



# First Quarter 2020 Performance

**Business & Financial Presentation**

**May 6, 2020**

# Forward-Look Statements

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

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

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# Veracyte Q1 2020 Takeaways

<b>Delivered solid Q1 2020 results</b>	<ul style="list-style-type: none"><li>• Testing and product revenue increased 20% to \$30.4M</li><li>• Genomic testing volume grew 15% to 10,559</li><li>• Advanced pipeline and solidified infrastructure for global expansion</li><li>• Established collaborations with Acerta Pharma/AstraZeneca and Yale to fuel pipeline</li></ul>
<b>COVID-19 is impacting our business - taking steps to respond</b>	<ul style="list-style-type: none"><li>• Prioritized safety of employees and ability to deliver test results</li><li>• Test volume began decline mid-March, with an &gt;50% decline to prior year in April</li><li>• Company is planning for a U-shaped recovery (Q1/Q2 2021)</li><li>• Took steps to preserve cash and provide flexibility</li><li>• Adopted new models for customer engagement</li></ul>
<b>Well-positioned to emerge strong and drive long-term growth</b>	<ul style="list-style-type: none"><li>• Our core genomic diagnostics business is strong</li><li>• Poised for robust global expansion</li><li>• Significant pipeline</li><li>• Biopharmaceutical collaborations provide strategic leverage</li><li>• Strong cash position</li></ul>

# COVID-19 Pandemic Business-Recovery Framework

	Scenario 1 – “V”	Scenario 2 – “U”	Scenario 3 -
Business at “normal” level	Q3/Q4 2020	Q1/Q2 2021	>Q2 2021
Priorities	Maintenance plan	Cash preservation Flexibility	Business and P&L realignment
Response	Temporary hiring freeze Reduce non-essential travel and spend Maintain R&D investments	Temporary furlough Hiring freeze Reduce spend Exec/board/vendor contributions Maintain R&D investments	Headcount RIF Reduced spend Pipeline delay
Strategic business focus	Virtual customer engagement Biopharma collaborations <ul style="list-style-type: none"> <li>• Near-term revenue</li> <li>• Long-term growth</li> <li>• Business diversity</li> </ul>	Biopharma collaborations <ul style="list-style-type: none"> <li>• Near-term revenue</li> <li>• Long-term growth</li> <li>• Business diversity</li> <li>• Strategic leverage in pipeline development</li> </ul>	Longer-term growth aligned to new customer interfaces Investments prioritized for growth
Best-case business resumption	Accelerate re-adoption for revenue growth	Reinstate furloughed employees Core product re-acceleration	“New normal” in running business

# New Items

**NEW Reporting 2020** – Due to U.S. GAAP requirements, we are now breaking-down service lines into the following categories:

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

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

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

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

# Financial KPIs vs Prior Year

Benchmark	Revenue	Gross Margin	Operating Expenses (Excludes Cost of Revenue)	Net Loss	Cash Flow from Operations	Genomic Volume <sup>1</sup>
Actuals Q1 2020	\$31,122	61%	\$31,079	-\$11,716	-\$5,301	10,559
Prior Year	\$29,529	71%	\$23,082	-\$1,917	-\$1,011	9,162
	+\$1,593    +5%	n/a    -11%	-\$7,997    -35%	-\$9,799    -511%	-\$4,290    -424%	+1,397    +15%
	Product + Testing \$5.0 million / 20% v.PY PYQ includes \$3.8 million sale of data to Johnson & Johnson	Pandemic impact - \$1.1 million write-down of supplies results in ~3.5% impact to gross margin PYQ Johnson & Johnson sale of data contributed 4.0% to gross margin	Pre-pandemic 60% increase in average S&M headcount and incremental \$1 million in acquisition intangible amortization drove majority of increase COVID-19 cost reductions announced in April 2020			First quarter 2020 genomic testing increased 15% Pandemic Impact – Volume declines in second half of March 2020 with April volumes declining over 50% compared to prior year.

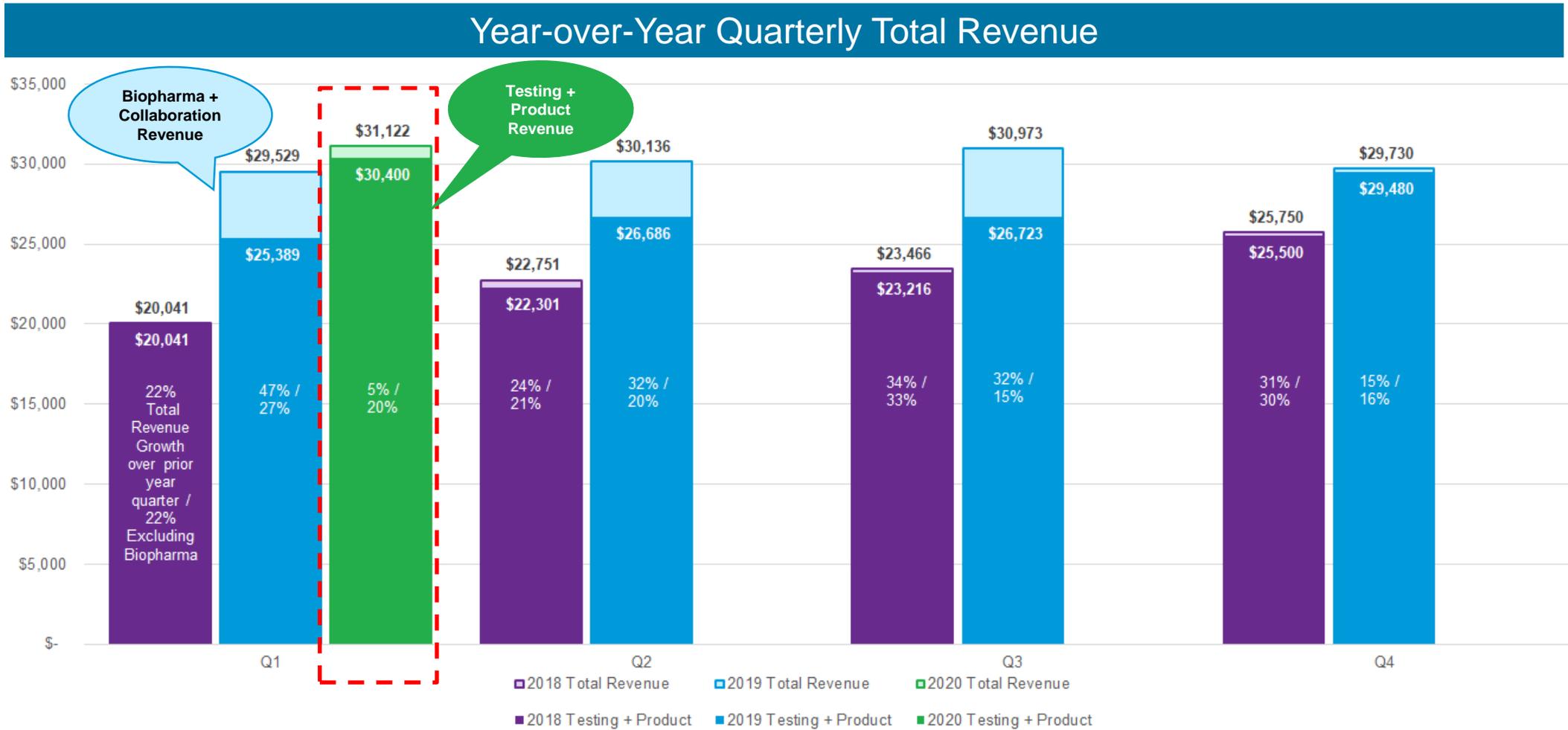
1. Includes commercial genomic volume for our Afirma, Percepta and Envisia Genomic Classifiers and excludes clinical, registry and product volumes (i.e., Prosigna test volume).

# Revenue vs Prior Year

Benchmark	+ Variance		+ Variance		Testing Revenue	Product Revenue	Testing + Product Revenue	Biopharma and Collaboration Revenue <sup>1</sup>	Total Revenue
	- Variance		- Variance						
Actuals Q1 2020					\$26,991	\$3,409	\$30,400	\$722	\$31,122
As % Of Total Revenue					87%	11%	98%	2%	100%
Prior Year					\$25,389	\$0	\$25,389	\$4,140	\$29,529
	+\$1,602	+6%	+\$3,409	n/a	+\$5,011	+20%	-\$3,418	-83%	+\$1,593
As % Of Total Revenue					86%	0%	86%	14%	100%

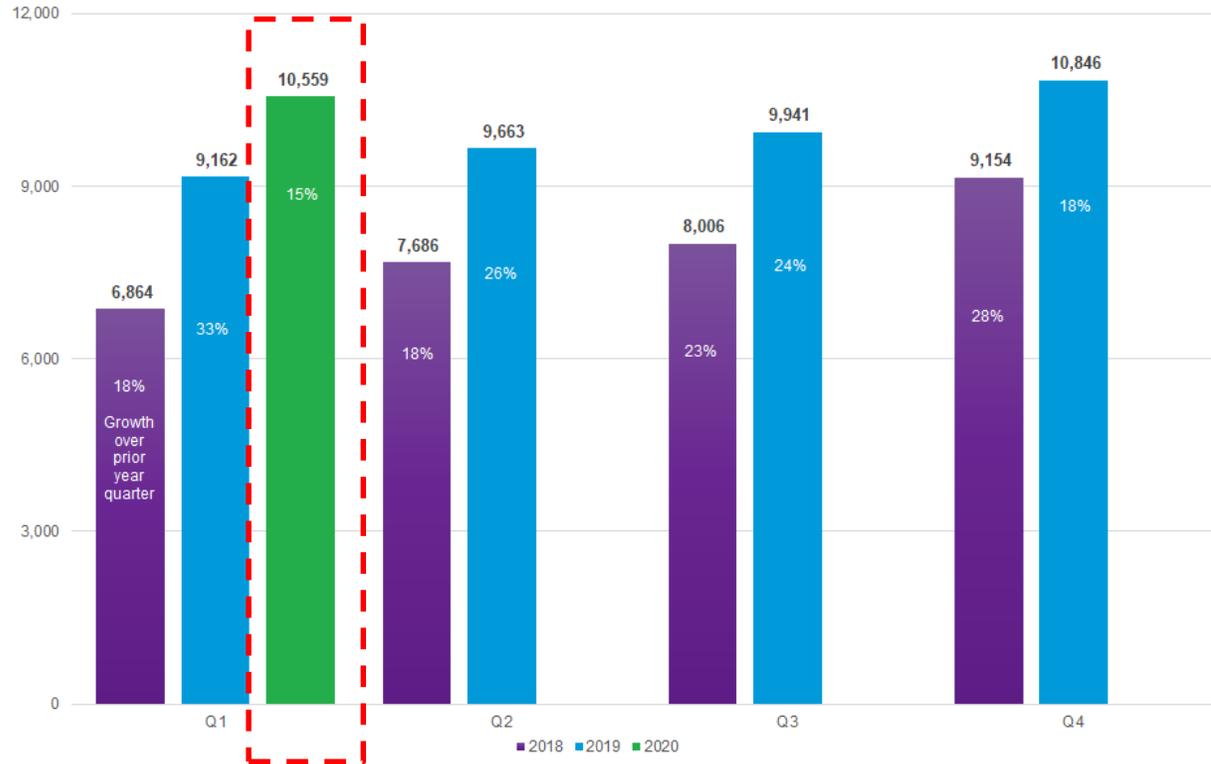
1. First quarter 2019 includes \$3.8 million in revenue for the sale of data to Johnson & Johnson, which contributed 4% to our gross margins in that period.

# Revenue

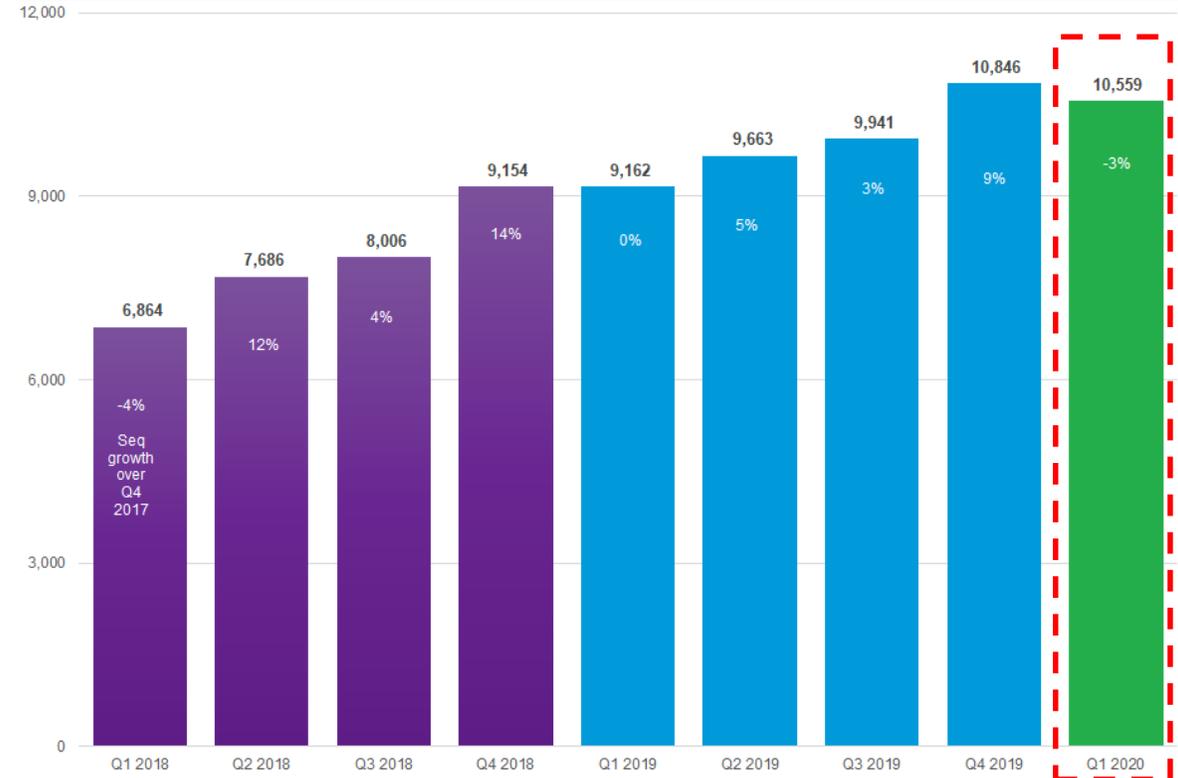


# Genomic Volume (Testing Services)<sup>1</sup>

## Year-Over-Year

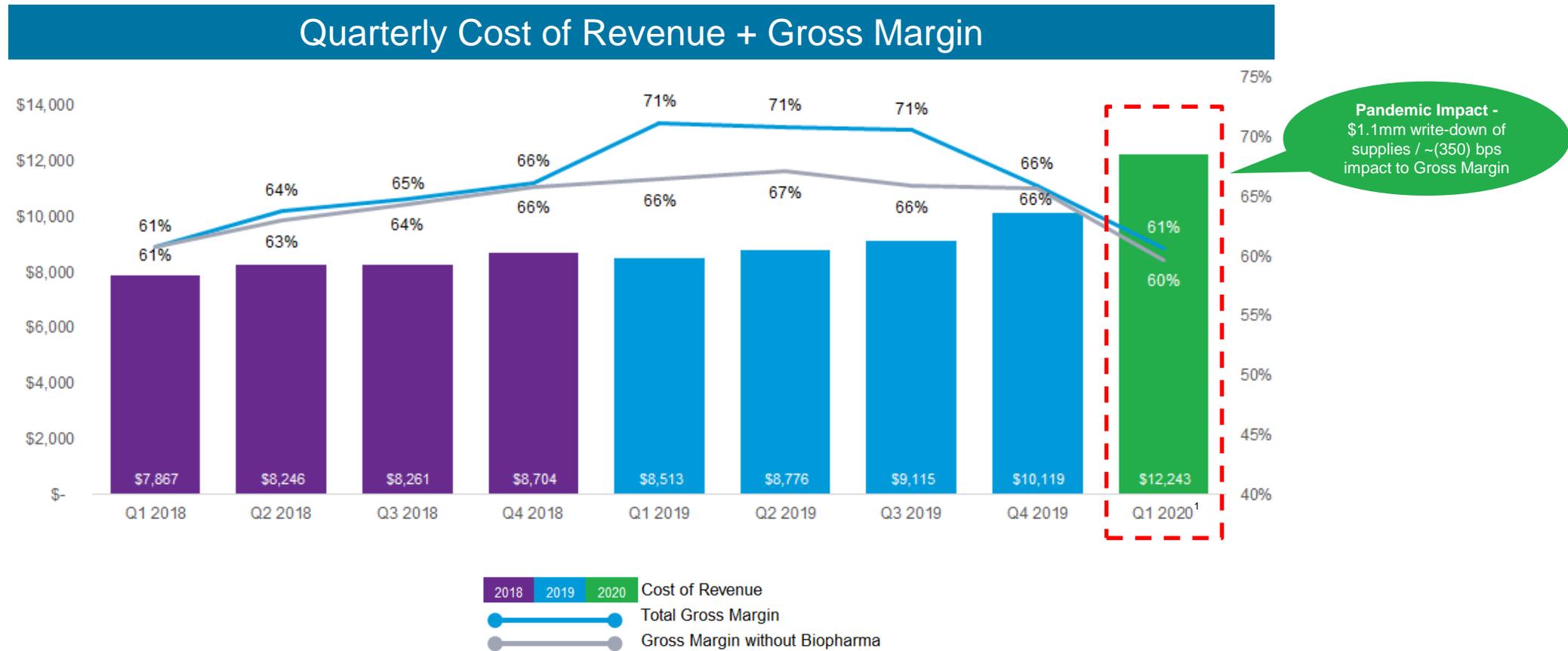


## Sequential



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

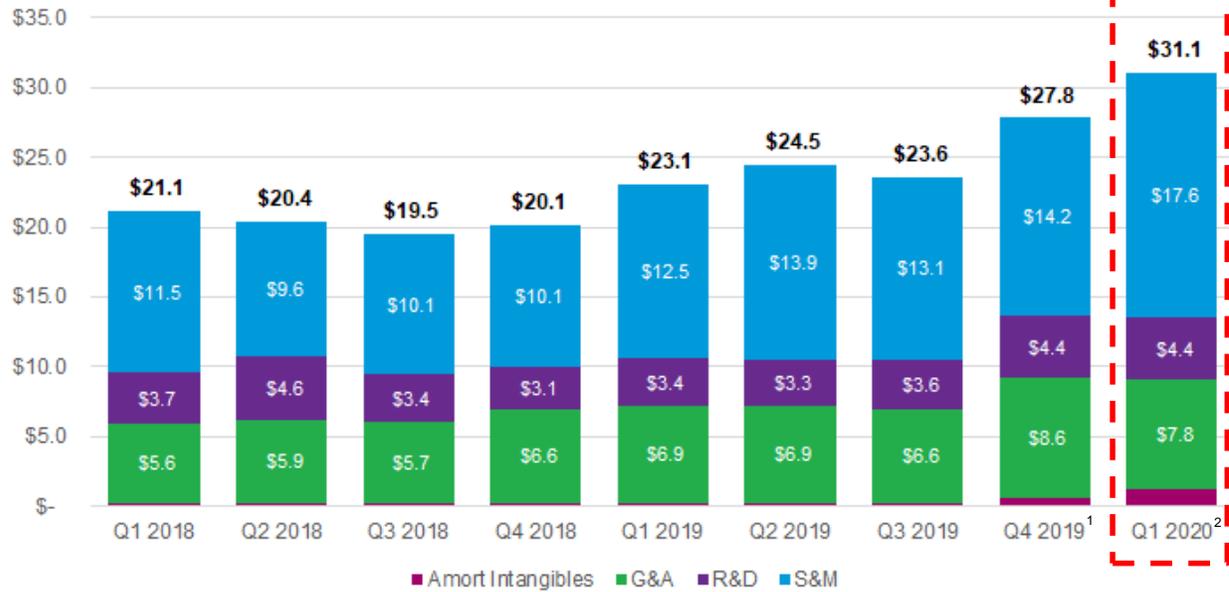
# Cost of Revenue + Gross Margin



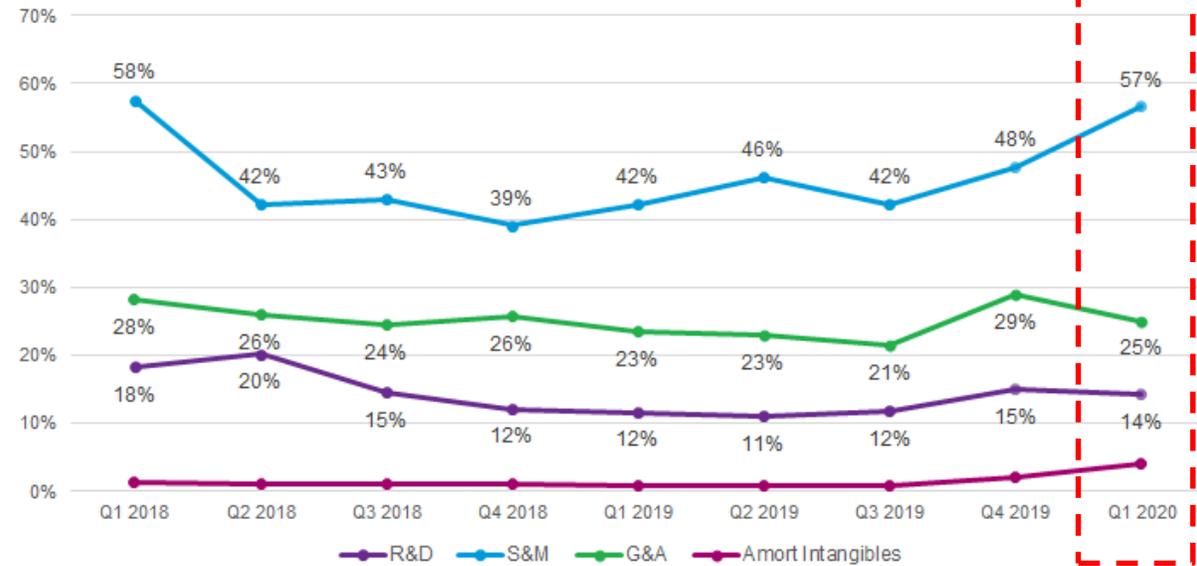
1. In the first quarter of 2020, due to the expected impact of the global pandemic on our expected test volumes, we recognized a \$1.1 million write-down of supplies that we recorded in cost of revenue. The write-off resulted in an approximate 350-basis points reduction in our gross margin.

# Operating Expenses

## Operating Expenses



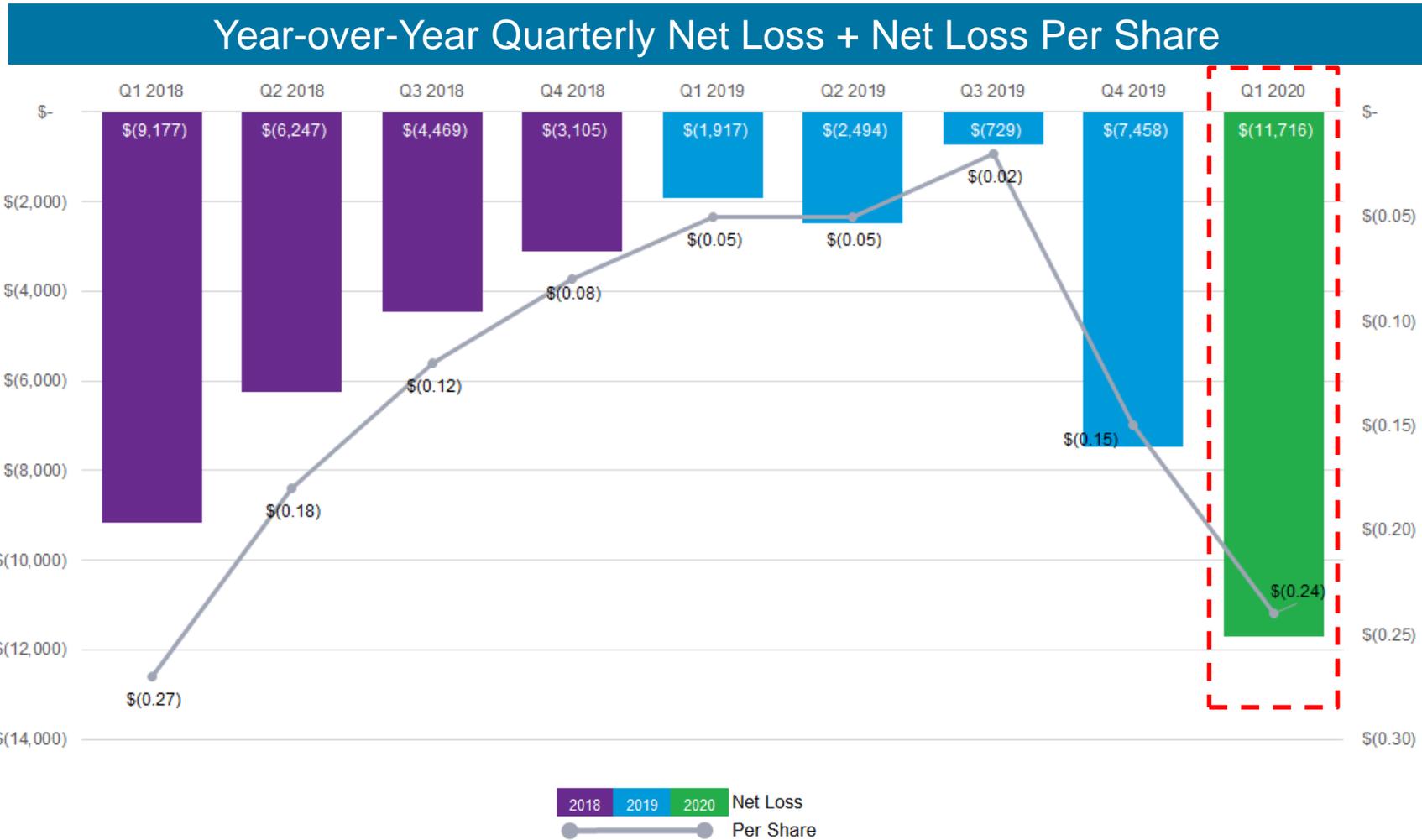
## % of Revenue



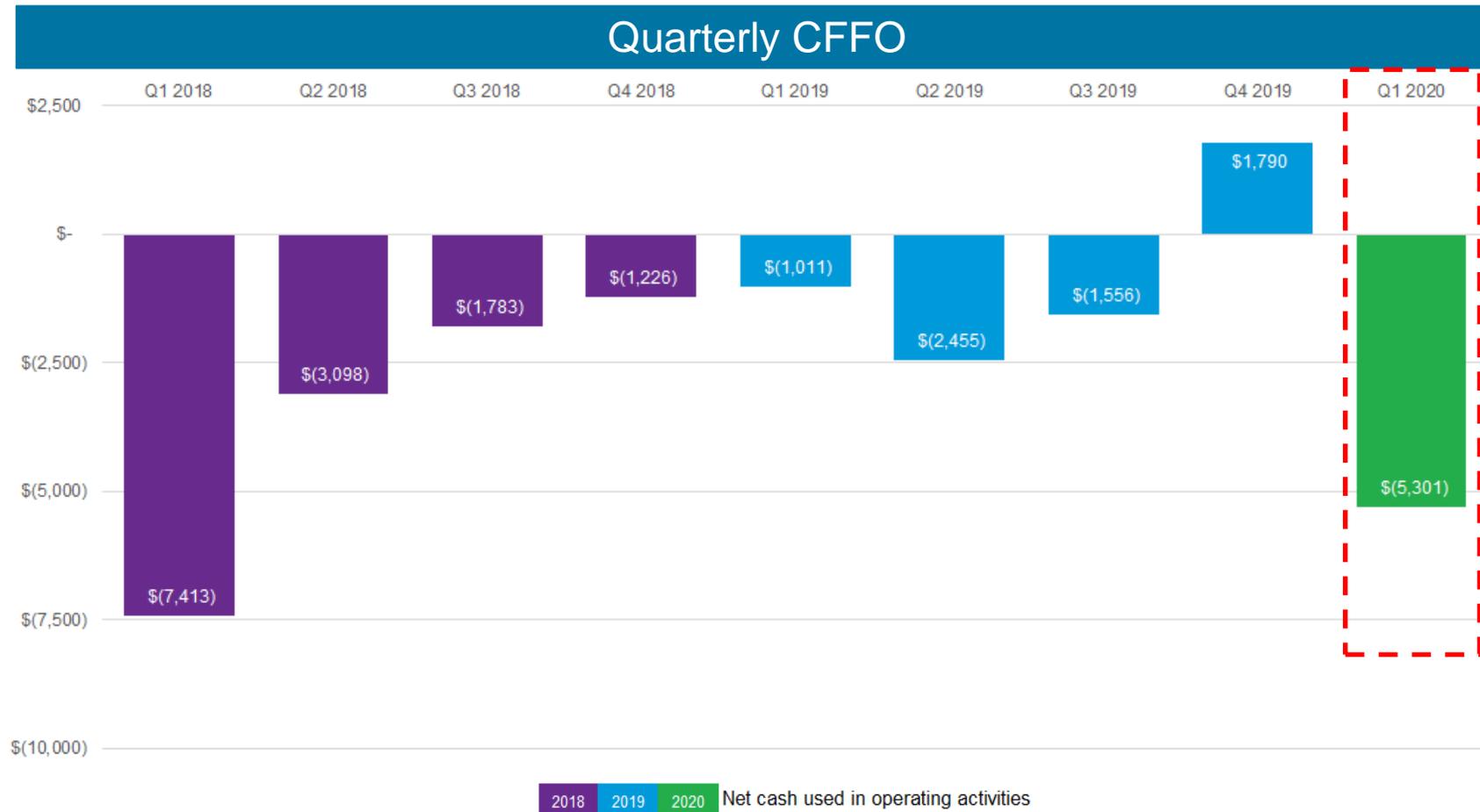
1 – In Q4 2019, G&A Includes \$1.5 million in transaction costs for the NanoString acquisition

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

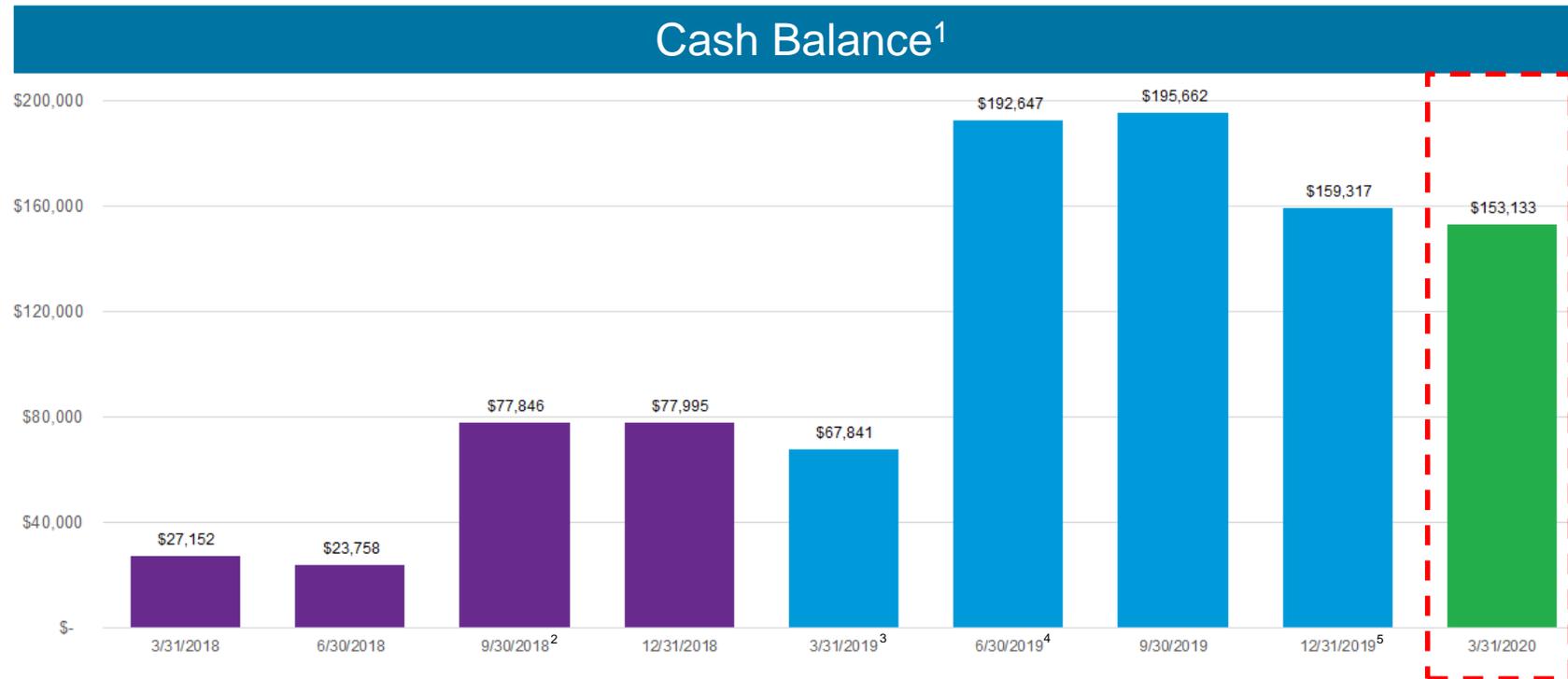
# Net Loss



# Cash Flow From Operations



# Cash Balance



1 – Cash balance excluding restricted cash

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

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

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

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

# Catalysts to drive continued momentum through 2021

	Product & Testing Revenue	Collaboration Revenue	Evidence Development	Pipeline Advancement / Menu Expansion
<b>2020</b>	<ul style="list-style-type: none"> <li>TBD due to Covid19 impact</li> </ul>	<ul style="list-style-type: none"> <li>Loxo/Lilly Thyroid Cancer</li> <li>Acerta Pharma / Astra Zeneca Lymphoma</li> </ul>	<ul style="list-style-type: none"> <li>Envisia publications/abstracts/presentations</li> <li>Percepta publications/abstracts/presentations</li> <li>Prosigna publications/abstracts/presentations</li> </ul>	<ul style="list-style-type: none"> <li>Afirma XA enhancements</li> <li>Nasal swab data</li> <li>NOBLE trial initiation</li> <li>LymphMark advances</li> </ul>
<b>2021</b>	<ul style="list-style-type: none"> <li>Guideline inclusion (pulmonology)</li> <li>Reimbursement Expansion (pulmonology)</li> </ul>	<ul style="list-style-type: none"> <li>Johnson &amp; Johnson nasal swab lung cancer</li> <li>Loxo/Lilly Thyroid Cancer</li> <li>Acerta Pharma / Astra Zeneca Lymphoma</li> </ul>	<ul style="list-style-type: none"> <li>Nasal swab pivotal clinical validation</li> <li>Envisia nCounter data</li> </ul>	<ul style="list-style-type: none"> <li>Nasal Swab US Launch</li> <li>Envisia nCounter Launch</li> <li>Percepta Atlas Launch</li> </ul>