Third Quarter 2018 Performance

Investor Financial Presentation

October 29, 2018

Safe Harbor Statement

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.

These risks and uncertainties include, but are not limited to: our history of losses since inception; our ability to successfully transition to our next-generation Afirma Genomic Sequencing Classifier; the performance and acceptance of our Percepta and Envisia classifiers and our ability to drive revenue growth across our endocrinology and pulmonology franchises; our ability to increase usage of and reimbursement for the Afirma and Percepta classifiers and to obtain adequate reimbursement for our Envisia classifier, as well as any future products we may develop or sell; our dependence on Thyroid Cytopathology Partners to perform the cytopathology component of our Afirma test; our ability to continue our momentum and growth; our dependence on a few payers for a significant portion of our revenue; the complexity, time and expense associated with billing and collecting from payers for our classifiers; laws and regulations applicable to our business, including potential regulation by the Food and Drug Administration or other regulatory bodies; our dependence on strategic relationships and collaborations; unanticipated delays in research and development efforts; our ability to develop and commercialize new products, and the timing and speed of commercialization; our ability to successfully enter new product or geographic markets; our ability to conduct clinical studies and the outcomes of such clinical studies; the amount by which use of our products is able to reduce invasive procedures and reduce healthcare costs; our ability to achieve sales penetration in complex commercial accounts; the occurrence and outcome of clinical studies; the timing and publication of study results; the applicability of clinical results to actual outcomes; the continued application of clinical guidelines to our products and their inclusion in such clinical practice guidelines; our ability to compete against other companies, products and technologies; and our ability to protect our intellectual property; and our ability to obtain capital when needed.

Additional risks and uncertainties that could affect our financial results are included under the caption “Risk Factors” in our Annual Report on Form 10-K for the full year ended December 31, 2017, and our most recently filed Quarterly Report on Form 10-Q, which are available on our Investor Relations website at www.investor.veracyte.com and on the SEC website at www.sec.gov. These forward-looking statements speak only as of the date hereof. We specifically disclaim any obligation to update these forward-looking statements.

This presentation also includes certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles, or GAAP. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. We have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the appendix.

Financial KPIs[1] – Q3 2018

Benchmark		Revenue	Genomic Volume	Gross Margin	Operating Expenses (Excludes Cost of Revenue)	Net Loss	Cash Burn[2]
+Variance	+Variance						
-Variance	-Variance						
Actual Q3 2018		$23,466	8,006	65%	$19,509	-$4,469	-$2,442
Prior Year		$17,519	6,533	59%	$16,718	-$7,049	-$5,830
		+$5,947	+1,473	n/a	-$2,791	+$2,580	+$3,388
		+34%	+23%	+6%	-17%	+37%	+58%
Highlights		• Afirma solution +$5.2 million v.PYQ or +29% • Incremental 5% growth v.PYQ attributable to Percepta ($0.5 million) + Biopharma services ($0.3 million)	• 7,606 Afirma (+17%) • 374 Percepta • 26 Envisia		• +$0.4 million in R&D • +$2.2 million in S&M to support investment in field sales (average field sales headcount +27 v.PYQ, increase 55 to 82) • +$0.2 million in G&A		• Improvement in net loss, positive changes to net working capital and lower capital expenditures

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

Note 1 – Key Performance Indicators ("KPIs")
Note 2 – Cash burn is a non-GAAP measure that we define as net cash used in operating activities plus net capital expenditures, such as net purchases of property and equipment. See reconciliation in Appendix.

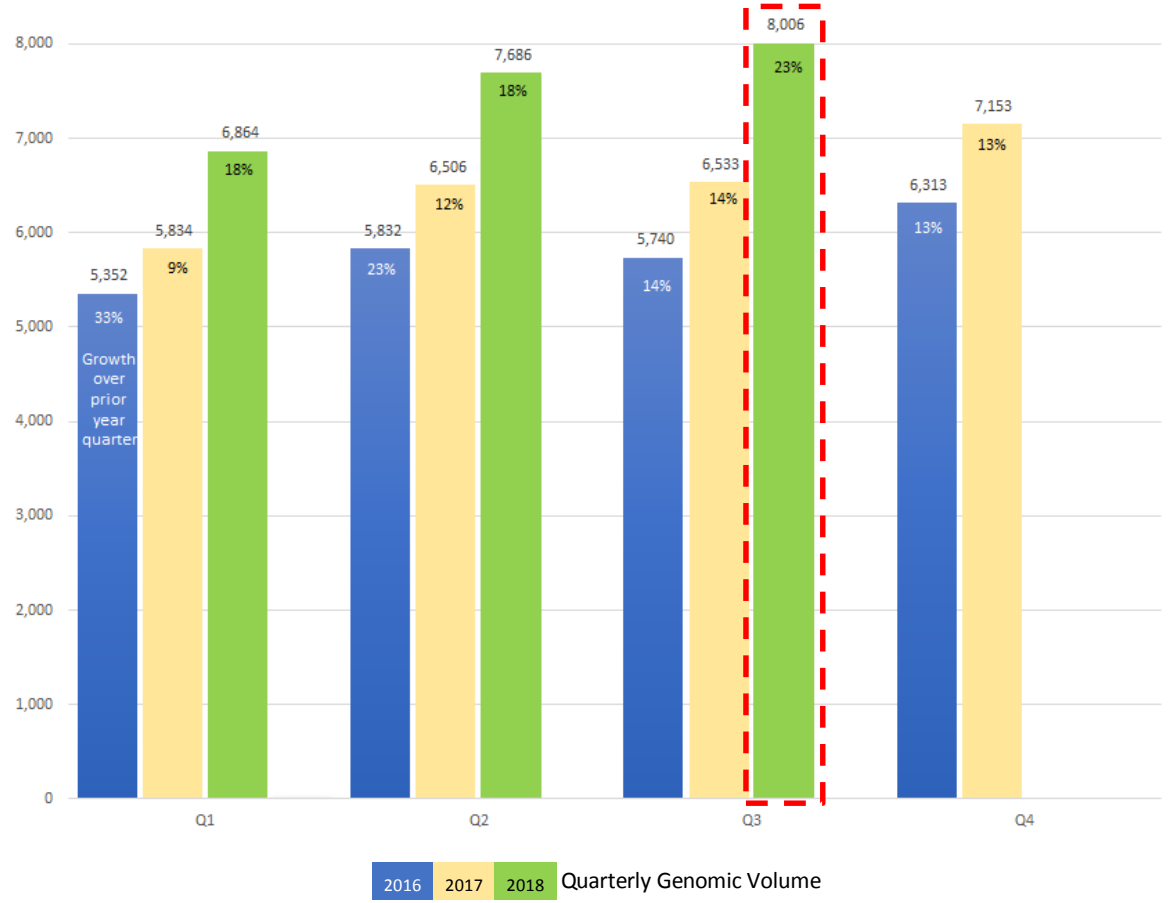
Revenue

Year-over-Year Quarterly Revenue

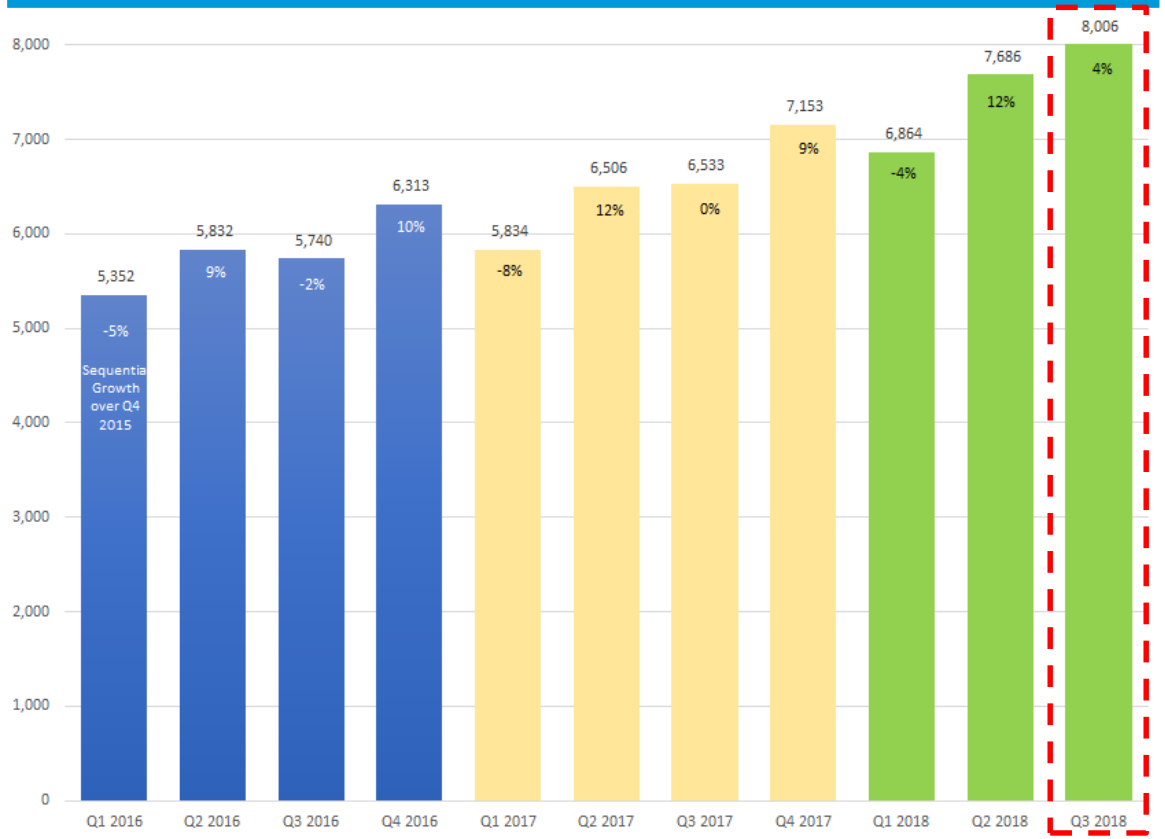
1 – In the quarter ended March 31, 2018, as a result of the related cash collections being higher than previously estimated and cash collection trends, the Company updated its revenue estimates and recognized an additional $0.7 million of revenue for tests performed in prior periods.
2 – In the quarter ended June 30, 2017, as a result of the related cash collections being higher than previously estimated and cash collection trends, the Company updated its revenue estimates and recognized an additional $1.0 million of revenue for tests performed in prior periods.
3 – In the quarter ended June 30, 2018, as a result of the related cash collections being higher than previously estimated and cash collection trends, the Company updated its revenue estimates and recognized an additional $0.5 million of revenue for tests performed in prior periods.
4 – In the quarter ended September 30, 2018, as a result of the related cash collections being higher than previously estimated and cash collection trends, the Company updated its revenue estimates and recognized an additional $0.5 million of revenue for tests performed in prior periods.

Genomic Volume[1]

Year-Over-Year

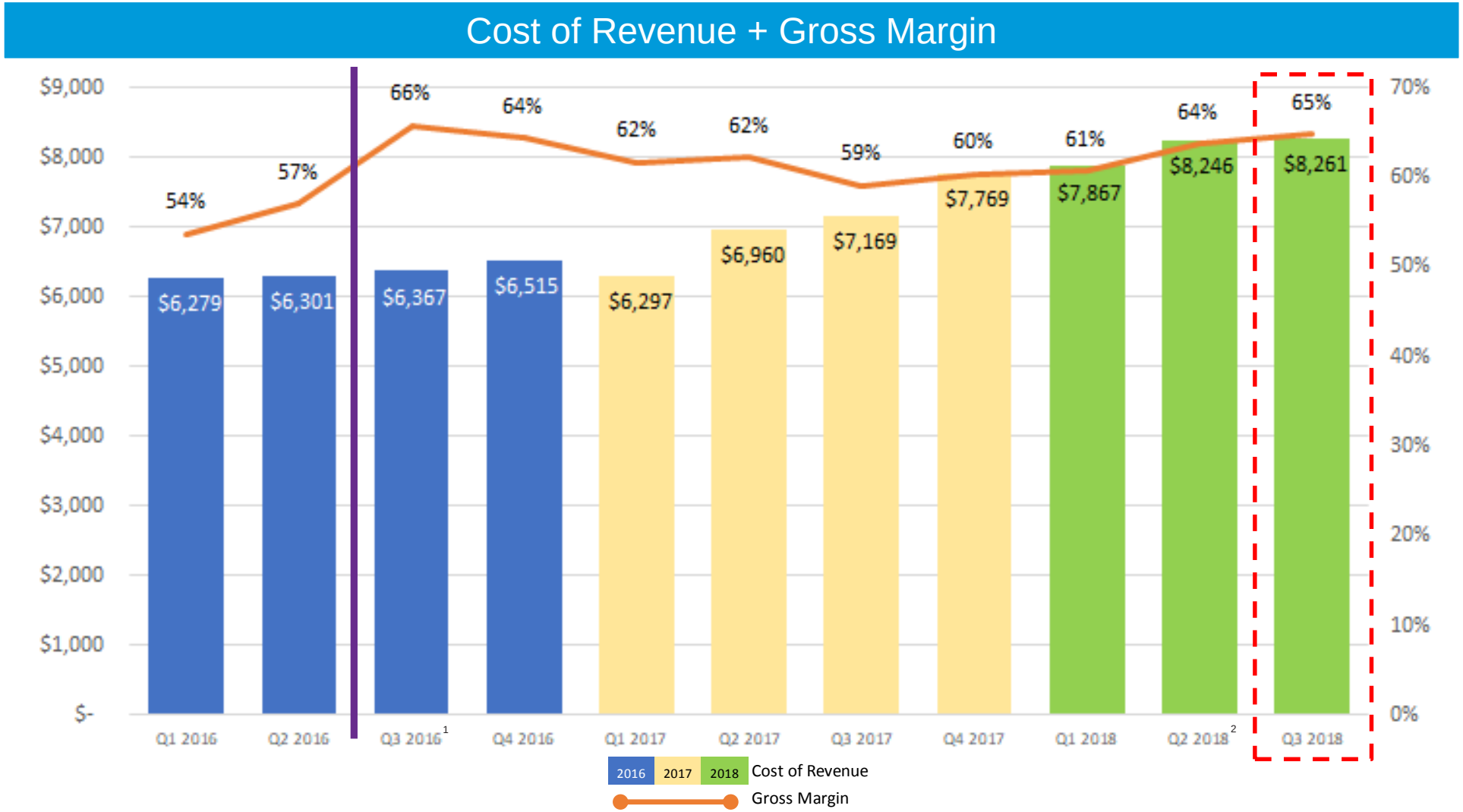


Sequential



Note 1 – Includes commercial Afirma GEC / GSC, Percepta and Envisia reported volume only. Excludes clinical/registry volume.

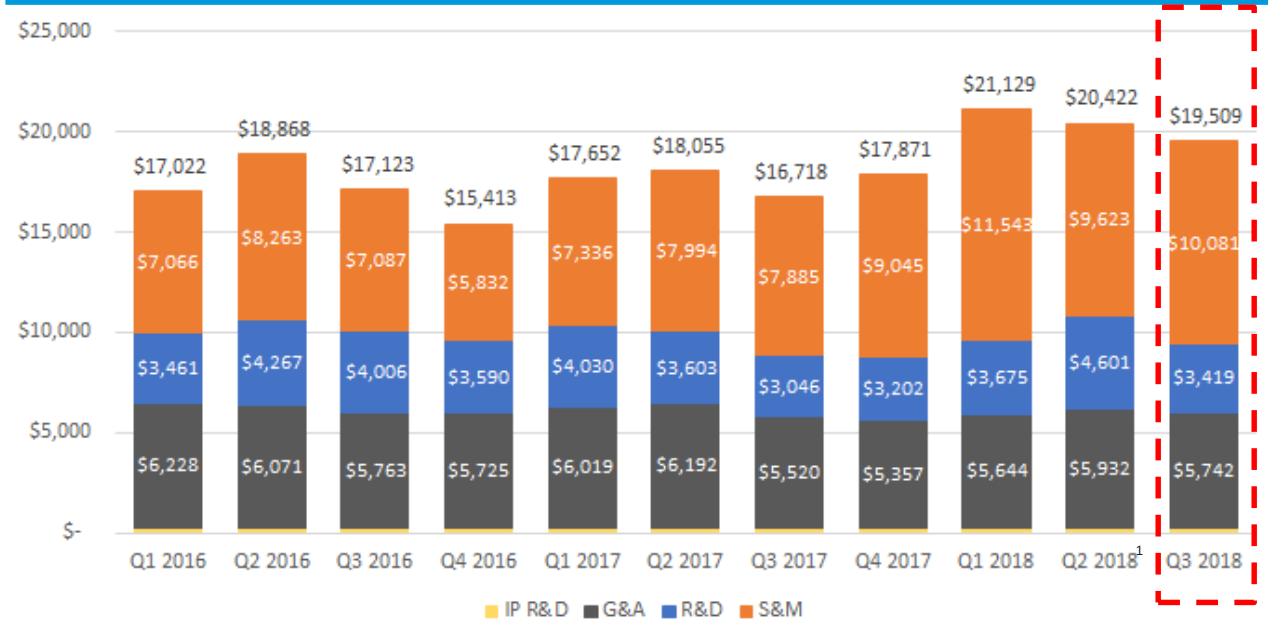
Cost of Revenue + Gross Margin



1 – The Company recognized $3.5 million of incremental revenue during the quarter ended September 30, 2016 upon test delivery that previously would not have been recognized until cash was received. The $3.5 million of incremental revenue represented 19% of the $18.6 million in Q3 2016 total revenue.
2 – Biopharmaceutical service revenue of $0.5 million contributed approximately 70 bps to gross margin for Q2 2018.

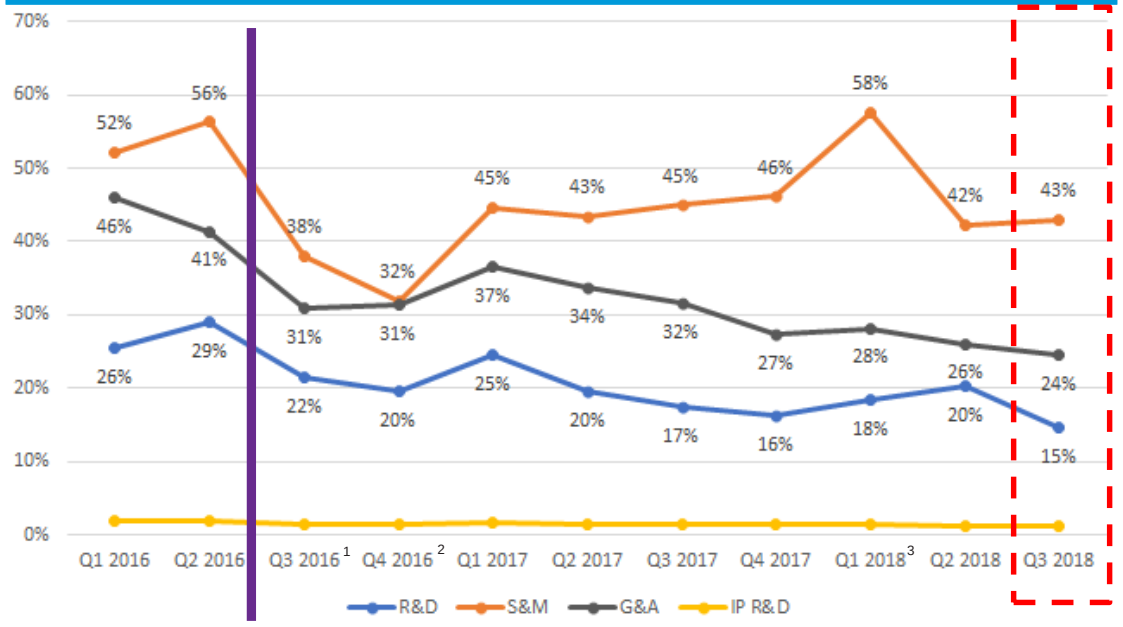
Operating Expenses

Operating Expenses



1 – Includes incremental one-time sequencing costs to advance field-of-injury research.

% of Revenue



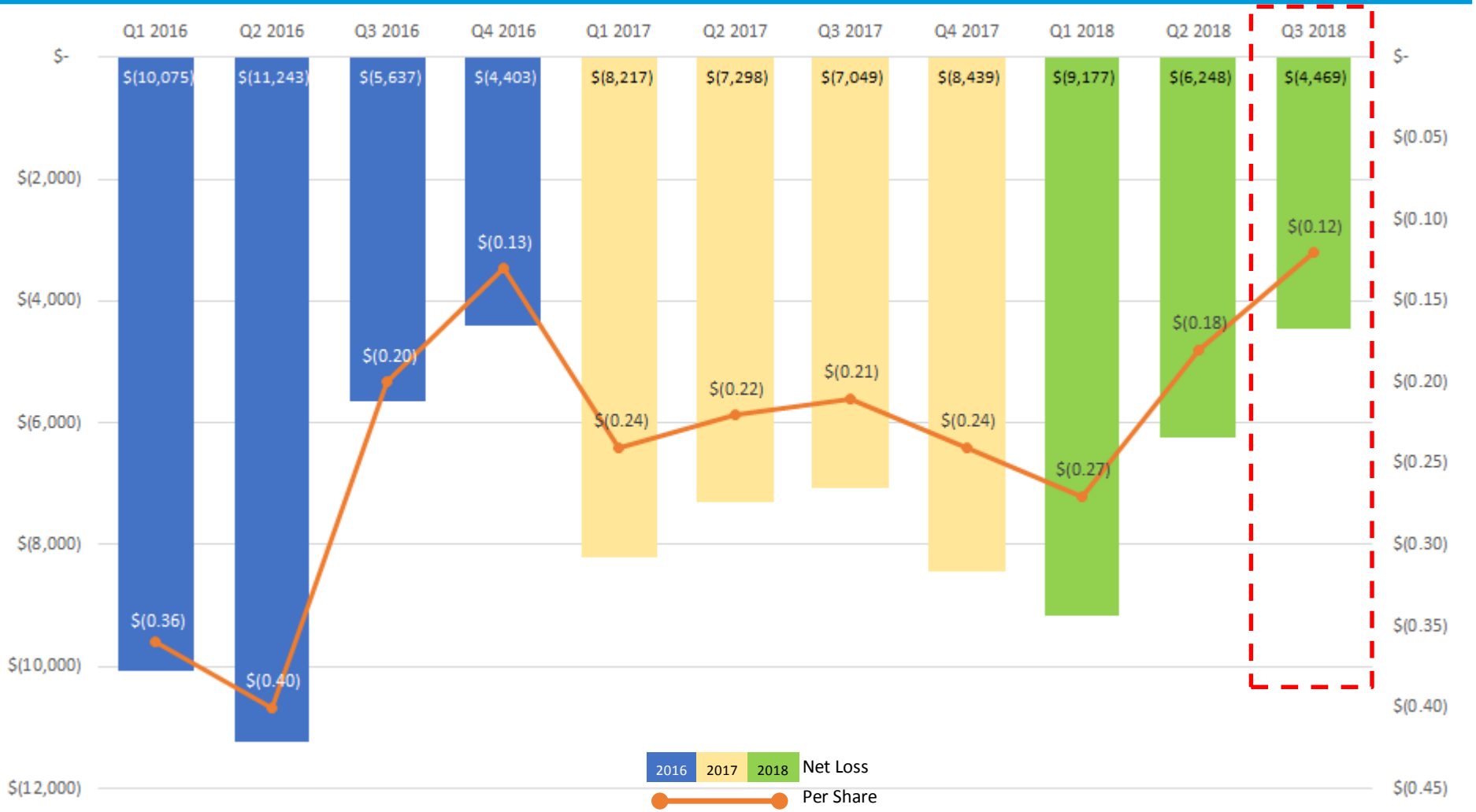
1 – The Company recognized $3.5 million of incremental revenue during the quarter ended September 30, 2016 upon test delivery that previously would not have been recognized until cash was received. The $3.5 million of incremental revenue represented 19% of the $18.6 million in Q3 2016 total revenue.

2 – Genzyme Co-Promotion Agreement terminated effective September 9, 2016 (Q3 2016). Over the four quarter period ended September 30, 2016, the average quarterly expense for the Genzyme Co-Promotion Agreement was $1.7 million or 11% of revenue. There were no material Genzyme Co-Promotion expenses after Q3 2016.

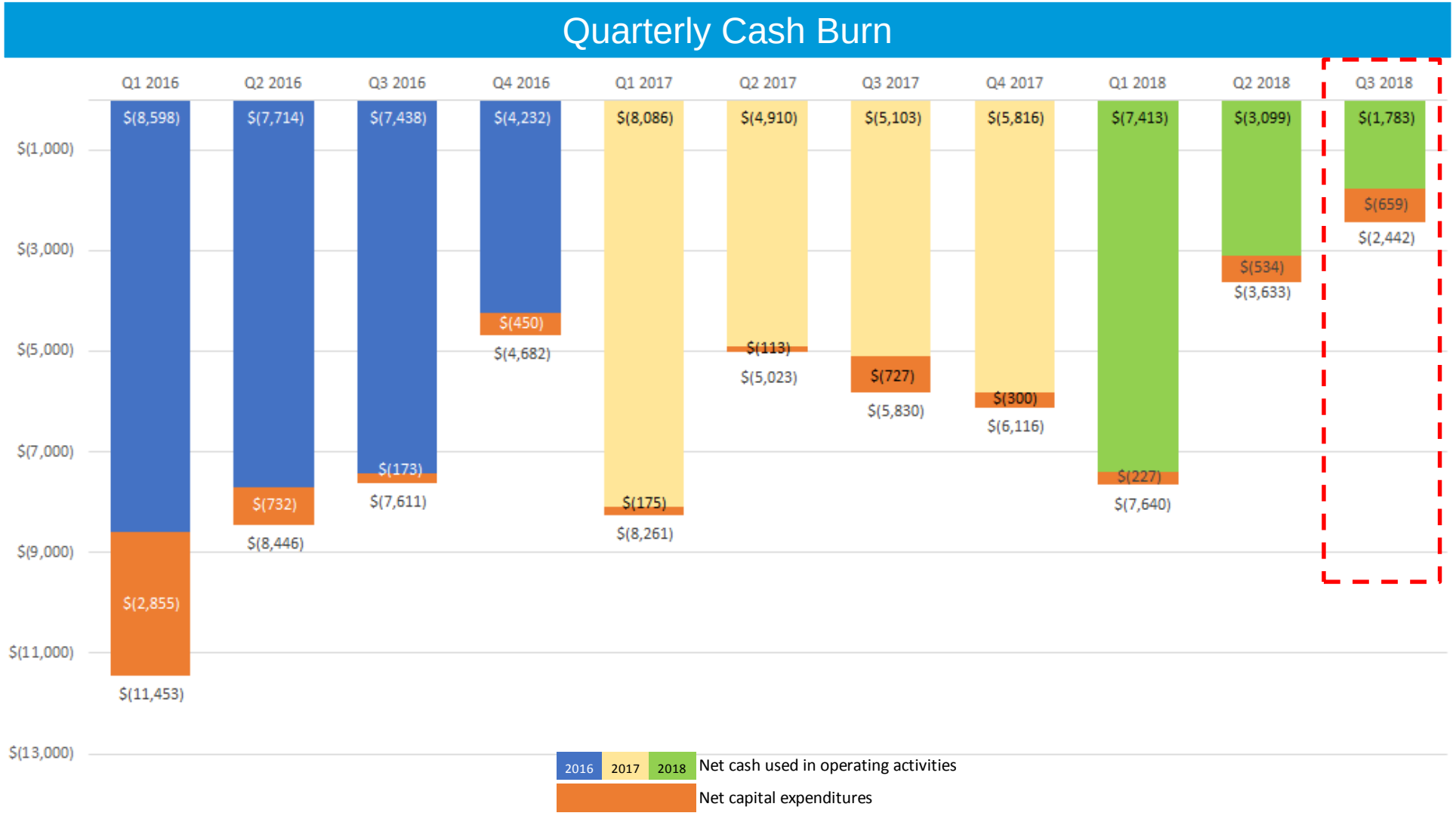
3 – S&M compensation expense increased $3.6 million in Q1 2018 compared to the same period in 2017, principally due increased sales compensation as we continue to build out our multi-product sales force. Our average field-sales headcount increased 46% over the prior year from 48 people to 70 people.

Net Loss

Year-over-Year Quarterly Net Loss + Net Loss Per Share



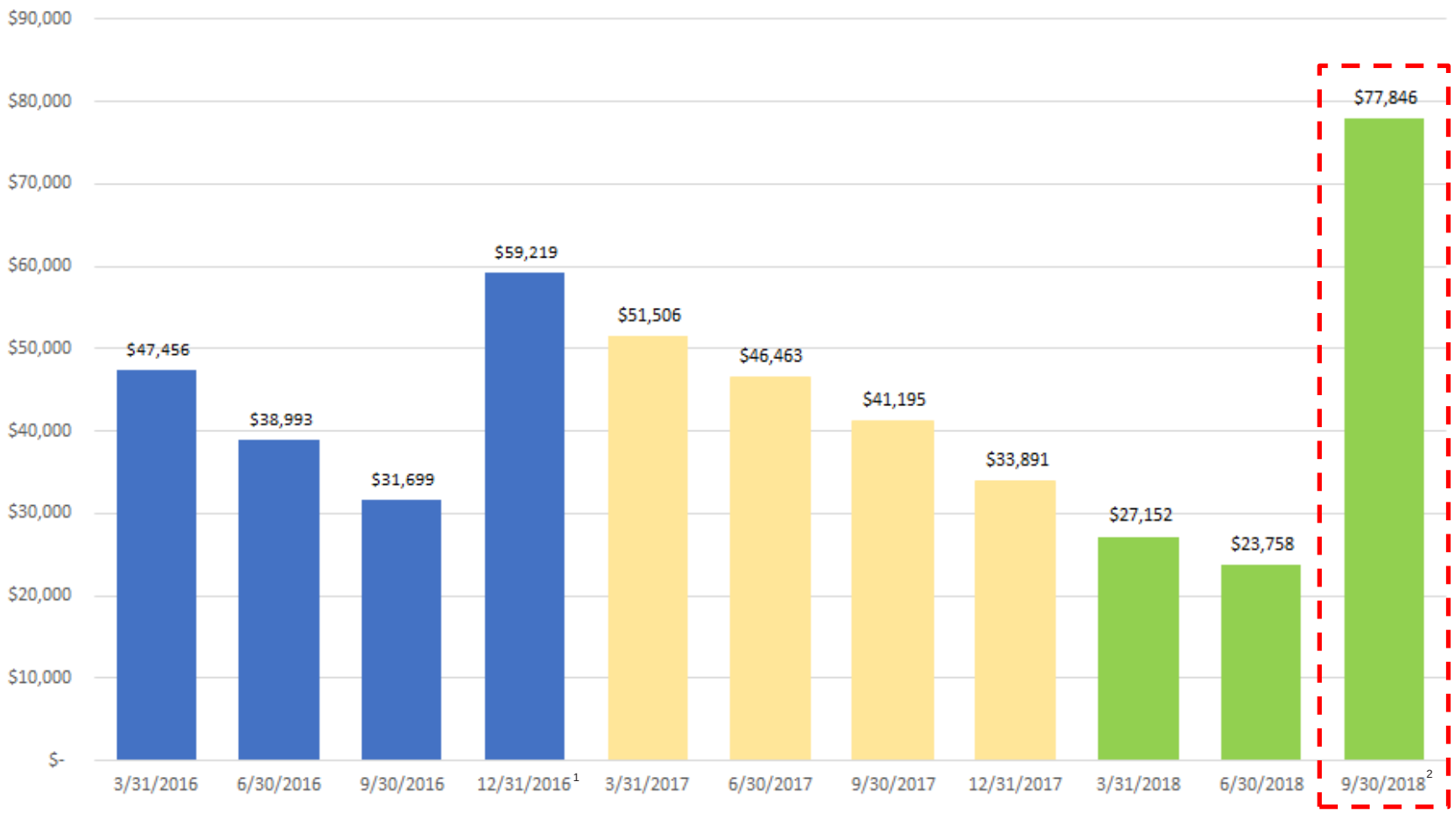
Cash Burn[1]



Note 1 – Cash burn is a non-GAAP measure that we define as net cash used in operating activities plus net capital expenditures, such as net purchases of property and equipment. See reconciliation in appendix.

Cash

Cash Balance



1 – In November 2016, the Company completed a public offering of 5.7 million shares of its common stock, raising $31.9 million in net cash proceeds.
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.

Appendix

Non-GAAP Financial Measures

Reconciliation of Net Cash Used in Operating Activities to Cash Burn

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Net cash used in operating activities	$ (8,598)	$ (7,714)	$ (7,438)	$ (4,232)	$ (8,086)	$ (4,910)	$ (5,103)	$ (5,816)	$ (7,413)	$ (3,099)	$ (1,783)
Plus purchases of property and equipment	(2,855)	(732)	(173)	(450)	(615)	(113)	(727)	(300)	(227)	(534)	(659)
Less proceeds from the sale of property and equipment	-	-	-	-	440	-	-	-	-	-	-
Cash burn	$ (11,453)	$ (8,446)	$ (7,611)	$ (4,682)	$ (8,261)	$ (5,023)	$ (5,830)	$ (6,116)	$ (7,640)	$ (3,633)	$ (2,442)
Net cash used in investing activities	$ (2,855)	$ (732)	$ (173)	$ (450)	$ (175)	$ (113)	$ (727)	$ (300)	$ (227)	$ (534)	$ (659)
Net cash (used in) provided by financing activities	$ 19,945	$ (135)	$ 317	$ 32,202	$ 548	$ (20)	$ 442	$ (1,188)	$ 901	$ 239	$ 56,530

To supplement our financial statements prepared in accordance with U. S. GAAP, we monitor and consider cash burn, which is a non-U.S. GAAP financial measure. This non-U.S. GAAP financial measure is not based on any standardized methodology prescribed by U.S. GAAP and is not necessarily comparable to similarly-titled measures presented by other companies. We define cash burn as net cash used in operating activities plus net capital expenditures, such as net purchases of property and equipment. We believe cash burn to be a liquidity measure that provides useful information to management and investors about the amount of cash consumed by the operations of the business, including our purchases of property and equipment. A limitation of using this non-U.S. GAAP measure is that cash burn does not represent the total change in cash and cash equivalents for the period because it excludes cash provided by or used for other investing and financing activities. We account for this limitation by providing information about our capital expenditures and other investing and financing activities in the statements of cash flows in our financial statements and by presenting cash flows from investing and financing activities in our reconciliation of cash burn. In addition, it is important to note that other companies, including companies in our industry, may not use cash burn, may calculate cash burn in a different manner than we do or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of cash burn as a comparative measure.

Because of these limitations, cash burn should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP. The reconciliation of cash burn to net cash used in operating activities is provided in the table above (in thousands of dollars).