UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 5, 2024

VERACYTE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-36156**	**20-5455398**
(State or other jurisdiction of incorporation)	Commission File Number	(IRS Employer Identification No.)

6000 Shoreline Court, Suite 300, South San Francisco, California	**94080**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(650) 243-6300**
N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	VCYT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company ☐

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. ☐

Explanatory Note

On February 6, 2024, Veracyte, Inc., a Delaware corporation ("Veracyte"), filed a Current Report on Form 8-K (the "Original 8-K") to announce the completion on February 5, 2024 of its previously announced acquisition of C2i Genomics, Inc., a Delaware corporation ("C2i Genomics"), pursuant to an Agreement and Plan of Merger, dated as of January 5, 2024, by and among Veracyte, C2i Genomics, Canary Merger Sub I, Inc., a Delaware corporation and wholly owned subsidiary of Veracyte, Veracyte Diagnostics, LLC, a Delaware limited liability company and a wholly owned subsidiary of Veracyte, and Fortis Advisors LLC, as the securityholders' agent (such agreement, the "Merger Agreement" with such acquisition pursuant to the Merger Agreement being referred to herein as the "Acquisition").

In connection with the Acquisition, Veracyte obtained from the Securities and Exchange Commission, pursuant to its authority under Rule 3-13 under Regulation S-X, a partial waiver from the requirements of Rule 3-05 and Article 11 of Regulations S-X to provide certain financial statements of C2i Genomics relating to the Acquisition. As a result, Veracyte will only provide the audited financial statements and accompanying notes of C2i Genomics as of and for the year ended December 31, 2023 and the unaudited pro forma condensed combined financial statements of Veracyte giving effect to the Acquisition as of and for the year ended December 31, 2023 (collectively, the "Financial Statements").

This amendment to the Original 8-K is being filed for the purpose of satisfying Veracyte's obligation to file the Financial Statements pursuant to Item 9.01 of Form 8-K, and this amendment should be read in conjunction with the Original 8-K. Except as set forth herein, no modifications have been made to the information contained in the Original 8-K, and Veracyte has not updated any information contained therein to reflect events that have occurred since the date of the Original 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

Included in this Current Report on Form 8-K/A are the audited financial statements of C2i Genomics as of and for the year ended December 31, 2023, which are filed as Exhibit 99.1 and are incorporated herein by reference.

(b) Pro Forma Financial Information

Veracyte is also filing the unaudited pro forma condensed combined financial statements of Veracyte giving effect to the Acquisition as of and for the year ended December 31, 2023, which is filed as Exhibit 99.2 and is incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Kost Forer Gabbay & Kasierer, a member of EY Global, Independent Auditors of C2i Genomics.
99.1	Audited financial statements of C2i Genomics as of and for the year ended December 31, 2023.
99.2	Unaudited pro forma condensed combined financial statements of Veracyte as of and for the year ended December 31, 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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 hereunto duly authorized.

Dated: April 17, 2024

VERACYTE, INC.

By:	/s/ Rebecca Chambers
Name:	Rebecca Chambers
Title:	*Chief Financial Officer*
	Principal Financial Officer

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statements (Form S-8 Nos. 333-191992, 333-203097, 333-210185, 333-216388, 333-223292, 333-229848, 333-236630, 333-253363, 333-263116, and 333-270147) pertaining to the 2008 Stock Plan, 2013 Stock Incentive Plan, and 2023 Equity Incentive Plan of Veracyte, Inc.;

(2) Registration Statement (Form S-8 No. 333-277552) pertaining to the C2i Genomics, Inc. 2019 Stock Incentive Plan of Veracyte, Inc.;

(3) Registration Statements (Form S-8 Nos. 333-205206 and 333-240214) pertaining to the Amended and Restated Employee Stock Purchase Plan of Veracyte, Inc.; and

(4) Registration Statement (Form S-3 No. 333-277529) of Veracyte, Inc.

of our report dated April 16, 2024, with respect to the consolidated financial statements of C2i Genomics, Inc. as of and for the year ended December 31, 2023, included in this Current Report on Form 8-K/A.

/s/ KOST FORER GABBAY & KASIERER

Tel Aviv, Israel
April 16, 2024

KOST FORER GABBAY & KASIERER
A Member of EY Global

Exhibit 99.1

C2I GENOMICS INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

INDEX

\- - - - - - - - - - - - - - - - - - -

REPORT OF INDEPENDENT AUDITOR

To the Stockholders and Board of Directors of

C2I GENOMICS INC.

Opinion

We have audited the consolidated financial statements of C2I Genomics Inc. (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, changes in convertible preferred stocks and stockholders' equity (deficiency), and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

/s/ KOST FORER GABBAY & KASIERER

Tel Aviv, Israel
April 16, 2024

KOST FORER GABBAY & KASIERER
A Member of EY Global

CONSOLIDATED BALANCE SHEET

U.S. dollars in thousands

			December 31 2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$	18,804
Accounts receivable			6
Prepaid expenses and other current assets			519
Total current assets			19,329
LONG-TERM ASSETS			
Property and equipment, net			412
Right of Use Asset - Operating leases			1,244
Restricted deposits for leases			188
Total assets		$	21,173
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIENCY)			
CURRENT LIABILITIES			
Trade payables		$	757
Payroll and benefit related liabilities			1,356
Other accounts payable			998
Deferred revenue			94
Current portion of lease liabilities			685
Total current liabilities			3,890
LONG-TERM LIABILITIES			
Lease liabilities	841		
Convertible promissory notes			78,568
Total long-term liabilities			79,409
Total Liabilities			83,299
COMMITMENT AND CONTINGENT LIABILITIES (Note 9)			
CONVERTIBLE PREFERRED STOCKS			
Convertible Preferred Seed stock of $0.001 par value - Authorized, Issued and outstanding: 4,301,075 shares			1,171
Convertible Preferred A stock of $0.001 par value - Authorized, Issued and outstanding: 13,952,268 shares			11,914
			13,085
STOCKHOLDERS' EQUITY (DEFICIENCY):			
Share capital -			
Common stocks of $0.001 par value - Authorized: 35,000,000, Issued and outstanding: 10,348,357 stocks at December 31, 2023	10		
Additional paid-in capital	854		
Accumulated deficit			(76,075)
Total stockholders' deficit			(75,211)
Total liabilities, convertible preferred stock and shareholders' equity		$	21,173

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

U.S. dollars in thousands

		Year ended December 31, 2023
Revenues	$	456
Cost of revenues		133
Gross profit		323
Operating expenses:		
Research and development		17,880
Sales and marketing		2,039
General and administrative		2,352
Total operating expenses		22,271
Operating loss		21,948
Financial expenses, net		13,898
Loss before income taxes		35,846
Income taxes		154
Net loss	$	36,000

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN CONVERTIBLE PREFERRED STOCKS AND STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands (except share data)

	Convertible Preferred Seed stocks		Convertible Preferred A stocks		Common stocks		Additional paid-in capital	Accumulated deficit	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of January 1, 2023	4,301,075	$ 1,171	13,952,268	$ 11,914	10,181,638	$ 10	$ 574	$ (40,075)	$ (39,491)
Share-based compensation expenses	—	—	—	—	—	—	236	—	236
Exercise of stock options	—	—	—	—	166,719	*)	44	—	44
Net loss	—	—	—	—	—	—	—	(36,000)	(36,000)
Balance as of December 31, 2023	4,301,075	$ 1,171	13,952,268	$ 11,914	10,348,357	$ 10	$ 854	$ (76,075)	$ (75,211)

*) Less than $1.

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

U.S. dollars in thousands (except share data)

		Year ended December 31, 2023
Cash flows from operating activities:		
Net Loss	$	(36,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization		567
Gain on disposal of equipment		(17)
Stock based compensation expenses		236
Change in fair value of convertible notes		14,649
Issuance expenses of convertible promissory note		10
Foreign currency transaction differences on cash and cash equivalents		152
Increase in restricted deposits for leases		(188)
Increase in accounts receivable		(6)
Decrease in prepaid expenses and other current assets		32
Increase in operating right of use asset		(1,244)
Increase in trade payables		101
Increase in payroll and benefit related liabilities		49
Increase in other accounts payable		87
Increase in operating lease liability, net		1,381
		15,809
Net cash used in operating activities		(20,191)
Cash flows from investing activities:		
Purchase of property and equipment		(81)
Proceeds from disposal of equipment		24
Net cash used in investing activities		(57)
Cash flows from financing activities:		
Repayment of finance lease liability		(278)
Proceeds from issuance of Convertible promissory note, net		21,115
Proceeds from exercise of options		44
Net cash provided by financing activities		20,881
Effect of exchange rates on cash and cash equivalents		(152)
Increase in cash and cash equivalents		481
Cash and cash equivalents at beginning of period		18,323
Cash and cash equivalents at end of period	$	18,804

The accompanying notes are an integral part of the financial statements.

NOTE 1: - GENERAL

a. C2I Genomics Inc. (the "Company") was incorporated on July 23, 2019, in the State of Delaware, United States and commenced its operations on the same date.

The Company has developed a novel method for estimating tumor burden in cancer patients through analysis of patient's cell free DNA sequence and offer post-surgery monitoring of cancer recurrence and progression by analyzing subtle changes in the pattern of the tumor's DNA.

The Company has a wholly-owned subsidiary, C2I Genomics Ltd., incorporated under the laws of the state of Israel (the "Israeli Subsidiary").

b. Since inception, the Company has an accumulated deficit of $76,075 and negative cash flows from operating activities. On February 5, 2024, subsequent to the balance sheet date, the Company was acquired and merged into Veracyte, Inc. ("Veracyte") in an all-stock deal for total consideration of up to $95,000 (see Note 13). Veracyte is committed to fund the Company's operations for a period of at least twelve months from the date these financial statements were available to be issued.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

a. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Intercompany transactions and balances have been eliminated upon consolidation.

b. Use of estimates:

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Foreign currency:

The accompanying consolidated financial statements have been prepared in U.S. dollars.

A substantial portion of the Company’s expenses are incurred in New Israeli Shekels. However, the Company finances its operations mainly in U.S. dollars, a substantial portion of its expenses are incurred in U.S. dollars and revenues from its primary markets are anticipated to be generated in U.S. dollars. As such, the Company’s management believes that the U.S. dollar is the currency of the primary economic environment in which the Company operates. Thus, the functional and reporting currency of the Company is the U.S. dollar.

The Company has determined the functional currency of its foreign subsidiary is the U.S. dollar. The foreign operations are considered a direct and integral part or extension of the Company’s operations. The day-to-day operations of the foreign subsidiaries are dependent on the economic environment of the U.S. dollar.

Transactions and balances denominated in U.S. dollars are presented at their original amounts. Monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with Accounting Standards Codification ("ASC") 830, *Foreign Currency Matters*. All transaction gains and losses of the re-measurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

d. Cash equivalents:

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less, at the date acquired.

e. Leases:

The Company accounts for its leases in accordance with ASC 842, *Leases*. The Company determines if an arrangement is a lease at inception and classifies its leases at commencement. Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term; the lease contains an option to purchase the asset that is reasonably certain to be exercised; the lease term is for a major part of the remaining useful life of the asset; the present value of the lease payments equals or exceeds substantially all of the fair value of the asset; or the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of lease term. A lease is classified as an operating lease if it does not meet any one of these criteria. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets are then adjusted for any prepaid or deferred lease payments and lease incentives.

As the Company’s leases do not generally provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company’s lease terms may include options to extend or terminate the lease. These options are included in the lease terms when it is reasonably certain they will be exercised.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company has made an accounting policy election not to recognize ROU assets and lease liabilities for leases with an initial term of 12 months or less.

Finance lease expenses are recognized on a straight-line basis over the lesser of the useful life of the leased asset or the lease term. Interest on finance lease liability is recorded to Interest expenses. Operating lease expenses are on a straight-line basis over the lease term.

f. Restricted deposits:

Restricted deposits are deposits used as security for the Company’s leases. Restricted deposits are presented at their cost.

g. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and peripheral equipment	15 - 33
Lab equipment	33
Leasehold improvements	Over the shorter of the term of the lease or useful life of the assets

h. Impairment of long-lived assets:

The Company's' long-lived assets is reviewed for impairment in accordance with ASC 360, *Property, Plant, and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

For the year ended December 31, 2023, the Company did not record an impairment loss.

i. Accounting for stock-based compensation:

The Company accounts for share-based compensation in accordance with ASC 718, *Compensation-Stock Compensation*. ASC 718 requires companies to estimate the fair Value of equity-based payment awards on the date of grant using an option-pricing model. The value of the award is recognized as an expense over the requisite service periods, which is generally the vesting period of the respective award, on a straight-line basis.

The fair value of each option award is estimated on the grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying Common stocks, the expected term of the award, the expected volatility of the price of the Company’s Common stocks, risk-free interest rates, and the expected dividend yield of Common stocks.

U.S. dollars in thousands (except share data)

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table sets forth the parameters used in computation of the options fair value for the year ended December 31, 2023:

	Year ended December 31, 2023
Average expected term (in years)	6.25
Risk free interest rate	3.94%-4.75%
Volatility	60%-78%
Dividend yield	0%

The risk-free interest rate assumption is the implied yield currently available on the U.S treasury yield zero-coupon issues with a remaining term equal to the expected life term of the Company's options. The expected volatility is based on implied volatility of other comparable publicly traded companies. The Company determined the expected life of the options according to the simplified method. The Company have never declared or paid any cash dividends and do not presently intend to pay cash dividends in the foreseeable future. As a result, the Company used an expected dividend yield of zero. As the Company's Common stocks are not publicly traded, the Company's board of directors estimate the fair value of its Common stocks based on contemporaneous valuations and other factors deemed relevant by management.

j. Employee benefit plans:

The Company's 401(k) plan (the "401(k) Plan") is a defined contribution retirement plan that covers all eligible Company's employees, as defined in section 401(k) of the U.S. Internal Revenue Code. Employees may elect to contribute a percentage of their annual gross eligible compensation to the 401(k) Plan. Under the 401(k) Plan, the Company matches employee contributions up to 4% of eligible pay. During the year ended December 31, 2023, the Company recorded $345 expenses related to the 401(k) plan.

In addition, C2I Genomics Ltd. has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Israeli Subsidiary pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. The plans are normally financed by contributions to insurance companies. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services. During the year ended December 31, 2023, the Company recorded $287 in severance expenses related to these employees.

k. Concentrations of credit risks:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted deposits and accounts receivable.

Cash and cash equivalents and restricted deposits are invested in major banks in the United States and Israel. Cash, cash equivalents and restricted deposits in the United States may be in excess of insured limits and is not insured in other jurisdictions. Generally, these cash equivalents may be redeemed upon demand and, therefore, management believes that it bears lower risk.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company have no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

l. Revenue recognition:

The Company recognizes revenues in accordance with the five-steps model to record revenue under ASC 606: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies its performance obligations.

The Company generally enters into non-cancellable contracts in which the Company is required to test a fixed number of DNA samples. The Company considers the DNA sample testing to be its performance obligation. Therefore, revenue is recognized as the Company tests DNA samples.

In instances of contracts where revenue recognition differs from the timing of invoicing, the Company generally determined that those contracts do not include a significant financing component. The primary purpose of the invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive or provide financing. The Company use the practical expedient and do not assess the existence of a significant financing component when the difference between payment and revenue recognition is a year or less.

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition and is recognized as the revenue recognition criteria are met.

Transaction price allocated to remaining performance obligations represents non-cancelable contracts that have not yet been recognized, which includes deferred revenues and amounts not yet received that will be recognized as revenue in future periods.

The aggregate amount of the transaction price allocated to remaining performance obligations was $94 as of December 31, 2023.

For the year ended December 31, 2023, the Company's revenues were generated from two main customers in the United States.

m. Cost of revenues:

Cost of revenues primarily consist of payroll expenses, hosting, royalty payments, equipment and laboratory supplies.

n. Research and development expenses:

Research and development expenses include expenses incurred to operate a CLIA-certified lab, participate in clinical studies, and to further develop the Company’s proprietary technology and platform in a variety of applications.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

These expenses consist of compensation expenses, direct research and development expenses such as laboratory supplies and costs of sequencing samples, web hosting costs to analyze and store associated data, professional fees, and depreciation and amortization. The Company expenses all research and development costs in the periods in which they are incurred.

o. Income taxes:

The Company account for income taxes under the liability method of accounting in accordance with the provisions of ASC 740, *Income Taxes*. ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when

the differences are expected to reverse. The Company provide a valuation allowance, if necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized.

ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

The Company's policy is to classify interest expenses and penalties recognized in the financial statements as income taxes.

As of December 31, 2023, the Company did not identify any significant uncertain tax positions.

p. Fair value of financial instruments:

The Company accounts for certain assets and liabilities at fair value under ASC 820, *Fair Value Measurements and Disclosures*. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

a. Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Level 2: Observable inputs that reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

c. Level 3: Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of cash and cash equivalents, deposits, accounts receivable, prepaid expenses, trade payables and other accounts payables approximate fair value due to the short-term maturity of these instruments.

The fair value measurement of convertible promissory notes (Note 8) is measured using unobservable inputs that require a high level of judgment to determine fair value, and thus are classified as Level 3 financial instruments. The Company estimates the fair value of convertible promissory notes using the Option-pricing model.

q. Recent Accounting Pronouncements:

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequently issued multiple amendments to the standard (collectively, "ASU 2016-13"). The provisions of ASU 2016-13 modify the impairment model to utilize an expected loss model in place of the incurred loss model and require a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company adopted ASU 2016-13 effective January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topics 740): Improvements to Income Tax Disclosures*, which expands the disclosure requirements for income taxes, primarily related to the rate reconciliation and income taxes paid. This ASU is effective for the fiscal years beginning after December 15, 2024. Early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

NOTE 3: - FAIR VALUE

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Convertible promissory notes:

The Company elected the fair value option pursuant to ASC 825 for the convertible promissory notes (the "CPN") (see Note 8). The carrying amount of the CPN is categorized as Level 3.

Determination of the fair value of the CPN includes inputs not observable in the market and was derived using the option pricing model using the following assumptions.

	Year ended December 31, 2023
Time to maturity (years)	0.25
Risk free interest rate	5.40%
Volatility	99%

The following table provides a reconciliation of convertible notes measured at fair value using Level 3 significant unobservable inputs (in thousands):

Balance at January 1, 2023	$	42,795
Additions		21,125
Change in fair value		14,649
Balance at December 31, 2023	$	78,569

The following table sets forth the Company's assets and liabilities that were measured at fair value as of December 31, 2023, by level within the fair value hierarchy:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalent - Money market funds and treasury bills	$ 17,263	$ —	$ —	$ 17,263
Total financial assets	$ 17,263	$ —	$ —	$ 17,263
Financial liabilities:				
Convertible promissory notes	$ —	$ —	$ 78,568	$ 78,568
Total financial liabilities	$ —	$ —	$ 78,568	$ 78,568

U.S. dollars in thousands (except share data)

NOTE 4: - PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31, 2023
Government authorities	$ 165
Prepaid expenses	306
Other current assets	48
	$ 519

NOTE 5: - PROPERTY AND EQUIPMENT, NET

	December 31, 2023
Cost:	
Computers and peripheral equipment	$ 163
Lab equipment	888
Finance lease lab equipment	1,061
Leasehold improvements	31
	2,143
Accumulated depreciation	1,731
Property and equipment, net	$ 412

Depreciation expenses for the year ended December 31, 2023, amounted to $567.

See Note 7 for finance lease commitments.

NOTE 6: - OTHER PAYABLES AND ACCRUED EXPENSES

	December 31, 2023
Government authorities	$ 201
Accrued expenses	797
	$ 998

NOTE 7: - LEASES

The Company's lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. The Company entered into operating leases primarily for offices and labs. The leases have remaining lease terms of up to approximately 3 years, some of which may include options to extend the leases for up to an additional 5 years. In addition, in March 2021, the Company entered into a lease agreement for a genome sequencing equipment for a period of 36 months. The lease was classified as a finance lease since it contained an option to purchase the asset that is reasonably certain to be exercised.

The components of lease costs, which were included in research and development, general and administrative, and financial expenses in our consolidated statements of operations, were as follows (in thousands):

	December 31, 2023
Operating lease costs	$ 1,400
Finance lease costs	
Depreciation of finance lease lab equipment	354
Interest on lease liabilities	20
Sublease income	(53)
Total lease costs	$ 1,720

U.S. dollars in thousands (except share data)

NOTE 7: - LEASES (Cont.)

Below is a composition of the Company's operating right-of-use asset and finance lease lab equipment and lease liabilities as of December 31, 2023:

		December 31, 2023
Right-of-use asset – operating leases	$	1,244
Finance lease lab equipment	$	118
Operating lease liability, current		540
Operating lease liability, long term		841
Finance lease liability, current		144
Finance lease liability, long term		—
Total operating lease liabilities	$	1,381
Total finance lease liabilities	$	144

Minimum lease payments for the Company's finance right-of-use asset over the remaining lease periods as of December 31, 2023, are as follows:

	December 31, 2023
2024	146
Total undiscounted lease payments	146
Less imputed interest	(2)
Net present value of future minimum lease payments	144
Weighted average of remaining finance lease term (in years)	—
Weighted average of finance lease discount rate	5%

U.S. dollars in thousands (except share data)

NOTE 7: - LEASES (Cont.)

Minimum lease payments for the Company's operating leases over the remaining lease periods as of December 31, 2023, are as follows:

	December 31, 2023
2024	703
2025	593
2026	354
Total undiscounted lease payments	1,650
Less imputed interest	(269)
Net present value of future minimum lease payments	1,381
Weighted average of remaining operating lease term (in years)	2.43
Weighted average of operating lease discount rate	14.33%

NOTE 8: - CONVERTIBLE PROMISSORY NOTES

On March 26, 2021 (the "Closing Date"), the Company entered into a Convertible Promissory Notes Agreement (the “CPN”) with several investors (the “Lenders”), pursuant to which the Lenders agreed to loan the Company up to $100,000 (the “Loan”). The CPN bears 5% annual interest and matures 36 months from the Closing Date (the "Maturity Date"), unless converted according to the Conversion Terms (as defined below).

Pursuant to the CPN, the Loan is automatically converted on the earlier of (i) the consummation of a Qualified Financing (the issuance and sale of preferred stocks for aggregate consideration of at least $10,000), (ii) the acquisition of the Company, (iii) the consummation of an IPO or a merger with a SPAC, or a similar transaction, in each case involving aggregate gross proceeds to the Company of no less than $50,000 or (iv) mandatory conversion at Maturity Date (together the "Conversion Terms").

On September 23, 2022, the CPN Agreement was amended (the “CPN Amendment”) to increase the maximum of the borrowing potential by $20,000 to a total of $120,000.

On January 30, 2023, the Company received an additional amount of $21,125 pursuant to the terms of the CPN Agreement. Issuance expenses amounted to a total of $10.

As of December 31, 2023, the Company received a total amount of $71,125 under the CPN Agreement.

The Company elected to account for the CPN under the fair value option in accordance with ASC 825, Financial Instruments. Under the fair value option, changes in fair value are recorded in earnings except for fair value adjustments related to instrument specific credit risk, which are recorded as other comprehensive income or loss.

NOTE 8: - CONVERTIBLE PROMISSORY NOTES (Cont.)

During the year ended December 31, 2023, the Company recognized $14,649 of remeasurement expenses. As of December 31, 2023, the Company did not recognize any instrument specific credit risk fair value adjustment.

As of December 31, 2023, the fair value for the CPN amounted to $78,568.

NOTE 9: -COMMITMENT AND CONTINGENT LIABILITIES

On February 28, 2020, the Company entered into a License Agreement (“CTL License”) with Cornell University (“CTL”) to allow for the exclusive development and commercialization of two inventions concerning Minimum Residual Disease (“MRD”). In consideration for the CTL License, the Company paid an issue fee of $100 and during the development phase, must pay license maintenance fees of $5 annually for the first three years and increasing up to $75 by the seventh year and thereafter.

For the year in which the Company makes its first commercial sale under the CTL License, it switches to the commercialization phase, the license maintenance fees are no longer applicable, and the Company must pay royalty fees earned on licensed products of 3.75% or 2%, depending on the type of sale.

The royalty rates increase to 4.25% and 2.5%, respectively, after the fourth anniversary of the first commercial sale and then to 4.75% and 3%, respectively, after the seventh anniversary of the first commercial sale.

In addition, the Company will also have to pay to CTL additional milestone payments if the cumulative revenue reaches $100,000 and $400,000.

For the year ended December 31, 2023, the Company incurred expenses of $257 with respect to the CTL License.

U.S. dollars in thousands (except share data)

NOTE 10: - CONVERTIBLE PREFERRED STOCKS AND SHAREHOLDERS EQUITY (DEFICIENCY)

a. Composition:

The Company's authorized, outstanding and issued share capital is comprised as follows:

	December 31, 2023	
	Number of stocks Authorized	**Number of stocks issued and outstanding**
Common Stock of $0.001 par value each	35,000,000	10,348,357
Convertible Preferred Seed Stock of $0.001 par value each	4,301,075	4,301,075
Convertible Preferred Series A Stock of $0.001 par value each	13,952,268	13,952,268

b. Rights of shares:

1. Common Stocks - The Common Stocks confers upon their holders certain liquidation rights, dividend rights and voting rights, which are subject to and qualified by the rights, powers and preferences of the holders of the Preferred A Stocks and Preferred Seed Stocks (collectively the "Preferred Stocks") as set forth herein.

2. Preferred Stocks - the Preferred Stocks confer upon their holders all rights accruing to holders of Common Stocks in the Company, and in addition, the Preferred Stocks holders are entitled to the following rights:

   Voting Rights

   The Preferred Stocks shall vote together with the other shares of the Company in each case not as a separate class, in all general meetings, with each Preferred Stock having votes in such number as if then converted into Common Stocks.

NOTE 10: - CONVERTIBLE PREFERRED STOCKS AND SHAREHOLDERS EQUITY (DEFICIENCY) (Cont.)

Dividend Provisions

Each holder of the Preferred A Stocks shall be entitled to receive, prior to and in preference to the holders of any other class or series of shares, a noncumulative dividend on each outstanding Preferred A Stock in an amount at least equal to: (i) five percent (5%) per annum of the Preferred A Stock original issue price of $0.8601 per share, subject to appropriate adjustments in the case of recapitalization events with respect to the Preferred A Stocks (the "Preferred A Stock Original Issue Price"), per each share of Preferred A Stock outstanding, or; (ii) (1) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Preferred A Stock as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (B) the number of shares of Common Stock issuable upon conversion of a share of Preferred A Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend, or;

(2) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Preferred A Stock determined by (A) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock and (B) multiplying such fraction by an amount equal to the applicable Preferred A Stock Original Issue Price. In addition, if the Company declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Preferred A Stock shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Preferred A Stock dividend (collectively the "Preferred A Stocks Dividend Rights"). Following the payments of all preferential amounts required to be paid to the holders of Preferred A Stocks, each holder of the Preferred Seed Stocks shall be entitled to receive, prior to and in preference to the holders of any other class or series of stocks (except for the holders of Preferred A Stocks as mentioned above), a noncumulative dividend on each outstanding Preferred Seed Stock, calculated in accordance with the Preferred A Stocks Dividend Rights, while using a Preferred Seed Stock original issue price of $0.279 per share, subject to appropriate adjustments in the case of recapitalization events with respect to the Preferred Seed Stocks (the "Preferred Seed Stock Original Issue Price"), per each share of Preferred Seed Stock outstanding.

NOTE 10: - CONVERTIBLE PREFERRED STOCKS AND SHAREHOLDERS EQUITY (DEFICIENCY) (Cont.)

Liquidation Preference

The holders of the Preferred A Stocks shall be entitled to receive, on a pari-passu basis, prior and in preference to all other shareholders of the Company, an amount out of the available assets per each Preferred A Share equal to the greater of: (i) An amount equal to the applicable original issue price with respect to the Preferred A Stocks, plus any dividends declared but unpaid thereon, less any amounts of cash or cash equivalents actually paid in preference to the holders of Preferred A Stock in prior distributions, or; (ii) Such amount per share as would have been payable had all shares of Preferred A Stock been converted into Common Stock immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (collectively the "Preferred A Stock Liquidation Amount"). Following the distribution of the Preferred A Stock Liquidation Amount, the holders of Preferred Seed Stocks shall be entitled to receive, prior and in preference to all other shareholders of the Company (except for the holders of the Preferred A Stocks as mentioned above), an amount out of the available assets per each Preferred Seed Stocks, calculated using the same Liquidation Rights entitled to the holders of the Preferred A Stocks, while using the Preferred Seed Stock Original Issue Price (the "Preferred Seed Stock Liquidation Amount").

Conversion rights

Each share of the Preferred Stocks is convertible, at the option of the holder thereof, at any time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the relevant Preferred Stock Original Issue Price by the applicable original issue price of the Common Stock (the "Conversion Price"). such initial Conversion Price and the rate at which shares of Preferred A Stock may be converted into shares of Common Stock shall be subject to further adjustments as applicable.

Balance Sheet Classification and Measurement

The deemed liquidation preference provisions of the convertible preferred stock are considered contingent redemption provisions that are not solely within the Company’s control. Accordingly, the convertible preferred shares have been presented outside of permanent equity in the temporary equity (mezzanine) section of the consolidated financial statements. As of December 31, 2023, the Company did not adjust the carrying values of the convertible preferred stock to the deemed liquidation values of such shares since a deemed liquidation event was not probable.

c. Share Option plan:

On November 21, 2019, the Board of Directors of the Company adopted the "2019 Share Incentive Plan" (the "2019 Plan"), pursuant to which options may be granted to employees, directors and advisors.

U.S. dollars in thousands (except share data)

NOTE 10: - CONVERTIBLE PREFERRED STOCKS AND SHAREHOLDERS EQUITY (DEFICIENCY) (Cont.)

The term and vesting of each option shall be for a period that will be determined by the Company's Board of Directors at each of the grants. Each grant generally vests over a period of four years.

Pursuant to the 2019 Plan, the Company has reserved a total of 752,688 Common Stocks for issuance under the 2019 Plan.

On May 21, 2020, the Board of Directors resolved to increase the option pool which serves the 2019 Plan by additional 2,386,572 Common Stocks, to an aggregate amount of 3,139,260.

On January 18, 2022, the Board of Directors resolved to increase the option pool which serves the 2019 Plan by additional 1,132,822 Common Stocks, to an aggregate amount of 4,272,082.

As of December 31, 2023, a total of 1,175,433 options were available for future grant under the 2019 Plan.

The following table presents the Company's Stock option activity for employees and directors of the Company under the Plan and related information:

	Year ended December 31, 2023		
	Number of options	**Weighted-average exercise price**	**Weighted-average remaining contractual term (in years)**
Outstanding at January 1, 2023	3,473,106	$0.53	8.22
Granted	205,000	$0.73	3.48
Forfeited	(763,094)	$0.69	8.26
Exercised	(166,720)	$0.27	7.08
Outstanding at December 31, 2023	2,748,292	$0.52	7.27
Options exercisable at the end of the year	1,791,341	$0.46	6.99

As of December 31, 2023, there were unrecognized compensation costs of approximately $346, that are expected to be recognized over a weighted-average period of 1.95 years.

The weighted-average grant date fair value of options granted during the year ended December 31, 2023, was $0.45.

U.S. dollars in thousands (except share data)

NOTE 10: - CONVERTIBLE PREFERRED STOCKS AND SHAREHOLDERS EQUITY (DEFICIENCY) (Cont.)

For the year ended December 31, 2023, stock-based compensation expenses were approximately $236, related to stock options granted to employees and directors, and were allocated as follows:

	Year ended December 31, 2023
Research and development	$ 200
Sales and marketing expenses	2
General and administrative	34
Total share-based compensation	$ 236

NOTE 11: - FINANCIAL EXPENSES, NET

	Year ended December 31, 2023
Interest income	$ (978)
Interest on finance leases	20
CPN fair value adjustments	14,649
Foreign currency transaction differences, net	207
Financial expenses, net	$ 13,898

NOTE 12: - INCOME TAXES

a. The Company and its Israeli Subsidiary are subject to the following tax laws:

The Company is subject to U.S federal income tax rate of 21% in 2023.

Effective for tax years beginning on or after January 1, 2022, pursuant to the Tax Cuts and Jobs Act of 2017, companies are required to capitalize and amortize Internal Revenue Code Section 174 research and experimental expenses paid or incurred over five years for research and development performed in the United States and 15 years for research and development performed outside of the United States.

The Israeli Subsidiary is subject to corporate tax rate in 2023 was 23%

b. The components of the net loss (income) before income taxes for the year ended December 31, 2023, were as follows:

	December 31, 2023
Domestic	$ 36,336
Foreign	(490)
Total net loss	$ 35,846

U.S. dollars in thousands (except share data)

NOTE 12: - INCOME TAXES (Cont.)

The provision for income taxes for the year ended December 31, 2023 was as follows:

	December 31, 2023
Current:	
Domestic	$ —
Foreign	154
Total current income tax expense	154
Deferred:	
Domestic	—
Foreign	—
Total deferred income tax expense	—
Total current income tax expense	$ 154

c. Net operating losses carry forward:

As of December 31, 2023, the Company has an operating tax loss carryforward for federal purposes in the amount of approximately $59,472, which have an indefinite carryover period. Utilization of U.S. net operating losses may be subject to substantial annual limitation due to "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

U.S. dollars in thousands (except share data)

NOTE 12: - INCOME TAXES (Cont.)

d. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As of December 31, 2023, the Company's deferred taxes were in respect of the following:

	December 31, 2023
Deferred tax assets:	
Net operating loss carryforwards	$ 12,489
R&D capitalization and amortization	5,359
Provision for bonuses	149
Provision for vacation and recuperation	112
Lease liabilities	323
Total deferred tax assets before valuation allowance	18,432
Valuation allowance	(18,143)
Deferred tax asset	289
Deferred tax liabilities:	
Right-of-use assets	289
Deferred tax liabilities	289
Deferred tax assets, net	$ —

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. The Company has established a valuation allowance to offset certain deferred tax assets on December 31, 2023, due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets.

In 2023 the main reconciling item for the Company’s tax rate is tax loss carryforwards and temporary differences, for which a valuation allowance was provided.

e. Tax assessments:

The Company and its Israeli subsidiary have not yet received final tax assessments since inception.

NOTE 13: - SUBSEQUENT EVENTS

In connection with the preparation of the consolidated financial statements and in accordance with authoritative guidance for subsequent events, the Company evaluated subsequent events after the balance sheet date through April 16, 2024, the date on which the audited financial statements were available to be issued.

On February 5, 2024, the Company completed the Agreement and Plan of Merger with Veracyte, Inc.("Veracyte") whereby Veracyte acquired 100% of the outstanding Company equity for a purchase price of $70,000, subject to customary purchase price adjustments. The consideration to acquire the Company comprised of $8,000 deposited into escrow to secure certain indemnification obligations of the Company securityholders, $200 deposited with the securityholders' agent for payment or reimbursement of certain expenses potentially to be incurred by the securityholders' agent in connection with the acquisition and the as-adjusted remainder paid to the Company securityholders in Veracyte's common stock. In addition, Veracyte may pay up to $25,000 to Company securityholders based on the achievement of future performance milestones over the next 2 years ("Milestone Payments"). Subject to certain limitation, the Milestone Payments shall be payable in cash or shares of Veracyte's common stock at Veracyte's election.

\- - - - - - - - - - - - - -

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF VERACYTE, INC. AND C2I GENOMICS INC.

On February 5, 2024, Veracyte, Inc. ("Veracyte" or the "Company"), a Delaware corporation, completed its acquisition of C2i Genomics, Inc. ("C2i"), a Delaware corporation, pursuant to the terms of the Agreement and Plan of Merger (the "Merger Agreement"), dated January 5, 2024, among the Company, C2i, Canary Merger Sub I, Inc. ("Merger Sub I"), Veracyte Diagnostics, LLC ("Merger Sub II" and together with Merger Sub I, the "Merger Subs") and Fortis Advisors LLC (the "Securityholders' Agent"). Merger Sub I was and Merger Sub II remains a wholly-owned subsidiary of the Company. Pursuant to the Merger Agreement, Merger Sub I merged with and into C2i, with C2i surviving as a wholly-owned subsidiary of the Company (the "First Merger"). Promptly following the First Merger, C2i merged with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of the Company (the "Second Merger" and, collectively with the First Merger, the "Merger").

The unaudited pro forma condensed combined financial information has been derived from:

- Veracyte's audited consolidated financial statements and accompanying notes as of and for the fiscal year ended December 31, 2023 (as included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on February 29, 2024);
- C2i's audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2023, which are filed as Exhibit 99.1 to the Current Report on Form 8-K (as amended) to which this Exhibit 99.2 is filed as an exhibit.

The following unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Merger based on the historical financial statements of Veracyte and C2i after giving effect to the Merger and the Merger-related pro forma adjustments as described in the notes included below.

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X, as amended by the final rule, Release No. 33-10786, "Amendments to Financial Disclosures about Acquired and Disposed Businesses." The unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of the Company and the historical consolidated financial statements of C2i, as adjusted to give effect to the Merger. The unaudited pro forma condensed combined balance sheet as of December 31, 2023, gives effect to the Merger as if they occurred or had become effective on December 31, 2023. The unaudited pro forma condensed combined consolidated statement of operations for the fiscal year ended December 31, 2023, gives effect to the Merger as if they occurred or had become effective on January 1, 2023. Further information about this basis of presentation is provided in Note 1 to this unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined consolidated financial information has been prepared by the Company using the acquisition method of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"). The Company has been treated as the acquirer in the Merger for accounting purposes. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable as of the date hereof. The unaudited pro forma condensed combined consolidated financial information is provided for illustrative and informational purposes only and does not purport to represent or be indicative of the consolidated results of operations or financial condition of the Company had the Merger been completed as of the dates presented and should not be construed as representative of the future consolidated results of operations or financial condition of the combined entity.

An updated determination of the fair value of C2i's assets acquired and liabilities assumed will be performed within one year of closing of the Merger. The final purchase price allocation may be different than the preliminary purchase consideration allocation presented in the unaudited pro forma condensed combined consolidated financial information. Any changes in the fair values of the net assets or total purchase consideration as compared with the information shown in the unaudited pro forma condensed combined consolidated financial information may change the amount of the total purchase price allocated to goodwill, and other assets and liabilities may impact the combined entity’s balance sheet and statement of operations. As a result of the foregoing, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined consolidated financial information. Differences between these preliminary estimates and the final acquisition accounting may arise, and these differences could have an impact on the accompanying unaudited pro forma condensed combined consolidated financial information and the combined entity’s future results of operations and financial position.

The unaudited pro forma condensed combined consolidated financial information does not reflect any expected cost savings, operating synergies, or revenue enhancements that the combined entity may achieve as a result of the Merger or the costs necessary to achieve any such cost savings, operating synergies or revenue enhancements.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF DECEMBER 31, 2023

(in thousands)

	Veracyte December 31, 2023	C2i December 31, 2023[(1)]	Transaction accounting adjustments	Notes	Pro forma
ASSETS					
Current assets					
Cash and cash equivalents	$ 216,454	$ 18,804	$ (11,994)	3(A)	$ 223,264
Accounts receivable	40,378	6	—		40,384
Supplies and inventory	16,128	—	—		16,128
Prepaid expenses and other current assets	12,661	519	—		13,180
Total current assets	285,621	19,329	(11,994)		292,956
Property and equipment, net	20,584	412	—		20,996
Right-of-use assets - operating leases	10,277	1,244	—		11,521
Intangible assets, net	88,593	—	31,500	3(B)	120,093
Goodwill	702,984	—	53,003	3	755,987
Restricted cash	876	—	—		876
Other assets	5,971	188	—		6,159
Total assets	$ 1,114,906	$ 21,173	$ 72,509		$ 1,208,588
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable	$ 12,943	$ 757	$ —		$ 13,700
Accrued liabilities	38,427	2,332	—		40,759
Current portion of deferred revenue	2,008	94	—		2,102
Current portion of acquisition-related contingent consideration	2,657	—	4,279	3(C)	6,936
Current portion of operating lease liabilities	5,105	541	—		5,646
Current portion of other liabilities	101	166	—		267
Total current liabilities	61,241	3,890	4,279		69,410
Deferred tax liability	734	—	750	3(D)	1,484
Acquisition-related contingent consideration, net of current portion	518	—	12,921	3(C)	13,439
Operating lease liabilities, net of current portion	7,525	841	—		8,366
Other liabilities	786	78,568	(78,568)	3(E)	786
Total liabilities	70,804	83,299	(60,618)		93,485
Commitments and contingencies					
Stockholders' equity					
Preferred stock, $0.001 par value; 5,000,000 shares authorized, no shares issued and outstanding as of December 31, 2023, and 2022	—	13,085	(13,085)	4(A)	—

Common stock, $0.001 par value; 125,000,000 shares authorized, 73,264,738 and 71,959,454 shares issued and outstanding as of December 31, 2023, and 2022, respectively	73	10	(7)	4(A)	76
Additional paid-in capital	1,536,168	854	73,378	4(A)	1,610,400
Accumulated deficit	(468,121)	(76,075)	72,841	4(A)	(471,355)
Accumulated other comprehensive loss	(24,018)	—	—		(24,018)
Total stockholders' equity	1,044,102	(62,126)	133,127		1,115,103
Total liabilities and stockholders' equity	$ 1,114,906	$ 21,173	$ 72,509		$ 1,208,588

(1) See Note 2 for details.

See accompanying notes to unaudited pro forma condensed combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands, except share and per share information)

	Veracyte Year ended December 31, 2023	C2i Year ended December 31, 2023[1]	Transaction accounting adjustments	Notes	Pro forma
Revenue					
Testing revenue	$ 326,542	$ 456	$ (300)	4(B)	$ 326,698
Product revenue	15,588	—	—		15,588
Biopharmaceutical and other revenue	18,921	—	—		18,921
Total revenue	361,051	456	(300)		361,207
Operating expenses:					
Cost of testing revenue	88,913	133	—		89,046
Cost of product revenue	8,666	—	—		8,666
Cost of biopharmaceutical and other revenue	15,324	—	—		15,324
Research and development	57,305	17,880	(212)	4(C)	74,973
Selling and marketing	101,490	2,039	—		103,529
General and administrative	86,229	2,352	3,216	4(D)	91,797
Impairment of long-lived assets	68,349	—	—		68,349
Intangible asset amortization	20,570	—	1,687	3(B)	22,257
Total operating expenses	446,846	22,404	4,691		473,941
Loss from operations	(85,795)	(21,948)	(4,991)		(112,734)
Other income, net	9,183	(13,898)	—		(4,715)
Loss before income tax benefit	(76,612)	(35,846)	(4,991)		(117,449)
Income tax provision (benefit)	(2,208)	154	(1,048)	4(E)	(3,102)
Net loss	$ (74,404)	$ (36,000)	$ (3,943)		$ (114,347)
Net loss per common share:					
Basic	$ (1.02)				$ (1.52)
Diluted	$ (1.02)				$ (1.52)
Shares used to compute net loss per common share:					
Basic	72,644,487		2,698,349	5(B)	75,342,836
Diluted	72,644,487		2,769,526	5(C)	75,414,013

(1) See Note 2 for details.

See accompanying notes to unaudited pro forma condensed combined financial information.

1. Basis of pro forma presentation

The unaudited pro forma condensed combined financial information has been prepared by the Company in connection with its acquisition of C2i, a company which develops technology to detect the minimal residual disease, or MRD, left behind after cancer treatments.

The unaudited pro forma condensed combined financial information is based on the historical audited consolidated financial statements of the Company and the historical audited consolidated financial statements of C2i, as adjusted to give effect to the pro forma adjustments. Veracyte and C2i's historical financial statements were prepared in accordance with US GAAP.

C2i's historical statements of operations have been combined with the Company's statement of operations for the fiscal year ended December 31, 2023. The audited consolidated financial statements and accompanying notes of Veracyte as of and for the year ended December 31, 2023, are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which were filed with the SEC on February 29, 2024, and the audited consolidated financial statements and accompanying notes of C2i as of December 31, 2023, which are included as Exhibit 99.1 to the Current Report on Form 8-K (as amended) to which this Exhibit 99.2 is filed as an exhibit.

The accompanying unaudited pro forma condensed combined financial information and related notes were prepared using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations,* ("ASC 805"), with Veracyte considered the accounting acquirer of C2i. ASC 805 requires, among other things, that the assets acquired, and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. For purposes of the unaudited pro forma condensed combined balance sheet, the purchase price consideration has been allocated to the assets acquired and liabilities assumed of C2i based upon management's preliminary estimate of their fair values. The excess of the purchase price consideration over the fair value of assets acquired and liabilities assumed is allocated to goodwill. Accordingly, the purchase price allocation and related adjustments reflected in the unaudited pro forma condensed combined consolidated financial information are preliminary and subject to adjustment based on a final determination of fair value and tax contingency matters. The purchase price consideration as well as the estimated fair values of the assets and liabilities will be updated and finalized as soon as practicable, but no later than one year from the closing of the acquisition.

The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable. Management has included certain reclassification adjustments for consistency in presentation as indicated in the subsequent notes. See Note 2 for further discussion. The unaudited pro forma condensed combined financial information is provided for informational purposes only and does not purport to represent or be indicative of the consolidated results of operations or financial condition of the Company had the Merger or the Acquisition financing been completed as of the dates presented and should not be construed as representative of the future consolidated results of operations or financial condition of the combined entity.

2. C2i financial information

This represents the historical financial information of C2i which reflects certain reclassifications to align with Veracyte's financial statement presentation.

UNAUDITED C2I CONDENSED BALANCE SHEET
AS OF DECEMBER 31, 2023
(in thousands)

	C2i Year ended December 31, 2023	Reclassification adjustments[1]	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 18,804	$ —	$ 18,804
Accounts receivable	6	—	6
Prepaid expenses and other current assets	519	—	519
Total current assets	19,329	—	19,329
Property, plant and equipment, net	412	—	412
Right of use asset – operating leases	1,244	—	1,244
Restricted deposits for leases	188	(188)	—
Other assets	—	188	188
Total assets	$ 21,173	$ —	$ 21,173
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities:			
Trade payables	$ 757	$ —	$ 757
Payroll and benefit related liabilities	1,356	(1,356)	—
Other accounts payable	998	(998)	—
Accrued liabilities	—	2,332	2,332
Deferred revenue	94	—	94
Current portion of lease liabilities	685	(144)	541
Current portion of other liabilities	—	166	166
Total current liabilities	3,890	—	3,890
Lease liabilities	841	—	841
Convertible promissory notes	78,568	(78,568)	—
Other liabilities	—	78,568	78,568
Total liabilities	83,299	—	83,299
Mezzanine equity:			
Preferred Seed stock of $0.001 par value - Authorized, Issued and outstanding: 4,301,075 shares	1,171	—	1,171
Preferred A stock of $0.001 par value - Authorized, Issued and outstanding: 13,952,268 shares	11,914	—	11,914
Stockholders' equity (deficiency):			
Share capital - Common stocks of $0.001 par value - Authorized: 35,000,000, Issued and outstanding: 10,348,357 stocks at December 31, 2023	10	—	10
Additional paid-in capital	854	—	854
Accumulated deficit	(76,075)	—	(76,075)
Total Stockholders' equity (deficiency)	(75,211)	—	(75,211)
Total liabilities, mezzanine equity and stockholders' equity	$ 21,173	$ —	$ 21,173

(1) Represent reclassification entries necessary to condense or conform the C2i financial statement presentation with the condensed consolidated Veracyte financial statement presentation included in the unaudited pro forma condensed combined financial statements.

UNAUDITED C2I CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands)

	C2i Year ended December 31, 2023	Reclassification Adjustments[1]	Total
Revenues	$ 456	$ —	$ 456
Cost of revenues	133	—	133
Gross profit	323	—	323
Operating expenses:		—	
Research and development expenses	17,880	—	17,880
Marketing expenses	2,039	—	2,039
General and administrative expenses	2,352	—	2,352
Total operating expenses	22,271	—	22,271
Financial expenses (income), net	13,898	(13,898)	—
Other income, net	—	13,898	13,898
Income taxes	154	—	154
Net income	$ (36,000)	$ —	$ (36,000)

(1) Represents reclassification entries necessary to condense or conform the C2i financial statement presentation with the condensed consolidated Veracyte financial statement presentation included in the unaudited pro forma condensed combined financial statements.

3. C2i acquisition

Under the terms of the Merger Agreement, Veracyte acquired C2i for total purchase consideration of approximately $100,195 thousand. Veracyte deposited $8,000 thousand of the purchase consideration into escrow to secure certain indemnification obligations of the C2i securityholders and $200 thousand was deposited for payment of certain expenses potentially to be incurred by the Securityholders' Agent in connection with the acquisition. In addition, Veracyte issued 2,698,349 shares of Veracyte common stock to the C2i stockholders and noteholders, and in the case of any C2i stockholders and noteholders who did not certify they were an "accredited investor", their respective portion of purchase consideration was paid in cash. Further, options granted by C2i to its employees have been assumed by Veracyte on the same terms and conditions that were in effect immediately prior to the acquisition.

Closing consideration as per closing statement		**Amounts (in thousands)**
Upfront Payment	$	70,000
Plus: Closing cash[(1)]		13,689
Less: C2i debt [(1)]		(1,398)
Less: C2i transaction expenses [(1)]		(17)
Plus: Net working capital adjustment[(1)]		1,042
Less: Note closing amounts[(1)]		(49,743)
Closing consideration as per closing statement	$	33,573

(1) Represents estimated amounts utilized for closing, which are subject to certain customary adjustments and finalization.

Purchase price for accounting purposes		**Amounts (in thousands)**
Closing consideration as per closing statement (from above)	$	33,573
Add: Fair value of contingent consideration		17,200
Add: Note closing amounts		49,743
Add: C2i transaction expenses settled by Veracyte		17
Less: Unvested portion of settlement of options		(338)
Purchase price for accounting purposes	$	100,195

The following reflects the preliminary purchase price allocation among assets acquired and liabilities assumed:

		Amounts (in thousands)
Net assets of C2i as of December 31, 2023	$	(62,126)
Settlement of convertible debt by Veracyte on acquisition		78,568
Adjusted net assets of C2i as of December 31, 2023		16,442
Record intangibles at fair value[(1)]		31,500
Record deferred tax liability associated with assets acquired at fair value (Note 4(E))		(750)
Preliminary fair value of net assets acquired		47,192
Preliminary allocation to goodwill[(1)]	$	53,003

(1) The preliminary estimates are based on the data available to Veracyte and are subject to change upon completion of the final purchase price allocation. Any change in the estimated fair value of the assets and liabilities acquired will have a corresponding impact on the amount of

the goodwill. In addition, a change in the amount of property, plant, and equipment, leases and other identifiable intangible assets will have a direct impact on the amount of amortization and depreciation recorded against income in future periods. The impact of any changes in the purchase price allocation may have a material impact on the amounts presented in the pro forma condensed combined financial information and in future periods. The goodwill amount represents the total purchase price less the preliminary fair value of net assets acquired.

(A). Reflects the impact on cash and cash equivalents as follows:

	Amounts (in thousands)
Payment of acquisition fees [1]	$ (3,000)
Payment of cash consideration for the acquisition of C2i	(8,853)
Payment of cash to non-continuing employees for unvested options	(141)
Pro forma adjustment	$ (11,994)

[1] The acquisition fees of $3,000 thousand includes the transaction costs, which are expensed as incurred.

(B). Reflects the impact of the purchase price allocation as described above, including:

The estimated fair value of intangible assets is related to in-process research & development ("IPR&D") and developed technology. The estimated useful life of the developed technology is 15 years and IPR&D asset is still not in use and it is not eligible for amortization.

Intangible assets subject to amortization	Useful life (in years)	Amounts (in thousands)
Developed Technology	15	$ 25,300
Intangible assets not subject to amortization		
IPR&D	NA	6,200
Less: Intangible assets book value		—
Pro forma adjustment		$ 31,500

Intangible assets amortization expense	Amounts (in thousands)
Total pro forma intangible asset amortization[1]	$ 1,687
Less: C2i amortization, as reported	—
Pro forma adjustment[2]	$ 1,687

[1] Represents the amortization step up of intangible assets. The proforma adjustment represents the estimated amortization expense, which is calculated based on a useful life of 15 years for developed technology.

[2] The pro forma adjustment of intangible amortization step up is reflected in intangible asset amortization.

(C). Represents the fair value of the contingent consideration that has been agreed to be paid to noteholders by Veracyte on achievement of certain milestones, amounting to $17,200 thousand.

(D). Reflects the impact on deferred tax liability associated with fair value adjustments for assets acquired at fair value.

(E). Reflects the impact of settlement of convertible debt by Veracyte on acquisition.

4. Other adjustments

(A). Represents the elimination of the C2i historical equity, issue of Veracyte common stock to C2i noteholders and stockholders, issue of stock options to C2i employees and the impact of the Merger transactions as follows (in thousands)

(in thousands)	Common Stock	Preferred stock	Additional paid-in capital	Accumulated deficit	Total
Eliminate C2i	$ (10)	$ (13,085)	$ (854)	$ 76,075	$ 62,126
Add: Issue of Veracyte common stock to C2i noteholders and stockholders	3	—	73,299	—	73,302
Add: Issue of stock options to C2i employees[1]	—	—	840	—	840
Add: Stock based compensation expense[2]	—	—	93	(234)	(141)
Less: Estimated C2i acquisition costs	—	—	—	(3,000)	(3,000)
Total	$ (7)	$ (13,085)	$ 73,378	$ 72,841	$ 133,127

(1) Represents the fair value of pre-combination portion of stock options (non-accelerated) assumed by Veracyte, which has been included in the purchase consideration. See Note 5(A) for details.

(2) The adjustment to additional paid-in capital of $93 thousand represents the fair value of post-combination portion of the stock options (accelerated on the acquisition date) assumed by Veracyte, which has been recognized as post-combination compensation cost in the books of Veracyte. The adjustment to accumulated deficit of $234 thousand includes (i) $93 thousand of compensation cost (discussed above) and (ii) $141 thousand of cash payments, made to non-transferring employees, relating to post-combination portion of stock options (accelerated on the acquisition date), which has been considered as post-combination compensation cost in the books of Veracyte. See Note 5(A) for details.

(B). Reflects the elimination of intercompany transaction between Veracyte and C2i.

(C). Reflects the impact on research and development costs as follows:

	Amounts (in thousands)
Stock compensation expense[1]	$ 88
Less: Elimination of intercompany transaction between Veracyte and C2i	(300)
Pro forma adjustment	$ (212)

(1) Reflects the impact of stock options issued to certain transferring C2i employees. See Note 5(A) for details.

(D). Reflects the impact on general and administrative costs as follows:

	Amounts (in thousands)
Acquisition costs[1]	$ 3,000
Add: Stock compensation expense[2]	216
Pro forma adjustment	$ 3,216

(1) Represents the impact of the estimated acquisition costs of Veracyte and C2i, incurred between the date of the historical financial statements included in the pro forma and the transaction close date. In addition, Veracyte and C2i incurred $2,602 thousand and $433 thousand, respectively, of acquisition costs related to the acquisition in their historical statement of operation for the year ended December 31, 2023. These nonrecurring expenses are not anticipated to affect the consolidated statement of operations beyond twelve months after the acquisition date.

(2) Reflects the impact of stock options issued to certain transferring C2i employees. See Note 5(A) for details.

(E). The estimated tax impact is based on an assumed tax rate of 21%, which is Veracyte's statutory rate. Any tax benefit reflected related to the pro forma adjustments may be subject to a valuation allowance. Because the adjustments contained in the unaudited pro forma condensed combined financial information are based on estimates, the effective tax rate herein will vary from the effective rate in periods subsequent to the C2i acquisition. The statutory rate is also applied to the step up of intangibles to estimate a deferred tax liability for pro forma purposes.

5. Issue of stock options and shares

(A). The Company assumed the stock options held by C2i employees on the acquisition date, on the same terms and conditions that were in effect immediately prior to the acquisition. This resulted in pro forma condensed combined balance sheet impact of $93 thousand increase in additional paid-in capital and $234 thousand decrease in accumulated deficit, and the pro forma condensed combined statement of operations compensation expense impact of $88 thousand to research and development and $216 thousand to general and administrative.

(B). Reflects the issuance of 2,698,349 shares to C2i stockholders and noteholders on acquisition of C2i.

(C). Reflects the issuance of 2,698,349 shares to C2i stockholders and noteholders and 71,177 stock options to certain transferring C2i employees, on acquisition of C2i.