforts.

The transaction will also provide Veracyte with increased operational flexibility by including Decipher Bioscience's state-of-the-art facilities in Southern California and its highly qualified team.

Revenue Growth Acceleration

Decipher Biosciences grew its 2020 total revenue by more than 130% to approximately \$39 million to \$40 million, compared to \$16.5 million in 2019. This included total revenue between \$11.75 million and \$12.25 million for the three months ended December 31, 2020. Decipher's genomic test volume for 2020 was between 15,500 and 16,500. The annualized total revenue for the combined company based on the midpoint of the total revenue that each company expects to report for the three months ended December 31, 2020 is approximately \$186 million. Veracyte expects the acquisition of Decipher Biosciences to significantly accelerate its revenue growth in 2021 and to expand the near-term addressable market for Veracyte's current and pipeline genomic tests from approximately \$10 billion to an estimated \$12 billion. Veracyte estimates that the acquisition will further expand its long-term addressable market beyond approximately \$50 billion. The transaction is also expected to be accretive to Veracyte's gross margins and accelerate its path to profitability.

The foregoing revenue amounts are preliminary, have not been audited and are subject to change in connection with the completion of each company's financial statements for the year ended December 31, 2020.

Transaction Terms and Other Information

Under the terms of the definitive agreement, Decipher Biosciences will become a wholly-owned subsidiary of Veracyte. At closing, Veracyte will pay

\$600 million in total consideration to Decipher security holders, consisting of \$250 million in cash and up to \$350 million in stock consideration, subject to customary purchase price adjustments. The number of Veracyte shares issued at the closing will be based on a fixed price of \$54.30 per share, resulting in a maximum issuance of 6.4 million common shares. However, without changing the total consideration paid at closing, Veracyte has the option, at its sole discretion, until the earlier of March 15, 2021 and the fourth business day following the closing of any potential equity financing, to substitute cash in lieu of shares in any amount up to the entire stock consideration or \$350 million. The transaction, which has been unanimously approved by Veracyte's board of directors and by an independent special committee appointed by the Decipher Biosciences board of directors, is expected to close by May 2021, subject to regulatory approval and the satisfaction of other customary conditions.

Upon finalization of the transaction, Dr. Nova will become general manager of Veracyte's urologic cancer business unit. Prior to the signing of the transaction, Dr. Nova resigned from Veracyte's board of directors. Decipher Bioscience's laboratory and other operations will remain in San Diego.

Advisors

Goldman Sachs & Co. LLC is serving as financial advisor to Veracyte, and Fenwick & West LLP is serving as legal advisor. Evercore Group, LLC is serving as financial advisor to Decipher Biosciences, and Cooley LLP is serving as legal advisor.

Conference Call and Webcast Details

In a separate press release issued today, Veracyte announced its preliminary financial results for the fourth quarter and full year ended December 31, 2020.

The company will host a conference call and webcast today at 8:00 a.m. Eastern Time to discuss the transaction, as well as its preliminary fourth quarter and full-year 2020 financial results. The conference call will be webcast live from the company's website and will be available via the following link: <https://edge.media-server.com/mmc/p/5znyu9t8>. 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 <https://investor.veracyte.com/events-presentations>.

The conference call can be accessed as follows:

U.S./Canada participant dial-in number (toll-free): (855) 541-0980

International participant dial-in number: (970) 315-0440

Conference I.D.: 2086844

About Decipher Bioscience

Decipher Biosciences is a commercial-stage precision oncology company committed to improving patient care, initially focused on urologic cancers. Decipher's novel prostate cancer genomic test, Decipher Prostate, provides valuable information about the underlying biology of a patient's tumor, assisting physicians in their selection of an optimal therapy. Decipher's differentiated approach measures the biological activity of a patient's entire tumor genome, known as whole transcriptome analysis, and applies proprietary machine learning algorithms to help physicians improve therapy selection and accelerate adoption of new therapies into the standard of care. Decipher Biosciences is headquartered in San Diego, California.

About Veracyte

Veracyte (Nasdaq: VCYT) is a global genomic diagnostics company that improves patient care by providing answers to clinical questions, informing diagnosis and treatment decisions throughout the patient journey in cancer and other diseases. The company's growing menu of genomic tests leverage advances in genomic science and technology, enabling patients to avoid risky, costly diagnostic procedures and quicken time to appropriate treatment. The company's tests in thyroid cancer, lung cancer, breast cancer and idiopathic pulmonary fibrosis are available to patients and its lymphoma subtyping test is in development. With Veracyte's exclusive global license to a best-in-class diagnostics instrument platform, the company is positioned to deliver its tests to patients worldwide. 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, including, but not limited to, our statements related to our plans, objectives, expectations (financial and otherwise) or intentions with respect to the anticipated acquisition of Decipher Bioscience; statements regarding the expected timing for completion of the transaction; statements related to the expected benefits of the proposed transaction, including but not limited to, the acceleration of Veracyte's revenue and path to profitability, the accretiveness to Veracyte's gross margin, and the expansion of Veracyte's total addressable market opportunity; statements regarding Veracyte and Decipher's total revenue and genomic test volume for 2020; and statements regarding the commercial launch of the Decipher Bladder test and Decipher's kidney cancer test, the breadth and depth of Veracyte's product offerings in cancer diagnostic testing, and the ability of Decipher GRID to augment Veracyte's biorepositories. Forward-looking statements can be identified by words such as: "appears," "anticipate," "intend," "plan," "expect," "believe," "should," "may," "will," "positioned," "designed" and similar references to future periods. Actual results may differ materially from those projected or suggested in any forward-looking statements. 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 possibility that the closing conditions to the proposed transaction may not be satisfied or waived, including that a governmental entity may not grant a required regulatory approval; delay in closing the transaction or the possibility of non-consummation of the transaction; the risk of stockholder litigation in connection with contemplated transaction; the retention of Decipher employees and Veracyte's ability to successfully integrate the Decipher Biosciences business; and risks inherent in the achievement of anticipated synergies and the timing thereof. Additional factors that may impact these forward-looking statements can be found in Item 1A – "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on February 25, 2020 and in our Quarterly Report on Form 10-Q filed with the SEC on November 2, 2020. A copy of these documents can be found at the Investors section of our website at www.veracyte.com. The risks and uncertainties may be amplified by the COVID-19 pandemic, which has caused significant economic uncertainty. The extent to which the COVID-19 pandemic impacts Veracyte's and Decipher Biosciences businesses, operations, and financial results, including the duration and magnitude of such effects, will depend on numerous factors, which are unpredictable, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. These forward-looking statements speak only as of the date hereof and, except as required by law, 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.

No Offer or Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such

jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

Important Additional Information May be Filed with the SEC

Veracyte may file with the SEC a registration statement on Form S-4, which, if filed, will include a prospectus of Veracyte. INVESTORS ARE URGED TO CAREFULLY READ THE REGISTRATION STATEMENT AND OTHER RELEVANT DOCUMENTS IF FILED WITH THE SEC IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT VERACYTE, DECIPHER, THE PROPOSED TRANSACTION AND RELATED MATTERS. If filed, investors will be able to obtain free copies of the registration statement and other documents filed with the SEC through the website maintained by the SEC at www.sec.gov and on Veracyte's website at <https://investor.veracyte.com>.

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nCounter is the registered trademark of NanoString Technologies, Inc. in the United States and other countries and used by Veracyte under license.

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